A NARRATIVE OF MOTIVATING FACTORS OF PROMPT LOAN REPAYMENT IN ROTATING STOKVELS

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Abstract

Orientation: Prompt loan repayment is a critical requirement for the success of rotating stokvels that are utilised by migrant entrepreneurs that conduct retail business activities in Braamfontein, which is a suburb of Johannesburg in South Africa. The study provides a narrative of motivating factors of prompt loan repayment.

Research purpose: The primary purpose of the study was to estimate the percentage of retail operators in the Braamfontein suburb of Johannesburg who pay back business loans to rotating stokvels promptly on a regular basis. The secondary purpose of study was to assess the perception of retail operators about the benefits of business ethics principles.

Motivation for the study: Abiding by business ethics principles enables retail business operators to establish long-standing and mutually beneficial working relationships with customers and clientele alike. Commitment to pay back business loans to lenders is a key aspect of demonstrating due appreciation and respect for ethical principles in the retail industry of Braamfontein.

Research design, approach and method: Individual 1-hour long interviews were conducted with 12 retail operators as part of the research. Thematic analysis was used for assessing the degree of commitment shown by retail operators towards rotating stokvels in terms of prompt loan repayment. Triangulation was used for ascertaining trustworthiness of feedback obtained from the 12 participants of study.

Main findings: The top 3 motivating factors for the prompt repayment of business loans were the ability of retail operators to make profit, the networking ability of retail operators, and the duration of business operation.

Practical implications: Although rotating stokvels lack capacity for providing business loans to all businesses, they play a valuable role in meeting the demand for business loans in the retail industry of Braamfontein.

Contribution to knowledge: The study has shown that rotating stokvels are a highly valuable source of business loans in the retail industry of Braamfontein, and that they deserve to be supported so that they can extend their services to at least half of all retail busineses in the retail industry of Braamfontein.

Keywords: Braamfontein, Retail industry, Rotating stokvels, Prompt loan repayment, Business ethics, Thematic analysis

Introduction and background to study

Donnelly, Lamberton, Bush, Chance and Norton (2024) highlight the benefits of prompt loan repayment and explain how consumer debt repayment could be increased. Prompt loan repayment is an essential requirement for rotating stokvels that extend loan services to retail businesses in Braamfontein, which is a business hub in which migrant entrepreneurs conduct retail business activities. Carlson and Nguyen (2026) explore loan repayment decisions that are dependent upon lending policies. The authors show that first-time borrowers who collect large sums are more likely to default due to the burden of loan repayment obligations. Repeat borrowers are associated with relatively lower default rates. Bhandary, Shenoy, Shetty and Shetty (2024) conducted a review of the literature on determinants of loan repayment in which they identified common causes of default. The most common causes of default in loan repayment are financial hardship, loss of income, poor planning, loss of working hours, drop in business revenue, loss of customers, changes in personal living circumstances, changes in business environments, family emergencies, the accumulation of debt over time, and economic slowdown in markets. Some borrowers over-rely on credit and fail to meet their loan repayment obligations. The other causes are failure to use loan monies according to business plan and intense competition in the marketplace.

Verhoef (2020) highlights the main economic contributions made by stokvels and identifies a few key contributions made to the economy. Key among the contributions are contributions made to burial societies, the purchase of groceries in local communities, rotational payouts that are used for alleviating financial difficulties experienced by members of local communities, the

promotion of long-term savings by members of local communities, the provision of microloans and pooled money to people who require financial relief, the use of pooled savings to alleviate abject poverty in vulnerable communities, and the promotion of cohesion and solidarity in local communities.

Literature review

Surveys carried out by Verhoef (2020) and Lappeman, Litkie, Bramdaw and Quibell (2020) indicate that stokvels require mutual trust and commitment to make repayment among members. Fellow members share a similar fate in terms of sharing risk and benefits. Fellow members are highly interested in collecting lump sums which are paid out by throwing ballot papers at regular intervals. Those members who are lucky enough to collect lumpsums fast enough have the benefit of using money raised from fellow members. In contrast, those members who are not lucky enough to collect lumpsums fast enough are required to wait long periods and expose themselves to the risk of not collecting lumpsums at all due to default. Some members default on loan repayment due to financial difficulties and unforeseen circumstances.

Lappeman, Litkie, Bramdaw and Quibell (2020) highlight sources of risk that undermine loan repayment in stokvels. Abruptly changing circumstances in the socioeconomic conditions of fellow members of stokvels are common causes of uncertainty and failure to honour commitment to follow members of stokvels. Challenges related to uncertainty and volatile market related situations (Chitimira & Ncube, 2020) undermine the ability of rotating stokvels to lend money to retailers who require loan money. Hutchison (2020) states that the main benefit of rotating

stokvels is their disregard for fixed assets and collateral. A review of the literature shows that rotating stokvels are worthy of policy-related support and municipal level administration related to business management and business license applications and renewals (Tengeh & Nkem, 2017; Iwara & Netshandama, 2021). The main benefit of rotating stokvels is filling the gap left by formal financial institutions in rural and poorly developed regions.

There is consensus among researchers that it is prudent to provide support to rotating stokvels. Mabika and Tengeh (2021) and Matlou, Bahta, Owusu-Sekyere and Jordaan (2021) place emphasis on the reluctance of commercial banks and microfinance institutions to lend money without demanding fixed assets and collateral. Although some business loan applicants possess adequate determination to pay back business loans, they are unable to produce fixed assets and collateral to lending institutions. Research work conducted by Hutchison and Allen (2021) shows the need for capacity building in rotating stokvels. Providing financial and administrative support to stokvels enables them to be of service to several applicants at a time. Such support would also shorten the length of cycle or waiting period to be paid lumpsums. Empirical research conducted by Mthethwa and Wale (2021), Sesele, Marais, Van Rooyen and Cloete (2021) and Wale and Chipfupa (2021) shows that providing financial and policy related support to rotating stokvels is beneficial to retail operators that conduct business activities in poorly developed regions.

Objective of study

The overall objective of research was to identify significant motivating factors for the prompt repayment of business loans in rotating stokvels that are based in Braamfontein, Johannesburg.

The specific aims of research were to assess factors that affect the ability of retail operators to make profit, the networking ability of retail operators, and the duration of business operation.

Methods and materials of study

Twelve eligible participants were chosen for the research. Selection was based on purposive sampling. One-hour long interviews were conducted each eligible participant. Interviews were transcribed, and texts, phrases and sentences were identified. Codes and categories were created by using processes that are commonly used in qualitative studies (Braun & Clarke, 2020). The main focus of research was in identifying motivating factors for the prompt repayment of business loans. Multiple sources of evidence were used to ensure trustworthiness. A state of saturation (Hennink, Kaiser & Weber, 2019) was reached after participant number eight was interviewed. This became clear after it was noted that answers obtained from the remaining participants became quite similar to answers obtained from the first eight eligible participants of research.

The use of multiple sources of information (Aljerf, 2018) entailed triangulation. Findings obtained from participants of the study, findings obtained from literature review, and assessments made by experts on rotating stokvels were used as sources of information. In addition, eligible participants of the study were allowed to comment on feedback obtained from fellow members of the study to corroborate findings.

The twelve participants of research were well experienced and highly knowledgeable about rotating stokvels. They also knew about processes that are followed in commercial banks to secure business loans. One key requirement was that of fixed assets and collateral.

Results achieved from qualitative research

Two themes emerged out of codes and categories. The first theme was related to the need to be able to make profit as a means of meeting loan repayment duties to stokvel associations. The second theme was the need for networking skills as a means of finding new customers and clientele. Triangulation (Aljerf, 2018; Braun & Clarke, 2020) was used for ensuring the trustworthiness and reliability of responses obtained from the 12 interviewees who took part in thematic analysis. Theme number 1 was about profitmaking skills, whereas Theme 2 was about networking skills. Leckner and Severson (2019) and Sundler, Lindberg, Nilsson and Palmer (2019) state that the use of triangulation is essential to corroborate findings. Castleberry and Nolen (2018) and Forrester and Sullivan (2018) recommend the use of a wide variety of credible sources of information to corroborate findings obtained from participants.

Theme number 1 was a collection of determinants of the ability to make profit. The theme consisted of 11 factors that are known to affect the ability of retail operators to make profit.

Theme number 1: Determinants of ability to make profit in retail businesses

Item 1	Opening up business early
Item 2	Keeping business open outside regular business hours
Item 3	Ability to source products for which there is demand
Item 4	Ability to supply products that are in demand on a regular basis
Item 5	Competence in bookkeeping and auditing
Item 6	Competence in taking inventory of stock regularly
Item 7	Competence in assessing comparative prices set out by business rivals
Item 8	Competence in using suitable methods of promotion
Item 9	Competence in ordering products that are in demand in advance
Item 10	Competence in providing a wide variety of products to customers
Item 11	The treatment of all business customers with respect

Theme number 2 was a collection of determinants of the ability to network effectively with stakeholders in the retail business. The theme consisted of 7 factors that are known to affect the ability of retail operators to network effectively.

Theme number 2: Determinants of ability to network effectively

Item 1	Ability to communicate effectively with customers and stakeholders alike
Item 2	Competence in using social media effectively
Item 3	Competence in making new business contacts

Item 4	Advanced skills in working harmoniously with business rivals
Item 5	Advanced skills in identifying new business opportunities
Item 6	Advanced skills in making oral presentations
Item 7	Advanced skills in writing reports

Key findings from thematic analysis

The results showed that rotating stokvels were a highly valuable source of business loans in retail business operations that were conducted in Braamfontein, Johannesburg. Rotating stokvels were a highly valuable source of business loans in migrant-owned and operated retail businesses. The results showed that rotating stokvels lacked the capacity to meet the financial needs of all retail businesses and that it would be prudent to provide them with support. Support could be provided in terms of capital and regulatory frameworks. The results identified 3 influential factors of the ability of retail businesses to make profit. The first influential factor was commitment to open up business early enough. The second influential factor was commitment to stay open after regular working hours. The third influential factor was knowledge of products that are in demand.

Declaration of research grant and research ethics approval of study

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