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Burial societies in South Africa: History, function and scope

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1. INTRODUCTION

1.1 Background

The informal financial sector is the primary option for financial service provision for the poor in all settings. This is also true in South Africa. The importance of this sector in South Africa (and elsewhere) is often ascribed to the lack of access to formal financial services to the poor. This implies a lack of formal providers in poor and underdeveloped areas, but also a lack of appropriate products and access even where the formal financial sector has a presence in these areas. In addition, the poor normally structure informal arrangements for themselves, thus designing financial services that meet their requirements and fit their profile.

Many versions of financial services for the poor exist, and are usually either individual or group based. Individual services normally provide credit and savings facilities to individual clients, e.g. the informal moneylenders (*Mashonisas*) and the informal savings collectors (referred to as “money guards” in certain settings). The bulk of the informal financial transactions occur in group-based activities. The most popular version internationally is the Rotating Credit and Savings Association and, in South Africa, what is called the *stokvel*. The range of different organisations in South Africa offering such group-based financial activities was well described in the DGRV-funded research on group-based financial services in rural areas (Coetzee & Cross, 2001). In this study, the focus is on burial societies, which is the group-based format enjoying the most support (measured in participation) in South Africa.

The burial society is a rather unique informal self-insurance scheme designed to absorb some of the expenditure associated with the social activities and cultural requirements of (predominantly black) funerals. Ngwenya (2000) defines a burial society as a relatively autonomous, historically distinct mutual aid local institution, which may be occupational or gender based, and whose goal is to provide social relief and support (material and non-material) to a member or member’s family experiencing conditions of distress due to a death. Burial societies are formed by people from mostly the same community to cover the costs of burying members in the event of their death (Coetzee, 1997). It operates on the basis of a monthly contribution by a group of people (mostly from the same area and/or family) and a partial payout to assist with funeral costs. In most African societies, the ability of individuals, families and communities to give their next of kin a dignified burial remains a very significant cultural event. As such, the ability of individuals to mobilise resources and provide social relief to a household in distress during the funeral process is very important in reconstituting family relations. Burial societies play a noteworthy role in making it possible for individual members to have direct access to, and control over, financial resources in such times of need.

Burial societies are a well-known informal financial mechanism in South Africa, with an estimated participation of 6 million people. It is, therefore, unsurprising that this sizable market has attracted a great deal of attention from the formal financial and insurance sector. Several attempts have been made to formalise burial societies, with varying degrees of success. This is seen to be due to the lack of in-depth understanding of the detailed functioning of these institutions.

The purpose of this study is, therefore, to scrutinise the function, history, changes, scope and size of burial societies in South Africa. The DGRV sees this as an important area where the concept of member-based financial services can be furthered, and thus a better understanding of the phenomenon is required.

1.2 Research objectives

The objective of this study is to contribute to the present knowledge and understanding of the functioning, history, changes, scope and size of burial societies in South Africa.

The specific objectives of this study are to:

- Give a brief historical overview of burial societies in South Africa
- Understand the formation and functioning of burial societies in different settings in South Africa
- Analyse the trends with respect to changes in the format and function of burial societies over time in South Africa
- Examine the national size of the collective burial societies in South Africa, and to give an estimation in terms of numbers, mobilisation and application of funds
- Make proposals in terms of the opportunities available for improving the efficiency of the current situation by using more structured approaches and linking with the formal financial sector.

1.3 Structure of the report

The report is divided into six sections. Following the introduction and the background in Section 1, Section 2 discusses the methodology used and the collection of information. Section 3 provides a literature review specifically on the supply of financial services to lower income groups in South Africa. It also touches on a historical overview and trends, as well as the functioning of burial societies in South Africa. Section 4 presents the analysis of results based on various techniques employed in this study. The results of the qualitative interview are summarised and the main points of interest concerning the terms of reference are highlighted. Section 5 elaborates on the scope and size of burial societies. Section 6 concludes the study by

summarising the main findings and making recommendations for furthering member-based financial services.

2. METHODOLOGY

The methodology used in this study centred around two main components, the first being an extensive literature review. In this review, the documentation and information available from other sources, for example media research reports, were studied. The information needed to understand the functioning of burial societies necessitated the gathering of primary data through interviews with group members. This formed the second component of the study.

2.1 Research methods

The study used qualitative methods such as focus group discussions based on participatory rapid appraisal (PRA) techniques and in-depth interviews (using discussion guides) with members of burial societies and other stakeholders. PRA is a tool by which participating communities, with the assistance of outside facilitators, collect and analyse information about their own lives and community.¹

- *Financial Sector Trend Analysis.* This PRA technique is useful in determining which financial services have been used over time by which socio-economic or sociocultural stratum of society. It thus highlights the changes in the use and/or availability of a variety of financial services over time, and the reasons why participants use them.
- *Product Attribute Ranking.* This PRA technique can be used to explore a wide variety of issues when an understanding of the relative importance or desirability of a product is needed. Alternatively, members' satisfaction or dissatisfaction with different elements of burial societies can be explored and perceptions captured.
- *Discussion Guides.* The researchers used guided discussions with interview groups involved in burial societies to gain an insight into how they operate. Interviewing a group of six to eight people at the same time allowed the researchers to capture different views from different people, and yielded more information in a shorter time period.

¹ The study made use of the techniques developed by MicroSave-Africa. MicroSave-Africa is based in Nairobi and more information can be obtained from their website at www.MicroSave-Africa.com.

2.2 Data collection

The study relied on both secondary and primary information. Secondary information included the following:

- Information from earlier work done by the researchers in this study
- Information obtained from countrywide consumer and market surveys
- Information gathered by groups and organisations that interact with informal financial groups

The primary information was obtained through qualitative research. Focus group techniques were used to study the financial needs of burial societies, how they operate and the problems they encounter in different settings (e.g. urban vs. rural). This part of the research was done by Fukama, an organisation that is experienced in working with informal groups and developing long-term sustainable approaches for improving the financial services for these groups. Fukama is a trust responsible for mobilising savings groups and burial societies for investment purposes.

Twenty-eight groups of people involved in burial societies were interviewed in selected provinces (Gauteng, Mpumalanga and Eastern Cape). These provinces were chosen after looking at factors such as the languages of the moderators and the concentration of members. The interviews were conducted in the participants' own language so that they could express themselves freely. Participants were encouraged to disclose their experiences with, and attitudes towards, burial societies and also the manner in which these currently function. Two female interviewers who received intensive training in PRA techniques used in this study conducted the interviews, most of which were tape-recorded.

3. LITERATURE REVIEW: SUPPLY OF FINANCIAL SERVICES

3.1 Introduction

This section presents a literature review of the formal and informal financial services in South Africa, focusing on the supply of financial services to the poor. The informal financial sector is the primary source of financial service provision available to the poor, and its importance is often ascribed to the lack of access to formal financial services for the poor. A historical overview of burial societies in South Africa is also presented in this section, based on information from various reports. The opportunities available for improving the efficiency of the current situation and linking it with the informal financial sector are also addressed in this section.

3.2 Livelihood strategies of the economically active poor

SMMEs in rural and informal settlements are survivalist by nature, as they are utilised as a strategy for survival, rather than as a result of perceived business opportunities. According to a study commissioned by Ntsika (1998) on rural SMMEs, these enterprises are commonly found in the retail and service-related sector, rather than in manufacturing. In the retail sector most SMMEs are general dealers, cafes, spaza shops, tuck shops, shebeens, bottle stores and hardware stores. In the service sector they are mostly concerned with hairdressing, transport activities, motorcar repairs, panel beating, shoe repairs and electrical repairs. In the manufacturing sector, they are involved with beer brewing, brick making, metal works, dress making, knitting, baking, small maize milling, craft production and woodworking.

The major constraints associated with the development of these SMMEs in the rural areas are as follows:

- The high incidence of poverty and unemployment among population groups containing the poorest 10 per cent of South Africans, of whom 77 per cent are Africans living in rural areas. The highly skewed distribution of incomes in rural areas goes hand in hand with highly inequitable levels of literacy, education, health facilities, housing and lack of access to water and fuel.
- Lack of financial support emanating from systematic weaknesses of rural financial markets, namely poverty, low population density, isolated markets, high covariant risk, small transactions, high transaction costs, seasonality of production, lack of traditional collateral and limited opportunities for risk diversification. This is further constrained by the lack of infrastructural facilities.
- Limited demand and markets emanating from limited expanding enterprises and the predominance of start-up SMMEs based on household survivalist strategies.

These conditions have been exacerbated by the lack of understanding of the survivalist strategies of the economically active poor. A FinMark study (2002) argues that a distinguishing feature of livelihood strategies of poor South African communities is that the cash that lubricates them is introduced by formally employed people, by means of casual expenditure (e.g. purchases at spazas; personal care) and public transfers (gifts and/or state grants). Indeed, it is increasingly recognised that the basis of the cash economy in many rural areas, particularly in the ex-homelands, is the pension, disability and childcare grant systems, supplemented by transfers from employed relatives in urban areas.

For example, a typical Northern Province ex-bantustan “village” near a larger town might be home to thousands of households whose only source of cash is government grants and occasional remittances from urban relatives. Most

household-based microenterprises (HBMEs) in such a village are based on strategies to capture a portion of this cash by producing goods and services for sale to other local households. The absolute limit for the prices of such goods and services is the price of comparable goods in formal sector shops in the nearby town, plus transport costs and the time to get to them. Such HBMEs typically earn no more or less than most other households in the village, with growth being limited by the availability of cash to the overall village economy and the proximity of formal sector competition.

There is little or no scope for individual HBMEs to “graduate” to SME status, because there is not enough cash in the village economy to fund purchases of their goods or services apart from the few “niches” they exploit. The influx of cash is more or less fixed by the number of grant recipients and the value of the grants. The situation is very much the same in many urban townships.

Despite the limited growth of the village economy due to lack of cash, the economically active poor save for emergencies using various indigenous institutions such as *stokvels* or *umgalelos*, etc. Yet the specific use of micro savings to enhance livelihood strategies is limited in South Africa, despite wide recognition of its importance elsewhere in the developing world. Even institutions such as the financial service cooperatives (or village banks), which recognise the importance of savings, have not been able to link micro savings directly with wealth creation, enterprise development and capital retention. This situation has left the vast majority of the South African economically active poor out of the loop, with very limited participation in the economy and marginal access to financial services.

3.3 Demand for financial services for the economically active poor

There is a strong demand for financial services such as credit and savings for the economically active poor. According to Robinson (2001), where available, these financial services help low-income earners improve household and enterprise management, increase productivity, smooth income flows and consumption costs, enlarge and diversify their micro businesses and increase their incomes.

Despite this huge demand, less than half of the economically active poor currently avail themselves of banking and financial services. No comprehensive study on the overall supply of financial services to this market exists, although the Living Standard Measurement (LSM) categories summarised below do give an indication of its use of such services (Eskom, 1998 and FinMark, 2002).

In this LSM categorisation poorer people are considered to be those below LSM 5, and the following can be concluded about their use of formal banking and financial services.

- LSM 1 – This group does not make use of formal sector financial services. Even the informal services are characterised by limited to extremely low levels of usage (e.g. 0,2 per cent of stokvels in any one month and 0,4 per cent of funeral policies).
- LSM 2 – One in ten (approximately 9 per cent) of this group has a savings account, with 3 per cent having access to it via an ATM card. Apart from the 2 per cent who have taken out funeral insurance, and the small numbers (1 per cent) who attend stokvel meetings in any one month, other financial services are not used at all.
- LSM 3 – Apart from savings accounts (11 per cent), some of which have ATM facilities attached (5 per cent), usage of other financial services, both formal and informal, remains low.
- LSM 4 – Use of financial products is still fairly basic at this level. One in five has a savings account, and half this number an ATM card. Some other financial and insurance products begin to appear around the 1 per cent level, whereas funeral policies reach 6 per cent.
- LSM 5 – Apart from the increased incidence of savings accounts (28 per cent) and ATM cards (18 per cent), little use is made of formal sector facilities, although funeral insurance is held by 7 per cent. Stokvels are only attended by 3 per cent of this group.
- LSM 6 – This group is the first that begins to make substantial use of formal sector products: 56 per cent have a savings account and 38 per cent an ATM card. Other banking products are hardly used, but insurances become more frequent: around one in ten persons has medical aid, the same proportion has a life policy, and 14 per cent have funeral insurance. Retirement annuities and endowment policies record incidences of about one in 20. This is similar to the monthly stokvel attendance rate of 6 per cent, which here, reflecting the group's income level and hence larger amounts of discretionary income, is at its highest level.
- LSM 7 – The full range of financial products is widely used in this group. Apart from savings accounts and ATM cards, which are widespread if not universal, cheque accounts are used (16 per cent), along with transmission accounts (9 per cent). There is a wide range of insurance products: 40 per cent have medical aid, 28 per cent a life policy and 13 per cent a retirement annuity. Credit card ownership is still marginal (6 per cent) and so, too, garage cards (2 per cent). Still largely missing from the list are stock exchange investments.
- LSM 8 – Given the wealth of this group, all formal financial services achieve above average usage. However, the size of the gap between LSMs 7 and 8 is striking. Cheque account usage goes up from 16 to 55 per cent,

cards from 6 to 35 per cent, petrol/garage cards from 2 to 19 per cent, ATM cards from 51 to 71 per cent, medical aid from 40 to 69 per cent, short-term insurance from 10 to 39 per cent, life insurance from 28 to 52 per cent, and endowment policies from 19 to 46 per cent. Investments on the Stock Exchange are at their highest level, namely 9 per cent.

3.4 Overview of the supply of financial services to the poor

Many different types of individuals and companies are involved in supplying financial services (mostly credit) to the poor and low-income individuals. Some of the suppliers are in the formal sector, although many more are in the informal sector. The informal sector refers to those suppliers who do not fall under the jurisdiction of laws, taxes and other regulations (Mohane et al., 2000). The demand for banking services by the lower-income strata of the population is growing rapidly, due to several factors. These include the current low frequency of use of formal financial services by the poor, increased income of the lower strata, urbanisation and – perhaps the most important incentive – the relaxation of the Usury Act to loans below R10 000 (DGRV, 2000).

In reaction to this demand, there has been considerable growth in the microfinance sector, the biggest source being the microlending sector. The contribution of the microfinance sector to the national economy cannot be easily quantified because of the informal nature of many of the participants in the industry. On the other hand, the conventional formal banking sector seems inappropriately structured to satisfy this rapid growth in demand and until recently, chose not to engage directly (DGRV, 2000). Borrowing money from the conventional banking sector can be very difficult, if not impossible for the lower-income earners.

Informal financial activities are common throughout the world and it is assumed that they serve a broad spectrum of the population. Although the perception exists that informal activities only take place due to the unavailability of formal financial services, this cannot be entirely true because informal financial arrangements exist even in formal financial intermediaries – between staff members (Von Pischke, cited by Coetzee, 1997). The existence of these activities signals a need for types of services not supplied by formal intermediaries (Coetzee, 1997).

Descriptions and discussions of the following types of informal service providers in South Africa were found in the literature:

- Moneylenders, also referred to as *mashonisas* in the South African context (a Zulu name for “a person who makes one bankrupt” or “a person who keeps one down”), are individuals or institutions involved in lending activities as part of their occupation. The *mashonisas* specialise in short-term loans generally for 30 days, depending on the agreement between the

lender and the borrower. Interest rates are in the range of 50 per cent per month, although no additional interest is charged if the borrower is late, effectively reducing the cost of lending (Mohane et al., 2000). Timberg and Ayar (as quoted by Coetzee, 1997), report that moneylenders usually lend to a generally consistent group of borrowers. In Polokwane (formerly Pietersburg), for instance, some of the moneylenders are highly organised in the sense that they have regular clients who are given particular codes for identification, thereby reducing the transaction cost (Kgowedi, 2002). In agriculture, moneylenders are often fellow farmers or businesspeople with surplus funds (savings). Others are professional, and their main occupation and source of income is moneylending (Coetzee, 1997).

- Family and friends normally provide loans to each other at a very low or no interest rates. Coetzee (1997) indicates that these transactions always involve reciprocal obligations: “I helped you in your time of need, so I trust that you will help me when I need it.”
- Households engaged in trade and business activities (i.e. businesspeople and shopkeepers) include merchants with large ventures as well as small shopkeepers. For them, lending money is a secondary activity (Kgowedi, 2002). Normally they have the advantage of having adequate information about their clients because these live in the vicinity of their businesses and have been clients for some time, so they know them very well.
- Stokvels represent a type of savings association where a group of people make monthly contributions to a common pool. The primary activity of the stokvel is saving; however, members can also obtain credit at reasonable interest rate. Stokvels are formed by a group of people in a community, usually along gender lines, to meet specific needs such as food, money and alcohol, as found in a study in KwaZulu-Natal (Ithala, 2002). These forms of stokvel are common throughout the country. People form a food stokvel when they realise the need to cushion themselves against uneven cash flows, hence to counter food insecurity in times when money is scarce. These food stokvels are usually dominated by not so poor women, who contribute money on either a monthly or a weekly basis, with the objective of purchasing groceries for their households at an agreed time. A money stokvel operates along the same lines, but in this case money, not food, is shared. In an alcohol stokvel, friends agree to rotate days on which they buy alcohol for each other. Stokvels are formed in any way, depending on what their members want to share. The ultimate end of stokvels is about helping one another.
- Burial societies are discussed in the section below.

3.5 Historical overview of burial societies in South Africa

Burial societies in South Africa, as in other African countries, evolved in

response to the country's social and economic stresses. Thomson and Posel (2002) argue that social stresses that were (and continue to be) characteristic of most African societies resulted from migration and urbanisation. These include unemployment, displacement of the rural poor to the towns, crime and violence, poverty, low living standards, poor living conditions, possible decline in rural agricultural production, and so on.

Even though South Africa is seen as one of the richest countries in Africa, it is characterised by the greatest disparity in wealth. Jonathan (2000) argues that South Africa has been plagued by the problem of large socio-economic inequalities that resulted from the apartheid regime and continues to manifest itself in the form of high rates of unemployment, poverty and crime. When writing about the history of burial societies, Ferreira (1983) states that burial societies are invariably directed at the poorer and less educated people. In South Africa, she argues, the disadvantaged, poorer and less educated classes have historically been the black and coloured people. It therefore comes as no surprise that burial societies tend to be more popular in these communities.

Crush (2000) further contends that in South Africa, social and economic stresses – poverty, in particular – forced (and still force) men to leave their rural homes, wives and families to seek employment in urban areas (historically in the mines), where they took up physically stressful and poor paying jobs. Due to the financial hardships born out of low incomes and related problems, these urban migrants sought mutual aid in stokvels and burial societies. Thomson and Posel (2002) state that for urban migrants (particularly migrant men), burial societies became networks of support and affirmation, socially, culturally and economically.

On the other hand, in rural areas, women were left behind with much of the burden of child rearing support and increased social and economic responsibilities. Brandel and Syrier (quoted in Thompson & Posel, 2002) contend that burial societies in rural areas evolved as an economic and social support system for rural women. These burial societies were typically “social clubs as well as vehicles for financial aid”. Most burial societies in rural areas were small and cohesive, comprising members with shared rural and cultural roots. Their regular meetings (normally held monthly) were opportunities for catching up on news in the community, conferring about common concerns, as much as poring over the shared funds of the burial society and adjudicating any claims made against them. To announce and affirm this sense of a shared identity and belonging, burial societies typically required members to wear distinctive uniforms to all monthly meetings, as well as to funerals, which they sponsored.

Over and above the economic and social support function of burial societies, membership of a burial society has always had a sociocultural significance. In most African societies the ability of individuals and families to give their

next of kin a dignified and respectable burial is a very significant cultural event. Many people believe that by joining a burial society they and their family will be given a proper burial, as burial societies cover most of the cost. Historical research has emphasised the priority allocated to burial society contributions, even in the poorest of families. Kuper and Kaplan (cited by Thomson & Posel, 2002) state in this regard: “The attitude of families forced by dire economic straits to discontinue their membership is illuminating in this respect. One of the first things they intend doing when conditions are improved is to resume payment of burial society fees. A pauper’s funeral is to be avoided at all costs.”

3.5.1 Stokvels and burial societies

It has been argued that burial societies grew out of the stokvel movement. It is believed that the dissociation between stokvels and burial societies may be due to the fact that, since burial societies developed, stokvels have developed a subculture of their own, sometimes including extravagant parties, rhythmic music and cases of criminal and violent behaviour linked to a stokvel function have been noted (Verhoef, 2001). This social emphasis is still the norm of some stokvels, especially in urban areas. Burial societies are no longer regarded as stokvels because of their more formal and dignified culture. Whereas the term “stokvels” is reserved for rotating savings and credit associations, burial societies focus on benefits on the death of a member or dependant, and act as a version of accumulating savings and credit associations (ASCAs). Both burial societies and stokvels are mutual assistance schemes, but in view of their cultural, social and functional divergence, it may be better to recognise the clear distinction now being made between them.

3.5.2 Membership of burial societies

Burial societies consist of both men and women, but the latter constitute the majority in most cases. This is because culturally, women bear much of the burden of the household. Membership of burial societies is voluntary and is determined by various factors. Some burial societies are formed based on workplace association, and draw members predominantly from places in urban settings. They can also be communal, their membership being most diverse and inclusive and cutting across social and physical boundaries of place, occupation, educational level, religious orientation and ethnic affiliation. Kgowedi (2002) found that most burial societies in the Limpopo province were based on residential area. This type of burial society was also found in Zwelitsha in the Eastern Cape, where most of the members reside in adjacent streets (Buijs & Atherfold, cited by Kgowedi, 2002). Some burial societies have many members – up to 1 600 – who might live in different areas (Bahre, cited by Kgowedi, 2002).

3.5.3 Characteristics of burial societies

Burial societies are relatively self-reliant. They do not receive financial support from the government, non-governmental organisations or external donors. They rely on monthly subscription payments from their members to build collective funds. Most burial societies deposit the money either in commercial banks or at the post office. Each burial society decides how much funeral support eligible recipients are entitled to.

Members contribute a relatively small amount of money every month or on the terms determined by the burial society. In addition to providing the money for a coffin and funeral ceremony, burial society members also supply and cook the food required to feed the guests, relieve the bereaved family of any domestic work, and attend the traditional night vigil in honour of the deceased person (Lukhele, 1990).

In the course of the twentieth century the fate and lifespan of burial societies varied. Large numbers collapsed in some cases, either early in the life of the society or after many years as a result of conflict over governance or management and disbursement of monies. Remarkably, others persisted as orderly, disciplined and cohesive organisations. Their survival depended, in large measure, on high degrees of mutual trust. Well-known to each other, members expected decisions to be made on the basis of consensus, reached through open discussion led by a chairperson. Considered an upstanding member of the community, the chairperson was expected to consider members' views before coming to a decision, to which all members would then be party.

3.5.4 Major types of burial societies²

Alongside the traditional types of burial societies outlined above, new types have emerged as hybrids of the traditional societies and the more Western practices of funeral insurance. In many instances, these hybrid burial societies have been launched by African entrepreneurs who recognise both the financial advantages of a profit-making insurance company, and the continuing social and cultural attractions of burial societies. Like their traditional counterparts, these hybrid societies draw members together regularly and offer support and solace during cultural rituals of burial and mourning. Unlike in traditional burial societies, however, members of hybrid societies have to a large extent forfeited control over their finances.

In certain key respects, the character and operations of these burial societies are thoroughly unfamiliar. Membership runs into thousands of people, most of whom are wholly unknown to each other. The financial affairs of the

² This information has been sourced from Thomson and Posel (2002).

society are frequently opaque, closed off to the scrutiny of ordinary members and remain the preserve of administrators running a central office. These officials are appointed rather than elected, and available to ordinary members only to handle all their queries or problems if and when these arise. The inner workings of the burial society, therefore, remain inscrutable and remote, in stark contrast to the expectations of openness and active participation that mark the more traditional burial societies.

Like hybrid burial societies, commercial burial societies are not mutual assistance schemes, but commercial operations whose purpose is to earn profits for the administrators. The word “society” is actually a misnomer, as the persons covered by such a scheme have no association with each other. The use of the term “burial society” is apparently designed to create the impression that members belong to an association that is identical in all respects to a traditional burial society, except that they do not need to attend meetings, as the administrator sees to everything. In fact, the use of the name “burial society” to denote such schemes could well be illegal in terms of the Friendly Societies Act. These schemes are merely blocks of individual life assistance policies sold by the administrator, though they may be aggregated into group life schemes.

In the past, burial societies tended to give the formal financial insurance industry a wide berth, as it was dominated by whites and perceived to be culturally alien and insensitive to the burial practices of the African cultures. The traditional burial societies are now facing a serious challenge from emerging types of burial societies.

4. RESULTS, ANALYSIS AND MAIN FINDINGS

4.1 Introduction and approach

As mentioned, the methodology used in this study centred around two main components, the first being an extensive literature and documentation review and the second primary data collection. The latter took place through focus group discussions and the results are presented in this section.

The study was conducted in three provinces (Eastern Cape, Mpumalanga and Gauteng) over a period of 18 days. Three techniques – Discussion Guide (DG), Product Attribute Ranking (PAR) and the Financial Sector Trend Analysis (FSTA) – were used to structure discussions. The study was conducted among the urban (Gauteng) and the peri-urban to the rural (Eastern Cape and Mpumalanga) populations of these three provinces. The research findings were, however, extremely limited in the Eastern Cape. This is mainly because the various burial societies in the Eastern Cape have individual owners, who refused the researchers access to their members. Rain and snow during the fieldwork period also made it difficult for the members to attend some of the

meetings.

Most of the participants who took part in the study are currently Fukama members and mainly female, although a few groups had a mixture of both male and female members. Participants included the employed, street vendors and the unemployed.

The Discussion Guides centred around various issues, e.g. the name of the burial society, who came up with the name, who formed the burial society, when and why it was formed, how the burial society operates, who manages it, how these people are selected, what the requirements for joining are, the demography of the people who join the burial society, how payments are made, what the monthly contribution is, what problems are encountered in the burial society, and what according to their own experience is the key to a successful burial society. Eighteen groups were interviewed using this method.

The Product Attribute Ranking technique focused on what, in the participants' opinion, are the key elements/criteria/attributes of the burial society as a financial product. These key factors reflect participants' view of significant product attributes and also why they deem them as important. Four groups were interviewed using this technique.

The Financial Sector Trend Analysis centred on the financial services that have existed over time and with which participants are familiar, as well as how the use of those services has progressed in their communities. Three groups were interviewed using this technique.

4.2 Main findings

4.2.1 Background

The interviews were carried out in a peri-urban area of Gauteng (Ivory Park), the Eastern Cape (Umtata) and rural areas of Mpumalanga (Standerton, Rathoke and Maklekereng).

- The infrastructure in Ivory Park is fairly developed, with paved roads, running water and electricity. Originally this was an informal settlement of squatter camps; today it has developed into an area with houses that the community has built for themselves. Most of the occupants are involved in projects like sewing, baking, building, making window frames and brick making, while some are street vendors, selling vegetables and fruit.
- The infrastructure in the survey areas in Mpumalanga is not well developed. Most of the houses do not have electricity or running water, nor do they have proper roads. The occupants of these areas are involved in a variety of small businesses, which include sewing and baking, and

some are street vendors selling vegetables and fruit.

- The infrastructure in Umtata is fairly developed. The unemployment rate is high. Some of the occupants live in houses that have started to deteriorate, although they may have running water and electricity. In some cases the electricity supply to houses has been cut off because the occupants are unable to pay the monthly electricity bill. The roads in Umtata are not developed at all, except in town. Most of the people are not involved in any income-generating projects.
- Women generally dominate burial societies and this was also the case with the participants in the focus group discussions. The majority of them are Fukama members, which made it easy for groups to be accessed. As access to society members for focus group discussions is actually difficult to obtain, the joint venture with Fukama in executing this study was an appropriate decision.

4.2.2 The results

Throughout the study, two of the three types of burial societies discussed in Section 3 were encountered, namely the traditional and the commercial burial societies. (Note that we use only these two categories, as we argue that the hybrid and commercial categories are more or less similar). The traditional burial societies were found mainly in the rural areas, while the commercial burial societies were found mostly in the urban and peri-urban areas. Most of the burial societies were formed either by an individual or a group of people who, in turn, would canvass more members. In most cases the person who has formed the burial society automatically becomes the chairperson, and this normally occurs in the urban and peri-urban areas. The chairperson is not elected and remains in that position forever. In the traditional burial societies a committee is elected and is given a term to run the society. The study found that their current owners formed most of these burial societies. There are, however, a few burial societies that have been formed by the community. As one participant put it:

Burial societies have changed from being focused on helping people in a time of need to being all about making money.

The various burial societies might operate differently, but the majority of the people join them for similar reasons. One of the participants said:

No one knows when it is time for them to die, therefore it is better for one to start preparing for that day by saving, so that one can have a decent funeral.

People do not see their payments to a society as a form of contributing money

every month; they view it as a saving option. The main reason why they join a burial society is the financial and physical assistance (the support of the members and access to the equipment and services) that burial societies provide. Although this is the basis on which burial societies are formed and constitutes the agreement between the members and the owner of the burial society, these terms and conditions are not always honoured. Over time the burial society may not offer the services or provide the equipment that it had originally promised. Another reason why people join a burial society is because the monthly premiums are affordable and things are done informally, as opposed to the formal procedures and high monthly premiums required by insurance companies. Likewise, in the case of savings accounts, several hurdles need to be overcome to access a savings account at a commercial bank.

4.2.3 Traditional burial societies

Membership

Most burial societies are established by persons with some common tie, be it kinship, neighbourhood, place of origin or religious denomination. Because new members are introduced or invited to join by existing members, these common features perpetuate themselves, so that the burial society perceives itself as being for that category of persons. Some burial societies are strict about who may join – a person is eligible for membership only if he or she belongs to the category of persons for which the society has been established. A community society may open its membership because people are constantly moving in and out of the community. A community-based society was also discovered during this study. Five years ago, the community of Block AA in Soshanguve in the Gauteng province came up with the idea of forming a community burial society. This was a gesture to bring together the people of Block AA and to help those households that did not have their own burial societies to turn to.

Other studies confirm a similar trend. In townships in the Pretoria region, Molefe (1989) found that people who live in the same neighbourhood establish most burial societies. This is because black people generally expect “people who live together to help each other”. Some of the burial societies interviewed do not have any barriers to membership. Anyone who needs financial assistance and can pay the monthly premiums is welcomed. As one participant reports:

Most burial societies accept anyone that wants to join, on the condition that they will follow the rules of the burial society and pay the monthly premiums on time. If a person is over the age of 21 years (in most cases), then that person is allowed to join the burial society.

In some cases, burial societies limit their membership to a certain number, and when they reach that number, will close their society to new members. One interviewee said:

The burial society that I belong to does not accept any new members now, because we are too many.

Most people feel that when the burial society has large numbers of members, it creates unnecessary tension. Warnecke (cited by Thomson & Posel, 2002) mentions that, when the membership of a society becomes too large, it splits into smaller branches, which are more manageable, but that this is not always common. Sometimes a burial society puts pressure on persons who belong to the group for whom the society was established to join the society. Kramer (cited by Thomson & Posel, 2002) records that all the men from a particular village in Botswana who migrated to South Africa for work were forced to belong to a burial society organised from that village. Physical violence was used against people who refused to join.

Whether new entrants join as a result of persuasion or of their own volition, the introduction of a new member is invariably made on personal recommendation (Lukhele, 1990). However, one participant explained that, in her burial society:

We don't invite anyone. People just come after having observed us, for example our deeds at a funeral. He or she will then come and join us. We don't invite people.

Payments

The monthly contributions and joining fees differ across the different burial societies (Table 1). The monthly contribution ranges from R40 to R70, with the exception of some of the community burial societies where money is only contributed when there is a funeral in the area. Kgowedi (2002) and Ithala (2002) have also recorded the same amount of monthly contributions. The payments are flexible, but it is essential that a member's payments are up to date, as failure to do so may result in a fine or non-payment in the case of bereavement. In this study it was found that payments are mostly made at the members' houses, and a rotating system is used for choosing the venue for the next meeting. The amount paid also depends on the number of dependants that is covered under the member's name. Although the monthly premiums appear reasonable, some members feel that they are too high. Members pointed out that there are people who have been paying the monthly premiums for a number of years and have never made any claim from the burial society. They felt that it would be fair if those members were given a certain amount of money as a reward.

The payment system of some of the traditional burial societies is described as follows:

A new member must pay a joining fee of R150, a monthly premium of R40, transport money and offer physical assistance at funerals. The arrangement normally covers the main member, the spouse, the parents of the main member and the children. No grandchildren are covered. When a child gets married, he or she is no longer covered by the burial society. That child must now join the burial society of his or her choice as a main member. There is a three-month's waiting period for all new members. If a member is in arrears for six months, he or she is written off the burial society's books and has forfeited membership. Such a person can rejoin the society, but will have to go through the same process new members go through upon joining the burial society.

Discipline and control

The sense of respectability conferred by membership of a traditional burial society is closely linked to the society's capacity to maintain organisational discipline and order. Membership entails a firm commitment to a set of shared rules, and those in breach of these rules are subject to agreed sanctions. In this way, the successful traditional societies typically establish clear expectations about the structure and purpose of meetings, collective scrutiny, management of money and services to members. Members are expected to attend all monthly meetings; failure to attend results in the imposition of a fine. Failure to comply with shared rules relating to, for example, the mandatory wearing of uniforms is similarly punished.

Apart from promoting social claims to respectability and dignity, the maintenance of an orderly burial society has the added advantage of ensuring the disciplined and transparent regulation of the society's funds. In the most orderly and stable traditional burial societies, the conditions governing the management of collective monies are similarly clear and unambiguous. Lists of members and their dependants are compiled and maintained, and available for open perusal. Financial statements are produced at each monthly meeting for the scrutiny of all present. Decisions regarding the size of monthly contributions and any changes considered necessary are taken collectively, under the guidance of the chairperson of the burial society.

The longevity, stability and appeal of a traditional burial society are profoundly dependent on the quality of leadership, which in turn is closely related to the way in which decisions are made and discipline maintained. In general, members are penalised for being late, not attending meetings, not wearing the uniform and not rendering physical assistance at a funeral. They are fined between R10 and R30. Members feel that these fines are too many and too high. There are different opinions about fines; some feel that they bring discipline and control within the burial society, while others feel that

they contribute to new people not joining burial societies and to existing members dropping out.

Table 1: Payments and operation of traditional burial societies

Name of burial society	Joining fee	Waiting period (months)	Monthly premium	Fines	Payout	Number of dependants	Cut-off age	Uniforms	Requirements for joining
Mananyana	R150	3	R40	R25	R2 400 plus services and equipment	11	None	Yes	Joining fee, ID
Shongoville	R200	3	R40	R10	R2 400 member, R1 400 dependant	10	21 years	No	Joining fee, ID/birth certificates
Phumulong	R500	3	R50	R20	R2 500	10	21 years	No	Joining fee, ID/birth certificates
Block AA, Soshanguve	R50	3	R5*	None	R3 500	Close family only	None	No	Joining fee, ID/birth certificates
Shukumani	R300	3	R60	R20	R3 500 member, R2 500 dependant	10	30 years	No	Joining fee, ID/birth certificates
Senzokwethu	R125	3	R70	R10	R6 000 member, R4 500 dependant	None	30 years	Yes	Joining fee, ID/birth certificates
Atlegang	R300	4	R60	R10	R4 600	10	21 years	No	Joining fee, ID/birth certificates
Itlaluseng	R100	4	R40	R20	R800	11	21 years	No	Joining fee, ID/birth certificates
Bloemfontein	R500	4	R50	R10	R3 000	11	21 years	No	Joining fee, ID/birth certificates
Bakwena	R600	4	R50	R10	R2 500	11	21 years	No	Joining fee, ID

Note: *This amount is only contributed when there is a funeral in the area.

4.2.4 Commercial burial societies

Membership

Commercial burial societies are either formed by an individual or a group of people, for the sole purpose of earning profits. Membership can run into thousands of people and most of the members are unknown to each other. Membership is open to anybody, as long one can afford to pay both the joining fee and the monthly premiums.

Payments

The monthly contributions and joining fees differ across the different burial societies (Table 2). Although the monthly contribution is almost the same as that of the traditional burial societies, the joining fee is quite high, ranging from R120 to R600. The monthly premiums are only paid at the chairperson's house or offices. The payments vary, the amount depending on the burial society the member belongs to and the number of dependants that are covered under his or her name.

The payment system of some of the commercial burial societies operates as follows:

A new member must pay a joining fee of R120 (it was R100 in 1999) and a monthly premium of R40. This buys a payout of R7 000 for the main member and his or her spouse, of which R3 000 is given to the family of the deceased in cash and the balance is withheld for funeral services. Other dependants are covered for R5 000 and physical assistance. This arrangement normally includes the main member, the spouse, the parents of the main member and the children under the age of 21. An extended amount of R8 must be paid for children over the age of 21. No grandchildren are covered. When a child gets married, he or she is no longer covered by the burial society. That child must now join the burial society of his or her choice as a main member. There is a three-month's waiting period for all new members. If a member is in arrears for six months, he or she is written off the burial society's books and is no longer regarded as a member. Such a person can rejoin the society, but will have to go through the same process new members go through upon joining the burial society.

Discipline and control

The fining system and reasons for fining differ from those of traditional burial societies. Members are only penalised for late monthly payments. The fines range from R10 to R30. Unlike traditional burial societies, members of commercial societies are not obliged to wear uniforms.

Table 2: Payments and operation of commercial burial societies

Name of burial society	Joining fee	Waiting period	Monthly premium	Fines	Payout	Number of dependants	Cut-off age	Uniforms	Requirements for joining
Martin Burial Society	R120	3 months	R40	R10	R7 000 member, R5 000 dependant	10	21 years	No	Joining fee, ID
Ten Burial Society	R500	6 months	R30	R20	R10 000	10	21 years	No	Joining fee, ID/birth certificates
Jobskop Burial Society	R600	3 months	R70	R25	R4 000 member, R1 400 dependant	10	21 years	No	Joining fee, ID/birth certificates
Chithibunga	R600	None	R55	R10	Services, equipment and coffin	10	21 years	No	Joining fee, ID/birth certificates
Magadla	R300	4 months	R50	None	Service, equipments and groceries	10	21 years	No	Joining fee, ID/birth certificates
Gwilisa	R250	6 months	R50	None	Service equipments and groceries		None	No	Joining fee, ID/birth certificates
Prosperity	R400	4 months	R40	None	Service equipments and groceries	10	21 years	No	Joining fee, ID/birth certificates

4.2.5 General views on burial societies

Table 3 lists some of the views raised by members as to why people join burial societies and also some problems encountered within such societies. Various groups interviewed during this study gave the reasons highlighted in the table. A detailed exposition of the results can be found in Annexure A.

Table 3: General views on burial societies (product attribute ranking results)

Attribute	Group 1	Group 2	Group 3	Group 4
Assistance	6	2	1	7
Cut-off age		3	2	
Equipment (services)	1		4	6
Members leaving			5	
Monthly premiums	5	5	6	4
Extended family	2		7	
Payback		4	8	1
Fines			9	
Joining fee			10	
In-laws			11	
Member cut-off	3	6		
Burial society limitations	4			5
Meetings				3

Thirteen attributes were raised during the entire study and the ones cited most frequently related to the assistance provided by societies and the monthly premiums. Burial societies emerged in response to the social and economic stresses experienced by the poor. In addition to the burial society providing the money for a coffin and funeral ceremony, members also supply and cook the food required to feed the crowd attending the funeral. The bereaved family is also relieved of any domestic chores.

Participants felt that the monthly premiums are too high. Although the premiums are usually increased annually, the amount paid out is seldom increased. Participants argued that burial societies should structure their payouts in such a way that members do not feel robbed.

A further complaint is that no consideration is given to a member who has been contributing faithfully for years, then dropped out due to temporary money problems but now wants to rejoin the burial society. Returning members are treated as new members and are expected to pay another joining fee and go through the waiting period again. Moreover, members who have been paying regularly every month, but have never claimed money from the burial society, do not get any compensation for not claiming. Respondents recommended there should be a policy stipulating that if a member does not claim within a certain period he or she is entitled to a certain percentage of his or her contribution.

Generally, most of the people interviewed were not satisfied about the way in which burial societies operate, but felt hopeless because they had no alternative option. As a result, they stay members because they want to have cover for themselves and their families. One of the participants viewed burial societies in this light:

Burial societies are just a way of making money. A person may have been paying for years, without falling behind, but when that person gets some temporary money problems and falls behind with one or two months the burial society will take him or her off the books. That person is no longer covered. If such persons want to return to the burial society, then they have to pay another joining fee and go through the waiting period again. The fact that you were once a member of the burial society and have been paying well for years, is not even considered.

There is no communication between the owner and members of commercial burial societies. The owner decides what is done and how it is to be done. One participant remarked:

If I do not agree with the decisions of the owner and try to confront him or her with this matter, the owner will say something like, "If you do not like what I am doing in my burial society, you are welcome to leave it".

The elected committee is treated in the same way; they have to accept everything that the owner says. When there are queries to be dealt with, the owner of the burial society often refers the member to the lawyers and says that those queries will be handled in court. The owners of these burial societies then tend to disappear.

4.2.6 Positive aspects of burial societies

As pointed out by Hartwig (cited by Thomson & Posel, 2000), burial societies are formed and structured in response to community needs. The effectiveness of the burial society movement in serving its purpose is reflected in the wide variety of funding methods and benefit structures that exist among burial societies. Prospective members are generally able to choose a burial society that offers an acceptable trade-off between their needs and their ability to contribute. Existing burial societies are able to adapt their funding methods, benefit structures and contribution rates as the needs of their members change.

Burial societies are able to help in situations where money is needed quickly because they are flexible and accommodating. In some burial societies members are eligible to small loans, and these are people who normally cannot obtain a loan from other formal financial services. Therefore, burial societies also act as financial provider to these people. As one participant stated, “In our burial society one is able to borrow money and the interest rates are not as high as those of the moneylenders and formal banks.” In his study of 60 burial societies in the Pretoria region, Molefe (1989) found that some had from time to time made small loans to members with financial problems. If a burial society can control such loans to its members, it may add value to the benefits to members.

4.2.7 Negative aspects of burial societies

Some members feel that there is a negative side to the movement, which if not taken care of, will affect burial societies negatively. In this study it was found that mismanagement of funds is a serious problem among burial societies and that the culprits go unpunished. Molefe (1989) found that, of the 60 burial societies he interviewed, 37 had experienced tension caused by factors such as the maladministration of funds, shortage of funds and members who fall into arrears with their contributions. Some societies are able to resolve such situations amicably, whereas others are unable to do so, with the result that members may start to drop out. During the study it was evident that most burial societies do not keep adequate records and seldom submit financial statements for auditing. Members are satisfied when they are presented with unaudited financial statements, which appear to be convincing. This casual financial control sometimes paves the way for problems such as the embezzlement of funds, which greatly erodes the strength of these societies.

As mentioned, some members of burial societies have been paying for several years without experiencing death in their families and are not given any reward. Many people are unhappy about this, and feel that they are only contributing money to bury others. Most respondents felt that burial societies should have some structure in place so that these people could somehow

benefit, e.g. by receiving a percentage of their contribution after a certain period. This would act as an incentive to retain members.

Most of the participants expressed concern over the cut-off age of children that applies whether or not the children are unemployed. All the participants felt that since they have been paying the monthly premium for years to have their children covered, these children should still be covered until they find jobs, even if they are over the cut-off age.

4.3 Summary

There are a large number of burial societies in the provinces in which the research was conducted. Most of the respondents had serious problems with their current or previous burial societies. There were, however, a few who were fairly satisfied with the functioning of their burial societies.

The study indicated that some burial societies are deteriorating in terms of the services they render and often have serious internal problems, including mismanagement of funds, dishonesty to members, recruiting of members under false pretences and the exploitation of members.

Throughout the study two of the three types of burial societies mentioned in Section 3 were encountered. Most traditional burial societies were found in the rural areas, while the commercial burial societies were mostly located in the urban and peri-urban areas. Either an individual or a group of people who, in turn, canvass more members formed most commercial burial societies. The person who forms such a burial society automatically becomes its chairperson, especially in the urban and peri-urban areas. The chairperson is not elected and remains in that position forever. In the traditional burial societies, a committee is elected and is given a term to run the society.

Most traditional burial societies start by drafting a constitution stating how the organisation will operate, how much each member will contribute monthly and what the joining fees are. In most cases, commercial burial societies do not have a constitution, the owners dictate how it will operate and how much the contribution will be. As was seen from Tables 1 and 2, burial societies' monthly contributions do not differ much, but differences arise in the amounts paid out.

5. THE SCOPE AND SIZE OF BURIAL SOCIETIES³

Burial societies continue to play a central role, both economically and culturally, in urban and rural African communities. With their strong emphasis on “traditional” practices in respect of mourning and burial, they also offer their members opportunities for saving and managing monies outside the Western and historically white-dominated funeral insurance industry. Although there have been no nationally comprehensive surveys of the burial society movement, it is safe to say that its size has remained significant in the past few years.

It is difficult to quantify the size of the burial society movement as many operate on the rural outskirts and even those operating in urban areas may not be registered or known. In this section we rely on various sources to give an indication of the size and scope of burial societies in South Africa.

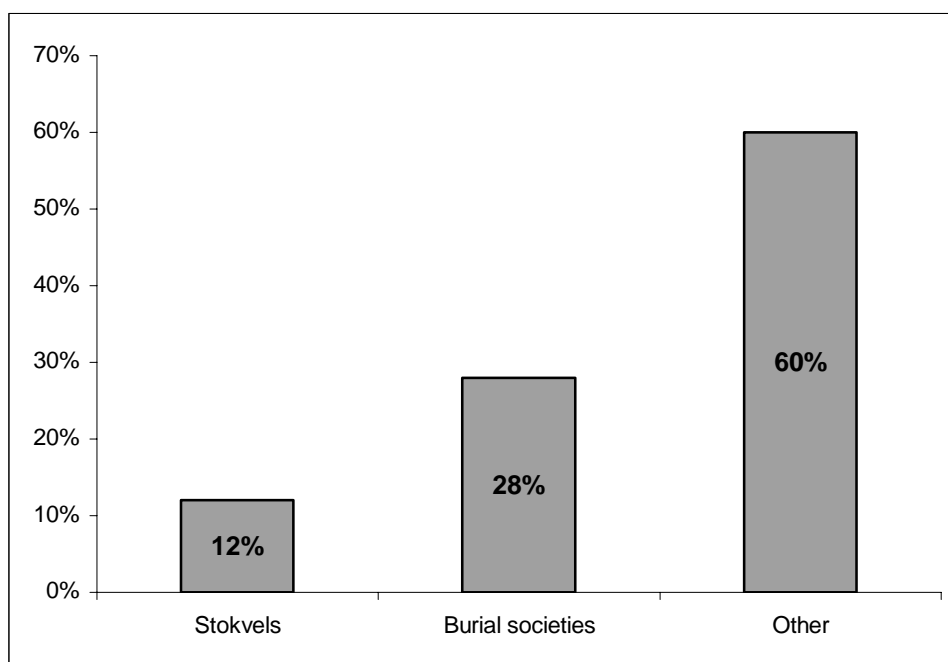
In 1989, a market-research company conducted a survey of participation in stokvels and burial societies. It estimated that there were about 7 100 burial societies in major metropolitan areas, with an average of 80 members per society (Thomson & Posel, 2002).

Molefe (1989) found that the median number of members of burial societies in townships around Pretoria was about 30. That would not be inconsistent with the average of 80 mentioned above, as the population is highly skewed by a few very large societies. In 1998, a survey conducted by another market-research company indicated that the percentages of black people belonging to burial societies varied according to their living standards (as measured by a Living Standards Measure) from 21 per cent at the lowest level (at which 32 per cent of respondents had no personal income), to 37 per cent at a relatively high level, tailing off to 24 per cent at the highest level (Thomson & Posel, 2002). Overall, membership was 28 per cent. This would suggest that considerably more than 600 000 black persons belong to burial societies in major metropolitan areas. As indicated in the introductory section, no reliable figures of the total membership of burial societies in South Africa are available, but it may well be in the order of 6 million.

A study by the FinMark Trust (FinMark, 2002) suggests a higher membership of burial societies in South Africa. Of the total population of approximately 43 million, the study estimates the membership to be in the order of just over 8 million (Figure 1). The sheer size of the movement is enough to give it a substantial momentum. While this is not sufficient to ensure the movement’s survival in its present form, it bears testimony to the importance of burial societies in the life of the people of our country.

³ This information has been sourced mainly from studies undertaken individually or jointly by the authors.

Figure 1: Claimed membership of stokvels, burial societies and insurance schemes in South Africa



Source: FinMark (2002).

In a survey of the self-employed in Soweto in mid-1999, Piazza-Georgi (cited by Thomson & Posel, 2002) found that “membership in burial societies, which is generally lower among the educated population, goes down significantly among the less educated but successful self-employed”. In a further (unpublished) report, Piazza-Georgi found that, after weighting, about 25 per cent of persons over 18 in Soweto belonged to a burial society. For nearly half of these, the burial society was the most important group to which they belonged. There was a strong correlation between burial society membership and church or religious group membership. The average contribution of burial society members to burial societies was R81 a month, with the median being R50.

In a survey of 68 adult respondents in different households in Soweto, Kramer (1975) found that 27 per cent were members of a burial society, and that 50 per cent of the households were covered by at least one member. A survey of households in the then Western Native Township in 1944 showed that 65 per cent were covered (Thomson & Posel, 2002). While it appears from these results that there is not much evidence either of growth or decline in burial society membership in Soweto since then, the implicit extent of burial society coverage is noteworthy.

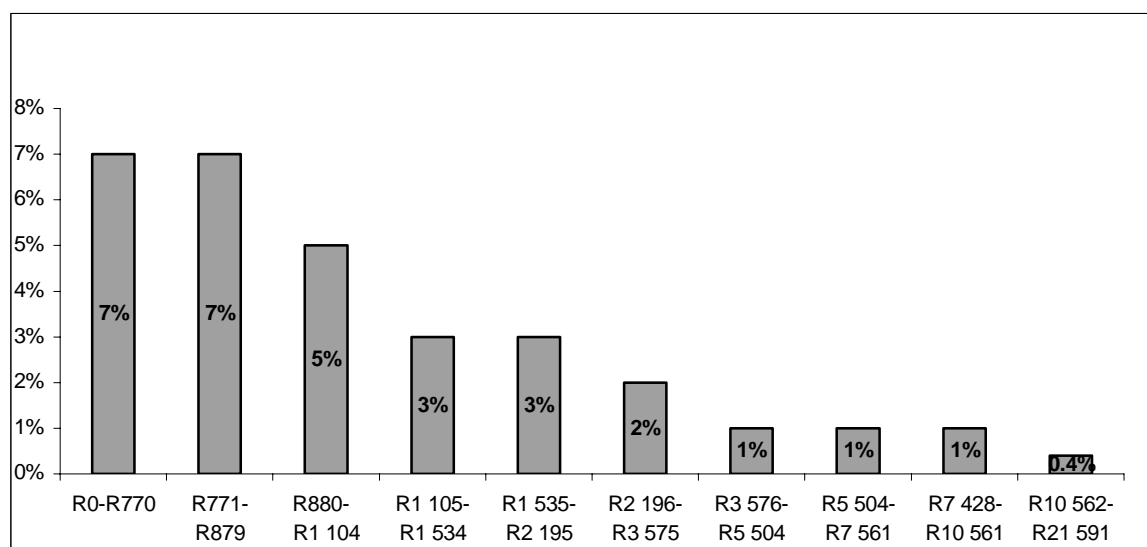
Hartwig (cited by Thomson & Posel, 2000) states that burial societies in South Africa had a total membership of approximately 6,5 million people in

1998 and that the average membership per society was 88 members, thus implying that there were about 74 000 societies in the country. However, the source of this information is not stated, and the author warns that much of the information is based on localised surveys and superficial studies. The figure of 6,5 million indeed appears to be an overstatement. According to the 1991 census, there were about 12 million black persons over the age of 20 in South Africa (CSS, 1995). While no figures are available for burial society membership in non-metropolitan areas, even if the percentage was 25 per cent for both metropolitan and other areas, the total membership of burial societies would only have been about 3 million at that stage.

Thomson and Posel (2002) point out that one industry source estimates that in South Africa there are 350 000 to 400 000 deaths a year, at an average cost of nearly R8 000. On this basis the total national turnover on burials would be about R3 billion a year. They further contend that if (for the sake of argument) 40 per cent of this total is met by burial societies, then burial society benefits amount to about R1,2 billion a year. When including those benefits that do not go to undertakers (such as transport and catering), the total may be in the order of R2 billion a year.

Figure 2 presents the monthly contributions to burial societies by Living Standard Measure (LSM) categories. In this case, monthly contributions to burial societies are calculated as a percentage of total monthly household income. Figure 2 shows that the people at the low end of the economy (LSM 1 to LSM 3) allocate a greater percentage of their income to a burial society. This confirms the argument presented earlier that burial societies are targeted at the poorer sections of the population. The figure also highlights the increased value burial societies offer to the poor. Looking at the percentage of total monthly income, one would expect the poor, who are normally at the lower end of the economy, to spend less of their income on a burial society and more on basic necessities. It is clear that even among the poor these contributions are taken seriously, as “a pauper’s funeral is to be avoided at all costs”.

The study by FinMark (2002) further estimates that the annual amount invested in burial societies is in the region of R6 billion. These figures are clearly speculative; they are presented merely to illustrate the order of magnitude of the economic significance of the burial society movement.

Figure 2: Average monthly investment in burial societies

Source: Marketscape (2002).

6. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 Main findings

6.1.1 Methodology and typology

The study was conducted in urban, peri-urban and rural areas of the Eastern Cape, Mpumalanga and Gauteng, using the Discussion Guide (DG), Product Attribute Ranking (PAR) and the Financial Sector Trend Analysis (FSTA) techniques. The employed, street vendors and the unemployed took part in the discussions. The research findings were extremely limited in the Eastern Cape, mainly because individual owners of burial societies refused the researchers access to their members. Poor weather also prevented members to attend some of the meetings.

Traditional burial societies were found mainly in the rural areas, while commercial burial societies were found mostly in the urban and peri-urban areas. Most were formed either by an individual or a group of people. In most cases the founder of the burial society is also the chairperson, especially in the urban and peri-urban areas. The chairperson is not elected and remains in that position indefinitely. In traditional burial societies a committee is elected and is given a term to run the society. Most of the burial societies in the study were formed by their current owners; a few were formed by the community.

Burial societies in South Africa have evolved in response to the social and economic stresses that resulted from migration and urbanisation, and are by nature directed at the low-income earners and the unemployed, less educated and usually unsophisticated consumers. This group is often vulnerable to exploitation and unethical practices. Although some burial societies were accused of questionable and fraudulent practices, it is also evident that burial societies generally perform important functions as networks of support and affirmation to the poor – socially, culturally and economically.

In most African societies the ability to give one's next of kin a dignified burial is a very significant cultural event. People believe that by joining a burial society they can ensure a proper funeral for their family members, as the burial society covers most of the costs. Even the poorest of families place a high priority on burial society contributions.

It is believed that the dissociation between stokvels and burial societies may be due to stokvels having developed a subculture of their own, which sometimes involves extravagant parties, rhythmic music and unacceptable behaviour. Burial societies are no longer regarded as stokvels because of their more formal and dignified approach. Whereas the term "stokvels" is reserved for rotating savings and credit associations, burial societies focus on benefits on the death of a member or dependant. Both burial societies and stokvels are mutual assistance schemes, but differ in culture and function.

Burial societies consist of both male and female members, although the latter are the majority in most cases. Women bear much of the burden of the household and seek both economic and social support in burial societies. Likewise, in urban areas, migrant men may form and join a burial society to get support in their economic struggles.

Traditional burial societies differ from commercial ones in terms of structure and operation and their objective is not profit making. In many instances, commercial burial societies have been launched by African entrepreneurs who recognise both the financial advantages of a profit-making insurance company, and the continuing social and cultural attractions of burial societies. Like their traditional counterparts, these burial societies draw members together regularly and offer support and solace during cultural rituals of burial and mourning. Unlike in traditional burial societies, however, members of hybrid societies have to a large extent forfeited control over their finances.

Membership of commercial burial societies often runs into thousands of people, most of whom are unknown to each other. The financial affairs of the society are frequently closed off to the scrutiny of ordinary members and remain the preserve of administrators running a central office. These officials are appointed rather than elected, and are only available to ordinary members to handle queries or problems. The inner workings of the burial

society, therefore, remain inscrutable, in stark contrast to the openness and active participation that mark the more traditional burial societies.

The use of the term “burial society” in the commercial type of society creates the impression that members belong to an association that is identical in all respects to a burial society, except that they do not need to attend meetings, as the administrator sees to everything. In fact, the use of the name “burial society” to denote such schemes is illegal in terms of the Friendly Societies Act. These schemes are merely blocks of individual life assistance policies sold by the administrator, though they may be aggregated into group life schemes.

The various burial societies might operate differently, but the majority of the people join them for similar reasons, the main one being the ability to afford a decent funeral. This is why payment to a burial society is viewed not only as a form of contributing money every month, but also as a saving option. Monthly premiums are affordable and things are done informally, as opposed to the formal procedures and high payments required by banks. In addition, members rely on the support of the other members and having access to the equipment and services that burial societies provide. Although this assistance is the basis on which burial societies are formed and constitutes the agreement between the members and the owner, these terms and conditions are not always honoured. Over time the burial society may not offer all the services or provide the equipment that it had originally promised.

6.1.2 Positive and negative aspects of burial societies

Burial societies are formed and structured in response to community needs. Their effectiveness in serving their purpose is reflected in the wide variety of funding methods and benefit structures that exist. Prospective members are generally able to choose a burial society that offers an acceptable trade-off between their needs and their ability to contribute. Burial societies are able to adapt their funding methods, benefit structures and contribution rates as the needs of their members change. The burial society movement is popular and serves an essential purpose in assuring the dignified burial of the deceased, and in fulfilling a social support role.

Some members feel that if the negative side to the burial society movement is not taken care of, the movement will be adversely affected. Mismanagement of funds is a serious problem among burial societies and culprits frequently go unpunished. Tension is also caused by factors such as the shortage of funds and members who fall into arrears with their contributions. Not all societies are able to resolve such situations amicably, with the result that members may start to drop out.

Most burial societies do not keep adequate records and seldom submit their financial books for auditing. Members are usually satisfied when presented

with unaudited financial statements that appear to be convincing. Casual financial control sometimes paves the way for serious problems such as embezzlement.

6.1.3 The scope and size of burial societies

It is difficult to quantify the size of the burial society movement as many operate in rural areas, and even those operating in urban areas may not be registered or known. This study has relied on various sources to get an idea of the size and scope of burial societies in South Africa. A survey of participation in stokvels and burial societies in 1989 . It estimated that there were about 7 100 burial societies in major metropolitan areas, with an average of 80 members per society.

It was also established that the median number of members of burial societies in townships around Pretoria was about 30. That would not be inconsistent with the average of 80 mentioned above, as the population is highly skewed by a few very large societies. A survey in 1998 indicated that the percentages of black people belonging to burial societies varied with their LSM categories, from 21 per cent at the lowest level (at which 32 per cent of respondents had no personal income), to 37 per cent at a relatively high level (LSM 4 to LSM 6), tailing off to 24 per cent at the highest level. Overall, membership was 28 per cent. This would suggest that considerably more than 600 000 people belong to burial societies in the major metropolitan areas.

The 2002 FinMark study suggests a higher membership of burial societies in South Africa. Of the total population of 43 million, membership is estimated at 8 million. Although the sheer size of the movement this is not sufficient to ensure its survival in its present form, it bears testimony to the importance of burial societies in the life of the country and its poor people.

6.2 Recommendations

The study has revealed the history, scope, operations and structure of the burial society movement. The simplistic, informal character of the movement makes it difficult to map out definitive interventions. However, the findings make it clear that there are certain areas of support that will most definitely benefit burial societies in general.

6.2.1 Capacity building support

The high level of fraudulent practices and general lack of information on the financial affairs of burial societies suggest that they are inefficient in terms of the financial management, control and monitoring activities required for efficient operation. Members must be informed of their rights, and appropriate control structures should be instituted to assist in minimising

the mentioned problems. In all societies members should understand their own responsibilities, the functioning of the society and the information requirements. It is in this regard that capacity building and counselling initiatives are of the utmost importance.

The differences in characteristics of different societies (traditional and commercial) call for institutional and needs assessment as a basis for designing a suitable capacity-building strategy for each type of burial society. However, all strategies will need to strengthen the burial societies to different degrees in the following areas:

- Leadership training and development
- Roles and responsibilities of members of societies
- Conflict resolution
- Book keeping, records and financial management
- Access, use and dissemination of information
- Transparency and accountability
- Empowerment and entitlements: this is important since women form the majority membership of burial societies

In addition, more detailed research to understand the exact design requirements for these capacity-building interventions is needed.

6.2.2 Income-generation activities

More research needs to be undertaken to establish the ways in which burial societies' members can embark on income-generating activities instead of depending entirely on the contributions. There is a need to educate members on investment activities and on entrepreneurial skills development. This is important, as many of the societies are evidently embarking on these activities with minimum insight into how they should approach new ventures.

In addition, support can also be provided in the form of access to good investment opportunities and this could lead to the creation of specialised funds to cater for the investment needs of these societies.

6.2.3 Support focus

In addition to capacity building and specific financial and investment advice, it is important that burial societies have a mouthpiece and a forum where problems can jointly be raised and solved. In addition, members should also have recourse in cases where the Friendly Societies Act is being contravened. The National Cooperative Association of South Africa (NCASA) has been working on the formation of a Burial Society Association, seemingly with COSATU. However, this is a long process and will not necessarily provide the

right forum from the start, as associations are more focused on institutional structuring than on support issues during the formative period.

One way of structuring this forum is to provide it immediately as a support function. This can be done in the form of a periodic workshop and information session, which are advertised among burial societies. Those societies facing challenges will have an incentive to attend, and in this way an incremental process can build up to a good support function over time. Once the Burial Society Association has been structured and is mature enough, the forum can be included under the Association's umbrella.

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ANNEXURE A: DETAILED VIEWS ON BURIAL SOCIETIES ACCORDING TO PRODUCT ATTRIBUTES

Table A1: Comments on product attributes

Attribute	Group 1	Group 2	Group 3	Group 4	Comments
Assistance (financial and physical)	6	2	1	7	This is the main reason why participants join the burial society.
Cut-off age		3	2		The participants felt that when children for whom they have been paying funeral cover for years are cut off upon reaching a certain age, regardless of the fact that they happen to be unemployed, the rules are harsh.
Equipment (services)	1		4	6	The participants indicated that the burial societies did not have the proper equipment to provide a proper funeral service. Those societies that do have the equipment show favouritism when it comes to the distribution thereof. <i>“If the family has inside connections with the burial society, then they will receive the best equipment and services that the burial society has to offer. If the family does not have any inside connection, then they will be lucky if they receive any equipment at all.”</i>
Members leaving			5		The participants brought up the problem of members leaving their current burial societies, after they have received financial and physical assistance, to join other burial societies. The burial society then operates at a loss, because money is taken out of the pool and is never returned.
Monthly premiums	5	5	6	4	The monthly premiums are generally too high for the participants to afford because many of them are unemployed.

Attribute	Group 1	Group 2	Group 3	Group 4	Comments
Extended family	2		7		The fact that the burial societies do not cover extended family members means that numerous (additional) burial societies have to be joined by one household in order to cover all the (extended) family members of that household. Monthly premiums are then very high.
Payback		4	8	1	The participants indicated that there are a number of members that have been paying the monthly premiums for several years and have never put in any claim. The participants feel that it would be fair if those members could be given a certain amount of money as a reward.
Fines			9		Members are penalised for being late, not attending meetings, not wearing the uniform or not rendering physical assistance at funerals. The participants feel that these fines are too many and too high. The fines are seen to contribute to new people not joining and existing members dropping out of the societies.
Joining fee			10		The joining fees for burial societies are very high, and range from R200 to R500.
In-laws			11		The participants indicated that some burial societies cover only the in-laws of the main member but not his or her own parents.
Member cut-off	3	6		2	The participants pointed out that once a member falls into arrears for three or four months, he or she is no longer regarded as a member of the burial society. If such a person were to return to the burial society, he or she would have to go through the same process that new members go through. No consideration is given to the fact that the person was a former member of the society. The participants feel that this principle is too harsh and that such persons should be allowed back into the burial society without having to pay the joining fee again.
Burial society limitations	4			5	Participants indicated that the burial society does not render services (transport or equipment) to members living in a certain geographic area.

Attribute	Group 1	Group 2	Group 3	Group 4	Comments
Meetings				3	After the first meeting, where the new members pay the joining fees, there are no follow-up meetings to inform the members of any progress, developments or changes. Moreover, the owner of the burial society may make promises and agree to certain terms in the constitution, but does not necessarily live up to those promises or terms.

Table A2: Financial Services Trend Analysis, Ivory Park

Financial institution	Now	3 years ago	5 years ago	Comments
Formal institutions (First National Bank, Standard Bank, etc.)				One of the participants said: <i>“These banks only lend money to people who are employed and have salary/payslips. Because we are unemployed, we do not interact with banks at all. Hence we have little knowledge of the formal banks, how they operate and the kind of services that they offer. Most of us have never interacted with the formal banks.”</i>
Cooperatives	**			Cooperatives have just been introduced in the townships. They were originally not known to the black population, and focused more on the white population.
<i>Mashonisas</i>	***	***	***	Because of the high unemployment rate, <i>mashonisas</i> are popular. They are quick to lend a person money, and will threaten him until he pays the money he owes. They will keep the person’s ID document and bankcard. They will even go to the extent of repossessing his furniture and other belongings if he does not pay them. Far more men than women make use of their services.
Pep Bank	***			Pep Bank started only recently this year. It deals with both the employed and the unemployed. It costs R50 to open an account. Pep Bank lends people money, depending on their savings. They must first have a 12-month’s savings record with the bank. Pep Bank comes as an alternative for most of the people.
Teba Bank	*	*	*	Teba Bank services mostly miners.
Burial societies	**	**	***	Burial societies have long been in existence and function fully. They started falling apart three years ago. Five years ago they were people orientated, now they are money orientated.

Financial institution	Now	3 years ago	5 years ago	Comments
Social clubs (<i>umgolisos</i> or <i>stokvels</i>)	*	*	**	There is a high rate of fraud in these types of savings systems. <i>“This type of caving money always has many implications when it comes to the security of the money that has been collected. If the money is not lost, then it has been stolen or something to that effect. There is the constant problem of a member leaking information about the financial status of the group, i.e. when money will be available, who is in charge of depositing the money in the bank and when that deposit will be made. This results in the money being stolen.”</i>
Relatives and family	*	*	***	<i>“It used to be easier to borrow money from family members in the past than it is today.”</i>
Building societies	*	*	*	These types of societies are not very common among the population, as they have only started now.
Nurcha	*	*	*	Works with Pep Bank. Nurcha does not lend money but works with an institution that does that. A person must open an account with Pep Bank and save with them for 12 months before he or she can be referred to the people who deal with loans. Then Nurcha will act as a guarantor for that person’s loan.

Note: Score rating from 1-3, with 1 being the lowest and 3 being the highest score possible.

Table A3: Financial Sector Trend Analysis, Standerton

Financial institution	Now	3 years ago	5 years ago	Comments
Formal institutions (First National Bank, Standard Bank, etc.)	***	***	***	Participants know about these banks even though they deal only with salaried workers. The participants do have access to these formal banks because they are everywhere and are functioning well. However, as many members are unemployed, they cannot make use of these banks' services.
Pep Bank	***			Pep Bank started only recently. It deals with both the employed and the unemployed. It costs R50 to open an account. Pep Bank lends people money, depending on their savings. Before a person can borrow money, he or she must have a 12-month's savings record with the bank.
<i>Mashonisas</i>	***	***	***	Because of unemployment and the fact that the formal banks only deal with salaried workers, many people have resorted to the <i>mashonisas</i> for financial assistance, even though they charge exorbitant interest rates and take drastic measures to get back the money owed to them. <i>"There is one lady who borrowed money from the mashonisas in the street and was unable to pay it back. They took her furniture from her house and said that she will only get it back if she repays the loan with interest."</i>
Burial societies	***	***	***	Burial societies have long been in existence and function well. <i>"This is the only means of saving money that we can afford and are familiar with. Our grandparents and our parents were doing this before us, and now we are doing this. It has become more of a norm for us to join a burial society."</i>
Social clubs (<i>umgolisos</i> or <i>stokvels</i>)	***	***	*	This form of savings was not popular five years ago. <i>"We use this form of savings to buy groceries or school uniforms for the children at the beginning of the year."</i>
Stokvels money	***	***	***	This form of stokvel functions well. It is normally formed among people who are in the same location and know each other well. There is a strong element

Financial institution	Now	3 years ago	5 years ago	Comments
				of trust among these people. Some of the participants form stokvels that make use of the food stamps that one can buy with at a Shoprite store.
Relatives and family	**	**	**	<i>“If one’s neighbours or relatives have some money to lend to you, then they will lend you the money. But you must make sure that you pay it back, or this may result in a conflict between the two of you, and they will never lend you money again and neither will anyone else.”</i> The participants said that such conflict does not happen often. Only those neighbours and relatives who trust one another will engage in this form of lending.
Spoornet	**	**	*	Started in 1996, it was not popular then. It gave loans to people who worked for Spoornet, and charged them 10 per cent interest on the loan.
Nestlé	**	*	*	Started in 1996, it was not popular then. It gave loans to people who worked for Nestlé, and charged them 10 per cent interest on the loan.
Land Bank	***	**	*	Land Bank used to deal with white farmers before. It has only started gaining popularity now. Most people use it for step-up loans.

Note: Score rating from 1-3, with 1 being the lowest and 3 being the highest score possible.

Table A4: Financial Sector Trend Analysis, Umtata

Financial institution	Now	3 years ago	5 years ago	Comments
Formal institutions (First National Bank, Standard Bank)	***	***	***	These are easily available. One participant said that FNB's bank charges were less than those of Standard Bank. Because the townships have no banks, these are the banks used most frequently. <i>"The queues are very long at the end of the month. If you want to deposit or withdraw money, you must start standing in the queue at 06:00, otherwise you will not be able to do your banking for that day."</i>
Cooperatives	**			These have just been introduced in the townships. Cooperatives were originally not known to the black population, and focused more on the white population.
Mashonisas	*	***		People do not use them as much as they did when they came into existence, because of the way they operate, how they treat their clients, and their high interest rates. <i>"We are scared of the Mashonisas now because they keep both your ID document and bank card, and they will repossess your belongings if you do not pay them back what you owe them."</i>
Cooler Trust	*	*	*	Their services are seen to be very unreliable. <i>"We have been made promises by them so many times and we are still waiting."</i> There is only one post office and people do not use it that much. It is used by the employed mostly.
Meeg Bank	***	***	**	This bank has three branches, and it is used by many businesspeople. It started to be very popular three years ago and took over most of African Bank's clients.
Burial societies	*	*	**	Burial societies started off well, but are dropping now because of the fraud that takes place. <i>"Chithibunga [a burial society] used to have a lot of members; now those members have dropped out because of mismanagement of funds."</i>

Financial institution	Now	3 years ago	5 years ago	Comments
Apostolic Church Burial Society	***	***		This burial society belongs to the Apostolic Church, which means one has to be a member of the church to join the burial society. It started in 2000. <i>“We join this burial society because it is trustworthy and the minister attends the funerals of the deceased. The monthly premium is R10 and the fee is R20.”</i>
Stokvels	*	*	*	They are not common in this area. They are seen as a place where people come together to drink. A stokvel is associated with drinking in Umtata.
Relatives and family	*	*	***	<i>“It used to be easier to borrow money from family members then than it is today.”</i>
Community lenders	*	*	*	These are members of the community who lend money to the people. Their interest rates are high and there is no confidentiality/privacy. <i>“There is a lady on the next street who used to lend money to people. Unfortunately, another lady from this very same place borrowed money from her. She was unable to pay back the money. The first lady went around telling everyone that this lady borrowed money from her and never returned it. This resulted in a fight between the two ladies.”</i>
African Bank	**	*	*	Most miners use this bank and they have their own burial society.
ECDC	*	**	***	This institution used to lend money to people five years ago. Things have since changed and there is a lot of favouritism in the issuing of loans. <i>“Now loans are only given to the family members of the employees of this institution, or a person must have an inside connection in order to be granted a loan.”</i>
Diskom	**	***		It only started three years ago. <i>“I have opened a savings account for my children at Diskom.”</i>

Note: Score rating from 1-3, with 1 being the lowest and 3 being the highest score possible.