



Get rich through persistence: An inquiry into the prospects and challenges of savings and lendings groups among women in Bulawayo, Zimbabwe.

By

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DECLARATION OF OWN WORK

I, _____ the undersigned candidate, declare that the content of this dissertation is my own original work and has not previously been submitted to any other University for the award of a degree, either in part or in its entirety.

Signature.....

Date.....

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On a personal level, I wish to express my heartfelt gratitude to my family and friends for walking this journey with me.

DEDICATION

This research is dedicated to the women of Zimbabwe whose resilience in the midst of trying times is an inspiration.

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ABSTRACT

Conventional wisdom holds that informal savings groups are simply a means in which the poor mobilise resources in times of economic distress and hardship. This research sought to explore whether informal savings groups can be salvaged as vehicles of economic development or they are indeed piecemeal activities engaged in by the poor in times of need. This study builds upon fieldwork conducted in Bulawayo, Zimbabwe. The study made use of qualitative research interviews with women from informal savings groups in Bulawayo. The interviews were transcribed and later analysed through content analysis. The research findings through comparative information gathered revealed that informal savings groups can be used to further economic development for the marginalised as these groups provide readily available capital to survivalist micro-enterprises. Informal savings groups provide an avenue for women's empowerment. However the study noted that the potential of informal savings groups is tied to the wider institutional environment in which they are located.

LIST OF ACRONYMS

ASCA:	Accumulating Savings and Credit Associations
BSAC:	British South Africa Council
ESAP:	Economic Structural Adjustment Programmes
ISAL:	Informal Savings and Lendings groups
ISG:	Informal Savings Groups
MDC:	Movement for Democratic Change
NGO:	Non-governmental Organisation
SMME:	Small Enterprises and Co-Operative Development
ZANU:	Zimbabwe's African People's Union
ZANU-PF:	Zimbabwe African National Union-Patriotic Front

LIST OF MAPS

1. Map of Zimbabwe showing Bulawayo and other urban centres
2. Photo of Informal Savings Groups

Map of Zimbabwe showing Bulawayo and other urban centres



<http://www.geology.com/world/Zimbabwe-satellite-Image.shtml#>

Masakhaneni Informal Savings Groups, August 2013



CHAPTER ONE

INFORMAL SAVINGS GROUPS IN BULAWAYO: A CONCEPTUAL INTRODUCTION

1.1 INTRODUCTION

Conventional wisdom holds that informal savings groups are simply a means for the poor to mobilise resources in the absence of developed financial markets (Irving 2005:1). Multilateral organisations and Non-governmental organisations such as USAID, World Bank and Catholic Relief Services promote informal savings as part of a financial self-sustainability programme for the poor and disenfranchised groups who are ordinarily denied access to formal credit schemes as a result of their status. However research has shown that informal savings groups are not necessarily the preserve of poor people or that these groups only offer short-term financial relief in the face of formal economy meltdowns. Meagher notes that by the year 2000, the informal shoe and garment clusters in Aba, Nigeria had a combined annual turnover of nearly 200 million US dollars (2010:5). The Unilever Institute estimates the amount of informal savings generated by savings groups to be at 5.61 billion Rand (Irving, 2005:2). It is undoubtedly clear that contrary to popular belief, informal savings groups are not only uncoordinated, piecemeal initiatives taken up by the poor to cushion themselves against the ever changing formal economy but that these groups can be drivers of the whole economy given a permissive environment.

This focus of this research study was on informal savings groups run by women in Bulawayo, the second largest city in Zimbabwe. Women associations in Bulawayo

date back to the 1950s, where women of that era defied colonial legislation and resided in the city, upon arrival in the town from the rural areas these women went on to form associations that disrupted the social order. In an article published in 1954 one correspondent complained that

One cannot find so many wicked women in other towns as can be counted in Bulawayo.....such dangerous women are allowed to pay rentals when good and hard working men with families and bachelors have lost their dinghy rooms through no payment or late payment of rentals(Ranger 2010:176).

These women associations have since evolved over the years, reflecting the changing demographics of Bulawayo. Instead of associations designed to show defiance to their male counterparts, the women have adapted to changing economic times through the formation of savings groups. Zimbabwe has experienced unprecedented economic challenges dating back to the ill-fated Economic Structural Adjustment Programmes to the hyperinflation of the 2000s. These tumultuous economic times have led to a thriving informal sector: Malaba notes that it has grown over the years from 23 percent in 1995 to 30percent in 2006 in 2003. Over 50 percent of the labour force is making a living from the informal sector, the majority of these being women (2006:7).

This account of the women's savings groups in Bulawayo thus seeks to critically evaluate two perspectives. The first is drawn from Scott's notion of 'weapons of the weak' where it is held that popular livelihood networks and informal systems are limited to vulnerable individuals in poor conditions (Meagher 2010:20). The second is from a study by Abigail Barr where Barr suggests that "African informal enterprise networks constitute a poverty trap owing to a tendency to form redistributive risk minimising networks" rather than more productivity enhancing networks across class

and ethnic cleavages (Meagher 2010:21). The crux of this research was therefore to investigate whether savings groups are motors of local economic development or whether they serve to shield the women from the broader economy rather than emphasizing risk-taking and outward orientation.

1.2 CONCEPTUALISING SAVING GROUPS

Saving groups have their roots in the traditional Rotating Savings and Credit Associations (ROSCAs) or the contemporary Accumulating Savings and Credit Associations (ASCAs). ROSCAs can be found all levels of society in the African continent. This ranges from Kenyan-merry go rounds, Mozambican Xitiques, Zimbabwean-Rounds, and South Africa-stokvels (Vanmeenen 2006:8). A typical ROSCA sees members joining together to save a fixed amount of money on a regular basis, during a meeting one member will receive the contributions of the day. The order in which the members will receive the money is pre-determined in a prior agreement by the group members; the group continues to meet until each member has received their full-share out. Despite their efficiency in offering a form of economical financial intermediation, ROSCAs may fail to provide the flexibility people need for emergencies or business opportunities (Vanmeenen 2006:3).

Accumulating Savings and Credit Associations have their roots in the traditional ROSCA model but improve upon the methodology by taking communities one step further in creating accessible, transparent and flexible associations that are user-owned and self-managed in the communities where members reside (Vanmeenen 2006:4). Instead of disbursing the contributions to one member, ASCAs create a fund from which group members may borrow at a pre-determined interest rate and

term (internal lending) (Vanmeenen2006:4).The loans are paid back with interest and fines making the internal savings grow. ASCAs are seen to be profitable from the start and offer members the access to short-term loans at a low cost and located within their community. Irving (2005) notes that ASCAs can serve as form of investment clubs by banking the collected pool until an amount sufficient to purchase an income-generating asset has accumulated.

The manner in which ASCA works is one of its greatest strengths. It is not merely a savings group but it also empowers members to be self-reliant and cultivates their problem-solving abilities at a local level. The ASCA is self-governed with members self-selecting and writing up the club constitution on their own. Some researchers go far as to argue that such social networks as savings groups have been effective in providing livelihoods to the masses in the face of disintegrating mainstream economies. As Meagher highlights 'instead of obstructing reform Africa's rich array of popular associations and enterprise networks are celebrated as a force of economic development and economic restructuring from below' (2010:3).

However, a growing number of development specialists argue that Africa's informal economies do not contribute to growth and economic restructuring so much as to entrench the cycles of greed, violence and poverty that trap African societies in the "bottom billion" (Collier in Meagher 2010:3). Other researchers liken the informal networks to a black hole that disrupts economic development through mechanisms of parochialism and collusion. Instead of re-energizing economic activity and filling the institutional gaps left by failing states, social networks in African societies are sometimes seen as harbingers of the coming anarchy (Kaplan 1994 in Meagher 2010:3). Meagher notes that:

Whether they are represented as vehicles of popular agency or predatory might, informal forms of organisation are increasingly seen as sites of power capable of reshaping the character of states in the world today (2010:23).

This thesis therefore sought to outline whether informal networks are ‘harbingers of the coming anarchy’ or “the weapons of the weak” in the face of changing global economic times.

1.3 RESEARCH PROBLEM AND QUESTIONS

Against this background the research problem can be generally summarised as an investigation into the linkages between informal savings groups and economic activity. The study has been guided by these main research questions:

- What is the link between the development of the Zimbabwean economy and its influence on the development of informal savings groups?
- What is the role of Non-Governmental Organisations in the development of informal savings groups?
- What is the link between informal savings groups and economic activity?
- What is the nature and form of informal savings groups that hinders or promotes success within the group?
- What is the role of informal savings groups in the empowerment of women?

1.3.1 RESEARCH AIMS/OBJECTIVES

The objectives of this study were therefore to:

- To investigate the history of the Zimbabwean economy and its influence on local economic development
- To investigate the role of Non-governmental organisations in the development of informal savings groups
- To investigate the link between informal savings groups and economy activity
- To investigate the nature and form of informal savings groups
- To investigate the role of savings groups in empowering women

1.4 THEORETICAL FRAMEWORK

A theoretical framework is the structure that can hold or support a theory of a research study. The theoretical framework introduces and describes the theory that explains why the research problem under study exists. The study can be informed by several theories including the following:

1.4.1 SOCIAL CAPITAL THEORY

Social Capital is defined as the ability for people to work together for common purposes in groups and organisations (Fukuyama 1995:1). As a capital, social capital is different from all others, it increases the more it is used which is relevant and interesting for local economic development. According to some authors social capital creates a culture of tolerance and trust amongst a group that permits co-operation among them.

Social Capital is based on three fundamental principles: embeddedness, communal solidarity and reciprocity; these principles create environments of greater economic

efficiency outside a formal framework (Meagher 2010:19). These principles ensure that informal savings groups are able to enforce group norms and standards such as loan repayments and general conduct in the group particularly in close-knit communities where an individual's social capital is highly valued. However as Meagher (2010) notes under certain conditions, networks constitute social liabilities as these networks given their propensity for embeddedness and communal solidarity can shield its members from risk-taking and interaction with outsiders.

Social Capital theory was used in this thesis to articulate whether savings groups (given their focus on embeddedness and communal solidarity), can be areas of economic development; or whether these networks can act as social liabilities by restricting meaningful interaction with outsiders.

1.4.2 EMPOWERMENT THEORY

Empowerment is viewed as the process of change by which individuals or groups with little or no power gain the ability to make choices that affect their lives (Kulkarni 2011:11). Empowerment can exist on an individual where it is about having agency, increased autonomy, choice, self-confidence and self-esteem. Empowerment can also occur on a collective level where marginalised groups are mobilised to effect change.

The empowerment approach was of value to this study as the study looked at self-help groups and interrogated the role that these groups played in empowering women economically and socially. The study also interrogated the processes of running the group to identify whether group functioning led to the collective empowerment of the group members through self-organisation and management.

The objective of adopting the empowerment approach by the researcher was to highlight the role that development institutions, non-governmental and governmental sectors can play in women's development. The long-term viability of women's organisations is dependent on resources which can be concrete such as finance as well as abstract resources such as skills training and development. The research sought to show the importance of institutional support in empowering self-help groups through building upon the strengths of these groups to ensure their viability.

1.5 RESEARCH METHODOLOGY

This section will summarise briefly the research methodology employed in Chapter Three of the study. The study made use of a qualitative approach to explore the role and functioning of informal savings groups in Bulawayo, Zimbabwe. Initially the study had a projected sample size of 30 participants and 10 key informants. However due to time constraints in conducting the field work the research ended up with a sample size of 19 participants and 5 key informants. The research was conducted during the Zimbabwe general elections of July 2013, and potential participants were involved in the electioneering campaigns.

In order to gain access to the community under study, I made use of a letter of an introduction. To circumvent unwillingness to participate from both research participants and key informants I supplied the participants with an informed consent statement detailing the risks, procedures and voluntary participation in the study. Given the nature of the research, I did not encounter ethical challenges in conducting the research. A list of themes was explored in the field:

The first theme was an exploration of the historical and contemporary origins of each savings group. Here the research made use of oral history interviews to capture the individual life histories of members for each group.

The second theme was related to information about the internal processes of the group. Here the research made use of one on one interviews with the individual group members to gain an understanding of the functioning of the group.

The third relates to information from relevant stakeholders in Bulawayo. With a view to contextualising the informal savings groups in the wider political and economic context of Bulawayo, in-depth interviews with relevant government and private sector role players were conducted.

The research also made use of direct observation where the researcher took note of the inter-personal interactions and organisational processes taking place within the group. All interviews were recorded and transcribed, the data was analysed and grouped into logical categories that summarised and brought meaning to the text. This led to the identification of patterns or themes that were derived from the ideas, concepts and phrases used during the interview process.

1.6 SIGNIFICANCE OF THE STUDY

This research sought to contribute to debates surrounding informality in Africa. This research sought to challenge representations of African informality as irrational and beyond classification. As mentioned earlier in the text contemporary research has termed African informal networks as “harbingers of the coming anarchy”, ‘a black hole that is best assessed by its effects’. Keith Hart in Meagher (2010:16) has observed that “we need to know...what social forms have emerged to organise the

informal economy”. This research sought to dispel myths surrounding informality and the processes taking place within these informal structures.

1.7 STRUCTURE OF THE THESIS

The study is organised into nine chapters. Chapter Two seeks to conceptualise the informal savings groups with a view to highlighting that informal savings groups can either be rooted in Accumulated Savings and Credit Associations (ASCAs) or the Rotating Savings and Credit Associations (ROSCAs). The goal of the chapter is to discuss the importance of informal ways of organising in the local economic development.

Chapter Three discusses the research methodology that was used in the study; the goal of the chapter was to illuminate the research design, constraints and opportunities in conducting the research as well ethical considerations that were encountered during field work. Chapter Four highlights the socio-economic background of Bulawayo and the goal of the chapter is to map out the historical and contemporary socio-economic development of Bulawayo.

Chapter Five discusses the role of Non-governmental organisations in the socio-economic development of Bulawayo. Here my intention is to discuss the role that NGOs can and do play in the development of the city. Chapter Six of the study discusses the various theories that inform the informal sector, with a view to highlighting the Zimbabwean’s general stance towards the informal sector. Furthermore this chapter seeks to highlight the role of the formal regulatory environment in ensuring the success of the informal sector. Chapter Seven discusses the organisational culture of informal savings groups, making use of

comparative information between two groups. This chapter highlights the manner in which informal savings groups operate and the aim here is to highlight whether the organisational culture of informal savings groups is a liability or an asset to its members. Chapter eight discusses the role that informal savings groups can play in the empowerment of women, while Chapter nine is a summary, conclusion and recommendations for further study.

CHAPTER TWO

CONCEPTUALISING INFORMAL SAVINGS GROUPS

2.1 INTRODUCTION

This chapter will give an overview on the two types of informal savings groups that are commonly found in developing and developed countries alike, the Rotating Savings and Credit Associations (ROSCAs) and the Accumulated Savings and Credit Associations (ASCAs). Informal savings groups are a form of social networks that can help trace the informal processes of economic organisation in Africa, as such this chapter will also discuss the role of social networks in African economic development. Further to this, the chapter will also review and discuss various theoretical perspectives that have emerged among scholars in trying to understand the role and functioning of social networks in the African economy.

2.2 ROTATING SAVINGS AND CREDIT ASSOCIATIONS

Rotating Savings and Credit Associations (ROSCAs) are found worldwide and in countries with vastly different levels of economic development (Gugerty 2005:4). Various authors document the prevalence of ROSCAs in Latin America, Asia, Africa and the Caribbean. ROSCA participation is high in Africa. Estimates suggest that in 1986, 50 percent of the adult population in the Congo belonged to a ROSCA, while participation ranged from 50 to 95 percent in many rural areas of in Liberia, Ivory Coast, Togo and Nigeria (Bouman in Gugerty 2005:4). While it is widely believed that ROSCAs are mechanisms of the poor in the face of changing

economic times, ROSCAs are also found in more developed countries where individuals have access to more formal credit and savings institutions. ROSCAs have been reported among the employees of the IMF, in countries such as Taiwan with relatively functioning credit markets, as many as 80 percent of adults are estimated to belong in ROSCAs (Gugerty 2005:5).

ROSCAs serve both an economic and social function; their primary focus is to pool funds from multiple participants in order to achieve certain financial goals (Hevener 2006:6). In addition to an economic aspect, ROSCAs also provide an opportunity for feasting, drinking and networking. With many groups and sub groups participating in these credit associations, ROSCAs are complex and vary according to the needs of their members (Hevener 2006:7). However despite all these idiosyncratic variations, ROSCAs tend to follow the same modus operandi. Monthly deposits from each member of a group are made and then giving the whole monthly sum to one member of the group (Christian 2012:1). The recipient of the monthly sum is based on a predetermined rotation ensuring each participant will receive a large pay-out (Christian 2012:1). The number of ROSCA participants, the regularity of meetings and the fixed amount contributed are determined based on the needs of the group (Hevener 2006:7).

ROSCAs rely on pre-existing social connections such ties of kinship and friendship that already exist between individuals to ensure enforceability and sustainability of the ROSCA. ROSCA rely on social trust and social connections in deciding the creditworthiness of a member. ROSCAs depend on a person's social capital to assess their creditworthiness, most members are personally acquainted and this assists the group members to determine the member's financial obligations and commitment to the ROSCA prior to being accepted (Hevener 2006:19). ROSCAs

require a closely knit community group and high levels of social cohesion to ensure proper functioning and enforcement in the group. Ardener (1964) notes in Anderson (2003:3)

The member who defaults in one association may suffer to such an extent that she may not be accepted as a member of any other. In some communities, the rotating credit institution has become so rooted in the economy and social system that exclusion would be a serious deprivation.

2.3 ACCUMULATED SAVINGS AND CREDIT ASSOCIATIONS

Accumulating savings and credit associations (ASCAS) improve on the ROSCA methodology, As Irving (2005:11) notes “these groups extend their activities beyond simple savings mobilisation to obtain interest on contributions through informal lending or the investment of collective capital in a bank account”. The difference lies in that ASCAs create a fund pool where members can borrow money at a pre-determined interest rate. Instead of rotating pay-outs, the ASCA group fund is used to make loans that are paid back with interest. Thus, after a certain period of time (often six months to a year) the group fund and its proceeds from interest are paid back to the original members (Christian 2012:1). In the research study, the two informal savings groups Masakhaneni and Phumelelani, used the ASCA model of savings and lendings, although Masakhaneni did not pay out the group proceeds and interests to its members. Phumelelani on the other hand paid out 5% of the group proceeds and interest to its members at the end of the year.

ASCAs are also different in that they also require a closely knit group for easier functioning, informal savings groups studied in the study were formed based on ties of kinship and networks of friendship. In an ASCA members usually agree on a

constitution or on a set of rules, the constitution specifies the terms and conditions of savings and lending and how the Social Fund will operate (Vanmeenen 2006: 6). This was the case in both groups (Masakhaneni and Phumelelani); both groups had a written constitution. Although the Masakhaneni group constitution was not yet finalised, both group's constitution detailed the terms and conditions for the group savings and lendings. Members who default in loan repayments are usually with fines and fees and this method can be seen as a way to enforce the groups' standard and norms.

2.4 SOCIAL NETWORKS AND ECONOMIC DEVELOPMENT

Over the past years there has been a surge of interest in social networks and their role in economic development. Researchers have taken a keen interest in informal organisations outside of state regulatory frameworks, particularly in developing countries as informal organisations are cushioning the people against changing economic times. As Meagher highlights:

Characterised variously as informal associations, grassroots organisations and communal networks, these informal networks are presented as independent of the state, and able to respond more effectively and democratically than state institutions to the economic and social needs of the population (1995:273).

Other researchers also note the significance of informal networks in the development potential of Africa, because personal relationships are sometimes better alternatives to state regulation (Lourenco Lindell 2003:2). Despite the increasing popularity to romanticise social networks and their developmental capacities, the perceived association between social networks and development does not seem to have materialised. Despite a long history of economic networks and a dramatic increase

over the past two decades of credit societies, social clubs, trading networks and informal social welfare arrangements, the expansion of social networks in African societies is sometimes associated more with parochialism, criminality and communal violence than with economic development (Meagher 2005:3).

Social networks like those with savings groups are therefore either lauded for their developmental potential or lambasted for their inability to foster meaningful economic development. However, it is true that that social networks do not operate in a vacuum and that the role that these networks eventually play in assisting people is shaped by internal as well as external forces. The discussion that follows will address the developmental potential as well as the limitations of social networks in the greater scheme of development in Africa with a view of highlighting that African networks do not display a single economic logic but operate differently at times. There is no definitional consensus with regards to social networks; the term will be used here to refer to informal organisational arrangements based on social ties (Meagher 2005: 5).

2.5 THE IDEALISATION OF SOCIAL NETWORKS

People living in African cities are faced with a growing number of challenges that require creative and dynamic ways to circumvent the corrosion of basic services, the failure to access jobs and the general failure of the state to provide for its citizens. As Lourenco-Lindell highlights “daily survival in the city builds extensively on networks of personal relationships that people construct for mutual support, for accessing resources and for exchanging goods and services” (2003:1).

Various authors have noted the importance and relevance of social networks in the developmental potential of Africa, sometimes to the point of romanticising these networks. Far from acting as obstacles to development, social networks are increasingly regarded as a source of social capital capable of enhancing economic efficiency and growth independently of the state (Meagher, 2005). Lourenco-Lindell says that personalised relationships are flagged as crucial components of market efficiency: they are said to improve the performance of enterprises, facilitate access to market information and the enforcement of business contracts among other things (2003:2). Literature now argues that in the face of state and market failure, social ties of organisation can now furnish the resources for firms to prosper in a modern setting (Meagher 2005:2).

Social networks are thus at times celebrated as a form of globalisation from below, social networks of organisation play a positive role in poverty alleviation as they provide the poor and vulnerable with income. In the study conducted in Bulawayo, both informal savings groups (Masakhaneni and Phumelelani) relied heavily on the income generated from the informal savings groups for sustenance. Informal institutions thus play an important role in holding societies and economies together in the face of challenging economic and political changes. Social networks of economic organisation such as informal savings groups assist the poor and vulnerable through reduced costs of economic organisation.

African perspectives on informal networks present informal networks as new forms of institutions that fill gaps in services provision, in contexts of underdevelopment and state incapacity. Meagher highlights that 'social networks particularly ethnic and religious networks, play a prominent role in controlling entry into more lucrative informal sector occupations' (1995:265). This assertion was of particular relevance

since informal savings groups in Bulawayo clearly did provide additional avenues to more lucrative and profitable opportunities for members. Comparative information between the two groups studied highlighted that in some instances members had expanded and ventured into more lucrative business enterprises as a result of their involvement in the savings groups.

2.7 THE DOWNSIDE OF SOCIAL NETWORKS

Many scholars have pointed out that social networks constitute a realm of possibility and constraint. Although social networks tend to be celebrated for the developmental capacity at times social networks can serve to hinder development. This research thus also seeks to debate whether informal savings groups can serve as liabilities or assets to its group members. This research sought to highlight whether social networks are associated with so-called bandit capitalism or if they function as effective social organisations able to propel development forward. As Meagher (2005:10) points out “while networks can provide an informal framework for greater economic efficiency, they can also operate as mechanisms of parochialism or collusion that disrupt economic development”.

Networks can thus constitute social liabilities in certain conditions. This is because social networks are rooted in values of community and embeddedness that at times prevent groups from forming ties outside of the network. Participants from Masakhaneni group¹ and Phumelelani² revealed that they had little or no interaction with other savings groups in the area. I observed that both groups appeared to be characterised by a close-mindedness that served to hinder their development.

¹ Group Meeting held on 23 July 2013 at 1300 hours

² Group Meeting held on the 12th of August 2013 at 1000 hours

Although both groups were operating within close proximity of each other, these groups were unaware of each other's existence.

Scholars warn against the tendency of assuming that social networks interact in ways that have positive outcomes, this is true in the case of the Mafia in Italy and Russia, where social networks are associated with 'bandit capitalism' and corruption. Social networks in Africa are associated with 'cultural repertoires' of clientism, trickery, corruption, witchcraft and the absence of public morality and this is attributed to an institutional history of 'violent modes of accumulation' based on slaving, pillage, colonial domination and ethnic conflict (Bayart et. al. 1999, 2000, Reno in Meagher 2005). Comparative information obtained from both groups studied revealed that group interaction particularly in Masakhaneni group did not lead to positive outcomes for the group members, values of community and respectability constrained what individual group members could achieve and do in the group.

2.7 SOCIAL CAPITAL THEORY

The term social capital has many definitions, there are however fundamental principles that underline the concept. Trust, reciprocity, solidarity and mutual cooperation are the key features of social capital. Fukuyama (1995:90) labels "social capital as the component of human capital that allows members of a given society to trust one another and cooperate in the formation of new groups and associations". The success of informal savings groups is heavily reliant on social capital; the values espoused in social capital theory ensure the cooperation of the group members. Fukuyama (1995:90) further highlights the importance of trust; he points out that "trust can dramatically reduce the transaction costs of negotiation and

makes possible certain efficient forms of economic organisation that otherwise would be encumbered by extensive rules and bureaucracy". Bourdieu's theory of social capital underlines the importance of social capital as the accumulation of past relations which contribute to determine the future. This is particularly important in this study where an individual's credibility is determined by their past relations in the community.

The two groups under study relied on social capital to ensure the adherence to group norms and standards. An individual member's social capital was clearly used to assess whether a member would pose problems to other members. Hevener (2006) points out that informal savings groups depend on social capital to assess financial risk and viability of a member to access continued commitment to the group. An individual's prior social networks of friendship and kinship serve as a screening method in informal savings groups, conversely an interested member prior to joining an informal savings group's uses social capital to assess the creditworthiness of other members. In this study members of both Masakhaneni and Phumelelani had pre-existing social connections' of friendship and kinship that were used to assess the credibility of each member.

Group members also rely on social capital to ensure monthly payments even after a member has had their turn. Defaulting on payments can be made publically, and in a tightly knit community or in a community based on cultural ties rather than geography, social disapproval could mean the end to access to credit (Hevener 2006). In this regard it can be seen that social capital is used as a tool for enforcement within a savings group. A research participant³ from Masakhaneni group highlighted how social capital and the fear of social disapproval were used to

³ Interview held on the 20th of August 2013 at 1430hours, Old Magwegwe

deter defaulting, the participant narrated an incident of a group member who had since left the group but continued to repay the group loans.

Putnam (2000:22-23) distinguishes two key dimensions along which social capital formation occurs: bridging (inclusive) and bonding (exclusive). Bridging social capital is outward-focused, tending to unite people across social cleavages and promoting information diffusion and linkages to external assets such as job opportunities. Conversely, bonding social capital is introspective and reinforces exclusive groupings, allowing for mobilisation of solidarity a savings groups should ideally comprise of both bridging and bonding social capital. Bonding social capital ensures the continuance and efficiency of the group, while bridging social capital encourages the formation of beneficial networks beyond the group structure.

Social capital carries with it the potential to lead and foster economic and social development, however this capital does not operate in a vacuum it is shaped by the environment in which a particular network functions or is located. Sobel (2002) terms this the institutional environment that specifies the rules of engagement thus the success or demise of social capital is linked to the synergy that exists between the group and the environment in which the group is located.

Lourenco-Lindell (2002) argues that the current neglect of the wider structural constraints in which networks operate has led to an over enthusiasm about the potential of networks. This highlights the question of whether particular networks develop within a supportive institutional framework 'synergy' or in a context of state neglect or institutional chaos (Meagher 2005:21). The benefits of social capital are ultimately shaped by the relationship between the state and the social networks. In order to fully appreciate the value and role of social capital in facilitating successful

social networks, this thesis assessed the role played by the state in facilitating institutional cohesion between informal savings groups and the state. This will be discussed in greater detail in Chapter Six.

As a last point, one can also examine Meagher's (2005) idea of examining changing power relations within these groups, particularly because social networks are as much about power as they are about solidarity. Networks are constituted by competing needs: at times groups can become destructive, which limits the potential of its members. In certain circumstances social capital can act as a social liability where networks can also operate as mechanisms of parochialism or collusion that disrupt economic development (Meagher 2010:19). To conclude, as Meagher (2005:36) points out, a more nuanced and contextual analysis of social networks is needed – one that can trace the way in which networks have been shaped by history, power relations and the state. This kind of analysis in this thesis can thus forward a critical analysis of the various factors that shape network development.

2.8 CONCLUSION

This chapter has conceptualised the two basic forms of savings groups: the Rotating Savings and Credit Associations and Accumulated Savings and Credit Associations. These two tend to follow the same *modus operandi*; monthly deposits are made by each member which are then given to one member for that particular month. The difference is that ROSCAs use a pre-determined rotation cycle ensuring that each member receives a pay-out, while ASCAs create a fund pool where members can borrow money at a pre-determined interest rate. Both do rely on pre-existing social connections to screen potential members as well as to ensure enforceability and

sustainability of the group. The informal savings groups (Masakhaneni and Phumelelani) studied in this research used the ASCA model.

It is important to remember that although social networks are idealised as a way the poor and vulnerable organise themselves in times of state and can enhance economic efficiency and growth; at times social networks can constitute a constraint rather than an opportunity to its members. Social networks, given their embeddedness and close ties, can shield its members from undertaking more n lucrative ventures.

Social capital is based on the principles of trust, reciprocity and community; these values ensure the easy functioning of the group in terms of curbing defaulting in payments by members. Members of informal savings groups value their social capital such that they will not risk isolation and exclusion from the wider community through not honouring their group commitment. However, the effectiveness of social capital is affected by the institutional environment in which networks are located, particularly state models of support.

CHAPTER THREE

RESEARCH METHODOLOGY: A COMPARATIVE ANALYSIS OF INFORMAL SAVINGS GROUPS

3.1 INTRODUCTION

This chapter will discuss and describe the research design that will be followed in this study. The chapter will highlight the research methods that have been employed, the manner through which data has been collected and analysed. The chapter will also discuss the ethical considerations and the manner in which the challenges will be circumvented. The goal of the chapter is to give the reader an understanding of how the study was conducted.

The first section will discuss the research design and procedure with a view to highlighting the philosophical underpinnings of qualitative research. The second section discusses the sampling technique employed in the study; the third section of the chapter will discuss ethical considerations that were taken into account during the fieldwork. The fourth section will give the reader an insight into the research instruments that were used in the gathering of the data. The final section discusses data analysis, giving insight into the manner in which the data was collected and collated.

3.2 RESEARCH DESIGN AND PROCEDURE

3.2.2 QUALITATIVE RESEARCH-PHILOSOPHICAL UNDERPINNINGS

This methodological approach in this study has been mainly qualitative. The goal of qualitative research is to “access” insider perspective characteristic of members of a culture or a subculture (Mabweazara 2006:59). When the goal is to understand “insider’s” perspective, a quantitative study is just not the way to go. One requires a holistic and inductive approach which provides the opportunity to develop a descriptive, rich understanding and insight into the individual’s beliefs, concerns, motivations, aspirations, lifestyles, cultures, behaviour and preferences (Mabweazara2006:59).

Qualitative research differs radically from quantitative research in that in qualitative research the point of departure in the study is the actor’s empirical point of view. Neuman (2006:30) describes qualitative research as an umbrella expression that covers a set of interpretative methods that aim to describe, interpret, explain and or else come to terms with the sense of mutual occurrence in the social globe. Qualitative research stresses the need to understand behaviour in its social context, the need to study the role and functioning of informal savings groups in their social context was fundamental to this study. Qualitative research does not rely on numbers and statistics to express the information which participants have impacted on during the study but rather on words as expressions of their experiences and views (Creswell 2009:65). The primary goal of this thesis was thus to describe and understand actor’s experiences from their point of view. It also sought to examine the creative processes in which women produce and maintain forms of life and society in Bulawayo.

3.3 RESEARCH DESIGN

The research made use of the case study research design. Yin (2009:18) defines a case study as an empirical enquiry that investigates a contemporary phenomenon in depth and within its real life-context. In case study research a specific individual, program or event is studied in depth for a defined period of time. Case study research also builds an in-depth, contextual understanding of the case or cases under investigation based on multiple data sources, including interviews, an analysis of relevant documents and observation (Maxwell, 2008). The case study research design allowed the researcher to investigate the role of ISGs within their natural setting as well the use of various research instruments in collecting data.

3.4 POPULATION AND SAMPLING

A population is a set of entities in which all the measurements of interest to the practitioner or researcher are represented (De vos et al 2005). According to a key informant, the informal savings groups in Bulawayo are estimated to be over fifty in number and of these, two groups were selected as part of the sample.

A sample is a smaller group that the study observes that is a sample is drawn from the population under study, De vos et al (2005: 194) defines a sample as 'elements of the population considered for inclusion in the study, or it can be viewed as a subsequent of measurements drawn from a population in which we are interested'.

The research made use of the non-probability sampling method to select respondents from informal savings groups in Bulawayo. The research made use of purposive sampling in selecting the participants from the informal savings groups for

the study. Purposive sampling is based entirely on the judgement of the researcher to choose samples that contain the most characteristic, representativeness or typical attributes of the population (Singleton et. al.in De vos et al. 2005). The power of purposive sampling lies in selecting participants who are deemed to be information rich and who can contribute to the study significantly as a result of the knowledge they carry. I managed to select participants who were able to contribute significantly to the study, the participants purposively selected were part of informal savings groups that had been operating for more than a year. I managed to select nineteen participants (fourteen from Masakhaneni and five from Phumelelani).

The research also made use of the snowballing sampling technique in selecting key informants to take part in the study. Snowballing is implemented by collecting data on the few members of the target population who are then asked to locate other members they happen to know (Babbie and Rubin 2004).The snowballing technique assisted in locating relevant stakeholders who work with informal savings groups in Bulawayo. Through use of snowballing I was able to extend my knowledge of key NGOs such as HOCIC, as well as government ministries (including the Ministry of Small Enterprises and Co-Operative Development) that work with informal savings groups in Bulawayo.

The sampling frame thus consisted of participants of informal savings groups, representatives from government ministries as well as representatives from the non-governmental sector. The initial sample size consisted of 30 women from informal savings groups as well as 10 key informants from the government and non-governmental sector however the final sample consisted of 19 research participants and 5 key-informants. Although on the ground there are more than 50 informal savings groups in operation in Bulawayo, only two groups (Masakhaneni and

Phumelelani) matched the characteristics that I required to obtain data for the research, Masakhaneni consisted of fourteen members and Phumelelani consisted of five members. I was however not concerned about the number of participants but rather the depth and richness of the data of the data that was collected. Furthermore my knowledge of the background of Bulawayo contributed to the data collection process as I possessed prior knowledge of the area.

3.5 GAINING ENTRY AND ETHICS

Research entry was sought through the use of an informed consent statement to access the participants and the relevant stakeholders. Ethical permission to conduct the research was also obtained from the University of Fort Hare prior to conducting fieldwork. The research was conducted during the pre and post-election period (July-August 2013) in Zimbabwe, and this created reservations in information gathering because participants were reluctant to divulge information during such a politically sensitive period. I therefore made use of a letter of introduction to seek permission from political structures, especially in interviewing government informants.

All research highlights the fact that ethics are central to what is considered appropriate and inappropriate in conducting research. In this study ethics were safeguarded in the appropriate manner. I made use of an informed consent statement which explained the parameters of the research, the voluntary nature of the research as well as the fact that all information would be treated with confidentiality. Pseudonyms were also used to ensure the anonymity of participants during data analysis.

3.6 RESEARCH INSTRUMENTS

3.6.2 IN-DEPTH INTERVIEWS

The study made use of in-depth interviews as a data collection method, which aims to obtain rich, meaningful, subjective data through the eyes of the participants (Gubrium and Sankar 1994:7). The interview questions were designed around particular themes to enable the participants to give a fuller picture of their experiences and views. Some questions were thus related to the participant's life histories in Bulawayo. As is common in qualitative in-depth interviews the respondent's answers to the initial questions shaped the subsequent questions in the interview process. For example questions on group processes led to questions around the internal politics of the group. As Kvale (1996) notes, in-depth qualitative interviews are flexible and continuous, they are not locked in stone; and this allowed the researcher to explore new themes as they arose during the interview process. The interview process also gave me the opportunity to gain an "insiders" perspective into the way participants viewed informal savings groups and their role in the economic development of Bulawayo. All interviews were conducted in a language that was comfortable to the participants and in the participants' natural settings, this being Ndebele. All the interviews were audio-taped and transcribed soon after they took place.

3.6.3 PARTICIPANT OBSERVATION

This study also made use of observation to gain a deeper understanding of the participants and the context in which they lived. In participant observation the

researcher usually takes on a role within the group (Pearson 2005:1), particularly that of the overt participant. In overt participation, the researcher is open about the reason for her presence in the field to the group under study (Pearson 2005:1). Here the researcher set out to participate in three group meetings per group, but ended up participating in two group meetings per group, as a result of time constraints. However, participant observation still allowed me to observe the group functioning in its natural setting, an immersion in the group's activity enabled me to identify the power dynamics in the group. All accounts and observations were recorded as accurately as possible in a field notebook.

In order to ensure validity and reliability of the study, one shared the research instrument with her supervisor in order to ascertain whether my instrument was appropriate. Changes were made accordingly ensure that any discrepancies were addressed before the questions were administered to my informants.

3.7 DATA ANALYSIS

Twenty-four interviews (19-informal savings group members and 5 key-informants) were collected in total, being transcribed from isiNdebele into English. Most of the interviews with members of the informal savings groups were useful in illuminating the group functions and processes, but a handful of interviews were not very useful as some participants did not share much information. The data was analysed in terms of the emerging themes and sub-themes, making use of the content analysis approach. Content analysis allows the researcher to examine written transcriptions and then make inferences by systematically and objectively identifying special characteristics of the message (Babbie and Mouton 2004). Themes included: the

internal politics of the group; challenges faced by informal savings groups; and government and NGO support for informal savings groups. The data was written up in narrative form with quotations used to highlight the pertinent findings of the study.

3.8 CONCLUSION

This chapter has sought to map out the research procedure, design and data analysis of the study. The researcher discussed the qualitative approach, which is the mainstay of the thesis and one's main research instrument - in-depth interviews. She addressed how validity and reliability were maintained and also provided an insight into the population of Bulawayo and the subsequent sampling frame that was chosen for the study.

The biggest limitation in conducting the study was time and the period in which the research was conducted. The researcher spent six weeks conducting fieldwork with breaks in between to accommodate research participants who were tied up with other commitments, particularly key-informants who were working as voting agents in the July general elections. The interviews were mainly conducted in isiNdebele, and although the researcher is fluent in the language she experienced challenges in translating the nuanced idiomatic language that the participants used.

CHAPTER FOUR

BULAWAYO: THE DYING CITY

4.1 INTRODUCTION

This chapter will give a background of the national context that is a historical oversight of the economic development of Zimbabwe as a whole. This national context will be juxtaposed with the local development context of Bulawayo the area under study. Various development policies that have shaped the development agenda of Zimbabwe and Bulawayo will be discussed. The chapter will also discuss the relevance of informal savings groups given the socio-economic context of Bulawayo.

The first section will highlight the various stages of economic growth and development that the Zimbabwean economy has undergone. The second section will discuss the socio-economic background of Bulawayo while the last section will highlight the role of informal savings groups in Bulawayo.

4.2 ZIMBABWE: A TURBULENT ECONOMY

4.2.1 HOPE AFTER A COLONIAL ERA 1980-1990

The Zimbabwean economy is characterised by an environment of contradictory development and instability. At Independence in 1980, the Zimbabwean government adopted a socialist approach to development although the economy remained inherently capitalist in its nature. At Independence the socialism-oriented new leaders inherited a capitalist economy; in order to limit the outflow of (white) capital

and skills the economic structure was not radically changed (Zaajier 1998:10). The period after Independence brought a resurgence of in economic activity, the economy rebounded significantly in the early years of independence averaging growth of 10 percent during the period 1980-82 (AFDB, 2003). Mbiba and Ndubiwa (2006) note that during this period Zimbabwe achieved world acclaim in smallholder food production, education and health as well for provision for the previously marginalised majority black people. However the economy was characterised by contradictions- including continued inequitable land distribution, obsolete industrial equipment and production methods that could not compete in emerging global markets (Bond and Manyanya in Mbiba and Ndubiwa 2006:5). In the second half of the 1980s a 3 percent decline in growth was noted, this was due to consecutive droughts, a decrease of prices for exported minerals on the world market and not achieving expectations of mass loans and investments from abroad (Zaajier 1998:10). From 1986 onwards the government had to cut imports in order to save on scarce foreign currency, the results of that policy were devastating. Businesses were severely hampered as industries operated below capacity due to lack of modern equipment and raw materials. By the end of this period the informal sector- which had been a rare feature- during this decade was beginning to grow rapidly and become a prevalent feature of the macro-economic environment (Mbiriri 2010:37).

4.2.2 THE POST 1990s ECONOMIC REFORM PROGRAMME

In order to counteract the devastating effects of the economic downturn of the late 1980s, the Government of Zimbabwe introduced the Economic Restructuring Adjustment Programme widely known as ESAP. The programme was adopted with the view of opening up the economy, reduce government expenditure, and remove

tariffs (Mbiba and Ndubiwa 2006:5). According to Zaajier, (1998:10) ESAP was premised on three reform strategies to bring about the required transformation: (a) Fiscal and monetary policies- aiming to facilitate the channelling of resources and productive sectors, (b) trade liberalisation- which involved removing controls on international trade resulting in increased competition, and (c) deregulation- based upon the idea that domestic economic controls stifle competition and initiative and suppresses economic growth. According to Zaajier (1998:10) the programme aimed to create conditions for market- led economic development and to stimulate productive-investment, employment and exports.

ESAP thus meant abandoning the socialist approach, President R.G Mugabe, who once promised to “set in motion an irreversible socialist trend”- now called for the commercialisation and privatisation of state-owned enterprises and offered a warm welcome to foreign investors (Zaajier 1998:11). This economic programme however, did not yield the desired results. Service industries and tourism experienced a positive growth, but was not the case with the manufacturing sector. At the launch of ESAP in 1990, approximately 1.7 million people were gainfully employed in the formal sector; in 1996 this figure had declined to about 1.2 million. It is estimated that in 1995 unemployment in Zimbabwe stood at 45 percent (Zaajier 1998:11). Indeed as Mbiriri (2010) points out, the government in 1995 was forced to acknowledge the existence and potential of the informal sector, an estimated 1.2 million people were now engaged in informal economic activities.

The failure of the Economic Reform Programme sparked wide spread protests from the working class, the years 1993, 1995 and 1996 were characterised by public protests. At this point President Mugabe and the ruling ZANU (PF) abandoned any remaining aspects of ESAP market economics in favour of pragmatic dictates (Mbiba

and Ndubiwa 2006:5).The *Third Chimurenga*⁴(land redistribution programme) was fast tracked out of the necessity to neutralise a highly potent political environment, which was further exacerbated by the formation of a political party the Movement of Democratic Change (MDC) which was anchored on trade unionism and commercial farming. This new political party had the potential to de-throne the ZANU (PF) ruling government. Furthermore the Third Chimurenga was seen as fulfilling the values of the first and second *Chimurengas*⁵ of economic independence.

4.2.3 THE THIRD CHIMURENGA: A CRUMBLING ECONOMY AND THE POLITICS OF DESPERATION

The *Third Chimurenga*, particularly the controversial fast track land reform programme was implemented in 2000 amidst political upheavals. During February 2000, a constitutional referendum was held which was rejected by a majority of the electorate, who were mostly urban residents. The urban population were viewed suspiciously as they were the power base for the recently formed Movement for Democratic Change Party (MDC) with rural Zimbabwe being viewed as the 'True Zimbabwe' (Mpofu 2010:238). President Robert Mugabe sided with war veterans and supported their violent takeover of white owned commercial farms in what later became known as the fast track land resettlement programme. Violent farm take-overs were depicted as fulfilling the spirit of the first and second Chimurengas (Mpofu 2010:239). All of this resulted in a steep decline of commercial agriculture after 2000 which robbed industry and the government of its traditional source of

⁴Chimurenga is a Shona word which has its political origins in the uprisings of the 1890s as the Africans north of the Limpopo River fought to prevent white settlers from the south occupying their land. The word Chimurenga has a number of meanings in current usage-revolution, war, struggle or resistance (Johnson and Martin, 1981)

⁵ The First Chimurenga refers to Ndebele/Shona uprisings of 1896/7 and the Second Chimurenga refers to the liberation war struggle against the settler regime that began in 1966 (Mpofu 2010, Page 239)

domestic inputs (Mbiriri 2010:42). Agriculture the backbone of the economy was decimated and was accompanied by declining living standards, collapse of social services, deepening poverty as well as local and foreign currency shortages.

In order to circumvent the ills of the fast track land reform policy, the government adopted a new economic policy. Patel and Chan (2006) quoted in Mbiba and Ndubiwa (2006:6) succinctly summarise the government's policy stance:

The response of ZANU (PF) has seen a return to the 'political old guard' (and mistrust of the 'young Turks' within the party); to a militarised and uncompromising 'sledge hammer' approach to domestic politics and economic management, a vitriolic anti-imperialist stance at the global level and a 'go it alone' and a 'Look East Policy' aimed at 'dispersal of dependence'.

The Look East Policy was characterised by opening up economic, military and diplomatic relations with countries such as Malaysia and China - among those countries who supported Zimbabwe's struggle for independence prior to 1980 (Mbiba and Ndubiwa 2006:5). The Look East Policy managed to keep several parastatals such as Air Zimbabwe, several mining and construction projects afloat, but this policy did not pay out any significant dividends to the economy in the short-term.

To sum up - the period after the Third Chimurenga was marked by economic uncertainty and upheaval as government hastily made attempts to resuscitate the economy that had suffered a huge blow as a result of the fast track land reform programme. The next section will examine the city of Bulawayo in more detail: the section will discuss the historical background and contemporary development of the city.

4.3 HISTORY AND PROFILE OF BULAWAYO

Bulawayo is one of the oldest and culturally rich provinces of Zimbabwe. The province is located in the Matabeleland Region situated in the southern and western parts of Zimbabwe, stretching for more than 800 kilometres from the country's southern border with South Africa at Beitbridge to Victoria Falls on the Zambezi River in the north. Bulawayo is positioned halfway between Beitbridge and Victoria Falls, 440 kilometres from the capital province Harare (Mabweazara 2006:15). The city is located in Matabeleland province, a province that is home to the Ndebele ethnic group. It is important to point out that, the predominance of isiNdebele as the main language has been fundamental in shaping the socio-political and cultural identities of the people of Matabeleland (Mabweazara 2006:16). Wildlife and mineral wealth are key natural resources that are found in this province. It was the industrial capital of Zimbabwe in the early years before Harare took over in the 1970s. It remains the headquarters of the Railways of Zimbabwe (the second largest employer after government) with railway links to Botswana, South Africa, Mozambique and Zambia leading to the Democratic Republic of Congo and Angola (Mbiba and Ndubiwa 2006:11)

Bulawayo is divided into high density and low density areas. High density areas are primarily situated in the western parts and the low-density areas located in the eastern, southern and northern parts of the province (Mabweazara 2006:17). Before the economic crisis that hit Zimbabwe in the early 2000s most of the low-income residents of the high density suburb were employed in the city's industrial areas. Most informal savings groups are situated in the high density areas of Bulawayo, which are characterised by poverty, deprivation and unemployment.

Perhaps one of the defining moments in the history of Bulawayo was the Gukurahundi Massacres of 1982. Gukurahundi which is Shona for 'early rain that washes away the chaff' lasted for four years. The peacefulness of independence of the 1980s was interrupted when the ruling party, Zimbabwe African National Union: Patriotic Front (ZANU PF) clamped down on alleged dissidents thought to retain their loyalty to Joshua Nkomo leader of the Patriotic Front: Zimbabwe African People Union (PF) ZAPU in Matabeleland and sought to eliminate what they saw as the potential for a PF ZAPU coup d'état (Kaarsholm 1995 in Mabweazara 2006:17). ZANU PF was founded on socialist ideologies which among other things emphasised the equality of all races and tribes, the party saw itself as the progenitor of the Zimbabwean struggle against minority rule. PF ZAPU was also founded on socialist values and nationalism. ZANU was formed as a splinter party from ZAPU. Initially there was no clear ideological difference between the two except that their support base tended to be divided between the Shona and the Ndebele, with each party having a sizeable representation from both to 'mask' the tribal orientation (Chimbganda, 2014)

Antagonism between the two military wings of the respective parties amongst other political difficulties precipitated into the Gukurahundi massacre (CCJP 1997:39). The government deployed a special North-Korean trained army (Fifth Brigade) in Matabeleland to ostensibly crush Pro Nkomo PF ZANU forces who were of course Ndebele (Mabweazara 2006:17). Estimates for the number of the dead vary from 20000 to 80000. According to a report compiled by the Catholic Commission for Justice and Peace in 1997, more than 20000 civilians were massacred, maimed or detained; women were raped and many people went missing.

A truce was finally reached in 1987, but this war left a lasting impression on the people of Bulawayo and Matabeleland. Families were left destitute, many lost their bread winners. Many people who were victims or who witnessed the massacres continue to suffer from the physical and psychological effects (CCJP 1997:54). Today contemporary Bulawayo is the home of the opposition strong hold MDC-T, perhaps as a show of defiance to the ruling party ZANU PF that is held responsible for the Gukurahundi massacres. Notably the region of Bulawayo and Matabeleland has accused the government of marginalisation and deliberate underdevelopment.

4.4 BULAWAYO: THE DYING CITY

The economic growth of Bulawayo is situated in the broader economic context of Zimbabwe (outlined above). For many decades Bulawayo was known as the industrial hub of Zimbabwe, since its economy had been steadily growing from the 1990s. In 1990 Bulawayo was estimated to be responsible for about 25 to 30 percent of the GDP (Zaaijer 1998:23). The city was the citadel of the textile industry, with five of the eight largest textile industries based in the city. At its industrial peak and before the advent of Economic Structural Adjustment Programs of the early 1990s, Bulawayo had a diverse industrial base that included textiles, radio manufacturing (the largest in Africa at its peak), tyre factories, as well as hides and meat processing (Mbiba and Ndubiwa 2006:11).

The introduction of the Economic Structural Adjustment Programmes hugely affected the city, and production began to decline. It is estimated that the city's position in the national industrial output declined from 32 percent in 1979 to 25percent in 1995 (Zaaijer 1998:23). The textile industry was severely affected by ESAP, and an

estimated 10 000 workers were retrenched as a result of the crisis. Zaaijer (1998) further noted that some companies were delisted from the stock exchange and placed under liquidation. The economic crisis in Bulawayo was compounded by the drought of 1991/2 which threatened the city's sustainability. A number of factories closed down due to the water shortages leaving many wage earners unemployed and destitute. This period did however; see the inception of innovative ways to survive being implemented by the locals, during this period there was a boom in money clubs which gained popularity as they provided finance to the indigenous population.

The fortunes have not changed significantly as the economy of the country continued to steadily decline, after the ill-fated ESAP the government introduced the fast track land reform programme *Third Chimurenga* which led to a further decline in the economic fortunes of the city.

Bulawayo City is bedevilled with a myriad of problems; in recent years the city has witnessed a sharp decline in living standards coinciding with the economic downturn that was experienced in Zimbabwe in the 2000s. Although parts of Zimbabwe are slowly recuperating especially since the inception of foreign currency such as the US dollar and the South African rand as legal tender this has not been the case for Bulawayo. Bulawayo was once regarded as the industrial and business capital of Zimbabwe housing the headquarters of the National Railways of Zimbabwe because of its strategic position to Botswana and South Africa. Once the country's industrial hub, with a large manufacturing presence and top textile companies such as Belmont Clothing and Cotton Printers, much of the city's industrial infrastructure now stands empty and utilized, relics of Bulawayo's glory days (Sibanda, 2012).

It is estimated that more than a hundred firms have either shut down totally or have relocated to the capital city Harare since January 2011. This has had the adverse effect of leaving many people unemployed and with no source of steady income. The deindustrialisation of the city is attributed to lack of infrastructure, an unreliable water source and the collapse of the transport infrastructure particularly the rail sector which was the main reason many firms set up in Bulawayo. It is estimated that more than 20 000 people have been pushed out of employment after nearly 100 companies either scaled down or completely shut down in Bulawayo over the last few years (Masvora 2013 in Ndiweni *et al* 2014:1), 22 milling companies have temporarily closed as they are pushed out of business by cheaper imports from neighbouring Botswana and South Africa (Kasanzu and Chiutsi 2013 in Ndiweni *et al* 2014:1). The city of Bulawayo as it stands today is a relic of its former self, riddled with massive deindustrialisation and political contestation issues however it has given rise to a thriving informal sector to cater for the needs of its residents.

4.5 THE INFORMAL SECTOR AS A COPING MECHANISM

In the 1980s soon after Independence, the informal sector was relatively small in Bulawayo and contributed less than 10 percent of Zimbabwe's labour force. However the informal sector steadily grew as a result of the economic decline that set in during the post 1990s. This decline forced many formally employed to resort to the informal sector as a way to augment their main income. Economic collapse also prompted the development of money clubs which became a rage, as a result of a lack of access to financial institutions (Zaajier 1998:24). Unemployment continued to rise as the government implemented the fast track land reform programme, which rose above 40 percent. Today, Zimbabwe's unemployment rate remains very high, at

more than 70 percent, with less than 900 000 people formally employed out of a 13 million population (Ndiweni et.al. 2014:1).

The conditions of the urban poor continue to worsen in ever-declining economic conditions, leaving them in unenviable positions. Here, the informal sector and its various activities has proved to be a crucial livelihood strategy for the urban poor. This is especially the case for Bulawayo where there was massive de-industrialisation and slow economic revival has created employment for the city's many unemployed residents, and is slowly contributing to the economic growth of the city.

4.6 CONCLUSION

This chapter discussed the economic development of Zimbabwe from the post-colonial era which was characterised by a slight boom in economic growth. However this economic prosperity was short-lived as Zimbabwe like most developing world countries implemented the ill-fated economic reform programmes which led to decline in economic growth, and increasing unemployment rates. The economic reform programmes of the 1990s sparked widespread protest in Zimbabwe as many people were retrenched during this era, this era also saw the development of the informal sector as an alternative employer. Although the informal sector had been prevalent post-independence, this sector gained prominence in the post 1990s as more and more people sought livelihoods in this sector. The ill-fated reform programme was followed by the *Third Chimurenga* (fast-track land reform programme) which further worsened the country's economic woes. The fast-track land reform programme was more of a political gimmick designed to maintain the

stronghold of the ruling Zanu-PF than it was an economic agenda. The land-reform programme saw the redistribution of commercial farms to the majority of black people.

The city of Bulawayo's economic growth has been shaped by the bigger macro-economic policies implemented at country level. The city was once considered the industrial hub of Zimbabwe as it boasted an advanced transport and railway system and was known as the citadel of the textile industry. However today the city stands as a relic of its former self as it tries albeit at a slower pace to slowly resuscitate its industries. The economic reform programme of the 1990s hugely affected the city's industries and massive retrenchments took place particularly in the textile industry. The economic reform programme of the 1990s hugely affected the city's industries, and massive retrenchments took place, but also saw the growth of the informal sector. There was a steady growth of "illegal vendors" in the city who specialised in welding, hawking, cross-border trading, money clubs, street vending amongst other activities. The informal sector has been a coping mechanism for many in the city and the country as whole.

CHAPTER FIVE

NON-GOVERNMENTAL ORGANISATIONS AND DEVELOPMENT: SAVIOURS OF THE POOR?

5.1 INTRODUCTION

In Africa and beyond, Non-Governmental Organisations (NGOs) have been lauded as saviours of the poor, stepping in the gap and providing much needed services to the marginalised and vulnerable. In the same breath NGOs have sharply come under criticism for creating a dependency syndrome that at the end serves to disenfranchise the already marginalised. This chapter will attempt to map out the historical underpinnings of non-governmental work in Zimbabwe, looking at the development of missionary work in the country and how these missionaries evolved into present day Non-Governmental Organisations. The chapter will further address the role of NGOs in the development of Zimbabwe and particularly the role that the NGOs have played in the developmental agenda of Bulawayo, the area under study. The chapter will particular attention to NGOs that are involved in micro-finance in Bulawayo as this is the focus of the study. The goal of the chapter is to highlight whether or not Non-governmental organisations are a detriment or aid in the development of savings and lending groups. A discussion into the role of NGOs is important as informal savings groups are a specific kind of non-governmental organisations that are found both within the formal and informal sector. Informal savings groups operate in the informal sector but ply their trade within the formal sector.

5.2 FROM MISSIONARY WORK TO NON-GOVERNMENTAL ORGANISATIONS: A ZIMBABWEAN TALE

In Zimbabwe and much of Southern Africa, faith-based institutions such as churches and religious NGOs have historically been leaders of what is today considered economic development (Bornstein 2003:9). The colonial era of the 1890s-1965 saw the introduction of the Christianity, Civilisation and Commerce ethos by the colonial administration. Bornstein (2003:11) notes that the welfare of Africans during colonialism was also shaped by missionary efforts that complemented the colonial state, characterised by a paternalistic concern for the natives through the civilizing mission, preceding the British South Africa Council (BSAC), the mission churches helped build the colonial infrastructure of Rhodesia. Various authors note that during this period the church provided education and worked arm-in-arm with the colonial state to provide education and various technical skills in a bid to civilise the African populace and produce a docile labour force for the colonial regime. As a philosophical ancestor to contemporary NGO development work, colonial missionaries preached the gospel of the plough and hard work. These were the roots of contemporary NGO development programs (Bornstein 2003:11). Relations between the colonial state and missionaries during this era were marked by tensions which is evident in the post-independence government and the NGO sector (Dorman, 2012).

The liberation struggle of 1965-80 saw the agenda of missionaries shift from providing education to providing humanitarian assistance to refugees and political detainees, the NGOs took up a more prominent role in the country as they were at

the forefront of providing humanitarian aid to the displaced refugees. Bornstein (2003:12) notes that international NGOs both religious and secular arrived in Zimbabwe to assist those directly affected by the war including political detainees and refugees, development took a backseat to emergency aid and relief efforts. It appears that this is the same agenda that is still being pursued by NGOs in present-day Zimbabwe; most NGO work is concentrated on relief efforts.

One organisation World Vision, which is still prominent in Zimbabwe to this day, was established in the country in 1973 to assist with relief efforts and displaced children. It is also during this period that the Christian Council of Rhodesia (which later became Zimbabwe Council of Churches) was formed to challenge the injustices that were being meted out to Africans by the settler regime. During the liberation war, the Council was active involved in drought-relief programmes and humanitarian programmes for political detainees and refugees through its development arm-Christian Care (Bornstein 2003:12). Christian Care (now known as Care, Zimbabwe) was established during this period as the development arm of the Christian Council to render developmental and humanitarian services to the black majority. Most faith-based NGOs saw themselves as advocates and saviours of the African during the liberation struggle. Faith based organisations that had entered into Zimbabwe during the liberation struggle to render humanitarian assistance have since evolved into development organisations, an example of such organisations is World Vision and Care (Christian Care). During this era, the colonial government enacted legislation to control and regulate the work of NGOs, organisations were required to register with the government and to comply with government statutes regarding donor funding. This was the state's attempt to control the organisations.

At independence in 1980, the political detainees of Ian Smith's regime who fought for the liberation of Zimbabwe and who were educated and given legal support by the Zimbabwe Council of Churches through Christian Care became the new political leaders of independent Zimbabwe (Bornstein, 2003). These new political leaders adopted socialist views regarding development and viewed development as an entitlement of its citizens, rather than as charity as had been previously championed under the colonial regime.

The period after independence 1980-90 saw a proliferation in the growth of NGOs in the country as NGOs and other welfare based organisations that were at the forefront of developmental efforts and nation rebuilding efforts that were taking place post-independence. The proliferation of NGOs at this time can be attributed to the fact that Western governments were unwilling to give funds to what they suspected to be unreliable and socialist African governments (Gifford, 1994 in Nyathi 2012:96). Instead, Western governments opted to channel their funds towards aid agencies and the churches this led to churches become increasingly involved in development work.

During this period, the state and the faith-based NGOs such as World Vision and Christian Care worked together to set up rural development programmes in the arena of educational and mostly agricultural arenas. This period was also characterised by a harmonious working relationship between the post-independence state and various churches involved in developmental work in the country, this was a marked difference from the colonial state relations with the churches and NGOs.

During the 1990s the government implemented the structural adjustment programmes which saw government cut down its expenditure on the provision of

basic services. This led to an even greater rise of NGO work in Zimbabwe, as NGOs once again stepped into to provide relief aid .The implementation of ESAP in the 1990s led to the streamlining of government expenditure and a severe cut down on the provision of basic services to the masses. However as this was happening, issues of socio-economic justice were taken up by NGOs who questioned the relationship between morality and governance. Various authors note that during this period NGOs were actively involved in supplementing the receding role of government in service-delivery. The proliferation of NGOs in Zimbabwe was consistent with what was occurring in the rest of Africa that as African states under ESAP failed to provide for its citizens, NGOs with international aid flooded in to take up the role. Furthermore the state's weakness and inability to provide for its citizens was further compounded by the fact that Western governments at the time were reluctant to fund the state, instead opting to fund NGOs and other aid related agencies. It was therefore easier for NGOs to take up the role of saviour to the people as these organisations had access to funds.

To sum up from post-independence to the economic reform era, the relationship between NGOs and the state could be described as having been harmonious and mutually beneficial. A shift in attitude between the state and the non-governmental state occurred in the early 2000s. Historically NGOs in Zimbabwe have always been overtly involved in the politics of the country, however during the period of the late 2000s, NGOs appeared to become actively and more aggressively involved in politics. About 40 NGOs came together to form the National Constitutional Assembly, the NCA was a coalition made up of NGOs, civic societies as well as other bodies based on a fundamental critique of the constitution. NGOs thus began to see the need to be critical of government and government began to question the existence of

NGOs. A politics of exclusion came into being as the state began to view NGOs as the handmaidens of the West, meant to pursue foreign agendas and destabilise the government.

Currently the NGO sector remains vibrant and has once again as the stepped up poverty-alleviating programmes, relief aid as well as self-help groups. NGOs such as World Vision and Care who had initially targeted rural development shifted their developmental programs to the urban and peri-urban areas as a result of the economic situation in the country. The NGO sector in Zimbabwe continues to play a significant role in the development of the country despite a hostile government, (Nango, 2009 in Nyathi 2012:97) points out that instead of acknowledging and appreciating the role that civil society has been playing over the years both in the pre and post independent Zimbabwe, civil society has suffered a lot in the hands of politicians.

5.3 NON-GOVERNMENTAL ORGANISATIONS AND BULAWAYO

Non-governmental organisations in Bulawayo proliferated during the post-colonial period. Bulawayo was hugely affected by natural disasters such the droughts of 1986/87 and the 1991-92 droughts. The 1991-92 droughts coincided with the implementation of economic adjustment programmes; this dealt a huge impact to the city's already ailing industries. Mpofu (2010:202) notes that most formally employed workers during this time, after work engaged in informal sector activities to augment the little income that they were making in the formal sector. In early 2000 the government embarked on the fast track land reform programme which further plunged the country deeper into economic woes. In Bulawayo informal sector

activities such as vending, cross-border trading and urban agriculture thrived. It is against this backdrop that NGOs stepped in to assist the urban poor, previously most NGOs concentrated on rural development.

In Bulawayo there are a number of NGOs that carry out various development programmes such as relief programs, water and sanitation initiatives, HIV/AIDS, gender advocacy and income generating projects. International institutions such as World Vision, Catholic Relief Services and Care ply their trade in the city. There are organisations such as HOCIC⁶ that have local roots but rely on external donor funding that also carry out developmental programmes in the city.

NGOs implemented self-help groups in Third World countries as a way of mobilising from below and empowering the community. Catholic Relief Service is well known for implementing Internal Savings and Lending groups (ISAL) in many Sub-Saharan Africa countries. Based on research for this thesis, there are three NGOs in Bulawayo that implement informal savings groups: these are HOCIC, CARE and World Vision.

The researcher observed that NGOs offered savings and lendings groups with much needed technical support that was instrumental in ensuring the sustainability of the groups. Information obtained from these NGOs reflects that these organisations usually assist savings groups by providing training and facilitating the formation of these groups. According to a key informant at Care the organisation for example assists savings groups by providing training and facilitating the formation of the groups. The organisation also provides mentoring to the groups as they grow and

⁶ HOCIC-Hope for a Child in Christ is an NGO founded in 1995 and works with Faith Based Organisations (FBOs) and other Community Based Organisations (CBOs) that focus on Orphan and Vulnerable Children, Youth and other vulnerable populations. The organisations receives financial and technical support from a number of partners that include the Mennonite Committee, Kellogg Foundation (Kubatana.Net,2013)

develop. Most interviews conducted with key informants at various NGOs that run savings groups revealed that the level of support offered to these groups is similar. Informants revealed that their organisations offered training in terms of group formation, record keeping processes as well as monitoring and evaluation of the groups. Key informants also revealed that in cases where funding is available; the savings groups are assisted in financial terms through provision of capital to kick-start the saving and lending process. This financial assistance is not regarded as a loan but rather an incentive to maintain the group. This was particularly the case with groups that were started by World Vision, who were given a financial incentive of \$150 to start the savings and lendings programme.

Some problems were noted with those organisations who had handed over their saving and lending groups to be monitored by the government, particularly Catholic Relief Services, who asked the Ministry of Women Affairs, Gender and Community Development for help. The researcher noted that although the Ministry claimed to carry out monitoring and evaluation services many of the groups had not been visited in months, this contributed to misuse of group funds by group members and contributed to the decline of the strength of a group as a whole. The researcher further noted that there were no collaborative efforts between the various NGOs and government ministries with regards to savings and lending groups, an individualistic approach was noted between the various stakeholders.

5.4 NON-GOVERNMENTAL ORGANISATIONS AND DEVELOPMENT: SAVIOURS OF THE POOR?

The problems that affect small savings groups in Bulawayo, and the problems of NGOs in Zimbabwe in general, can be discussed here. As one has suggested, the role of NGOs in Zimbabwe can be seen as a continuation of the 'development' work that was started by missionaries and voluntary organisations during the colonial era. Nyathi (2012:97) points out that NGOs first came to complement the role of the state and were regarded as marginal actors; NGOs were seen as gap fillers by complementing the state in service delivery and provision. As noted above, NGOs in Zimbabwe have been prominent from the pre-independence era were they provided basic education and life skills to political detainees and refugees. In the post-independence era NGOs have continued to assist the state in service delivery and in development initiatives to improve the lives of the citizens albeit with certain problems. In this section I will highlight the tension between the development debate of NGOs as 'saviours of the poor', and their troublesome relationship with the Zimbabwean state. As Manji and O'Coill (2002) point out, NGOs may not really be the saviours they appear to be in the mainstream.

The term development is a highly contested concept with both economic and broader dimensions. Thomas (1996) in Kanji and Lewis (2009) points out that development can refer either to deliberate attempts at progress through outside intervention or to the people's own efforts to improve their quality of life within unfolding processes of capitalist change. Both NGOs and the state are involved in development projects however NGOs have been closely linked with development theory that is 'people centred' or participatory in nature. People centred development is a process through which all members of a community or organisation are involved

in and have influence on the decisions related to development activities that will affect them (USAID, 2000). However as Manji and O’Coill (2002) point out that NGOs are not the saviours they appear to be in the mainstream.

NGO work proliferated in third world countries during the emergence of neo-liberal ideology as the dominant political economy ideology in the West, central to this ideology was the principle of the minimalist state (Manji and O’Coill 2002:577). This led to the development of the of the ESAP which severely curtailed the state’s ability to render much needed social services to its people in favour of ‘growth’ that would result in the ‘trickle-down effect’ (Manji and O’Coill2002:576). Many commentators argue that these neo-liberal reforms actually caused much of the growth in poverty and inequality in Africa. It is against this backdrop that most NGOS proliferated and plied their trade, as saviours of the marginalised providing the much needed social services that the masses needed. As Manji and O’Coill (2002:579) point out:

Continued impoverishment, growing conflicts, the state reneging on its social responsibilities, it is into this arena that development NGOs have been plying their trade Africa’s decline contributes to the continued justification of their work.

In Zimbabwe, NGOs proliferated in an environment that was characterised by structural adjustment programmes to the ill-fated land reform programme. This invariably led to the plummeting of social services for the vulnerable and marginalised who represent a significant number of the population. Most NGOs in Zimbabwe ply their trade in the service delivery arena such as self-help activities. Organisations such as HOCIC, Care and World Vision provide small scale development programmes that aim to meet the needs of the impoverished and vulnerable communities. The organisations purport to utilising participatory

development approaches in their work with communities, this development approach is said to foster ownership of the project amongst the community.

The main role of NGOs today in Africa are thus as 'the preferred channel for service provision in deliberate substitution of the state' (Manji and O'Coill 2002:580), Mwengo(in Helliker 2006:81), claims that NGOs in Africa perceive the state as inefficient, ineffective and unable to make any meaningful contribution to their developmental initiatives. However NGOs are accused of implementing externally set agendas in recipient countries these external agendas are put into action without properly researching into localities and history. Diana Jeater (2011) cites an example of an international aid agency that embarked on a project to develop beehives and boreholes in Eastern Zimbabwe. On close analysis it was discovered that, that was not the particular 'need' of that community and the community had rightly pointed this fact out to the donor.

These problems have occurred because NGOs are driven by tangible outcomes in their work which are desired and designed by their donor agency. This unfortunately results in these organisations delivering to communities as opposed to engaging with the communities. As DFID states; 'more than ever, in the current financial climate, we have a duty to show that we are achieving value for money in everything we do' (Jeater 2011:1). Nyathi (2012:99) points out that there are always question marks about the source of funding of NGOs, since most NGOs rely on Western external funding which ultimately controls the developmental agendas of NGOs. Apart from that Baccaro (2001) in Nyathi (2012: 99) even argues that NGOs with their inflated salaries create a new petite bourgeoisie of bureaucrats who benefit from rich salaries and international travelling while genuine grassroots and radical movements are deprived.

In Bulawayo there are some small indications of these problems. One International aid agency 'encouraged' communities to form ISGs through providing USD150 as capital to kick-start the savings and lending's amongst the group. Research participants in the two studied groups also pointed out that savings groups that were formed using the capital incentive had since disintegrated- the group members spent the money in the hope that the donor/NGO would continue providing financial assistance. Here I am of the opinion that this incentive was implemented to fast track the formation of ISGs for recording purposes on the donor report.

It is for this reason (secondly), that the use of incentives does not appear to foster a sense of ownership of a project which directly disagrees with the purported participatory approach to development. Nyathi (2012:99) points out that the shift from role; NGOs are significantly taking up the role of the state in service provision, lack of trust and strict conditions from their sources of funding has caused problems for them with the state. In Bulawayo, the NGOs and government ministries under study did not engage in integrated service delivery. In other words NGOs and ministries working with informal savings groups were not working in collaboration but rather in isolation, each entity pursuing its own agenda. This is because NGOs are generally viewed with suspicion in Zimbabwe. President Mugabe in a speech in 2008, actually highlighted the mistrust that the Zimbabwean state has about NGOs:

“We now have a phenomenon of NGOs or shall I call them phenomena, for they really are a type of government in the background of a formal government. I don't know whether this creature is for the better or for the worse, but in our country we have seen a situation where they have exceeded their terms of reference, and perhaps we might have to reconsider the advisability of having NGOs.”

As Manji and O’Coill (2002:2) point out that aid in which NGOs have come to play a significant role is frequently portrayed as an altruistic act that enables the emancipation of poor by the wealthy. However they also argue that such claims tend to be without merit as NGOs in most instances implement externally set agendas. NGOs in Bulawayo clearly have the ability to engage in emancipating developmental agendas but that entails them disengaging from a paternalistic ideology of development that portrays them as ‘saviours of the poor’. This prevents NGOs from perceiving the state as a resource instead of a hindrance.

5.5 CONCLUSION

Non-governmental organisations are not new in the development arena. They have existed albeit in different forms and have adapted to the changing needs of the areas in which they serve. In Zimbabwe, missionaries were the earliest of non-state assistance, assisting the colonial government in its civilisation mission. Missionaries ensured the formation of a docile black populace to serve the needs of the colonial regime whilst at the same time providing a minimalist education to the indigenous people. International institutions entered the development landscape during the post-colonial era assisting with the nation-building processes that were underway. Non-governmental organisations took centre stage during the ill-fated economic reform programmes that were implemented in the 1990s, this led to a cut in basic service delivery and a plummeting economy that left many without viable sources of income. The fortunes of Zimbabwe from the ESAP era have not changed but instead have taken a turn for the worse, again it was NGOs that stepped in to provide poverty alleviation programmes, food aid and self-help programmes. In this way, informal savings groups were implemented as a way to help (particularly women), and in

Bulawayo they have the goal to achieve self-management, using training, support and mentoring.

However, this chapter has indicated that there is a danger in accepting that NGOs are automatically saviours of the poor. Most authors argue that NGOs are not synonymous with development as they implement externally set agenda without regard to the history and context of the locality. This is in contrast with the ethos that NGOs seem to champion. Most NGOs claim to make use of a people-centred approach, which is meant to be empowering and localised to the needs of the people being served. Furthermore NGOs rely heavily on external funding from the West; this results in NGOs being viewed in suspicion by the states in which they operate as they are seen as the handmaidens of the West a form of imperialist government operating in the background. In conclusion, NGOs role in development cannot be downplayed as they have contributed immensely towards developmental efforts in Zimbabwe and in most Third World Countries. But there is clearly a need for these organisations to move from a paternalistic saviour complex to a more emancipatory approach that seeks to empower local people.

CHAPTER SIX

THE ZIMBABWEAN STATE AND THE INFORMAL SECTOR

6.1 INTRODUCTION

The concept of the informal sector is complex and elusive. Until the late 1970s when Keith Hart coined the term 'informal sector', various scholars referred to this sector as the underground economy or traditional economy (Gumbo and Geyer 2011:54). The informal sector was widely associated with developing countries- however over the years the informal sector has imprinted itself in developed countries albeit in smaller percentages (Gumbo and Geyer 2011:54).

This chapter will give an overview on the various approaches regarding the informal sector that is the dualist, structuralists and the neo-liberal perspectives. I will also discuss the growth and development of the informal sector in Zimbabwe and the subsequent interaction between the state and the informal economy. The chapter will point out how the relationship between the state and the informal sector in which ISGs are located is affecting the growth potential of savings groups.

6.2 DEFINING THE INFORMAL ECONOMY

The term informal sector is defined differently as there is no general consensus as to what this sector entails. There are however three dominant viewpoints about the informal sector namely the dualist, neo-liberal as well as the structuralist approach. These approaches give an idea of how nation-states react to the informal sector.

6.2.1 THE DUALIST APPROACH

This is the earliest perspective and has its origins in the 1950s, 1960s and the 1970s. It is popular among Marxists (Gumbo and Geyer 2011:56). Marxist writers of the 1970s were of the opinion that the informal economy consisted of traditional activities such as home industries, offering only bare survival on the margins of developing societies (Meagher 1995:261). The dualists thus see the informal sector as comprising of marginal activities that are distinct from and not related to the formal sector, and they argue that the sector provides income for the poor and a safety net in times of crisis (Chen 2012:5). Gumbo and Geyer (2011:56) note that during this era the informal sector was regarded as a 'bazaar' or residual economy that specialised in petty and traditional activities as opposed to the mainstream advanced economy.

Chen (2005:4) points out that proponent of the dualist theory argued that the informal sector would disappear in developing countries once the developing world achieved sufficient levels of economic growth or modern industrial development. Thus they see informal operators as being excluded from modern economic opportunities due to imbalances between population growth rates and of modern industrial employment; and a mismatch between people's skills and the structure of modern economic opportunities (Chen 2012:5). As a solution, dualists proposed that developing governments create more employment and social services for the informally employed, (Chen 2012:6).

Because the informal sector was viewed as peripheral, the dualist assumption was that it would disappear with capitalist development (Meagher 1995:261). However as

Gumbo and Geyer (2011:56) point out the idea of a residual economy believed to be in the process of disappearing with increased industrial production was proved wrong by the studies of the 1970s that observed that the informal sector in developing countries is actually resilient, and becoming more innovative and spreading.

6.2.2 THE STRUCTURALIST APPROACH

The structuralist perspective was popularised by researchers such as Moser (1987) and Portes, Castells and Benson (1989) who observed that the informal and formal sectors are inextricably connected and interdependent (Gumbo and Geyer 2011:56). Structuralists argue that the nature of capitalism or capitalist growth drives informality specifically attempts to reduce labour costs and increase competitiveness-workers from the informal sector are used to reduce labour costs and certain services are obtained from the informal sector thereby reducing production costs (Chen 2012:5). The structuralists' primary focus is on the linkages that exist between the formal and informal economies and the level of integration between the two (Dube 2010:10). In the structuralist model, in marked contrast to the dualist model, different modes and forms of production are seen not only to co-exist but also to be inextricably connected and interdependent (Chen 2012:5).

The value of this perspective is that it emphasises linkages between the formal and informal economies and that the distinction between these two sectors is not always clear Dube (2010:10) points out that in many failing economies informal activities are at the frontier of the formal/informal divide for example the sheet metal fabrication industry and the garment making industry. This is because in many failing states; the

informal sector takes up the role of producing and providing services in the formal sector, thus these industries although found in the informal sector operate in the formal sector. However, proponents of the structuralist theory explain that the informal sector may be marginalised because the linkages with the formal sector are weak. Gumbo and Geyer (2011:56) point out that the main concern of the formal sector is the domination and subordination of the informal economy, which is exploitative and serves to perpetuate the informal sector's struggle for survival. This can be illustrated by the processes of economic restructuring of big firms, which seeks to minimise production costs through shifting their production to subcontractors who are typically found in the informal sector (Dube 2010:11). This arrangement pushes works outside of the formal sector to the informal. The role of the state, structuralists argue, is to address the unequal relationship between "big businesses" and subordinated producers and workers, by regulating commercial and employment relationships to avoid exploitation (Chen 2012:5).

6.2.3 THE NEO-LIBERAL PERSPECTIVE

Neo-liberal policies seek to create a laissez-faire atmosphere for economic development. This theory suggests that governments reduce expenditure and privatise state-run businesses, and open up markets to global trade. Currently, many of the economic reform programmes implemented by African countries are an example of the neo-liberal approach to development. As has been noted these economic reform programmes have had disastrous outcomes for Zimbabwe. The economic structural adjustment programmes led to skyrocketing unemployment rates and reduced basic service provision by the government.

The neo-liberal perspective emerged in the early 1970s under the considerable influence of the International Labour Organisation in 1972 (Meagher 1995:262). This theory was popularised by such scholars as Hernando de Soto, who observed that the poor could not always afford the costs of establishing and running a formal sector business, and that there was too much bureaucracy involved in registering their enterprises and hence illegal and informal sector businesses became popular (Gumbo and Geyer 2011:57).

During fieldwork; the researcher noted that the bureaucracy regarding obtaining loans from financial institutions and registering a small business/co-operative prevented many informal enterprises from operating in the formal sector. For example the Ministry of Small Enterprises and Co-operative Development provided loans to micro-enterprises; the Ministry however required collateral in terms of property which many did not have. The neo-liberal perspective argues that a hostile legal system leads the self-employed to operate informally with their own informal extra-legal norms (Chen 2012:6). The informal activities are regarded as deliberately avoiding local and central tax systems and levies to service providers such as local authorities (William 2010 in Gumbo and Geyer 2011:57).

The main theme in De Soto's work is that people in the developing world do not have secure property rights. This, he argues, has been the main driver behind the successes of other economies such as Japan and America. What is needed in the Third World he argues is a system that allows people –the budding entrepreneurs) to have the legal rights to their property (Dube 2010:9). Informal enterprises mostly operate backyard enterprises in their dwellings- the lack of property rights limits the entrepreneur from expanding the business. For example in Bulawayo during the clean-up operation of 2005 many structures that had been set up for informal

activities were destroyed as they were deemed as being illegal by local government authorities.

Unlike the structuralists, neo-liberalist perceive informality to be the result of “excessive state regulation” and informal activities as a process of deregulation “from below” (Dube 2010:8). Neo-liberalists argue that a hostile legal system leads the self-employed to operate informally with their own informal extra-legal norms (Chen 2012:5). This can be observed by the way informal sector activities often operate in view of public authorities but are kept in an “unofficial state” to avoid tax levies. These costs, it is argued, will render informal sector activities unviable. Neo-liberalists argue that governments should rather introduce simplified bureaucratic procedures to encourage informal enterprises to register and extend property rights for assets held by informal operators, in order to unleash their products potential and convert their assets into real capital (Chen 2012:9). Meagher (1995:261) points out that the promotion of the informal sector is seen to lie in the standard free market prescriptions of economic deregulation and the provision of necessary infrastructure to bolster the sector. It is the neo-liberalists view that micro entrepreneurs will continue to produce informally so long as government procedures are cumbersome and costly, government rules and regulations are stifling informal sector growth (Chen 2005:6).

6.3 THE ROLE OF INFORMAL SAVINGS GROUPS IN ECONOMIC DEVELOPMENT

The informal sector in Zimbabwe is viewed as being a peripheral economy that will eventually disappear as soon as the formal economy recovers and is able to absorb

the high numbers of the unemployment. In my opinion the government's stance towards the informal sector is dualistic. Informal savings groups in Bulawayo are championed as a traditional activity meant to cushion the poor from trying economic times-this is in line with the dualist perspective that views the informal sector as being temporary. However these groups are far from being a poverty-reducing mechanism, as they play a huge role in the local economic development of the areas in which they are found. The impact of informal savings groups is situated in the broader informal sector of Zimbabwe and as the chapter below will show, the informal sector in Zimbabwe is held in hostility and ambiguity by the government as it is viewed as a threat to formal government laws and formal industries.

The informal sector employs and provides subsistence to a large segment of the population that would otherwise be deprived of any means of subsistence (Portes and Hatter, 1987 in Dube 2010:10). Informal savings groups provide a form of livelihood for its members particularly in the area under study Bulawayo where factories and industries are shutting down. Kamete (2004:122) notes that due to the upsurge in retrenchments and the closing down of established industries, by 2002 over 50 percent of the national labour force was estimated to be in the informal sector. Malaba (2006:7) notes that the decade 1996-2006 was marked by a declining socio-economic situation in Zimbabwe. She further points out that by 2003 at least 24 percent of the households owned at least one household business. Zaaijer (1998:25) highlights that it is during this period that there was a boom in money clubs that provided money to the indigenous populations who sought livelihoods through running their own household businesses. Mpfu (2010:240) points out that the economic policies of the *Third Chimurenga* precipitated the collapse of the formal sector in Zimbabwe, he highlights out that the majority of Zimbabweans literally

became scavengers laying their hands on anything just to get by in the informal economy.

It is during this period that civil institutions such as NGOs stepped up their relief aid programmes and implemented informal savings groups for the poor and vulnerable populations in Zimbabwe. Initially the savings groups were targeted for the rural population, however due to the worsening conditions of the urban residents the groups were implemented in the city. It is however important to note that money clubs date back to the post-independence era as noted by authors such as Zaajier (1998).

The Zimbabwean employment landscape has thus changed considerably; research informants in Bulawayo noted that unemployment became so high that informal savings groups were taking care of whole families, often employing both men and women alike in the city.

The following case studies of members of savings groups in Bulawayo highlight the contributions of women as primary earners, in cases taking care of up to seven dependants. The studies also highlight some fundamental issues of the informal sector such as the linkage to the formal sector-the women although operating informally provide their goods and services to the formal sector. The studies also revealed that contrary to the government's stance towards the informal sector, informal sector activities are not peripheral instead these activities overlap into the formal sector thereby contributing immensely to local economic development.

Abby, Magwegwe, Bulawayo, Zimbabwe⁷

Abby comes from a household that has six people. She and father are the only adults in the household. Abby's father is in his early 60s, he is unemployed and is not a recipient of pension money as he was never formally employed. Abby was employed at Cold Storage Company on a contract basis for two years. After her contract expired it was never renewed as the company cited financial difficulties. After Abby lost her job in 2012, she joined a local savings group so she could be able to sustain her small enterprise and her household.

Nobuhle, Pelandaba, Bulawayo, Zimbabwe⁸

Nobuhle is married with 5 children. There are seven people in her household, her 5 children and her husband. Nobuhle was employed at Tasha's Grocery Store for 8 years firstly as a cashier up until she was promoted to be a supervisor. Her salary was USD280; Nobuhle went for close to 6 months without receiving her salary. She ended up quitting her job and venturing into the informal sector. Currently she imports clothes from Mozambique and resells them in Bulawayo. She joined the savings group in 2012, the loan mechanism from the group enables her to sustain her household as well as maintain her business. Nobuhle does not regret leaving her job as she is making more money in her cross-border trading.

In these cases, both these women reverted to both the informal sector as well as being members of an informal savings groups.

⁷ Interview conducted on the 20th of August at 1530hours at Old Magwegwe

⁸ Interview conducted on the 27th of August at 1530hours at Old Magwegwe

These informal savings groups function as follows: They provide small loans to members, which banks are reluctant to give to someone with little credit history. This credit mechanism ensures a quick disbursement of funds that are critical to closing a deal or responding to an emergency, which are important for small business holders (Shanmugan 1989 in Hevener 2006:22). As the above case studies point out, the provision of small loans through these savings groups has been instrumental in ensuring the success of these fledgling businesses.

Informal savings groups can therefore play a huge role in the local economic development of an area, as well as for the formal sector. All of the nineteen research participants interviewed were involved in income-generating businesses by providing services within the formal economy, such as importation of clothing and foodstuffs from neighbouring countries. One participant⁹, for example, supplied eggs to rural stores in outlying areas. Another research participant¹⁰ engaged in the importation of clothing, and sold the clothing in rural areas such as Gokwe. She thus provided a service in an area where there were no formal stores to provide clothing to people. These goods were sold in the formal economy, one participant supplied eggs to rural stores in the outlying areas. As Meagher (2006:29) notes that there is potential for the informal sector in the form of social networks to play a central role as opposed to a residual economic role.

It must also be emphasised that the informal sector can also enhance bargaining and creates lower prices for very scarce commodities. The informal sector in Bulawayo depends on social networks between people who are sources of essential and affordable services, particularly to urban residents, who due to the economic

⁹ Interview held on the 13th of August 1530hours, Old Magwegwe

¹⁰ Interview held on the 13th of August 1400hours, Old Magwegwe

crunch are unable to access goods and services in the formal economy. The researcher noted that participants who were involved in cross-border trading were providing affordable goods such as clothing, cosmetics and certain food stuffs that are highly expensive in Zimbabwe. Kamete (2004) in his study of home industries in Harare, Zimbabwe noted that home industries contributed in the provision of scarce, essential and popular commodities that were not affordable and therefore enhanced the possibility of successfully bargaining for a lower price.

Informal savings groups are therefore very important in providing income as well as supporting the informal and formal sector in Zimbabwe; however there is a need for them to move out of the 'nursery' so to speak. In Bulawayo, ISGs are championed by the NGOs as well as government ministries as a poverty-reducing strategy; ISGs are seen as having networks of survival as opposed to networks of accumulation, and this curtails efforts to play a central role in the economy. One informant¹¹ highlighted that because savings and lendings mechanisms are championed to cater for the needs of the poor and vulnerable, even though they make substantial amounts of money, still remain rooted in small household enterprises instead of venturing out into bigger businesses.

6.4 THE ZIMBABWEAN STATE AND THE INFORMAL SECTOR

Prior to 1980, the Zimbabwean economy was fairly successful with the emphasis being given to the large manufacturing and industrial sector. Little attention was paid to the informal sector which was virtually invisible. In fact as Mhone (Gumbo and Geyer 2011:55) points out, prior to the pre-independence era Zimbabwe's economy

¹¹ Interviewed held on the 14th of August 1500hours at Catholic Relief Services

was performing very well and was supported by large-scale industrial, commercial, agricultural and mining businesses. Informal sector activities were actually outlawed, using a plethora of laws. These include the Town and Planning Act of 1946, the Vagrancy Act of 1960, the Urban Councils Act of 1973 and the Hawkers and Vendors by law Act of 1973. These were all implemented to curb the growth of the informal sector. The Vagrancy laws, for instance, regarded informal traders as a threat to social order, and aimed to force them out of cities, imprison them or implement anti-poverty measures and programmes of rehabilitation. It saw these traders as hooligans and loafers in townships.

Generally, the colonial era underlined the view that the problem of 'unemployed Africans was greater than the unemployment problem' (Mpofu 2010:64). There was clear criminalisation of urban residents who engaged in informal sector activities for survival, a stance that resonated with many other colonial states who took an ambiguous stance regarding the informal sector; the informal sector during this era was rarely supported and simply ignored (Mpofu 2010:92). Mhone (1995:1) even argues that the prohibition of African small enterprises during the colonial era was done to ensure a steady supply of labour to the colonial governments and to discourage competition that would arise from such enterprises.

The colonialist's stance towards the informal sector began to change in the 1970s as a result of the liberation struggle in Zimbabwe, this created huge problems for the industrial and manufacturing industry. By the late 1970s the informal sector had absorbed about 450 000 unemployed people, the colonial government also relaxed its laws relating to urbanisation (Davies in Gumbo and Geyer 2011:55).

Many of the problems of unemployment and underemployment in Africa are attributed to the dualism and enclivity of the local economy. At Independence in 1980 for example, Zimbabwe inherited an economy that was relatively developed and also economic backward (Chiripanhura and Makwavarara, in Mbiriri 2010:34). Many industries and capitalist firms had very sound state services and relatively high per capita income, but the Zimbabwean economy had a dark side to it: the underdeveloped, deprived and marginalised non-formal sector, which constituted about the four fifths of the population.

Currently, the new government's decision to adopt a socialist political ideology and continue with corporatist policies and highly regulated systems emphasised the dualist economy even more. These policies crowded out private capital and resulted in serious economic deficiencies and soaring unemployment rates (Carmody 1998; Kamete 2006; Ranger in Gumbo and Geyer 2011:55). The economic structural adjustment programme (ESAP) was adopted as a way to try and stimulate economic growth and investment, but this failed, many people sought refuge in the informal sector for survival and incomes. Unemployment levels are said to have doubled up from about 10 percent in the 1980s to approximately 20 percent in the 1990s (Mbiriri, 2010).

The informal sector in Zimbabwe is regarded as the backbone of the nation, having managed to cushion the nation's citizens through trying and turbulent economic times. It is however important to note that the state attitude towards this sector is weak. The colonial government implemented a plethora of rules and regulations to curb the growth of this sector; the post-independent government stance towards the sector has been ambiguous, ambivalent at best. The Zimbabwean government appears to subscribe to the dualist school of thought in its interaction with the informal sector.

Here one can discuss this with reference to state actions such as the “clean- up” operation that was implemented in 2005, but also the position and role of the Ministry of SMMEs. With regard to the first, the clean-up operation was perhaps one of the most telling events reflecting the post-independence government’s attitude towards the informal sector, which is quite hostile. The infamous Operation Murambatsvina /Operation Restore Order was coined by the ruling party as an attempt to reject the dirt and chaos associated with slums, shacks and informal markets and trading (International Crisis Group, 2005). This operation was instituted in May 2005 led to the massive demolition of informal businesses, eviction of illegal operators, all to purportedly clean up cities of social and economic vices (Gumbo and Geyer 2011:57). A police spokesperson told state media in 2005 during the Operation that “the police will leave no stone unturned in their endeavour to flush out economic saboteurs” (Bratton and Masungure 2006:2).

It has been documented that the operation destroyed both registered informal businesses as well those that were seen to be operating illegally. The informal sector is still viewed with suspicion as it is believed to be the home ground for corruption, trickery and illicit activities. Kamete (2004:121) points out that these are the standard arguments authorities use when embarking on ‘clean up’ campaigns designed to ‘restore order’ to the urban centres. Indeed this was the justification given by the President R.G Mugabe speaking at a police parade on the 23rd of June 2005; he justified as follows:

I applaud the police for supporting Operation Murambatsvina across the country that targeted illegal structures serving as notorious criminal hideouts and havens for black market activities (Mbiriri, 2010:45).

Official attitudes in Zimbabwe have still remained predominantly hostile. At the time of the clean-up operation, the bulk of the Zimbabwean population (76%) was living off the informal sector (Kamete 2004:121) and with more than 20 percent of the population being employed in the formal sector. In Bulawayo, the operation destroyed what had become the mainstay of residents. Mpofu (2010:254) points out that the government had clearly equated all informal activities to criminal activities, as the clean-up campaign had “cleaned up” both legal and illegally operating informal businesses. In the wake of the main clean-up campaign, a follow up reconstruction campaign Operation Garikai/Hlalani Kahle¹² was implemented by the government through the Ministry of SMMEs with the hope of aiding the displaced and affected. This operation however, lacked the financial, technical and political will to succeed the operation was never planned for and no resources were set aside for the exercise (Gumbo and Geyer 2011:57).

With reference to The Ministry of Small Enterprises and Co-operative Development (SMMEs), some problems can also be detected. This Ministry was established in order to become the nerve centre of economic growth through the promotion of small micro-businesses, including ISGs. Interviews with key informants from the Ministry supported this - the ministry was created to provide training, mentoring and loans to small enterprises that were mushrooming in the country. In a bid to effectively deal with the informal sector, they said that the government set up policies and strategies that deal with the informal sector, such as the National Policy and Strategy for Small Medium Scale Enterprises. This policy was meant to set up specific strategies and frameworks for the growth and development of the informal sector (Mbiriri 2010:68).

¹² Operation Garikai/HlalaniKuhle translated to mean Operation Live Well was a reconstruction exercise meant to assist those who were affected by the clean-up campaign (Mpofu,2010; Gumbo and Geyer, 2011)

However, during fieldwork the researcher noted that the government workers tasked with the implementation of this policy were unaware of its existence, further reflecting the government's ambiguous stance towards the informal sector. A key informant¹³ in the Ministry of SMMEs working directly with the informal sector was unaware of government policies regarding the informal sector; this is despite the fact that the Ministry has the task of ensuring the vibrancy of this crucial sector that is providing livelihoods to many unemployed people.

Another key informant¹⁴ in the Ministry of Women Affairs, Gender and Community Development that works directly with the women and informal savings groups was also unaware of government policies that dealt with the informal sector. The government employees' attitude reflects the state's ambivalent stance towards the informal sector. Businesses in this sector are regarded as a peripheral economy that will disappear as the economy changes. The Minister of Local Government and Urban Development in May 2005 succinctly pointed out that "an economy cannot be run on an informal sector, but is run by the formal sector with the informal sector offering a supporting role" (Mbiriri 2010:45).

This perhaps explains the hostile, ambiguous and dualistic approach that the post-independence government has adopted towards the informal sector negating the fact that the informal sector has proved to be the mainstay of the economy. In Bulawayo, the researcher observed that street vendors and hawkers were constantly engaged in running battles with the local municipal authorities as well as the national police for posing a 'public health risk through their informal activities in undesignated areas.

¹³ Interview conducted on the 2nd of September 2013 at 0900hrs at Mhlahlandlela Government Complex

¹⁴ Interview conducted on the 24th of July 2013 at 1000hours at Mhlahlandlela Government Complex

6.5 THE ROLE OF THE STATE IN PROMOTING THE INFORMAL SECTOR

As I have highlighted above, informal sector activity takes place within wider community context and linkages with the formal economy are of importance in determining the success of the informal sector. However, as Meagher (2005:21) many networks are still shaped by the character of the political environment. As will be discussed in the following section, the regulatory context in Zimbabwe is characterized by political opportunism and state neglect, which negatively affects the development and progress of the informal sector. Moreover, as Callebert (2010) points out, the fortunes of the informal sector are often determined by the formal sector itself. Here, key-informants indicated that they did not have access to formal bank loans, which was a stumbling block to the development potential of ISGs. This is mainly because the informal economy is associated with less growth, economic decline and social disorder.

In instances where the state seeks to play a more visible role in terms of providing capital to enterprises, it is restricted to existing small businesses. In South Africa, Callebert (2010:128) notes that:

Despite [the] commitments and significant investment in better service delivery for the informal sector, government policies have been haphazard and often more focused on helping established small and medium enterprises than on assisting survivalist micro-enterprises.

In Bulawayo, this was very true. The two ministries of Women Affairs, Gender and Community Development and the Ministry of Small Enterprises and Co-operative Development, both only funded viable existing projects, instead of survivalist micro-enterprises such as informal savings groups.

The state can thus shape informal networks in a variety of ways, either by supporting them, by neglecting them or by hijacking them for its own purposes. In the context of Bulawayo, state involvement was a combination of all of these factors. The research was conducted during the run-up to the general elections in the country July 2013; politicians were seemingly hijacking savings groups for their own electioneering purposes and were providing loans to small enterprises as a form of campaigning. Apart for vote-buying purposes, informal savings groups in Bulawayo were and are, neglected and forgotten by the state.

Moreover, despite the existence of legal avenues for funding, the Zimbabwean state only supports existing projects. The justification for this is that the money is given as a loan that will be paid back; existing projects are seen to have potential and the ability to repay the loan in time, unlike 'survivalist' micro-enterprises. The Ministry of Small Enterprises and Co-operative Development, again, also requires applicants to have a form of collateral such as housing or movable furniture, in order to access loans.

This supports the recommendation of the neo-liberal perspective - that informal businesses need some form of property or secure land tenure in order to exist. This is a worrying trend as it means start-ups have trouble accessing capital to enable the growth of their micro-enterprises. Thus, unless people get funds to invest in their businesses, their activities are less likely to expand. Indeed as De Soto (in Dube 2010:9) notes, "people in the informal sector are really entrepreneurs with great potential... but find their entrepreneurial spirit thwarted by government policies and regulations or lack thereof".

In summary, it seems as though African social networks such as informal savings groups and families are beginning to crack under the strain of institutional and economic responsibilities (Meagher, 2005). Most African states are over burdening social networks by offloading the responsibility of providing essential services to the poor. This hampers the growth and development of savings groups as the money that is generated is channelled towards other non-income-generating projects, such as household subsistence. Here, although all my research participants were involved in one form of business or another, most of the loans from savings groups were used to cover household expenses. This also had a negative effect of leading to payment defaults by other members, as the money had been channelled elsewhere rather than their businesses.

6.6 CONCLUSION

This chapter gave an overview of the three key approaches to the informal sector. The dualist approach argues that the informal sector is distinct from the formal sector activities and works as a safety net to the poor and marginalised during times of economic unrest. Dualists contend that the informal sector will disappear once the formal sector creates jobs and is able to absorb the excess labour. The structuralists subscribe to the notion that informal and formal sector are inextricably linked and interconnected. Proponents of this school of thought argue that governments must address the unequal relations governing the informal and the formal sector, but only those that serve to marginalise the growth of the latter. The neo-liberal school of thought argues that a hostile legal system forces the unemployed to operate informally and that regulation of the informal sector may serve to stifle its growth.

Neo-liberalists argue that in order for the informal sector to realise its full potential governments should introduce simplified bureaucratic procedures.

The role of the informal sector, particularly informal savings groups in the economic development of Zimbabwe cannot be downplayed. Informal savings groups provide livelihoods to its members, most of the members use the money generated in the savings groups to engage in enterprises that provide services in the formal economy. Informal savings groups ensure easily accessible loans which do not require collateral and red tape procedures that are associated with financial institutions. This is essential for enterprises that mostly do not have the necessary start-up funds.

However the viability and sustainability of savings groups is impacted negatively by the broader government context. The Zimbabwean state maintains a dualist approach towards the informal sector; and in fact, the relationship between the Zimbabwean government and the informal sector has always been fraught with problems, dating back to the colonial era. In the past, the colonial government introduced various laws to limit the number of natives residing in the city in a bid to curb the rapid urbanisation and the subsequent urban unemployment problem that was occurring. Vagrancy laws which were vague and discriminatory were introduced; and they were seen as being “rehabilitative” to the African. Post-independence the new government recognised the potential of the informal sector, particularly after the disastrous economic reform programmes of the early 1990s, but did not take any decisive action to support this sector. Instead in the late 2000s, the government implemented a “clean-up” campaign which was reminiscent of the vagrancy laws of the colonial era. Authorities explained this operation as a means to rid the cities of filth and unsavoury elements that were associated with certain elements of the informal economy.

These limitations did not deter informal economy traders from their activities. In response to cries from the regional and international community, the state followed up with a reconstruction exercise that was designed to assist the informal economy. However, evidence from the field work conducted revealed that government efforts towards the informal sector were piecemeal, uncoordinated and half-baked at best. Government employees professed ignorance on aspects relating to government policies and the informal sector. Statements from key government officials still characterised the informal sector as being a peripheral economy that could not buttress the economy of the country.

CHAPTER 7

INFORMAL SAVINGS GROUPS: POLITICS OF ORGANISATION

7.1 INTRODUCTION

A significant number of economic activities in developing countries are undertaken by informal groups. The success of such groups has attracted much public attention and knowledge of these groups is of particular importance if we want to understand the potential role of more formal institutions (Anderson et al 2003:2). Informal groups are mostly found in urban areas where there is a deterioration of basic services, failure to access jobs and insufficient incomes. Urban population groups, however, have not watched their conditions deteriorate - they create their own income sources and diversify them often through a variety of petty activities, build spontaneous market places and cultivate idle land (Lourenco-Lindell 2002:1). Informal Savings groups can therefore be seen as a way by which the urban population groups cope to the demands of an ever-changing global economy.

It is widely believed that informal savings groups operate in a haphazard, unregulated manner. This chapter will discuss the nature and form of these groups and will demonstrate that these groups actually operate in a regulated manner that is unique to each group. Furthermore through interrogating the nature and form of these groups, the chapter will seek to highlight how the organisational culture of the groups in Bulawayo presents both challenges and prospects for its members.

7.2 ORGANISATIONAL CULTURE OF INFORMAL SAVINGS GROUPS

In order to highlight that informal network of assistance contain in themselves structure and agency, group relations within two study groups were observed. The case studies below highlight the differences and similarities between the two informal savings groups and demonstrate how relations in the group are continuously constructed and reconstructed to serve the competing group interests.

The first case study is of Masakhaneni Informal Savings Groups¹⁵. The group was formed in May 2012 and consists of (14) members. The group meets every Tuesday from 1300-1400hrs at one member's house. To avoid the creation of hierarchies the group does not have a chairperson, meetings are chaired by different individuals every week. The group has a secretary who is responsible for the recording and bookkeeping of the group, the treasurer assists the secretary in the safekeeping of group records. This group was currently working on its constitution, but group members still have a set of rules regarding member conduct and the financial aspects of the group.

With the second group (Phumelelani) compared to group one, there were some differences, further highlighting that informal savings groups do not display a single logic in the way they are run. Phumelelani¹⁶ was formed in 2012 and consists of five members. This group was formed with the assistance of World Vision who provided the group with capital of USD150. Unlike Masakhane Group, Phumelelani have a working constitution and appointed officials. The group consists of a chairperson,

¹⁵ Group Meeting held on the 23rd of July 2013 at 1300hours at Old Magwegwe, Bulawayo

¹⁶ Group Meeting held on the 12th of August 2013 at 1000hours at Old Luveve, Bulawayo

treasurer, and secretary and committee members. The group also meets weekly but however rotates the venue between the different group members' homes.

These groups have thus developed a means of ensuring the enforcement of rules, depending on the literacy levels of members. Both groups kept minutes of proceedings at meetings and as noted, both groups had a constitution although Phumelelani placed more value and emphasis on the document. The constitution of Phumelelani was practically legitimised through obtaining legally binding obligations from the group members whom were agreed to by all in the presence of a commissioner of oaths. Masakhaneni group on the other hand, had a work-in-progress constitution, and the group did not ascribe much importance to formalising its processes –they appeared to concentrate more on the financial aspects of group processes. Masakhaneni also preferred keeping a record of group finances in meetings rather than the actual proceedings, unlike Phumelelani who were meticulous in their recording processes of both group meetings and finances. In fact, the success of Phumelelani can be ascribed to the formalised nature of its group processes although only consisting of five members, it had a total income of USD2300. Masakhaneni were made up of 14 members but only had a total income of USD200 in comparison.

Irving (2004:14) points out that in Informal Savings Groups officials are commonly elected who are usually the chairperson, secretary and occasionally an organiser who is responsible for ensuring smooth running of events. Here, it was clear that Masakhaneni did not actually appoint officials, but differed in that there was no chairperson. The group¹⁷ cited that this was a way of maintaining equality amongst themselves- meetings were chaired by a different member every week. Although

¹⁷ Group Meeting held on the 23rd of July 2013 at 1300hours, Old Magwegwe

there was no chairperson appointed, other group members in Masakhaneni assumed the role of leadership in the group, subtly steering group matters. There were some discrepancies to agreed procedures - although group meetings were meant to be chaired by different individuals every week, certain individuals in the group assumed the role of chairing meetings and this went uncontested in the group. In contrast, Phumelelani had a much more formalised and rigid structure of functioning with an appointed chairperson, who handled all group affairs. The role of the committee members was unclear in Phumelelani - it is the researcher's opinion that the positions were created in an attempt to give an illusion of fairness and equality and to detract from the formalised positions of authority and power.

Lourenco-Lindell has noted in her study of West Africa (2002) that the groups under her study had a formalised structure of conducting financial affairs. This was also the case with the two informal savings groups in Bulawayo. Both groups had a devised a savings and lendings mechanism that was agreed upon by the group: Masakhaneni informal savings group had a savings and lending mechanism that worked on a fortnightly basis whilst the Phumelelani's lending mechanism worked on a monthly basis. Both groups had a fixed interest rate of 2 percent and 10 percent respectively.

Here, the researcher noted that the group size determined the length of the lending period; Masakhaneni has a total of 14 members, hence also has a shorter loan repayment period. This is done in order to ensure a steady flow of income to give a chance to other group members to be able to borrow as well. Phumelelani has a total number of 5 members and a longer repayment period and a higher interest rate. It can also be observed that the relative financial success of each group directly determined the attitude of members towards their formal membership: Masakhaneni has a total capital of only USD200, this explains the laissez faire attitude that the

group has towards managing their finances. Phumelelani on the other hand, had a large total capital income of USD2300, at year end members received (5%) of the capital as their income for the year. Thus, Phumelelani members had more to lose if they were not vigilant about their finances and management.

Informal Savings groups are essentially built on values of community, trust as well as mutual understanding; these values ensure the development of social trust amongst the members. Furthermore these values are also used to enforce group norms and standards. Kalle (2010:3) points out that, groups use pre-existing social connections between individuals to help circumvent problems of imperfect information and enforceability, social ties work as a self-monitoring mechanism amongst members.

These social connections are important among both groups in Bulawayo. The researcher noted that group members in both groups did not reside in the same area. Group members were spread across the high density suburbs; members knew each other through mutual connections and associations. In individual interviews, members from both groups revealed the importance of pre-existing social ties in ensuring enforceability and sustainability. Most highlighted that they had social relationships prior to joining the group and these mutual shared relationships allayed their fears of people defaulting in loan repayments. As Fukuyama (1995: 4) points out, the ability to form organisation depends on a prior sense of formal community that is an unwritten set of ethical rules or norms that serve as a basis of social trust.

Group members also highlighted that they did fear exclusion and being labelled in the community if they did not honour their group commitments; Masakhaneni has weekly subscriptions of USD1 weekly, while Phumelelani has a higher weekly subscription of USD5. Defaulting in paying weekly subscriptions incurred fines in both

groups, in Masakhaneni the fine incurred was five rand while in Phumelelani the fine incurred was again, much higher, that is, 10rands orUSD1. Sandsor (2010:8) highlights that the social stigma associated with default is so large that members will resort to nearly any measure to ensure payment. Kalle (2010:3) points out that in the absence of these external social sanctions, savings groups would even be rendered unsustainable. Thus, members' fears of being socially labelled ensure that they honour their commitments. To illuminate this point members of Masakhaneni narrated an incident about a former group member who although was no longer part of the group continued to pay off the loan amount that she owed the group.

We work well together as a group except for this member who sent me with her 50 rands. We saw her from the start that she was going to be problematic, we made follow ups on her when she was no longer attending group meetings. Today she gave me the remainder of the group money that she owed us.¹⁸

A member who defaults in one association may suffer to such an extent that he may not be accepted as a member of any other (Gardener in Kale 2010:3).In sum, this section highlighted the comparison of the two groups in Bulawayo. Informal savings groups consist of structure and agency which is different across the groups. Informal savings groups have written code of practices in the form of a constitution that govern the manner in which the groups are run. As reflected above the structure of the group can impact on the group successes – and it appears that the more financially successful a group is, the more it is formally regulated internally. Furthermore informal savings groups rely on existing social relationships and social trust to ensure the enforceability of groups' norms and standards. However, as

¹⁸ Interview held on the 20th of August 2013 at 1430hours,Old Magwegwe

illustrated below, the organisational structure of the groups can pose both an opportunity as well as a stumbling block.

7.3 ORGANISATIONAL CULTURE: ASSET OR LIABILITY

The economic function of social capital is to reduce the transaction costs associated with formal coordination mechanisms like contracts, hierarchies and bureaucratic rules (Fukuyama 2000:6). In this study, the research participants are involved in micro-businesses that rely on a steady supply of income to keep their businesses afloat. As Walter Powell and Laura Smith-Doer (Meagher 2006:9) explain, these networks are softer and lighter on their feet than markets or hierarchies. Social networks provide group members with readily available income to keep their micro-enterprises afloat. Here, all research participants under study all took part in one form of small income-generating enterprise or another. These enterprises ranged from cross-border trading, hawking to street vending, these enterprises required relatively small amounts to sustain them.

Another advantage of these groups is that they provide financial assistance without the need for cumbersome paperwork as would be the case with formal micro-credit institutions. The laissez-faire processes of informal savings groups provide flexibility to the group members in their loan repayments, although this may also be at the group's overall financial peril. For example, research participants in Masakhaneni pointed out that in principle, group members who defaulted are required to repay the amount plus a fine, a group member who defaults on a payment is supposed to repay the initial amount borrowed plus the accrued interest as well as the fine for late payment. However, the group accepted members who simply apologised and stated

failure to repay the loan on time, were not severely punished in terms of fines or increased interest on the loan. If these fines had to be levied, this would have the negative effect of depriving other group members of loans.

Lourenco-Liddell (2002:1) highlights that social networks are presented as playing a positive role in poverty alleviation because they improve the performance of enterprises as they are a kind of civil institution in which the poor participate for improvement of incomes, services and welfare – as well as accountability to each other through enforcement of group norms. Meagher (2006:9) also says that social networks and internal accountability are more flexible and efficient for people who are under conditions of economic instability. Informal savings groups have low interest rates that range from 2 percent to 10 percent, and these rates are favourable to the needs of informal traders. The participants in the study cited access to livelihoods as part of the benefits; all of the participants studied were unemployed and solely relied on income generated from their small enterprises.

However as Meagher (2010:19), points out that under certain conditions, networks constitute social liabilities. Lourenco-Lindell (2002: 7) further highlights that networks constitute in themselves a realm of possibility and constraint, and therefore it is important to address internal power relations and the agency of participants within these groups. In this research both groups presented a persona of unity constituted on equal social relations. However, a share of research participants articulated that group relations were marked by internal power shifts and individual interests driving the group agenda.

To this extent, a participant in Masakhaneni pointed out that a 'certain few in the group' abused the lending mechanism as they had formed the group¹⁹. This participant was the last person to join the group and was the youngest in the group; she was aged 21 years, other group members ranged from ages of 30-60. As a result of the age difference, the participant was compelled by traditional influences of respectability towards her elders to overlook the abuse of the group lending mechanism, and not speak out on the pitfalls of not adhering to the lending structure. Moreover, group members who defaulted on payments did not adhere to payment procedures of repaying the initial amount plus the accrued interest or fine. Instead one would pay the interest in one week and the initial amount borrowed in the following week. Lourenco-Lindell in her study of informal networks of assistance in Guinea Bissau points out a similar issue of subordination in networks, and argues that participants' positions in the wider society constrained what they could achieved through the networks.

Scholars such as Fukuyama (1995) warn that economic strengths of social networks are disrupted by the inability of some social groups to form weak ties across social cleavages. 'Personal networks' thus sometimes generate unstable organisational arrangements in which ties of kinship, ethnicity and religion are used together to meet immediate needs. This tends to fragment social organisation and enforce redistributive communal values at the expense of accumulation and economic development. This rings true in the case of Masakhaneni, who appeared to be more concerned with household consumption than with the development of the group into a network of accumulation. Most of the research participants appeared to be content with the status quo, however a handful of participants appeared to be stifled by the

¹⁹ Interview held on the 27th of August 2013 at 1400hours, Old Magwegwe

general complacent attitude of the group. One research²⁰ participant even pointed out that the group members' loaned money to 'buy sugar for their households' as opposed to loaning money to boost their micro-enterprises.

Here, African informal enterprise networks can sometimes constitute a poverty trap. This is because they can form redistributive 'risk minimising' networks rather than more 'productivity-enhancing networks across class and ethnic cleavages. Research participants in Masakhaneni saw the group as more of a safety net in terms of addressing individual household consumption rather than as a network of accumulation that they could to grow and develop themselves.

Thus, sometimes what can be observed as 'trust' between group members may be largely a consequence of domination or lack of alternatives or simple mutual dependence. Social networks in these two groups did not necessarily fuse the self-interests of all the interested parties into a harmonious, equal relationship, and instead at times, relationships were characterised of internal power relations and collaborations. A handful of research participants pointed that although they were not content with overall group functioning they were confounded by a lack of alternatives. One research participant²¹ highlighted that she entertained hopes of founding another informal savings group but could not find willing and trustworthy members to be part of the group. The research participant continued to take part in the informal savings groups under study as a result of a lack of alternatives. The participant was unsatisfied with the group processes however she needed the low-interest loans that were provided by the group hence her commitment to the group.

²⁰ Interview held on the 27th of August 2013 at 1400 hours, OldMagwegwe

²¹ Interview held on the 27th of August 2013 at 1400hours, Old Magwegwe

As Lourenco-Lindell (2002) points out, relationships in particularly solidified networks may be difficult to discard. Deeply institutionalised or traditional relationships such as relationships formed on kinship ties are difficult to discard as there are instances where people are precluded from acting or even participating in networks altogether should they leave one group in bad faith. The researcher observed that in both groups, given the strong ties of community and embeddedness, members found it difficult to take more confrontational actions within the group. This was because their social ties went beyond the group setting, and thus offending a group member would most likely result in the straining of social relationships outside the group a risk most group members were unwilling to take.

7.4 CONCLUSION

This chapter has pointed out that rather than viewing networks as abstract models, there is a need to avoid the common practice of seeing network organisation as something novel (Amin and Thrift in Meagher 2006:22). The challenge is instead to unravel networks and their processes and structures. In this respect, the two groups discussed here have been based on traditional and established community group formations, which have been formalised in a group setting, and this has created both problems and opportunities for members. Values of community and tradition ensured that the groups were able to enforce group norms, members fearing social exclusion and isolation if they did not adhere to them.

Further the groups afforded its members flexibility in terms of borrowing money, this was essential to the members as most of them did not qualify for bank loans. The availability of accessible funds ensured that group members were able to grow and

expand their businesses. However the embeddedness found within these groups proved to be a challenge at times- group members knew each other outside the group, making confrontations within the group almost impossible. Furthermore group members took advantage of these traditional values to default on the group payments as evidenced by the Masakhaneni group; this was perilous to the group's financial development. Traditional values of respectability further constrained younger members in the group from pointing out the pitfalls of a laissez faire attitude to group processes. In this way group progress was minimised as a result of valuing the relationships that existed outside of the group.

Various authors also point the need to deconstruct the 'black box' of social networks. Social networks are sometimes portrayed as presenting a single logic that is devoid of structure and agency. This chapter has highlighted that this is not that case with the two groups under question, because as reflected above, although both groups displayed similarities in the manner in which they operated, there were also some differences noted:

Both groups had a formalised manner of conducting its affairs, had rules and regulations guiding its practices, and had appointed officials to oversee the functioning of the group. The informal savings groups under study also heavily relied on existing social ties to enforce the group's norms and standards. Ties of community, embeddedness and trust were the founding values of the networks; these same values were used for enforcement purposes in loan repayments. Although such groups do not have legally binding regulations, they did have social sanctions that members faced should they default and this kept the groups in a solidified unit.

The study of the two informal savings groups highlighted that these groups are held together by values of community, solidarity and mutual relationships. These values are used to ensure sustainability and enforcement of groups norms. However, as being said, members who default or are viewed as being problematic, do run the risk of being socially excluded and isolated from the greater community.

The groups under study displayed differences regarding the role and purposes of the group. Masakhaneni appeared to be a network of survival, whilst the Phumelelani appeared to be a network of accumulation -Phumelelani takes its financial affairs seriously. This dispels the myth that networks display a single economic logic. Masakhaneni had little capital; the group also had a lower interest rate as compared to Phumelelani that had a higher interest rate.

These savings groups provided their members with accessible funds to grow their micro-enterprises through their lending mechanisms, which is less cumbersome compared to financial institutions Both these groups served the function of giving low-cost loans to its members to grow their businesses.

Thus such groups are not devoid of power and agency; but many such networks can prove to be liabilities rather than assets to the group members. Participants under study revealed that networks do not necessarily fuse the self-interests of all the members in a harmonious manner, networks are constituted of different self-interests. Thus relationships are constantly constructed and reconstructed to accommodate the various needs of group members. Sometimes groups are held together by members, who for lack of other viable alternatives remain committed to the group. A handful of research participants from Masakhaneni group indicated that

although they were not satisfied with the manner in which the group was run, they remained in the group as they had no other alternatives - the group provided them with low-cost loans that were necessary for their businesses.

CHAPTER EIGHT

INFORMAL SAVINGS GROUPS: A PANACEA FOR WOMEN EMPOWERMENT?

8.1 INTRODUCTION

As stated earlier, micro-credit associations such as Informal Savings Groups (ISGs) are widely associated or believed to be a viable poverty strategy as well as a vehicle to gender relations and lead to the empowerment of women. Indeed as Maloux (2006:3) points out “micro-credit is much more than access to money it is about women gaining control over the means to make a living, it is about women lifting themselves out of poverty and vulnerability”. However although micro-credit associations are offering women with viable and real incomes, these associations operate in a context that is in itself gender-discriminatory.

This chapter will discuss empowerment of women through their involvement in savings groups. The chapter will highlight the benefits and constraints that women may face in taking part in micro-credit associations. The goal of the chapter is point out that although women benefit tremendously from taking part in savings groups, empowerment is not automatic for these women as these groups are situated in wider political and social contexts that constrain their empowerment potential. I will start by defining the term empowerment and then I will discuss the opportunities and challenges that are presented by the groups to women empowerment.

8.2 EMPOWERMENT

It is necessary to define the term empowerment because there are many varied definitions for this term. In the feminist paradigm, empowerment goes beyond economic betterment to other strategic gender interests such as the improvement of the women's legal and social rights. For women's empowerment to be effective it is argued that it must occur in multiple dimensions that is economic, socio-cultural, interpersonal, legal, political and psychological (Malhotra et al 2002:3). It is thus evident that given the varied definitions of empowerment, as the outcomes are therefore difficult to measure. According to Malhotra et al (2002:3) not one development agency has developed a rigorous method for measuring and tracking changes in levels of empowerment". Indeed as the researcher noted, that although NGOs and government ministries in Bulawayo acknowledge the potential role of micro-credit associations in the empowerment of women, neither of the two have developed a tool or mechanism to measure the possible outcomes.

8.3 MICRO-CREDIT ASSOCIATIONS AND WOMEN EMPOWERMENT

Here I will make use of two case studies to highlight the role of micro-finance institutions in women empowerment. I will first discuss the opportunities that informal savings groups present to women empowerment and then I will highlight that taking part in micro-credit associations do not necessarily lead to women's empowerment as is a multi-faceted process.

Thando, Magwegwe. Bulawayo, Zimbabwe²²

Thando is the first born in a family of three; she is in her early twenties. Although she finished high school she could not proceed further due to financial constraints in the family. Thando's father is employed at the National Railways of Zimbabwe which is in the last few months has been unable to pay its workers, her mother is unemployed. After her high school, Thando sought employment as a domestic worker. It is through this domestic work that she was able to save enough money to apply for a passport. After she obtained her passport, Thando decided to engage in cross-border trading, she buys clothes at Musina and resells them in Bulawayo. Her aunt who is part of the savings groups, invited her to join the group. Thando has since doubled up on her capital, she hopes one day to obtain a stand at the flea market for her wares. Thando attributes part of her success to the loans that she has obtained in the group, the loans she have enabled her to boost her business. Thando has left her domestic work job and is now a full-time cross-border trader.

Ethel, Magwegwe North. Bulawayo, Zimbabwe²³

Ethel is a woman in her 60s; she has never been formally employed before in her life. Ethel used to work as a domestic worker in the early 90s but has since stopped. Ethel supports a household of fourteen people. Her five children are all unemployed, apart from taking care of her children she also takes care of her grandchildren who are orphans. Ethel is involved in the business of street vending; she sells vegetables, fruits and any other lucrative goods that are needed in the market. Ethel joined the savings groups at the invitation of her cousin sister; she has also encouraged her

²² Interview held on the 27th of August 2013 at 1400hours, Old Magwegwe

²³ Interview held on the 20th of August 2013 at 1430hours, Old Magwegwe

two daughters to join the group. Ethel says the savings and lending mechanism of the group has assisted her in augmenting her income. The business of selling is unreliable so she at times borrows money from the group for household consumption.

The above case studies highlight the huge role that the savings groups are playing in the lives of its members. In the case of Thando; her savings groups has ensured that despite her lack of adequate qualifications she has managed to be financially independent. Thando is also assisting her family financially as her father's income is unreliable. In the second case study, the participant is sustaining a huge household through the income generated in the group; the participant uses the income for household consumption which has led to an improved quality of life for her household.

Micro-credit associations clearly make women economically independent by placing economic and financial resources in their hands such associations provide women with credit without demanding collateral that is needed by formal-banking institutions, this is very important as most women are involved in enterprises that do not generate the necessary collateral that is needed by banks. All of the research participants in Bulawayo households (nineteen) were living off the income generated through the informal savings groups and the income-generating businesses that spin off from the ISGs. This is highlighted by the two above case studies where the income generated from the group is also used for household consumption (Kulkarni, 2011).

In instances where the woman is married, micro-credit association also provide women with their own source of income that is not tied to their spouses. As Hanak

(2011:176) notes “offering women possibility of keeping their money separately is one rather valued aspect in women’s efforts to change the gender relations to their advantage”. Kulkarni (2011:15) further points out that micro-credit associations place capital and financial resources into the hands of the women resulting in them becoming financially independent.

Research participants in the study who were married reflected on how their quality of life had improved as a result of the savings groups. One participant²⁴ revealed that she was earning more money compared to that of her husband who was formally employed. She pointed out that this had led to a change in relations between her and her husband as she was now treated as an equal in the home.

Empowerment through micro-finance can thus be identified and measured in various dimensions. This ranges from the impact that the group has made on decision-making or self-confidence of women on their status at home, on family relationships and the incidence of domestic violence, on their involvement in the community, on their political empowerment and rights (Mayoux in Hanak 2011:179). Greater financial self-sustainability for women is associated with lesser incidences of interpersonal relationship conflicts such as domestic violence. Studies conducted in Asia show that access to micro-credit impacts positively on women’s relationships particularly the experience of domestic violence (Kulkarni 2011:16). Studies conducted in Uganda indicate that self-help groups mediated by micro-credit have helped women gain control over assets and subsequently acquire self-esteem (Hanak, 2011). A key ²⁵informant interviewed also pointed out this fact that improved financial independence played a significant role in addressing inequalities amongst

²⁴ Interview held on the 27th of August 2013 1530hours, Old Magwawe

²⁵ Interview held on the 24th of July 2013 at 1000hours at Mhlahlandlela Government Complex

women and men as lesser financial dependence on a spouse by a woman lessened conflicts within the home.

Furthermore, access to micro-finance has opened up many women to commercial activities such as cross-border trading. Micro-credit associations have drawn millions of women into commercial economic activities for the first time, enabling them to develop new opportunities and roles. The case study of Thando discussed above illuminates this point well. Thando was employed as a domestic worker but as a result of her involvement in the Masakhaneni savings group she has managed to become a successful cross-border trader in her community trading in clothing that she imports from South Africa. Micro-credit associations thus not only provide economic emancipation for the women but also assist in boosting of self-esteem and self-confidence as these women generate their own source of income independent of their spouses or families. Thando²⁶ pointed out that compared to her peers she had done well in improving her socio-economic status through her involvement in the savings groups.

8.4 CHALLENGES TO EMPOWERMENT

The empowering role of micro-credit associations cannot be disputed. It is however clear that the connection between micro-finance and empowerment is not automatic. Giving women access to financial assets and resources creates a new set of challenges; in the case of micro-credit associations, women are faced with the dilemma of having access to loans and the repayment of loans, thus balancing the experience of empowerment with the experience of extra burdens, such as the

²⁶ Interview held on the 27th of August 2013 at 1400hours, Old Magwegwe

repaying of loans(Kulkarni 2011:18). Challenges to empowerment such as the inability of women to access loans from financial institutions and women micro-credit associations emanate from the disempowering and male dominated environment in which these micro-credit associations are embedded. Factors such gender relations and social roles of women in the society affect the manner in which women are able to exercise their empowerment.

Meagher (2006:33) points out that the socially disadvantaged such as the women and the poor, lack the contacts and social power to diversify their networks into more lucrative enterprises. Although it appears that women use the loans for their businesses, most women remain in a narrow range of traditionally female activities such as that yield low investments and low returns; of the research participants interviewed, ten of the participants were engaged in traditional activities such as street vending and hawking which did not yield many dividends.

Many women lack resources or contacts to access bigger commercial opportunities. One research participant Thando²⁷ pointed out that she had hopes of owning a flea market stall as that would enable her to expand her business fully; she was currently selling her wares from the backyard of her residence in the township this limiting her customer base .Thando pointed out that she lacked the collateral that was needed by financial institutions to access a substantive loan to expand her business. Research participants in both groups Masakhaneni and Phumelelani expressed their frustrations at their inability to access loans from banks that would enable them to embark on bigger income generating projects; and they also cited a lack of capital to be able to expand their businesses into more lucrative enterprise. The Phumelelani²⁸

²⁷ Interview held on the 27th of August 2013 at 1400hours,Old Magwegwe

²⁸ Group meeting held on the 19th of August at 1000hours,Old Luveve

savings groups pointed out that the group had plans to implement a poultry project but they lacked the resources such as land to implement the project.

Kulkarni (2011:18) refers to the economic and political-organisational challenges that are faced by micro-credit associations in that greater macro-economic policies of development are neither wedded nor compatible with the needs of micro-credit associations thereby hampering their progress. This is reflected in the study through the lack of financial credits and loans from formal institutions for micro-enterprises. Furthermore government departments that are tasked to assist micro-credit associations also require collateral from such associations; this then hampers the growth and development of their enterprises. Both groups Masakhaneni and the Phumelelani cited the fact that banks and government departments required collateral that they could not provide in order to access loans.

Even though microcredit programmes in Africa are contributing to increased consumption and household well-being as well as women entrepreneurial abilities, the women usually face a glass-ceiling in their access to the marketplace and success as entrepreneurs, since the access of women to the market economy is constrained by social norms and male domination, they cannot truly lift themselves from poverty (Mayoux 1999:4). A research participant²⁹ from the Masakhaneni group pointed out how male domination hinders individual members' group progress. The research study was conducted during the run up to the July 2013 general elections in Zimbabwe, as part of its electioneering campaign the opposition party MDC was assisting women associations through issuing out loans that did not require collateral, however as the research participant pointed out most women distanced themselves from this project from pressure from their husbands who did not support

²⁹ Interview held on the 20th of August 2013 at 1530hours, Old Magwegwe

the opposition and exerted pressure on their wives to also forego the offered loans. Lourenco-Lindell (2002) highlights that many women lack the resources to establish viable livelihoods independently from kin (male) assistance and those that can count on the support of male and senior relatives will probably think twice before they directly challenge their authority.

8.5 CONCLUSION

Micro-credit associations hold great potential for women's economic as well as social empowerment, access to credit has positive impacts for women. The chapter has highlighted that women may use the savings to boost their economic activity, since many research participants were using their loans in their commercial interests. Access to loans also had the effect of improving household income, most of the participants used the income generated from their commercial activities for household consumption such as nutrition and settling of household debts. This improved the quality of life of the household in general. The chapter further highlighted that obtaining additional income improved the women's position in the household. Women were able to contribute a sizeable income in the home thereby better positioning them in terms of decision-making in the home, key informants highlighted that this had that added effect of reducing the incidence of domestic violence in the home as there were less conflicts. Apart from contributing economically, micro-credit associations lead to an improved sense of self and well-being amongst the women who take part in them. It is in this regard that micro-credit associations are deemed to be a panacea for women's empowerment as they not only provide financial self-sustainability they also work to alleviate poverty in the lives of the women.

However as many authors have noted, although micro-finance can make a contribution to empowerment it is not an automatic response. Micro-credit associations are located within larger social contexts that influence their potential. Most women who are part of micro-credit associations find themselves stuck in traditionally female economic activities (such as street vending), which yield low income and low investments. One of the many reasons for this; (firstly) that local economic policies are not compatible to the needs of such associations, government institutions tasked with assisting women savings groups require collateral, which women do not have. This hampers the women's growth potential as most of them cannot meet the necessary requirements. Furthermore most of the women's income generated from the loans is used for household consumption as opposed for their commercial interests; the women are thus caught in a spiral of borrowing and repaying loans without having reached viable dividends from the loan. This highlights that economic empowerment on its own cannot lead to changed gender relations among men and women.

Apart from this, this chapter has indicated that although women may contribute substantively to the household income, male domination is so pervasive that it hinders true empowerment of women. As evidenced in the chapter, women may possess subjective perceptions of self-confidence as a result of their contribution to the household finances this does not translate to changed gender relations or social mobility for the women. Women are still wedded to the authoritarian male figure who may overturn their decision at any given time. Male domination leads to women taking lesser financial risks and limits their growth potential. The chapter also highlighted that taking part in micro-credit associations posed an extra burden on the women who have to repay loans as women balance reproductive roles in terms of

providing for the household consumption as well as a productive role that is engaging in commercial activities to be able to repay the loan.

Women micro-credit associations hold within them developmental potential that can be empowering for the women involved however there is a need to recognise the political and social context within which these associations are located. Non-governmental organisations and government institutes working with micro-credit associations need to develop strategies and frameworks that challenge the political and social contexts that constrain the development of women and their commercial enterprises.

CHAPTER 9

CONCLUSION AND RECOMMENDATIONS

9.1 INTRODUCTION

This research sought to explore whether Informal Savings groups can be salvaged as vehicles of economic development, or whether they are piecemeal, uncoordinated activities undertaken by the poor in the face of changing economic tides. The study sought to explore the organisational culture of informal savings groups in Bulawayo in order to determine whether they function in a haphazard manner (as is widely believed), or if they function as formal structures - albeit in an informal setting. The study further sought to highlight the politics of organisation that are inherent in savings groups, as these groups constantly structure and restructure group relations to cater to the varying self-interests of the group members. The study also investigated the opportunities and challenges abound in informal savings groups, as illustrated in chapter seven. Lastly, this study also aimed to highlight the fact that Informal Savings groups are a viable part of the economy, given a permissive and more relaxed regulatory environment. This chapter will therefore summarise the research findings and offer recommendations for further study.

9.2 SUMMARY OF RESEARCH FINDINGS

This study has resulted in the following findings

The research indicated that contrary to popular beliefs that view micro-credit associations as being impenetrable and incomprehensible to social scientific study,

the study highlighted that informal savings groups contain in themselves structure and agency. Despite the fact that ISGs are sometimes seen as a haphazard form of organisation, the research study illustrated that there are specific features that are seen as critical for Informal savings groups to succeed such as trust, reciprocity and mutual understanding and values of community. These values ensure the sustainability and enforceability of group norms and standards. Although informal savings group do not have legally binding obligations, the fear of social exclusion and labelling ensures that the group members adhere to the group norms. This is illustrated in the study of the two groups in Bulawayo.

Comparative information has revealed that members of informal savings groups adhere to groups' norms and practices as group members fear exclusion and isolation from the wider community. Comparative information also highlighted that informal savings groups were founded on social ties and kinship which ensured the building of social trust amongst group members. The study further revealed that informal savings groups function in a formal manner albeit in an informal setting; comparative information of the two groups studied illustrated that both groups studied (Masakhaneni and Phumelelani), had appointed officials and had a constitution that governed the manner in which the groups were run.

The study further revealed that informal savings groups do not constitute a single cultural logic in the manner in which they are run, comparative information obtained in the study revealed that a variety of factors such as power relations and values of respectability shaped the group norms. This is illustrated in Masakhaneni group where values of respectability superseded group practices of loan repayment and the paying of fines.

The research further highlighted that non-governmental organisations and government ministries in Zimbabwe that view informal savings groups as networks of survival rather than networks of accumulation, actually hamper the growth potential of savings groups. Informal savings groups are championed as a poverty-alleviating strategy amongst the poor and vulnerable this hampers the growth of the savings groups as these groups remain rooted in survivalist micro-enterprises instead of venturing out into bigger enterprises. Furthermore the research highlighted that the lack of collateral required by formal institutions limited the developmental potential of informal savings groups; ISGs as a result of lack of capital remain rooted in traditional economic activities such as street vending.

The Zimbabwean state plays a critical role in shaping the viability of social networks such as Informal Savings Groups, through either neglecting networks or in hijacking them for its own purposes. As Meagher (2005:34) notes “instead of promoting economic development and political accountability, African popular networks become pawns in struggles between political elites turning them into instruments of political opportunism, social fragmentation and violent conflict”.

The research in Bulawayo confirmed this: local ISGs operate in a context characterised by opportunism by local government departments as well as NGOs. In general, the general attitude of the Zimbabwean state towards the informal sector is hostile and ambiguous because the Zimbabwean government views the informal sector (where ISGs operate) as a peripheral economy that will disappear once the formal economy recovers and is able to accommodate the unemployed.

The research also found that a sound regulatory environment with regards to informal savings groups as well as the informal sector as a whole is needed to

ensure the viability of informal savings groups. The informal sector in Zimbabwe is viewed as being traditional and residual that operates on the fringes of the informal economy during turbulent economic times. This attitude towards the informal sector has led to the development of piecemeal and uncoordinated policies relating to the support of the informal sector. Key informants who were interviewed in the research from the Ministry of Women, Gender and Community Affairs as well as the Ministry of Small Enterprises and Co-operative Development were not aware of policies such as the National Policy on Small, Micro and Medium Enterprises that relate to the support of the informal sector although they were employed to work directly with the informal sector and micro-enterprises such as those found within the informal savings groups.

Despite the fact ISGs did not get much state support, the fact that they operate invisibly did make them ideal as vehicles of women empowerment. Research participants indicated improved quality of life for their households and greater financial independence, as the positive benefits of joining savings groups. However these savings groups can serve as vehicles of empowerment only if they are located in the wider macro-policies of economic development and restructuring of gender roles and relations. Savings groups on their own cannot drastically change the flawed gender relations and roles, there is a need for a comprehensive empowerment programme that encompasses both financial freedom as espoused the savings groups as well as challenging the social rules that lead to the disempowerment of women.

9.3 CONCLUSION

To answer the question posed at the beginning of the research - social networks such as ISGs can and do serve as vehicles of economic development. However, this can only take place if there is a concerted effort to realise the potential that such groups can play in the greater economy, particularly in the Zimbabwean context where the informal economy is now the leading source of income.

The research also identified that informal savings groups can be used as a way to further economic development for marginalised groups as these groups provide micro-enterprises with readily available funds that are critical for the sustainability and viability of their businesses. Furthermore the research also illustrated that informal savings groups possess a strong organisational culture and that informal savings groups function in a regulated and organised manner. The research also identified that such modes of organisation can have positive benefits for the marginalised, as such groups provide access to loan interest loan without the need for cumbersome paperwork and collateral that is required by big financial institutions.

In this study the empowerment of women who are part of the informal savings groups in Bulawayo has been a positive outcome. However, there is a strong need for local policy relating to the greater empowerment of women across all spheres. The research also revealed that it is important not to romanticise the potential of informal savings groups although savings groups provide an avenue for economic empowerment for women, such groups can also be avenues of opportunity as well as a liability, as they consist of varying power relations (embedded in local networks or community networks of friends) which may at times serve to further exclude and manipulate of the already marginalised. Values of respectability constrained younger group members from fully participating and exerting their agency in the group.

The potential of informal savings groups is also tied to the wider institutional environment in which the groups are located. The informal sector of Zimbabwe is characterised by state neglect, political opportunism and hijacking of the informal sector by the state and political parties. The formal regulatory environment impacts on the potential of informal savings groups as it either serves to promote the growth of the informal sector or hinder its development through an ambiguous and hostile attitude as is the case in Zimbabwe.

9.4 RECOMMENDATIONS FOR FURTHER STUDY

The study was an inquiry into the opportunities and challenges found in informal savings groups for women in Bulawayo. While this research was exploratory in many ways, it can also lead to future research into the role and functioning of micro-credit associations in Zimbabwe. Micro-credit associations in Bulawayo have managed to cushion the poor and marginalised from trying economic times as such there is a need for further studies to assess the relationship between the formal and informal sector, and to offer solutions with regards to the development of local and national policy that can lead to the development of a relationship of synergy between the informal and formal sector. In Bulawayo there is a need for stakeholders to revisit the role of the informal sector in local economic development, making use of the experiences of the informal savings groups and the resultant micro-enterprises. Local government in Bulawayo should consider running credit institutions that can be accessible to the informal sector. More studies should be undertaken to establish the empowerment potential of such modes of organisation for the marginalised and vulnerable particularly women who are mostly excluded from the formal sector.

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APPENDICE 1



University of Fort Hare
Together in Excellence

FORT HARE INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH

4 Hill Street /P O Box 9083, East London, 5200 Tel: (043) 704 7519 Fax: 086 628 8037

Informed Consent and Declaration of Participation

Researcher: Thandeka H Dube

Supervisor: Dr T. Connor

Title of the Study: Get rich through persistence: An inquiry into the prospects and challenges of savings and lendings groups among women in Bulawayo, Zimbabwe

I declare that I voluntarily participate in the research that has been explained to me and I will cooperate to the best of my abilities. I understand that this interview is part of a research project. I understand that the information I will provide will be treated with confidentiality and will be published anonymously for the purposes of the research project. I understand that my participation is voluntary and I am at liberty to withdraw from the interview process at any time. I also agree to the tape recording of the interview.

Signed at.....On..... This.....Day of.....2013

Signature of Participant.....

Signature of Researcher.....

APPENDICE 2



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Email: tconnor@ufh.ac.za

16 July 2013

This is to note that Ms Thandeka Dube - a Masters student at FHISER - is conducting research on women's groups in Bulawayo, Zimbabwe. This is part of her research dissertation at UFH. Please be so kind as to grant her permission to do this important work, as her dissertation and work depends on it. Be assured that Ms Dube will follow all ethical rules and regulations for respondents as set out in the UFH ethics guide. Do not hesitate to contact me if you need more information.

Kind regards,

Dr. Teresa Connor

Senior Researcher

Fort Hare Institute of Social and Economic Research

APPENDICE 3



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4 Hill Street /P O Box 9083, East London, 5200 Tel: (043) 704 7519 Fax: 086 628 8037

Get rich through persistence: An inquiry into the prospects and challenges of savings and lendings groups among women in Bulawayo, Zimbabwe.

Interview Guide for Research Participants

1.1 History and Background

- History of family (where did you grow up, where were you born and where do you parents come from?)
- How did you come to live here
- Do you still contact people from your home town-do you send money to them?
How often do you go there?

1.2 Household Information

- How many people are in your household?
- How many people are absent
- List ages and gender of people in the household, and state how they are related to you.
- How many people are working?

1.3 Income and group membership

- Where have you worked and how much did you earn
- Are you employed? How much are you earning?
- How much does the group make? Elaborate on the income and expenditure of the group
- How does household income compare to group income
- Training: Are members trained before joining the group?
- How are people elected?
- Where do you meet, how many members are there?
- What kind of different people are members?
- Do you get on with everyone in the group?
- Are there people with more power than others?
- Record keeping-is the record keeping process formal or informal

1.4 Networking Issues

- How do you maintain contact with other group? What do you do together?
- How does your group relate with other informal savings groups in the area?
- How does your group relate with the other role players; government and private sector
- Is this interaction beneficial to the group?
- What support do you require from other groups? Government? Private sector?

APPENDICE 4



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Get rich through persistence: An inquiry into the prospects and challenges of savings and lendings groups among women in Bulawayo, Zimbabwe.

Interview Guide for Key Informants

- What is the name of your organisation?
- What is your role in the organisation?
- What type of services are rendered by your organisation specifically for informal savings groups
- Are there any government policies relating to informal savings groups that you know of? If so please indicate if these policies have been implemented and to what effect
- What relationship do you have with other stakeholders pertaining to informal savings groups?
- What do you think is the role of informal savings groups in the greater formal economy? Are they relevant?
- In your opinion how best can these groups be supported by the public and private sector in order to increase their efficiency and effectiveness