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Stokvels: An Instrument for Income Generation and Wealth Creation?

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Abstract. Stokvels are increasingly being recognised as a solution to contribute to income generation and wealth creation, especially amongst low-income earners who are excluded from the formal financial markets. This study investigates the contribution of stokvels to income generation and wealth creation in Eswatini focusing on the poorest region, Lubombo. The study uses 436 stokvel participants which were accessible through NGOs (Joyful-heart, Bantwana Initiative, Imbita Women Finance Trust, and World Vision) which promote savings groups in the country, Lubombo region. The study employs Principal Component-based asset index as a proxy for assets accumulation (wealth creation). The findings from the descriptive statistics indicate that women are dominating stokvels participation in households. In support of income generation, the participants in the study are capable of saving up to E796,123 per annum, and the total loan amount issued increases the total contributions by 6.7%. The generated revenue results for a total of E0.8m. Even though the prominent goals for most of the participants are consumptive, still members can acquire assets and accumulate wealth through borrowing before the cycle matures, thus significantly increasing their socioeconomic status. The study recommends an establishment of a stokvel representative body (such as Eswatini National Association of Stokvels) to capture the Lilangeni value of stokvels that generate in the informal economy, as well as assist in promoting stokvels campaigns for information exchange platform, deal with other stokvels issues of interest, and create and monitor a stokvel data base in the country.

***Keywords**:* Stokvel, Wealth Creation, Income Generation, Asset Index

1. Introduction

The prevalence of poverty and unemployment in most developing economies is fuelling interest in informal self-help financial groups (stokvels). Stokvels are increasingly being recognised as a solution to income generation and wealth creation, especially amongst low-income earners excluded from formal financial markets.

Eswatini's traditional formal financial market and its financing system have led to the financial exclusion of 17% and 13% of adult males and females respectively (FinScope, 2019). This is largely attributed to the arduous document requirements (such as payslips/proof of income, proof of residence, banking history, among other documents), needed to gain access to Eswatini's formal financial market. As a result, about 20% of the country's adult population do not have bank accounts (FinScope, 2019). Therefore, despite the known high unemployment rate of 23% (Labour Force Survey, 2016), formal financial institutions continue to turn a blind eye on non-mainstream income earners and the unemployed.

A majority of the underbanked population now turn to informal savings groups, particularly stokvels to generate their income, accumulate wealth, and gain access to credit. By systematically excluding a larger share of the country's population from formal financial markets, Eswatini's financial institutions are indirectly neglecting business operations in the informal economy and subsequently impeding the country's economic growth potential. The results from a study on the size and drivers of the shadow economy in Eswatini finds that the shadow economy forms a significant part of the country's total economy, as high as 37.4% of Eswatini's gross domestic product (GDP) in 2016 (Zikalala and Sacolo, 2018). In other words, an estimated E20 billion circulates in the informal economy and is not accounted for nor enhanced by formal financial institutions.

However, stokvels are disrupting traditional formal financing systems. Their openness and flexibility to cater to the unique needs of the individual participants make them an attractive alternative financial market. Primarily, groups of people engage in stokvels to pool financial resources usually to save and borrow from one another rotationally or cyclically (Nsibande, 2016). Besides basic saving and borrowing, stokvels provide an effective platform for financial knowledge sharing and empowerment of group members, including harnessing financial empowerment and strengthening ties of social integration (Impio *et al.,* 2006). However, the primary mandate of each stokvel lies at the discretion of each group. For instance, some stokvels are formed for the sole purpose of paying school fees, whilst others are formed primarily to meet food security needs.

In assessing whether stokvels are a possible solution to financial inclusion in Eswatini, the study explores how the features of stokvels as a financial product can be enriched to improve their contribution to income generation and wealth creation in Eswatini. Moreover, the study also seeks to inform the government and policymakers on how they can leverage stokvels to improve rural financial inclusion in Eswatini, which could complement inclusive growth.

Despite the role of stokvels in improving access to finance, the financial capability of stokvels is a highly contested issue. Critics argue that stokvels are not benefiting members, and have been supported by newspaper headlines tainted with fraud reports and high suicide rates amongst members. However, numerous Non-Government Organisations (NGOs) in Eswatini, such as the Imbita Women Finance Trust, have shown unprecedented interest in including stokvels into the larger financial inclusion discourse.

Considering the E20 billion circulating in the shadow economy of Eswatini that is not accounted for by the formal financial institutions, some questions remain unanswered on the monetary value and the contribution of stokvels to the informal financial economy. For example, what proportion of Eswatini households participate in stokvels? How much money is circulating in the informal financial sector that is generated by stokvels? What is the primary purpose of participating in stokvels in Eswatini? At the same time, questions on the financial capability of stokvels to offer reliable and sustainable financial products remain largely unexplored. At the policy level, research on stokvels needs to provide answers on how government can leverage stokvels for enhanced financial inclusion particularly amongst low-income earners, the rural poor, and the generally financially excluded population.

Against this backdrop, this study estimates the monetary value of stokvels groups in the Lubombo region in supporting income generation and wealth creation activities among the underbanked in Eswatini. It also identifies the key features that need enhancing to make stokvels successful in achieving these socio-economic objectives and recommends features of stokvels that can be enhanced to diversify financial products and services to the disadvantaged in Eswatini. This is much in line with the National Financial Inclusion Strategy [NFIS] (2016) which aims to reduce financial exclusion in rural areas from 27% to 15% by 2022.

The NFIS also highlights the lack of coordinated national rural financial inclusion policy as one of the key barriers to financial inclusion in Eswatini. This study is an opportunity to provide more efficient support to stokvels in the country and provide on-the-ground information to relevant stakeholders and policymakers for their programming needs.

The subsequent sections of the paper are organised as follows. Section two contains a review of the literature that is organised in four sub-topics. Section three contains the methodology which includes the conceptual framework of the paper while section four has results presentation and discussion. Section five has the conclusion and policy recommendations of the paper.

2. Literature Review

2.1. The Definition and Typology of Stokvels

Stokvels, also known as 'Informal Savings Groups or Informal Self-Help Financial Groups' are defined as social organisations voluntarily formed by community members to save and borrow money together, and mostly to achieve a common economic objective (Bophela, 2018; Smets, 2018; Nsibande, 2016; Matuku and Kaseke, 2014; and Aredo, 2004).

According to Bouman (1990), stokvels are divided into two major types, namely; Rotating Savings and Credit Associations (ROSCAs), and Accumulating Savings and Credit Association (ASCAs). ROSCAs function by making monthly contributions which change hand rapidly on an agreed rotational manner until all members receive the pooled contributions. ASCAs also require group members to make regular contributions; however the fund is left to grow using the accumulation model to give loans to members when needed. The group decides on the duration of the cycle (Collins *et al*., 2009). Table 2.1.1 shows the other sub-types of stokvels which fall under the two aforementioned major typologies (Adams, 2017).

Table 2.1.1: Types of stokvel savings groups

Rotating Savings and Credit Associations	**Accumulating Savings and Credit Association**
Lot- ROSCA	Close-ended ASCAs
Bid-ROSCAs	Open-ended ASCAs (Self-Help Groups)
Combination of a ROSCA and ASCA	Commercial ASCAs
ROSCAs in a financial institution	Funeral ASCAs (Insurance)

Source: Author's representation based on literature review

2.2. Stokvels as an Instrument for Income Generation and Wealth Creation

There is a rising interest in promoting financial services to rural population historically excluded from the formal financial services sector. The NGOs and policymakers want to understand the role played by stokvels in mobilising financial services to the underserved population. In explaining the incremental effect (revenue generated) of the stokvel contributions, Storchi (2018) attests that stokvels support income generation through enabling flexible member saving and borrowing, whilst allowing for interest-earning on their savings. This kind of flexibility in both saving and borrowing is seldom experienced with formal financial institutions where loan access is difficult and account holders are charged holding bank accounts and only earn very little interest on their savings. Fafchamps and Cassidy (2018) explain that stokvels encourage financial intermediation between savers and borrowers whereby savers earn significant interests on their savings. Matuku and Kaseke (2014) observed that some stokvels augment their savings by lending their money to third parties at a 30% interest rate.

Generally, stokvels promote the culture of saving income for future use. The success of stokvels depends on the cohesion of the group members, trust, integrity, and coordination

(Ban *et al*., 2015). By and large, stokvels are a grassroots initiative that works to extend credit to the vulnerable segments of the population who have been historically excluded from formal financial markets. Stokvels have intrinsic features that foster financial inclusion such as: providing savings, credit, and insurance services outside the conventional financial institutions, as well as financial empowerment; all of which encompasses inclusive growth that is underpinned in the revised National Development Strategy (NDS, 2017), that is, The Strategy for Sustainable Development and Inclusive Growth (SSDIG).

Adding informal financial services in the financial portfolio of the low-income earners and the most vulnerable segment of the society enables them to increase their financial stability to meet their varying financial needs (FinMark Trust, 2018). Matuku and Kaseke (2014) reaffirm that there are economic incentives for participating in informal savings groups. Through financial capability, stokvels fuel the culture of savings and enable members to make smart financial decisions, such as obtaining credit to finance their livelihood activities and other household's long-term tangible assets to increase their socio-economic status (accumulate wealth). Therefore, stokvels empower participants (especially women) to break the cycle of poverty (Lusenga and Chikadzi, 2013). This is attained through accessing loans which enable members to acquire physical assets and engage in income-generating activities and in the long-term can help them increase the value to their wealth. Matuku and Kaseke (2014) found that stokvel members engage in livelihood household projects such as investing in household property to accumulate assets. Gash and Odell (2013) also validate that longer membership participation in stokvels has a positive impact on assets accumulation whereby members diversify from pure agriculture as a source of income towards livestock investment which ultimately contributes to wealth accumulation.

Although in Eswatini the impact of stokvels in supporting income generation and wealth creation has not been explored, which by default could have significant spill-over effects in the economy, other countries like South Africa, have reported that stokvels are one of the biggest buyers in their economy, as they are valued at R44 billion (Mulaudzi, 2017).As much as stokvels generate a significant flow of cash and the provision of high returns on savings, the rationing of loans throughout the cycle is an indicator that there is a discrepancy between the demand and supply of loan among members (Burlando and Canidio, 2017). The Corporate Research Consultancy (2011) reports that stokvels in Eswatini play an implicit risk pooling role by providing members with loans for funerals among other benefits. However, many stokvels still face challenges of loan defaults, theft, and misappropriation of the collected money within the groups.

Although critics believe that the benefits of participating in stokvels may be limited, there is also a large body of literature that demonstrates that these groups provide inclusion, promote economic independence and an entrepreneurial spirit, foster empowerment among members, and increase individual and household resilience (van Wyk, 2017; Gash and Odell, 2013; Mashigo and Shoeman, 2011). It is important to examine the shortcomings of stokvels in order to recommend improvements that can increase efficiency of these groups. Over and above providing financial services, stokvels have been in existence for quite a long time promoting self-empowerment and social cohesion in the communities that use them to support their livelihood needs (Allen and Panetta, 2010). In terms of what makes stokvels work, van Wyk (2017) also finds that respect, inclusivity, human dignity, sharing, caring, honest, communal dependence, and empathy are core principles which are common among stokvel groups.

2.3. Stokvels as a Financial Product

Stokvels are increasingly recognised as a solution to deliver financial services in remote areas especially for the low-income earners and the underserved rural population as they are self-funding (Moliea, 2007). These groups can function as refinancing agencies, not only issuing loans to its members but also third parties as they increase savings usage among the rural poor who are excluded from formal financial institutions.

Knowing that financial inclusion is now one of the widespread rural development strategies (Atkinson and Messy, 2015), stokvels foster financial inclusion such as mobilising supreme savings flexibility, provide production loans, consumption loan, and micro-insurance to the low-income segment of the society outside the conventional financial institutions. However, Karlan *et al*. (2011) argue that the savings are too low relative to household consumption to have transformative effects on the overall financial wellbeing of a household which is an indication that these features need to be ameliorated.

As a financial product, stokvels are capable of providing production loans to the participants. Markel *et al*. (2014) validate that in rural Zambia stokvel members use their share-outs and loans mostly to purchase business assets which include materials to build poultry enclosures, livestock materials, and crop production inputs in pursuit of their income-generating activities. Stokvel promotion also results in an improvement in household business outcomes. According to Flynn and Sumberg (2018) and Bate *et al*. (2014), stokvels provide working capital to facilitate business activities such as hiring workers to complete farm tasks, buying gasoline for farming tools, and other farm inputs. Stokvels also provide low-income with some form of micro-insurance. According to Hulme *et al*. (2009) stokvels help the disadvantaged to manage vulnerabilities using accumulated savings to enhance the impact of shocks. With just simple savings the poor can access flexible and quick credit especially emergency loans (Gash and Odell, 2013).

2.4. The Informality and Formality of Stokvels

The transitioning or formalising of stokvels does not necessarily mean bringing them to formal financial institutions. Stokvels can be formalised to facilitate other developmental activities such as community development projects. The ongoing contradiction on whether stokvels can sustain service delivery under their informality or transitioning them could improve their operation has picked interest in Africa. CARE International UK (2013) claimed that connecting stokvels to formal financial services in Africa led to improved financial performance, profitability, cohesion, and self-esteem without a negative influence on the groups' internal operation.

According to Holmes (2017) in South Africa stokvels register with the National Credit Regulator, which enables the government to oversee and regulate these groups using the South African Bank act of 1990. Contrary to the South African case, in Uganda government regulation explicitly allows stokvels to operate as informal groups (Jarden and Rahamatali, 2018). However, these groups register with Community Development Officers to annually report to the Microfinance Regulator. This is a mainstreaming strategy for Uganda to facilitate the transitioning of stokvels into the formal economy.

The intriguing question is how can Eswatini's stokvels be successfully brought into the mainstream economy without altering their inherent objectives, as stokvels in Eswatini are currently operating in the informal economy. While the regulation of stokvels in Eswatini is not something that has been formally tabled into government policy, banks such as Nedbank and financial technology innovations such as mobile money platforms in are trying to modernise the operation of stokvels. Yet no investigation has been done to inform the extent to which these services are going to sustain the inherent objectives of these groups. Jarden and Rahamatali (2018) postulate that one way in which governments can monitor the operation of stokvels is understanding how they are organically formed, and at least keep a register to have data overtime regarding informal savings. On the other hand, Seibel and Parhusip (1990) suggest three models of linking stokvels with formal financial institutions as a means to achieve full financial inclusion other than mainstreaming stokvels for community development activities. One being the indirect linkage (bank-NGO-stokvel), the second model being the direct linkage (bank-stokvel-members), and the third model that was advocated was the direct access (bank-individual clients). This is one way to capture the credit history of the stokvel members.

The Cooperative for Assistance and Relief Everywhere (CARE) and Plan International (2013) propose that linking stokvels to national financial inclusion strategies in Africa should form part of the main priority issues. The CARE also suggest the following principles of linking stokvels to formal financial institutions as a means to foster financial inclusion: link groups not individuals, only link mature groups that have saved for at least a year, focus on group demand rather than the supply from financial institutions, provide financial literacy training before linking, protect core savings groups principles, start with savings before credit, maintain conservative savings to credit ration, and minimise the use of savings and collateral.

3. Methods

3.1. Conceptual Framework

To achieve the research objectives, the study adopts a model developed by the Development Alternative Incorporated (DAI) called the parallel strand of the impact of group savings and loan associations. The framework explains the impact of stokvels as per the livelihood outcomes of the group members at the household and group level as illustrated in Figure 3.1.1. The livelihood outcomes vary in terms of how the household participating member manages their resource flow to meet their livelihood needs and the potential of the group to serve its market segment with the intent of fostering rural financial inclusion (Odokonyero, 2012).

At the household level, the framework examines the types of livelihood activities undertaken by members and the impact in terms of assets accumulation. The study estimates the yearly total savings as the sum of the individual member’s contributions. Bophela (2018) and the

Unilever Institute (2005) also use the same variable to estimate the total monetary value of stokvels in South Africa.

To achieve objective one, the study analyses the extent of asset accumulation (wealth creation) using PCA (Principal Component Analysis) based-assets index which measure socio-economic status (wealth) of an individual or household. It draws from Prakongsai (2019) and Yi-Sheng and Chao-Jung (2017) who also use the PCA-based index generation in constructing the asset index. The study categorises the assets according to those acquired through loans and share-out**.** The study uses 22 assets in a dummy form whereby each asset carries a value of one if the individual owns at least one and zero if the individual does not own the asset. The assets that the study uses are as follows: television set, radio, table, chairs, clothing, bed refrigerator, breakable plates, renovated a home, built semi-permanent house (iron roof), telephone, car, sewing machine, long-term bank savings, goats and sheep, chicken, cattle, pig, peacock, other domesticated birds, and a donkey. Below is a model specification for constructing assets index:

$$A_j = \sum_{i=1}^{n} l_i (a_{ij} - a_i) \; / \; S_i \qquad \ldots (1)$$

Where,

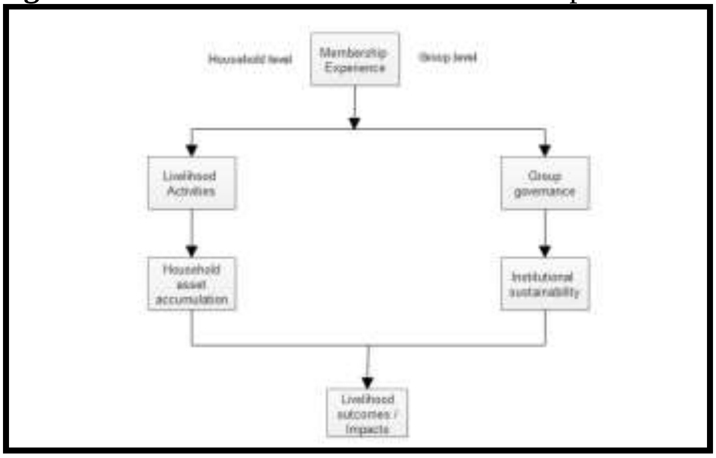
A_j is a summation of all the loading score (from the PCA) of each asset of a stokvel member multiplied by the difference between the ith asset of jth individual and the mean of ith asset an individual divide by the standard deviation of the assets of each individual participating in a stokvel?

A_j represents an asset index for each individual participating in a stokvels, l_i is the loading score for each asset owned by each individual, a_{ij} is the ith asset of the jth individual, a_i is the mean of the ith asset of the individual, S_i is the standardised variable of each (i=1… n)

To assess governance and institutional sustainability of each stokvel group, the study uses stokvel operational characteristics which include group transaction records keeping, loan qualification criteria, selection of members, and mechanisms used to encourage members to pay back loans.

An overall assessment of the livelihood activities, household asset accumulation, group governance, and institutional sustainability, the study makes a judgement on the extent/effectiveness of stokvels in improving livelihood outcomes; hence, the impact.

Figure. 3.1.1: The Parallel Strands of the Impact of Group Savings and Loan Associations



Source: DAI (2010)

3.2. Sample and Data Collection

The study uses both qualitative and quantitative approach. Data was collected from 436 stokvel participants which are a representative of the stokvel members in the Lubombo region that are accessible through the NGOs which assist in the establishment of savings groups in the country. Since there is no national database of stokvels in Eswatini, the researcher considers these organisations as a starting point as they are working with the underserved and the unbanked to promote the formation of stokvels in the country and the organisations are gradually creating a database of stokvels. The study uses purposive sampling to collect information only from stokvel participants, this sampling technique enables expert selection when it is difficult to reach the population that needs to be measured to study a phenomenon. It also assists to select sample based on knowledge on the population to get the desired characteristics of interest. The study selects the Lubombo region because of the highest backlog of unemployment (28.6%) and poverty (71.5%) incidence with the exception of a lot of economic activities taking place (Eswatini Household Income and Expenditure Survey, 2018; Labour Force Survey, 2016).

4. Results and Discussion

4.1. Stokvel Members Socio-Demographic Characteristics

The study finds that 86% of the respondents are women as shown in Table 4.1.1, although these organisations also cater for youth and men but ever since they were engaged both groups have been less responsive to the savings initiatives. This is because women are often a primary source of economic support for their families. The results show that 17% of the respondents fall between the ages of 48 years to 53 years, 15% fall between 30 years to 35 years, and 36 years to 41 years having 16% respondents with more of a combination of youth and middle aged women who are actively supported by stokvels to provide for their households. As the results show that 93% of the respondents are not working, with an average household size of 7 and 5 dependents as shown in Table 4.1.2, this means that stokvels are less likely to thrive because the average monthly income of the members (E340) compared to the international poverty threshold that is $1.25 per person which is equivalent to E18.60), is immensely low to benefit 5 or 7 household members. On the other hand, the results indicate that stokvels immensely contribute to the welfare and livelihoods of households as 71% of the household members depend on the stokvel for survival.

Table 4.1.1: Socio-demographic summary

Characteristics (n=103)		Percentage (%)
Household Position	Child	9
	Wife	86
	Husband	2
	Aunt	2
	Other relative	1
Age	18 years - 23 years	3
	24 years – 29 years	8
	30 years – 35 years	15
	36 years – 41 years	16
	42 years – 47 years	15
	48 years – 53 years	17
	54 years - 59 years	11
	60 years +	15
Employment Status	Not working	93
	Working	7
Average Monthly Income	No income	6
	≤ E500	47
	E501 - E1500	30
	E1501 - E2000	8
	E2001 - E3000	4
	E3001 - E4000	2
	E4001 – E5000	1
	E7001 - E8000	1
	E10001+	.2

Source: Authors computation

Table 4.1.2: Number of household members and dependants

	N	Mean	Std. Deviation
Number of household members	103	7	3.356
Number of dependants	103	5	2.704

Source: Authors computation

4.2. Stokvels as an Instrument for Income Generation and Wealth Creation

4.2.1. Income Generation

With the average monthly income of E340 the stokvel members are able to access finance that is six times more (E1,886) than their monthly income as shown in Table 4.2.1.1. This implies that stokvels indeed provide additional income to its members. The respondents in the study save together a total of E796,123 per annum. The groups manage to disburse total loan worth E522,430 amount given to 277 members, which generates 6.7% revenue to the total contributions. The members' borrowings and contributions results for E0.8 million income generated. The stokvel members save to expand their credit base particularly in order to supplement household income.

Table 4.2.1.1: Summary statistics on members' yearly savings, income, and access to credit

Total number of members	436
Total average contributions per year	E796,123
Average monthly income of the respondents	E340
Total amount of loans issued	E522,430
Total number of loans issued	277
Average loan per member	E1,886
Total revenue generated through interest (av. 10.26%) charged on loans	E53,601
Total income generated	**E849,724 (E0.8m)**

Source: Author computation

4.3. Assets Accumulation as a Proxy for Wealth Creation

4.3.1. Assets Expenditure

Stokvels enable members to meet survival needs in their households. Table 4.3.1.1 shows that the stokvel members spend more money in productive agricultural assets (E552,120) and the members second highest expenditure priority is basic need assets such as house construction and renovation, clothing, and beds which summed up to (E296,540). As much as stokvel members invest in agricultural assets and basic need assets, they also spend money on convenience assets such as cell phones, radio, television and sewing machines costing E173,504 in a period of two cycles.

Table 4.3.1.1: Summary of the money spent on buying assets

Type of assets	Total Value (E)
Basic needs (house renovation, building a house, clothing, bed	296,540
Agricultural assets (goats and sheep, cattle, chickens, pig	552,120
Convenience assets (telephone, radio, television, sewing machine)	173,504

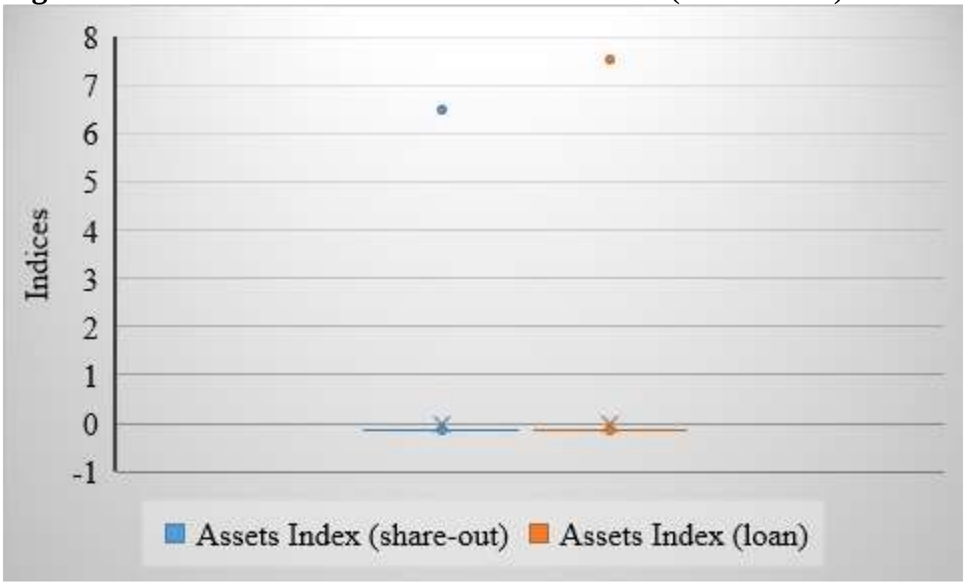
Source: Authors computation

4.3.2. Distributing of Respondent's Wealth Index

The study interprets the individual assets indices as follows: a positive asset index is reflecting a higher socio-economic status whereas a negative index reflects a lower socio-economic status. The results in Figure 4.3.2.1 show the highest asset indices of 7.5 and 6.5 in the assets acquired through loans and share-out, respectively. This indicates that stokvel members prioritise the use of a loan to purchase assets to create wealth compared to a share-out. This also shows a prevalence of stokvels which helps to cater for survival consumptive needs of the members as an end goal such as grocery stokvels, which implies an opposite practice of wealth creation practices.

Even though stokvels seem to have a dominant consumptive purpose, a cluster of the individuals has positive assets indices, hence providing evidence that stokvels enable members to acquire and accumulate assets, which contributes to a positive change in their socio-economic/livelihood's status (wealth creation).

Figure 4.3.2.1: Measure of individual wealth index (assets index)



Source: Authors computation

Notes: The figure above shows a distribution of individual asset index of the stokvel participants, the study groups the assets according to those acquired through loans and share-out.

4.4. Stokvel Governance and Sustainability

4.4.1. Operational Characteristics of Stokvels

The results in Table 4.4.1.1 show that 70% stokvels keep records, thus indicating that stokvels members are oriented into financial records keeping. This is also helpful information that government can use to have insight on to the extent to which stokvels address the financial inclusion issue. The results also show that 76% of stokvel members do not find it hard to cope with savings and loan obligations as minimal sanctions are put in place to encourage loan repayment and savings (41%) and this reflects that stokvels enable them to have a useful understanding and experience in finance (financial literate). A majority of stokvel groups (86%) consist of community members. This shows that more than just financial services stokvels strengthen communities and their cluster can be used as a platform for service delivery for other community development activities. The group governance feature of stokvels demonstrates greater transparency and democracy. As such when these groups are appointing representatives such as treasurer all the members vote (92%).

Table 4.4.1.1 Operational characteristics of stokvels

Statement		Percentage (%)
Records keeping	Yes	70
	No	30
Keeping up with savings and loan obligation	Not difficult	76
	Difficult	24
Loan qualification criteria	Credibility	78
	A clear reason for borrowing	17
Member selection	Only community members	86
	Anyone who has money can join	11
	Anyone know by at least one group member	11
	Relatives	4
	Workmates	3
Sanction applied to encourage loan repayment	Never	23
	Sometimes	34
	Always	41
Representative member selection	Every member vote	92
	Select educated members	6
	Subjective selection	2

Source: Author's computation

5. Conclusion

Meanwhile the Government of Eswatini undergoes recurring fiscal problems to fund poverty alleviation initiatives, stokvels can be used as an instrument for income generation and wealth creation, this is a least cost way of increasing self-resilience and financial independence which could eventually draw people out of poverty. Considering the country's unemployment rate, youth access to post-secondary training opportunities, inability to innovate bankable ideas coupled with the ongoing process of fine tuning formal financial products to meet the needs of the excluded stokvels have proven to be a credible route to financial inclusion. Enhancing stokvel financial inclusion features can assist increase rural financial inclusion. Stokvels have rules that govern their operations and they keep records. These are advantageous features that can assist transitioning of stokvels into the mainstream economy. The study also draws that for stokvels to work well, groups must have community members to increase trust and transparency which increases solidarity and cohesion.

6. Recommendations

Based on the findings, the study proposes the following recommendations:

- Establish a stokvel representative body that will deal with the stokvel economy (stokvels issues, create database, promote campaigns for information exchange)

- Establish liaison between stokvels and formal financial institutions for the recognition of their transaction history to demonstrate creditworthiness.
- Expand the study to cover more stokvel associations country wide.
- Explore ways to enable stokvels tap into investment over the consumptive nature (strengthen sustainability, increase financial empowerment)

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