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## 'Deeper into a hole?': borrowing and lending in South Africa

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## **‘Deeper into a hole?’ borrowing and lending in South Africa**

### **‘Deeper into a hole?’**

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#### **Abstract.**

In South Africa, with upward mobility much aspired-to but seldom attained, householders must spend money they have not yet earned. Borrowing both from formal institutions and smaller moneylenders (legal and illegal) positions them uneasily: in order to fulfill social requirements in one register, they acquire intensified obligations in another. Moneylending and money borrowing, owing much to the legacies of “credit apartheid”, involve an uneven mix. Embeddedness and community connection enable flexibility, juggling, and temporary escape from repayment obligations, on the one hand. Systems of repayment and ever-newer technologies enable creditors to pursue debtors with inexorable swiftness, on the other. Given that credit post-apartheid has an increasingly formal, uniform, and financialized character, the second of these – which makes debtors get “deeper into a hole” – is becoming a predominant way of experiencing and representing the situation. The term, with its suggestion of entrapment, captures an important aspect of the deeply ambivalent feelings that borrowers experience in the face of debt.

The three elements of the present volume – hope, value and crisis – are inextricably combined in the phenomenon which is the topic of this paper: that is, debt. In South Africa, the moment of democracy coincided with the extension of credit to many who were formerly unable to borrow. It held out the promise and expectation of inclusion to people formerly denied it. As elsewhere in the world, but here beginning in a more precipitous manner, the supply of and demand for credit interacted in a complex relationship to facilitate the rapid growth of a new middle class, as well as promising the fulfilment of aspiration to a far larger group of people (Servet and Saiag 2011). As prospective consumers enthusiastically embraced the possibility of borrowing in order to secure highly-valued things, opportunities and relationships, credit also started being “sold”—just as happened elsewhere (see Villareal, this volume)—to prospective takers as necessary or inevitable, drawing yet further numbers into the net. Such credit was being used not simply for materialist consumerism, but to satisfy the desire for what was felt necessary for a good life. When the lure of credit turned into unpayable debt, many of those initially offered hopes of advance —aspiring to possess those things formerly reserved for people wealthier than themselves—were threatened with further marginalization. Fearful of the unsustainable and crisis-like character of the situation, policy makers and analysts, several years before the “sub-prime” debacle in the US, were devising a regulatory framework to tackle the problem.

Exploring the circumstances which gave rise to their alarm, this paper also gives attention to models used by local actors to assess and evaluate their present and future circumstances. Local ideas of worth may challenge the tendency to measure all value by—and demand repayment in—its universal equivalent, money (Hann and Hart 2011:49), and considering such ideas ought to help us contest analyses which seek to represent all economic matters by measuring them in purely contractual or terms. Considering debt in this way potentially directs the emphasis away from uniform measures of value and towards diverse ones. But in settings like South Africa where financialization is far advanced (Ardington et al 2004; Barchiesi 2011; Daniels 2004; Porteous with Hazelhurst 2004; Schoombee 2004; 2009),<sup>1</sup> the imperative to repay may become less easy to escape.

Debt gives a particularly poignant and edgy character to hope. It also throws value into question by threatening impending future crisis. If there has been a proliferation of the things that are felt essential in order to actualize the kind of life aspired to, then buying them “on tick” is often the only way forward. In doing so, the debtor can “borrow speculative resources from his/her own future and transform them into concrete resources to be used in the present” (Peebles 2010:226). The way debt links these two time-frames together means that positive and negative ideas of worth may be forced into uncomfortable juxtaposition. The values associated with getting what one needs to live well may be unassailably desirable, and loans may make it possible to actualize that life in the here and now, but owing amounts that threaten to increase exponentially as one looks towards the future can also bring anxiety, opprobrium and self-blame.

Conducting research on the sensitive topic of indebtedness, as I did between 2007 and 2009, posed particular challenges, given that people were reluctant to discuss personal finances or engage in conversation about the illegal moneylending that is pervasive in South Africa. Faced with such circumspection, I found circumspection to be the best remedy in turn. Stories about moneylenders, “scams” practiced by repossession agents, and the like, were readily offered, and people were more willing to give insights into their own and their families’ histories of banking, spending or saving money than to recount the details of their current financial situation. It also proved necessary to explore a variety of settings, locales and types of actors. Firstly, given that the ranks of those who aspire to join the new middle class far outnumber those included on the grounds of income and achievement, and are to be found in both rural and urban settings, I undertook interview-based research and participant observation not only among medium—to well-paid employees of the government; but also in a low—to middle-income neighbourhood of Soweto (Gauteng) and in Impalahoek village in Mpumalanga (Figures 1 and 2). Secondly, given the need to move beyond specific locales and attend to policy issues and the pronouncements of agents in the state, the corporate sector, and the world of human rights and non-governmental organisations, I also interviewed employees in the banking sector and registered microlenders, as well as being attentive to those who seek to regulate or curb their activities, in particular by talking to debt counselors and sitting in on sessions they held with their clients, in Pretoria and Midrand (Gauteng) (Fig 2). For the project overall (James 2014) I worked with 73 recorded and transcribed interviews as well using fieldnotes written during participant observation. While some informants sought anonymity, others were happy to be cited, and I have respected their wishes.

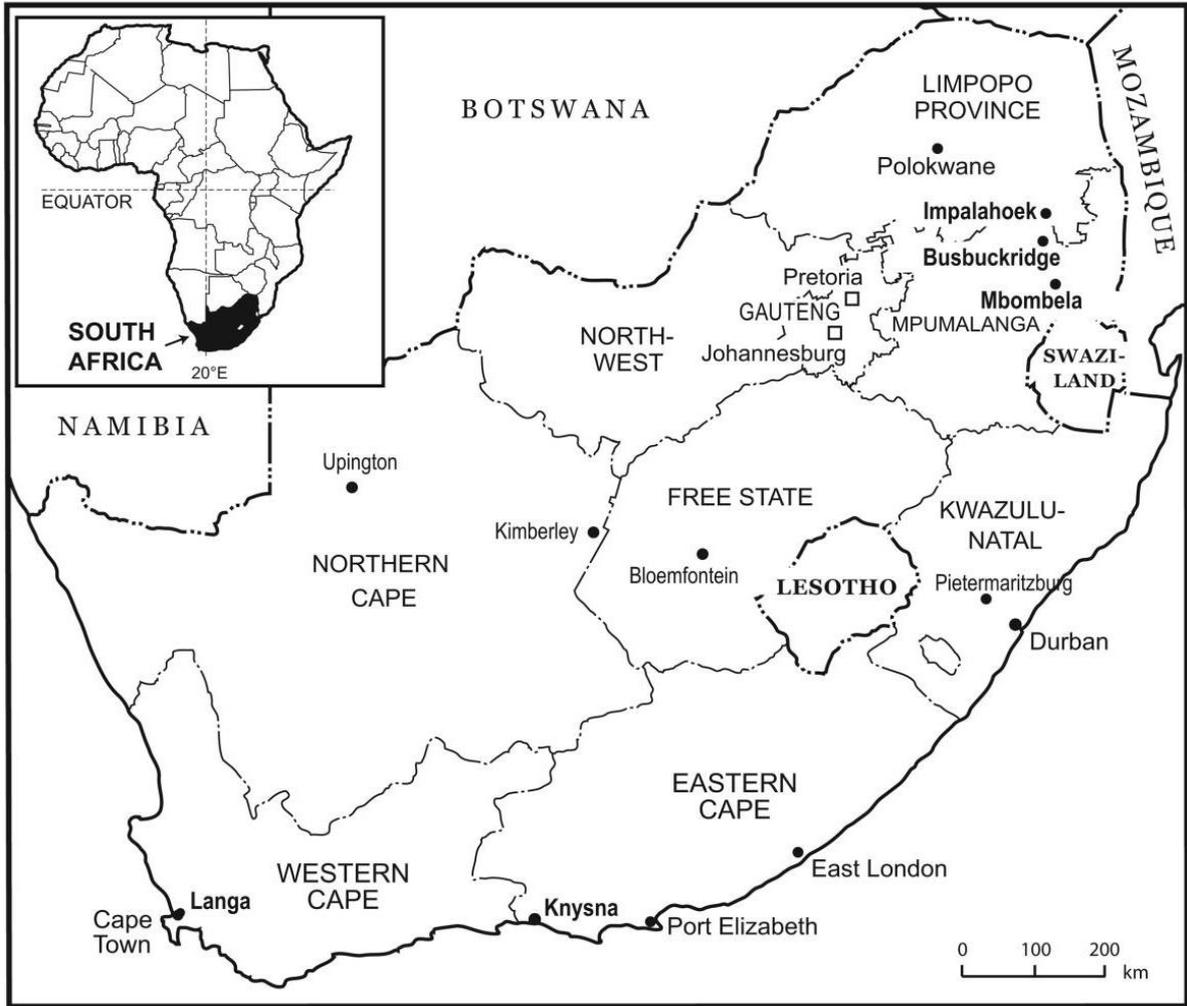


Figure 1: Map of South Africa

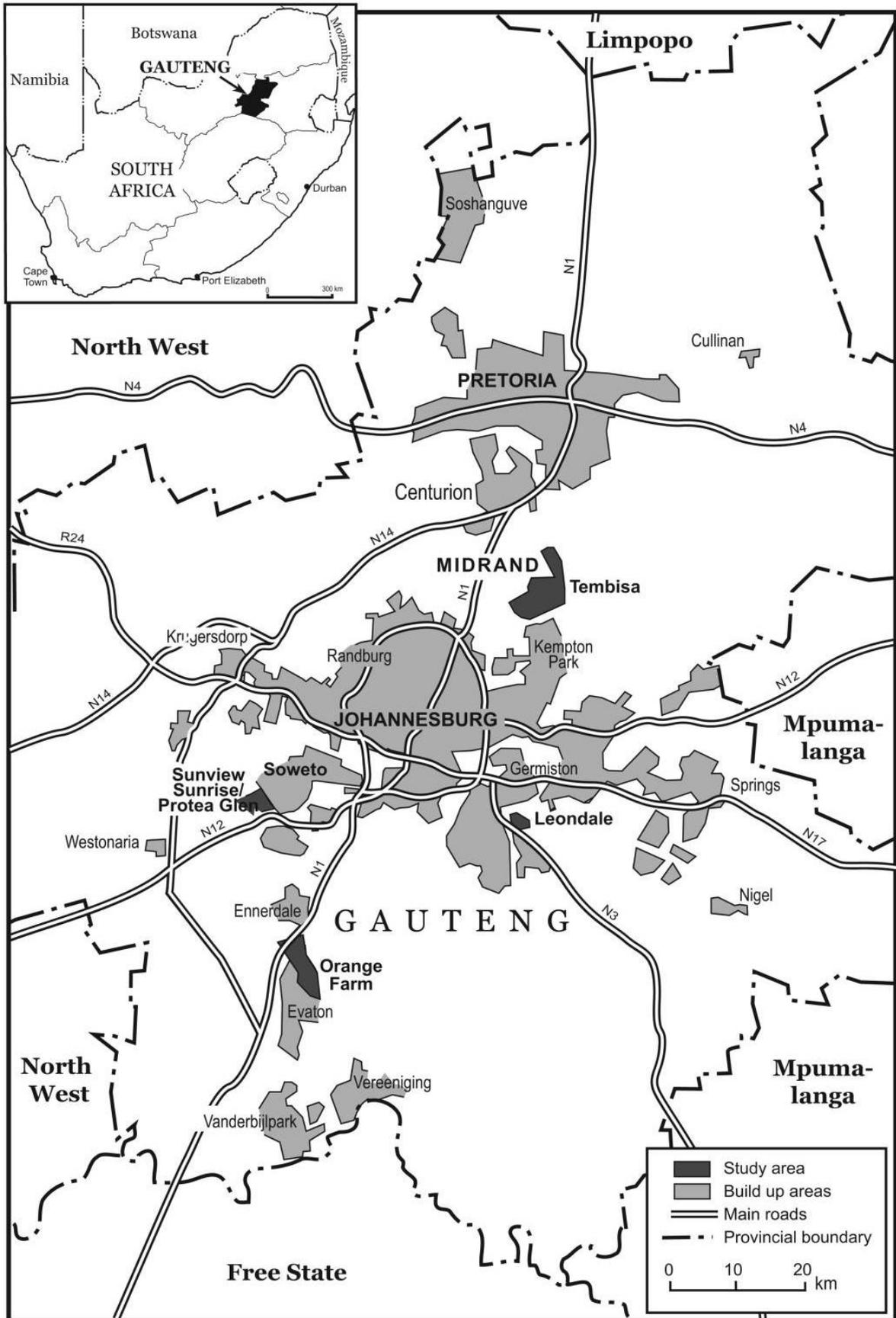


Figure 2: Map of Gauteng

### The rise and regulation of reckless lending

In South Africa, circumstances have combined to place borrowers more inexorably in the grip of lenders than they have in some of the other settings discussed here (Guerin, this volume; Villareal, this volume). Soon after the transition from apartheid to democracy brought new promises of prosperity and upward mobility for those previously dispossessed, rates of borrowing and lending are reported to have increased exponentially, as black consumers took advantage of the credit opportunities they had previously been denied, while particular sectors of the white community started micro-lending businesses to cater to and exploit this new market.<sup>2</sup> Demonstrating what was to become its characteristic combination of neoliberalism and regulatory tendencies, the state—whose policies, during the 1990s, had initially enabled such developments by liberalizing the economy and the provision of credit in one fell swoop—then sought, during the 2000s, to outlaw “reckless lending” and regulate the negative effects of this borrowing by passing new legislation, the National Credit Act of 2007 (NCA).

Resulting from these impulses that followed each other in short order, and exhibiting varying degrees of legal formality, three distinct lending sectors were in evidence by the late 2000s. Each, supplementing or plugging gaps left by the other two, supplied this new market in its own way. Reflecting the ethnic and racial divisions of South Africa’s past and of its new dispensation, each has a linguistic/ethnic specificity (Table 1).

Table 1: Credit supply

| Sector | Lender   | Type of loan   |
|--------|--|--|
| 1      | Mainstream/formal financial sector (English-speaking capitalists)  | Bank loans; store cards for clothing and food; vehicle finance; furniture and appliances on instalments; housing loans |
| 2      | New microlending sector (Afrikaans-speaking former civil servants)   | Smaller/short-term loans   |
| 3      | Informal microlending sector (neighborhood moneylenders – <i>mashonisas</i> in black townships and villages) | Smaller/short-term loans   |

(1) The mainstream/formal financial sector was historically dominated by an “oligopoly” of British-owned banks and rooted in the English-speaking capitalist sector (Verhoef 2009:157; 181), and later by the “big four” banks—ABSA, First National (FNB), Nedbank, Standard. Alongside the credit cards, housing loans and vehicle finance they offer, the sector also provides retailers’ store cards for clothing and food, hire-purchase for furniture and appliances, and the like. Black people, having had very restricted access to such loans before the 1990s under credit apartheid, were offered them in profusion thereafter.

(2) The new micro-lending sector, offering mostly smaller and short-term loans, grew exponentially in the 1990s and was mostly run by Afrikaans-speaking former civil servants who invested their redundancy packages in these businesses. They did so after leaving state employ when the ANC became the ruling party. Initially free to charge “uncapped” interest rates, and engaging in practices—such as the confiscation and use of borrowers’ ATM cards by way of loan security—that were later prohibited, many of these subsequently registered as micro-lenders under the act, which obliged them to charge monthly interest of no more than 44%. Some of the smaller micro-lenders consolidated to form larger enterprises, notably African Bank and Capitec, which have now taken their place alongside the “big four”.

(3) *Mashonisas* or neighborhood moneylenders<sup>3</sup> came to be defined by their contrast to their formal micro-lending counterpart (2): they were defined as loan sharks because they remained unregistered under the act. (Since borrowers are often ignorant of the regulations, some use the term, however, to refer to both registered and unregistered lenders). The biggest operators among them use customers' ATM cards to withdraw the money owed to them at month end before returning them to their owners, and typically charge monthly interest of 50%, in excess of the new cap on the interest rate imposed by the act. In this classically financialized manner, taking advantage of efforts that had been made to bank the unbanked, some community moneylenders were ensuring repayment by using the ATM technique earlier deployed, but now outlawed for use, by those who were now registered (and hence considered "formal" and "regulated").

What of the demand side? Overall, it is black consumers striving to overcome the imbalances of apartheid whose plight has underlain the attempted regulation. Analyses showed that salary—or wage-earning consumers were most likely to be over-indebted. Echoing what happens in many other settings of stable salaries subjected to less-than-stable pressures (see Parry 2012), "these workers earn a regular salary" and therefore "qualify for credit, but binding expenditure constraints possibly places pressure on them to borrow at a level that is unsustainable" (Daniels 2004:842). Race, here, is not a defining feature. Indeed, by 2008 it became clear that white consumers owed more than black ones.<sup>4</sup> But those whose "reckless borrowing" has been of most concern—not surprisingly, since its members have also had the greatest electoral and political influence since the advent of democracy—are the black recipients of state salaries (nurses, teachers, policemen) in the "new" black middle class where public sector employment predominates (Crankshaw 2005; Schlemmer 2005, Southall 2004), middle—to low-wage black employees in state-owned enterprises (SOEs), and a larger category, subjected to more "precarious" circumstances since democracy (Barchiesi 2011), which has similar aspirations but even fewer means to fulfill these.<sup>5</sup> While I have written more fully about the new middle class elsewhere (James 2014), the principle case study on which the present paper centres—that of a security guard employed on a casual basis—hails from the ranks of this increasingly growing "precarariat" (Standing 2011).

If debt involves the obligation to repay the resources borrowed from one's own future (Peebles 2010:226), the South African case is distinguished from others in this volume by a gradual shrinking of the options for temporarily evading this. The co-existence of multiple registers of wealth, partly overlapping and/or commensurable but partly remaining distinct, is a common topic in economic anthropology (Gudeman 2001; Parry and Bloch 1989). Villareal (this volume) shows how Mexican women use "diverse frameworks of calculation and valuation", and Guerin (this volume) speaks of the "incommensurable, non-substitutable financial practices" that are commonly used to cope with tensions arising from "the multiple logics of debt". In South Africa, similar arrangements have certainly been and still are engaged in, alternately to hinder and enable the flow of money, alternately to enable saving and spending, but the possibilities of "juggling" various options (Guerin, this volume; Servet and Saiag 2013) are fewer than they were. This is so, despite the proliferation of new sources of credit since the end of apartheid. Choosing from among the three sectors identified above, a consumer is able to (1) borrow from many banks, use many credit cards, and hold storecards from an array of retailers, as well as having access to micro-loans both (2) legal/formal and (3) illegal/informal (Fig 3). (Often, as with Guerin's paper, they borrow from the latter in order to pay back the former). At the same time, the means by which these debts are collected has shrunk drastically. Considerable efforts made—with the help of the UK's DfID-funded Finmark Trust—to "bank the unbanked" (Porteous with Hazelhurst 2004:

89) have seen a deepening financialization of the economy (Ardington et al 2004; Krige 2012). Accompanying this, there are advanced IT systems rooted in apartheid's preoccupation with surveillance, which envision, even if they have not yet achieved, a single hi-tech system to be used for identification, cashing in social grants, buying and banking (Breckenridge 2005: 272-3). These technologies, enabling "data to flow from one contiguous database to another", have opened up the commercial use of such data (Breckenridge 2005:281).<sup>6</sup> What worries debtors most about these developments is their application in transforming what were distinct pockets of finance into one single flow. By allowing lenders, formal and informal, to reach into borrowers' bank accounts by the means mentioned earlier, their inclusion in this hi-tech banking system leaves such borrowers, in effect, less place to hide. Sources of credit, then, have proliferated and become more diverse, but the technologies of collection have narrowed and become streamlined.

In the face of these developments, the NCA, although informed by a conviction that lenders should be held to account (see Shipton 2011:232), ended up more often being used to reform borrowers. The act admittedly achieved some small successes: curtailing mortgage credit well before, and hence preventing a South African occurrence of, the sub-prime crisis; and establishing a system of debt review.<sup>7</sup> The moral/legal framework it established made it possible, as in the case of Richard Madihlaba discussed below, to persuade certain creditors to accept some culpability and even to write off debts. But this was possible only in the relatively rare cases where an independently-funded and skilled adviser was willing to commit much time and effort. In many other cases, debt counselors' efforts—alongside those by other state and non-state actors—were directed towards the end of educating debtors and persuading them to be more frugal. Self-help books and self-styled financial advisors were aiming at getting consumers to "own" their finances, to partner up in a stable nuclear family, focus on the future achievements and needs of one's own children, and repudiate the claims of kinsmen and neighbors, advising people, in classically neoliberal style, to refuse others' demands (Ndumo 2011: 195-6; see also Stack 2013).<sup>8</sup>

Overall, lending and borrowing, at rates regarded as "reckless", were continuing apace. When I was writing this in 2013, 6 years after the promulgation of the NCA, the media were reporting on the notorious case of the shooting of striking platinum mineworkers at Marikana. It turned out that one important underlying cause of the strike had been the intensified onslaught lenders were making on borrowers' bank accounts. The miners, not necessarily in the lowest pay bracket, had unsustainable levels of debt. An additional feature making this doubly burdensome, indeed intolerable, was the manner in which their numerous creditors were ensuring repayments. Miners' pay, automatically transferred into their bank accounts at month end, was being transferred out of these again with equal ease by those to whom they owed money. These deductions were made in various ways. Lenders in sectors (1) and (2) used direct debits or "garnishee" or emoluments attachment orders. These are orders granted by a magistrate or clerk of the court and served on the employer of a defaulting debtor, enabling a creditor to take a monthly repayment directly from that debtor's salary. Lenders in (3) did the equivalent by keeping borrowers' ATM cards and using these to withdraw funds with interest from the ATM at month end. Shortly after payday, many of these miners had simply had nothing left to live on. (Fig 3).<sup>9</sup>

Despite regulation, then, the story told here is one of continuing, even deepening, indebtedness.

## Local models of indebtedness

The outline above, by emphasizing the crisis-like character of borrowing and lending, gives a South African take on a familiar story.<sup>10</sup> But how do borrower informants – including those newly indebted —experience the situation? A review of the small and incremental ways they save, invest and husband resources, or convert by choice between different registers of value, complements the narrow view, through the lens of deferred-payment-with-interest, taken by economists, regulators and policy-makers (Ardington et al 2004; Daniels 2004). Informants’ models provide a more local, “house”-centred, or “human” view (Gudeman 2001; 2010; this volume; Hart et al 2010). They yield a view of mutual obligations between persons, families and generations that is akin to the holding of wealth on behalf of others that Shipton calls “entrustment” (2007), and similar to the view outlined in the introduction to this volume.

In post-1994 South Africa, such ideas articulate “market” and “community” models (Gudeman 2001), reflecting a long history of proletarianisation and commodification on the one hand and custom-based social solidarity on the other. Embodying the former, *sekoloto* (from the Afrikaans *skuld*; debt) has negative connotations of perpetual enslavement that hark back to rural cultivators’ experiences of owing money to trading stores and, more recently, refer to their sense of entrapment in hire-purchase arrangements. Embodying the latter, *lobola* captures the idea of long-term obligation and reciprocity between families (James 2012:22-3; Kuper 1982). In classic Maussian style it includes the payment of bridewealth from a groom’s to a bride’s family, gifts from the bride’s to the groom’s family in return, and trousseau-type items given by parents to a daughter on the occasion of marriage: a model that is tenacious and resilient in the contemporary mind (Krige 2012, White 2004; 2010).<sup>11</sup> Combined with this, and with similar tenacity, a further aspect of local social solidarity centres on saving. People club together in *stokvels* with relatives or neighbours to husband their resources (Bähre 2007, Verhoef 2002) —circumscribing these to prevent their everyday use, often by investing money in particular goods.<sup>12</sup> The two models, rather than remaining discrete, have over the years been forced into articulation when slender means make it necessary to “borrow speculative resources ... from [the] future” (Peebles 2010:226). The resulting attitude is one of deep ambivalence: it conjoins the alienation and enslavement of commodified indebtedness with the close bonds of obligation and reciprocity entailed in “entrustment” (Shipton 2007).

An example illustrates the difficulties arising from the juxtaposition of these divergent spheres of value. The story of Richard Madihlaba—a sePedi-speaking rurally-based migrant, employed as a security guard in Pretoria, whose home is in GaNchabeleng, Limpopo Province (Fig. 1)—exemplifies the situation of those who qualify for credit by earning a regular income (if, in his case, a precarious one), and whose aspirations to a decent lifestyle far outstrip their earnings. When I met him in 2008 he was being given debt counseling by Mareesa Erasmus of the University of Pretoria Law Clinic.<sup>13</sup> As I listened, a tale unfolded of almost unimaginable exposure to consumer credit for one with so few resources. Coming under pressure from his mother “to pay *lobola* before she died” for the mother of his three children, he borrowed “more than R5,000” from African Bank, which he was still paying off. Since such marriage payments are thought to entail long-term owing in and of themselves, borrowing money in order to make them is considered undesirable – but grooms, faced with demands from in-laws or their own families, will nonetheless do so when pressed. Further demonstrating his commitment to long-term conjugal relations and to the local solidarity

economy, Richard and his cohort of home-based migrant men formed a savings club, *Rekgonne* (We can) with the aim of paying for the substantial costs of a wedding, above and beyond the *lobola* itself, for each member in turn. Members' cash contributions are R100 monthly, with a larger amount of R1,000 payable on the occasion of each member's celebration.

These various commitments have both necessitated, and are accumulating on top of, others (Table 2).

Table 2: Richard Madihlaba's credit portfolio<sup>14</sup>

| Sector | Lender   | Amount/purpose  |
|--------|--|---|
| 1      | Standard Bank account with overdraft facility<br>African Bank*<br>Jet<br>Retail Credit Solutions (RCS) | R5,000 for <i>lobola</i><br>R6,000 for children's clothes<br>R2,800 for family's DVD player |
| 2      | Onecorps<br>SA loans   | R2,800 for own DVD player<br>To pay back other loans  |

\* African bank started as an enterprise in Sector 2, grew exponentially, and can now be considered part of the main stream.

In his case, as in many others, it was his conscientious repayment of initial loans that led to his being offered further credit. After he repaid his initial loan to Jet, the retailer extended him a second, larger loan. But his debts eventually caught up with him. The final loan, from micro-lender SA Loans, taken out in order to repay the other loans, involved "borrowing money from someone – SA Loans—who charges 360% interest to pay back someone – RCS—who charges 100%", so Richard is getting "much deeper into a hole", as Mareesa put it.

Richard showed characteristic ambivalence about the effect of his many loans, and the investments for which they were intended, on the long-term relationships which lie at their heart. It was in order to procure the basis of household stability that he had borrowed money to pay *lobola*, to further his own and his children's education, and to buy clothes and material goods for the household. He had also sent money home for building supplies, hoping to start building his own house on his residential stand in his home village. His actions were the very essence of frugality and thrift – the opposite of the "profligate consumer" of which much has been written in the media (see Krige 2011:294 *passim*). But broader conditions were restricting the success of his venture. His wife was spending the money he remitted on things other than those he had envisaged, and had absented herself, leaving the children to be cared for by her mother, who he felt was neglecting them. What he termed his "financial situation" had a bearing on these conjugal disturbances: "I once brought her my bank statement, telling her 'I have a problem. People are debiting the money from my account. That is why I am not getting that much money. I have been working in security. And I have to pay some of the accounts, like Jet, and those accounts that I have to pay by hand'.... Maybe she [my wife] was expecting me to be a rich man, buying her expensive clothes."

While marrying and paying *lobola*, alongside group-based savings also oriented toward marriage, were thus crucial to Richard's inserting himself securely within the local solidarity economy, these things required the incurring of so much debt (*sekoloto*) that they were threatening to undermine that very security, and indeed the house-based arrangements on which it was supposed to be based.

Local views of indebtedness thus combine two aspects. The positive character of house-centred aspirations to save and to fulfill long-term social obligations, on the one hand, articulate uneasily with negative experiences of the financialized arrangements these necessitate and without which they would prove impossible—of being hounded by creditors, taking out further loans, and being driven “deeper into a hole” —on the other.

### **Credit, banking and moneylending: the longer view**

Behind the bank accounts and overdrafts Richard Madihlaba used, and the micro-loans and array of goods for whose purchase he had got himself into debt, lies a longer history of constraint. “Credit apartheid” or the “dual economy of credit” are the terms that have been used to characterize the forms of exclusion suffered by people like him. For the past half-century, black people’s access to credit, tenuous from the beginning, had become even further restricted. Principle among the factors underpinning this was a “dual economy” of land ownership, with opportunities for buying and selling real estate (and the procuring of mortgages), and chances to borrowing for business and enterprise, severely restricted or non-existent (Krige 2011; James 2014).<sup>15</sup> The primary form of credit that *had* been available was that offered by furniture and appliance retailers via the system of hire purchase (Kaplan 1986:168), alongside a smaller element of clothing purchased on credit by wealthier and more upwardly mobile blacks from the 1950s onwards (Kaplan 1986:270). Practices of borderline legality which had been habitually used by such retailers in their dealings with black clients were themselves further evidence of “credit apartheid”. (Indeed, it was anxiety about these consumer credit practices that had prompted the investigations which eventually led to the passing of the NCA (DTI 2002; 2004).) As Richard’s story shows, some aspects of this habituated system were beginning to change. In his credit “portfolio”, overdrafts, store cards and micro-loans predominated over hire purchase agreements. This apparent shift in technology and formal terminology, however, obscures that the lender was ultimately the same. Large retail firms, both clothing—and furniture-based, had started diversified into the lucrative micro-lending market in the 1990s. Richard had borrowed from one of these, RCS, part of the Foschini clothing empire, to buy his DVD player (Fig 4). If the variety of financial strategies was gradually narrowing down to become more uniform for the borrower, on the side of the lender the divisions between distinct retail products was blurred. A uniform measure —of “debts” to be recouped through bank accounts —was replacing these.

#### *Furniture and hire purchase*

Investing in items of furniture and appliances, both to embellish houses and as an investment in a fixed asset where other forms of property were disallowed, was a key aspect of the black South African experience, especially from the 1950s onwards. Pioneered in urban areas by town-dwellers seeking respectability (Krige 2011: 138, 172), the practice readily spread to rural areas. Where migrants had initially taken a conservative approach to investment in property and the purchase of material goods, often consolidating the wealth of the homestead by buying cattle (Ferguson 1992), those migrating more recently have tended to favour the purchase-on-credit of household furnishings. A bride’s parents often provided an item of furniture as part of her trousseau, later investing in further items, paying each off in turn, with the eventual aim of equipping all rooms in the house. Although interest rates were and remain high (Schreiner et al 1997), typically more than doubling the price, many householders have kept up their repayments in a prudent fashion. Furniture purchase thus contributed to a ritualized life-course as well as involving aspirations to sophistication and modernity. It exposed householders to gradually increasing expenditure, and expanding credit access, over

time. Providing a means of “saving” money by making it unavailable for other things, it could also however, when unregulated, lead to unsustainable levels of debt.

The high price and the two-year period of time between delivery of the goods and the final repayment gave this credit system its mixture of different styles. There was meticulous record keeping and mailing out of invoices in brown envelopes to remind purchasers of what they still owed, but trust was also important: the social and geographical distance between retailers and their customers in villages made the business reliant on intermediaries and lent it a personalised dimension. Considerable profits could be made from by targeting low-paid black migrants, but relying on these buyers, with their low earnings and – in some cases — reluctance to keep up repayments, also exposed smaller retailers to financial risk. The high costs of hire-purchase compensated for defaults and helped pay for repossession operations. Success in making money in this sector (despite these problems) attracted much competition (Tlali 1979:26, 30, 116), which made business owners increasingly determined to increase their profit margins over those of their rivals while simultaneously reducing what they paid to employees and agents.

Customers who might have fallen on hard times, when handed reminders of payment due, often threw them away or hid them under the bed, only to endure the shame of having items repossessed. The alternative – showing that “trust” was often honoured more in the breach than the observance – was that some clients entered into collusion with agents or paid them bribes to depart (Cohen 2004:42-6; Tlali 1979:82-3). From the customers' perspective, this was one way to escape the high interest rates charged. But such efforts did not necessarily make matters easier for customers. One such agent in an Mpumalanga village, despite having been fired by the retailer for crooked practice, continued to travel around to prospective customers, taking advantage of villagers' ignorance of his dismissal and continuing to pocket the deposits they were paying in expectation that their furniture would be delivered. The errant agent later left the area to go into hiding in order to escape their wrath once villagers discovered his trickery (James 2014).

By the early 2000s, despite banks' efforts to abolish credit apartheid by extending financial formalisation to all sectors of society, journalist and author David Cohen maintained that the “traditional business model” of selling furniture on credit still remained in place to some degree, in contrast with the more familiar worldwide scenario where “all risk of nonpayment is transferred to the credit card companies” (Cohen 2004:18). The case of Richard Madihlaba suggests, however, that it was becoming more prevalent to get into hock to clothing retailers via storecards, and to micro-lenders (in his case to buy an electrical appliance), than by buying furniture from retailers on hire purchase. Many such retailers – such as members of the JD group —had recently branched out into financial services and micro-lending as an equally or more profitable aspect of the business.<sup>16</sup> Lending was becoming increasingly financialized, and customers' being banked meant less risk to creditors than under the traditional business model.

### *Money enclaves*

It was the numerous phone calls Richard received from RCS “to say ‘when are you coming to pay us?’ ” that drove him to borrow from the further micro-lender, SA Loans, “to get money to pay them” (Fig 4). The almost universal spread of mobile phones makes it unnecessary to send out “brown envelopes” and makes borrowers easier to target by lenders and advertisers of all sorts. What makes his experience of the financial sector quintessentially modern, then,

is creditors' ready access to him: either recouping repayment by direct debit or, in the case of some of the smaller lenders, by telephoning him to remind him of his debts.

This case reveals how the attempted undoing of credit apartheid involved a concerted effort by various agencies, including financial institutions themselves, to "bank the unbanked". Expanding business so as to include both "those at the bottom of the pyramid" (Pralhad 2004) and those who, even if not as poor, had been politically disenfranchised, it was claimed that access to financial products would benefit them (Krige 2011:142; Porteous with Hazelhurst 2004:4-6). Attempting more effectively to reach prospective clients, South Africa's banking sector intensified its efforts, during the late 1980s and early 1990s, to reach those parts of the market heretofore reluctant to use its services. While this initially involved various banks competing with each other in search of greater profit, the state later intervened, requiring all banks, in the early 2000s, to sign the Financial Sector Charter and to provide a basic savings and transmission account, known as Mzansi, intended for the poorest: including even those without a regular income. After market research concluded that banks seemed to be intimidating, and that tellers were unable to speak any language other than English or Afrikaans, new branches were set up in urban townships and later in rural areas. It was done at relatively low cost, in part by switching all money transfers to ATMs, hiring staff to show new customers how to use these, and abolishing the uniquely South African bank charges normally made on every transaction (Porteous with Hazelhurst 2004).

My fieldwork showed, however, that those in need of banking facilities have long been aware and have made use of them, commonly combining the use of formal banks for savings and transmission purposes with that of hire purchase arrangements and informal money-borrowing in order to pay for things in advance. Though credit apartheid was widespread, it did not necessarily prevent black people from opening bank accounts. Households were using separate monies and had complex portfolios and multiple strategies (Collins 2005; see also Zelizer 1995). Opening an account was commonplace, especially for men of an older generation who worked on the mines or in industry. Later, they were joined by a younger generation of women. Some holders of the new Mzansi account have simply added this to their existing portfolio of bank accounts which they had opened several years, or even decades, earlier.

But bank accounts were often used for saving, in a manner that hindered rather than enabled an easy flow of money. The opening and closing of successive accounts often paralleled other time-specific patterns or reflected spatial disjunctures. Such jerky discontinuities went hand-in-hand with the stops and starts in an uneven history of employment, paralleled the geographical distances of South Africa's migrant system, accompanied the switch from one spouse to another, or reflected the domestic distrust that went along with more stable albeit conflicted relationships. Bank accounts were, in effect, single—rather than multiple-use, and it was often for the way they blocked, rather than enabled, the ready flow of money that they were specifically deployed.

Their use was combined with other arrangements, often intricate and requiring considerable skill and powers of recall to manipulate and manage. People with commitments to kin or spouses made their money inaccessible by putting it in fixed deposits, by arranging with their employers to help them commit to enforced savings practices (Krige 2011:137, see Zelizer 1995), by putting money aside with a retailer in the "lay-by" system—making a deposit on an item in the expectation of paying the rest of the price within a set time period or forfeiting the deposit (Roth 2004:72),<sup>17</sup> or indeed by paying installments for furniture on hire purchase.

A rurally-based male migrant of an older generation than Richard Madihlaba, Ace Ubisi, worked on the mines, where at month-end he was given a pay-slip to submit to the “time office”, exchanging it for cash. He deposited some in a building society account in order to put it aside, later drawing this out to buy telegraph orders which he sent home and which his wife redeemed at the local Post Office. When he later separated from his wife and fathered children with a new partner, he opened up a different account with Standard Bank which he used to send money back.

Although the experience of urban informants resident in Soweto (Fig 2) is characterized by fewer extremes of geographical distance, similar discontinuities are nonetheless evident. Bank accounts were opened when jobs were secured, later becoming dormant when they were lost. The conflicting demands on the income of men and women, and associated disagreements about household responsibilities, sometimes necessitated the fencing-off of wealth stores. Dinah Zulu’s mother, for example, kept an account separate from that of her father. He, a truck driver, was the family’s principle wage earner, with his wages being paid into his Saambou account, but he was described by Dinah as prone to drunkenness and as failing to meet his obligations. Frequently unable to gain access to his wages, his wife, like many women of her age and generation, earned a peripatetic living beyond the wage sector (Bozzoli with Nkotsoe 1991), making ready cash by selling cooked food to punters at the racecourse. Her bank account with Standard served a dual purpose: it allowed her to deposit her earnings so as to save part of them, and enabled her to pay the installments on the various items of furniture which she bought, successively, on hire purchase and paid off one-by-one over the course of her working life.

While the case of Dinah’s parents reveals how marriage partners, concerned about each other’s reliability, used bank accounts to ring-fence earnings in the 1970s, her own story illustrates that couples even under less discordant circumstances—as they do anywhere—kept their finances separate. Her husband, a policeman, earned a monthly salary paid into his bank account. Dinah had no formal job, but earned a separate income as an informal tailor. Like many non-wage-earning women, she used a *stokvel*/savings clubs as a means to save, store, gain intermittent access to, and distribute money. Under the new dispensation, she acknowledged, “the banks do allow you to have an account – the Mzansi account is for people who are not working”, but told me “I did once open an Mzansi account, but I don’t have money to put in it.”<sup>18</sup>

Migrant labourers and low-paid wage-earners were thus using the banks in ways that reflected a variety of relational, marital, spatial and educational discontinuities. Countering the patchy unevenness of these arrangements, increasing numbers of employers during the 1990s had started to pay wages or salaries into bank accounts, with civil servants in particular being paid via the state payroll system, Persal (Porteous with Hazelhurst 2004:77, 81). In the course of the 1990s, the Department of Social Welfare, in an effort to enable regularity of payment, similarly encouraged those receiving pensions and social welfare grants to open accounts (Breckenridge 2005; Porteous with Hazelhurst 2004:50-53). Where banking had previously been used to keep income streams separate and strategically to avoid certain social obligations while fulfilling others, it increasingly began to enable the unimpeded flow of money—from salary or social grant—into the account at month-end, and out of it again. Wages paid directly into employees’ bank accounts enable employees, in effect, to “borrow without collateral” or “use their expected wages as a collateral substitute” (Roth 2004: 78). What were wealth stores have gradually become wealth conduits, enabling creditors of all kinds to take what is owed to them using the techniques and technologies outlined earlier.

### *Informal moneylending*

The one kind of debt that does not feature in Richard Madihlaba's account is that to informal moneylenders. He may have been too cautious to take out such a loan at the prevailing interest rate of 50% per month, but it is equally possible that he had done so but concealed it from his debt counselor. It is borrowing from *mashonisas* that evokes some of the ambiguities of debt most poignantly. The term *sekoloto* (debt) denotes a labor contract with no end, a form of enslavement. But borrowers, rather than holding moneylenders responsible for their misery, often lay the responsibility squarely on their own shoulders for having been unable to curb their own consumption. "You are a beggar," says one, pointing to the flexible terms and reasonable interest rates when compared, for example, with that charged by furniture stores for hire purchase, and to the speed with which a loan can be procured. "You have asked for help so you can't argue." On the other, people eventually come to resent their own enslavement, or denounce the weakness of relatives for allowing themselves to enter into such long-term dependencies. The initial self-blame can turn to anger.

Becoming widespread in the 1980s and particularly from the mid-1990s onwards when credit apartheid was coming to an end (Siyongwana 2004), this kind of moneylending with interest acquired financialized techniques, aping those being used in the new micro-lending sector (Fig 3, (2)) which were to be outlawed at the end of that decade. What have here become habituated arrangements involve a combination of willing engagement and resentment by borrowers. Lenders ask them for their ATM cards as loan security. After withdrawing the money owed to them on payday, lenders return these to their owners. Whereas banks and regulated lenders require a "payslip" before agreeing to offer credit, informal lenders do the equivalent after the event, by taking the borrower's card and withdrawing the money owed to them directly from the bank. Typically, borrowers, shorter of money than previously, then borrow again, once again voluntarily yielding up their ATM cards. When borrowers nonetheless tried to escape by cancelling their ATM cards at the bank and applying for new ones, lenders, aware that it is impossible to get a new ATM card without an ID book, retaliated by asking to keep borrowers' ID books as well.

My fieldwork in Impalahoek (see Fig 1) revealed a local account of these developments. Initiated by a white farmer in the late 1980s, moneylending in and around the village began when farm employees started approaching their employer —not directly but, as paternalistic custom dictates, via the farm foreman (*induna*) —to lend them money from their wages in advance of payday. The *induna*, advising his employer to charge interest at the rate of 20% per month — by then the going rate in township communities — later inserted himself as an agent and charged for the service. "At first they used to pay R20 interest for R100 but when time went on they paid R50 ... the other R30 was for the agent." The rate of interest thus rose to 50% per month, which is where it remains for larger moneylenders. The agent/*induna* pocketed the difference, using the proceeds to lend money in his own right, eventually quitting his farm job to become the pre-eminent moneylender in the area, using the ATM technique to secure his loans. The middleman/agent in this account, initially with little financial muscle of his own, thus used his wily knowledge of township practice and his intermediary status to set up business on his own account.

When such agents became moneylenders, they in turn acquired new agents who themselves set up independently. A local air force employee, who borrowed from this lender to pay for a family funeral, took 6 years to pay off the loan of R10,000, during which time he was “working for” the lender who kept his ATM card throughout. At the end of this period he “worked for” the *mashonisa* in a different capacity, becoming an agent who, unknown to his “employer”, colluded with customers in order to make greater profits for himself. After this was discovered and he was “dismissed”, he set up as a *mashonisa* on his own. The business was so successful that it enabled him to leave the air force, buy a car, build a well-appointed house, and send his children to private schools. “He started as a borrower, now he is a lender”, said Ace Ubisi, who told me this story. Several lenders were, like him, in state employ and were effectively “reinvesting” their state salaries (James 2012).

Informal moneylending has, however, been practiced in South African rural villages and township areas alike for at least 50 years. Several accounts of this practice take a sympathetic view of the lender and acknowledge the interdependence and mutually reinforcing character of borrowing and lending (Krige 2011; Roth 2004; Siyongwana 2004). While acknowledging that structural factors limit householders’ options to borrow from the formal sector at reasonable rates, thus driving them towards illegal moneylenders instead, these accounts also show that such loans may be cheaper than those available from the formal sector, especially given that the administrative costs and the risks of non-repayment are considerable (Roth 2004:52). Small-scale and neighborhood lenders’ connection to borrowers also serves to cap the interest rate. Given that loans are intended to be repaid at month end, no escalation will be calculated even in the case of default: doing so would make repayment increasingly difficult; give the lender a reputation for unfairness and increase the chances that violence be used against him; and prompt complaints to the authorities. Community-mindedness thus converges neatly with careful calculation in these lending arrangements (Krige 2011:154-8). The local *mashonisa* has an embeddedness in community arrangements which, alongside her desire to stay in business, controls the terms under which repayment is sought.

While moneylending of this kind has long been pervasive in urban townships and small-town settings in the former homelands (James 2012; Krige 2011: 136-81; Roth 2004), and while borrowers and lenders cannot be easily separated, since people may do both at once (James 2012; Servet and Saiag 2013; Guerin, this volume), the rise of the more professional and big-time moneylenders has given pause to analysts and economists. In 2004 it was estimated that 30,000 such lenders were active, and that black lenders were borrowing more from them, at injurious rates, than they were from formal institutions (Ardington et al 2004:619).

## **Conclusion**

Under South Africa’s new democracy, stringent efforts were and are being made to incorporate those previously politically disenfranchised and create a single economic framework from a dual one. In such a setting, debt has complex meanings. For those better off and more aspirational than Richard Madihlaba, among them the new swathe of civil servants and state employees who constitute South Africa’s “new middle class” (Southall 2004), the obligation to invest in social and conjugal relations brought with it proportional expenditure as well as further commitments entailed in novel visions of value. Expectations and hopes, of higher education for children, of support for less well-off relatives (Stauffer 2010), have increased exponentially, out of proportion to the incomes which are supposed to

underpin them. If responding to these aspirations entailed borrowing “speculative resources” from “the future”, this need not necessarily, however, be seen as leading to unsustainable crisis. After all, it was credit – the “good” meaning of debt (Peebles 2010:226) – that, at least in part, enabled the very growth of this new middle class. The positive social consequences, at least in some cases, were outweighing or at least counterbalancing the negative ones.

Even for borrowers like Richard, indebtedness was the result of prudence rather than either impoverishment or profligacy, and was leveraged as a strategy for individual self-actualisation in a setting of extensive communal obligations rather than irrational consumption. But the negative consequences of the debts which took him to the counselor seemed to be outweighing whatever social worth they might have been taken out to achieve. Indebtedness, here, had a potential to produce new forms of oppression and disenfranchisement in place of the older ones it had replaced.

The onset of borrowing possibilities that were unleashed by South Africa’s credit/debt revolution produced a peculiarly mediated kind of capitalism. Many of those who lend money borrow it as well; conversely, borrowers are also lenders. This paper has shown some of the underpinnings and contradictory aspects of the situation, illustrating how difficult it is to separate bad from good protagonists or perpetrators from victims. The broader backdrop is one in which the sometimes contradictory forces of state and market have intertwined to create a redistributive neoliberalism, in which people at all levels attempt to make “money from nothing” (James 2014). As the banks did with the poor housing purchasers in the sub-prime mortgage market in the US, so a far wider spectrum of lenders does to a wider spectrum of borrowers in this setting: gaining access to the money—however small the amount—of the widest possible range of people is essential to generate profit in a system based more on consumption and rent-seeking than production.

But the fact that so many intermediaries have a stake in the existing system does not simply mean business as usual. Banking with and borrowing from banks, buying appliances on the never-never, and asking neighbourhood lenders for loans, are present-day practices set against the longer-term arrangements which were institutionalized by credit apartheid: arrangements that have left an indelible stamp on their later versions. Householders, intermediaries, repossession agents, and moneylenders all play roles premised on these older models. In its earlier incarnation, this peculiarly South African version of finance, while formally excluding people, simultaneously left open a variety of possibilities. Borrowers might “juggle” various options, using enforced methods of saving such as *stokvels* or hire purchase to escape obligations in one register while fulfilling those in another. Many of these options were mediated through the highly personalized relationships that were struck up between clients on the one hand and repossession agents, fly-by-night “scammers”, or informal moneylenders’ apprentices on the other. All were ready to collude with customers against the big operators, banks, and companies which were gradually extending greater access—but always on prejudicial terms.

Although produced within the severe constraints of credit apartheid, these forms of collusion, alongside the community embeddedness of credit relationships, had earlier given debtors some flexibility about repayment and even allowed some temporarily to escape their obligations. In credit post-apartheid, increasingly financialized technologies, albeit combined with informalized relationships, have begun enabling creditors to pursue debtors with greater ease than previously. Credit post-apartheid, while retaining some features associated with its forerunner, credit apartheid, has a more uniform and streamlined character. Getting “deeper

into a hole” may represent things from this negative perspective alone, and thus show only one side of the picture. But it does encompass an important aspect of the deeply ambivalent feelings about entrapment which black South Africans, or certain among their number, experience in the face of debt.

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## Figures

1. Map of South Africa
2. Map of Gauteng
3. Credit supply
4. Richard Madihlaba's loan portfolio

## Endnotes

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<sup>1</sup> The South African economy rapidly liberalized in the late 1990s and early 2000s as well as becoming extensively financialized. This, in the absence of investment in manufacturing and production, has been seen as accounting for South Africa's "jobless growth" during that period (Marais 2011: 124-8, 132-9).

<sup>2</sup> I use "black" to denote the members of Bantu language groups, now often termed "indigenous," who were at the bottom of the social ladder under apartheid. I do this in contrast with older South African practice, which terms them "African" but misleadingly suggests that other inhabitants of the country are "non-African."

<sup>3</sup> The Zulu word *mashonisa* relates to the verb stems –shona (to sink, become poor, die) and –shonisa (to impoverish, cause to become poor) (Dent and Nyembezi 1969:481). It may be translated as "one who impoverishes" or who "takes and continues to take indefinitely" (Krige 2011:144). In popular parlance the plural is *mashonisas* (Krige 2011:151; Siyongwana 2004:851).

<sup>4</sup> The debt abyss lures more SA consumers, *Business Day*, 26 Feb 2008.

<sup>5</sup> Ambiguities that have dogged attempts to characterize, pigeonhole and analyze the "black middle class" are too extensive to cover here in detail; see James (2014) for a longer discussion. For accounts of how the black middle class consolidated within the public sector in the 1990s, see Crankshaw (2005); Southall (2004:533; 2012); Seekings and Natrass (2005:312).

<sup>6</sup> For related points in the case of Ghana, see Breckenridge (2010:649-50, 655).

<sup>7</sup> Debt review was aimed in particular at cases like those described below, involving amounts of less than R50,000, which were ineligible for the very expensive process of bankruptcy or

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sequestration (termed “insolvency” in South Africa). “If a debtor is insolvent but he or she cannot put up the funds to apply for the proper relief in terms of the Insolvency Act or cannot proof advantage to creditors, a sequestration order that would eventually lead to a discharge of debt, would be out of reach of such a debtor.” (Boraine and Roestorf 2002:4). Debt review was intended to give debtors some respite from harassment by creditors, allowing them to reschedule debts and make payments while preventing further indebtedness. The counselor identifies the client’s needs to identify the amount that they need to live, setting aside this amount before deciding on a realistic set of repayments to be offered to credit providers. The debtor, once officially under debt review, must be allowed 60 days’ grace from creditors’ demands before the final schedule of payments must be agreed and put into practice. For more detail on the regulation, see James (2013).

<sup>8</sup> The philosophy of Gabriel Davel, the regulator at the time, was that “regulation works best when it persuades players in the industry to accept responsibility for their own decisions” (Porteous with Hazelhurst 2004:94). Much effort was expended by state and non-state actors in implementing systems of financial education and “wellness” in order to persuade borrowers to do this.

<sup>9</sup> For garnishee abuse, see Haupt and Coetzee (2008); Haupt et al (2008); (James 2013); for the Marikana miners, see Lynley Donnelly, “NCR raises alarm at unsecured lending in Marikana,” *Mail and Guardian*, 11 October 2012; Chantelle Benjamin, “Ghastly garnishee abuse exposed,” *Mail and Guardian*, 30 November 2012; “Editorial: grapple garnishee ghoul,” *Mail and Guardian*, 30 November 2012; Keith Breckenridge, “Revenge of the Commons: the crisis in the South African mining industry,” History Workshop Online 5 November 2012.

<http://www.historyworkshop.org.uk/revenge-of-the-commons-the-crisis-in-the-south-african-mining-industry/> accessed 23 December 2013.

<sup>10</sup> For a US example in similar vein, see Williams (2004).

<sup>11</sup> The term *lobola* has become degrammaticized in its transformation into general slang or township lingo. The strictly correct form in isiZulu would be *ilobolo*.

<sup>12</sup> For similar ring-fencing of funds, see Ferguson (1992) on Lesotho.

<sup>13</sup> At the time of research, R8 (South African Rand) = \$1 (USD).

<sup>14</sup> For exchange rate see footnote 12, above.

<sup>15</sup> Krige (2011) gives an extensive discussion of the background of “credit apartheid”, especially in Chapter 4.

<sup>16</sup> ‘The JD Group’, Carte Blanche, MNet, 25 March 2007, <http://beta.mnet.co.za/carteblanche/Article.aspx?Id=3279&ShowId=1>, accessed 31 January 2013.

<sup>17</sup> While this and other similar practices by retailers have been decried for their exploitative character, such criticisms have not taken into consideration the canny manner in which they are often used: householders have shown a strategic awareness of the advantages to be gained from economic formality (Krige 2011:137).

<sup>18</sup> Maarten Mittner, “Mzansi accounts flop”, Sake24.com, 9 June 2010.