"I AM SCARED OF LOANS" FINANCIAL CHALLENGES OF BENEFICIARIES OF CASH TRANSFERS IN THE INFORMAL ECONOMY IN SOWETO, SOUTH AFRICA

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ABSTRACT: *The COVID-19 pandemic highlighted that access to financial capital is a significant challenge for operators of informal income activities, exposing financial inequality. However, there is a need to understand why operators are not disposed to access loans even when offered. Drawing on qualitative research in Soweto, South Africa, beneficiaries of cash transfers who also engage in various income-generating activities were found to be sceptical of loans, even when the receipt of transfers in cash would allow them to borrow. This paper contributes to the debate about strengthening participation in the informal economy as a mechanism for dealing with poverty, unemployment, and inequality.*

KEYWORDS: *financial inclusion; loan; cash transfers; social policy; South Africa*

INTRODUCTION

The guarantee of transfers-in-cash is being collateralised in relation to the provision of financial services such as loans to beneficiaries in the Global South (Torkelson 2020; Lavinas 2018). This form of collateralisation seems to repurpose the basic objectives of such interventions, which is the provision of basic income to eligible children, older people, and people with disabilities (Department of Welfare 1997). While such collateralisation has been inadequately researched in South Africa (Torkelson 2020), the phenomenon has been better investigated in

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Brazil (Lavinas 2018). In Brazil, Lavinas notes how cash transfer programmes were redefined by the Brazilian government to primarily serve as a vehicle for market incorporation and financial inclusion (ibid.). They have been used to boost demand by increasing the purchasing power of the poor and entrenching dependency on the market in the form of loans to fill the income gap. Erin Torkelson is among the scholars who have linked the guarantee of transfers-in-cash to collateralisation. Her article *Collateral damages: Cash transfer and debt transfer in South Africa* offers a macro-level understanding of the collateralisation of the guarantee of transfers-in-cash. She explores how beneficiaries were incorporated into a financial payment system that enabled the conversion of their financial benefit into collateral for loans, guaranteed by the regularity and predictability of the transfers (Torkelson 2020: 1). The financialisation of the transfer-in-cash scheme builds on the moral economy. The mechanism relies on the sustenance and reproduction of relationships (Carrier 2018: 13), in this case, between the financial service providers and beneficiaries of transfers-in-cash. However, this relationship is based on providers' desire to maximise profit at the expense of beneficiaries' desperation for financial assistance.

Some earlier studies of the impacts of cash transfers in the Global South also create the foundation for exploring South African beneficiaries' concerns about loans despite the difference in the design and scale of the programmes. The impacts of cash transfers on loans are mixed. The programme *Oportunidades* in Mexico was found to increase by 66.7% the tendency of beneficiaries to accept loans for productive purposes (Gertler et al. 2012). Similarly, *Hunger Safety Net Programme (HSNP)* in Kenya raised by 9.7% beneficiary households' propensity to take loans (Merttens et al. 2015). In South Africa, the fund is associated with livelihood-related decision-making (Nnaeme 2021, 2022). In contrast to Gertler et al.'s findings (2012), *Oportunidades* significantly reduced beneficiaries' propensity to borrow (Angelucci et al. 2012). Cash transfers in Zambia, Zimbabwe, Malawi, Tanzania, Lesotho, Kenya, and Ghana were found to increase beneficiaries' creditworthiness, making them better targets for financial service providers.

The collateralisation of cash transfers

Transfers-in-cash have been a pertinent component of collateralisation (Torkelson 2020; Mader 2018). In this section, the author identifies four categories of the collateralisation of the guarantee of cash transfers and offers a brief understanding of what caused this phenomenon. The first category of the collateralisation of cash transfers involves *formal financial service providers.*

Torkelson (2020) highlighted the formal collateralisation of the cash transfers programme by the then service provider, Cash Paymaster Services (CPS). CPS was awarded a contract by the South African Social Security Agency (SASSA) to ensure the monthly payment of cash transfers to beneficiaries. Net1, that is, the parent company of CPS, together with its subsidiaries, manipulated their monopolistic power to create the techno-financial system that took advantage of the sharing of beneficiaries' records and the deduction of monies from cash transfers before payment was made to them (Adesina 2020; Torkelson 2020).

The Department of Social Development attempted to prevent these deductions from cash transfers. However, CPS challenged the department's attempt in court and won the case. They continued with the collateralisation of cash transfers until Black Sash, a civil society advocacy group, challenged the validity of the CPS contract with SASSA in the Constitutional Court. They strongly argued that "it is obscene that CPS enjoys huge profits while social grant beneficiaries receive less and less of their social grant money because of unauthorised, fraudulent and unlawful deductions, placing their very survival at risk" (Black Sash 2017). The Court appointed the auditor-general and a panel of experts to investigate the financial transactions by Net1 and its subsidiaries. The investigation showed a web of profit-making from grant beneficiaries. Besides profit from subsidiaries offering "financial services to the beneficiaries," CPS is claimed to have remitted to its parent company, Net1, "patent and licence fees of more than ZAR 1 billion over a five-year contract period" (AIDC 2017).

The second category is the collateralisation of cash transfers by *informal financial service providers*. Torkelson (2020) and Omomowo (2015) assert the importance of informal financial service providers as the last resort of beneficiaries. Omomowo focused on three types of micro-credit provision and consumption – cash loans, retail goods credit, and informal money-lending – used by individuals in responding to the challenges of social reproduction without associating such financial mechanisms with the receipt of cash transfers (ibid. 14). The receipt of cash transfer programmes was found by Fisher et al. (2017) to confer better financial status on the beneficiaries and make them a target for informal financial loan providers. Cash transfer provision to vulnerable South Africans not only made the beneficiaries creditworthy but also a direct target for money lenders who offered loans against future cash transfer payments (Torkelson 2020).

The third category involves the beneficiaries' *responses to indebtedness* created by both formal and informal financial providers. In an attempt to avoid being indebted to both formal and informal financial service providers, some beneficiaries leverage their financial status to formulate financial management mechanisms such as *stokvel*, an Afrikaans word for an informal money-saving club used by groups of people who rotate contributions within the group on a monthly or weekly basis in an attempt to benefit from the reliability and predictability of cash transfer payments (Nnaeme et al. 2020, 2021, 2022). *Stokvel* is a form of collateralised cash transfer programme for the benefit of members, primarily based on friendship and the receipt of cash transfers. Last, in Soweto, local shopkeepers and service providers also bank on the financial status of beneficiaries to extend goods *on credit* or provide services in the hope of receiving payment at the end of the month. For instance, in Ghana and Zimbabwe, local shopkeepers extend goods on credit to individuals after they become beneficiaries of cash transfers.

These forms of collateralisation of the guarantee of cash-in-transfer programmes for the maximisation of profit are informed by the bottom-of-the-pyramid (BOP) business model (Prahalad 2010). Adesina opines that such a model is being "implemented on an industrial scale in South Africa," where the CPS and other financial providers are aggressively targeting the beneficiaries of cash transfers as sites of profit-making (Adesina 2020: 570). While in Brazil, the government of Luis de Silva was in support of the collateralisation of cash transfers, in South Africa, this is not the official position. However, the guarantee offered by a cash-in-transfer programme creates a new opportunity for formal and informal financial institutions to access economically marginalised income groups who hitherto lacked the collateral to access financial services such as loans. However, the BOP business model is only applicable to formal financial service providers who leverage access through the distribution of transfers-in-cash to beneficiaries to entrap and sell other financial products, such as loans, for profit-making purposes. This differs from the collateralisation of financial support associated with *stokvel* membership, which guarantees that members can contribute on time. The latter is not profit-oriented, unlike formal financial service providers. The reality created by the guarantee of cash-in-transfers makes understanding beneficiaries' concerns about loans relevant.

Indebtedness is one of the consequences of the collateralisation of the guarantee of transfer-in-cash programmes by both formal and informal financial service providers (Torkelson 2020; Lavinas 2018). As a result of indebtedness, many beneficiaries fail to receive the financial support due to them; thus, they seek additional loans from either formal or informal lenders to provide for their households (Torkelson 2020). The beneficiaries find themselves trapped in this vicious circle and have depleted resilience, making it difficult to exit. As Torkelson notes, "Each additional debt solve[s] a consumption crisis in the present but ma[kes] it more difficult for grantees to provide for their families in the future, thereby undermining the gains cash transfers are meant to introduce." (Ibid. 9.) The above is a confirmation of the reality that Black Sash (2013) foresaw and warned against, namely, that the collateralisation of cash transfers can erode the positive gains of cash transfer programmes and foster the risk of greater vulnerability.

The collateralisation of the guarantee of transfers-in-cash detracts from the primary objective of the interventions and allows the first two categories of financial service providers defined earlier with the space to exploit already inadequate assistance targeted at meeting the basic needs of people experiencing poverty. This is because cash transfers represent 10%, 21%, and 37% of the consumption needs of people in poverty in lower, lower-middle, and upper-middle-income countries, respectively (World Bank 2015: 2–3). In the context of the inadequacy and collateralisation of financial assistance, this paper explores qualitatively the disposition of cash-transfer beneficiaries engaged in income generation. In an attempt to realise the study's aim, the following research questions are posed: What is the disposition of beneficiaries involved in income activities to loans as a response to their financial challenges, and how do they attempt to avoid being exploited by financial service providers? The following objectives are tailored to effectively respond to both research questions:

- To explore financial challenges and beneficiaries' dispositions associated with formal and informal loan providers;
- To understand how they attempt to avoid exploitation by providers.

RESEARCH METHODS

As the provider of one of the largest and most comprehensive cash transfer programmes in the Global South, South Africa is an ideal context in which to understand beneficiaries' views about financial inclusion, especially the collateralisation of cash transfers. To reach a detailed understanding of beneficiaries' perceptions of the collateralisation of cash transfers, the author implemented a qualitative research design. The research protocol encourages researchers to be mindful of participants' socioeconomic contexts (Polkinghorne 1995) and allows for exploring their lived experiences expressed through stories (Clandinin et al. 2017: 90). The design "attempts to produce knowledge that is cognisant of the situated, partial, contextual, and contradictory nature of human experiences represented in stories" (Hendry 2007: 489). The "significance of this design rests on the notion that 'a storied narrative is the linguistic' medium that gives both a glimpse into and maintains the complexity of the perspectives of social actors" (Polkinghorne 1995: 7). The design appreciates that human beings are not simply passive conveyors of socioeconomic affairs "but have certain inner capacities which can allow …[for] decision-making" (Garrick 1999: 149). The research design allowed for a contextually informed understanding of beneficiaries' viewpoints.

To realise the study objectives, individual interviews were conducted with 17 purposefully selected participants based on predetermined selection criteria: beneficiaries of cash transfer programmes, residents of Soweto, and engagement in a legitimate informal economic activity. Of the 17 participants, 10 were females and seven were males. Two to three interview sessions per participant were conducted until data saturation was reached. The interviews "created an avenue for the co-creation of knowledge between the researcher and participants" (Nnaeme 2018: 62), which Henning et al. (2004) termed discussions with the "spokespersons of the topic of inquiry." Table 1 summarises participants' demographic details, the type and number of cash transfers they received, and the livelihood activities in which they were engaged.

Table 1. *Demographic details of participants, number and type of cash transfers received, and livelihood activities*

Participants[1]	Gender	Age (years)	Cash transfer[2]	Amount[3] in ZAR ($)	Livelihood activities
Gladys	F	60+	OAG	1700 ($116)	<u>Selling beer</u> (with license), cigarettes, snoek fish, popcorn, cowhide, chicken, chips & sweets, fafi,[4] and renting
Jolly	F	60+	OAG	1700 ($116)	<u>Supply of burgers and fish,</u> mending sofas, shoe-mending
Gregory	M	60+	OAG	1700 ($116)	<u>Selling of beer</u> (without license), cigarettes, renting, building, painting
Henry	M	18–35	CSG	410 ($28)	<u>Moneylending,</u> the supply of monthly food, hampers, employed in a store (as a packer), fafi
Kelebogile	F	18–35	2CSGs	820 ($56)	Moneylending, supply of hampers, employed in a store (as a packer), fafi
Luthando	M	36–59	CSG	410 ($28)	<u>Selling of beauty products,</u> renting
Mabuso	M	60+	3CSGs & 1OAG	2930 ($200)	<u>Building</u> and plumbing
Mandi	F	60+	OAG	1700 ($116)	Renting

Participants[1]	Gender	Age (years)	Cash transfer[2]	Amount[3] in ZAR ($)	Livelihood activities
Mayo	F	36–59	2CSGs	820 ($56)	Selling of beer (without a license), Kota, cigarettes, beef, chicken, vegetables, renting, money lending
Nompilo	F	36–59	2CSGs	820 ($56)	Gardening, renting, selling ice cream, perfume, sweets, and chips
Nomsa	F	60+	3CSGs	1230 ($84)	Sangoma,[5] street-vending, selling of second-hand clothes, renting, fafi
Nondumiso	F	60+	OAG	1700 ($116)	Sewing, supply of achaar, selling of hand towels and polish
Nthabile	F	18–35	2CSGs	820 ($56)	Fish & chips, achaar, Kota
Patience	F	36–59	CSG	410 ($28)	Recycling, domestic work, laundry, and dry-cleaning
Sphamandla	M	36–59	3CSGs & 1DG	2930 ($200)	Shoe-mending, selling of meat, chips, earrings, sweets, doughnuts, fafi
Sthandiso	M	18–35	2CSGs	820 ($56)	Selling of fruit & vegetables, photo & video coverage, gardening, occasional labour
Thando	M	36–59	3CSGs	1230 ($84)	Recycling, painting, grass-cutting, selling of firewood

Source: Adapted from Nnaeme et al. (2020).

Notes: 1: Participants have been given pseudonyms to protect their identities. 2: Received per household each month: Old Age Grant (OAG); Child Support Grant (CSG); Disability Grant (DG). 3: The total amount of cash transfers received per participant household each month (at the time of interviews). 4: Fafi is a betting game of Chinese origin, common in South African townships. 5: A traditional healer.

The first interview session focused on initiating and building a trusting relationship with the study participants. The second session allowed for an exploration of raised issues and the identification of emerging themes. This type of exploration is recommended by Polkinghorne (2005), among others. The emerging themes were strengthened through further probing and checking for accuracy with participants in the third session. In deepening and consolidating participants' responses, the observation technique was used during the interview sessions to "…fill gaps that are inevitably left by interviews" (Henning et al. 2004: 100). Observation-based information was critical in further understanding participants' responses (Polkinghorne 2005: 143). Forty-five individual interview sessions were conducted with participants who received three main types of social assistance in South Africa.

Thematic narrative analysis (TNA) techniques were used to analyse the data generated from interviews and observation. Atlas.ti software program was used to analyse the data systematically (Babbie 2016). TNA was used, especially the step-by-step procedure for “identifying, analysing, and reporting patterns (themes) within data” (Braun–Clarke 2006: 79). The data were classified into two themes in direct response to the study objectives. The limitation of TNA that the author was mindful of was the techniques’ “dependence on the recollection of experiences and the likelihood of selective remembrance of incidents” (Nnaeme et al. 2020: 3). Another study limitation is the absence of a comparative group of non-beneficiaries.

The livelihood activities of the study participants were diverse and were categorised into the trading of various products such as cigarettes, alcohol, snacks, food hampers, second-hand clothes, and beauty; service provision in shoe mending, painting, plumbing, traditional healing, sewing, recycling, and renting out property. A research diary, free interaction, and follow-up visits were all techniques used to address the potential limitations of TNA.

FINDINGS

In the study area, the relationship between the receipt of cash transfers and the availability of loans is direct. Two study participants (see Table 1) are also *mashonisas* (moneylenders). They described how the loan system is directly linked to the receipt of cash transfers at the end of the month. Clients who are also beneficiaries are required to surrender their identity number booklet and their South African Social Security Agency (SASSA) cards. In some instances, the loan providers withdraw the cash payment on behalf of clients. Beneficiaries, who have run out of money for food in most instances during the month given the inadequacy of the financial support noted above, have no choice but to approach *mashonisas* who grant the loans based on receipt of cash transfers as collateral and are confident of repayment at the end of the month. This directly confirms the existence of the second category of the collateralisation of the guarantee of the transfer-in-cash programme defined earlier. The association of the receipt of cash transfers and *stokvel* membership is also established in this section in confirmation of the third category of collateralisation.

The above informed the identification of two themes: “I am scared of loans” and “the difference between loans and government grants.” In each theme, most study participants outlined their perspectives on the collateralisation of cash transfers through stories.

“I am scared of loans”

The guaranteed cash-in-transfer programmes in South Africa contribute to the financial status of the beneficiaries and, consequently, make them targets for both formal and informal loan markets. While the participants were found to acquire better financial status due to the receipt of cash transfers, they remained cautious about accessing loans. They reported an unwillingness to translate their financial status into a mechanism for borrowing. Of the 17 participants in the study, 13 had a negative view of formal and informal loan schemes. Fear of losing physical assets and exploitative interest rates were among the reasons they dissociated themselves from loans. For instance, Gregory echoed the first reason by stating: “I am scared of taking a bank loan because they will seize my properties if I fail to pay on time. I will not take their loan.” Similarly, Mabuso’s view of loans was informed by the second reason; he had decided not to borrow “anymore” because “then …if we borrow R200 or R300 at the end of the month we have to pay R100 interest. The lenders charge too much interest.” He continued by stating the following: “I don’t want any credit again; I have suffered enough because of that. I suffer paying interest for a loan. Instead of using the money, I am paying it as interest to feed my family. I don’t want a loan because it makes me suffer. I don’t want to take money for *mahala* (free).”

Five out of 17 participants had borrowed in the past, generally before becoming cash transfer beneficiaries, but from the informal loan providers colloquially known as *mashonisas* or loan sharks. Few of them that borrowed were found to be strategic in using loans from informal lenders to support their income activities. They continued to borrow money from *mashonisas*, but they qualified their decisions. They did so as a last resort for specific purposes, such as to support their income-earning activities. Gregory, like other participants who borrowed, stated: “I only borrow when I run out of money to stock [up]… and not to buy food, and I must have a repayment plan.” This group of five seemed confident about their repayment plans. Similarly, Gladys sourced money from…

> *… mashonisas knowing that by the end of the month, I will get money from pension and payback. Or, I borrow this month knowing that the stokvel money is coming so soon. At times, I borrow to stock [up], but before I do that, I am sure that at a certain date that, I will have money to pay back.* (Gladys)

Ten of the 17 participants think that other beneficiaries who borrow from *mashonisas* for consumption are financially imprudent. They were also found to expect the same financial prudence from other community members. This idea is reinforced in Luthando's narrative that "[n]o one can come here and say that I am owing him. [They] are the ones who owe me; they come and ask me to lend them money. Some of them that are working come here and ask me to lend them transport money to go to work. I lend them money because they have to go to work to survive." He claims not to be a *mashonisa*, but there is a particular person he always charges 100% interest each time he lends him money because he thinks the person is irresponsible with money.

Despite the above perspectives on loans, a participant who is also a *mashonisa* justified the need for loans. For Kelebogile, borrowing was a dignified solution to feeding her children at the time. She decided to borrow to buy food because, according to her, it was safer to borrow than to beg neighbours for food as they were likely to malign her later.

> *Seeing my children in that condition pushed me to stand up for myself so that I would not keep suffering from a lack of food in the house every month. I did not push myself – my kids were the ones who pushed me because I hate to see them suffering for lack of food. It was that situation that made me start borrowing money from mashonisas. I went to mashonisas because they would not mock or laugh at me as others would laugh and say they would give me a maize meal to feed my children. A mashonisa helped me because that was her business, and I supported her as she supported me. It was better to go to mashonisa than beg for food from people who would talk bad about me tomorrow. Begging the neighbours for food or money is not a good idea because whenever you come to the compound, whether you come to beg or not, the person's face will change in anger [thinking] that you have come to beg again.* (Kelebogile)

In the above extract, Kelebogile cites the sense of dignity that a loan from a *mashonisa* confers and the indignity associated with begging from her neighbour. While the Doornkop community is mainly populated by Africans who claim to practice Ubuntu, it should be noted that the circumstances that Kelebogile was avoiding are real and continue to drive borrowing from informal moneylenders. In line with this theme, most participants showed a negative disposition toward loans and were strongly against them due to fear of exploitation.

Sources of financial capital

Respondents were disposed to reject loan facilities, both formal and informal, regardless of their newly acquired financial status due to receipt of cash transfers; most participants were able to initiate and join financial saving mechanisms such as *stokvels*. In full awareness of the financial status that receipt of cash transfers conferred, participants were able to differentiate between sources of financial capital they needed to grow their income-earning activities. Through their experiences, participants showed an understanding of the first two categories of collateralisation of cash transfers and the need for the third category of response (see earlier) to utilise the cash by becoming *stokvel* members. The participants shared their perception of bank loans, even though they are rarely qualified to access substantial bank loans. Structural constraints made it almost impossible for them to access bank loans with lower interest rates than *mashonisas*. Despite being ineligible for bank loans, participants shared a fear of property loss. Their ineligibility and negative perceptions of formal financial loan providers exposed participants to informal loan providers, *mashonisas*, who offer short-term loans based on the receipt of cash transfers and at a higher interest rate than banks. For instance, Sthandiso was "scared of loans," especially from banks, because of the exploitative interest and fear of losing his property. This reality made him unwilling to access a bank loan, as he reasoned in the following extract:

> *Also, business may be down when I am expected to repay the loan, and the bank will insist on their money, whether the business is quiet or busy. I don't want to get myself into that kind of stress… I hate bank loans. To be honest with you, their loans are tedious and make me sad. For example, my cousin took a loan from a bank a long time ago. She is forever paying for that loan, and everything in her life is now stuck. She cannot move forward until she finishes paying for the loan. I don't understand because what she is paying for now is far more than what they gave her. The interest is growing so much that she is forever paying. I don't like loans. That is why I don't even go to mashonisas in the community.* (Sthandiso)

The above extract captured the reason for Sthandiso's "hatred" of bank loans. However, we note that his opinion could also be interpreted as a more general perception of bank loans. He seemed to have made up his mind despite being aware of the loan opportunities that had been created due to his newly acquired financial status. Similarly, Nondumiso and Patience both insisted that they would never take bank loans because of the exploitative interest charges that can sometimes be greater than the actual amount borrowed. However, the former was willing to accept a bank loan without interest charges.

At least five participants differentiated between bank loans and government financial support for businesses. While all the participants were unified in their rejection of bank loans, the five who made a distinction were willing to accept government financial support for their businesses without interest. According to Gladys, "I don't want a loan, whether it is from government or bank. I don't have anything to pay for a loan. I need financial support from our government and not any bank because they don't understand." Such support, she claimed, would enable her to grow her business and create jobs. In line with Gladys' position, Jolly stated the following:

> *I will never go to the bank for a loan; I am scared. I don't like owing people and banks are even worse because they will always send a letter asking the person owing them to come and pay. I see and hear about how banks [repossess] people's properties because they owe them. That makes me so scared about borrowing money from banks; they should keep their money, and I don't want to. I hate that. I don't want to owe somebody. I am happy with what I am doing with the money the government [cash transfer] gives me every month; that is enough for me. As a businessperson, I can turn R100 into R5000 within some time; it does not depend on how much I have. The success of any business depends on the passion of the owner, not on the amount of money used to start the business. It is not about how much I loan from banks, no. I don't want a loan unless I am given the money to do my business, but not as a loan.* (Jolly)

The fear of losing their properties, especially their houses (mainly RDP[2] houses) to banks due to failure to repay a loan – improbable as this is since RDP houses cannot be used as a guarantee for bank loans – is the main reason for 15 participants' rejection of formal loans from banks. This sentiment is better captured by Thando, who opined that he does not like bank loans because "before the bank gives me any money as a loan, I must sign off on my house in case I fail to pay them back in time. I don't want all that." He offered an insight into why he and other participants would prefer government financial support for businesses to bank loans in the following extract:

2 The Reconstruction and Development Programme (RDP) is a South African socioeconomic policy aimed at undoing the imbalance created by the apartheid system. Houses provided through the programme are referred to as RDP houses.

> *I will try my best to pay the government back, but I know that the government does not behave like the bank people. The government people will understand if I fail to maintain my side of an agreement that I have signed with them about the the money they give me to grow my business, but banks will always insist on the a loan agreement, they don't want to hear any stories.* (Thando)

Nomusa affirmed Thando's differentiation by insisting that the "government can have pity on people and allow me to pay little by little, unlike banks that will come and seize my house." She was the only participant who was approached and offered a loan by a bank just a few days before the interview. However, she maintained that she was not interested, stating: "I am afraid of going to bank people for a loan because I will not stop paying for their loan for a very long time." The fear of losing properties to banks due to failure to repay a loan was a perception that resonated with the study participants. Gladys rightly posited that she does not "want everything I have suffered for all my life to be taken away by a bank because I owe them. It is unfair, and to avoid being in that situation, I don't want bank money." Kelebogile highlighted the development-related interests of the government when she said:

> *I will ask the government for a loan and move my business forward. The difference between a bank loan and a government loan is that banks are only interested in making a profit, but the government checks the circumstances and tries to give someone a chance at life. Banks are like mashonisas, they are only interested in making a profit. I would prefer a government grant to a bank loan because the government does not insist that I must have collateral so long as I have the necessary commitment and willingness to repay the loan.* (Kelebogile)

How, then, did the study participants raise money for their income-related activities, given their aversion to both formal and informal loan facilities? They created the Rotating Savings and Credit Association (ROSCA), a scheme called *stokvel* through which, weekly or monthly, they contribute an agreed amount of money, which is given to members in turn. When Mandi, a 70-year-old, became a pensioner, she organised five fellow female pensioners from her church to form a *stokvel*, each contributing R1000 monthly from their pension. As the initiator, she chose to be the last to receive the contribution. Before she did, she had inquired from a building material store what it would cost to build a three-room house for rent. When it was her turn to receive a *stokvel* contribution, she channelled it into the building. Thus, *stokvel*, as a ROSCA scheme, was crucial in not only translating regular cash transfer payments into financial assets but also in making such assets available, in turn, to members at no cost or interest. Participants' membership of different *stokvels* was associated with becoming beneficiaries of cash transfers as financial support is their only income source. Gladys struggled until she joined a *stokvel* after becoming a pensioner. She stated that receipt of her contribution through *stokvel* enabled her to stock "a lot now because I never used to buy that many crates of beer. I was buying four or five crates before. Now that I can buy up to 20 crates or more. I can go to a brewery and place an order, and they deliver it to me." Similarly, Nomusa said, "Once I get my *stokvel* money, I launch a business in addition to what I was doing before."

As a result of their cash transfers, participants became part of a target market for pay-day loan providers, store credit facilities, burial or insurance societies, mobile phone providers, and Digital Satellite Television (DSTV). Except for one person, all the participants became clients of one or more service providers due to their guaranteed receipt of cash transfers. For example, Nompilo said she "bought a phone on contract based on the cash transfer money. I had to pay R178 every month for two years."

The first theme revealed the negative disposition of the study participants towards loans, as the majority of them expressed a fear of exploitation. Thirteen of them were strongly averse to leveraging their newly acquired financial status to accept loans from formal and informal providers to whom they have become a target market. Fear of exploitation and loss of physical assets were among the reasons they dissociated themselves from loans. The few who were open to informal loans clearly stated that they must be for a specific purpose, such as growing their income activities. In terms of the second theme, participants' mechanism of saving and raising financial capital was shown in their response to their fear of exploitation by financial service providers. The study identified a unique mechanism of money management called *stokvel*, through which participants contribute an agreed amount of money weekly or monthly, which is given to members in turn. *Stokvel*, a money-saving and management mechanism, was crucial in not only translating regular cash transfer payments into financial assets but also in making such assets available, in turn, to members at no cost or interest.

DISCUSSION

This study has overwhelmingly shown the aversion of the participants to loans. However, the latter bridged the financial gap by becoming members *stokvels* through which they could raise funds to grow their income activities and avoid resorting to formal and informal loans. Their avoidance of loans was informed by a fear of exploitation and loss of property. The overall desire to avoid indebtedness expressed by the study participants confirms the findings of similar studies in Sub-Saharan Africa (Fisher et al. 2017). For instance, beneficiaries of the Zimbabwean HSCTP (Harmonised Social Cash Transfer Programme) preferred using financial support to repay debt and avoid future indebtedness by choosing not to leverage their creditworthiness (ibid.). While previous scholarship has focused on cash transfer programmes that were temporary and small-scale, South African intervention is continuous, large-scale, and right-based. The similarity of beneficiaries' responses to the availability of loans irrespective of the difference in the design of the interventions highlights the awareness that they have been turned into a financial market for profit-seeking through loan schemes.

With regard to the second theme, the study participants not only revealed reasons for rejecting loans, such as a fear of exploitative interest rates and loss of property but were also equivocal about the need for government financial support for their businesses-related income-earning activities. By identifying government as the possible source of funds, the study participants echoed Mader's (2018: 479) view of the need for "social alternatives, such as cooperatives, postal savings banks, or government lending programmes – which exist, and at least in Europe historically have provided the greatest impetus for popular access to financial services." Thus, "governments should not see their role as helping the private sector make money out of financial services [for] the poor" (ibid.) in the name of financial inclusion through the collateralisation of cash transfer programmes. Through locally organised and managed *stokvels* among friends, the study participants were able to support each other in turn financially. Rotational *stokvels* are well documented in South Africa and the southern African region (FinMark Trust 2018).

Mader (2018) asserts that proponents who claim that financial inclusion is directly associated with economic growth and development not only lack an evidential basis (ibid. 462) but also fail to appreciate that growth and development give rise to financial inclusion (ibid. 478). The proponents of financial inclusion seem to be putting the proverbial cart before the horse, thereby focusing on symptoms of poverty and underdevelopment rather than the root causes (ibid. 479). The substitution of the goal of the transformation of the structure that causes and perpetuates poverty by the seemingly insincere attention to the symptoms of poverty through repurposing and subjugating social policy to capital market development should be recognised as a contested and contestable enterprise (ibid. 478–480; Lavinas 2018: 514). The study participants demonstrated this contestation by showing that though they needed capital to grow their income activities, they were conscious of the interests of possible providers. That is why they differentiated between 'government loans' and 'market loans' and preferred the former. They chose to avoid indebtedness, which has become the "norm" (Lavinas 2018), even when the payment system entices them to accept loans guaranteed by cash transfer. The quest to make a profit through cash transfer programmes is a clear example of Fischer's (2020) observation that institutions of the Right have been shrewder in channelling social interventions to strategically deepen capitalism than the Left has managed to further its objectives. Esping-Andersen's (1990) theoretical conceptualisation of welfare state regimes seems to be silent about the desperate push to seek profit from the poor using the same state intervention it employs for poverty relief. This further reinforces the notion that social policy and development are being watered down, as opposed to the trajectory followed in Western Europe (Adesina 2020). The collateralisation of cash transfers not only defies Esping-Andersen's concept of the de-commodification of goods and services but also makes the notion of re-commodification possible, not based on the state's termination of the intervention, but due to the markets' aggressive pursuit of profit.

CONCLUSION

This study identifies participants' aversion to taking loans to grow their income-generating activities. They became members of *stokvels*, *through which they raise capital to grow and boost* microenterprises, thereby avoiding engagement with the for-profit financial market. Most study participants revealed that even though they need capital to boost their various income activities, they object to the collateralisation of the cash transfers. The literature regarding the impacts of cash transfers on collateralisation has grown. However, this study's contribution is an exposé of beneficiaries' qualitative disposition and their initiative in the form of financial management mechanisms such as *stokvels* through which they respond to the financial challenges associated with their income-generating activities. Last, the study implies the need for an effective financial support mechanism attuned to beneficiaries' fears.

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