

## The Role of Stokvels in Financing Immigrant-Owned Businesses in South Africa

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**Abstract:** Although, immigrants have been found to be particularly likely to engage in entrepreneurial activities in their host countries, very often their ability to do so is restricted by a range of challenges including having limited access to finance. As a consequence, proactive immigrant entrepreneurs establish informal financial associations which are known as stokvels in South Africa in order to compensate for the general lack of available capital for their business ventures. Accordingly, this study has sought to ascertain the role which stokvels play in the startups and the growth of Cameroonian-owned businesses and also the strategies which they employ. A mixed methods approach was adopted to conduct the study and purposive sampling was employed to obtain a research sample of 123 participants to respond to the survey questionnaire and 10 to take part in one-on-one in-depth interviews. The criteria for selection to respond to the questionnaire were ownership of businesses which had been in existence for at least 3 years and membership of known stokvels. The data was analysed through the use of the Statistical Package for Social Sciences (SPSS) Software which generated findings in the form of descriptive statistics. The results suggest that most emerging immigrant entrepreneurs struggle to obtain sufficient startup capital. It was found that the majority of the respondents to the questionnaire had started their businesses with capital in the region of R20000 (US\$1473) or less. Although, it was found that 35.1% of the respondents had drawn their startup capital from personal savings and a further 36.5% had obtained it from either members of their families or friends, stokvels had played a significant role in the startups of their businesses. It also emerged from the findings that stokvels played an equally significant role in providing the capital which was necessary for the growth of their businesses. Other findings included the fact that significant numbers of members of stokvels belong to more than one group in order to spread the risks which are associated with belonging to a single stokvel and also in order to improve their prospects of obtaining sufficient finance for their ventures. This study has endeavoured to gauge the extent to which stokvels provide finance for the startups and the growth of the businesses of their members and also to investigate the strategies which their members adopt in order to maximise their returns. On the basis of the assumption that widening access to finance would improve both the startups and the growth of immigrant-owned businesses, the researchers of this study advocate for inclusive policy initiatives which consider the unique characteristics of the immigrant entrepreneur. In addition, it is to be hoped that this study will make a valid contribution to the discourse concerning inclusive finance and be of interest to policy makers and academics.

**Key words:** Informal financial institutions, stokvels, cameroonians, immigrant-owned businesses, Cape Town, policy makers, immigrant entrepreneur

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### INTRODUCTION

There is a growing consensus that the creation and growth of Small, Medium and Micro-sized Enterprises (SMMEs) would inevitably result in the creation of employment, economic growth, the alleviation of poverty and the general improving of living conditions (Vuuren and Groenewald, 2007). It could reasonably be suggested that this assertion would hold true, regardless of whether or not the founders of the enterprises are

immigrants. Most advanced economies have benefited immensely from the contributions which have been made by immigrant entrepreneurs.

Immigrant-owned businesses represent an important conduit for advancing the growth of the South African economy. They contribute towards the development of the economy by creating employment for both immigrant entrepreneurs themselves and for South African citizens and also through the contribution which they make through the payment of taxes (Kalitanyi, 2007). Despite

the increasing recognition of the value of immigrant entrepreneurship, the entrepreneurial enterprises of many immigrants continues to be confronted with a number of obstacles which hinder them from fulfilling their true potential in terms of the contributions which they stand to make to the economy of the country. Some of these factors include language barriers, discrimination and limited financial capital to fund their economic activities.

Limited access to finance has been identified as constituting one of the most significant stumbling blocks to the success of immigrant entrepreneurship in South Africa (Tengeh, 2011). Strict adherence to requirements for granting loans by formal financial institutions effectively excludes immigrant entrepreneurs from obtaining access to funding. A lack of proper documentation a lack of credit history and a general reluctance to grant credit to non-South Africans are among the factors which serve to foil the attempts of immigrant entrepreneurs to obtain finance from formal financial institutions.

To borrow the analogy of Napoleon Bonaparte, who maintained that an army marches on its stomach, finance plays an equally crucial role in the startups and the growth of business enterprises. The prospects for businesses when there is little or no available capital are exceedingly grim. Owing to the difficulty which immigrant entrepreneurs have experienced in obtaining financial support from formal financial institutions such as commercial banks, they have been obliged to rely on stokvels as a source of obtaining financial capital for both the startups and the growth of their businesses.

The difficulties which are encountered in the raising of financial capital from formal financial institutions by immigrant entrepreneurs in order to fund their business activities in South Africa stems largely from the fact that the policies which are implemented by the formal financial institutions to guide the granting of loans do not favour immigrants. Among the conditions for the granting of loans are the requirements for the applicant to be in possession of a South African identification card and to provide a credit history. As it is impossible in most cases, for immigrant entrepreneurs to fulfil all of these conditions and because their businesses cannot function without adequate capital, they tend to resort to forming informal financial associations such as stokvels.

It has been found in a number of host countries that immigrants are more likely than the members of indigenous populations to start their own businesses. This tendency may be ascribed to the obstacles which immigrants frequently encounter while attempting to find suitable employment in the formal sectors of their host

countries and also to their tendency to take greater risks than members of indigenous populations as a result of not having access to whatever forms of social security their host countries may provide to their citizens. By creating employment for themselves, indigenous citizens and other nationals, immigrant entrepreneurs make a valid contribution to the alleviation of poverty and inequalities in incomes (Fatoki, 2014). However, immigrants often encounter a range of different adverse phenomena in the form of language barriers, discrimination, xenophobia and financial difficulties (Tengeh, 2011).

Limited access to capital is a significant factor which hinders the startups and growth of most Small, Medium and Micro-sized Enterprises (SMMEs), irrespective of the countries of origin of the entrepreneurs concerned (Petrovic and Meghan, 2013). However, a lack of adequate financial resources tends to be felt more keenly by immigrant entrepreneurs than it is by their indigenous counterparts, owing, to a large extent to the characteristics of immigrant entrepreneurs and their enterprises and also to a lack of familiarity with and possible discrimination against immigrant borrowers on the part of mainstream formal financial institutions. This state of affairs entails two distinct categories of disadvantages for immigrant entrepreneurs. The first precludes many immigrant entrepreneurs from achieving effective startups for their businesses. In a great many instances, even when successful startups are achieved, the achieving of significant growth becomes a further hurdle.

The second category precludes immigrants from having opportunities to optimise their socio-economic contribution to the South African economy. As a consequence in many instances immigrants are obliged to compete with native South Africans for employment as opposed to creating employment for them. In order to ensure the successful startups and growth of their businesses, the vast majority of immigrant entrepreneurs search for alternative means of obtaining finance, very often through relying on stokvels or njangis as they are known in Cameroon (Tengeh, 2011). Although, it has been documented that immigrants establish stokvels in order to compensate for a lack of availability of capital, the effectiveness of stokvels in this respect has not been adequately established. The strategies which are employed by immigrant entrepreneurs in order to obtain maximal financial assistance from their stokvels have also not been sufficiently comprehensively investigated. Consequently, this study sought to ascertain the role which stokvels play in startups and the growth of Cameroonian-owned businesses within the Cape Metropolitan area of South Africa.

**Literature review:** Forgues explains, a review of the relevant available literature which is carried out prior to the conducting of a research study enables researchers to place their proposed studies within the broad context which is provided by all of the research which has been published concerning the research topic. In the case of this literature review, literature pertaining to entrepreneurship, immigrants and immigrant entrepreneurship will be examined and discussed. Particular attention will be devoted to the problems which immigrant entrepreneurs encounter, the informal financial associations which they form and the effects which stakeholders have on the startups and the growth of their businesses.

**Defining entrepreneurship:** The quest for a generally acceptable definition of entrepreneurship has eluded many researchers. As a consequence, individual researchers tend to adopt definitions which best serve the purposes of their writing or their research. For the purposes of this study, entrepreneurship will refer to the actions which are entailed in the successful starting and operating of businesses. A working definition for an entrepreneur could be offered as a person who identifies a specific business opportunity and mobilises the necessary resources in order to start and run a business.

**Migration and immigrant entrepreneurship:** Although, it has long been regarded as a cliché that the world has become a global village, the phenomenon of people moving from one country and settling in another is a common one. While some do, so in order to benefit from the favourable economic conditions which prevail in their adopted countries, others are forced by political and economic instabilities in their home countries. This movement from one country to another is generally known as migration.

The word migration is defined in various ways, depending on the specific context in which it is used. Goetz defines migration in terms of the movement of people within national boundaries with the intention of establishing a new place of residence. It has proven to be one of the defining topics in modern history because it has become an essential, unavoidable and beneficial instrument of the socio-economic life of regions and countries. When immigrants move into their new countries, it is seldom easy for them to gain access to the employment market. As a direct consequence, many are encouraged to engage in entrepreneurial activities in order to create gainful employment for themselves which gives rise to the phenomenon of immigrant

entrepreneurship. Examining entrepreneurship from the perspective of immigrants, Sahin *et al.* (2007) explain that self-employment or entrepreneurship typically entails either buying an existing business or establishing a new one (Sahin *et al.*, 2007). In this sense, immigrant entrepreneurship denotes entrepreneurial activities which are pursued by immigrants in a host country.

Following the demise of apartheid in 1994, post-apartheid South Africa has witnessed an unprecedented influx of immigrants, particularly from other African countries (Tengeh, 2011). For many the pull factors include but are not limited to a better quality of life, favourable climatic conditions and the existence of business opportunities (Kalitanyi, 2007). The influx of new entrepreneurial talent has great potential for boosting the South African economy.

Although, African immigrants tend to be disadvantaged in terms of having limited access to funding from formal financial institutions, many still forge ahead to establish businesses (Tengeh *et al.*, 2012). Although, most of them resort to obtaining finance from friends, members of their families and their personal savings in order to generate capital for the startups and the growth of their businesses, they also establish informal financial associations for this purpose (Tengeh, 2013).

**Informal Financial Institutions (IFIs):** The term 'Informal Financial Institution's (IFIs) covers all organisations which offer financial services outside of the domain of the formal financial sectors of countries and which are not governed by their regulations. Helmke and Levitsky characterise informal financial institutions as groups which are formed on the basis of socially-shared rules which are usually unwritten and which operate mainly outside of the officially sanctioned and regulated channels. As a consequence, it is almost impossible to use monetary and financial policy instruments to regulate the activities of IFIs.

The existence of informal financial institutions predates the introduction of the modern banking system by centuries if not millennia. Their main objective has always been to provide finance for entrepreneurial activities, particularly to people in poor communities. It is believed that IFIs owe their origin to people at the most fundamental levels of society and their need for appropriate funding mechanisms.

Each member of an IFI typically contributes a regular small sum into a common pool in order to become the recipient of a large sum at a point which is determined

by the rotation process which is employed. The rotation process provides some members with access to the pool much earlier than others. Consequently, members who benefit at an early stage are likely to regard the payment as an interest-free loan while those who benefit later are likely to regard the fund as a means of accumulating savings (Aredo, 1993).

As stokvels are associated mainly with poor segments of society, it may be concluded that they provide the means for poor people to generate their own funding. Ugwuanyi (2012) explains that stokvels date back to before the colonisation of Africa and that they are interwoven with the African culture which is as old as Africa itself.

Stokvels are broadly divided into three main classes, namely: proprietary informal financial groups such as millers of grain, money lenders, smallholder farmer's schemes, trader's groups, self-help groups and other business groupings; staff and social welfare schemes such as those which are run by employers, friends, relatives and neighbours; mutual aid groups such as rotating savings and credit associations (ROCSAs) and Accumulating Savings and Credit Associations (ASCRAAs).

ROSCAs are the most commonly used types of stokvels throughout the world and they are given different names by various different communities. In Nigeria a stokvel is known as an isusu in Ghana as a susu in Japan as a Ko and in Cameroon they are referred to as njangis or tontines.

The World Bank (2004) defines ROSCAs as associations whose members routinely, either daily, weekly or monthly, contribute a fixed amount which is given to members in turn, according to a system such as a lottery, bidding or any other which the group may elect to use. This fixed contribution is deemed by the members to provide the means for receiving a large sum at a particular point during the life cycle of the group (Aredo, 1993).

**Stokvels as a means for providing finance to immigrant-owned businesses:** It requires more than merely a good idea in order to start a business successfully and achieve steady growth. Various different forms of capital including knowledge and skills are needed for a business to be successful. Financial institutions in the formal sector in South Africa tend to regard small businesses which are owned by immigrants as not being sufficiently creditworthy to be granted loans to facilitate their growth (Asoba, 2016). It is partly for this reason that the immigrant community in South Africa tends to attach great importance to stokvels as the most effective means of obtaining capital for their business

initiatives. In a discussion of the significance of stokvels for immigrant owners of businesses in South Africa, Tengeh (2013) observes that they help to mobilise savings through the regular contributions of their members which are in turn used as working capital to expand their businesses.

As Carrillo (2009) explains, although, immigrant entrepreneurs need access to credit and savings for both business and personal purposes, many financial institutions in the formal sectors of their host countries are not always able to provide the necessary assistance. As it has been pointed out, their reluctance to do so, usually stems from deeming them to be insufficiently creditworthy which in turn, results in the assessment that any credit which is advanced to them is particularly likely to result in bad debts. As immigrant entrepreneurs are usually unable to gain access to credit from the formal financial sector, they tend to turn to alternative means of funding their business initiatives such as stokvels.

**The contribution made by immigrant entrepreneurship to the host country:** Although, it is widely acknowledged that immigrants have great potential to contribute positively to the socio-economic development of their host countries, their ability to do, so is seldom maximised, owing to discriminatory policies and structural deficiencies. This assessment notwithstanding, it can be asserted that immigrant-owned businesses make the following contributions to the economies of their host nations:

- They contribute to economic growth
- They change the urban landscape
- They revitalise abandoned city districts and local markets
- They supply new products and services at competitive prices and in some cases, even create new markets such as ethnic tourism
- They create employment for themselves and for others
- They contribute to combating social exclusion and improving living standards of disadvantaged groups in their host societies
- They have the potential to provide an indirect means of avoiding the multitude of difficulties which are to be encountered while attempting to enter labour markets such as unemployment, language difficulties, discrimination and problems concerning the recognition of qualifications

**Startups and associated characteristics of businesses:** For Jacob (2003), creating any product or service entails the coalescing of the factors which pertain to production.

Labour, capital, land and entrepreneurs are the factors needed to be combined in order to ensure the successful startup of a business. A number of governments of countries throughout the world today promote the start-ups of small businesses as a measure to boost economic growth and levels of employment. Promoting the startups of businesses necessitates granting reasonable access to essential resources.

It is believed by many that South Africa needs to promote the starting and growth of small businesses if it is to combat poverty successfully through the creation of employment (Tengeh, 2011) as high levels of poverty and unemployment continue to thwart the socio-economic development of the country. Any strategy which entails endeavouring to overcome poverty and unemployment through promoting the starting of viable and sustainable small businesses must of necessity also entail concerted efforts to eliminate the challenges which hinder the progress of small-scale entrepreneurs at present.

**Challenges affecting the startups of small businesses in South Africa:** The starting of businesses has never been without obstacles, some of the chief of which are summarised below:

**Registration and taxation:** According to Chikamhi (2011), the process of registering businesses in South Africa is complex compared with those which are to be found in other emerging economies and in the developed economies. The process in South Africa includes nine procedural requirements which entail a period of 38 days and it is often expensive, particularly for foreigners. The complexity of the process tends to demotivate some people from starting up businesses (Chikamhi, 2011).

**Limited or no access to bank loans:** According to the National Credit Regulator (NCR) most South Africans borrow money in order to start or buy a business. In the light of this finding, it is of great significance to note that just over 2% of SMMEs in South Africa have access to bank loans in all probability owing to limited credit histories and a lack of collateral in a great many cases (Olawale and Garwe, 2010). It can be asserted quite unequivocally that the absence of adequate finance constitutes one of the most significant stumbling blocks to the startups of small businesses in South Africa at present (Tengeh, 2011; Fatoki, 2014).

**High rental costs:** As high rental costs present significant obstacles to the startups of businesses, Khosa and Kalitanyi recommend that emerging entrepreneurs should enter into partnerships in order to overcome them.

**Limited business space:** Fatoki and Garwe maintain that limited access to business space has adverse implications for the launching of businesses as it places severe restrictions upon the growth potential of new businesses.

**The growth of businesses and associated characteristics:** The criterion for the growth of businesses which is employed in this study relates to businesses which have been in existence for 3 years or longer and have achieved a considerable degree of progress with respect to financial assets. However, Naman and Slevin maintain that there is generally no acceptable criterion for assessing the growth of businesses, owing to the complexity which is entailed in its measurement.

Some of the characteristics of the growth of businesses which have been identified by Crijns and Ooghe (1997) include:

- Domination of certain niche areas of markets
- Uniqueness in the sense of differing from competitors
- Being product-oriented with respect to quality, branding and offering value to customers
- The ability to be flexible to take advantage of opportunities and to minimise threats
- The ability to innovate more quickly than growing competitors
- Orientation towards marketing, the developing of products, capacity-building and expansion of distribution channels

Four main categories of growth have been identified by Wickham (1998), namely.

**Financial growth:** Which is reflected in a number of ways including increased total assets, increased turnover, increased returns on investments and increased profits.

**Strategic growth:** Which refers to the changes which occur in the life cycle of a business as a result of initiatives to gain an increased share of the market (Crijns and Ooghe, 1997).

**Structural growth:** Which refers to the changes which take place owing to the way in which a business structures its internal system, managerial roles and responsibilities, communication links, control of resources and reporting relationships (Nieman *et al.*, 2009).

**Organisational growth:** Which refers to the changes which take place in the processes, attitudes and culture of an organisation as it grows (Wickham,

1998). Of these four categories of growth, the one which is applicable to this study is financial growth as the main concern of the researcher in this study relates to the role which finance plays in relation to the startups and growth of businesses.

**The role of finance in the startup and growth of a business:** As has already been noted, finance plays a pivotal role in the startups and growth of businesses. Among its chief functions is the use to which it can be put in order to acquire the resources which are needed to ensure either the successful start-ups or the growth of businesses (Jacobs, 2003). As most prospective owners of small businesses cannot fulfil the requirements of banks in the formal sector, they are likely to turn to informal sources of financial support (Huck *et al.*, 1999).

**Access to finance:** Obtaining credit for the start-ups of businesses is almost always more difficult for emerging entrepreneurs from ethnic minority population groups than it is for others. Zolin and Schlosser (2013) explain that immigrants are disadvantaged with respect to obtaining financial capital for a number of different possible reasons. Their credit history may not be easily or readily accessible which would inevitably make it difficult for them to apply for credit in their adopted countries.

According to Volery, it is not an easy task to accumulate capital for the launching of an entrepreneurial enterprise, particularly for immigrants. Many researchers have reached the conclusion that as banks and other financial institutions in the formal sector have never been easily accessible to ethnic minorities, immigrant entrepreneurs have been obliged to rely on their personal savings and the social resources of their ethnic communities.

However, Aldrich and Waldinger explain that most prospective immigrant entrepreneurs very often begin by seeking temporary employment in small enterprises which provide them with opportunities to work for extended hours. This strategy enables them to accumulate capital and also to acquire some of the business skills which enable them to make the transition to becoming self-employed entrepreneurs.

According to Tengeh *et al.* (2011), the growth of a great many Small, Medium and Micro-sized Enterprises (SMMEs) is severely impeded by a lack of access to finance. This assessment is shared by Neiman *et al.* (2009), who maintain that insufficient access to finance has been and remains a major obstacle to the successful development of small businesses in South Africa.

**Startup capital, growth capital and immigrant entrepreneurs:** The availability of adequate capital is a crucial factor for the success of any business. Bates (1994) believes that there is a significant relationship between the size of startup capital and the startups and subsequent growth of the businesses of immigrant entrepreneurs. He found that Vietnamese entrepreneurs in India depended on members of their families and friends for loans to fund their businesses. As a consequence, their businesses were often limited in size and vulnerable to high probabilities of failure. This finding suggests that reasonable access to formal financial institutions would improve the startups and the prospects for survival of the businesses of these immigrant entrepreneurs. Conversely, this conclusion would be less relevant in the cases of immigrant entrepreneurs who have limited access to financial support from formal financial institutions as a result of ethno-racial discrimination (Light, 1972). In addition, they are usually poor and do not possess credit histories or assets to support their applications for loans.

Ram contends that entrepreneurs from minority groups borrow informally from members of their ethnic communities as a result of discrimination on the part of formal sources of finance such as commercial banks. Bates (1997) also confirms that families and friends in ethnic communities represent an important source of financial resources for immigrant entrepreneurs. Tengeh *et al.* (2012) found a high degree of reliance on personal savings among African immigrant entrepreneurs in South Africa.

## MATERIALS AND METHODS

**Research design:** The research design made use of both quantitative and qualitative research methods as a mixed methods approach to conducting research in the social sciences maximises the benefits of both the quantitative and qualitative approaches. Accordingly, a mixed methods research paradigm was deemed to be most suitable for the purposes of this study.

The quantitative and the qualitative data was collected through the administration of a questionnaire and the conducting of face-to-face interviews, respectively owing to the nature of the target population. The data which was collected from the respondents who completed the questionnaires was captured, categorised and analysed in relation to the research questions through the use of SPSS Statistical Software and the findings were presented in the form of frequency tables and pie charts.

**Target population and sampling:** Sekaran and Bougie (2013) explain that a target population in a research study in which there are human participants refers to all of the people who qualify to be selected for inclusion in the research sample for a specific study. In a preliminary assessment, the researcher identified 22 Cameroon njangi groups with an average membership of 16. For the purposes of this study, the target population was considered to comprise all of the Cameroonian immigrants who are engaged in informal economic activities and members of one of the njangis or stokvels which had been identified within the Cape Metropolitan Area.

In the absence of a comprehensive database, a purposive sampling strategy was employed to recruit participants to respond to the questionnaire and to take part in the face-to-face interviews. Owing to the absence of an official database of immigrant-owned businesses in South Africa, it was difficult to obtain a reliable estimate of the actual size of the target population for a study of this nature. However, by taking into consideration previous studies concerning immigrant entrepreneurship in South Africa in general and in Cape Town in particular (Khosa, 2014; Tengeh *et al.*, 2011; Kalitanyi, 2007) an average sample size of 119 was obtained and the researcher settled on a final sample size of 123 respondents. In accordance with the assessment by Saunders *et al.* (2009) that between 8 and 12 interviews should be sufficient to study a fairly homogenous group, 10 participants were selected for the face-to-face interviews.

**Procedures followed to collect and to analyse the data:** The study was carried out between June 2016 and August 2016, during which 123 questionnaires were administered and 10 face-to-face interviews were conducted. The quantitative data was analysed using the latest version of the SPSS Software while thematic analysis was employed in order to analyse the data which was obtained from the face-to-face interviews. The results of the quantitative study were presented in the form of tables. Verbatim quotations were used to illustrate specific themes which emerged from the data which was obtained from the interviews which supported the findings which were obtained from the survey questionnaire.

## RESULTS AND DISCUSSION

**Sectors in which the businesses of the participants operated:** Table 1 shows that a majority of 59.3% of the respondents operated in the trading sector, 37.4% in the service sector and 3.3% in the manufacturing sector.

**Estimated startup capital:** Table 2 shows that a relatively small majority of 25.2% of the respondents revealed that they had started their businesses with capital which fell within the range of R10001-20000. This finding contrasts with that by Tengeh (2011), who found that the majority of African immigrants in his study had started their businesses with capital of R5000 or less. A further 23.6% of the respondents revealed that they had started their businesses with capital of R5000 or less which aligns with the finding by Tengeh (2011). It was also found that 15% of the respondents had started their businesses with capital in the range of R50001-100000, 14.6% had done so with capital which had ranged from R5001-10000 while 14.6% had started with startup capital of between R10001-20001. Only 4.1% had started with capital of between R100001-250000 and a tiny minority of 2.4% had done so with capital of R500 000 or more. These findings suggest that immigrants generally encounter great difficulty in raising adequate funding to start their businesses and are very often obliged to start them from very humble beginnings.

**Sources of startup finance:** As can be seen in Table 3, the respondents had made use of a variety of sources of capital in order to start their businesses. The most commonly used sources were personal savings, members of their families and friends, commercial banks and other formal financial institutions and informal financial institutions such as stokvels.

From an analysis of the results which are presented in the table, it was apparent that the use of personal savings as a source of startup capital (36.5% of the respondents) surpassed that of the other sources. This finding aligns closely with that by Tengeh (2011), who found that an overwhelming majority of the African immigrants who were engaged in entrepreneurial activities in the Cape Metropolitan Area in his study had used their personal savings as startup

Table 1: Sectors in which the respondents operated

Valid	Frequencies	Percentage	Valid (%)	Cumulative (%)
Manufacturing	4	3.3	3.3	3.3
Service	46	37.4	37.4	40.7
Trading	73	59.3	59.3	100.0
Total	123	100.0	100.0	

Table 2: Estimated startup capital

Variables	Frequencies	Percentage	Valid (%)	Cumulative (%)
R1000-5000	29	23.6	23.6	23.6
R5001-10000	18	14.6	14.6	38.2
R10001-20000	18	14.6	14.6	52.8
R20001-50000	31	25.2	25.2	78.0
R50001-100000	19	15.4	15.4	93.5
R100001-250000	5	4.1	4.1	97.6
Above R500000	3	2.4	2.4	100.0
Total	123	100.0	100.0	

**Table 3: Sources of startup capital**

Variables	No.	Percentage	Cases (%)
Families and friends	101	35.1	82.0
Own savings	105	36.5	85.4
Commercial banks	2	0.7	1.6
Informal financial institutions such as stokvels	80	27.7	65.0
Total	288	100.0	234.0

**Table 4: Stokvels provide seed capital for businesses**

Variables	Frequencies	Percentage	Cumulative (%)
Disagree	7	5.7	5.7
Undecided	2	1.6	7.3
Agree	80	65.0	72.4
Strongly agree	34	27.6	100.0
Total	123	100.0	

capital. As can be seen in Table 4, a very significant majority of 92.6% of the respondents either agreed or strongly agreed with the statement that stokvels provide financial support for the start-ups of businesses while only 5.7% disagreed and 1.6% were undecided.

Although, the results which are presented in Table 3 and 4 may appear to be contradictory, observations and further investigation of the sources of funds which had been used by the respondents such as personal savings, loans from members of their families and friends, suggested that all of these different sources of funding had originated from stokvels.

The quantitative findings were confirmed by a general consensus among the interviewees in the qualitative study that their stokvels had provided the capital for the startups of the businesses of the respondents to the questionnaire. In the words of interviewee D.

“Our group has done a lot to help members grow in business. For instance most of us started our businesses after benefitting from contributions made by this group”.

**Estimated present capital:** Table 5 indicates that a majority of almost 31% of the businesses of the respondents had capital of between R50000 and R100000 when the questionnaires were administered. It also shows that a significant 24.4% had capital ranging between R100001 and R250000 while the present capital of 17.9% ranged between R20001-50000. It was considered to be of great significance that the present capital of none occupied the R1000-5000 bracket.

By comparing the results which were obtained from the respondents concerning their estimated startup capital and their estimated present capital, it may be reasonably concluded that there has been a significant growth in the capital of each respondent in the research sample for the quantitative study. Only 3.3% of the respondents were found to have an estimated capital of between R5001-10000, compared with 14.6% who fell within this bracket during the startups of their businesses. This

**Table 5: Estimated present capital**

Variables	Frequencies	Percentage	Valid (%)	Cumulative(%)
R5001-10000	4	3.3	3.3	3.3
R10001-20000	17	13.8	13.8	17.1
R20001-50000	22	17.9	17.9	35.0
R50001-100000	38	30.9	30.9	65.9
R100001-250000	30	24.4	24.4	90.2
R250001-500000	6	4.9	4.9	95.1
Above R500000	6	4.9	4.9	100.0
Total	123	100.0	100.0	

**Table 6: Numbers of stokvel groups to which the respondents belonged**

Variables	Frequencies	Percentage	Valid (%)	Cumulative(%)
Only one	103	83.7	83.7	83.7
Two groups	18	14.6	14.6	98.4
More than two	2	1.6	1.6	100.0
Total	123	100.0	100.0	

finding is further supported by that which revealed that none of the respondents had an estimated present capital of less than R5000 as opposed to 23.6% whose estimated capital had been at this level during the start-ups of their businesses.

**Membership of stokvels:** As purposive sampling was employed, it could be ensured that all of the respondents were members of stokvels.

**Numbers of stokvels to which the respondents belonged:** Table 6 shows that a very significant 83.7% of the respondents belonged to just one stokvel group. A further 14.6% were found to belong to two different stokvel groups while only 1.6% belonged to more than two different groups.

**Reasons for belonging to more than one stokvel group:** Table 7 shows that 51.5% of those respondents who belonged to more than one stokvel group did so because they wished to improve their prospects of obtaining adequate finance for their businesses while 36.5% did so in order to spread their risks in case of defaulting on the part of members of a group or the collapse of one of the groups. Only 12% belonged to more than one group because they believed that their funding needed to increase as their businesses expanded.

**Stokvels provide capital for the expansion of businesses:** Table 8 shows that a majority of 65% of the respondents agreed and a further 27.6% strongly agreed that stokvels provide capital for the expansion and growth of businesses. Only 7% disagreed and 2% were undecided. In support of this finding, interviewee D said:

“Others have expanded their business thanks to these same contributions. So, if you didn’t benefit at the time that you started your business, you must have benefited somewhere along the line and this must have helped to increase your capital”. The participants



**Table 7: Reasons provided by respondents for belonging to more than one stokvel group**

Variables	No. of responses	Responses (%)	Cases (%)
To improve my prospects for obtaining the funding which I need	17	51.5	13.80
Because my funding needs increase as my business expands	4	12.0	3.30
To spread my risks in case of defaulting by members of one group or the collapse of one group	12	36.5	9.80
Total	33	100.0	26.90

**Table 8: Stokvels provide capital for the expansion of businesses**

Variables	Frequencies	Percentage	Cumulative (%)
Disagree	7	5.7	5.7
Undecided	2	1.6	7.3
Agree	80	65.0	72.4
Strongly agree	34	27.6	100.0
Total	123	100.0	

in the interviews maintained that stokvels also supported the startups and the growth of the businesses of their members by:

- Providing interest-free loans to members
- Giving those members who are in dire need or distress the option to benefit first

Interviewee E explained the different perceptions of the respondents to the question of the payments which they received from their stokvels as follows.

“As the group leader, I think I can see the angle from which the difference in opinions is coming. You know, the order of our njangi beneficiaries is determined through balloting and members benefit in a rotating process which therefore means that those members who are lucky to pick early numbers benefit early and this can be considered as interest-free loans that have been granted to them. But you will not expect a member who benefits towards the end to see this as an interest-free loan. He will rather see it as savings”.

Interviewee F, another group leader, said: “our njangi sometimes recognises members who are in difficulties and in need of cash. In these cases, we may unanimously decide to give the very early contributions to them, so as to help them come out of the difficulties. We see it as an interest-free loan. Can a bank loan you money to be paying just the premium with no interest charged? I don’t think so”.

**CONCLUSION**

Limited finance is indubitably an impediment to the startups and the growth of all Small, Medium and Micro-sized Enterprises (SMMEs), irrespective of the countries of origin of individual entrepreneurs. Conversely, restricted access to financial resources tends

to be of greater concern for immigrant entrepreneurs than for their indigenous counterparts. The main reasons for the difficulties which they encounter tend to lie in the characteristics of immigrant entrepreneurs and their enterprises and also in the lack of familiarity of mainstream financial institutions in the formal sector with immigrant borrowers and even possibly in discrimination against them.

This state of affairs tends to generate two categories of negative consequences for aspiring immigrant entrepreneurs. The first entails many not being able to achieve satisfactory startups for their businesses and achieving a desirable degree of growth becoming an additional obstacle in many of the relatively few cases in which satisfactory start-ups are achieved. The second results in immigrants not being given an opportunity to make as great a socio-economic contribution to the South African economy as their entrepreneurial abilities could potentially enable them to make. In the worst possible case scenario, immigrants become obliged to compete with native South Africans for employment, rather than creating employment as a means of reducing levels of unemployment and poverty among the poorest segments of South African society. However, it needs to be stressed that through their own self-reliance many immigrant entrepreneurs have managed to establish sustainable businesses with the assistance of funding from within their ethnic communities which have provided employment and incomes for South African citizens. Stokvels and njangis have played no small part in enabling them to make the contributions which they have made to date.

Accordingly, it may be concluded that widening access to finance in order to improve the startups and growth of small businesses would require inclusive policy initiatives which take into consideration the unique characteristics of immigrant entrepreneurs and the vibrant and vital role which they have to play in a flourishing informal economy in South Africa.

**LIMITATIONS**

The findings of this study are not without limitations. In the first instance, the implications of growth were

discussed solely in relation to financial growth. In the second, the extent to which the findings could be generalised to immigrant entrepreneurs in other ethnic communities in the Cape Metropolitan Area or even to Cameroonian entrepreneurs in other centres in South Africa is not known at present. A further limitation was imposed by the relatively small sample size and whatever shortcomings may be inherent in the sampling technique.

### RECOMMENDATION

All of these limitations open the way for future studies which should take into consideration other areas of South Africa and also immigrant entrepreneurs from other countries.

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