WOMEN COLLECTIVE ACTIONS AND PERFORMANCE OF THEIR INFORMAL GROUPS: ANALYSIS OF ROTATING SAVINGS AND CREDIT ASSOCIATIONS IN MUTHARA DIVISION, KENYA

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DECLARATION

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This thesis is my original work and has not been presented for a degree or award in any other university.

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DEDICATION
This work is dedicated to my beloved husband Dr. Ibuathu Charles Njati who has been a
core of inspiration and support. To my children; Nelson Mutethia, Sheila Muthoni and
Maxwell Munene, aim higher than mum and dad.
ACKNOWLEDGEMENT

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OPERATIONAL DEFINITIONS OF TERMS

**Chamas:**  
Kiswahili word for women groups who participate in organised activities in order to generate some income for livelihood.

**Collective action:**  
Behavior of ROSCA members to coordinate their actions together.

**Family needs:**  
These are basic needs of a family which include housing, cloths, food stuffs, education and medical care.

**Income generation:**  
Ways and means of undertaking a commercial activity of monetary value addition to ROSCA members such as engaging in tree nurseries.

**Informal groups:**  
These are groups whose operations are not formalized but work in an open environment for few hours once a week to generate some come through agreed personal contributions.

**Performance:**  
This is a ROSCA work output in terms of socio-economic benefits and achievements accrued to members as a result of their contributions to the *chama*.

**‘Pot’:**  
Describes the amount of money contributed by members that is given to a ROSCA member during each sitting as agreed by the group.

**Social assistance:**  
Assistance provided to a ROSCA member by the group members in the time of need. Such assistance includes catering services during burial or wedding party.

**Social duties:**  
Collective group responsibilities carried out by ROSCA members towards a fellow member or participating in group activity.

**Social protection:**  
Consists of ROSCA policies and programs designed to reduce poverty and vulnerability thus enhancing ROSCA members’ capacity to manage economic and social risks such as unemployment, sickness and exclusion.
ABBREVIATIONS AND ACRONYMS

ASCAS: Accumulating Saving and Credit Associations.
IFI: Formal Financial Institution.
FFI: Informal Financial Institution.
ROSCAs: Rotational Savings and Credit Associations. These are informal groups.
SPSS: Statistical Package for Social Science
WG: Welfare Groups
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ABSTRACT

This study examined Rotating Savings and Credit Associations’ (ROSCAs) socio-economic benefits to members who overcame the collective action challenges to significantly achieve ROSCA goals in Muthara Division Meru County, Kenya. The study objectives were to outline factors influencing women membership into ROSCAs; assess social economic benefits of ROSCAs that improve economic performance of women participants; determine opportunities and challenges affecting performance of ROSCAs and establish the influence of management practices on performance of ROSCAs in Muthara division of Meru County. The study adopted a descriptive design and was done in Muthara Division of Meru County. The target population was 7619 ROSCA members from 176 registered ROSCAs. ROSCA groups were stratified into four categories and stratified random sampling technique was used to select 18 groups which had been in existence for more than two years. Using Cochran’s correction formula, 171 respondents were selected from 18 ROSCAs using stratified random sampling method to participate in the study. Questionnaires were administered to ROSCA members while interview schedules were administered to ROSCA officials and registrar of social welfare groups in Muthara Division. The coded data was analysed using a programme developed by Statistical Package for Social Science (SPSS). The analysis of study findings supported the conclusions that: Providing timely feedback to members influenced economic performance of groups; Women joined ROSCAs to accumulate income to cater for their family needs in education, medical and other emergencies. ROSCAs are platforms for initiating group projects like chicken rearing, outside catering, renting out utensils to organised ceremonies. There was a good ROSCAs management and performance like organised group’s financial records, meeting attendance registers and ‘pot’ receiving records. Chi square model established a positive association between ROSCA management practices and its performance However, ROSCAs rarely consulted registrar of social services about investment projects in their locality. ROSCAs faced various challenges including failure by members to honour their obligations like paying group subscription fees hence a need to improve the management of ROSCAs. The study recommends that: ROSCAs adopt technologies of using M-pesa, M-Shwari, and Airtel money among others to make it convenient to save ones income; ROSCAs have links to banks to have a strong capital base; ROSCAs work closer with both County and national government departments on training of ROSCA members by organizing seminars and workshops on prudent management of funds and ways of exploiting unexploited business ventures. Finally, the study recommends that future researches be carried out on the following: first, a cost benefits analysis on socio-economic benefits enjoyed by ROSCAs members in urban versus rural areas. Secondly, a comparative study on prudent ROSCA management skills and techniques in urban and extensive rural areas where there is diversity in membership.
CHAPTER ONE
1.0 INTRODUCTION

1.1 Background to the Problem
Credit shortage in many developing countries has been the subject of debate in the economic development literature (Fadiga and Fadiga, 2003). In Sub-Saharan Africa, many economies have deteriorated over time severely affecting the emergence of strong formal financial institutions (FFI). The FFI that emerged during the colonial period grew to include central banks, commercial, saving banks, and insurance companies. These institutions however, were not well suited to service the needs of the poor for several reasons. First, they were less accessible to the poor because they required collateral, and secondly, they did not recognize the importance of household savings as they required some literacy and credit history (Fadiga and Fadiga, 2003). Based on these facts, banks were often reluctant to finance small projects such as micro-enterprises and were less likely to offer credit to low-income clientele. This offered a tremendous opportunity for Informal Financial Institutions (IFI) to fill the demand for credit in many countries.

Dupas and Jonathan (2013) note that credit is essential for the poor as they cannot save big amounts of money on their own to start business or to invest in fixed assets and therefore need access to credit. Credit can help smooth consumption for those who face financial difficulties in business. In addition to this, credit facilitates are essential to meet sudden needs such as sickness or unusual events such as accidents. Thus, availability of soft credit can increase ability of the poor to increase income by investing in business. Poverty has several consequences one of which is financial exclusion. According to Rutherford (2000) the poor are considered risky clients by conventional banks because they neither have financial collateral to offer to bank as security nor credit history or certain income sources. Hence, they are unable to access funds in order to meet their financial needs. Development planners and economists believe that the FFI perform better than IFI in channeling funds to sectors and target groups in the rural economy in conjunction with the private sector, hence, stimulating economic activities and growth of nations (Olalekan, 2010). However, policy makers acknowledge the fact that majority of rural households rely on IFI for their daily financial needs.

According to Adebajo (2010) income generation improves economic sustainability and reduces poverty level of a society as increased income attracts development. IFI like Rotating Savings and Credit Associations (ROSCAs) and Accumulating Saving and Credit Associations (ASCAS) are seen as positively impacting on the lives of the people because of their
flexibility, accessibility and especially the recognition of each person’s capability to contribute to the ‘pot’.

ROSCAs constitute one of the most common forms of IFI in the world, and particularly in Africa. In Kenya, ROSCAs are commonly known as chamas, this term is widely used to refer mainly to women groups in Kenya. Studies have revealed exceptionally high participation rates in these associations beginning with the work of Ardener (1964). In this regard, many studies have shown that ROSCAs are predominantly found amongst the lower income population, mostly in developing countries. However, Eroglu (2010) discovered a different dimension in regards to participation by group members and income in Turkey; where these groups are found more amongst the middle class members of the population. Moreover, Siganga (2013) observed that constant and individualistic drive for wealth, education and a heightened social class means that those who do not have the means to compete are often left behind and may be forgotten. This author found out that Bahari Women’s group has a collective and long term purpose that encourages them to save and plan for the future. They utilise their available resources using the funds of the group as the tool for productivity and advancement. Through their group activities, they are able to make an impact on the community, and positively affect the lives of various stakeholders. On the other hand, Vakhana Vatecho group find solace in solidarity, and maintain that it is important to build family relationships as well as to learn and pass on their cultural backgrounds and traditions. The support they offer each other through their non-financial welfare based activities suggest the reason that they are able to remain strong. (ibid)

In ROSCAs, a number of people form a group and contribute equal amounts on regular basis to a fund known as ‘pot’, which is usually given to one or more members on each occasion, until everyone in the group has received the ‘pot’ in turn (Johnson and Sharma 2004). Group members are often linked together informally and tend to include families, friends, and social networks based on common bonds, such as tribe, professional groups, neighborhood, or age (Endeley and Thompson 2007).

According to Anderson and Baland (2009) a substantial variation exists among ROSCAs. This is in regard to frequency of the meetings, the amount of contributions, the number of members and the way the order of the winners is determined. According to Fadiga and Fadiga (2003), members cooperate to provide collective benefits that each participant receives in turn. Thus, a participant may become a lender or a borrower during the cycle depending on at which stage
he or she takes the ‘pot’. These sources of credit are usually not regulated and operate independently of governmental controls.

One plausible suggestion might be that, even within a developed economy with FFI, certain households, such as those with low incomes, major face credit constrain due to the absence of collateral. Basu (2008) points out that ROSCAs are widespread across developing countries and often survive in environments with poor contracting and limited or nonexistent formal banking. The existence of ROSCAs is thereby explained by identifying different ways in which such institutions mitigate these financial constraints.

ROSCAs have played a significant role in meeting the socio-economic development goals for a large segment of the rural women in Kenya (CBK, 2013). ROSCAs bring together women with common problems and aspirations and who cannot as individuals; meet certain goals effectively, if at all. By pooling their capital, labour, and other resources, members are able to carry out profitable activities, which, if undertaken by individuals, would involve greater risk and effort. It therefore implies commonality in purpose, objectives, and means of how to achieve them. ROSCAs give women social leadership through the collective strength to lobby and campaign and achieve tasks beyond the ability of a single woman. Together, women can support each other to take on new projects and ideas and make changes in their lives. Thorp and Heyer (2005) noted that groups are of fundamental importance to economic, social and political outcomes. They further pointed out that group formation among the poor has great potential for enabling the members to achieve their goals. Kariuki and Place (2006) found out that people perceive groups as important socio-economic entities that pursue different objectives in order to achieve some anticipated goals.

Poverty is heavily engendered and often tied to women’s unequal access to resources and limited participation in political and economic institutions (Atieno 2001; Endeley and Thompson 2007). Women are also considered to be a credit risk as they have no property to meet collateral requirements for loans from formal banking institutions (Endeley and Thompson 2007). Therefore, examining development strategies employed by women in accessing finances for self development remains important. Therefore, IFI provides an important route for gender-based development (Monique, Kulb & Kiiti 2013).

In a study on factors influencing performance of women owned small food business and hair dressing salon by Ammari (2015) revealed status of living houses influenced performance of
their businesses. Thus, 71.4% of women who were living in houses which were not rented generated adequate profits compared with 59.8% generated by women who were living in rented houses. This suggests that there was direct positive relationship between living in houses that were not rented and performance of women owned small enterprises in that they used proceeds from the business to pay house rent. Besides, studies by Kithae, Maganjo and Kavinda (2013) earlier found out that business training had influence on performance of small enterprises owned by women because 82.2% of women who had attended business training generated adequate profits in their enterprises compared with 52.6% generated by women who did not attend business training at all. Thus, training women groups like ROSCA members on specific business skills could result to significant performance. Moreover, study findings by Kasalu (2015) on women self help groups in Mwingi Central indicated that 75% of the group’s borrowed Uwezo Fund was used to start up a business, whereas 25% of the respondents indicated that the group utilized similar funds to boost an existing business. This was an indication that most of the SHG needed some external funding to realize some group objectives.

The Kenyan Government recognizes the potential role of chamas in development and has set aside money to assist women groups. For instance, the Women Enterprise Fund and Uwezo fund are among the kitty that the government as set aside for women development. However the acknowledgment and recognition by the government does not make a chama a truly legal entity. According to Women’s Bureau (1993) a group does not enjoy the same legal status as those of a company or a society even if it is registered. Thus, if a group is swindled, it has very limited legal options to recover its money.

The social orientation of women groups in Kenya has persisted over the years. However, with the increased cash economy, women’s need for cash income has increased and this has compelled women groups to embark on activities such as regular contributions which give them cash (Eroglu, 2010). This has seen a tremendous persistence in chamas in both urban and rural settings in Kenya. While a large percentage fail to thrive, a number of them have persisted and this study investigated the existence and survival of these ROSCAs.

1.2 Statement of the Problem
ROSCAs are popular institutions in Kenya’s rural areas where they help to provide services that the government may have failed to deliver. ROSCAs bring together individuals with common problems and aspirations and who cannot, as individuals meet certain goals
effectively. In support of this idea Siganga (2013) found out that Bahari Women’s group has a collective and long term purpose that encourages them to save and plan for the future. They utilise their available resources using the funds of the group as the tool for productivity and advancement. Through their group activities, they are able to make an impact on the community, and positively affect the lives of various stakeholders. Besides, studies by Kithae, Maganje and Kavinda (2013) earlier found out that business training had influence on performance of small enterprises owned by women because 82.2% of women who had attended business training generated adequate profits in their enterprises compared with 52.6% generated by women who did not attend business training at all.

In this regard, many ROSCAs in Muthara Division have survived for several years hence the need to analyse the underlying reasons that explain how and why the participants joined and continued to cooperate and how individuals design self-governing institutions to maximize cooperation among members as well as improve the sustainability and performance of their institutions. Moreover, the general performance of ROSCAs under review has scantly been documented in terms of enrolment, revenue growth, profitability and lending potential. It is against such a background that this study was undertaken.

1.3 General Objective
The main purpose of this study was to investigate effects of women collective actions and performance of rotating savings and credit associations (ROSCAs) in Muthara Division, Meru County.

1.3.1 Specific Study Objectives
i. To outline factors influencing women membership into ROSCAs in Muthara Division, Meru County.
ii. To assess social economic benefits of ROSCAs that improves economic performance of women participants in Muthara Division, Meru County.
iii. To determine opportunities and challenges affecting performance of ROSCAs in Muthara Division, Meru County.
iv. To establish the influence of management practices on performance of ROSCAs in Muthara Division, Meru County.

1.4 Research Questions
The study was guided by the following research questions:

i. What are the factors influencing women’s membership into ROSCAs of Muthara Division, Meru County?
ii. What are the socio-economic benefits of ROSCAs that improve economic performance of women participants of Muthara division, Meru County?

iii. What are the opportunities and challenges facing performance of ROSCAs in Muthara division, Meru County?

iv. In what ways are management practices influencing ROSCAs performance in Muthara division, Meru County?

1.5 Justification and Significance
Despite the existence of FFI, there has been a significant persistence in IFI in Kenya as a whole. This is prevalent among women who are engaged in *chamas*, and the IFI are now a prominent part of the social life of its members. In Muthara Division *chamas* play significant roles in households which consequently provide unique opportunity for its members.

Muthara Division was chosen for this study because majority of women inhabitants engaged in petty trading and farming at subsistence level which is associated with low productivity and low income. Thus, the need for more income to subsidise those acquired from other means of livelihood. Many of the women participate in ROSCAs, hence the importance of establishing their socio-economic benefits. However, the choice of both sets of locations that are economically well endowed and those from arid and semiarid lands which are economically weak fitted well into the above dichotomy with Muthara and Thubuku locations representing the first category while Buuri and Ngaremara represent the latter category.

This study limited itself to functional registered ROSCAs with the Department of Social Services in Muthara Division.

ROSCAs when well managed could consolidate its efforts together to generate income for the group’s welfare, which trickles down to individuals. Performance of the ROSCAs depend on good management practices including financial accountability, cohesion among members and the trickle down effects to the entire community who access the goods and services offered by groups. Besides, the research captured future aspects of weaknesses that need to be addressed in order to streamline activities of ROSCAs. However, ROSCAs in Kenya operate under similar circumstances and the findings are likely to be of great use to policy makers and relevant ministry planners in policy formulation related to ROSCA operations.

1.6 Scope and Limitations of the Study
Although there are many ROSCAs spread all over Meru County, the study focused on those in Muthara Division. Muthara division enjoys two different geographic zones, that is, the upper...
Muthara Division experiences tropical climate with an average annual temperature of 19.1°C and rainfall of 1,731 mm. Most precipitation is experienced in the month of November with an average of rainfall of 430mm, while the warmest month of the year is March with average temperatures of 20.7°C. July is the coldest month of the year with an average temperature of 18.1°C. The lower zone to the north has characteristics of semi-arid lands with people practicing cattle herding and crop farming; while the southern zone is part of Nyambene ranges where people grow coffee and tea besides subsistence food staffs like maize and beans (Survey of Kenya, 2013).

On the other hand, Buuri zone is semiarid and arid areas of Muthara Division bordering Isiolo Sub County to the north. The land has black cotton soils, sandy soils with rocky places and is 1,145m above sea level. It receives low amounts of rainfall averaging 600 mm annually. Most residents practice large scale rearing of cattle, goat and sheep. During the dry seasons residents move with their animals in search of green pastures and water. Besides, they practice mixed farming of beans, maize, cassava and pigeon peas on a small scale. The area has flat terrain with few hills covered by thorny bushes. It is sparsely populated with high population found around market centers at Turingwii and Ntulili that enjoy more economic activities of cattle, goat and sheep selling twice a month.

Therefore, this study targeted registered ROSCAs and the activities they engaged in. Since ROSCAs were continuously being formed and disbanded, this study delimited itself to registered ROSCAs which had operated continuously during the year 2012 and 2013. These groups provided consolidated account of their activities within the period in question. Transport limitations in the semi arid land of Ngaremara location were overcome by using motor cycle which could navigate along small paths where vehicles could not.
CHAPTER TWO
2.0 LITERATURE REVIEW AND THEORETICAL/CONCEPTUAL FRAMEWORK

2.1 Introduction
This chapter presents relevant literature, on theories and research findings about Informal Financial Institution, which formed the basis for critical analyzes of activities of Rotating Savings and Credit Association. These led to isolation of relevant literature gaps which the study fulfilled. The literature review was drawn from researched material about ROSCAs from both developed and developing countries in the following thematic areas:

Emergence of informal financial institutions, collective action and informal financial institutions, ROSCA characteristics and management practices, motives for membership enrolment into ROSCAs and socio-economic benefits of ROSCAs.

2.2 Emergence of Informal Financial Institutions
Since 1960s access to financial services from Formal Financial Institutions has been a challenge to both individuals and formal groups in Africa and the rest of developing countries in the world. Lasagni and Lollo (2011) observed that lack of access to FFI in Africa, South America and East Asian countries led to emergence of IFI such as ROSCAs, Welfare groups (WG) and ASCAs. This need was occasioned by economic factors of social protection such as accessing medical care, acquiring household goods such as plates, cups, water tanks and buying school uniform to one’s children among others.

According to Geertz (1962) as supported by Lasagni and Lollo (2011), ROSCAs represented a ladder for development that would ultimately be replaced by more formalized financial institutions as the local economy continued to develop. However, recent economic literature has provided extensive evidence that they are not just intermediate steps but also can be efficient solutions to market failures, providing unique and positive economic results. For example, economists have investigated if participation in a ROSCA increases women’s welfare. The findings show that ROSCAs enable women to deal with a wide variety of needs, including household savings and financing of economic activities (Anderson and Baland 2002; Hospes 1995). Credit shortage towards marginalized groups like rural/slum women in many developing countries has been the subject of debate in the economic development literature (Fadiga and Fadiga, 2003).

In Sub-Saharan Africa, many economies deteriorated over time affecting the emergence of strong FFI. The FFI that emerged during the colonial period grew to include central banks,
commercial, saving banks, and insurance companies. These institutions however, did not service the needs of the poor since they required collateral, and secondly, they did not recognize the importance of household savings as they required some literacy and credit history (Fadiga and Fadiga, 2003). Based on these facts, banks were often reluctant to finance small projects such as micro-enterprises and were less likely to offer credit to low-income clientele like households in rural and slum areas. This offered a tremendous opportunity for IFI to fill the demand for credit in many countries.

In addition, Klonner (2003) calls ROSCAs more efficient than formal credit market, which is hindered by information asymmetries, income uncertainty, and risk aversion. These observations were supported by Van and Chavas (1997) and Lasagni and Lollo (2011) by explaining ROSCAs’ success by context. They explained that in developing countries characterized by dense networks, people prefer the unconditional contracts offered by ROSCAs, over the conditional contract from formal credit markets. Finally, ROSCAs appear egalitarian, because distributed funds usually are spent or re-invested within the community. Thus ROSCAs succeed not only because they are more accessible but because they provide efficient borrowing, saving and social solutions.

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

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

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

ROSCAs constitute some of the most commonly found IFI in developing world. Studies have revealed exceptionally high participation rates in these associations. In these informal associations, a group of individuals, who typically live in the same community, gather for a series of meetings. At each meeting, each contributes a predetermined amount into a collective ‘pot’ which is then given to one or more members. There is substantial variation among ROSCAs as to the frequency of the meetings, the amount of the contribution, the number of members and the way the order of the winners is determined (Bouman 1975, Ardener and Burman 1995 and Anderson and Baland 2009).
Studies by Kithae, Maganjo and Kavinda (2013) found out that business training had influence on performance of small enterprises owned by women because 82.2% of women who attended requisite business training generated adequate profits in their enterprises compared with 52.6% generated by women who did not attend business training at all. Therefore, business training had influence on performance of small enterprises owned by women. Thus, training women groups like ROSCA members on specific business skills could result to significant output performance in that specific business activity like rearing dairy cows.

In a study on factors influencing performance of women owned small food business and hair dressing salon by Ammari (2015) revealed status of living houses influenced performance of their businesses. Thus, 71.4% of women who were living in houses which were not rented generated adequate profits compared with 59.8% generated by women who were living in rented houses. This suggests that there was direct positive relationship between living in houses that were not rented and performance of women owned small enterprises in that they used proceeds from the business to pay house rent.

2.4 ROSCA Characteristics and Management Practices
ROSCAs are voluntary and independent groups with their own rules, and no outside organization has control over them. Agegnehu (2012) opined that ROSCAs may differ from one another in terms of membership, monetary contributions made by individual ROSCAs and enforcing mechanism used by different groups. The Membership in a given cycle of ROSCA could range from a few members to many (Ardener, 2010). However, in supporting Ardener, Agegnehu (2012) asserts that the number of members and incentives to participate have a negative correlation. In addition (Birchall and Simmons, 2004; Jones, Jussila & Kalmi 2009) noted that the monetary value of participation and the value of their individual voice may be insignificant as the number of members increase. Members could be selected based on age, ethnic affiliation, occupation, religion or educational background or any given social tie (Sandsor, 2010).

Despite the fact that all members contribute fixed and equal amount throughout the life of a given ROSCA cycle, the advantages that members enjoy are not equal. At some point in a given cycle, all members will switch from a position of net saving to net debtor except the one who collects the ‘pot’ at the beginning of the cycle that will make her a net debtor in the whole life of the cycle. All members except the last to receive the ‘pot’ get interest free loans of
decreasing magnitude for decreasing periods, and all except the first to receive the ‘pot’ give interest free loans of increasing magnitude (Dejene, 1993 and Sandsor, 2010).

Different ROSCAs use different enforcing mechanisms depending on the base by which the ROSCA was established. If it was established based on kinship, acknowledged social relations among relatives could be used as default prevention mechanism (Anderson and Baland 2009). This shows that the relationship between members of a given ROSCA and the social setting among members is a critical factor as an enforcing mechanism. ROSCA members are usually from the same social class with similar resources, where everyone has almost the same ability in terms of income and saving capacity. Group members know about each other’s social backgrounds, their history, how they have lived and their general responsibility within the community. According to Ardener (2010), ROSCAs are usually made up of members who may be bound together by a mutually moral obligation to each other. This is usually because the members are neighbors, relatives, close friends or from a particular religious circle or ethnic background. Using this intimate knowledge of each other, they can limit participation (Eroglu, 2010).

2.5 Types of ROSCAs
According to Anderson et al. (2003) the organizational structure of ROSCAs or the allocation of ‘pots’ among participants do have a relationship with welfare, sustainability as well as enforcing mechanisms used in the institution. The authors argue that the organizational structure of ROSCA itself can be designed so as to address enforcement issues. Based on the ‘pot’ allocation system, different researchers have classified ROSCAs into random, bidding, fixed or pre-deterministic and decision ROSCAs (Sandsor, 2010). The bidding ROSCA is characterized by the allocation of ‘pots’ in a bid format. The winner of the ‘pot’ at a given period of a life cycle is determined based on bid by which the one who offers the highest bid will win. Bids could be made at the beginning for the whole life of the cycle or at the beginning of each period in the cycle. The bidding process merely establishes a priority else everyone takes the ‘pot’ only once (Sandsor, 2010; Dagnelie and Lemay-Boucher, 2008).

In a random ROSCA, members contribute a fixed amount of money into a ‘pot’ periodically and the ‘pots’ will be allocated randomly to one of the members. A lottery could be drawn to choose the ‘pot’ winner to stick with the norm of fairness in the institution (Besley et al., 1994 and Sandsor, 2010). All participants have equal opportunity of winning the ‘pot’. The winner will then be excluded from the next draw of the ‘pot’. If the life of the ROSCA continues with
another cycle, then a new random set up will be arranged. In the third type of ROSCA, fixed or pre-deterministic, the organization as well as rotation system is the same as the random ROSCAs. The only difference in this case is that the ‘pot’ allocation order will be the same as the first cycle if the life of the ROSCA will be continued (Ambec and Treich, 2003; Sandsor, 2010).

The fourth type of ROSCA is a decision ROSCA. In this arrangement the ‘pot’ allocated is based on the decision imposed by the administrative body. However, it might not be comprehensive to summarize and categorize ROSCAs merely into the four kinds identified so far because the structure and operation of ROSCAs is changing from time to time with different tendencies in different places (Dagnelie and Lemay-Boucher, 2008 and Agegnehu, 2012). Therefore this study analysed random ROSCAs which were prevalent in Muthara Division during 2014.

2.6 Motives for Membership Enrolment into ROSCAs
The idea of ROSCAs as insurance could be explained by the fact that ROSCA members do not necessarily want to take the ‘pot’ early but join ROSCAs as an insurance scheme.

While discussing about the reason for joining ROSCAs, Gugerty, (2007) as supported by Sandsor (2010) argued that ROSCAs are often presented as a substitute to insurance, particularly in developing countries where markets for insurance are underdeveloped. This interpretation applies to bidding ROSCAs, but not to a random or deterministic ROSCA, in which the allocation process not does respond to some individual specific shocks (Ambec and Treich, 2003, Gugerty 2007; Dagnelie and Lemay-Boucher, 2008; Sandsor, 2010). Moreover, members of a ROSCA generally belong to the same community and have similar occupations and sources of revenues. Thus, ROSCAs could be taken as insurance by members who have not yet received the ‘pot’ and need some money because of an emergency. However, this will only work if other members are willing and the next ‘pot’ winner is willing to let go the ‘pot’.

In addition, even if some aspect of insurance is found in ROSCAs, there is very little chance, if any of getting insurance once one receives the ‘pot’.

ROSCAs have been viewed as a means to purchase indivisible goods. Thus, Besley, Coate, and Loury (1993) suggested that members join ROSCAs because they wish to buy an indivisible 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. In this regard, Anderson et al (2002 and 2004) explain this by the ‘early ‘pot’
motive’. Everybody in the group is impatient and is hoping to get the ‘pot’ or the lump sum early during the cycle. They claim that, their findings supported the hypothesis that, members are interested in saving towards an indivisible good. In Kibera slums ROSCA members mostly save for indivisible goods like school fees and rent (Anderson et al, 2002 and 2004). This study sought to fulfill such knowledge gaps about ROSCAs in Muthara Division of Meru County, Kenya.

Moreover, ROSCAs have been viewed as commitment mechanism (Anderson et al, 2009). Under the commitment mechanisms two explanations have been put forward, the household conflict and self-commitment explanations. In these regards, ROSCAs have not been spared some conflicts within the household matters. This is because, a ROSCA is a device through which women can commit the household to save more than what the husband would like. Based on the data from Kibera in Nairobi, Anderson et al (2009) show that men prefer immediate consumption to savings. However, even if the husband preferred consumption, he could not force the wife to withdraw from the ROSCA because both were aware of the social sanctions that the ROSCA could impose on the household if the wife withdrew. Furthermore, Ning (2013) says that if ROSCAs are used as a means to put money aside from the husband, then membership would be kept secret from the husband. ROSCA meetings are usually only open to members but groups do not insist upon secrecy showing that participants are not primarily seeking to commit money against spouses.

On the concept of self-commitment, Gugerty (2007), Ambec and Treich (2007) opined that individuals join ROSCAs to cope with self-control problems. They suggested further that individuals simply could not save alone since there are just too many claims on cash. Thus, poor people appreciated mechanisms that forced them to save. They reported that many ROSCA participants argue that one could not save alone. Gugerty noted that the main reason for women joining ROSCAs was a perceived self-discipline problem.

In particular, Gugerty (2007) while arguing against the “early ‘pot’ motive” stated that if the main motive of joining ROSCAs was saving for the purchase of indivisible goods, then the person who was to win the ‘pot’ last was not better off by joining ROSCAs since he could save it alone. Thus, he would leave the ROSCA. Then, second to last person would become the last and he would decide the same thing since he would not be better off by taking the last ‘pot’. In such a way, no one would remain in the ROSCA at the end of the day. In addition, studies conducted showed that ROSCA participants favour divisible expenditures more than the
indivisible ones. For example, in Ethiopia, Aher and Zeller, (2009) conducted a study in rural Ethiopia about food security and concluded that the Ethiopian ROSCA (equb) participants used it for the purchase of divisible goods for consumption purposes.

On the other hand, Nelson (2013) opined that ROSCA’s simplicity was counterbalanced by risk and lack of flexibility. The author finger pointed the inflexible saving and credit schemes that precluded providing credit and at time that match with needs or available opportunity. Besides, those who were last in line of receiving a ‘pot’ were at risk of not receiving their payout if members defaulted before the end of a cycle. The absence of an interest rate also was deemed to generate unequal advantage as the early benefiter of the ‘pot’ got an interest-free loan whereas the late receiver saved without remuneration. In these regards the lack of returns on savings was also supposed to discourage savers. But the greatest reproach was that the fund did not grow in value as no interest was paid for the accumulated period of circulation (Allen and Panetta, 2010; Mersland, 2009; Nelson, 2013). Furthermore, Dupas and Jonathan (2013) observed that the absence of capital accumulation was approved, for the poor “need to store savings for the long run, for widowhood or old age or for their heirs”.

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

According to Adebajo(2010), ROSCAs are locally organized groups that meet at regular intervals and pool their funds together which are given in turn to one or more members as lump sum; ROSCAs often pay no interest and participants have little or no control over when they receive the funds. People might also form ROSCA in order to provide each other with insurance, particularly in a setting where formal markets for insurance are virtually non-
existent. ROSCA can therefore serve as insurance mechanism because participants can be able to access money when they need it. However, insurance mechanism can mainly be valid for the case of bidding ROSCA and not for random ROSCA. Bidding ROSCA members can time when to receive the ‘pot’ with respect to their specific financial shocks. However random ROSCAs can provide insurance to a small extent. Some flexibility is indeed provided by allowing a member in need to receive the ‘pot’ at an earlier round. In this way, ROSCAs allows changes in the order of allocation, which could be subject to agreement by either consensus of all members or by the governing body. Moreover, there are opportunities for members to change order without knowledge of the governing body or any other member.

In countries such as Taiwan with relatively well functioning credit markets, it had an estimate of 80% of adults being involved in ROSCAs (Levenson and Timothy, 1996). ROSCA-style banking mechanisms remain popular in modern Japan (Dekle and Hamada 2000 and Schreiner 2000). Chamlee-Wright (2002) wrote that in a sample in urban Zimbabwe, 76% of urban market traders participate in a ROSCA; even though 77% of these traders each had a bank account. While ROSCAs are often found in economies where formal credit markets are thin or non-existent, they are also found in more developed areas where individuals have access to formal banking institutions. For example, Polain (2014) in a study in DR Congo observed that employees of various organisations participated in ROSCAs since mainstream banks offered soft credits at high interest rates. Polain further opined that savings and credit fundpools fixed contributions which turn after a while into a credit fund for providing loans to its members. Loans are repaid according to an agreed-upon schedule plus a small fee called participation which remunerates lending activities and enables the fund to grow. Contributions saved into that fund could be recovered when a member leaves the group. Further, Polain (2014) observes that the solidarity or welfare fundpools regular but unrecoverable contributions which are used to assist members temporarily in financial need. Each group usually decides in advance the emergencies and life-cycle events that lead to a compensation from the solidarity fund. All financial operations take place during meetings in presence of all members present, hence allowing members’ control over funds management.

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

2.8 Theoretical Framework

This study was guided by two theories. These are:

2.8.1 Liberal Feminist Theory

According to Feminism movement by Wollstonecraft (1997) equality is important in all spheres of life which include social, culture and legal. As an organised movement, modern feminism rose in the nineteenth century in Europe, America and Japan in response to the inequalities that stood between legal status of women and men (Judith, 2010: Carter et al., 1997). The is rooted in liberal political philosophy, that encompasses the basic tenets of equality in human beings as essential rational and the self-interest seeking agents. The theory attributes gender based differences to variations in power and opportunity availed to men and women in society, which is the structural positions women, and men occupy in the society (Beasley, 1999). Therefore, the differences in the achievements of men and women are associated to the inability of women to meet their full potential because they are denied equal access to opportunities in the labour markets and to resources. This in turn, has prohibited women from acquiring the necessary skills and capabilities to compete on equal basis with men. According to the Liberal feminist theory, once equal access to resources is accorded gender differences in performance disappears (Judith, 2010). The theory is consistent with this study because it explains on how women are denied opportunities, which in turn affect output performances of their projects carried within ROSCA in this study.

2.8.2 Social Capital Theory

This study adopted the theory of social capital which was stipulated by Woolcock and Deepa, (2000) as the norms and networks that enable people to act collectively.

In supporting these ideas, Ansari, Gerasim and Mahdavinia (2011) defined social capital, as a community stock of social trust and norms of reciprocity embedded in social networks that facilitate collective actions. Social capital links shared values and understandings in society
that enable groups to trust each other and work together. According to Mwangi and Ouma (2012), social capital is a very important resource, especially in the rural areas. It describes those intangible substances that count most in the daily lives of people including goodwill, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit.

This theory was perceived useful for this study since individual contact with a neighbour that leads to an accumulation of social capital which may immediately satisfy one’s social needs. This leads to a social potentiality sufficient to substantial improvement of living conditions in the whole community. The level of attachment, social ties and integration is considered to be very high in the rural areas. Social capital therefore enables people to attach greater value in their family, friends and associates that facilitate collective action. The established social networks help in creating spontaneous mutual insurance mechanisms. Moser (1996), Narayan (1995) and Monique, Kulb & Kiiti (2013) established that those communities endowed with a diverse stock of social networks are in a stronger position to confront poverty and vulnerability as opposed to those without such networks. These studies observed that social capital is considered to be very dynamic among ROSCAs. Studies by Holzmann and Jorgensen (1999) and Mbamaonyeukwu (2013) point out that the poor may have a close-knit and intensive stock of “bonding” social capital. This capital could leverage to “get by” thus gain access to the available socio-economic facilities on offer. In this regard the relationships of the independent variables with dependent variable were conceived in the conceptual framework shown in figure 2.1.
2.9 Conceptual Framework

Figure 2.1A Conceptual Framework Showing Effects of ROSCAs on its’ Members

Source: Adapted from Hayami, (2009).

Figure 2.1, shows effects of ROSCAs on its’ members. These are management practices, challenges facing ROSCAs and factors influencing women into joining ROSCAs were the independent variables of the study. Their effects of manipulations were measured through operation of ROSCAs (collective action) the dependent variable. Thus, source of income such as soft credits advanced to women by their ROSCA and coming together to assist a member during times of sorrow like death, or wedding of one’s daughter or son were a source of security that influenced women into joining ROSCAs.

On the other hand, management practices by ROSCA elected officials influenced survival of these groups. These entailed record keeping of members’ periodical contributions and soft credit financial transactions; marking of attendance register and arranging duty rooster for members to attend to group project such as outside catering services. When these management practices were exercised with prudence, members could get benefit from ROSCAs. The
benefits included good savings, access to soft credits at low interest rates and building of semi-
permanent houses from monetary accrued benefits.

However, ROSCAs faced various challenges within their collective actions. These included
failure by members to repay soft credits advanced to them on time, or complete failure to pay;
demise of member with huge unpaid soft credit and persistent droughts. Persistent droughts
challenged collective operations of ROSCAs in that many members left homes with their
families to search for jobs in people’s homes away from their rural homes. This made it
impossible for them to continue participating in ROSCA. Thus, ROSCA activities,
contributions and servicing of soft credits were suspended for some time. These activities were
revisited after group members returned home after several months of group inactivity.

Hayami (2009) explains social capital as a multidimensional concept that reflects the complex
system of formal and informal organizations in any society. Community social capital is
measured through networking activities in a village which reflects the intensity of social
interactions that reduce, if not suppress, free-riding. Thus, the basic idea of “social capital” is
that one’s family, friends, and associates constitute an important asset, one that can be called
upon in a crisis, enjoyed for its own sake, and/or leveraged for material gain (Woodcock,
2000). Those communities endowed with a rich stock of social networks and civic associations
are in a good position to confront poverty and vulnerability, resolve disputes, and/or take
advantage of new opportunities.

The focus in this study was on the social capital dimensions of micro-credit groups at the
village level, in line with empirical studies that use similar measures to investigate
relationships between social capital and household expenditures as emphasized in studies by
(Narayan and Pritchett, 1997). While social capital is relational, its influence is most profound
when relationships are among heterogeneous groups. From an economic perspective, studies
conducted as part of the World Bank’s Local Level Institutions Study (Grootaert and Narayan,
2000) confirm the importance of heterogeneity in group membership. This pattern of
heterogeneity in group membership was also found in rural Tanzania, Indonesia and in rural
Bolivia. It is not simply an issue of the extent to which people are connected to others, but the
nature of those connections. Thus, Karlan (2006) observe that during group scheduled
meetings several activities occur including, loan payments, group cash contribution, issuing
new loans, training in group operations and the importance of group solidarity, and monitoring
of loan repayment by all members.
According to Lasagni and Lollo (2011) attending group meetings raises social capital because the repetition of interactions is the funding element of reciprocity among individuals. Therefore, expectations and obligations will build up and evolve together with interaction. This indicates that the higher the frequency of meetings the clearer the set of expectations and obligations between group members. In this connection, the ROSCAs of Muthara Divisions were expected to exhibit similar characteristics in managing their group activities that revolved around social capital.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter discusses the study design, area, population, sample size and sampling procedures. Further, the chapter explains research tools employed in data collection, piloting of research tools, validity and reliability measures used to perfect research tools. Finally the chapter winds up by looking at data collection procedures, qualitative and quantitative data analysis procedures and ethical issues.

3.2 Research Design
This study employed descriptive design. Descriptive design allows the researcher to collect information, summarize, present and interpret data, for the purposes of clarification (Orodho 2009). Both qualitative and quantitative data was obtained from ROSCA members, ROSCA chairpersons and registrar of social welfare groups using structured questionnaires and interview schedule for purposes of answering research questions. Data on factors influencing women into joining ROSCAs was obtained from ROSCA members and was supplemented by data collected from the ROSCA leaders. Interviews with ROSCA chairpersons and registrar of social welfare groups were conducted to obtain data on challenges facing ROSCAs.

3.3 Study Area
According to Kenyan 2009 census the total population of Muthara Division was 39,028; with 20,912 females forming the total population in 8,178 households (Table 3.1).

<table>
<thead>
<tr>
<th>Location</th>
<th>Sub location</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Household</th>
<th>Area in Sq. Km</th>
<th>Population Density</th>
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<td>Athanja</td>
<td>1960</td>
<td>2272</td>
<td>4232</td>
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<td>2170</td>
<td>3996</td>
<td>848</td>
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<td>867.7</td>
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<td>5545</td>
<td>1219</td>
<td>6.82</td>
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<td>Thubuku</td>
<td>1751</td>
<td>2164</td>
<td>3915</td>
<td>794</td>
<td>3.43</td>
<td>1140.97</td>
</tr>
<tr>
<td>Buuri</td>
<td>Lailuba</td>
<td>1837</td>
<td>2204</td>
<td>4041</td>
<td>821</td>
<td>36.03</td>
<td>112.16</td>
</tr>
<tr>
<td>Buuri</td>
<td>Lanyiru</td>
<td>1423</td>
<td>1652</td>
<td>3075</td>
<td>653</td>
<td>83.8</td>
<td>36.7</td>
</tr>
<tr>
<td>Buuri</td>
<td>Maburwa</td>
<td>1363</td>
<td>1604</td>
<td>2967</td>
<td>601</td>
<td>57.31</td>
<td>51.77</td>
</tr>
<tr>
<td>Ngaremara</td>
<td>Turingwii</td>
<td>1555</td>
<td>1646</td>
<td>3201</td>
<td>683</td>
<td>95.09</td>
<td>33.66</td>
</tr>
<tr>
<td></td>
<td></td>
<td>18116</td>
<td>20912</td>
<td>39028</td>
<td>8178</td>
<td>305.73</td>
<td></td>
</tr>
</tbody>
</table>

Source: House hold population census statistics (KNBS, 2009).

This study was carried out in Muthara Division of Tigania East Sub-County, Meru County of Kenya (Fig. 3.1: Appendix A1). Muthara Division is one of the five divisions of Tigania East Sub-County.
The other divisions are Karama, Tigania Central, Kiguchwa and Tigania East. Muthara Division borders Isiolo Sub County to the north, Karama to the east and Tigania West Sub County to the west. It covers an area of approximately 305.73 Km².

Muthara Division lies between 0°10’00”N to 0° 32’ 08”N latitudes and 37° 30’00” E to 37°50’0”E longitude, at an altitude of 1644 metres above sea level. Muthara Division experiences tropical climate with an average annual temperature of 19.1°C and rainfall of 1,731 mm. The area receives rainfall twice in a year in the months of October to December and April to June. Most precipitation is experienced in the month of November with an average of rainfall of 430mm, while the warmest month of the year is March with average temperatures of 20.7°C. July is the coldest month of the year with an average temperature of 18.1°C. The area has characteristics of semiarid lands, with people practicing cattle herding and crop farming.

Thubuku and Muthara locations have volcanic soils rich for both cash and food crop growing. The area is vastly rural, enjoying agriculture as dominant economic activity with cash crop farming of coffee and tea as well as animal rearing on a small scale around high altitude areas. This area has Likiundu, Bwathumara and Liutu springs. The place has rough terrain and covers part of lower western area of Nyambene forest where tea and coffee are grown. The residents practice subsistence farming in maize, beans, cassava, bananas, yams and poultry among others. The residents sell most of the farm produce at Muthara market which is the main trading centre in the region.

On the other hand, Buuri and Ngaremara locations are semiarid and arid zones of Muthara Division bordering Isiolo Sub County to the north. The area has black cotton soils, sandy soils with rocky places and is 1,145m above sea level. The area receives low amounts of rainfall averaging 600 mm annually. Majority of the residents practice large scale rearing of animals such as cattle, goat and sheep. During the dry seasons residents move with their animals in search of green pastures and water. In addition they practice mixed farming by growing food crops such as beans, maize, cassava and pigeon peas on a small scale. The area has flat terrain with hills covered by thorny bushes. The area is sparsely populated with high population at the market centers. Turingwii and Ntulili are the only market centers with Turingwii enjoying more economic activities of cattle, goat and sheep selling twice a month.

The choice of study area was based on the following reasons. First, Muthara Division of Meru County has experienced tremendous persistence of ROSCAs mostly managed by women. However, some of these groups have either stopped operations or have been involved into one
activity for a long time. Others were perceived to have been on and off without making any economic gains to group members. This was an indicator of underperformance characteristic among ROSCAs.

Despite these challenges faced by ROSCAs of Muthara Division, a good number of ROSCA groups were doing well. Such groups were offering outside catering services to organised functions such as weddings, and graduation ceremonies. These were examples of good performing ROSCAs to be emulated by others. It is within this background that Muthara Division was chosen as a research site for this study with the aim of examining collective action and informal financial institutions as an empirical analysis of rotating savings and credit associations (ROSCAs).

3.4 **Study Population**

The target population was the registered 176 ROSCAs with 7619 members and Divisional Registrar of social welfare groups of Muthara Division in Meru County. Thus, Muthara location had the highest number of ROSCAs (61) followed by Thubuku (52), then Buuri (39) and Ngaremara with (24) as shown in Table 3.2. This was characteristic of population density of these locations.

<table>
<thead>
<tr>
<th>Administrative location</th>
<th>Target ROSCAs</th>
<th>Target ROSCAs Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ngaremara</td>
<td>10</td>
<td>179</td>
</tr>
<tr>
<td>Buuri</td>
<td>39</td>
<td>1531</td>
</tr>
<tr>
<td>Muthara</td>
<td>75</td>
<td>3376</td>
</tr>
<tr>
<td>Thubuku</td>
<td>52</td>
<td>2533</td>
</tr>
<tr>
<td>Total</td>
<td>176</td>
<td>7619</td>
</tr>
</tbody>
</table>

*Source: Ministry of Gender and Social Services-Tigania East Sub County, 2013*

Therefore, out of 176 registered ROSCA groups of Muthara Division, Tigania East Sub County by Ministry of Gender and Social Services shown in appendix A2 (Ministry of Gender and Social Services-Tigania East Sub County, 2013) the study picked a sample of 18 active ROSCAs from this population.

3.4.1 **Sampling of ROSCA groups**

The registered ROSCAs of Muthara Division were stratified into four administrative locations of: Muthara, Thubuku, Buuri and Ngaremara. Therefore stratified random sampling technique that employed equal proportion; one group for approximately 10 groups per stratum was picked.

In total, out of 176 ROSCA groups 18 were sampled for this study as shown in Table 3.3.
Table 3.3: Sampling of ROSCA Groups

<table>
<thead>
<tr>
<th>Administrative location</th>
<th>Target ROSCAs</th>
<th>Sampled ROSCA groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ngaremara</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>Buuri</td>
<td>39</td>
<td>4</td>
</tr>
<tr>
<td>Muthara</td>
<td>75</td>
<td>8</td>
</tr>
<tr>
<td>Thubuku</td>
<td>52</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>176</strong></td>
<td><strong>18</strong></td>
</tr>
</tbody>
</table>

Source: Table 3.2

3.5 Sampling of ROSCA Members

ROSICA members were picked from the sampled ROSCAs cutting across the four locations of Muthara Division. The sample size was determined using the formula developed by Cochran (1977) for populations that are large (infinite) and of categorical data.

\[
 n_o = \frac{z^2pq}{e^2}
\]

Where \( n_o \) is the sample size, \( z^2 \) is the abscissa of the normal curve that cuts off an area at the tales (1- equals the desired confidence level, \( e \) is the desired level of precision, \( p \) is the estimated proportion of an attribute that is present in the population and \( q \) is 1-p). The present study assumed that Muthara Division has a large population of ROSCAs and do not know the variability in the proportion that did well or not in the performance of rotating savings and credit advanced to members. Since the population \( N \) of sampled 18 ROSCA members was 850, Cochran’s (1977) correction formula was used to calculate the final sample size. Taking \( p = 1 \), \( q = 1-p \) and the desired 93.3% confidence level at ± 6.7% the sample size was:

\[
 n_o = \frac{Npqz^2}{e^2(N - 1) + pqz^2}
\]

\[
 n_o = \frac{850(0.5)(0.5)(1.96)^2}{(0.067)^2(850 - 1) + (0.5)(0.5)1.96^2}
\]

\[
 n_o = \frac{816.34}{3.8111 + 0.9604}
\]

\[
 n_o = \frac{816.34}{4.771} = 171.1
\]

Therefore, a total of 171 participants were selected from membership of 18 sampled ROSCAs. The selection of participants from each group was done through simple random sampling whereby members of each group were picked in proportion to their numerical strength per membership per group as shown in appendix A 3.
Using simple random method respondents were randomly drawn. Therefore, Table 3.3 shows a total of 171 informants comprising of 20.1% who participated in the study. According to Sounder, Lewis & Thornhill (2009), simple random sampling is best used when you have an accurate and easily accessible sampling frame that lists the entire population. Indeed this was the case of ROSCAs in Muthara Division.

<table>
<thead>
<tr>
<th>Location</th>
<th>Group membership</th>
<th>Sampled respondents</th>
<th>Number of respondents who completed questionnaires</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ngaremara</td>
<td>15</td>
<td>3</td>
<td>3</td>
<td>100.0</td>
</tr>
<tr>
<td>Buuri</td>
<td>191</td>
<td>38</td>
<td>34</td>
<td>89.4</td>
</tr>
<tr>
<td>Muthara</td>
<td>392</td>
<td>79</td>
<td>71</td>
<td>89.8</td>
</tr>
<tr>
<td>Thubuku</td>
<td>252</td>
<td>51</td>
<td>47</td>
<td>92.1</td>
</tr>
<tr>
<td>Registrar of social groups</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>100.0</td>
</tr>
<tr>
<td>Totals</td>
<td>850</td>
<td>171</td>
<td>155</td>
<td>91.2</td>
</tr>
</tbody>
</table>

Source: Field work, 2015

Table 3.4 indicates that 89.8% respondents were from Muthara location; while 92.1%, 89.4% and 100% informants from Thubuku, Buuri and Ngaremara locations respectively. Consequently, out of 171 questionnaires administered only 155 were completed and returned during field work. The response rate was 90.6% as shown in Table 3.4.

3.5.1 Sampling of key informants

The ROSCAs operated under management of 5 executive leaders elected by members through secret ballot. These were chairperson, vice chairperson, secretary, assistant secretary and treasurer. The chairpersons understood the dynamics of their group’s activities and consequently the 18 officials were purposively sampled and interviewed as key informants. Therefore out of 18 sampled ROSCA chairpersons at Muthara Division, 83.3% availed themselves for the interview as presented in table 3.5.

<table>
<thead>
<tr>
<th>Location</th>
<th>Sampled ROSCAs</th>
<th>Sampled ROSCAs officials</th>
<th>ROSCAs officials who participated in the study</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Totals</td>
<td>18</td>
<td>18</td>
<td>15</td>
<td>83.3</td>
</tr>
</tbody>
</table>

Source: Field work, 2015

Another key informant was the registrar of social welfare groups in Department of the Ministry of Culture and Social Services in Muthara Division. The social welfare officer is in charge of
ROSCA registration, presides over their functions and is the linkage with government and NGO’s officers in the division. Consequently, the registrar is well informed about ROSCAs group activities.

3.6 Data Collection Tools
Two instruments were used to collect data during field work. These were:

i. Questionnaires
A questionnaire with both open and closed-ended questions was administered to members of the ROSCA’s (Appendix A4). The ROSCA member’s questionnaire sought data that was investigated on the basis of factors influencing women’s membership that improves performance in ROSCAs of Muthara division. Secondly, socio-economic benefits of ROSCAs that improves economic performance of women participation into the groups were determined. Thirdly, opportunities and challenges affecting ROSCAs performance were determined. Finally, management practices that influenced ROSCAs performance were assessed.

ii. Interview Guides
Interview guides were used on key informants (Appendix A5). Chairpersons’ interviews were based on the analysis of factors influencing women’s membership that improves performance in ROSCAs of Muthara division. Secondly, socio-economic benefits of ROSCAs that improves economic performance of women participation into the groups were determined. Thirdly, opportunities and challenges facing ROSCAs performance were determined. Finally, management practices that influenced ROSCAs performance in Muthara division, Meru County were assessed.

The registrar was interviewed on issues pertaining to ROSCA’s centering on benefits, challenges and government support policies enjoyed by these groups (Appendix A6).

iii. Photographing
The researcher used digital camera to take photographs of some sampled ROSCA groups, especially members attending meetings, and participating into group project activities (plates 1, 2 and 3.)
3.7 Pilot Study

Piloting of the study instruments was done with two ROSCA women groups of 20 participants at Akithii Division of Tigania West Sub County in Meru County to ascertain reliability of the questionnaires. This helped to correct areas of ambiguity including vague questions which were interpreted differently by respondents.

3.8 Validity

Validity is the degree to which the empirical measure or several measures of the concept, accurately measures the concept Orodho (2004:41). Furthermore, the content validity of research instruments is arrived at through expert judgment. Experts help determine content validity by defining in precise terms the domain of specific content that the test is assumed to represent and then determine how well that content universe is sampled by the test items (Gall, Borg and Gall 1996).

Specifically, validity ensured that:

1. The instruments adequately generated the required information.
2. The tools contained proper wording of questions.
3. The question items were logically arranged to facilitate responses.
4. There were no redundancies and repetitions in question items

Therefore, for purpose of verifying the internal and external validity of interview schedules and questionnaire that were used in this study, the researcher worked very closely with the principal supervisors and experts in urban and regional planning in the Department of Geography at Kenyatta University. They scrutinised through the entire instruments item per item and made suggestions where necessary in consideration of the pilot study recommendations and certified them. Further, the researcher sought views of both fellow scholars as well as those from the school of Humanities and Social Sciences post graduate students of Kenyatta University in an attempt to attain adequacy of the study instruments. Thus, their views were incorporated in the final instruments with the advice of the principal supervisors.

3.8.1 Reliability

The informants’ questionnaires’ reliability was ascertained during piloting by use of Spearman Brown prophecy formula. The 20 informants’ questionnaires were numbered in ascending order, and then divided in two folds of 10 odd and 10 even numbers. Odd numbered questionnaires were marked X while even numbered questionnaires were marked Y.
The analysis of Pearson product moment correlation (r) of the two folds was computed using statistical packages for social sciences (SPSS) computer software. The Spearman Brown prophecy formula by Siegel and Moore (2013) on Reliability of scores on Total Test was applied to obtain a correlation coefficient (r) equal to 0.83. This meant the tool was reliable to net most of the sought data. The calculated value is supported by Charles (1988) who argues that a correlation coefficient lower than 0.7 cannot be admissible to make accurate predictions. After ascertaining reliability of the questionnaires, they were administered during field inquiries as discussed in the next chapter.

3.9 Data Collection Procedures
First, authority was obtained from Tigania East Sub County Registrar of welfare groups to collect data sampled ROSCAs in Muthara Division. Arrangements were made with sampled ROSCA chairpersons on agreed day and time to administer self completion questionnaires to sampled ROSCAs members and interview schedules to group leaders respectively. Due to time factor and proximity distances from meeting point of a ROSCA to the next, and observing that groups met in morning sessions in different days, the meetings were scheduled for morning sessions as shown in appendix A3. Questionnaires were administered to sampled ROSCA members with the assistance of group leaders (Appendix A4). On the other hand interview guides were administered to chair persons during the group’s meetings (Appendix A5). Finally, a face to face interview was scheduled and conducted with the registrar of social welfare groups in Muthara Division in his office on a working day (Appendix A6).

3.10 Data Analysis
The data from questionnaires was interpreted by assigning numerical values to particular responses that formed thematic areas in response to study questions. This data was later organized into relevant categories and computed into frequencies and percentages using Statistical Package for Social Science (SPSS). Besides, objective 5 chi square test was used.

Qualitative data obtained from key informants through interview schedules was coded and organised into relevant themes. These data were used to enrich information obtained from ROSCA members through questionnaires by describing ROSCA situations as they existed on the ground. First, the data was interpreted by assigning numerical values to particular responses. This data was analysed into relevant categories in response to research questions and translated into frequencies and percentage scores to show where particular opinions and
attitudes were centred. The findings were presented using pie charts, percentages, tables, dialogue boxes, still pictures and bar graphs that presented the analysed status of ROSCAs activities and practices.

3.11 Ethical Issues
Permission was obtained from the Deputy County Commissioner at Tigania East Sub County Headquarters at Muriri to carry out a study among ROSCA members at Muthara Division. The researcher worked closely with ROSCAs members and their officials together with the registrar of self help groups in Muthara Division. Before commencement of data collection all respondents were briefed on the purpose of the study and assured of confidentiality about the data they provided. The study ensured respondents’ rights were observed and respected at all times during field work.
CHAPTER FOUR
4.0 RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction
This chapter presents the findings and discussions on the investigation effects of women collective actions and performance of rotating savings and credit associations (ROSCAs) in Muthara Division, Meru County. It examined the factors influencing women membership into ROSCAs, economic benefits of ROSCAs to women participants, opportunities and challenges facing ROSCAs and influence of management practices on performance of ROSCAs. The chapter presents response rate, socio-economic characteristics of respondents followed by detailed discussions of the responses to all the study questions.

4.2 Participants Response rate
The registrar of social welfare groups at Muthara division headquarters and 54 (85.7%) of the 63 sampled ROSCAs officials availed themselves for the conversational interviews with the researcher. On the other hand, out of 171 questionnaires administered to ROSCA women participants only 155 (90.6%) were completed and returned during field work as tabulated in table 4.1.

<table>
<thead>
<tr>
<th>Location</th>
<th>Sampled respondents</th>
<th>Number of respondents who completed the questionnaire</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ngaremara</td>
<td>3</td>
<td>3</td>
<td>100.0</td>
</tr>
<tr>
<td>Buuri</td>
<td>38</td>
<td>34</td>
<td>89.4</td>
</tr>
<tr>
<td>Muthara</td>
<td>79</td>
<td>71</td>
<td>89.8</td>
</tr>
<tr>
<td>Thubuku</td>
<td>51</td>
<td>47</td>
<td>92.1</td>
</tr>
<tr>
<td>Totals</td>
<td>171</td>
<td>155</td>
<td>90.6</td>
</tr>
</tbody>
</table>

N = 155

Source: Field work, 2015

This shows a high percentage return rate of questionnaires. The high response rate of questionnaires was attributed to good rapport cultivated by the researcher among the ROSCAs group members during field inquiry. This was important in providing adequate information and data for analysis so as to capture a holistic picture about ROSCAs operations, management and challenges they go through in day to day activities. However, 16 (9.4%) questionnaires were not returned. This was because the respondents had language difficulties and therefore could not read; beside the researcher’s effort to interpret English language into mother tongue (Kimeru) or Kiswahili, they failed to complete the questionnaires.
4.3 Examination of Socio-Economic Characteristics of ROSCA Members

The socio-economic characteristics of ROSCA members examined included age, education level, marital status and number of children. Figure 4.1 shows that respondents aged between 19 to 29 years were 18.8%; 30-40 years were 28%; and 41-51 years at 24.1%; 52-62 years were 16.7%, while those above 63 years were 13.2%.

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

On marital status 63.3% of the sampled respondents were married as shown in Figure 4.2. This indicated that a large proportion of ROSCA members had parental responsibilities. Hence, they required more income to cater for their families needs.
These members found ROSCAs useful as they were a steady source of income. 13.5% members were single while 23.2% were either divorced or widowed. In his study Adofu et al (2010) supported these findings that majority of the ROSCA members were married. In his study Adofu et al found out that in Kogi state 55.2 % of the ROSCA members were married, 30.4% of the respondents were single, while 14.4 % were widowed or divorced.

In terms of their educational status, Figure 4.3 shows that 54.1% of the respondents were primary school leavers while 23.2% were secondary school leavers.

10.9% of the respondents were college graduates, 9.6% university graduates and only 3.2% of the respondents had no formal education. This confirms that majority of the ROSCA members had basic primary education which enabled them follow simple addition and subtraction when computing arithmetic sums for their investments in the group.
On analysis of the number of children, 40.6% of the respondents had 3 to 4 children as shown in Table 4.2.

**Table 4.2: Family Size of ROSCA Members**

<table>
<thead>
<tr>
<th>Number of children</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2</td>
<td>29</td>
<td>18.7</td>
</tr>
<tr>
<td>3-4</td>
<td>63</td>
<td>40.6</td>
</tr>
<tr>
<td>5-6</td>
<td>41</td>
<td>26.4</td>
</tr>
<tr>
<td>7-8</td>
<td>15</td>
<td>9.7</td>
</tr>
<tr>
<td>9 and above</td>
<td>7</td>
<td>4.5</td>
</tr>
<tr>
<td>Total</td>
<td>155</td>
<td>100</td>
</tr>
</tbody>
</table>

N = 155

Source: Field work, 2015

This implies that these were young families with children who needed financial resources to cater for their food, clothing, medical, education and other human wants. Thus, their parents had to involve themselves with ROSCAs that provided some financial income.

### 4.4 Livelihood Activities of ROSCA Members

Muthara Division enjoys rainfall twice in a year. Therefore, most inhabitants practice mixed crop farming in their land as shown in Figure 4.4. Since most people own small parcels of land approximately 0.5 acres especially in Muthara and Buuri locations, ROSCA members’ practiced mixed farming while those in Ngaremara location were pastoralist and kept cows, goats, sheep and donkeys on free range on their large trucks of land. These formed 51.6% of the ROSCA members. However, 25.8% respondents operated small businesses and traded by buying and selling cereals, vegetables and fruits in the market centers while others operated small kiosks by selling household goods and consumables like fruits.

![Figure 4.4: Livelihood Activities of ROSCAs](image)

Source: Field work, 2015

Besides, 19.3% respondents observed they were employed workers. These included teachers, nurses and copy typists. 3.2% comprised ROSCA members who did not have a specific type of
occupation. They did any available work like washing clothes at people’s home, weeding in people’s gardens among other tasks for pay. In summary, this shows that ROSCA groups had a diversity of membership involved in different livelihood activities within their community. This is because these members were motivated in meeting the group’s financial obligation on time.

One respondent noted that:

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

On the other hand, another respondent said that:

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

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

### 4.5 Scrutiny of Factors Influencing Women Membership and their performance into ROSCAs

Respondents stated reasons for joining ROSCAs that influenced their performance. Table 4.3 shows that 57.4% respondents joined ROSCAs so as to access soft credits easily.

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

N= 155

*Source: Field work, 2015*
Accessing soft credits from a group would enable the borrower meet personal needs such as clearing outstanding medical bill.

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

One ROSCA official noted that:

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

These findings revealed that respondents were motivated to joining ROSCAs because it offered a variety of useful services to her members. These included soft credits, saving lump sum money to cater for family needs such as paying hospital bills for the sick.

These findings concur with (Bortei-Doku, Andy, Korboe and Dogbe, 1995; Gugerty, 2005) observations that people are adapted to ROSCA because of good saving habits and self discipline. Participant use the opportunity to disciplining themselves and get used to saving as it is difficult to save outside ROSCAs. Moene et al. (2003) and Aryeetey, (1997) agree that people go for ROSCA due to lack of access or restriction to financial repression from mainstream financial institutions like microfinance institutions, commercial banks and society credits and saving cooperatives. Furthermore, Adebajo (2010) found out that members of the public are motivated to join ROSCA owing to its variety of usefulness and the impact which ROSCA has had on their well being. He noted that ROSCA loans have been found useful by poor masses in Nigeria, Sub-Saharan African and across the globe to start new businesses, to
fund personal and children education and to provide for home utilities, feeding and other social needs.

ROSCAs have been found useful by masses of women in Muthara Division, in Kenya and across the globe for they provide soft credits to members to start new and expand businesses, to fund children education and to provide for home facilities, feeding and fulfilling other social needs. At other times, ROSCA loans have also been used for asset acquisition such as buying house furniture like tables, chairs and sofas sets.

4.6 By-laws Governing ROSCAs

ROSCAs had various written rules that governed the groups’ existence and activities. The rules were developed and agreed upon by group members and they defined both socio-economic activities of the group. The by-laws outlined the group membership requirements. For example one had to declare that they had not run away from other ROSCAs for failure to pay debts. Prudence management of a group’s funds such as loan and repayments, penalties, were emphasized in all groups. For example Maburua ROSCA fined a member defaulting in paying back soft credit 10% of the amount loaned per month as long as the loan was not paid.

The study found out that many group’s elections were held after two years in which a sitting official could be re-elected once for a second term of two years. Few groups did elections of their officials after one year. Leaders who had bad record of absenting themselves from meetings and, failing to pay back soft credits or keep good records of the group among other duties could not be re-elected back. The by-laws were clear on grounds for dismissal of a group official. For example one ROSCA official was removed from office for absenting herself for four consecutive meetings without valid reason like sickness or maternity leave. Attending group meetings was mandatory in all by-laws (as seen in plate 1), with penalties ranging from Kenya shillings (Ksh)10 for more than 10 minutes lateness to Ksh 200 for non-attendance without apology.
Participating in group’s social duties like preparing food in a member’s kin’s wedding ceremony or burial activities without apology was not tolerated either. For example a by-law of Muchui ROSCA on group activities stipulated that:

A member failing to participate in group’s social duties without valid reason is liable for a fine of Ksh 250 (ROSCA official, 2015).

Thus, most members attended social duties without fail. In case a member had personal issues not acceptable to the group as a valid reason they could send their kin to perform the assigned duties. This was allowed by the group because it contributed to success of the group member’s events.

4.7 Examination of Effectiveness of the ROSCA By-laws
Respondents were asked to report on the effectiveness of rules and regulations governing the conduct and operations of ROSCAs as presented in figure 4.5, findings reveal that 71.6% of the respondents found by-laws to be effective in that they enabled the group to bond together, exchanging views about operations of the group, such as good practices of utilising ‘pot’ once one received it, and being loyal to the group, among others.
The findings show 60.0% respondents noted that by-laws resulted to solidifying group’s activities. This was achieved once members understood their roles such as attending to meetings on time, paying back soft credit as agreed, among other roles without coercion. 55% members noted by-laws were useful in reprimanding errant members. For example respondents said that those who attended group meetings late and absentees paid a fine of Ksh10 and 100 respectively. 42% of the members noted when by-laws are well implemented they ensured efficient recovery of soft credits from loaned members. They also increased a group's financial assets because fines levied amounted to increasing the group’s finances. For example Maburua ROSCA by-laws fined Ksh 100 to every Ksh 1000 per month owned by a member past loaning period.

The by-laws were clear that failure by a member to pay loans, assets equivalent to the amount of money loaned could be taken from defaulter’s home. Such assets included goats, chairs, and tables, among other valuables that could be auctioned to recover group’s money. Finally, 37.4% of respondents felt that by-laws were effective because they served well during arbitration in a case of a member defaulting to pay money. By-laws were used as evidence before a local chief against an errant member so as to recover group’s money or property.

ROSICA members noted challenges faced by the group and this necessitated making of the by-laws to address members’ lateness, absenteeism and non-payment of soft credits.
Consequently, by-laws were necessary as they helped the group maintain order and secure groups assets. However, very few groups turned to expulsion measures in solving these problems because they saw this method as a slow way of winding up the group.

Delays in repayment of member’s monthly subscriptions and defaults of soft credits created financial and social problems for the groups. However, since groups were typically built on existing social net-works, acknowledged social relations among relatives were used as default prevention mechanism. In support of these findings, Malkamaki (2009) noted that, “the embedded ROSCAs’ economic functions within wider social relations are both a reason for their success and failure”. Due to these drawbacks, Sandsor (2010) stated that, in order for the ROSCA to serve as an economic, social and cultural institution, it must be sustainable both internally and externally. Internal sustainability refers to the inclusion of mechanisms to support members’ commitment and loan repayment, while external sustainability refers to the ability of ROSCAs to achieve their purpose of offering and managing credit. Achieving sustainability remains challenging for ROSCAs because even with the group by-laws all loopholes were not sealed because funds loaned to members were not insured incase of death of a member.

One official noted that:

Sometimes some members are caught between obeying the group by-laws and facing penalties. For example during the drought period some members fail to service their loans and use the money to buy food for their families and later plead with group members for considerations. However, they are treated case by case in accordance to group by-laws. Those dishonoring their pledges, their household property like utensils, and farm implements are confiscated by the group, and sold later to recover the group money (ROSCA chairperson, 2015).

These observations were supported by Buvinic, Furst-Nichols and Courtney-Pryor 2013 who opined that rural women can benefit from their involvement in ROSCAs if they enforce their group rules collectively.

4.8 Factors Influencing Persistent Survival of ROSCAs

Findings revealed that ROSCAs groups persisted in Muthara Division during 2012 and 2013 because of the following reasons presented in Table 4.4. The findings show that 61.9%
respondents opined that ROSCA offered soft credit to members without any collateral as required by banks.

Table 4.4: Factors influencing Persistence of ROSCAs during 2012 to 2013

<table>
<thead>
<tr>
<th>Views</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offers soft credit as opposed to banks</td>
<td>96</td>
<td>61.9</td>
</tr>
<tr>
<td>To help when there is a death or emergency in the family</td>
<td>92</td>
<td>59.3</td>
</tr>
<tr>
<td>Persistent poverty levels among women</td>
<td>83</td>
<td>53.5</td>
</tr>
<tr>
<td>Neglect by fathers perceived to be bread winners</td>
<td>65</td>
<td>41.9</td>
</tr>
<tr>
<td>Timely payment of group dues</td>
<td>85</td>
<td>54.8</td>
</tr>
<tr>
<td>Influenced by local politics</td>
<td>18</td>
<td>11.6</td>
</tr>
<tr>
<td>Can't save at home - money gets used on other things</td>
<td>16</td>
<td>10.3</td>
</tr>
</tbody>
</table>

N = 155

Source: Field work, 2015

Thus, members could access loans from ROSCAs without barriers. Further, 59.3% members felt ROSCAs persisted because they provided both social and financial help in case of a death of a member or member’s close relative like child, parent or brother. Members of a group carried out most activities before, during and after the funeral like preparing food and ensured visitors’ welfare was looked into. The money they provided was used to prepare food and buy casket for the deceased.

53.5% members noted that low poverty level among women contributed to the persistence of ROSCAs. This was because majority of the women were jobless and depended on small scale farming and small businesses to earn a living. Therefore, they looked for additional source of income to provide basic needs such as; food, clothing, shelter, education and health care for their families. Besides, 41.9% members opined that neglect by fathers perceived to be bread winners at homes made mothers to join ROSCAs so as to provide for their families. While serving in ROSCAs they received ‘pot’ and bought clothes for their children and paid their school fees. Politicians’ influence was noted by 11.6% respondents. Politicians encouraged women to form groups by giving them gifts such as money, salt and bar soaps which they shared among group members. This was done as an incentive to woo women to vote for them during electioneering period. Thus, groups that were well organised persisted past electioneering period. Moreover, 10.3% of members noted that savings by an individual member was not possible due to other financial demands.

In support of these findings, Basu (2008) noted that once a member was in a ROSCA, the conditions under which ROSCAs survived expanded since members were willing to remain in an existing ROSCA than they would if they were to join a new one. This implied that, as members received good benefits they chose to delay entry into new ROSCAs hence existing
ROSCAs were more likely to survive over time. Furthermore, 54% of the respondents affirmed that timely payment of group dues increased the chances of ROSCAs persistent. In supporting these sentiments Agegnehu, (2012) documented that a participant in a ROSCA was expected to contribute a fixed amount periodically from the beginning to the end of the cycle. Madiha (2013) noted that the survival of a ROSCA depended on the payments made by the members. When members could not make payments on time, the receiver of the ‘pot’ either got half of it or got her ‘pot’ late which made ROSCA ineffective because this delayed the recipient in meeting her family financial obligations. Thus, ROSCAs continue to succeed and grow, and to be popular among women in Muthara as a result of the assistance that women get from participating in them. Many traders, farmers among others have used ROSCA to access capital for self development.

4.9 Benefits of Participating in ROSCAs that influenced their performance

Respondents were asked to state benefits of their participation in ROSCAs. The findings in Table 4.5 show that 78.7% of the respondents opined that accessing soft credits at low interest rates was their biggest benefit.

Table 4.5: Benefits of Participating in ROSCAs that influenced their performance

<table>
<thead>
<tr>
<th>Views</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessing soft credits at low interest rates</td>
<td>122</td>
<td>78.7</td>
</tr>
<tr>
<td>Managed to pay part of school fees for my children</td>
<td>86</td>
<td>55.4</td>
</tr>
<tr>
<td>Bought some farm inputs and household goods</td>
<td>76</td>
<td>49.0</td>
</tr>
<tr>
<td>Assisted in paying medicine expenses for my family</td>
<td>75</td>
<td>48.3</td>
</tr>
<tr>
<td>Put up some manageable income generating unit</td>
<td>55</td>
<td>35.4</td>
</tr>
<tr>
<td>Supplemented building of semi permanent family house</td>
<td>37</td>
<td>23.8</td>
</tr>
<tr>
<td>Members participated in various activities during my ceremony</td>
<td>29</td>
<td>18.7</td>
</tr>
<tr>
<td>Got monetary assistance for burial of a relative</td>
<td>26</td>
<td>16.7</td>
</tr>
<tr>
<td>Saved for festive season</td>
<td>25</td>
<td>16.1</td>
</tr>
</tbody>
</table>

N = 155

Source: Field work, 2015

ROSCAs unlike microfinance institutions did not demand for collaterals from their members but provided credits to them on rotational basis. Such credits attracted an interest of 5% of the total amount advanced to a member. The interest was paid before one was given the money. Additionally, 55.4% respondents opined that ROSCA assisted them to partly pay school fees for their children. ROSCAs unlike microfinance institutions did not demand for collaterals from their members but provided credits to members on rotational basis.

Moreover, 49.0% respondents noted that they could purchase seeds during planting season. Such seeds are high-breed maize seeds that yield bumper harvest, unlike ordinary maize seeds.
The respondents observed that through ROSCAs they were able to purchase utensils such as plates, cups and plastic chairs for household uses. 48.3% of the respondents felt that they were assisted in meeting health obligations of their families such as paying for medicine and meeting hospital bills. This is because the medical facilities in Muthara Division hardly provided requisite drugs and medical tests to patients and hence, they sought these services from private medical clinics at Muthara market centre. 35.4% respondents noted that ROSCA assisted in income generation activities. Such activities ranged from selling cereals and perishables such as bananas, cabbages and mangoes among others in the open air market. Other members had started agora goat rearing for milk and meat, and others reared chicken for eggs. Besides, 23.8% of the respondents noted that ROSCA was instrumental in supplementing building of a semi permanent family house with timber walls and iron sheet roof replacing grass thatched mud houses. 18.7% respondents noted ROSCA members participated in various activities during their family functions such as weeding and graduation ceremony among others. The members performed duties such as preparing dishes, serving guests; ensuring seating arrangements are done and took general care of the guests. In case of death, the group assisted in planning and organization of the funeral and preparing food for the mourners. They also took turns in comforting and staying at the home of the bereaved member until the deceased is buried. 16.7% of the respondents noted that they got monetary assistance for burial of a relative. The money was used in burial preparations. These preparations included, buying casket, transportation of the body to burial site, among others. Finally, 16.1% of the respondents affirmed that ROSCAs allowed their members to save for festive seasons. Savings accumulated for festive seasons like Christmas were used to buy clothes for family members and prepare dishes for family members and friends alongside other activities. In supporting these findings Mbamaonyeukwu (2013) in a study of ROSCAs in Nairobi opined that the group offered welfare and support to each other, especially during weddings and funerals.

During the interview one respondent from Maburua ROSCA reported that:

For the past 10 months, I have saved with my group for Christmas festivities. ROSCA savings enabled me and my family to enjoy Christmas (respondent, 2015).

A respondent chairperson of a ROSCA when asked to explain her experiences about socio economic benefits accruing from ROSCA noted that:

ROSCA allows me to save a little with others because saving money at home gets used on other things. This encourages me to work harder to save more so as to do something big for my family (chairperson, 2015).
These were experiences of a chairperson about a useful activity of her ROSCA. In supporting these observations, studies by Mbamaonyeukwu (2013), Eroglu (2010) and Gugerty (2007) noted that in developing countries, one of the highest costs that poor families encounter is that of educating their children. ROSCAs therefore help the poor or less affluent to finance their children’s education. Besides, the money from ROSCA’s is used to cater towards fixed and working capital on land, housing and enterprises that have problems gaining access to bank credit. On the other hand Robinson and Dupas (2013) observed that some ROSCAs in Kenya provided other services besides the ‘pot’ savings. They noted that 64% ROSCAs provided loans to members, and 54% had an insurance fund for funerals or, in some cases, illnesses which required hospitalization.

### 4.10 Opportunities influencing Performance of ROSCAs

The findings on members’ views on opportunities available in ROSCAs are presented in Figure 4.6. The findings show that 53.5% members perceived ROSCAs had opportunities for starting projects such as: chicken and Angora goat rearing, utensils for hire, and offering outside catering services among others.

For example, Joy Stars ROSCA offered outside catering services for hire to people having parties such as weeding, farewell and graduation ceremonies as shown in Plate 2. These are Joy Stars ROSCA at work in a graduation ceremony at Nchuui village.
On the other hand Kamathi-Kailutha group kept angora goats for milk production which was sold to local consumers such as families and hotels. Muchui ROSCA hired out utensils to partying groups like weeding and graduation ceremonies.

Maburua ROSCA entertains guests during public “baraza” and weeding ceremonies with traditional dances for pay as shown in Plate 3. These are Maburua ROSCA dancers entertaining guests during a Meru County Governor’s public baraza at Muriri, Tigania East Sub County headquarters. The proceeds obtained from hiring out of these services/utensils constituted loaning capital and profit shared among ROSCA members at the end of each year.
ROSCAs accessed government group funds which attracted low interest rates as noted by 40.00%. Members reported funds were accessed from Women Enterprise Fund and Uwezo Fund which charged 5% interest on credits advanced to members. On the other hand 36.10% members said that training members on prudent management of funds advanced to members was practiced. This was done by Women Enterprise Fund and Uwezo Fund officers invited courtesy of ROSCA officials. During training, members were educated on identifying viable projects such as buying cereals and selling them to institutions like schools and hospitals; keeping records of accounts and avoiding diverting of funds to other than intended uses. 31.60% members noted decision making on group affairs was made democratically by involving all members and group officials. For example, Lanyiru members said when they obtained loan from Women Enterprise Fund in 2014 they democratically decided to share out the Ksh 100,000.00 to all the members into categories of Ksh 5, 000.00, 4,000.00, and 3,000.00 per member.

Finally, 20% members noted that ROSCAs had opportunity to incorporating more members into the group. More membership would mean consolidating resources (financial and labour) together to venture into profitable business such as running a posho mill. Members noted two
or three ROSCAs with similar business ideas could merge so as to undertake big projects like running a posho mill in a market centre.

During interviews respondents of Joy Stars ROSCA reported that:

> Group members offer good ideas on project that interest them and that could fetch some money for the group. Such projects must benefit all members for survival of the group. The project proceeds are shared at the end of the year. Initially the money is used for soft credits advanced to members (ROSCA respondent, 2015).

Thus, ROSCA reliance on social capital to create a functioning group was evident in Joy stars. Thus, ROSCA participants depended on social capital to assess financial risk and viability; to promote savings, networking, and information-gathering; and finally, to create the group pressure on collective action that would guarantee continued commitment (Hevener, 2006; Anderson, Siwan, and Baland, 2002).

### 4.10.1 Challenges facing performance of ROSCAs

Members reported challenges they faced in running ROSCAs as tabulated in table 4.6.

<table>
<thead>
<tr>
<th>Views</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inadequate areas of investment by members</td>
<td>82</td>
<td>52.9%</td>
</tr>
<tr>
<td>Failure by members to honour promises</td>
<td>57</td>
<td>36.7%</td>
</tr>
<tr>
<td>Weak group by laws</td>
<td>45</td>
<td>29.0%</td>
</tr>
<tr>
<td>Receiving ‘pots’ (money) when not ready to spend</td>
<td>34</td>
<td>21.9%</td>
</tr>
<tr>
<td>Bad weather resulting to famine</td>
<td>28</td>
<td>18.0%</td>
</tr>
<tr>
<td>Fallout by members after receiving ‘pot’</td>
<td>23</td>
<td>14.8%</td>
</tr>
</tbody>
</table>

**Table 4.6: Members views about Challenges Facing ROSCAs performance**

Source: Field work, 2015

Table 4.6 shows that 52.9% members lamented about inadequate areas of investments. This was related to limited capital for investment. For example ROSCA members from Lailuba, Mwera, and Ngaintethia Widows reported that members had limited sources of income (capital). This limited them on exploiting investments such as drip irrigation to grow perishables like tomatoes that required huge capital. Moreover, 36.7% respondents opined that failure by members to honour promises was key challenge facing ROSCAs. When a member received soft credit payable at the end of a month, many members failed to beat the deadline. For example one third of Mwera members failed to honour their agreement of remitting back money for soft credit in the month of October 2014. However, they were all fined Ksh. 200 as per group by laws. 29% members noted that by-laws were weak and did not protect group’s
property. For example the by-laws were silent about demise of a member with a group soft credit. Members of Ntamichu ROSCAs noted that in 2012 they lost about Ksh. 4,000.0 owned by two deceased members. On the other hand, 21.9% members pointed out that receiving ‘pots’ (money) when not ready to spend the money was a challenge to many members. This is because one feared misusing the fund yet they bore the burden of paying back. Thus, members had to look for a willing member to receive the ‘pot’ and swap positions with the non willing member. 18.0% members noted that bad weather resulting to famine was a challenge facing ROSCAs since members relied on farm produce to generate income for the group. For example bad weather resulted to crop failure. So, members had to struggle feeding their family as the first priority neglecting ROSCA activities. Fallout by members after receiving ‘pot’ was noted as a challenge by 14.8% respondents. They observed that some members who did not wish to continue with the group dropped out after receiving the ‘pot’. This reduced membership, hence reducing the size of the ‘pot’. Consequently, a small ‘pot’ could not fulfill a member’s needs such as clearing school fees, buy school uniform and fulfill other household obligations.

In this regard Robinson and Dupas (2013) in a study of ROSCAs in Kenya explained that although the exit rate was only 6% over the 33-month where no individual saving strategy was introduced, the exit rate of 23% to 30% points higher among ROSCAs where saving boxes were distributed. Besides ROSCA participation rates are even higher in other parts of sub-Saharan Africa (Anderson and Baland 2009). Malkamaki, (2009) argue that despite the fact that ROSCA members were responsible for buying agricultural inputs and school fees had to be paid at certain times of the year, ROSCAs were not very useful for these purposes because members could get their ‘pots’ anytime of the year and not necessarily when they need it.

On the other hand Robinson and Dupas (2013); Tarozzi, Aprajit, Brian, Dan, Lakshmi and Joanne (2013) and Devoto, Esther, Pascaline, William & Vincent (2012) observed that; receiving credit constraints could increase investments in bed nets connections, the up-front costs of many preventative products (such as bed nets) were not massive. Households should be just as able to gradually save up for such investments as to take out loans and gradually pay them back.

ROSCA official respondent pointed out that:
Further, an official respondent from Ngaintethia Widows noted that:

> Failure by members to honour promises to repay loans, and attending to groups collective activities on time (offering outside catering services, delivering utensils to hiring consumer group on time) were some of the challenges facing ROSCAs. We fine members Ksh 50 and Ksh 200 for lateness and failure to attend to group duties respectively. However, this was not honoured by some members (Respondent, 2015).

Kangogo, Lagat & Ithinji (2013) in their study in Uasin Gishu County, Kenya, found out that household size impacted negatively on loan repayment performance of women. The results revealed an existence of negative influence of household size on repayment of loans implying that an increase in household size by one person decreases the repayment performance by 3.5 percent. This resulted from increased household head’s domestic obligations hence spending the loan for unintended purpose. This leads to low repayment performance. The result corroborated to those of Ugbomeh, Achoja, Ideh and Ofuoku (2008) in their study about loan repayment performance among women self-help groups in Bayelsa State, Nigeria. The study found out that household size impacted negatively on loan repayment performance of women. To the contrary, Afolabi (2010) found a positive relationship between family size and loan repayment and attributed it to the respondents’ extensive utilization of family labour in the farming activities.

Muthara Division registrar of social welfare groups when asked to explain major challenges faced by ROSCAs in Muthara Division during interviews reported that:

> Despite the fact that this region has many registered ROSCA groups, a number of them are dormant. This could be partly attributed to some members withdrawing after getting their ‘pots’ while others withdraw before getting the ‘pot’ and stopped contributing. Groups form and reform depending on seasons. When there is bumper harvest there is money and so members revive groups. During drought seasons some members run away and some groups dissolve (Respondent, 2015).

These sentiments agree with Malkamaki (2009) and Bouman (1995) who found out that ROSCAs have clearly defined beginning and end points in the cycle. This allows them to be disbanded and re-formed with great regularity, hence ROSCAs that have failed no longer exist,
and if they dealt with only small amounts then people are likely to quickly forget about them. Moreover, a ROSCA that survives do so because the problematic participants were eliminated. Therefore ROSCAs that have existed for some time must have demonstrated selection bias. Moreover, even for those that do exist, the membership may have changed in the process and many ROSCAs could be relatively young such as recently formed or only a few years old.

4.11 Influence of Management Practices on Performance of ROSCAs

In response to what ways management practices influenced ROSCA performance; respondents provided the responses indicated in Figure 4.7.

The statistics in this Figure show that 25% members said organising group members impacted on performance of ROSCAs. This is because officials were looked upon by members as role models who lead from front by whipping members on all group activities. This included providing schedules of activities such as contributions and attending to group duties. Providing timely feedback by officials to group members was opined by 23% members as impacting on performance of ROSCA.

Feedback is important in giving members direction in planning and preparing for the subsequent group’s activities such as consolidating contributions to visit a hospitalized member. Besides, prompt feedback to the members such as disclosing credit defaulting members and tabling group’s financial records influenced members to honour their promises. 21% members noted that arbitration of cases between member and member or member and group officials was challenging as the outcome impacted on performance of the group. Leaders were perceived to be impartial enough to deliver justice. Many reported cases were of loan payment defaulting by members. Moreover, 16% members noted that officials ensured
members attended meetings and kept group’s register of meeting attendance. The attendance register was relied upon to surcharge fine to those absenting from group activities. However, members sent admissible apologies in case they were unable to attend meetings. For example, acceptable apologies were those related to sickness of a member, one being on a journey away from the local area, maternity leave and a grieved member. These apologies were universal among ROISCAs. Finally, 15% members opined that ways officials kept groups financial records impacted on performance of a group. For example, true financial records of a group such as, loans to members, fines and other expenses motivated members to stay put in the group. Thus, members gained confidence in the management of the group.

Officials organised groups’ calendar of events. These are meeting schedules, visitations to member’s homes, repayment schedules of soft credits advanced to members and allocation of ‘pot’ to individual member. Officials also reminded members of groups’ schedule of activities and those with outstanding credits to pay on time. This was announced during group’s meetings.

Through interviews with chairpersons of sampled ROSCAs and registrar of social welfare groups at Muthara Division about ways ROSCA management practices influenced ROSCAs performance they reported that:

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

In this regards, observations by Malkamaki (2009) and Hevener, (2006) concur that participants agreed to join ROSCAs as long as they view the organizer as credible and trustworthy. This credibility must extend to the organizer’s ability to choose equally honestly and reliable individuals to join the ROSCA and to perform the administrative tasks. These tasks were collecting funds and ensuring payment, even if it meant assuming the payments of a defaulting member. Participants must also trust that the organizer will not disappear with the funds after the first rotation.
The study found out that group officials of Thubuku reported that guiding members into receiving individual ‘pot’ entailed a careful process where all members agreed on the method of allocation. They said that:

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

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

4.11.1 Management Practices and Performance of ROSCAs
Chi square test of association was used to establish whether management practices applied by ROSCAs were associated to performance of ROSCAs. These practices are; arbitration of conflict between and among members, attendance of meetings, keeping group records, organising group members and providing timely feedback to members. The study hypothesised that there was no association between management practices employed by ROSCAs and ROSCA performance. Table 4.7 presents the generated results.
Table 4.7: Chi square results of ROSCA management practices and performance of ROSCAs

<table>
<thead>
<tr>
<th></th>
<th>f_o</th>
<th>f_e</th>
<th>f_o-f_e</th>
<th>(f_o-f_e)^2</th>
<th>(f_o-f_e)^2/f_e</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>16.0</td>
<td>2.66</td>
</tr>
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<td>11</td>
<td>8</td>
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<td>1.12</td>
</tr>
<tr>
<td>11</td>
<td>7</td>
<td>4</td>
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<td>4</td>
<td>9.0</td>
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<td>4</td>
<td>1</td>
<td>16.0</td>
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</tr>
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<td>3</td>
<td>6</td>
<td>9.0</td>
<td>1.0</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>∑ 11.54</td>
</tr>
</tbody>
</table>

Source: researcher, 2015.

Df = 4  α = 0.05  \( x^2 t = 11.070 \)  \( x^2 c = 11.540 \)

Since the calculated chi-square is greater than the tabulated chi-square, that is, \( x^2 c \) (11.540) > \( x^2 t \) (11.070) respectively, we reject the null hypothesis (H₀) and accept the alternative hypothesis (H₁). Therefore, the study concluded that there is significant association between management practices by ROSCA and performance of ROSCAs in Muthara Division of Meru County, Kenya.

These findings were supported by Adofu, et al (2010) who observed that only 13.36% of the respondents in Kogi State of Nigeria said leadership structure was the inhibiting determinant to effective rural finance administration and management. Therefore, for ROSCAs, to achieve greater effectiveness thorough awareness to sensitize both rural and urban ROSCA on the need to be more entrepreneurial minded is required.
CHAPTER FIVE
5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter presents summary findings and key recommendations that were captured from field data discussed in chapter four. Finally, the chapter presents areas for further research.

The purpose of this study as discussed in chapter one was to empirically analyze ROSCAs in Muthara Division, Meru County. Therefore, these issues were investigated and brought out during field inquiry. They are discussed according to study objectives which sought to: identify and analyse factors influencing women membership into ROSCAs and their performance in Muthara Division, Meru County; assess social economic benefits of ROSCAs that improves performance of women participants; determine opportunities and challenges affecting performance of ROSCAs and establish the influence of management practices on performance of ROSCAs.

5.2 Summary of Study Findings
Majority of sampled respondents totaling to 90.6% actively participated in the study by completing questionnaires and participating in interviews schedules. The study findings have shown that practically, like many financial institutions in the formal sector, ROSCAs provided participants with some savings and credit mechanisms necessary to smooth their consumption cycles. ROSCA participants of Muthara Division were influenced into joining these informal groups because they could access some money from their ROSCAs or they participated in a ROSCA in anticipation of future cash-flow. While it was difficult to assess the significant economic impact of ROSCAs on the participants’ household livelihoods, the study observed that majority of the ROSCA participants were small scale farmers and business persons. Few of these had managed to pay some school fees for their children using ROSCA proceeds. Thus, ROSCAs continued to offer some assistance to some of their members in Muthara Division as a result of the relief and succors that women got from participating in them.

The study findings have shown that ROSCAs operated with informal by-laws which some members in some groups followed to the letter while in other, they were arbitrarily obeyed. Such disobedience or obedience led to good or shaky operations of a ROSCA. Although there was link between obedience and sustainability of a ROSCA some of the groups’ by-laws were not written and members did not have a copy of by-laws for reference. However, by-laws enabled the group: to bond together, define periodical activities and reprimand errant members.
Besides, the by-laws were useful in: providing mechanisms for recovery of money from a defaulting member, adducing evidence before a local government administrator when recovering members’ money through auctioning of errant member’s property and providing guidelines for fines levied against defaulters.

Major notable socio-economic benefits enjoyed by ROSCA women participants were: accessing soft credits from the group at low interest rates, getting some money to pay part of school fees for their children, clearing part of medical expenses and buying some farm inputs such as fertilizer and seeds. Some ROSCA members benefited through: getting some monetary assistance for burial of a close kin, using ‘pot’ proceeds to finance part of construction of a semi-permanent house and that members of their group graced a ROSCA member’s occasion by playing different roles. Moreover, ROSCA encouraged members to work harder and to save more so as to do something big for their families.

In summary, the findings of third objective about the opportunities that ROSCAs of Muthara Division enjoyed were: initiating group projects like chicken rearing, renting out utensils to organised groups like wedding ceremonies, performing traditional dances at weddings and graduation ceremonies for pay; and offering outside catering services for hire. On the contrary, borrowing government group fund, training on prudent management of funds, making decision democratically and incorporating more members into group were unexploited opportunities. Most of these opportunities were least exploited and ROSCA members could move fast and exploit them.

On the other hand, ROSCAs in Muthara Division faced almost universal challenges, though some were peculiar to the region of study. Some of these challenges were limited sources of income, failure by members to honour promises, weak group by-laws; and fallout by members after receiving ‘pot’. Besides, the study noted dividing oneself between family and ROSCA affairs; receiving ‘pots’ (money) when not ready to spend and bad weather resulting to famine and inadequate areas of investment by members as some of the main challenges facing ROSCAs of Muthara Division.

Finally, the study findings showed that management practices influenced the performance of ROSCAs, where a significance positive chi square association was identified. This was explained by: giving directions to members, providing timely feedback about soft credit, interest dues, groups’ by-laws, arbitration of members’ conflicts, ensuring members attended to
meetings and Keeping groups records (register and cash book) properly. Hence, there was a positive association between ROSCAs management and performance, like good organization of meetings that resulted to all members receiving their ‘pots’ on time.

5.3 Conclusion
ROSCAs in rural communities play an important role in the socio-economic development of households. They enable members to meet household obligations such as education, medical and other emergencies. ROSCAs assisted in initiating group projects like chicken rearing, outside catering, renting out utensils to organised ceremonies. Accessing soft credits at low interest rates was the biggest economic benefit enjoyed by ROSCA members. Such credits were used in paying school fees for children though not satisfactorily, and building semi permanent house for a family. This enabled ROSCA members not only generate income which enhanced their livelihoods but also in development of their communities. On the other hand ROSCAs faced various challenges including failure by members to honour their obligations like repayment of group subscriptions which resulted to group disharmony, hence a need to improve the management of ROSCAs. There was a good ROSCAs management and performance like thorough organization of group’s financial records, meeting attendance registers and ‘pot’ receiving records. However, ROSCAs rarely consulted registrar of social services about investment projects in their locality.

5.4 Recommendations
The study makes the following recommendations:
ROSCAs should diversify saving products to include education and medical cover that go beyond merry go round and rearing of chicken among others. ROSCAs should set out a whole platform kitty for school fees and medical cover different from the ordinary ‘pot’ contributions. This should be managed differently but alongside the ‘pot’ contributions where members contribute a fixed amount with the group on monthly basis. Such products would be instrumental in addressing issues of school fees and medical cover for member’s families.

ROSCAs should adopt technologies of using M-pesa, M-Shwari, and Airel money among others to make it convenient to savers. This would reduce the fear of taking a ‘pot’ by a member when they are not ready to take the ‘pot’ for fear of misusing the money.
ROSCAs should have links to banks to have a strong capital base. This capital could be advanced to members as soft credits at agreed interest rates which all members could afford. This would attract in more members to join ROSCAs.

ROSCAs should diversity group projects based on the needs of a locality and the new technology so as to improve performance. These include poultry rearing, dairy cows, making traditional baskets, tree nurseries among others. Such projects would generate products such as milk, eggs and seedlings for sale to enhance members’ income.

ROSCAs should work closer with both County and national government departments on training of ROSCAs members by organizing seminars and workshops on management of funds and ways of exploiting unexploited business ventures. Such trainings would assist ROSCAs members to widen their knowledge base on investment beyond the ‘pot’ business and overcome the present constraints.

5.5 Areas for Further Study

Suggested areas for further study include

1) A cost benefits analysis on socio-economic benefits enjoyed by ROSCAs members in urban versus rural areas.

2) A comparative study on prudent management skills and techniques of ROSCAs should be carried out in urban and extensive rural areas where there is diversity in membership of ROSCAs.
REFERENCES


Ministry of Gender and Social Services-Tigania East Sub County.(2013). *Register of ROSCAs in Muthara Division, Tigania East Sub-County*; Unpublished records.


APPENDIXES
APPENDIX A1

Figure 3.1: Location of Muthara Division Tigania East Sub County, Kenya

### APPENDIX A2: LIST OF ACTIVE ROSCAs REGISTERED BY DEPARTMENT OF SOCIO-SERVICES AT MUTHARA DIVISION, TIGANIA EAST COUNTY BY 2013

| Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/No | Location | Sub-Location | S/So
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<th>Sub-County</th>
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<th>Membership</th>
</tr>
</thead>
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<tr>
<td>Buuri</td>
<td>Maburwa</td>
<td>128</td>
</tr>
<tr>
<td></td>
<td>Munyariku</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>Ngemyu</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Kiremu</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Muthanga</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Bakwetu</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>Mkinya</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Lanyiruu</td>
<td>45</td>
</tr>
<tr>
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<td>Uruu</td>
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<td>Tabitha</td>
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<tr>
<td></td>
<td>Lailuba</td>
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<tr>
<td></td>
<td>Magdalena</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Murimi</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Amung'o</td>
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<tr>
<td></td>
<td>Nhululu</td>
<td>15</td>
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<tr>
<td></td>
<td>Muyenani</td>
<td>17</td>
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<tr>
<td></td>
<td>Riimu</td>
<td>171</td>
</tr>
<tr>
<td></td>
<td>Ngwmatano</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Turingwii</td>
<td>175</td>
</tr>
<tr>
<td></td>
<td>Sub-Total</td>
<td>2591</td>
</tr>
</tbody>
</table>

**Key:** Msh- Membership  
**Source:** Ministry of Gender and Social Services-Tigania East Sub County, (2013).
# APPENDIX A3: SCHEDULE OF DATA COLLECTION DURING FIELD WORK

<table>
<thead>
<tr>
<th>Administrative location</th>
<th>Sampled ROSCA</th>
<th>Sampled ROSCA/Date visited -2014</th>
<th>Sampled ROSCA/Date visited -2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group</td>
<td>Msp</td>
<td>Date visited -2014</td>
</tr>
<tr>
<td>Thubuku</td>
<td>Thubuku,</td>
<td>39</td>
<td>7th Jan</td>
</tr>
<tr>
<td></td>
<td>Nduluma,</td>
<td>47</td>
<td>9th Jan</td>
</tr>
<tr>
<td></td>
<td>Kamathi-</td>
<td>47</td>
<td>21st Jan</td>
</tr>
<tr>
<td>Muthara</td>
<td>Kailutha</td>
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<td></td>
</tr>
<tr>
<td>Bondii,</td>
<td>48</td>
<td>28th Jan</td>
<td>Lubiathirua</td>
</tr>
<tr>
<td>Bethsaida-Kinang’aru</td>
<td>52</td>
<td>1st Feb</td>
<td>Muriri,</td>
</tr>
<tr>
<td>Buuri</td>
<td>Lailuba,</td>
<td>52</td>
<td>6th Feb</td>
</tr>
<tr>
<td></td>
<td>Maburua</td>
<td>53</td>
<td></td>
</tr>
<tr>
<td></td>
<td>13th Feb</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ngaremara</td>
<td>Ntulili</td>
<td>15</td>
<td>18th Feb</td>
</tr>
</tbody>
</table>

**Key:** January; Msp- membership; February
APPENDIX A4: QUESTIONNAIRE FOR ROSCA MEMBERS

The following questionnaire is set to capture data on the impacts of ROSCAs on members’ livelihood. I would be thankful for your sacrifice and time to provide information about the questions below. The information you provide will be treated confidential.

1. State the name of your group. ________________________________________________

2. Who introduced you to the group? ____________________________________________

3. What reasons made you to join the group? State briefly.__________________________

4. What is your marital status? Tick one:
   Married   Single   Divorced/widow

5. What is your level of education? Tick one
   No formal education   primary   secondary   Others (specify)

6. Kindly tick your age bracket.
   Below 20 yrs   20-35   36-50   51-65   66 & above

7. Please tick in the box the number of your children
   0-1   2-3   4-5   6-7   8 & above

8. What do you do for a living?  _______________________________________________

9 (a). Have you ever obtained credit from your group? Yes / No
9 (b). If yes, how much did you receive?

   1000 & be

   low
   0     0     0     0     0     1,001     3,001     5,001

10. State how you utilized the money?___________________________________________

11(a). State means your group uses to generate income?___________________________
11 (b). Of all possible means of generating income, which one is mostly used?_________
11 (c). Do you have merry go round ‘pot’ in your group? Yes/No.____________________
11 (d). If yes, explain how ‘pot’ is administered by your group____________________
12 (a). Are there bylaws endorsed by your group that govern its operations? Yes/No________
12 (b). If yes, explain the main thematic areas covered by those bylaws.______________
12 (c). Have these bylaws served your ROSCA effectively? Yes/ No.__________________
12 (d). If No what are the weaknesses in those bylaws______________________________
12 (e). What are your suggestions to 12 (d) above?________________________________
13 (a). As a group do you have any income generating project? Yes / No______________
13 (b). If yes explain the status of the project ____________________________

14 (a). Are you involved in planning, implementing and evaluating of the projects in any way? Yes/No. ________________ Explain. ________________________________

14 (b). What are the social and economic benefits generated by the group project/s? ______

14 (c). Does your group have an account with a local financial institution? Yes/No ______

14 (d). If yes, explain who operates your group account. ________________________________

14 (e). Explain opportunities in your community that your group has exploited or not exploited. ________________________________

15. What specific benefit have you received from your ROSCA? ____________________

16. In your own opinion, are there any challenges facing ROSCAs? Explain ______

Thank you so much.
APPENDIX A5: ROSCA CHAIRPERSON’S INTERVIEW GUIDE

The following questionnaire is set to capture data relating to ROSCAs management. I would be thankful for you providing information relating to the questions in this interview schedule. The information you provide will be treated confidential.

Name of group: ____________________________ _____________________________

1. When was the group started? ____________________________

2. How many members were there by then? ____________________________

3. What is the current membership? ____________________________

4. When was your group registered with the department of social welfare of Muthara? ____

5. What methods do you use to raise money for the group? ________________

6. How often does your group give soft credit to members? ________________

7. Has the group ever had cases of defaulting members? Yes/No ________________

8. If yes, how did you recover the group money? Explain. __________________

9. Has the group initiated any income generating projects? Yes/No ________________

10. If yes, specify ________________

11. Do you involve your members in projects’ planning, implementation and evaluation? Explain ________________

12. How are the benefits from the projects shared among the members? Explain. ______

13. What are some of the challenges facing your group? ________________

14. What steps have you taken to address these challenges? ________________

15. In your opinion, explain the benefits members are enjoying from the group. ______

Thank you.
APPENDIX A6: INTERVIEW GUIDE FOR THE REGISTRAR OF SOCIAL WELFARE GROUPS

The following interview schedule is to capture data relating to management of ROSCAs in Muthara Division. I would be thankful for your provision of information relating to this matter. The information you provide in this interview will be treated confidential.

1. How many ROSCAs are registered within Muthara Division?
2. Of these groups, how many are active on the ground?
3. In your own opinion why do you think women join ROSCAs?
4. What is the current trend of ROSCAs participation in income generating projects?
5. Explain the services ROSCAs seek from your office in line of their activities?
6. In your own opinion, do these groups benefit their members economically?
7. Are the ROSCAs registered in your office operating within their own agreed bylaws?
8. In your own opinion, explain the opportunities available for exploitation by ROSCAs in this zone.
9. From your own analysis explain the active ROSCAs performance in this division.
10. What are some of the challenges facing these ROSCAs?
11. What measures have you taken to assist ROSCAs address the challenges?

Thank you.