



RESEARCH ARTICLE

ANALYSIS OF PERFORMANCE OF ROTATING SAVINGS AND CREDIT ASSOCIATIONS IN MUTHARA DIVISION, KENYA

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ARTICLE INFO

Article History:

Received 19th October, 2017
Received in revised form
15th November, 2017
Accepted 22nd December, 2017
Published online 30th January, 2018

Keywords:

Livelihood Activities of ROSCA
Members,
Women Membership,
Performance of ROSCAs, and ROSCA
Management Practices.

ABSTRACT

This study examined the performance of Rotating Savings and Credit Associations' (ROSCAs) socio-economic benefits to ROSCAs in Muthara Division Meru County, Kenya. The study objectives were to: determine the socio-economic characteristics of ROSCA members; find out the livelihood activities of ROSCA members; evaluate factors influencing women membership and their performance into ROSCAs and establish the influence of management practices on output performance of ROSCAs. The study adopted a descriptive design and used stratified random sampling technique in selecting 171 respondents from 18 ROSCAs. The study used questionnaires and interview schedules for data collection. The research findings supported the conclusions that: Providing timely feedback to members influenced output performance of groups; Women joined ROSCAs to accumulate income to cater for their family needs in education, medical and other emergencies. ROSCAs are platforms for initiating group projects like chicken rearing, outside catering, renting out utensils to organised ceremonies. There was a good ROSCAs management and performance output like organised group's financial records, meeting attendance registers and 'pot' receiving records. The study recommends that: ROSCAs adopt technologies of using M-pesa, M-Shwari, and Airtel money among others to make it convenient to save ones income.

INTRODUCTION

Credit shortage in many developing countries has been the subject of debate in the economic development literature (Fadiga and Fadiga, 2003). In Sub-Saharan Africa, many economies have deteriorated over time severely affecting the emergence of strong formal financial institutions (FFI). The FFI that emerged during the colonial period grew to include central banks, commercial, saving banks, and insurance companies. Dupas and Jonathan (2013) note that credit is essential for the poor as they cannot save big amounts of money on their own to start business or to invest in fixed assets and therefore need access to credit. Credit can help smooth consumption for those who face financial difficulties in business. In addition to this, credit facilitates are essential to meet sudden needs such as sickness or unusual events such as accidents. Thus, availability of soft credit can increase ability of the poor to increase income by investing in business. According to Adebajo (2010) income generation improves economic sustainability and reduces poverty level of a society as increased income attracts development. Informal Financial Institutions (IFI) like Rotating Savings and Credit Associations (ROSCAs) and Accumulating Saving and Credit Associations (ASCAs) are seen as positively impacting on the lives of the people because of their flexibility, accessibility and especially

the recognition of each person's capability to contribute to the 'pot'. ROSCAs constitute one of the most common forms of IFI in the world, and particularly in Africa. In Kenya, ROSCAs are commonly known as *chamas*, this term is widely used to refer mainly to women groups in Kenya. Studies have revealed exceptionally high participation rates in these associations beginning with the work of Ardener (1964). ROSCAs have played a significant role in meeting the socio-economic development goals for a large segment of the rural women in Kenya (CBK, 2013). ROSCAs bring together women with common problems and aspirations and who cannot as individuals; meet certain goals effectively, if at all. By pooling their capital, labour, and other resources, members are able to carry out profitable activities, which, if undertaken by individuals, would involve greater risk and effort.

It therefore implies commonality in purpose, objectives, and means of how to achieve them. ROSCAs give women social leadership through the collective strength to lobby and campaign and achieve tasks beyond the ability of a single woman. Together, women can support each other to take on new projects and ideas and make changes in their lives. Therefore, examining development strategies employed by women in accessing finances for self development remains important. In a study on factors influencing performance of women owned small food business and hair dressing salon by Ammari (2015) revealed status of living houses influenced performance of their businesses. Thus, 71.4% of women who were living in houses which were not rented generated

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adequate profits compared with 59.8% generated by women who were living in rented houses. Thus, the social orientation of women groups in Kenya has persisted over the years. However, with the increased cash economy, women's need for cash income has increased and this has compelled women groups to embark on activities such as regular contributions which give them cash (Eroglu, 2010). This has seen a tremendous persistence in *chamas* in both urban and rural settings in Kenya. While a large percentage fail to thrive, a number of them have persisted and this study investigated the existence and survival of these ROSCAs.

Study Objectives

This study was guided by the following objectives

- To determine the socio-economic characteristics of ROSCA members;
- To find out the livelihood activities of ROSCA members;
- To evaluate factors Influencing women membership and their performance into ROSCAs;
- To establish the influence of management practices on output performance of ROSCAs.

Justification

Despite the existence of FFI, there has been a significant persistence in IFI in Kenya as a whole. This is prevalent among women who are engaged in *chamas*, and the IFI are now a prominent part of the social life of its members. In Muthara Division *chamas* play significant roles in households which consequently provide unique opportunity for its members. Muthara Division was chosen for this study because majority of women inhabitants engaged in petty trading and farming at subsistence level which is associated with low productivity and low income. Thus, the need for more income to subsidise those acquired from other means of livelihood. Many of the women participate in ROSCAs, hence the importance of establishing their socio-economic benefits.

LITERATURE REVIEW

In Sub-Saharan Africa, many economies deteriorated over time affecting the emergence of strong FFI (central banks, commercial, saving banks, and insurance companies). These institutions however, did not service the needs of the poor since they required collateral, and secondly, they did not recognize the importance of household savings as they required some literacy and credit history (Fadiga and Fadiga, 2003). Based on these facts, banks were often reluctant to finance small projects such as micro-enterprises and were less likely to offer credit to low-income clientele like households in rural and slum areas. This offered a tremendous opportunity for IFI to fill the demand for credit in many countries. In addition, ROSCAs are more efficient than formal credit market, which is hindered by information asymmetries, income uncertainty, and risk aversion. These observations were supported by Van and Chavas (1997), Klonner (2003) and Lasagni and Lollo (2011) by explaining ROSCAs' success by context. They explained that in developing countries characterized by dense networks, people prefer the unconditional contracts offered by ROSCAs, over the conditional contract from formal credit markets. Finally, ROSCAs appear egalitarian, because distributed funds usually

are spent or re-invested within the community. Thus ROSCAs succeed not only because they are more accessible but because they provide efficient borrowing, saving and social solutions.

Collective action refers to behavior by people who decide to coordinate their actions instead of acting individually (Ostrom, 1990 and Basu, 2011). Women derive significant economic benefits such as improved access to credit, better marketing opportunities and related higher revenues from their group membership compared with similar women who were not organised into groups (Thompson, Chirwa, Omiti, Teshome and Hughes, 2012 and Baden, 2013). The scope for effective collective action in markets, and the extent of such gains, depends on a range of factors including the level of pre-existing social capital, the specific sector of activity and the characteristics of the groups themselves. Duy (2012) in a study in Mekong Delta, Vietnam supported the idea that the structure and performance of ROSCAs were noteworthy because they represent successful experiences of collective action, an efficient solution for the coordination and interdependence problems that characterize market failures.

The inability of the FFI to make funds available to reach the poor, due to the strident conditions attached to loan has increased the relevance of the IFI that provide credit service for the needy in short notice with little or no restriction (Adebajo, 2010). Studies have acknowledged the IFI as a major player in the financial institutions. These derived from two schools of thought; the financial repression school and the structuralist school of thought (McKinnon and Shaw, 1973; and Adofu, Antai, and Alabi, 2010). The former see the emergence of IFI to be as a result of the excessive regulation of the formal financial sector, while the later argues that the informal financial sector exists to serve other social goals than, making higher profits. The structuralist, therefore, considered the existence of IFI to be a consequence of social rather than pure economic motives. ROSCA, as an example of IFI has been credited as not only providing means by which individuals have access to funds but also avenues by which they can have access to inputs and improve technology from which productivity growth is accelerated, (Yusuf, Ijaiya and Ijaiya, 2009). Thus, the study sought to fulfill these literature gaps among ROSCAs in Muthara Division of Meru County, Kenya by carrying out descriptive research that concerned factors influencing women membership into ROSCAs. This showed the trends into which ROSCAs in Muthara Division had thrived over the years.

In his studies, Siganga (2013) observed that constant and individualistic drive for wealth, education and a heightened social class means that those who do not have the means to compete are often left behind and may be forgotten. This researcher documented that Bahari Women's group had a collective and long term purpose that encourages them to save and plan for the future. They utilise their available resources using the funds of the group as the tool for productivity and advancement. Through their group activities, they are able to make an impact on the community, and positively affect the lives of various stakeholders. These studies continue to document that Vakhana Vatecho group find solace in solidarity, and maintain that it is important to build family relationships as well as to learn and pass on their cultural backgrounds and traditions. The support they offer each other through their non-financial welfare based activities suggest the reason that they are able to remain strong (Fletschner and Kenney, 2011)

ROSCAs constitute some of the most commonly found IFI in developing world. Studies have revealed exceptionally high participation rates in these associations. In these informal associations, a group of individuals, who typically live in the same community, gather for a series of meetings. At each meeting, each contributes a predetermined amount into a collective 'pot' which is then given to one or more members. There is substantial variation among ROSCAs as to the frequency of the meetings, the amount of the contribution, the number of members and the way the order of the winners is determined (Bouman 1975, Ardener and Burman 1995 and Anderson and Baland 2009). Studies by Kithae, Maganjo and Kavinda (2013) found out that business training had influence on performance of small enterprises owned by women because 82.2% of women who attended requisite business training generated adequate profits in their enterprises compared with 52.6% generated by women who did not attend business training at all. Therefore, business training had influence on performance of small enterprises owned by women. Thus, training women groups like ROSCA members on specific business skills could result to significant output performance in that specific business activity like rearing dairy cows. In a study on factors influencing performance of women owned small food business and hair dressing salon by Ammari (2015) revealed status of living houses influenced performance of their businesses. Thus, 71.4% of women who were living in houses which were not rented generated adequate profits compared with 59.8% generated by women who were living in rented houses. This suggests that there was direct positive relationship between living in houses that were not rented and performance of women owned small enterprises in that they used proceeds from the business to pay house rent.

ROSCAs are said to be among the oldest and most prevalent saving institutions found in the world. ROSCAs play an important role in savings mobilization in many developing economies. Ardener *et al.* (1995), Bouman (1995), Kimuyu (1999) and Mbamaonyekwu, (2013), in their support have documented existence of prevalence of ROSCAs in Asia, Latin America, the Caribbean, and in Africa. They observed that ROSCA participation was particularly high in Africa. Estimates suggest that in 1986, 50 percent of the adult population in the Congo belonged to a ROSCA, while participation ranged from 50 to 95 percent in many rural areas in Liberia, Ivory Coast, Togo, and Nigeria. In 1992, membership in ROSCAs in Cameroon was estimated at 80 percent of the adult Population. Besides, a sample of 115 households in central Kenya showed that 45 percent were participating in a ROSCA.

According to Adebajo (2010), ROSCAs are locally organized groups that meet at regular intervals and pool their funds together which are given in turn to one or more members as lump sum; ROSCAs often pay no interest and participants have little or no control over when they receive the funds. People might also form ROSCA in order to provide each other with insurance, particularly in a setting where formal markets for insurance are virtually non-existent. ROSCA can therefore serve as insurance mechanism because participants can be able to access money when they need it. However, insurance mechanism can mainly be valid for the case of bidding ROSCA and not for random ROSCA. Bidding ROSCA members can time when to receive the 'pot' with respect to their specific financial shocks. However random ROSCAs can provide insurance to a small extent. Some flexibility is indeed

provided by allowing a member in need to receive the 'pot' at an earlier round. In this way, ROSCAs allows changes in the order of allocation, which could be subject to agreement by either consensus of all members or by the governing body. Moreover, there are opportunities for members to change order without knowledge of the governing body or any other member. In countries such as Taiwan with relatively well functioning credit markets, it had an estimate of 80% of adults being involved in ROSCAs (Levenson and Timothy, 1996). ROSCA-style banking mechanisms remain popular in modern Japan (Dekle and Hamada 2000 and Schreiner 2000). Chamlee-Wright (2002) wrote that in a sample in urban Zimbabwe, 76% of urban market traders participate in a ROSCA; even though 77% of these traders each had a bank account. While ROSCAs are often found in economies where formal credit markets are thin or non-existent, they are also found in more developed areas where individuals have access to formal banking institutions. For example, Polain (2014) in a study in DR Congo observed that employees of various organisations participated in ROSCAs since mainstream banks offered soft credits at high interest rates. Polain further opined that savings and credit fundpools fixed contributions which turn after a while into a credit fund for providing loans to its members. Loans are repaid according to an agreed-upon schedule plus a small fee called participation which remunerates lending activities and enables the fund to grow. Contributions saved into that fund could be recovered when a member leaves the group. Further, Polain (2014) observes that the solidarity or welfare fundpools regular but unrecoverable contributions which are used to assist members temporarily in financial need. Each group usually decides in advance the emergencies and life-cycle events that lead to a compensation from the solidarity fund. All financial operations take place during meetings in presence of all members present, hence allowing members' control over funds management.

Anderson and Baland (2009) noted that participating in a ROSCA is a strategy used by women in a low-income neighborhood in Nairobi-Kenya to protect their savings against claims from their husbands for immediate consumption. On the other hand Ogwumike, (2003) in support of Anderson and Baland noted that in Kenya, majority of the members who are female would join a ROSCA in order to hide or secure their savings from their husbands. This saving could buy an indivisible good, which one would prefer. By joining a ROSCA, women thus commit part of the household's income against the husband's preferences. However, Gugerty (2007) counters this opinion. She claims that data from former Western Province (presently, Kakamega, Vihiga, Bungoma and Busia Counties) in Kenya does not support the household conflict hypothesis as the main explanatory factor. She reports that 41% of the respondents receive funds from their husbands that they invest in a ROSCA. Further, almost half of the respondents gave part of the money from the 'pot' to their husbands. In this light this study filled these knowledge gaps that were identified.

Social Capital theory by Woolcock and Deepa

This study adopted the theory of social capital which was stipulated by Woolcock and Deepa, (2000) as the norms and networks that enable people to act collectively. In supporting these ideas, Ansari, Gerasim and Mahdavinia (2011) defined social capital, as a community stock of social trust and norms of reciprocity embedded in social networks that facilitate collective actions.

Social capital links shared values and understandings in society that enable groups to trust each other and work together.

Liberal Feminist Theory

The theory attributes gender based differences to variations in power and opportunity availed to men and women in society, which is the structural positions women, and men occupy in the society (Beasley, 1999). According to Feminism movement, equality is important in all spheres of life which include social, culture and legal. The is rooted in liberal political philosophy, that encompasses the basic tenets of equality in human beings as essential rational and the self-interest seeking agents. Therefore, the differences in the achievements of men and women are associated to the inability of women to meet their full potential because they are denied equal access to opportunities in the labour markets and to resources.

METHODOLOGY

The study employed descriptive research design that allowed the researcher to collect information, summarize, present and interpret data, for the purposes of clarification. The study was carried out in Muthara division (with a total population of 39,028; with 20,912 females in 8,178 households) of Meru county Kenya (KNBS, 2009). It covers an area of approximately 305.73 Km² Muthara Division lies between 0°10'00"N to 0° 32' 08"N latitudes and 37° 30'00" E to 37°50'0"E longitude, at an altitude of 1644 metres above sea level. Muthara Division experiences tropical climate with an average annual temperature of 19.1°C and rainfall of 1,731 mm. The area receives rainfall twice in a year in the months of October to December and April to June. Most precipitation is experienced in the month of November with an average of rainfall of 430mm, while the warmest month of the year is March with average temperatures of 20.7°C. July is the coldest month of the year with an average temperature of 18.1°C. The area has characteristics of semiarid lands, with people practicing cattle herding and crop farming.

Respondents were selected randomly using simple random method. Therefore, Table 1.1 shows a total of 171 informants comprising of 20.1% who participated in the study. Table 1 indicates that 89.8% respondents were from Muthara location; while 92.1%, 89.4% and 100% informants from Thubuku, Buuri and Ngaremara locations respectively. Questionnaires were administered to group members while interview schedule collected data from women group officials and registrar of social welfare groups in Muthara division. The data was organized into relevant categories and computed into frequencies and percentages using Statistical Package for Social Science (SPSS). The information was presented in tables, bar graphs, and pie charts showing analysed performance of ROSCA status.

RESEARCH FINDINGS AND DISCUSSION

Examination of Socio-Economic Characteristics of ROSCA Members

The socio-economic characteristics of ROSCA members examined included age, education level, marital status and number of children.

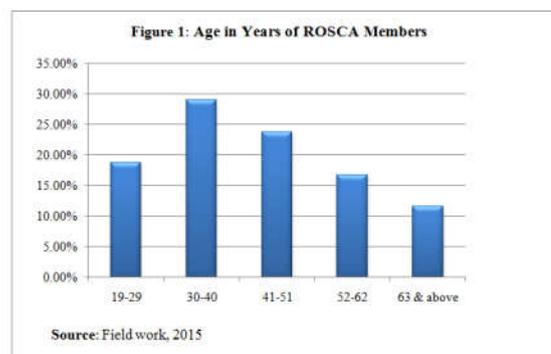
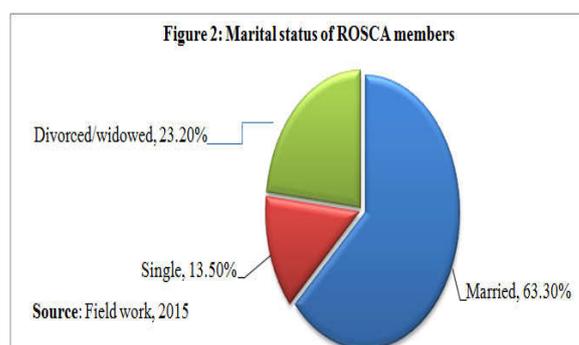


Figure 1 shows that respondents aged between 19 to 29 years were 18.8 %; 30-40 years were 28 %; and 41-51 years at 24.1%; 52-62 years were 16.7 %, while those above 63 years were 13.2 %. This shows that majority of the respondents were in the age brackets of 30-51 years and constituted the active population whose savings from ROSCA would be used for beneficial activities to bring in capital to cater for education fees, food, and clothing among others. These findings were partly supported by Adofu, Antai, and Alabi (2010) in their study on ROSCAs in Kogi state, Nigeria. The study documented that 12.3 % of the ROSCA members were aged 21-25 years; 28.0 % were aged 26-35 years; 25.1 % were aged 36-45 years; 18.7 % were aged 46-55 years while 13.5 % were 55 years and above. Hence it can be concluded that ROSCA members are in their prime age when they needed savings to meet their socio-economic needs such as paying school fees, buying household items like plates, spoon, paying hospital and water bills among other expenses.

On marital status 63.3 % of the sampled respondents were married as shown in Figure 2. This indicated that a large proportion of ROSCA members had parental responsibilities. Hence, they required more income to cater for their families needs. These members found ROSCAs useful as they were a steady source of income. 13.5% members were single while 23.2% were either divorced or widowed. In his study Adofu *et al* (2010) supported these findings that majority of the ROSCA members were married. In his study Adofu *et al* found out that in Kogi state 55.2 % of the ROSCA members were married, 30.4% of the respondents were single, while 14.4 % were widowed or divorced. In terms of their educational status, Figure 3 shows that 54.1% of the respondents were primary school leavers while 23.2% were secondary school leavers.



10.9% of the respondents were college graduates, 9.6% university graduates and only 3.2% of the respondents had no formal education. This confirms that majority of the ROSCA members had basic primary education which enabled them follow simple addition and subtraction when computing arithmetic sums for their investments in the group.

Table 1. Sampled ROSCAs Members

Location	Group membership	Sampled respondents	Number of respondents who completed questionnaires	Percentage
Ngaremara	15	3	3	100.0
Buuri	191	38	34	89.4
Muthara	392	79	71	89.8
Thubuku	252	51	47	92.1
Registrar of social groups		1	0	100.0
Totals	850	171	155	91.2
N = 155				

Source: KNBS, 2009.

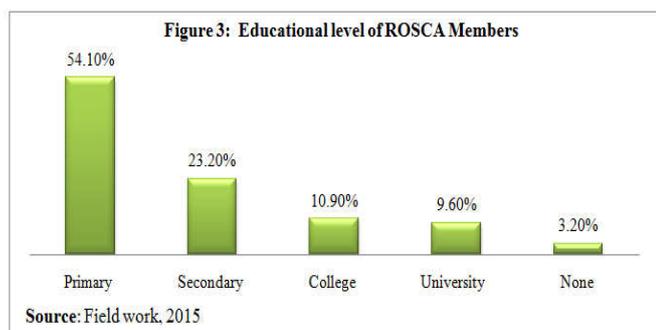


Table 2. Family Size of ROSCA Members

Number of children	Frequency	Percentage
0-2	29	18.7
3-4	63	40.6
5-6	41	26.4
7-8	15	9.7
9 and above	7	4.5
Total	155	100

N = 155

Source: Field work, 2015

On analysis of the number of children, 40.6% of the respondents had 3 to 4 children as shown in Table 2. This implies that these were young families with children who needed financial resources to cater for their food, clothing, medical, education and other human wants. Thus, their parents had to involve themselves with ROSCAs that provided some financial income.

Livelihood Activities of ROSCA Members

Muthara Division enjoys rainfall twice in a year. Therefore, most inhabitants practice mixed crop farming in their land as shown in Figure 4. Since most people own small parcels of land approximately 0.5 acres especially in Muthara and Buuri locations, ROSCA members' practiced mixed farming while those in Ngaremara location were pastoralist and kept cows, goats, sheep and donkeys on free range on their large trucks of land. These formed 51.6% of the ROSCA members. However, 25.8% respondents operated small businesses and traded by buying and selling cereals, vegetables and fruits in the market centers while others operated small kiosks by selling household goods and consumables like fruits. Besides, 19.3% respondents observed they were employed workers. These included teachers, nurses and copy typists. 3.2% comprised ROSCA members who did not have a specific type of occupation. They did any available work like washing clothes at people's home, weeding in people's gardens among other tasks for pay. In summary, this shows that ROSCA groups had a diversity of membership involved in different livelihood activities within their community.

This is because these members were motivated in meeting the group's financial obligation on time.

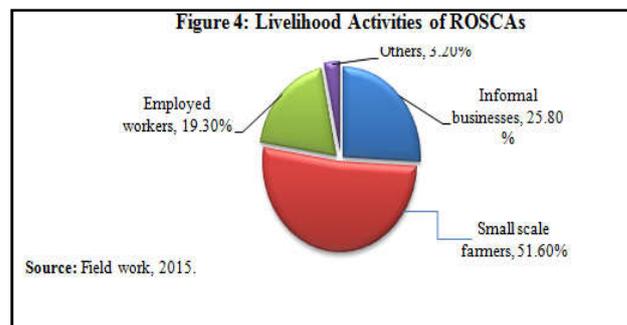
One respondent noted that:

I grow greens and cereals during rainy seasons. I rear poultry on free range and two cows in my 1½ acre shamba. From these activities I generate some money to contribute to my ROSCA (respondent, December 2015).

On the other hand, another respondent said that:

I do not have a specific economic activity that I do on daily basis. Sometimes I get cleaning jobs at people's homes, other times I prepare and sell ready food at construction sites to earn some money (Informant, December 2015).

The cash money contributions they made to their ROSCAs were generated through farming activities, businesses and salaries, while members who did not have specific livelihood activities did available chores so as to continue contributing to ROSCA because they valued the accruing benefits of 'pot'. This was used to pay for education of their children, medical bills and bought personal cloths among others.



Scrutiny of Factors Influencing Women Membership and their performance into ROSCAs

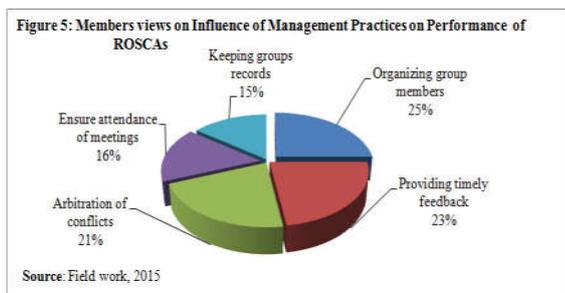
Respondents stated reasons for joining ROSCAs that influenced their performance outputs. Table 3 shows that 57.4% respondents joined ROSCAs so as to access soft credits easily.

Table 3. Analysis of Reasons why Respondents Joined ROSCAs

Reason	Frequency	Percentage
To access soft credits easily	89	57.4
To save money	75	48.4
To accumulate savings to educate my children	67	43.2
To acquire household goods such as utensils	54	34.8
To socialize and meet friends	14	15.4
To exchange ideas about business	5	3.2

Source: Field work, 2015

N= 155



Accessing soft credits from a group would enable the borrower meet personal needs such as clearing outstanding medical bill. 48.4% of the ROSCA members joined so that they could save part of their money which they could not do alone, especially for purposes of getting a lump sum dividend. 43.2% opined that they joined ROSCA in order to accumulate savings to educate their children. 34.8% joined ROSCA in order to acquire household goods such as utensils. However, 15.4% informants observed that they joined ROSCAs to socialize where they made friends and worked with them in facing life challenges. For example, socialization could result in two or three members forming working team where they could weed one's garden in turn on rotational basis. 3.2% of the respondents exchanged business ideas about self development. For example they exchanged ideas on ways of utilizing available resources such as utilizing dry cow dung as a fertilizer and firewood, among other. Thus money saved from buying fertilizer and firewood was directed towards other immediate family needs such as buying cloths for children, food stuffs, washing soaps among others.

One ROSCA official noted that:

Women joined ROSCA because of the variety of the products it offered to its members. These included; soft credit, money advanced to its members in case of an emergency among other (ROSCA chairperson, December 2015).

These findings revealed that respondents were motivated to joining ROSCAs because it offered a variety of useful services to her members. These included soft credits, saving lump sum money to cater for family needs such as paying hospital bills for the sick. These findings concur with (Bortei-Doku, Andy, Korboe and Dogbe, (1995); Gugerty, (2005) observations that people are adapted to ROSCA because of good saving habits and self discipline. Participant use the opportunity to disciplining themselves and get used to saving as it is difficult to save outside ROSCAs. Aryeetey, (1997) agree that people go for ROSCA due to lack of access or restriction to financial repression from main stream financial institutions like microfinance institutions, commercial banks and society credits and saving cooperatives. Furthermore, Adebajo (2010) found out that members of the public are motivated to join ROSCA owing to its variety of usefulness and the impact which ROSCA has had on their well being. He noted that ROSCA loans have been found useful by poor masses in Nigeria, Sub-Saharan African and across the globe to start new businesses, to fund personal and children education and to provide for home utilities, feeding and other social needs.

Management Practices and Performance of ROSCAs

In response to what ways management practices influenced ROSCA performance output; respondents provided the

responses indicated in Figure 5. The statistics in this Figure show that 25% members said organising group members impacted on performance of ROSCAs. This is because officials were looked upon by members as role models who lead from front by whipping members on all group activities. This included providing schedules of activities such as contributions and attending to group duties. Providing timely feed back by officials to group members was opined by 23% members as impacting on performance of ROSCA. Feedback is important in giving members direction in planning and preparing for the subsequent group's activities such as consolidating contributions to visit a hospitalized member. Besides, prompt feedback to the members such as disclosing credit defaulting members and tabling group's financial records influenced members to honour their promises. 21% members noted that arbitration of cases between member and member or member and group officials was challenging as the outcome impacted on performance of the group.

Leaders were perceived to be impartial enough to deliver justice. Many reported cases were of loan payment defaulting by members. Moreover, 16% members noted that officials ensured members attended meetings and kept group's register of meeting attendance. The attendance register was relied upon to surcharge fine to those absenting from group activities. However, members sent admissible apologies in case they were unable to attend meetings. For example, acceptable apologies were those related to sickness of a member, one being on a journey away from the local area, maternity leave and a grieved member. These apologies were universal among ROISCAs. Finally, 15% members opined that ways officials kept groups financial records impacted on performance of a group. For example, true financial records of a group such as, loans to members, fines and other expenses motivated members to stay put in the group. Thus, members gained confidence in the management of the group. Officials organised groups' calendar of events. These are meeting schedules, visitations to member's homes, repayment schedules of soft credits advanced to members and allocation of 'pot' to individual member. Officials also reminded members of groups' schedule of activities and those with outstanding credits to pay on time. This was announced during group's meetings. Through interviews with chairpersons of sampled ROSCAs and registrar of social welfare groups at Muthara Division about ways ROSCA management practices influenced ROSCAs performance they reported that:

Giving directions on group's financial activities, keeping proper financial records and marking attendance register gave members confidence to continue supporting a group. The most challenging task handled by officials is arbitration of member conflicts arising from one's failure to settle down soft credits. This could break the group or give members more confidence in the group depending on how the arbitration is handled (respondent, December 2015).

In this regards, observations by Malkamaki (2009) and Hevener, (2006) concur that participants agreed to join ROSCAs as long as they view the organizer as credible and trustworthy. This credibility must extend to the organizer's ability to choose equally honestly and reliable individuals to join the ROSCA and to perform the administrative tasks. These tasks were collecting funds and ensuring payment, even if it meant assuming the payments of a defaulting member. Participants must also trust that the organizer will not disappear with the funds after the first rotation.

The study found out that group officials of Thubuku reported that guiding members into receiving individual 'pot' entailed a careful process where all members agreed on the method of allocation. They said that:

We do random allocation. In random method, members are allocated funds through lottery where numbers 1 to the last are written on pieces of paper of same colour, folded and members pick and note their serial number which is recorded in a register starting with number 1 to the last. With trustworthy leaders the group is manageable and performs to members' expectations (respondent, December 2015).

In corroborating with these observations, Ogwumike, (2003), Olalekan, (2010) and CBK, (2013) observed that ROSCA members meet regularly to contribute the agreed amount which was given to one or more members according to what had been agreed upon. Generally, there are two mechanism of allocating ROSCA funds, random and bidding. In random ROSCA, members were allocated funds through lottery determined at the beginning of the cycle. During the field work, the study found out that all the groups allocated the 'pot' using random method determined at the beginning of each cycle.

Conclusion and Recommendation

The study findings have shown that practically, like many financial institutions in the formal sector, ROSCAs provided participants with some savings and credit mechanisms necessary to smooth their consumption cycles. ROSCA participants of Muthara Division were influenced into joining these informal groups because they could access some money from their ROSCAs or they participated in a ROSCA in anticipation of future cash-flow.

While it was difficult to assess the significant economic impact of ROSCAs on the participants' household livelihoods, the study observed that majority of the ROSCA participants were small scale farmers and business persons. Few of these had managed to pay some school fees for their children using ROSCA proceeds. Thus, ROSCAs continued to offer some assistance to some of their members in Muthara Division as a result of the relief and succors that women got from participating in them. On the other hand, ROSCAs in Muthara Division faced almost universal challenges, though some were peculiar to the region of study. Some of these challenges were limited sources of income, failure by members to honour promises, weak group by-laws; and fallout by members after receiving 'pot'. Besides, the study noted dividing oneself between family and ROSCA affairs; receiving 'pots' (money) when not ready to spend and bad weather resulting to famine and inadequate areas of investment by members as some of the main challenges facing ROSCAs of Muthara Division.

Finally, the study findings showed that management practices influenced the performance of ROSCAs. This was explained by: giving directions to members, providing timely feedback about soft credit, interest dues, groups' by-laws, arbitration of members' conflicts, ensuring members attended to meetings and Keeping groups records (register and cash book) properly. Hence, there was a positive association between ROSCAs management and performance output, like good organization of meetings that resulted to all members receiving their 'pots' on time. The study concluded that ROSCAs in rural communities play an important role in the socio-economic development of households.

They enable members to meet household obligations such as education, medical and other emergencies. ROSCAs assisted in initiating group projects like chicken rearing, outside catering, renting out utensils to organised ceremonies. Accessing soft credits at low interest rates was the biggest economic benefit enjoyed by ROSCA members. Such credits were used in paying school fees for children though not satisfactorily, and building semi permanent house for a family. Therewas a good ROSCAs management and performance output like thorough organization of group's financial records, meeting attendance registers and 'pot' receiving records. However, ROSCAs rarely consulted registrar of social services about investment projects in their locality. The study recommends that ROSCAs should adopt technologies of using M-pesa, M-Shwari, and Airel money among others to make it convenient to savers. This would reduce the fear of taking a 'pot' by a member when they are not ready to take the 'pot' for fear of misusing the money. ROSCAs should have links to banks to have a strong capital base. This capital could be advanced to members as soft credits at agreed interest rates which all members could afford. This would attract in more members to join ROSCAs. On area for further research the study recommends a comparative study on prudent management skills and techniques of ROSCAs should be carried out in urban and extensive rural areas where there is diversity in membership of ROSCAs.

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