

**SOCIO-CULTURAL INSTITUTIONS INFLUENCING  
PARTICIPATION IN USER-OWNED MICRO FINANCE  
ORGANISATIONS: THE CASE OF BONDO DISTRICT**

**BY**

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for the Award of a Master of Arts Degree in Development Studies**

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February, 2005.

## DECLARATION

This project paper is my original work and has not been presented in any other university for the award of a degree

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## DEDICATION

This project paper is dedicated to  
my mother, Billiah Kwamboka Nyangoto,  
for teaching me the virtues of hard work,  
patience and determination;  
and in memory of my late father,  
Shadrack Misati Onkoba.

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Finally, all errors of fact and judgement are entirely mine.

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

ASCAs	Accumulating Savings and Credit Associations
FGDs	Focus Group Discussions
K-REP	Kenya Rural Enterprise Programme
KWFT	Kenya Women Finance Trust
NGO	Non-Governmental Organisation
MFIs	Micro Finance Institutions
RoSCAs	Rotating Savings and Credit Associations
SACCOs	Savings and Credit Co-operatives
SMEP	Small and Micro Enterprise Promotion Programme
STEP	Saga Thrift and Enterprise Promotion Limited
WEDCO	Women's Enterprise Development Project

## **ABSTRACT**

This study investigates socio-cultural institutions influencing participation in user-owned microfinance organisations specifically, RoSCAs and ASCAs, among the Luo of Bondo District. The study has made use of the social capital theory as its theoretical framework. This theory posits that voluntary co-operation such as RoSCAs and ASCAs is easier in a community that has inherited a substantial stock of social capital. Social capital is the shared knowledge, understanding, institutions, and patterns that of a group of individuals bring to any activity (Coleman 1988; Ostrom 1990; Putnam 1993). A structured questionnaire, in-depth key informant interviews, focus group discussions and observation were employed in data collection. Statistical Programme for Social Scientists (SPSS) and Excel computer programme were made use of in analysing quantitative data while content analysis was used in analysing qualitative data.

The findings of the study show that socio-cultural institutions influence participation in these organisations. RoSCAs and ASCAs in the study area are organised on one or more of the following criteria: kinship ties, family and marital status and gender. In addition, values such as trust and reciprocity, mutual aid, and collective work in the community spirit continue to be maintained in these organisations. Leadership in the organisations is dependent on age, marital status, gender, education, leadership ability and length of membership. The norm of reciprocity and the desire by members to keep their reputation helps in repayment of money owed to the groups by members. RoSCAs and ASCAs strengthen social ties of their members by providing support in deserving cases of repayment defaults/problems. The study concludes that cultural values continue to be maintained in RoSCA and ASCA organisations.

In line with the findings, the study makes recommendations for micro finance organisations, which work with existing RoSCAs and ASCAs, those intending to start programmes based on RoSCA or ASCA group mechanism in Bondo District and for banks. In addition recommendations are made for the existing independent RoSCAs and ASCAs. Furthermore the study also makes recommendations for further study and for the government.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 BACKGROUND TO THE RESEARCH PROBLEM

A wide range of microfinance organisations exists in Kenya. These include the mainstream micro finance organisation such as Kenya Rural Enterprise Programme (K-REP), Kenya Women Finance Trust (KWFT), Faulu, and the Small and Micro Enterprise Promotion programme (SMEP) (Otero, 1999). In addition to these mainstream microfinance organisations, other microfinance organisations exist. These include Savings and Credit Co-operatives (SACCOs), moneylenders, Rotating Savings and Credit Associations (RoSCAs), Accumulating Savings and Credit associations (ASCAs), and informal insurance groups (Alila, 1992).

Micro finance organisations are called micro because of the small size of their transactions (with loans as small as US\$50 and savings deposits as small as US \$ 5) and finance because they provide safe and reliable financial services to the poor (Otero, 1999). Clients of micro financial organisations are people with low incomes and people who do not have access to formal financial institutions such as banks.

User- or member- owned micro finance organisations such as Rotating Savings and Credit Associations (RoSCAs), Accumulating Savings and Credit associations (ASCAs), and Savings and Credit co-operatives (SACCOs) are extensively used in Kenya (Johnson, 2001; Alila, 1992; Raikes, 1989). In these types of financial intermediary, the savers are the borrowers in addition to being the owners of the organisations. Demand is not independent of supply. You can borrow from the organisation if you have first saved there, and the amount of loan is a function of your level of saving (Johnson, 2001).

Much is written about these organisations in the informal micro finance literature and in the extensive experience of the co-operative movement in developing countries. In addition, most studies that have been carried out show that, in the absence of formal

financial organisations or the mainstream micro finance organisations these organisations provide poor people with access to convenient, cheap and flexible savings and credit services (Rutherford, 1996). The major focus of the studies that have been carried out on these organisations has been on their economic aspects including the uses that the financial benefits gained from these organisations are put to (Sebageni et al, 2002; Kimuyu, 1997; Ardener and Burman, 1996; Rutherford, 1996; Alila, 1992; Raikes, 1989).

In addition, it is well known that organisations such as RoSCAs and ASCAs have little recourse to legislated law. In their attempt to solve problems such as default on payments by members or disputes within the organisation, they depend on the social-cultural institutions that exist within a given context (Besley et al, 1993; Kimuyu and Omiti, 2000). The socio-cultural institutions, that is, the framework of rules for achieving certain societal and economic goals, derive from the social and cultural aspects of people in a given society. They are "enforced through a range of sanctions such as guilt shame and informational sanctions, for example, damage of someone's reputation" (Posner and Rasmusen in Johnson, 2001:21). Johnson (2001) observes that such norms and sanctions are largely based in the social and cultural meaning and practice.

This study is about socio-cultural institutions that arise out of aspects of culture, social rules, and norms that influence participation in user-owned and managed micro finance organisations among the Luo of Bondo District. In her study in Karatina in Kenya, Johnson established that the way in which social sanctions operate is key to the effectiveness of many informal financial arrangements (Johnson, 2001). Thus, the underlying assumption of the study is that local cultures including their modes of social organisations and of coping with material needs, their ethical and spiritual values have not been totally eradicated. They continue to inspire local forms of organisation (including ASCAs and RoSCAs). There is "continuity in change". Change is there but does not imply a total rupture with the past nor a total loss of people's own socio-cultural roots.

## 1.2 THE RESEARCH PROBLEM

Studies on user-owned microfinance organisations in Kenya such as RoSCAs and ASCAs tend to be skewed towards the economic aspects of the organisations and their contribution to development (Kimuyu, 1997; Alila, 1992; Raikes, 1989). As a result, the socio-cultural institutions that, to a large extent, determine the effectiveness and sustainability of these organisations are neglected (Bouman, 1995; Besley et al, 1993). While it is recognised that ASCAs and RoSCAs have little recourse to legislated law in their attempt to solve problems arising from members who default on payments (Johnson, 2001), there has been little focus on underlying socio-cultural institutions that may play a role in their governance and management.

Though RoSCAs and ASCAs operate autonomously, independent of government recognition, support or interference (Johnson, 2001), they do not operate in a vacuum but are embedded in the wider social and cultural context. In addition, these organisations are located in specific cultural contexts which means that cultural elements existing in the community in which they are found have an influence on participation in these organisations (Besley et al, 1993). As such, social institutions such as reciprocity, trust, discipline, reputation, interdependency, honesty, and mutual aid influence participation in the organisations.

Similarly cultural rules/institutions surrounding kin relations, marriage and family, gender and gender roles, gender relations, age, social status and the social networks that one belongs to also influence participation in these organisations. This study focuses on these "institutions that arise out of aspects of culture, social rules, and norms" (Ensminger, 1992) that come into the operation of these community-owned and managed micro finance organisations. Most importantly, the way the socio-cultural sanctions operate is key to the effectiveness of these organisations (Johnson, 2001). These institutions are likely to have a bearing on formation of these organisations, leadership in the organisations, the way members associate with each other and sustainability of the organisations.

Moreover, the sustainability of the organisations to some extent depends on the individual member's participation, which in turn is dependent on the underlying socio-cultural institutions (Bouman, 1995). This therefore means that the formation of these organisations, membership and leadership, in addition to how members relate to one another are likely to be influenced by the socio-cultural environment in which the organisations are embedded. However, literature about the influence of socio-cultural institutions on these issues remains scanty in the study area: Bondo District. This study intends to fill this knowledge gap by responding to the research questions below.

### **1.3 RESEARCH QUESTIONS**

The general question for this study was: What socio-cultural institutions influence participation in RoSCAs and ASCAs among the Luo of Bondo District? For this study participation is seen as involvement in RoSCAs and ASCAs in terms of membership, leadership, savings and borrowing and the associational life of members within these organisations.

Specifically, the study intended to answer the following research questions:

1. Which socio-cultural institutions influence membership in RoSCAs and ASCAs?
2. Do local socio-cultural institutions influence the choice of leadership in these organisations?
3. What social-cultural institutions influence savings and borrowing in RoSCAs and ASCAs?
4. What role do socio-cultural institutions play in the associational life of the members in these organisations?

### **1.4 OBJECTIVES OF THE STUDY**

The main objective of the study was to investigate the local socio-cultural institutions that influence participation in RoSCAs and ASCAs among the Luo of Bondo District. Specifically the study sought:

1. To identify the socio-cultural institutions that influence membership in RoSCAs and ASCAs.
2. To identify the socio-cultural institutions influencing the choice of leadership in the organisations.
3. To identify the social-cultural institutions that influence savings and borrowing in RoSCAs and ASCAs.
4. To find out the roles that socio-cultural institutions play in the associational life of members in the organisations.

### **1.5. JUSTIFICATION FOR THE STUDY**

RoSCAs and ASCAs were particularly chosen for this study because they are found in every society around the world and have been in existence for a considerable period of time (Alila, 1992; Rutherford, 1996). In addition, these two organisations are particularly convenient when one wants to save very small amounts, which is not possible with banks because of the high transaction costs involved (Johnson, 2004). Moreover, to some extent these two institutions exhibit a degree of self-sufficiency, self-regulation and self-control that is exemplary (Bouman, 1995).

RoSCAs are known to be flexible and adapt themselves easily to rural and urban peculiarities as well as existing community patterns of groupings or organisations. This flexibility is one of the reasons for their worldwide popularity (Rutherford, 1996). Thus it is important to know about the role that socio-cultural institutions play in the governance and management of RoSCAs and ASCAs which has ensured their "existence over the many years" (Alila, 1992).

The study will help us to understand the local institutions that influence participation in RoSCAs and ASCAs. In view of the above, this study seeks to contribute to the on-going debate on the interplay between culture and participation in user-owned microfinance organisations. The findings will help governments and donors to institute intervention

programmes that could reduce the constraints to credit and savings among the people who are excluded by the financial institutions such as banks.

Fieldwork was undertaken in Bondo District. This district was chosen on the basis of three criteria: First, in order to make the study feasible, it was necessary to locate a rural area because most the population in rural areas is homogenous in terms of culture and cultural values. In addition, it was necessary to choose an area where there is limited access to formal financial institutions. There are only two banks that are located in the district headquarters, that is, Post Bank and The Kenya Commercial Bank. This therefore means that local people are likely to turn to other means such as RoSCAs and ASCAs to meet their financial needs. Third, the district has poor roads, which therefore implies that apart from the low incomes of the residents, access to the formal financial institutions is hampered by the poor road networks. Thus, RoSCAs and ASCAs are the easiest way of saving because getting to the nearest bank would be costly in terms of cost and time that would be spent.

#### **1.6. SCOPE AND LIMITATIONS OF THE STUDY**

This study is about the socio-cultural institutions that influence participation in user-owned microfinance organisations. This means that the study limits itself to micro finance organisations owned and managed by the users. Thus, the study does not cover the mainstream micro finance organisations such as K-REP, Kenya Women Finance Trust (KWFT), Faulu, and the Small and Micro Enterprise Promotion programme (SMEP).

The user-owned microfinance organisations are many. They include organisations such as SACCOs, RoSCAs, ASCAs, and informal insurance groups. However, the study limits itself to two of these organisations, that is, RoSCAs and ASCAs. In addition, the study is limited to independent RoSCAs and ASCAs, that is, those that operate independent of any external support, for instance, from NGOs or the government. The study is premised on the assumption that with external support, the organisations become formalised and



some of the cultural and social institutions that influence participation would be lost in the process (Odema, 1994).

In addition, because of financial and time constraints, the study did not cover the whole of Bondo District but limited itself to one of the divisions in the District, that is, Rarieda Division. Therefore, findings from this research may not be generalised to cover other parts of the country because of cultural diversity in Kenya. There are many different ethnic groups in Kenya with diverse cultures some of which are almost similar while others are quite diverse in terms of their cultures.

### **1.7. THE STUDY SETTING**

The study was carried out in Rarieda division of Bondo District. The District borders the Republic of Uganda to the west and five other districts, namely: Siaya to the north, Kisumu to the East, Busia to the Northwest, Suba to the Southwest, Homabay/Rachuonyo to the South. It covers an area of 972 km<sup>2</sup> of land and 1000 km<sup>2</sup> of water. There are five administrative Divisions: namely: Usigu, Maranda, Nyangoma, Rarieda and Mandiany. It has two constituencies of Bondo and Rarieda and two local authorities, namely: Bondo town council and Bondo county council (GoK, 2000).

The major physical feature in the District is Lake Victoria, which runs from the port of Kisumu in the East to Busia border in the Northwest. Along its border with Siaya, runs River Yala entering Lake Victoria through the Yala swamp. The topographical features of the area show a dry and quite unproductive agricultural area. The main economic activities in the district are fishing and peasant farming. Residents participate in other activities, which include, rotating credit activities, small-scale business, tree planting, home crafts and arts.

The people of Rarieda division do fishing in Asembo Bay beach and in other nearby beaches, primarily to supplement their subsistence activities and also for commercial purposes, they also engage in small-scale gold-mining. Residents say they cannot market

their crops because of the poor roads. Water hyacinth, a weed that invaded Lake Victoria in 1989, is a big problem because it has disrupted commercial and artisanal fishing and boat transport (IEA, 2002). Because of the weed, fishermen are not able to access the fishing grounds that harbour specific species along the shoreline. The breeding areas were rendered inaccessible by water hyacinth mats. Cotton is the main cash crop in the district. There is also livestock rearing for domestic products like milk, beef, and dung for smearing the floors of houses and as fertiliser for soils.

According to the 1999 Population and Housing Census Report, the total population of the district is 239,110 comprising 111,717 males, 126,348 females. The population growth rate is 1.79 % (GoK, 2000). Approximately 47.2% of the population is poor and 41.1 % of households live below poverty line. In the district, poverty is viewed as inadequate access to basic needs such as clean water, health services, sanitation, food and income and wage employment. The segments of the community who are affected most by poverty are the landless, widows, orphans, aged, disabled, single mothers, unemployed school-leavers, peasant farmers, fishermen and the chronically sick (GOK, 2000).

Bondo District enjoys high primary school enrolment rates at 79.7% (with 79.2% comprising female and 80.2% males) ranking Bondo 19<sup>th</sup> out of 69 district in Kenya. However, that is not matched by secondary school enrolment rate, which is only 17.0% (with 16.7% accounting for females and 17.2% males). In terms of secondary school enrolment, Bondo ranks 41 out of the 69 districts in Kenya (IEA, 2002).

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According to the Poverty Reduction Strategy Paper for Bondo District for the period 2001-2004, micro credit financial potential exists but is not fully harnessed. Women groups exist but are not channelled to productive ventures. The report further recognises that great potential exists for mobilising local savings through co-operatives but little effort has been done in that direction. A few savings and credit societies exist with very minimal share capital. There are 1,855 women groups, 274 youth groups, and 1,120 self-help groups (GOK, 2000).

According to Johnson (2001), a significant range of financial institutions usually exist in any context including banks, SACCOs (also known as Credit Unions), NGOs offering credit, moneylenders and informal savings groups such as RoSCAs and ASCAs. In Bondo District there are two commercial banks, that is, the Kenya Commercial Bank (KCB) and Post Bank. In addition there are NGO-based micro finance organisations such as Women's Enterprise Development Project (WEDCO) and Saga Thrift and Enterprise Promotion Limited (STEP) commonly known as 'Saga', that offer microfinance services to the people of Bondo. Moneylenders, RoSCAs and ASCAs also exist.

## **1.8 ORGANISATION OF THE PAPER**

The paper is grouped into six chapters and three appendices. The first chapter has been concerned with the formulation of the research problem to be investigated. It has also outlined the specific objectives of the study and the importance of understanding the study in the Kenyan context, both for policy reformulation and as a contribution to the literature on institutions and microfinance organisations, and development.

Chapter two reviews the academic discourse of interest to the current study and also contains the theoretical framework of the project, including the information needed to answer the research questions. Chapter three specifies the research design and outlines of the approaches and methodologies adopted by the study so as to arrive at the conclusions regarding the socio-cultural institutions influencing participation in ASCAs and RoSCAs.

Chapter four presents the characteristics of the respondents and the profile of the groups that were sampled for the study based on the main unit of analysis: groups. The chapter presents the characteristics of the respondents and examines the main features of RoSCAs and ASCAs in the study area, in terms of membership, leadership and group meetings, savings and loans in addition to the associational life of the members in the organisations. (Chapter five presents findings on the socio-cultural institutions influencing participation in the groups that were studied. The last chapter (chapter 6) contains the summary and conclusions of the entire project and attempts to offer policy recommendations and recommendations for further research.

## **CHAPTER TWO**

### **LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

#### **2.1 INTRODUCTION**

This chapter is the beginning of the investigation of the research problem stipulated in chapter one. The purpose of this chapter is to provide a review of the existing literature perceived to be relevant in discussing socio-cultural institutions that influence participation in user-owned microfinance organisations. The aim is to identify issues that are key to understanding the role of socio-cultural institutions in influencing participation in RoSCAs and ASCAs.

The chapter begins in section 2.2 with a review of theoretical literature. Specifically, an overview of the literature on institutions, their role in development and the social capital theory are presented. The first two sub-sections locate the subject matter of the study in the context of development and why institutions are important. While the sub-section (sub-section 2.2.3) on social capital theory helps in identifying the theoretical framework on which the study is based.

The next section on empirical literature is presented in three sub-sections. The first sub-section (sub-section 2.3.1) discusses the roles played by user-owned microfinance organisations in development discourse. The second sub-section (sub-section 2.3.2) on socio-cultural institutions and financial behaviour provides a review of the existing literature on culture and microfinance with the aim of bringing out the issues that are of major concern to the study. The last sub-section on the empirical literature (sub-section 2.3.3) reviews the available literature on the socio-cultural institutions of the study population. This sub-section sets the benchmark on which investigations on the study topic would be launched. Thus, the empirical literature section helps to establish the need to study these organisations bearing in mind the roles that they play in development.

Section 2.4 is divided into two subsections. The first sub-section (sub-section 2.4.1) gives a summary of the major issues that are of concern to the study as presented in both the theoretical and the empirical literature. The second sub-section (sub-section 2.4.2) on the relevance of the theory to the study pulls together the major issues raised in the literature review and shapes the direction of the study. The last section (section 2.5) defines the main terms used in the paper.

## **2.2.THEORETICAL LITERATURE AND FRAMEWORK**

### **2.2.1 An Overview of Institutions**

Clague (1997) defines *institutions* as socially defined constraints on individual action. North (1990) defines them as rules of the game in a society, or more formally, they are humanly devised constraints that shape human interaction. The two scholars agree that institutions are socially defined constraints that shape human interaction. There are three components of institutions: the first component is the formal constraints, in the sense that they are rules that are written down, regulating the structure of polity, property rights and contracting.

Second are informal norms or codes of conduct and conventions that guide daily human interactions (North 1990). They come from socially transmitted information and are part of culture, for example, not questioning the elderly or standing up for elderly people among most African communities. Ensminger (1992) refers the informal rules as 'customary rules of the game'.

The third component is that of enforcement. The government to reduce transaction costs often does this by clearly specifying property rights, regulating weights, measures, and providing third party enforcement of property rights and contracts. The extent of social enforcement of institutions is what determines its significance to an individual and society at large (Ensminger, 1992). This therefore underscores the importance of enforcement as a component of the institutions. Our study focuses on informal constraints that are embedded in RoSCAs and ASCAs and how they are enforced.

Institutions operate in different spheres of a society's life, with some being mainly social, others political still others economic. However what may be on one level viewed as purely social institutions, may have significant economic consequences (McCormick and Kimuyu, 2004). For instance the social institution of marriage carries with it the expectation that the wife will carry certain domestic duties and responsibilities thus limiting the amount of time she can spend, for example, on business activities.

At this point, there is also a need to differentiate institutions and organisations because in everyday language the two are used interchangeably. North (1990) defines organisations as groups of individuals bound together by some common purpose to achieve certain objectives. They are groups formed by people to achieve their goals. An organisation is an embodiment of one or more institutions. They are bodies formed to carry out rules. They are simply the players implied in North's definition of institutions as the 'rules of the game'. Organisations and institutions influence one another. Organisations are the major agents of institutional change (Clague, 1997).

### **2.2.2. The Role of Institutions in Development**

Development takes place within a context, of which culture forms a significant part. Organisations that are the target of development (from governments, to peasant self-help groups, to families) operate not in a vacuum, but within a set of conditions (which include institutions). These conditions shape and influence their mission and activities.

According to North (1990) institutions reduce uncertainty by providing a stable structure to everyday life. Therefore, institutions are a guide to common intentions. They constrain individuals while liberating community action. For example, institutions of insurance and credit reduce uncertainty in business, as most entrepreneurs are aware of their sources of finance and compensatory frameworks and the procedures to be followed. Institutions also structure incentives in human exchange whether political, economic, or social. Informal institutions of trust and reputation act as enforcement for contract and property rights.

Institutions determine transaction and transformational costs and hence the profitability and feasibility of engaging in an economic activity. Transaction costs are the costs of measuring the value of the goods being exchanged. Transformational costs are the total costs of transforming the physical attributes of a good. Institutions through enforcement mechanisms lower costs of production and hence accelerate industrial growth. Lowering of industrial costs enables a country to have comparative advantage in the production of a particular good and thus accelerates growth in that particular sector.

Institutions influence the performance of an economy through institutional change and through its effects on costs of exchange, transaction, and production. Olson (1965) argues that effective institutions and economic policies influence economic performance positively while discouraging bribery and corruption. They are also important in understanding interrelationship between polity and economy and the consequences of this relationship to a country's economic growth and thus its effects on entrepreneurship. Political institutions are important in providing the conducive environment and, regulatory and enforcement requirements for development.

Institutions can affect inputs available to a particular entrepreneur and the mechanisms of their utilisation in the production and distribution process. For instance, financial and credit organisations such as commercial banks have institutional frameworks that define the amount of capital available to an entrepreneur as loan, the collateral required and the use of the loan. Such institutional frameworks influence the kind of investment an entrepreneur engages in. \*

Gender institutions also shape business investment patterns and performance and help in understanding gender differences in entrepreneurship. For example, because of their inability to access higher education and therefore, formal employment, women mostly form a substantial number of entrepreneurs in the micro and small enterprises in Kenya. Institutions are dynamic. Both formal and informal institutions are mutually reinforcing and they require enforcement mechanisms to ensure uniformity. However, the performance of informal institutions is propelled by trust. Effective and well-managed

institutions stimulate entrepreneurship and hence, lead to economic development of a country (McCormick, 2001).

### **2.2.3 Social Capital Theory**

This study makes use of the social capital theory as its theoretical framework. The theory of social capital posits that in any co-ordinated activity participants accomplish far more per unit of time devoted to a joint activity if they draw on capital resources to reduce the level of inputs needed to produce the joint outcome (Ostrom, 1997). The agreement to commit themselves to the activity can be based on the evolution or construction of a set of norms or rules for how the activity will be carried out repeatedly over time and for how commitments will be monitored and sanctions imposed.

Generally social capital theory takes a holistic approach by examining the values and social interactions within networks (Coleman, 1988). Voluntary co-operation such as RoSCAs and ASCAs is easier in a community that has inherited a substantial stock of social capital. Social capital is the shared knowledge, understanding, institutions, and patterns that of a group of individuals bring to any activity (Coleman 1988; Ostrom 1990; Putnam 1993).

In addition, social capital refers to the features of social organisation such as trust, norms and networks that enable people to act collectively to achieve the social order that promotes a conducive environment for development and solidarity. Social capital as a concept "is not what you know, it is who you know"- that gaining membership into exclusive clubs requires inside contacts. Social capital therefore improves the efficiency of a society by facilitating co-ordinated actions (Putnam, 1993).

Social capital takes many forms (Ostrom, 1990). Putnam (1993) identifies social capital as involving networks, norms, and social beliefs that evolve out of the processes that are not overtly investment activities. Family structure is considered a form of social capital (Ostrom, 1997). Norms are inculcated and sustained by modelling and socialisation and



by sanctions. Social capital also includes and kinship ties. Kinship ties have a special role in the resolution of dilemmas of collective action. A person's family, friends and associates constitute an important asset, one that can be called on in a crisis, enjoyed for its own sake, and leveraged for material gain (Woolcock and Narayan, 2000).

**Patterns** of trust and reciprocity are another form of social capital. Trust lubricates cooperation (Putnam, 1993). When individuals learn to trust one another so they are able to **make** credible commitments and they rely on generalised forms of reciprocity; they are **able** to achieve more than when these forms of social capital are not present. Ostrom (1990) observes that in a reciprocal relationship, each individual contributes to the **welfare** of others with an expectation that others will do likewise. This forms the basis of **many** mutual organisations including RoSCAs and ASCAs. The features or forms of social capital such as social norms and networks increase with use and diminish with disuse.

Obligations, expectations, and trustworthiness of structures are another form of social capital. If *A* does something for *B* and trusts *B* to reciprocate in the future, this establishes an expectation in *A* and an obligation on the part of *B*. This form of social capital depends on two elements: trustworthiness of the social environment, which means that obligations will be repaid, and the actual context of obligations held (Coleman, 1988).

Norms and effective sanctions are also considered forms of social capital. For instance the norm of deference to leaders or to those with more status or authority is based fundamentally on a concept of asymmetric relationships (Ostrom, 1997). When a norm exists and is effective, it constitutes a powerful though sometimes fragile form of social capital. A prescriptive norm within a collectivity that constitutes a particularly important form of social capital is the norm that one should forego self-interest and act in the interests of the collectivity. A norm of this sort, reinforced by social support, status, honour and other rewards, is the social capital that among other things, facilitates group solidarity and mutually rewards members, and in general, leads persons to work for the good of the collectivity as a whole.

In some cases, the norms are internalised, while others are largely supported through external rewards of selfless actions and disapproval for selfish actions. Whichever the case, such norms are important in overcoming the public goods problem that exists in collectivities. Norms, effective sanctions, just like other forms of social capital, not only facilitate certain actions, they also constrain others. Information channels also constitute an important form of social capital. Information is important in social relations since it provides a basis for action

Social capital can also be understood in terms of two distinct but interrelated categories: structural and cognitive. The structural dimension is manifest in formal and informal organisations and networks (the more "visible" aspects) while the cognitive dimension consists of values, attitudes, and beliefs that guide social behaviour (the more "invisible" dimension). Another useful distinction is between social relationships that occur within communities of similar background and interests and relationships between dissimilar groups. The intra-group ties are identified as the bonding type, while the extra-group ties can be called the bridging type of social capital (Dasgupta and Serageldin, 1997).

Extending the bonding/bridging metaphor is the notion that the intra-group ties need to be strong and deep (to make collective action possible and enforceable) while extra-group ties can be weaker but more diverse. The effects of social capital, especially of the bonding type, can be positive or negative for society at large. What binds can also exclude or divide, and sometimes groups constrain their own members (Dasgupta and Serageldin, 1997). \*

As has been discussed in this paper, the social capital theory takes a holistic approach to collectivities such as RoSCAs and ASCAs. It takes many forms such as shared knowledge, understanding, trust and reciprocity, norms, social beliefs and social networks that enable people to act collectively to establish social order that promotes solidarity, which in turn promotes co-ordinated actions. Networks in this context are understood as the social fabric to which a member of a community belongs to. These include kinship ties, family, friends, and associations.

Moreover social capital may facilitate or constrain certain actions. For instance requirements for membership into the organisations that are of interest to the study may constrain members who do not meet them from joining. However, norm of reciprocity and trust facilitates reciprocal relations, which form one of the major foundations of user-owned microfinance organisations.

## **2.3 EMPIRICAL LITERATURE**

### **2.3.1 The Role of User-Owned Microfinance Organisations in Development**

Poor households around the world have demonstrated their ability to use and pay for financial services through longstanding informal arrangements such as savings clubs, RoSCAs, and mutual insurance societies (Bouman, 1995; Otero, 1999; Rutherford 1999). Financial services are particularly important to the poor households that live close to subsistence levels. Access to credit by the poor prevents unnecessary depletion of capital by poor producers who do not have sufficient reserves to face an unexpected negative shock. In addition, they need financial services to smooth out peaks and troughs in income and expenditure, to make investments in homes, families and business and to provide for their old age (including their funerals) and for their heirs (Rutherford 1996:3). Financial services are not a panacea to all the problems of the poor, but lack of access to financial services may constrain the ability of the poor to engage in a profitable undertaking.

However, formal financial intermediaries such as commercial banks typically do not serve poor households. The reasons include the high cost of small transactions, the lack of traditional collateral, geographic isolation, or simple social prejudice. Even those institutions that provide financial services to the poor are limited in scale. With over 500 million people needing access to financial services, demand for the services outstrips supply (Website-[www.cgap.org](http://www.cgap.org)).

Microfinance creates access to productive capital which together with other forms of capital-human capital, capital addressed through education and vocational training, and

social capital, built through creating representative, local organisation; promoting democratic organisations and strengthening human rights—enables people to move out of poverty (Otero 1999). Microfinance enables people to create productive capital, to protect the capital they have, to deal with risk and to avoid destruction of capital. It attempts to build assets and create wealth among people who lack them (Dondo, 1994).

Members join the user-owned organisations because they can get access to loans. Johnson observes that, once you are a member, as long as you meet the conditions and funds are available, you are entitled to borrow (unless and until you default in cases of ASCAs and SACCOs). To her, this feature is due to the fact that these organisations are based on a model of member ownership of the financial intermediary. So, members save in order to borrow since they own the organisation. They can trade off the cost of loans against the return on their savings (Johnson, 2001).

The profile of transaction costs that a SACCO or ASCA will incur in making a loan will be different from those incurred by a bank. In the case of SACCO the borrower is usually a long-term member of the SACCO who has saved over a number of years (Johnson 2001). In addition, the loan may be guaranteed by the members' shares and by the shares of guarantors in case of ASCAs. Further, the local members' knowledge of each other is the basis on which loans are given.

The key difference between SACCOs on one hand, and RoSCAs and ASCAs on the other hand is the lack of formal registration with government (Alila 1992). In this sense RoSCAs and ASCAs are informal. Some ASCAs may operate very similarly having committee based structures just like SACCOs. RoSCAs are the simplest form of financial intermediation with mutual ownership that can exist and range in practise from well-organised and established groups to extremely loosely run organisations. In all of these types of organisations, members have say (Johnson, 2001).

Studying credit and savings in rural Kenya, Raikes (1989) observed that financial groups such as SACCOs perform a variety of economic and social functions for their members.

First, they provide a focus for long-term investment, holding out the hope of higher income levels when the investment has been made and matured. This argument is strengthened further by Sebageni et al (2002) who observed that the idea of saving in groups helps members avoid trivial spending and helps individuals to access larger sums than most members could save by themselves. They also noted that in very remote areas that are far away from trading centres, RoSCAs and ASCAs are the easiest way of saving because getting to the nearest financial institution would be costly. They provide a source of loans for emergencies or for special requirements at flexible terms.

Secondly, for RoSCAs and ASCAs that gather together, members socialise and may receive considerable economic return apart from the loans. They may get valuable information on a wide range of topics, advice on many issues or unpaid labour (Ardener and Burman, 1996). This way they help build friendship that can be leveraged on for socio-economic survival. Moreover, a study done by Shrieder (1989) in Cameroon suggested that the volume of deposits moving through RoSCAs might be larger than the amounts held in banks. Further, he observed that in some countries, especially among ethnic minorities, RoSCAs are a primary way of raising funds to make large business investments.

Besley et al (1993) argue that RoSCAs are not helpful for hedging against risks because under random allocation, the collection of the funds need not necessarily synchronise with specific participants' financial needs since each participant collects fund only once during a specific cycle. However, he adds that RoSCAs can deal with single, financially demanding events. They facilitate the mediation of funds by encouraging collective small-scale capital accumulation and savings in ways that keep local capital in circulation provided participants immediately apply for the fund. Some RoSCAs also encourage capital accumulation through in-kind contributions, such as when participants contribute pieces of roofing, material, human effort in building a house or tilling land (Kimuyu 1997).

Sebageni et al (2002) look at the impact of the RoSCAs and ASCAs in terms of improvement and protection of the households that participate in such organisations. By improvement, one is essentially referring to improved living standards, mainly through increased levels of productivity and increased incomes. Protection, a closely related and linked concept, would mainly refer to a type of social security or insurance system used to reduce vulnerability to the shocks that so often challenge poorer households.

In using these financial service organisations or mechanisms as investment techniques or to raise working capital, more income can be generated. This can raise the standard of living in the home by, for example, sending the children to school, ensuring good nutrition, increasing asset accumulation and so on (Alila, 1992). These types of investments could raise the productivity levels in that household in the long run. Increased productivity would in turn protect these homesteads against unexpected shocks in the future (Sebageni, 2002:13).

Women use the RoSCA money for household expenditure, which is a prerequisite to uplifting women's economic status. Women who do not have basic items like household equipment and clothes are shy, even to come out and meet other women, or to allow visitors to their homes (Johnson, 2001; Ardener and Burman, 1996). Without these basic items, they cannot play a full part in public affairs or the economy.

### **2.3.2 Socio-Cultural Institutions and Participation in User-Owned Microfinance Organisations** \*\*

In this sub-section, literature on socio-cultural institutions influencing participation in user-owned financial organisations is reviewed. The section tries to establish the relationship between culture and micro finance. Effort is made to capture the global picture as well as the local picture in Kenya and other parts of Africa.

There are many self-organised financial structures of the working class in the low-income world of the West. Within the East End of London, it was common practice for families to run their own 'loan clubs' where borrowing and lending was confined to family

members and 'social kin' (Grieco, 1996). Shaping financial services, which operated within the framework of kinship, ensured the ability of the group to enforce repayment by the individual and the flexibility of the group to adapt the rules of repayment when unexpected hardship or extraordinary difficulties occurred.

Similarly, within the developing world there is substantial evidence of the self-organisation of finance amongst the poor and vulnerable. In Africa, there is a strong relationship between gender and involvement in rotating box credits or loan clubs (Ardener and Burman, 1996). Women are substantial users of self-organised financial services in Africa primarily because they are excluded from access to the conventional sources of credit. Women's weak property rights in terms of entitlement to own land and other restrictions upon their economic operations have consequences for their ability to borrow from conventional sources as they rarely have the security necessary.

Likewise, Alila (1990) observed that women who constitute a majority of farm dwellers have historically not found easy access to formal sources of credit thus have been attracted to RoSCAs as a viable alternative to source of development resources at the local level. In this particular study, Alila found out that RoSCAs are predominantly composed of women and that most RoSCAs restrict their membership to women only. However, some were open to both sexes.

In addition, Ardener raises a number of socio-economic factors for women's involvement in RoSCAs. First, is the fact that social sanctions such as disgrace and shame act as a mechanism which force people to repay, second, members highly value the social networking and solidarity which RoSCAs offer. Third, is the fact that women's RoSCAs tend to have smaller and lower contributions than men's. Fourth, women prefer single sex RoSCAs thus they will actively exclude men. Lastly, there are opportunities for secrecy that RoSCAs offer in savings accumulation (Ardener, 1995).

Thus, self-help financial groups are based on affinities (Bouman, 1995). Solidarity and social pressure encourages contributions and loan repayment. For instance, RoSCAs,

strengthen social ties of its members by providing their members with mutual help in case of social problems, support in case of repayment defaults, advice and information. To sustain the groups, they must be fairly small (between 15-20 people) and homogeneous. There is a threshold beyond which the group solidarity becomes more fragile or can be broken (Rutherford, 1996). This threshold has to do with financial capabilities, the ability to conduct economic activities, the capacity for social recognition and trust, and management and organised activities.

Consequently, Rutherford (1996) observes that many of the most successful popular financial services devices for the poor are short-lived. They rely on repetition rather on permanence to reach millions. Further, he observes that RoSCAs end after each cycle, which is often less than a year; but their members regularly start another one. To him, this endows them with in-built flexibility, since they can change the number of members or the increase or decrease the amount of money contributed or the interval between the cycle periods. It also provides them with an automatic safeguard against fraud and inertia. The successful RoSCAs get reproduced while unsuccessful ones, and their weak or corrupt managers simply disappear.

Further, Kimuyu and Omiti (2000) observe that where there are long-term relations, such as with social networks, it is easier to punish defaulters in some spheres such as in social interaction. They also observe that borrowing and lending can therefore thrive on "social collateral". Community based sanctions can be brought to bear on default due to faster information flow in a community (Kimuyu and Omiti 2000: 8). Alila (1992) observes that these arrangements are indigenous at the local level and involve kinsmen and neighbours living in the same community and having common cultural norms and values. This kind of relationships normally does not require written agreements (Alila 1992).

In their study in Nairobi, Njeru and Njoka (1998) found out that lack of time for group meetings, as many women had to manage their household chores in addition to family enterprises constrained them from joining financial groups such as RoSCAs. Other reasons that constrained women from joining such groups included not having money




required for group membership and for financial contributions, and the fear of less educated women that they would be swindled out of their money by the "educated people" if they joined.

In her study in Karatina, Kenya, Johnson (2001) observed that each type of financial intermediary, whether formal or informal, has rules, monitoring and enforcement mechanisms as organisations and the implementation of rules depends not only on legislated laws but also on customs and norms. The study focussed on the importance of the social sanction of shame in disciplining RoSCAs members. This study found out that for men, shame is insufficient as a sanction, and where formal contracts do not exist and amounts of money are small, recourse to the legal system is cumbersome, costly and time consuming.

Only those men over whom women feel they have sufficient power, that is, those who have "humbled themselves" may be allowed to join women groups. The sanctions that underlie these financial organisations have significant gender dimensions that explain the relative effectiveness of different types of financial institutions for different socio-economic groups. The current study set out to investigate whether the gender differentials in the enforcement of the social sanctions is as a result of gender and power relations in a society or not. According to Bouman (1995), a RoSCA respects the existing community leadership patterns and decision-making processes.

### **2.3.3 Socio-Cultural Institutions of the Luo**

The Luo are fairly homogenous in language and their communities are inter-linked throughout by marriage and other kin ties (Shipton, 1989:16). Shipton also observes that the Luo see themselves as egalitarian people. The egalitarian ethos underlies redistribution behaviour of many kinds; contributions to weddings, bride-wealth, and funerals, interfamilial livestock loans and school fee payments, reciprocal labour exchanges and lately, rotating savings loan clubs, and other self help groups (Shipton, 1989:25).



Shipton further observes that the same mechanisms can be used for personal accumulation too, but it is always advantageous to appear at least to be a sharer. Fears of witchcraft accusations, gossip and general ostracism check grabbing and ostentation: getting rich too quickly subjects a Luo to rumours, for instance, about theft. However, as can be observed from the continuing discussion, the egalitarian ethos do not apply to some of the Luo socio-cultural institutions such as those that govern land ownership and the gender division of labour.

The Luo belief system is based in their belief in the supernatural. The most important agency of the supernatural was that of the ancestors (Berg-Schlosser, 1984). The ancestors further had the power of uniting groups, and nearly all alliances are explained in terms of kinship with each segment having its own known apical ancestor, back to the great grandfather of the whole tribe. Ancestors draw men of one blood together (Shipton, 1989; Whisson, n.d; Berg-Schlosser, 1984). The funeral ceremonies and the beliefs attached to them express and explain a great deal about the nature of ancestor worship.

Ocholla-Ayayo (1970) observes that one of the highest values that the society has is that of peaceful relations. An evildoer will be punished by virtue of the reactions of the spirits or god, or the power inherent in the action itself (Whisson, n.d; Berg-Schlosser, 1984). Thus Berg-Schlosser argues that the Luo are generally considered to be peaceful, friendly and not as suspicious as members of the other ethnic groups in Kenya (Berg-Schlosser, 1984:129). The most basic set of institutions concerns the marriage and the family. The Luo are patrilineal like most communities in Kenya and on marriage, the woman goes to live in her husband's father's community. The gender division of labour determines which activities within the household belong to women and which to men (Ocholla-Ayayo, 1970).

Land is valued as social, cultural and economic security. Land is entirely owned by men. According to Berg-Schlosser, the basic landholding unit in Luo society is the *jukakwaro*", which is the smallest lineage segment owning a contiguous piece of land. This term originally refers to those who have descended from a common grandfather, but

in its most common use it is often extended to comprise kinship relations reaching back up to twelve generations (Berg-Schlosser, 1984:119). Within the territory of the "*jakakwaro*" the land usually has been fragmented into often tiny pieces which belong to the different elementary families in this group. The largest lineage group, "gwe/jg" (clan) comprises several "*jakakwaro*" is the smallest exogamous group in Luo society.

Though women can inherit land, the tradition that vests ownership of land in males remains strong. The right of land is dominated by sex; only men may possess, claim and dispose of land. After the death of a husband, the widow may be inherited alongside land and other properties of the deceased husband (Ocholla-Ayayo, 1970).

According to Berg-Schlosser, the authority structure in traditional Luo society was rather diffuse and no specialised political roles existed, at least none affecting the Luo as a whole. Decision-making was closely linked to the existing kinship structures where authority was determined within the framework of family and lineage. At the lowest level the owner of the homestead ("*wuon clala*") was in charge of all family affairs. His eldest son usually succeeded him, but if this son was found to be unsuitable for this position, the father appointed another son or another close relative as his successor (Berg-Schlosser, 1984:125).

Sex and age are the most important determinants of work roles among the Luos as in most parts of rural Kenya. Men hold more authority in matters of farm management and economy. However, it is women who do the greater proportion of the farm work. This responsibility combined with nearly all food preparation, most of the children duties, and the preponderance of other household tasks keep most married women occupied fairly constructively from dawn to dusk. Men work shorter hours (Ocholla-Ayayo, 1970). In the modern occupations many Luos especially men have shown a strong preference for white-collar jobs in the public service and parastatal organisations (Berg-Schlosser, 1984:123).

Agricultural tasks most likely to be done by men are those requiring superior strength e.g. clearing, ploughing and those involving travel and major financial dealings e.g. the procurement of credit or the purchase of fertiliser (Shipton, 1989). Women do the less stimulating and more repetitive ones and those requiring relatively little technical judgement like hand digging, weeding, harvesting etc. but the distinctions are not clear cut. Women participate in clearing and ploughing when there are not enough men or boys available. Cash crop cultivation is for men and cultivation of consumables is for women (Shipton, 1989).

Intertwined with the gender division of asset and the usual division of labour is the gender division of household expenditure. Husbands and wives take responsibility for providing for specific types of household needs. Men most often pay for 'lumpy' needs like school fees, while women take care of daily needs like food and small household goods.

However, it should be noted that some of the socio-cultural institutions presented in this subsection such as the gender relations and the gender division of labour are general and they cut across most of the African communities. Others such as funeral ceremonies and the beliefs attached, which are in turn based on their culture, are unique to the Luo. In addition, their kinship relations and structure are unique and may reach as far back up to twelve generations. The Luo institutions that were of interest to this study include kinship and kin relations, gender and gender relations, trust, reciprocity and reputation, marriage and age.

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## **2.4 SUMMARY AND RELEVANCE OF THE THEORY TO THE STUDY**

### **2.4.1 Summary**

This chapter started with reviewing theoretical literature on institutions and development. Most importantly the literature review on socio-cultural institutions and financial behaviour reveals a picture of the relationship between culture and user-owned

microfinance organisations. In the literature, it was established that institutions are important in streamlining and guiding common interests within a society (North 1990). The proposed study sets out to identify those institutions that influence participation in RoSCAs and ASCAs. The study adopts the Clague (1997) and North (1990) definition of institutions "as a socially defined constraints on individual action".

The different components of institutions were also discussed. These components are, first, the formal constraints and second, the informal norms or codes of conduct and conventions that guide human interaction, and third the enforcement component. This study is grounded on the last two components of institutions. It tries to look at the institutions that influence participation and how they are enforced within the organisations that the study is interested in, that is, RoSCAs and ASCAs.

This study is designed to complement the other studies that have been carried out on the underlying socio-cultural institutions in user-owned microfinance institutions. Socio-cultural institutions, which are the main focus of the study, have a bearing on how people participate in RoSCAs and ASCAs as members and as leaders. In addition, these institutions help in ensuring repayment of RoSCA or ASCA funds. However, they may influence the effectiveness of the organisations or constrain them. As indicated in the literature review, the institutions include reciprocity, trust, informational sanctions such as reputation, social sanctions and norms guiding social interaction, social ties and networks, kinship ties and blood relations, gender relations and age, all influence participation in RoSCAs and ASCAs.

#### **2.4.2 Relevance of the Theory to the Study**

When applied to RoSCAs and ASCAs social capital theory becomes a powerful framework that can be used to understand what influences the participation of members in these organisations. Specifically, this study sets out to find out which of the forms of social capital discussed above facilitates or constrains participation in RoSCAs and ASCAs in terms of membership leadership, savings and loans and the associational life of members within the organisation.

Thus, RoSCAs and ASCAs can not function unless all members continue to keep up their obligations. The risk of default is well recognised by participants who in turn select their members and leaders with some care. Thus the reputation for honesty and reliability is an important asset of any would-be participant (Putnam, 1993). The selection of members into these organisations is based on the key elements of solidarity such as trust, reciprocity and reputation. The social capital that members have such as their kin relations, age and gender may also influence membership of the organisations. Likewise, the selection of members to leadership positions would be based on one's leadership qualities in addition to other factors that are socially, culturally or economically defined.

Similarly, a high degree of trustworthiness among the members of the group or the organisation could not exist for a person who receives RoSCA money early in the sequence and absconds leaving the others with a loss. The risk of default is minimised by strong norms and dense networks of reciprocal engagement. In fact, reciprocity is "an important way of managing uncertainty and risk through establishing and strengthening interpersonal ties" (Adams, 1990). Solidarity and social pressure encourage contribution and repayment of funds owed to the groups by members. Solidarity could be enhanced through the associational life of the members in the groups and how they network. Similarly, kinship ties too have a role to play in the resolution of dilemmas of collective action. Overall, informal institutions play a key role in influencing participation in RoSCAs and ASCAs.

## **2.5.DEFINITIONS OF KEY TERMS**

It is necessary to make explicit the definitions on which much of the paper depends.

**Micro finance** refers to the delivery of financial services such as credit, savings, and insurance to clients who are without access to the services of formal sector financial intermediaries. By this definition the clientele of micro finance can include the very poor the poor and non-poor.

**User-owned micro financial organisations:** these are financial organisations that are owned by their users, that is, members have a voice in setting the rules and enforcement

mechanisms. They include: RoSCAs, Savings Associations (SAVA), (ASCAs). This paper will also make use of terms like 'member-owned financial organisations', 'self-help financial groups' and 'community-owned finance organisations' to refer to them.

**Culture:** Simply defined, culture is the way of life of people in a given society. The way of life of a people include a set of beliefs, attitudes, values, norms, customs behaviour patterns, myths, language usage principles, experiences and skills which members of a society share as a framework for interpreting the social world, including patterns of gender roles and relationships, and the larger institutions of society (Ember and Ember, 1990).

**Socio-cultural Institutions** in this paper refers to framework of rules for achieving certain societal or economic goals. These rules derive from the culture of the particular group of people.

**Gender** refers to the socio-cultural construct of the society that determines the identity roles or functions, entitlements and deprivation of men and women in society. Therefore gender defines men's and women's position within their respective society.

**RoSCAs** are organisations in which a number of people form a group and contribute an agreed amount on a regular basis. On each occasion the fund is usually given to one person who takes all the money, until everyone in the group has received the money in turn. The order of rotation may be determined by ballot, by age or by seniority or other social organisations of preference, or may be auctioned.

**ASCAs** involve contributions into a central fund that is then lent to members at an agreed rate of interest. The interest is put in the fund until dividends are returned to the members.

**Participation:** For this study participation is taken to mean involvement in RoSCAs and ASCAs in terms of membership, leadership, savings and borrowing and in the associational life of members within these organisations.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1. INTRODUCTION**

This chapter presents methodological approaches that were used in data collection and analysis, and discusses some of the problems encountered in the process of data collection. Specifically it presents the sampling strategy and sample size, sources of data, study population and unit of analysis, and methods of data collection and analysis.

#### **3.2 SAMPLING STRATEGY AND SAMPLE SIZE**

The study utilised both probability and non-probability sampling methods. The probability sampling method that was used is the simple random sampling technique. This was used to select members of ASCAs and RoSCAs that formed the study sample. Non-probability methods that were used include snowball and judgemental sampling methods. Snowball sampling was used to identify ASCAs and RoSCAs in the study area. Judgemental sampling was used to identify key informants for the study.

Since independent RoSCAs and ASCAs that the study was interested in were not registered, with the help of t<sup>p</sup> local people, snowballing method was adopted to identify a total of 30 ASCAs and RoSCAs that have more than 10 members to form a sampling frame for the study. Although there were numerous groups in the study area, the researcher in making the sampling frame stopped at 30 groups. Of the 30 groups identified, 4 groups were ASCAs while 26 were RoSCAs. A total of 12 groups were randomly selected for the study (Table 1).

To arrive at the 12 groups sampled for the study, each of the 30 groups identified was assigned a number. The numbers assigned to each of the individual groups were then written on small pieces of paper that were of the same size, quality and colour. Folded



tightly, they were mixed up by the researcher and then one of the research assistants was then asked to pick 12 pieces of paper while keeping his eyes closed. The numbers selected corresponded to the sampled group. Lists of all the members in each of the 12 groups sampled were obtained from the secretaries of the groups. Where there was no list, the researcher compiled one with the assistance of the group members. Six members were randomly selected from the list of each group.

Table 1: Groups Sampled for the Study

<b>Name of Group</b>	<b>No. of members in the group (N)</b>	<b>No. of members sampled (n)</b>	<b>% of total sample</b>
1. Achaye Rach Women Group	15	6	8.3
2. Adur Women Group	14	6	8.3
3. Agoko Moyie Association	29	6	8.3
4. Bidii Women Group	22	6	8.3
5. Chameri Women Group	25	6	8.3
6. Japara Development Group	25	6	8.3
7. .lirani Mweme Group	36	6	8.3
8. Jordan Youth Group	23	6	8.3
9. Jua Kali Women Group	30	6	8.3
10. Sawa Women Group	25	6	8.3
11. Ushirika Women Group	12	6	8.3
12. Waringa Village Development Group	25	6	8.3
<b>Total</b>	<b>281</b>	<b>72</b>	<b>100</b>

Source: Field data, 2004

To arrive at the 6 members sampled for the study from each of the groups, every member of the individual groups was assigned a number. The numbers assigned to each of the individual members were then written on small pieces of paper that were of the same size, quality and colour. They were folded tightly, mixed up by the researcher and then one of the research assistants would be asked to pick 6 pieces of paper while keeping eyes closed. The numbers selected corresponded to the sampled member. This procedure

was repeated for all the 12 groups to obtain a sample of 72 members. The 72 members represented 25% of the total membership of the groups.

By selecting an equal number of members from each of the twelve groups sampled for the study, the sample of members was disproportionate and would lead to a biased sample. However, results of a pre-test done by the researcher was used to arrive at the decision to select six members because it was necessary to crosscheck the responses given by the members concerning their groups.

Judgemental sampling was used to select 6 key informants. Key informants consisted of individuals who possess expert knowledge or key information on the topic that was being studied, that is, the local socio-cultural institutions that influence participation in RoSCAs and ASCAs. The key informants included a village elder, a chief, a social worker, an NGO official who works with the locals, a religious leader and one other person who was a non-member of RoSCAs or ASCAs.

### **3.3 STUDY POPULATION AND UNIT OF ANALYSIS**

Nachmias and Nachmias (1996) observe that population is the aggregate of all cases that conform to some designated set of specifications. In this paper having the specifications 'independent group/organisation' and 'RoSCA or ASCA', the study population was defined as all the RoSCAs and ASCAs in Rarieda Division, which work independently, that is, without any external support from donors, NGOs or the government. Unit of analysis refers to the specific objects or elements whose characteristics we wished to describe or explain and about which data were collected (Babbie, 1998). In this study the unit of analysis was both groups and individuals. Data was collected from individual group members in order to get the much needed information on both groups as well as the

### **3.4. DATA SOURCES AND COLLECTION TECHNIQUES**

The subject matter of the study warranted the use of multiple methodological tools. Efforts were made to draw on many different data sources as possible, within the existing resource constraints. The main techniques for data collection that were used in collecting primary data were structured interviews, focus group discussions (FGDs), and key informant interviews.

Apart from the primary data sources, this study also made use of extensive secondary data material. The secondary data sources helped to furnish a background fabric and context to the primary data and served as a precursor to the primary data collection exercise. In addition, secondary data were useful in cross-checking and authenticating the primary data. The sources comprise a wide range of literature which can be summarised as follows: The literature on institutions, the theoretical literature, empirical works on culture and micro finance and the importance of user-owned micro finance organisations in development as well was obtained from secondary data sources. The secondary data sources were reviewed by reading selectively in relation to the study topic.

#### **3.4.1 The Structured Questionnaire and Key Informant Interviews**

General as well as specific information regarding membership, leadership and savings and loans in RoSCAs and ASCAs was sought for using the structured questionnaire that was administered to individual members and leaders (see appendix 1). In addition, information on the associational life of the members in these organisations together with their demographic characteristics was also obtained using the structured questionnaire.

The majority of the questions in the structured questionnaire had fixed response alternatives. Only few were open-ended. They were grouped under the following six rubrics: respondents details, membership, group management, group meetings, savings and loan repayment, interaction amongst group members and group sustainability.

The questionnaire was produced in English, but was administered in three different languages to the respondents, that is, English, *Kiswahili* or *Dholuo*<sup>2</sup>, depending on the language that individual respondent was comfortable with. Thus the researcher sought the assistance of four research assistants to administer the questionnaire to respondents who were not conversant with English or Kiswahili. The researcher gave a one-day training to the research assistants to equip them with interviewing skills and also to familiarise them with the questionnaire and the topic of study. The researcher herself interviewed the respondents who could understand and speak Kiswahili or English. The structured questionnaire was administered to the individual group members first, followed by the key informant interviews.

Additional information was collected through the key informant interviews based on unstructured thematic guidelines that reflected research interests. Key informants were selected on the basis of their specialised knowledge of socio-cultural institutions that the study was interested in. Key informant interviews have the flexibility which questionnaires lack. They can be used to probe for more specific answers from the respondent. In addition, if the answer given by the respondent is misconceived, the researcher is in a position to alter the wording of the question (but not the meaning) to a more simplified format in order to get the correct response. However, key informant interviews consume a lot of time, therefore only a few respondents can be interviewed in a single study.

### **3.4.2 Focus Group Discussions and Observation**

Focus group discussions (FGDs) were useful in this study. The researcher drew on her previous experience with FGDs to structure and to conduct the focus group discussions. They were conducted for members and group leaders to get detailed information that may not have easily come out in the structured questionnaire that was administered to

<sup>^</sup> *Kiswahili* is Kenya's national language while English is the official language.  
<sup>2</sup> *Dholuo* is the native language of the study population.



individual group members and leaders. In setting up these groups, attention was paid to homogeneity of participants to give ample room for a free discussion atmosphere.

The participants in these discussions were selected on the basis of gender in addition to whether they were leaders or not. Therefore, three different sets of group focus group discussions were conducted, one from each of the following categories: leaders, women members, and men. Emerging issues that arose from the structured questionnaire and key informant interviews were explored further in focus group discussions for purposes of clarification (see appendix 3). Unlike other methods of data collection, FGDs have the advantage of gathering more data within a very short time "provided the researcher carefully guides the discussion so that the group does not divert from the research themes" (Babbie 1998).

Observation as a data collection tool was also employed by the researcher during group meetings attended by the researcher to gather information on the unspoken socio-cultural norms that play a role in the way members participate in RoSCAs and ASCAs.

### **3.5 DATA ANALYSIS**

In line with the research design used in data collection, the study made use of both qualitative and quantitative data analysis techniques to analyse data. The quantitative data generated were analysed using Statistical Package for Social Sciences (SPSS). The SPSS programme was used to ^lin frequencies and cross tabulations while graphical representations of the data collected were generated using the Excel programme.

The qualitative data generated were interpreted by looking at emerging trends within the responses. The methods that were used in qualitative data analysis including content analysis and direct quotations of selected comments from informants. Data from the key informant interviews and focus group discussions were then integrated into the data from the primary and secondary data sources.

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### 3.6 CHALLENGES ENCOUNTERED

The researcher encountered conceptual challenges especially in distinguishing socio-cultural institutions that are specific to the Luo community and those that are general, that is, those that cut across most Kenyan communities. However, the researcher made effort to overcome this challenge by reviewing literature that was specifically on the culture of the Luo as a community.

Having completed the research design, the subsequent challenges were related to the sampling procedure owing to the fact that the researcher was interested in independent groups, that is, groups that operated independently outside any external support. Most of these groups are not registered and in the absence of a sampling frame, it was an arduous and laborious task constructing one.

A few individual respondents evidently had misconceptions that by answering the questions immediate benefits would accrue to them in one form or another. Thus, by way of introduction the interviewers had to spend time dispelling such notions. In addition, language barrier was another major challenge that the researcher was confronted with. A lot of effort was made to capture all the responses with the help of the research assistants. All these challenges should therefore be put in mind when going through the study findings and discussions, which are presented, in the succeeding chapters.

Despite the challenges that were encountered, the researcher managed to collect and analyse data, which yielded useful information. The information obtained formed the basis on which conclusions and recommendations are made.

## CHAPTER FOUR

### RESPONDENT CHARACTERISTICS AND GROUP PROFILES

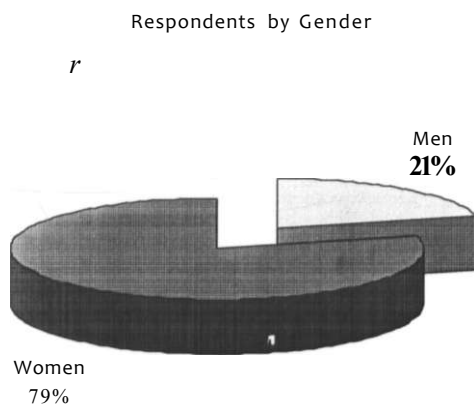
#### 4.1 INTRODUCTION

This chapter is the beginning of the presentation of the research findings. Information about the characteristics of the respondents interviewed for the study is presented. In addition, the main features of the RoSCAs and ASCAs in the study population are presented. Pertinent information regarding membership and regulations governing membership, leadership, savings and borrowing together with group meetings and associational life of the members within these organisations is also presented. The chapter winds up with a section on summary and conclusion of the main issues presented in this chapter.

#### 4.2. RESPONDENT CHARACTERISTICS

Of the respondents interviewed, 20.8% were men while 79.2% were women (Figure 1). This would be attributed to the fact that there were few male members in the groups that were interviewed for the study. In addition, women undertake activities, which produce

Figure 1



Source: Field data, 2004

low returns. Thus it will be very costly to keep their money in formal financial institutions such as banks due to the high transaction costs involved especially when making small deposits and withdrawals. In terms of marital status, 8.3% of those interviewed were single, 81.9 were married while 9.7% were widowed (Table 2).

Table 2: Respondents by Marital Status

<b>Marital status</b>	<b>Frequency</b>	<b>Percentage</b>
Single	6	8.3
Married	59	81.9
Widowed	7	9.7
<b>Total</b>	<b>72</b>	<b>100</b>

Source: Field data, 2004

In terms of religion, 79.2% of the respondents interviewed were Protestants, 19.4% were of the Catholic faith, while traditionalists accounted for 1.4%. In terms of occupation, 48.6% of respondents indicated that farming was their main economic activity, 40.3% were traders, and 8.3% were in formal employment while those not engaged in any economic activity accounted for 2.8%.

Table 3 indicates that most respondents had formal education: 95.9% had acquired formal education, but one half (50.0%) of the respondents had only reached primary school level, 40.3 % had secondary level education, 4.2% had gone to college while 1.4% had university education. However only 4.2% had not gone to school. Out of the 95.9% that had formal schooling, only 37.5% had undergone training.



Table 3: Respondents by level of education

<b>Level of education</b>	<b>Frequency</b>	<b>Percentage</b>
University	1	1.4
College	3	4.2
Secondary	29	40.3
Primary	36	50.0
None	3	4.2
<b>TOTAL</b>	<b>72</b>	<b>100</b>

Source: Field data, 2004

Figure 2 below shows that, of the respondents interviewed, 36.2% and 21.0% belonged to the 30-39 and 40-49 age categories, while a few were aged over 60 years. However the most active age group in terms of involvement in RoSCAs and ASCAs was that of between 30-39 years of age. This would be attributed to the fact that most of the people in this age category have many obligations to meet such as paying school fees and clothing children. In addition, most of the people in this age category are more aggressive to invest in business and in other income generating activities. They are also likely to have settled in their marriages, have many dependants in addition to having young families.

Nearly all respondents were aged above 20 years of age (98.6%). This could be attributed to the fact that most of the people below 20 years of age are of school going age and do not have sources of income. Only a small percentage of the respondents were above 60 years of age (9.2%).



Figure 2



Source: Field data, 2004

### 4.3 FEATURES OF RoSCAs AND ASCAs

The preceding sub-section and this sub-section play complementary roles in understanding the research findings, which are presented in this chapter and the succeeding chapter. This particular sub-section presents a detailed description of the type of micro finance organisations that were interviewed for the study. This study classifies them as 'pure' RoSCAs, 'pure' ASCAs and 'RoSCA-cum-ASCA' groups.

In 'pure' RoSCAs, the group members make regular cyclical fixed contributions to a common fund, which is then given as a lump sum to one of the members in rotation by lot or by consensus. Every one of the group members must be served once but this depends on how many shares one has in the group. However, in 'pure' ASCAs, the accumulated money is kept in an account or with the treasurer of the group. In other cases

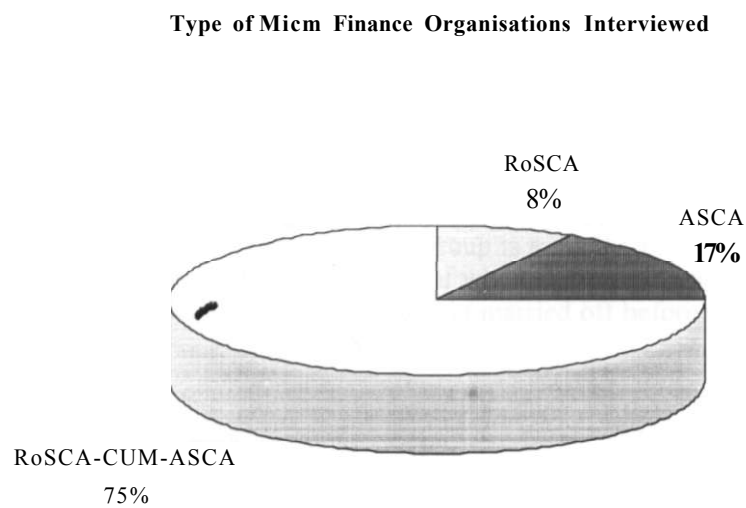
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the accumulated fund is spent on buying grains which are then hoarded. They are sold at a time when there is a shortage and the prices are high thus making profit. The profits may be kept by the group or may be shared equally depending on the shares that an individual member has.

Besides, members take loans with interest from the accumulated fund whenever they are in dire need of money. However there are restrictions on who may borrow, such as having saved with the group first. The interest gained from loans taken is then shared among the members, depending on the number of shares that one has.

The study found out that there are few "pure" RoSCAs as evidenced from the number of members interviewed for the study which accounted for (8.3%) and ASCAs (16.7%) (Figure 3). The majority of the groups studied had both elements of a RoSCA as well as an ASCA (75.0%). RoSCAs serve both the functions of saving and credit.

Figure 3



Source: Field data, 2004

Most of the groups interviewed for the study belong to a category the study classifies as 'ASCA-cum-RoSCA'. In this type of organisation, a group of people contribute a fixed amount of money to a common pool weekly, fortnightly or monthly. A portion of the money is then given to one of the members in rotation by lot or by consensus. The other portion usually ranging between 10-20% is left with the treasurer to accumulate.

A member may take a loan from the accumulated amount (pool) (usually kept by the treasurer), but would be required to repay it with some interest. However the moral obligation to assist others in need overrides the need to generate interest from the money lent. This partially explains why 'pure' ASCAs are few in the region. Further, high transaction costs charged by the banks have discouraged many ASCAs from saving their money in banks. Besides, the process involved in making deposits and withdrawals in addition to poor transport means and networks in the area has led to the collapse/dormancy of the pure ASCAs. One respondent, aged 71, a member of one of the ASCAs that was on the verge of collapse at the time the research was carried out, was quoted saying:

"Members are leaving our group because they want to join RoSCAs (Referred as *Nyoluoro* in *Dholuo* language) because they don't like the idea of accumulating money and receiving benefits after a long time. RoSCAs come in handy especially in a time of crisis, unlike ASCAs where you have to take a loan and pay it with interest. For every 100 shillings taken as loan, one pays 10 shillings as interest on that loan every month. Sometimes their money doesn't fetch any interest because the bank charges are high. This particular group is a family group and women are the majority (20). We also have 5 men out of whom 3 are young people. We don't have young girls as members because they get married off before they would join our group".

Thus it can be argued that institutions governing marriage, for instance, the requirement that a woman moves to and stays in her husband's home has a bearing on the unspoken requirements that a prospective member should meet before joining the groups. This would explain why young girls do not join RoSCA or ASCA organisations that are dominated by older members of the society. In addition institutions governing the way

disputes are handled play a major on the way these organisations operate. These and other institutions are explored further in the next chapter.

In both the RoSCA-cum-ASCA groups and the pure RoSCAs, members alternate between being lenders and borrowers, that is, there is mutual give-and-take involved. Therefore, they have strong mutual aid characteristics. The main purposes of these groups are to improve the welfare of the members, help the bereaved families, and venture into business. The purposes for joining ASCAs and RoSCAs are explored further in this chapter in section on the reasons why members join such groups.

Most of the groups that fell in the category of ASCA-cum-RoSCA were involved in some economic activity. These economic activities were varied depending on the interest of the group members. These included hoarding cereals and selling them during a time of serious shortage thereby making profit. The profits would then be shared equally amongst the members. Some carried out farming such as poultry-keeping, bee-keeping and rearing of goats.

#### **4.4 CROUP PROFILES**

##### **4.4.1 Group Formation**

The oldest group whose members were interviewed for the study, that is, *Bidii Women Group*, was started in 1985^while the rest of the groups (91.5%) were started in the period between 2000 and 2003 (Table 4, Column 1 below). Four of the groups were started in the year 2000, that is, *Jaa Kali Women Group*, *Chameri Women Group*, *Adur Women Group* and *Jirani Mwema Group*. Two of the groups were started in the year 2001, these are, *Agoko Moyie Association* and *Waringa Village Development Group*. Two other groups were started in 2002, that is, *Japara Development Group* and *Ushirika Women Group*. While the remaining three groups were started in 2003, namely, *Achaye Rack Women Group* *Jordan Youth Group* and *Sawa Women Group*.

In terms of MFI type that the groups belonged to (Table 4, Column 2), one of the groups, *Chameri Women, Group*, was a pure RoSCA, two of the groups, *Achaye Rach Women Group* and *Jirani Mwema Group*, were pure ASCAs, while the rest belonged to the ASCA-cum-RoSCA category.

#### 4.4.2 Membership

Membership of the groups ranged between 12 and 36 members with most groups ranging between 21-25 members (Table 4, Column 4). *Ushirika Women Group* had the smallest number of members while *Jirani Mwema Group* had the highest number of members.

Table 4: When the Groups were Started and Membership Composition

Name of Group	Year started	Type of MFI	Gender composition		Total Members
			Men	Women	
Achaye Rach Women Group	2003	ASCA	3	12	15
Adur Women Group	2000	ASCA-cum-RoSCA	0	14	14
Agoko Moyie Association	2001	ASCA-cum-RoSCA	11	18	29
Bidii Women Group	1985	ASCA-cum-RoSCA	0	22	22
Chameri Women Group	2000	RoSCA	0	25	25
Japara Development Group	2002	ASCA-cum-RoSCA	2	23	25
Jirani Mwema Group	2000	ASCA	4	32	36
Jordan Youth Group	2003	ASCA-cum-RoSCA	13	10	23
Jua Kali Women Group	^000	ASCA-cum-RoSCA	0	30	30
Sawa Women Group	2003	ASCA-cum-RoSCA	0	25	25
Ushirika Women Group	2002	ASCA-cum-RoSCA	0	12	12
Waringa Village Development Group	2001	ASCA-cum-RoSCA	12	13	25
		<b>Total</b>	<b>45</b>	<b>236</b>	<b>281</b>

Source: Field data, 2004

In terms of gender composition (Table 4, Column 5 and 6), out of the total membership of the groups studied (which stood at 281 members), 45 of the members (16.1%) were men while the rest 236 (83.9%) were women. The gender composition of the individual groups was as follows. Six of the studied groups were composed of women only, while the other six groups had mixed sex membership though women heavily outnumbered men except for two groups where there was almost a balance: Waringa Village Development Group and Jordan Youth Group. Historically RoSCAs and ASCAs have been associated with women.

#### **4.4.3 Regulations Governing Membership**

All the groups that were studied had regulations governing membership though they were not written down. Common regulations governing membership into any of the twelve organisations include payment of non-refundable registration fee, attendance of group meetings, being hardworking and of good reputation. In addition to these, other regulations that varied from one group to the other are summarised in the table (Table 5) below also mattered. These include having a source of income, being female, belonging to a particular family, being married/widowed, belonging to the neighbourhood, being in the 17-24 age category and payment of either weekly, biweekly or monthly subscriptions.

Table 5: Regulations Governing Membership

Achaye Rach Weekly subscriptions Participation in group's activities Having a source of income	Chameri Women Group Weekly subscriptions Same profession: Trading Being female	Jordan Youth Group Bimonthly subscriptions Participation in group's activities Being in the 17-24 age-category
Auoko Moyie Association Bimonthly subscriptions Participation in group's activities Having a source of income Belonging to a particular family	Japara Development Group Bimonthly subscriptions Participation in group's activities Having a source of income Being female Same clan	Ushirika Women Group Bimonthly subscriptions Participation in group's activities Having a source of income Being female
Adur Women Group Weekly subscriptions Participation in group's activities Having a source of income Being female Same clan	Jirani Mwema Group Weekly subscriptions Participation in group's activities Having a source of income Belonging to the neighbourhood Being married/widowed	Bidii Women Group Monthly subscriptions Participation in group's activities Having a source of income Being female Being married/widowed
Sawa Women Group Bimonthly subscriptions Participation in group's activities Having a source of income Being female Being married/widowed Same clan	Jua Kali Women Group Bimonthly subscriptions Participation in group's activities Having a source of income Being female Being married/widowed to the same clan	Waringa Village Development Gp Bimonthly subscriptions Participation in group's activities Having a source of income Being married/widowed Same clan

Source: Field data, 2004

Membership in other groups was quite common amongst the respondents. This does not indicate non-commitment of members to their groups but gives the wider picture of the social networks that members tap on to meet their daily challenges. The proportion of respondents who were members of other groups was 63.9%. Respondents who indicated that they belonged to more than one group were spread out in the twelve groups that were sampled for study. Different reasons were cited as being critical in influencing participation in other groups (Table 6). They indicated that membership in other groups



was meant to acquire property (36.9%) and helped in servicing loans owed to the group (23.8%). In addition, 33 (45%) respondents indicated that membership in other groups was due the fact that they were family/clan groups.

Table 6: Reasons for Belonging to Other Groups

<b>Reason for belonging to other groups</b>	<b>Count</b>	<b>percentage</b>
For acquiring property	31	36.9
Helps in servicing loans owed to this group	20	23.8
It is a family/clan group.	33	39.3
<b>Total Responses</b>	<b>84</b>	<b>100</b>
46 valid cases;26 missing cases <i>* 7his was a multiple response question</i>		

Source: Field data, 2004

#### 4.4.4 Leadership

All the groups that were interviewed indicated having office bearers. Furthermore, in all the groups, respondents indicated that they chose their leaders through elections by acclamation. Ten of the groups (Table 7) that were represented in the study chose their leaders once a year (83.3%). Members of one of the groups indicated that they chose leaders twice a year (8.3%), while in another group (8.3%) leaders were chosen only when there was need.

Table 7: Frequency of Choosing Leaders

<b>Frequency of choosing leaders</b>	<b>Number of groups</b>	<b>Percentage</b>
Once a year	<b>10</b>	83.4
Twice a year	1	8.3
Only when there is need	1	8.3
<b>Total Responses</b>	<b>12</b>	<b>100</b>

Source: Field data, 2004

The study also found out that the mobiliser, who assumes leadership roles at the time when a group is being formed, selects members participating in RoSCAs. Most of these mobilisers end up being chosen as leaders when elections for leadership positions are held. This would be attributed to the fact that most of these mobilisers are people who are informed in addition to being educated to higher levels of education such as secondary level or tertiary education level as compared to other members.

Thus, of the twelve groups studied, chairpersons of four of the groups were retired teachers; one group had a retired member of parliament; two other groups had social workers as their chairpersons while the remaining five had chairpersons who had either finished primary or secondary education. The mobilisers in most cases as evidenced above, were people who are informed, educated and of high social status in the society. For instance, teachers, are highly esteemed as members of the society thus likely to be leaders of such organisations (these issues on leadership will be discussed further in the next chapter in a section on leadership).

#### 4.4.5 Savings and Borrowing

Members in these groups made weekly, bimonthly or monthly subscriptions, which ranged between 20 and 260 shillings. In most groups (58.4 %), the compulsory financial contributions made by individual members towards the group fund were below one hundred Kenya shillings. A third of the groups interviewed for the study made financial contributions ranging between 20 and 260 Kenya shillings. The frequency of making the contributions towards an individual group fund coincided with the time that the particular groups held their meetings with close to 60% of the groups making their financial contributions bimonthly. In four out of the twelve groups (33.3%), members made weekly financial contributions while members of only one group made monthly contributions.

Table 8: Amount and Frequency of Making Contributions

<b>Amount of Money contributed in Kenyan Shillings</b>	<b>Number of groups</b>	<b>percentage</b>
Below 100	7	58.4
101-200	1	8.3
200 and above	4	33.3
<b>Total</b>	<b>12</b>	<b>100</b>
<b>Frequency of Making Contributions</b>		
<b>Frequency</b>	<b>Number of groups</b>	<b>percentage</b>
Weekly	4	33.3
Bimonthly	7	58.4
monthly	1	8.3
<b>Total</b>	<b>12</b>	<b>100</b>

Source: Field data, 2004

This way RoSCAs provide means for the utilisation of surplus funds and savings in addition to offering easy local savings mechanism. However, the cyclical timing of group meetings in a sense limits members' savings opportunities because one cannot save when he/she has surplus funds, but has to wait for the RoSCA meetings.

All the groups had rules that guard against failure to make financial contributions or not doing so in time. These include payment of fines for making contributions late, a member's turn to receive RoSCA money would be changed, and one risks losing membership but this is subject to the reasons that could make an individual member not to make the contributions in time. Worse still, such members might risk not being helped in time of crisis such as sickness.

The study also established that for an individual member to obtain a loan, one needs social collateral in terms of a guarantor and being well known to the group. In addition,

one must have shares in the organisation in case of an ASCA and having saved first (new members particularly) with the group in case of a RoSCA.

#### 4.4.6 Group Meetings and Associational Life of Members within the Groups

All groups held group meetings with seven of the groups (58.4%) holding meetings fortnightly. Four of them (33.3) did so once a week (Table 9) while one group held meetings monthly (8.3%). Almost three fifths of the respondents indicated that they held their meetings late in the afternoon (59.7%). Others did so in the late morning hours (18.1 %) while the others indicated that they did so in the early afternoon (22.2%).

Table 9: Frequency of Holding Group Meetings

<b>Frequency of Meetings</b>	<b>Number of groups</b>	<b>percentage</b>
Once a week	4	33.3
Fortnightly	7	58.4
Monthly	1	8.3
<b>Total</b>	<b>12</b>	<b>100</b>

Source: Field data, 2004

The meetings serve as a management tool for reviewing the financial performance of the groups and to check out any anomalies especially on the accumulated fund. This is evidenced from purposes that group meetings are meant for (Table 10). In all the twelve groups, respondents indicated that group meetings were for purposes of being briefed on financial matters of the group and for making their financial contributions. In addition, seven out of the twelve groups indicated that group meetings were also for the purposes of discussing disputes. However five of the groups had never had or discussed disputes.

Table 10: Purposes for Holding Group Meetings

<b>purpose for group meeting</b>	<b>No of groups</b>	<b>Percentage of responses</b>
Briefing on financial matters	12	38.7
Make financial contributions	12	38.7
Discuss disputes	7	22.6
<b>Total Responses</b>	<b>31</b>	<b>100</b>
<i>"This was a multiple response question"</i>		

Source: Field data, 2004

In addition, if there was any other business, such as a disciplinary case to be discussed, or a member who needed help, it was brought up during the meetings. Requests made by prospective members who expressed their intention to join the groups were also brought up during group meetings and all the members participate in decision-making. It came out from FGDs that "admission of new members is approved by consensus during group meetings". This way, it would be inferred that RoSCAs are democratic in the sense that their operating procedures and other details are decided or agreed upon by its members.

All the groups had rules that were meant to ensure that all members attended group meetings. This included payment of fines for coming late to group meetings or failing to attend without an apology/permission. The fines imposed ranged between 5 and 10 shillings and a member would be suspended for not paying the fines. Failure to attend three consecutive group meetings led to expulsion of the offending member from the group.

#### **4.5 SUMMARY AND CONCLUSION**

Most of the respondents interviewed (79.2%) were women. This is because the majority (83.%) of the total membership of these organisations were women. In addition, study findings also show that 81.9% of the respondents belonged to the married category. 9.7%

were widowed while 8.3% were single. The majority of respondents were Protestants (79.2%), 19.4% were of Catholic faith, while 1.4% were traditionalists.

In terms of education 95.9% of the respondents had acquired formal level of education. The age category that was represented with the highest number of respondents was the 30-39 age group. Those that belonged to the 40-49 age category accounted for 21%, the 20-29 age category accounted for 17.1%, 50-59 accounted for 15.2 % while those above 60 years of age and those below 20 years of age accounted for 9.2% and 1.4% respectively.

Most of the organisations sampled for the study belonged to the ASCAs-cum-RoSCA type of organisations accounting for 75%, while pure RoSCAs accounted for the least percentage (8.3%). Pure ASCAs accounted for the rest of the percentage. The ASCAs-cum-RoSCA groups were the majority because they enabled members to get access to savings and loans and at the same time offer their members an opportunity to engage in some economic activity as a group. In addition, the organisations keep an accumulated fund from which individual members could take loans in case of a crisis. Pure RoSCAs were the least preferred. The study findings show that in the one pure RoSCA that was selected for the study, members do not engage in any economic activity, nor do they keep an accumulated fund from which members can draw loans in case of emergencies.

Most of the groups were started in the period between 2000-2003 with the oldest having been started in the year 1985. /Tie membership of the groups is small, ranging between 12 and 36 members to enable members to maintain group solidarity. Though it is well known that membership into these organisations is on voluntary basis, the study findings show that they have regulations that govern membership. Some of these regulations are similar and some are specific to a particular group. In addition, membership in more than one group was common among respondents with a good percentage of respondents (63.1%) indicating that they belonged to more than one group. This is an indication of the social networks that members tap on to meet daily challenges.

All the groups sampled for the study had office bearers who came to office through elections by acclamation. At the time of the formation of a group, mobilisers who assume leadership positions end up being chosen as leaders in different capacities when the group is eventually formed. As compared to other members the mobilisers are likely to be people of high social status in terms of being better educated and more exposed.

Members in these organisations make weekly, bimonthly or monthly subscriptions. The subscriptions range between 20 and 260 Kenyan shillings. Group meetings offer members a chance to interact and share information regarding the financial matters of the group in addition to making financial contributions that they are obliged to. This way the meetings serve as a management tool for checking out any defaults or any anomalies that may arise. Payment of fines for coming late or failing to attend group meetings without an apology or worse still, being expelled from the group for failing to attend three consecutive meetings ensures that members attend the meetings. The fines imposed range between 5 and 10 Kenyan shillings.

## CHAPTER FIVE

### SOCIO-CULTURAL INSTITUTIONS INFLUENCING PARTICIPATION IN RoSCAs AND ASCAs

#### 5.1 INTRODUCTION

This chapter is a continuation of the presentation of the research findings. However, particular attention is paid to the socio-cultural institutions influencing participation in terms of membership, leadership, savings, and loans in addition to associational life of members within the RoSCAs and ASCAs. The chapter concludes by highlighting the main socio-cultural institutions that influence participation in these organisations.

#### 5.2 MEMBERSHIP

##### **Kinship, Marriage and Marital Status**

Kinship and blood relations, and marriage mattered in RoSCA and ASCA membership (Table 11). This is attributed to the fact that there were groups organised along one or more of the following social variables which have a strong cultural base: extended family line, clan, marital status and neighbourhood. Members of five of the organisations were from the same background in terra? of the clans they hailed from. In addition, one of the organisations was organised along the extended family line. Furthermore, five of them were restrictive in terms of one's marital status. One group based its membership on individuals from same neighbourhood. However in four of the interviewed groups, membership was not tied to kinship, or marital status as discussed below.

*Adur Women group, Jua Kali Women Group and Sawa Women Group* members were women who were married to men of different clans in Rarieda division. But, for each specific group, the husbands of the members had to belong to the same clan. However,



*Juu Kali Women Group* was organised along clan and marriage ties in addition to geographical boundaries. In this group, members had to be women from *Gem* who are married to men from *South Asembo*, which is a sub-location in Rarieda division of Bondo district. Geographically membership is therefore restricted in two ways: first, one has to have roots from *Gem*, secondly, the husband had to be from a specific clan in *South Asembo* and of course members had to be residents of *South Asembo* sub-location. This therefore excluded all married women who did not have roots from *Gem*. The fact that when women get married, custom requires that they move to their husbands' homes and neighbours explains this observation. Distanced from their own social networks, young women seek alliances with other wives who have moved to the same location because of marriage.

*Waringa Village Development Group* and *Japara Development Group* are groups with mixed sex membership and members hailed from the respective clans. The researcher also established from key informant interviews that there were other groups such as *Nyiseme Dot Com* women group that restricted membership to married women who hailed from *Seme*, one of the many clans among the Luo.

Table 11: Kinship and Marriage

<b>Kinship and Marital Status</b>	<b>Number of Groups (Count)</b>	<b>Percentage of responses</b>
Same clan	5	31.3
Same family *	1	6.3
Being married or widowed	5	31.3
Same neighbourhood	1	6.3
Membership was based on neither kinship nor on marriage	4	25.0
<b>Total Responses</b>	<b>16</b>	<b>100</b>
<i>* Til is was a multiple response question</i>		

Source: Field data, 2004

*Agoko Movie* is an ASCA-cum-RoSCA group that is based on extended family ties. This therefore means membership in this group is restricted in terms of family ties and marriage. However, membership is not based on gender as both men and women are allowed to join. Members in such a group know each other very well and this in itself is an in-built mechanism that guards against loan defaults.

However it came out clearly in the focus group discussions that having members from the same family poses some governance problems. Family ties and blood relationship may limit the members from seeking justice in case of defaults. This is evidenced in the taboos that guide the way disputes are handled. It is a taboo for instance to take an uncle to court because they believe that ancestral spirits will haunt one. Even if the matter was reported to the chief or sub-chief, the offended members will always be asked to go back and sort the disputes out by themselves because it involves their kin. There is a belief that it is *Jachien* (evil spirit) that makes people malicious. To them, such a member should be left alone with his/her evil spirit. Thus, such a socio-cultural institution may make it difficult to recover money from members who default in repayment of funds owed to the group.

On the contrary, membership into *Bidii Women Group* was not restricted in terms of one's clan, kinship ties, or blood relations. It was however restrictive in terms of whether one was married/widowed or not in addition to being female. This regulation locked out single people and men from joining the group. But, membership into *Achaye Rkich Women Group*, *Chameri Women Group*, *Ushirika Women Group* or *Jordan Youth Group* were neither restrictive in terms of kinship ties and marriage, nor in terms of one's marital status. In terms of these criteria, they were open to membership.

However, kinship ties were key in determining membership in other groups. Out of the 63.9% who indicated that they belonged to other groups, 33 (45.8%) of the interviewed members indicated that it was because they were family or clan groups (refer to table 6). This implies that the members take advantage of the existing social networks to form RoSCAs and ASCAs. In this context therefore, being a member in these groups would be seen as a form of social investment and the social networks that one enters into as a

member could be leveraged on in times of need. However, education as a factor was insignificant in determining membership in other groups as respondents indicated that they were from different levels of education.

One's marital status matters in RoSCA and ASCA membership. *Biclii Women Group*, *Jirani Mwema Group*, *Jua Kali Women Group*, *Sawa Women Group* and *Waringa Village Development Group* restricted their membership in terms of whether one was married/widowed. As a matter of fact, *Jordan Youth Group* also restricted her membership to single youths who belong to the age category of 17-24 years of age. Married people would not be allowed to join the youth groups. The youths explained that they don't wish to have married and elderly people for fear they would take all the leadership positions in the group thus subordinating the youth. This was attributed to the fact that culturally, the youth are expected to respect elders.

Lack of trust and suspicion on the part of husbands of newly married women inhibits such women from joining the organisations. On the part of group members, whenever the newly married women join the groups, they are put last in terms of the turn to receive their pot. This way the risk of losing their group finances is reduced in case the husband decides to send her away before she would return all the finances owed to the group.

### **Gender and Gender Relations**

Gender matters in RoSCA and ASCA membership. As was indicated in the last chapter, the total membership of the groups that were sampled was 281 members out of which 16.7% were men as compared to 83.3% women. Half of the groups were mixed in terms of gender while the other half consisted of women only (refer to the last column of Table 4). The predominance of women in these organisations would be attributed to the fact that formal credit and saving institutions have not been within their easy reach. Besides, men are better educated, likely to be found in formal employment, own property such as land which would be used as collateral to obtain loans from financial institutions such as banks. Thus women resort to RoSCAs and ASCAs which are within their easy reach.

In addition, most of the groups, which comprised of only women (refer to Table 4) did not wish to have men in their groups. Many reasons were cited for taking such a decision. One respondent attributed it to the fact that "men are hard to part with their money" (*Sawa Women group*). In another group, one respondent was quoted saying "men always want to take leadership positions whenever they join group so that they would be seen to be dominating the rest of the group members. In this group, recognition is made of the fact that all members are equal and any member is eligible to take any leadership position provided they meet the requirements and are elected by the members" (*Bidii Women Group*). This would be seen as rebellion against the male dominated society and as a way used by women to empower themselves.

In the *Agoko Moyie Group*, a group that is organised along the extended family line, the gender imbalance in membership was attributed to the fact that more men have died as compared to women. In addition it was also attributed to the fact that some men are (were) polygamous, meaning that there are more women in that particular family than men.

Thus, such groups stress gender homogeneity to ensure co-operation and a fair level of participation within the group. In addition, the study findings also show that in the six groups that locked out men from being members, all the members in the groups were married people. No young single girls happened to be members of these organisations. Additionally, there were gender imbalances in the other groups whose membership was open to both men and women. One of the key respondents made the following comments in regard to the gender imbalance in the RoSCA and ASCA membership:

"Men do not belong to these groups because the money involved is very small. In addition, the women don't make good investment of their money but instead buy things like clothes, utensils, and shoes. Instead they should be investing in things like cattle. Group meetings for these women groups are a time to display how they have spent the money that they have saved from the RoSCAs because the meetings take place in the home of the member whose turn to receive the pot has reached. Their wives usually influence men who join these groups. Besides, most men work far away from their homes most of the time. Further, they keep the accumulated sum at home because they don't make substantial contributions to enable them to open bank accounts".

However there were no restrictions in terms of sex on who could join the *Jordan Youth Group* as long one met the other requirements. Similarly, the groups with mixed sex membership did not have such restrictions.

### **Age**

A comparison of the requirements for membership between *Jordan Youth Group* and the rest of the groups that were sampled for the study reveals a very interesting picture. For one to qualify for membership into the youth group, the person must be in the 17-24 years age category. The other groups did not have such an age limit, but when one examines the requirements for membership closely such as having a source of income and being married for example, they automatically lock out the youths of both sexes from joining these organisations. This is because most people in this age category are still in school or do not have a source of income. The youth group on the other hand did not want wish to have members who are outside 17-24 age category for fear of being subordinated and thus locked out of leadership positions. One of the youths was quoted saying:

"We do not want to have the elderly people in our group because they could easily take all the leadership positions. As youths, we want to be left alone to manage our affairs because we are old enough to do so. This is why we had to specify the age category that prospective members must be in" (*Jordan Youth Group*).

### **Trust, Reciprocity and Reputation**

The study also found out that being known to one or more members of the group is a prerequisite that new members must meet before joining. A good number of respondents (84.7%) indicated that other members knew them before they joined the groups. The condition for accepting a new member is that one or more members of the group has (have) to know the prospective members very well. So that if the member defaults in paying back group funds, the guarantor is forced to cover for the defaulting member (This only applies in special cases such as when a member is chased away by her husband before she could complete repaying money owed to the group).

Discussions from FGDs, indicated that before a prospective member is enjoined into an existing group, the issue is brought up in a meeting and members discuss it especially for groups that are not organised along family ties. At least a well-known member of that group must assure the other members that he/she knows the prospective member very well. Gaining membership to RoSCAs and ASCAs therefore entails the social capital that an individual has. Groups are therefore very careful when accepting new members and sufficient information about the prospective member is availed to the group by the guarantor before the newcomer is accepted. Such a member is required to be a person who willing to make her contributions willingly and promptly (*Ni lazima awe mtu wa kutoa*, that is, the particular person must be willing and ready to contribute).

Thus, one's past life counts so much in RoSCA and ASCA membership. On one hand, other members would want to know whether the would-be member is reliable, honest, hardworking or not. This way, the risk of default is minimised in the group. On the hand, the prospective member needs assurance from the group that the other members are people who can be trusted to keep the RoSCA or ASCAs obligations. Thus 72.2% of the respondents indicated that at least they knew the other members very well prior to joining. Thus the selection of members into RoSCAs and ASCAs is based on mutual trust among the individual members.

Thus, socio-cultural institutions that were noted as being important in membership were gender and marital status, family and kinship ties, age and attitudes to age, trust and reputation. However this depended on the particular group that one belonged to. In addition, a majority (86.1%) of respondents indicated that as a requirement for women to join the groups, they needed permission from either their spouses or an elder male member of the family for those that were not married.

### **5.3 LEADERSHIP**

Twenty-three (31.9%) of the 72 group members interviewed for the study, were, leaders. The study found out that most respondents believe that socio-cultural factors such as age, gender, level of education, marital status leadership ability and length of membership

determine whether one will become a leader or not (Table 12). The analyses presented in this table (table 12) is based on data collected through the survey questionnaire that was administered to individual group members sampled for the study.

Table 12: Factors Determining One's Ascension to Leadership

Factor	Strongly agree	agree	disagree	Strongly disagree	Total
The elderly do take up leadership positions in groups that have both the young and the elderly.	41.7%	19.4%	26.4%	12.5%	100%
In groups that have both men and women, men always chair the groups	50.0%	31.9%	8.3%	9.8%	100%
The level of one's education determines whether one will ascend to leadership position or not.	54.2%	22.2%	12.5%	11.1%	100%
To get into a leadership position, one has to be married	50.0%	19.4%	22.2%	8.3%	100%
One should be in a stable marriage to be given a leadership post.	81.9%	12.5%	5.6%	0.0	100%
A poor person cannot become a leader	16.7%	6.8%	51.4%	25%	100%
One's family background determines whether one ascends into leadership position or not.	25.0%	29.2%	25.0%	20.8%	100%
Those who have had a good record on leadership from other groups easily ascend to leadership positions.	25.8%	30.6%	15.3%	1.4%	100%
New members in a group cannot be entrusted with a leadership position	69.4%	15.3%	8.3%	6.9%	100%

Source: Field data, 2004

Cross tabulations of the socio-cultural factors such age, education, gender, marital status and leadership position show the extent to which the views of members are embraced in the leadership of the groups that were studied.

### Age

The study established that age plays a role in one's ascension to a leadership position with a total of 61.1 % of members (refer to Table 12) agreeing that the elderly are likely to

take up leadership positions in groups which have both the young and elderly generations as members. This is especially for the post of chairperson as was established through FGDs. Further analysis through cross tabulation of age and leadership position held show that for the post of chairperson and vice chairperson, the leaders were from the 40-49 age category. From the table 13 below, it is evident that most of the group leaders were middle aged. However, it is also true that most of the members in these groups fall in this age category hence chances of their leaders, especially the chair and the vice-chair, being middle-aged is high.

Table 13: Cross Tabulation of Age and Leadership Position

Age in Years	Leadership Position									
	Chairperson		Vice chairperson		Secretary		Vice secretary		Treasurer	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
20-29	1	11.1	0	0.0	2	28.6	1	50.0	1	50.0
30-39	1	11.1	0	0.0	4	57.1	1	50.0	1	50.0
40-49	4	44.4	2	66.7	1	14.3	0	0.0	0	0.0
50-59	1	11.1	1	33.3	0	0.0	0	0.0	0	0.0
60 and above	2	22.2	0	0.0	0	0.0	0	0.0	0	0.0
Total	9	100.0	3	100.0	7	100.0	2	100.0	2	100.0

Source: Field data, 2004

However, it was further established that age as a factor does not stand in isolation but is taken into consideration along with other factors such as ones' personality, education and other factors as discussed below.

### Gender and Marital Status

The study also found out that gender plays a role in who becomes a leader in the organisations. Most of the of respondents (81.9%) (Refer to Table 12) indicated that men



are likely take the post of chairperson in groups which have both men and women as members. This would be attributed to the fact that in most patriarchal societies, the Luo being one of them, men are the heads of their households. This then would easily be extended to groups most of which comprised members from the same clan /family bearing the same ancestral origin. A member of one of the groups interviewed for the study was quoted saying:

"Our group is dormant maybe because all our leaders starting with our chairperson, the secretary and treasurer have all been women. One of the rules of the group at the time the group was started was that all leadership positions had to be taken by women. According to our culture, a woman cannot be a leader, but things have now changed. Men used to get the best food and could eat before women do so. All these have changed. Women would now be found in leadership positions but in groups with mixed membership (have both men and women), the post of chairperson is usually taken by men".

Further analysis through cross tabulation of the gender of leaders and leadership position held show that men are disproportionately represented in the position of chairperson, but not in others (table 14).

Table 14: Cross Tabulation of Gender and Leadership Position

Gender	Leadership Position									
	Chairperson		Vice chairperson		Secretary		Vice secretary		Treasurer	
	Freq	%	Fj,eq	%	Freq	%	Freq	%	Freq	%
Male	3	33.3	0	0.0	1	14.6	0	0.0	0	0.0
Female	6	66.7	3	100.0	6	85.7	2	100.0	2	100.0
Total	9	100.0	3	100.0	7	100.0	2	100.0	2	100.0

Source: Field data, 2004

This therefore means that RoSCAs respect the existing community leadership patterns and decision-making processes especially in mixed sex groups where the highest post,

that is, the post of chairperson is likely to be taken by a male member. One of the respondents who made the following observation further supports this argument:

Aged 38, the respondent observed that men who join these groups come in as advisors and help to solve disputes that arise amongst members. Besides, after joining these groups, they easily ascend to the position of chairperson because they are seen as leaders.

Furthermore, it came out in the focus group discussions that, in groups that have both men and women as members, the post of treasurer was given to women. This was attributed to belief that women could make better custodians of group finances as compared to men. Consequently many factors are put to consideration when choosing the treasurer. Some of these factors include being married in addition to having a stable marriage. Such a woman should be a resident in the locality together with her husband and must have stayed with the husband for some time for the other members to establish confidence in her marriage. This explains why most of the treasurers were middle-aged women or old women but who were literate in groups with mixed sex membership.

Further analysis through cross-tabulations show that marital status is a key factor in determining leadership positions within groups as shown in table 15. Though from the ongoing discussions, this factor is not taken into consideration in isolation but is considered along with other factors.

Table 15: Cross Tabulation of Marital Status and Leadership Position

Marital status	Leadership Position									
	Chairperson		Vice chairperson		Secretary		Vice secretary		Treasurer	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%.
Single	1	11.1	0	0.0	1	14.3	0	0.0	0	0.0
Married	7	77.8	3	100.0	6	85.7	2	100.0	2	100.0
Widowed	1	11.1	0	0.0	0	0.0	0	0.0	0	0.0
Total	9	100.0	3	100.0	7	100.0	2	100.0	2	100.0

Source: Field data, 2004

### Education

The level of one's education matters when leaders are chosen especially for the post of treasurer. This was attributed to the fact that records for all the financial matters and other activities had to be kept. On one hand, this dispels any suspicions that may arise concerning the accumulated fund or funds arising from other income generating activities that groups engage in. On the other hand, this is an indication of the appreciation by group members of the need for keeping records due to the complexity of transactions in the ASCAs and RoSCA-cum-ASCA groups in the study area. It was also indicated in key informant interviews and FGDs that the secretaries had to be literate because they are the ones who are vested with the roles of keeping other non-financial records such as membership records and minute for group meetings, which are referred to in subsequent meetings. Further analysis through cross tabulations (Table 16) show that most of the leaders interviewed for the study were of secondary level of education.

Table 16: Cross Tabulation of Education and Leadership Position

Level of education	Leadership Position									
	Chairperson		Vice chairperson		Secretary		Vice secretary		Treasurer	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Primary	1	11.1	3	100	2	28.6	1	50.0	2	100.0
Secondary	6	66.7	0	0.0	5	71.4	1	50.0	0	0
College	1	11.1	0	0.0	0	0.0	0	0.0	0	0
University	1	11.1	0	0.0	0	0.0	0	0.0	0	0
None	0	0.0	0	0.0	0	0.0	0	0.0	0	0
Total	9	100.0	3	100.0	7	100.0	2	100.0	2	100.0

Source: Field data, 2004

The level education is a significant factor in determining whether one becomes a leader (especially for the posts of chair and secretary) or not. However, it is not a principal factor since other factors are considered as well.

#### Reputation, Trust and Length of Membership

It was also established from the focus group discussions that a poor person could be a leader of the group as long as their reputation is good and well known to the rest of the group members. Further, it was established that they would not be given key positions but would be assistants. However, in the focus group discussions, the participants, on one hand, were torn between the idea that poor people would make the best treasurers, as they would fear using the finances of the group for any other purposes. This according to them is because if they did so, they may fail to raise the money to pay back. On the other hand, some argued that the poor, being very vulnerable, would embezzle funds for their own use to meet their needs and solve emergencies.

It was also found out that the ability to lead also counted when choosing leaders. For instance, those members who had good leadership record stood better chances to be elected (84.7%) to a leadership position. Moreover, the length of membership also matters. Leaders are likely to be older members of the groups.

Therefore, from the ongoing discussion, it could be concluded that leaders are generally older in groups comprising different age categories. In addition, in mixed sex groups, treasurers are older women. Male members of groups fill the post of chairperson. The leaders are people who are literate or at least have some level of education and have high social status in terms of having a stable marriage in addition to being married, having leadership ability and this is based on past leadership record of a member. Furthermore, leaders are people who have been in the organisations for long.

Most of the respondents described their group leadership as good. Only 1.4% described their leadership as poor. Moreover, most of the members of the groups (97.2%) indicated that they trusted their office bearers because they ensured that rules were followed, had never embezzled funds and had good public relations. In addition, a majority of the members (80.6%) indicated that their leaders could do more than they are doing to strengthen the group. This included initiating more income generating activities apart from the ones that they already engaged in, sourcing for financial help from sources outside the group and facilitating the registration of the organisations with the Ministry for Social Services. The leaders would also liaise with the mainstream microfinance institutions that could advance loans to their groups to enable them make big financial investments. This would help sustain the groups for a long time as established from the focus group discussions.

#### **5.4 SAVINGS AND LOANS**

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##### **Reciprocity and social collateral**

Through key informant interviews, the study established that most people did not prefer pure ASCAs. This is because, though borrowers are supposed to pay for interest after taking loans, they end up not doing so. This is because members who are usually members of the same kin, clan or are neighbours find it difficult to "overburden" the borrower who already has enough burden in the sense that he/she already owes the group the loaned sum of money. Thus, asking for interest would be seen as overburdening one of their own who has enough burden already. The individual group members arrive at

such a decision by consensus with the expectation that they would receive the same treatment when their turn comes.

The researcher in seeking information on the qualification for obtaining a loan from a RoSCA or ASCA posed the questions: "what are the requirements for obtaining a loan?" and "What form of collateral does one need to take a loan?". Most respondents (90%) indicated that for one to qualify for a loan one needed to have shares, that is, one must save before getting a loan. Enough information is availed to the group members about the prospective borrower by the members:

"Before we advance loans to a new member who wants our assistance, we have to get our assurance that the person is a trusted person who is in a position to refund our money. Otherwise in most cases their turn to receive the RoSCA money comes last. This way we don't risk losing our money to opportunists in case new members who are not well known take loans from the group".

New members must therefore discipline themselves to save first before getting the money in case of RoSCAs or taking loans from an accumulated ASCA sum. Loans are directly tied to deposits. In addition, one needs to have social collateral in order to receive finances from RoSCAs or ASCAs. It was clarified in FGDs that new members need a guarantor who should be a well-known member of the group to assure the group that the borrower would pay back the finances owed to the group. Otherwise new members receive their finances from RoSCAs last after everybody has received.

Out of the 12 groups were studied, 10 of them indicated that new members are given the last number, which coincides with their turn to receive the RoSCA money. The sequence followed depends on their time of joining the group. The other two groups happened to be pure ASCAs, hence money was not given in rotation, but loans were taken based on the number of shares that one had and the shares of the guarantor.

The study found out that during group meetings, it is made clear to new as well as old members, that one has to make contributions in time in any specific cycle. A respondent was quoted saying:

"In our group, if a member fails totally to make the required financial contribution when it is my turn to receive the RoSCA money, when her turn reaches, I will not make my contribution. At times, such members are forced to refund the money they had received if at all they had already been given. Otherwise, their turn to receive the pot may be changed and they would come last. However, most members would strive to give their contributions in time."

Thus, reciprocity underlies the kind of discipline that the members of RoSCAs and ASCAs develop while in their groups.

From FGDs, it was established that the winner of the lump sum is decided in one of two ways. First, it is by consensus through common agreements amongst members whereby the amount is usually given to a member who is in most need of finance, though the timing of the receipt of funds by a member may not necessarily coincide with one's need of finance to solve a problem. Secondly, it may also be determined by a lottery whereby members pick numbers from folded pieces of paper and the number that one would pick corresponds to the cycle period that the member would receive the lump sum. However, new members receive their RoSCA money last after every other member has received:

"New members cannot be trusted with money. This is why in our group they are given the last number which coincides with their turn to receive their RoSCA money" (*Chameri Women Group*)

### **Solidarity and Social Pressure**

Solidarity and social pressure encourages the repayment of loans. Social pressure would take the form of spoiling the reputation of the defaulting member to reduce their chances of becoming a member of another group. One of the respondents was quoted saying:

"In our group, if a member defaults in paying the moneys owed to the group, we first seek to know why she has done so. There are cases such as sickness, bereavement, which deserve consideration. But if a member decides to abscond with our money, we go to her home as a group and demand to be paid back. As a group we may opt to confiscate the family's property and sell to recover the money. However, many people, women especially, fear such encounters because of the loss of respect and the humiliation that accompanies such an experience".

This kind of group solidarity enables mutual co-operation and bailing out of defaulting members when necessary. In addition, groups make use of the power of social pressure in ensuring recovery of funds. When compelled to enforce loan repayment, social norms like public shame, which is effected through informational sanctions such as spoiling ones' reputation or gossip is used. A defaulting member not only loses the opportunities to remain in the organisation, but may also be shunned and experiences the loss of social ties that accompany membership. The disgrace and humiliation, which can befall a defaulter, is much feared by most women:

"A woman would feel so embarrassed if her reputation is spoilt or seeing her husband's property being confiscated and sold off. A man may lose respect in the society, though men don't care much about their loss of respect and reputation. Consequently, most members would go an extra mile to ensure that they have paid all the finances owed to the group, even if it means borrowing from friends/ family members to cover the debts owed to the group. However, this doesn't always work because as a group the husband of the member who has defaulted may humiliate you. Thus you may not recover the money. This is why we select members with care. One has to be well known to other members before being allowed to join".

Thus, individual members of a group do something for the general good because they trust that their actions will be rewarded via the positive development of communal relations. The idea of bailing out defaulting members on genuine grounds strengthens the social ties of its members by providing support in cases of repayment defaulters by fundraising for the members who are unable to repay the funds owed to the group. Members do this knowing that they will also need this kind of support when in crisis.

## **5.5 GROUP MEETINGS AND ASSOCIATIONAL LIFE OF MEMBERS WITHIN THE GROUPS**

### **Group Meetings and Group Solidarity**

Group meetings offer an opportunity for members to interact regularly. This way, members get an opportunity to socialise, learn from one another, and share information about their groups and their social lives. Most respondents indicated that they discuss social/family issues (90.2%) whenever they attend group meetings.



The time that group meetings are held is very important. Gender roles played by the members who are mostly women were taken to consideration when decisions on when to hold group meetings are made. Youth groups held their meetings late morning because they are not tied to many family roles as compared to most mothers, who have to cook, feed and take care of the young ones before and after the meetings. Thus members considered this when agreeing on the time for group meetings.

Though all the groups had rules to ensure that all members attended group meetings, such as payment of fines for coming late to group meetings or failing to attend without an apology/permission or an expulsion of the offending member who fails to attend group meetings for three consecutive meetings, women who had toddlers would be exempted from paying the fines if they failed to turn for group meetings because of the maternal roles that would bar them from attending.

Mandatory periodic meetings in addition to collective decision-making, rotation of loan disbursements and intra group responsibilities such as maintenance of records among the members, strengthen group solidarity. This leads to democratic functioning of the groups. However separate focus group discussions for members and leaders indicated that allowing more people to join their groups might put group solidarity at risk. Group members felt that the current membership in their groups was sufficient. They argued that if membership were expanded, relationships amongst themselves would be affected:

"We all know and understand each other very well though we come from different areas of Bondo district. Some of our members come from other neighbouring districts such as Siaya and Homabay. Allowing more people to join will pave way for suspicion and mistrust to set in and this would destroy the kind of understanding and working relations that have already been established amongst members" (member, *Chameri Women Group*).

The researcher observed that during group meetings and discussions of the agenda, there are rules that govern how meetings start and how members make their contributions regarding any issue that is currently on the floor. The researcher made the following observation on how group meetings are conducted:

#### Group 1

In this group, members talked in turns, after they had raised their hands and the chair of the meeting gave an equal opportunity for members to express their views. Women sat together on one side and so were men in the other side of the venue where the meeting was conducted, while the leaders sat in front.

#### Group 2

In this group's meeting, prayers led by an elderly lady started off the meeting. The chair then read out the agenda of the meeting. The members gave their financial contributions as the secretary read out names from the register and the treasurer made entries in her records.

#### Group 3

In this group's meeting, members sat in a circle with male members sitting on one side while the female members sat together on the other. The chairperson spoke first to welcome the members to the meeting. He then welcomed the secretary to read out the agenda of the meeting, one after the other as they discussed them. The male and female members equally participated in the discussions. A prayer by one of the members marked the end of the meeting.

From the above observations, it can be inferred that the social and religious values that members have learnt from the larger society are also embraced in these organisations. The social value was that of showing respect to others by raising up one's hand before being allowed to make whatever contribution a member wanted to. In addition, it can be inferred that members get a fair chance to participate in decision making. These values serve to maintain group solidarity, which is essential for the smooth running of these organisations.

Group solidarity was tested by whether or not members have had disputes amongst themselves, how disputes are handled, and the way the members would respond if one of their group members were in crisis. The study found out that 7 (58.3%) out of the 12 groups had had disputes within their groups. Of these, 87% of the respondents indicated that the disputes were discussed and the consensus reached, while 13% of the respondents indicated that the offending members were expelled. No arbitration was sought for from external body/individual by any of the groups whose members indicated that they had had disputes in their groups.

The five groups that had never had disputes in their groups included *Agoko Moyie Association*, *Biclii Women Group*, *Jirani Mwema Group*, *Jordan Youth Group* and *Jua Kali Women Group* (refer to Table 10). Members of these groups cited various reasons as to why they had never had disputes. These were attributed to the fact that members work well together and understand each other (31.6%) (Table 17). In addition, they also attributed it to high trust within and between group members (29.7%) and some members attributed this to the fact that members were related to each other (12.3%). A further 26.5% indicated that they had never had disputes in their groups because members are committed to the group.

Table 1 7: Reasons Why Some Groups Had Never Had Disputes

<b>Reason</b>	<b>Percentage</b>
Members work well together	31.6
High trust within the group and between group members	29.7
Members are related to each other	12.3
Members are committed to the group	26.5
<b>Total Responses</b>	<b>100</b>

Source: Field data, 2004

Trust helps to build and hold together the relations between the members. Trust lubricates the social life of members and they are more trusting when they know well each other. When there is loss of trust amongst members, suspicion sets in, groups solidarity breaks down, and the group collapse^It came out in FGDs that "one can not be in a group if that person doesn't trust the other members. One needs to know the other group members well for them to establish confidence and trust in them."

### **Interdependency**

The study established through FGDs that members depend on one another in many ways. First they have to come together and make contributions in order to avail loans to the members who need to take loans or whose turn has reached. Secondly they depend on one another to avail information to the group about individuals who request to join the

group as a new member. They also depend on one another for support in case of a crisis such as bereavement. This interdependency is based on reciprocity principle which was expressed by one of the respondents as "*miya tamiyf* (literally translated as 'give me, I give you ', for mutual give and take relations).

Consequently, members stressed that one must be willing and ready to assist others for the person to be assisted. The only safety valve that the members have in times crisis is their groups. In addition, the groups serve as a social security for their members in times of a crisis by providing the necessary social links (In this context, social security means the protection that a group provides for her members). They are sources of credit for consumption, for investment purposes (support small-scale trading activities) as well as for attending funerals and parties which help to establish and strengthen social networks.

This interdependency among members of such groups implies that being in a group offers some form of insurance. The study also found out that the forms of insurance derived from being a member of a RoSCA or an ASCA include being given material assistance or companionship during family crisis, labour, one is guaranteed a loan and/or financial assistance. In addition, members learn from one another and share information.

All the twelve groups would give assistance in terms of raising funds, offering material assistance and companionship to an individual the member during a crisis. In addition, all the groups except for *Chameri Women Group* would give assistance in terms of labour. Moreover most groups would offer soft credit or loan to their members except for four of the groups namely: *Chameri Women Group*, *Japara Development Group*, *Jirani Mwema Group* and *Waringa Village Development Group*. These kinds of assistance that individual groups guarantee their members are summarised in Table 18 below.

Table 18: Forms of Assistance Given to Members

<b>Forms of Assistance</b>	<b>Number of groups</b>	<b>Percentage of responses</b>
Group raises funds	12	21.8
Material assistance	12	21.8
Labour	11	20.0
Companionship during family crisis	12	21.8
Soft credit or loan	8	14.5
<b>Total Responses</b>	<b>55</b>	<b>100</b>
<i>*This was a multiple response question</i>		

Source: Field data, 2004

From the above discussion, it is evident that there is an informal regulation that is embedded in the groups that members help each other. Thus, this kind of interdependency implies long-term reciprocal and mutually supportive relations. Interdependency also implies that the threat of opportunism is minimised by the sanction of reciprocity.

As a result, many members (93.1%) indicated that they intended to continue with their membership in the organisations because of the benefits that groups offer to members. This implies a desire for continued membership and a strong indication of commitment to RoSCAs/ASCAs. As a result, all the members of the various groups interviewed for the study envisioned that their organisations would survive for some time. This points out to the potential for future growth of RoSCAs and ASCAs in the study area.

## **5.6 SUMMARY AND CONCLUSION**

Membership in the twelve groups is based on various criteria such as being married to men from the same clan, or hailing from the same clan and coming from the same family. Gender matters in RoSCA and ASCA membership as some groups restricted their membership to women only. The study findings show that there are gender imbalances even in groups whose membership was open to both men and women.

Membership was also based on marital status, that is, whether one was married/widowed or not. Age also mattered in RoSCA or ASCA membership. For instance, *Jordan Youth Group* as a matter of fact restricted her membership to youths aged between 17 and 24 years. The study also found out that being known to one or more members of the group is a prerequisite that new members must meet before joining. A good number of respondents (84.7%) indicated that other members knew them before they joined the groups.

Groups are therefore very careful when accepting new members and sufficient information about the prospective member is availed to the group by the guarantor before the newcomer is accepted. If the member defaults in paying back group funds, the guarantor is forced to cover for the defaulting member. Admission of new members is approved during group meetings.

Most of the of respondents (81.9%) indicated that in groups with mixed sex membership, men are likely take the post of chairperson while that of treasurer is given to women. It was also established from the focus group discussions that a poor person could be a leader of the group as long as their reputation is good and well known to the rest of the group members. Leaders are likely to be old members of the groups.

Enough information is availed to the group members about the prospective borrower by the members. Group meetings offer an opportunity for members to interact regularly. Most respondents indicated thdfthey discuss social/family issues (90.2%) whenever they attend group meetings. In addition, the gender roles played by the members who are mostly women were taken to consideration when decisions on when to hold group meetings are made.

All the groups had rules to ensure that all members attended group meetings, such as payment of fines for coming late to group meetings or failing to attend without an apology/permission or an expulsion of the offending member who fails to attend group

meetings for three consecutive meetings. However, women who had toddlers would be exempted from paying the fines if they failed to turn for group meetings.

Mandatory periodic meetings in addition to collective decision-making, rotation of loan disbursements and intra group responsibilities such as maintenance of records among the members, strengthen group solidarity. This leads to democratic functioning of the groups. Expanding the membership of the groups might put group solidarity at risk. Group members felt that the current membership in their groups was sufficient.

The only safety valve that the members have in times crisis is their groups. In addition, the groups serve as a social security for their members in times of a crisis by providing the necessary social links. This interdependency among members of such groups implies that being in a group offers some form of insurance. Consequently many members (93.1%) indicated that they intended to continue with their membership in the organisations because of the benefits that groups offer to members.

## **CHAPTER SIX**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **6.1 INTRODUCTION**

This study set out to investigate socio-cultural institutions that influence participation in user-owned microfinance organisations, specifically ASCAs and RoSCAs, among the Luo of Bondo District. The study was guided by the following research questions: first, which socio-cultural institutions influence membership in RoSCAs and ASCAs? Secondly, do local socio-cultural institutions influence the choice of leadership in these organisations? Thirdly, what social-cultural institutions influence savings and borrowing in RoSCAs and ASCAs? Lastly, what role do socio-cultural institutions play in the associational life of the members in these organisations? This chapter presents a summary of the findings of the study. In addition, conclusions based on the findings are also presented. The chapter winds up with policy recommendations for other organisations as well as for the government and also recommendations for further research.

#### **6.2 SUMMARY**

The study investigated the social and cultural institutions that influence participation in terms of membership, leadership, savings and loans in the groups. In addition the study also looked into the socio-cultural institutions that influence participation in terms of the associational life of members within the organisations.

The study established that the majority of the members (79.2%) in the organisations are women. This is in line with the findings of the study done by Ardener and Burman (1996), who concluded that, in Africa, there is a strong relationship between gender and involvement in rotating box credits or loan clubs. Women are substantial users of self-



organised financial services in Africa primarily because they are excluded from access to the conventional sources of credit.

The findings of the study further show that RoSCAs in the study area are organised on one or more of the following social variables with strong cultural bases: kinship ties, family and marital status, age and gender. The selection of members into these organisations is based on the knowledge the members have of each other and mutual trust. The study also found out that gaining membership into these organisations requires inside contacts. The social capital that prospective members have can be leveraged to gain entry into the membership of these organisations. Groups are very careful when selecting new members. Thus, the selection process is very crucial and information about the prospective member is always availed by other members to the group. Membership of new members is approved by consensus during group meetings.

It was established from the findings of the study that youth groups limit their membership to youths who are aged between 17-24 years of age. The youths attributed this to the fact that if they allowed the older people join their groups they would not have a chance to exercise leadership roles as the positions would be taken by the older people. Similarly, 50% of groups studied restrict their membership to women only for fear of being dominated by men in the groups. Moreover, it was established through FGDs and key informant interviews that many men don't wish to join these organisations because very small amounts of money are involved.

Study findings further indicate that it was common to meet an individual member who participates in more than one RoSCA or an ASCA. The study findings indicated that dual membership in these organisations was a result of the obligations that a member of a family or clan was supposed to fulfil. The members among other factors also related it to the need for more financial services. However, the study established from key informant interviews and FGDs that groups organised along extended family lines are likely to face enforcement problems in trying to recover funds from a defaulting member especially when arbitration external to the group is sought. Strong norms against taking a member

of a family to higher authorities such as to the chief or court are the sources of these problems.

The study also found out that all the groups sampled for the study have leaders. In all the groups that were studied, the leaders came into office through election. Discussions also show that one's level of education, marital status, age, gender and leadership qualities are taken to consideration, when members choose their leaders. The male members of the group take the post of chairperson in groups with mixed sex membership, while that of treasurer is likely to be occupied by elderly women who are settled in their marriages in both the mixed sex groups and those that are purely for women, but not in youth groups. In youth groups, either sex would be treasurer.

The study also found out that the desire by members to keep their reputation, to a big extent, helps in repayment of money owed to the groups by members. Members give overriding priority to meeting RoSCA obligations. In addition, borrowing and lending thrives on social collateral. Community-based sanctions such as spoiling one's reputation are brought to bear on default due to faster information flow in the community. But in some cases, the sanctions may not work out and recovery of funds in such cases may therefore be impossible.

It was also established that fines against lateness, absence, and failure to make the financial contributions at the specified time augment the fund available for distribution. However, as a means of guarding against lateness in attending group meetings, absence or failure to make financial contributions, they are not very effective. Other members often bail out members who fail to make their contributions in time because of financial problems. The principle of reciprocity seemed to be of more importance when it comes to order of rotation to have access to the common funds. The obligation to assist others in need is highly esteemed. Evidently, there is an informal regulation that is embedded in the organisations that members help each other. People are quite willing to subsidise others, knowing that they will in turn have their support if caught in such a crisis.

RoSCAs and ASCAs strengthen social ties of their members by providing support in deserving cases of repayment defaults/problems. For purposes of group solidarity, membership is small in these organisations (it ranges between 12 and 36 members) to enable members to know each other so as to generate mutual trust. Consequently, all the members who were interviewed indicated that they did not wish to quit their groups but continue with their membership because of the benefits that the groups they offer. This points to the potential for sustainability of RoSCA and ASCAs in Rarieda division of Bondo District.

### **6,3 CONCLUSION**

Based on the findings, this study makes the following conclusions. First, social and cultural institutions continue to be maintained in RoSCAs and ASCA membership and leadership. Values such as trust and reciprocity, reputation, mutual aid, and collective work in the community spirit continue to influence membership in these organisations. Power struggles between men and women in the larger community are also reflected in the membership and leadership of these organisations. Age, education and gender are sources of power within these organisations. For instance, the women groups that restrict their membership to women only for fear of being dominated by men in the groups would be a rebellion by women against the power bureaucracy manifested in the male dominated society.

Similarly, it can be concluded that leadership is dependent on socio-cultural institutions such as level of education, age, and gender in addition to leadership qualities that one has. Gender differentials in leadership of mixed groups are a reflection of the power relations between women and men in the larger society. In addition, the study established through key informant interviews that most groups have leaders with higher than average education levels, and through the survey questionnaire that members believe that education determines whether one would ascend to leadership or not. Thus, it can also be concluded that education is important for leadership in RoSCAs and ASCAs in Rarieda division of Bondo District.

However education doesn't stand alone as a factor that determines who ascends to a leadership position but is considered along with other factors such as gender, marital status, age, leadership ability based on past leadership record of a member, and length of membership in the organisations. From the findings, the study also concludes that leaders are generally older in groups consisting of different age categories. In addition, in mixed sex groups, except for youth organisations, treasurers are older women. Male members of groups generally fill the post of chairperson and leaders are people who have been in the organisations for long.

Reciprocity and reputation are the basis on which trust takes place between the members and these two values influence membership, leadership, savings and loans and strengthen mutual relations within the organisation. Regular meetings, mutual knowledge and trust, reciprocity and interdependency serve to strengthen solidarity of members in the organisations, which is important for keeping the groups together and also enhances the repayment of funds owed to the groups by individual members. Thus many members, irregular meetings and mistrust lead to loss of group solidarity. Solidarity and social pressure ensure the smooth functioning of the groups. Trust, proximity and mutual aid guarantee the survival of the RoSCAs and ASCAs.

## **6.4 RECOMMENDATIONS**

### **Recommendation for Policies**

Micro finance organisations working with existing RoSCAs and ASCAs should encourage members of such organisations to leverage the socio-cultural institutions that influence participation positively such as trust and reciprocity. For instance, membership, savings and loans should be pegged on these social institutions. At the same time, they should also advise members of these organisations to shun the socio-cultural institutions that work negatively to the detriment of the smooth functioning of the groups by sensitising the already existing groups and the community at large on such socio-cultural institutions.

In addition, micro finance organisations working with existing RoSCAs and ASCAs as well as those that intend to work with such groups should strongly encourage the groups to have regular meetings and members of the groups should have mutual knowledge of each other. Moreover, the microfinance organisations should encourage the groups to consider the possibility of seeking for justice without fear or favour by taking a member of kin to higher authorities regardless of the blood relations that the members have with the defaulter whenever they face enforcement problems.

There is need for independent RoSCAs and ASCAs to ensure that adequate information is availed by other members of the group about a prospective member who has shown interest in the group. A prospective member should have at least two guarantors who should be old members of the group that the person intends to join. The guarantors must be members who are willing to bear the burden of ensuring that the funds owed to the group are paid back in case the new member defaults on payment by pressurising the defaulter to repay or as a guarantor be personally held responsible. This way the groups would be extra careful on the kind of members that are allowed to join their groups. As for ASCAs, the new members must save before they would take loans. In addition, the decision on the amount a loan to be awarded should be based on the amount that an individual member has saved with the particular group.

In addition, new members should receive their RoSCA money last after everybody else has received to avoid any loss of RoSCA funds owed to the group. This would enable the other group members to keenly study the new members to evaluate their participation in terms of financial contribution to the common fund and repayment of loans (funds owed to the group) and how they get along with the other members.

The independent RoSCAs and ASCAs should embrace the use of informational sanctions such as public shame by spoiling one's reputation to limit the chances of defaulters from joining other similar organisations. This may help in the recovery of funds owed to the group and also strengthen group solidarity and interdependency. In addition, the groups

should ensure that their membership is small to generate mutual trust and ensure group solidarity that is essential for the survival of these organisations.

### **Recommendation for Programmes**

Micro finance organisations and NGOs intending to start programmes based on RoSCA or ASCA group-mechanism in Bondo District should encourage group formation based on clan/kinship relations as opposed to those that are based on extended family lines. This is because of the difficulties that may be encountered in the recovery of funds owed to a RoSCA or an ASCA by a member of the family who may decide to default on repayment.

Such micro finance organisations should also encourage members of RoSCAs and ASCAs to choose their leaders on the basis of one's level of education, age, gender, marital status and past record of leadership. These factors should not be considered in isolation but in conjunction with the other factors. In addition, to avoid conflicts and infighting within the group, groups should be formed on the basis of age, gender and marital status as members might wish to.

Banks should incorporate social group enforcement structures associated with user-owned microfinance organisations to design financial services, which are friendly to the poor populations. Financial institutions such as Barclays Bank should use social collateral to provide credit facilities in the rural areas. Thus the banks would as a start give group loans against all the group members. In case of loan defaults, the group should be liable to repay the bank. This way, loans to individual members would be taken as group funds. Thus, peer pressure would ensure that the defaulting member has repaid the funds.

### **Recommendation for Further Study**

Given that the study was undertaken in a specific rural setting, this study recommends the need for a comparative investigation into the socio-cultural institutions that influence participation in ASCAs and RoSCAs in the rural and urban areas. This is because the

rural areas pose different cultural values from the urban in terms of the institutions that influence participation because of the cultural diversity of the residents in urban areas. In addition, a similar study should be done in a different ethnic background to compare results with the findings of this study. This is because different ethnic backgrounds may pose different cultural values.

The study also recommends that the government needs to recognise the roles that RoSCAs and ASCAs play in the provision of financial services to the poor and marginalised. It therefore should ensure allocation of funds to support further research on how these organisations and the mechanisms in which they operate can be leveraged to develop financial services that can meet the needs of the low income earners as well as those who have been marginalised by the conventional formal financial organisations.

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## APPENDIX 1: QUESTIONNAIRE

My name is Linet Bonareri Misati, a postgraduate student at the Institute for Development Studies, University of Nairobi. I am carrying out a study for my M.A Development Studies project paper on *Socio-cultural Institutions Influencing Participation in User-owned Micro Finance Organisations: The Case of, Bondo District*. The focus of the study is on the social and cultural institutions that influence participation in user-owned micro finance groups. My interest is to learn from the micro finance group members and their leaders the extent to which participation is influenced by the socio-cultural institutions. I would appreciate if you are kind enough to spare a few minutes and share with me some of your thoughts, based on your own experience regarding my topic. Your responses will be treated with strict confidentiality.

### Questionnaire Number

### Name of interviewer

### SECTION A: RESPONDENT'S DETAILS

QN No.	QUESTION	REPOSE	Code No.
Q1	Date of interview		
02	Division		
Q3	Group name (if applicable)		
04	Type of MFI group	1. RoSCA 2. ASCA	
Q5	Interviewee name		
06	Number of members in the group		
07	Year of birth		
Q8	Sex	1. Male 2. Female	
09	Marital status	1. Single 2. Married 3. Divorced/ separated 4. Widowed	
010	Religion	1. Muslim 2. Catholic 3. Protestant, specify 4. African churches 5. Others, (specify)	
OH	Main occupation	1. Fishing 2. Farming 3. Trading 4. Formal employment 5. Other, specify	
			<b>1</b>

012	Highest level of formal education attained	1. Primary level 2. Secondary level 3. College 4. University 5. None	
013	Have you had any training	1. Yes 2. No <b>[go to Q 15]</b>	
Q14	If yes, specify type and length of training you have had.	Type of training                      length a) b)	
015	Are you a member of any other group(s)?	1. Yes 2. No <i>[go to Q 18]</i>	
016	Which group(s)?	a) b)	
Q17	If yes, what are the reasons for belonging to other group (s)? Tick as many as they apply.	1. For acquiring property 2. Helps in servicing loans owed to this group 3. It is a family/clan group. 4. Other, specify <b>Skip to Q19</b>	
Q18	If no, what are the reasons for not belonging to another group? (Choose as many as they apply.)	1. Satisfied with this particular group. 2. I don't want to be more indebted. 3. Not aware of any groups. 4. Regulation to belong to one group 5. Other, specify	
<b>SECTION B: MEMBERSHIP</b>			
Q19	When was this group started?	Year	
Q20	What is the membership composition by gender?	a) Number of men b) Number of women	
Q21	Please comment about the gender composition in membership		
Q22	What is the membership composition by age? (indicate how many, in each category)	1. Below 20 years                      No. 2. Between 20-30 3. Between 30-40 4. Between 40-50 5. Above 50	
Q23	Who selected the members?	1. Members themselves 2. Officials 3. Don't know	
Q24	When did you join the group?	Year	
025	Why did you join this particular group? (Choose as many as they apply)	1. To improve the living standards of the family 2. Stimulate social interaction 3. To mobilise savings 4. Welfare (school fees, sickness, death, foodstuffs, household goods) 5. Obtain credit 6. Start an income generating activity	
<b>91</b>			

		7. Peer influence 8. To develop a culture of saving 9. Other, specify	
Q26	How did you learn about the group? Through:	1. Family member 2. Church 3. Village elder 4. Other, specify	
Q27	Did the other members know you a prior?	1. Yes 2. No	
Q28	How many members did you know before joining?	1. None <b>[go to Q30]</b> 2. One or more (Number ) 3. All	
Q29	To what extent?	1. Knew them very well 2. Knew some very well 3. Knew them but not very well	
Q30	What are the requirements for membership? [Tick as many as they apply]	1. Payment of registration fee (amount ) 2. <input type="checkbox"/> Monthly <input type="checkbox"/> weekly <input type="checkbox"/> daily subscriptions 3. attend all meetings 4. participate in group activities 5. being female 6. being male 7. belonging to a particular <input type="checkbox"/> family <input type="checkbox"/> clan <input type="checkbox"/> neighbourhood 8. coming from a particular ethnic group 9. Being <input type="checkbox"/> married, <input type="checkbox"/> widowed 10. Having a source of income 11. Belonging to the same church 12. Good character/reputation 13. Hardworking 14. Same profession 15. Other (specify)	
Q31	A husband or other male member of the family should give permission for women to join such groups.	1. Strongly agree 2. Agree 3. Disagree 4. Strongly disagree	

### SECTION C: GROUP MANAGEMENT

Q32	Does the group have office bearers?	1. Yes 2. No <b>[go to Q 50]</b>	
Q33	If yes, indicate the office bearers' position and gender [Tick as many as they apply]	1. Chairperson <input type="checkbox"/> M <input type="checkbox"/> F 2. Vice chairperson <input type="checkbox"/> M <input type="checkbox"/> F 3. Secretary <input type="checkbox"/> M <input type="checkbox"/> F 4. Vice secretary <input type="checkbox"/> M <input type="checkbox"/> F 5. Treasurer <input type="checkbox"/> M <input type="checkbox"/> F 6. Vice treasurer <input type="checkbox"/> M <input type="checkbox"/> F 7. Committee members <input type="checkbox"/> M <input type="checkbox"/> F 8. Other, specify <input type="checkbox"/> M <input type="checkbox"/> F	
Q34	Please comment about the gender composition in leadership		
[Q35	How do you choose your leaders?	1. By appointment	

	(Tick as appropriate)	<ul style="list-style-type: none"> <li>2. Through election</li> <li>3. Voluntary</li> <li>4. Other, specify</li> </ul>	
Q36	How frequently do you choose your leaders? (Tick as appropriate)	<ul style="list-style-type: none"> <li>1. Once in three months</li> <li>2. Twice a year</li> <li>3. Once a year</li> <li>4. Only when there is need</li> <li>5. Other, please specify</li> </ul>	
Q37	Do you hold any leadership position in your group?	<ul style="list-style-type: none"> <li>1. Yes</li> <li>2. No [go to Q 39]</li> </ul>	
Q38	If yes please indicate the leadership position	<ul style="list-style-type: none"> <li>1. chairperson</li> <li>2. vice chairperson</li> <li>3. secretary</li> <li>4. vice secretary</li> <li>5. treasurer</li> <li>6. other, specify</li> </ul>	
Q39	The elderly do take up leadership positions in groups that have both the young and the elderly.	<ul style="list-style-type: none"> <li>1. Strongly agree</li> <li>2. Agree</li> <li>3. Disagree</li> <li>4. Strongly disagree</li> </ul>	
Q40	In groups that have both men and women, men always chair the groups	<ul style="list-style-type: none"> <li>1. Strongly agree</li> <li>2. Agree</li> <li>3. Disagree</li> <li>4. Strongly disagree</li> </ul>	
Q41	The level of one's education determines whether one will ascend to power or not.	<ul style="list-style-type: none"> <li>1. Strongly agree</li> <li>2. Agree</li> <li>3. Disagree</li> <li>4. Strongly disagree</li> </ul>	
Q42	To get into a leadership position, one has to be married	<ul style="list-style-type: none"> <li>1. Strongly agree</li> <li>2. Agree</li> <li>3. Disagree</li> <li>4. Strongly disagree</li> </ul>	
Q43	One should be in a stable marriage to be given a leadership post.	<ul style="list-style-type: none"> <li>1. Strongly agree</li> <li>2. Agree</li> <li>3. Disagree</li> <li>4. Strongly disagree</li> </ul>	
Q44	A poor person cannot become a leader	<ul style="list-style-type: none"> <li>1. Strongly agree</li> <li>2. Agree</li> <li>3. Disagree</li> <li>4. Strongly disagree</li> </ul>	
Q45	One's family background determines whether one ascends into leadership position or not.	<ul style="list-style-type: none"> <li>1. Strongly agree</li> <li>2. Agree</li> <li>3. Disagree</li> <li>4. Strongly disagree</li> </ul>	
Q46	Those who have had a good record on leadership from other groups easily ascend to leadership positions.	<ul style="list-style-type: none"> <li>1. Strongly agree</li> <li>2. Agree</li> <li>3. Disagree</li> <li>4. Strongly disagree</li> </ul>	
Q47	New members in a group cannot be entrusted with a leadership position	<ul style="list-style-type: none"> <li>1. Strongly agree</li> <li>2. Agree</li> </ul>	

		3. Disagree 4. Strongly disagree	
Q48	Do you trust your officials?	1. Yes 2. No	
Q49	Please explain your answer, giving reasons.	1. 2.	
Q50	Have you ever had disputes within the group?	1. Yes 2. No <b>(go to Q 52)</b>	
Q51	If yes, how did you resolve them?	1. Discussed and reached consensus 2. Sought arbitration of external body/individual. 3. Member(s) expelled. 4. Other, specify <i>Skip to Q 54</i>	
Q52	Why have you never had disputes? (Tick as many as they apply.)	1. Members work well together and understand each other. 2. High trust within group/between group members. 3. Members are related to each other. 4. Members are committed to the group. 5. Members fear curses /misfortunes befalling them. 5. Other, specify	
Q53	Has (have) any of your members defaulted in terms of:	1. Non-payment of loans owed to the group 0 Yes 0 No 2. Delays in making contributions ( ) Yes ( ) No 3. Non- attendance of group meetings ( ) Yes ( ) No 4. Any other, please specify <i>If your group has no leaders, skip to Q 58</i>	
Q54	How would you describe leadership in your group	1. Very good 2. Good 3. poor 4. Very poor	
Q55	Give reasons for your answer in Q54 above.	1.	
Q56	Do you think the present leaders can do more than they are doing to strengthen the group?	1. Yes 2. No <b>[go to Q 58]</b>	
Q57	If yes, please explain		

#### SECTION D: GROUP MEETINGS

Q58	Do you hold group meetings?	1. Yes 2. No <b>[go to Q 70]</b>	
Q59	If yes, how often do you hold group meetings?	1. Once a week 2. Once in two weeks 3. Once a month 4. Other, specify	
Q60	Which time are meetings normally held?	1. Early morning 2. Late morning	



		3. Early afternoon 4. Late afternoon 5. Other (specify)	
Q61	Please explain the reason for holding meetings at the specified time.		
Q62	For what purposes do you hold group meetings? [Choose as many as they apply]	1. To be briefed on the financial matters of the group 2. To make financial contributions. 3. To discuss disciplinary action to be taken on members who have defaulted 4. Other, specify	
Q63	During group meetings do members discuss things not related to the main agenda?	1. Yes 2. No <b>[go to Q 65]</b>	
Q64	What is usually discussed?	1. Social/family issues 2. Personal financial resources 3. Political matters 4. Other, specify	
Q65	Do you have any rules that guard against non-attendance of group meetings?	1. Yes <b>(go to Q67)</b> 2. No	
Q66	If no, please give reasons	a) b) <i>Skip to Q68</i>	
Q67	What are the rules that guard against non-attendance of group meetings? Please list them.	a) b) 0	
Q68	How can you describe members' level of attendance of meetings	1. Very good 2. Good 3. Poor 4. Very poor	
Q69	Have any members left the group?	1. Yes 2. No <b>[go to 0 75]</b>	
Q70	If yes what were the reasons?  <i>r</i>	1. Left to join another group 2. Social/family reasons, specify 3. left due to disagreement with other member(s) 4. Forced out for defaulting 5. Voluntary resigned due to sickness, old age 6. Death of a member 7. Other, specify	
071	What effect did the member's dropping out have on the group?	1. Group became less cohesive 2. Group became stronger 3. No effect 4. Other, specify	
Q72	Would you accept the member back in case he/she wanted to rejoin the group?	1. Yes 2. No <b>[go to Q 74]</b>	
Q73	If yes, why? Tick as many as possible.	1. Good character. 2. Had no problems with members. 3. Had no group debts. 4. Other, specify  <i>, skip to Q 75</i>	

Q74	If no, why? (Choose as many as possible)	<ol style="list-style-type: none"> <li>1. Was of bad character.</li> <li>2. Can disrupt group again.</li> <li>3. Poor financial reputation.</li> <li>4. Other, specify</li> </ol>	
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#### SECTION E: SAVINGS AND LOAN REPAYMENT

Q75	How much do you contribute as members?	Kshs.	
Q76	How frequently do you make the contributions?	<ol style="list-style-type: none"> <li>1. Weekly</li> <li>2. Once in two weeks</li> <li>3. Monthly</li> <li>4. Other, specify</li> </ol>	
Q77	Does the group have any rules (mechanisms) to ensure that every member has made contributions in time?	<ol style="list-style-type: none"> <li>1. Yes</li> <li>2. No (<b>go to Q 79</b>)</li> </ol>	
Q78	Which are some of the rules? Please list them	<ol style="list-style-type: none"> <li>a)</li> <li>b)</li> </ol>	
Q79	Why don't you have such rules? List the reasons	<ol style="list-style-type: none"> <li>a)</li> <li>b)</li> </ol>	
Q80	What are the requirements for obtaining a loan?	<ol style="list-style-type: none"> <li>1. Need social collateral</li> <li>2. Must have shares in the group</li> <li>3. Other, specify</li> </ol>	
Q81	What form of collateral does one need to take a loan?	<ol style="list-style-type: none"> <li>a)</li> <li>b)</li> </ol>	
Q82	Are there members of the group who have had difficulties in paying back loans?	<ol style="list-style-type: none"> <li>1. Yes</li> <li>2. No (<b>go to Q84</b>)</li> </ol>	
Q83	Have loan repayment problems affected the running of the group?	<ol style="list-style-type: none"> <li>1. Yes</li> <li>2. No</li> </ol>	

#### SECTION F: INTERACTION AMONST GROUP MEMBERS AND GROUP SUSTAINABILITY

Q84	In times of crisis such as sickness or death of a loved one, whom will you turn to for assistance apart from relatives or friends?	<ol style="list-style-type: none"> <li>1. Non-group members</li> <li>2. Group members [<b>go to Q86</b>]</li> </ol>	
Q85	What are the reasons that may make an individual to turn to non-group members for assistance?	<ol style="list-style-type: none"> <li>1. Members will look down upon him/her.</li> <li>2. The group has limited resources.</li> <li>3. The group is not cohesive</li> </ol> <i>Skip to Q 87</i>	
Q86	Why will you turn to group members?	<ol style="list-style-type: none"> <li>1. Other members have similar financial obligations</li> <li>2. N/A</li> </ol>	
Q87	How will other group members react if one of the members asked for help in times of crisis	<ol style="list-style-type: none"> <li>1. Very readily</li> <li>2. Readily</li> <li>3. Reluctantly</li> <li>4. Not bother</li> </ol>	
Q88	What will be your reaction to another member's request for help?	<ol style="list-style-type: none"> <li>1. Very readily</li> <li>2. Readily</li> <li>3. Reluctantly</li> <li>4. Not bother</li> </ol>	

Q89	Do group members assist each other in times of crisis?	1. Yes 2. No <b>[go to 91]</b>	
Q90	If yes, how?	1. Group raises funds 2. Material assistance 3. Labour 4. Companion 5. Offer soft credit. 6. Other, specify	
Q91	Does being a member in the group offer any security/insurance?	1. Yes 2. No <b>[go to Q93]</b>	
Q92	If yes, what form of insurance?	1. Companionship during family crisis. 2. Guarantee loan and financial security 3. Confidence in learning and sharing information, 4. Other, specify	
Q93	Do you intend to continue being a member of this group?	1. Yes 2. No	
Q94	Do you envision the group to survive for some time?	1. Yes 2. No	
Q95	What do you think should be done to ensure the survival of the group?	a) b)	
Q96	In your opinion, is there any aspect of Luo culture that has a positive effect on the operation of RoSCAs?		
Q97	Is there any aspect of Luo culture that affects RoSCA operation negatively?		

**THANKS FOR YOUR RESPONSES**

**END.**

## **APPENDIX 2: IN-DEPTH QUESTIONNAIRE**

### **IN-DEPTH (ID) INTERVIEW SCHEDULE (FOR KEY INFORMANTS)**

#### **SECTION ONE: GENERAL INFORMATION**

Name of the respondent

Occupation

Marital status

Approximate age

**Sex**

#### **SECTION TWO:**

##### **MEMBERSHIP**

1. Does gender determine membership in ASCAs and RoSCAs? How?
2. Does marital status determine membership in micro finance groups? In what ways?
3. Does age determine membership into such groups? What is the age bracket of the members in these groups? Please explain.
4. Does kinship ties determine membership? Please explain in detail.
5. Who qualifies for membership into the organisations? Please explain in detail.
6. How are new members integrated into a group?

##### **LEADERSHIP**

7. How are leaders chosen in these groups?
8. What are the qualities of a good leader?
9. In micro finance groups that have both men and women, does gender play a role in determining who becomes a leader? Please explain in details.
10. In case of groups that have men in leadership positions, can women question or raise suspicion about the leaders? Why? How?
11. Does marital status determine who comes into leadership position in such groups? How? Why?
12. Does the nature of marriage determine who comes into which leadership position? (Nature of marriage, e.g. stable family, polygamy, monogamy, polyandry, nuclear, extended, etc.). Please explain in details.
13. Does age determine who gdft into leadership position? How? Why?

##### **SAVINGS, LOANS AND THE ASSOCIATIONAL LIFE OF MEMBERS**

14. How do groups deal with loan defaulters?
15. Which is the most active age group in borrowing and savings within the groups? Why?
16. How do the groups handle conflicts?
17. How is discipline enforced within the groups?
18. How do gender roles influence participation in micro finance group's activities? (In terms of membership, attendance of group meetings, leadership positions etc).
19. Does gender, age or kinship relations determine how members interact amongst themselves.

## **APPENDIX 3: INTERVIEW GUIDE FOR FOCUS GROUP DISCUSSIONS**

### **SECTION ONE: GENERAL INFORMATION**

Number of the respondents

Categorisation

### **SECTION TWO:**

#### **MEMBERSHIP**

1. Does gender determine membership in ASCAs and RoSCAs? How?
2. Does marital status determine membership of micro finance groups? In what ways?
3. Does age determine membership into such groups? What is the age bracket of the members in these groups? Please explain.
4. Does kinship ties determine membership?
5. Who qualifies for membership into the organisations? Please explain in detail.
6. How are new members integrated into a group?

#### **LEADERSHIP**

7. How do you choose your leaders?
8. What are the qualities of a good leader?
9. In micro finance groups that have both men and women, does gender play a role in determining who becomes a leader? Please explain in details.
10. Does marital status determine who comes into leadership position in such groups? How? Why?
11. Does the nature of marriage determine who comes into which leadership position? (Nature of marriage, e.g. stable family, polygamy, monogamy, polyandry, nuclear, extended, etc.). Please explain in details.
12. Does age determine who gets into leadership position? How? Why?

#### **SAVINGS, LOANS AND THE ASSOCIATIONAL LIFE OF MEMBERS**

13. How do groups deal with loan defaulters?
14. Which is the most active age group in borrowing and savings within the groups? Why?
15. How do the groups handle conflicts?
16. How is discipline enforced within the groups?
17. How do gender roles influence participation in micro finance group's activities? (In terms of membership, attendance of group meetings, leadership positions etc).
18. Does gender, age or kinship relations determine how members interact amongst themselves. Are there norms that determine how members in the groups interact amongst themselves or associate with one another? Please explain in detail.

**MBIYPxsnY OF MAIM**

*M\*«, UBRAMI*