

NON-BANKING SOLUTIONS FOR UNDERBANKED CONSUMERS

BY

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DECLARATION

I, Sinovuyo Koza, hereby declare that:

- The content of this treatise represent my own original work.
- All sources used or referred have been documented and referenced.
- This treatise has not been previously submitted for assessment in full or partial fulfilment of the requirements for an equivalent or higher qualification at any other recognised education institution.

The opinions expressed and conclusions arrived at, are those of the researcher and not necessarily of the Nelson Mandela University.

Sinovuyo Koza

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ABSTRACT

The main problem identified leading to this study is that only 28 percent of South African consumers aged 15 years and older make use of formal banking facilities (Global Findex, 2014), it is thus reasonable to question what the other 72 percent of South African consumers are using to access financial services. The primary objective of this study was to determine what non-banking financial services are available as an alternative to formal banking. In order to give effect to the primary objective of this study, the following secondary objectives were formulated. A few non-banking financial institutions were identified including retailers such as pep, shoprite, woolworths and pick n pay, traditional methods such as stokvels, burial societies and credit-rotating the final non-banking financial institution discussed in the study is micro-finance institutions underbanked consumers have access to financial services through these institutions. Retailers can reach consumers who previously lacked access to financial services. Retailers have a better understanding of consumer needs as they already have an established relationship with consumers. The relationship between consumers and retailers is often a more personal one which gives consumers reassurance that retailers have their best interests at heart, retailers do not discriminate against consumers who are considered not bankable, financial services that are provided through retailers are offered at a reduced cost, do not have any hidden costs and no monthly fee is required. The formal banking sector however regulates the products financial products and services offered by retailers. Although retailers offer financial services at lower costs, they usually have a higher interest rate than traditional banks. Consumers in need of financial services often struggle viewing retailers as financial service institutions as retailers have limited marketing efforts directed at presenting their financial service offerings.

The financial inclusion of underbanked consumers in South Africa requires all parties that provide financial services to play their part in providing efficient and transparent services to these consumers. Researchers in South Africa have not been productive enough in finding solutions for financially excluded consumers, as research on the matter is limited. More research needs to be done on the matter and consumers need to be made aware of the solutions that are available as an alternative to banking with the formal banking sector. South Africans should go back to their roots and make use

of traditional methods that are available which are more trustworthy and reliable. Furthermore, retailers have been playing an important role in bridging the gap between banked and underbanked consumers and should thus make consumers more aware of the financial solutions they have to offer.

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CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

The Global Findex (2014) research shows that only 28 percent of underbanked, low-income South African consumers aged 15 years and older make use of formal banking facilities. This raises a question as to what the remaining majority are using. Due to the large unexplainable fees required by banks, the lack of literacy of underbanked consumers, the distrust of consumers, unemployment, and the lack of services that consist of saving, loans and investments are some of the reasons why consumers choose not to participate in the formal banking sector (Jamison, 2017; Lyons and Scherpf, 2005; Marous, 2014). It is possible to suggest that the formal banking sector may not be willing to service underbanked consumers because they are not willing to spend large sums of money on a segment of the market that would not be profitable (Marous, 2014)

Underbanked consumers are characterised as a group of consumers who may own a bank account, yet make use of other outlets that are not in the formal banking sector to perform financial services such as money orders, loans, check cashing services, and prepaid cards (Tescher, Sawady and Kutner, 2007:3). According to Lyons and Scherpf (2005:217), underbanked consumers often share the same characteristics such as unemployment, low income, young, and being uneducated. These consumers do not trust in the formal banking system with managing their finances effectively and achieving their financial goals (First Data Corporation, 2015:1). Most consumers are underbanked due to lack of access to financial services offered by formal banks (Jackson, Ortega, Costle, Garbelavage, Karpa, Walters and Vasallo, 2010:6). Underbanked consumers can thus be described as individuals who in the absence of formal banking financial services seek alternatives to perform these financial services such as saving, loans and investments.

Financial services are services provided by finance institutions to consumers to assist them in handling their finances. There is a wide range of financial services offered to consumers including, but not limited to, real estate, personal finance, banking, and insurance products (Asmundson, 2011). Other financial services offered in the broad

spectrum include, pension funding, credit, investment, tax, auditing, and book-keeping (Archer, 2008:2).

The absence of financial services provided to underbanked consumers by the formal banking sector has brought an opportunity for retailers to offer these services in a convenient way for underbanked consumers (Fox and Woodal, 2006:19). These retailers are linked to large formal banking companies which will be discussed in the next section. The services offered by retailers include transactional, savings, insurance and credit products. The offering of financial services by retailers creates a pleasurable situation for both parties where the underbanked consumers gain financial inclusion and the retailer gains profit and increases sales. (Finmark Trust , 2014).

Due to being excluded from accessing formal banking structures, Black South Africans developed informal financial structures to aid in accessing financial services (Moloi, 2011:1; Schulze, 1997:19). According to Matuku and Edwell (2014:504), a well known informal financial service structure in South Africa is a stokvel, which is a group of people creating a savings scheme by contributing a certain amount of money either weekly, bi-weekly, or monthly. Given the introduction to the study, it is thus clear that underbanked consumers struggle accessing financial services as formal banks view them as an unprofitable market.

1.1 PROBLEM STATEMENT

Given that only 28 percent of South African consumers aged 15 years and older make use of formal banking facilities (Global Findex, 2014), it is reasonable to question what the other 72 percent of South African consumers are using to access financial services. In light of the above, it is clear that alternative means of accessing financial services for underbanked consumers should be investigated.

1.2 PURPOSE OF THE STUDY

The purpose of this study is to investigate the possible alternatives to formal banking services that underbanked consumers in the Nelson Mandela Metropolitan area may

be using. In doing so, it is hoped that insights can be provided as to how to best service this market.

1.3 RESEARCH OBJECTIVES

In order to achieve the purpose of the study, the primary and secondary research objectives are presented below.

1.3.1 PRIMARY RESEARCH OBJECTIVES

Primary objective of this study is to determine what non-banking financial services are available as an alternative to formal banking.

1.3.2 SECONDARY RESEARCH OBJECTIVES

To give effect to the primary objectives of the study, the following secondary objectives have been formulated:

- a) To investigate what alternatives are available for underbanked consumers to access financial services other than the banking sector.
- b) To identify an appropriate data set from related and supporting literature and previously collected data in the field of banking and financial planning.
- c) To evaluate the data set to ensure the appropriateness for the research topic.
- d) To provide conclusions and recommendations to the formal banking sector as well as non-banking financial institutions to enhance financial inclusion for underbanked consumers.

1.3.3 RESEARCH QUESTIONS

- a) What are the alternatives of accessing financial services other than formal banking institutions?
- b) What are the benefits of using retailers to access financial services?
- c) What are the possible barriers to using retailers as alternatives to financial institutions?
- d) Which traditional methods can underbanked consumers use to perform their financial needs?

1.4 LITERATURE OVERVIEW

Underbanked consumers can be referred to as a group of consumers who make use of non-banking financial methods to substitute formal banking financial services. This is due to the limited access these consumers have to formal financial services and products offered by retail banks. (City of Tshwane, 2016:2). Research shows that underbanked consumers are in the working environment and doing all they can to manage their finances responsibly, these consumers may own an account with a formal retail bank but still make use of non-banking financial institutions to access financial services and products (First Data Corporation, 2015).

According to Tescher *et al.* (2007:5), underbanked consumers have similar characteristics with low-moderate income levels, have little to no trust in formal banking, limited access to bank facilities, and have limited financial knowledge.

Underbanked consumers do not have trust in formal financial institutions and feel that their money is not managed effectively. The unexplainable fees charged by banks further push this segment of the market away from formal banking institutions (First Data Corporation, 2015).

Retailers in South Africa have stepped in to fill in the gap left by formal banking institutions, underbanked consumers now have access to financial services and

products such as transactions, savings, insurance, and credit products provided through retailers (Finmark Trust, 2014:2).

Retailers that act as non-banking institutions include Pep stores, a large retailer which saw a huge opportunity to assist underbanked consumers to ensure that they are not financially excluded. Pep money is a solution to all underbanked consumer problems, the retailer introduced a safe and affordable way to own a card with which one can use to transact, save, pay bills, transfer money, and shop. All that is required is an ID book, cellphone number and R20 for the first deposit. Owning a pepmoney card is affordable because there are no monthly fees, you can check your balance for free and there are no hidden costs. Consumers also receive a free funeral cover embedded in the bank account which values at R5000. (Pep, 2017).

Pick n Pay also offers non-banking financial solutions to underbanked consumers. A particularly interesting programme is the Pick n Pay family benefit programme which allows customers to provide food for their families even when they are no longer around. The family benefit is described as grocery insurance where you pay R50 or R100 per month and get R500 or R1000 respectively to purchase groceries for 24 months. Pick n Pay also offers money transfer services that cost only R9.90 for each transaction. A customer only registers once and can send R5000 per day with a limit of R15 000 per month. (Pick n Pay, 2018).

Woolworths financial service is another example of a retailer providing financial solutions to underbanked consumers. Woolworths offers a woolworths card which allows a consumer to deposit money to spend at woolworths stores, a simple process of obtaining loans in store, and consumers can also get insurance (Woolworths, 2018). The last example of retailers acting as non-banking financial institutions is Shoprite, through the money market counters at Shoprite consumers can access a wide range of financial services. For small business owners Shoprite offers a business card which gives business owners discounts and 30 days to pay when purchasing stock. The EduCard is another solution for students. The card is loaded with money and students get 2.5% discounts on all purchases. Apart from the benefit cards offered by Shoprite one can pay the following service provider accounts at the money market; multichoice,

SABC licences, Telkom, HomeChoice, SAMBA and many more. Shoprite also offers money transfer services at a fee of R10. (Shoprite, 2018).

In the past, South Africa was faced with apartheid and this led to inequality and injustice for the black communities. Due to these inequalities the black community could not get access to the formal banking sector. (Schulze, 1997). Stokvels were created by the black community to assist black people in accessing financial services without having to deal with the inequalities of formal banking systems. A stokvel is described as a self-help initiative where individuals form groups to save, invest and attain assets. Stokvels play a huge role in alleviating poverty and ensuring individuals are not financially excluded (Matuku and Edwell, 2014).

Another form of traditional financial solution is credit-rotating where only relatives or friends are allowed in a group, in this system each individual earns a certain amount of credit either weekly or monthly this system is rotated between all the members until each of them receive the credit and then it starts with the first member again. (Schulze, 1997).

1.5 RESEARCH DESIGN AND METHODOLOGY

According to Kumar (2005), the research design is the arrangement of the study and guides the researcher on how to conduct the research. Rajasekar, Philominathan and Chinnathambi (2013:22) define research design as the foundation of conducting research where the approaches that will be used in solving the identified problem are indicated.

1.5.1 RESEARCH PARADIGM

According to Rahi (2017:1) the word research paradigm is the shared beliefs of scientists, a philosophical way of thinking (Kuhn, 1962), the lens through which researchers view the world (Kuvinja and Kuyini, 2017:26; Wayhuni, 2012:69), a guideline of how problems that arise need to be understood (Rahi, 2017:1) and report the philosophical dimensions of social sciences (Wayhuni, 2012:69). Paradigms are

thus important as they show how researchers interpret data based on individual experiences (Kujawa and Kuyini, 2017:26).

The core belief of the interpretivist approach is that reality is socially constructed (Eusafzai, 2014:180; Dammak, 2015:5). The interpretivist paradigm uncovers realistic experiences, understandings and perceptions of individuals to gather data rather than rely on statistical numbers. A critical part of the interpretivist paradigm is the understanding of the context in which the research will be conducted. (Thanh, N and Thanh, T, 2015:25).

A qualitative study is textual based and is an all-inclusive approach that involves building new theories. Qualitative researchers attempt to explain questions that arise from observed elements (Williams, 2007:67). Golafshani (2003:599) asserts that qualitative research employs a naturalistic approach seeking to understand the real world view of phenomena without manipulating it.

The qualitative approach and interpretivist paradigm will be employed for the purpose of this study as there is little known information about the research problem. The following table will discuss the advantages and disadvantages of the approach utilised in this study.

1.5.2 SECONDARY DATA COLLECTION

According to Boslaugh (2007:4) secondary data is not new data but data that already exists or purposes other than the research being conducted. For the purpose of this study both secondary and primary data will be collected. Secondary data will be collected using international and national data sources through the library of Nelson Mandela University which to date include: EBSCO host, Google scholar, Google searches and Emerald

1.5.3 PRIMARY DATA COLLECTION

Primary data is data that is collected by a researcher for the purpose of the study currently conducted. Primary data is new data that has never been collected before. (Johnston, 2014:619; Koziol and Arthur, 2012:1).

1.5.3.1 Sampling and sample size

For the purpose of this study the criterion sampling strategy will be employed. To determine the sample of this study the following criteria will be utilised:

- Journal articles, corporate and government reports, dissertations and news articles that show up first when searching for the following key words “underbanked consumers”, “traditional methods of banking”, “stokvels”, “retailers banking services”
- After searching for the key words, the researcher will only make use of articles with the highest number of citations on the academic sites.
- Only credible and reputable newspaper articles will be considered for further data analysis.

1.5.4 DATA ANALYSIS

Once primary data has been collected, a data analysis procedure will be undertaken using the appropriate methods which will include Microsoft excel and Atlas Ti. For the purpose of this study a content analysis will be undertaken using qualitative data that will be collected in a quantitative nature.

1.5.4.1 Validity and reliability

According to Ling (2005:81), the purpose of research is to provide valid conclusion thus the conceptual and scientific soundness of a research project has to be determined. Validity measures the extent to which the results measure the intended

purpose of the research (Golafshani, 2003:599). According to Trochim (2006), qualitative studies have a different criterion when checking for the validity of the research. The research study must be credible, transferable, dependable and confirmable.

Joppe (2000) In Golfshani (2003:598) describes reliability as “the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable”. Reliability is also defined as a measurement technique of consistency or dependability of the conducted study (Ling, 2005:103).

1.6 STRUCTURE OF THE RESEARCH

Chapter One is the introductory chapter of this study and provides an introduction and background to the topic under investigation. The problem statement, the purpose of the study and the research objectives of the study follows the introduction and background. The research questions and research hypotheses that the study aims to address are also presented in Chapter 1. The secondary and primary research methods are described and the scope and demarcation of the study outlined. The chapter concludes by highlighting the significance of the study.

In **Chapter Two**, a literature review will be conducted to discover the alternative institutions underbanked consumers can make use of to access financial services other than the formal banking sector. The nature of underbanked consumers will be discussed. This will be followed by an analysis of the various retailers operating as non-banking financial institutions as well as the benefits and barriers of using these non-banking financial institutions. Traditional methods of accessing financial services will be briefly discussed. Chapter Two will then be concluded with a discussion of micro-finance institutions used by underbanked consumers to access financial services.

Chapter Three is a comprehensive chapter that explains and motivates the research design by elaborating on the research paradigm and research methodologies that are

selected for the study. The several research and sampling methods will be described. Furthermore, methods used to analyse the data and assess the reliability and validity of the measuring instrument will be identified.

Chapter Four will present the results of the data analysed. This also includes determining the reliability and validity of the data. To establish the extent of literature on non-banking options available, a content analysis will be conducted and will be described in this chapter. Face and content validity as well as interrater reliability will be used to assess the validity and reliability of the study.

Chapter Five is the concluding chapter and provides a summary of the contents in the previous chapters of the study. Conclusions and recommendations will be drawn from the literature review and empirical section. The contributions and limitations of the study will be addressed and discussed and the chapter will be closed by providing recommendations for future research.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

In this chapter, a literature review will be conducted to discover the alternative institutions underbanked consumers can make use of to access financial services other than the formal banking sector. The nature of underbanked consumers will be discussed. This will be followed by an analysis of the various retailers operating as non-banking financial institutions as well as the benefits and barriers of using these non-banking financial institutions. Traditional methods of accessing financial services will be briefly discussed. Chapter Two will then be concluded with a discussion of micro-finance institutions used by underbanked consumers to access financial services.

2.2 THE NATURE OF UNDERBANKED CONSUMERS

Studies conducted have shown that underbanked consumers are usually low income earners and keep small bank balances (Dass and Pal, 2011:8; Jackson *et al.* 2010:5; Mugabi, 2010:1; The Microfinance Review, 2013:1). Moreover, they are more likely to be young, black, unemployed and reside in low-to-moderate income communities (Lyons and Scherpf, 2004:3). The underbanked group is estimated to consist of over 40 million consumers (Tescher *et al.* 2007:3). The two primary areas where most underbanked consumers are employed include the retail and quick serve restaurant sector, which have a relatively low income (Richard, 2017).

According to a study conducted by Tescher *et al.* (2007:3) underbanked consumers have unique financial needs than banked consumers, they place a greater importance on the intangible aspects of receiving financial services such as trust, safety, respect, security and a sense of belonging rather than just appropriate products and services.

Underbanked consumers have at least one bank account but due to lack of accessibility to the formal banking sector they make use of formal banking financial

services at least once a year (Dass and Pal, 2011:2; First Data Corporation, 2015:1; Fox and Woodal, 2006:2).

According to Tescher *et al.* (2007:5), underbanked consumers have similar characteristics with low-moderate income levels, have little to no trust in formal banking, limited access to bank facilities, and have limited financial knowledge. Underbanked consumers do not have trust in formal financial institutions and feel that their money is not managed effectively. The excessive fees charged by banks further push this segment of the market away from formal banking institutions (First Data Corporation, 2015).

Underbanked consumers are comfortable with the informal economy — a trusted network of friends, family and community members, including check cashers — and are often confused by mainstream institutions and their policies (City of Tshwane, 2016:2; Tescher *et al.* 2007:4). Although interested in learning and gaining more knowledge on financial matters underbanked consumers lack resources and time and thus rely on the informal economy for transparency. Underbanked consumers are comfortable with informal institutions that provide financial services, as they prefer less formal physical environments that provide safety and confidentiality. (Tescher *et al.* 2007:4).

Research shows that underbanked consumers are in the working environment and putting effort into managing their finances responsibly, although these consumers have possession of a bank account with a formal bank they still make use of non-banking financial institutions to access financial services and products (First Data Corporation, 2015). According to Lyons and Schrepf (2004:4), the underbanked perceive to be manipulated into believing that making full use of a bank account exceeds the cost of remaining underbanked. A number of underbanked consumers have had unpleasant experiences with the formal banking sector and due to this have resorted to informal financial service providers (First Data Corporation, 2015:2; Marous, 2014).

2.3 RETAILERS AS NON-BANKING FINANCIAL INSTITUTIONS

Hudson (2018) defines retailers as dealers selling goods such as clothes, groceries, or vehicles directly to consumers in aim of earning a profit they make use of various distribution channels to get through to consumers. Retailers are the final linkage in the supply chain as they do not manufacture the goods they sell but rather purchase from large wholesalers (Hudson, 2018).

Underbanked consumers were previously an overlooked market however, businesses are becoming increasingly interested in providing financial services for this market as it turns out to be more appealing than in previous years (Wojciechowski, 2017). There is a phenomena occurring where retailers in South Africa have stepped in to fill the gap that is left by formal banking institutions by providing underbanked consumers access to financial services and products such as financial transactions, savings, insurance, and credit products.(Finmark Trust, 2014:2).

The formal banking sector neglected the underbanked sector as these consumers have limited financial needs and resources, however they are highly diverse and have diverse needs that the formal banking sector does not consider economically viable (Marous, 2014) . Retailers have been the driving force in pushing for full financial inclusion (Arebehety and Ortner, 2012). Retailers have an added advantage as they already have well established relationships with consumers which makes it easier for consumers to trust and be confident in their financial service offerings (Duffy, 2008:16).

Financial services provided to South African consumers are highly regulated and supported by a legal framework. The Banks Act 1990 and the Mutual Banks Act 1993 govern the financial services sector. (South Africa's financial sector, 2017). The South African Reserve Bank is the central bank of South Africa that continuously assesses the stability and efficiency of the financial system of South Africa (South African Reserve Bank, 2018). The Financial Services Board that aims to promote fair treatment of consumers when dealing with financial products and services protects consumers in South Africa. (Financial Sector Conduct Authority - FSCA, 2018)

The following section is a discussion of retailers in South Africa operating as financial institutions offering financial services to consumers.

2.3.1 PEP STORES

Pep stores is one of Pepkor's most well-known clothing and footwear retailer targeting lower to middle-income consumers (Douglas, 2014). Pep has grown into the largest single brand clothing retailer in South Africa with a network of approximately 1200 stores in South Africa and an additional 123 stores across Namibia and Botswana. Pep stores are often located in rural areas where access to financial services are limited. (Pep, 2018).

Pep stores seized an opportunity to assist underbanked consumers to ensure that they are not financially excluded. Pep currently offers customers a range of transactional products including store to store money transfers, cash withdrawals at till point, funeral insurance and lay-byes as well as personal loans underwritten by Capfin. (Douglas, 2014).

Pep money offers a solution to some underbanked consumer problems, the retailer offers a safe and affordable way to own a card with which one can use to transact, save, pay bills, transfer money, and shop. The pepmoney card offers an affordable solution for underbanked consumers as there are no monthly fees required. The pep money card is underwritten by ABSA Bank Limited. (Pep, 2018).

2.3.2 PICK N PAY

Pick n Pay, the second largest supermarket retailer in South Africa, was established in 1967 and currently has 283 franchise stores operating in South Africa. Pick n Pay also offers non-banking financial solutions to underbanked consumers. (Pick n Pay, 2018).

Pick n Pay introduced a family benefit programme which allows customers to provide food for their families even when they are no longer around. The family benefit is described as grocery insurance where the consumer pays R50 or R100 per month

and receives R500 or R1000 respectively to purchase groceries for 24 months. Pick n Pay also offers money transfer services that cost only R9.90 for each transaction. A customer only registers once and can send R5000 per day with a limit of R15 000 per month. (Pick n Pay, 2018).

Furthermore, Pick n Pay in partnership with ABSA Bank Limited has launched a new financial solution for underbanked consumers. Consumers can now open a Grocery Stokvel account with Pick n Pay which allows stokvels to earn interest on their savings. (Bhana, 2018).

2.3.3 WOOLWORTHS

Woolworths Holding Limited a multinational retail company with over 638 stores with 217 of the stores operating as full line stores offering financial services to consumers. Woolworths offers a woolworths card which allows a consumer to deposit money to spend at woolworths stores, a simple process of obtaining loans in store, and consumers can also get insurance. Woolworths is able to provide credit cards to consumers through ABSA Bank Limited. Financial services offered by Woolworths also include personal loans and insurance, separated into balance protection insurance, and travel insurance (Woolworths, 2018).

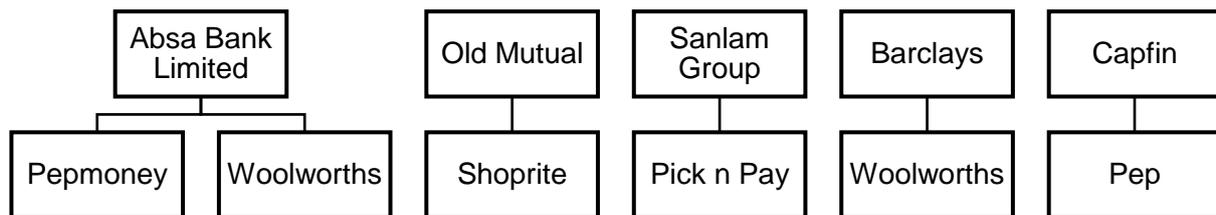
2.3.4 SHOPRITE

Shoprite is the largest supermakert retailer in Africa with approximately 2 811 outlets serving local communities (Shoprite Holding Ltd, 2018). Shoprite separates its financial services offering from its main retail offering in store by having a separate counter for financial services, called the Money Market. Through the money market counters at Shoprite consumers can access a wide range of financial services. For small business owners Shoprite offers a business card which gives business owners discounts and 30 days to pay when purchasing stock. The EduCard is another solution for students. The card is loaded with money and students get 2.5% discounts on all purchases. (Shoprite, 2018)

Apart from the benefit cards offered by Shoprite one can pay the following service provider accounts at the money market; multichoice, SABC licences, Telkom, HomeChoice, SAMBA and many more. Shoprites extensively used financial service is the money transfer services where consumers can transfer money from store to store at a fee of R10. (Shoprite, 2018).

As mentioned in the introduction of the study the financial services sector is highly regulated and retailers partner with large formal banking companies to provide financial services. Figure 2.1 illustrates the partnerships between retailers offering financial services and formal banking companies.

FIGURE 2.1
HOW RETAILERS PROVIDE FINANCIAL SERVICES



Source: Researcher's own construction

2.3.5 REGULATIONS

Financial services provided to South African consumers is highly regulated and supported by a legal framework. The Banks Act 1990 and the Mutual Banks Act 1993 govern the financial services sector. (South Africa's financial sector, 2017). Retailers operate as financial institutions under the formal banking sector as they do not have the legal rights to operate as financial institutions. The graph above illustrates an image of how retailers are able to provide financial services through the formal banking sector.

2.3.6 ADVANTAGES OF USING RETAILERS AS FINANCIAL INSTITUTIONS

The distribution of financial services has the potential of reaching consumers who previously lacked access to financial services offered by the formal banking sector (Ivatury and Mas, 2008:1). According to Risso (2010:66), retailers have a better understanding of consumer needs as they already have an established relationship with consumers. Moreover, the relationship between consumers and retailers is often a more personal one that gives consumers reassurance that retailers have their best interests at heart (Duffy, 2008:17). Mugabi (2010:10) stated that some consumers are not considered bankable by the formal banking sector. Retailers thus do not discriminate against consumers who are considered not bankable and render services to all consumers.

Underbanked consumers are often in the low-income market and thus do not have disposable income to spend on fees that charged by the banking sector. According to Ivatury and Mas (2008:1), financial services that are provided through retailers are offered at a reduced cost. Most financial services offered by retailers do not have any hidden costs and no monthly fee is required (Ivatury and Mas, 2008:1). The pep money card is an example of how retailers are transparent with their financial service offerings. (Pep, 2018).

2.3.7 DISADVANTAGES OF USING RETAILERS AS FINANCIAL INSTITUTIONS

Retailers are able to offer financial services through partnerships with the formal banking sector, which regulates the products that these service providers offer (Risso, 2010:72). Arabehty and Ortner (2012) state that although retailers offer financial services at lower costs they usually have a higher interest rate than traditional banks.

Consumers in need of financial services often struggle viewing retailers as financial service institutions as retailers have limited marketing efforts directed at presenting their financial service offerings (Duffy, 2008:16).

2.4 TRADITIONAL METHODS

Black people in the pre-colonial South Africa were able to provide for all their needs and depend on each other should one need help. In 1652, when the first white people arrived in South Africa black people were dominated and controlled by colonialism (Moloi, 2011:1). This was called apartheid and led to inequality and injustice for the black communities. Due to these inequalities the black community could not get access to the formal banking sector. (Matuku and Edwell, 2014; Schulze, 1997). Stokvels, burial societies and credit rotating programmes were developed by Black communities as community savings programmes that operate as financial service offering platforms (Swart, 2016).

According to Ndwandwe (2016) the word stokvel might have originated from the word stock fair which was the term used by English settlers to call auctions. Stokvels were created by the black community to assist black people in accessing financial services without having to deal with the inequalities of formal banking systems. According to Phahlane (2018:6) numerous women who are faced with challenges start stokvel groups as a way to empower, guide and support each other through difficult situations. A stokvel is described as a self-help initiative where individuals form groups to save, invest and attain assets. Stokvels play a huge role in alleviating poverty and ensuring individuals are not financially excluded (Matuku and Edwell, 2014). According to Moloi (2011:1) stokvels are a form of survival for black communities aimed at providing support to individuals through savings, emotional support during hardships and providing entertainment.

Authors have varied definitions for stokvels the most popular being the following. A type of credit union in which a group of people enter into an agreement to contribute a fixed amount of money for a common pool weekly, fortnightly or monthly (Lukhele, 1990). Stokvels are group saving schemes providing for mutual and financial well-being as well as social and entertainment needs (African response research, 2012:2). Stokvels are known as internal groups with goals that define themselves from the external wider (community) groups (Moloi, 2011). Stokvels are self-help initiatives designed to respond to the problems of poverty and income insecurity in communities (Matuku and Kaseke, 2014). A savings or investment group usually made up of like-minded individuals with similar goals to which members regularly contribute an agreed

amount (Ndwandwe, 2016). A stokvel can be defined as an umbrella term used to describe informal savings organisations in the African community in South Africa (Mashigo and Schoeman, 2010:1)

Ndwandwe (2016) defines stokvels as a savings or investment group usually made up of like-minded individuals with similar goals to which members regularly contribute an agreed amount. This definition will be used for the purpose of this study as it clearly illustrates the purpose of stokvels and explains how they operate.

Stokvels have become a big business with over 421 000 stokvels including 8.6 million individuals (Ndwandwe, 2016). South African stokvels currently have a value of more than R44 billion. (Mulaudzi, 2017). According to Calvin and Coetzee (2010) the formal banking sector considers stokvels to be informal. However, stokvels are fairly structured and governed by a constitution affirmed by the Stokvel Social Trust (Mphahlele, 2011). NASASA short for National Stokvel Association for South Africa is a self-regulatory organisation where stokvel members can register their stovel groups to validate the existence of the group. This organisation provides a suggested constitution stating how stokvel groups can govern their operations (NASASA, 2018).

Table 2.1 depicts the various characteristics of stokvels. It is an indication of the requirements of achieving a successful stokvel group.

TABLE 2.1
CHARACTERISTICS OF STOKVELS

STAMINA	Stokvels have a spirit of endurance and determination to save even in bad situations.
OBEDIENCE	Members of stokvels have rules and regulations they need to abide to, face penalties, or possibly be excluded from the social group.
TRUST	A key characteristic of stokvels is that of trust as members do not have the means check the credit records of members and therefore, rely on trust.

TABLE 2.1 (CONTINUED)
CHARACTERISTICS OF STOKVELS

KIND	Special loans can be granted to members during tough times, such as, death, sickness and divorce.
EMPOWERING	The main aim of forming stokvels is to empower and learn from each other.
VISIONARY	The survival of a stokvel is dependent on whether the members share values and a common vision.
EAGER TO LEARN	There is always eagerness to learn better ways of saving and investing, entrepreneurship skills, and getting exposure to meaningful events

Source: (BSK marketing, 2016)

The table below is a brief discussion of the various types of stokvels available in South Africa.

TABLE 2.2
TYPES OF STOKVELS

GROCERIES STOKVEL	Money is contributed monthly for the purpose of purchasing groceries. Food is bought in bulk at the end of the year and is meant to last the different households during December holidays
KHULANAYE	Members contribute a premium at the start of the stokvel but the premium accumulates in the months to follow and the contributions are divided amongst the members at the end of the year. Ex. members contribute R50 as the premium for the first month, the following month the members will be required to pay double the premium, which accumulates, to a large sum of money.
PURE SAVING STOKVEL	A simple stokvel where members can earn interest through saving money.

TABLE 2.2 (COTINUED)
TYPES OF STOKVELS

BIRTHDAY STOKVEL	Usually started by a group of friends. Members purchase gifts or contribute financially when a certain member celebrates their birthday.
ROTATING STOKVEL (JIKELEZA)	Requires a maximum of four people, which divide the year in quarters so each contributes equal amounts and decide on which quarter each member, will receive their share.

Source: (Moloi, 2011:7)

According to Kretzmann (2015) black South Africans consider funerals as a big affair that specifies the prestige of the deceased and therefore cutting costs and using cheaper alternatives is avoided. Burial societies were developed by black communities to cover the expensive funeral costs (Kretzmann, 2015).

Burial societies operate like stokvels where contributions are made monthly however the money is only paid out in the event of death. The benefits of burial societies include, low premiums, no extra costs, funds can be easily accessed, no waiting period and the members of the society lend a helping hand on the day of the funeral. (Botes, 2016)

Another form of a traditional financial alternative is credit-rotating societies where only relatives or friends are allowed in a group, in this system each individual earns a certain amount of credit either weekly or monthly this system is rotated between all the members until each of them receive the credit and then it starts with the first member again (Schulze, 1997).

2.5 MICRO-FINANCE

According to Mugabi (2010:11) micro-finance is defined as the delivery of financial services such as, savings, credit and insurance to consumers who do not have access to formal financial institutions. The Microfinance review (2013:12) on the other hand

defines micro-finance as the provision of services such as, deposit services to low income consumers, microloans to consumers who earn a salary, and microenterprise loans.

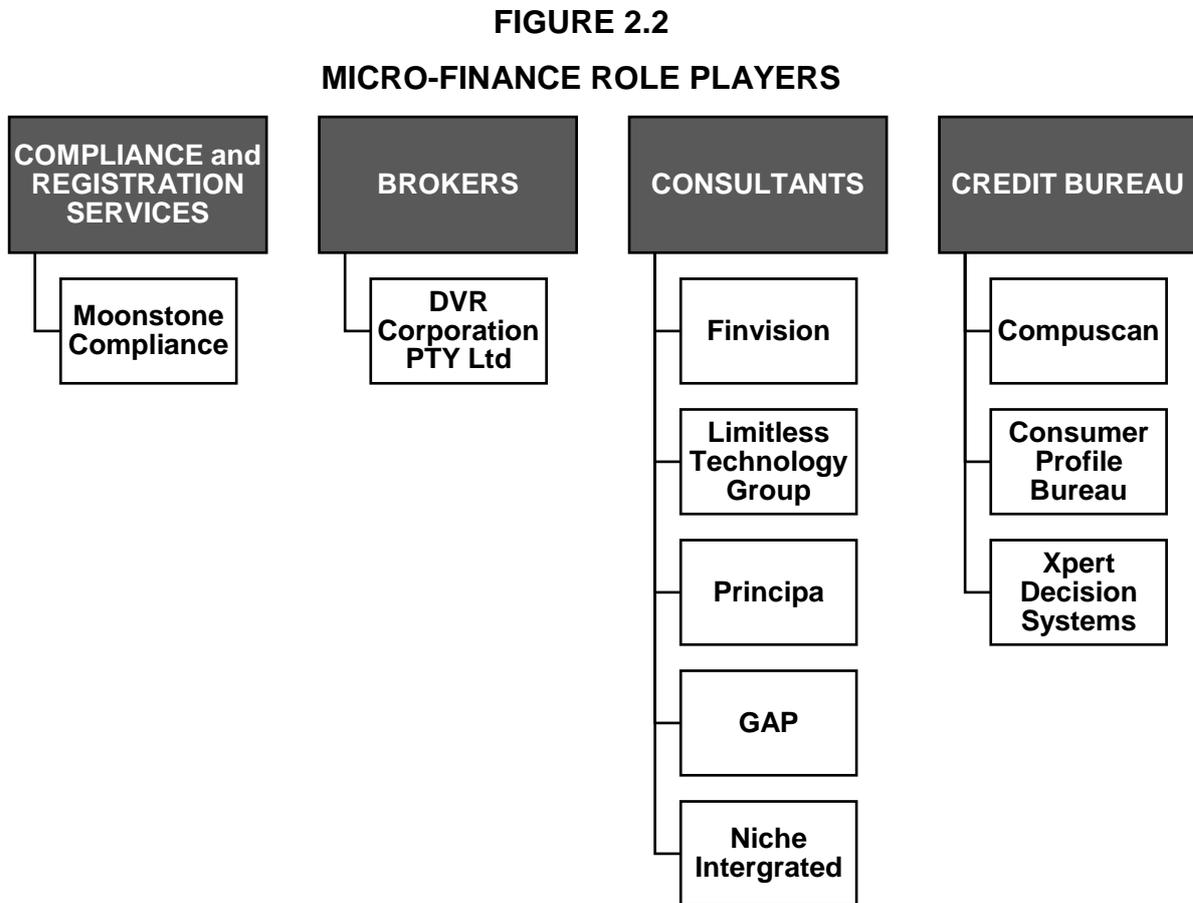
Micro-finance and micro-credit are often used interchangeably however these concepts have different meanings. Micro-credit is the provision of small loans (micro-loans) to the unemployed, entrepreneurs that lack funds and consumers who are rejected by the banking sector and not considered bankable (Mugabi, 2010:10). Micro-credit is divided into two categories namely the formal and informal institutions (Daniels, 2004:831). For the purpose of this study, the focus will be on the formal institutions.

Micro-enterprise lenders, salary-based micro lenders, co-operative financial institutions, alternative banks, affordable housing finance suppliers and retailers (The Microfinance review, 2013:12) cater for the provision of these services in South Africa. Micro-finance South Africa is an institution that regulates the micro-finance sector of South Africa and acts as the representative body of registered and legal microfinance credit providers (Microfinance South Africa, 2018). This institution works hand in hand with the National Credit Regulator, which promotes fair and non-discriminatory access to credit for consumers, and improves the standards of information that consumers receive when accessing credit-issuing institutions (The DTI, 2018). To date 1 200 micro-finance offices were registered with the National Credit Regulator (Microfinance South Africa, 2018).

Initially the main aim of micro-finance institutions was to assist low-income groups in creating self-employment to generate a stable income and combat poverty (Mugabi, 2007:12). However, a study conducted showed evidence that majority of micro-finance loans were granted to consumers rather than start up entrepreneurs (Daniels, 2004:848).

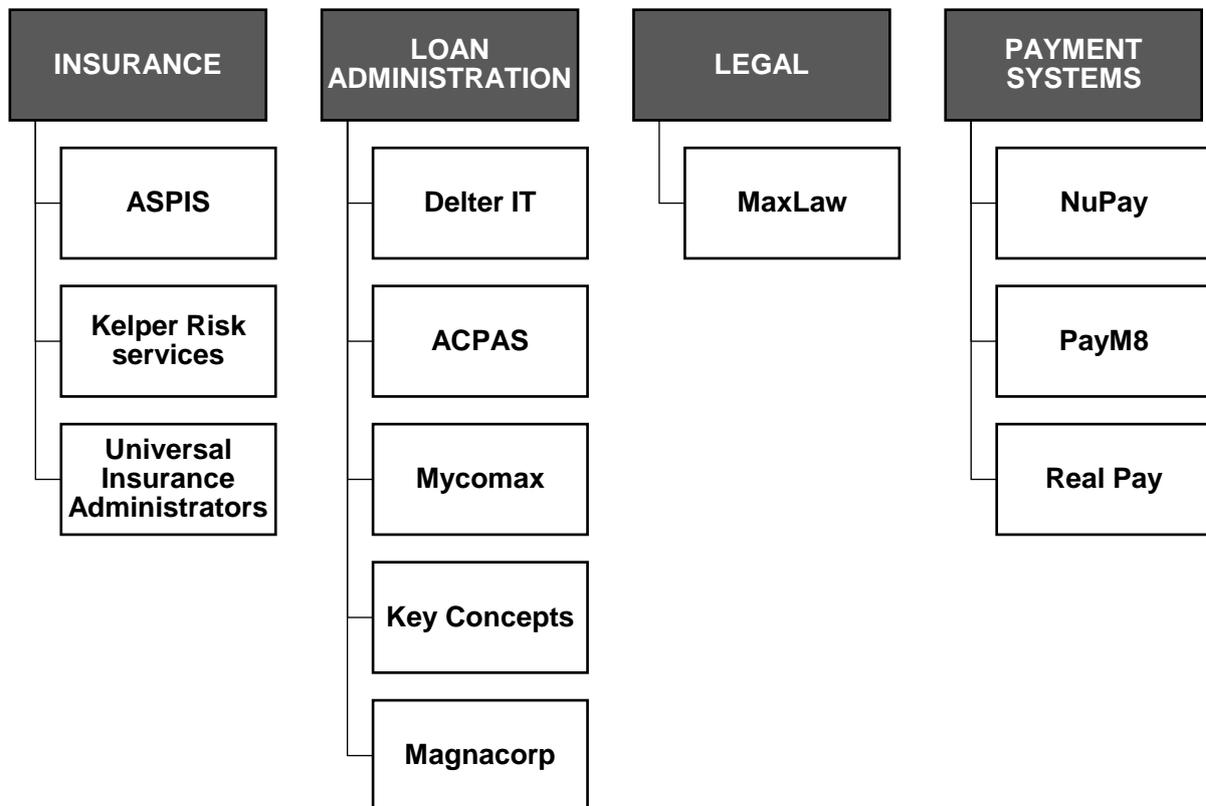
Below is an illustration of the different kinds of service providers of micro-finance services. The many services include compliance and registration services, brokers, consultants, credit bureaus, insurance, loan administration, legal services and payment systems (The Microfinance South Africa, 2018). Based on the literature on

micro-finance Figure 4.2 illustrates the services provided by micro-finance institutions in South Africa.



Source: Microfinance review (2018)

FIGURE 2.2 (CONTINUED)
MICRO-FINANCE ROLEPLAYERS



Source: Microfinance review (2018)

2.6 SUMMARY OF CHAPTER

Chapter Two provided a thorough literature review of the study and provided a description of the nature of underbanked consumers, retailers as non-banking financial institutions, advantages of using retailers as financial institutions, disadvantages of using retailers as financial institutions, traditional methods, and micro-finance as solutions to underbanked consumers financial exclusion. A few non-banking financial institutions were identified including retailers such as Pep, Shoprite, Woolworths and Pick n Pay. Traditional methods such as stokvels, burial societies and credit rotating were also discussed and the final non-banking financial institution discussed in the study were micro-finance institutions.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

The previous chapter described the literature on the non-banking alternatives for underbanked consumers. Chapter Three describes, discusses and justifies the research design and methodology of the study. The research paradigm, research design and methodology, research data collection methods and the data analysis will be discussed.

3.2 RESEARCH DESIGN

A research design refers to research planning. The research design is described as the blueprint that directs the framework of the research (Wiid and Diggins 2009:33). According to Kumar (2005), the research design is the arrangement of the study and guides the researcher on how to conduct the research. Rajasekar, Philominathan and Chinnathambi (2013:22) define research design as the foundation of conducting research where the approaches that will be used in solving the identified problem are indicated.

A researcher needs to identify the type of data that is needed to respond to the research question, whether it should be numerical, textual or a combination of both. The research design is the starting point to determine the research paradigm, methodology, sample design, tools for data collection and data analysis (Kumar, 2005:19).

3.3 RESEARCH PARADIGM AND METHODOLOGY

According to Rahi (2017:1) the word research paradigm is the shared beliefs of scientists, a philosophical way of thinking (Kuhn, 1962), the lens through which researchers view the world (Kuvinja and Kuyini, 2017:26; Wayhuni, 2012:69), a guideline of how problems that arise need to be understood (Rahi, 2017:1) and report the philosophical dimensions of social sciences (Wayhuni, 2012:69). Bogban and

Biklen (1998:22) offered an all-inclusive definition stating, “A paradigm is a loose collection of logically related assumptions, concepts, or propositions that orient thinking and research”. Paradigms are thus important as they show how researchers interpret data based on individual experiences (Kuvinja and Kuyini, 2017:26). According to Dammak (2015:2), a paradigm comprises of four parts namely: ontology (the nature of existence), epistemology (the nature of knowledge), methodology (strategy, or action plan that justifies the use and choice of certain techniques) and methods (range of approaches used in educational research to gather data, which are to be used as a basis for inference and interpretation).

The researcher’s ontological and epistemological assumptions are the determinants of the methodology and methods of research. (Eusafzai, 2014:177). Ontology is a philosophical study examining the underlying belief system of a researcher, it is concerned with the assumptions researchers make in order to believe something makes sense or is real (Kuvinja and Kuyini, 2017:27). According to Wayhuni (2012:69) the second philosophical dimension, epistemology is defined as the beliefs of the way researchers generate, understand and use knowledge deemed acceptable and valid.

Table 3.1 portrays the various paradigms, the methods that would be primarily used and the data collection methods of the paradigms. According to Mackenzie and Knipe (2006) the positivist paradigm focuses mostly on quantitative methods to collect and analyse data whereas the interpretivist paradigm utilises qualitative methods of data collection and data analysis. Rahi (2014:1) and Dammak (2015:2) state that positivist researchers select scientific methods to produce knowledge, factual understanding is believed to be obtained through observations and experiments.

The core belief of the interpretivist approach is that reality is socially constructed (Eusafzai, 2014:180; Dammak, 2015:5). The interpretivist paradigm uncovers realistic experiences, understandings and perceptions of individuals to gather data rather than rely on statistical numbers. A critical part of the interpretivist paradigm is the understanding of the context in which the research will be conducted. (Thanh and Thanh 2015:25).

TABLE 3.1
PARADIGMS, METHODS AND DATA COLLECTION TOOLS

PARADIGM	METHODS (PRIMARILY)	DATA COLLECTION TOOLS
POSITIVIST	Quantitative - although qualitative methods can be used within this paradigm.	<ul style="list-style-type: none"> ▪ Experiments ▪ Quasi-experiments ▪ Tests ▪ Scales
INTERPRETIVIST/ CONSTRUCTIVIST	Qualitative methods dominate however, quantitative methods may also be used.	<ul style="list-style-type: none"> ▪ Interviews ▪ Observations ▪ Document reviews ▪ Visual data analysis
TRANSFORMATIVE	Qualitative methods with quantitative and mixed methods.	Diverse range of tools - particular need to avoid discrimination. E.g. sexism, racism, and homophobia.
PRAGMATIC	Qualitative and / or quantitative methods. Methods are matched to the specific questions and purpose of the research.	<p>May include tools from both positivist and interpretivist paradigms.</p> <ul style="list-style-type: none"> ▪ Interviews ▪ Observations and testing ▪ Experiments.

(Mackenzie and Knipe, 2006; Mertens, 2005:12)

According to Creswell (2007:93) a quantitative study requires one to use theory deductively with the goal of testing and verifying the existing theory rather than developing new theory. Quantitative studies typically make use of numeric data collection methods and mathematical models are used to analyse the data (Williams, 2007:66). A qualitative study is textural based and is an all-inclusive approach that involves building new theories. Qualitative researchers attempt to explain questions that arise from observed elements (Williams, 2007:67). Golafshani (2003:599) asserts that qualitative research employs a naturalistic approach seeking to understand the real world view of phenomena without manipulating it. Qualitative research is built on

inductive rather than deductive reasoning as logic flows from specific to general (Onwuegbuzie and Johnson, 2004:14; Williams, 2007:67). McGregor and Murnane (2010:421) interprets qualitative research as feelings, perceptions and meanings mixed together in one research project.

The qualitative approach and interpretivist paradigm will be employed for the purpose of this study as there is little known information about the research problem. The following table will discuss the advantages and disadvantages of the approach utilised in this study.

TABLE 3.2
ADVANTAGES AND DISADVANTAGES OF QUALITATIVE RESEARCH

ADVANTAGES	<ul style="list-style-type: none"> ▪ Provides detailed descriptions of participants' feelings, opinions and experiences. ▪ The meanings of participants' actions are interpreted. ▪ Deeper insights into issues. ▪ Wide range of viewpoints, research methods and interpretive techniques. ▪ Data collection is subjective and detailed. ▪ Qualitative research design is flexible and can be constructed and reconstructed thus thorough and appropriate analyses can be provided. ▪ The majority of data collection methods require direct contact with participants ▪ The ability to understand different meanings, events and voices.
DISADVANTAGES	<ul style="list-style-type: none"> ▪ Often disregards contextual sensitivities and focuses on experiences and meanings. ▪ Low credibility is given to qualitative research results. ▪ Smaller sample sizes raise the issue of generalization to the whole population. ▪ Data interpretation and analyses may be complex due to small sample size. ▪ Analyses of qualitative research cases can be time consuming.

(Rahman, 2017:104-105)

3.4 RESEARCH METHODS

There are several research methods to conduct qualitative research. In the next section, the following methods will be discussed: observation, case studies, ethnography, interviews and content analyses.

3.4.1 SECONDARY DATA COLLECTION

The data collection aspect of research is considered as the most important as the findings and conclusions for the research are drawn from the data collected (Kumar, 2005:26). Ling (2005:95) concurs stating that even well-designed research studies would be impractical if the incorrect measurement instruments are used in the data collection process. According to Kumar (2005:28) after the research problem has been stated, the research design formulated and a sample has been selected a researcher then needs to collect data to draw inferences and conclusions for the research study.

According to Boslaugh (2007:4) secondary data is not new data but data that already exists for purposes other than the research being conducted. The secondary data collection process for this study will comprise of an in depth search on the various financial solutions underbanked consumers can make use of other than the formal banking sector.

Secondary data will be collected using international and national data sources through the library of Nelson Mandela University which to date include: EBSCO host, Sabinet, SAGE and Emerald. Academic journals will also be obtained from internet searches on Google Scholar.

3.4.1.1 Quantitative data collection methods

Observation is a process where a researcher observes the behaviour of sample units in a real life setting. The researcher does not communicate with the observed units such as people. Consequently, it is difficult to use observations for collecting internal conditions such as motivations, attitudes, experiences and other feelings. The

observation technique does not allow for generalisation to the larger population (Shukla 2008:49; Wiid and Diggins 2009:134).

Experimentation examine the cause and effect relationships where the researcher manipulates an independent variable to determine the variation in the dependent variable (Bhattacharjee 2012:83; Wiid and Diggins 2009:56). The experimentation design is used when conducting experiments and is effective in laboratories or in laboratory conditions (Quinlan *et al* 2015:146).

A survey is a process of asking respondents questions pertaining to a specified research question (Shukla 2008:44). Survey methods tend to use a questionnaire as an instrument to collect primary data and allows for the measurement of unobservable data such as people's preferences, traits, attitudes, or behaviours (Bhattacharjee 2012:73).

3.4.1.2 Qualitative data collection methods

Williams (2007:68) suggests that grounded theory is a method used when a researcher attempts to obtain a general, abstract theory of a process, action, or interaction grounded in the views of participants in a study. He further explains that grounded theory is used to examine people's actions and interactions. *Observation* is described as a systematic approach to data collection; researchers observe a specific phenomenon in a natural environment to understand the phenomenon while simultaneously maintaining the natural conditions in which it occurs (Queiros, Faria and Almeida, 2017:376). *Case studies* are an attempt to learn more about a situation that is little known or poorly understood. Methods used to collect data for case studies includes participant observations, interviews, archived documents, or audio-visual materials. (Williams, 2007:69).

Ethnography is a data collection method that is similar to observation where a researcher observes a situation and conducts interviews with participants to interpret findings in the perspective of the participants (Queiros *et al.* 2017:376). Another method that will be discussed is interviews. There are three fundamental types of research interviews: structured, semi- structured and unstructured. Structured interviews consist of predetermined questions with little or no variation, unstructured

interviews are interviews that do not consist of predetermined questions and are not organised around specific ideas, and semi-structured interviews include key questions but also allow flexibility to pursue more detail into questions.

3.4.1.1 Content analysis

Content analysis is defined as “a detailed and systematic examination of the contents of a particular body of materials for the purpose of identifying patterns, themes or biases”. Williams (2007:69) further explains that content analysis is to reviewing of human forms of communication including books, newspapers, and films and other forms in the aim of identifying themes, biases, or patterns. Hsieh and Shannon (2005:1278) describe content analysis as quantitative analysis of qualitative data, one of numerous research methods used to analyse textual data with the aim of providing understanding for the phenomena under study. The table below provides a description of the different types of content analyses.

TABLE 3.3
TYPES OF CONTENT ANALYSES

CONVENTIONAL CONTENT ANALYSIS	<ul style="list-style-type: none"> ▪ The conventional study design of content analysis is used with the aim of describing a phenomenon when there is limited existing theory or research literature on the phenomena. ▪ Researchers need to immerse themselves into the data for new ideas to surface. ▪ The results from a conventional content analysis are compared with studies of the same interest to add information that could have been omitted in studies done in the past.
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TABLE 3.3 (CONTINUED)
TYPES OF CONTENT ANALYSIS

DIRECTED CONTENT ANALYSIS	<ul style="list-style-type: none"> ▪ The directed approach in content analysis is used when existing theory or research exists about a phenomenon but needs further description or is incomplete. ▪ The directed content analysis is categorized as a deductive use of theory. ▪ The main aim of this content analysis is to validate or extend academic literature. ▪ A directed content analysis is more structured than a conventional content analysis and have the strength of extending and supporting existing theory. ▪ The process in the directed approach includes categorizing all the occurrences in a phenomena and highlighting all text that represents the phenomena of interest, the highlighted text is then coded and analysed according to categories and subcategories.
SUMMATIVE CONTENT ANALYSIS	<ul style="list-style-type: none"> ▪ The main purpose of the summative approach of content analysis is to understand the contextual use of words by identifying and quantifying specific words. ▪ No meaning is derived from the quantification of words but only the usage of the words is explored. ▪ The summative approach is also referred to as the manifest content analysis as the analysis contains analysing the appearance of certain words or content in textual material. ▪ This type of content analysis goes further than just counting words and includes a latent content analysis, which is described as a process of interpreting content.

Hseih and Shannon (2005:1279-1284)

For the purposed of the study, a summative content analysis will be undertaken. The reason for this is to understand the contextual use of words by determining the

frequency of recurring words among literature sources from academic, corporate and news articles pertaining to non-banking financial solutions.

3.4.1.3 Primary data collection

Primary data is data that is collected by a researcher for the purpose of the study currently conducted. Primary data is new data that has never been collected before. (Johnston, 2014:619; Koziol and Arthur, 2012:1). The primary data for the purpose of the study will be collected through an extensive literature search of secondary data. The literature search is detailed as follows:

- Journal articles, corporate and government reports, dissertations and news articles that show up first when searching for the following key words “underbanked consumers”, “traditional methods of banking”, “stokvels”, “retailer banking services”
- After searching for the key words, the researcher will only make use of articles with the highest number of citations on the academic sites.
- Only credible and reputable newspaper articles will be considered for further data analysis.

3.4.2 SAMPLE

Every research study has a sample from which information to solve the research problem can be obtained from (Welman, Kruger and Mitchell, 2005:10). Rahi (2017:3) defines the sample of the study as all the people and items a researcher desires to understand. The sample in question entail secondary data sources. To obtain a diverse sample, literatur from academic reports, news articles from reputable newspaper publications and corporate and governmental reports were sought. The tables below provide a description of each of the sample groups.

Table 3.4 depicts the sample used for academic articles. After seeking articles using specific key words, a sample of academic articles were obtained. Only repeatedly cited

articles were considered and were further scanned to ensure appropriateness of the data. Academic content that was deemed inappropriate for the purposes of the study was discarded and only 11 academic articles were considered for further analysis. The sample of academic content includes two conference papers presented at academic conferences, four journal articles from reputable journals, three masters dissertations, one academic report from an academic research unit and a marketing research report from a research institution.

TABLE 3.4
SAMPLE OF ACADEMIC REPORTS

ACADEMIC REPORTS		TYPE
1	Abrahams, R. 2017. Financial inclusion in South Africa: A review of the literature. <i>Conference proceedings of the South African Accounting Association Biennial International Conference</i> . Drakensberg, South Africa, pp. 1188–1197.	Conference paper
2	African Response Research. 2012. Stokvels - A hidden economy. African Response Research. Doi: 10.1002/lary.23391. Online [Available]: https://www.africanresponse.co.za/assets/press/2012StokvelHiddenEconomy .	Marketing research company report
3	Calvin, B. and Coetzee, G. 2009. <i>A review of the South African microfinance sector: Successes, Challenges, and Policy Issues</i> . Centre for Microfinance, University of Pretoria.	Report from academic unit
4	Dass, R. and Pal, S. 2011. Exploring the factors affecting the adoption of mobile financial services among the rural underbanked. <i>Conference proceedings of the European Conference on Information Systems (ECIS)</i> . Helsinki, Finland, pp. 1–13.	Conference paper
5	Lyons, A. C. and Scherpf, E. 2004. Moving from unbanked to banked: Evidence from the Money Smart Program. <i>Financial Services Review</i> , 13(3):215-231.	Journal article

TABLE 3.4 (CONTINUED)
SAMPLE OF ACADEMIC REPORTS

6	Moliea, H. 2007. <i>Stokvels as alternative microfinance institutions: Conversations with Women from Venda</i> . Unpublished dissertation, University of Pretoria.	Masters dissertation
7	Moloi, T.P. 2011. <i>An exploration of group dynamics in “stokvels” and its implications on the members’ mental health and psychological well-being</i> . Unpublished dissertation, University of Zululand.	Masters dissertation
8	Rateiwa, R. 2018. <i>Financial institutions, markets and structure linkages with economic performance in selected African countries: Time series evidence</i> . Unpublished dissertation, Stellenbosch University.	Masters dissertation
9	Rateiwa, R. and Aziakpono, M.J. 2017. Non-bank financial institutions and economic growth: Evidence from Africa’s three largest economies. <i>South African Journal of Economic and Management Sciences</i> , 20(1):11-32	Journal article
10	Sally, M. and Kaseke, E. 2014. The role of stokvels in improving people’s lives: The case in orange farm, Johannesburg, South Africa. <i>Social Work / Maatskaplike Werk</i> , 50(4):504-515.	Journal article
11	van Wyk, M.M. 2017. Stokvels as a community-based Saving Club Aimed at eradicating poverty: A case of South African Rural Women. <i>International Journal of Community Diversity</i> , 17(2):13-26.	Journal article

In Table 3.5 the sample of news publications are depicted. After seeking articles using specific key words, a sample of news articles / publications were obtained. Only publications from reputable and credible news outlets were considered and were further scanned to ensure appropriateness of the data. Content that was deemed inappropriate for the purposes of the study was discarded and only 11 news

articles were considered for further analysis. The sample of news publications includes ten news reports and one press release.

TABLE 3.5
SAMPLE OF NEWS ARTICLES

NEWS PUBLICATIONS		TYPE
1	Business Tech. 2017. Pick n Pay targets financial services by offering customers credit and digital banking. <i>Business Tech</i> , 17 October.	News report
2	Business Tech. 2018. Five ways that South African banks are treating customers unfairly. <i>Business Tech</i> , 5 September.	News report
3	Cranston, S. 2018. Banking the unbanked: The pot of gold. <i>The Financial Mail</i> , 13 February.	News report
4	Fin 24. 2018. Five ways to turn your stokvel into an investment engine. <i>Fin 24</i> , 14 July.	News report
5	Gedye, L. 2018. More bank for your buck. <i>Fin 24</i> , 21 February.	News report
6	Omarjee, L. 2016. South Africans trust alternative financial services. <i>Fin24</i> , 29 September.	News report
7	Omarjee, L. 2017. SA's love affair with stokvels still going strong – survey. <i>Fin24</i> , 14 July.	News report
8	Nyambura-Mwaura, H. 2013. South Africa says non-bank financial institutions need closer monitoring. <i>Reuters</i> , 29 October.	News report
9	Stokes, G. 2011. Savings alternatives for SA's unbanked. <i>Mail and Guardian</i> , 29 July.	News report
10	Woolworths Holdings Limited. 2008 Woolworths and Absa launch financial services joint venture, Woolworths Holdings Limited, Media Report, 2 October.	Press release
11	Zeenat, V. 2018. Shoprite money - The new free banking service, <i>Business Report</i> , 24 May.	News report

The final sample group is depicted in Table 3.6 as corporate and government publications. Only publications from reputable institutions such as FinMark, FinScope and Bankseta etc were considered as well as government publications such as municipal reports or publications from regulatory bodies were considered and were further scanned to ensure appropriateness of the data. Content that was deemed inappropriate for the purposes of the study was disregarded and only nine publications were considered for further analysis. The sample includes seven corporate reports, one municipal report from the City of Tshwane and a government report from the Financial Services Board (regulatory body).

TABLE 3.6
SAMPLE OF CORPORATE AND GOVERNMENT PUBLICATIONS

CORPORATE AND GOVERNMENT PUBLICATIONS		TYPE
1	BankservAfrica and PASA. 2017. South Africa Future state, demands and pressures. BankserveAfrica. [Online] Available: http://www.pasa.org.za/docs/default-source/default-document-library/modernisation/pasa-bsva-sa-future-state-demands-and-pressures .	Corporate publication
2	Bankseta. 2013. From microfinance to financial Inclusion. The Microfinance review 2013, Bankseta.	Corporate publication
3	South African Savings Institute. 2015. Seven characteristics of stokvels. The South African Savings Institute. [Online] Available: https://www.savingsinstitute.co.za/campaign_archives/Savings2013/Busi_Stokvels/Saving/Investment .	Corporate publication
4	City of Tshwane, South Africa. 2015. How access to financial and social assets can contribute to helping the youth to make their own economic decisions and escape poverty. [Online] Available: http://www.tshwane.gov.za/sites/Departments/Financial-Services/Financial-Documents/Annual Reports .	Municipal publication
5	Financial Services Board. 2010. Developments in regulation of non-banking institutions. Financial Services Board, Parliamentary Monitoring Group. [Online] Available: https://pmg.org.za/committee-meeting/11873/	Government publication

TABLE 3.6 (CONTINUED)
SAMPLE OF CORPORATE AND GOVERNMENT PUBLICATIONS

6	FinMark Trust. 2013. Why do retailers offer financial services? FinMark Trust. [Online] Available: http://www.finmark.org.za/content/uploads/Rep_Retailersmotivation_financialservices .	Corporate publication
7	Micro Finance South Africa. 2017. Financial Sector Transformation. [Online] Available: http://pmg-amazonaws.com/microfinance .	Corporate publication
8	Reza, D. 2001. Financial Intermediation And The Micro-Finance Sector. Development Policy Research Unit, University of Cape Town. [Online] Available: http://www.tips.org.za/files/Financial_Intermediation_And_The_Micro-FinanceSector	Corporate publication
9	The centre for inclusive banking in Africa. 2011. The state of microenterprise finance in South Africa. The centre for inclusive banking in Africa, University of Pretoria. [Online] Available: https://www.up.ac.za/media/shared/Legacy .	Corporate publication

The sampling procedures employed to determine this study as well as other sampling alternatives are discussed in the sections to follow.

3.4.2.1 Sampling and sampling techniques

Administering research requires a researcher to narrow down the population of the study into a sample. Therefore, the researcher has to decide on who/what to include in their sample (Struwig and Stead, 2013:116). There are two types of sampling methods used, namely non-probability sampling and probability sampling (Struwig and Stead, 2013:116).

The probability of a respondent being selected when using non-probability sampling cannot be determined as this method targets a certain group of people as a sample

(Latham, 2007:6). Techniques used in non-probability sampling include convenience sampling, judgement sampling and quota sampling. Convenience sampling is choosing a sample from the population which can be easily accessed. Judgement sampling is when a researcher seeks a sample that is knowledgeable of the topic being researched to gain accurate information. Quota sampling are samples chosen according to certain characteristics. (Welman *et al.* 2005).

Probability sampling is a sampling method where the entire population has an equal chance of being selected as respondents (Latham, 2007:2). Probability sampling uses three techniques namely, simple random sampling, stratified random sample and cluster sampling. Simple random sampling may be conducted using a computer program where respondents will have an equal chance of being selected as they are selected randomly from the population. A researcher making use of stratified sampling divides the population according to characteristics they have and randomly selects from these segments. Cluster sampling involves dividing the population into groups and a sample is gathered from the different groups. (Welman *et al.* 2005)

For the purpose of this study the qualitative approach will be employed and therefore qualitative methods of sampling will be utilised. According to Duan and Hoagwood (2015:534), purposeful sampling is used when conducting a qualitative study to ensure that information suitable for the phenomena of interest is correctly identified and selected.

TABLE 3.7
TYPES OF SAMPLING STRATEGIES

HOMOGENEITY SAMPLING	This sampling strategy is usually used when choosing participants for focus groups. The particular group required is described in depth to simplify analysis.
SNOWBALL SAMPLING	Sampling people who have similar characteristics by asking for referrals to similar people from participants.
CRITERION SAMPLING	This approach to sampling makes use of a predetermined criteria to review and study cases of interest.

TABLE 3.7 (CONTINUED)
TYPES OF SAMPLING STRATEGIES

STRATIFIED PURPOSEFUL SAMPLING	This approach is used to capture characteristics of specific subcategories of interest.
RANDOM PURPOSEFUL SAMPLING	When a potential purposeful sample is too large to handle the random purposeful sampling method is used to increase the credibility of the results.
THEORY-BASED SAMPLING	Theory-based sampling is a theoretical construct that aims to explore concepts and their varied conditions.
TYPICAL CASE SAMPLING	This strategy is used when a researcher needs to describe a setting to those unfamiliar with it without generalizing the experience of all participants.
CONVENIENCE SAMPLING	Collecting information that is easily available to the researcher. The convenience sampling is commonly used however, it neither purposeful or strategic.

(Duan and Hoagwood, 2015:535)

For the purpose of this study, the criterion sampling strategy will be employed. To determine the sample of this study the following criteria will be utilised:

- Articles that show up first when searching for the following key words “underbanked consumers”, “traditional methods of banking”, “stokvels”, “retailers banking services”,
- After searching for the key words the researcher will only make use of articles with the highest number of citations on the academic sites.

3.5 DATA ANALYSIS

Once primary data has been collected, a data analysis procedure will be undertaken using appropriate methods . Furthermore, the validity and reliability of the measuring instruments will be determined. The purpose of data analysis is to draw meaning from

the data collected and to draw accurate conclusions based on the data (Bengtsson, 2016:10). Williams (2007:69) states that the collection of data is a two-step process. First, the researcher must analyse the materials and put them in a frequency table according to each characteristic or quality mentioned. The researcher must then conduct a statistical analysis so that the results are reported in a quantitative format.

The data collected from the three sample groups, namely academic publications, corporate and government publications and news publications, will be analysed using Atlas Ti software. Word lists and word clouds for each sample will be generated with the most frequently recurring words. These words will thus be compared among the different sample groups. Redundant words such as articles (the, a, an, certain demonstrative and interrogative words (this, that, and which), possessives (my, whose) and numerals will be removed and disregarded for analysis to ensure that only salient responses are recorded.

3.5.1 VALIDITY

According to Ling (2005:81) the purpose of a research is to provide valid conclusion thus the conceptual and scientific soundness of a research project has to be determined. Validity measures the extent to which the results measure the intended purpose of the research (Golafshani, 2003:599). Content validity is referred to as face validity. It involves a systematic evaluation of how well the content represents the task at hand. To examine content validity, some researchers and experts in the field are asked to look at the scale, evaluate it and provide their opinion on whether the scale measures what it is supposed to. (Shukla 2008:80).

TABLE 3.8

CRITERIA FOR JUDGING QUANTITATIVE AND QUALITATIVE RESEARCH

TRADITIONAL CRITERIA FOR JUDGING QUANTITATIVE RESEARCH	ALTERNATIVE CRITERIA FOR JUDGING QUALITATIVE RESEARCH
▪ Internal Validity	▪ Credibility
▪ External Validity	▪ Transferability

TABLE 3.8 (CONTINUED)
CRITERIA FOR JUDGING QUANTITATIVE AND QUALITATIVE RESEARCH

▪ Reliability	▪ Dependability
▪ Objectivity	▪ Confirmability

According to Trochim (2006) qualitative studies have a different criteria when checking for the validity of the research. The research study must be credible, transferable, dependable and confirmable:

- The results of the qualitative research must be credible and believable and be in the perspective of the participant as the aim is to describe or understand a phenomenon of interest from the eyes of the participant.
- Qualitative research is considered transferable when a researcher is able to generalize or transfer the results to other contexts/settings. The transferability of qualitative research can be enhanced by an in depth description of the research context a person who wishes to transfer the data can therefore judge how practical the transfer is.
- The traditional quantitative method of reliability focuses on whether the research can be replicated or repeated meaning should the research be conducted twice it must yield the same results. Dependability acknowledges that the context in which research occurs is constantly changing the researcher must therefore account for this change.
- Confirmability in qualitative research recognizes the differing views of researchers. However, the results of the research must be confirmed by others and this is done by checking and rechecking the data collected throughout the study.

3.5.2 RELIABILITY

Joppe (2000) In Golfshani (2003:598) describes reliability as “the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable”. Reliability is also defined as a measurement technique of consistency or dependability of the conducted study (Ling, 2005:103). Interater reliability will be

3.6 ETHICAL CONSIDERATIONS

As no people will be involved in the research and the nature of the information is not of a personal nature and no people are directly involved, no ethical clearance is required.

3.7 SUMMARY OF THE CHAPTER

Chapter Three explained the research design and methods that were used to collect and analyse the data, collected to attain the research objectives, thus achieving the second and third objective of the study. This led to a discussion of the population, sample and the sample approach and measuring instrument used in the study. Lastly a review of the data collection method and data analysis will be provided. A distinction was made between quantitative and qualitative research, which forms part of the positivistic and phenomenological paradigm respectively. A qualitative approach was adopted for data collection and a quantitative method for data analysis.

CHAPTER FOUR

EMPIRICAL FINDINGS

4.1 INTRODUCTION

In Chapter Three, a description of the research design and the methodology adopted for this study was presented. As mentioned in the previous chapter academic sources using a criterion sampling strategy were used for the data collection. The data will be of a qualitative nature but analysed quantitatively using the content analysis method of data analyses. Chapter 4 displays the results of the data analysed.

The chapter depicts a comparison between academic articles, corporate and government reports, and news articles on the topic of the research study. Firstly, each of the sources discussed are separated using word clouds and tables showing frequently recurring words. Thereafter, a comparison of the frequently recurring words among all the sources will be presented.

Word clouds visually represent data that is textural in nature. These word clouds make frequently used words in the study stand out; they can also identify trends and patterns that tabular formats cannot highlight.

The tables used provide an in depth exploration and indicate the percentages and frequency of the words. The percentages show the importance of the frequently used words concerning the objectives of this study and the patterns between the three sources used in the study.

The tables also show unique words picked up by the software. The unique words appear frequently since the various sources have specific topics they focus on and use words describing their topics of interest frequently, these are therefore not used other samples.

4.2 PROFILE OF LITERATURE SOURCES

Three types of sources were used namely academic articles, corporate and government reports and news articles. The articles were selected using a criterion sampling method and this resulted in the selection of eleven academic articles, nine government and corporate reports, and eleven news articles for analysis purposes.

TABLE 4.1
PROFILE OF LITERATURE SOURCES FOR DATA ANALYSIS

ACADEMIC PUBLICATIONS	Abrahams, R. 2017. Financial inclusion in South Africa: A review of the literature
	African Response Research. 2012. Stokvels - A hidden economy
	Calvin, B. and Coetzee, G. 2009. A review of the South African microfinance sector: Successes, Challenges, and Policy Issues
	Dass, R. and Pal, S. 2011. Exploring the factors affecting the adoption of mobile financial services among the rural underbanked
	Lyons, A. C. and Scherpf, E. 2004. Moving from unbanked to banked: Evidence from the Money Smart Program
	Moliea, H. 2007. Stokvels as alternative microfinance institutions: Conversations with Women from Venda

TABLE 4.1 (CONTINUED)
PROFILE OF LITERATURE SOURCES FOR DATA ANALYSIS

ACADEMIC PUBLICATIONS	Moloi, T.P. 2011. An exploration of group dynamics in “stokvels” and its implications on the members’ mental health and psychological well-being
	Rateiwa, R. 2018. Financial institutions, markets and structure linkages with economic performance in selected African countries: Time series evidence
	Rateiwa, R. and Aziakpono, M.J. 2017. Non-bank financial institutions and economic growth: Evidence from Africa’s three largest economies
	Sally, M. and Kaseke, E. 2014. The role of stokvels in improving people’s lives: The case in orange farm, Johannesburg, South Africa
	van Wyk, M.M. 2017. Stokvels as a community-based Saving Club Aimed at eradicating poverty: A case of South African Rural Women
NEWS PUBLICATIONS	Business Tech. 2017. Pick n Pay targets financial services by offering customers credit and digital banking
	Business Tech. 2018. Five ways that South African banks are treating customers unfairly
	Cranston, S. 2018. Banking the unbanked: The pot of gold
	Fin 24. 2018. Five ways to turn your stokvel into an investment engine
	Gedye, L. 2018. More bank for your buck.
	Omarjee, L. 2016. South Africans trust alternative financial services
	Omarjee, L. 2017. SA’s love affair with stokvels still going strong – survey
	Nyambura-Mwaura, H. 2013. South Africa says non-bank financial institutions need closer monitoring
	Stokes, G. 2011. Savings alternatives for SA’s unbanked
	Woolworths Holdings Limited. 2008 Woolworths and Absa launch financial services joint venture
	Zeenat, V. 2018. Shoprite money - The new free banking service

TABLE 4.1 (CONTINUED)
PROFILE OF LITERATURE SOURCES FOR DATA ANALYSIS

CORPORATE & GOVERNMENT PUBLICATIONS	BankservAfrica and PASA. 2017. South Africa Future state, demands and pressures.
	Bankseta. 2013. From microfinance to financial Inclusion.
	South African Savings Institute. 2015. Seven characteristics of stokvels.
	City of Tshwane, South Africa. 2015. How access to financial and social assets can contribute to helping the youth to make their own economic decisions and escape poverty.
	Financial Services Board. 2010. Developments in regulation of non-banking institutions.
	FinMark Trust. 2013. Why do retailers offer financial services?
	Micro Finance South Africa. 2017. Financial Sector Transformation
	Reza, D. 2001. Financial Intermediation And The Micro-Finance Sector
	The centre for inclusive banking in Africa. 2011. The state of microenterprise finance in South Africa

4.3 EMPIRICAL FINDINGS

The following sections provides an analysis of the most frequently recurring words among the three sample groups. Word clouds are used to give an overview of all of the words recalled, followed by a discussion of the most frequently recurring words.

4.3.1 ACADEMIC ARTICLES WORD CLOUD

The academic articles used in the study generated 7172 words. Words that appeared more frequently were organised into a word cloud with some words appearing more frequently than others do. The figure below is a representation of all the words that recalled in the academic articles used in this study. The larger words show a higher frequency of words that occurred. Some of the words that show a higher frequency includes economy, financial, develop, bank, growth and stokvel.

TABLE 4.2
FREQUENTLY RECURRING WORDS – ACADEMIC ARTICLES

WORD		FREQ	%	WORD		FREQ	%
1	Economic	1481	9.75%	21	Need	163	1.07%
2	Growth	1425	9.38%	22	Value	162	1.07%
3	Financial	1400	9.22%	23	Microfinance	154	1.01%
4	Bank	1355	8.92%	24	Funds	146	0.96%
5	Stokvels	1191	7.84%	25	Insurance	145	0.95%
6	Development	903	5.95%	26	Rural	144	0.95%
7	Members	881	5.80%	27	Access	140	0.92%
8	Market	616	4.06%	28	Mobile	136	0.90%
9	Credit	510	3.36%	29	System	136	0.90%
10	Money	470	3.10%	30	Among	135	0.89%
11	Savings	288	1.90%	31	Assets	134	0.88%
12	Services	285	1.88%	32	Capitalisation	131	0.86%
13	Loans	285	1.88%	33	Capital	122	0.80%
14	Deposits	262	1.73%	34	Weak	122	0.80%
15	Poor	247	1.63%	35	Formal	121	0.80%
16	Lending	234	1.54%	36	Impact	103	0.68%
17	Social	229	1.51%	37	Government	98	0.65%
18	Income	187	1.23%	38	Information	98	0.65%
19	Interest	180	1.19%	39	Trust	98	0.65%
20	Economy	171	1.13%	40	Control	97	0.64%
TOTAL FREQUENCY OF WORDS: 15185							
TOTAL NUMBER OF WORDS: 40							

4.3.3 CORPORATE AND GOVERNMENT REPORTS WORD CLOUD

The word cloud for corporate and government reports generated 7011 words. Figure 4.2 shows that the frequency of the words was relatively the same with only a few words appearing larger than others do. The words financial and bank have the highest frequency of words that appeared.

TABLE 4.3
FREQUENTLY RECURRING WORDS:
CORPORATE AND GOVERNMENT REPORTS

WORD		FREQ	%	WORD		FREQ	%
1	Financial	613	8.50%	21	Institutions	128	1.77%
2	Loans	552	7.65%	22	Formal	123	1.71%
3	Bank	523	7.25%	23	Systems	98	1.36%
4	Services	385	5.34%	24	Development	97	1.34%
5	Credit	355	4.92%	25	Support	93	1.29%
6	Income	303	4.20%	26	Housing	91	1.26%
7	Consumers	272	3.77%	27	Capital	87	1.21%
8	Cash	232	3.22%	28	Policy	86	1.19%
9	Payment	226	3.13%	29	Poverty	86	1.19%
10	Market	224	3.11%	30	Impact	85	1.18%
11	Economic	220	3.05%	31	Regulatory	85	1.18%
12	Growth	211	2.92%	32	Value	85	1.18%
13	Sector	202	2.80%	33	Modernisation	77	1.07%
14	Costs	197	2.73%	34	Rural	75	1.04%

TABLE 4.3 (CONTINUED)
FREQUENTLY RECURRING WORDS:
CORPORATE AND GOVERNMENT REPORTS

15	Payments	189	2.62%	35	important	72	1.00 %
16	Inclusion	179	2.48%	36	informal	70	0.97 %
17	System	179	2.48%	37	mobile	70	0.97 %
18	Savings	155	2.15%	38	Rates	70	0.97 %
19	Access	151	2.09%	39	insurance	69	0.96 %
20	Products	130	1.80%	40	Risk	69	0.96 %
TOTAL FREQUENCY OF WORDS: 7214							
TOTAL NUMBER OF WORDS: 40							

4.3.5 NEWS ARTICLES WORD CLOUD

The total words found in the analysis of the news articles was 835 words. Figure 4.3 illustrates the various words that are common in the news articles and as explained words with a higher frequency appear larger than other words. As with the other samples financial appears larger than other words along with bank, stokvel, saving and account.

TABLE 4.4
FREQUENTLY RECURRING WORDS: NEWS ARTICLES

WORD		FREQ	%	WORD		FREQ	%
1	Banking	50	10.06%	21	sector	7	1.41%
2	Savings	42	8.45%	22	investment	7	1.41%
3	Financial	39	7.85%	23	Cash	6	1.21%
4	Customers	34	6.84%	24	needs	6	1.21%
5	stokvels	33	6.64%	25	transactions	6	1.21%
6	services	27	5.43%	26	mobile	5	1.01%
7	Woolworths	19	3.82%	27	partnership	5	1.01%
8	money	17	3.42%	28	Risk	5	1.01%
9	service	15	3.02%	29	Store	5	1.01%
10	Shoprite	15	3.02%	30	limited	5	1.01%
11	products	14	2.82%	31	Better	4	0.80%
12	access	14	2.82%	32	conduct	4	0.80%
13	informal	13	2.62%	33	consumer	4	0.80%
14	Absa	13	2.62%	34	Fees	4	0.80%
15	market	12	2.41%	35	groceries	4	0.80%
16	credit	10	2.01%	36	insurers	4	0.80%
17	stores	10	2.01%	37	members	4	0.80%
18	transactional	8	1.61%	38	offering	4	0.80%
19	growth	8	1.61%	39	potential	4	0.80%
20	product	7	1.41%	40	Retail	4	0.80%
TOTAL FREQUENCY OF WORDS: 497							
TOTAL NUMBER OF WORDS: 40							

4.3.7 COMPARISON OF MOST FREQUENTLY RECURRING WORDS

Table 4.5 shows the top 40 of the most frequently recurring words in news articles, academic articles, and corporate and government reports. The topic of this study is non-banking financial solutions for underbanked consumers. The word financial appeared as the most frequently recurring word appearing 2147 time (9.80%) meaning

that the samples chosen focused on financial solutions/services, which was the main problem that needed addressing in the study. The highlighted columns in the table show in which sample the word occurred the most. Academic articles had the most frequently appearing words across all samples followed by corporate and government reports. The words that were recalled the most in the analysis are financial (2147 times 9.80%), banking (1918 times 8.76%), growth (1640 times 7.49%), economic (1613 times 7.36%), and stokvels (1268 times 5.79%).

TABLE 4.5

A COMPARISON OF THE MOST FREQUENTLY RECURRING WORDS

WORD		ACADEMIC ARTICLES		CORPORATE REPORTS		NEWS ARTICLES		FRE Q	%
1	financial	1504	70.05 %	613	28.55 %	30	1.40 %	2147	9.80 %
2	banking	1355	70.65 %	523	27.27 %	40	2.09 %	1918	8.76 %
3	growth	1425	86.89 %	211	12.87 %	4	0.24 %	1640	7.49 %
4	economic	1481	91.82 %	132	8.18% %	0	0.00 %	1613	7.36 %
5	stokvels	1191	93.93 %	48	3.79% %	29	2.29 %	1268	5.79 %
6	developmen t	903	90.30 %	97	9.70% %	0	0.00 %	1000	4.56 %
7	credit	510	58.29 %	355	40.57 %	10	1.14 %	875	3.99 %
8	market	616	72.47 %	224	26.35 %	10	1.18 %	850	3.88 %
9	members	724	86.91 %	105	12.61 %	4	0.48 %	833	3.80 %
10	loans	285	47.74 %	309	51.76 %	3	0.50 %	597	2.73 %

TABLE 4.5
A COMPARISON OF THE MOST FREQUENTLY RECURRING WORDS

1 1	services	285	48.31 %	286	48.47 %	19	3.22 %	590	2.69 %
1 2	money	470	79.80 %	110	18.68 %	9	1.53 %	589	2.69 %
1 3	group	466	84.88 %	68	12.39 %	15	2.73 %	549	2.51 %
1 4	income	187	37.93 %	303	61.46 %	3	0.61 %	493	2.25 %
1 5	savings	288	62.20 %	155	33.48 %	20	4.32 %	463	2.11 %
1 6	institutions	316	70.69 %	128	28.64 %	3	0.67 %	447	2.04 %
1 7	account	270	61.36 %	159	36.14 %	11	2.50 %	440	2.01 %
1 8	models	354	87.19 %	52	12.81 %	0	0.00 %	406	1.85 %
1 9	markets	358	89.28 %	43	10.72 %	0	0.00 %	401	1.83 %
2 0	inclusion	139	43.44 %	179	55.94 %	2	0.63 %	320	1.46 %
2 1	system	136	43.04 %	179	56.65 %	1	0.32 %	316	1.44 %
2 2	access	140	46.05 %	151	49.67 %	13	4.28 %	304	1.39 %
2 3	support	190	66.90 %	93	32.75 %	1	0.35 %	284	1.30 %
2 4	social	229	82.67 %	46	16.61 %	2	0.72 %	277	1.26 %

TABLE 4.5
A COMPARISON OF THE MOST FREQUENTLY RECURRING WORDS

2 5	rural	144	65.45 %	75	34.09 %	1	0.45 %	220	1.00 %
2 6	needs	104	47.71 %	108	49.54 %	6	2.75 %	218	1.00 %
2 7	insurance	145	66.82 %	69	31.80 %	3	1.38 %	217	0.99 %
2 8	deposits	156	71.89 %	58	26.73 %	3	1.38 %	217	0.99 %
2 9	private	196	91.59 %	18	8.41% %	0	0.00 %	214	0.98 %
3 0	important	136	63.55 %	72	33.64 %	6	2.80 %	214	0.98 %
3 1	mobile	136	64.45 %	70	33.18 %	5	2.37 %	211	0.96 %
3 2	capital	122	58.10 %	87	41.43 %	1	0.48 %	210	0.96 %
3 3	poverty	121	58.45 %	86	41.55 %	0	0.00 %	207	0.94 %
3 4	positive	187	91.22 %	17	8.29% %	1	0.49 %	205	0.94 %
3 5	microfinanc e	154	78.17 %	43	21.83 %	0	0.00 %	197	0.90 %
3 6	loan	100	51.02 %	94	47.96 %	2	1.02 %	196	0.89 %
3 7	poor	126	65.28 %	67	34.72 %	0	0.00 %	193	0.88 %
3 8	funds	146	76.04 %	45	23.44 %	1	0.52 %	192	0.88 %

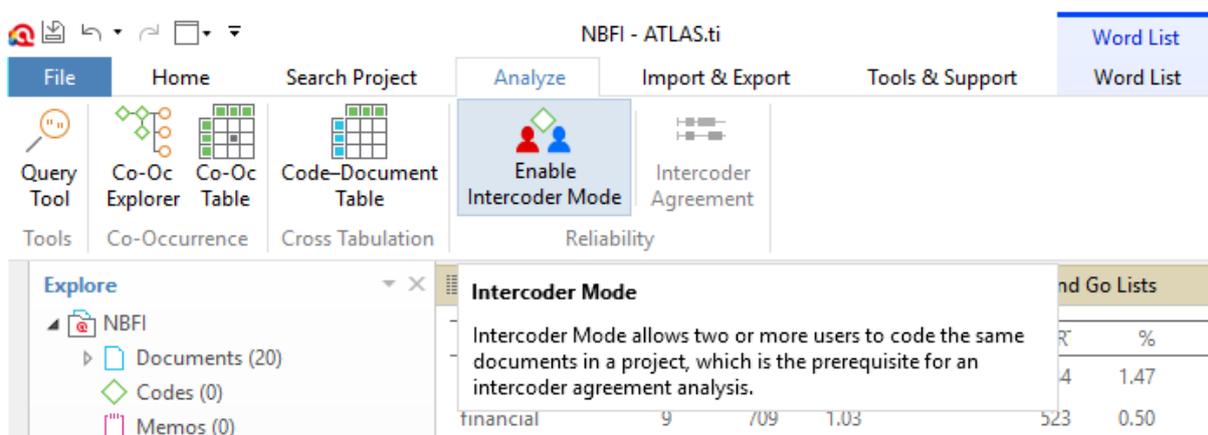
TABLE 4.5
A COMPARISON OF THE MOST FREQUENTLY RECURRING WORDS

39	impact	103	54.79 %	85	45.21 %	0	0.00 %	188	0.86 %
40	costs	83	44.15 %	103	54.79 %	2	1.06 %	188	0.86 %
TOTAL		15 981		5 666		260		21 907	

4.4 VALIDITY AND RELIABILITY

Inter-rater reliability was used to the reliability of the research instrument. According to Burns (2004:57). Two researchers were used with a Bachelor of Commerce degree as a minimum qualification to ensure that the most frequently recurring words were interpreted the way it was meant to be reported. Where disagreements on interpretation occurred, a process of logical argumentation was ensued and guided by the literature. This process was ensured by activating “intercoder mode” as seen in Figure 4.4 in the The Atlas Ti software.

FIGURE 4.4
INTERCODER MODE ON ATLAS TI



Face and content validity was used to ensure that the data set is valid and is deemed an adequate indication of the non-banking alternative literature. This was done by

engaging in a process of searching for key terms relating to the literature, seeking only credible and reputable sources and ensuring that a diverse data set is obtained by consulting three samples, namely academic, news and corporate and government publications. As such, the data collection as well as the data analysis was guided by the literature.

4.6 SUMMARY OF THE CHAPTER

The most frequently recurring words in news articles, academic articles, and corporate and government reports. The topic of this study is non-banking financial solutions for underbanked consumers. The word financial appeared as the most frequently recurring word appearing 2147 time (9.80%) meaning that the samples that were chosen focused on financial solutions/services which was the main problem that needed to be addressed in the study. Academic articles had the most frequently appearing words across all samples followed by corporate and government reports. The words that were recalled the most in the analysis are financial, banking, growth, economic and stokvels.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

In the previous chapter, the empirical findings of this study were presented. Chapter 5 will give a brief summary of the study followed by the derived conclusions and recommendations. Limitations and contributions of the study will be highlighted. In addition, recommendations for future research will be suggested.

5.2 OVERVIEW OF THE STUDY

In chapter one, the introduction and background of the study were provided. The main problem identified leading to this study is that only 28 percent of South African consumers aged 15 years and older make use of formal banking facilities (Global Findex, 2014), it is thus reasonable to question what the other 72 percent of South African consumers are using to access financial services. The primary objective of this study was to determine what non-banking financial services are available as an alternative to formal banking. In order to give effect to the primary objective of this study, the following secondary objectives were formulated.

- a) To investigate what alternatives are there for underbanked consumers to access financial services other than the banking sector.
- b) To identify an appropriate data set from related and supporting literature and previously collected data in the field of banking and financial planning.
- c) To evaluate the data set to ensure the appropriateness for the research topic.
- d) To provide conclusions and recommendations to the formal banking sector as well as non-banking financial institutions to enhance financial inclusion for underbanked consumers.

The following research questions need to be solved to address the main problem of the study

- a) What are the alternatives of accessing financial services other than formal banking institutions?
- b) What are the benefits of using retailers to access financial services?
- c) What are the possible barriers to using retailers as alternatives to financial institutions?
- d) Which traditional methods can underbanked consumers use to perform their financial needs?

Chapter Two provided a thorough literature review thus achieving the first objective of the study. The literature review provided a description of the nature of underbanked consumers, retailers as non-banking financial institutions, advantages of using retailers as financial institutions, disadvantages of using retailers as financial institutions, traditional methods, and micro-finance as solutions to underbanked consumers financial exclusion. For the purpose of this study underbanked consumers were characterised as low income earners that keep small bank balances (Dass and Pal, 2011:8; Jackson *et al.* 2010:5; Mugabi, 2010:1; The Microfinance Review, 2013:1). Moreover, they are more likely to be young, black, unemployed and reside in low-to-moderate income communities (Lyons and Scherpf, 2004:3).

A few non-banking financial institutions were identified including retailers such as pep, shoprite, woolworths and pick n pay, traditional methods such as stokvels, burial societies and credit-rotating the final non-banking financial institution discussed in the study is micro-finance institutions underbanked consumers have access to financial services through these institutions.

Chapter Two also highlighted the following advantages to using retailers as non-banking financial institutions. Retailers can reach consumers who previously lacked access to financial services. Retailers have a better understanding of consumer needs

as they already have an established relationship with consumers. The relationship between consumers and retailers is often a more personal one, which gives consumers reassurance that retailers have their best interests at heart. Retailers do not discriminate against consumers who are considered not bankable, financial services that are provided through retailers are offered at a reduced cost, do not have any hidden costs and no monthly fee is required.

A few disadvantages were also identified, the formal banking sector regulates the products the financial service provided by retailers. Although retailers offer financial services at lower costs, they usually have a higher interest rate than traditional banks. Consumers in need of financial services often struggle viewing retailers as financial service institutions as retailers have limited marketing efforts directed at presenting their financial service offerings.

Chapter Three explained the research design and methods used to collect and analyse the data, collected to attain the research objectives, thus achieving the second and third objective of the study. This led to a discussion of the population, sample and the sample approach and measuring instrument used in the study. Lastly, a review of the data collection method and data analysis is provided. Chapter three also highlighted the distinction between quantitative and qualitative research, which forms part of the positivistic and phenomenological paradigm respectively. A qualitative approach was adopted for data collection and a quantitative method for data analysis.

For the purpose of this study, the criterion sampling strategy will be employed. To determine the sample of this study the following criteria will be utilised:

- Articles that show up first when searching for the following key words “underbanked consumers”, “traditional methods of banking”, “stokvels”, “retailers banking services”,
- After searching for the key words, the researcher will only make use of articles with the highest number of citations on the academic sites.

This chapter also discusses the validity and reliability methods adopted. According to Trochim (2006), qualitative studies have a different criterion when checking for the validity of the research. The research study must be credible, transferable, dependable and confirmable.

In Chapter Four, a comparison between academic articles, corporate and government reports, and news articles on the topic of the research study is done. The comparison is done using words that appear frequently in the text of each of the identified sources. Firstly, each of the sources are analysed separately using word clouds and tables showing frequently recurring words. Thereafter, a comparison of the frequently recurring words among all the sources will be presented.

5.3 SUMMARY AND INTERPRETATION OF KEY FINDINGS

In this section, a summary Chapter four is given to show the results of the comparisons done on the various samples used in the study.

5.3.1 ACADEMIC ARTICLES WORD CLOUD

The findings of this study show that the academic articles used in the study generated 7172 words. Words that appeared more frequently were organised into a word cloud with some words appearing larger than others do. The larger words on the word cloud showed a higher frequency of words that occurred. Some of the words that displayed a higher frequency include economy, financial, develop, bank, growth and stokvel.

5.3.2 MOST FREQUENTLY RECCURING WORDS RECALLED ACADEMIC ARTICLES

A table was constructed were the findings were summarised, it illustrates the top 40 words that occurred frequently in the academic articles used for the study. The first, second and third words appearing the most were economic which appeared 1481 times (9.75%), growth in second place with 1425 words (9.38%) and the third being financial which appeared 1400 times (9.22%) in the academic articles. The word stokvels sits at the fifth place with 1191 (7.84%) after bank which was in the fourth

place with 1355 words (8.92%) in total. The words that relate most to the study were financial and stokvels with the other denoting the financial services of underbanked consumers and the latter being one of the solutions for financially excluded consumers.

5.3.3 CORPORATE AND GOVERNMENT REPORTS WORD CLOUD

The word cloud for corporate and government reports was a result of 7011 words. The findings showed that the frequency of the words was relatively the same with only a few words appearing larger than others do. The words financial and bank have the highest frequency of words that appeared.

5.3.4 MOST FREQUENTLY RECCURING WORDS RECALLED CORPORATE AND GOVERNMENT REPORTS

The findings show that the word financial reoccurred the most number of times in corporate and government reports used in this study with 613 words (8.50%) followed by the words loans at 552 times (7.65%) and bank with 523 words (7.25%) recalled. The focus on most of the reports was on encouraging the banking sector to look into providing services for underbanked consumers and this is evident in the number of times the word was recalled. The word financial was also recalled frequently in academic articles as the main interest of the study is financial services and the frequency of the word proves that the correct sources were used to source the information. Words that were unique in the sample employed were highlighted and from the 40 recurring words, only five were unique.

5.3.5 NEWS ARTICLES WORD CLOUD

The total words found in the analysis of the news articles was 835 words. The word cloud illustrated the various words that are common in the news articles and as explained words with a higher frequency appeared larger than other words. As with the other samples financial appeared larger than other words along with bank, stokvel, saving and account.

5.3.6 MOST FREQUENTLY RECCURING WORDS RECALLED NEWS ARTICLES

The findings showed an in depth version of the words illustrated in the news articles word cloud. The word that appeared the most in news articles was banking at 50 times (10.06%) followed by savings (42 time 8.45%), financial (39 times 7.85%), customers (34 times 6.84%) and stokvels (33 times 6.64%). The focus on the news articles was on the banking sector and the various ways in which retailers can convince their customers to make use of the financial services they have to offer. The word financial, the most frequently recurring word with all three samples denotes the financial services provided to underbanked consumers. Only seven words were highlighted in the news articles table showing that there is only seven unique words.

5.3.7 COMPARISON OF MOST FREQUENTLY RECURRING WORDS

The final analysis in Chapter Four was a comparison of the most frequently recurring words across all the samples. The table showed the top 40 of the most frequently recurring words in news articles, academic articles, and corporate and government reports. The topic of this study is non-banking financial solutions for underbanked consumers. The word financial appeared as the most frequently recurring word appearing 2147 time (9.80%) meaning that the chosen samples focused on financial solutions/services, which was the main problem that needed to be addressed in the study. Academic articles had the most frequently appearing words across all samples followed by corporate and government reports. The words that were recalled the most in the analysis are financial (2147 times 9.80%), banking (1918 times 8.76%), growth (1640 times 7.49%), economic (1613 times 7.36%), and stokvels (1268 times 5.79%).

5.4 RECOMMENDATIONS

The sixth and final secondary objective of this study to provide conclusions and recommendations to the formal banking sector as well as non-banking financial institutions to enhance financial inclusion for underbanked consumers.

As stated in the introduction of the study the formal banking sector finds underbanked consumers as a non-profitable group and thus do not focus on providing financial services for this group. The formal banking sector should look into including underbanked consumers in the banking sector without charging exorbitant fees.

Non-banking financial institutions are the only solution for underbanked consumers' financial inclusion, it is therefore vital for these institutions to market their offerings and be transparent in their transactions to gain the trust of underbanked consumers.

Another stakeholder involved in providing financial services to consumers is the microfinance sector. Underbanked consumers have no knowledge of the availability of these institutions, as not enough information is available to consumers. Microfinance institutions should be more active in growing their presence within underbanked communities. This can be done through advertising and promotions tailored specifically for underbanked consumers.

The card-less banking introduced by the formal banking sector could be a solution to the problems experienced by underbanked consumers. However, formal banking institutions show no interest in accommodating the underbanked, which then pushes underbanked consumers to non-banking alternatives. The banking sector can make efforts to accommodate the underbanked in card-less banking services offered.

5.5 CONTRIBUTIONS OF THE STUDY

There are limited studies focused on providing solutions to financially excluded consumers by the banking sector, this then confirms the need for the study conducted. By finding out what alternatives are there for underbanked consumers, efforts can be

made to inform these consumers about the available alternative solutions to accessing financial services.

This study has attempted to research alternative solutions for underbanked consumers and in the process has made a way for possible future research on the matter since limited information is available on the topic of interest.

5.6 LIMITATIONS OF THE STUDY AND RECOMMENDATIONS FOR FUTURE RESEARCH

Due to the nature of this study, some limitations must be highlighted. The study made use of a qualitative content analysis where the literature of the research was used for data analysis. The information on the phenomena of interest was obtained through academic sites using a criterion sampling strategy, which is defined as an approach that makes use of predetermined criteria to review, and study cases of interest (Palinkas, Horwitz, Green, Wisdom, Duan, Hoagwood, 2015:535).

Information available on the study is limited which means the study has limited information. The research study also employs a strict sampling method meaning academic sources that did not meet the set criteria were omitted. The extent to which the sample in this study is representative of the population as a whole is therefore questionable. In future studies, the sample group could be revised and expanded to include journals and articles that are not restricted by the set criteria to gain more insight into the phenomena.

The study did not make use of any information obtained through underbanked consumers meaning the information obtained was limited to studies that are already available and no new insight was gained from actual people who experience the issue at hand.

5.7 CONCLUDING REMARKS

In summary, the financial inclusion of underbanked consumers in South Africa requires all parties that provide financial services to play their part in providing efficient and

transparent services to these consumers. Researchers in South Africa have not been productive enough in finding solutions for financially excluded consumers, as research on the matter is limited. More research needs to be done on the matter and consumers need to be made aware of the solutions that are available as an alternative to banking with the formal banking sector. South Africans should go back to their roots and make use of traditional methods that are available which are more trustworthy and reliable. Furthermore, retailers have been playing an important role in bridging the gap between banked and underbanked consumers and should thus make consumers more aware of the financial solutions they have to offer.

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