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# MAF05: The Fight Against Poverty: Review of the Applicability of the Grameen Bank Model in South Africa

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## ABSTRACT

This paper reviews the Grameen Bank model by looking at its implementation in Bangladesh and the key success factors in its alleviation of poverty. The analysis reveals that well trained staff, a group-based lending program and no need for collateral were contributing success factors of the model. The practicality of replicating the model is reviewed, with specific focus on South Africa. The results show that the spirit of Ubuntu and the practices of stokvels in South Africa have similar characteristics to those that are employed in the Grameen Bank model. The paper concludes by suggesting that the model be further considered for possible implementation in South Africa to assist alleviating poverty.

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# 1. INTRODUCTION

The existence of poverty in society suggests that there are challenges to eradicate it and in South Africa this is noticeably true. With slow economic growth as well as high unemployment and poverty levels, South Africa needs a sustainable solution to combat poverty and empower the poor. However, without employment opportunities the poor must find other sources of income to raise themselves out of poverty such as entrepreneurship, social grants or other expensive forms of credit from moneylenders. Traditionally, the cost of credit available to the poor is so high that it often keeps them trapped in poverty (Yunus et al. 2010). Social grants place a burden on the government and taxpayers especially, if the percentage of the population that lives in poverty is high. Following from this it would seem that sustainable income-earning structures require an initial financial investment that is likely to be beyond the financial capabilities of people living in poverty.

Severe poverty in Bangladesh is what led the Grameen Bank, founded by Professor Muhammad Yunus, to develop a model that seeks to eradicate poverty. This paper seeks to identify the factors that contributed to the success of this model followed by an analysis of successful replications in other countries in an attempt to determine whether the Grameen Bank model could practically be applied to combat poverty in South Africa.

Section two provides a background of the Grameen Bank and its operations. Section three explains the success factors identified within Bangladesh. Section four discusses other instances in which the model was replicated and section five deals with the practicality of the Grameen Bank model in South Africa. This final section assesses the South African culture of Ubuntu and the use of stokvels, and gives a brief analyses of the already available system of microfinance in order to provide practical recommendations on the applicability of the Grameen Bank model in South Africa.

# 2. BACKGROUND

The Grameen Bank initially started as a research project of Professor Muhammad Yunus in Chittagong, Bangladesh in 1976 in which he sought to test whether poor people were creditworthy for small unsecured loans (Dowla 2006). Professor Yunus tested the hypothesis that providing the poor with affordable financial assistance would create productive employment without the assistance of an external party (Sarker 2001). After seven years of experimentation, with assistance from the Nationalised Commercial Banks and eventually becoming a project of the Central Bank of Bangladesh, the Grameen Bank was formally established in 1983 as a specialised bank with its own licence to deal exclusively with the poor (Dowla 2006).

The objective of the Grameen Bank is to provide microloans to the poor who are defined as individuals that own assets to the value of less than half an acre of cultivatable land (Dowla 2006). The poor are unable to access affordable credit from conventional banks as they have no credit histories, do not have any collateral to offer or cannot fill out the required paperwork owing to high illiteracy rates (Yunus et al. 2010). By providing the necessary capital, the Grameen Bank created the opportunity for entrepreneurs to start businesses that buy and sell goods on the free market allowing them to generate income to repay the loan and use the excess to pay daily living expenses (Hulme 2008). The Grameen Bank offers loans averaging US$100 and in 2006 the Grameen Bank was jointly awarded a Nobel Peace Prize along with

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its founder Professor Yunus “for their efforts to create social and economic development” using an inclusive approach at the lowest income bracket of the economy (Nobelprize.org 2015) in Bangladesh and abroad in other replications of the model.

Sarker (2001) described the organisational structure used by the Grameen Bank to comprise several levels in the form of a hierarchy. At the top level is the head office in Dhaka, which supervises the organisation as a whole and makes the broad general management decisions. The next level comprises the zone offices, which form the pinnacle of the field operations. Zone offices supervise, monitor and audit around 10 to 15 area offices each which are themselves responsible for monitoring and coordinating 10 to 15 branches each. The branches oversee and coordinate around 120 to 150 centres in 15 to 22 villages. Each centre hosts an average of 8 groups and provides a meeting space for training and weekly payment collections (Sarker 2001).

The Grameen Bank currently provides four interest-bearing loans including an income-generating (general) loan at 20%, a housing loan at 8%, a student loan at 5% and a struggling member loan (or beggar loan) at 0% per annum (Grameen Bank 2015b). The struggling member program is intended to provide beggars on the streets with capital to purchase items to sell, gradually teaching them entrepreneurial skills while encouraging them to join a Grameen Bank centre (Hulme 2008).

Members are also required to pay a once-off deposit of about 5% of the initial loan amount into a group fund. This deposit, known as a group tax, serves to provide finance to the Grameen Bank for general operations and to the group members in case of any emergency. This deposit is not recoverable from the Grameen Bank when members discontinue the banking services. The Grameen Bank never writes off any loans but rather chooses to restructure the terms to meet the needs of the individual at risk of defaulting (Hussain et al. 2001).

The Grameen Bank also embraces the social business model devised by Professor Yunus of “a self-sustaining company that sells goods or services and repays its owners’ investments, but whose primary purpose is to serve society and improve the lot of the poor” (Yunus et al., 2010, p.309). It is through these social businesses that the Grameen Bank ideology is implemented and the model for micro-financing is used to create tailored and area-specific solutions to the financing needs for the poor. Examples of social businesses include partnerships such as Grameen Phone, Grameen Veolia and Grameen Danone.

As of April 2015, the Grameen Bank has cumulatively disbursed around US$17 million of which US$15.5 million has been repaid, a repayment rate of over 98% since inception. Total membership during April 2015 amounted to 8,673,233 members of which 96% are women (Grameen Bank 2015a).

# 3. KEY SUCCESS FACTORS

A number of critical success factors have been identified in the literature, namely: 1) the group-based lending approach, 2) not requiring collateral, 3) well trained and incentivised staff, and 4) the relationships between the key role players in the organisation (Boysen & Sahlberg, 2008). This section will explain and analyse each success factor.

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## 3.1 Group-based lending

The first and most common of the success factors identified is the group-based lending approach. Members are required to form groups of five people on average with no relatives or people from the same household being permitted to join the same group (Sarker 2001). Groups are male or female only.

The Grameen Bank provides the group with training in literacy, entrepreneurial skills and finance and initially only provides loans to two of the members. After an observation period of 6-8 weeks two more members receive loans. Whilst not formally jointly liable for the loans, members are allowed to assist the other members of their group if they are unable to make repayments. This forms a collective responsibility amongst the members of the group for individual loans.

The Grameen Bank did implement a policy of not furthering additional credit to any individual member if they were members of a group with a defaulting member. Whilst this policy succeeded in creating collective responsibility, it is not implemented in practice (Boysen & Sahlberg 2008). Because members assumed a mutual accountability for the loans, they were careful when screening group partners as they were under the impression that defaulters could potentially spoil opportunities for the rest of the members (Hussain et al. 2001).

The group-based approach therefore forms a key component of the Grameen Bank model as it increases the efficiency of the Grameen Bank's delivery system by maximising contact between the bank and the members. This increased level of contact also places the Grameen Bank in a unique position to make use of a cost-effective monitoring tool that provides the bank with an in-depth knowledge of their members and facilitates preventative steps to mitigate the risk of default (Boysen & Sahlberg, 2008). The shared group dynamic also assists the Grameen Bank in encouraging meaningful participation from the members.

## 3.2 No collateral

In order to mitigate the risk of unsecured lending, the Grameen Bank instituted less conventional means of security with the group-based lending approach. The group-based lending system replaced physical capital with social collateral, such as peer pressure and peer monitoring (Dowla 2006). Not requiring collateral is an important feature of the Grameen Bank model because its aim is to assist those stuck in poverty who, by virtue of their circumstances, are not able to better their living standards and do not have any material possessions to offer as security for a loan.

## 3.3 Staff are well trained and incentivised

The staff members of the Grameen Bank are well trained, patriotic and highly motivated. They played a key role in furthering the social agenda of the bank. The importance of well-trained, highly motivated, dedicated and loyal staff is apparent for any type of business. However, it is particularly important for the operation of the Grameen Bank model, as often staff members will be performing hard work in remote and very poor locations whilst receiving little compensation. The nature of the work that the Grameen Bank model aims to perform is not likely to result in the ability to compensate staff with high salaries, which emphasises the importance of the staff believing in the goals of the Grameen Bank model. Therefore, carefully designed incentive systems and other forms of motivation such as recognition for the work

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performed by the staff forms a crucial part of maintaining a strong workforce. The Grameen Bank has demonstrated that this level of commitment is attainable.

A well designed incentive system contributed towards employees actively promoting the Grameen Bank and its services (Mamun 2012). At the start of their employment, staff are informed of the importance of “hard work, staying in the rural areas, honesty, and sincerity” (Sarker, 2001, p.11). Sarker (2001) described how applicants underwent an extensive on-site training programme after which only those applicants that were truly committed to the purpose of the Grameen Bank obtained employment. This commitment translated into a highly motivated, reliable and hard-working workforce to which the Grameen Bank owes much of its success (Sarker 2001).

The Grameen Bank typically hires young graduates who had not yet grown accustomed to the traditional banking practices followed by older employees (Hulme & Moore 2006). A lack of alternative employment opportunities may potentially contribute to the young employees adopting a more risk-averse and loyal behaviour towards the Grameen Bank with the additional benefit of dissuading any potential corruption. Hiring young graduates also assisted the Grameen Bank in sustaining their practice of challenging the conventional wisdom of banking entrenched in older bankers by replacing it with innovative thinking from the graduates (Sarker 2001).

Furthermore, Sarker (2001) noted that the staff motivation was maintained through informal rewards such as recognition of work, pride in the social objectives of the Grameen Bank, international recognition (such as the Nobel Peace Prize) and a sense of belonging or identity.

## 3.4 Relationships

The relationships between the various stakeholders and the Grameen Bank can be split into three main categories namely: member-to-member, bank-to-member and bank-to-staff.

Member-to-member relationships are formed because members are part of the same group or social programmes and share a common identity as a Grameen Bank participant. Group interaction and networking provides members with opportunities and knowledge that may not have been available otherwise, which also adds to the value derived from joining the Grameen family (Boysen & Sahlberg, 2008).

Bank-to-member relations form the cornerstone of the Grameen Bank’s culture and strategy. This relationship focuses on an in-depth knowledge of the members that is achieved through maintaining close relationships throughout the loan period. The relationship between the group and the centre is crucial in ensuring assigned tasks are carried out as needed (Sarker 2001). The Grameen Bank focuses solely on their members and their needs to form a relationship with its members based on trust, whilst encouraging each party to fulfil their obligations (Dowla 2006).

Lastly, the bank-to-staff relationship is cultivated from the onset of the extensive training program undergone by staff applicants mentioned earlier. The Grameen Bank instils a great sense of pride amongst Grameen Bank employees as well as a genuine care for the poor, partly as a result of the intense training program, but also due to the moral boost from global recognition of the bank’s work (Dowla 2006).

The social relationship element of the Grameen Bank model can therefore be seen as a crucial element in winning the loyalty and participation of as many stakeholders as possible in the

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fight against poverty. With this high level of involvement the Grameen Bank model can reach far beyond the confines of its membership to improve the lives of non-member or potentially even entire communities.

# 4. REPLICATIONS ACROSS THE WORLD

Numerous countries including Australia, the United States of America (USA) as well as countries in Europe, Asia, Africa and South America, have applied the Grameen Bank model with varying levels of success. A brief summary of some of these applications is as follows:

- In Norway, success was found in using the Grameen Bank model with the Norwegian Women Network Bank. The Norwegian Women Bank first started in the Lofoten fishing industry and now has over 200 members (Grameen Bank 2015b).
- In India, CASHPOR, a "network of Asia-Pacific Grameen replications" (Hussain et al., 2001, p.35), successfully implemented the Grameen model as a network institution. CASHPOR's main objective is to teach the necessary skills required to replicate the model on a large scale throughout Asia in a financially viable manner.
- In China, the Funding the Poor Cooperative (FPC) was the first microfinance institution. Launched by the Rural Development Institute (RDI) of the Chinese Academy of Social Sciences (CASS) it now operates as a non-governmental organization servicing 16 000 active borrowers using the Grameen Bank model, and achieving a 95% repayment rate using the Grameen Bank model (Hussain et al., 2001) .

These replications show that the Grameen Bank model can be successfully applied in different countries regardless of their socio-cultural differences.

Whilst the model could be successfully applied in Europe, it would not be without obstacles. One barrier in western culture is individualism which conflicts with the operation of a peer group lending system (Hussain et al. 2001). This is supported by the findings of Gould (2010) who described the difference between a collectivist and an individualist society. In a collectivist society "the group's welfare is part of an individual member's self-identify and reputation within his or her community" (Gould, 2010, p.4) and the individual's mindset is that the well-being of the group supersedes personal interests (Gould 2010). Individualists are more solitary in their pursuit to satisfy personal needs. Individualists may be more opposed to cooperation in the group setting and are more likely to strictly guard financial information. This distinction is important when attempting to replicate the model in a western culture as the model was developed in a collectivist society (Gould 2010).

In the USA, the first attempt for the Grameen Bank model was in Arkansas in the late 1980's (Gould 2010). In an attempt to recreate the social ties necessary for the group-based system, a six-week training program was enforced and participants were split into groups. However, this level of familiarity was insufficient and the bank was unable to achieve a repayment rate higher than 70 percent owing to a lack of 'social cohesion' (Gould 2010). Gould (2010) concluded that while the model might not have been the most appropriate for micro-lending in the USA it could still be utilized after making adjustments to the underlying cultural basis of the model.

Notwithstanding, Grameen America (2015) has subsequently been successfully implemented. Grameen America (2015) uses the group-based approach and assists members in setting up businesses such as hair salons, pet grooming, cleaning services, food carts and flower shops.

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In the 2013 financial year, 26 300 members were granted loans in seven cities creating just under 57 000 jobs. The financial information provided by Grameen America (2015) indicates that the majority of income generated is from grants and donations. However, program income (the income generated from the interest charged on loans) has been steadily increasing from 11.5% of total expenses in 2010 to 24% in 2013 showing increasing sustainability of the organization (Grameen America 2015).

## 5. PRACTICABILITY OF THE GRAMEEN BANK MODEL IN SOUTH AFRICA

As of July 2015, little research has been performed on organisations using the Grameen Bank model in African countries, with the exception of the Grameen Foundation that operates predominantly in Northern Africa. South Africa is an example of a country that could potentially benefit from the use of the Grameen Bank model and it is the aim of this section to determine whether implementation would be feasible.

Compared to Bangladesh (population of 159 million people), South Africa is a smaller country with a population of 54 million people (Statistics South Africa 2015). Both countries have high levels of poverty with 31.5% of Bangladesh's and 53.8% of South Africa's population living below the poverty line (The World Bank 2015).

With a Gini coefficient of 65[36], income distribution inequality in South Africa is amongst the highest in the world. This equates to around 53.8% of the country's wealth being in the hands of the top (richest) 10% of the population and only 1.1% of the wealth in the bottom (poorest) 10% of the population (Kiersz 2014). Furthermore, the official unemployment rate in South Africa, using the broad economic definition, is at 35.8% (Business Tech 2015). This rate is significantly higher than 4.3% in Bangladesh (Trading Economics 2015).

A lack of employment opportunities and poor income distribution has been a cause for major strife in South Africa, resulting in numerous labour strikes that severely impact local industry. Added to this is the high level of crime and corruption in South Africa. There is a need for a suitable and sustainable model that can assist the creation of jobs to alleviate poverty. As of July 2015, there is little economic and financial support available to the poorest people in South Africa from the formal financial institutions. As such the poor must turn to alternative self-help sources of finance for survival. An example of this is a stokvel (Moliea 2007).

The Grameen Bank model has shown to assist various countries in combatting poverty to some extent. Certain factors, such as Ubuntu and stokvels, and the similarities they share with the Grameen Bank model as it is applied in Bangladesh, indicate that the model could be successfully implemented in South Africa. This section will proceed by explaining and discussing each factor in turn and conclude on the practicality of adopting a similar approach in South Africa to that of the Grameen Bank. Furthermore, a brief financial analysis will be performed to assess whether the performance of the Grameen Bank in Bangladesh, when compared to banks in South Africa, indicates that the Grameen Bank model will be commercially viable.

[36] The Gini coefficient is a statistical economic measure that illustrates the equality of the distribution of income in a country. A zero coefficient indicates that perfect equality in income distribution exists and vice versa. Therefore, a Gini coefficient of 65 indicates that South Africa's income is poorly distributed.

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## 5.1 Ubuntu

For any organisation wanting to commence operations in a foreign country, the local tradition and culture should inform the policy and procedures of that organisation to allow for a sustainable practice to be established. Ubuntu is said to underlie the ethical and moral principles of the majority of indigenous African cultures (Gade 2012). A sound understanding of Ubuntu would therefore seem crucial to any business operating in South Africa.

When asking the question 'What is Ubuntu?' Gade (2012) found two potential definitions, namely: 1) "the moral quality of a person" and 2) "a phenomenon according to which persons are interconnected" (Gade, 2012, p.487). For this paper the second definition will be focused on for the purposes of informing the discussion, although, it is important to note that Ubuntu potentially influences behaviour on both a personal level and a community level.

Mangaliso (2001) discussed using Ubuntu from a management perspective to build a sustainable competitive advantage and noted the following about the various aspects of Ubuntu:

- Relationships with others: A symbiotic relationship exists among members of a community that is driven by a strong sense of interdependence and a suppression of self-interest. This places a strong emphasis on synergistic teamwork and the understanding that people working together in a team can accomplish more than if they had been working as individuals. The phrase 'umuntu ngumuntu ngabantu' (roughly translated as 'a person is a person is a person through others') (Gade 2012) emphasises the importance of relationships amongst members of a community as it is through these relationships that African people identify themselves.
- Communication: Under Ubuntu the social aspect of communication is emphasised. Unity and understanding as well as forming and reinforcing relationships are regarded more important than the efficiency of communication.
- Decision Making: In contrast to the Western approach to decision-making, which is very linear, under Ubuntu the process is more circular. Strong emphasis is placed on ensuring that all voices are heard and the decision with the most support is chosen even if it may not be the most rational or correct choice.

A society that embraces Ubuntu can be interpreted to represent a collectivist society. Aspects of the Grameen Bank model can therefore be interpreted to closely resemble the key aspects of Ubuntu. The group-based lending approach would facilitate social interaction between the members and provide a platform from which meaningful communication could take place between the prospective bank and its members. Trust and solid relationships are important aspects of both Ubuntu and the Grameen Bank Model. Similarly, if the members were to own a portion of the bank that would be sufficient to allow control, the members could ensure that decisions are made according to the views and needs of the members themselves, much as is done in Bangladesh. It could therefore be suggested that Ubuntu and the Grameen Bank model would complement each other if adopted by an organisation in South Africa.

## 5.2 Stokvels

There is already a practice adopted by the poor in South Africa that shares some characteristics with the Grameen Bank model. This practice, locally known as stokvels, is

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strongly underpinned by the principles of Ubuntu and to some extent caters to the financial needs of the poor in South Africa (Verhoef 2001) but without the Grameen poverty lifting vision.

A stokvel is an informal voluntary saving organisation in which members of a community will band together and agree to contribute a fixed amount into a fund that can be used for various purposes. The stokvels in South Africa are most commonly used for subsistence purposes such as funding day-to-day living expenditure or large events (Verhoef 2008) rather than as a source of finance for microenterprise, which is more common in other countries and is practiced by foreign nationals in South Africa (Arko-Achemfuor 2012).

Stokvels exist partially because the poor do not have access to credit or other banking services from formal banking institutions because they cannot provide collateral or establish a credit history due to irregular income patterns (Moliea 2007). While access to credit is an important factor influencing individuals to join a stokvel it is not the only reason, as other incentives to join exist that are, in some cases, seen as more important. The literature identified the following incentives to join a stokvel:

- Members of stokvels are forced to save a fixed amount on a regular basis. It was noted that individuals find it easier to default on their obligations with formal institutions, as the repercussions are seen as less severe than those they would face if they defaulted on a stokvel payment. High levels of peer pressure, through economic and social sanction, result in very low default rates. Members see this in a positive light, as they had no choice but to save for their future (Verhoef 2008).
- Perhaps among the most important incentives to join are social in nature. Stokvels provide members with a chance to expand social connections, exchange business ideas and survival strategies, or obtain advice from fellow members (Moliea 2007).
- For women, membership in a stokvel provides them with a certain level of status and support. Women in South Africa are most commonly in charge of maintaining the household with limited income while their husbands are either away working or not seen as reliable. Stokvels provide them a means with which they can support their families and improve their households (Verhoef 2001).
- Many individuals, especially those that are illiterate, find the formal financial institutions impersonal and intimidating. Stokvels offer a form of savings that the members are better able to understand and relate to as they are receiving money from people in their community that they know and trust and in turn will contribute to assist those people in the future (Verhoef 2001).
- Hosting stokvel gatherings (social occasions at which contributions are collected and pay-outs made) provides the host with an income earning opportunity through the sale of food and refreshments or by charging a nominal entrance fee. Hosting opportunities are rotated between members, or even non-members (Verhoef 2001).
- Stokvels offer access to credit without the need for collateral or a credit history as they are based on trust between members that are already familiar with each other. An individual seeking to join a stokvel is to some extent screened to ensure that they are trustworthy and an upstanding member of the community (Moliea 2007).

While stokvels and the Grameen Bank model do have rather different aims, one to cope with poverty, the other to get people out of poverty, the two models do share many similar features. The group system and peer pressure is common to both as well as the emphasis on building

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solid relationships. Physical collateral is not required and membership and lending is based on trust. However the Grameen Bank model provides members with training and advice that, along with the regular meetings and a sense of unity with the bank, could potentially align with the social incentives that increase stokvel membership. This social interaction may also assist the potential organisation in overcoming the impersonal and intimidating perception given off by other financial institutions. Lastly, the practice of forced saving observed in stokvels is similar to the savings required by the Grameen Bank model on a weekly basis.

A key point to note is that stokvels in South Africa focus primarily on funding subsistence expenditure whereas the Grameen Bank model focuses on providing capital to establish microenterprises. This key difference shows that there is a large gap between funding subsistence expenditure and traditional financial capital streams (most of which are inaccessible to the poor) that the Grameen Bank model could fill.

Next, microfinance in South Africa will be discussed to assess whether any existing financial institutions are providing services that may bridge the gap and whether the Grameen Bank model would be able to sustainably operate in the South African low-income market.

### 5.3 Microfinance in South Africa

Commercial banks have acknowledged the importance of stokvels in South Africa by offering special accounts to facilitate the safekeeping of stokvel funds, offer multiple signatory rights and good returns on the invested funds but do not formalise the stokvels themselves (First National Bank 2015). Furthermore, there are few programs or products provided by the formal banking sector that are similar to stokvels. The most similar product available to the poor takes the form of microfinance which is described as the provision of savings and credit to low-income individuals on a small scale that is targeted at improving the well-being of the poor (Moliea 2007).

While the intentions of microfinance institutions (MFIs) are similar to those of stokvels and the Grameen Bank model in that they aim to provide credit to low income earners, certain challenges exist that may prevent typical commercial microfinance providers from attaining success. Moliea (2007) noted one such challenge is that microfinance organisations are argued to be unsustainable without the aid of donations or subsidies. This concern for sustainability arises from the tendency of poor individuals to use the financing for subsistence expenditure rather than on forming income-earning structures to repay the loans, which makes it difficult for the banks to establish reliable revenue streams.

Another issue raised is that MFIs often exist to offer a product rather than focus on the requirements of the customers. This results in MFIs “offering highly standardised products to a market which is perceived homogenous, but which in reality is highly variable in its constituency” (Moliea, 2007, p.15). Other challenges such as a lack of collateral, the high cost of setting up branches in remote locations and high risk also restrict the ability of MFIs to cater for the poor from a commercial standpoint.

Many aspects of the challenges faced by traditional microfinance providers are similar to those that shaped the Grameen Bank model. The organisational structure of the Grameen Bank allows it to access remote locations at relatively low costs and the lack of collateral and high risk is compensated for by social capital created through group based lending and peer pressure. The Grameen Bank model was also developed with the needs of the poor in mind

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resulting in operations and services offered being designed to achieve a specific purpose rather than to sell a product.

Capitec Bank (Capitec) is an example of a South African bank that has attempted to access the lower-income target market through microfinance and has achieved a relatively high level of success quickly grounding itself as one of the major banks in South Africa's well-established banking industry. This success could be attributed to Capitec adopting an approach that focuses foremost on the needs of their target market rather than on establishing an acceptable risk profile through effective internal controls. This resulted in simplified financial products, such as microloans or savings accounts, that the poor are better able to understand and a relative ease of use of these products (McNulty 2009). Capitec provides the closest and most appropriate comparison of an institution that caters to a similar target market to that of the Grameen Bank model.

The analysis of Ubuntu, stokvels and microfinance in South Africa above suggests that the Grameen Bank model has a high chance of being implemented successfully. The Grameen Bank model fits in with the cultural elements of Ubuntu and closely resembles the characteristics of stokvels, but has clearer poverty alleviation goals and might better benefit South African society if it can be successfully introduced. Microfinance institutions in South Africa are not able to access a large portion of the low-income bracket and as such there is a large gap in the market in which an organisation adopting the Grameen Bank model can operate and expand. Therefore, it would appear that it would be feasible to adopt the Grameen Bank model in South Africa.

## 7. CONCLUSION AND RECOMMENDATIONS

Poverty is a vicious cycle of "low income, low savings, low investment and low income" (Sarker, 2001, p.5). Without access to credit and other financial support the people stuck in poverty have very few options at their disposal with regards to improving their standard of living or even for basic survival. In South Africa, unemployment and poverty levels are high resulting in an increased strain on the taxpaying population.

This paper has found that the Grameen Bank model is a powerful tool for alleviating poverty in many environments, including both developing and developed countries. The key success factors of the Grameen Bank model identified from the application in Bangladesh are sufficiently similar to the culture of Ubuntu and the incentives that individuals have to join stokvels in South Africa that it is likely that the Grameen Bank model will be able to garner support and acceptance with the poor South Africans. If the Grameen Bank model were to be replicated in South Africa the findings of this paper suggest that it will provide an innovative solution that can be utilised to reduce poverty. Following from this, the Grameen Bank model can focus on providing the capital for establishing income-earning structures and would therefore not compete with the service provided by stokvels that primarily focuses on funding subsistence expenditure.

Further research by means of interviewing and holding panel discussions with relevant stakeholders is recommended in an attempt to further understand the relevant limitations for implementation. Further, financial ratio analysis of the financial results of the Grameen Bank and comparison against Capitec Bank would provide further insight into capital adequacy, interest margins and relevant costs to income.

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