ASSESSING BANKING SERVICES FOR WOMEN WORKING IN THE INFORMAL ECONOMY: THE CASE OF THE MZANSI ACCOUNT

by

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Abstract

Rutherford's research demonstrates that "the poor *can* save, *do* save, and *want* to save money" (Rutherford, 1999: 7). Furthermore, if given a formal bank account this correlates with the poor being more likely to save (Porteous and Hazelhurst, 2004: 63). But in 2004, the unbanked made up 54.5% of the South African adult population (FinScope, 2006: 18). In the same year, to draw more people into the realm of the banked the Mzansi account was launched. The account is a first order transactional product and a saving service which targets poor clients from LSM 1-5.

Mzansi account holders are found to be significantly more likely to be informally employed or unemployed (Porteous, 2007: 10). Yet there is a research gap about the financial behaviour of those working informally. This study draws on the experiences of women working in the informal economy who utilise the Mzansi account. It aims to determine the limitations and benefits of the account. It also seeks to learn what role the Mzansi account plays in the savings habits of the women and how it influences their livelihood strategies. This is with a view to recommending how the services of the Mzansi account can be improved so as to maximise its support of informal workers.

The research suggests that the intrinsic benefits of the Mzansi account are that the account's bank charges are lower compared to other bank accounts, a small initial deposit is needed to open the Mzansi account and a proper address is not required to open the account.

The interviewees highlight five day-to-day limitations on the Mzansi account. First, interviewees identify the lack of a bank book to view the transactional activities occurring in the account as a problem. Second, the cap on the account where a maximum of R15 000 is only permitted hinders the potential to save money in the account and receive insurance pay outs. Third, the cost and frequency of bank charges are still expensive. Fourth, the distance to access banks or ATMs for the women in semi-rural areas makes it difficult and costly for them to access their bank account. Lastly the issue of crime is a problem when utilising ATMs.

Savings from the Mzansi account influence livelihood outcomes by enabling investment in funeral insurance through debit orders. This investment helps mitigate future vulnerability. In terms of livelihoods and the women's businesses, the savings from the Mzansi account are used for the purchasing of stock. This may not improve livelihood outcomes by generating further income but it maintains the women's business stability.

Declaration

Submitted in partial fulfilment of the requirements for the degree of Master of Development Studies, in the Graduate Programme in Development Studies, University of KwaZulu-Natal,
Durban, South Africa.

I declare that this dissertation is my own unaided work. All citations, references and borrowed ideas have been duly acknowledged. It is being submitted for the degree of Master of Development Studies in the Faculty of Humanities, Development and Social Science, University of KwaZulu-Natal, Durban, South Africa. None of the present work has been submitted previously for any degree or examination in any other University.

MPeel

Student signature

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TABLE OF CONTENTS

LIST OF FIGURES, TABLES AND GRAPHS

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Religious conversion can be interfaith or intra-faith, a shift in beliefs without necessarily being associated to a specific religious organization or a change in affiliation of faith because of something such as marriage or citizenship. From this five basic types of conversion have been detected: tradition transition, institution transition, affiliation, defection and intensification. (Rambo 1993: 12) Intensification is the increased commitment to the convert's faith and can be expressed through increased involvement in the community or making their faith the central focus of their life eg: born-again conversions. In contrast, defection is the rejection of a religious tradition. This change does not necessarily result in the convert accepting another faith but is a transition into accepting nonreligious or secular beliefs. Affiliation is the movement of an individual from little or no involvement or commitment to a faith to a strong following of involvement. Tradition transitions usually have the greatest effect on converts where they leave one major faith for another. They are typified by a change in worldview and very often reveal negative reactions from the prior society of affiliation. Institutional transitions on the other hand are usually less stressful and they are characterized by an individual moving from one community to another within a tradition eg: Roman Catholic becomes Anglican.

Gillespie suggests, as do other conversion scholars, that change is not necessarily religious. Therefore in order for conversion to be religious, specific elements need to be present to denote such a conversion. He considers the following definition of religion, as suggested by John Westerhoff III, as comprehensive:

> "My understanding of religion refers to those concrete communal expressions of faith which are embodied in the life of a people - a community of faith. Religion is faith given shape, form and content."
>
> (Gillespie 1991: 10)

Gillespie proposes that each conversion is unique as it is subject to the context in which it occurs. Those contexts could be political, social and economic, but

CHAPTER ONE: INTRODUCTION

Despite predictions to the contrary informal employment has grown. The International Labour Organisation estimates that in developing countries it accounts for one half to three-quarters of non-agricultural employment (ILO, 2002: 7). In South Africa, 24% of the workforce is employed in the informal economy (Statistics South Africa, 2007: x).

Initially the provision of microcredit was seen as a way to assist entrepreneurs in the informal economy to reduce poverty. This view is still held today but increasingly savings are seen as important in the lives of poor people. Rutherford (1999:7) states that "the poor *can* save, *do* save, and *want* to save money". The necessity for poor people to save arises because occasionally the poor need large sums of money for either life-cycle needs, emergencies or to take up opportunities (Rutherford, 1999: 8). Furthermore, if given a formal bank account this correlates with the poor being more likely to save (Porteous and Hazelhurst, 2004: 63).

Yet in 2004, 54.5% of the South African adult population was unbanked (FinScope, 2006: 18).The introduction of the Financial Sector Charter in 2004 created the impetus for commercial banks to help remedy the large number of unbanked people. As a result the Mzansi account was launched in October 2004 as a first order account which targets poor clients from LSM 1-5. The account is a transactional product and a saving service. The Mzansi account has seen a rapid uptake of account holders as by 2006 there were 3.3 million users (FinMark Trust, 2006: 2).

Previous research like the FinScope survey (2003-2007) gives a macro understanding of South African's interaction with the financial sector and their financial habits. The Financial Diaries project (2004) focuses on the financial management practices of poor black households in Cape Town, Johannesburg and rural Eastern Cape. Little however is known about the financial behaviour of those working informally. It is important to understand how the poor working informally experience banks and how banking services fit into their broader financial management practices in order to inform how these services may be improved.

This study seeks to draw upon the experiences of women working in the informal economy who utilise the Mzansi account to determine the limitations and benefits of the account in being a useful banking instrument for them. It also seeks to learn what role the Mzansi account plays in the savings habits of the women and how it influences their livelihood strategies. This will be with a view to recommending how the services of the Mzansi account can be improved so as to maximise its support of informal workers.

A qualitative approach was utilised where structured interviews with open ended questions were held with eleven women working in the informal economy. Six of the women had a Mzansi account, four had other types of bank accounts and one woman had no bank account. The interviews were conducted during late March, and early April 2008. The interviews were held at the women's place of work in either the urban area of Berea Station or semi-rural areas of Engonyameni and Mzinyathi in KwaZulu-Natal.

The concentration on women in this study is because women compared to men are more likely to be in insecure forms of informal employment with low average earnings which in turn makes them more vulnerable (Chen, Vanek, Lund, Heintz, Jhabvala and Bonner, 2005: 8). Providing access to formal financial services like a transaction account or savings facility would help to mitigate some of their vulnerability.

This dissertation is structured as follows. Chapter two reviews the literature on the informal economy giving an overview of its historical roots, importance and the role of microfinance in the informal economy. Thereafter saving amongst the poor is examined highlighting their ability and need to save and how to provide the proper banking facilities to serve this market. From here the benefits of transaction accounts and disadvantages of being financially excluded are discussed. The chapter ends with an understanding of the livelihoods framework.

Chapter three gives insight into the South African context influencing this research. It pays attention to the informal economy in South Africa and government initiatives towards microfinance provision. Thereafter the use of formal and informal saving mechanisms by South Africans is examined which leads to an overview of the Financial Sector Charter and the Mzansi account. From here the private sector initiative of Capitec Bank is highlighted. Lastly there is a discussion on the Self-Employed Women's Union.

Chapter four describes the research methodology of this study highlighting its methods, sample group, data analysis technique and limitations.

Chapter five illustrates the findings of the study. The findings indicate, that according to the interviewees, the intrinsic benefits of the Mzansi account are that the account's bank charges are lower compared to other bank accounts, a small initial deposit is needed to open the Mzansi account and a proper address is not required to open the account.

The interviewees point out five day-to-day limitations on the Mzansi account. These are firstly a lack of a bank book to view the transactional activities occurring in the account. Second, the cap on the account where a maximum of R15 000 is only permitted hinders the potential to save money in the account and receive insurance pay outs. Third, the cost and frequency of bank charges are still expensive and too often. Fourth, the distances to access banks or ATMs are far for the women in semi-rural areas making it difficult and costly for them to access their bank account. Lastly, the issue of crime is a problem when utilising ATMs.

Savings from the Mzansi account influence livelihood outcomes by enabling investment in funeral insurance through debit orders. This investment helps mitigate future vulnerability. In terms of livelihoods and the women's businesses, the savings from the Mzansi account are used for the purchasing of stock. This may not improve livelihood outcomes by generating further income but it maintains the women's business stability.

Chapter six culminates with a conclusion to the study. Strategies for improvement to the five day-to-day limitations are suggested. It is also discussed how to advance the Mzansi product through the inclusion of microcredit and how to provide possible competition to the big four banks. Ideas for further research are highlighted.

CHAPTER TWO: INFORMALITY, SAVINGS AND LIVELIHOODS

This review begins by focusing on the informal economy. It does this by looking at the emergence of the informal economy, its importance as a source of employment, definitions of the informal economy, the different schools of thought around its purpose, the position of women in the informal economy and the role of microfinance in supporting informal employment. From here the review moves onto issues of savings and the need and ability of the poor to save. It also looks at the provision of banking facilities to the poor paying particular attention to saving facilities. This leads to a discussion on the use of both formal and informal saving mechanisms by the poor. Thereafter the benefits of having a transaction account and disadvantages of being financially excluded are touched upon. Lastly, the sustainable livelihoods approach is explored with particular attention to the financial capital asset.

1. The Informal Economy

1.1. Historical Roots

During the 1950s and 1960s it was believed that traditional economic societies would progress into modern industrialised societies. This would happen through surplus labour being absorbed from the traditional sector by the growing modern industrial sector. In this way the traditional sectors would disappear. Yet this did not occur in many developing countries as a sufficient number of jobs were not created in the modern sector. Thus the persistence of the traditional sector which included petty traders, small producers and a variety of casual jobs remained (Chen, Jhabvala and Lund, 2002: 1).

The "informal sector" was a term invented for the traditional sector by Hart in the early 1970s through his study of economic activities in urban Ghana (Hart, 1973: 68). The term was then taken up by the International Labour Organisation (ILO) in their 1972 Kenya report and popularised. Currently the term informal economy is more appropriate as it "implies a greater range of activities than (informal) 'sector'" (Devey, Skinner and Valodia, 2006: 227).

1.2. Importance of the Informal Economy

Informal employment plays a prominent role in developing countries as it accounts for one half to three-quarters of non-agricultural employment (ILO, 2002: 7). It is also the major source of new jobs for people within the developing world. For example between 1990 and 1994, Latin America saw 8.4 of every ten new jobs created in the informal economy (ILO, 1997 cited in Srinivas, 1998: 2). In Asia, 40% to 50% of the urban labour force is drawn into the informal economy and in Africa 60% of the urban labour force is in the informal economy (ILO, 1997 cited in Srinivas, 1998: 2). In 1997 the informal economy was estimated to create more than 90% of all new jobs in Africa (ILO, 1997 cited in Srinivas, 1998: 2). In addition the informal economy is not only found in developing countries. It can also be observed within developed countries. It accounts for 15% of total employment outside the formal sector in industrialised nations (Gallin, 2001: 533).

Thus the importance of the informal economy is that it is "here to stay" (Gallin, 2001; Chen et al, 2002; Bangasser, 2000) and it is growing (Bangasser, 2000: 28). It is a major source of current employment and future job creation in the developing world and is found in the developed world.

1.3. Delineating the Informal Economy

Defining the composition of the informal economy has been an evolving process since its inception. Initially an enterprise based definition was used which examined the features of the enterprise to gauge its informality. The ILO's Kenya Report (1972) defined the informal economy by "ease of entry; reliance on indigenous resources; family ownership of enterprises; small scale of operation; labour intensive and adapted technology; skills acquired outside the formal school system; and unregulated and competitive markets" (International Labour Office, 1972: 6).

Later Castells and Portes (1989) saw the informal economy as a "process of income-generation characterised by one central feature: it is unregulated by the institutions of society in a legal and social environment in which similar activities are regulated"

(Castells and Portes, 1989: 12). They further said that the informal economy did not constitute survivalist activities carried out by poor people on the margins of society as studies in developed and developing countries had shown that informal entrepreneurs may have relatively high incomes which at times are higher than incomes in the formal economy (Castells and Portes, 1989: 12). But as mentioned by Sethuraman (1998) "a larger proportion of individuals in the informal sector earn low incomes, almost by definition, than in the formal sector" (Sethuraman, 1998: 107). Thus although not all people in the informal economy are poor, more poor people are found in the informal economy than in the formal economy.

A feature of the informal economy that has appeared since the late 1980s is its growth, even in highly institutionalised economies, to the detriment of formal work relations (Castells and Portes, 1989: 13). The growth of informal activities is occurring in predominantly regulated environments (Castells and Portes, 1989: 13). An example of this is the subcontracting of production of clothing by large formal firms to home-based workers situated in the informal economy.

Due to these processes of the informalisation of work, the 90th Session (2002) of the International Labour Conference (ILC) used an ILO (2002) definition of the informal economy as "all economic activities by workers and economic units that are - in law or in practice – not covered or insufficiently covered by formal arrangements" (Hussmanns, 2004: 3). In this regard the International Conference of Labour Statisticians (ICLS) in 2003 adopted a broader definition of the informal economy. Instead of looking only at the "characteristics of the production units (enterprises) in which the activities take place", they also include the "characteristics of the persons involved or of their jobs (labour approach)" (Hussmanns, 2004: 3). Therefore instead of identifying who falls within the informal economy only through the characteristics of the enterprise, the type of job held and whether working conditions are precarious is now also considered.

1.4. Differing Views on the Role of the Informal Economy

Since the recognition of the informal economy in the 1970s there have been various schools of thought as to the role it plays. These different approaches are the dualist school, structuralist school, legalist school and the microenterprise development approach. Each is examined in turn.

The dualist school sees the informal economy as consisting of marginal activities which provide the poor with an income and a safety net in times of crisis. The informal economy is seen as an independent entity without linkages to the modern economy. The perseverance of informal activities is due to the lack of modern job opportunities being created to absorb surplus labour. A lack of modern jobs arises due to the slow rate of economic growth and/or to a faster rate of population growth. (Chen, Vanek and Carr, 2004: 17)

The structuralist school views the informal economy as the subordination of micro firms and workers by large firms through the subcontracting of work to micro firms. This is done to reduce the input and labour costs for large firms which in turn enables the large firms to increase their competitiveness. These relationships between the formal and informal economy or large and micro firms arise due to the nature of capitalist development rather than to a lack of economic growth. (Chen et al, 2004: 17).

The legalist school finds the informal economy to be comprised of enterprising micro entrepreneurs who decide to work informally to avoid the costs, time and effort of formal registration. The informal economy persists because of impractical government rules and regulations which hinder private business development. (Chen et al, 2004: 17).

An off shoot of the legalist school is the microenterprise development approach. This approach is not concerned with theoretical issues but draws from the legalist school because it reinforces their belief that the poor have the ability to defend themselves and survive. The microenterprise development approach concentrates on practical action to bring about social and economic change. Practical action comes in the form of providing credit programmes, solidarity groups and entrepreneurship training in management, marketing and accounting for those working in the informal economy (Rakowski, 1994: 43).

Present thoughts on the role of the informal economy view each approach as applying to different sectors and situations in the informal economy. Hence none of the approaches is all encompassing of the role of the informal economy but may be understood in conjunction with one another (Chen et al, 2004: 16).

1.5. Women and the Informal Economy

Since the 1970s there has been an increase in the share of female employment in developing and developed countries. This trend is known as the feminisation of the labour force (Chen et al, 2005: 37). For women within the developing world informal employment is usually a greater source of employment than it is for men (ILO, 2002: 8). In non-agricultural employment, 60% or more of female workers in developing countries are informally employed except for Northern Africa where 43% of female workers are informally employed (ILO, 2002: 8). Women compared to men are also found in the more precarious forms of informal employment and their average earnings from these forms of informal employment are too low that without other sources of income it will not bring them out of poverty (Chen et al, 2005: 8).

Keeping this in mind the report *Progress of the World's Women 2005* says that "strengthening women's economic security is critical to efforts to reduce poverty and promote gender equality, and that decent work is basic to economic security" (Chen et al, 2005: 8). One way to strengthen women's economic security and help provide decent work as highlighted by the report would be to "address risk and uncertainty faced by poor workers, especially women, in informal employment" (Chen et al, 2005: 12). Informal workers like all workers need protection against the risks and uncertainties related to their work as well as protection against more common incidents like sickness, the loss of property, maternity and child care, disability and death (Chen et al, 2005: 12). Access to microfinance is one possible way in which to alleviate these risks and uncertainties.

1.6. Microfinance and the Informal Economy

Microfinance refers to the provision of financial services to the poor. In particular it looks at credit, savings and insurance. The distinguishing feature of microfinance compared to ordinary finance is that it is targeted toward low-income earners and enables them to borrow or save in small denominations. Microfinance services help low-income earners with their lifecycle or personal needs, work or business related matters (Robinson, 2001; Microfinance Gateway, no year).

Microfinance has its beginnings in the 1950s with the provision of microcredit to small and marginal farmers. This was a supply led initiative by governments through their development finance institutions. These schemes proved to be unsuccessful as rural banks lost capital and funds did not always reach the poor but rather the financially better off farmers (CGAP, 2006: no page).

The 1970s saw a turn in microcredit delivery with a succession of lending experiments in poor communities throughout Asia and Latin America (Microfinance Alliance, 2007: no page). The roots of microfinance on an international level can be traced back to this period. At the time there was the growing recognition of the informal economy and the identification of a lack of financial capital as a key constraint for people within it. The main emphasis was on expanding the economy and reducing poverty through the inclusion of entrepreneurs who were on the margin (Naidoo, 2005: 2). As a result micro loans were dispensed to groups of women to fund micro businesses (CGAP, 2006: no page). These loans were administered through the group lending model. This model was pioneered by the Grameen bank in Bangladesh and is still in practice today.

In 1976, Muhammad Yunus the founder of Grameen bank lent $27 to 42 basket weavers and (to his surprise) every person paid back their loan (Mainsah, Heuer, Kalra and Zhang, 2004: 2). This made him realise that loans could be made to the poor without collateral through the group lending model. In this model every member of the group is responsible as a guarantor for the repayment of a loan made to any single member in that group (Buyske, 2004: no page). By doing this, group lending provides a form of risk insurance for the bank (Sahota, 2000: no page). These microcredit lending programmes were based nearly always on providing credit for activities to generate an income and in some examples were followed in conjunction with forced savings schemes. They were targeted toward the very poor, often women, borrowers. (CGAP, 2006: no page).

Hence one way in which the informal economy was viewed then and is still viewed by some now would be through the microenterprise development approach mentioned earlier. Support through this approach would take a practical form of providing credit programmes, "solidarity groups" and entrepreneurship training in management, marketing and accounting (Rakowski, 1994: 43).

As the provision of credit progressed into the 1980s it was realised that organisations offering credit could become financially viable. Research also indicated that the poor not only needed access to credit but access to savings too. Thus there was a move from providing microcredit to microfinance (Naidoo, 2005: 2).

In the 1990s popularity for microfinance grew as an approach to poverty alleviation and there was a large international movement for the supply of financial services to the poor (CGAP, 2006; Naidoo, 2005). According to Naidoo (2005) the new movement is currently concerned with the commercialisation of microfinance (Naidoo, 2005: 2).

Noteworthy is the gender dimension to the history of microfinance. Matin, Hulme and Rutherford (1999) mention that in the past the poor were viewed as small or marginal male farmers who were in need of subsidised agricultural credit. Thereafter with the spread of the microfinance revolution their view of the poor changed into one of mainly female micro-entrepreneurs who lacked collateral and needed microcredit to help with their businesses. Presently, a fresh perspective of the poor is appearing that views the poor as a "diverse group of vulnerable households with complex livelihoods" needing a complete set of microfinancial services (Matin, Hulme and Rutherford, 1999: 3). With this in mind microfinance is seen as a tool to reduce vulnerability and/or lessen income poverty (Matin et al, 1999: 4). Most clients of microfinance are found just above and below the poverty line (Cohen, 2002: 336).

Savings has often been called the "forgotten half of microfinance". But as this study concentrates on the role of savings in the lives of the poor, the importance of savings and the need for it by the poor will be examined next. Providing appropriate banking facilities will also be discussed.

2. Savings

2.1. Poor People's Ability and Need to Save

Increasingly savings are being seen as important in the lives of poor people. Savings offer emergency support in times of crisis and contingencies such as when there are floods, illness, accidents, weddings and funerals. To be of help the savings must be easily available when required. Savings only offer security when stored in a safe and accessible location (Versluysen, 1999: 43).

However, by and large products on offer from different microfinance institutions (MFIs) have been similar and limited. The principal products mostly offered are short-term working capital loans and involuntary savings (Cohen, 2002: 336). Involuntary savings are compulsory savings where clients of MFIs are required to deposit small amounts weekly (Robinson and Wright, 2001: 1). A small percentage of MFIs promote voluntary saving services and some loan insurance. Even fewer offer insurance such as health, disability, life or property insurance (Cohen, 2002: 336). Thus microfinance programmes have predominantly been concerned with credit services to the poor.

Initial microfinance programmes were not interested in promoting savings (Morduch, 2000: 625). According to Robinson (2001) this is because policymakers and bankers in numerous regions of the developing world have been "taught to believe that the poor do not save, cannot save, do not trust financial institutions, and prefer nonfinancial forms of savings" (Robinson, 2001: 228).

On the issue of the poor "do not save, cannot save", Matin, Hulme and Rutherford highlight two images that lead to this preconceived notion. The first is that the poor are seen as "wasteful, immoral and irrational" in terms of spending their money on things like gambling or alcohol. "This is seen as a cause of their misery and also helps to 'explain' their failure to better their lot" (Matin et al, 1999: 7). These authors are aware that problems can result due to gambling and alcoholism but in their opinion "the vast majority of poor people are actively seeking to improve their personal and household circumstances" (Matin et al, 1999: 7).

The second image of the poor being unable to save arises due to the belief that "the poor spend all their income and still don't get enough to eat, so how can they save?" (Matin et al, 1999: 7). In this regard it is poverty which is seen as a deterrent to savings not accessibility to instruments (Porteous and Hazelhurst, 2004: 58). However, this view has been challenged, in particular by Rutherford (1999).

Rutherford through over twenty years of research and practice in the field of promoting financial services for the poor on three continents and having had discussions with poor people about how they truly utilise financial services (Rutherford, 1999: 3) has learnt that "the poor *can* save, *do* save, and *want* to save money" (Rutherford, 1999: 7). The extensive use by poor people of informal saving services like rotating savings, credit associations, investment in livestock or the hiding of cash at home is testament to the great demand for savings facilities and the deficit in saving options for the poor that are secure and flexible (CGAP, 2003: 1).

The necessity for poor people to save arises because occasionally the poor need large sums of money. Rutherford identifies three broad times when the poor need lump sums. These are firstly, during life-cycle needs like when there are childbirths, funerals, the payment of educational fees, the building of a house or for religious festivals. Secondly, when there are emergencies of the personal kind like sickness or loss of employment or emergencies of the impersonal kind like wars or natural disasters. Lastly, when there are opportunities to take up, for example, to invest in a new business or buy land or making life more comfortable by investing in expensive items like better roofing or a television (Rutherford, 1999: 8).

To acquire the lump sums needed during these different times Rutherford highlights three methods poor people use.

> The first is by selling assets they already hold (or expect to hold).
> The second is by taking a loan by mortgaging (or 'pawning') those assets.
> The third is by finding a way of turning their many small savings into large lump sums. (Rutherford, 1999: 9)

In terms of savings the last of these points is of importance. Rutherford mentions that individuals may "save money as it goes *out* (keeping a few coins back from the housekeeping money) as well as when it comes *in* (deducting savings at source from wages or other income)" (Rutherford, 1999: 7). But more importantly he looks at saving not only through income kept aside when going out or coming in and stored in a safe place but also as loans and insurance. These financial services or mechanisms allow for small savings to be turned into lump sums. This is done through either "*savings deposit*, which allow a lump sum to be enjoyed in future in exchange for a series of savings made now" or through "*loans*, which allow a lump sum to be enjoyed now in exchange for a series of savings to be made in the future (in the form of repayment instalments)" or lastly through "*insurance*, which allows a lump sum to be enjoyed at some unspecified future time in exchange for a series of savings made both now and in the future" (Rutherford, 1999: 9).

Therefore the act of saving does not only occur through storing money in a safe place or a transaction account in the present to use for the future but saving also occurs when taking a loan and paying it back or through paying regularly for insurance which will yield a lump sum in the future. This highlights the broader way of conceptualising the manner and mechanisms in which one can save.

2.2. Providing Proper Banking Facilities to Save

An example of the ability of the poor to save if given the proper banking facilities is seen in the Self Employed Women's Association Bank (SEWA Bank) in Gujarat, India. SEWA Bank caters to poor women working in the informal economy. The bank was begun through the Self Employed Women's Association (SEWA) which is a trade union of informal workers. SEWA was formed in 1972 and currently has over 800 000 members throughout India (Grumiau, 2006: no page). SEWA operates like a trade union and also organises women into cooperatives. In addition it provides services like child-care, legal and vocational instruction (Datta, 2003: 351).

In 1974, SEWA Bank was registered as a co-operative bank. The bank was established by 4000 SEWA members who each gave 10 rupees as share capital (SEWA Bank, 2006a: no page). It has evolved around the needs of its clients and has inculcated a tradition of saving. This tradition of saving has been encouraged through innovative banking techniques. One of these innovations is seen through its doorstep banking in which a mobile van travels to areas where many clients reside to collect cash deposits (www.sewabank.org). SEWA Bank not only offers saving facilities but also business loans, health insurance and financial counselling. Thus SEWA Bank is a good example of a bank that tries to cater to the numerous life cycle needs of the poor.

SEWA Bank is also an example of a bank which practises the client-centred approach. The client-centred approach is current thinking in microfinance which encourages MFIs to comprehend clients' financial habits and incorporate clients' preferences, demands and life cycle needs into their services. This would result in greater support from their customers and expand their markets (Dunn, 2002: 326). For client-centred MFIs to be successful, marketing activities and collecting information about their clients should be a priority (Dunn, 2002: 326). The converse of the client centred approach in microfinance thinking is the product centred approach. This was the first revolution in microfinance. Microcredit organisations presented a standardised product aimed at the "average client" during "normal times" (Dunn, 2002: 325).

The product centred approach is fading since MFIs are unable to retain clients. As highlighted by MicroSave's Programme Director Wright (2001), microfinance organisations throughout the world have followed the format of the Grameen Bank in Bangladesh or the Foundation for International Community Assistance (FINCA) in Central America with the end result being unsuccessful. Proof of this unsuccessfulness according to Wright is that numerous MFIs are losing over a quarter of their clients annually (Wright, 2001: 1).

The reason for client "drop-outs" is generally due to unsuitably designed products that do not meet the needs of MFIs clients. This problem is due to replicating models and products from different cultures and countries without taking into account the unique socio-cultural environment in which they are trying to be implemented. Added to this there is not much competition in many of the markets in which MFIs are begun (Wright, 2001: 2). Wright argues that this lack of competition coupled with the demand for credit means that MFIs could offer practically any product, even if was unsuitable, and there would be demand. Now that there is greater competition amongst MFIs in these markets clients have more choice and are "voting with their feet" (Wright, 2001: 2).

In examining East Africa where the client drop out rate is between 25% to 60% yearly Wright notes that numerous clients leave not only because of inappropriately designed loan products but also due to MFIs' inability to acknowledge (especially in rural areas) that there are seasons when savings services, not credit, is needed. This results in clients either being required to take a loan and attempt to pay it back despite the low season or to abandon the MFI's programme. While at the same time the need for saving services by the poor is not fulfilled and overlooked by MFIs (Wright, 2001: 2).

2.3. Formal versus Informal Saving Mechanisms

On the misconception that has been taught to policymakers and bankers that the poor "prefer nonfinancial forms of savings" (Robinson, 2001: 228), it would seem that the poor utilise whatever financial service they can access whether it is formal or informal (Sebstad and Cohen 2003; Aliber 2002; Matin et al, 1999). Thus there does not seem to be a preference. Sebstad and Cohen (2003) mention that MFIs hardly ever displace informal providers instead formal and informal sources of finance are used simultaneously. The services of a MFI are seen as a benefit to the poor in providing an additional source of finance which allows them to spread their options (Sebstad and Cohen, 2003: 3).

Aliber (2002) calls the simultaneous use of formal and informal services the "riddle of co-existence" and his curiosity is puzzled as to why "women continue to participate in traditional savings clubs many years after they have opened savings accounts in the local bank" (Aliber, 2002: 4). He gives the possible solution that in the minds of potential clients the services offered by informal financial institutions and what seems to be their formal sector counterparts are seen as two separate services (Aliber, 2002: 4).

As this study is particularly concerned with the formal saving and transactional mechanism of a bank account the next issue discussed is the importance of having a transaction account. Added to this the disadvantages of being financially excluded will be examined.

3. Transaction Accounts and Financial Exclusion

The importance of a transaction account is that it allows individuals to store, save and access money safely and it is useful for making payments to third parties (Kumar, 2002 cited in Chant Link and Associates, 2004: 32). It is also used to pay income into, cash cheques, pay bills easily and to make purchases (Donovan and Palmer, 1999: 4). A basic cash transmission banking account is also often seen to be a "gateway" for consumers to receive access to other banking services (Kempson, Whyley et al, 2000 cited in Chant Link and Associates, 2004: 32).

The majority of retail savings and insurance products depend on the banking system to collect small investments and premiums cost-effectively. In this regard transaction banking can be seen as the backbone of the entire financial sector (Porteous and Hazelhurst, 2004: 21). If the poor do not have access to a transaction account they cannot "benefit from the efficiencies of an electronic payment system and are unable to become fully fledged participants in the economy" (Porteous and Hazelhurst, 2004: 21).

Kempson and Whyley (1999) in Kempson, Whyley, Caskey and Collard (2000), highlight barriers that prevent people from gaining access to mainstream financial services. These are:

> access exclusion: the restriction of access through the processes of risk assessment;
> condition exclusion: where the conditions attached to financial products make them inappropriate for the needs of some people;
> price exclusion: where some people can only gain access to financial products at prices they cannot afford;
> marketing exclusion: whereby some people are effectively excluded by targeting marketing and sales;
> self-exclusion: people may decide that there is little point applying for a financial product because they believe they would be refused. Sometimes this is a result of having been refused personally in the past, sometimes because they know someone else who has been refused, or because of a belief that 'they don't accept people who live round here'. (Kempson, Whyley, Caskey and Collard, 2000: 9)

These barriers can lead to financial exclusion. According to Howell (2005) the result of financial exclusion is that people are denied access to the mainstream market which has a stronger regulatory structure, is better established with actors who are mindful of their reputation and which generally has cheaper products and services (Howell, 2005: 3). Furthermore in not being able to access this mainstream financial market it may decrease opportunities in other aspects. For instance, in terms of applying for a job, if one does not have a bank account (to have one's salary deposited into) this may hinder them from attempting to apply for the job or receiving the job. Thus "increasing the choices available to all is the key reason for wishing to tackle financial exclusion" (Donovan and Palmer, 1999: 4).

What is needed is an inclusive financial sector which would provide successful, continuous access to all segments of the population and all levels of enterprise. This would have the ability to release a virtuous cycle, where poor households would not just benefit from economic growth but also contribute to it. Through having a bank account poor households would be able to store and manage money safely and protect its value at times of inflation. They would also be able to develop a financial history for future needs and access transaction/transmission services like remittances (Arora and Leach, 2005: 1726).

In summation if the poor owned a transaction account at a commercial bank it would include them into the financial system and give them a place to store their money safely to use when needed. If these savings are used in a productive manner it could help with poor peoples' livelihood outcomes. The transactional facilities of a banking account may also prove useful for livelihood outcomes as they provide access to other financial services for example funeral insurance through monthly debit orders. Therefore the next topic of discussion is the sustainable livelihoods approach to gain a better understanding of how the financial capital asset may be used to improve the livelihood outcomes of the poor.

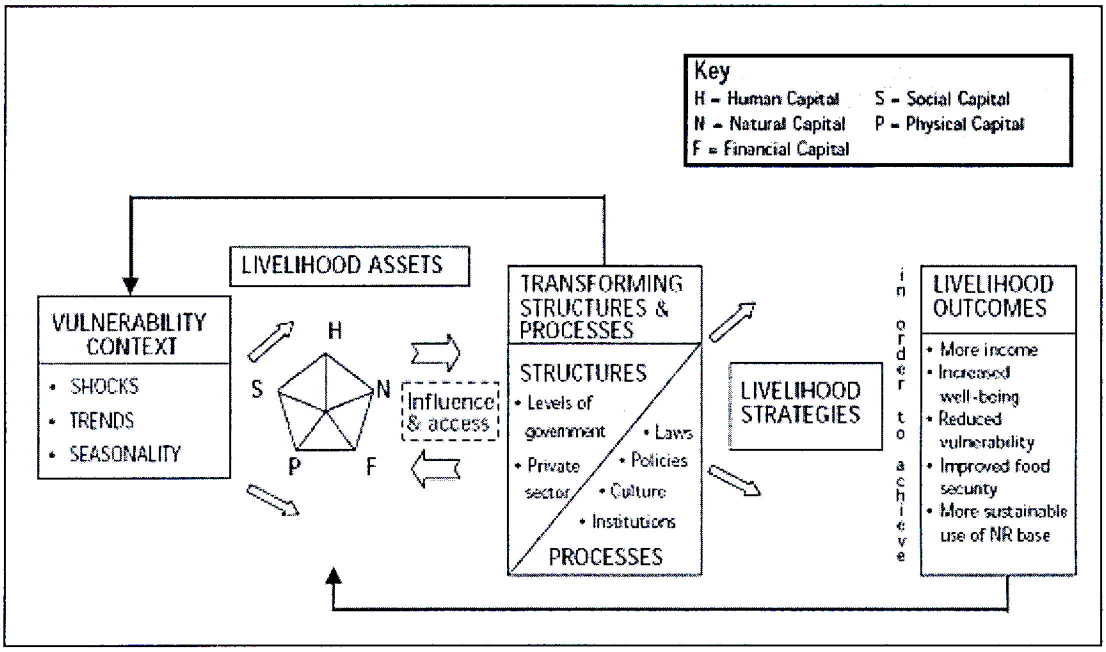
4. The Livelihoods Approach

A livelihood is a form of support which offers an income to live on, to secure the necessities of life (Nagarajan, 2006: 1). It involves "the capabilities, assets (including both material and social resources) and activities required for a means of living" (Carney, 1998 cited in Rakodi, 2002: 3).

Livelihood strategies have been studied to gain a broader understanding of poverty and well-being instead of only concentrating on income and consumption (Rakodi, 2000: 1). As defined by the British Department for International Development (DFID) livelihood strategies is the overarching term which refers to the variety and combination of activities and decisions that people make or carry out to allow them to realise their livelihood goals (DFID, 1999: 23). Being more specific livelihood strategies are a combination of "labour market involvement; savings; borrowing and investment; productive and reproductive activities; income, labour and asset pooling; and social networking" (Grown and Sebstad, 1989 cited in Rakodi, 2002: 6). Examining livelihood strategies is done through an analysis of the sustainable livelihoods approach.

The sustainable livelihoods approach can be visualised through the sustainable livelihoods framework as seen below.

Figure 1: Sustainable Livelihoods Framework



Source: DFID (1999)

Kollmair and Gamper (2002) summarise the livelihoods framework succinctly.

> In its simplest form, the framework depicts stakeholders as operating in a context of vulnerability, within which they have access to certain assets. These gain their meaning and value through the prevailing social, institutional and organisational environment (transforming structures and processes). This context decisively influences the livelihood strategies that are open to people in pursuit of their self-defined beneficial livelihood outcomes. (Kollmair and Gamper, 2002: 4)

de Haan and Zoomers (2005:30) quote Appendini (2001) as saying that the main goal of the livelihoods approach is to "search for more effective methods to support people and communities in ways that are more meaningful to their daily lives and needs, as opposed to ready-made, interventionist instruments". In the livelihoods approach this is done through assisting the poor to improve their livelihoods by supporting the five basic assets through broad and interconnected programmes and policies.

An understanding of poor people's assets is at the core of the sustainable livelihoods approach. It is required to "identify what opportunities they may offer, or where constraints may lie" (Rakodi, 2002: 10). These assets encompass human, social, physical, financial and natural capital. Financial capital is the financial resources accessible to people such as savings, credit, remittances, pensions and other financial services. These financial resources provide the poor with different livelihood options (Rakodi, 2002; Nagarajan, 2006).

The financial capital asset is possibly the most versatile of the five types of assets. It can be converted into other forms of capital. It can also be turned into political influence and can allow people to participate actively in organisations that formulate policy and legislation and govern access to resources (DFID, 1999: 15). But it is also the asset that is generally least available to poor people. As a result this is why other assets are important to the poor as substitutes. Furthermore there are some assets and positive outcomes that cannot be achieved through the language of money like "different components of well-being and knowledge of human rights" (DFID, 1999: 15).

To build up the financial capital asset of the poor, access to financial capital is promoted through indirect processes. A direct support of the financial capital would be to give the poor money whereas indirect methods are:

> Organisational – increasing the productivity of existing savings and financial flows by helping to develop effective, tailored financial services organisations for the poor. So long as they are well trusted, accessible and widely-known they may

encourage people to save. Another option might be to help develop organisations that transmit remittance income more efficiently to final recipients.

Institutional – increasing access to financial services, including overcoming barriers associated with poor people's lack of collateral (either by providing some sort of umbrella guarantee or by identifying mechanisms that enable people's existing assets to act as collateral).

Legislative/regulatory – working to reform the environment in which financial services operate or to help governments provide better safety nets for the poor (including pensions). (DFID, 1999: 15)

Even though financial capital is versatile it alone cannot cure all the problems of poverty. This is because people may not be able to use their financial resources beneficially as "they lack knowledge (and cannot purchase this knowledge with small amounts of money); or they are constrained by inappropriate transforming structures and processes (e.g. underdeveloped markets, a policy environment that hinders micro-enterprise, etc.)" (DFID, 1999: 16). These factors should be taken into account when developing support (DFID, 1999: 16).

This study is concerned with the financial capital asset, specifically savings and transaction accounts. The livelihoods approach thus far has tended to place disproportionate emphasis on informal financial mechanisms and not give due attention to formal financial services. Thus this study aims to incorporate formal financial services into the livelihoods approach more prominently. It is based on the belief that savings do play a significant role in the livelihood strategies of the poor. As a result the role of savings should be encouraged and improved by providing better banking facilities through which the poor can save and in turn strengthen this aspect of their livelihood strategies.

5. Conclusion

From this review it has been learnt that the informal economy is a major source of current employment and future job creation in the developing world. It is also found in the developed world. Women compared to men are more likely to be employed in informal employment and in jobs which are more precarious. This leads to greater vulnerability for women. Microfinance has been targeted toward the informal economy through microcredit for microenterprise development.

The poor "*can* save, *do* save, and *want* to save money" and these savings are used for life-cycle needs, emergencies and opportunities. Conceptualising saving is not seen only through keeping money aside when it comes in or goes out but also as paying back a loan or paying toward an insurance scheme. MFIs are currently being encouraged to take into account a greater understanding of their clients' needs and their financial habits to create more effective financial products for them. This should aid MFIs in retaining their clients and attracting new ones. The poor use every financial mechanism available to them whether it is formal or informal, and formal services do not necessarily replace informal ones.

It has also been learnt that it is important for the poor to have access to transaction accounts because it is a secure saving facility and offers transactional benefits. Also financial exclusion limits individuals from gaining access to the mainstream market which is better regulated and overall has cheaper products. Lastly, the livelihoods approach was discussed paying attention to the financial capital asset and ways to build up this asset.

CHAPTER THREE: CONTEXT

The context is first set by describing the informal economy in South Africa. Thereafter government initiatives in terms of microfinance to support the informal economy are discussed. This leads to an examination of the financial behaviour of South Africans. Specifically concentrating on the spread of transaction accounts amongst the different LSMs and exploring the saving habits of South Africans. Thereafter stokvels are delved into. An introduction to the Financial Sector Charter is given which leads to a discussion of the Mzansi account. Next there is an examination of the private sector initiative of Capitec Bank as a competitor to the Mzansi account. Lastly the former Self-Employed Women's Union is described as their ex-members make up the sample group for this study.

1. The Informal Economy in South Africa

Since 1994 the overall trend within South Africa's labour market has been increasing unemployment. Although the economy has experienced positive GDP growth, unemployment has still grown by 1% to 2% annually from 1994 to 2002 (Altman, 2005: 425). In 2002, unemployment stood at 30.5% under the strict definition and at 41.8% under the broad definition[1] (Altman, 2005: 425).

Concurrently informal employment in South Africa has grown since 1994 (Devey et al, 2006: 230). According to the 2007 Labour Force Survey (LFS), 24% of the South African workforce is employed in the informal economy which includes domestic work and excludes informal agriculture (Statistics South Africa, 2007: x). The informal economy also contributes between 7% and 12% of GDP (Devey et al, 2006: 237).

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[1] The difference between the strict definition and broad definition of unemployment is the amount of effort being made by the unemployed person to find some form of work or to create work for themselves. This is seen in Statistics South Africa's strict definition which is defined as:

> the unemployed are those people within the economically active population who:
> (a) did not work during the seven days prior to the interview,
> (b) want to work and are available to start work within a week of the interview, and
> (c) have taken active steps to look for work or to start some form of self-employment in the four weeks prior to the interview. (DTI, 2002: 1)

Whereas the broad definition applies only conditions (a) and (b) (DTI, 2002: 2). Thus the strict definition includes people who are making some effort to find work or create work for themselves whereas the broad definition does not.

In March 2004, there were more men than women in the informal economy with 57.9% and 42.1% respectively. But the gender difference in the informal economy was much less than the formal economy where 61.9% of the workforce were men and 38.1% were women (Devey et al, 2006: 234). These figures display that the percentage of women working in the informal economy is greater than the formal economy and the gender difference in the informal economy is less compared to the formal economy. There is a correlation between being poor and working in the informal economy as 92% of workers in informal enterprises earn less than R2 501 per month (Devey et al, 2006: 232). In terms of race, the majority of workers within informal enterprises are black with 89.3% of the informally employed being black (Devey et al, 2006: 234).

South Africa's informal economy lies predominantly in trade. In March 2004, 47.1% of those working in informal enterprises reported being involved in trade. Thereafter 13.1% of workers were found in construction, 10.4% in manufacturing, 9.5% in private households, 9% in community services, 7.1% in transport and 4.3% in business services (Devey et al, 2006: 232).

In summary the informal economy is the source of employment for 24% of South Africa's labour force and there is a close correlation between working informally and being poor. Research that enhances our understanding of this segment of the labour market generally and the support needs of people operating in it are thus important for policy.

2. Government Initiatives

By 2014, government aims to halve unemployment, but they expect to be 2 million jobs short of their target. Former Deputy President Mlambo-Ngcuka has cited the "second economy" as the source for these 2 million jobs (Mlambo-Ngcuka, 2006 cited in Kane-Berman, 2006: no page). The second economy according to government includes the informal economy and the unemployed (Devey et al, 2006: 225). Government is hopeful that "the creation of informal jobs will plug the gap" (Mlambo-Ngcuka, 2006 cited in

Kane-Berman, 2006: no page). Thus government sees the informal economy as something that is here to stay and they expect it to provide jobs.

In terms of supporting the informal economy Khula Enterprise Finance and the South African Microfinance Apex Fund will be examined as they are the two government institutions that provide wholesale credit for enterprise development.

Khula Enterprise Finance (Khula) is the government parastatal that was created in 1996 to enable access to credit for small, medium and microenterprises (SMMEs) through a variety of delivery mechanisms. Khula's delivery mechanisms are through providing wholesale finance to agencies such as commercial banks, retail financial intermediaries (RFI's) and microcredit outlets (MCO's) and in turn these agencies provide loans to clients. Khula's role was to be a complementary financial institution filling in the gap in which commercial banks did not provide finance to small businesses (Khula 2007, SEDA 2008a).

Overall Khula is not seen as a great success. It was unable to build their clients' capacity and expand outreach (Kirsten, 2006: 4). Furthermore it is argued that Khula did not target microenterprises in the informal economy but rather medium and small-sized enterprises (Rogerson, 2004; Baumann, 2004). Thus its poverty alleviating potential was minimalised.

To combat this, the South African Microfinance Apex Fund (SAMAF) was launched in 2006 focusing more on the provision of credit to survivalist and informal enterprises (DTI, 2005: 5). SAMAF is also a wholesale funding institution but its target group are those who fall into LSM[2] 1-4. Furthermore, 80% of loans should be made to women,

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[2] The Living Standard Measure (LSM) is the most extensively used marketing research tool in Southern Africa. It segments the population into 10 LSM groups with 10 being the highest or wealthiest and 1 the lowest or poorest. These living standards are measured according to 29 variables and whether people own them. Some of the variables are hot running water, having a computer at home and if there is one cell phone in the household (South African Advertising Research Foundation, 2006: no page). Regarding average annual cash expenditure of households in 2005, LSM 1 spent R6050, LSM 2 spent R11 101, LSM

disabled and youth and there should be a focus on rural and peri urban areas (SEDA, 2008b: no page). One of SAMAF's services is also to promote savings mobilisation through co-operatives and other groups like burial societies and stokvels (DTI, 2006: no page). There are no public performance reviews of SAMAF. This may be due to an insufficient amount of time having lapsed to analyse SAMAF's impact.

In terms of microfinance and supporting the informal economy for job creation, government has taken the microenterprise development approach which promotes initiatives to provide credit and business skills for enterprise development.

3. The Financial Behaviour of South Africans

3.1. Formal Mechanisms

Reiterating from the previous chapter, for low income earners having a basic bank account is possibly the most important (formal) savings product. This is because it has the ability to provide flexibility (save as and when), accessibility (reach, simplicity) and safety. Also having a transaction account provides access to other formal products for saving that depend on account-based collection mechanisms like debit orders and stop orders (Melzer, 2007: 11). Transaction accounts in turn provide a link to the financial system. Hence having a bank account provides various benefits to the poor.

3.1.1. Transaction Accounts

The FinScope survey is one of the main studies that this research draws upon for data on South African financial behaviour. An understanding of its methodology is beneficial. The FinScope survey which is a quantitative study is a "consumer perception study which looks at people's interaction with, and engagement in, the financial sector as a whole" (FinScope, 2007: 1).

The sample group of the 2007 FinScope survey was of 3900 South Africans 16 years and older chosen from all nine provinces of the country. This sample was then weighted and

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3 spent R17 973, LSM 4 spent R27 994 and LSM 5 spent R47 223. In comparison the highest LSM 10 spent R330 644 (Adapted from Martins, 2006: 4).

benchmarked to the 2007 mid-year census to represent the entire country. Face-to-face interviews were conducted using a questionnaire. Fieldwork was conducted from August to October 2007. The number of males and females in the sample were split at 49% and 51% respectively. Sixty-five percent of the sample were from non-metropolitan areas and 35% were from metropolitan areas (FinScope, 2007: 4).

From the 2007 FinScope survey it was found that 40% of the population was unbanked or did not own "traditional banking products supplied by a financial institution" (FinScope, 2007: 7). Included in this were 25% who were financially excluded meaning that they did not own formal or informal financial products (FinScope, 2007: 7). Thus 40% of South African adults over the age of 16 years did not have a transaction account and in turn were excluded from the formal banking system.

From Table 1 it can be seen that South Africa is slightly more banked in comparison to other middle-income countries like Brazil but very much behind compared to developed nations like the United Kingdom.

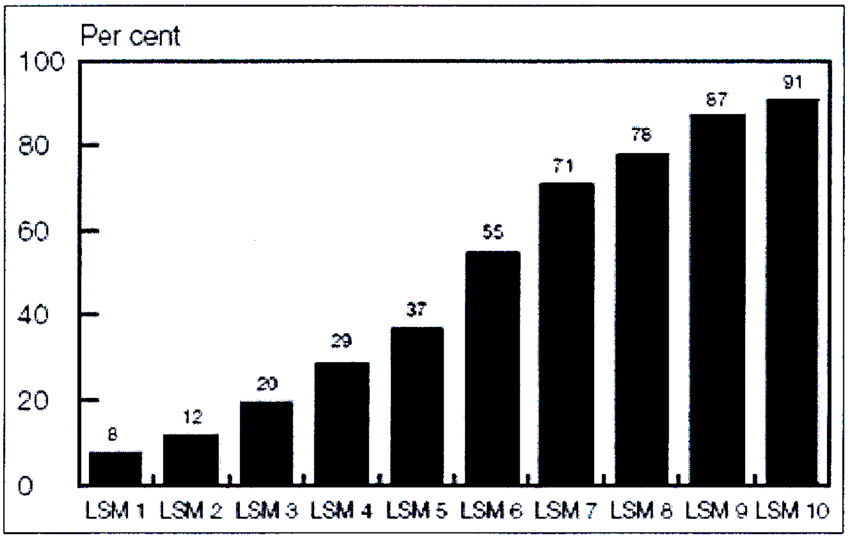
Table 1: International Data on Banking

	% banked	GDP per capita	Year of data
UK	91-94%	$23 920	1999
US	78%	$35 200	2003
South Africa	48%	$2 590	2003
Brazil	43%	$2 910	2003
Mexico	37%	$6 150	2003
Kenya	6%	$360	2002
Lesotho	1%	$325	2002

Source: Porteous and Hazelhurst (2004)

The 2002 FutureFact Marketscape Survey illustrates the spread of transaction accounts amongst the different LSMs in South Africa. It was found that having a transaction account increases as one moves from LSM 1 to LSM 10. This is seen in Graph 1 where 8% of people in LSM 1 have a transaction account increasing to 37% of people in LSM 5 and culminating in 91% of people in LSM 10 (Porteous, 2003: 3). It highlights that the wealthier are more likely to have a bank account.

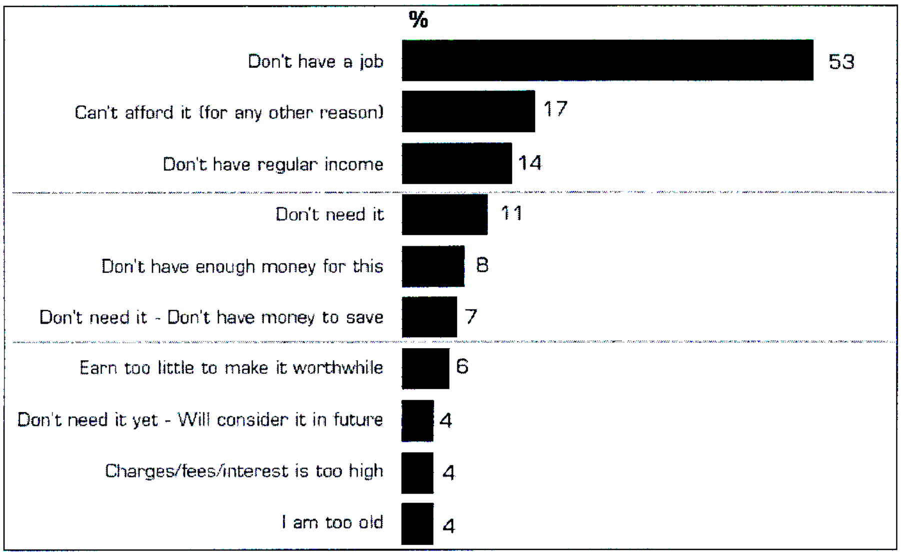
Graph 1: Adults with a Transaction Account by LSM



Source: Porteous (2003)

The link between being wealthier and an increased likelihood of having a bank account is reflected in the responses amongst the unbanked in the 2007 FinScope survey. Amongst the unbanked, as seen in Graph 2, the main reason given for not having a bank account is due to not having a job with 53% of respondents saying this. Thereafter 17% of respondents said not being able to afford it was the next barrier and 14% said it was due to not having a regular income (FinScope, 2007: 29).

Graph 2: Reasons for Not Having a Bank Account



Source: FinScope (2007)

Even though neither a job nor a regular income are required to have a bank account, for respondents supply-side barriers do not seem to be the problem but rather the lack of means (Melzer, 2007: 12). According to Melzer (2007) since income and job-related factors are the reasons given most often for being unbanked it shows that the most important barrier to access may likely be the impression that a bank account is suitable only for those with relative financial security. She points out that having this notion is not surprising considering the history of financial exclusion of the poor from the formal financial sector in South Africa. Melzer further argues that the idea of a bank account being suitable only for those with relative financial security is reinforced by bank pricing structures that seem to favour those who earn monthly incomes. For instance numerous bank accounts offer only one free deposit per month. Therefore she suggests that to increase access for the unbanked, banking products must not only be improved but this improvement must be perceived as such by the target market (Melzer, 2007: 12).

The Financial Diaries is another study that this research draws upon for data on South African financial behaviour. The Financial Diaries is a survey that was conducted from September 2003 to December 2004 of 166 black households in Cape Town, Johannesburg and the Eastern Cape. It was carried out to establish financial inflows and outflows of poor households by gathering data on income, consumption, savings, lending and investment. A combination of qualitative and quantitative data was obtained. Household transactions were recorded through bi-monthly interviews with a sample of poor households that recorded activities over the previous two week period (Financial Diaries, 2004c: 1).

From the Financial Diaries it was found that physical proximity to an automated teller machine (ATM) was a barrier to access for the banked. This is significant especially if clients need to make withdrawals and deposits frequently or if there is an emergency (Melzer, 2007; Financial Diaries, 2004b).

Amongst the banked and unbanked from the 2006 FinScope survey 68% of respondents said that they want a bank account to save. Thereafter the next two main reasons to have a bank account were to keep money safe and to be able to withdraw the money whenever it was needed, with 47% of respondents saying this for each. This was followed by the need for transactional convenience and lastly was the ability to access a loan (FinScope, 2006: 29). Thus the main reason to have a bank account is to save.

As highlighted by Porteous and Hazelhurst, South Africans according to the 2003 FinScope survey, do try to save.

> The majority of adults, rich and poor, believe that regular savings even of small amounts leads to the accumulation of lump sums. However, when it comes to saving regularly in practice, patterns diverge sharply between banked (almost three-quarters are trying to save regularly) and unbanked (only one in seven is); and between rich (almost two-thirds are saving regularly) and poor (only one in three is)". (Porteous and Hazelhurst, 2004: 60)

From this it can be seen that it is more difficult for the poor compared to the rich to save but most difficult for the unbanked to save.

> In other words, being unbanked correlates with weaker efforts and lower ability to save than is the case across the poorer group generally. The causality may not be proven but the correlation is indicative: people with access to banking facilities are more likely to try to save regularly even if they are poor. (Porteous and Hazelhurst, 2004: 63)

This is in line with Rutherford's thinking that the poor can, do and want to save money but it goes a step further and argues that if given a formal bank account this correlates with the poor being more likely to save. Thus as Melzer suggests banking products should be improved to attract the unbanked and the unbanked should feel that these improvements are meeting their needs.

In contrast to these arguments the Financial Diaries find that that 67% of households have a transaction account but they are mainly used for transaction purposes than long term savings accumulation (Financial Diaries, 2004a: 5).

3.2. Informal Mechanisms

Based on findings from all 166 households in the Financial Diaries it was found that the households, on average, used 17 different financial instruments during one year. An average household portfolio had 4 savings instruments, 2 insurance instruments and 11 credit instruments. Thirty percent of the financial instruments used by households were formal and 70% informal. (Financial Diaries, 2004a: 4). This highlights that informal financial mechanisms play an important role in the households of the poor.

3.2.1. Stokvels

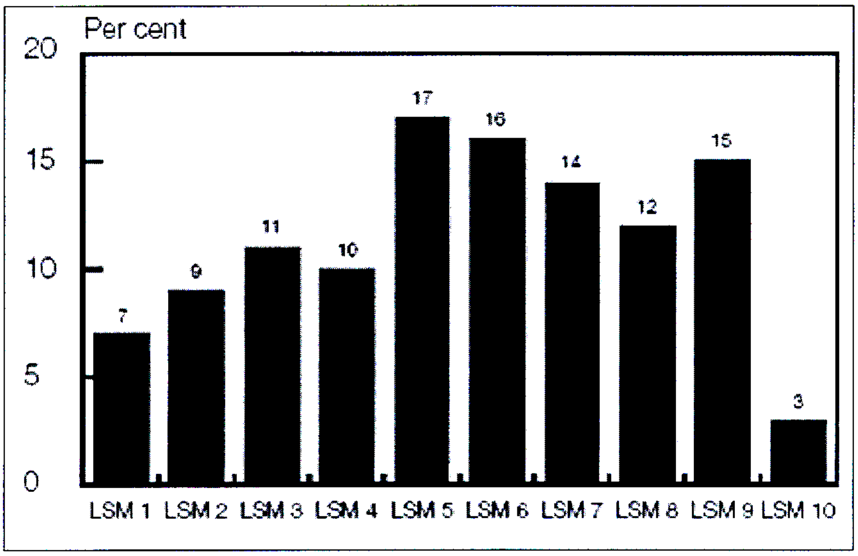
South Africans save through informal mechanisms like stokvels and burial societies. Through stokvels members regularly give a fixed amount of money to a common pool. In turn each member receives the pool of money and thus gains a lump sum (Porteous and Hazelhurst, 2004: 64). The UCT Unilever Institute of Strategic Marketing has estimated that total investment in stokvels and burial societies is at R20-billion. Twenty-nine percent of South African adults are members of burial societies and 9% are part of a stokvel. According to the Unilever Institute this "sector touches every industry, either directly or indirectly" (Monday Paper, 2005: no page).

Porteous (2003) using the 2002 ACNielsen FutureFact Marketscape Survey, a nationwide representative survey of roughly 3000 people, highlights that average contributions to stokvels range from 2% to 8% of member's monthly income with lower LSMs contributing a higher proportion (Porteous, 2003: 3). In South Africa, "three-quarters of stokvel members say that their stokvels save their money in a group bank savings account" (Porteous and Hazelhurst, 2004: 64). An additional 14% use the bank account of an individual member. This indicates that informal savings generated through stokvels are predominantly channelled into the formal banking system (Porteous and Hazelhurst, 2004: 64).

Porteous (2003:3) notes that 60% of stokvel members have a bank account. Aliber has framed this as a "riddle of co-existence" in the simultaneous use of both formal and informal financial services. As pointed out by Porteous, simultaneous use suggests that stokvels complement formal financial services and do not substitute for them (Porteous, 2003: 3). The 2006 FinScope survey found that 38% of people belonging to stokvels are saving for emergencies, 29% for funeral costs and 28% for food (FinScope, 2006: 31).

From the results of the 2002 FutureFact Marketscape Survey illustrated in graph 3, it can be seen that stokvels are used more by higher LSMs than the lower ones. This could account for why 60% of stokvel members have a bank account. As it has already been pointed out that the wealthier are more likely to have bank accounts. As more adults participating in a stokvel are found in the wealthier LSMs they are more likely to have a bank account.

Graph 3: Adults Participating in a Stokvel by LSM



Source: Porteous (2003)

The significance of stokvels is that the financial investment in them is large and majority of this money makes its way through the formal banking system. Also stokvels play a role in managing vulnerability by helping with saving for emergencies and life-cycle needs.

4. Financial Sector Charter

In January 2004, the Financial Sector Charter (FSC) came into effect. The Charter was as a result of negotiations in 2002 about transforming the financial sector at the Financial Sector Summit held by the National Economic Development and Labour Council (Nedlac). The Charter targets financial institutions including banks, insurers, brokerage firms, asset managers and investment schemes (Financial Sector Charter Council, no year: no page). Under the Charter these bodies are expected to:

> actively promote a transformed, vibrant, and globally competitive financial sector that reflects the demographics of South Africa, and contributes to the establishment of an equitable society by effectively providing accessible financial services to black people and by directing investment into targeted sectors of the economy. (FSC, 2003: 1)

In terms of access to financial services the Charter calls for the "increase [in] effective access to first-order retail financial services to a greater segment of the population, within LSM 1-5". By 2008, "80% of LSM 1-5 [should] have effective access to transaction products and services and "80% of LSM 1-5 [should] have effective access to bank savings products and services" (FSC, 2003: 9).

The Charter definition of effective access is to be within a 20km distance to the closest service point to be able to conduct first-order retail financial services. These service points include ATMs, banks and places other than ATMs, like supermarket till points, where electronic services can be undertaken. Thereafter there should be a variety of first-order retail financial products and services to meet the needs of LSM 1-5. Also non-discriminatory practices should prevail. Furthermore the products and services for LSM 1-5 should be appropriately and affordably priced to enable a successful adoption of them by this market. And lastly financial services and products should be structured and described in simple and easy to comprehend terms (FSC, 2003: 3).

As a result of the Charter the banking sector agreed to introduce the Mzansi account.

5. The Mzansi Account

To increase access to financial services the Mzansi[3] account was launched on 25 October 2004 as a first-order account which targets poor clients from LSM 1-5. The Mzansi account is available at ABSA, First National Bank (FNB), Nedbank, Standard Bank and Postbank[4]. It is a transaction and savings account which utilises a debit card. The official number of account holders is around 3.3 million whereas actual claimed account holders are reaching almost 2 million. The discrepancy in these figures could be because many Mzansi account holders are not aware of the type of account they have. For example, Postbank account holders were all changed to Mzansi accounts. As a result they may not be aware that they have a Mzansi account whereas new account holders are more likely to know that they do (FinMark Trust, 2006: 2).

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[3] Xhosa word meaning south or South Africa colloquially (isiZulu.net, 2007; SouthAfrica.info, no year).

[4] See Appendix 1 for a comparison of bank charges.

As highlighted by FinMark Trust (2006), using FinScope survey data, 6% of LSM 1-5 own a Mzansi account. This equates to nearly 1.2 million people. It is also used by 760 000 people who are in the higher LSMs. Sixty percent of people who own a Mzansi account say it is their first bank account. According to FinMark Trust this is a good indicator that the account is being used by its target market (FinMark Trust, 2006: 2). For 27% of account holders it is a supplementary account. The Mzansi account replaces another bank account for 13% of account holders (FinMark Trust, 2006: 2).

The majority of Mzansi account holders are black and reside in urban areas (FinMark Trust, 2006: 2). It was found to be significantly more likely for Mzansi account holders to be unemployed or informally employed, and to live in informal dwellings such as backyard rooms, shacks etcetera compared to other banked people (Porteous, 2007: 10). In South Africa a larger percentage of those who have a Mzansi account are found in the informal economy compared to those who have other types of bank accounts. Sixteen percent of those who have a Mzansi account are found in the informal economy and 9.2% of those with non-Mzansi accounts are found in the informal economy (Porteous, 2007: 11).

Initially stop orders and debit orders were not offered on the Mzansi account. It was feared that people would open Mzansi accounts to replace their existing bank accounts thus evading the higher fee revenue of their existing account. But less than 13% of Mzansi account holders have done this. Many banks in 2006 introduced stop order and debit order functions on their Mzansi account which has made the product more useful (Porteous, 2007: 11).

Overall the Mzansi account is seen as a success for bringing a substantial number of people into the banking system and decreasing financial exclusion (FinMark Trust, 2006: 1). Yet the challenge still remains of meeting FSC requirements where "80% of LSM 1-5 have effective access to transaction products and services" (FSC, 2003: 9).

6. Private Sector Initiative

Another bank account targeting the low income market and faring well is the Global One Banking Facility from Capitec Bank (Capitec). Capitec is a small commercial bank which was begun by a group of South African businessmen. It targets the low-income market and has a market-driven, profit oriented focus to serve this market (DFID, 2005: 44). Initially a microlending institution, Capitec has grown into a full service bank (Candy, 2007: 21). It currently has a clientele of 1.37 million people (Capitec, 2008: no page). Capitec's account the Global One Banking Facility which is a debit card facility offers cheaper fees on many of its transactions compared to the Mzansi account[5]. But Capitec only has 331 branches nationwide and 328 of their own ATMs (Capitec, 2008: no page). This is minimal in comparison to the 5000 plus outlets of the big four banks ABSA, FNB, Nedbank and Standard Bank (Porteous, 2005: no page). Capitec's Global One Banking Facility also charges a monthly fee of R3.75 for maintaining the account whereas the Mzansi account does not. Therefore where Capitec may be better on pricing overall, the big four banks may have better accessibility.

Innovations of Capitec are that it locates its branches in areas which entry-level clients frequent often like stations, taxi ranks and township shopping plazas (Stovin-Bradford, 2007a: 13). The bank's chairman le Roux has said "people must be able to get to the branch easily. That's why we have a branch in (the township of) Alex but zero in Sandton" (le Roux cited in Stovin-Bradford, 2007a: 13). Bank branches are open for longer hours from 8am to 5pm (Stovin-Bradford, 2007a: 13) whereas traditional banks operate from 9am to 3:30pm. Capitec has also set up 86 mobile banking units (Capitec, 2008: no page) in various parts of the country. The mobile banks are able to open new bank accounts by using wireless transmission and a digital camera to capture the image of new clients. Clients can bank at their convenience and facilities such as balance enquiries, transfer of money between accounts and activating personal loans are also available (Nyamakanga, 2007: 18).

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[5] See Appendix 1 for a comparison of bank charges.

In regards to being a profitable company, Capitec has excelled. It was ranked third in the 2007 *Business Times* top 100 companies (Stovin-Bradford, 2007b: 8) and first in the *Financial Mail* top 100 companies for 2007 (Gilmour, 2007: 128). Investors in Capitec in 2002 saw a return of 96% in 2007 meaning that if they had invested R10 000 in 2002 it would be worth R290 841 in 2007 (Stovin-Bradford, 2007b: 8).

The big four banks have a few lessons to learn from Capitec in regard to their mobile banking units, longer operating hours and the location of their branches. It can also be seen that targeting the low-income market has the possibility to be profitable.

7. Self-Employed Women's Union

The sample for this study is eleven women who were all members of the former Self-Employed Women's Union (SEWU). It is thus important to give some background to the activities of the union.

SEWU was an informal economy union that operated from 1994 to 2004 in South Africa. It comprised of self-employed women that were situated in the survivalist end of the economy predominantly as street traders and home-based workers. The union was first established in KwaZulu-Natal with numerous branches in Durban. Thereafter branches were established in the Western Cape, Eastern Cape, Free State and Mpumalanga. SEWU stopped functioning in 2004 due to financial reasons resulting in liquidation (Devenish and Skinner, 2006).

The inspiration for SEWU was derived from SEWA in India (whose SEWA Bank was discussed in the previous chapter). SEWU's aim was to improve the position of self-employed women in the informal economy in South Africa. This was done mainly through negotiations, in particular, with local government because a large number of members were street traders. Negotiations mostly concentrated on "street trading bylaws and provision and regulation of infrastructure – water, toilets, shelter and storage facilities – as well services like childcare and overnight accommodation" (Devenish and Skinner, 2006: 265). For workers in the informal economy the state often becomes the body with which to negotiate because there may be no employer (Devenish and Skinner, 2006: 265).

SEWU also played a role in influencing local and national policy. In terms of local policy they were most successful in Durban as the Unicity Council in 2001 implemented an informal economy policy which was drafted in consultation with SEWU. This policy is seen as an international best practice (Devenish and Skinner, 2006: 266). At the national level SEWU experienced mixed success with some of their policy suggestions being "largely ignored" and other less radical suggestions being used (SEWU cited in Devenish and Skinner, 2006: 267).

In regards to access to financial services, over a nine year period SEWU organised access to loans for almost 600 members (Devenish and Skinner, 2006: 271). SEWU also encouraged members to save and to open savings accounts at Postbank with which they had negotiated to "ensure that its savings accounts were more suitably tailored to the needs and limitations of those in the informal economy" (Interview General Secretary, 2004 cited in Devenish and Skinner, 2006: 273). Postbank's bank charges cost less compared to commercial banks, a minimum balance was not required and "empty accounts could be kept open for three months" (Interview General Secretary, 2004 cited in Devenish and Skinner, 2006: 273). SEWU also participated in the Financial Sector Campaign Coalition (FSCC) which presented at the Nedlac Financial Sector Summit. The FSCC was founded by the South African Communist Party (SACP) and "aims to transform financial institutions, making them accessible to poor people" (Devenish and Skinner, 2006: 272).

SEWU helped in obtaining infrastructure for street traders, strengthened its member's ability to earn an income, helped with empowering members, raised an awareness of women working in the informal economy and it managed to organise workers in the informal economy which is "an extremely difficult task" (Devenish and Skinner, 2006: 273).

8. Conclusion

Twenty-four percent of the South African labour force is found in the informal economy. Furthermore, the informal economy contributes between 7% and 12% to GDP. According to government the informal economy will be the creator of 2 million future jobs in South Africa. To support the informal economy government has tried to provide credit for microenterprise development through Khula and SAMAF.

In terms of saving having a bank account correlates with the poor being more likely to save. Stokvels are an important informal mechanism through which South Africans save and majority of the money from stokvels is channelled through the formal banking system.

The majority of those who open a Mzansi account claim that it is their first bank account. This is a positive factor as it shows that the account is reaching its target market. Sixteen percent of those who have a Mzansi account are found in the informal economy. Therefore although progress has been made more attention needs to be paid to increasing outreach to the economically active poor. This study attempts to understand how the Mzansi account is utilised by women working informally to enhance the product by making it more beneficial for them.

CHAPTER FOUR: RESEARCH METHODOLOGY

This chapter outlines how the primary research for this study was conducted by highlighting its methods, sample group, data analysis technique and limitations.

A qualitative methodology was followed because its real purpose is "not counting opinions or people but rather exploring the range of opinions, the different representations of the issue" (Gaskell, 2000: 41) which is what this study seeks to do. Structured interviews with open ended questions were held with eleven black women from the former SEWU. Six of the women interviewed had a Mzansi account, four had other types of bank accounts and one woman did not have any bank account. The reason for interviewing women who use the Mzansi account and those who have other bank accounts was to understand the benefits and limitation in having a Mzansi account in comparison to these other bank accounts. The woman without a bank account was interviewed to gain insight into why she did not have a bank account.

The former SEWU was chosen as the source for interviewees because they were an accessible entry point to workers in the informal economy as their past secretary Xulu has had a long standing relationship with the School of Development Studies. A non-probable convenience sampling technique was used to select the interviewees. Xulu contacted women she had known from the former SEWU who she thought would likely have a bank account.

It should be noted that the sample chosen was not the very poor but the poor who have some ability to bank, accumulate assets and use formal banking services to assist them. A possible bias is that the former SEWU members through the union have been exposed to discourses on savings, credit and banking thus they may be more financially literate compared to others in the informal economy or their LSM.

In addition four key informant interviews were held. These were with a member of the SACP Provincial Executive Committee, the Advocacy Programme Manager for the

Black Sash, the co-ordinator of Streetnet International and the Executive Director of the Inzala Institute of Consumer Education. See Appendix 2 for further detail. The interviews were conducted to gain insight into the banking environment in South Africa and how to improve the usability of the Mzansi account for low income earners specifically for those in the informal economy.

The same questionnaire was employed for all eleven women but with some variation for the woman without the bank account. Broadly the questionnaire probed for demographic information, details pertaining to the women's work, their savings habits, credit practices and issues dealing with banking and their bank accounts. Specifically under savings the aim was to learn if the women save money, in what facility this occurs and what the savings are spent on. Questions relating to saving in stokvels, bank accounts and other facilities were thus asked. Questions on credit were included to learn for what needs the women borrow money and from whom.

Questions dealing with banking were to learn about the bank accounts utilised by the women and their usage patterns. The product design of their accounts was interrogated to unearth limitations and benefits of their accounts. The distance to and experiences when utilising ATMs or banks was also probed. These are pertinent issues in South Africa where apartheid spatial planning placed black people in areas located far away from banking facilities such that the repercussions of this planning can still be felt today. The difference in the questionnaire for the woman without a bank account was that questions dealing with banking were replaced with questions inquiring about why she does not have an account and her perceptions of the Mzansi account. See Appendix 3 for the Questionnaire.

This study focuses on women working in the informal economy. The international and South African evidence suggests that women compared to men are more likely to be in insecure forms of informal employment with low average earnings which in turn makes them more vulnerable. Providing access to formal financial services like a transaction account or savings facility may help to mitigate some of these women's vulnerability. It is thus important to understand the specific experiences of women.

The interviews were conducted during late March, and early April 2008. All the women signed an informed consent form. In this it was explained to them that they would remain anonymous, that they had the option of not answering questions that they regarded as inappropriate and information about bank account or card numbers would not be asked.

The majority of the interviews were held at the women's place of work. Some of which were situated in bustling areas. Noise levels were high and interviewees may have had to break conversation to serve customers which led to the flow of communication being interrupted. But interviews were held at the women's place of work to avoid a loss of income earning hours for them. It also gave the interviewer an opportunity to see the women's businesses and gain a better understanding of how they operate. Most of the questions and answers were relayed via Xulu who also played the role of interpreter. As Xulu is not a professional interpreter the subtleties in answers may have been lost. But having a translator who herself was previously a part of SEWU, was familiar with the interviewees and who was knowledgeable about financial issues, possibly made the interviewees open up more. This was because they felt comfortable with Xulu and she could explain financial technicalities to them.

The interviews were recorded with the permission of the women and answers were simultaneously written down by the interviewer. Once the interviews were transcribed they were analysed. An inductive thematic analysis approach was used in which the themes were deduced from the interview data collected (Hayes, 2000: 176).

A table of bank charges was created to compare the costs of the Mzansi account at each bank. The Capitec account and Ithala Bank account were also included to see how the Mzansi account fares against these two low income accounts. See Appendix 1 for table. The table was drawn up twice in a period of ten months due to the changes in fees. Initially to assemble the table each bank was visited to obtain brochures about the accounts and their fees. Most banks had these pamphlets readily available or printed a copy on request. Since each bank updates their price list at different times throughout the year, their websites were then consulted to find the updated fees. The pricing guides of each bank lacked information required to make the table uniform. This led to having to call each bank for the lacking information. If this still resulted in an inconclusive answer the bank was visited again. When drawing up the table for the second time, instead of calling, emails were sent to the banks requesting detailed information. This resulted in each bank mailing their pricing guide instead. Since the pricing guides lacked certain information to make the table uniform, each bank was called for the missing information. Ithala Bank was an exception to this process. Their Pinetown branch would not provide the necessary information because it was required for research purposes. All information regarding transaction fees were obtained telephonically. This was the only accurate source available.

The aim of this empirical work was to get an in-depth insight into the financial management practices of a group of self employed women working in a range of activities in the Durban area. At no point does this study claim that the findings can be generalised to self employed women in Durban, nor in the rest of the country. Rather these findings are indicative and hope to give further insight to inform larger qualitative and quantitative analyses but also identify issues policy makers should be aware of.

CHAPTER FIVE: SAVINGS, CREDIT AND BANKING PRACTICES

This chapter illustrates the findings from interviewing eleven women from the former SEWU. It begins by examining the demographic information about the women and their work activities and histories. The women's credit practices and savings habits are then dealt with. From here the women are separated into three groups namely those that have a Mzansi account, those with other types of bank accounts and one woman who has no bank account. Those with banks accounts are discussed in terms of their account usage patterns and banking practices. Experiences with and distances to ATMs and banks are also highlighted. Next the "riddle of coexistence" is explored culminating with a discussion of the effect of Mzansi account savings on the women's livelihood.

1. Demographics of Interviewees

The interviewees fall into a wide age range. The oldest is 62 years old and the youngest is 26 years old. But interviewees are predominantly in their forties with six women being in this category. Thereafter two women are in their thirties and lastly one interviewee is in her early fifties.

Interviewees were asked about their level of education attained. Most of the women have some level of secondary school education. The highest and lowest level of education amongst this group is an interviewee who completed grade 12 and another who finished grade 3. Three women have completed grade 11, two women have finished grade 10 and another two have completed grade 8. Of the last two women, one has completed grade 6 and the other grade 7.

More women are in households where there are also other income earners. Five interviewees are the sole income earner. The majority of interviewees are single and have a high number of dependents. Three women are married and one is a widow. All but one woman has dependents. The number of dependents for each women ranges from three to ten.

It is common for the interviewees to receive or live in a household which receives a state grant. Only two women do not. Five women receive child support grants, two women receive or live in a household which receives an old age pension and two women live in a household that receives a disability grant. See Appendix 4 for Table of Demographics.

2. Work Activities and Histories

The interviewees work in either urban areas or in semi-rural areas. Five women work in central Durban at Berea Station. The other six women work in Mzinyathi situated outside Inanda or in Engonyameni located outside Umlazi. Specifically two women work in Mzinyathi and four women work in Engonyameni. In relation to Durban central, Mzinyathi is located 25kms north of the city and Engonyameni 25kms south of the city. Most of the women in semi-rural areas work from their home. The exceptions to this are one woman in Mzinyathi who has a temporary job in Howick and one woman in Engonyameni who works in that area but not from her home.

The women are involved in various types of work activities. Most are self-employed. Two women are traders. Of these, one owns a spaza shop in Engonyameni and the other sells shoes, beads and knitted hats in Berea Station. Three women sew and sell church uniforms in Berea Station. One of which also works as a domestic worker part time. Three other women are involved in farming. Two of which are poultry farmers and the other cultivates fruit. All the farmers are situated in Engonyameni. One woman manufactures cement bricks in Mzinyathi and another sells food in Berea Station. Lastly, one woman volunteers every few months for an organisation in Howick that teaches gardening skills and receives a stipend for this. See Appendix 5 for Table of Work Activities.

The women in Berea Station have been involved in their present work activities for a longer period compared to the rest of the group. One woman has been selling her goods at the station for the past fifteen years. Others at the station have been involved in their present work for three to thirteen years. The women in semi-rural areas began their work more recently as they have been involved in it for the pass two to seven years.

The interviewees have been involved in numerous work activities over the years in both the formal and informal economy. Five women previously worked in the informal economy, one woman was a domestic worker and five women were in the formal economy. Two of the previously formally employed women worked in factories, another two were employed in cleaning companies and one woman was employed as a secretary. The reasons for leaving these jobs are varied. One woman left due to the low wages that she received. Another left for child rearing purposes. One other woman was forced to leave due to the organisation closing. For one woman the formal job was temporary. There does not seem to be a transfer of skills from the women's formal jobs to their informal work activities as the women now perform completely different jobs. For example the woman who previously worked in a clothing factory now runs a spaza shop and the woman who was a secretary is now a poultry farmer.

There are three main routes through which the interviewees obtained the capital to begin their current business. Most often money earned from a previous informal business generated the capital to begin their present business. Thereafter family assistance, through either money or material provided, help start their business. Lastly, money from their former job in the formal economy financed their current work activities. In addition, one woman was given financial assistance by SEWU to begin brick manufacturing. Another woman purchased a house which had a fruit garden and farming became her livelihood.

As stated earlier there is a correlation between being poor and working in the informal economy as 92% of workers in informal enterprises earn less than R2 501 per month (Devey et al, 2006: 232). This correlation is evident in this sample group where all the women earn less than R2 501 per month except for one, Ms. Sithole[6].

Ms. Sithole who sells food in Berea Station is financially more prosperous. She earns between R3200 to R6000 profit every month. Possible reasons for her success could be

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[6] None of the interviewee's real names are used.

the product that she sells and the place at which it is sold. Prepared food is a product that would be in demand daily and she is situated in the busy location of Berea Station that has people continuously passing through. Lunchtime, the time at which her interview was conducted, saw an influx of customers.

From the rest of the group, three women earn up to R2000 profit in a lucrative month. Two other women earn up to R1000 profit in a busy month. The five remaining women earn R500 profit or less in a month. Other than Ms. Sithole, there are five women that fall into the better earning category of a R1000 profit or more in a lucrative month. These are the two traders, two of the Berea Station seamstresses and one of the poultry farmers. Overall the women working in urban areas or Berea Station earn more than those in semi-rural areas. The interviewees in their forties comprise most of the women in the better earning category of a R1000 profit or more in a busy month. The youngest and oldest women from all the interviewees earn the least and second least respectively. The youngest interviewee earns R350 every few months and the oldest interviewee earns no profit to a maximum of R300 profit each month.

A higher level of education does not seem to have an effect on whether the women earn more or not. The highest earning interviewee has a grade 8 education and the least earning interviewee, with the temporary job, completed grade 11. Amongst the sole income earners more of them are in the better earning category of R1000 profit or more in a lucrative month. On the whole the Mzansi account holders earn less than non-Mzansi account holders. The exception to this are two Mzansi account holders, including Ms. Sithole, who are found in the better earning category of R1000 profit or more in a lucrative month.

For many women their savings often amount to fifty percent of profits earned or more than the amount of profit earned per month. In this regard income from grants could possibly contribute to savings. Ms. Sithole the food seller saves the most monthly keeping aside R4000. Thereafter the spaza shop owner saves R2080 monthly. The third highest amount saved per month is R1085 by one of the seamstresses at Berea Station.

Thereafter three women save R800 every month. One of these three women is the poultry farmer Ms. Mhlongo who earns the second least profit monthly. She most likely supplements her savings with her old age pension. Four women save between R155 to R600 every month. The interviewee who earns the least monthly does not save. See Appendix 6 for a Table of Monthly Profit Earnings and Savings.

For these interviewees neither the structuralist school nor the legalist schools of thought apply. There does not seem to be an exploitative relationship between large firms and these micro businesses. Nor does it seem that the legal system is trying to be bypassed by the women when starting their businesses. Rather the women are making use of the assets that they possess such as land and the ability to cultivate and keep animals on it or their seamstress skills. Thus businesses are created around these assets.

A lack of formal jobs to absorb surplus labour as highlighted by the dualist school may be a possibility. But then again for the spaza shop owner her previous formal job provided less of an income than the income she currently earns from her informal work activities. In this case the informal economy offers better financial prospects for her. For another woman the informal economy provided flexibility where she could work from home and care for her child. Hence she has remained in the informal economy. The women's work is not necessarily a marginal set of activities as one interviewee is financially better off and another earns more than she did in formal employment.

It is difficult to identify which school of thought best explains why these women are in the informal economy as this is a diverse set of women and work activities. But the statement that stands out is by the microenterprise development approach that the poor have the ability to defend themselves and survive (Rakowski, 1994: 43). This is embodied by these women as each has been involved in various forms of work over the years to earn a living and survive. Also these women have gained some form of business savvy as often the growth of their first business enabled a better second business to be opened. In this regard it seems that providing credit programmes, solidarity groups and entrepreneurship training in management, marketing and accounting for those working in the informal economy (Rakowski, 1994: 43) would be a viable option as these women would be able to utilise and benefit from this support and knowledge and possibly improve their businesses.

3. Credit Practices

Nine interviewees utilise credit. Though a third of borrowers said it was not a habitual practice but done on occasion. Credit is most often obtained from informal sources. The most common source for loans is the mashonisa or loan shark. Thereafter their family, whether it is their spouse, children or siblings, is the next source. Loans are also obtained from neighbours. In addition to her family, one woman borrows from her stokvel. One other woman acquired a loan from FINCA and African Bank in 1999. But currently she does not borrow money.

Loans are primarily obtained for work purposes. For example the poultry farmers Ms. Kunene and Ms. Mhlongo have borrowed money to buy food for their chicken. Ms. Ndlovu has borrowed to buy a phone airtime machine for her spaza shop. Ms. N. Mkhize has borrowed money to buy seeds to make her garden presentable for the organisation at which she works and Ms. Sithole borrowed for her business in 1999.

Thereafter three interviewees obtained loans to pay for transportation costs and two interviewees borrowed to pay store accounts. Individual women obtained loans for when there was an illness in the family, a funeral or for school fees.

When the interviewees borrow money for their business it is mainly to facilitate its smooth functioning through the purchase of stock. It is not to enhance the financial prospects of the business through the purchase of income generating assets. The only exception to this is Ms. Ndlovu who has bought an airtime machine which would generate a further income for her business. This shows in her profit earnings as she is one of the interviewees who earn the second highest profit in a busy month and she saves the second highest amount of money monthly compared to the rest of the interviewees.

The interviewees were asked "In the last year, can you think of a time when you have needed money at short notice for your business or family incident? What did you do?" This question highlights what options are available to the women when money is need urgently for an emergency and if savings play a role.

In an emergency situation when money is needed quickly it is most often borrowed. In particular nine of the women would borrow the money. Two of these women in addition may utilise their savings from the bank. As highlighted by one of them "Sometimes I go to the bank to withdraw money. I also borrow from my husband and I borrow from my stokvel" (Interview with Ms. Kunene, 1/04/2008). For another two women the first port of call would be the money stored in their house. As said by one of them "There is money in the house but if there is no money at that time then I would go to the neighbour and borrow" (Interview with Ms. Majozi, 2/04/2008). The other said "Most of the time I keep some money at home because I'm scared to take a loan at the bank but if it's a big amount of money that I need then I have to borrow it from the mashonisa" (Interview with Ms. Ndlovu, 2/04/2008).

From the two women who do not borrow, Ms. Sithole said that she would do "nothing" because she does not like to borrow but she did make reference to using her savings and Ms. Shange said that she would use the money from her jobs.

This preference to use credit is reinforced when the interviewees were asked "Do you prefer to borrow money or use your savings". The majority prefer to borrow. Some of the reasons given for this preference are because if "I take my savings from the bank it is difficult to go back and replace that money but if I borrow money from someone it is easier to pay back that money" (Interview with Ms. Kunene, 1/04/2008). In a similar line of thinking another woman prefers to borrow "because it forces you to pay it back" (Interview with Ms. Ndlovu, 2/04/2008). Another reason is that it is "difficult to go to the bank [to use her savings] I prefer to go to the neighbour and borrow some money" (Interview with Ms. L. Mkhize, 1/04/2008). For one interviewee "the money in the bank is not enough money" (Interview with Ms. Ndebele, 4/04/2008). And lastly one woman prefers "to borrow money because I have no money to save" (Interview with Ms. Majozi, 2/04/2008). Thus credit is borrowed for several reasons. These are because it forces the borrower to pay back money owed. It is arduous to travel to the bank to access funds. There is a lack of sufficient funds in the bank to utilise and the inability to save due to having no money leads to borrowing.

Three interviewees said that they would prefer to use their savings. But one said that if there was insufficient time to access her savings she would borrow the money instead.

4. Savings Habits

In general all the women, except one, reported that they save money. Nine of the interviewees belong to a stokvel. Most belong to more than one and have membership at two or three stokvels. Business earnings are the main contributor toward the women's stokvels. In addition some women also utilise money from grants. One interviewee receives money from her husband to pay toward her stokvels.

Three of the women save in their stokvels for their business or to buy items for the home. But it is more common to save for food with five women doing this or for school fees with four women dedicated to this. Furthermore, the three women saving for their businesses save to keep them operating smoothly and not necessarily to invest in assets that would improve the income generating potential of their business. For instance Ms. Sithole saves to buy food that she will prepare and sell. Ms. L. Mkhize is a part of a cement stokvel that will buy the raw materials to create her blocks and Ms. Kunene saves monthly to buy chicks or food for her chicks. Thus savings in stokvels for the women's businesses help in keeping their businesses running smoothly through the purchasing of stock. This shows that the smooth functioning of the women's businesses is of importance to them and effort is made to keep their businesses in operation with the stokvel savings.

Individual interviewees are saving to pay accounts, to build their home, to buy school uniforms, to spend during Christmas, to send to her studying child and to buy a car.

Rutherford (1999: 8) highlights three reasons as to why poor people save money. These are for life cycle needs, for emergencies or to take up opportunities. This group of women mainly saves in their stokvels for life cycle needs and to take up opportunities in making life more comfortable for example by purchasing items for their homes.

Saving in other informal facilities also plays a prominent role in the women's financial management. Seven women save in either a tin or cupboard. Both these facilities have advantages and disadvantages as highlighted by some of the interviewees. Money saved in the tin can be used in times when you have no transportation money but saving in the "bank is better because the money is safer in the bank than in the tin". Also "The bank is better than every tin and money guard" (Interview with Ms. Zondi, 28/03/2008). But it is easier to access money in the tin "and if the children want money they go to the tin and take the money" (Interview with Ms. Majozi, 2/04/2008). On the other hand another woman sees "No benefit in saving money in the cupboard because this money in the cupboard is used easily". She prefers the "bank even though there are high charges because in the bank we don't use the money unnecessarily" (Interview with Ms. Kunene, 1/04/2008).

Even though informal saving facilities are utilised the bank is often said to be preferred to these facilities. This is in contrast to Robinson's statement where policymakers and bankers in numerous regions of the developing world have been "taught to believe that the poor do not save, cannot save, do not trust financial institutions, and prefer nonfinancial forms of savings" (Robinson, 2001: 228). These interviewees do save money and say that they prefer the financial institution of the commercial bank. But although the bank is preferred, informal saving mechanisms still offer benefits that the banks do not. Thus both formal and informal saving facilities are utilised. This is highlighted by the use of what is described as a "money guard" and its convenience. A money guard is a person who looks after money given to them by others (Financial Diaries, 2004a: 3).

Three of the women in Berea Station utilise a money guard. This is a man who travels from Victoria Market everyday to collect money from those working at the station and stores it away for them. In return for his services he charges a fee upon withdrawal of the money. The advantage of a money guard, according to Ms. Ndebele, who began giving money to the guard since she arrived in Berea Station in 1998 is "Because that man comes here I don't have to go anywhere. If I'm busy he comes to me, I give him R10, he gives me a slip you see. But if I'm thinking about going to the bank and then the sun is too hot outside I say to myself may be I'll go tomorrow and then tomorrow becomes tomorrow and tomorrow and tomorrow" (Interview with Ms. Ndebele, 4/04/2008).

Another benefit of utilising the money guard is that "If you withdraw R500 from him the charges are R15 which is lower [in comparison to the bank]" (Interview with Ms. Shange, 4/04/2008). As seen later when comparing the transaction fees of two bank accounts, to withdraw money at the bank is actually cheaper than at the money guard. But if it is taken into account that some of the women deposit money by this guard for free daily then utilising the money guard is much cheaper than the bank. There would be a transaction fee each time money was deposited at the bank. Therefore the money guard offers the convenience of not having to leave your place of work and lower transaction charges compared to the bank.

Two women also buy stamps from Shoprite which may be redeemed in the future to buy goods from the store. Ms. Sithole is the only woman who saves money in her apron pouch because she feels it cannot be stolen from there. Also when she sleeps at night she stores her apron under her pillow so as to prevent her children from taking it.

Concentrating on formal savings mechanisms, all but one of the ten bank account holders reported that they save in their account. Interviewees use debit order facilities most often. Four women debit money for their funeral insurance once a month. Of these one woman also has a debit toward her credit card. Thereafter interviewees save or deposit money into their accounts with three women doing this for each activity. Two women use their account to withdraw money and one woman utilises her account for transfers and to swipe her debit card. Thus bank accounts, through debit orders, are mostly used to save for funeral insurance and accounts are also used to save in general.

Interviewees save in their bank accounts for their funeral scheme, school fees or to buy stock for their business with three women dedicated to this for each activity. Thereafter interviewees save to buy food, to have money when they are sick or for emergencies with two women dedicated to this for each activity. Individual women are saving to buy a car, for their debit orders, for when they are old and for their children's transportation costs.

When bank account savings are spent on the women's business, it is to buy stock. This also occurs when stokvel savings are spent or loans are borrowed for business purposes. The purchasing of stock may not necessarily enhance the potential of the women's business to generate greater earnings but keeps their business operating smoothly.

The interviewees mainly save in their bank accounts for life cycle needs. Two interviewees are saving for an emergency. None are saving in their accounts to take up opportunities. The interviewees instead use stokvel savings to take up opportunities to make life more comfortable through the purchase of items for the home. The women are not saving to seize opportunities to expand their businesses financially.

All the account holders agreed that having a bank account helped them save money more easily. A common reason given for this response is that money is easily accessible in the house compared to travelling to the bank to withdraw money. Thus in the house it is easily spent but not if it were stored in the bank. Also if the money is stored in the bank they are not tempted to use it whereas in the house the temptation is great as many people would want to spend it. An example of this is given when Ms. L. Mkhize says "those children they look for the money in the cupboard and they say oh ma you have money give me that money" (Interview with Ms. L. Mkhize, 1/04/2008). Another response given by two interviewees was that having a bank account does make it easier to save but depositing money frequently was costly. Hence this was a hindrance to saving regularly in the bank account. On the other hand a response given by one interviewee for why having an account makes it easier to save is "because there are no charges" (Interview with Ms. Mhlongo, 2/04/2008). But it should be kept in mind that at most banks the first deposit per month is free thereafter there is a fee which would result in frequent deposits being costly.

That this group of women use their bank account mainly to save, through their funeral debits and saving for other items, and that having a bank account makes it easier for them to save, ties in with Porteous and Hazelhurst's claim that "people with access to banking facilities are more likely to try to save regularly even if they are poor" (Porteous and Hazelhurst, 2004: 63). Even though this group regularly use the transactional facilities of their accounts for debit orders it is to save for funeral insurance. This is unlike the findings from the Financial Diaries where bank accounts are used mainly for the transactional facilities than for long term savings accumulation (Financial Diaries, 2004a: 5). These women save regularly for both long and short term needs.

5. Bank Accounts

Interviewees can be separated into those who have a Mzansi account, those with other types of bank accounts and the woman who has no bank account. For the Mzansi account holders and other type of bank account holders an examination of their general banking practices and the design of their bank accounts will be discussed. The distance to banks and ATMs, the women's experiences of using ATMs and how they are served at banks is also explored. For the woman without a bank account it will be seen why she does not have one.

5.1. Mzansi Account Holders

5.1.1. General Usage

Six of the interviewees have a Mzansi account. Of these, four women have two bank accounts each including the Mzansi account. One interviewee has three accounts and the other has one account. Most of the interviewees have their Mzansi account at Nedbank. Only one woman has her account at Standard Bank. The second most common account held is a transaction account at Nedbank with two women having this. Other accounts used are the Standard Bank E-plan account, a FNB savings account and an Ithala Bank account. Five of the women have had their Mzansi account since 2007 and one has had hers since 2006.

Marketing by banks and word of mouth promotion prompted the interviewees to open the Mzansi account. Representatives from both Nedbank and Standard Bank had visited Berea Station to encourage traders to open a Mzansi account. A friend advised Ms. N. Mkhize in Mzinyathi to open the account because she said that the Mzansi account was cheaper than other bank accounts. This highlights one of the main reasons for opening the Mzansi account which is because the bank "Charges of the Mzansi account are low" (Interview with Ms. Mhlongo, 2/04/2008). Other reasons given for opening the account are that a smaller amount of money was needed to initially open the account, the account was opened to pay for school fees and lastly the Mzansi account was opened to enable receipt of a disability grant.

Interviewees were asked how often they used their Mzansi account. The most frequent response was once a month with two women saying this. Others said twice a month, thrice a month, only when they had the money to deposit and one woman, Ms. N. Mkhize, has opened the Mzansi account but has not utilised it since. This is because she consumes her stipend once she receives it as the amount of money she earns from her temporary job is meagre. Ms. N. Mkhize earns the least in this group of women.

Most women use the Mzansi account to save money with half the women stating this. Thereafter it is used for debit orders specifically for funeral insurance debits and for withdrawing money. Thus the Mzansi account is mainly used to save money.

5.1.2. Product Design

The design of the Mzansi account is examined by paying attention to the benefits and limitations of the account.

The interviewees highlighted a number of beneficial features of the Mzansi account. Beginning with "the Mzansi account does not charge too much" (Interview with Ms. Sithole, 28/03/2008) and that there is "no money to run away like water because no charges nothing" on the account (Interview with Ms. Mhlongo, 2/04/2008). Hence the feature found most useful is that bank charges on the account are low with half the women stating this.

Low bank charges on the account were further highlighted when the interviewees were asked what they thought of the transaction costs charged on their Mzansi bank account. Most responses were that it is "good" and that it is lower in comparison to other bank accounts. On the other hand some interviewees did not know what the bank charges cost on the account. They had not found out.

In Appendix 1 the transactional costs of different low income bank accounts are compared. The transaction fees of the Mzansi account are not standard across the banks and it is difficult to determine which bank offers the most competitive rates. For example ABSA requires R10.00 as a minimum opening deposit whereas Nedbank and Standard Bank require R20.00. With FNB a minimum opening deposit is not required but they charge R5.00 for the first six months to issue the bank card. In this way R30.00 is paid to open the account. Even though ABSA may be the least expensive to open the account, for other transaction costs on their Mzansi account they are not. For instance their first debit order per month and purchases with their debit card are the most expensive amongst the banks. Thus it is up to the client to reflect upon which services they use most often and open with the bank that offers these services at the lowest price. This may be unrealistic to expect of clients as they would have to contact via telephone or a visit each bank to gather this information. It would be a time consuming and possibly a confusing process.

As the interviewees state that the Mzansi account is cheaper than other bank accounts, the Mzansi account and another account offered by the big four banks was compared to illustrate the difference in prices. Most of the Mzansi account holders have their account at Nedbank. The second most common account used by them is a Nedbank transaction account which is most likely the Transactor account. Hence these two accounts will be compared. The Mzansi account holders mainly use their accounts to save in turn depositing money, for debit orders and to withdraw money. Thus these transaction fees will be compared. See Appendix 7 for the table comparing the two accounts.

Firstly the Mzansi account across all the banks does not charge a monthly maintenance fee. The Transactor account charges R6.00 a month for maintenance. On the Mzansi account the first cash deposit per month at the bank teller or ATM is free thereafter it is R5.20. The Transactor account also has its first monthly cash deposit at the bank teller or ATM for free. Thereafter R1.05 is paid per R100 or part thereof. This means that after the first free deposit on the both accounts, if someone were to deposit R200 into their Transactor account they would pay R2.10 for this deposit whereas on the Mzansi account they would pay R5.20 for a R200 deposit. The Transactor account starts becoming more expensive than the Mzansi account when R500 is deposited.

On the Mzansi account internal (Nedbank to Nedbank) debit orders are R1.20 and external (Nedbank to bank x) debit orders are R2.20. On the Transactor account internal debit orders are R3.00 and external debit orders are R4.00. The debit orders on the Mzansi account are roughly half the price of the Transactor account.

The Mzansi account charges R4.20 for an ATM cash withdrawal whereas the Transactor account charges R4.75. On the Mzansi account a cash withdrawal at another bank's ATM would remain at R4.20. On the Transactor account it would cost R8.00 plus R0.95 per R100 or part thereof. For a cash withdrawal at the bank teller the Mzansi account costs R10.20 while the Transactor account costs R7.00 for the first R100. Thereafter it is R0.95 per R100 or part thereof. This means that if R200 were withdrawn at the bank teller on the Transactor account it would cost R7.95 whereas it would cost R10.20 on the Mzansi account. The Transactor account becomes more expensive than the Mzansi account when R500 is withdrawn.

Thus a cash withdrawal on the Mzansi account at an ATM whether it is a Nedbank ATM or not, is cheaper than the Transactor account. For a cash withdrawal at a Nedbank ATM the Mzansi account is cheaper than the Transactor account by R0.55. This is not a great difference. A cash withdrawal at the bank teller would be cheaper on the Transactor account if the person withdrew R400. It would cost R0.60 more than the Mzansi account's R10.20 if they withdrew R500.

It is only through the debit order facilities that the Mzansi account is strikingly cheaper than the Transactor account being roughly fifty percent less. Furthermore, the Mzansi account has no monthly maintenance fee. Thus fees are cheaper on the Mzansi account for some transactions. Depending how other transactions are managed the Mzansi account may or may not be cheaper. This applies for cash deposits at ATMs or bank tellers and cash withdrawals at the bank teller.

Other beneficial features of the Mzansi account highlighted by interviewees were that the Mzansi account "Allows you to open it with a small amount of money", "It's good for people who are not working" and "If you do not have a proper address you are still allowed to open the Mzansi account. The bank gives you an address" (Interview with Ms. Sithole, 28/03/2008).

Furthermore "It's useful to have a bank account and bank the money because if you have money in your bra if your aunt is coming she'll tell you to go and buy her something to drink. The money in your pocket is used more easily" (Interview with Ms. N. Mkhize, 2/04/2008). In this case having a bank account to deposit money decreases the temptation and option of spending it. Lastly it was mentioned that the bank account is a safe place to store money which they are able to go to at anytime to withdraw.

Three limitations on the Mzansi account were pointed out. The greatest change or introduction to the account that the Mzansi account holders would like is a bank book. The book could be used in conjunction with the debit card. The need for the book arises due to the convenience it offers in keeping track of transactional activities and a lack of financial literacy skills on the part of the women. For example even though Ms. Dlamini utilises her Mzansi account three times a month she does not know when she will receives bank charges and how much they cost. One other account holder has never used an ATM. A bank book would provide a history of the interviewees' transaction activities and automatically provide their account balance instead of the women using ATM statements and keeping track of their activities themselves. Therefore there is a desire for a bank book to be introduced.

Another change that would be welcomed is if the maximum limit permitted in the account is increased from the current R15 000. This is voiced by Ms. Zondi when she says "we must change the policy that if you have more than R15 000 you need to have another account. Must change that policy" (Interview with Ms. Zondi, 28/03/2008). In this case Ms. Zondi's funeral insurer does not want her to utilise the Mzansi account. They will not be able to deposit her insurance payout into her account because it would increase her bank balance to more than R15 000.

Ms. Sithole the food seller speculates that her financial circumstances will improve due to the 2010 World Cup Soccer being hosted in South Africa. She talks about earning and saving a R1 000 a day for two weeks during the World Cup period. As a result she would be over the R15 000 limit and be forced to change to another bank account. This is not something she wishes to do.

Even though half the Mzansi account holders highlight that a benefit of the account is that the fees are low, many of the same women raise concerns relating to high bank charges of the account. It was requested that banks "change the higher charges" of the Mzansi account (Interview with Ms. L. Mkhize, 2/04/2008). This is further expressed by another woman when she says "You must tell the bank to change all the stupid things like the charges" (Interview with Ms. Sithole, 28/03/2008). A related issue is the frequency at which bank charges are issued. As highlighted "if you put the money in the bank they charge you and if you withdraw the money from the bank they charge you" (Interview with Ms. Mhlongo, 2/04/2008). Thus although the charges of the Mzansi are considered lower than other bank accounts, they are still found to be expensive.

5.2. Other Accounts Holders

Four women are non-Mzansi account holders. Their age and level of education are similar to the Mzansi account holders. But they are overall more financially prosperous than the Mzansi account holders. In contrast to the Mzansi account holders most of these women are not the sole income earner in the household. Half of the non-Mzansi account holders work in Berea Station and the other half in Engonyameni. The interviewees from Engonyameni are more advanced in their saving habits and banking skills as one interviewee in addition to her bank account utilises two fixed deposit accounts and the other transfers money between accounts, swipes her card at stores and has a credit card. None of the other interviewees use their account for these purposes. The non-Mzansi account holders have had their bank accounts from 3 months to 16 years. This is both longer and shorter than the Mzansi account holders who have had their account for one to two years.

5.2.1. General Usage

The non-Mzansi account holders have accounts mainly with ABSA, Standard Bank and Ithala Bank. Thereafter accounts are held at FNB and Nedbank. Unlike the Mzansi account holders not all of these women only have transactional savings accounts. One woman has a credit card and another has two fixed deposit accounts. Two of the interviewees have two bank accounts each, one has three accounts and the last has one account.

These interviewees reported that the reason for opening their bank accounts was to save money whether it is for their funeral, their children or to use for themselves. One woman opened accounts with three different banks to experience various banking technology like using an ATM and cellular phone banking. Another woman had to open a bank account as a prerequisite for belonging to her previous co-operative.

The non-Mzansi account holders opened their accounts to save. This is similar to the response by the banked and unbanked from the 2006 FinScope survey as to why they would want a bank account. Sixty-eight percent of respondents said that they want a bank account to save (FinScope, 2006: 29). The women reinforce the responses of the FinScope survey that bank accounts are wanted to save as in practice the women mainly opened their accounts to save money.

Half the interviewees use their account once a month. One woman uses her account twice a month and another uses her account once every two months. The women's bank accounts are mainly used to deposit money, to save money or used for debit orders. An exception to this is Ms. Kunene who conducts other activities like swiping her card at the store or transferring money from one account to the other. She also has three separate debit order transactions per month and a credit card. She is an advanced user because of her banking abilities and the access she has to a credit card.

5.2.2. Product Design

The design of the other types of bank accounts is examined paying attention to their benefits and limitations.

Each interviewee finds a different aspect of her account to be useful. Ms. Kunene finds her account beneficial because of the transactional conveniences that it allows like swiping her card at the store, transferring money or the debit order facilities. Ms. Ndlovo finds a bank account helpful because if you have a goal to save money you can keep your money in the account. Ms. Shange finds her account useful because it is easy to deposit money into and if she wants to withdraw her money she just can. Lastly, Ms. Ndebele said that a bank account is useful but the problem is that if she needs a loan the bank will not lend her money. This she further highlighted was "because the bank asks everything. Where are you working? Where is your pay slip for last month? How can you get a slip if you're sitting down here [in Berea Station]" (Interview with Ms. Ndebele, 4/04/2008).

The benefits highlighted by the non-Mzansi account holders of their accounts are similar to the reasons why the banked and unbanked in the 2006 FinScope survey would want a bank account. From the 2006 FinScope survey, other than to save money, the next two main reasons to have a bank account were to keep money safe and to be able to withdraw the money whenever it was needed, with 47% of respondents saying this for each. This was followed by the need for transactional convenience and lastly was the ability to access a loan (FinScope, 2006: 29). The benefits of having a bank account for the non-Mzansi account holders match the reasons for wanting to open a bank account by banked and unbanked South Africans in general. This reinforces the importance of having a bank account for the above mentioned purposes.

The non-Mzansi account holders note that the banks do not give loans to them. This is the converse of the issues highlighted by Wright where MFIs design banking products with credit services but no savings facilities in mind which leads to high client drop out rates (Wright, 2001: 2). Here there are savings facilities but a lack of credit provision for those working informally. Thus the banks are not following a client-centred approach where the financial needs of the client are taken into account.

The principal complaint that non-Mzansi account holders have about their accounts are the high charges. This is further reinforced when they were asked what they thought of the prices charged on their bank accounts. All the women said the charges were excessive. Another limitation is that they are charged too often as they have to pay for each transaction conducted when depositing, withdrawing, utilising debit order facilities or to keep the account open. As a result a decrease in the frequency and cost of bank charges is desired. Other changes requested were by one woman who asked for banks to give them a chance and lend money to them. She would also like her debit card to be swapped for a bank book.

5.3. ATMs and Banks

In this section distances travelled to reach ATMs or banks are discussed for all ten bank account holders. Experiences when utilising ATMS and customer service at banks are also highlighted.

All the banks have branches or ATMs located within the CBD. Hence for account holders who work in Berea Station, banks are located in close proximity to their place of work. Furthermore, no transport costs are paid to travel to the bank. Therefore the distance to the bank or ATM is not seen as a problem as it is nearby and there is no cost involved to reach them.

For the interviewees in semi-rural areas the far distances to reach banks or ATMs is an issue. An exception to this is an account holder in Mzinyathi who said the distance to the bank or ATM was near. For the account holders in Engonyameni some of the options to access a bank or ATM are at the mall in Umlazi or in Durban's CBD. The interviewees in semi-rural areas pay transportation costs ranging from R11 to R40 for a return journey depending on where they lived and how far they have to travel.

Interviewees were asked how they felt about paying this amount to travel to a bank or ATM. An account holder in Engonyameni said that she "feels unhappy but there is no other way to get to the bank" (Interview with Ms. Mhlongo, 2/04/2008). Another account holder said "ya I feel dissatisfied because I have to pay a lot of R20 to get to the bank but there is no other way because there is no banking option in my area" (Interview with Ms. Kunene, 1/04/2008). One other account holder said "I'm displeased because my aim is to get money but I have to spend money to get money" (Interview with Ms. Ndlovu, 2/04/2008). Whereas the account holders in Mzinyathi said that they coincided going to the bank with other activities that needed to be conducted in that area. This is so that the sole purpose of the outing was not only to visit the bank.

The Financial Diaries also highlights the issue of banks being located far away from low income clients. Physical proximity to an ATM was found to be a barrier to access for the banked. This is significant especially if clients need to make withdrawals and deposits frequently or if there is an emergency (Melzer, 2007; Financial Diaries, 2004b).

Alternatively the distance to banks also plays a positive role in the saving and spending habits of the interviewees in this study. Money in the bank is not as easily accessible as money in the house. The women would have to make the effort to travel and withdraw money from the bank. Whereas in the house money is easily accessible and many people want to spend it thus it is spent. Therefore storing money in the bank allows the women to save their money instead of spending it unnecessarily due to the effort it takes to reach the bank.

Experiences when using the ATM have been varied but the issue of crime is a recurring theme. One woman said that using the ATM is fine but there is the issue of crime and criminals trying to scam people of their money through tampering with the machines. Due to crime another woman makes her daughter withdraw money for her as she is afraid to use the ATM. Two women request the security guard to stand nearby when they use the ATM.

Four interviewees stated that they have no problems when using the ATM. One other interviewee has a fear that the machine may swallow her card. So even though she knows how to use the ATM she asks her children to use the machine on her behalf. Another interviewee seeks assistance from bank staff if she needs help with using the ATM. And lastly one account holder has had no experience of using the ATM as she had never tried.

In terms of customer service at banks, it is felt that the bank staff are friendly and helpful and that language is not a barrier. All the women said that the bank staff could speak their language and echoed the sentiments of one woman who said "treatment is good in the bank" (Interview with Ms. Zondi, 28/03/2008).

5.4. Non Bank Account Holder

The last time Ms. Majozi had a bank account was in 1995 with Standard Bank and Perm. The accounts were closed because she had no money to deposit. She has not opened a bank account since because she does not have money to pay for the charges incurred and is afraid of account closure due to insufficient funds. It is for these reasons that she will not open the Mzansi account even though she has heard of it.

From the 2007 FinScope survey, the main reason given by the unbanked for not having a bank account is due to not having a job with 53% of respondents saying this. Thereafter 17% of respondents said not being able to afford it was the next barrier and 14% said it was due to not having a regular income (FinScope, 2007: 29). Ms. Majozi falls into the category of the 17% of respondents that do not have a bank account because they cannot afford it.

Kempson and Whyley (1999) in Kempson, Whyley, Caskey and Collard (2000) highlight five aspects that lead to financial exclusion namely access exclusion, condition exclusion, price exclusion, marketing exclusion and self exclusion. Of these "price exclusion: where some people can only gain access to financial products at prices they cannot afford" (Kempson et al, 2000: 9) would apply to Ms. Majozi.

For Ms. Majozi it is not necessarily a lack of income that prevents her from opening an account because she earns and saves per month as much money as some of the other women with bank accounts. It is her fear of account closure and lack of knowledge about the features of the Mzansi account that prevent her from opening the account. The Mzansi account across all the banks does not charge a monthly fee to keep the account in operation and it allows for one free deposit per month. Thus Ms. Majozi should be able to open and cope with managing the Mzansi account.

Working at home in Engonyameni Ms. Majozi is not well informed about the features of the Mzansi account. In this case, to attract more clients, semi-rural areas need a better promotion of the Mzansi account highlighting its beneficial features. Berea Station where bank representatives advertised the Mzansi account is an example of effective promotion as most of the Mzansi account holders at the station opened their accounts due to it.

6. No Riddle of Coexistence

All the women interviewed except for one reinforce Rutherford's view that the "the poor can save, do save, and want to save money" (Rutherford, 1999: 7). This is seen in their use of both formal and informal mechanisms to save. Amongst the banked women informal saving mechanisms still play a prominent role in their financial management. This practice ties in with the idea that the poor utilise whatever financial service they can access whether it is formal or informal (Sebstad and Cohen 2003; Aliber 2002; Matin et al, 1999). Using formal and informal savings mechanisms is not what Aliber calls a "riddle of co-existence" because each mechanism whether formal or informal has its own value and benefit.

There is no riddle because bank accounts do not always provide the advantages of an informal mechanism. For instance it is convenient for the women who use the Berea Station money guard because he comes to collect their money daily and does not charge for this collection service. These features seems to outweigh the negative aspects that he could steal or mismanage their money or that it has to be arranged with him in advance to withdraw money. Essentially a bank account and money guard are both facilities to store money but the bank account does not replace the money guard because the practical use of a bank account is cumbersome in terms of travelling convenience and price. At the same time the use of a money guard does not replace the bank account. A reason for this as mentioned by the women is that money kept in the bank is secure from theft. Thus each facility has its own value and benefit. It could be argued that for a bank account to replace informal mechanisms it needs to mimic the beneficial characteristics of these informal mechanisms.

7. Influencing Livelihoods

Mzansi account savings influence livelihoods through the investment of money in other financial products. This occurs through saving for funeral insurance which is debited from the Mzansi account monthly. It is a unique benefit of the Mzansi account as none of the other informal savings mechanisms enable debits or investment in other financial products. This reinforces the point that a basic cash transmission banking account is often seen to be a "gateway" for consumers to receive access to other banking services (Kempson, Whyley et al, 2000 cited in Chant Link and Associates, 2004: 32). By enabling investment in other financial products specifically funeral insurance the Mzansi account improves livelihood outcomes by mitigating vulnerability that would be placed on the women's families in the future.

In business dealings it cannot be said that savings from the Mzansi account have a greater influence on livelihoods than savings from stokvels. Both are of equal importance. Savings from both facilities are utilised to enable the functioning of the women's businesses on a day-to-day basis through the purchase of stock. This may not improve livelihood outcomes by generating further income but it maintains the women's business stability.

8. Conclusion

A diverse set of work activities and histories were found amongst this group of women. There is a correlation between being poor and working in the informal economy and this is echoed in the sample where all but one interviewee earns less than R2 500 a month.

All of the interviewees save money except for one. Informal saving mechanisms play an important role in the women's savings habits as attested by their use of numerous informal mechanisms such as stokvels, a tin or cupboard, a money guard, purchasing shop stamps and storing money in a pouch.

Mzansi account holders mostly use their account to save money with half the women stating this. Thereafter it is used for debit orders specifically for funeral insurance debits and for withdrawing money. All the bank account holders feel that having an account makes it easier to save. This is because money stored in the bank account is not as easily accessible or tempting to use as money in the house. The interviewee without a bank account lacks information on the features of the Mzansi account thus she does not realise that she could open the account and cope with managing it.

The majority of the women borrow money and loans are mainly taken for work purposes. In an emergency situation where money is needed quickly most of the women borrow the money. Also in general most of the women prefer to borrow money than use their savings.

CHAPTER SIX: CONCLUSION AND STRATEGIES FOR IMPROVEMENT

This study sought to fulfil three aims. The first aim was to learn what role the Mzansi account plays in the savings habits of women working in the informal economy and how it influences their livelihood strategies. All the women interviewed except for one reinforce Rutherford's view that the "the poor can save, do save, and want to save money" (Rutherford, 1999: 7). The Mzansi account holders use their bank accounts for long and short term savings and they feel that having their bank account makes it easier for them to save. This is unlike the findings from the Financial Diaries where majority of the households use their bank account for transactional purposes and not long term savings accumulation (Financial Diaries, 2004a: 5).

Savings from the Mzansi account influence livelihood outcomes by enabling investment in funeral insurance through debit orders. This investment helps mitigate future vulnerability. From a business perspective savings from the women's Mzansi account and stokvels are of equal importance to their livelihoods. Savings from both these facilities are utilised to enable the smooth functioning of the women's businesses through the purchase of stock. This may not improve livelihood outcomes by generating further income but it maintains the women's business stability.

The next aim of the study was to determine the benefits and limitations of the Mzansi account for women working in the informal economy. The last aim was to recommend how the services of the Mzansi account could be improved so as to maximise its support of informal workers. These two aims will be discussed in the rest of this chapter. Suggestions for further research will also be given.

1. Benefits of Mzansi Account

Six women working in the informal economy who use the Mzansi account were interviewed. Interviewees suggest that the Mzansi account has various benefits. Some of these are intrinsic to the Mzansi account and others can apply to having a bank account in general. The intrinsic beneficial features of the Mzansi account as reported by the interviewees are that the account's bank charges are lower compared to other bank accounts, a small initial deposit is needed to open the Mzansi account and a proper address is not required. Benefits of the Mzansi account that can apply to bank accounts in general are that a bank account is a safe place to store money which can be withdrawn whenever it is needed and storing money in a bank account decreases the temptation and opportunity to use it.

According to the coordinator of StreetNet International, an organisation that encourages the exchange of knowledge, practical organising and advocacy strategies for street vendors, market vendors and hawkers, the Mzansi account has been useful for people in the informal economy. It is "the best thing so far" as it has been "accessible the way no other account has". She further adds that "a few million people have opened the account so it has been successful" (Interview, 19/05/2008). When asked if there was anything in particular that made the account a success her response was that "The whole package is suitable as this combination of rules for the account has worked" (Interview, 19/05/2008). But a stumbling block has been that "having opened the initial product the next phase of conducting research on an analysis of account holders has stalled. Nedlac has not reflected on the current position of the Mzansi account and how far the Mzansi product should develop" (Interview, 19/05/2008).

For a member of SACP Provincial Executive Committee who was the Provincial Convener of the FSCC in KwaZulu-Natal from 2005 to 2007, the Mzansi account is also seen as a success but there are still problems with the account.

> The Mzansi account is one of the achievements overall of the Financial Sector Campaign Coalition in terms of banking the unbanked especially for poor women. But in its implementation lots of teething problems are starting to show. For example pensioners would rather go to Pick n' Pay and get their pensions than use the Mzansi account because of charges. (Interview, 8/05/2008)

Both interviewees highlight that the Mzansi account has been a good initial step but suggest that there is insufficient attention to refining and improving the product. As part of the second aim of this study limitations to the Mzansi account were to be identified. Five key obstacles were highlighted by the Mzansi account users. These will be examined next.

2. Strategies for Improvement

The five limitations identified by Mzansi account holders are lack of a bank book, the R15 000 limit on the account, the cost and frequency of charges, the distance to the bank or ATM and lastly the issue of crime. These limitations were also expressed by the non-Mzansi accounts holders except for the issue of the R15 000 limit. Therefore the Mzansi account has not broken away from the problems experienced by other transactional savings accounts and lodged itself as an account to fully meet the needs of the low income market which was the reason for its introduction.

The last aim of this study was to recommend how the services of the Mzansi account could be improved so as to maximize its support of informal workers. To do this strategies for improvement to the five limitations are given. It is also suggested that the Mzansi product should be further developed to include microcredit. This is because there is a need for credit amongst informal workers and there are possible ways for commercial banks to lend to people working informally.

2.1. Lack of Bank Book

A bank book is "a book kept by a depositor, in which an officer of a bank enters the debits and credits of the depositor's account with the bank" (Farlex Inc, 2008: no page). The desire for a bank book by the Mzansi account users would seem to stem from being unable to keep track of the transactional activities in their account. They would like the bank book to be able to see the balance of their account.

A bank that currently offers a bank book as an option is Ithala Bank. Clients can choose to have a debit card, bank book or both. But the option of a bank book comes at an additional once-off fee of R50. This is a costly purchase but the option is available to clients. Therefore the choice of a bank book could be offered to Mzansi clients.

But historically the move from bank books to ATM cards has been as a result of advances in banking technology and the growth in low-end transaction products. As highlighted by Porteous and Hazelhurst in 2004 the increase in the number of people banked since 1993 had been:

> driven by the roll-out of new basic transaction accounts, mainly accessed by an ATM card, with the consequent decline of the book-based account. Today, FinScope estimates that almost 12m (90% of the banked) use ATM cards, whereas only 1,3m still use savings books, most of them PostBank customers. To put this in perspective, 20 years ago fewer than one million people reported having ATM cards. (Porteous and Hazelhurst, 2004: 23)

Thus a return to only the bank book would not be a viable option. This is because the bank book compared to a debit bank card offers less features and conveniences. It also would limit the scope of access points for clients as they could now only go into a bank and not use ATMs. Furthermore, an ATM statement, like the bank book, contains the history of transactional activities conducted by the client. But a statement lays out the information in a different format. Clients need to learn how to read their statements properly and to keep them for future reference. In this regard financial literacy in teaching people how to use the services currently available to them such as ATMs, debit cards and interpreting bank statements would be a better option.

The need for financial literacy in terms of understanding banking technology is seen through the lack of skill amongst Mzansi account holders. One woman does not know how to use an ATM. Another does not realise she should access ATM statements to keep track of the transactional activities and costs on her account. In terms of costs, not using an ATM is a disadvantage as it is more expensive to carry out transactions at the bank teller than an ATM. Another woman asks the staff within the bank to help her when she needs assistance at the ATM to key in the amount of money she wants to withdraw. This is a basic function of utilising an ATM and which she should be confident to conduct on her own.

According to Executive Director of the Inzala Institute of Consumer Education "Banks have failed miserably in teaching people how to use ATMs. In teaching people how to put the card into the machine" (Interview, 5/06/2008). Thus an education programme is needed. Yet at the same time it should be examined how banking technology may be designed to make it simpler to use.

2.2. Fifteen Thousand Rand Limit on Account

In designing the Mzansi account one of its features was to be the "discouragement of large account balances to prevent downward switching of more affluent customers" (Porteous and Hazelhurst, 2004: 33). Fifteen thousand rand was decided as the maximum amount of money that clients could store in the account. Interviewees reported that this restriction is cumbersome because insurance companies cannot pay their funeral insurance into their Mzansi accounts. It also hinders interviewees who want to save more than R15 000 in their Mzansi account and do not wish to switch to a more expensive account.

According to the Financial Intelligence Centre Act (FICA), clients with accounts which have less than R25 000 stored in them do not need to provide proof of residence to open a bank account (Duncan, 2008: no page). This could be another reason for the cap on the Mzansi account. Not needing to provide proof of residence is stated by the Mzansi account holders as a benefit of the account. "If you do not have a proper address you are still allowed to open the Mzansi account. The bank gives you an address" (Interview with Ms. Sithole, 28/03/2008). To keep this benefit but at the same time enable those who wish to save more, the cap could be increased from R15 000 to R25 000 on the Mzansi account. Postbank has its cap set at R25 000 on the Mzansi account.

On the other hand the limit increase may promote downward switching by more affluent clients to the Mzansi account. The Mzansi account replaces another bank account for 13% of Mzansi account holders (FinMark Trust, 2006: 2). The Mzansi account holder who would like an increase in the limit to store more money is Ms. Sithole. It seems that she does not fall into LSM 1-5 as she earns between R3200 to R6000 monthly which is more than the earnings of LSM 5. The Mzansi account is not targeted at her but those in LSM 1-5. As a financially better off client the Mzansi account would not be the appropriate account for her to store large sums of money. Ms. Sithole may need to consider using an account other than the Mzansi account for this purpose.

Banks should grant special permission for insurance companies to deposit funeral payouts which exceed the R15 000 cap into the Mzansi account. If the funeral pay out and amount of money stored in the account do not exceed R25 000 there should be no problem as this does not violate FICA rules. Also the need for clients to upgrade to another account would be redundant as the insurance is only paid out when the client is deceased.

2.3. Bank Charges

Even though Mzansi account users find the bank charges on their account lower compared to other accounts they still find transaction costs to be expensive. The frequency at which they are charged is also an issue as they feel that they are charged too often. Furthermore, when comparing the Mzansi account to a current account offered by one of the big four banks the transaction costs on the Mzansi account are not necessarily cheaper. Depending on how the Mzansi account is used some of its common transactional activities, like withdrawals and deposits, may be more expensive than the current account.

In 2007 a study by Cap Gemini found that South Africa has one of the highest bank charges in the world (Greste, 2007: no page). In reply to this banks argue that "comparisons with other countries are both unrealistic and unfair" (Greste, 2007: no page). But Weeks from the South African Competition Commission into bank charges said that which ever way you look at it the costs of banking in South Africa are "very high" (Greste, 2007: no page).

Banks give several reasons why charges are high in South Africa. These are because of a lower population density which results in an increase in the cost of servicing distant areas, a lower level of wealth which results in fewer wealthy customers at each bank branch, high telecommunications costs, the requirements of the Financial Sector Charter that banks must serve distant communities no matter the cost implications, the cost of keeping cash safe especially when it is being transported and lastly the cost of insurance (Whitfield, 2006: no page).

But even with these factors the South African Competition Commission in 2008 has declared that "transactional and interbank charges (bank charges) in South Africa are higher than what they would be at competitive levels. The market structure, because of current information asymmetries and product complexities, means that the banks have the ability to abuse their market power" (Competition Commission, 2008: 1).

To combat these issues the Commission has produced 28 recommendations to deal with issues brought up by consumers, small and prospective banks and non-bank stakeholders. These recommendations speak to five main areas namely penalty fees, ATM carriage fees, access to the national payment system, payment cards and intercharge fees and products and pricing (Competition Commission, 2008: 1). Thus the near future should see a change in the pricing of bank charges to the benefit of banking clients.

A further suggestion to lessen transaction fees for low income earners would be to cross subsidise costs through the profits gained from high income earning banking clients. From the *Concentration in South African Banking* (2004) report released by the National Treasury and South African Reserve Bank it highlights that "South Africa is quite unusual in the structure of bank interest rates and charges. In the United Kingdom, for example, the lending business tends to subsidise payment and transmission facilities; in South Africa, the payment and transmission services dominate and appear to cross-subsidise lending." (CSAB, 2004 cited in Mail and Guardian, 2004: no page). From this it is seen that a re-working of the cross-subsidisation structure is needed.

2.4. Distance to Bank

For Mzansi account holders working and living in semi-rural areas the distance to the bank or ATM is an issue. To extract the most out of the money spent travelling to the bank some users coincide other activities that need to be performed in the vicinity, like carrying out their grocery shopping, with visiting the bank or ATM. Whereas other Mzansi users are dissatisfied with paying transport costs to travel to the bank or ATM but they have no other option.

If the big banks are to serve poor clients well, innovative techniques need to be implemented to reach them. Some of these innovations are seen from Capitec Bank in South Africa and SEWA Bank in India. Capitec's mobile banking units of which they have 86 (Capitec, 2008: no page) are deployed in various parts of the country. The mobile banks are able to open new bank accounts by using wireless transmission and a digital camera to capture the image of new clients. Clients can bank at their convenience and facilities such as balance enquiries, the transferring of money between accounts and activating personal loans are also available (Nyamakanga, 2007: 18). Capitec further locates their branches and ATMs in areas that are convenient and close to low income workers. Their banks are also open for longer hours extending the time clients have to conduct their banking.

For SEWA Bank they too have mobile vans. Their two vans cover the city of Ahmedabad travelling to areas where there are many clients to collect cash. Furthermore, they have 15 fieldworkers which are each designated in an area of the city with 400 to 500 clients. These fieldworkers visit client's homes and places of work to offer advice on savings, loans and insurance issues. They also work with women on how to plan for the future and inform them about SEWA and SEWA Bank services and products linking them to these services if needed. They further collect savings and loan repayments and make calls upon clients who are over due or to clients for pre loan checks before the issuing of a loan.

"They know their clients' circumstances intimately – a very valuable necessity in the microfinance business" (www.sewabank.org).

Drawing from these experiences the big four banks should also introduce mobile banking services, place banking facilities in areas convenient to low income earners and extend working hours. If it is difficult for people to come to the banks, the banks should go out to the people.

2.5. Crime

Crime was an issue that caused the women fear when it came to using ATMs and for one woman it prevented her from using the ATM all together. Crime in South Africa is an all pervasive issue and requires numerous methods to combat it. For areas where ATMs are situated an increase in security guards may be a possibility or even blockading these areas and permitting only those people with ATM cards to be able to swipe themselves through to reach the ATMs.

2.6. Credit Provision

The client-centred approach is current thinking in microfinance which encourages MFIs to comprehend clients' financial habits and incorporate clients' preferences, demands and life cycle needs into their services. This would result in greater support from their customers and expand their markets (Dunn, 2002: 326). Providing a complete set of microfinance services to low income earners should be the ideal goal for the big banks in South Africa to serve the working poor efficiently. In this regard the provision of credit to informal workers by the big banks is missing.

This is highlighted by Ms. Ndebele when she says that one of the features that she would like the banks to change is that "They must give us a chance and lend us money". She added "...when you are starting out you need money but the bank does not give you a loan" (Interview with Ms. Ndebele, 4/04/2008). She questions how she could obtain a loan from the bank "because the bank asks everything. Where are you working? Where is your pay slip for last month? How can you get a slip if you're sitting down here [in Berea Station]" (Interview with Ms. Ndebele, 4/04/2008).

Therefore providing access to credit for low income earners should be a goal of the Mzansi account as it would make the account more client-centred. But this leads to the question of how a commercial bank would provide credit to the poor.

For poorer clients the group lending model may be utilised. This would allow for uncollateralized loans. Yet to do this the banks would have to organise people into groups and they may not be equipped to carry out this function on their own. In this regard they would have to work with other, possibly grassroots, organisations to set up these groups.

Another method that could be utilised is the individual loan. This would be for the upper end of the microenterprise market as is seen in the Cooperative Bank of Kenya. Their collateral requirements are flexible where borrowers can offer a mixture of household and business assets to be able to receive loans. Even though collateral is required for a loan, the lending of money is primarily based on cash flow of the business and the collateral is seen as a form of the client's goodwill. But the bank does confiscate assets if borrowers owe money and do not respond to follow up visits from the bank (Bell, Harper and Mandivenga, 2002: 8).

SEWA Bank offers individual loans to all its members and does not specifically target the upper end of the microenterprise market. To apply for a loan a photograph of the member and proof of their residential address or utility bill is needed. A cost quotation of the item to be purchased is required and regular savings at the bank for a year or longer is a must before the loan is made. For SEWA Bank a regular savings habit is viewed as a form of security (SEWA Bank, 2006b: no page). As a form of risk reduction the Mzansi credit facility could also choose those clients with a regular savings history to which to give loans. But to create a stronger savings environment, transaction costs on deposits should ideally be eliminated. Interviewees save small sums daily as seen with the use of stokvels, the money guard and the use of a tin or cupboard. All these facilities involve no cost to save money in them thus they are popular mechanisms for daily savings. Hence there are ways for commercial banks to begin lending money to low income earners.

3. Competition to Banks

But for banks to be able to serve low income earners better they would need to set up departments wholly concentrating on serving poorer clients in respect to the five day-to-day obstacles mentioned above, to provide credit and to bank the unbanked. This would require great dedication on the part of the banks to serve the poor. But this dedication to serve the poor seems to be sparse.

As stated by the Advocacy Programme Manager for the Black Sash:

> Banks were given decades to show some level of real solidarity with poor excluded communities – they regrettably remain largely preoccupied with bottom line profit motives and some of the forced corporate social investment initiatives are far from ideal or sufficient. I therefore think that they need to be forced to change by communities developing some alternative mechanisms to banking money – e.g. financial cooperatives. (Interview, 9/05/2008)

Also highlighted by the Executive Director of the Inzala Institute of Consumer Education is that:

> The Financial Sector Charter is a voluntary charter. We don't have anything to force banks to do things. Banks have no compulsion at all to do anything. Banks need to be pushed by advocacy groups. (Interview, 5/06/2008)

As an alternative to provide competition to commercial banks and to enable communities to have banks that cater to their needs, co-operative banks should be established. With the passing of the Cooperative Bill in 2007 communities, civil society, government and the private sector need to work together to find ways of creating successful banking co-operatives in South Africa. But at the same time commercial banks need to become more receptive to the needs of poor clients and provide better services for them. This should be done through government policy that requires banks to serve the poor better.

4. Suggestions for Further Research

This study was a small qualitative study. Ideally some of these results should be examined further in large quantitative studies. One of the goals of the Mzansi account is to attract the unbanked. A study on what is required to encourage more of the unbanked to open the Mzansi account is needed. This issue has been touched upon in this study but requires further and greater research.

In concentrating on women only in this study the male perspective was excluded. A further study could examine the experiences of men when utilising the Mzansi account. This would enable an analysis of the similarities and differences between the financial behaviour of men and women. Furthermore, in this study issues that would be unique to women were not unearthed. To draw out findings that would highlight the struggles of women a study of both women and men in the same activities would be required as it would allow for differences between the two groups to be seen.

5. Conclusion

This study found that the problems experienced by the Mzansi account holders are also felt by other account holders. Thus the Mzansi account functions within a banking system that is unfavourable to poor clients in general.

For the Mzansi account to effectively target low income clients changes are required where the issues of costly bank charges are tackled, financial illiteracy overcome, there is a spread of financial services in into areas where low income clients reside and innovative techniques to provide credit to the low income market are implemented.

In summation the Mzansi account has seen a rapid uptake because it has various features which are beneficial to low income earners but the Mzansi account still suffers from many of the limitations of other bank accounts and this prevents it from sufficiently targeting low income earners.

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APPENDIX 1

Table of Mzansi Account, Capitec Bank and Ithala Bank Charges as of 1 September 2008

	ABSA	FNB	Nedbank	Standard Bank	Postbank	Capitec Bank	Ithala Bank
Account Name	Mzansi Account	Mzansi Account	Mzansi Account	Mzansi BlueAccount	Mzansi Account	Global One Banking Facility	Ithala Card Account
Opening Criteria	16 years and older, green barcoded ID, no other ABSA account	Green barcoded ID	Green barcoded ID	16 years and older, green barcoded ID, valid telephone number	7 years old, Green barcoded ID	No age restriction, green barcoded ID for South Africans citizens or a passport and work permit for non-South African citizens, proof of residential address	16 years and older, Green barcoded ID, Proof of Residence
Minimum Opening Deposit	R10.00	R0.00	R20.00	R20.00	R10.00	R10.00	R20.00
Monthly Administration Fee	Free	Free	Free	Free	Free	R3.75	R7.00
Card Issuing Fee	N/A	R5.00 p/m for 1st 6 months	N/A	N/A	N/A	N/A	N/A

ATM Cash Deposit	1st ATM or bank branch cash deposit to account is free p/m thereafter R4. 00	Free	1st ATM or bank branch cash deposit to account is free p/m thereafter R5.20	1st per month free thereafter R4.30	Not Offered	Not offered	Not Offered
Over the Counter Cash Deposit	1st ATM or bank branch cash deposit to account is free p/m thereafter R8.00	1st per month free thereafter R5.00	1st ATM or bank branch cash deposit to account is free p/m thereafter R5.20	1st per month free thereafter R8.60	R0.25 up to R2000 thereafter R1.00 per R100 or part thereof on the full amount	Free up to R2000 For R2001 to R5000 will pay 0.5% of the value of the deposit From R5001 onward will pay 0.75% of the value of the deposit	Free
ATM Cash Withdrawal	R4.00	R4.00	R4.20	R4.30	R4.50	R2.25	R2.90 for 1st R100 thereafter R0.90 per R100
Cash Withdrawal at Bank Branch	R10.00	R8.00	R10.20	R8.60	R8.25	R2.25	R25.00
Cash Withdrawal at	R4.00	R4.00	R4.20	R4.30	R4.50	R6.50	R10.60 for 1st R100

Another Bank's ATM							thereafter R0.90 per R100
Point of Sale Withdrawal	R2.45	R1.90	R2.00 but R3.00 At Pick 'n Pay	R4.30	R1.60 Maximum of R1000 can be withdrawn	R1.00	R3.60
Debit Orders Internal	R3.00	R2.50	R1.20	1st two free thereafter R4.30. From sixth upward R8.60	R0.00	R2.00	R5.00
Debit Orders External	R5.00	1st one R4.00 thereafter R5.50	R2.20	1st five R4.30 thereafter R8.60	R3.00	R2.00	R5.00
Stop Order	R3.00 internal R5.00 external	R6.50	R2.20	1st five R4.30 thereafter R8.60	R0.00 internal R3.50 external	R3.50 to establish R2.25 per transaction	R5.00
Debit Card Purchases	R2.10	R1.90	R2.00	R2.00	R1.60	Free	R3.60
ATM Balance Enquiry	1st two free p/m thereafter R1.00	Free	1st per month free thereafter R1.00	1st per month free therefore R2.15	R1.10	Free	R3.20
Prepaid Purchases at ATM	Free	Free	R1.00	Free	Not offered	Not offered	R3.80
Penalty	If more	If more	If more	If more	No limit	No limit	No limit

Fees/Over the limit transaction fees	than 5 credit and 5 debit transactions made per month, R12.50 is added onto the normal fee	than 8 transactions made per month, R8.00 added onto the normal fee	than 5 deposits or 5 withdrawals made in a month, R8.00 is added onto the normal fee (ATM and counter transactions only)	than 5 ATM and over the counter deposits and withdrawals made in a month, fees are doubled	on transactions per month or penalty fees	on transactions per month or penalty fees	on transactions per month or penalty fees
Restrictions	If balance is over R15 000 account must be upgraded	If balance is over R15 000 account must be upgraded	If balance is over R15 000 account must be upgraded	If balance is over R15 000 account must be upgraded	If balance is over R25 000 account must be upgraded	None	None

Source: Pricing Guides of Each Bank (2008)

APPENDIX 2

List of Key Informant Interviewees

1. Judy Mulqueeny, a member of SACP Provincial Executive Committee interviewed on 8 May 2008.

2. Elroy Paulus, Advocacy Programme Manager for the Black Sash interviewed on 9 May 2008.

3. Pat Horn, the coordinator of StreetNet International interviewed on 19 May 2008

4. Siva Naidoo, Executive Director of the Inzala Institute of Consumer Education interviewed on 5 June 2008.

APPENDIX 3

Interview Questionnaire (For Mzansi account holder, other type of bank account holder and no account)

Date:
Time:
Place:
Gender:
Race:

Hi my name is Nazish Peer. I'm a Masters student from the School of Development Studies at the University of KwaZulu-Natal. I'm doing a project on financial services available to those working in the informal economy. In particular looking at the Mzansi account to learn if it is helpful or not to you and how you would like it to be improved.
All information provided by you will remain confidential and you will remain anonymous. Also I won't be asking for any account numbers or pin numbers. I am looking for general information of how you use your bank account.

1. Personal Details - Tell me a bit about yourself
1.1. How old were you at your last birthday?
1.2. Where do you currently live?
1.3. What is your martial status?
1.4. What was the last year you completed at school?

2. Household details - Tell me about your family
2.1. How many people depend on your income?
2.2. Are there any other income earners in the household?

3. Business Details - Tell me about your work
3.1. How long have you been involved in these activities?
3.2. How did you obtain the money to start this work?
3.3. What work were you doing before?
3.4. Do you have any other income earning activities?
If so what are these?
3.5. Do you receive any state grants? And if so which grant?

4. Critical Instance
4.2. In the last year, can you think of a time when you have needed money at short notice for your business or family incident? What did you do?

5. Savings
5. 1. Do you manage to save any money?
5.2. If yes, what do you use this money for?

6. Stokvel
6.1. Do you belong to a stokvel?
6.2. How many do you belong to?
6.3. What are you saving for in the stokvel(s)?
6.4. How do you get (accumulate) the money to pay each time?

7. Credit
7.1. Do you borrow money?
7.2. Where do you go to borrow money?
7.3. What are the main things that you often borrow money for?
7.4. How do you get (accumulate) the money to pay back the loan?
7.5. Would you prefer to borrow money or use your savings?

8. Bank Account Information (If they have more than one account and one of them is the M acc ask about the M acc. But if neither of their accs is a M acc, ask about the one they use most often)
8.1. Do you have a bank account? **(If No, skip to 11)**
8.2. How many accounts do you have?
8.3. Is it an Mzansi account?
8.4. At which bank do you have your account?
8.5. How long have you had the bank account?
8.6. Why did you choose to open a bank account?

9. Distance to ATM/Bank
9.1. How near to you is the ATM or bank branch that you visit?
9.2. How much is the transportation cost to get to this bank/ATM?
9.3. How do you feel about paying this amount for transportation to get to the bank/ATM?

10. Experiences at ATMs/Banks
10.1. What have been your experiences when using ATM machines? (Any problems encountered? Good experience?)
10.2. What have been your experiences when you go to the bank? (How do the staff treat you? Is all the information that you receive from the bank in the language that you speak and read? Does the bank staff speak your language?)

11. If they do not have a account
11.1. What are your reasons for not opening a bank account?
11.2. Have you heard of the Mzansi account?
11.3. If yes, what do you think of the Mzansi account? **(Skip to 14)**

12. Account Usage Patterns
12.1. How frequently do you use your bank account?
12.2. What do you mostly use the bank account for? (have prompts – saving money etc)
12.3. **If they say saving in 2, don't ask this.** Do you save money in your bank account? **(If no skip to 13)**

12.4. If yes, what are you saving money for in your bank account?
12.5. Does having a bank account help you to save money more easily?
Why do you say this?

13. Product Design
13.1. What do you find useful about your bank account?
13.2. What are the three things you'd change about your bank account if you could?
13.3. What do you think of the prices charged on your bank account?

14. Savings (other than a stokvel or transaction account)
14.1. Other than a stokvel or transaction (Mzansi) account are there other ways in which you save money?
If yes, what are these?
14.2. Explain to me how you use these facilities (money guard, saving in a tin etc) to save money?
14.3. What are the benefits of saving this way?

15. Profit and savings
15.1. I know that income from businesses goes up and down, could you estimate for me how much profit (the money left over once you have paid for all the things you need for your business) do you make from your work in a good week?
And on a bad week when business has been slow?
15.2. On an average week how much do you save?

APPENDIX 4

Table: Demographics of Interviewees

Interviewee	Age	Level of Education	No. of Dependents	Sole Income Earner	Grants	Type of Account
1.Ms. Shange	46 years old	Grade 3	Ten	Sometimes her children have temporary jobs	Mother's Pension	1. Ithala Account
2. Ms. Zondi	43 years old	Grade 6	Eight	Yes	One Child Support Grant	**1. Mzansi Account** 2. Ithala Account
3. Ms. Sithole	49 years old	Grade 8	Eight	Yes	One Child Support Grant	**1.Mzansi Account** 2.Nedbank Savings Account 3. Standard Bank E-Plan
4. Ms. Dlamini	49 years old	Grade 11	Seven	Yes	None	**1. Mzansi Account** 2. Nedbank Savings Account
5. Ms. Ndebele	49 years old	Grade 11	Seven	Yes	Three Child Support Grants	1. Standard Bank Savings Account 2. Nedbank Savings

						Account
6. Ms. L. Mkhize	49 years old	Grade 10	Six	Husband has temporary job	Household has Disability Grant	**1. Mzansi Account** 2. Co-operative Account Mzansi Account
7. Ms. N. Mkhize	26 years old	Grade 11	None	Parents Work	Household has Disability Grant	**1. Mzansi Account**
8. Ms. Majozi	37 years old	Grade 7	Five	Husband Works	One Child Support Grant	**No Bank Account**
9. Ms. Mhlongo	62 years old	Grade 8	Three	Yes	Pension	**1. Mzansi Account** 2. FNB Savings Account
10. Ms. Kunene	51 years old	Grade 10	Eight	Husband Works	None	1. Standard Bank E-Plan 2. ABSA Credit Card
11. Ms. Ndlovu	32 years old	Grade 12	Five	Sister is a Domestic Worker	One Child Support Grant	1. FNB Savings Account 2. ABSA Fixed Deposit 3. Ithala Fixed Deposit

APPENDIX 5

Table: Work Activities of Interviewees

Interviewee	Place of Work	Work
1. Ms. Shange	Berea Station	Sews and sells church uniforms and works as a domestic worker
2. Ms. Zondi	Berea Station	Sells towels, shoes, beads and hats
3.Ms. Sithole	Berea Station	Sells food
4. Ms. Dlamini	Berea Station	Sews and sells church uniforms
5. Ms. Ndebele	Berea Station	Sews and sells church uniforms
6. Ms. L. Mkhize	Mzinyathi	Block Maker
7. Ms. N. Mkhize	Mzinyathi	Temporary Job
8. Ms. Majozi	Engonyameni	Grows and sells fruit
9. Ms. Mhlongo	Engonyameni	Poultry Farmer
10. Ms. Kunene	Engonyameni	Poultry Farmer
11. Ms. Ndlovu	Engonyameni	Spaza Shop Owner

APPENDIX 6

Table: Profit Earnings and Monthly Savings

Interviewee	Work	Place of Work	Monthly Profit Ranges	Average Monthly Savings
1. Ms. Sithole	Sells food	Berea Station	R3200 – R6000	R4000
2. Ms. Ndlovu	Spaza Shop Owner	Engonyameni	R1000 – R2000	R2050
3. Ms. Zondi	Sells towels, shoes, beads and hats	Berea Station	R1000 – R2000	R800
4. Ms. Ndebele	Sews and sells church uniforms	Berea Station	R700 – R2000	R1085
5. Ms. Kunene	Poultry Farmer	Engonyameni	R380 – R1000	R800
6. Ms. Shange	Sews and sells church uniforms and works as a domestic worker	Berea Station	R200 – R1000	R200 – R320 Additional R100 every few months
7. Ms. Dlamini	Sews and sells church uniforms	Berea Station	R150 – R500	R555
8. Ms. L. Mkhize	Block Maker	Mzinyathi	R120 – R460	R155
9. Ms. Mhlongo	Poultry Farmer	Engonyameni	R0 – R300	R800
10. Ms. Majozi	Grows and sells fruit	Engonyameni	R5000 in November and December	R500 – R600
11. Ms. N. Mkhize	Temporary Job	Mzinyathi	R350 every few months	Does not save

APPENDIX 7

Table of Mzansi and Transactor Account Charges as of 1 September 2008

	Nedbank	**Nedbank**
Account Name	Mzansi Account	Transactor Account
Opening Criteria	Green barcoded ID	Green Barcoded ID, Proof of Address
Minimum Opening Deposit	R20.00	R50.00
Monthly Maintenance	Free	R6.00
ATM Cash Deposit	1st ATM or bank branch cash deposit to account is free p/m thereafter R5.20	1st ATM or bank branch cash deposit to account is free p/m thereafter R1,05 per R100 or part thereof
Over the Counter Cash Deposit	1st ATM or bank branch cash deposit to account is free p/m thereafter R5.20	1st ATM or bank branch cash deposit to account is free p/m thereafter R1,05 per R100 or part thereof
ATM Cash Withdrawal	R4.20	R4.75

Cash Withdrawal at Bank Branch	R10.20	R7,00 for the first R100, thereafter R0,95 per R100 or part thereof, up to a maximum of R25,00
Cash Withdrawal at Another Bank's ATM	R4.20	R8,00 plus R0,95 per R100 or part thereof
Point of Sale Withdrawal	R2.00 but R3.00 At Pick 'n Pay	R3.25
Debit Orders Internal	R1.20	R3.00
Debit Orders External	R2.20	R4.00
Stop Order	R2.20	R5.00
Debit Card Purchases	R2.00	R2.00
ATM Balance Enquiry	1^{st} free per month thereafter R1.00	1^{st} free per month thereafter R1.00
Prepaid Purchases at ATM	R1.00	R1.00

Penalty Fees/Over the limit transaction fees	If more than 5 deposits or 5 withdrawals made in a month, R8.00 is added onto the normal fee (ATM and counter transactions only)	None
Restrictions	If balance is over R15 000 account must be upgraded	None

Source: Pricing Guide of Nedbank (2008)