

Trade Union Savings and Credit Operatives: The Case of National Education, Health and Allied Workers, Savings and Credit Co-operative in South Africa

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The National Education, Health and Allied Workers Union (NEHAWU) is an affiliate of the pro-African National Congress (ANC) Congress of South African Trade Unions (COSATU) operates one of the largest savings and credit cooperatives in South Africa after opening its doors in 2006. The establishment of the NEHAWU Trade Union Savings and Credit Operatives (SACCO) can be attributed according to the Presidential Growth and Development Summit to endorse special measures to support co-operatives as part for job-creation in the South African economy. NEHAWU SACCO introduced to its members a new savings and credit vehicle which was collectively owned by the NEHAWU SACCO members acting in their interest. NEHAWU SACCO is therefore an excellent example of the operational nature of a savings and credit co-operative that has been able to respond to the conservative nature of banks and the expensive financial products in the marketplace and filling a gap in the market, a worker union SACCO. The purpose of the paper is to document the development of NEHAWU Savings and Credit Co-operative within the broader SACCO movement in South Africa. An overview of the current available research on SACCOs in South Africa is embedded in this paper to indicate the successes and shortcomings of NEHAWU SACCO against international SACCO benchmarks. The paper is exploratory in nature and a review of literature was undertaken to add to the paucity of information about the SACCO sector in South Africa. A variety of sources from journals, regulations and related institutions were used.

Keywords: savings, credit, union, banking, credit co-operative, trade

Introduction

NEHAWU as one of the largest public sector unions and affiliate of the pro-African National Congress (ANC), the Congress of South African Trade Unions could not in its wildest dreams envisage the impact of establishing the NEHAWU Savings and Credit Co-Operative (SACCO). NEHAWU SACCO was established in 2006 with its first Annual General Meeting (AGM) held on 8th December 2007 and is currently the largest SACCO in South Africa. The trade union movement in South Africa is characterised by high levels of conflict between employers and the employees. COSATU and its affiliate NEHAWU share sentimental attachments to the socialist movement and doctrine as they have been opposed to the so called "1996 class project" that is accused of dumping the Reconstruction and Development Plan (RDP) for the neoliberal Growth, Employment and Redistribution Plan (GEAR). COSATU and its alliance partner the South African Communist Party (SACP) have been vocal against the conduct of South African banks that continued not to cater for the millions of "unbanked" South Africans. Part of the reason for the cause of the existence of "unbanked" millions are the high costs of holding a bank account, high unemployment and the few banking institutions in

rural areas and in former locations (townships). Pre-1994, the banking sector did not cater for the needs of Black South Africans and this meant that access to credit was a challenge. In the post apartheid era, with the plethora of changes to legislation led to relaxation of the Usury Act and this led to credit being given out recklessly in South Africa which led to consumption led growth that led to many people having impaired credit records (or being "blacklisted").

This practice has a detrimental impact on the lives of many poor households that were forced into a virtual cycle of poverty in the existing conditions of poverty, deprivation and unemployment that confronted the ANC-led Government of National Unity. The broadening of "access" to Blacks was one of the aims of the ANC government to end the legacy of apartheid rule that created duality in terms of access. This also became a business imperative in doing business in the post apartheid era.

The National Credit Act (NCA Act) was able to curb the reckless granting of credit by legislating that credit granters must ensure that the credit requester is able to afford the credit. One of the challenges that the NCA Act sought to address was the consumption based economic growth that South Africa was experiencing that was driven by credit and having inflationary pressures on the economy. The lack of transformation of the financial services was another issue that led to constant confrontations

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between labour and the financial services sector at National Economic Development and Labour Council (NEDLAC). The actions of NEHAWU establishing the NEHAWU SACCO are exemplary and commendable because many of the NEHAWU members were faced with challenges when trying to access the financial services sector.

Co-operative and Savings and Credit Co-operatives

COPAC (2005) defines a co-operative as an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly-owned and democratically-controlled enterprise organised and operated on co-operative principles." A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise" Bibby & Shaw (2005:11). The formation of a cooperative is associated with a common cause that members voluntarily commit to achieve, makes the cooperatives to be flexible enough to operate in any sector of the economy.

Co-operatives can operate as farming and agricultural cooperatives, whilst others may provide housing for their members. Other cooperatives can provide banking, mutual insurance societies (Nilson,2001) play a dominant role in many insurance markets, and while others (Bibby & Shaw, 2005) supply utilities such as electricity and water. In the capitalist economy in the world, the traditional path is that capital hires labour, because capital is a means of production and employees that lack the means of production, sell their labour to capital in order to earn a salary.

According to Etkind (1989) the co-operative movement works in opposition to the capitalistic system as co-operatives start with labour hiring capital. The labour is represented by workers that seek to develop a co-operative and deciding the type of production or economic activity that the co-operative will undertake. The membership of the cooperative would provide equity by paying the membership fee necessary to be accepted as a cooperative member. The elected members of the cooperative board shall determine the share capital of the cooperative. According to Levi & Davis (2008) cooperatives have a "dual nature" which incorporates the economic and social component. Nigrini (2001) had noted that the strength of the cooperative banking system is based on fundamental principles such as self-help, self-responsibility and self-administration and decisions and policies of the bank are made democratically by the members, and these decisions have the backing of the membership. In terms of ownership, there are limits usually placed on the number of

shares that can be held accumulated by each individual or company in a cooperative. This is to ensure an equality utopia by ensuring that each member has one vote instead of having more votes depending on the number of shares held. This universal principle of one member-one vote (Satgar, 2007) tries to ensure that all members are equal and prevents the accumulation and concentration of ownership.

"Cooperatives return surplus income to members in proportion to their use or patronage of the cooperative, and not in proportion to their investment or ownership share" Ortmann & King (2007, p. 42). The payment of surpluses is done in proportion to the business that the each member does with the cooperative. The surplus (NEHAWU, 2011) declared by the Board of the cooperative will benefits all the membership in proportion to the business that each has done with the cooperative. This is divorced with the traditional manner of a normal capitalistic company where the surpluses are for a small group of investors because cooperatives are for the common benefit of all its members.

As noted by Levi and Davis (2008) cooperatives are too economic to be included in the non-profit sector and too social to be considered as an economic for-profit organisation. However, this practice is changing as several cooperatives especially in South Africa attract retail and institutional investors in this case where the Johannesburg Stock Exchange (JSE) listed ZEDER that buys shares in unlisted co-operative companies in the agricultural value chain. The PSG related Thembeke Capital which is a Black Economic Empowerment (BEE) owned and managed company has been snapping up stakes in agricultural co-operatives thereby assisting these companies to become BEE compliant. The operation of an over-the-counter share trading platform for many of the unlisted co-operatives means that these co-operatives have a flexible interpretation of their common bond. Nilson (2001) define this type of co-operative as an entrepreneurial co-operative with equity shares being transferrable and appreciable with a joint ownership structure. A common bond (or membership requirement) is important as this would create and prevents membership based on some requirement that may be geographical (e.g. only residents of the Western Cape), economic activity (e.g. must be a *bona fide* farmer), even union membership (e.g. members of NEHAWU Union) and even work based (e.g. Webber employees). "The members have no individual ownership right to the co-operative firm, they simply own the monetary value on their shares in the co-operative" Nilson (2001, p. 334).

To allow for trade in shares and for some members to either enter or exit the co-operative, there is an over-the-counter trading of shares. In the event that an over-the-counter trading of

membership shares, membership can be attained by buying a share within the limits of the number of shares available. Furthermore Nilson (2001) when a member leaves a co-operative he does not have access to the assets to which he has contributed. The difference between a SACCO and other forms of co-operatives is that the SACCO can accept deposits from its members as savings and also issue out loans to qualifying members of the SACCO.

Savings are a prerequisite for one to be considered for credit. Because savings behaviour and conduct is a better indicator of potential for credit repayment, this can be used in analysing credit applications. By providing easier access to credit and financing SACCOs, this characteristic can lead to a SACCO being regarded as a community project rather than a financial business in its own right (Sasuman, 2002). The SACCO movement is important because it places savings as a mechanism to access credit opportunities. The granting of credit is more risky than being a recipient of savings for a SACCO, but actively promotes savings, thereby stimulating a savings culture. As noted by Vonderlack and Schreiner (2001, p. 2) "not all people are creditworthy or want debt, all people are deposit worthy and want assets. Of course, saving requires current sacrifice, and with saving-unlike borrowing-the sacrifice precedes the reward.

On the other hand, savings offers the flexibility, and while borrowers pay interest, savers earn interest". SACCOs can assist in instilling a savings culture in a dis-savings country like South Africa. According to report titled *Annual Economic Report, 2011* the SARB (2011) indicated the abysmal national savings rate of 14.3 percent to gross domestic product (GDP) that is inadequate to stimulate economic growth.

Because the SACCO movement operates on a completely different path and manner to the commercial banking system, the members (including the Board of Directors) need training. The training must cater for the different user statuses amongst the current SACCO users, and prospective SACCO users. Because the SACCOs services can cater for the needs of people that may be initially completely unaware of the internal working of a co-operative where they work for the common good of its membership instead of the interests of the shareholders.

As suggested by Sasuman (2002) a financial education service must be designed for the members of SACCO. Etkind (1989) has noted that co-operatives must train their membership so that they can fully participate in the co-operative life in full, a failure to do so can be deemed to be a failure of the political task of a co-operative. A SACCO would be initiated, owned, financed and managed by the members (or shareholders) of the SACCO. The requirement that all members must be

shareholders (by buying shareholding) ensures that they have a link to the success to the bank, and makes them partial owners after contributing equity in terms of shareholding.

"The essence of cooperative banking is quiet unique. It is that members, who include both savers and borrows, use the cooperative to recycle money from those who have it to those who need it, without anyone outside taking a profit and with interest rates set so that system works in everyone's interest" ILO (2009). This is different from the commercial banking system that had been bailed out by public funds as it seeks to attain huge profits for investors and huge bonuses for the managers. Levi and Davis (2008) identify that the basic differentiation between a cooperative and a capitalistic company is the link that the member is also the at the same time "user" of the cooperative. Angelini *et al* (1998) noted that lending rates increase for all types of banks except for cooperative banks.

History of Co-Operatives in South Africa

According to Ortman and King (2007) the most significant co-operative development was the formation of Rochdale Society of Equitable Pioneers, Ltd in 1844 in Rochdale, England. However, in the 1860s Friedrich Raiffeisen and Schultze-Delitsch are credited with starting the first cooperatives according to ILO (2009). There is much confusion about the beginning of the co-operative and SACCO movement in South Africa.

"The first co-operative in South Africa, a Consumers' Co-operative, was established in 1892 in terms of the Companies Act. In 1908, the first Co-operatives Act was passed followed by the Co-operatives Societies Act of 1922...repealed by the Co-operative Act of 1981" Nigrini (2001, p. 4). The latest law governing is the Co-operatives Act gazetted in August 18, 2005. The Co-operatives Act makes a provision for establishment in the public service of a Registrar of Banks to regulate the co-operatives sector. The focus of these pieces of legislation was on agriculture which was a vital part of White capital building in the colonial phase in South Africa. According to COPAC (2003, p. 5) "in South Africa credit unions first emerged in the early eighties and where part of initiatives spawned by Catholic parishes in the Western Cape". In the post apartheid era in South Africa numerous authors (South African Foundation, 2003); (Gichai & Bannister, 2005) had noted that the 2003 Presidential Growth and Development Summit which endorsed special measures to support the growth and development of co-operatives was the catalyst for the re-emergence of attention to co-operative sector.

The following were ripple effects of the announcement; firstly the responsibility for co-

operatives was moved to the DTI from the Department of Agriculture (DoA) with a dedicated section. Before that, the NEDLAC Summit on the Financial Sector held in 2002 (Nzimande, 2003) also sought to promote the development of co-operatives to expand access in the financial services sector.

Co-operatives in the agricultural sector were already well established in the agricultural value chain. Ortmann and King (2007) noted that cooperatives were used by the apartheid government to channel disaster assistance to farmers in the form of debt consolidation. "They became a powerful lobby for agriculture, holding a virtual monopoly in key agricultural sectors, backed by ready access to finance through the Land Bank, and with effective control of the Marketing Boards that regulated prices until the system was dismantled in 1994" South African Foundation (2003:15). This fact is supported by Traub and Jayne (2008) that the former Maize Boards appointed agents who were mostly farmer cooperatives to buy from farmers and sell to registered millers and stock feeders on behalf of the Maize Board. The Department of Trade and Industry (DTI) is according to Satgar (2007) a

cooperative champion as the DTI it at the heart of the incipient cooperatives support systems through the Cooperatives Development Unit in the DTI. The South African Micro-finance Apex Fund (SAMAF) a DTI related organisation is designed (Knight, 2006) to address poverty alleviation projects and encouraged the creation of financial co-operatives and other savings establishments such as stokvels to build local savings and wealth. "The South African government is promoting the use of cooperatives as organisations that could help enhance the development of small-scale farmers and other communities in South Africa" Ortmann & King (2007, p. 40).

In order to provide a legislative framework, the Co-operatives Act makes provision for the creation of the Co-operatives Banks Development Agency (CBDA) that regulates co-operatives along with the SARB. The CBDA is located within the Treasury department whilst the SARB in a statutory body related to the Treasury department. The following regulatory bodies form the Regulatory and Oversight Advisory Committee (ROAC), includes the SARB Supervisor, CBDA Supervisor, the Managing Director of the CBDA, and the Registrar of Co-operatives.

Table 1. Various co-operatives in South Africa.

TYPE	Minimum registration requirement	Regulatory body/supervisor	DEPOSITS (R million)
Financial services co-operative (FSC)	<ul style="list-style-type: none"> • 150 members • R100 000 in deposits 	Samaf	20
Savings and credit co-operatives (SACCO)	<ul style="list-style-type: none"> • 150 members • R100 000 in deposits 	SACCOL	30
Primary savings co-operatives bank Primary savings and loans co-operative bank	<ul style="list-style-type: none"> • 200 members • R 1 million in deposits 	CBDA supervisor	20
Primary savings co-operatives bank Primary savings and loans co-operative bank	<ul style="list-style-type: none"> • R200 members • R20 millions 	SARB supervisor	n/a
Secondary and tertiary co-operatives banks	<ul style="list-style-type: none"> • Members that consist of at least Two or more co-operative banks Two or more FSCs that take deposits One co-operative bank and one FSC that takes deposits 	SARB supervisor	n/a

Source: CBDA (2011)

Co-operatives in South Africa can be categorised into two worlds according to Theron (2008, p. 306)" on the one hand there are what I have characterised as the established cooperatives. These are the historically white owned cooperatives, which are mainly involved in agriculture marketing and agro-processing, including wine. On the other hand there is the emergent cooperative movement. This comprises for the most part cooperatives established in the 1990s and subsequently". This fits well into the analogy provided by former Deputy President Thabo Mbeki in his 1998 speech that (Mbeki, 1998) about South Africa being two nation, one white prosperous and the other more

larger black being marginalised. Cooperatives in South Africa during the apartheid period were part of the means of enabling the Afrikaner in particular and White South Africans in general to attain economic emancipation. According to Satgar (2007) cooperatives in the financial, services and agricultural sectors were also a crucial feature of the apartheid economy. The existence of agricultural cooperatives that are successful and been in existence for many years can according to Mayson (2002) be attributed to the fact that agriculture in South Africa has been dominated by white farmers that held farms and undertook group marketing and the acquisition of supplies through their co-

operatives. According to Piesse et al (2005) noted that environment for co-operatives changed from state control to a free market economy, led to many cooperatives transforming from policy instruments of the state to market-orientated agri-business firms.

“The third-tier of banking in South Africa is made up of member-based financial institutions across a spectrum that includes stokvels, burial societies, savings and credit unions, village banks and mutual banks” South African Foundation (2003:14). Gichia and Bannister (2005) defines a SACCO as an organisation established by a group of people with a common bond for the purposes of saving money and providing credit to each other. The terms SACCO and credit union are used interchangeably but mean the same thing in essence. SACCOs are affiliated to SACCOL which is an umbrella organisation for SACCOs in the Republic of South Africa. According to Satgar (2003, p. 8) “through a Government Gazette (1994) the South African Reserve Banks (SARB) recognised SACCOL as the representative of Savings and Credit Unions in South Africa. SACCOL not only represent the SACCOs but also offers training, mentorship, regulation and take deposit of 10% of the SACCOs assets into a Central Finance Fund (CFF). SACCOs then use the CFF therefore means that for SACCOs, the SACCOL is the bank of last resort.

According to the Department of Trade and Industry (2009) SACCOL is one of the three dominant tertiary co-operatives in addition to the South African Housing Co-operative Association and the South African Federation of Burial Societies. SACCOs would not mobilise equity from outside interests and this create the economic emancipation of the SACCO movement from the banking system. Because it's the members savings that are redistributed to offer loans to members, there is a moral and economic commitment to repay granted loans because members share in the success of the SACCO.

The South African Banking Sector

“Exploitative private commercial financial system” is how Nzimande (2003, p. 1) describes the South African private and commercial system. The banking sector has been accused of failing to respond to the needs of South Africa and Black Africans in particular. Over 80% of the population was excluded from formal financial services in 1994 (Knight, 2006). According to Firstrand (2005) the traditional role of banks has been that of intermediary, that is, bringing together of borrowers and lenders (savers or depositors). “Savings services allow savers to store excess liquidity which they can use later and to obtain returns on their investment” (Zingoni, 2009, p. 1).

“The banking sector in South Africa is highly concentrated” (Okeahalam, 2001, p. 2). This oligopoly structure has resulted in the lack of competition in the banking system due to barriers of entry and had a negative impact in the reduction of the transaction costs related to banking “The five largest commercial banks (accounting for some 68% of deposits) are ABSA, First National Bank (FNB), Investec, Nedbank and Standard Bank” (Falkena et al. 2004, p.iii). In as much as the banking system is highly concentrated, the banking system happens to be well capitalised whilst the Global Competitiveness Report 2005/06 ranked South Africa 15th out of 117 countries for the soundness of the banking system (Firstrand, 2005).

South African like banks elsewhere are challenged by the change envisaged by Basel III, which is a set of policies in response to the financial crisis that began in 2008 and from a domestic perspective the NCA Act effects. The bank supervision by the SARB and the effects of the NCA Act ensured that South Africa was protected from a credit bubble lessening the impacts and effects on an integrated economy from the sub-prime crisis and credit crunch.

Table 2. Banks in South Africa.

Category	Members (with PASA membership)
Big 4	ABSA, FirstRand, Nedcor, Standard Bank
Big 5	ABSA, FirstRand, Nedcor, Standard Bank, Investec
Locally controlled banks	Big 4 (whose throughput ratio accounts for 99.7% of the payment system), together with: African Bank, Mercantile Bank, Capitec Bank Limited, Gensec Bank, Imperial Bank, Investec Bank Limited, Marriott Merchant Bank Limited, MEEG Bank, MLS Bank, Rennie's Bank Limited, Sasfin Bank Limited, Teba Bank Limited
Branches of foreign banks	ABN Amro Bank, Bank of Baroda, Bank of China, Bank of Taiwan, Barclays Bank, China Construction Bank, Citibank NA, Commerzbank Aktiengesellschaft, Credit Agricole Indosuez, Deutsche Bank of AG, HSBC
Banks with membership of all PCH's (Payments Clearing Houses)	ABSA, FirstRand, Nedcor, Standard Bank
Foreign controlled banks	Albaraka Bank Limited, Habib Overseas Bank, HBZ Bank Limited, Mercantile Bank Limited, South African Bank of Athens

Source: Falkena et al. (2004).

According to Nigrini (2001) the high costs and low returns associated with servicing the savings, loans and transactions and insurance needs prevents banks from servicing the poor and rural segment of the market. As noted by Vonderlack & Schreiner (2001:5) “for the poor, transaction costs can swamp all other factors in the choices of savings mechanism”.

The state also operates as competitor in the banking sector. The Postbank that is operated by the South African Post Office (SAPO) in a State Owned Enterprise (SOE) has applied for a banking license which would make it possible to issue out loans will add competition in the banking landscape. According to PwC (2011, p. 9) “the stronghold of the Big Four banks is loosened and being eroded at the bottom end of the market by Capitec and African Bank”. The growth has particularly been linked to the growth of unsecured lending that has already attracted furniture retailers like Ellerines (that was later bought out by African Bank).

This has benefited South Africa as the banking sector is attractive to foreign investment because South Africa is seen as an entry point to exploit the African market. The South African financial sector committed itself to promoting Black Economic Empowerment (BEE) by voluntarily developing the Financial Sector Charter (FSC) (Coetzee, 2009). Commitments contained in the FSC also sought to broaden access to the previously-unbanked-mass market (PUMM).

As a result of engagements at NEDLAC amongst other platforms a new low-cost bank account was established to cater for the needs of the “unbanked” masses. The account was available from the “big four” banks (FNB, ABSA, Nedbank, Standard Bank) and the Postbank according to Knight (2006). The account was called the *Mzansi* account and it was an entry-level account that was developed to cater for the PUMM.

The requirement of collateral (Zingoni, 2009) by mainstream financial enterprises excluded a number of people from accessing finance. The plight of the poor across the world is that they lack assets that can be used to pull them out of intergenerational poverty. The collateral prerequisite then left a gap in the market that catered for the poor and those with impaired records through the microfinance institutions (MFIs). The advent of competition in the retail banking sector in South Africa has finally arrived with price wars the order of the day. The loss of customers from the traditional banks to Capitec Bank has been particularly painful, with mass media onslaught trying to differentiate one bank from another. Price has increasingly become a major consumer issue and is used widely as a differentiation strategy.

The SARB and Treasury must be commendable for the macroeconomic policy and

other acts of parliament that largely insulated South Africa from the sub-prime crisis and eurozone impact. This was as a result as noted by Kganyago (2012) the flexible inflation targeting framework that allows the currency to cushion the domestic economy from volatility used by the SARB. What makes SACCOs so different from other forms of banking is that Chimpembere (2009) SACCOs are savings driven instead of being credit driven, therefore ensuring that savings are compulsory. This business model encourages savings and any pursuit of credit from the SACCO can only be considered is the credit applier has sufficient savings.

NEHAWU Savings and Credit Co-operative

The development of union SACCOs is a latter development after the post 1994 growth of union investment companies. Union investment companies afforded the unions a steady cash flow that made the unions financially sound. However, the unions were actually now vehicles of capitalism by embracing capital. They were established with the purpose of benefiting the rank-and-file members of the unions and the attainment of this principle is debatable. Worker control was impossible and the pursuit of socialism had hit a pothole.

Co-operatives were embraced because they were more associated with the socialism as they would grant worker control due to the structure and conduct of a co-operative. “Trade unions considered co-operatives as a tool for alleviating economic and social deprivation among the very poor in South Africa. During this period, for example, the National Union of Metalworkers of South Africa (NUMSA), established the Sarmcol Workers Co-operative (SAWCO)” DTI (2009:5). NEHAWU SACCO is a latecomer as establishing a trade union SACCO but because its one of the largest unions representing the public service and its broadness across various sectors provided it with an opportunity to tap into a ready market. NEHAWU SACCO has the following vision: to be the leading savings and credit co-operative Bank creating value to improve the socio-economic conditions of its members.

NEHAWU held its founding National Congress in Soweto in 1987. This public sector union is one of the biggest affiliates of COSATU. Vavi (2010) identified NEHAWU as one of the pace setters in COSATU. NEHAWU is significant because employment by government remains the major economic activity in South Africa especially in the poorer provinces of South Africa. COSATU is in alliance with the SACP, are led by the ANC in the tripartite alliance. Vavi (2010, p. 8) describes the alliance as “an organic unique entity born out of struggle and cemented with the blood of our

people'. NEHAWU SACCO was meant to receive member's savings and then issue loans to NEHAWU members as a means of providing financial services to the members. This was a direct assault against the micro-finance industry that is known for charging high interest rates for the credit it gives out. Striving to create a savings culture is one of the aims of the NEHAWU SACCO.

The prerequisite that a member must have accumulated savings in NEHAWU SACCO before being entitled to apply for credit seeks to instil a culture of savings. Membership is linked exclusively for NEHAWU membership and the common bond is also linked to NEHAWU membership. R200 amount for shares need to be paid for one to be a *bona fide* NEHAWU SACCO member and the financial value of the membership fee does not accrue interest. NEHAWU (2011) noted that cooperatives are businesses that exist to improve the lives of the participants, providing goods and/or services for the membership.

Membership

The growth of the NEHAWU SACCO can also be attributed by the promotion of the SACCO amongst the workers and staff members of NEHAWU. The monies from the shares and deposits for the NEHAWU SACCO shall be transferred into the Central Fund of SACCOL. It has not been all rosy in terms of membership shares have a shortfall of R 236 000 due to some membership not paying their shares equity. Already there are discussions to increase the membership shares from R200 to R300. Payroll deductions have assisted the growth of the NEHAWU SACCO but unfortunately the Personnel and Salary Administration System (PERSAL) does not allow payroll deductions. The

University of Venda is the only institution that has payroll deductions for the benefit of NEHAWU SACCO and a concerted effort to engage employers must be a new strategic direction in growing the membership. NEHAWU SACCO usually undertakes a membership drives by linking up with NEHAWU wherever NEHAWU has members.

The Board of the NEHAWU SACCO and its related committees (Credit, Supervisory & Education) regularly receive training to advance their own development to be able to exercise their fiduciary functions and responsibility. A NEHAWU Newsletter is distributed each quarter to its members to keep them abreast with developments around NEHAWU SACCO. NEHAWU SACCO is affiliated to SACCOL.

Successes

According to NEHAWU (2011) NEHAWU SACCO won a floating trophy for the SACCO with the highest savings growth for the year. The membership was at a staggering 4 207 by October 2011 from an initial 300 members by November 2007. Mr. Tebogo Phadu, the secretary of the NEHAWU SACCO Board, had been elected as the Chairperson of SACCOL and Mr. Mabhungu also sits on the SACCOL board.

The growth of the NEHAWU SACCO membership has led to decentralisation of tasks and functions by opening up an office in KwaZulu-Natal to service the 34 00 membership. NEHAWU SACCO is registered with the National Credit Regulator (NCR) as a dispenser of credit and as a primary cooperative bank. Table 3 represents a timeline of the progressive growth of the NEHAWU SACCO.

Table 3. NEHAWU SACCO timeline of benefits and membership.

PRODUCT	2007	2008	2009	2010	2011
Savings	R 72 000	R 465 000	R 2 600 000	R 3 100 000	R 5 100 000
Shares	R 54 000	R 150 000	R 302 000	R 408 000	R 525 000
Loans	R 144 000	R 771 000	R 1 400 000	R 1 600 000	R 3 900 000
Assets	R 727 000	R 1 100 000	R 2 700 000	R 3 100 000	R 4 500 000
Membership	307	1 276	2 754	3 287	4 207

Source: NEHAWU 2011

Credit Committee

The Credit Committee is tasked with the mandate of analysing the applications of credit from members. The Credit Committee meets every Wednesday to either approve or reject applications for credit. The approved credit applications would benefit from payment by Friday. In order to expand its credit extension for its members, a loan facility for R30 000 has been created. In order to benefit

from the R30 000 loan facility, the member needs to have accumulated R10 000 in savings. NEHAWU SACCO works on the following principle: current savings $\times 3$ = loan amount. The interest rate charged for the loan is 28%. It's only the R20 000 and the R30 000 loans that cater a maximum of up to 36 months for repayment. The ability of the NEHAWU SACCO to develop the latest R30 000 credit facility has been assisted by the fact that the NEHAWU SACCO has already

accumulated R5.1 million. To prevent the use of loans for consumptive purposes, the intended use of the credit amount would have to be provided to the credit committee for consideration when approving or rejection of applications. A debt consolidation loan facility was established after it had been demanded by the membership. With reference to Table 2, it's clear that savings have increased from a mere R 72 000 in the year 2007 to R 5100 000 by the year 2011. This indicated that the membership had an interest in savings which would over time instil the culture of savings. The interest rate of 10% for savings (compounded monthly) remains attractive for the membership.

Table 5. Fixed loan costs.

Loan	Interest	Admin fee	Total repayment	Installment	Period
R10 000	R1 951.97	R40	R11 951.97	R 996	12 Months
	R2 907.27	R40	R12 907.27	R 717.07	18 Months
	R 3907.81	R40	R13 907.81	R 579.49	24 Months
R20 000	R 3 873.95	R50	R23 873.95	R 1 989.50	12 Months
	R 5 297.99	R50	R25 347.99	R 1 408.22	18 Months
	R 7 135.54	R50	R27 185.54	R 1 132.73	24 Months
R30 000	R11 040.28	R50	R31 090,28	R 863.62	36 Months
	R 5 795.92	R70	R35 795.92	R 2 982.99	12 Months
	R 8 661.81	R70	R38 661.81	R 2 147.88	18 Months
	R11 663.44	R70	R41 663.44	R 1 735.98	24 Months
	R18 063.00	R70	R48 063.00	R 1 335.08	36 Months

Source: NEHAWU (2011).

Savings

Table 6 depicts the various savings products that are available for the NEHAWU SACCO membership. Regular savings can be accessed at any point during the year. On the other hand, Christmas savings and education savings can only mature in 11 months.

Table 6: Savings Products by NEHAWU and SACCO.

Products	Minimum Balance	Interest Rate
Regular Savings	R 50	11%
Christmas Savings	R100	10%
Education Savings	R100	10%

Source: NEHAWU (2008).

A steering committee to establish NEHAWU SACCO was established that was assisted by SACCOL from November 2006 and the initial membership envisaged (NEHAWU, 2007) to be around 200,000. The target of 200 000 NEHAWU SACCO members set to be achieved but there is scope to achieve it. NEHAWU understanding the importance of the SACCO decided to supply seed money for the NEHAWU SACCO to be able to start business and be self-sufficient.

Table 4. Loan products in NEHAWU and SACCO.

Number Of Loans Issued Per Product	2009	2010	2011
Emergency Loan	101	65	205
Short-term Loan	210	109	369
Consolidation Loan	115	88	228
Total	426	262	802

Source: NEHAWU (2011).

It is clear from Table 4, that there has been a growth amongst the various types of loans and with the short-term loan the most popular.

Human Capital

NEHAWU SACCO employed a Manager and support staff members that have experience in the SACCO movement. The retention of experienced staff is paramount and the NEHAWU SACCO Board of Directors are yet to indicate the existence of a staff retention policy. A challenge for NEHAWU SACCO has been to hire staff members as the initial two employees were engulfed by work which may a detrimental impact on the efficiency and effectiveness of delivering services to members. However, two staff members have been added to the staff compliment. The value that the staff and is unquestionable as they are not just experienced in the co-operative movement before working for the NEHAWU SACCO, they are also passionate. Appropriate knowledge management systems must be put in place in addition to succession planning regimes.

Challenges

The union has generally not given the NEHAWU SACCO the amount of support that would have allowed it to be as successful as envisaged. Compared with other established co-operatives in

the financial services sector such as Pretorium Trust, KoopKrag, Samba, and IEMAS, NEHAWU SACCO is still an infant when compared to these giants. It would be in the long-term interest if these competitor giants are used as a means of benchmarking against them and looking at ways in which to try and emulate their growth, products and processes. If the union took NEHAWU SACCO as seriously as it thinks it does, then NEHAWU SACCO would have been relocated to the ground floor of the NEHAWU Head Office for visibility as this is a conversation with the deaf. NEHAWU SACCO remains dependent on NEHAWU which means that its role may be taken for granted. This is in stark contrast with union investment companies that have their own trendy upmarket office space far removed geographically from the premises of the NEHAWU Head Office. The physical premises, and the outlook of the offices is abysmal and not appealing and this may create a negative perception about NEHAWU SACCO. Because what NEHAWU SACCO provides is essentially is a financial service that is intangible and cannot be inspected before purchase, perception and cues are useful as a means of reinforcing belief in the delivery of the service. Invariably, this may challenge the ability of NEHAWU SACCO to provide an alternative in the financial services sector.

Physical evidence can be used a means of evaluating the ability of NEHAWU SACCO to deliver financial services to its members. Physical evidence in service marketing is regarded as part of the extended marketing mix elements (price, product, promotion, place, people, and process) which is used as proof that customers inspect. “Physical evidence can be divided into interior cues and external cues. Interior cues include design, layout, equipment, seating and decor. External cues include signage, landscape and parking” George (2008:378). NEHAWU SACCO can do a lot to improve on its physical evidence, because you can walk throughout the NEHAWU Head Office without seeing a sign of the NEHAWU SACCO. The outlook of the established financial services co-operatives is more superior as their physical cues are appropriate and create a superior image and perception. The short-message-service (SMS) campaign to NEHAWU members initiated in previous years, the existing human resources could not respond adequately to the demand for NEHAWU SACCO services by “new” members. Because there is a web of exposure to the co-operative movement, understanding of the principles of the SACCO and a co-operative movement is a challenge for the membership. The education committee of the SACCO would be a challenge because of the geographically dispersed nature of the membership of NEHAWU. This task would have to be dispersed to the BECs and the

shop stewards of NEHAWU. However, this can only be achieved if there is a general buy-in by the leadership from top to bottom of NEHAWU. There SACCO movement tries to instill a savings culture as a first step, then tries to offer credit solutions for the members at competitive rates. Being eligible for credit, the prerequisites include having savings and displaying a savings culture by having a savings track record. There are situations where a person in need of credit would deposit money into the bank account of NEHAWU SACCO and then request credit after a few days. This type of credit request to the Credit Committee would be turned down as there is no existing track record of savings by the member as this would be *speculative capital*. In as much as NEHAWU SACCO is yet to develop a clear policy on credit granting conditions it could learn a thing or two from SACCOs in Mozambique.

According to Chipembere (2009) in Mozambique SACCOs lent to members after they have transacted for six months, to build up a financial base that will minimise risks in the event that the borrower fails to repay the money lent. As noted by Sebhatu (2012) there was a general lack of understanding of what the SACCO does as people may consider it to be established purely to access loans, and this misunderstanding can be mitigated by creating awareness campaign to both members and non-members.

The main communication between the NEHAWU SACCO is the telephone line whilst there is no dedicated call centre. Long waiting time to speak to someone is effectively a line, and a line creates dissatisfaction and may turn away potential customers. Because of no dedicated call centre staff to respond to the various needs of NEHAWU SACCO members, the service delivery may be erratic and variable. Because what the SACCO provides is essentially a service that is intangible, then one of the characteristics of service is that it the delivery of service is variable because it's delivered by people instead of robots. The use of electronic platforms has been identified as a means to reduce variability of service delivery. The accommodation industry uses technology to have real-time accommodation booking, and flights can also be booked online to reduce human contact that may create variability in service delivery. As customers evolve, financial services must also evolve to be able to respond to the changing needs of the customers. NEHAWU SACCO must develop an ICT strategy that would make it respond by developing offerings on social networking sites. The use of electronic platforms and technology can assist in reducing the reliance on humans for service. Consumers are increasingly using the Internet (George, 2008) to search for information. NEHAWU SACCO does not have a separate website but has a page on the NEHAWU website.

The webmaster has not updated the webpage and it's not populated enough to create interest. Instead of being a one-stop source of information, the website does not have not all the necessary forms on the website and you would have to request them. This would enhance transparency and build consumer confidence. The website would be appropriate if it had the following:

- All the annual reports and financial related documentation year to year;
- A publications section that would have a section where the newsletters that are emailed to members are stored;
- A members section where the members would be able to log in and access member services such as members statements, and a report of their expenditure and services they have used of the SACCO;

The skeleton staff compliment may be a challenge in servicing the growing membership of the SACCO, as turn-over rate for requests may not be competitive. From a human resources perspective, the loss of any staff member would be devastating as this would not just be a loss of institutional memory but would mean experience is lost. This means that succession planning must be implemented for potential skills loss but the staff must be afforded omulements that would be competitive. However, the growth of the SACCO way require a "new way of doing the same things in a different way" considering head hunting staff that would rejuvenate the SACCO. As union members become more sophisticated the SACCO would have to respond by being more responsive to the needs of the membership. The NEHAWU SACCO newsletter sent out electronically to members would have to be altered to respond to new realities. Partnerships can be made with the necessary Sectoral Training Authorities (SETAs) and higher education institutions (HEIs) that could fund graphic design and journalism experiential learning students that could impart their skills in upgrading the outlook and relevance of the newsletter.

Marketing of NEHAWU SACCO can also be enhanced by ensuring that NEHAWU SACCO is visible at the numerous regional, provincial and national congresses that NEHAWU holds. Branches of NEHAWU are the most basic level of the union and it is where NEHAWU SACCO must be visible. NEHAWU offices to serve members must be visible with marketing collateral and information brochures. The branch executive committees (BEC) of each NEHAWU branch must during the induction programme and in their programme of action ensure make sure that they advance the growth of NEHAWU SACCO. NEHAWU SACCO must undertake personal approaches employer companies to allow for payroll deductions for the benefit of NEHAWU

SACCO. The University of Venda, is the only signed up employer for payroll deductions and there is much scope for growth. NEHAWU is actually represented in many sectors of the economy and can extend the payroll deduction to many employer companies.

Conclusion

NEHAWU SACCO is a relatively young SACCO and it's been able to offer an alternative source of financial services for the members of NEHAWU SACCO. The challenge that has plagued the SACCO is organisational fragility and a having a less glossy image than NIH. Furthermore, NIH is totally financially and geographically independent of NEHAWU Head Office. The NEHAWU SACCO being "embedded" in the NEHAWU Head Office does not afford it the visibility it deserves but some strategic location can be of benefit. However, NEHAWU SACCO must not operate in an environment where NEHAWU members remain unaware, and uninformed about the operation of NEHAWU SACCO. The governance of the NEHAWU SACCO at board level and various sub-committees is imperative to ensure that it's sound and reaches its objectives. The success of NEHAWU SACCO is a key factor in motivating other COSATU unions to establish SACCOS too using it as a model. The main benefactors are however the members with financial services that are at competitive rates. The lessons are drawn are that the support of government is paramount for the success of the cooperative movement. NEHAWU SACCO is a good case study of a SACCO in the post-apartheid era that has been successful in its development.

The second transition in the development of SACCOS is to ensure that they increasingly provide an increased array of products such as insurance, hire-purchase credit, and develop their own purchase cards and merchant network. These products will ensure that SACCOS increasingly provide products that will ensure that the SACCOS get increasing business from its members and be attractive to new members.

According to Sebhatu (2012) the military regime in Ethiopia viewed co-operatives as a key instrument in building socialism and the military regime aggressively pursued their growth and development. There are similarities with South Africa as the South African Communist Party which is an alliance member with COSATU and the ANC has gained greater prominence and has influenced government policy especially since the ascend to state power by President Jacob Zuma. For the South African Communist Party, it's important for its attempted hegemony on government policy to ensure that the SACCOS and the co-operatives are successful and operation to

advance its socialist agenda. "The first problem identified with regard to the cooperatives sector relates to the high degree of inactivity and closure rate" Hall (2005, p. 15).

The challenges noted by Hall are also evident in South Africa with high closure rate. As noted by Satgar (2007) many of the cooperatives initiated by government do not engage in any economic activity and are merely waiting for government support as they are yet to enter the start-up stage. The Philippines developed *Youth Savers and Power Teens Clubs* (Sasuman, 2002) to boost membership amongst the youth. SACCOs can do more to promote to young workers that have entered employment. The common bond of the SACCOs leads to them only offering services to their members, a platform for savings and credit. This strategy limits the growth potential of SACCOs by non-servicing non members. This can be done by charging (Angelini et al., 1998) above-average interest rates in the case of loans granted to non-members.

There is a general challenge of improving the image of SACCOs as (Ginchia & Bannister, 2005) they are associated with 'stovels' and low-income earners makes them appear undesirable. This is a marked different position where in Kenya, SACCOs own skyscrapers and having plush offices in the central business district such as Nairobi. NEHAWU SACCO is maybe in a fortunate position as its a labour movement SACCO meaning that its members are employed and can be accessible to all social stratification of workers. Because of potentially lower levels of regulation and internal controls, there is a need for proper management and governance of savings and credit co-operatives.

According to Distler and Schmidt (2011) in contrast to other financial institutions, the SACCO sector in Uganda is not regulated by the Bank of Uganda (BoU). Lack of regulation can have negative impacts with far reaching effects as SACCOs are an extension of the banking sector.

Furthermore, Hall (2005) noted that cooperatives sector is known as the worst documented micro-finance sub sector, ultimately due to lack of supervision, and unreliable reporting. In addition to the supervisory committee, an auditor to give an opinion on the financial documentation, there is a need for external supervision. The financial and economic emancipation of SACCOs against the mainstream banking system have been based on the mobilisation of savings from members and using 80% of those funds for loans. However as Chipimbera (2009) had noted there growing need for loans by members may lead to external sources of financing the loan needs of members and linkages with the formal banking sector. This point is further strengthened by Ginchia and Bannister (2005) that the key barrier to SACCOs in South

Africa is the lack of access to sufficient funds to provide loans. Female participation in the co-operatives sector is well documented as they are marginalised members of society. According to Bibby and Shaw (2005, p. 37) "co-operatives can offer an alternative approach to that taken by profit-driven commercial private enterprises. Services such as electricity and water are well suited to co-operative provision as our examples from Bolivia and Bangladesh, and transport in Brazil provided by the Balsa co-operative".

In South Africa co-operatives are predominantly in the agricultural and financial services and are yet to fully exploit the economic opportunities that the economy presents. NEHAWU SACCO would have to contract a research project to undertake a study of its membership, their future needs and also seek to benchmark itself against other SACCOs that are successful throughout the African continent and internationally.

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