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# Social innovation in South Africa: building inclusive economies?

Social  
innovation in  
South Africa

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## Abstract

**Purpose** – Social innovation (SI) acknowledges socio-economic challenges as opportunities to make communities more sustainable and cohesive through inclusive grassroots practices. The question remains, however, as to whether and how socially innovative practices can be effectively supported in developing inclusive economies. Drawing on the findings from two South African in-depth case studies, This paper aims to discuss how social innovation ventures may be supported to drive inclusiveness.

**Design/methodology/approach** – This paper purposively sampled two social enterprises (SEs) and conducted in-depth case studies through interviews and secondary data review.

**Findings** – The SEs selected promoted digital, economic and social inclusion. Despite the diversity of the two organisations, they shared similar challenges in undertaking their practices mostly deriving from South Africa's lack of legal recognition and policy framework for social purpose-driven businesses.

**Originality/value** – Applying Moulart *et al.*'s (2007) SI classification criteria to the case studies in focus, this paper seeks to extend our understanding of the challenges that innovative SE organisations face in tackling exclusion and contributing to build inclusive economies in the South African context.

**Keywords** Social innovation, Inclusive economy, Social enterprise, Challenges, South African context

**Paper type** Research paper

## Introduction

Like “trickle-down” theory and pro-poor growth, many top-down interventions have failed to deliver the envisioned economic advancement in the developing world (Benner and Pastor, 2016; George *et al.*, 2012). Inclusive development is a driver of poverty reduction

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The idea of working together on SI sprung from the Common Good First <https://project.commongoodfirst.com/>. This was part of a European Union Erasmus+ scheme for capacity Building in Higher Education with 12 partners from six countries.



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dialogue and general well-being for all with the potential of creating thriving communities and better ideas and innovations (Ngepah, 2017; Uraguchi and van Dok, 2020).

Social innovation (SI) can be defined as new ideas (products, services and models) that simultaneously meet social needs and create new social relationships or collaborations that can have a transformative power, to change societies for the better through locally grounded initiatives that challenge exclusion as Moulaert and MacCallum (2019) have argued. In other words, they are innovations that are both good for the society and enhance society's capacity to act (Murray *et al.*, 2010). Some scholars view SI as unfolding through the practice of entrepreneurial economy [United Nations Industrial Development Organization (UNIDO), 2017]. Social entrepreneurship is often seen as a subset of SI – the organisational enactment of SI ideas and models (Nicholls *et al.*, 2015).

Drawing from the findings emerged through an in-depth case study review of two social enterprises (SEs) deemed [1] to be innovative in their ethos, purpose and practices, this paper finds that to tackle the widespread need within South African communities, organisations innovate by using collaborative practices, developing new relations, empowering communities and developing new products to support social inclusion. Despite the varying ways in which these organisations attempt to build inclusive economies, they both face very similar challenges reflecting the absence of institutional support which includes access to finance and lack of legal recognition. This begs the question as to how public policy and practice can better support SI to foster inclusive economies. In South Africa, SI research has only recently gained popularity (Claeyé, 2017), and there is not enough “local” knowledge available on SE organisations, their purpose, impact and the challenges they may face in addressing their mission. This paper, thus, argues that it is vital to understand how public policy can promote and support SI to build inclusive economies.

The paper is structured as follows. Firstly, recognising that SI is a contested concept (Ayob *et al.*, 2016), this paper explores the different definitions through the lens of inclusive economies to embrace all stakeholders to empower and grow communities. Secondly, drawing from wider international debates and approaches, the role of public policy in supporting SI is considered. South Africa represents an interesting case, as the scale of destitution is significant and there is a lot of community level activity (McGhie and Keim, 2017). But it is only recently that the terms SI and Social Entrepreneurship are being used in the South African policy environment (Roodt *et al.*, 2017; Lekhanya, 2019; Meldrum and Bonnici, 2019). The methods underpinning the study on which this paper draws are then presented, alongside the two case studies selected. Drawing on scholars' attempts to classifying SI in terms of purpose and dynamic processes, it emerges from the analysis of these two case studies that while the organisations selected fulfil the notion of socially innovative ventures and tackle varied social needs from different perspectives, they face similar challenges in their operations. Access to finance and the interrelated lack of institutional recognition appear to hinder the potential for these organisations to make a difference and are often discussed in conjunction with the lack of a legal framework and regulations about tax laws specific for SEs. The paper concludes with a discussion on how public policy can provide support for SI to ultimately enable an inclusive economy.

### **Social innovation to build inclusive economies**

Social exclusion can be defined as the absence of participation in various dimensions of social life (Gerometta *et al.*, 2005, p. 2010) with a particular focus on relational issues such as inadequate social participation, limited social integration and lack of power (Häußermann *et al.*, 2004). SI is understood as both a normative and analytical concept in the formation and analysis of solutions to social exclusion problems (Gerometta *et al.*, 2005). It focuses on the processes aimed at promoting inclusion (Moulaert and MacCallum, 2019), such as

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meeting real needs, creating new forms of social relations and collectively empowering people (Moulaert and MacCallum, 2019).

SI discourses see social challenges as opportunities to make societies more sustainable and cohesive through inclusive practices, co-production and pro-active grassroots initiatives (Grimm *et al.*, 2013). In political and lay discourses, SI has recently been used as a promising solution to fill gaps to meet the so-called Grand Challenges of the 21st century (Neumeier, 2017; Martens *et al.*, 2020). Indeed, the quest for innovative policy solutions to tackle societal problems has put SI at the forefront of policy interest. Policy would have to elaborate on good governance, service delivery, collaborative, cross-sectoral relationships and means to mobilise resources between various actors.

However, questions as to how to create a more inclusive economy are cross-cutting. Strategies to foster a more inclusive economy have emerged transnationally. Inclusive economy takes a central position in both the UN's Sustainable Development Goals (e.g. Goal 8 – Sustained and inclusive economic growth can drive progress, create decent jobs for all and improve living standards) and the EU's "Europe 2020 Strategy" [United Nations Industrial Development Organization (UNIDO), 2017].

George *et al.* (2012) highlight that by reframing constraints, bridging access and developing new business models, innovation and inclusive growth are inevitable. The standard tool or concept mobilised to sustain this argument is that of SI. However, research is further needed to understand what works in delivering successful SIs that facilitate sustainable and inclusive growth. By and large, it is recognised that to overcome social exclusion, it is necessary for state, market and civil society to work collaboratively [United Nations Industrial Development Organization (UNIDO), 2017]. While the role of the market and market logics in the realm of social exclusion have been the focus of longstanding debates (Mulgan *et al.*, 2007), it is essential to understand how public policy can accelerate, promote and measure the impact of SI (Martens *et al.*, 2020).

### **The role of policy in supporting social innovation for inclusive economies**

SI offers a space for interaction between government and society (Hulgård and Ferreira, 2019). Public policy is in essence concerned with change; change of burdens, change of life chances and change of power (ibid). In this way, public policy and SI are intrinsically related. Governments around the world have increasingly engaged in different ways to stimulate, influence and collaborate with SI.

Since 2011, the Organisation for Economic Co-operation and Development (OECD) has worked to develop policies and programmes to support SI and social entrepreneurship and foster SE development. In 2020, The OECD launched a project (with financial support from the European Commission) to promote the development of legal and regulatory frameworks in the European Union (EU) member states to effectively allow SEs to develop and thrive [Organisation for Economic Co-operation and Development (OECD), 2021]. As part of its outputs, a manual providing guidance for policymakers to assess, design and improve legal and regulatory frameworks for SEs will be produced. The production of a manual will be complemented by a mutual learning seminar for representatives of national governments involved in designing policies, especially legal and regulatory frameworks for SE development.

Numerous initiatives have been established at the EU level such as, "Empowering people, driving change" (2010) which sets out the policy framework to promote SI through the use of Structural funds (e.g. ERDF and ESF) and research programmes (e.g. Framework programme, 5 and 7, and Horizon 2020). Three policy frameworks underpin SI activities in Europe:

- (1) EU 2020 strategy – EU’s agenda for growth and jobs for the 2010–2020 decade. It emphasised smart, sustainable and inclusive growth to improve Europe’s competitiveness and productivity and underpin a sustainable social market economy.
- (2) Social business initiative – creating a favourable climate for SE.
- (3) Social investment – as a mean to not only control social expenditure but also develop alternative finance sources for social services in some EU countries.

This follows the increasing attention from international organisations focusing on the ability of SI ventures to tackle market failure and to address social exclusion.

Indeed, the Bureau of European Policy Advisers (BEPA) has argued that there are a number of dimensions to SI that need to be attended to or accommodated within a common working definition used by the EU (von Jacobi *et al.*, 2017, p. 153). BEPA’s definition of SI resonates with that of Moulart and MacCallum (2019), in so far that it is a process which aims to: meet the social demands of vulnerable groups that are not currently met by the existing socio-economic settlement; address societal challenges in which the boundary between the “social” and “economic” blurs; and promote a participatory approach to social organisation and interactions that centres on empowerment [Bureau of European Policy Advisers (BEPA), 2010].

In the UK, the focus on SI emerges in the 2000s through the work of NESTA and Young Foundation. While this interest was mostly linked to the development of social entrepreneurship and in strengthening the links between state and the third sector, a range of policy tools were used or considered to develop SI. These include enabling laws – like the UK’s 2012 Social Value Act which made it easier for procurement of all kinds in the public sector to consider issues of social value – and the introduction of new funding sources for socially innovative ventures, like Social Impact Bonds. The political recognition and the policy programme to support SIs came because of the developed network of historical institutions and support networks, that is the plethora of agencies and associations endorsing SI and SE as means to deliver a socially oriented economy (Mazzei and Roy, 2017).

This paper seeks to understand whether and how these international approaches could be used for South Africa to learn lessons on best practice in policy development and regulatory frameworks.

### **The current policy environment in South Africa to support social innovation**

“When it comes to the development challenges facing this continent [Africa], we don’t need bright glares or dazzling innovations – we need slow-burning and sustainable fires that bring about systemic change” (Soko, 2017).

While a relatively young concept within the South African context (Lavery, 2003), SI has increasingly been used to highlight the importance of both developing new products and services to serve the most disadvantaged of society and developing new collaborations among partners from different sectors (Hart *et al.*, 2012). These configurations resonate with Moulart *et al.*’s (2005) understanding of what SI involves, namely, the three dimensions of content/product, process and empowerment. Junge (2015) supplements this threefold classification by outlining different trends. These range from developing sustainable farming to developing communication technologies to disseminating and receiving basic information about work, market prices or weather (Millard *et al.*, 2019). More recently, SI debates have focused on inclusive development where poor communities actively transform their lives through social and economic development (Hart *et al.*, 2015). This would involve the poor and marginalised being creative actors and beneficiaries using technical and SIs to

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improve their livelihoods to ultimately mitigate poverty through social value (Sinkovics *et al.*, 2014).

While there is recognition that interdependence and cohesion between business, government and civil society are at the core of inclusive development (The Philanthropic Collection, 2018), a consolidated effort from all sectors has been lacking (Claeyé, 2017; Meldrum and Bonnici, 2019).

From a policy perspective however, the process of supporting SIs is still embryonic. While recognising that inclusive SI can only work if designed by Africans for Africa, after 25 years of democracy, the most noticeable problem still remains inequality; not only black and white, male and female but also rich and poor causing extreme poverty in disadvantaged groups. After 1994 (Post-Apartheid), policies in South Africa [2] have searched for social outcomes that promote innovation to assist the most marginalised parts of the society (Hart *et al.*, 2014). Yet there is still much work to be done to deal with economic exclusion.

There is a growing policy appetite for inclusive growth, as reflected in President Cyril Ramaphosa's address to the nation: "We are instead looking at actions that will build a new, inclusive economy that creates employment and fosters sustainable growth" (Ramaphosa, 2020). However, the inclusive growth agenda must take citizen participation, place-based policies and public-private partnerships much more seriously (Turok and Visagie, 2017). Firstly, by recognising that long-term economic and social challenges such as inequality, poverty and unemployment have resulted in widespread financial exclusion in South Africa (Ramaphosa, 2020), with a relatively resource-poor and financially vulnerable non-profit sector attempting to meet societal disparities (Moboya, 2017).

Gonzalez and Dentchev (2021) argues that governments may promote SI by enhancing political willingness [3], as well as develop and promote economic advantages for the marginalised and poor, through the creation of policies and legal frameworks for economic growth. Most of the organisations consulted during the development of social economy policy in South Africa called for guiding principles, goals and values to name, legitimise and normalise the model for social and economic value to measure, enable and support the social economy. Just as in Rwanda, there is no specific policy or legal documents governing SEs in South Africa, but only various legal and tax contexts from alternative policies that are fused together to guide SEs (Rwamigabo, 2017). South Africa already has policies focusing on social change, transformation and uplifting but are often contradictory for the social economy working both within economic and social prosperity. Practitioners became increasingly frustrated having to work across policies that required different sets of paperwork and rules for private companies and civil society. A "Social Economy Policy" development project was initiated by the South African Government (Economic Development Department), together with the Government of Flanders, International Labour Organisation (ILO) and Industrial Development Corporation (IDC) in 2017. The outcome was to develop an enabling policy framework that promotes the creation of decent jobs, social inclusion and environmental sustainability. The government considers the social economy as fundamental to create a more people-centred economy, for the benefit of all citizens. Therefore, in February 2019, the Minister of Trade and Industry [4] (Mr Ebrahim Patel) launched the National Social Economy Draft Green Paper.

Since then, this Green Paper has been consulted widely at both national and provincial levels through 22 workshops with 766 participants (ILO, 2020). The main aim was to understand what is required to stimulate the social economy ecosystem. During this consultative stage, it emerged that "one size does not fit all", thus it was important to understand the specificities to come up with recommendations that benefit every

permutation. The social economy in South Africa has several variations, for example, co-operatives, stokvels [5], non-government organisations, SEs, voluntary associations, informal enterprises with social objectives, trade union-owned enterprises, foundations, trusts and so forth. Each of these organisations have different needs, challenges and support requirements [Economic Development Department (EDD), 2019].

A few lessons were learnt through the consultations. Firstly, diversity is the social economy's strength, as it allows for a stronger "gene pool" and increases networking potential as well as communication to facilitate learning, continual reassessment of logic and ultimately stimulate positive change (Hazenberg *et al.*, 2016). Secondly, it is not worth scaling single organisations but using small networks to grow the social economy. The sector will be able to grow largely because of inherent characteristics of solidarity, social cohesion, social inclusion, self-organisation and self-sustainability [Economic Development Department (EDD), 2019]. Thirdly, governments should de-risk investment because the returns from socially innovative organisations (those mentioned above) are not only financial but social and environmental as well. Finally, the resources needed include financial incentives (i.e. subsidies and tax breaks) as well as specific infrastructure support such as space to operate or access to electricity and developmental support through mentorship, training and collaborative opportunities.

The process of developing a social economy green paper integrated existing policies as well as aligned South Africa's inclusive and transformation agenda [International Labour Organisation (ILO), 2019]. The green paper received its provisional Social and Economic Impact Assessment approval in April 2021. This means that the document can be submitted to political structures for consideration. The Industrial Development Corporation (IDC) seems to be recommended as the implementation agent and where a "home" for this policy will be established because the IDC is already managing a Social Enterprise Fund. This will then be the mechanism through which the implementation of the social economy ecosystem is driven. A draft White Paper on the Social and Solidarity Economy (SSE) was developed by May 2021. The purpose of the White Paper on the Social and Solidarity Economy is to "articulate a coherent approach that better integrates focused support for the sector. The intention is to strengthen the capability of Social and Solidarity Economy Organisations to implement transformative solutions to economic, social and environmental challenges based on solidarity principles, as well as to create a pathway to their long-term sustainability as organisations" (Department of Trade, Industry and Competition, 2021, p. 2). Four policy focus areas will be associated with interventions and implementation: access to markets, finance mechanisms and SI as well as legality and regularity.

### **Background to the study**

South Africa is considered one of the world's most unequal countries on both the Gini and Palma Indices, with 13.8 million people and 25% experiencing food poverty. This number is increasing yearly since 1994, with a slight improvement since apartheid was abolished (World Bank, 2021). One of the critical indicators that contribute to the poverty margins is the very high unemployment rates. Poverty rates are increasing because of the lack of job creation, as reported in the Quarterly Labour Force Survey with an official 32.5% unemployment rate and raised another 1.7% points in the past quarter (Statistics South Africa, 2020). More recently, unemployment and inequality combined with the COVID-19 pandemic have shed light on the devastating effects of the growing digital literacy divide. As little as 37% of South African households have continuous stable access to the internet through various devices such as cell phones and computers. The high cost of data (ranked 136th worldwide for mobile data pricing) also excludes many individuals from being

included (Hanekom, 2020; Majola, 2021). In South Africa, digital literacy is an empowerment process (Njenga, 2018). The process is a communication technology that will stimulate the knowledge-based economy to help eliminate digital inequalities (Tustin *et al.*, 2012). Furthermore, inequalities more severely impact people with disabilities with a continuous emphasis on the ineffectiveness of the labour market and disabled people's exclusion from the South African labour legislation (Van der Walt, 2014) and the low impact of The Employment Equity Act Number 55 of 1998 which identifies people with disabilities as critical beneficiaries (Schneider and Nkoli, 2011).

A multiple case study design (Yin, 2002) was used, with two case studies drawn from the Gauteng Province in South Africa. The two descriptive cases selected demonstrated inclusive practices as part of the organisational ethos.

An essential aspect of selecting relevant case studies included in the study was ease of access (Yin, 2002; enEriksson and Kovalainen, 2008) and ensuring that the information is rich regarding the phenomenon investigated (Patton, 2002). A purposive, convenience sampling approach was used (Creswell, 2013). The case studies were selected based on several specified criteria: the organisations had to be:

- (1) based in South Africa;
- (2) addressing a socio-economic need;
- (3) the critical informant had to be available for the study; and finally,
- (4) the SE had to have a website presence as a source for secondary data as well as available reports or articles.

To ensure consistency, the organisations needed to be a formally registered entity in South Africa and be operational for three years and more.

The data presented in this paper stem from two specific case studies explicitly aiming to tackle digital, economic and social exclusion by providing needed services, skills development and supported employment opportunities to selected communities and beneficiaries. The two selected SEs, Organisation A (A) and Organisation B (B), serve marginalised groups. Organisation A has a national reach, driving digital literacy in local communities in both the urban and the more rural parts of South Africa, specifically including women and youth (men are not excluded). Organisation B is a cloth recycling SE, working with people with disabilities and their guardians to offer them opportunities for economic inclusion and skills development.

### **Data collection and analysis**

The two selected SE cases were used as a unit of analysis, using semi-structured interviews as a data collection tool. The analysis sought to identify whether and how the case organisations offer a potential to contribute to developing inclusive economies. In doing so, we sought to understand whether and how these organisations meet a social need, create new relationships and empower the communities they serve.

The empirical data was collected from November 2020 to January 2021 using online platforms such as the Zoom online application, including Microsoft Teams Meet, as well as face-to-face interviews following the social distancing COVID-19 protocols. The interviews were approximately one-hour long. Because of time constraints and COVID-19 lockdown restrictions, it became convenient to use online communication platforms.

In addition, secondary data such as website information, available reports, social media posts and newspaper or online articles (Merriam, 2009) were requested from the key informant for each organisation.



Throughout the paper and as presented in [Table 1](#), code names have been attributed to the participants to maintain anonymity. As an example, Organisation B was allocated an abbreviation BG, then added was the organisational role of the participant, for instance employee was indicated as BG 'E', then followed by a number, such as 01 for the first employee interviewed.

Key informants such as the CEO were initially approached by the researcher requesting permission for the SE to be included in the study. Furthermore, the researcher then requested the key informant to select a list of individuals associated with the organisation in the following categories of employees, beneficiaries and stakeholder to be included for the semi-structured interviews. A special exception had to be made for Organisation B, as the beneficiaries are people with disabilities, are considered as a vulnerable group and had to be excluded from the list of participants. Alternatively, the mothers of the beneficiaries, who are also beneficiaries in the micro-business initiative, were then included as participants for this study.

The analysis sought to identify whether and how the case organisations offer a potential to contribute to developing inclusive economies. In doing so, we sought to understand whether and how these organisations meet a social need, create new relationships and empower the communities they serve, as well as identify the challenges faced by the practitioners engaged in the field of SI.

The analysis process followed was initiated by transcribing the recorded interviews and having them checked by each participant, followed by coding each transcript ([Saldana, 2016](#)) and using thematic analysis to search out similarities and differences in the data with overarching themes labelled ([Boyatzis, 1998](#); [Kiger and Varpio, 2020](#)). The data and themes were correlated and triangulated through the learnings in the semi-structured interviews also considering the sources of secondary data provided by each key informant. The themes were checked against the data to ensure validity and reviewed by peers.

### Case studies two social enterprises

The two organisations selected are based in the Gauteng Province, South Africa, and have a national presence through collaborative geographical community partnerships.

Each organisation has a unique approach to promoting social and economic inclusion. Organisation A promotes social and digital inclusion for local communities, while Organisation B drives social inclusion for people with disabilities and aims to stimulate economic inclusion through the development of their skills and those of the mothers caring for children with disabilities. A summary of the two case studies is detailed below.

**Table 1.**  
Primary and  
secondary data  
collection  
descriptions

Primary data collection: Semi-structured interviews	Key informant(s)	Employee(s)	Beneficiaries	Stakeholder(s)	Total per organisation
Organisation A Code name	$n = 1$ AIK01	$n = 2$ AIE01 and AIE02	$n = 3$ AIB01, AIB02 and AIE03	$n = 1$ AIS01	$n = 7$
Organisation B Code Name	$n = 2$ BGK01 and BGK02	$n = 2$ BGE01 and BGE02	$n = 3$ BGB01, BGB02 and BGB03	$n = 1$ BGS01	$n = 8$
Secondary data collection	Website information, available reports, social media posts and newspaper or online articles				

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### *Organisation A*

Organisation A is a non-profit organisation supporting community development through digital literacy, ICT training and access to computer equipment through establishing Community Knowledge Centres (CKCs). In 2004, the organisation was established in an area located east of Johannesburg known as Palmridge. The organisation has been “operational for the past 16 years, with 25 staff members, two based in Cosmos City [in Gauteng Province], two in Carnarvon, in the Northern Cape [Province] [...] then the rest [is] in Umdeni in Soweto [in the Gauteng Province]”, as reported by AIK01. The organisation is funded by private sector partners through their Corporate Social Responsibility (CSR) programmes. For instance, by Systems, Applications and Products in Data Processing (SAP), a multinational IT company, Social Development government grants or local municipalities and income generated through Information Technology (IT) accredited courses and skills training programmes provided by Cisco for local communities. The individuals attending the training are charged affordable and discounted prices for the courses offered.

The focus is on training and skills development facilitating access to computer centres, internet and digital literacy training courses. As stated by the chief executive officer AIK01, “it [Organisation A] allows people to be creative and productive, and it helps them learn things they didn’t think they could learn before - developing potential”. Organisation A uses a collaborative social franchise model to create digital literacy and the inclusion of previously disadvantaged individuals. This model is based on shared best practices relating to organisational processes, not completely duplicating traditional franchise models of adopting similar branding and paying of royalties.

Organisation A’s stakeholders and financial partners collaborate to support local CKCs by providing computer software, e-learning, affordable ICT-accredited courses and skills training.

Furthermore, Organisation A assists with sourcing computer equipment if there is a need and setting up community computer centres in collaboration with local community organisations. The collaborative approach has allowed Organisation A to scale nationally, achieving significant social impact and empowering communities in urban and rural settings and reaching women in farming. One of the beneficiaries AIB03, from Limpopo (one of the more rural provinces in South Africa) testifies that “I you’ve known the entity [Organisation A] for a very short space of time, however whatever they [Organisation A] a has left with me has impacted me a lot and it has impacted other people that I have invited a lot, so let me speak from the perspective to say that Organisation A what they have done for me was like 98% confirmed”. The evidence of Organisation A’s effectiveness has attracted various stakeholder partnerships such as the local government and various municipalities, Microsoft, Google and Facebook, with the list of partners increasing annually.

### *Organisation B*

Organisation B is a SE established in 2011, using a hybrid business model to achieve its mission. This means that two entities form part of Organisation B: a for-profit company Organisation B1, a recycling company using used and new clothes and Organisation B2, a non-profit organisation empowering people with disabilities. As stated by one of the managing directors, the two organisations found an opportunity for a common purpose when “they [Organisation B1] were looking for space [to recycle the used clothes], and I [Organisation B2] was looking for job opportunities for people with disabilities, and that’s how we met”.

In 2018, Organisation B established an office in Zwartkop, Centurion in the Gauteng Province. The project coordinator, BGE02, provided insight on the number of employees and

the role they play in the organisation, she mentioned “four sales representatives, six clothes sorters and a few contracted staff when needed, three seamstresses, and the toy-making department”.

Organisation B2 addresses the needs of people living in low-income communities, with a particular focus on people with disabilities and their guardians, by providing economic opportunities and inclusion for these individuals. The managing director BGK01 of Organisation B1 mentioned that, “recycling of used clothes” allowed for an innovative opportunity to economically empower people with disabilities through employment, skills training and job readiness initiatives implemented by Organisation B. Organisation B1 sources the clothes from schools, individuals and the private sector with an established partnership with multinational H&M retail group. In addition, Organisation B encourages women, the mothers of disabled children, to start micro-businesses to sell the recycled used clothes, which provides the needed income to sustain their families. As emphasised by one of the managing director’s BGK02, “I always say we are a recycling organisation, and from that, we can empower mothers of children with disabilities and work with early childhood development centres [ . . . ]”.

Organisation B is sustained mainly by the income derived from recycling and selling clothing to micro-businesses and blended funding secured from the private and public sector. BGK02 confidently summarised, “I would say in a year from now [2020] we will pretty much be self-sustainable”.

## Findings

The findings presented below focus on the different characteristics found in SI ventures, namely, purpose and process, as well as the empowerment of the beneficiaries. Challenges these organisations experience are also discussed.

### *The potential offered by the two organisations in our study*

*Social innovation applied – the purpose of the organisations.* Although the organisations selected have different goals and target beneficiary groups, they aim to tackle social and economic exclusion using different approaches.

Considering the level of digital illiteracy, particularly among young people and women in rural communities, Organisation A attempted to extend the access of digital literacy to young people and women from local communities. A social franchising model facilitated the setting up of CKCs in partnership with local communities across various provinces. Organisation A’s motto is to “bring ICT to the community”, as stated by AIK01, the Chief Executive Officer at Organisation A. Organisation A further supports local communities to set up CKCs and provides affordable IT and skills training.

Furthermore, Organisation B uses an environmentally focused approach of recycling and upcycling clothes to generate income through creating micro-businesses by empowering previously disenfranchised women and supporting their children with disabilities through an array of interventions. Organisation B has successfully placed a few people with disabilities in retail supported jobs, which addresses unemployment and the inclusion of previously disadvantaged groups. Focusing on the inclusion of people with disabilities, BGK02, one of the managing directors, highlighted “[ . . . ] we’ve lodged a learning management system called On Route that helps with life skills and supports the employment model and documents and assists people in [the] inclusion [of] mainstream work, our first customer is H&M”.

More specifically, as the parents of disabled children stay home to provide care for their children, they are negatively impacted by being unemployed with little to no income.

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Organisation B provides micro-business entrepreneurial skills training, using non-conventional methods, known as “township-style practical business skills” to the mothers of children with disabilities. The non-conventional methods do not include textbook theory of running a successful business, rather it includes training done by the more experienced micro-business mothers teaching practical selling techniques that work in township areas, basic money management and how to keep increasing sales through the use of common social media platforms such as WhatsApp. The training is supported by Organisation B, also supplying the mothers of disabled children with enough bales of previously used clothes to sell in the local township areas. The micro-business initiative is part of Organisation B’s income generation, but more importantly, it provides household income for the beneficiary families.

Additionally, in response to collecting an increasing number of tons of clothes, Organisation B innovatively automated their internal processes as explained by the managing director, “we went to Adam’s which is our biggest supplier for scales [. . .]. We told them that we want the scale to talk to our back end [systems]. They said they don’t have the technology so we built the software”, creating their own software programme to manage the internal process. The software monitors the weighing, recording and tracking of the clothes when received from a sponsor and sold by the micro-businesses and recycled and upcycled. The managing director, BGK01, summarises how the software works, “then I track the Kgs [weight] [. . .] all wireless, so even if I couldn’t have a pen, it still works. It’s just a tablet, and it works; it’s wireless’ [. . .] that system where I’m tracking it live, plus the wireless power system, I literally can put Organisation B anywhere”.

A further innovation, which emerged during COVID-19 period, was the process of digitising the skills videos and making them available online for the people with disabilities to have easy access. Both these innovations won them an award from SA Breweries Foundation.

*Processes related to social innovation – developing new relationships.* While the two organisations focus on specific activities to support their communities of interest, they promote innovative approaches to establish collaborative working practices. Collaboration opportunities are sought with public, private and third sector actors to forge partnerships to achieve specific outcomes. As an example, digital literacy and IT training done by Organisation A is in partnership with SAP and Cisco, which improves the chances of individuals being employed, in partnership with local community centres or non-governmental organisations (NGOs). A further example is the micro-business entrepreneurial training, life skills and supported job skills training done with people with disabilities by Organisation B forming collaborations to source used and new clothes from schools, retailers and the private sector. The initiatives as stated above promote digital inclusion through the CKCs being set up through the Organisation A’s social franchise model allowing access to the computer centres nationally and training programmes that promote digital literacy. Women and youth are targeted beneficiaries for the digital training programmes which encourages social inclusion (the men are not excluded). Furthermore, Organisation B also promotes social inclusion by selecting people with disabilities and their families to benefit from the recycling and supported job placement program, also allowing for economic inclusion.

*Organisation A.* One of the interviewees from Organisation A emphasised that “[. . .] the objective is to bring access to these technologies to the communities, at their doorstep” (AIK01). This objective is achieved through collaboration with local municipalities and the private sector partners, using an innovative social franchising business model to set up CKCs nationally. SAP is one of the main supporters of the CKC project. The social franchise business model does neither apply traditional methods such as insisting that the CKCs adopt the Organisation A brand nor does the CKCs have to pay royalties. The benefit is that

the local CKCs retain their independence and identity within the local community. An added benefit is that the CKCs are given training and guidance by Organisation A on the best practices related to operational processes, of managing and the running of an IT Centre. The main requirement to be part of the social franchise is to adopt the CKCs operational process and methodology of running a computer centre. The management team of all newly established CKCs is trained on a specific method of running a computer centre, as noted by one of the participants “so we have different centres coming through for manager’s training” (AIE01). Organisation A provides ongoing guidance and technical support to the established CKCs. During the COVID-19 lockdown in 2020, CKCs continued with *virtual training*, not using the physical infrastructure. One of the interviewees reflected that “they [learners] don’t know how to use the virtual platforms, but they prefer a walk-in or someone to guide them through” (AIE01), which resulted in Organisation A having to set up a *Virtual Support Hub* to provide additional support for both learners and CKCs across the country.

Moreover, Organisation A seeks vital partnerships with the public and private sector for financial and non-financial support to ensure that these projects remain viable. As an example, one of the key stakeholders supporting the CKC initiative is a multinational company known as SAP, a well-known ICT company. One of the directors at SAP indicated that “So in Organisation A’s case as you know we are the founding partner. We got together with Organisation A in 2006. I mean the centres have grown [...] and today we have up to 200 centres across all nine provinces. That growth shows to us that it is a sustainable organisation [...]” (AIS01).

In [Table 2](#), a few examples are presented illustrating how Organisation A leverages current partnerships to establish new collaborative community network partners, ensuring capacity building through the CKCs in more poor under-resourced communities nationally.

Project partner	Process of involvement to reach objectives
Community leaders	<i>Community</i> The community leaders assist with running the CKCs and identifying beneficiaries from disadvantaged communities
Local municipalities/ Government agencies	<i>Public sector</i> Organisation A, together with the local community leaders, negotiates for the use of under-used municipal buildings to start a CKC Organisation A then trains up the community leaders on the methodology of running a CKC, providing technical assistance
CISCO networking academy	<i>Private sector</i> (example of some of the partnerships and the benefits) CISCO commits to “Together with our education, instructor, training and employment partners we’ve committed to developing the workforce of the future.” Organisation A provides the same quality of training to disadvantaged communities affordably, ensuring CISCO-accredited certification
SAP	SAP provides CSR funding to promote digital literacy initiatives reaching local communities nationally across South Africa SAP supports Organisation A’s initiative to establish new CKCs nationally, as it aligns with the SAP objectives
Facebook	Organisation A in partnership with Facebook, the online meeting platform, sponsors a #SHEMEANSBUSINESS training workshop, providing access for women in business to do training on social media platforms Organisation A trained 4,000 businesswomen in 2019 and 5,000 in 2020 nationally through local CKC community partnerships As reflected on the website, Facebook’s purpose is to “Facebook builds technologies that give people the power to connect with friends and family, find communities and grow businesses.” (Facebook, 2021)

**Table 2.**  
Organisation A –  
examples of how  
stakeholders  
participate in  
community  
knowledge centre  
initiatives

*Organisation B.* Organisation B's vision is "to bring out the good in all we serve! To empower people, especially those living in poverty and people living with a disability" (BGK01). Organisation B uses the recycling of clothes to achieve the following three objectives, (1) to help eradicate poverty, (2) to promote an inclusive society, mainly including people with disability in mainstream jobs and (3) to take care of the environment.

Furthermore, adolescents with disabilities are taught basic life and job supported skills, intending to place them in the open labour market. A noticeable partnership that Organisation B has developed is the one with the H&M Retail Distribution Centre. Through collaborative approaches and benefiting from the CSR programme of this international corporation, many beneficiaries of Organisation B were employed. The result of this collaboration is mutually beneficial: Organisation B is able to provide employment opportunities to its beneficiaries, while H&M can benefit from positive advertisement for their CSR and environmental commitments. This is also reflected on the H&M website, where it states "all clothes collected by H&M are either reused, re-worn or recycled with 0% going to landfill, in collaboration with Organisation B1".

The clothes are donated by schools, individuals and the private sector through CSR initiatives. Finally, the clothes that cannot be resold or worn, called the "un-usables", are then up-cycled and used for toy-making. The toys are designed explicitly for child-stimulation at a young age targeted for donation to resource poor early Childhood Development Centres to identify children with disabilities who require additional support. These families are then further supported through Organisation B's programmes.

*Empowering of beneficiaries through the process of social innovation.* Both organisations were found to develop and implement activities that aim to empower their beneficiaries.

*Organisation A.* The empowering of beneficiaries is mainly achieved through Organisation A's unique social franchise model. A business woman focusing on training and development based in Limpopo became a beneficiary, when Organisation A partnered with her to train her members on the Facebook for Business training programme. In her interview, she noted that "Yes we did Facebook training [. . .] most of the time we don't get opportunities to have training that also impacts you and empowers you financially as well [. . .]" (AIB03). Furthermore, Organisation A recruits young people for internships for the duration of a year and provides them with training to teach basic IT skills in the CKCs and the local schools. Interviewing the interns, two nearing the end of the internship, they both seemed confident about what they were gaining through Organisation A. One indicated that she would like to "go to school and study for education [. . .]" (AIB02), while the other expressed with excitement, "so as I'm an intern now, but I've been given opportunity to facilitate [. . .] which is a very exciting experiment and a learning curve [. . .]. So there's just so many programs that are running here and they are very interesting" (AIB01). Organisation A's approach empowers and builds capacity of CKCs including management and staff, conducts training sessions for individuals and gets them work-ready, as well as appoints young adults to be trained as trainers through internships.

*Organisation B.* The mothers of the children with disabilities are empowered through specific entrepreneurial training, not textbook style but practical methods that will help them in the local community context. The innovation behind this training is that the new mothers are trained by the mothers that initially started selling for Organisation B, so they use their personal and practical experience to do the training. The mothers are also trained on how to manage a personal budget. One of the mothers and a beneficiary explains how she had progressed financially by starting her micro-business to move to better accommodation, "When I came here, I stayed in one room, my kids were going to public school. I have two

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boys [...] but I tried to move from one room to two-room, after two-room, I'm in a townhouse now" (BGB03).

This training approach passes on unique sales techniques on how to sell previously used clothes within a township's context. Another mother, also a beneficiary, explains, "My first bale didn't go very well. It took me like 3 to 4 days to sell that 5 kg, but after selling. I saw that it was a good outcome [...] and then yes, now I can buy 80kgs per week here. I can sell it all. I'm doing it by myself. I go door to door selling. I don't have a specific place where I sit and sell. I use the door to door strategy that is the one that is working for me now since I started my business" (BGB02).

Finally, another interviewee elaborates that she uses a different selling method, "It's not a flea market, just on the street. I just put [up] my banners, then I put [or display] clothes. It's exactly inside the taxi rank where people are passing [...] near the [shopping] mall" (BGB03).

Although beneficiaries of Organisation B, the children with disabilities, could not be included in the interviews, one of the interviewees shared excitedly, "we now have four people with disabilities working at H&M" (BGK01), while another participant, an employee at management level at the toy-making department, provided context to the number of beneficiaries that directly benefit from the programme offered by Organisation B: "There are 56 moms with children with disabilities specific projects. There's 148 [Early Childhood Development Centres] that are sponsored with the up-cycled toys. That's beside the 570 kids and families that we directly work with" (BGE01).

The projects within Organisation B are interlinked and the outcomes all lead to some form of empowerment. For example, the mothers of children with disabilities become self-sustained through the income generated by the micro-business, and this directly benefits the extended family. The children with disabilities are given life skills and job-related skills including the potential for job opportunities. The resource poor Early Childhood Development Centres are provided with toys used to assist with the education of young children.

### *Challenges in practicing social innovation*

Despite the enthusiasm for innovation discussed by the interviewees of the two case studies, all participants acknowledged the difficulties in implementing their activities and the daily challenges they have to face. These challenges can be summarised as access to finance and resources as well as the interconnected lack of a legal framework and regulations for SEs in South Africa. We discuss these in turn.

Firstly, access to finance and resources is a significant challenge. The traditional financial sector rarely considers social organisations as potential clients and is regarded as high risk. In Organisation B, one of the interviewees noted that "the key challenge is cash flow" and "funding the organisation at the beginning from personal resources resulted in serious financial loss [...] [and is] still struggling to find sincere collaborative partners to advance the social mission" (BGK01).

Access to funding is challenging, as the hybrid SE business model is not formally recognised, as stated by BGK01, "some of the bigger challenges are we are not a SE officially and we cannot get access to funding". BGK01 further explains that because Organisation B is a hybrid business, there is always a debate by a potential funder of which of the two entities the money should be paid over too, which could also have taxation implications.

Furthermore, because of COVID-19 lockdown period, grant funding was delayed or cancelled, which directly impacted salaries, as explained by the key informant "so the delayed appropriation did affect, so for example [...], some of the staff, didn't get total

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salaries” (BGK01). There was no additional financial relief during this time for the third sector.

Secondly, the harsh reality in South Africa is that funding provided to cover operational expenses is very limited and explained by one of the participants, “people will give you funding once off, then start the centre, giving computers and whatever, but operationally, nobody will support you [..]” (AIK01).

The lack of organisational resources has a negative impact on staff retention, as employees start looking out for better paying job opportunities. This was noted by interviewees from Organisation A, who disclosed that the retention of experienced employees is often challenging for the organisation. For example, one of the senior managers noted: “staffing issues [is a problem], then [staff] lookout for opportunities [..] [in the] corporate world [..]” (AIK01).

Organisation A interviewees also indicated that partnering with the non-profits in the rural communities is straining, especially when the Ministry of Social Development withdraws funding from these organisations. The lack of funding has a negative impact on programme delivery by the community partners. The director indicated “[..] the challenge is that it’s always, you know, the ongoing support and assistance and hand-holding in terms of maintaining the quality of the programme and services that you want them [community partners] to deliver [..]” (AIK01).

The COVID-19 pandemic with lockdown and social distancing created additional challenges for Siyafinda to reach their beneficiaries as noted by interviewee “let’s do it virtually [..], and obviously that [came with a] the new set of challenges” (AIK01). Organisation A adopted new online platforms to offer training such as Zoom and Microsoft teams and had to find additional funding for data to benefit beneficiaries attending the training interventions.

Thirdly, the absence of a Social Economic Policy in South Africa has exacerbated the situation. Indeed, the lack of a legal framework and regulations about tax laws is not favourable for SEs. In a discouraged tone, an interviewee from Organisation B expressed the challenge, “but ultimately, there needs to be a legal entity because it’s very difficult for us” (BGK01).

Often, the positive social impact created by these social organisations is unaccounted for or not really acknowledged. The limitations are presented in various ways. If the organisation is established as a non-profit, then the tax laws cap the percentage of income relating to profitability. It can mainly secure donor funding and targeted ring-fenced financing to advance the mission to serve more impoverished communities. For a hybrid business, such as Organisation B, the tax laws are generally not favourable, and such a business normally comes under scrutiny by the tax authority, the South African Revenue Service (SARS). An interviewee at Organisation B elaborated in the interview the complicated questions asked by the SARS, “So SARS says how can this money be transferred from the non-profit to the for-profit?” (BGK01). This statement clearly expressed frustration with the current situation with the non-profit “paying” the for-profit for services rendered.

Moreover, as highlighted by one of the interviewees at Organisation A, the community partners setting up CKCs are beneficiaries, mainly registered as NGOs. Most NGOs are resource poor and require additional assistance, which Organisation A tries to provide, “so we [Organisation A] also sort of in some way trying to remodel them from a traditional NGO to maybe the SE model” (AIK01), attempting to add an element of income generation.

Importantly, the same interviewee points out that “[..] the challenge is, you know in South Africa, you can’t register as a social enterprise, you’re either a profit or a non-profit



[. . .] if you are an NGO, then your profits become an issue [. . .]. So, we're caught in between the two [. . .]" (AIK01). Furthermore, one of the participants from Organisation B presents another view, "I think that for any social entrepreneur, especially in an environment like South Africa where you don't have a powerful government [. . .] I think more support from academia, government, industry [is needed]." (BGK01).

## Discussion

The development and delivery of new ideas and solutions at different socio-structural levels intentionally seek to change power relations and improve human capabilities. The solutions could be in the form of products, services, models, markets and processes.

In this paper, we apply [Moulaert et al. \(2007\)](#) classification of SI to the two selected case studies to demonstrate their adherence to the concept. [Moulaert et al. \(2007\)](#) classify SI into three core dimensions:

- (1) the satisfaction of human needs (content dimension);
- (2) changes in social relations, especially governance (process dimension) and, finally;
- (3) an increase in the socio-political capability and access to resources (empowerment dimension).

We also present the challenges identified by the participants as hampering their potential to contribute to positive change in the South African context.

The two case study organisations present the three prominent characteristics of SI ventures. These initiatives meet real needs of the communities they serve; create new forms of social relations with partners from the private, public and civil society; and attempt to empower their beneficiaries in the process of addressing their unmet needs ([Moulaert and MacCallum, 2019](#)). Each organisation focuses on providing activities to various population groups negatively impacted by the disparities in South Africa's historical events. Indeed, each organisation has found a unique way of addressing social concerns. For example, Organisation A creates digital inclusion at a local community level, and Organisation B enhances social inclusion for people with disabilities and their families.

However, as noted in much of the SE literature ([Claeyé, 2017](#); [Hazenbergh et al., 2016](#); [Rwamigabo, 2017](#); [Gonzalez and Dentchev, 2021](#); [Martens et al., 2020](#)) on this topic, these organisations face various challenges in the pursuit of their social mission. Firstly, the lack of resources has a negative impact on staff retention and enhances the risk of mission drift ([Gonzalez and Dentchev, 2021](#)).

There are standard, interconnected challenges faced by organisations driven by a social intent. [Gonzalez and Dentchev \(2021, p. 4\)](#) classify these as "fuel" (resources like funding and human capital), "hardware" (infrastructure) and "DNA" (SI culture). Likewise, the primary challenges that the above cases experienced were the lack of sufficient finances and resources (specially to cover the operational expenses), partnering with other organisations in the rural areas and the absence of a Social Economic Policy in South Africa. The availability of specialised knowledge and services (legal, accounting and IT), access to infrastructure (rooms, laboratories and co-working spaces) and different contacts (networking opportunities, events and conferences) further strengthen the business development and impact of SI. Yet, taking a closer look at the phenomena of SI, as it unfolds in the two SE case studies, it has become evident that addressing issues of social exclusion in the absence of an enabling environment is challenging ([Gonzalez and Dentchev, 2021](#)).

It has been argued that co-creation of policy with private, public and civil society sectors can enhance inclusion ([Steinman, 2020](#)). As highlighted by the SE leaders, the various SI

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interventions could be implemented at an accelerated pace if the government and the private sector could work together to create a more conducive socio-political and economic environment.

Indeed, inclusive growth should involve government, business, labour and civil society to solve societal problems together (Turok and Visagie, 2017). Social inclusion has integrated various dimensions of social life through participating economically, politically, socially and culturally (Gerometta *et al.*, 2005). While the two organisations selected demonstrate an ability to work cooperatively with partners from private, public and non-profit sectors at local level, the challenges they face in accessing financial resources stem mostly from a lack of recognition as economic actors in the national sphere.

It can, therefore, be argued that public policy has an accrual role to play in sustaining socially innovative activities. Indeed, in both cases studies, participants have disclosed their concerns over sustainability by operating in resource – poor communities and lack of credibility when attempting to access mainstream financial services. This partly stems from the lack of a legal framework for SE that could both provide the required recognition of these organisations as legitimate economic actors and facilitate access to networks for capacity building, value chains and best practice. Gonzalez and Dentchev (2021) highlight that governments can support SI through institutional and political willingness, development and promotion of economic advantages and the creation of supportive policies and legal frameworks for the establishment and growth.

While the South African Government is currently developing a social economy strategy in collaboration with international partners, organisations operating on the ground are challenged in their operations. This corroborates the need for the development of a policy to enable the Social Economy, recognising its importance in creating an inclusive economy and decent work in South Africa. However, it also highlights the requirement for speedy interventions that support the continuation of socially innovative ventures.

## Conclusions

SI acknowledges socio-economic challenges as opportunities to make communities more sustainable and cohesive through inclusive grassroots practices. Drawing on the findings from two South African case studies, this paper finds that while socially innovative organisations are engaged in a variety of activities that meet real world needs and create new forms of social relations, they face significant challenges that could be alleviated by a supportive policy environment. In recognising that governments around the world have increasingly engaged in different ways to stimulate, influence and collaborate with SI to develop more inclusive economies, a number of recommendations, therefore, emerge for future consideration in the South African context.

Firstly, the Government needs to fast-track the finalisation of the Social Economy Policy driven by South Africa's Economic Development Department. The policy framework process is able to map out the principles, goals and values. Once the social economy is enabled, supporting it and measuring the sector is so much easier [International Labour Organisation (ILO), 2019]. "A White Paper on the Social and Solidarity Economy was released for public comment in July 2021, which can assist with the rebuilding of the economy in the wake of the number of formal businesses that have been devastated and to support township and rural enterprises" (Patel, 2021). SEs are supported in terms of registrations, tax exemptions, the use of broad-based black economic empowerment (B-BBEE) and an understanding of corporate social investment and banking regulations in favour of SEs (Claeyé, 2017). Secondly, the private sector should rework its procurement

policies to include SEs into the supply chain, thereby allowing more room to close the gaps created by social exclusion. Finally, all stakeholders involved in the social sector, namely, government, the private sector, financial institutions and third-sector organisations, should participate in creating awareness through advocacy and training of SI and entrepreneurship to strengthen the local ecosystem.

## Notes

1. One organisation received funds and recognition in the SAB Foundation Social Innovation Awards for 2020, while the other obtained recognition from various other private sector and government agencies.
2. 1996 White Paper on Science and Technology aimed to change the thinking of innovation in South Africa and restructure the country's National System of Innovation (NSI).
3. [Post et al. \(2010\)](#) break it down into a somewhat more elaborate four-part definition: Political will exists when 1) a sufficient set of decision-makers 2) with a common understanding of a particular problem on the formal agenda 3) is committed to supporting 4) a commonly perceived, potentially effective policy solution.
4. Combined portfolios of Economic Development and Trade and Industry.
5. A Stokvel is a type of credit union in which a group of people enter into an agreement to contribute a fixed amount of money to a common pool weekly, fortnightly or monthly. Universally, such a system is known as a rotating savings and credit association (ROSCA), which is a group of individuals who agree to meet for a defined period to save together. This financial system is not unique to South Africa and exist worldwide. They are also known as Chama in Swahili-speaking East Africa, Tandas in South America, Kameti in Pakistan, Partnerhand in the West Indies, Cundinas in Mexico, Ayuuto in Somalia, Hui in China, Gam'eya in the Middle East, Kye in South Korea, Tanomoshiko in Japan and Pandeiros in Brazil – to name but a few examples. Types of stokvels are rotational, grocery, savings, burial, investment, social and borrowing clubs ([National Stokvel Association of South Africa, 2020](#)).

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