STATUS OF MEN AND WOMEN’S SAVING IN INFORMAL FINANCE GROUPS IN GACHAGI INFORMAL SETTLEMENT - THIKA SUB-COUNTY, KENYA

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CE/C50/22724/2010

A THESIS SUBMITTED TO THE SCHOOL OF HUMANITIES AND SOCIAL SCIENCES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF ARTS OF KENYATTA UNIVERSITY

MARCH, 2015

DECLARATION
I confirm that this research thesis is my original work and has not been presented in any other university/ institution for certification. The thesis has been completed by referenced works duly acknowledged. Where text, data, graphic, pictures or tables have been borrowed from other works-including the internet, the sources are specifically accredited through referencing in accordance with anti-plagiarism regulations.

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DEDICATION

To my husband Michael Maina, children Shawn and Neema - may you grow in the wisdom, fear and love of God.
ACKNOWLEDGEMENTS

My tremendous gratitude goes to many without whose input the study would not have been possible. Special appreciation goes to my supervisors Prof. Elishiba Kimani and Dr. Lucy Maina who tirelessly dedicated their time offering incredible academic, moral and emotional support throughout the study period. Your appraisal, criticisms and expertise are appreciated. I also wish to appreciate the lecturers in the Department of Gender and Development Studies at Kenyatta University for their academic support and encouragement.

My appreciation also goes to all the members of informal finance groups in Gachagi informal settlement area and the Chief of Biashara Location for providing invaluable data on which the findings of the study were drawn. To my research assistants Janet Ndururi and Miriam Mugure for their commitment during the field work. Many thanks to Madam Jane Wairimu for keying in the data and for her editorial services.

I wish to acknowledge my mum Hannah Njeri and my sister Lucy Wanjiru for their moral support and encouragement during the research period. Special appreciation goes to my husband Michael Maina and my two children, Shawn and Neema for their patience and moral support throughout the study period.

Finally, and most important to God Almighty for His grace, favor and faithfulness throughout the study period.
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OPERATIONAL DEFINITION OF TERMS

Informal finance groups- These are groups which are formed by members voluntarily to offer financial services outside the formal financial sector.

Saving- It is income not spent or deferred consumption
Informal settlement areas- Areas where groups of housing units have been constructed on land that the occupants have no legal claim to, or occupy without legal permission.

Rotating saving and credit association – These are informal finance groups where savings are distributed among members immediately after they have been pooled.

Accumulating savings and credit association- These are informal finance groups where the pooled savings are kept in custody and accumulated for a specified time, at the end of which the savings are redistributed.

Welfare group- These are informal finance groups which are formed to cater for urgent family needs.

Investment group- These are groups which are formed with the sole aim of investing in income generating activities.

Pot- It is the sum of all the members’ contribution per a turn.

Ngumbato – It is a Kikuyu name for a lump sum amount of money. It represents the loan advanced to a group member by the group.

LIST OF ABBREVIATION AND ACRONYMS

AMA: ASCA Management Agents

ASCA: Accumulating Savings and Credit Associations

BLCH: Behavioral Life Cycle Hypothesis

CGAP: Consultative Group to Assist the Poor

DSSO: Divisional Social Services Officer
Studies indicate that most people living in the informal settlements are usually financially excluded and therefore rely on informal finance groups for their financial upkeep. Out of this concern, this study aimed at establishing the status of men and women’s saving in the informal finance groups in an informal settlement, namely Gachagi in Thika Sub-County, Kenya. The study adopted qualitative descriptive study design, and was guided by behavioral life cycle theory advanced by Thaler (1954). The target population was 20 informal finance groups comprising 10 Rotating Saving and Credit Associations (ROSCAs), 5 welfare/clan groups, 3 Accumulating Savings and Credit Associations (ASCAs) and 2 investment groups. Out of the 20 informal finance groups, a sample size of 11 informal finance groups comprising 5 ROSCAs, 3 welfare/clan groups, 2 ASCAs and 1 investment
group were selected forming a sample of 55%. The main respondents of the study were members of the selected informal finance groups including officials. In addition, the Divisional Social Services Officer (DSSO), the Chief and two elders from informal settlement were also included in the sample. Data collection tools were focus group discussion guides for the men and women in informal finance groups, interview guides for key informants and observation checklist for confirming the information gathered during FGDs. The data was analyzed qualitatively on the basis of themes guided by the study objectives. Finding indicated that gender, marital status, age, education level and economic status influenced informal finance membership. The major group operations revealed were group regular contribution, holding group meetings, selection of group officials, ensuring safe keeping of group money, using a constitution as an operational guide, loan disbursement, keeping of group financial records and actualization of official registration of the group. The major reasons influencing men and women to engage in informal finance groups were to save money, inculcation of saving discipline and easy access to their savings and loans among others. There were challenges which hindered smooth running of these groups and therefore discouraged the rate of saving among men and women. This included poor governance, low attendance of group meetings and burdensome gender roles among others. To enhance the status of men and women’s saving in informal finance groups, the study recommends that the government through the Department of Social Services provides capacity building to the group members to enhance good financial practice and group management and also put in place official mechanisms to enforce group registration with the Department of Social Services. Additionally, the study recommends a need for the County government to encourage the poor in the informal finance groups to utilize the formal financial institutions.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Savings have been defined as the excess of income over consumption (McConnell & Brue, 2005). In the real sense, it is that part of after-tax income that is not spent; hence households have just two choices about what to do with their income after taxes - use it to consume or save it. Savings serve as invaluable reserves, as insurance against crisis factors such as illness, natural disaster, theft and other necessary human needs such as health, food, education and housing which can easily drive the poor into destitutions (Karlan & Morduch, 2010). Like credit, saving helps households turn a sequence of small sums into useful lump sums. Households prefer to save rather than borrow because it has a low cost and gives them more control over their lives (Rutherford, 2000). Collins et al (2009) observed that savings is a safer approach and one that is appropriate for all families.
as at times borrowing is a high risk decision for poor families especially those living in informal settlement areas (Collins et al., 2009).

Poor people have multiple demands on their scant resources. As such, they normally save for specific time and purposes mainly in situations that motivate them to save more. Field surveys reveal that poor people prefer small regular contributions that are collected at their convenient time and place to motivate saving discipline (Karlan et al., 2004). At other time as it was observed, some features like “illiquidity or commitment savings” that hinder withdrawal also facilitate more savings (Karlan et al., 2004).

Thomas (1995) asserted that in urban informal settlements, it is very difficult to protect savings from theft, inflation or the demands of everyday life. It is even more difficult to obtain credit or loan (Thomas, 1995). Faced with institution policies and services that are frequently hostile, inadequate or indifferent to their concerns, the urban poor have little choice but to valiantly deploy a range of coping strategies, chief among them being the use of their social networks to provide everything from credit, savings and physical security to information about housing, financing and employment opportunities (Thomas, 1995).

Informal financial markets are highly heterogeneous, incorporating all financial transactions consummated outside the functional scope of formal financial regulations (Aryeetey & Hyuha, 1991). Informal financial participants include money lenders, Rotating Savings and Credit Associations (ROSCAs), mobile saving collectors, mutual assistance groups, landlords, neighbors, friends and family members (Meier, 1970). Most informal finance groups in slums specialize
in either lending or savings and they tend to be membership based. According to Arteetey and Gockel, most informal finance groups have been developed in response to the demand of a distinct clientele and each unit tends to serve a particular market niche (Aryeetey & Gockel, 1991).

Despite advances made by microfinance institutions in giving the poor access to credit, studies have estimated that 2.7 billion adults in the developing world remain unbanked (CGAP, 2009). In 2003, the World Bank reported that people living in slums are usually financially excluded and therefore rely on informal financial tools for their finances (World Bank, 2003). The report also established that most of the households in Latin America and the Caribbean have no access to formal financial institutions. In a later report (2010), World Bank reported that 2.9 billion adults or half the world adult population is unbanked, and 2.7 billion of them or 90% are from low income and middle income countries.

In Asia, the informal transactions such as loans made by moneylenders, traders, landlords, friends and family account for between one third and three quarter of total credit (Germidis et al., 1991). Manakshi (2009) in Ghana found that 70% of women surveyed used informal deposit collectors to save, deposit and accumulate capital and fund. This was also established by Nissanke and Aryeetey in Sub-Saharan Africa where informal lenders provided more credit and attracted a large volume of savings than formal sector (Nissanke and Aryeetey, 1998) this shows that women across the World use informal finance groups.

In the context of the world concern for financial sector development policy to deliver ‘Finance for All’ (World Bank, 2008), the existing role of informal groups
in the financial market and in its development needs to be understood. According to World Bank report (2008), emphasis has shifted towards extending the outreach of the formal financial sector in the past ten years with little, if any, consideration given to the role of the informal sector. The works of Aryeetey (1994) for Ghana, Soyibo (1996) for Nigeria, Chipeta and Mkandawire (1996) for Malawi, Bagachwa (1994) for Tanzania and the World Bank (2008) documented the substantial growth in the activities of the informal financial sector even in the midst of financial sector reforms and establishment of Microfinance Institutions to cater for the financial needs of the poor. Anderson, Baland and Moene (2004) and Gurgerty (2007) assert that ROSCAs members were more likely to be women.

In Kenya, a study conducted in 1999 established that between 45%-50% of the respondents in Central Kenya belonged to ROSCAs (Kimunya, 1999). Anderson, et al. (2004) also asserts that in 57% of the households in Kibera, at least one person belonged to a ROSCA. Similarly, Johnson (2004) found (in a small purposeful sample) that 49% of the respondents in Central Kenya belonged to ROSCAs whereas 9% belonged to independent accumulating savings and credit associations. In 2009, 38.9% of the population (7.2 million Kenyans) belonged to at least one informal group that provided financial services (FinAccess, 2011). FinAccess reported that increased numbers of the population were using two or three groups, also 9.9% reported belonging to two groups and 3% belonging to three or more groups compared to 6.0% and 1.8% in 2006 (FinAccess Kenya, 2011). Similarly, Johnson (2004) found that in Central Kenya 66% of women in the sample were members of ROSCAs compared to 30% of men. In 2011,
FinAccess reported that in 2006 over a third of all women (36.0%) belonged to ROSCAs compared to 22.2% men.

These studies show that both men and women belong to informal finance groups and thus a need to establish their status in the informal finance groups. This being the case, it is important to note that people in informal settlements do not have the same financial opportunities like other people. Their sources of income are limited, and so is their income. This limits their accessibility to the formal financial sources and therefore limits their savings. They are left with informal finance groups for saving their minimal financial resources. This study, therefore, was based on the assumption that informal finance groups exist in the informal settlement. This study aimed at taking a detailed and deep look into the status of savings in informal finance groups, to unbundle the various factors influencing informal financing, and to understand their mechanisms and effectiveness in promoting men and women’s saving, specifically those living in informal settlement areas.

1.2 Statement of the Problem

Inspite of policy reforms aiming to expand the formal financial institutions to reach the poor, studies show that majority of the poor continue to use informal finance groups. This is despite the fact that there has been increased financial sector reforms and establishment of micro finance institutions to serve the financial needs of the poor. However, studies also indicate that majority of the poor including those living in the informal settlements result to saving in informal finance groups as a result of being excluded from the formal financial institutions. The concerns that underpinned this study are that empirical studies regarding the gendered
operations of these mechanisms and their implication are scanty. It is also not clear if the informal finance groups are preferred and utilized on the basis of gender. In this context, this study focused on the status of informal finance groups’ savings among men and women living in the informal settlements. The study was conducted in Gachagi informal settlement area in Thika town Constituency, Kiambu County in Kenya.

1.3 Objectives of the Study

The study was guided by the following objectives.

i. To establish the operations guiding the activities of informal finance groups existing in the study area.

ii. To identify the reasons for the preferred informal finance groups by men and women in the study area.

iii. To investigate the challenges facing men and women in the informal finance groups.

iv. To identify the strategies to enhance savings for the men and women in the informal finance groups.

1.4 Research Questions

The study sought to answer the following questions:

i. What are the operations guide the activities of informal finance groups existing in the study area?

ii. Which factors influence participation of men and women informal finance groups?
iii. What challenges do men and women face in informal finance groups?

iv. What strategies can be put in place to improve men and women savings in informal finance groups?

1.5 Justification and Significance of the Study

This study sought to establish the status of men and women’s savings in informal finance groups. Its justification lies on the fact that the government of Kenya through Vision 2030 is committed towards improving the saving rate from 17% to 30% of Gross Domestic Product (GDP) in about a decade as part of its macro-economic goals. The immediate beneficiaries of the study may be the informal finance group members, policy makers and the community as a whole. It is hoped that the findings of the study will provide feedback to the informal finance groups’ officials/ and other leaders to improve their finance service delivery as well as the management of informal finance groups. It is also hoped that the study recommendations may inform on best strategies to improve the accessibility of finance to the poor. Additionally, the findings emanating from this study will add valuable information to the existing body of knowledge in this area and can also form a basis for future research undertakings in related areas.

1.6 Scope and Limitations

This study aimed at establishing status of men and women savings in the informal finance groups in Gachagi informal settlement in Thika Sub-County in Kenya. The study respondents were men and women members of informal finance groups in the study area. The study focused specifically on informal finance groups in Gachagi informal settlement area. As such, the findings, conclusions and recommendations were specific to Gachagi informal settlement. This therefore
implies that although the findings could be generalized to other areas with similar features, this should be done with caution given that there may be disparities in socio-cultural and economic factors in those areas.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter presents reviewed literature that relates to the informal finance groups. The literature presentation was guided by the study objectives based on the following headings: operations of informal finance groups, factors influencing the use of informal finance groups, challenges facing men and women in informal finance groups and strategies to scale up savings for men and women in informal finance groups. The chapter also presents theoretical and conceptual framework of the study.

2.2 Operations of Informal Finance Groups

The common features of informal financial transactions could be summarized as follows; no written records of transactions, no collaterals or security for loans, very few restrictions on transactions with someone who wishes to be involved, short-term lending, manageable rates to the borrower and different rate structure (Karunagoda, 2007). According to FinAccess (2009) survey 82.2 % of WCGs
members reported holding regular meetings, 59.2% have a constitution; this means that these informal groups have principles and rules that set their operation even if these rules are not necessarily written down. 58.5% report that their Welfare Groups (WCGs) elect their officials. Although WCGs are referred to as ‘informal groups,’ 46% have a certificate of registration which would normally be with the Ministry of Culture and Social Services.

According to FinAccess (2009) survey, 36.6% of WCGs members reported that their groups keep accounts; 35.6% of WCGs have a bank account and this characteristic is significantly more common in urban areas (50.2%) compared to rural areas (33.5%). In addition, 35% of WCGs took minutes in meetings, which was also common in urban areas (56.5%) compared to rural areas (31.9%) and also common amongst men (40.8%) compared to women (29.7%). Only 11.8% of WCGs have a passbook for recording financial operations. However, urban WCGs have significantly more passbooks (35.2%) than the rural (8.5%). Only 11% of WCGs have more than one signatory on the cheque book.

Gugerty identified three different mechanisms for allocating the lump sum in her Western Kenya sample: random draw before the new Rotating Savings and Credit Associations (ROSCAs) round (42%); negotiated order before the new ROSCA round (21%); and pre-existing order from previous rounds (34%) (Gugerty, 2004). Anderson et al. (2004) found in the Kibera sample that 21% of the ROSCAs had a random draw before the new round and 79% had a pre-existing order. Thus, in both of the samples members knew before the new round of ROSCA started when they will get their lump sum indicating that early pot motive might not be the main reason for joining ROSCAs.
Anderson et al. (2004) categorized ROSCAs based on whether they had elected leaders and had a written constitution. If they had both, the group was “fully formalized”. In his view, if the group had either elected leaders or written rules, it was declared to have had ‘some form of formalization’. On the other hand, if it had neither rules nor elected leaders, it was categorized as ‘non-formal’.

Anderson et al. (2004) suggest that formal employment, higher incomes, owning a dwelling and previous participation in ROSCAs are indicators of an individual’s ‘trustworthiness’. Anderson et al. (2004) found that the participants with these characteristics belonged to ROSCAs with random draws and least formal structure (i.e. no elected leaders and no written constitution). They then ask why is it that trustworthy members prefer random draws and no formal structure in their groups. Part of the reason was that in these same groups, the contributions and the pots were higher than in other groups. Further, since they knew and trusted each other, they didn’t feel that formal structures were necessary. However, these less formal ROSCAs also have more conflicts than the more formal ROSCAs because the loose structure allows more negotiations e.g. on who should get the pot when. This means that the least reliable individuals in Kibera are in ROSCAs with more formal structures and with pre-determined order. Further, the least reliable members and new members get slots towards the end of the cycle and because the order is pre-determined, there is a less space for negotiability in these groups thus reducing the cases of defaulting by members (Anderson et al., 2004).

ROSCAs are normally small groups (from ten to forty members) that agree that for a specified period, the members will pay a given amount into a kitty at regular
intervals. The method of ordering the rotation in ROSCAs is determined in various ways. In some cases where hierarchies are important, the order may depend on seniority of social standing. In other cases the ordering is determined by drawing lots, with the successful members then dropping out of future draws, but this method while appearing fair, may fail to provide sufficient incentives for the members to take part. Since no rates of interest are involved, the first borrower gains most in terms of obtaining an interest-free loan and subsequent borrowers gain decreasingly as the implicit repayment period shortens until the last borrower, who gains nothing as he will have contributed exactly the amount he receives in the final kitty. For this reason, while ROSCAs formed from groups of friends may accept the random draw method of rotation, most have developed methods of auctioning the kitty that provides incentives to members.

The simple nature of the organization and its small size tend to keep transaction costs low. Little organization or book-keeping is necessary and the collection of contributions and distribution of the kitty may be carried out simultaneously if members bring their contributions to a meeting and the winner departs with the kitty. Provided the member contributes regularly to the kitty and fulfils the obligations, the ROSCA is not concerned with the purpose of the loan, so project appraisal is unnecessary. The basic simplicity of the system and the considerable flexibility in terms of the size of the group, the size of contributions, the length of the cycle and the method of rotation suggest that ROSCAs should be capable of allowing particular groups to target themselves. Those likely to be excluded from the possibility of forming or being invited to join ROSCAs are those who do not have access to the funds to make the required regular contributions and/or those
who are isolated from contact with potential ROSCA members. In many societies, women are likely to be disqualified on both counts and descriptions of ROSCAs suggest that they are predominantly male organisations.

Regarding Accumulating Savings and Credit Associations (ASCAs), 79.9 % hold meetings on a regular basis, this being the most frequently reported feature. 69.5 % have a constitution and this feature is associated with gender, having more men (79.4%) reporting a constitution in their ASCAs compared to women (60.4%). The third most frequent feature is that 68.7 % of ASCAs elect their officials and the fourth is that 67.3 % have a certificate of registration (FinAccess, 2009).

According to FinAccess, (2009) survey, 65.3 % of ASCAs have a bank account, 64.7 % take minutes. In 52.7 % of groups, there was a passbook to register deposits. These patterns are associated with the gender of the members: more men (70.6 %) carry out these practices compared to women (48.8 %). In addition, 43.3 % of ASCAs have a passbook for recording savings and credit of each member, and this pattern is more common in urban areas (64.4%) than rural areas (38.6%). Similarly, the proportion of urban ASCAs (27.1%) having a group cheque book is larger compared to that of rural ASCAs (16.6%)

For investment groups, 93.4 % undertake their meetings regularly and 78.9 % of elect their officials and 75.3 % have a bank account. 76.2 % report a constitution and 74.1 report keeping accounts (FinAccess, 2009). It is interesting to note that these patterns are associated significantly with food security as a larger proportion of those members whose families never suffer from food insecurity belong to
investment groups that elect their officials, have a constitution and keep account records.

It was also found that 75.3% of investment groups have a bank account and this pattern is more common amongst men (73.3%) than women (55%). In addition, 67% of investment groups record minutes in their meetings which are associated with the location: 78.3% are urban compared to 55.8% rural. Booking any money received occurs in 57.9% of the investment groups and this is significantly associated with the members’ age, being those aged 55+ the largest proportion that book their investment groups deposits. 35.6% of investment clubs have more than one signatory on the cheque book and this is more common in urban areas (56.5%) than rural areas (26%) (FinAccess, 2009). Interestingly, having a passbook for recording and updating savings or loans for each member, and having more than one signatory on the cheque book is associated primarily with those people whose families ‘never’ suffer from of basic needs.

2.3 Reasons for the Preference of Informal Finance Groups

People living both in rural and urban areas join and use informal finance groups because of different reasons. Due to their varied reasons, they join different categories of informal finance groups to meet their financial needs. Explained below are some of the reasons which were found to have influenced men and women to join informal finance groups:

a) Saving-up for a lump sum
In a first attempt to theorize ROSCAs, Besley et al. (1993) suggested that members join ROSCAs because they wish to buy an indivisible durable good. According to this theory, the advantage of saving together is that everybody except the last person will have saved-up the lump sum quicker compared to a situation where they would save alone. Anderson et al. (2004) explains this by ‘early pot motive’. Everybody in the group is impatient and is hoping to get the pot or the lump sum early during the cycle. Anderson and Baland (2002) and Anderson et al. (2004), claim that their findings support the hypothesis that members are interested in saving towards an indivisible good. Anderson et al. (2004) found that in Kibera slums, ROSCA members mostly save for indivisible goods like school fees, rent and clothing. These studies show that people join and use informal finance groups to save up for a lump sum but the question being is their money safe in an informal finance? Even with the establishment of micro finance institutions and the introduction of financial sector reforms, people still continue using the informal finance groups. Therefore, this study sought to assess the reasons why the poor in informal settlements use informal finance groups to save a lump sum.

b) Commitment mechanisms

Lately, research has analyzed the commitment aspects of ROSCAs. Under the commitment mechanisms, two explanations have been put forward: the household conflict and self-commitment explanations.

i) Household conflict:

A ROSCA is a device through which women can commit the household to save more than what the husband would like. A study by Anderson and Baland (2002)
showed that men prefer immediate consumption to saving. However, even if the husband prefers consumption, he will not force the wife to withdraw from the ROSCA because they both are aware of the social sanctions that the ROSCA would put on the household if the wife withdraws. When the wife has received her pot (the lump sum from the ROSCA), the husband is usually willing to allow her to purchase the goods towards which she has been saving if she has enough bargaining power within the household. Anderson and Baland (2002) show household conflicts as the main reason for joining and using informal finance groups. This is in contrast with what Gugerty (2004) reported that the data did not support the household conflict hypothesis as the main explanatory factor either. She reports that 41% of the respondents receive funds from their husbands that they invest in the ROSCA. In addition, almost half of the respondents gave part of the money from the pot to their husbands. This study therefore, sought to find out whether household conflict is a reason for the poor especially those living in informal settlements to join and use the informal finance groups.

**ii) Commitment device assisting self-discipline:**

Gugerty (2004) asserts that the main reason for women joining ROSCAs is a perceived self-discipline problem. According to Gugerty (2004), when people were asked ‘What was the most important reason for joining the ROSCA? 38% of the respondents reported that it was not possible to save at home ‘because the money got used up in small household needs’. Another 21% said that they can’t save alone and got ‘strength to save from sitting with others’. Only 8% said that they can’t save at home because the family/husband will use the money. The study from Western Kenya fits best with the argument that individuals join groups for self-
control purposes and need ROSCAs in order to save. Nevertheless, she admits that the fact that ROSCAs provides illiquidity for savings can at times also be an argument for other explanations like safe savings, acquisition of an indivisible good. In addition to what Gugerty (2004) concludes, it can be argued that even within the same location, people can have different reasons for belonging to informal finance groups.

c) Informal groups design and norms

Johnson (2004) demonstrates why ROSCAs are used mainly by women. She shows that women’s income streams in Central Kenya are smaller than those of men but constant. Men received bigger but less regular lump sums. Thus women’s income streams were better suited for saving in ROSCAs. Another explanation why men were not able to make use of the ROSCA device was the fact that they were responsible for buying agricultural inputs and school fees. Inputs and school fees have to be paid at certain times of the year. ROSCAs were not very useful for these purposes because members can get their pots anytime of the year and not necessarily when they need it. Another reason why women use ROSCAs more than men are the informal sanctions that are used against non-performers. Both the interviewed men and women claimed that the informal sanctions of naming and shaming or visiting the member’s homestead if he/she has not paid, are much more effective towards women than men (Johnson, 2004). In a group, young women also get guidance from older women. Thus, both in terms of identity and more practical issues, the group make a woman into a woman (Johnson, 2004). These studies show that women join ROSCAs to enhance saving discipline however they have
not explained whether men poor people especially those living in informal settlement also join the informal finance groups for the same reason.

d) Negotiability

An additional feature that explains the popularity of informal finance groups is the negotiability of the contract if the member does not have savings or if there is an emergency. Johnson (2005) reports on cases from Central Kenya where ROSCAs were willing to renegotiate the order of the pot if someone was in urgent need of the lump sum. In other occasions, two members would swap their place in the ROSCA so that the member in more urgent need would get the lump sum. Also groups often collect extra funds from the group members to a person in need, especially when there was a death in the family (Johnson, 2005). Some ROSCAs seem through this negotiability to have a social safety net element. These studies show that people use informal finance groups because of their flexibility. Therefore, this study sought to find out whether flexibility is a reason for the preference of informal finance groups. With the aim of identifying strategies for improving the services offered by formal finance institutions to the poor, especially those in informal settlement areas.

2.4 Challenges Facing Men and Women in Informal Finance

Informal finance faces many challenges due to the fact that their activities and operations are very informal. These challenges include; delayed payments, poor management and governance of the groups, mismanagement of funds and theft. From an extensive field study by Siwan et al. (2003) in Kenya, it shows that ROSCA groups encounter two main problems: there are members who do not
regularly pay their contributions and there are members who stop contributing after receiving the pot. Another challenge is the element of negotiability that these systems allow which enables powerful individuals to manipulate them to their own advantage. Siwan et al. (2003) also reported that few powerful community members were taking advantage of the weak systems in informal finance groups; they could quickly set up a group, collect funds from other members, take a big loan for themselves and default to pay.

Another challenge is that ASCA Management Agents (AMAs) could not deliver what they promised the group members. AMAs promise to provide book-keeping services and oversight of the group operations including the follow-up of the defaulters. However, in most of the cases AMAs do not have the time and resources to systematically follow-up the defaulters. Johnson et al. (2002) further claim that the fact that the fund is owned by the group but that the defaulters are chased by the AMA creates a principal-agent-problem. AMAs are entitled to 1% of the group fund in a month. By paying this fee the group assumes that the AMA is also dealing effectively with defaulters. However, the group is in most of the cases not in a position to effectively monitor how well the field officer deals with defaulters. This is because in most of the groups, many people are illiterate and even for literate people understanding the financial status of the group from the bookkeeping records is often difficult. Often, only one person in the groups, the secretary, understands the book-keeping; in many cases even not her, since she may only be copying what the field officer does.
According to FinAcess report (2009), most of the groups reported members leaving the group, followed by those who reported members not paying contributions. These experiences were the most common across all types of groups. The implication of this is that there would be strong effects on cash flow within the group and the reliability with which members receive their payouts. 11.5% also reported funds not available immediately although this was highest for independent ASCAs. Death of members was highest amongst welfare/clan groups and is likely to be another reason that funds fail to circulate. The experience of poor cooperation was highest for investment clubs and independent ASCAs, which are clearly forms of groups where agreement is required on what to invest in or to whom to lend.

The report also indicated that theft and dishonesty were also the reason why members stopped their membership. Respondents were also asked in more details the reasons why they stopped using ROSCAs and ASCAs. A frequency of 8.6% of the total survey sample reported varied reasons with the most prevalent reason being not having money left to save (FinAccess, 2009). This was significantly associated with location (rural rather than urban), gender (women rather than men) and food security for those ‘often’ experiencing this. Further reasons given for stopping use of ROSCAs were: money being taken away or stolen; the time and effort to attend meetings and fear of losing money. This latter reason was significantly associated with being urban rather than rural, perhaps suggesting greater problems of finding trustworthy group members in urban areas. 2.1% of the total sample reported reasons for stopping using ASCAs with the most frequently cited issue being high charges. Then similarly to ROSCAs, the most prevalent problems were finding money to save, and fear of losing it. This reason was
significantly associated with people’s level of education: with a higher proportion of those with secondary education stopping compared to those with no formal education suggesting that it was a greater concern to better educated respondents. The fourth reason why respondents stopped using these financial services was the low interest rate paid on savings (FinAccess, 2009).

Respondents were also more specifically asked about the reasons why they lost money in ROSCAs and ASCAs and 14% of current ROSCA members and 15% of current ASCA members reported losses. The majority of these respondents reported this as due to theft or fraud. The second reason for losing money in ROSCAs was reported as “went out of business/collapsed”. This was referring to the place in which savings were put and interestingly, the responses are significantly associated with gender with a larger proportion of men than women reporting this reason. Again this was consistent with the view that men’s ROSCAs are less successful than women’s ROSCAs.

Research on ROSCAs in Benin found that 26% of the ROSCA members had experienced problems in their groups, with 25% experiencing ‘premature death’. For about 40% of these respondents, the reason was financial irregularities such as irregular payments to the pot, members leaving the group early and not willing to continue paying or the groups organizer (president) leaving with the money (Dagnelie and LeMay- Boucher, 2008). They also found that ROSCAs that were organized and managed by one person performed much worse than ROSCAs that had a ‘committee’ managing affairs, which therefore tended to have written rules and elected leaders. Handa and Kirton (1999) found that 10% of their Jamaican
sample experienced problems in their ROSCA groups and these were mainly late payment (50%) or delinquency (25%) of the hand. Anderson et al. (2004) also discusses the problems of contributions faced by ROSCAs in Kibera slum, Kenya where those who were late in the order or who had already received the pot often failed to pay (defaulted) their contributions to the group.

The power dynamics of the social relations in which these systems are embedded are also a key source of their failure. Instances of ROSCA failure due to default suggest the influence of power relations in their operations. Bouman (1995) in reviewing the literature reports failure due to the power of local authorities in Nigeria where in the Ogba system, too much power was in the hands of a few headmen who abused it, and warrant chiefs manipulated esusu as a quick way to obtain wealth. The role of social relations of gender, kinship and age may also underlie problems of default and abuse of informal finance groups. Gender has been argued to be a factor by Burman and Lambete (1995) who reported that the mobility of men means that the potential for them to migrate and leave debts behind is higher in South Africa, and also that men tend to default with higher amounts because their groups tend to make big contributions.

Another factor affecting performance can be the involvement of close kin and groups varying in their rules over their involvement in a group. Some may decide to exclude close kin on the basis that social obligations among them may increase the risk and “undermine the trust of other members” (Bahre, 2002). However, friendship can also lead to sanctions not being pursued. In a detailed case study of a tanda in Mexico, Velez-Ibanez (1983) shows how misunderstandings and
dissatisfaction regarding the motivation of the organizer in negotiating the order of ROSCA payout resulted in one of the organizer’s friends deciding to default after he had received the payout. The friend was able to use a threat of revealing aspects of the organizer’s behavior that would damage his reputation with other members to conceal the fact and consequently the organizer paid on behalf of the friend.

The fraudulent use of the group’s fund is another source of failure. Underlying problems of illiteracy and hence difficulties in over-seeing the books can either be a source of power since those keeping them can falsify them and other members will not know. In this context, Bouman reported fraudulent behaviour by esusu heads in Nigeria which was linked to illiteracy (Bouman, 1995). Studies have established that informal finance groups face challenges because of their informality nature. Thus, the needs for this study which sought to answer the question, why do poor people especially those living in informal settlements continue using informal finance groups.

2.5 Strategies to Enhance and Increase Savings for Men and Women in Informal Finance Groups

Financial Literacy Education is one of the strategies to improve savings for men and women. According to a report from FSD (2011) Universal Primary Education will facilitate the movement towards use of more flexible services but the current adult population with only primary education (46% of the population) or only some primary education (26% of the population) need simple financial literacy education not only on the services in the formal end but also in the informal end of the financial market. The report also indicate that simple financial tools for
informal finance groups can be developed that make them more transparent and easier to operate and, more men might be more willing to participate and invest bigger sums in them.

CGAP (1998) report identified savings mobilization as a strategy to improve savings for men and women in informal finance group. A larger number of poor households choose to use savings services instead of credit services. In particular, poorest households may rely on informal finance group savings before they have an effective demand for credit.

Global Development Program report identified another strategy of digitization of cash. It indicated that the best way to reduce the cost of reaching poor people with financial services is to help shift the majority of their cash-based financial transactions into digital form through mobile phones or another digital interface. The digitization of cash also creates opportunities for delivering value beyond cost savings: digital transactions can be disaggregated into smaller and smaller units, enabling the delivery of services that are “right-sized” for the cash flow needs of poor households; digital transactions can be recorded and used to construct accessible financial histories. Providers can then use this information to develop products that are better matched to customers’ unique financial needs and risk profiles; digital delivery of financial services allows money to “bypass” the home, helping users overcome self-control and household-control challenges; and digital financial infrastructure creates the opportunity to connect the poor to a system of automatic reminders, direct deposits, positive default options, and account labels.
that can help to maximize adoption and effective usage of financial services (Bill & Melinda Gates Foundation, 2012).

Integrating informal financial institutions into formal financial institutions have been suggested as one of the strategies to enhance savings for men and women in informal finance groups. Although the institutionalization of informal activities and services into the operations of formal establishments may not be desirable in practice (Ghate, 1990), many policy makers today recognize that integration is possible through other ways. Ghate and Seibel suggested three ways: infusing into the formal institutions flexibility of informal finance groups operations; strengthening the structure and performance of informal finance groups’ activities; and developing linkages between the formal financial sectors and informal finance groups (Ghate, 1990 & Seibel, 1989).

Many formal financial sectors have not been linked up with informal finance because of considerable distrust, inadequate knowledge about the informal sector and in some cases prejudice. To overcome this, policies must be designed to protect all parties involved and also create the environment needed to sustain these relationships. There are two possible ways for policy to be used to enhance the relationship between formal and informal financial institutions. That is the use of the fiscal system such as tax relief and regulatory and supervisory systems to provide incentives for formal institutions who desire to offer credit through informal finance groups (Aryeetey, 2008). This study shows that although informal finances face many challenges because of their informalities, flexibility and dynamism, strategies can be formulated to improve their services and activities to
the men and women members and enlighten them especially the poor on the use of formal financial institutions for their financial needs.

**2.6 Theoretical Framework**

This study was guided by the Behavioral Life Cycle Theory advanced by Thaler in 1954 (Thaler & Shefrin, 1988). This Theory has four key propositions: First, it emphasizes that individuals have difficulty resisting temptations to spend, even when saving money is in their best interests. Secondly, it suggests that individuals create their own incentives or constraints to help them save. For example, individuals develop “rules-of-thumb” such as restricting consumption to certain needs or choosing to save a certain amount each month. Individuals also use “pre-commitment constraints,” techniques such as daily deduction that make it difficult to choose current pleasure at the expense of future pleasure (Maital & Maital, 1994). Thirdly, that individual classifies economic resources into separate “mental accounts.” The temptation to spend resources is expected to vary by account. For example, Thaler (1990) suggest that individuals earmark resources as current income, current assets, or future income and are quite likely to spend money designated as current income and quite unlikely to spend money designated as future income which is meant for future use.

In relation to this, men and women in informal settlements find themselves with no future income and thus the little current income they receive is distributed to cater for the basic needs and daily group contributions. This is because the contribution acts as a form of saving. This explains why people save even those with minimum resources in both formal and informal institutions. Fourthly, Thaler (1990) contend
that the source and amount of resources received determines how resources are earmarked. In this context, men and women living in the informal settlement areas earmark their minimal resources into unlimited needs such that they are able to meet their basic needs and the little amount of funds which remains is given out as a contribution in the informal finance group as a form of saving. In relation to the study, the theory explains why the informal finance groups act as an avenue for the men and women and why the policies aiming to achieve finance for all should be aimed at improving financial savings of the poor especially those living in informal settlement areas.

2.7 Conceptual Framework

Based on the reviewed literature and theoretical framework, the savings for men and women in the informal finance groups is seen to be highly influenced by several factors. As illustrated by figure 2.1 these include a need for saving; accessibility to finance; social networks; emotional support; negotiability and commitment mechanism as dependent variables as well as types of informal finance groups existing in the area. The figure further shows that men and women savings in informal finance groups may be influenced by challenges such as: delayed payments, mismanagement, poor governance, defaulting, misuse of negotiable principle, and lack of financial knowledge. On the other hand, given the important role of savings whether in the formal or informal and as reviewed by the literature, it is important that practical strategies be put in place to enhance saving. These as emerged in the studies reviewed may include: resource mobilization, government policy, capacity building and digitization of cash transactions.
Figure 2.1: Enhancing savings for men and women in informal finance groups
2.8 Conclusion

Studies have been done on the role of informal finance in finance market in extending access. Anderson and Baland (2002) studied the motive to participate in ROSCAs predominantly composed of women; Aryeetey (2008) studied what role still remains for the informal sector with the gradual growth of formal financial sectors in Sub-Saharan Africa; Gugerty (2004) examined how and why individuals develops and maintains local level financial savings organizations known as ROSCAs; Aryeetey and Gockel (1991) determined the ways of enhancing the role of informal financial sector in mobilization of domestic resources for capital formation in Ghana.

The scale of informal financial groups in Kenya has been known to be extensive although reliable data at the grass root level has not existed. The reviewed literature demonstrates that informal finance groups are of great importance to both men and women. This affirms the importance of research in this area particularly in the special circumstances like informal settlements where majority of the poor live. In particular the focus of the studies should be on factors behind the formation, membership as well as strategies which can be put in place to improve men and women saving in informal finance groups. This study intends to fill these gaps by focusing on the status of men and women savings in the informal finance groups in an informal settlement area.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the research methodology used in the study. It discusses research design, site of the study, target population, sample and sampling procedure, instruments of data collection, validity and reliability of research instruments, data collection procedures, and data analysis as well as ethical considerations of the study.

3.2 Research Design

This study adopted a qualitative descriptive design. The study targeted men and women in the informal finance groups. Mugenda & Mugenda (2003) describes qualitative descriptive research design as an approach used to obtain information that describes existing phenomena by asking individuals about their experiences, attitudes, behaviors or values. The design was therefore found fit for the study since it allowed the generation of experiences of men and women in informal savings. The information was important in establishing the status of men and women’s saving in informal finance groups in informal settlement areas, the basis of which the findings, conclusions and recommendations were drawn.

3.2 Site of the Study

The study was carried out in Gachagi informal settlement (see appendix 4) in Thika Sub-County. Thika Sub-County covers an approximate area of 217.60 Sq. Km. It borders Juja Constituency to the South, Murang’a County to the North and
Machakos County to the east. The Constituency lies between latitudes 0°75′ and 1° 20′ South of Equator and longitudes 36° 54′ and 36° 85′ east. Thika Sub-County has four informal settlement areas which include Kiandutu, Kiangombe, Matharau and Gachagi. Gachagi informal settlement was purposely selected for this study. It is located along Thika-Garissa highway about 6km from Thika town in Umoja sub location of Biashara location. As an informal settlement area, the residents started settling here in early 1980s and since then it has approximately 4,000 inhabitants. This location was selected because it is researachable in terms of accessibility and the population in Gachagi informal settlement possesses the information needed for this study. This location was purposively selected to represent all informal settlement areas in Thika Sub-County due to the fact that it has similar characteristics with others.

3.4 Target population

This study targeted men and women members of informal finance groups in Gachagi informal settlement of Thika Sub-County, where there were four categories of informal finance groups namely: Rotating Saving and Credit Association (ROSCAs), Welfare/Clan Groups (WCGs), Accumulating Saving and Credit Association (ASCAs) and Investment Groups (IGs).

a) **Rotating Saving and Credit Association (ROSCA)** is a system in which a number of people form a group contribute equal amounts of money on a regular basis to a fund which is usually (but not necessarily) given to one person on each occasion, until everyone in the group has received.
b) **Accumulating Savings and Credit Association (ASCA)** is a group which accumulates fund which is not paid out or bid for at each meeting; rather those who wish to take loans do so with interest, the repayment of which enables the fund to grow.

c) **Welfare Group (WG)** do not intermediate funds but provide financial support for members and their next of kin in case of illness and death.

d) **Investment Group (IG)** focuses on investing in a joint income generating project, business or property.

In total there were 20 informal finance groups in the area of study comprising 10 Rotating Saving and Credit Association (ROSCAs), 5 welfare groups, 3 Accumulating Saving and Credit association (ASCAs) and 2 Investment groups as shown in table 3.1. Each informal group had an average of 20 members giving a total of 400. In each of the informal group the key targets were the men and women members and officials.

Additionally, the study targeted the Divisional Social Services Officer (DSSO), the Chief and two elders from the informal settlement. The Divisional Social Services Officer provided useful insights into the status of informal finance groups as they work closely with the groups.
Table 3.1: Distribution of men and women in informal finance groups

<table>
<thead>
<tr>
<th>Group categories</th>
<th>Men groups</th>
<th>Women groups</th>
<th>Mixed gender groups</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rotating saving and credit associations</td>
<td>2</td>
<td>5</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Accumulating saving and credit association</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Welfare groups</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Investment groups</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7</strong></td>
<td><strong>7</strong></td>
<td><strong>6</strong></td>
<td><strong>20</strong></td>
</tr>
</tbody>
</table>

3.5 Sampling Techniques and Sample Size

A proportional representative sample of the informal finance groups was selected as follows: five (5) out of ten (10) ROSCAs, three (3) out of 5 Welfare Groups, 2 out of 3 ASCAs and 1 out of 2 investment groups using simple random sampling technique. This gave a total of 11 informal finance groups representing 55% of the total population as shown in table 3.2.

Table 3.2: Proportional Sample Size across the Four Categories

<table>
<thead>
<tr>
<th>Informal Groups</th>
<th>ROSCAs</th>
<th>ASCAs</th>
<th>WGs</th>
<th>IGs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Population</td>
<td>10</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Sample size</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Percentage</td>
<td>50%</td>
<td>67%</td>
<td>60%</td>
<td>50%</td>
<td>55%</td>
</tr>
</tbody>
</table>

From a total of the eleven (11) sampled informal finance groups there were three (3) men groups, five (5) women groups and three (3) mixed gender groups from all the categories as shown in table 3.3.
Table 3.3 Gender distribution in categories of informal finance groups

<table>
<thead>
<tr>
<th>Activities</th>
<th>Men</th>
<th>Women</th>
<th>Mixed gender</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROSCAs</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>ASCAs</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Welfare</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Investment</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3</strong></td>
<td><strong>5</strong></td>
<td><strong>3</strong></td>
<td><strong>11</strong></td>
</tr>
</tbody>
</table>

This sample size was found to be adequate and representative of the categories of informal finance groups since the bigger the sample the more the representation (Mugenda & Mugenda, 2003). From the sampled informal finance groups, stratified random sampling technique was used to select 12 participants to a total of 42 men and 42 women to form two FGDs for each gender and three for mixed gender, as shown in table 3.4 as the respondents of the study. From the 84 members selected 36 were from ROSCAS, 24 from welfare groups, 12 from investment groups and ASCAS. The number chosen was proportionate to the total number of the men and women from each category. The number was considered adequate since they were intended to form FGDs. The sampling frame was the list of all members of the selected informal finance groups. In sampling, every 2rd person from the lists of the four categories of the informal finance groups was picked. Care was taken to ensure equal participation of men and women in the sample. The DSSO, the Chief, the chair person, the treasurer and the secretary from each group and two informal settlement elders were included in the sample as key informants. The chair person, the treasurer and the secretary of each sampled group were targeted because they hold important positions in the groups thus hold important information concerning the groups.
Table 3.4: Distribution of men and women in the sample from different categories of informal finance groups

<table>
<thead>
<tr>
<th>Categories</th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rotating Savings and Credit Assoc.</td>
<td>13</td>
<td>23</td>
<td>36</td>
</tr>
<tr>
<td>Accumulating Savings and Credit Assoc.</td>
<td>7</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Investment Groups</td>
<td>9</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Welfare/ Clan Groups</td>
<td>13</td>
<td>11</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>42</td>
<td>42</td>
<td>84</td>
</tr>
</tbody>
</table>

3.6 Research Instruments

The study utilized three instruments for data collection. These were Focus Group Discussion (FGD) guide for men and women in the selected informal finance groups, interview schedule for the key informants and observation checklist to confirm the information generated through interviews and FGDs. A total of 7 FGDs were conducted with members of informal finance groups selected for the study comprising 12 participants each. Two (2) FGDs were for men only, two for women only and three for both men and women; each mixed FGD comprised of men and women. The FGD was considered appropriate because it gave men and women in the informal finance groups an opportunity to share their varied views. Most important was that it enabled probing to get gender perspectives from the respondents. The FGD guides generated information on the demographic characteristics from individual group members, operations of informal finance groups, reasons for the preferred informal finance group, challenges facing men and women in informal settlement areas in the informal finance groups and
possible strategies for improving the savings for men and women in informal finance groups (see appendix 1).

The interview schedule was used to collect in-depth information from Divisional Social Services Officer (DSSO), the Chief of Biashara Location, the chair person, treasurer and secretary from each finance group and two elders from the area because they hold important information on informal finance groups. (See appendix 2). An observation checklist (see appendix 3) was used to record relevant events as they were observed during data collection mainly to confirm some of the information gathered during FGDs and interviews.

3.7 Validity and Reliability

Testing of research instruments was conducted in Matharu informal settlement in Thika Sub-County which was not involved in the actual study. The exercise was meant to establish the validity and reliability of the tools in yielding the expected data on the basis of which study findings, conclusions and recommendations would be drawn. Validity is the extent to which an instrument accurately measures what it is supposed to measure. To guard against the internal and external scientific validity, limitations levelled against qualitative methods that limit the generalization of data obtained, a careful design of instruments was done with the assistance of the researcher and the supervisors. To increase on validity, pre-testing and standardization of the instruments was done to enhance content validity. Reliability is the consistency of an instrument to elicit the same results at different times. The credibility of the instruments was enhanced by training two research assistants who were used to administer FGDs and conduct interviews. The FGD
guide and interview schedules were tested on 8 participants’ women’s only and five in a men’s only group while the key informant interview schedule was tested on 2 elders in Matharau informal settlement. The data collected during the validation process was interpreted for gaps and ambiguities in the instruments. As a result, the instruments were revised and confirmed in consultation with the university supervisors.

3.8 Data Collection Procedures

Data was collected by the researcher with the assistance of two (2) Research Assistants (RA) who were trained prior to the instruments’ pre-testing process. To ensure their familiarity with the handling of the instruments, they were involved in pre-testing. A visit to the Divisional Social Services Officer and the Chief to plan the logistics of conducting the FGDs for the sampled informal finance groups and interviews for the key informants was made. The area Chief in collaboration with the informal settlement leaders were allowed to determine a suitable venue and time for the FGDs for men and women separately. The Divisional Social Services Officer agreed to be interviewed in her office, while the Chief and the slum elders preferred to be interviewed in the Chiefs’ office. Observations were done during FGDs and interviews. Data collection from the FGDs, interviews and observations was recorded in the field note-books. To ensure that no data was lost, a tape recorder was used to record the proceedings during the FGDs and interviews. This helped to capture the participants’ views, opinions and perceptions and also avoided misrepresentation or manipulation of views. The researcher conducted the
FGDs and interviews while the RAs recorded the information. The observation was recorded during FGDs and interviews by the researcher.

3.9 Data Analysis Procedures

Data analysis and reporting was guided by the research questions of the study. Data collected for this study was mainly qualitative. Qualitative data from interviews, Focus Group Discussions (FGDs) and observations generated textual data that was analyzed through thematically, guided by the research objectives. This is a process starting from the development of thematic categories, filtering the data into the various units and finally qualitatively synthesizing and reporting the data both in text and in tables. Qualitative data was collected to explore the demographic data of men and women from the selected informal finance groups; operations of informal finance groups; reasons for the preferred informal finance groups by men and women; challenges facing men and women in informal finance groups and strategies to scale up saving for men and women in the informal finance groups. Responses from interviews were constantly compared to identify similarities, differences, and general patterns captured in quantitative data in terms of tables. Emerging themes were gradually analyzed by making logical associations with the research questions, and considering what was learned during the initial review of the literature. Reporting of qualitative data was verbatim and contextual in nature based on research objectives.

Simple descriptive analysis was used for qualitative data. The data was first converted into a write-up using predetermined coding categories which were related to research questions based on themes generated from research objectives.
The processing and analysis of qualitative data was done in the following steps: coding and classification of various responses, identifying key responses for various themes, listing and tallying key responses by specific themes, identifying patterns emerging from key responses and reaching conclusions. Verbatim information was generated from the notes and topics. The analyzed data was presented using simple statistical tools in form of frequencies and percentages.

### 3.10 Ethical Considerations

After clearance and authorization from Kenyatta University Graduate School. Procedurally, the researcher applied and obtained written research permit and authorization from the National Council of Science and Technology (NCST) to conduct research at the selected site (see appendix 5). After getting the permit and authorization, a request was made to the Department of Social Services office in Thika Sub-County to carry out the study. Research administration was also made known to the area Chief and informed consent was sought from all the respondents individually after an explanation of the purpose of the study. The identities of the respondents were concealed and information provided was treated with utmost confidentiality. However, in cases where subjects are quoted directly, permission was sought from the concerned subjects and assurance given that it was purely for academic purpose.
CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND DISCUSSIONS

4.1 Introduction

This chapter presents data collected from the field and the discussions of the study findings. The main purpose of the study was to find out the status of men and women’s saving in the informal finance groups of Gachagi informal settlement area located in Thika Sub-County, Kenya. The presentation of analysis and discussion is guided by the study objectives under the following sub-headings: operations of informal finance groups in the study area; reasons for the preferred informal finance groups by men and women in the study area; and challenges facing men and women in the informal finance groups. Also presented are the identified strategies to scale up saving for the men and women in the informal finance groups. The chapter however starts with the presentation of the demographic information of women and men in the informal finance groups sampled in the study. The information is considered important because it helps in putting into perspective some issues related to saving in informal finance groups by men and women living in informal settlement areas.

4.2 Demographic Data of the Men and Women from the Selected Informal Finance Groups

The demographic information described in this section is on the basis of gender, age, marital status, economic status and educational level of men and women in informal finance groups sampled. The information was generated from the 84 respondents in the eleven selected informal finance groups through FGDs. As
explained in the preceding chapter, the respondents were proportionately spread across the four categories of informal finance groups as follows: 36 from Rotating Saving and Credit Association (ROSCAs); 12 from Accumulating Savings and Credit Associations (ASCAs); 12 from Investment Groups (IG) and 24 from Welfare Groups (WG). The 7 (seven) FGDs comprised; two for men, two for women and three for mixed gender.

4.2.1 Distribution of informal finance groups’ members by gender

The analysis of informal finance groups’ members by gender is tabulated on the basis of informal finance groups: Rotating Savings and Credit Association (ROSCAs), Accumulating Savings and Credit Associations (ASCAs), Investment Groups (IG) and Welfare Groups (WG). As table 4.1 shows, only ROSCAs had most members being women at 64% while the others had majority as men, majority being in investment group with 75% men against 25% women.

Table 4.1: Distribution of informal finance groups’ members by group and gender

<table>
<thead>
<tr>
<th>Groups</th>
<th>Men</th>
<th>Women</th>
<th>Total Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>%</td>
<td>F</td>
</tr>
<tr>
<td>ROSCAs</td>
<td>13</td>
<td>36</td>
<td>23</td>
</tr>
<tr>
<td>ASCAs</td>
<td>7</td>
<td>58</td>
<td>5</td>
</tr>
<tr>
<td>Welfare</td>
<td>13</td>
<td>54</td>
<td>11</td>
</tr>
<tr>
<td>Investment</td>
<td>9</td>
<td>75</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>42</td>
<td>50</td>
<td>42</td>
</tr>
</tbody>
</table>
The representation of gender across the informal finance groups however demonstrates that men and women in Gachagi informal settlement area were involved in the informal finance group. However, further analysis revealed gender disparity in participation in favour of men in the four categories with an average participation of 56% as compared to women at 44%. Women were majority in ROSCAs at 64% compared to men at 36%. It was revealed during the FGDs that women joined ROSCAs because they found them sufficient to meet daily family expenses. In this regard, one woman respondent from ROSCAs group in a focus group discussion asserted that:

“\textit{I prefer ROSCAs because if I give my money today to the group, I will be given tomorrow in a lump sum so that I can be able to plan for it. Otherwise I cannot plan for the little amount of money I get.}”

This was confirmed by the Chief who reported that the ‘\textit{merry-go-round}’ (ROSCAs) is mostly formed by women while few groups have male as members in the informal settlement area. This is in line with the data from both the Western rural areas and Nairobi which indicated that ROSCA members were more likely to be women (Anderson et al., 2004; Gugerty, 2007). Similarly, Johnson (2004) found that in Central Kenya, 66% of women in the sample were members in ROSCAs group as compared to 30% of men.

Men on the other hand were dominant in investment groups at 75%, since they reported that their demand for money was in large amount. They also argued that given small amounts of money as in the in ROSCAs, they would misuse it and they congratulated women for being able to use the little amounts of money dispensed
in ROSCAS to do great things as witnessed in the area. The findings also revealed that there were more men in welfare groups. The reason for this as the study was informed was that the welfare groups were mostly represented by the household heads, majority of whom were men. It is then not a wonder that 68% of men and women were married. The same was confirmed by an elder who had this to say in an interview:

“In this settlement most of the households are headed by men with an exception of a few who are single, widowed or divorced.”

Men participating in FGDs informed the study that they preferred investment groups and ASCAs groups because they feared the high informality and simplicity depicted in ROSCAs and welfare groups. This was confirmed by one treasurer of the investment group who asserted that:

“I joined this group because my financial requirements are regular and in predetermined intervals thus ASCAs meets my demands through loans and lump sum given during my turn.”

These findings are in line with Johnson (2009) report that women are more likely to use ROSCAS than men. Most women who use informal finance groups make smaller contributions as opposed to what men would like to save.

4.2.2 Age of men and women in informal finance groups

Table 4.2 shows that the men and women who joined informal finance groups were in the age range of 30-50 years, with the modal range being 41-50 years. The findings also revealed that most men and women who joined informal finance groups were above 31 years at 92%.
Table 4.2: Members from each informal finance groups across their age

<table>
<thead>
<tr>
<th>Age</th>
<th>ROSCAs</th>
<th>ASCAs</th>
<th>Welfare</th>
<th>Investment</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>W</td>
<td>M</td>
<td>W</td>
<td>M</td>
<td>W</td>
</tr>
<tr>
<td>Below 30 years</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>31-40 years</td>
<td>4</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>41-50 years</td>
<td>5</td>
<td>9</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Above 50 years</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td>23</td>
<td>7</td>
<td>5</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>

Further data analysis revealed that only a few (8%) men and women below the age of 30 years were in the sampled informal finance groups specifically in ROSCAs and welfare groups in Gachagi informal settlement area. During the FGDs, young men and women informed the study that many of their age mates do not like to join informal finance groups due to their high level of mobility and few financial obligations as compared to the elderly. This was confirmed by one young woman in ROSCAS who said:

“Most of my friends find it difficult to join the informal groups because they are hardly available for meetings. They are also likely to move away sooner than later in search of greener pastures.”

The chief informed the study that majority of the respondents were above 31 years of age at 92% since they are in the age bracket of great social and economic activities and they have greater financial obligations to meet. It was found that the oldest person among the respondents was a woman of 70 years while the oldest man was 65 years old. Both of them were found to be members of a welfare group. Further data analysis revealed that majority (42%) of men and women over 50
years preferred welfare groups. As the study was informed in the FGDs and confirmed by the elders, this was due to the fact that old age made the elderly men and women highly vulnerable and therefore the need for social support from group members. These findings concur with the report by FinAccess (2009) which reported that age was significantly associated with welfare group membership with a significant likelihood that those of 55 years and above belonging to welfare groups as compared to other categories of informal finance groups.

4.2.3 Marital status of men and women in informal finance groups

Table 4.3 presents the marital status of men and women in informal finance groups, showing majority of the respondents (68%) were married, compared to the single (5%), separated (14%) and widowed 13%.

Table 4.3: Men and women in each finance groups across marital status

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>ROSCAs</th>
<th>ASCAs</th>
<th>Welfare</th>
<th>Investment</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>W</td>
<td>M</td>
<td>W</td>
<td>M</td>
<td>W</td>
</tr>
<tr>
<td>Married</td>
<td>8</td>
<td>13</td>
<td>6</td>
<td>3</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Single</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Separated</td>
<td>2</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Widowed</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13</strong></td>
<td><strong>23</strong></td>
<td><strong>7</strong></td>
<td><strong>5</strong></td>
<td><strong>13</strong></td>
<td><strong>11</strong></td>
</tr>
</tbody>
</table>

While the married and widowed men and women were all in the informal finance groups, the single were mainly members in ROSCAs. This collaborates with FinAccess report (2009) that single respondents were 1.6 times less likely to belong to a welfare group than married respondents. Notably, there were no separated men and women in ASCAs and investment group. Women and men in
the FGDs, the Chief and the elders informed the study that this was a coincidence because there was no deliberate discrimination against the separated. If anything, as one elder affirmed:

“Only the unmarried men and women were discriminated against from the welfare groups because the group requires its members to be married thus locking out young single men and women.”

4.2.4 Economic status of men and women in informal finance groups

Table 4.4 presents the economic status of men and women in Gachagi informal settlement area. It was found that majority of the respondents earned between KES 1,001-3,000 per month (35%) and the least earned KES over 5,000 (12%).

<table>
<thead>
<tr>
<th>Earnings per Month</th>
<th>ROSCAs</th>
<th>ASCAs</th>
<th>Welfare</th>
<th>Investment</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>W</td>
<td>M</td>
<td>W</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 1,000</td>
<td>4</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td>23</td>
<td>27</td>
</tr>
<tr>
<td>1,001-3,000</td>
<td>5</td>
<td>9</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3</td>
<td>1</td>
<td>29</td>
<td>35</td>
</tr>
<tr>
<td>3,000-5,000</td>
<td>3</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4</td>
<td>1</td>
<td>22</td>
<td>26</td>
</tr>
<tr>
<td>Over 5,000</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>1</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td>23</td>
<td>7</td>
<td>5</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9</td>
<td>3</td>
<td>84</td>
<td>100</td>
</tr>
</tbody>
</table>

Further data analysis revealed that the majority of men and women (88%) who joined informal finance groups from Gachagi informal settlement area earned less than KES 5,000 per month. This was found to be so because they relied on unreliable sources of income, mainly casual engagements on daily basis. It further revealed that 54% of women earned less than KES 3,000 per month, compared to
46% of men. This shows that women were economically disadvantaged. It was also established that men and women living in Gachagi informal settlement area were economically disadvantaged, since most of them could not satisfy their daily basic needs. This was given as the major reason as to why they joined informal finance groups. The same was confirmed by one of the women respondent who had this to say in a FGD:

“*I joined this group so that I can be able to save and benefit from the food supplies we give one another during our turn. It helps me and my family to enjoy the Christmas holiday through the food supplies we receive from our little savings over the year.*”

The findings are in line with United Nations (2013) report on Millennium Development Goals which projected that by 2015; about 970 million people will still be living on less than $1.25 a day in countries classified as low or middle income in 1990. The report also indicated that in Sub-Saharan Africa, almost half the population lives on less than $1.25 a day. It was also found that there was no significant variation between men and women across different economic clusters although coincidentally there was no man or woman from investment groups who earned less than KES 1,000 per month.

**4.2.5 Education levels of men and women in informal finance groups**

Table 4.5 shows the education levels of men and women in informal finance group from Gachagi informal settlement area. It was found that majority of men and
women had primary school level of education (47.6%) while the least number of respondents had post-secondary education (3.6%).

Table 4.5: Education level of men and women in informal finance groups

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>ROSCAs</th>
<th>ASCAs</th>
<th>Welfare</th>
<th>Investment</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M W</td>
<td>M W</td>
<td>M W</td>
<td>M W</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No formal education</td>
<td>4 8</td>
<td>2 1</td>
<td>4 4</td>
<td>2 0</td>
<td>25</td>
<td>29.8</td>
</tr>
<tr>
<td>Primary level</td>
<td>7 12</td>
<td>3 3</td>
<td>4 5</td>
<td>4 2</td>
<td>40</td>
<td>47.6</td>
</tr>
<tr>
<td>Secondary level</td>
<td>2 3</td>
<td>2 1</td>
<td>3 2</td>
<td>2 1</td>
<td>16</td>
<td>19.0</td>
</tr>
<tr>
<td>Post-secondary</td>
<td>0 0</td>
<td>0 0</td>
<td>2 0</td>
<td>1 0</td>
<td>3</td>
<td>3.6</td>
</tr>
<tr>
<td>Total</td>
<td>13 23</td>
<td>7 5</td>
<td>13 11</td>
<td>9 3</td>
<td>84</td>
<td>100</td>
</tr>
</tbody>
</table>

Further data analysis revealed that 77.4% of the total respondents from the four categories of informal finance groups had primary school level of education and below. The findings revealed that the level of education determined the economic status of the respondents where most of them as discussed earlier in this report earned less than KES 5,000. The study also found that the level of education determined the level of group organization and financial literacy of the members. It was found that majority of the respondents with no formal education were in welfare groups (67%) followed by ROSCAs (33%) while the least were in the investment groups (17%). The majority of those with secondary school level of education and above were in investment group (33%) while the least were in ROSCAs (14%). The findings show that majority of the respondents in Gachagi informal settlement area had basic education apart from 29.8% with no formal education. Further analysis of the data revealed that 22.6% of the respondents from
the four categories of informal finance groups had secondary school level of education and above, representing a small percentage (22.6%) which shows that most men and women from Gachagi informal settlement area are illiterate and semi literate. This was confirmed by one elder who had retaliated that:

“Most men and women from Gachagi informal settlement area have no formal education; others dropped out of school or hold certificates of primary education which influences their occupations and level of income thus limit their capability to meet basic needs.”

It was found that the low level of education was associated with low economic status and consumption of illicit brew. This was confirmed by the elder in an interview who had this to say:

“Illicit brew has destroyed our people in Gachagi because some of them are brewers while the others are consumers. Young people who are supposed to be engaged in productive ventures or being in school are either selling or taking illicit brews.”

This was supported by the chief in an interview who lamented that:

“The low economic status of the people from this area has really affected the education level of children because their parents cannot afford to pay secondary school fees for their children.”

The findings further revealed that majority of the respondent with primary level education and below were women (52%), compared to 46% men. These findings concur with the report by the United Nations (2013) which observes that women
represent two thirds of illiterate adults worldwide, and that since 1990 the literacy rate among adult women has risen by 10% compared to 7% for men this depict a disparity in education levels between men and women.

4.3 Operations of Informal Finance Groups

The first objective of the study was to establish the operations of informal finance groups that existed in Gachagi informal settlement area. As explained in chapter three, eleven informal finance groups were selected for the study in the four categories on the basis of their operations as shown in table 4.6. Within each category of informal finance groups the selection of those that were included in the study composed of men only, women only and mixed groups, though there were variance across the categories as the table illustrates.

Table 4.6: Classification of informal finance groups on the basis of their operations

<table>
<thead>
<tr>
<th>Activities</th>
<th>Men</th>
<th>Women</th>
<th>Mixed gender</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROSCAs</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>ASCAs</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Welfare</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Investment</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3</strong></td>
<td><strong>5</strong></td>
<td><strong>3</strong></td>
<td><strong>11</strong></td>
</tr>
</tbody>
</table>

The operations of informal finance groups as shown in table 4.7 revealed common areas of operations among the four categories of informal finance groups. These included regular contributions, choosing group officials, group meetings,
registration, safe keeping of group money, financial record keeping and loan disbursement.

Table 4.7: Operations of informal finance groups sampled

<table>
<thead>
<tr>
<th>Operations of informal finance groups</th>
<th>ROSCAs N=5</th>
<th>ASCAs N=2</th>
<th>WGs N=3</th>
<th>IGs N=1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular group members’ contribution</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Holding group meetings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular meetings</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Irregular meetings</td>
<td>5</td>
<td>0</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Use of a constitution as an operational guide</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Had a written constitution</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Unwritten constitution</td>
<td>4</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Actualization of official registration of the group</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquired official registration with the Department Of Social Services</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Selection of group officials</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electing group officials</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Appointing group officials</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Ensuring safe keeping of Group’s money</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operated a bank account</td>
<td>5</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Operated a safe box for safe keeping of cash</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Keeping of group’s financial Record</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Had a passbook for registering members savings and loans</td>
<td>5</td>
<td>0</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Kept books of accounts</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Loans disbursement to group members</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal loans</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>External loans</td>
<td>5</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

4.3.1 Regular Group members’ Contribution

Data analysis revealed that regular members’ group contribution was a significant operation demonstrated by all selected informal finance groups from Gachagi informal settlement area. However, it was found that the amount, frequency of
contribution and mode of contribution varied among different groups. The findings revealed that the amount of contribution in ROSCAs ranged between KES 20 to 200 per contribution. In ASCAS the amount of contribution ranged between KES 50 and 150 per contribution. In welfare group, the amount of contribution ranged between KES 50 and 100 while in investment it was KES 200 per contribution. This was confirmed by one man from ASCAs group during focus group discussion who had this to say:

“In our group we contribute KES 120 per month in which KES 100 goes to the accumulation pot while KES 20 is given to one person in turn as a lump sum of members’ total contribution”.

In relation to frequency of contribution, it was found that in ROSCAs the period ranged from daily, weekly and monthly and it varied between different ROSCA groups. It was found that two groups contributed on daily basis, three on weekly basis and one ROSCAs group was contributing once per month. In ASCAs, one group made contributions after every month while the other group contributed after every two weeks. In welfare groups, two groups contributed on monthly basis while the remaining one contributed weekly though it was found that in the event of sickness or death, members were prompted to pay an extra amount for the course over and above their normal contribution. For the investment group they did their contribution on monthly basis.

In relation to the mode of contribution in ROSCAs, it was found that the contribution was in form of cash given to the treasurer, chairperson or a designated person from the group at a designated time. It was found that the members
received a pot (total contribution from all the members) without any interest. This was confirmed by the chief during the interviews who said that:

“In ROSCAs it is members’ money goes round because they do not get any interest from the money they contribute”.

Failure to contribute on time calls for a penalty of an agreed amount of money. The findings concur with Gugerty (2004) report that ROSCA members organize payments in several ways. Members meet and exchange funds in face to face interaction, or they may appoint a president, treasurer or other individual to collect and allocate funds.

In ASCAs and investment groups, it was found that the amount of money contributed was deposited in the group bank account on the agreed date and the deposit slip passed on to the treasurer or the chairperson within the agreed time. Failure to which, members are required to pay an agreed amount of money as a penalty. In welfare groups, it was found that their mode of contribution was cash which was given to either the treasurer or the chairperson who in turn updated the pass book based on individual contribution. This amount was supposed to be paid on designated time failure to which it accrued penalties. It was found that informal finance groups in Gachagi informal settlement areas used penalties in form of cash and/or social sanctions to members who have defaulted from a group. It was found that these cash penalties ranged between KES 20 to KES 100 and it was dependent on the period of delay, the more the delay the higher the penalty. This was confirmed by the chairperson of one ROSCA group who had this to say:

“In our group we charge a penalty of KES 10 per day multiplied by the number of days the member has delayed the contribution. In relation to the
payment of loan given, if a member fails to pay the regular amount agreed we charge a 10% penalty on top of the regular agreed amount.”

The findings are in line with Anderson and Baland (2002) that when member fails to contribute, groups usually resort to a system of progressive sanctions, usually preceded by an attempt to establish the reasons for the member defaulting. They visit the member at his home or send warning letters. In absence of a satisfactory reaction, they take some possessions to compensate for the loss. Similarly, Besley et al. (1993) established that that ROSCAs use preexisting social connections between individuals to help circumvent problems of imperfect information and enforceability. Similarly, Handa and Kirton (1999) pointed out that crucial to the success of ROSCAs is the social collateral that ensures sustainability.

4.3.2 Holding group meetings

Holding group meetings was another operation which was found to be in all sampled informal finance groups. It was found to be of two types: regular and irregular group meetings. The ASCAs and investment groups were found to have regular meetings in a fixed venue. The investment group members revealed during the FGDs that they met in a hotel. This was agreed and decided by the members because they felt the need to safeguard members’ privacy by not meeting in peoples’ homesteads. One ASCAs group reported meeting under a tree in Gachagi informal settlement area, while the other one was meeting in the members’ homestead on rotational basis. These groups were found to have a high level of formality depicted by a clearly defined meeting agenda and minutes taking during
meetings which was noted during FGDs when one secretary produced the minute’s book. This was confirmed by one ASCA secretary who asserted that:

“In my group we hold meetings regularly on monthly basis in members’ homesteads on rotational basis. The venue of the meeting is usually the home of the group member who is receiving the pot.”

However, further data analysis revealed that regular meetings were common in ASCAs and investment groups whose majority members were men as earlier discussed in this report. The FGDs revealed that this was so because men were found to have very high level of mistrust for one another thus a need to be in charge of their groups as means of ensuring safety of their money. This was confirmed by the Divisional Social Services Officer (DSSO):

“Most men groups have a constitution, minutes taking and regular meetings than women groups. However, most of these groups do not last long because members are very slippery and distrustful.”

On the other hand it was found that ROSCAs and welfare groups held irregular meetings. The reason for irregular meetings as explained during FGDs was that identified officials mainly the chairperson or the treasurer regularly collected the contributions and organized for the pay outs to the group beneficiaries. In this case meetings were not necessary. This was confirmed by one elder who asserted that:

“ROSCAs members do not meet on regular basis because their contributions are passed to the chairperson or the person to be given the pot on the agreed time and date.”

These findings contrast with Gugerty (2004) report which observed that informal group meetings are generally celebratory events, as reflected in the local names for
ROSCAs ‘merry-go-round’. Similarly, Anderson and Baland in their study (2002) emphasized the importance of the informal finance groups meetings in that they recommended that any member who misses three meetings consecutively without any proper reason and earlier communication to the group officials, deserve to be expelled from the group.

During the FGDs, the ROSCAs and welfare groups reported that even though their meetings are irregular, they usually have a predetermined agenda and they take minute during deliberations. This was so because they reported that they meet when it is absolutely necessary. One chairperson of a ROSCA group reported three conditions which determined and influenced the group meetings: when there is a disciplinary proceeding for a member who has not been paying on time; when there is a dispute between members and at the end of a cycle to determine whether the group will continue and how? This was confirmed by a ROSCA chairperson who had this to say:

"Due to family obligations and the fact that the group meetings might sometimes take too long, probably more than one hour, members decided that they would be passing on their contribution to the treasurer instead of meeting regularly and then meet at the end of the cycle to schedule through balloting the new cycle of pot beneficiaries."

4.3.3 Use of a constitution as an operational tool

The group constitution was found to be rules and regulations governing the group activities, meetings and membership. It was found to be either written or unwritten in different categories and groups of informal finance groups. The written group
constitution was found to be common among ASCAs, investment groups, one ROSCA and welfare group. Group constitution was found to be important because it determined the decisions made by the groups. This concurs with Johnson et al. (2010) findings which indicated that 42.7% of ROSCAs had a constitution which was the lowest frequency of all group types. The study established that written constitution symbolized some form of formality and some order in the way group activities were carried out and was found to be a requirement by the government through the Department of Social Services. This was confirmed by the chairperson of Umaga merry go-round:

“During registration by the Department of Social Services, we were required to have a constitution which we prepared with the help of an officer from the Department of Social Services”.

The findings are in line with Anderson and Baland (2002) that in the Tumaini Women group, the written rules stipulated that the official language to be used during the meetings is either Kiswahili or English and not vernacular. Similarly, FinAccess report (2009) observed that 76.2% of investment groups reported having a constitution with 79.4% of men reporting having a constitution in their ASCAs compared to 60.4% of women

The remaining ROSCA and welfare groups were found to have rules and regulations though not written down. The FGDs revealed that there was no good reason for not having a written constitution though the respondents reported that writing a constitution was tasking given that most of them were semi-literate and illiterate as discussed earlier in this report. It was found that the groups which did not have written constitutions were prone to haphazard meetings, uninformed
decision making process and a lot of dissatisfaction among members on how group activities were carried out. This is in line with Anderson et al. (2004) findings which categorized ROSCAs based on whether the ROSCA had elected leaders and whether it had a written constitution. If it had both, the ROSCA was ‘fully formalized’. If it had either elected leaders or written rules, it had ‘some formalization’ and if it had neither rules nor elected leaders, it was categorized as ‘non-formal’.

4.3.4 Actualization of official registration of the group

It was found that the process of group’s official registration entailed coming together by willing members who are no less than 10 in number, formulating a constitution stipulating group activities in relation to group name, purpose, objectives, leadership and terms of office, meetings, membership, contribution, termination of the group and penalties. After the proposed group members agree on the constitution, they then raise the amount of money required for registration, appoint the group interim officials and open a bank account. The study found that according to the Department of Social Services, registration of a ROSCA and welfare group is KES 500; ASCAS is KES 600 while investment group is KES 1,000. After accumulating enough amounts of money depending on which group they want to register, officials visit the Department of Social Services for registration. It was found that after the group documents are delivered to the Department of Social Services, it would take one month to process and issue the certificate of registration. During the FGDs, registration was reported to be beneficial to the groups because they could access bank services and government
funding; it also promoted safety and security of their finances and enhanced membership trust. It was revealed that registration was common among groups whose majority of the members were men as compared to women. It was then not a wonder that groups that had more men in ASCAs (58%) and investment groups (75%) had acquired a certificate of registration. It was also revealed that ROSCA groups discussed earlier in this report as having a written constitution had also acquired a certificate of registration while the welfare group which had a constitution was in the process of registration. They informed the study that the group had submitted all the documents to the Department of Social Services for registration. This was confirmed by the DSSO who reported that groups are required by law to register with the Department of Social Services. It was also supported by the Chief during interviews when he lamented that:

“It is a requirement that all groups be registered with the Department of Social Services to enhance the security of group funds although very few are registered especially in informal settlement areas.”

The findings are in line with Johnson et al. (2010) that 20% of ROSCAs, 46 % of welfare groups, 69.5 % of ASCAs and 76.2% of investment groups had a certificate of registration which would normally be with the Ministry of Culture and Social Services and is necessary in order to hold a bank account.

4.3.5 Selection of group’s officials

The findings revealed that in Gachagi informal settlement area informal finance groups used two methods to select their officials: election through secret ballot and appointments by members. The FGDs revealed that the investment group elected
four officials who were the chairperson, the secretary and assistant secretary and the treasurer to manage and coordinate group activities. It was reported that the investment group officials’ terms of office was one year which was renewable for two terms. It was found that in one ASCA group members elected the chairperson, the secretary and assistant secretary and the treasurer while the other one elected only the chairman, the treasurer and the secretary.

Further, it was revealed that in both ASCA groups the terms of office was one year. It was found that ROSCAs elected officials but the positions varied. It was found that in two ROSCA groups, members elected only the chairman and the secretary. No wonder, it was observed that the chairman was performing the financial functions of the groups in addition to chairmanship duties. Also the observation revealed that the other two ROSCA groups had only one position that of chairperson who did all the group coordination activities while the remaining one ROSCA had three positions for secretary, chairperson and treasurer. This is in line with Johnson et al. (2010) which reported that 46.1% of ROSCA members reported that their groups had elected officials to run the activities of the group.

In the welfare groups, one group had elected positions of leadership where they elected two officials that are the chairperson and the treasurer. While the remaining two groups appointed their leaders, it was found that one group had appointed the chairperson only to coordinate all group activities, while the other group had appointed a chairperson and a treasurer. This was confirmed by the chairperson WEBA Self-Help Group during the interview who asserted that:
“In our group we elect the chairperson, the treasurer and the secretary to coordinate and manage group activities. Their term of office is one year as stipulated in our constitution.”

It was found that the group officials were chosen to coordinate different group activities. The chairperson was the overall leader who offered guidance in most group matters including chairing the meetings and guiding the group in decision making. The treasurer handled group funds in terms of contributions, books of accounts, safe box and pass book. The secretary on the other hand was the one who took minutes during group meetings, organized on how people were going to meet in liaison with the group chairperson. This was echoed by the treasurer of Tumaini Welfare Association in an interview when he asserted that:

“I am the custodian of a pass book where I record members’ contribution on a monthly basis. Members’ contributions are in form of cash and thus a need to keep the record of who has contributed and when the remittance was done.”

The findings also revealed that out of the three mixed gender groups as shown in table 4.6, women occupied positions of leadership. In ROSCAs they had two elected women officials; the chairperson and the treasurer while the welfare group had a woman treasurer while the investment group had a chairperson and secretary woman while the treasurer and assistant secretary positions were held by men. The Chief revealed that in Gachagi informal settlement areas, women leadership is very strong and more women held leadership positions as compared to men. The FGDs revealed that the nature of leadership determined the performance of the group. It was found that the groups which had all the officials symbolized a high level of
sophistication as compared to groups which had one or two officials. It was also found that groups headed by women were more active, successful and consistent and had grown over time as compared to those headed by men.

4.3.6 Ensuring safe keeping of group’s finances

The findings revealed that safe keeping of group’s funds was of two categories: those groups which operated a bank account and those which kept a safe box. It was found that groups had either a bank account or a safe box for safe keeping of the members’ contributions and savings. The data analysis revealed that apart from three welfare groups, all the other informal finance groups operated bank accounts as a requirement from the Department of Social Services. The FGDs revealed that holding bank account with formal financial institutions was beneficial to the group members in that their money was safe and they earned some interest on the money deposited with the formal financial institutions. Additionally, they received regular capacity building trainings on leadership, book keeping and simple financial management by formal financial institutions. The FGDs disclosed that the ASCAs and investment groups channeled their contributions through the bank. This was also reported by the treasurer of one group who asserted that:-

*We have an account with K-rep Bank. That is where we deposit our monthly contributions therefore I do not take cash from members. They are required to bring the deposit slip every 1st Monday of the month as proof of payment and for filing purposes.*

The bank account operated by the investment group in Gachagi informal settlement was in *K-Rep* bank and it had three signatories for the secretary, treasurer and the
It was found that one ASCA group operated an Equity bank account with two signatories that of the chairperson and treasurer. The remaining ASCA operated an account with FAULU Kenya micro finance with three signatories that of the chairperson and treasurer and a co-opted member from the group. In relation to ROSCA groups, it was found that one had an account with Kenya Women Finance Trust micro finance with two account signatories, another operated an account with Unitas bank with three signatories, another one operated an account with FAULU Kenya micro finance while the last two operated an account with K-Rep bank with two signatories from each that of the chairperson and the treasurer. It was found that the groups had two or more signatories of their account to ensure safety and transparency in handling the group money and reduce misappropriation of group funds. This was confirmed by one of the ROSCAs group members who asserted that:

“Our group holds a bank account with K-Rep bank where we deposit our contributions. For us to withdraw the money, it is a requirement that the treasurer and the chairperson must append their signatures.”

However, as it was revealed during interviews with the group officials and confirmed during FGDs, most of the group bank accounts were inactive. This was found to be common among ROSCAs which were found to be giving out the pot and ‘ngumbato’ to one person immediately after contribution. It was found that the group account benefited the members in that they could access loans from formal financial institutions. The groups revealed that they had benefited from loans and financial training from the financial institutions. However, they also reported that the collateral required by the formal financial institutions for loan disbursement,
approval and the bureaucracy exhibited in the process is sometimes limiting to the poor in terms of accessing the financial assistance. This was confirmed by one ROSCA member during FGDs who lamented that:

“In the banking hall, old people are charged KES 100 to be helped to fill in the forms by young people. Some have also lost their money through the hands of these young people in the pretence that they want to help them.”

It was found that the welfare groups did not operate a bank account because they operated safe boxes for the safe keeping of their money. They reported that they did not keep a lot of money in liquid cash because the money received is distributed immediately to the beneficiaries and the remainder is kept in the safe box. It was found that the safe box had one key which was in the custody of the chairperson while the treasurer was the custodian of the safe box in every group. It was found that this enhanced the safety of the funds because the treasurer could not open the safe box without the knowledge of the group chairperson. This was confirmed by one of the treasurers who reported that she is the custodian of the group’s safe box where she keeps the members’ contribution as they wait to pay it out to the affected person. It was also confirmed by one woman respondent in the focus group discussion who reported that:

“We give our contribution to the treasurer on the 15th day of every month for safe keeping. I trust the treasurer so much that sometimes I give her my contribution in advance to keep it for me to avoid using it on other household needs.”

However, it was revealed that the welfare groups could not access loans and other benefits from the formal financial institutions. The interviews with officials
revealed that this was attributed to the fact that the welfare groups did not hold a bank account for depositing members’ contribution. Operating bank account with formal financial institutions and micro finance institutions was found to be an emerging trend in informal finance groups.

4.3.7 Keeping financial records

The financial records in informal finance groups in Gachagi informal settlement area were found to be of two forms: books of accounts and pass book. The FGDs revealed that the books of accounts were associated with a high level of formality and financial literacy compared to pass books. However, both pass books and books of accounts were used by groups to keep financial records for their groups as evidence of financial transactions. The books of accounts as explained by the respondents are documents kept by the groups showing the money in, out and outstanding balance per member in the group in a given period. It was found that the books of accounts were kept by the treasurer of the groups. This was found to be of help to both men and women because the books of accounts helped the group in remembering financial transactions, evidence of members’ contribution; assisted members in planning individual and group financial activities and helped to avoid misrepresentation of financial information, errors and frauds. This is in consistence with Johnson (2009) that ASCAs and investment groups kept books of accounts, again this tended to be associated with men using these groups more than women.

It was found that apart from three groups, the remaining eight groups did not keep books of accounts even though the members complained about lack of financial documents. This was in line with Johnson (2009) who reported that 32.5% of the
groups reported to keep books of accounts; significantly, more men reported that their groups kept records compared to women. That not many ROSCAs groups kept books of accounts is not surprising since their operations are the simplest of all the informal finance groups. This was confirmed by the treasurer who complained that:

“I cannot be able to keep books of accounts because I have a lot of work to do and to top it all I am illiterate.”

The pass book on the other hand was found to be a book opened by the group to fill in regular group activities in relation to the contributions, savings and loans to the members. It was found that a pass book was used as a way of keeping group records for evidence of group activities, to assist in remembering group activities and as evidence of members’ contribution. The FGDs revealed that this was mostly associated with women groups as compared to men groups and mostly amongst ROSCAs groups which had a savings accumulation and loan function. This was also observed during FGDs where the groups had a pass book for recording all the members’ contributions and other group financial activities. This was confirmed by the treasurer of Umaga merry-go-round who asserted that:

“In my group we have a book where we record the members’ contributions, penalties and other group transactions. This helps us to fast track members’ records in relation to contributions and group activities.”

This was also echoed by the treasurer of Tumaini Welfare Association in an interview when he asserted that:

“I am the custodian of a pass book where I record members’ contribution on a monthly basis. Members’ contributions are in form of cash and thus a
need to keep the record of who has contributed and when the remittance was done.”

4.3.8 Loan disbursement to the group members

The analysis of the information generated through FGDs and interviews revealed that in Gachagi informal settlement area, borrowing of loans was of two forms: internal and external borrowing. Internal loans was found to be giving out of money from the group contribution to members who were required to pay back with a small interest while external loans was found to be taking a loan from banks and micro finance institutions with the group as a guarantor. It was found that for one to be given a loan, he/she must have met four conditions set by the informal finance groups: be an active member of the group; contribute regularly; have saved the minimum required amount of money and have a good past record in relation to loan repayment. This was confirmed by one of the group treasurers during an interview who said this:

“In our group we give loans to members who have met the group requirements: one must be a group member who makes contributions regularly without delay and must have saved with the group half of the amount he/she want as a loan and he/she has must have a good record in relation to loan repayment if previously awarded.”

These sentiments supports the findings by Anderson et al. (2004) which suggested some conditions to qualify members for a loan; that is formal employment, higher incomes, owning a dwelling and previous participation in ROSCAs as indicators of an individual’s ‘trustworthiness’. Compulsory saving before loan could be granted
was a mandatory requirement which was reported during interviews with the key informants. As the Chief reported:

“A group member cannot be granted a loan either internal or external unless he/she saves the agreed amount of money with the group for a specified period of time, preferably three months.”

The DSSO also confirmed that the groups, especially the ASCAs set conditions to be fulfilled by the members before one could be granted a loan which was commonly known as ‘ngumbato’. One of the conditions was to meet the set targets in terms of members’ contributions. This shows that failure to contribute the agreed amount of savings hindered one from receiving a loan from the group. Therefore, little savings among the members in the group constitutes problems during loan disbursement. Going by this condition, all the members were required to save a certain amount of money before the loan is disbursed to them.

As an operation, loan disbursement was found in ROSCAs and investment groups which had loan disbursement as one of their functions. It was found that in ASCAs, loans disbursement and saving accumulation were the main purposes of their formation. It was found that in the two ROSCA groups which had loan disbursement as a function, the members were found to be paying extra amount of money over and above the normal contribution. The internal loans given were found to be minimal as compared to external loan borrowed. The internal loans were given by groups from their savings and therefore it was found that ROSCA groups could not give more than two members at any given time, while ASCAs and investment groups determined the number of members to be given the loan.
based on the amount accumulated. This was supported by a man during focus
group discussion who confirmed that:

“I received a loan of KES 2,000 from the group to boost my grocery shop.
At the moment I am proud of my business because I can afford to provide
for my family basic needs.”

The study was informed that external loan borrowing using the group savings as a
guarantor benefited members and that they particularly utilized formal finance
institutions, mainly Equity Bank, K-Rep and Fina Bank as well as microfinance
institutions - FAULU Kenya, Kenya Women Finance Trust and Unaitas which had
loan products suited for the poor. This however was found to be on two conditions,
namely: that the group operated a bank account with them and that the borrower is
an active member of the informal finance group. Another important requirement
established in the course of the study was that a member willing to take a loan with
these institutions was required to be guaranteed by the group members and also
disposable household goods such as sofa sets, utensils, tanks, wall-units, television
and other electronics used as collateral in case of defaulting.

An important finding was that external loans given consisted of large amounts of
money as compared to internal loans as it was confirmed by one of the investment
group member who had this to say:

“This group has enabled me to own a motor bike through the loan I was
given by FAULU Kenya after the group guaranteed me.”
It was found that the group members resulted into external borrowing when they
needed more than the group could offer. However, it was reported that members
benefited very much from both internal and external loans though most of them
had experienced difficulties in the past in relation to management and repayment
of loan borrowed from micro finance institutions.

4.4 Reasons for the Preferred Informal Finance Groups by Men and Women

The second objective of the study was to identify reasons for the preferred informal
finance groups by men and women in the study area meant to establish the driving
force behind joining informal finance groups. Data analysis revealed two
categories of reasons; those that applied to all the four categories and those that
were specific to each category of informal finance group.

4.4.1 Common reasons for the preference of informal finance groups

The study established that all men and women in the study sample joined informal
finance groups for six main reasons as shown it table 4.8.
Table 4.8: Common reasons that made men and women join the informal finance groups (multiple responses)

<table>
<thead>
<tr>
<th>Reasons</th>
<th>ROSCAs</th>
<th>ASCAs</th>
<th>Welfare</th>
<th>Investment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>To save money</td>
<td>M 11 W 19</td>
<td>M 5 W 4</td>
<td>M 10 W 9</td>
<td>M 6 W 3</td>
<td>67</td>
</tr>
<tr>
<td>Inculcating money saving discipline</td>
<td>M 12 W 23</td>
<td>M 6 W 4</td>
<td>M 6 W 6</td>
<td>M 3 W 3</td>
<td>63</td>
</tr>
<tr>
<td>Easy access to savings and loans</td>
<td>M 10 W 15</td>
<td>M 7 W 5</td>
<td>M 7 W 8</td>
<td>M 6 W 2</td>
<td>53</td>
</tr>
<tr>
<td>Investing in income generating projects</td>
<td>M 11 W 10</td>
<td>M 6 W 3</td>
<td>M 7 W 3</td>
<td>M 9 W 3</td>
<td>52</td>
</tr>
<tr>
<td>Social networking with friends and other community members</td>
<td>M 7 W 20</td>
<td>M 2 W 3</td>
<td>M 5 W 8</td>
<td>M 4 W 2</td>
<td>51</td>
</tr>
<tr>
<td>To cater for urgent financial needs</td>
<td>M 4 W 8</td>
<td>M 1 W 2</td>
<td>M 13 W 11</td>
<td>M 1 W 1</td>
<td>41</td>
</tr>
</tbody>
</table>

Although six reasons were found to be important for the men and women joining informal finance groups, the need to save money was the major driver, while the ability to cater for the urgent financial needs was the least felt reason. Detailed analysis on these reasons revealed the following:

a) **To save money**

By ensuring regular contributions of money in the group, the men and women were able to save. This was confirmed by the fact that in all the sampled ROSCA and welfare groups, members contributed extra amounts of money for saving over and above the normal rotational contributions. It was found that in ASCAs, their core function was to save because the loan advanced was dependent on the amount of money saved while in investment groups, members were encouraged to save in form of investment. It was found that members invested as individuals and as
groups in household and group assets. During the study, it was observed that the seats used during the FGDs were rented from one ROSCA group which had bought them for renting out to the community members when they held functions. During the FGDs, members explained that they joined informal finance groups to protect their money from being used at home, spent by other members of the family or from being stolen. This was supported by one man from ROSCAs in the FGD who had this to say:

“This group helped me to pay school fees for my son who had been admitted in a provincial boarding secondary school; if it were not for this group, he could not have joined that boarding secondary school.”

This finding is in line with the study by Gugerty (2004) which categorized safety issues into three namely: a) to avoid theft by non-household members, b) to ensure that husband does not take it, c) guarantee that other family members don’t use it. Gugerty further established that 7% of the respondents were worried that other family members would spend the savings and 1% that the husband would spend it, whereas 3% were worried about thieves.

It was found that there was no significant difference between men and women savings in informal finance though it was noted that as discussed earlier in this report, men preferred to join groups (ASCAs and investment groups) whose regular contribution was higher than that of women. It was also found that men and women reported that they saved money so that they could be able to meet future financial demands and also buy assets and other household goods. This was echoed by the chairperson of the IG in an interview who reported that:
“This group has helped our members to acquire small pieces of land for every member through our monthly contributions where we buy a plot of land for each member on a rotational basis. This could not have been possible with individual members alone.”

This is in agreement with the findings by Anderson & Baland (2002) and Anderson et al. (2004) who reported that members are interested in saving towards an indivisible good. Anderson et al. (2004) found that in Kibera slums, ROSCA members mostly save for indivisible goods like school fees, rent and clothing.

b) Inculcate saving discipline

This reason was reported by a frequency of 63 men and women from all informal finance groups. Further data analysis however revealed that more women (57%) compared to men (43%) reported inculcation of saving discipline as a reason for joining informal finance groups. During the FGDs, it was revealed that majority of women (57%) reported that the social sanctions used by the groups in order to enforce regular contributions helped to inculcate saving discipline. It was found that some of the sanctions used by the informal finance groups from Gachagi informal settlement as discussed earlier in this report were charging penalties on members who delayed or failed to make contributions on time, and denied membership to certain groups because of past behavior in other groups. This was confirmed by one member during FGDs who had this to say:

“I was charged a penalty of KES 70 because of delaying to pay the group contribution for one week. Though I was sick, I had to pay the penalty because the group rules and regulations are clear on discipline in relation
to payment of contribution and charging of penalties for delayed contributions; that is KES 10 per day multiplied by the number of days the member has delayed to deliver the contribution.”

Most men and women confessed inability to save on their own. This was confirmed by one elder in an interview who had this to say:

“The reason behind encouraging men and women to form and join this group is to help them save because most of them have no regular source of income and face financial crisis in times of urgent needs.”

This was also echoed by one respondent in an FGD who asserted that:

“I cannot save money at home because I will use it to buy other household goods, but the group really helps me to save because once you give it out you cannot retrieve it to use so you are forced to wait until it’s your turn.”

This is in line with the findings by Gugerty (2004) who established that 38% of the respondents reported that they joined ROSCA because it was not possible to save at home ‘because the money got used up in small household needs’. Another 21% said that they could not save on themselves and got ‘strength to save from sitting with others’ while 8% said that they could not save at home because the family/husband would spend the money.

In relation to saving discipline, it was found that men and women experienced different life challenges that influenced their savings and contribution in informal finance groups in Gachagi informal settlement area. For instance, men reported that some of the challenges included poverty, alcohol consumption and lack of
regular sources of income. These were found to be the major reasons why some men were not able to make contributions on time. This was confirmed by one chairperson in an interview who asserted that:

“*We have one member who always delays his contribution because his money gets used up during the drinking sprees.*”

On the other hand women reported poverty, lack of regular sources of income, contribution money being used up in family needs and failure by their husbands to give them money to contribute because, as it was found, some of the women were economically dependent on their husbands. This was confirmed by one woman in FGD who had this to say:

“*Last month I delayed my contribution for two days because my husband refused to give me the money to make the contribution so I was charged a penalty fee of KES 20.*”

These sentiments support the findings by Gugerty (2004) who asserts that the main reason for women joining ROSCAs is a perceived promotion of self-discipline problem in relation to saving.

c) Easy access to savings and loans

The study found that men and women joined the informal finance groups because it was easy to access their savings and they could get loans easily when they needed it. As discussed earlier in this report, the group had access to internal and external forms of loans. Though it was found that their savings in these groups was minimal and so was the loans given, it was revealed that the members who needed a loan beyond what the group could have provided were facilitated to get the loan
from the banks and micro finance institutions with the group as a guarantor. Data
analysis showed that 53 men and women joined informal finance groups because
they could access their savings and loans with much ease. In relation to gender, the
reason was most cited by men at 57%, compared to women at 43%. The FGDs
revealed that this reason was mostly cited by ROSCAs and welfare groups which
had a saving accumulation and loan disbursement function as discussed earlier in
this report. The findings revealed that this was the most cited reason for joining
ASCAs having been reported by all (100%) men and women respondents as
compared to other reasons, because it had a mechanism to help the poor people
save regularly through group commitment which facilitates easy accessibility to
loans and savings from the group. This was confirmed by the DSSO during an
interview that had this to say:

“Accumulating savings and credit association is mainly for accumulation
of fund and making the fund accessible to members when they need it. They
give loans to their members for reasons such as personal needs, payment of
bills or for investment in income generating projects.”

These findings are in support of FSD (2011) report that lump sum or pooling
resources together also involves access to loans. The FGDs revealed that members
could save as little as 20 shillings and borrow a loan of as little as 200 shillings and
this explained why men and women from informal settlement areas joined ASCAs.
It was found that men and women took loans from their groups frequently because
of the fact that their sources of income were very unreliable and therefore in times
of financial needs, they resulted into the group’s financial assistance given that the
groups could give them a loan of as little as KES 200. This was found to be
flexible enough to cater for different financial demands of their members. It was also revealed that the repayment of the loans was friendly and flexible to suit their capability. As reported by one of the group members during the FGDs:

“My group helped me with a loan of KES 1,000 to pay the hospital bill for my daughter when she was admitted in hospital after being involved in a freak road accident.”

However, it was revealed that most women accessed loan services from the groups as compared to men. This was attributed to the fact that most women feared external loans because of their past difficult experiences of losing their household goods set aside as collateral after they were unable to repay the loans.

d) Investing in income generating projects

The study found that men and women invested in different business activities either as a group or as an individual with the facilitation from the group. As a reason for joining informal finance groups investing in income generating projects was reported by 52 men and women. The data analysis revealed that investing in income generating activities was a major reason which influenced 63% men to join the informal finance groups as compared to 37% women. All the selected groups were found to have had an investment function though it was the main reason for joining investment groups having been reported by 100% of the respondents. From the study findings, it was apparent that all participants from investment groups reported that the major reason which influenced them to join these groups was pooling money or resources together to invest in income generating activities. It was found those women groups’ investments in Gachagi informal settlement area
included a tree nursery and a small grocery whereas men groups invested in quarry business where they sold construction stones to the community while the mixed gender groups invested in a water kiosk and a paraffin vending kiosk. Other investments included renting of seats, tents and utensils during functions. This was confirmed by the chairperson of one group in an interview who asserted that:

*The group in collaboration with Thika Water and Sewerage Company established a Water Kiosk where we sell clean drinking water to the residents of Gachagi informal settlement area. This Water Kiosk earns profit which is shared equally amongst the group members.*

The Chief confirmed that the groups had established small businesses in the informal settlement area where they sold clean drinking water to the residents. The DSSO during the interview also justified the reason as one of the major reasons why men and women join investment groups by asserting that:

*“Investment groups are mainly formed by men and women to boost their capacity in terms of investment. The men and women pool their resources together to invest income generating projects.”*

It was also found that men and women invested individually the money from their group savings or loan given by the group or from the formal financial institutions with the help of the group. This was found to be very common where members boosted or started their small businesses with the financial help from the groups. This was confirmed in a focus group discussion by one male member of ASCA group who had this to say:
“I operate a ‘boda boda’ business using my own motorbike which I bought through the loan received from Faulu Kenya with the support and guarantee of the group.”

This was in line with the FSD, (2011) report that another reason of joining informal finance groups was the management of liquidity in terms of the creation of lump sums, which might also be specifically directed towards buying household and farm goods or other investments, and having access to liquidity when it is needed. A frequency of 14% of ROSCA members reported that they saved in a group so that they could get money to expand their businesses. Similarly, Gugerty (2004) found that many groups undertook income-generating projects which included agriculture, fish farming, beekeeping, or handcrafts.

e) Social networking with friends and other community members

It was found that the informal finance groups were formed and joined by people who had some commonalities which had brought them together; either they came from the same neighborhoods or attended the same church but over and above these they were good friends and if not so, they had been introduced to the group by a friend who was a member. It was reported that men and women formed and joined groups as a way of coming together in order to help one another and maintain social networks. Socializing as a reason was mentioned by 51 members comprising 18 men and 33 women from the informal finance group. Data analysis revealed that it was reported by more women (65%), compared to men (35%) as shown in table 4.8. This disparity was attributed to the fact that women value
friendship and reaching out to one another, compared to men. Justifying this as a reason, the secretary of Umaga merry-go-round in an interview had this to say:

“We share family experiences with other members and come up with solutions in case there is a problem. In addition to this, we advise one another on good parenting styles for our children.”

These findings are in line with Ardener (1995) who emphasized the social aspect of informal groups where the social ideas mainly included family related issues, health issues and conflict management in homes. The findings further disclosed that majority of men did not report this as a key reason for joining informal finance groups because they felt that they met their friends every evening in the shopping centers unlike women who do not get time to meet around the shopping centers every evening. It was found that group meetings offered an opportunity for women to meet with their friends and update one another on the latest news in the social and political arena. Confirming the same, Johnson (2004) observed that in social groups, young women got valuable advice on motherhood and parenting from older women.

f) To cater for urgent financial needs

It was found that informal finance groups offered a leeway for the group members to address their pressing needs through the group flexibility and negotiability principle. During the FGDs, it was revealed that some groups had welfare function designed to cater for the members’ urgent financial needs, while in other groups this was associated with flexibility and responsiveness to respond to individual financial shocks. It was reported that a member who is in financial difficulties
could either talk to the chairperson and inform him/her of the need and he could be allowed to get the *pot* even if it was not his/her turn. The member could alternatively negotiate with the member who is meant to receive the *pot* to allow him get the *pot* in exchange of his/her turn. This was reported as a common occurrence in informal finance groups in Gachagi informal settlement area. These findings are in line with Johnson (2005) report on cases from Central Kenya where ROSCAs were willing to renegotiate the order of the *pot* if someone was in urgent need of the lump sum. In other occasions, two members would swap their place in the ROSCA so that the member in more urgent need would get the lump sum. The results showed that 41 members comprising 19 men and 22 women from all the informal finance groups joined groups in order to meet their urgent financial needs. It was mostly felt by welfare group members (100%). These findings are in support of FinAccess report (2009) that the main reasons for Welfare/Clan Group (WCG) membership is getting financial aid when there is a death in the family at 68.3% and financial help when there is an emergency at 58.4%. For ASCAs, the most frequently cited reason, at 40.6 % was to get money when they faced an emergency. The elders during interviews revealed that the members of informal finance groups are able to meet their urgent financial needs through the use of the negotiability and flexibility principles exhibited by these groups. This was supported by the statement made by one respondent in the FGD:

"I come from Machakos and my dad passed on last year. After the burial, my brother decided to sell our ancestral land in secret without informing my mother and other siblings. Luckily, the Chief got to know about it and informed me before the transaction was over. Unfortunately, I did not have
any money to stop the transaction. Luckily, when I talked to the group members they agreed that I be given the money even if it was not my turn.”

The results are in agreement with Johnson (2004) that there is flexibility in ROSCAs because people can swap turns if they have a particular need either by mutual agreement with the group as a whole or with other individuals, or the ROSCA may have a welfare fund attached to it to provide additional support in times of need, or members may simply make additional contributions to assist someone in need.

4.4.2 Reasons for the preference of specific informal finance groups

As shown in table 4.9, data analysis revealed two main reasons why men and women join specific informal finance groups in Gachagi informal settlement area. However for ROSCAs and WGs, men and women reported emotional and psychological support as the key reasons of membership enrolment, while for ASCAs and IGs’ respondents reported exchanging investment ideas as unique reasons for joining informal finance groups.

Table 4.9: Reasons for joining specific informal finance groups

<table>
<thead>
<tr>
<th>Reasons</th>
<th>ROSCAs</th>
<th>Welfare</th>
<th>ASCAs</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emotional and psychological support</td>
<td>✓</td>
<td>✓</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>Exchange ideas about investment</td>
<td>×</td>
<td>×</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Details on each of the two reasons for joining specific category of informal finance groups as revealed through data analysis were as follows:
a) Emotional and psychological support

It was found that men and women joined informal finance groups because of the support they receive from the group members in times of life difficulties. It was found that during death and bereavement, child delivery and sickness, men and women visited their affected group member for support. Emotional and psychological support was reported by men and women from ROSCAs and welfare groups. It was found that ROSCAs and welfare groups displayed close knit relationship among members. In one ROSCA group, the study found that it was mandatory for the members to visit the affected person failure to do so they were charged a penalty. In the sampled women groups, the study found that the household chores in the affected members’ homestead were done by the group members in turn while in men groups the members would visit the affected member and offer their friendship. During the interviews with the group officials, it was disclosed that the social dimension of these groups is very important to the group members. This was confirmed by one woman respondent in an FGD:

“I received a lot of emotional and financial support from the group members when I lost my husband. They offered a shoulder to lean on when I was seriously depressed.”

The FGDs revealed that for ASCAs and investment groups, members felt that personal or family matters should not be introduced in the group. They reported that too much friendship would bring about conflicts and a lot of dissatisfaction among members which would finally affect the stability and continuity of the group. This was confirmed by one man in an FGD who had this to say:
“People are created different; there are those who are very talkative and thus able to communicate everything and others who are quiet and thus unable to share their problems openly. Therefore, if we support some because they opened up and we fail to support others because they did not, it will create conflicts in the group.”

b) Exchange ideas about investment

The study established that investment ideas exchanged in these groups helped individual and groups in making investment decisions. These ranged from small ideas like opportunities to establish a grocery or big ideas like investing in stock markets. It was found that ASCAs and investment groups had an investment orientation. Data analysis revealed that men and women joined ASCAs and investment groups in order to exchange ideas on investment opportunities; however, it was not a reason for joining ROSCAs and welfare groups. It was found that men and women from investment and ASCAs benefited from their group in relation to business and investment ideas. Justifying this as a reason, one member in an FGD reported that:

“I was not aware of the Nairobi Stock Exchange (NSE) market until when the group members discussed the sale of Safaricom shares at five shillings per share. I was able to buy 3000 shares and am very happy about this group because it helped me to achieve my dreams.”

This was also supported by the treasurer of the investment group in an interview who reported that:
“In our meetings, one of our agenda is to discuss business opportunities which members might have heard about which can either benefit the group or individuals. We keep our members informed about business opportunities emerging within the area so that they are able to make informed decisions on investment.”

It was also reported that women learnt about Women Enterprise Fund (WEF) and its application procedure through these groups. Men and women revealed that these groups exposed them to current issues in relation to investment and the business world. This was found to be more common among men compared to women. No wonder, this was found to have been a common reason for joining investment and ASCAs whose majority members were men as discussed earlier in this report at 75% and 58%, respectively. This was also confirmed by the DSSO who asserted that ASCAs and investment groups have a business orientation and therefore it is in their interest to discuss business ideas with the aim of helping their members. The results are in line with FinAccess report (2009) which reported that, similar to individual ASCAs, the third most important reason for people to belong to managed ASCAs is that they are able to exchange ideas about their business with a frequency of 28.3%. Given that investment club members have a business orientation, 35.3 % join these groups to exchange business ideas.

4.5 Challenges Facing Men and Women in the Informal Finance Groups

The third objective of the study was to analyze challenges facing men and women in the informal finance groups. The analysis of data yielded two categories of
challenges, namely those that affected the groups’ operations and those that affected the group members’ participation in group activities.

4.5.1 Challenges that affected the operations of informal finance groups

The most common challenges experienced by informal finance groups in their operations are tabulated in table 4.10. Poor governance of the groups was the most felt challenge followed by failure to attend group meetings and the least felt challenge being members’ conflict.

Table 4.10: Challenges facing informal finance groups in their operations

(*multiple responses*)

<table>
<thead>
<tr>
<th>Challenges</th>
<th>ROSCAs</th>
<th>ASCAs</th>
<th>Welfare</th>
<th>Investment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>W</td>
<td>M</td>
<td>W</td>
<td></td>
</tr>
<tr>
<td>Poor governance of the group</td>
<td>11</td>
<td>18</td>
<td>3</td>
<td>2</td>
<td>62</td>
</tr>
<tr>
<td>Low attendance of group meetings</td>
<td>5</td>
<td>18</td>
<td>3</td>
<td>5</td>
<td>59</td>
</tr>
<tr>
<td>Defaulting by members</td>
<td>10</td>
<td>21</td>
<td>6</td>
<td>5</td>
<td>58</td>
</tr>
<tr>
<td>Poor book keeping</td>
<td>8</td>
<td>18</td>
<td>3</td>
<td>4</td>
<td>54</td>
</tr>
<tr>
<td>Poor group leadership</td>
<td>7</td>
<td>16</td>
<td>2</td>
<td>5</td>
<td>53</td>
</tr>
<tr>
<td>Lack of clear structures to control group operations</td>
<td>13</td>
<td>9</td>
<td>6</td>
<td>3</td>
<td>50</td>
</tr>
<tr>
<td>Members’ conflict</td>
<td>10</td>
<td>20</td>
<td>1</td>
<td>2</td>
<td>47</td>
</tr>
</tbody>
</table>

a) Poor governance of the groups

In total, poor governance as a challenge to the operations of informal finance groups was reported by 74% of the respondents with a frequency of 32 men and 30
women. Poor governance was found to be experienced in all the selected informal finance groups. Poor governance was explained by the respondents as entailing lack of transparency, misappropriation of group funds, conflict of interest and lack of consultation in decision making. As quoted by one of the ASCA members in a focus group discussion:

“The former group chairperson was replaced because he misappropriated the group’s contributions. He also influenced the group members to contribute for his dowry payment fraudulently.”

This was confirmed by another respondent from ROSCA groups in an FGD:

“There are some leaders who felt that they know it all and therefore wanted to dominate during group discussions and by making important group decisions without consulting the group members.”

It was found that poor governance affected the success and growth of the groups, limited the group opportunities, affected the achievement of the group objectives and resulted into inefficiency and ineffectiveness in provision of loans and savings to the members. Some group leaders were also found to be self enriching at the expense of the group. This was found to be common in ROSCAs, reported by 81% and welfare groups (88%), compared to ASCAs (42%) and investment group (58%). In welfare group the study found that poor governance could be attributed to the fact that the officials were appointed instead of being elected. The FGDs revealed that out of all the four categories, the welfare and ROSCA groups were found to be simple with weak structures and operated with a high level of informality. This was also found to have contributed to poor governance. The findings further revealed that this challenge was common in informal finance
groups because of their informality and lack of clear structures and policies to govern group activities. These findings are in line with Siwan et al. (2003) findings on the challenge related with the element of negotiability which enables powerful individuals to manipulate members to their own advantage. Also, a few powerful community members can take advantage of the weak systems where they can quickly set up a group, collect funds from other members, take a big loan for themselves and default to pay an probably vacate from the neighborhood.

b) Low attendance of group meetings

This was reported by most women (63%) compared to men (37%) from the four categories of informal finance groups. The FGDs highlighted this as a major reason why ROSCAs didn’t hold meetings regularly because most members were absent during meetings. It was also found to be most felt by women because of their multiple gender roles in the family and society that most of the time they were not able to attend group meetings because of their responsibilities as mothers, caregivers and wives. This was confirmed by a woman who asserted that:

“I have not attended two consecutive meetings because my daughter is very sick and requires me to be there for her all time in order to nurse her and be there when she needs me.”

Welfare groups’ members reported meeting irregularly or as the need arose as discussed earlier in this report. On the other hand, ASCAs and investment groups were found to be holding meetings regularly and therefore failure by members to attend meetings affected the group decision making process leading to stagnated activities. The ASCAs and investment group members revealed that lack of
quorum during group meetings delayed implementation of group projects. This was confirmed by the chairperson of the investment group who had this to say:

“We have not been able to make any meaningful decisions in our group because of lack of quorum. Our constitution states that decisions of the group must be supported by a three quarter (¾) of the group members present in a given meeting.”

As discussed earlier in this report, eight (8) groups did not hold regular meetings because men and women felt that these meetings were too many since they belonged to different groups which consumed most of their time. This was also supported by the Chief in an interview who had this to say:

“Nowadays, most groups do not meet regularly the way they used to because people have join so many groups such that attending all the group meetings becomes cumbersome and time consuming.”

However, during FGDs it was disclosed that group meetings are important because they ensure men and women’s participation in group operations and activities, promote group cohesion and stability.

c) Defaulting by members

Defaulting by members was found to be failure by members to repay back the loan advanced or to stop contributing after receiving the pot. Defaulting as a challenge was mentioned by 59 members across all the groups, comprising 22 men and 37 women. Additionally, it was mostly felt in ROSCAs and ASCAs at a frequency of 86% and 92% respectively though the impact was the same in the four categories of informal finance groups. It was found that more women defaulted compared to
men; this was associated with the fact that women depended on men economically and most of them were involved in unstable menial jobs as their source of income.

As discussed earlier in this report under the operations of informal finance groups’ failure to contribute or delayed contribution would lead to a penalty as agreed upon by the group members and as stipulated in the group constitution. It was found that the penalties sometimes worked while in some cases they did not work resulting into loss of group money, loss of membership and mistrust which led to group collapse. During the FGDs, it was reported that, in one of the groups there were two members who had not paid three months’ contributions due to sickness and lack of money. In relation to defaulting of either internal or external loans, it was found that the group members would confiscate the household goods indicated as the collateral for the loan for auction so that the group can recover their money.

The interviews disclosed that this challenge was associated with lack of stringent mechanisms to follow up the defaulters. As one member in FGD expressed her experience in informal finance group:

“The group gave ‘ngumbato’ (a loan) to a member to set up a small business enterprise. However, she misappropriated the fund and was unable to repay the loan on time as agreed. The group members took away her furniture which was collateral for defaulting.”

This was confirmed by the Chief in an interview who reported that:

“This is a common problem among the groups because I deal with many cases of members defaulting from the informal finance groups from the informal settlement area.”
These findings are in line with the results by Anderson et al. (2004) which describe the problems of contributions faced by ROSCAS in Kibera slum, Kenya which found in particular that those who were late in the order or who had already received the *pot* often failed to pay. Similarly, Siwan et al. (2003) in a field study in Kenya showed that ROSCA groups encounter two main problems: there are members who do not regularly pay their contributions and there are members who stop contributing when receiving the *pot*.

d) Poor record keeping

Record keeping in the four categories of informal finance groups was the responsibility of the group officials who are the leaders of the group. However, as it was found in the eleven groups sampled from Gachagi informal settlement area, book keeping was marred with a lot of inconsistencies, gaps and missing information. The group records identified in the informal finance groups included records of group minutes, pass books, books of accounts, constitutions and certificates of registration as earlier discussed in this report which were meant to facilitate smooth operation of the group. Poor record keeping was identified as a challenge associated with lack of simple/basic accounting skills, illiteracy, minutes taking and recording. Poor record keeping was found to constitute missing important group information, lack of minutes supporting major decisions made by the group, lack of books of account, wrongly filled books of account and unkempt books of account or pass book which affected the effectiveness and efficiency of the group in their operations. Data analysis revealed that this challenge was predominantly reported.
by women at 63%, compared to men (37%) from all informal finance groups. Further data analysis revealed that it is most felt in ROSCAs at 72% as compared to other groups. The findings are in line with Dagnelie and LeMay-Boucher (2008) report which postulates that most premature deaths of ROSCAs are as a result of financial irregularities due to lack of necessary skills in record keeping and financial management. The FGDs revealed that this challenge was mostly associated with women. This is because as discussed earlier in this report, 42% of women had lower than secondary level of education, compared to the 36% of men with similar level of education in the sampled informal finance groups from Gachagi informal settlement area. This was confirmed by the Chief in an interview who informed the study that:

“Most of the cases reported to me by the group members require perusal of the group records. However, most of the groups either do not keep any records or the records kept are not clear and consistent.”

The findings concur with those of Bouman (1995), whose findings explained the fraudulent use of the group’s fund in the context of illiteracy. In his view, the underlying problems of illiteracy explain the difficulties in over-seeing the books and other related financial records. His study links fraudulent behaviour by esusu heads in Nigeria to illiteracy which was greatly reduced when the educated young men took over the financial management.

e) Poor group leadership

Poor group leadership is another challenge which was reported by 53 men and women from all the groups. It was mostly felt in welfare groups at 67% and
ROSCAs at 64%. Poor leadership was explained to be associated with upfront decision making without consultation, inability to resolve conflicts and being influenced by a few members to take up their ideas due to lack of leadership skills. This was confirmed by the Divisional Social Services Officer who reported that most of the informal finance groups collapse because of leadership wrangles. This influences group operations and results into loss of membership, members’ dissatisfaction, discontentment and disappointment. As one of the respondents in a focus group discussion stated:

“The group experiences leadership wrangles. This has created a big problem which has led to most of the members opting out of the group. The marginal membership has negatively influenced group activities.”

This was also echoed by one secretary during interviews:

“I am very disappointed with the chairperson because he authorized the disbursement of KES 5,000 loan to a member even after the group members had rejected the loan request.”

These results are in line with findings by Dagnelie and LeMay- Boucher, (2008) that for about 40% of the respondents, the reason was financial irregularities such as irregular payments to the pot, members leaving the group early and not willing to continue paying or the groups organizer (president) leaving with the money.

f) Lack of clear structures to guide group operations

The study expected the groups to be clearly organized in terms of leadership roles, meetings schedules, bank accounts, clear payment enforcement mechanisms, clear conflict resolution mechanisms and with good communication channels. However,
in most groups these structures were missing or were not in operation as discussed earlier in this report. Data analysis revealed that lack of clear structures to guide group operations was one of the challenges reported by 50 men and women from informal finance groups. It was equally felt by men and women across all the informal finance groups. The findings revealed that lack of clear structures was closely associated with failure to register groups as it is required by the government through the Department of Social Services. It was found that this resulted in failure to recover the money lost and the inability to enforce payment of fines/penalties charged on defaulters and late payments leading into loss of money and group membership. This was confirmed by the DSSO who reported that:

“The Department of Social Services has little control over the groups. We offer minimal support to groups especially when they face challenges because we do not have elaborate legal structures to control them given that they are very flexible and fluid.”

This was also confirmed by the Chief who reported that his office had little control over the groups because there are no set guidelines by the government and other stakeholders to coordinate and manage these informal finance groups. Data analysis further showed that this challenge was most felt in ASCAs, welfare and investment groups. As discussed in chapter three, these groups predominantly had more men than women. The findings revealed that more men (68%) compared to women (32%) felt that their groups lacked structures to control the group activities. The chief reported that this is the reason why most men prefer highly structured and formalized groups where procedures and guidelines are set and followed. However, the FGDs disclosed that most of the ASCAs and investment groups were
highly formalized but lacked structures to monitor the activities of the group. These findings supports Bouman (1995) who reported the role of social relations of gender, kinship and age as factors which can result into problems of default and abuse due to lack of clear structures. Lack of structures was also depicted in a detailed case study of a *tanda* in Mexico. Velez-Ibanez shows how misunderstandings and dissatisfaction regarding the motivation of the organizer in negotiating the order of ROSCA payout resulted in one of the organizer’s friends deciding to default after he had received the payout. The friend was able to use a threat of revealing aspects of the organizer’s behavior that would damage his reputation with other members to conceal the fact and consequently the organizer paid on behalf of the friend (Velez-Ibanez, 1983).

**g) Members’ conflict**

Members’ conflict was the least felt challenge having been reported by 47 members comprising of 20 men and 27 women. The FGDs revealed that these conflicts were related with group fund management, group coordination, failure to pay back the loans, wasteful competition, jealousy and disagreements in decision making. This affected group cohesiveness and trust resulting in group instability and finally collapses. The findings disclosed that this challenge was mostly felt in ROSCAs groups (83%) compared to other categories of informal finance groups. This was confirmed by the Chief in an interview who asserted that:

“*Group conflicts are rampant in the informal settlement area, this is especially so in groups whose majority of the members are women. This is*
mainly caused by idleness, wasteful competition and jealousy among the group members."

This challenge was found to be common in the informal finance groups in Gachagi informal settlement area. The challenge was found to be associated with lack of clear structures and this supports a study by Anderson et al. (2004) which found that the less formal ROSCAs were found to have more conflicts than the more formal ROSCAs, because the loose structure allows more negotiations e.g. on who should get the pot and when. Similarly, Anderson and Baland (2002) found that jealousy and rivalries also come up in ethnically homogeneous groups.

4.5.2 Challenges influencing effective participation of men and women in informal finance groups

The findings revealed that men and women in informal finance groups experienced three main challenges namely: low income, gender roles and gender relations. The challenges are tabulated with poverty being the most felt with a frequency of 76 followed by gender roles at 55 while the least felt challenge was unequal gender relations at 51 as shown in table 4.11.
Table 4.11: Challenges influencing effective contribution of men and women in informal finance group (Multiple responses)

<table>
<thead>
<tr>
<th>Challenges</th>
<th>ROSCAS M</th>
<th>ROSCAS W</th>
<th>ASCAS M</th>
<th>ASCAS W</th>
<th>Welfare M</th>
<th>Welfare W</th>
<th>Investment M</th>
<th>Investment W</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low income</td>
<td>12</td>
<td>21</td>
<td>5</td>
<td>5</td>
<td>13</td>
<td>11</td>
<td>6</td>
<td>3</td>
<td>76 (90%)</td>
</tr>
<tr>
<td>Burdensome gender roles</td>
<td>5</td>
<td>22</td>
<td>2</td>
<td>4</td>
<td>7</td>
<td>11</td>
<td>2</td>
<td>2</td>
<td>55 (65%)</td>
</tr>
<tr>
<td>Unequal gender relations</td>
<td>6</td>
<td>20</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>10</td>
<td>1</td>
<td>2</td>
<td>51 (61%)</td>
</tr>
</tbody>
</table>

Further analysis revealed specific issues surrounding man and women and each informal finance group’s categories as discussed:

a) Low income

Low income was raised as a major challenge by 76 members comprising 40 women and 36 men from all the informal finance groups with a frequency of above 70% in all categories of informal finance groups. Further data analysis revealed that poverty was more dominant amongst women (53%) compared to men (47%). The FGDs revealed that this was associated with low economic status of men and women resulting into lack of money for contributions and delayed payments. During the interviews, the elders reported high levels of poverty as a result of irregular and unpredictable sources of income with the majority not able to provide enough to sustain daily needs for their families. This was confirmed by the Chief who confirmed that most of the men and women living in the study area often earned less than KES 100 a day. This affected the regular contributions of members to the informal finance groups. As noted from one of the respondents in a focus group discussion:
“I have not paid two months’ contribution because I have not been able to raise any income.”

This was also confirmed by the chairperson of one group who asserted that:

“When we formed this group, we were contributing KES 100 per month but in the course of time some members withdrew due to the fact that they could not get KES 100 per month for contribution. When we realized that the group was almost collapsing due to members’ withdrawal, we agreed to reduce the members’ group contribution to KES 50 so that we could retain and accommodate more people.”

The findings support the findings by Karlan et al. (2004) that poor people have multiple demands on their scant resources. As such, they normally save for specific time and purposes mainly in situations that motivate them to save more. Study reveals that poor people prefer small and regular contributions that are collected regularly (if possible) at their doorstep.

b) Burdensome gender roles

This was explained as the multitude gender roles and responsibilities assigned to women in the family and the community. The FGDs revealed that this influenced the attendance of group meetings and contributions. The findings were reported by 64 members comprising of 37 women and 27 men. It was mostly reported in ROSCAs and welfare groups with 75% confirming. Further data analysis revealed that it was mostly reported by women (71%) compared to men (29%) because as it was found, women were overburdened in relation to roles and responsibilities they
undertake at the family and community levels. As one of the women ROSCAs member reported during an FGD:

“I am not able to attend all the meetings especially if the meetings are organized very late in the evening because I am expected to be at home preparing supper for my family.”

In relation to contributions, it was found that most of the women in Gachagi informal settlement earned little amount of money. As discussed earlier in this report, most of women (54%) earned less than KES 3,000 which was irregular and was shared between household needs and group contributions, which sometimes resulted into delayed group contributions. The FGDs further revealed that this was common among women because most of them were mainly engaged in reproductive rather productive gender roles. The findings support United Nations (2013) report that women in developing regions are more likely than men to work as contributing family workers on small scale farms or other family business enterprises with little or no financial security and social benefits

c) Unequal gender relations

Unequal gender relations was explained as the unequal gender power relations between men and women in the family and society which influences group membership, savings, contributions, loans repayment and meeting attendance. It is associated with who has access and control of resources in the society which influences the decision making process in the society. This challenge predominantly affected women as reported by 57%, a fact that could be attributed to the subordinate position they occupy in the society (Kanyi & Kimani, 2014).
this study the level of women’s subordination to men was found to have pushed the women to have joined the informal finance groups, secretly without their husbands’ knowledge. This further affected the regularity of their contributions in that they were unable to make their contributions on time since they relied on their husbands for financial support. As one woman reported in an FGD that:

“I joined the group secretly without my husband’s knowledge because he hates the groups and social connections associated with groups therefore I do not attend meetings when he is off duty.”

Another woman in an FGD lamented that:

“I have not made my contribution because my husband denied me money given that I economically depend on him.”

Unequal gender relations as a challenge was mostly felt by 51% of ROSCAs members, whose majority were women, compared to other group categories. The findings revealed that women were largely economically dependent on men. As discussed earlier in this report, majority of the women (54%) earned less than KES 3,000 compared to men (46%). It was found that women had limited access to family resources and this directly influenced their remittances of group contribution. The findings support United Nations (2013) report that increasing women’s decision-making power is not limited to their role in parliaments. Whether it is in the public or private sphere, women continue to be denied opportunities to participate in decisions that affect their lives. The suppression of women’s voices in many spheres, whether deliberate or resulting from long standing discriminatory, social political and cultural norms, contributes to persistence of gender inequality.
4.6 Strategies to Enhance Saving for the Men and Women in the Informal Finance Groups

The fourth objective of the study was to identify the strategies to scale up savings for the men and women in the informal finance groups. Data analysis revealed that there were four identified strategies with capacity building being the most suggested while integrating informal finance groups into financial institutions had the least frequency, as shown in Table 4.12.

Table 4.12: Measures that can be employed to improve men and women savings (Multiple responses)

<table>
<thead>
<tr>
<th>Measures</th>
<th>ROSCAs</th>
<th>ASCAs</th>
<th>Welfare</th>
<th>Investment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity building of informal finance group members</td>
<td>11 M  23 W</td>
<td>7 M  5 W</td>
<td>12 M  9 W</td>
<td>8 M  2 W</td>
<td>77</td>
</tr>
<tr>
<td>Mechanisms to enforce group registration</td>
<td>13 M  12 W</td>
<td>7 M  4 W</td>
<td>11 M  6 W</td>
<td>9 M  2 W</td>
<td>64</td>
</tr>
<tr>
<td>Government policies on financial accessibility for the poor</td>
<td>12 M  11 W</td>
<td>5 M  3 W</td>
<td>11 M  5 W</td>
<td>5 M  1 W</td>
<td>53</td>
</tr>
<tr>
<td>Integrating informal groups into financial sector</td>
<td>6 M  10 W</td>
<td>4 M  4 W</td>
<td>3 M  8 W</td>
<td>3 M  3 W</td>
<td>41</td>
</tr>
</tbody>
</table>

The four identified strategies were suggested across the four categories of informal finance groups from Gachagi informal settlement area.
4.6.1 Capacity building of informal finance group members

Capacity building of informal finance group members as a strategy was predominantly suggested by women and men from the four informal finance groups. Capacity building as suggested by the respondents was to be in form of training through workshops and seminars. It was found that men and women felt that training should focus on resource mobilization, empowerment, leadership, financial management and simple book keeping skills. Justifying the need for capacity building, a welfare group member in an FGD had this to say:

“There is poor management in the group since most of our leaders lack skills in management i.e. financial and group management therefore hindering group development.”

This was echoed by a woman respondent in an FGD who said:

“Some of the group members are not aware of the group operations and the benefits accruing from it. As such, there is a need to train all the members to ensure that they are conversant with their financial records and the benefits accruing from the groups.”

The same was confirmed by the DSSO in an interview when she reported that:

“As an agent in the Department of Social Services, we endeavor to link groups with formal financial institutions for financial advice and training. We also link the groups with micro-finance institutions for financial benefits and assistance.”

Key informants particularly felt that the training would help to improve record and book keeping and group leadership. This was in line with the findings by Akinrinola & Mafiisebi (2009), who reported that one way of improving informal
finance groups is through re-enforcing and capacity building. Since the low income earners are credit constrained, a well funded informal credit institution with good management practices will provide the needed fund for the poor to embark on sustainable income generating ventures and adequate training would trigger entrepreneurship spirit and effective management.

4.6.2 Mechanisms to enforce group registration

As discussed earlier in this report, 64% of groups were not registered even though it is a government requirement through the Department of Social Services. The FGDs revealed that a significant number (64) of members comprising 40 men and 24 women from the four categories of informal finance groups (as shown in table 4.12) recommended that the national and county governments should come up with some mechanisms for enforcing group registration. Enforcing group registration mechanisms was mostly suggested by ASCAs and investment groups with 92% each, The ASCAs suggested penalties/ fines while the investment group suggested stringent rules and measures to be formulated to enforce group registration. During FGDs, it was revealed that majority of men at 63% recommended this strategy because they feared losing their money and men are difficult to trust. The key informants specifically reported that this would enhance financial security and facilitate a close working relationship with the members and formal institutions like banks and micro finance institutions. This was supported by the Chief in an interview who had this to say:

“All the informal finance groups should be registered with the Department of Social Services in order to enhance security of its funds, however, very
few are registered therefore the need for stringent measures from the county governments to enforce registration.”

The same was echoed by the DSSO in an interview who lamented that the government needs to impose stringent penalty for those groups which are not registered. She had this to say:

“*We also raise awareness among groups to register with our department in order to reduce cases of fraud and loss of money to unscrupulous members who join groups with the sole aim of leaving once they receive a loan or the pot. However, most of the groups do not register thus the need for a fine/penalty to enforce registration.*”

Based on the FGDs, it was found that the importance of group registration is to ensure that the group is licensed and regulated by the government to enhance financial security. Supporting the need for this strategy, one secretary from a ROSCA in an interview had this to say:

“*Our contributions are very unsafe and insecure because we do not have formal structures or laws to guarantee security on the group contributions and savings. It is like the national and county governments have closed their eyes on these mechanisms while we continue losing money.*”

It was found that registration would also help to get detailed background information of the group members therefore reducing cases of fraud and dishonesty within the group. These results concurred with the report by FinAccess, (2009) which revealed that although welfare groups are referred to as ‘informal groups,’ 46% have a certificate of registration which would normally be with the Ministry of Culture and Social Services and is necessary in order to hold a bank account.
4.6.3 Formulation of government policies on financial accessibility to the poor

The findings revealed that 53 members comprising 33 men and 20 women suggested that the national and county governments should formulate policies meant to enhance financial accessibility for all. During FGDs, they suggested that the financial policies should be focused on ensuring financial institutions adopt flexible financial rules, offer low interest rates on loans borrowed, reduce the minimum amount to be borrowed as a loan to accommodate the financial needs of the poor and minimize the bureaucracy which is characteristic of financial institutions. They observed that these policies would bring about institutional financial reforms needed to enhance financial accessibility for the poor. To enhance their savings; specifically, women and men who favored this strategy suggested that financial policies should be focused on improving financial security of the poor by regulating informal finance groups through an Act of Parliament in relation to how they are operated or a by-law at the county level to oversee their operations. About 50% of those who suggested this strategy were emphatic that it should be tailored towards financial accessibility for the poor and illiterate in the society. This analysis further revealed that the strategy was more supported by men (62%) compared to women (38%). During the FGDs, men and women revealed that they wished the government would use these informal finance groups to lender financial assistance to the poor. To support this strategy, the chairperson of one ROSCA had this to say during an interview:

“During these days of hard economic times, county and national governments need to come up with policies which will ensure financial
accessibility and inclusion for the poor especially those living in informal settlement areas because they are usually excluded.

The Chief confirmed the need for this strategy when he asserted that:

“In the 21st century, there is a need to undertake institutional financial reforms which are inclusive and flexible enough to accommodate the poor especially those living in informal settlement areas; otherwise, the gap between the rich and the poor will continue being wide and the government will never achieve Vision 2030.”

The same was supported by the DSSO who had this to say:

“There is a need to change the way we do things in relation to financial activities such as the requirements for loan disbursement, interest rates, minimum and maximum amount to be disbursed, accessibility and flexibility of financial institutions to the poor, inclusiveness of financial services, and other stringent requirements which hinder the poor from accessing formal financial services and thus hindering them from meeting their financial needs.”

These findings are in line with Akinrinola & Mafiisebi (2009) which stated that any policy or intervention approach that leads to increase in income, vis-a-vis savings for the poor especially those living in informal settlements has greater propensity to reduce poverty scale and dwarf the inequality gap.

4.6.4 Integrating informal groups into formal financial sector

Integrating informal finance groups into financial sector was another strategy which was suggested by 41 members out of which 61% were women while 39%
were men. It was mostly suggested by ASCAs group members at 67%. The study found that this strategy could be achieved through collaborating and linking the groups with formal finance providers such as banks and micro finance institutions. The men and women who specifically suggested this strategy revealed that they would like to see the banks and micro finance institutions working more closely with informal finance groups to reach out to the poor. This as explained by the group officials would help in safe keeping of the groups fund and other financial benefits. The respondents who cited this as a strategy disclosed that the flexibility, negotiability and social networking found in informal finance groups could be integrated in other financial institutions to reach out to the poor especially those living in informal settlement areas. Justifying the need for this strategy, the DSSO in an interview who had this to say:

“I wish there was a link or collaboration between the formal financial institutions and the informal finance groups aimed at benefiting both formal and informal equally. In this scenario, the formal institutions can benefit from the flexibility, negotiability and accessibility of the informal finance groups while the informal groups would benefit from the financial security and stability of the formal institutions in meeting the financial needs of their clients.”

As it was noted by Aryeetey (1994) that, it is possible to link the advantages of both formal and informal segments to overcome the gaps in the financial markets. The linkage between the formal and informal financial linkage was also suggested by Seibel (2007), who observed that commercial banks for example may provide on-lending facilities to informal lenders. Banks may link up with the informal
groups which will distribute or collect funds, or act as a guarantor for credit security through collective ownership or peer monitoring (Seibel, 2007).
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter entails a summary of findings from the responses on the Focus Group Discussions (FGDs) with men and women members in informal finance groups and interviews with informal finance groups’ officials, elders, the Chief from Gachagi informal settlement area and Divisional Social Services Officer (DSSO) in regard to the study objectives; conclusion of the findings; recommendations for policy action based on the outcome of the study and suggestions for further studies.

5.2 Summary of the Study Findings

The main goal of the study was to critically scrutinize the status of men and women’s savings in the informal finance groups in Gachagi informal settlement area in Thika Sub-County, Kenya.

The first objective was to establish the operations of informal finance groups where eight major operations were established; the most common being group regular contribution and loan disbursement to group members. Other operations included group meetings, using a constitution as an operational guide, actualization of group registration, selecting group officials, safe keeping of money and keeping of financial records. It was found that the level of formality in the group determined the type of operations exhibited by the group with the most formalized groups depicting election of group officials, having a written constitution, operating a bank account, keeping books of accounts and having been registered...
with the government through the Department of Social Services. On the other hand, less formalized groups depicted appointment of leaders, operating a safe box, keeping a pass book for registering members’ savings and loans, irregular meetings, unwritten constitutions and lack of registration with the Department of Social Services.

For the second objective which was to identify the reasons for joining informal finance groups, the study established that the main motives of joining the groups were to save money, inculcation of saving discipline, access to savings and loans as well as enjoyment of social networking with friends and other community members. Analysis of the reasons for joining specific categories of groups differed in that for ROSCAs it was mainly inculcation of saving discipline, for ASCAs it was easy access to savings and loans, for welfare groups it was catering for the urgent financial needs while for investment groups it was investing in income generating projects.

The study identified two categories of challenges that affected the group’s operation which included poor governance of the group, low attendance of group meetings, members’ conflict, defaulting by members, poor book keeping, poor group leadership and lack of clear structures to control the informal finance groups. On the other hand there were those challenges that affected the members’ participation in the groups. These included low income, burdensome gender roles, unequal gender relations between men and women. Of particular interest was the finding that low income affected both men and women equally while burdensome gender roles and unequal gender relations affected women more compared to men.
The strategies that the study identified so as to enhance savings for the men and women, in the four categories of informal finance groups included capacity building for officials and group members particularly on financial management, group management, leadership and bookkeeping skills. Additional strategies suggested were mechanisms to enforce group registration, government policies on financial inclusion and accessibility for the poor and integrating informal groups into financial sector.

5.3 Conclusions

In as far as the status of men and women saving’s in informal finance groups is concerned the study found that the main avenues for savings are; Rotating Savings and Credit Associations (ROSCAs), Accumulating Savings and Credit Associations (ASCAs), Investment Groups (IG) and Welfare Groups (WG). Men and women in the area of study had varied reasons for joining the informal finance groups which included saving money, to inculcating saving discipline and to have easy access to their savings and loans. Additionally, across the four categories of informal finance groups, there are critical features guiding their operations mainly regular group contribution, selection of group officials and holding group meetings among others. However, there are challenges that make informal finance groups not function effectively especially poor governance, low attendance of group meetings and payment default among others not to mention low income, burdensome gender roles as well as unequal gender relations.
5.4 Recommendations of the Study

Arising from the study findings and conclusions, three levels of recommendations were identified bearing on:

i. Expected actions to address the challenges identified.

ii. Policies to improve the status of men and women’s savings.

iii. Areas of further research.

1) Strategies recommended for addressing the challenges identified

a) The Department of Social Services and formal financial providers should undertake awareness campaigns on:

i. Safe keeping of money through formal financial institutions.

ii. Benefits accrued through the use of formal financial institutions including accumulated interest earned on money saved.

iii. The importance of group registration, group constitution and group bank accounts with formal financial institutions.

iv. The fact that the pot given does not earn interest to the members but it is members’ money going round.

v. The need and importance of informal finance groups to operate bank accounts with specific formal financial institutions and microfinance institutions with facilities designed for the people with low income.

b) The government, through the Department of Social Services and formal financial institutions should provide capacity building trainings on effective group leadership, simple record keeping and financial management skills.
c) The county government of Kiambu in collaboration with local organizations through the guidance of gender experts should develop training programmes on issues of gender balance with emphasis on practical gender needs of women which limits their benefits from the groups.

2) **Recommended policies for enhancing men and women savings**

a) This study has revealed that the informal finance groups have some benefits to men and women who do not have regular and high income to join formal financial institutions therefore County governments should formulate a policy to make group officials accountable by ensuring mandatory group constitution, registration and operation of bank accounts as conditions for all the groups to promote group formalization. Once these conditions are put in place, more men and women especially the poor will be encouraged to join and access financial services through informal finance groups.

b) The county governments should come up with policies or by-laws designed to regulate the financial activities of informal finance groups to enhance financial security for the poor.

c) The County government of Kiambu should consider establishing income generating activities to make sure that the poor with irregular sources of income get regular income to sustain their livelihoods.
3. Areas for further research

a) Another study should be undertaken focusing on gender differences in saving and accessing credit from formal finance institutions among residents of Gachagi informal settlement area in Thika Sub-County, Kenya.

b) A comparative study on status of men and women accessibility to informal and formal credit in Gachagi informal settlements in Thika Sub-County, Kenya.

c) A study is carried out to determine the utilization of credit by both men and women from informal settlement areas in Thika Sub-County.
REFERENCES


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APPENDIX 1

FOCUS GROUP DISCUSSION GUIDE FOR MEN AND WOMEN IN INFORMAL FINANCE GROUPS

My name is Judy W. Mwangi. I am a Post graduate student of Kenyatta University doing research on Status of Men and Women Saving in the Informal Finance Groups in Gachagi Informal Settlement Area- Thika Town Constituency.

This study is for academic purposes only. Kindly respond to the questions appropriately. Your honesty and cooperation in responding to these questions will be highly appreciated and will be treated with utmost confidentiality.

1. Name of group and category
2. number of members
3. When the group Started
4. Group objectives
5. Background information (to be discussed with individual members separately before the group discussion):
   i. Gender of members
   ii. Age of members
   iii. marital status of members
   iv. Economic Status
   v. Level of education
6. Operations of informal finance groups (probe for day to day operations, meetings, contributions selection of officials).
7. Factors for joining informal finance groups (probe on the basis of gender and for each category of informal finance group).
8. Challenges influencing participation of men and women in informal finance groups (*Probe for those specific to men and women and different categories of informal finance group*).

9. Challenges affecting the operations of informal finance groups (*Probe for those specific to men and women groups and different categories of informal finance group*).

10. Strategies to address the challenges and improve the operations of informal finance groups (*probe those preferred by men and women and in different categories of informal finance groups*).
APPENDIX 2

INTERVIEW SCHEDULE FOR THE KEY INFORMANTS

1) Position held: DSSO □ Chief □ Elder □ Group Chair Person
   Group Secretary □ Group Treasurer □

2) How are the members of informal finance groups distributed in terms of gender
   from Gachagi informal settlement area?

3) How are the members of informal finance groups distributed in terms of age
   from Gachagi informal settlement area?

4) How are the members of informal finance groups distributed in terms of marital
   status from Gachagi informal settlement area?

5) What is the economic status of men and women from Gachagi informal
   settlement?

6) What is the education level of men and women from Gachagi informal
   settlement?

7) What are the operations of informal finance groups from Gachagi informal
   settlement area?

9) What services do the informal finance groups offer to men and women in
   informal settlement areas?

10) What benefits do men and women get from informal finance groups?

11) In your opinion, what challenges do men and women in informal settlement
    areas encounter in the informal finance groups?

12) How best can the challenges stated in 5 above be addressed?

13) Who else do you think should be engaged in addressing the challenges in the 5
    above and how?
14) In your opinion, which informal finance group is the best in meeting the financial demands of its members?

15) In your position have you been used to resolve conflict in informal finance groups and what was the source of the conflict?

16) What is the nature of the conflict in informal finance groups?

17) Which strategies should be put in place in order to improve savings for men and women in informal settlement areas by who and how?

18) What should be done in order to encourage men and women in informal settlement areas to embrace formal financial institutions?
APPENDIX 3

OBSERVATION CHECKLIST

1. Number of the people attending the group meeting:
   male_______female______.

2. Agenda for informal finance group meeting.

3. Participation during meetings and FGD sessions:
   male_______female______.

4. Space and condition of facilities at the meeting venues.

5. Evidence of group constitution

6. Evidence of group minutes of group meeting held

7. Evidence of pass book for recording group financial activities.

8. Evidence of money box for keeping group contribution

9. Members’ mood, attitude and perceptions towards the informal finance groups.

10. Members’ benefits from informal finance groups.

11. Competence level in the management of group dynamics
APPENDIX 4

A MAP OF THIKA TOWN CONSTITUENCY SHOWING GACHAGI INFORMAL SETTLEMENT AREA
APPENDIX 5

RESEARCH PERMIT

APPENDIX 5

NATIONAL COUNCIL OF SCIENCE AND TECHNOLOGY RESEARCH PERMIT

This is to certify that:
MS. MIWANGI JUDY WAMBUI of KENYATTA UNIVERSITY, 342-10
THIKA, has been permitted to conduct research in KIAMBU County

on the topic: STATUS OF MEN AND WOMEN SAVING IN THE INFORMAL FINANCE GROUPS IN GACHAGI INFORMAL SETTLEMENT AREA - THIKA TOWN CONSTITUENCY, KIAMBU COUNTY, KENYA.

for the period ending:
15th September, 2014

Applicant's Signature

Secretary
National Commission for Science, Technology & Innovation

CONDITIONS:

1. You must report to the County Commissioner and the County Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit.

2. Government Officers will not be interviewed without prior appointment.

3. No questionnaire will be used unless it has been approved.

4. Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.

5. You are required to submit at least two(2) hard copies and one(1) soft copy of your final report.

6. The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice.

RESEARCH CLEARANCE PERMIT

Serial No. A 2368

CONDITIONS: see back page