

**The Impact Of Cash Loans (Mashonisas) On The Welfare Of
The Non-propertied.
A Case Study On Tubatse Ferrochrome Mineworkers In The
Mpumalanga Province.**

Matabane M.L

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MINEWORKERS IN THE MPUMALANGA PROVINCE.

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SUPERVISOR:

PROFESSOR NINDI.

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DECLARATION

I declare that the dissertation hereby submitted to the University of the North for the degree of Masters in Development Studies has not previously been submitted by me for a degree at this or any other University, that is my own work and that all ideas borrowed from other authors have been acknowledged.

Mokgohloe Lorraine Matabane
(Student)

Date _____

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CHAPTER ONE

1.1 INTRODUCTION AND BACKGROUND

South Africa is one of those countries that experiences mushrooming of micro-lending industry, that which is commonly called "Mashonisas" or "Shark loans". They are everywhere. From the smallest village to the biggest cities and have set up shops and daily, millions of South Africans are queuing up to borrow instant cash at crippling interest rates (Thamm 1998: 41). The problem of mushrooming micro-lending is a problem that affects the entire country and produces a number of interrelated problems "Approximately 9-10 million cash loans are disbursed each month by the money lending industry" (Black Sash Press Release, 1999:1). It is a growing industry with estimated turnovers ranging between 15 and 25 billion rand per year (Matlhaku 2000:22).

One of South Africa's poorest provinces, Northern Province, is a fertile soil for this mushrooming micro-lending industry. According to the survey conducted by Northern Province Council of Churches and Esset, more than one third of borrowers are repeat money lending borrowers (Dhlamini, Manaka, Mautji et al. 2000:11), These borrowers borrow from one micro-lender to pay off another, a practice which people should avoid (Matlhaku 2000:17). In each and every town of the Northern Province, advertisements and billboards of Micro lenders are visible. The heart of the Northern Province, Pietersburg (Capital city of

the Northern Province), and signs for quick money and easy cash loans are everywhere and government workers are singled out as especially welcome (Dhlamini, Manaka, Mautji, et al. 2000:1).

Northern Province is not the only province in South Africa that experiences a rapid growth of the micro-lending industry. In a small town of Steelpoort in the Mpumalanga Province, where this study is conducted, Tubatse Ferrochrome mine is an attractive area for concluding cash loan transactions. The mine is situated where the Mpumalanga border joins that of the Northern Province. It is due to its geographical location that the mine satisfies the employment needs of the rural areas of both Mpumalanga Province and the Northern Province. Most of the people working in the mine from the Northern Province commute daily from villages such as Ga-Phasha, Stocking, Ga-Mampuru, Ga-Malekane, Riba Cross and Driekop to and from the mine. The mine also provides employment opportunities to areas of the Mpumalanga such as Steelpoort Chrome Park A and B, Burgersfort, Praktiseer and Lydenburg.

Local residents see the mine as the biggest source of employment and well paying. "The lowest paid rank in this mine is that of janitors (cleaners) who earn an average income of R2 300, 00 a month" (Tubatse Ferrochrome Management, 2000). It is this sentiment of labelling the mine as paying good salaries and wages that Tubatse Ferrochrome mineworkers stand as a good market for micro-lenders (Mashonisas).

These mineworkers access credit with ease from the available micro-lenders, hand in their bank savings cards, and reveal their personal identity numbers (PINS) before their loan transactions are processed. The micro lenders will then keep such documents to themselves. During the mineworkers' paydays, the micro lenders withdraw the loan plus interest at a charge between thirty and fifty percent at the nearest automatic teller machines (Steelpoort micro-lender: 2001). This repayment consists of the original amount plus the additional amount. The additional amount is called interest. The interest is the cost of loan for the debtor and is the profit for the money lender (Dhlamini, Manaka, Mautji, et al. 2000:2). The borrower is then allowed to go for the next loan if he or she feels the net salary after deductions made by the Mashonisa is small to cover household expenditure for the month. This promotes successive borrowing, which leads to debt trap.

The situation as it prevails at Tubatse Ferrochrome mine is a matter of serious concern. Some of the employees take home small fractions of what was supposed to be their net incomes. These small net incomes or salaries as a result of micro-lenders' deductions affect the households of the mineworkers. It is against this background that the study will concern itself with the impact of the micro-lenders (Mashonisas) on the well being of the families affected. Food insecurity problem and social ills are experienced as a result. Food insecurity is defined as the consumption of amount of good below the

recommended dietary allowance. In South Africa, at least R9, 55 is required for each person every day, this amount equals to R286, 50 per person every month (Sekano: 2001).

1.2 RESEARCH PROBLEM

The research problem will be expressed in question form as follows:

- 1.2.1 What is the current situation regarding both the well being of the cash loans clientele and their families?
- 1.2.2 What was the situation regarding both the welfare a borrowers and their families before the usage of micro-lender' credit facilities?
- 1.2.3 What is the difference between the current situation and the previous situation? Which of the two situations is better? Post or Pre-loan?
- 1.2.4 How does the micro-lending industry operate? What is the standard practice of ensuring loan repayments in the money lending industry?

1.3 RESEARCH OBJECTIVES

The major objective of the study is to make an intense study of Tubatse Ferrochrome mineworkers for the reason of borrowing cash from the micro-lenders and the impact of such loans on the welfare of the families attached to mineworkers indebted to micro-lenders (Mashonisas). In striving towards the attainment of the main objective, the study will fulfil the following as objectives:

- 1.3.1 To determine the impact of the micro-lending schemes on the welfare of both the mineworkers and their families.
- 1.3.2 To examine the mode of operation, advantages as well as disadvantages of cash loans to the public.
- 1.3.3 To identify significant issues for policy making regarding micro-loans and ways in which the micro lending activities could be regulated.

1.4 SIGNIFICANCE OF THE STUDY

The significance of the study is to compliment other areas of research, which showed an interest in micro lending industry, and to expose the social impacts of the industry on the welfare of households or families. The knowledge of this information will assist in shaping the future of the micro lending industry and help in formulating and improving government policies in relation to the industry.

1.5 METHODOLOGY

The research consists of qualitative and quantitative methods of research. These are close and open-ended questions in the questionnaires. Interviews with the following groups of persons were conducted:

- 1.5.1 Mine managers: To find out how the activities of the micro lenders impact on the productivity of the labour force.
- 1.5.2 Mineworkers: To determine how their association with the micro lenders affects them (mineworkers) and the

welfare in their families

- 1.5.3 Micro lenders: To find out how the micro-lenders define their role in the society.
- 1.5.4 Social workers: To determine as to whether there are mine workers with social problems that are related to the activities of the micro lenders. Each of the groups was given a questionnaire to fill and personal interviews with them were conducted.
- 1.5.5 Households: To determine how cash loans affect their welfare as family units.

1.6 DATA COLLECTION

Data was collected through the use of personal interviews and questionnaires in order to solicit information on factors that influence the miners at Tubatse Ferrochrome mine to use credit facilities (loans) from the micro lenders and the impact of such loans on the welfare of these miners. The equipments used are tape recorders, cassette, camera, tapes and notebooks. Sources were magazines, newspapers, reports and texts. The research outcomes shall be shared with the researched community. A copy of the research will be send to Tubatse Ferrochrome Management for the purpose of study and circulation to the mineworkers.

1.7 AN OVERVIEW OF THE STUDY AREA

Tubatse Ferrochrome mine is situated near Steelpoort in Mpumalanga Province. The mine is a chrome division of Samancor Limited, which was incorporated as South African Manganese Limited in 1926. Besides chrome production, the mine plays an important role in community upliftment projects, building the Eerstegeluk Training Centre, supply of water to neighbouring villages of ga-Phasha and Tukakgomo (Samancor Ltd Annual Report, 1996:26).

Tubatse Ferrochrome is one of those mines falling under Eastern Chrome mines. Eastern Chrome mines consist of Tubatse Ferrochrome mine at Steelpoort, Montrose, Tweefontein and Doornbosch. Of all these mines falling under Eastern Chrome mines, Tubatse Ferrochrome stands distinct in terms of geographical location. Tubatse Ferrochrome is situated a conservative estimate of a kilometre from a busy business area, where there is a big shopping complex, a liquor store, three automatic teller machines, one post office, more than six micro lenders, furniture shops, a restaurant open for twenty four hours a day and others. Informal activities of hawking are seen everywhere, from selling of fruit, vegetables, clothes, watches, as well as very big signs of shops granting credit at no deposit terms and micro lenders offering cash loans at instant moment, those loans commonly known as "quick cash" schemes. During lunchtime, the mineworkers mingle with shoppers, sellers and micro lenders with ease. It is this close proximity of the mine to the business area that results in an

interaction of mineworkers with a big volume of goods and services on a daily basis. In each of his working life, the mineworker is confronted with a struggle against unplanned and impulsive buying.

During the night there are trucks off loading different goods. The twenty-four hour open store becomes the busiest place where people buy goods as well as liquor. Illegal activities of prostitution take place openly.

1.8 DATA ANALYSIS

A sample of thirty-two divisible into the following units was used:

Twenty mineworkers, five members of Tubatse Ferrochrome management, five from the micro lenders and two social workers. Questionnaires, which have similar responses, were studied and grouped together. The information from such questionnaires was used to expose the advantages and the disadvantages of the most, the average and the least. The analysis helped to arrive at a conclusion.

1.9 VALIDITY AND RELIABILITY

To ensure validity and reliability of the research, the language used in the questionnaires was simplified to the level of the mineworkers. To ensure reliability, questionnaires were given to mineworkers in different days, and fifteen out of these mineworkers agree that:

1.9.1 They have been impoverished by the activities of the micro lenders.

1.9.2 They sometimes fight with their spouses due to income shortages owing to deductions by micro lenders.

The problem of mushrooming micro lending industry is a problem that affects the entire country and produces a number of interrelated problems. "Approximately 9 – 10 million cash loans are disbursed each month by the money lending industry (Black Sash Press Release, 1999:1). The study will identify ways that could help the mineworkers to live a life independent of loans. This will in turn improve the living conditions of mineworkers themselves and those of their families.

1.10 A DESCRIPTIVE HISTORY OF BORROWING AT TUBATSE FERROCHROM MINE.

There is no written research on when exactly the history of borrowing money (cash) became a trend at Tubatse Ferrochrome mine, however the mineworkers believe that the history of borrowing money is as old as man himself. In the absence of a written research work, the oral explanations and views of the mineworkers and micro lenders were used as a source of reference so as to determine a timeframe in which cash borrowing started to become a societal problem especially at Tubatse Ferrochrome mine.

This chapter focuses on the historical and the current situation in terms of borrowing cash from moneylenders or "Mashonisas" by miners attached to the Ferrochrome mine. The two situations shall be contrasted, compared and analysed. The advantages and

disadvantages of both the current and the historical situation shall be outlined. The sources of borrowing in both situations shall be identified. The problem of money borrowing is divisible into two main phases: a period during apartheid years (historical) and the post apartheid era (current).

1.11 HISTORICAL SITUATION WITH REGARD TO BORROWING AT TUBATSE FERROCHROME MINE.

During apartheid years, Steelpoort was a place reserved for whites only. Like any other white area identified by the then Group Areas Act, such areas were exclusively for whites. Black people would only be allowed to be in such places by virtue of possession of a passbook. Before the new dispensation, the black miners were not allowed to be at Steelpoort without carrying their passbooks along with them. The carriage of a passbook served as a barrier and a deterrent to the movement of black miners to and from shops situated at Steelpoort. The movement of most miners at Tubatse Ferrochrome mine, which had a predominantly black staff, was to a very large extent limited.

Besides, the prohibitive acts of then (such as pass laws and Group Areas Act); the business area at Steelpoort was still underdeveloped. There was only a Super market and one bank (Standard Bank) as the most significant places to be. Shopping was mostly done at Burgersfort (a small town next to Steelpoort). Even at Burgersfort, people had to carry their passbooks along with them. The possession

of passbooks made trips to both towns (Burgersfort and Steelpoort) tiresome.

Mineworkers from Tubatse Ferrochrome developed a sense of not belonging to neither of the two towns. For day to day transactions, the mineworkers knew for a fact that they had different general dealers in their own different villages. Buying food and other necessities at Steelpoort was not a compelling exercise. Miners brought their home made food for lunch. There were buses arranged for transporting miners, as a result, there was no need for miners to carry cash on a daily basis. This however does not suggest miners did not experience shortage of money. Borrowing cash was not concluded with micro lenders but was predominantly with the following sources within different communities:

1.11.1 BURIAL SOCIETIES VERSUS MICRO LENDING

Each village had its own different burial societies. The burial societies demanded monthly contributions from its members. Members of such burial societies stood as beneficiaries of a certain amount of money should they and their children die. Members were also allowed to borrow money from the burial society they belonged to. The advantage of the loans from burial societies is that such loans did not accrue interest – they were absolutely interest free. The member who owed the burial society was furthermore allowed to pay his or her debt in instalments should he or she feel she or he could not pay the lump sum all at once.

These burial societies did not have huge sums of money like micro-lenders do, so it was unlikely that a member could borrow thousands of rands, let alone a thousand. Some few hundred rands were enough if the borrower happens to borrow at the time when the burial society did not have a high rate of deaths amongst its members and beneficiaries for that particular period. This kind of borrowing was very common and bad debts rarely occur due to its relaxed conditions.

The burial societies did not need any form of collateral from the borrowers like the commercial banks. The treasurer of the burial society will only scrawl the name of the borrower in a book for the sake of reference and remembrance. If during the process of money lending deaths of members or beneficiaries occur, the treasurer will ask those who owe the burial society, to pay back. This was done to enable purchasing of coffins and to cover costs that go together with their agreed "Insurance package". If the coffers of the burial society are not dried up, then there was no need to hassle. In essence, there was no strict term for loan repayments. This form of cash borrowing was seen as the most helpful.

1.11.2 CLUBS VERSUS MICRO LENDERS

Historically, black people have never received any assistance from the formal banks. People formed funeral clubs and stokvels to cope with emergencies (Dhlamini, Manaka, Mautji, et al 2000: 16).

In cases of clubs people would group themselves into smaller units called clubs. The members of such groups would agree that either every week or monthly, they would contribute a particular amount per a club member, collect it and give it to one amongst themselves. They draft a list, which indicates a chronological order, which shows when each member will receive money contributed by fellow club members. If one person amongst the club feels an urgent need for money, such an individual was allowed to make arrangements with the one who is to receive the club money and upon agreement, they may swap turns.

The members of the money club were free to leave the club any time they feel but had to wait until their circle of distributing money amongst themselves ends. People saw these kinds of clubs as financially relieving. People managed to buy furniture, pay kids school fees, buy food and other necessities through club monies. These forms of clubs were also found at Tubatse Ferrochrome mine

1.11.3 STOKVELS

Stokvels can be saving clubs, credit clubs capital generating clubs funeral associations and share syndicates. They provide an informal financial service where formal financial institutes are not always accessible or available ([http://www.juta.co.za/academic/HIGH/ICW/ECONOMIC/SECTION 6/Rev26p14.htm](http://www.juta.co.za/academic/HIGH/ICW/ECONOMIC/SECTION%206/Rev26p14.htm)).

In cases of stokvels, people would group themselves and enlist their names. Like clubs, members agree on the chronological order of when each member will receive money generated through stokvel activities. Members of stokvels may contribute money, buy beers and sell. The profits generated from their sales are shared equally amongst stokvel members. Alternatively, each member will be given a particular amount so that the beneficiary buys liquor and sell. Profits made are for that member for that period. They would change turns until the last member in the stokvel group receives his or her dues.

The difference between clubs and stokvels is that in a case of a club, members receive cash for consumption purpose. In the case of stokvels, entrepreneurial skills are spawned amongst members by affording them a chance to buy liquor and sell for profits. In the process of selling liquor, fellow stokvel members will recruit clients by arranging traditional dances. The recipient of stokvel goods (that normally is beer for resale) will sell at a particular profit mark up and

pocket the profits for him or herself. The next turn will go to another member using the same method until the cycle ends. When the circle has ended, members will decide as to whether they want to continue with the stokvel or not. The advantages with Stokvels are that it enables some people to amass wealth while avoiding the debt trap (Mafela 1999:1)

1.11.4 FRIENDS, RELATIVES AND NEIGHBOURS

According to the interviewed miners, borrowing money from friends, relatives and neighbours was not seen as a commercial transaction which should generate profits. Every person felt it was his or her responsibility to take care of people within his or her immediate environment. People were responsible for the welfare of others hence the concept of "UBUNTU".

Borrowing was regarded as part of human relations. "I give because I know tomorrow I will withdraw from you" says Taumang in an interview. There is an idiomatic expression in Sepedi that goes "Go fa ke go fega" (Louwrens & Nokaneng 1997:76). When translated, this idiom means, giving is an investment. The idiomatic expression served as a powerful tool that guided the way people related with one another.

Borrowing was seen as a good sign that indicated that a person relates very well with people in his or her vicinity. This kind of

borrowing did not only affect monetary transactions, but also with goods. People could borrow food, salt and even clothes to some extent. The advantages of borrowing from friends, relatives and neighbours were:

- It served as a bond. People developed a spontaneous and sympathetic feeling of love, trust and responsibility towards one another.
- This kind of transaction did not accrue nor attract interests.
- People did not end up in circle of unending debts as it is with money lending organisations which end up in the society that is “caught up in a never ending circle of monetary bondage” (IFP Press Releases: March 1999)

1.12 THE CURRENT SITUATION (Focus on the practice of the micro lenders at Steelpoort)

The current situation with regard to borrowing money from moneylenders at Tubatse Ferrochrome mine is a matter of great concern. There are many moneylenders at Steelpoort who prey on the miners and who operate against the country's major policies.

Moneylenders at Steelpoort retrieve the identity documents and bank savings cards of miners who borrow cash from them. This kind of practice is unconstitutional in South Africa. Identity documents and savings cards are personal properties. According to section 25 in chapter 2 of the Bill of rights in the constitution, says, no person may

be deprived of property except in terms of law of general application and no law may permit arbitrary deprivation of property (The Constitution of the Republic of South Africa act 108 of 1996:11).

These moneylenders offer instant cash loans to the miners and borrowers in general. The South African Usury Act 73 of 1968 is against conclusion of transactions without a cooling off period. The Act states that "money lenders shall in terms of the provisions of his or her loan agreement within a period of 3 (three) business days after the date of signing of the agreement where the loan amount had been advanced.

The mineworkers view the problem of money lending as a factor aggravated by the existence of the following sources of borrowing:

- **BORROWING FROM MONEY LENDERS AT STEELPOORT (A town a kilometre from the mine)**

At present there are approximately six moneylenders at Steelpoort. These moneylenders are established and have buildings where their activities take place on a daily basis. They are open in the mornings from eight o'clock to four o'clock in the afternoons.

They are willing to offer instant cash loans to miners in exchange for their identity documents and bank savings cards. At the end of the month or during the miners' pay days, the money-lenders will go to the nearest automatic machine and withdraw the loan plus

interest on loan which ranges from thirty percent to fifty percent a month.

- **BORROWING FROM FELLOW MINERS WHO ACT AS MONEY LENDERS.**

There are miners at Tubatse Ferrochrome mine who offer instant cash loans to fellow miners. These are workers who do not have fixed buildings to conduct their business. They are literally everywhere, at work, homes and shebeens. Their working hours are longer than the group defined above; they are open round the clock each day of human existence. Like the rest of the money-lenders, they retrieve the miners' bankcards to ensure payment of loan.

- **ORDINARY INDIVIDUALS.**

These people are not attached to the mine. They are residents from neighbouring villages. These individuals do not have their own buildings to run their business. They are also found everywhere and their transactions are concluded everywhere, where they are seen or met. They also retrieve bankcards of miners for the purpose of loan repayment.

- **MORTUARIES.**

There are mortuaries that besides offering burial services, they also offer cash loans. These are funeral schemes belonging to either a

person or persons not exceeding ten (close corporation: cc) who offer loans at profits. They are established and have buildings where these loans can be concluded.

- FURNITURE SHOPS

There are furniture shops that also act as moneylenders. These retail shops offer instant loans to those who need to borrow money. They have physical structures (buildings) where they can be found. Their working hours starts from eight o'clock (08h00) in the morning to four o'clock (16H00) in the afternoon. Like the rest, they retrieve borrowers' bankcards as means to secure payment of loan.

The existence of these groups complicates the concept of money lending at Tubatse Ferrochrome mine. Miners find themselves amidst a high number of people willing to offer instant loans. The existence of a high number of moneylenders has created a harmful competition amongst lenders themselves. It even became easier to conclude loans. Even if they operate outside the premises of the mine, the miners are at ease to access these loans.

Having looked into the existence of many sources of lending money at Steelpoort, it became clear that there is a high demand for cash loans especially from the mine as their activities are very active within the mining group. The mine has a staff establishment of approximately seven hundred and thirty six. Of this number, the management is

convinced that a high number of them had once in the lives contacted lenders of cash.

1.13 CONCLUSION

The main aim of the chapter is to locate the area of study and to determine the timeframe in which the trend of borrowing became an issue of grave concern at Tubatse Ferrochrome mine. This will outline the historical and current situation in terms of borrowing money at the said mine. Owing to the absence of a written research, work on the subject, the views and the ideas of miners and management were used to draw lines between historical and the current situation. The sources of borrowing in each situation were outlined compared and contrasted from one another.

CHAPTER 2

2.1 INTRODUCTION

The chapter focuses on different views held by different studies on micro-lending industries. Information obtained from such studies will be explained, contrasted and analysed. The most common practices applied by micro lenders within the micro-lending industry will be exposed.

2.2 VIEWS OF DIFFERENT RESEARCHERS

Micro lending industry in South Africa is seen as a mushrooming industry that responds towards the financial needs of the non-propertyied, which are mostly ignored by the South African banking sector. Banks do not care about the poor who cannot produce a substantial pay slip and other guarantees or collaterals (Vonani wa ka Bila 2000:40) and this often occur because bankers believe that a bank should place some of its funds into securities rather than into loans (Aliber, Duesenberry & Mayer 1981:85). This factor of banks denying credit to the non-propertyied has a major impact on the growth of the micro lending industry. The industry has grown so big that it has mushroomed into a R15 billion a year industry with approximately 9-10 million cash loans disbursed each month by the industry (Thamm 1998:41, Black Sash Press Release 1999:1). With the industry having grown this big, so is its market base.

Of the industry's market base, majority of clients or customers are blacks rather than whites. This is because blacks do not have any form of security to present to the banks unlike their white counterparts. Historically black people have never received any assistance from the formal banks (Dhlamini, Manaka, Mautji, et al 2000:16) so a higher number of people who access loans from the micro-lenders are blacks. The emergence of the micro lending industry therefore is to address the needs of majority of the black people. Since these groups of persons do not have collateral or any form of security, they access cash loans from micro lenders because the micro lending industry does not require any form of security of collateral from the clients.

The most common practice within the micro lending industry is therefore to lend cash with neither security nor collateral amounts. Lack of security or collateral, makes it very easier for people labelled riskier to access cash loans from the micro lenders. The problem then becomes the way in which the cash borrowed is to be repaid. In order to ensure loan repayment, different studies have found that most micro lenders apply same method of debt collection. They confiscate the bank card of borrowers and have their personal identity numbers revealed before the micro lenders could give out cash to the borrowers (Black Sash Press Released 1999:5, Koz & Nkutha 1999:18, Dhlamin, Manaka, Mautji et.al. 2000:18).

This practice implies that a borrower is left without an identity document and an automatic teller machine card.

Confiscation of identity documents and automatic teller machine cards means that, at the end of the month or during paydays of respective clients of the micro lenders, borrowers of cash must queue at different offices of various moneylenders to collect their identity documents and bankcards. This suggests that before joining long queues, the borrower does not have access to his own salary! Such long queues are common trends within the micro lending industry.

Confiscation of identity documents and bank cards is regarded illegal (Section 15a of the Usury Act no 73 of 1968, Koz & Nkutha.1999:18 Thamm 1998:41, <http://www.woza.co.za/budget99/usury.htm>) and such documents are personal properties that cannot just be taken away from relevant owners except as prescribed by the general law of the country (South African Constitution no. 108 of 1996: Section 25 of chapter 3, Basson 1995:44). At present there is no law that justifies confiscation of identity documents and automatic teller machines cards to ensure payments therefore such documents cannot be used as collaterals. On the contrary, moneylenders see confiscation of identity documents and bankcards as the most secure method of recovering loans (<http://www.namibian.com.na>. NISC Recover Report).

The reason put forward by micro lenders is that some borrowers are not trustworthy and if they do not retrieve both the identity document and the automatic teller machine cards, borrowers do not pay. The impression created is, that if the moneylenders confiscate only the automatic teller machine card (bankcard), chances are that certain borrowers take their identity documents and forward them to the relevant commercial banks where they report their automatic teller machine card is either stolen or lost. The bank will then issue out a new card, which obviously will not bear the same secret personal identity number (PIN) as the one left with the micro-lender.

The micro-lender will then be left with an invalid card that denies him access to the salary of the borrower. With the confiscation method, bad debts rarely occur. It also saves the micro-lenders the chase of locating the customers' whereabouts. Besides, micro lenders believe that they are dealing with a risky market. In essence, the confiscation strategy works for the lenders of cash but not for the borrowers. The problem with this method is that borrowers are made to pay the loan and interest all at once (monthly). This leaves the borrower with a relatively small salary.

During different paydays of the micro-lending clients, the micro-lender withdraws the loan plus the interest from the nearest automatic teller machine (<http://www.namibian.com.na>). This practice has bred an outcry within the borrowing community that more often higher amounts

than expected are withdrawn from their monies. Withdrawals of more money than waited for often occur because the borrower would not be with the micro-lender during the period when withdrawals are made. This subjects the system to a higher rate of abuse. Too much money is then withdrawn against the salaries of borrowers. The deduction made impact negatively on the net income of clients because their home taking incomes shrink. This results in unending loan applications by borrowers. A study conducted by Sunday Times 7 March 1999, exposed a case of women on her way to borrow more money, a process she was not doing voluntarily but an exercise which has turned into a monthly ritual (Koz & Nkutha 1999:18).

Apart from once off deductions made by micro-lenders directly from automatic teller machines, the interest rates charged are viewed as relatively higher (African Bank Corporate Sales Presentation Guide 2001:1, Kobokoane 1999:5, [Http://www.smartbiz.com/sbs/arts/cfr24.htm](http://www.smartbiz.com/sbs/arts/cfr24.htm)) in comparison to those levied by the commercial banks. The interest charged by micro-lenders is labelled exorbitant. Majority of them charge between 30% a month interest and 100% (Kobokoane 1999: 5).

The high interest rates charged complicate the problem of salary shrinkage, which perpetuate continued borrowing. This continued borrowing is often referred to as "debt trap". Since debt trapped person goes to a money lender regularly, his or her salary shrinks even further owing to continued deductions made against his or her salary every

month by the micro lender or even by different micro lenders. As the salary becomes smaller and smaller with every loan made, the ability to repay the loan is reduced. When repayment of loan fails, certain micro lenders resort to extortion method. They sell the properties of borrowers who owe them and are unable to pay. The purpose is to recover the amount given out as a loan and the interest charged on such an amount. It is on this note that the relationship between the micro lender and the borrower is regarded as a love-hate relationship (Dlamini, Manaka, Mautji et al. 2000:9).

This tug of war relationship is blamed on the ignorance of most micro lenders on the cooling off period. According to legislation and acceptable business principles, borrowers who access loan with micro lenders or any person who access cash and conclude an agreement (contract) deserves a three day period between concluding the loan agreement and receiving the money. This implies that the borrower has a grace period of three days in which to make a decision on whether to keep the contract as it stands or cancel it without penalty (Exemption in terms of Section 15a of the Usury Act no 73 of 1968, Thamm 1998:42). Despite the availability of the Usury Act that made stipulations with regard to the cooling off period, micro lenders dish out cash to borrowers within few minutes, vehemently disregarding the cooling off period. Certain loan conclusions are made and finalised between fifteen (15) minutes and thirty (30) minutes. Within the given

times borrowers are given cash loans, which they would not allow them to return, should the borrowers think otherwise.

The moneylenders boast about this practice in their advertisements. Advertisements such as the one given below are common sights in places where the micro lending activities take place.

MONEY PROBLEMS!!!
COME SPEAK TO THE
PROFESSIONALS ABOUT
LONG & SHORT TERM LOANS
FOR AFFORDABLE INTEREST &
BEST SERVICE IN TOWN
**GOVERNMENT AND
NON-GOVERNMENT EMPLOYEES
YOU ARE VERY WELCOME!!**
WE SPECIALIZE IN:
CASH LOANS NO DIFFICULT
QUESTIONS ASKED.
APPROVED WITHIN 15 MINUTES

**Bring a friend or two
And earn an extra income**

One of the extracts from pamphlets issued by a micro-lender. (January 2002)

Since borrowers are not given an ample chance to re-think about the validity of their loans, more often than not most borrowers made mistakes and had to pay dearly by letting the micro-lenders fiddle with their monthly salaries and by paying high interest on such loans.

There are similarities to the mode of operation within the micro-lending industry. The said trends of confiscation of identity documents, higher interest rates, once off deductions, long queues during pay days and

lack of cooling off period as exposed by work of different researchers, do happen at Steelpoort where Tubatse Ferrochrome miners access cash loans.

Miners at Tubatse Ferrochrome mine submit their automatic teller machine cards to the micro-lenders as security for borrowing. The miner who needs cash will therefore leave his bankcard with the lender of cash until he received his salary. Tubatse Ferrochrome miners receive their salaries in different dates, and in different groups or ranks. The first group earns on the fifteenth, others on the sixteenth and the last on the seventeenth of each month. During these three days, long queues are found at offices of the micro-lenders as well as at the nearest automatic machines (ATM's). During this period when miners receive their salaries, employees from micro-lenders will take stacks of cards to the automatic teller machines where withdrawals of different amounts will be made from each card. This exercise will furthermore delay ordinary people who are there to make their own withdrawals.

After withdrawals would have been made by the micro-lender, automatic teller machine cards are then given to their rightful owners. Upon receipt of such cards, the cardholders will either go for the next loan or complain on the allegation that more money than agreed was withdrawn against their salaries. If the miner decides on the next loan, he will have to leave his automatic teller machine card (bank card) with the micro-lender once more. This is becoming a practice with some

miners not keeping their own bankcards because those cards are regularly kept by micro-lenders. A month begins and ends with a miner's card being in the hands of the micro-lender.

Continued confiscation of cards is caused by a fact that the miner would have been debt trapped. Successive borrowing made by miners causes this situation. The state of affairs has gone worst to an extent that certain miners live by successive borrowing. This successive borrowing is so common amongst the mining community that they joke about it and call it "horse climbing". They maintain that once one is on this horse, he or she cannot climb off because the rate of interest charged on these loans are relatively higher. For every hundred rands borrowed, the miner will pay R30, 00 as interest on loan i.e. R30, 00 for every R100, 00 taken as loan. Suppose the miner has borrowed R1 000,00 rands from the micro-lender, he will then have to pay the lender of cash R1 300,00 within thirty days.

The amount borrowed and the interest on loans is paid at once. This once of deduction impact negatively on the net salaries of the miners, in this instance, his salary will be R 1300,00 shorter that particular month. The most surprising fact about it is that the borrower whose salary has been tampered with is more than welcome to make another loan instantly if he feels his net salary will not make it until the next pay day. If this route is chosen, he will have to leave his card with the micro lender who will then at the end of the month make direct

withdrawals for the loan and interest at the nearby automatic teller machine (ATM).

The miner will then wait for the micro-lender first to make withdrawals before he could access his own salary. If he further feels the next income is even smaller than that of last month and cannot meet household needs, he is allowed to go for the other loan. It is at this stage that the lenders of cash grossly ignore the cooling off period. The miner receives his bank card just now from the micro-lender, checks his bank balance and make another loan if he is not satisfied that his salary will bridge the period between receiving his card and the next pay day. He will be given an opportunity to borrow and be given cash within the wink of an eye. The most important principle is that even if he is known to be a regular customer, the miner must leave his bankcard with the micro-lender to enable the lender of cash to withdraw the loan and interest immediately the miner's salary has been deposited in his savings account.

Having observed the most commonly applied practices within the micro-lending industry, the most commonly found in most lenders of cash are confiscation of personal documents, debt trap, lack of cooling off period and higher interest rates which lenders of cash justify with reasons, the most commonly given being the risky nature of the market they operate in. However this study wants to retreat from such common practices and focus on reasons that force miners to borrow

from micro lenders and the impact of such loans on the welfare of miners at Tubatse Ferrochrome mine.

2.3 CONCLUSION

The micro lending industry is one business that operates from a notion that one party (the credit receiver) borrows out of despair and the other gives out of uncertainty that the former may not be able to pay his debt. Since desperation and uncertainty are negative sentiments, possible feelings of greed, exploitation and suspicion are felt from either camps and often inevitable. The borrowers are convinced that micro-lenders play on their vulnerability by inflating their rates of interest so as to get rich quicker whilst the micro lender sees his role in communities as extremely helpful because they assist people who have no access to the formal loans given by banks.

CHAPTER 3

THE CAUSES AND THE IMPACT (CUM RESEARCH FINDINGS) OF CASH LOANS ON THE WELFARE OF THE MINERS AT TUBATSE FERROCHROME MINE.

3.1 INTRODUCTION.

The interview method was predominantly used by the researcher to determine factors or reasons that lead to conclusion of loans with different micro-lenders by miners at Tubatse Ferrochrome mine and the impact of such loans on their welfare. This chapter will look at factors that influences miners to borrow cash from micro-lenders and the impact of such factors (cum research findings) on the well being (welfare) of these miners. It will also make a contrast between the pre-loan situation and the post loan situation in order to determine their usefulness to the miner or not.

3.2 FACTORS LEADING TO BORROWING OF CASH BY TUBATSE FERROCHROME MINERS.

3.2.1 Availability of many micro-lenders at Steelpoort.

South Africa experiences mushrooming of the micro lending industry. Figures remain sketchy but it is widely estimated that there are about 30 000 micro lending outlets with an annual turnover of between R10 billion and R13 billion (Kobokoane 1999:5). Further more, there are too shady rip-off schemes

operating with impunity (Sunday Times March 7, 1999 & Sunday Times March 7, 1999 : 18).

Steelpoort (as part of South Africa) is also experiencing the problem of many micro lenders within a relatively small area. The research has found out that the availability of many micro lenders at Steelpoort (cash schemes, furniture shops loaning cash, mortuaries offering loans and individuals acting as micro lenders) make access to credit more easier. Every time a miner experiences a financial hiccup, he knows there is a place nearby to access a loan.

As it is a string of micro lenders next to one another, miners are aware that each of the micro lenders competes for a bigger client base. The competition that exists amongst lenders makes it possible to secure cash loans at any time the miner feels a need for cash. This high number of "cash givers" or cash lenders forces the micro lenders to approve loan applications just to ensure profits because if the other lender plays a strict game, the next one will give loans. Since they all strive for sustainable existence, they easily approve the loans. Since miners are aware that access to credit is not a problem that much, miners do not find any reason to live without cash for any other reason.

One other factor that aggravates borrowing is the geographical location of the mine. The mine is approximately a kilometre away from a place where cash loan schemes are congested. Since the mine is so near, a trip to different micro lenders is not tedious. The miners do not board taxis nor any means of transportation to reach such cash lending schemes. It is a distance of a stone throw away from the mine.

Fifty percent (50%) of the interviewed miners believe that some of the loans they had and still have with micro lenders were concluded out of impulsiveness emanating from the mine being nearer to the business area (Steelpoort) where the activities of micro lenders are very active. For most who are not disciplined, they are easily tempted to conclude loans. This has gone to a stage where one miner has loans with different lenders. Other aggravating factors, discovered by the researcher, which persuades miners to go for loans are as follows:

3.2.2 Usage of no collateral nor a need for security by micro lenders.

Unlike commercial banks, micro lenders do not need any form of collateral or security. They only need a bank savings card with any bank but which is used monthly for salary deposits. A need for security is seen by miners as a barrier used by banks to turn away cash loan applicants because even in a democratic South

Africa, the banks still don't provide services for the majority of black people because they are high risk – they have no security like property (Dhlamini, Manaka Mautji, et al. 2000 : 16).

The lack of collateral entice miners to access more credit. The paper work becomes even more simplified. As there is absolutely no need for security, the miners find the environment with micro lenders less frightening and more consumer friendly than a situation with most commercial banks.

3.2.3 Banks attitude.

The fact that banks wants security from people make miners with financial problems not to try to access credit with banks because they believe that they automatically fall off. The fact that banks reject the poor is so strong within the black community. Miners at Tubatse Ferrochrome mine maintained that the banks have a negative attitude towards loan applications from the less rich. This is true to a large extent; because bankers believe that a bank should place some of its funds into securities rather than into loans, and that too high a ratio of loans to deposits is dangerous (Aliber, Duesenberry & Mayer 1981 :85). Loans therefore are the less attractive product the banks look into. Since majority of the miners like many black people are without any form of security, are "refused credit" by

banks (Dhlamini, Manaka, Mautji, et al.2000 : 7), they have no option than to go to micro lenders for cash loans.

Majorities of miners at Tubatse stay in rural areas and do not have any form of security to present to the banks. Their dwelling places or houses do not bear market value and therefore cannot be used as security. A need for security is therefore a principle labelled with negativity because security is seen as a measure used by banks to shut doors in the face of the poor or the so called "unbankable" or the risky.

3.2.4 Continued increase in Petrol Price.

A continuous increase in the petrol price impact negatively on net salaries of the miners. An indication is that in certain instances, miners are forced to make ends meet by borrowing cash all because their surplus amount that would bridge the month is lost to petrol stations. Even if others do not have their own cars, taxi fares increase every time there is an increase in the price of petrol. Consumption also becomes expensive. Retailers shift the burden on to ordinary customers. "Whenever the petrol price goes up, we are hard hit. Unfortunately we have to pass the buck to consumers" (The Editor, The Star, May 2, 2001 : 1).

Like the rest of community who grumble about price increment on goods, miners complain that as consumers, they are always disadvantaged. They have to absorb the price shock and deal with the price increase. The implication therefore is the loss in the buying power of money or salaries. Their income surpluses shrink and become even smaller.

As their (miners) salaries are getting smaller, it becomes difficult to cover all the expenditure needed for the month. It is the result of these gaps that micro lenders fit in. Most of the mine workers attribute their association with micro lenders to a continued increase in the price of petrol which does not only inflate travelling fares but also causes an increase in the general prices of goods and services. Miners at Tubatse Ferrochrome are hard-hit by continued rise of petrol price as they commute daily from their different rural homes to their work place either by own transport or any other means, which in this case may either be busses or taxis.

Fuel increment is seen by ninety percent of the interviewees as offsetting net salaries. The miners believe that their salary increment does not go at the same rate as an increase in the fuel price. Their salary increment is once in an annum whilst the petrol increment can be on the average of four times in a year.

3.2.5 Borrowing for consumption purpose.

This is the most common factor that usually leads to borrowing cash from micro lenders. Majority of the miners say their main reasons for borrowing go to expenditure in the following:

3.2.5.1 Electricity bills

Most rural villages around Steelpoort, from which the miners come from, are electrified. The availability of electricity makes living in these villages more convenient than when these communities lacked electricity. These communities use pre-paid electricity meters. As a result, it becomes impossible to fall in arrears when it comes to payment. When the electricity units become exhausted, the power in the household goes off. It becomes obligatory to make sure the electricity units in different households stretch from the miners' payday to the end of the month. If such a provision is not made, which often is the case, miners go to micro lenders.

3.2.5.2 Food

Food, clothing and shelter are called survival needs. Human survival depends on the satisfaction of these essential wants (Swanepoel & Van Zyl 1996 : 49).

Since the satisfaction of food cannot be postponed for later attention, when there is food shortage, it becomes imperative for the head of the family to improvise. When it comes to food supply in every household, its availability is a compelling factor. Since food play an important role in human life, miners believe their conclusion of loans with different moneylenders is aggravated by food shortage in their families.

Besides, food shortage frustrates the household. Since there is no one, under normal circumstances, who would allow his family to go with out food or starve, whenever there is a shortage, the family provider is forced to act promptly. After conclusion of loans with different moneylenders, the miners are able to buy groceries from the different stores available at Steelpoort.

3.2.5.3 Value Added Tax (VAT)

Consumption of goods and services go hand in hand with the compulsory payment of Value Added Tax charged on most consumer goods and services.

The levy of Value Added Tax on goods inflate the price of the affected goods and services thus affecting their value for money negatively. Miners groan about it and its regressive

nature. It is regressive because everybody pays the same tax irrespective of income (Swanepoel & Van Zyl 1996 : 231). Since everybody is forced to pay tax on goods, so are the miners.

The fourteen percent (14%) paid in the form of Value Added Tax is seen by miners as high and indiscriminate. In every case where purchases are made, miners believe their cash back is negatively affected. Fewer goods and services are bought at a very high price forcing the miner to remain with very little surplus for the month. As the surplus dries up, the miner is left with no option than to go to the moneylender for additional cash injection.

3.2.5.4 Alcoholic drinks and smoking

Majority of miners drink alcoholic drinks and are smokers. The research attributes some loans towards satisfaction of drink related and smoking needs. The portion of the miner's salaries is spent on buying alcohol drinks and financing smoking. The usages of the two products are addictive and force the users to spend involuntarily.

Miners who drink and smoke state that it is difficult to ignore satisfaction of addictive products such as liquor and cigarettes. Smoking is an exercise by observation, which is

done more frequently in a day. The smoker is trapped. When a cash flow problem is experienced it becomes impossible to postpone satisfaction of liquor and cigarettes. He is therefore forced to seek cash from friends and colleagues. If both sources fail to provide then the cash lender fits in.

Quite often loans for purchases of liquor and cigarettes are relatively smaller and miners feel it is humiliating just to queue for a small loan of hundred rands (R100.00). The chances of borrowing excess amounts in these cases are very high.

3.2.5.5 Break up of traditional practices

Traditionally, every young child belongs to any adult in the community, and every adult was a parent to any kid in the society. People were responsible for well being of others. Sharing played a vital role in the community. Neighbours, friends and relatives were seen as important sources of relief in any case where a problem is experienced.

This kind of a set-up has changed. People are business minded. Each transaction concluded is expected to generate profits. The profit motive has changed the attitude of people towards one another. People in most cases, are no longer

prepared to offer help especially money in exchange for a mere thank you. Each help offered should be followed by a monetary compensation. The result of break up in the traditional practices and the spontaneous feeling of responsibility over one another's' problems makes the micro lender the nearest source of help.

3.2.5.6 Migration

Migration is the movement of people from one place to another. This movement is often a by-product of Urbanisation where rural communities change to urban place of residence, work place and lifestyle (Swanepoel & Van Zyl 1996:135).

Most miners have migrated to Steelpoort and the surrounding villages so as to be next to their work place. They are staying far from their relatives. When money problem sets in, they find it more convenient to go to the micro lender than to any other person because each stays far from his family. Each person feels like a stranger in a place or community created by employment. Since the miners are not related, no one wants to burden the next person with personal problems, so the micro lender is a best fit when financial crises set in.

3.3 THE IMPACT OF CASH LOANS ON THE WELFARE OF THE MINERS.

In general, the loans concluded with micro lender impact negatively on the welfare of the miners. They benefit the micro lender more than the borrowers. The following are some of the repercussions endured by miners with loans from moneylenders irrespective of whether a moneylender is registered or not.

(a) Salary Shrinkage:

Moneylenders commonly charge high interest rates. Their rates of interest are usurious – as high as 30% a month, in some cases even 100% and are creaming off the profits (Kobokoane, 1999 : 5). The buying power of the salaries of miners shrink which implies their families are to do without basic things in their household for that month.

The high interest charged by different cash lenders at Steelpoort leads to high deductions on the net income of the miner. His salary shrinks and become smaller. Small as it is, the miner is forced to sacrifice some of his basic needs and do without them. The sacrifice made does not affect only the welfare of the miner but his spouse and children too. Some of the domestic needs are left out which impact negatively on the welfare of the entire household.

Alternatively the miner will buy and spent as usual and ultimately exhaust all his money, which already has been tempered with by loan deductions. He will then have to go to the moneylender and make another loan. This successive borrowing entraps the minor and plunges him into further debt.

The visit by miners at Tubatse Ferrochrome mine to different lender of cash is no longer a matter of choice but a trip undertaken due to salary shrinkage. Their salaries become smaller due to loan deductions and fail to support their families.

The salary shrinkage bears the following serious implications:

(a) Affect satisfaction of basic needs negatively.

Too little is spent on things such as food and clothes. As a result of their salaries becoming smaller, certain families survive on two meals per day.

(b) Failure to honour day-to-day transactions.

A very small salary makes it difficult to pay for all the things one was supposed to and wished to pay for. This often results in credit accounts of the affected holders to accrue interest. Most of the accounts miners have with credit stores selling clothes and furniture have fallen in arrears all because micro lenders deduct high amounts from their salaries which often offset their salaries' buying power. As the salary is smaller than before,

there is no room for surplus income. It becomes difficult to make provision for the future and unforeseen circumstances. The miners believe that when unplanned expenditure occurs they will have to go to the micro lenders again.

(c) Affect savings negatively.

The miners experience difficulty in saving their monies. Very few of them have fixed deposits or investment accounts at different commercial banks. As a result they are failing to accumulate money for themselves. Most of them have only savings accounts where their salaries are deposited and their savings closed the month with very few rands, some between R8.00 to R10.00.

(d) Continuous deficit lives.

Most of the miners are always in debt. They start each month with a debt and closes off another month with another loan. The financial viability of most miners who owe micro lenders is at stake. Some miners always owe the micro lender, shebeen queens and even friends. What then becomes obvious is that the micro-lender will be paid because he makes direct withdrawals but the remaining two will be paid out of sheer luck.

(e) Social Problems.

Most miners believe that financial problems instigate social problems. People with financial problems are prone to family problems. More often family members are met with disappointment when their needs are to be satisfied and thus where serious feuds in families start. Social stability in households becomes endangered and one or more of the following scenes are prevalent within the domestic environment of the miners who owe micro lenders:

- A spoilt relationship between the miner and spouse.

Psychologists maintain that one of the biggest causes of family quarrels and break ups is arguing over money and that much of these troubles can be traced to our present money system (The real story of money control in America <http://www.shoah.Free-online.co.uk/801/NOW/Fed/html>). Some of the miners at Tubatse Ferrochrome complain of a strained relationship between themselves and their spouses. As financial providers of relief to most in their households, as they fail the following trends characterise certain households of miners who are borrowers:

- Continuous family arguments

The situation of most miners who had and still have loans with micro lenders is one of finger pointing. Wives blamed their husbands (miners) for their families' continuous indebtedness.

The miners believe that their wives are unsupportive because the initial aim of borrowing money was to improve the welfare of their families but now that the impact of loans emit negative results, their wives play a “I do not know” kind of game.

- Destroys the family happiness

When there is enough to eat, people become happier. This is not the case with miners at Tubatse whose financial strength is staggering owing to the effects of the micro lending transactions. “A hungry man is an angry man” so goes an English idiom. As members of families are always arguing over money, most of their quality time is spend on arguments and how to get out of the debt web. This becomes central and continuous. The continuous fights and feuds deprive the family the opportunity to be happy and make future plans. The family growth is retarded.

- Illegal activities occur as a by-product

Illegal activities are those elements that are illegal, immoral and even criminal activities regarded as socially unacceptable, but which nevertheless occur, such as prostitution, drug dealing, the granting of illegal loans, gambling, abortion etc (Swanepoel & van Zyl 1996 : 142). Moral fibre of some households of those miners who have loans is affected and gradually dying out. Some households experience:

- Prostitution

Steelpoort is a busy area with a number of activities taking place both during the day and night. During the nights there are trucks that park opposite the filling station for a rest. There is a few number of school going kids from neighbouring school as well as a high percentage of non-scholars who are rendering illegal sexual services to the truckers.

Fifty percent (50%) of the interviewed mine workers believe their children are in prostitution just to satisfy peer group needs. As some of these miners cannot provide financial security to these children, they feel they are practically helpless to intervene. Furthermore, their intervention needs support from their spouses but in most of these cases, it is difficult to attract support because of a tense relationship that exists between the miner and his spouse.

The strained relationship between the two parents (miner and spouse) threatens the well-being and the future of their children. Their children stand a good chance of acquiring sexually transmissible diseases especially HIV / AIDS which is life threatening. Besides this dreadful disease, girls are prone to unwanted pregnancies. The consequences of prostitution is so obvious that one miner once said "We are aware that our daughters have relationships with these truckers but cannot

dare say a word because we cannot afford the demands of these spoilt young girls and are practically going to die of AIDS” (Tubatse Miner 2000).

- Drug dealing and drug abuse

Steelpoort and surrounding villages lay adjacent to the Leolo Mountains where plantations of dagga are illegally done on a wider scale. Most of the children from these villages such as Phasha, Malekane, Stocking, Schonoord etc. are using and dealing with dagga. Forty percent (40%) of interviewed miners' suspect that their boys are using and selling dagga for a profit motive. If the needs of these children are adequately met, miners believe their children would concentrate on their schoolwork than on illegal small business activities.

- Illegal Loans

There are a number of mineworkers who have joined the micro lending industry on an informal basis. The main reasons for easy entrance is the absence of laws that govern the industry and the huge amount of profits generated by the industry.

The result of these illegal loans is that indebtedness is fuelled and makes it possible for miners and borrowers in general to borrow money from Paul to pay Peter. Most of the miners hop from one micro lender to another. This movement led to a

situation where illegal loans are conducted on a larger scale. Miners have reached a stage where one debt is literally paid off by another debt. Majority of miners are borrowing cash on a monthly basis. The situation is so pathetic and appears to have long lasting negative effect on these miners. The situation at Tubatse Ferrochrome has bred a tendency in miners to be loan dependent. This affects their sense of pride and self esteem. Most of the miners who have loans maintain to have lost the respect they earned from their wives and children all because the micro lending industry has indirectly rendered them useless.

- Unsustained relationships

Any kind of relationship is based on stability. According to interviewed miners, thirty percent (30%) believes their social relationships are shaky as a result of micro lending industry. The unmarried ones, claim to be failing to propose love to girls they love all because in their state of indebtedness, such a relationship cannot be financially nurtured. Their social focus is therefore derailed. The married ones maintain that the continued argument with their wives impact negatively on their love lives and well-being of their families. These miners believe that lack of money as a result of deductions made by micro lenders are a recipe to collapse of many marriages.

Since the problem of money emits a number of interrelated problems such as mood swings, tempers, sullenness and others, hundred percent (100%) of interviewed miners believe that these negative sentiment are not good in building a long term relationship. As a result, spouses and lovers are prone to pull out of such relationships especially these days that women are empowered and advocacy of women rights is at rampage. Most miners believe micro loans deductions have directly destroyed their meaningful existence and their relationships with their loved ones and the community at large.

The impact of these loans on the Tubatse miners is quite negative. The miners' well being both social and economic is riddled by micro-loans. Hundred percent (100%) of the interviewees maintain that they are impoverished by the existing micro lenders that operate within and outside the premises of the mine.

3.4 THE PRE-LOAN SITUATION

Miners acknowledge that before concluding loans with micro lenders, they experienced cash problems but however they were relatively "debt free". They owed things such as furniture, clothes and others but they were not debt trapped. They had a choice between opening accounts or not. They would decide to keep or terminate their accounts with those stores they have

their accounts with. The miner would decide with the payment of last instalment whether to continue or discontinue his relationship with the store. Each relationship with stores selling on credit is reversible. This is not the case with the micro lending industry. The micro lenders make involuntarily direct withdrawals on behalf of the borrower. The customers of micro lending industries are not in control of their monies. On the contrast, the customers who had accounts with credit stores are in charge of their accounts. No withdrawals are made on behalf of them.

The pre-loan situation leaves a person with an option. He / she are in charge of his / her life. Pre-loan situation is human friendly; it affords a person an opportunity to make use of personal discretions.

3.5 POST-LOAN SITUATION

The post loan is a situation after the miner would have established a relationship with the micro-lender. The post-loan situation is characterised by one or more of the following trends: (a) Impoverishment, (b) deprivation, (c) lack of financial freedom (d) multi faceted social problems and (e) desperation.

(a) Impoverishment

Having studied the impact of cash loans on miners and the responses made, it become convincing to state that the post-loan situation to others is equivalent to impoverishment. The rates and the withdrawal made by the lenders of cash on behalf of miners (borrowers) make miners poorer than richer. The initial aim of borrowers was to inject little cash for their families but unfortunately the rate at which borrowed money multiplies leaves the borrower in a state of poverty. Unlike the pre-loan situation, the rate of poverty in this case is aggravated.

(b) Deprivation

Post-loan situation is robbing the miner (borrower) of his value for money. He loses the incentive for work. In a post-loan situation people earn their wages and salaries after the moneylender would have deducted the loan and interest all at once in a lump sum. These deductions force the borrower to live within a restricted scope of survival. Some basic things are sacrificed. People feel deprived so do miners at Tubatse Ferrochrome mine.

(c) Lack of financial freedom

Confiscation of bank savings cards by micro lenders from their borrowers; in this case, miners at Tubatse are a symbolic factor that borrowers' financial movement is detained. Miners

(borrowers) are held ransom. At the end to the month, the borrower does not have immediate access to his money. He is therefore unable to use his money immediately unless he waits for the micro lender to make withdrawals first. In the miners' (borrower) own financial territory, the micro lender comes first!

(d) Multifaceted social ills (problems)

There are number of social ills that are attributable to the activities of micro lenders. People experiencing serious money flaws are prone to divorces, drug abuse, separation, fights, prostitution and others. These social problems traumatise the household, they fragment the unity that prevails in households. Each part is separated from the whole. When the borrower is affected by financial problems, so will be his wife, his children and so the entire family in negatively affected.

The society too will be affected because each society is made of different households. If individual households are affected so will different communities and the entire country will be affected.

(e) Desperation

A pre-loan situation is characterised by despair. As the debt web becomes intense, the miners (borrowers) despair. The future looks bleak because shrunken salary deters people to plan for future. People no longer aspire for better life. Dreams

and aspirations die out. People become goalless and less ambitious.

3.6 RECOMMENDATIONS

The study finds the best way to maintain a debt free life being to live within ones' limited means as once emphasised by the governor of the South African Reserve Bank Tito Mboweni during the 1999 budget speech. One of the greatest devastating factors is, living beyond ones' income limit because that forces a person to make unnecessary loans to maintain a living standard that cannot be afforded by ones' salary. Miners at Tubatse Ferrochrome mine should also learn to live within their means. Every time they need to finance bigger projects, the best thing to do is to plan and save money. A culture of saving need to be encouraged.

The government should also play a role in protecting the entire public about value for money. This can be done through campaigns and intensive consumer education. Those moneylenders, who continue with illegal practices if caught, should be fined. The study commend the Micro Finance Regulatory Council (MFRC) on a fact that certain micro lender from Free State and North West who use illegal collection methods such as personal information and PIN codes were fined between R3 000 and R7 500 (Fuphe 2001:10). Warnings

made by Finance Minister Trevor Manuel to micro lenders who use illegal confiscation methods could also scare other micro lenders therefore reducing the rate at which borrowers are exploited (Budget speech 1999).

Media should also be used by government to disseminate information on consumer rights. The most effective media tool to be used is the radio, because it can even reach the most deprived and hard-hit person in the rural areas because a radio is afforded by most people in different communities even the poorest. It can serve as an eye opener to even people who are currently trapped in debts and who do not know what to do with their situation.

The available Employee Assistance Programme at Tubatse Ferrochrome mine must be intensified and stress the value for money. Most people tend to believe things when said from a familiar environment and by most respected persons. Any work place has key persons and crowd pullers who workers are always more than eager to listen. Fortunately, Tubatse Ferrochrome mine has unions to which different miners are affiliates. Representatives of such unions (stewards) can be used to stress the importance of consumer education. This cannot be overemphasised and miners need to be instilled with

an urge for long term planning as opposed to the earn and spent attitude which is frankly not sustainable.

Having made all the recommendations, the choice of a good life though lies in the hands of the miners themselves. They should be willing first to tighten their belts and spent less. They should also learn from experiences of other people who's borrowing trend at Tubatse Ferrochrome continues, some miners will in the long term earn negative salaries. However if the subject is properly handled, the number of miners who go to micro lender will be reduced.

3.7 CONCLUSION

Micro loans have long standing negative effects on the welfare of the miners who concluded loans with the lenders of cash. The impact of these loans is not only economically punitive but also socially restraining. It is the aspiration of this study to see miners of Tubatse Ferrochrome mine using their monies efficiently and effectively. The study acknowledges that financial shortages are part and parcel of human life but people need to be sensible when it comes to money matters. Since the problem of scarcity can never be solved completely, the secret of being financially comfortable is to live within ones` means, not spending more one earns (The editor Today 2001:4)

Should a person feel an urgent need for cash, he or she should ensure prompt re-payment of loan the loan and borrow only if there is a dire need for money. Even if the borrower is cash pressed, he should ensure that he borrows a small loan that he can afford to re-pay sooner.

There is a great need for miners at Tubatse Ferrochrome to make provisions for unexpected or unforeseen circumstances such as deaths, because that is where majority think is an area where they are definitely forced to take loans even if the lender needs very high amount of interest. Such kind of unforeseen circumstances could be solved by belonging to insurance companies and funeral undertakers who offer very low cover on deaths of immediate family members or dependants.

The study wraps up by highlighting that any micro-lending industry operates like any other business that sells. All businesses strive for maximum profits so are the micro-lenders. They are the “sellers of cash” and in return, the lenders should receive more cash as profits. Since lenders of cash are selling cash for more cash as their profits, people should avoid impulsive buying of cash.

The government should also provide an enabling environment conducive for economic activities. The president of the country, Thabo Mbeki, sees work as a factor that address the issue of

micro lending especially as this related to lending for productive economic purposes(Mbeki 2000,7). On the basis of the said statement the government should put in place programmes that creates job oppertunities. In this way the debt burden of those who can not both carry this debt and achieve sustaine development must be addressed (Mbeki 1999:17).

This study supports other recommendations made by other researchers that the government should encourage alternative banking istitutions that have greater potential to provide services to lower income people (Roberts 1999:14). Even if such programmes are put in place however, the most effective tool is to stay within the bounds of one`s income limits.

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ADDENDA

QUESTIONNAIRES

QUESTIONNAIRE

ENQ: Matabane M.L.
Cell: 082 972 8370

Box 4617
Pietersburg
0700

To: Respondents.

You are Humbly requested to freely without cohesion; fill this questionnaire with openness and honesty.

The aim of the questionnaire is to meet the requirements of a degree in masters in Development Studies with the University of the North and shall not be used to the disadvantage of the participants.

The purpose is to establish the extend to which the activities of the micro lenders affect the welfare of the miners at Tubatse ferrochrome mine.

Where a need arise the questionnaire will be filled in conjunction with an interview.

Your cooperation is appreciated.

Kind regards

Matabane Mokgohloe Lorraine

QUESTIONNAIRE FOR MICRO LENDING BORROWERS.

This questionnaire is designed for the research purpose. The data collected shall not be used to disadvantage the participants. The identity of participants is therefore not crucial.

NB. Mark with an **X** next to the appropriate block.

1. How often do you go to the micro lenders for financial relief?

Sometimes	<input type="checkbox"/>
Always	<input type="checkbox"/>
Never	<input type="checkbox"/>

2. Do you find yourself enriched by micro lenders?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

3. If yes, Give reason/s

.....
.....
.....

4. If no, advance reason/s.

.....
.....
.....

5. Do you sometimes have disagreements with your spouse due to income shortages brought by micro lenders deductions.

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

- 5.1 If yes give reason/s

.....
.....
.....

- 5.2 If no give reason/s

.....
.....
.....

6 Do you feel like using substances (drugs, alcohol) to run away from problems caused by Mashonisas?

Yes	
No	

7 Do you find yourself richer or poorer than before?

Poorer	
Richer	

8 Are you able to cope with your income without financial aid from Mashonisas

Yes	
No	

9 Are you in possession of your ID document and bank card?

Yes	
No	

10 If no, Where are they?

.....
.....
.....

11 Describe your life after your involvement with micro lenders.

.....
.....
.....
.....

12 Tell us of any hardships(if any) you experienced with micro lenders.

.....
.....
.....
.....

13 Do you still command respect in your household?

Yes	
No	

14 If no, why?

.....
.....
.....
.....

QUESTIONNAIRE FOR THE SOCIAL WORKER

This questionnaire is designed for the research purpose.
The data collected shall not be used to disadvantage the participant. The identity of the respondent will be concealed.

N.B Mark with an X next to the appropriate block.

1. How often do you resolve family problems caused by micro-lenders.

Sometimes	
Always	
Rarely	
Never	

2. Those who borrow from the micro- lenders, are they able to repay their loans

Yes	
No	

3. If No, explain Why

4. For those who happen to fight due to financial constraints, did you manage to reconcile them?

Yes	
No	

5. May you in line to your answer (No.4) give a brief report

6. In your opinion do you find the activities of micro lenders (Mashonisas)

Impending on family units

Yes	
No	

7. If yes, give reasons

8. If no, explain

9. What normally happens to the matrimonial affair of a couple riddled by Mashonisas (Micro lenders)

10. Detail any other aspect relating to the micro lenders which is not covered by the questionnaire

QUESTIONNAIRE FOR TUBATSE FERROCHROME MANAGEMENT

This questionnaire is designed for the research purpose. The data collected shall not be used against respondents.

N.B Mark with an X in the appropriate blocks:

1. Of the labour force, how many are without their identity documents and bankcards, owing to them submitted to the Mashonisas.

Many	
Most	
Few	
Fewer	

2. Do you experience low productivity levels due to hardships caused by the Mashonisas.

No	
Yes	

3. If no, advice reasons

4. If Yes, outline reasons

5. Do you find "Mashonisas" activities impeding production in your undertaking

6. How can you describe the activities of Mashonisas in your area

7. Are your employees debt trapped by the Mashonisas

Yes	
No	

8. Do your employees groan/complain about the Mashonisas

Yes	
No	

9. Are you happy about the impact of mashonisas on the welfare of your employees

Yes	
No	

10. You may highlight any other problem caused by the Masonisas which is not covered by the research.

11. If you were given an opportunity to recommend, would you recommend their

Sustainable	or	Closure
-------------	----	---------

12. In line to question 11, give reasons for your answer.

TENTATIVE QUESTIONNAIRE FOR THE MICROLENDERS

This questionnaire is designed for the research purpose. The data collected shall not be used to disadvantage the participant. Their identity will be concealed.

N.B. Mark with an X next to the appropriate block.

1. Who within the working category do you mostly offer service to?

Professionals	
Skilled workers	
Semi-Skilled	
The unskilled	

2. Of the people you lend money, how many are not satisfied with your service?

All of them	
Half of them	
Few of them	
None	

3. What role do you see yourself playing in the society?

4. Are your clients able to repay their loans?

Yes	
No	

5. If yes, how do you make it possible?

6. If no, what measures do you take against the defaulters?

7. Seeing yourself as part of the business world, do you make

Yes	
No	

8. Are you satisfied with the profits you make from your operation?

Yes	
No	

9. As a provider of financial relief to the borrowers, do you see chance of opening other branches?

Yes	
No	

❖ If yes, give reasons.

❖ If no, give reasons.

10. What other problems do you come across as a microlender?

11. With the experience you have gained in the microlending industry, do you feel like

Quitting	
Expanding	
Just satisfied	

12. Would you advise emerging entrepreneurs to establish a seminar industry?

❖ If yes, advance reasons.

❖ If no, give reasons.

❖ What more can you tell of your industry?
