

African Bank Limited press release

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### Leveraging the investment power of the stokvel

Many South Africans have grown up with stokvels. In fact current estimates show that there are over 820 000 *stokvels* in the country with a combined membership of 11.4 million people, handling over R44 billion per annum. Most of the money is paid out monthly, to individuals, who spend it on consumables - primarily food and groceries.

It was therefore concerning to hear that in Port Elizabeth in December alone members of stokvel savings clubs were robbed of almost R1 million and more than 20 cases related to armed robbery of stokvel money reported.

Police believe criminals are deliberately targeting stokvel members. Safety of stokvel money is a real concern but so too is financial education.

In a Business Report article in 2016, it noted that in-depth research into 36 *stokvels* had revealed that the majority of members were not aware of how the money they generated could be invested or put to better use. The money received from members usually goes into a savings club account at a bank, where it is known as a “lazy deposit” as the amount gains little to no interest and banks are able to invest the money profitably, all with no benefit to the *stokvel* members.

African Bank agree that financial education of *stokvel* members is essential to increase awareness of how better investment and management of the money could result in bigger benefits to members.

“Members need to be made aware of the power of investing as stokvels, the power of collaboration as a whole, and the impact that SMMEs could have in their communities with their help. A targeted education programme could enable *stokvel* members to transition in their thinking from being just a consumer to becoming an investor.

African Bank’s Group Executive: Sales, Branch Network, Mellony Ramalho says there are definitely ways of helping stokvel members invest more wisely and enjoy the security a bank investment gives you. She also agrees that *stokvels* need more than a bank account; they need a platform that will enable them to financially benefit from their R44 billion economy. *Rudzani Mulaudzi, an MTN Solution Space Scholar the UCT Graduate School of Business* talks about financial mobility rather than financial inclusion when talking about *stokvels* - financial mobility meaning a change in financial status. He says this new measure would ensure that banks start playing a more active role in helping stokvels create returns from their investments.

There is no doubt that stokvel members need to begin to recognise their ability to leverage their collective strength to secure the advantages of being one of the biggest buyers in the economy.

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