Operations of informal finance groups in Gachagi informal settlement in Thika Sub-County, Kenya

Mwangi Judy, Kimani Elishiba

Abstract

Studies indicate that most people living in the informal settlements are usually poor and financially excluded. As such, they tend to rely on informal finance groups for their financial demands. Given that there exist several informal finance groups and for different purposes, this study sought to find out the salient features of informal finance groups. The study was conducted in an informal settlement, namely Gachagi in Thika Sub-County, Kenya. The study adopted a qualitative descriptive design, and was guided by behavioral life cycle hypothesis 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 men and women members of the selected informal finance groups including group officials. Study key informants included the Divisional Social Services Officer (DSSO), the Chief and two elders from the informal settlement. Data collection tools were Focus Group Discussion guides for men and women in informal finance groups and interview guides for key informants. Data collected was cross-tabulated for qualitative analysis. Findings revealed that the major group operations were regular contributions, 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.

Keywords: Operations, Informal finance groups, Informal settlement, Gachagi, Thika, Kenya.