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Conversation and Information Dissemination at ROSCA Meetings in Ethiopia:

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Conversation and Information Dissemination at ROSCA Meetings in Ethiopia: Their Occurrence and Influence on Group Members’ Lives

A Thesis
Presented to the Faculty of the Graduate School
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In Partial Fulfillment of the Requirements for the Degree of
Master of Community Planning

by
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Abstract

Rotating savings and credit associations (ROSCAs) are local institutions that influence group members’ lives. Most existing ROSCA research has emphasized the financial aspects of these groups, such as the pot allocation styles and the economics of how ROSCAs enable individuals to save money. Further research had uncovered that ROSCAs succeed because of the social capital among members, which states that trust among members leads to relationships of reciprocity.

This study examines the conversation and information dissemination that occurs at ROSCA meetings. Ten interviews (seven women, three men) and participant observation at five ROSCA group meetings were conducted in central Ethiopia in 2009. Field research reinforced the existing research finding that ROSCAs rely on social capital for success, but it also found that both group conversation and one-on-one conversation among members at group meetings were critical in providing group members with new knowledge and developing relationships of reciprocity.

ROSCAs are currently not reached with training sessions by international development organizations or local non-profits, but such training sessions could improve the lives of group members if training sessions did not compromise the integrity of the ROSCA that they targeted. In order for this to occur, training sessions must not alter the structure of meetings and take away from one-on-one conversations, which are a critical component of ROSCA meetings. This research project also found that attendance at ROSCA meetings is only required if an individual has not yet won the pot. This finding is pivotal, for it implies that if training sessions are provided, they should occur early on in ROSCA cycles (preferably the first meeting) in order to reach the greatest proportion of ROSCA group members.
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Background

This thesis was conducted as part of the Master’s International program, a partnership between the United States Peace Corps and the University of Cincinnati School of Planning. My first year of graduate study focused on international development and urban planning, which helped prepare me to be a Peace Corps Volunteer. During my first year of graduate education, the Peace Corps informed me that I would be working with micro-enterprise groups in Ethiopia as part of my Peace Corps assignment. After completing one year of graduate study, I began my service as a Peace Corps Volunteer in Debre Zeit, Ethiopia. Once I had settled into the community, I found that my town did not have active micro-enterprise groups, but that rotating savings and credit associations (ROSCAs) were very active. As I began working with these groups, I began conducting a literature review on ROSCAs, and found that there was an opportunity not only to serve them, but to contribute to the existing research as well.

I conducted research with ROSCAs in the spring of 2009. Upon completion of my field research and Peace Corps service, I returned to the University of Cincinnati to complete my second, and final, year of my Master of Community Planning degree. This thesis process has nurtured in me a desire to serve Ethiopians, and ROSCAs worldwide. My research assistant and I are still in regular communication, with plans to develop an exchange where Ethiopian ROSCA members can sell their products to American consumers.
To the women of Ethiopia, whose courage is unmatched and whose warmth is often unreciprocated.
Acknowledgements

This thesis was only possible with the help of several individuals, all of whom either were, or have become, dear friends during this process. Though they have indelibly marked this work, all errors are my own.

Getaye Kebede willingly volunteered his time to help me interview ROSCA members and observe ROSCA meetings. This research project only occurred because of his unwavering assistance, and his willingness to sacrifice his time to work with me. Professor Johanna Looye provided excellent feedback and direction during her four-year commitment to my research, writing, and professional development. Her background in micro-enterprise, her attention to detail, and her patient shepherding helped make this research project what it is today. Professor Carolette Norwood agreed to work with me before we ever met, and her experience conducting research with African savings groups proved very helpful in shaping my research methodology, as well as my final product. ROSCA group members were welcoming, and patient, during the entire research process. To Tsegay, special thanks for helping me find ROSCA groups in Debre Zeit. To Dilnesaw Gonfa and Yabsera Marcos, thank you for your accurate and timely translations. And finally, to Liz, who tirelessly served as a sounding board for my work, and whose input led me to consider new ideas. Your encouragement and love continue to meld me into more of who I am supposed to become.
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Conversation and Information Dissemination at ROSCA Meetings in Ethiopia: Their Occurrence and Influence on Group Members’ Lives

Chapter I. An Introduction to ROSCAs

In 2009, 85% of Ethiopians lived on less than US$1 a day. The burden of trying to care for a family on such a small income is nearly impossible, and there are few opportunities to advance one’s livelihood through the nascent formal economy. Individuals have turned to employment in the informal market in order to provide for their family, which limits the possibility for further education or job promotions. One method individuals use to respond to formal market inadequacies is to join a rotating savings and credit association (ROSCA). ROSCAs are informal groups formed by individuals who want to collectively save money. ROSCAs are popular worldwide, particularly in developing countries and diaspora communities. Logistically, ROSCAs are small groups (typically 10-20 individuals, predominantly comprised of women) who meet regularly, with each member bringing an agreed-upon, identical sum of money to each meeting. At each meeting one member receives the collective savings of money, which is nicknamed “the pot.” After beginning a cycle, a ROSCA continues until each member receives the pot, at which time the organization disbands or begins a new cycle. ROSCAs allow all members (except for the last member to collect the pot) access to

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a sum of money faster by saving collectively than they would have been able to access had they saved by autarky, a method of saving without others’ contributions.³

There are several reasons that individuals cite as motivation for joining ROSCAs, the most obvious of which being the aforementioned opportunity to receive a pot of money faster by saving collectively than one would by saving alone. It is important to note, however, that informal credit is not the only reason individuals join ROSCAs. Individuals use ROSCAs as a way to save for the purchase of a durable good,⁴ as a way to save for daily goods,⁵ as a way to protect money – from greedy husbands,⁶ from social pressure⁷ and from theft,⁸ as an insurance mechanism for emergency expenditures,⁹ as a way to help prevent splurges and develop monetary self-control,¹⁰ and as capital to improve or start a business.¹¹

ROSCAs also serve as a setting for information dissemination.¹² ROSCA members share information on market prices, job and housing opportunities, and even advice on how to spend the pot.¹³ Additionally, ROSCA membership often results in social benefits, such as an improved

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⁴ Besley, 792.
⁵ Kimuyu, 1306.
¹⁰ Gugerty, 253; Ambec, 120.
¹³ Mosley, 491; Bouman, 376.
Research has also shown that ROSCA membership is based on trust among members, and that individuals who trust each other enter into reciprocal relationships where all individuals benefit (e.g., one woman hires another woman to watch her children). The idea of friendships of reciprocity is part of a larger concept termed “social capital.” As argued by Putnam in his seminal work on social capital, *Bowling Alone*, “the core idea of social capital theory is that social networks have value…norms of reciprocity and trustworthiness arise from them.” Unfortunately, previous ROSCA research has not explored extensively the concept of social capital, leaving gaping holes in the research, such as whether or not trust affects the types of conversations ROSCA members have. In the aforementioned example of the types of information ROSCA members share with one another, it is apparent that social capital among members influences their conversations. Despite this evidence, no previous research has determined the extent to which ROSCA members give each other advice or receive training sessions on important life issues, such as how to discuss HIV/AIDS with their partner, how to eat

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15 Campbell, 49.
16 Buijs, 62.
nutritiously, or how to start a business. Research with formal micro-finance programs has found that specific loan programs sometimes provide additional training sessions to program participants, but it is unknown if similar training sessions occur at ROSCA meetings. Collegial support within ROSCAs has been shown to empower women in interactions with husbands, but little is known about the context in which this collegial support is provided.

ROSCAs’ place in society is significant because they are local institutions, not merely organizations. Organizations become institutions when they have acquired a special status for satisfying people’s needs over time. An organization cannot be an institution at the moment of inception, but must establish value in the local community’s eyes over a period of time. Even if an organization has existed for a long time, it will remain merely an organization if it exists purely on individual efforts, while institutions require a high level of collective action, in which the interests and resources of a group are brought together. Could the information disseminated at ROSCA meetings help tackle pressing issues, such as education, nutrition, and HIV/AIDS? ROSCAs’ position as a local institution means that training sessions may improve the institution, but such outside influence could harm the institution as well.

Though ROSCAs contribute to developing communities, they cannot be seen as a silver bullet for development, because sometimes ROSCAs fail to complete a cycle, or they disband after only one cycle. The literature review will outline how social capital is a vital component to ROSCA success, as well as discuss how local institutions can develop to serve the interests of the community.

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19 Anderson, 969.
21 Uphoff, 14.
Ethiopia serves as a good setting for a study of ROSCAs and social capital due to the high prevalence of HIV/AIDS and other social development challenges, as well as the vibrancy of ROSCAs (locally known as *ekubs*). The inadequacy of the existing literature connecting these two issues prompted this study’s research goal of investigating the degree to which social capital empowers female ROSCA members. This introduction has shown that ROSCAs empower individuals, and particularly women, but little is known about the conversation (including information dissemination) that occurs at actual ROSCA meetings, leading to the research questions, “What are the topics of conversation present at ROSCA meetings, what enables and dictates that those specific topics are discussed, and what influence do those conversations have on group members’ lives?”

The remainder of this document will discuss how conversation at ROSCA meetings affected group members’ lives in Ethiopian ROSCAs. The next section (Chapter II) will review the existing literature on ROSCAs, social capital, and institutional development. This section will inform the reader of the connection among these three topics and how this connection influenced the research project. Following the literature review is a setting section (Chapter III), which provides the reader with a brief, but important, understanding of Ethiopia. This section outlines Ethiopia’s storied history and the current conditions of the country, including a profile of Debre Zeit, the city in which this research project was conducted. An understanding of the local context will give readers further insight into the research project, including an understanding of why certain interview questions were asked. Chapter IV explains the rationale that guided the research methodology undertaken to complete this study. This section also discusses the ethical steps that this project took, the members of research team, and some of the project shortcomings. Chapter V provides a comprehensive analysis of the findings of the
research project. This section is objective, and informs readers of what data the interviews and participant observations provided. This section includes figures and tables to help the reader visually understand what the answers were to key research questions. Following this section is the conclusion (Chapter VI), where the objective findings from Chapter V are synthesized and used to make recommendations. This section includes the researcher’s opinions of future directions that ROSCA research and international aid should explore. A bibliography and appendices are included at the end of the document. The appendices include the three instruments used in field research – the two styles of interviews and the participant observation guide.
Chapter II. A Deeper Look at ROSCAs, Social Capital, and Local Institutional Development

A. An Overview of ROSCAs

1. Where do ROSCAs Exist?

Rotating savings and credit associations (ROSCAs) are a worldwide phenomenon. They can be found in Asia, Africa, the Caribbean, Latin America, Europe, and North America. ROSCAs thrive in developing countries in particular, while ROSCAs in Europe and North America primarily derive their membership from immigrants in diaspora communities. Researchers long believed that individuals only formed ROSCAs when faced with inadequate or absent formal credit, but recent research has revealed that ROSCAs exist in any community where social networks are strong and individuals trust each other, regardless of the formal finance sector’s status. ROSCAs serve multiple functions, but the foremost purpose is to help individuals gain access to money by saving collectively. ROSCAs worldwide tend to have certain practices in common, but it is important to note that ROSCAs are as diverse as the geographic regions in which they are found.

26 Ardener, 199.
27 Ardener, 217.
28 Ardener, 197.
29 Chetejí, 408.
2. Why ROSCAs Form and Why Individuals Join ROSCAs

There are many schools of thought on why ROSCA groups form. Several explanations have emerged in the existing literature; however, a more nuanced understanding of ROSCA group formation is necessary. While some ROSCAs form with a certain goal in mind, such as the financing of new roofing material, a ROSCA in a neighboring community, or a ROSCA on another continent, may form for an entirely different reason. The following section outlines the main reasons behind ROSCA formation.

One reason ROSCAs form is because there is a problem within the formal finance sector. In certain countries, such as Zimbabwe, government loans come with an annual interest rate of up to 50 percent. This exorbitant interest rate causes farmers to fear the formal banking system and in turn to establish ROSCAs as an informal alternative to formal credit.\(^\text{30}\) Individuals form informal savings groups not only when the formal finance sector charges exorbitant rates, but also when the availability of formal savings institutions is either inadequate or absent.\(^\text{31}\) An example of the inadequacy of the formal savings institutions leading to ROSCA formation is seen in the example of a Kenyan ROSCA whose members live fifteen kilometers from the closest bank.\(^\text{32}\) Individuals living in rural communities in the developing world often live far from formal finance offices, and participating in the formal finance sector would involve relatively expensive travel to (and from) the nearest town, as well as the time spent waiting in line, time which could be spent on other activities. Furthermore, many individuals who participate in ROSCAs do not feel comfortable (or welcome) in formal banks. Whether due to illiteracy or social stigma, they prefer to deal with their peers.

\(^{30}\) Dzingirai, 18.
\(^{31}\) Dzingirai, 18.
\(^{32}\) Gugerty, 276.
A second reason that individuals form ROSCAs is to help them save a specific amount of money for the purchase of both indivisible and divisible durable goods. An example of an indivisible durable good is grain. In developing countries, where ROSCAs abound, there is rarely a fair formal credit system in the marketplace to allow individuals to pay for indivisible durable goods over an extended period of time, and divisible goods are often less expensive when bought in bulk. By joining a ROSCA, all group members (except the last individual to collect the pot) will be able to access the capital to purchase a durable good faster than if they were saving by autarky.

A third reason individuals form ROSCAs is to help them save money for the purchase of day-to-day goods. In Tanzania and Kenya (along with many other nations with ROSCA activity), food claims the largest portion of total household expenditures, with education and health care receiving the next most resources, respectively. These three needs: to procure food, to meet educational obligations, and to provide adequate health care for one's family, pushes individuals to join ROSCAs.

A fourth reason ROSCAs form is to give individuals a way to protect their money. Previous research has shown that there are three main cohorts whom individuals are trying to protect their money from: neighbors, spouses, and thieves. Financial obligations to family and community are common in countries where ROSCAs operate, and individuals often face substantial social pressure to share their income. In one community, upon rejecting relatives’ petitions for resources (money, food, land, equipment, or time), individuals were called

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33 Besley, 793; Gugerty, 261.
34 Gugerty, 261.
35 Kimuyu, 1306.
36 Kimuyu, 1303.
37 Ambe, 131.
witches.\textsuperscript{38} ROSCAs function as a defense mechanism for these pressures, because a ROSCA payment obligation is a “socially accepted excuse to deny requests to share spare cash,”\textsuperscript{39} making it easier for individuals in ROSCAs to turn down requests from family and friends.\textsuperscript{40} 

Individuals also turn to ROSCAs to protect their money from their spouses. Women join ROSCAs to prevent men from misusing household resources.\textsuperscript{41} A ROSCA member in one study remarked, “Joining a ROSCA is the only way to save some money. If I leave it at home, it will disappear.”\textsuperscript{42} Women spend more money on household expenditures than men do, making it critical that women have at least some control of their family’s money.\textsuperscript{43} Some microcredit professionals have asserted that loans are the best way to empower women,\textsuperscript{44} but loans targeted to women often end up in male relatives’ hands, which results in a failure for the woman’s status to be improved within the household.\textsuperscript{45} ROSCAs’ inherent social support structure makes them more effective than microcredit programs and formal loans in regard to protecting money from spouses for several reasons. The group dynamic provides social support and empowerment, and ROSCA members discuss how they plan to spend the pot.\textsuperscript{46}

Another issue that individuals cite as motivation for protecting money by investing in ROSCAs is theft. One researcher found that individuals who store their savings at home are susceptible to theft, while individuals who put their savings in a ROSCA are safe.\textsuperscript{47} Another option to reduce theft would be to place money in the formal banking sector, but bank accounts

\textsuperscript{38} Dzingirai, 5.
\textsuperscript{39} Schreiner, 231.
\textsuperscript{40} Ambec, 132.
\textsuperscript{41} Anderson, 967.
\textsuperscript{42} Anderson, 969.
\textsuperscript{45} Goetz, 45-50; Pretes, 1344; Rahman, 120.
\textsuperscript{46} Gugerty, 277.
\textsuperscript{47} Gugerty, 269.
are not always a feasible option, due to their relatively high minimum-deposit requirements\textsuperscript{48} and corrupt accounting,\textsuperscript{49} in addition to other issues mentioned above.

A fifth reason ROSCAs form is to give individuals an insurance fund that they can use during unanticipated events to remain safe from financial crisis. Examples of unexpected events that motivate individuals to require savings quickly are unexpected death, severe weather, or theft. An example of an emergency serving as an individual’s motivation to join a ROSCA is visible in an Indian ROSCA where people bid higher amounts of money to win the ROSCA pot in later rounds than they did during earlier rounds.\textsuperscript{50} Bidding higher amounts during later rounds does not make economic sense and, upon interviewing bidders, researchers found that this financially “irrational” bidding occurred due to an unexpected event.\textsuperscript{51} Individuals prone to recurring risks may belong to multiple ROSCAs or hold multiple shares in a single ROSCA in order to have more options for access to financial capital, further protecting themselves from financial crisis.\textsuperscript{52}

The sixth reason individuals form ROSCAs is to help them practice financial discipline and self-control in an effort to prevent themselves from splurging on superfluous goods. When asked why they wanted to join the organization, individuals in one ROSCA responded, “You can’t save alone – it is easy to misuse money,” and also, “Saving money at home can make you extravagant in using it.”\textsuperscript{53} Further evidence shows that some individuals join ROSCAs to “help [them] cope with their self-control problems.”\textsuperscript{54} In the case of ROSCAs composed of formal

\textsuperscript{48} Gugerty, 278.
\textsuperscript{49} Dzingirai, 6.
\textsuperscript{50} Calomiris, 212.
\textsuperscript{51} Calomiris, 212.
\textsuperscript{52} Calomiris, 210.
\textsuperscript{53} Gugerty, 268.
\textsuperscript{54} Ambec, 121.
sector employees, ROSCA meetings often coincide with the date of paychecks, making it easier for individuals to directly use a portion of their paycheck toward their ROSCA contribution.\textsuperscript{55}

The seventh reason individuals form ROSCAs is to receive capital to improve or start a business.\textsuperscript{56} ROSCAs allow members to start their projects earlier than would likely be possible by autarky,\textsuperscript{57} and ROSCA members find it easier to use the pot on a business investment when their ROSCA has a spending agreement, a tool which ensures that the pot is spent on something upon which the group agrees.\textsuperscript{58} Spending agreements, and other ROSCA tools, will be examined further in \textit{Section 7. Why ROSCAs succeed}.

Each of these reasons for ROSCA formation is valid, and these seven rationales for ROSCA formation are often complementary, as opposed to mutually exclusive. An example of an individual having multiple reasons for joining a ROSCA would be the desire to save for a durable good and to protect money from a spouse.

\textbf{3. Logistically, What do ROSCAs Look Like?}

Knowing why ROSCAs form is only part of the story, for each ROSCA looks different, based upon logistics such as membership size, pot size, frequency of meetings, and leadership structure. After individuals come to the conclusion that they want to form or join a ROSCA, they must decide how their ROSCA will operate.

ROSCA group sizes vary, but the ability to enforce payment is affected by membership size – meaning the ability to enforce terms of memberships decreases as membership size increases (peer monitoring is made more difficult if the association has more members to monitor). Most of the existing literature has found that ROSCAs have an average of 10-20

\textsuperscript{55} Ambec, 131.
\textsuperscript{56} Cheteji, 394; Kimuyu, 1306.
\textsuperscript{57} Cheteji, 395.
\textsuperscript{58} Gugerty, 276.
members,\textsuperscript{59} and the average ROSCA size of the Ethiopian research sample in this study was 19 members.

As with group size, the size of the pot varies among ROSCAs. Many ROSCAs with large memberships have frequent meetings and small financial contributions, while small membership ROSCAs typically meet infrequently and have large financial contributions.\textsuperscript{60} Although this is just a rule of thumb, this research project found that in Ethiopia, ROSCAs that met monthly had significantly larger financial contributions than those that met weekly and contributed over a month’s time.

The duration of a single ROSCA cycle is dependent on the group size and the frequency of group meetings. ROSCAs’ meeting frequencies are often dependent upon the types of occupation that members hold.\textsuperscript{61} Daily laborers (e.g., shoe-shiners) often meet daily because they want insurance money frequently,\textsuperscript{62} while government employees often meet monthly on the day they receive their paychecks.\textsuperscript{63} A ROSCA cycle is considered finished when each member of the ROSCA has received the pot once. Many ROSCAs start a new cycle immediately after finishing a cycle.

ROSCAs also typically have a leader, often called the president. The leader has the responsibility of organizing meetings, enforcing payment, and resolving group conflicts. Leaders are often thanked for the work that they do by having the opportunity to collect the pot first in the cycle,\textsuperscript{64} and occasionally they are given gifts.\textsuperscript{65} In one ROSCA study, the researcher found that ROSCAs that paid their leaders functioned more effectively than ROSCAs with unpaid leaders.

\textsuperscript{59} Cheteji, 400; Handa, 179.
\textsuperscript{60} Handa, 179.
\textsuperscript{61} Ambec, 131.
\textsuperscript{62} Calomiris, 210.
\textsuperscript{63} Ambec, 131.
\textsuperscript{65} Handa, 191.
leaders. Some ROSCAs have secretaries (book-keepers), treasurers, or other leadership positions, but the leader/president is the only ubiquitous position.

4. How to Distribute the Pot: 3 Main Types of ROSCAs

A defining feature of ROSCAs is how they distribute the pot at each meeting. Three main styles of pot allocation are used: random, bidding, and needs-based. Economically, ROSCAs are a type of forced loan, since all members collect the pot (loan) over the course of one ROSCA cycle, and all members are paying off their loan (or making a payment in preparation of receiving a loan) at each ROSCA meeting. Random ROSCAs should be understood as providing an interest-free loan, while bidding ROSCAs are closer economically to formal banks because they incorporate interest in their allocation of the pot. Needs-based allocation ROSCAs should also be understood as providing an interest-free loan.

ROSCAs that use random pot allocations typically select a name by lottery at each meeting, though the order of the draw for the complete ROSCA cycle can be determined before round one of the cycle as well. Random pot allocation ensures that everyone gains access to the full pot (as opposed to bidding, where bidding individuals take less of the pot in order to receive the pot sooner). ROSCA members prefer the random allocation method when formal credit is inaccessible, or when group members are considered homogenous: whether that homogeneity refers to spending preferences, gender, age, kinship, ethnic affiliation, locality, occupation, socioeconomic status, or religion.

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66 Handa, 175.
67 Kovsted, 146.
68 Kovsted, 146.
69 Besley, 793; Levenson, 47.
The second form of pot allocation is bidding, in which individuals must bid for the pot in order to receive it. There are two styles of bidding: discount bidding and premium bidding.\(^70\) In discount bidding, bidders submit how much they will discount other bidders’ contributions for that current cycle (i.e., if payments are $5, a bidder may bid that everyone pay $4.50 this meeting). In premium bidding, the bidder agrees to pay a price above the typical contribution (i.e., if payments are $5, a bidder may bid to pay $15, which will be distributed to all group members). Bidding ROSCAs are not efficient economically\(^71\) because individuals who bid could have saved more money via autarky, but bidding does allow individuals to gain access to a sum of money based on when they desire capital and how much they are willing to pay to receive it. Some ROSCA participants reported that they prefer to receive the ROSCA pot in the period just after the harvest when crop prices are cheapest,\(^72\) meaning they are willing to bid to get access to a large sum of money, so they can buy grain in bulk at the cheapest time. Bidding is common among people who undergo unexpected events\(^73\) or who have (or plan to start) a business. Bids are typically largest early on in the cycle when the pot is largest relative to an individual’s accumulated contribution,\(^74\) but individuals occasionally place high bids later in the cycle because of spending preferences (whether planned or unplanned expenses, e.g., a wedding or natural disaster). Similar to an auction, bidders only bid an amount they feel comfortable with, and since individuals bid based on their anticipated return, default and financial losses are less common.\(^75\) People prefer bidding ROSCAs when outside credit is easily accessible, and bidding

\(^{70}\) Kovsted, 146.

\(^{71}\) Besley, 701.

\(^{72}\) Gugerty, 261.

\(^{73}\) Calomiris, 215.

\(^{74}\) Kovsted, 156.

\(^{75}\) Kovsted, 159.
is preferred when group members are socio-economically heterogeneous, or have a large variety of spending preferences.\textsuperscript{76}

The third type of pot allocation is needs-based, in which the pot is awarded based on which member is most in need of the pot at a given meeting. In Japan, ROSCAs originally formed as needs-based savings groups with the goal to “provide charity to the unfortunate,”\textsuperscript{77} and several random ROSCAs consider members’ needs when deciding upon the pot allocation. Most needs-based ROSCAs have all members vote on who should receive the pot, and the ROSCA leader makes the final decision if there is a tie.\textsuperscript{78} Needs-based ROSCAs allow members to make their case for receiving the pot, and groups that carry unexpected risks form this style of ROSCA.\textsuperscript{79} Similar to random ROSCAs, needs-based allocation ROSCAs provide access to a sum of money faster than saving by autarky.

Researchers found that most ROSCAs form among homogeneous social groups,\textsuperscript{80} leading researchers to conclude that random allocation is the most common form of pot distribution.\textsuperscript{81}

5. Once the Need for Formation is Met, Who Joins?

Anyone can be a member of a ROSCA – young or old, rich or poor, female or male. Despite the wide array of individuals who join ROSCAs, most groups are homogeneous,\textsuperscript{82} and married women comprise the majority of ROSCA members worldwide.\textsuperscript{83} Several reasons emerge for ROSCA membership being driven by women and, although mentioned in this section, the issue of gender is further explored in Section 6. Why Women?.

\textsuperscript{76} Kovsted, 164.
\textsuperscript{77} Dekle, 88.
\textsuperscript{78} Handa, 187.
\textsuperscript{79} Calomiris, 211.
\textsuperscript{80} Levenson, 47.
\textsuperscript{81} Gugerty, 260.
\textsuperscript{82} Levenson, 47.
\textsuperscript{83} Anderson, 980; Buijs, 62.
Younger adults (35 years or younger) are more common participants than older individuals, and one researcher suggests that this occurs because many households are formed while individuals are in their early and mid-20’s, which leads individuals to want to save money to buy indivisible durable goods (one-time purchases, such as a refrigerator) for their newly formed household. Additionally, one researcher posits that younger generations may be, in general, more interested in savings, and another generational difference may be that younger people are quicker to embrace lifestyles that include new consumer durables such as laptops or cell phones. Despite youth being a common trend in ROSCAs, it is important to note that adolescents and young adults are not common participants in ROSCAs. Since ROSCAs are commonly formed based on members’ familiarity and trust towards other members, many young people have not been alive long enough to be widely trusted in their communities, and they also have not yet started jobs from which they could pool money for savings. Other individuals who do not often join ROSCAs are ethnic minorities within a predominately homogenous community, or individuals who have recently moved to an area and have few social connections (non-natives).

Although organizations are formed predominantly in developing nations, it would be incorrect to assume that only low-income individuals join ROSCAs. Research has found that middle-income individuals are common participants. Indeed, in Taiwan, ROSCA participation is highest among high-income households. According to the “self-control” motivation for joining a ROSCA, middle-income individuals are common ROSCA participants because they are the

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84 Anderson, 964.
85 Levenson, 57.
86 Levenson, 55.
87 Buijs, 62; Anthony, 500.
88 Akoten, 935.
89 Akoten, 935.
90 Levenson, 46.
socio-economic cohort most tempted by superfluous goods. The destitute do not participate in ROSCAs because they often do not have the ability to save enough money for even a meager ROSCA contribution. Poverty-stricken individuals do not have the means to buy superfluous goods, and wealthy individuals can afford to buy superfluous goods without significantly limiting their household’s purchasing power, thus leading to the propensity of middle-income individuals to join ROSCAs. Wealthy individuals do participate in ROSCAs, but typically not for “self-control” issues, since ROSCA membership would only limit their purchasing power if they invested in multiple ROSCAs, held multiple shares within one ROSCA, or invested in a wealthy, high-payment ROSCA. When wealthy individuals choose to participate in ROSCAs, it is often because they want an excuse to help them turn down requests from peers and family for loans or financial gifts.

Individuals from larger households are more common ROSCA participants than individuals from small households. Because larger households have more fixed costs, such as food and education, large families have demands for large quantities of money at a time. Although women are the most common participants in ROSCAs, not all women who want to join ROSCAs are able to do so. A woman’s opportunity to join a ROSCA is often based on her bargaining position within the household, and though some husbands encourage their wives to join ROSCAs, other husbands discourage ROSCA membership. One study examined secret ROSCAs, which were formed surreptitiously out of fear that husbands would not approve of a ROSCA being formed. A woman’s ability to join a ROSCA is further helped if the husband

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91 Ambec, 130.
92 Ambec, 131.
93 Kimuyu, 1303.
94 Kimuyu, 1303.
95 Anderson, 984.
96 Anderson, 975.
deems that the ROSCA is a “serious” organization (e.g., if the meeting is held in a consistent location). \(^{97}\)

6. Why Women?

Ethiopia, as well as many parts of the developing world, suffers from rampant gender inequality. \(^{98}\) Women in the developing world are often at a disadvantage in the job market due to two main factors, a lack of autonomy and a lack of educational opportunities. \(^{99}\) This is a cyclical battle; the lack of employment opportunities contributes to the continuing lack of autonomy because women without cash have less control over household decisions and are less knowledgeable concerning life outside of the home. \(^{100}\) Despite these employment disparities, women are held responsible for financing family-centered purchases for the household, as well as taking care of their children’s needs. \(^{101}\) Because women have difficulty obtaining formal employment, many women have turned to small-scale income-generating activities to finance their family’s needs.

Once a woman begins an income-generating activity, she often finds that the requirements of ROSCA membership fit her income stream because these small-scale jobs give her “access to the regular contributions that ROSCAs require.” \(^{102}\) Examples of small-scale income-generating activities include basket and blanket weaving, selling milk, eggs, produce, or other common food staples, such as bread. Since women are held responsible for buying household goods, women acquire a “small but frequent” income, whereas men typically have

\(^{97}\) Dzingirai, 20.
\(^{100}\) Hogan, 304.
\(^{101}\) Doocy, 2379.
\(^{102}\) Johnson, 1370.
seasonally-concentrated demand and earnings of money. Women engaged in small income-generating activities have the flexibility to work, and participate in ROSCAs, during any season of the year, and the types of work that women predominantly engage in provide regular income, making ROSCAs an attractive option for managing finances.

Although small-scale income-generating activities have helped women, the start-up and maintenance costs of such activities often require a formal loan, which is problematic because credit markets in the developing world favor lending to men, making it difficult for women to enter the formal credit market. In addition to the inaccessibility of loans, the requirements for opening a bank account in the developing world favor men (requirements include a stable job and minimum deposits to open accounts), making it difficult for women to save money at banks. In the developing world, formal banking sector loans are awarded based on how much land an applicant owns, and private citizens, especially women, rarely possess land titles. There is also a patriarchal stereotype that women are a lending threat, despite the fact that women actually prove better at repayment than men. Many women have responded to the unfavorable formal credit and banking systems by relying on social networks they have within their communities to pool money collectively through ROSCAs. To recap, women who want to start an income-generating activity often join a ROSCA initially to help them raise the necessary funding, and then once they have started their income-generating activity, they stay in the

103 Johnson, 1370.
105 Husseini, 52.
106 Maiangwa, 472.
108 Kajimo-Shakantu, 84.
ROSCA because their newly-produced income stream is conducive toward ROSCA participation.

The final reason women are more prevalent than men is that they are firmly rooted in communities, which makes it easier for women to enforce payment and establish relationships of trust with fellow female members. Since formal sector unemployment rates are consistently high in areas where ROSCAs operate, men often move from town to town in search of work. This results in a transience among men, which means that men can move often and escape debts, making them difficult to track if they default on payment, which in turn makes them poor selections for ROSCA membership. Women, on the other hand, tend to stay rooted in their communities because they often have familial duties, making them easy to track down if they default on payment, which keeps enforcement costs low and makes them good candidates for ROSCA membership.

7. Why ROSCAs Succeed

As stated earlier, most ROSCAs form around homogenous social groups, and much of the literature states that this familiarity and trust among ROSCA members is the main reason that ROSCAs have remarkably low default rates. One researcher found that ROSCAs enforce payment more effectively than government, donors, or other formal credit institutions. Only one study has found a ROSCA in which members do not know any of their fellow members.

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109 Buijs, 62.
110 Buijs, 62.
111 Levenson, 47.
113 van den Brink, 764.
before group formation, and that example comes from Argentina, where ROSCAs function as formal organizations regulated by the banking system. In many ROSCAs, trust is built over the course of several ROSCA cycles, with new members collecting the pot last in order to earn other group members’ trust, and to guarantee that they will not stop paying their contribution after receiving the pot. In addition to trust, ROSCAs have several mechanisms that are critical to their success.

Since individuals have an incentive to cease contributing once they collect the pot, ROSCAs’ largest problem is payment enforcement. One factor that limits default is that, unlike a loan from a bank, defaulting on a ROSCA payment directly hurts fellow members’ finances, as well as damaging one’s personal reputation. In order to help prevent default, some ROSCAs keep record logs of payment history, while other ROSCAs collect collateral upon receipt of the pot. The most common tool for discouraging default is the threat of sanctions (punishments), which can be either social, monetary, or in some cases, physical. An example of a social sanction would be the exclusion from a future ROSCA cycle, the loss of social status, or ostracism by other group members. Monetary sanctions are commonly leveled by the ROSCA leader/president when an individual is tardy to a meeting, acts quarrelsome, or misses a payment. In one ROSCA, physical punishment was reported. Sanctions and punishment vary from group to group, but it is important to note that the threat of sanctions and

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114 Schreiner, 229.
115 van den Brink, 749.
116 Cheteji, 396.
117 Besley, 794; Gugerty, 255; Cheteji, 398; van den Brink, 753.
118 Gugerty, 270.
119 Bouman, 381.
120 Kovsted, 149.
121 Kovsted, 149; Besley, 794.
122 Kovsted, 149.
123 van den Brink, 748.
124 van den Brink, 748.
125 Kovsted, 149.
the respect toward the ROSCA leader/president,\textsuperscript{126} are often sufficient to keep members in compliance with their ROSCA payments. Many ROSCA members feel a burden to comply with ROSCA payments in order to preserve their reputation\textsuperscript{127} and, if they do not have the payment available, they will raise the balance elsewhere; by liquidating a project, by borrowing money from family or friends, or by selling the rights to future earnings.\textsuperscript{128} As mentioned above in regard to husbands not wanting their wives to join ROSCAs, it should be noted that once wives have joined a ROSCA, the threat of sanctions, be they social, economic, or physical, prevents men from forcing their wives to leave the ROSCA.\textsuperscript{129}

Spending agreements are a mechanism that ROSCAs employ to ensure that funds stay in control of the ROSCA member. Spending agreements are promises that ROSCA members make in regard to how they will spend the pot.\textsuperscript{130} Spending agreements are enforced in three ways – by taking a member’s pot of money and buying the goods for them, by accompanying the winner of the pot to make their specific purchase, or by having another ROSCA member visit the pot winner’s house to ensure that they bought the item upon which they had agreed.\textsuperscript{131} Spending agreements have been found to be successful in “insulating ROSCA pots from family demands.”\textsuperscript{132}

Even if spending agreements ensure that ROSCA members get to spend the pot on what they desire (including savings), researchers working with other microcredit groups have found that giving individuals money without giving them training sessions is inadequate for alleviating

\textsuperscript{127} Gugery, 262.
\textsuperscript{128} Kovsted, 150.
\textsuperscript{129} Anderson, 975.
\textsuperscript{130} Gugery, 270.
\textsuperscript{131} Gugery, 270.
\textsuperscript{132} Gugerty, 276.
poverty.\textsuperscript{133} Learning to save money may help individuals develop certain skills,\textsuperscript{134} but skills training sessions are necessary in order to further empower people.\textsuperscript{135} No previous research has focused on whether or not training sessions are conducted at ROSCA meetings. The microcredit research has shown that the provision of credit alone is an incomplete mechanism for empowerment, which suggests that ROSCA members may also benefit from training sessions if they are provided.

In the case that a member cannot make a payment one week, some ROSCAs have “trouble-banks,” which are separate economic institutions within the ROSCA that ensure that the ROSCA member who wins the pot receives the full amount, while charging the delinquent member a set percentage for their transaction.\textsuperscript{136} ROSCAs with trouble-banks often collect money for the trouble-bank at the beginning of the cycle, or at each meeting, and group members receive their accumulated savings plus an equal share of the collected trouble-bank interest at the end of each ROSCA cycle.\textsuperscript{137}

No matter the mechanism, it is important to note that enforcement costs within ROSCAs remain low, which is partially attributable to the fact that ROSCA members are neighbors who know each other, which makes it easier for the ROSCA leader/president to track down delinquent members.\textsuperscript{138} The mechanisms used to ensure ROSCA success are many, and the literature often mentions a ROSCA having one, or a few, formal mechanisms at most. Having an active leader/president is the most often mentioned mechanism in the ROSCA literature. The overarching lesson of mechanisms is that they only work when trust is present. Researchers have

\textsuperscript{133} Simanowitz, 7.
\textsuperscript{134} Kajimo-Shakanto, 91.
\textsuperscript{136} van den Brink, 751; Bouman, 378.
\textsuperscript{137} van den Brink, 751.
\textsuperscript{138} Cheteji, 402.
found that as social capital and trust decreases within a group, default on payment increases, regardless of the type of mechanism employed.\textsuperscript{139}

8. ROSCA Weaknesses: When ROSCAs Disintegrate or Fail

As with any organization, ROSCAs have weaknesses and, although it is not common, ROSCAs can leave individuals worse off than if they had saved on their own. The most pressing weakness of any ROSCA is the failure of meeting the ROSCA’s main goal, to give individuals access to a sum of money. This weakness can occur under several situations: when fellow members default by not paying their contribution,\textsuperscript{140} when someone steals the pot,\textsuperscript{141} or if social pressure causes the pot winner to relinquish parts of the pot.\textsuperscript{142} Though there are mechanisms that ROSCAs can employ to prevent these occurrences, such events remain possible. An example of an external variable hurting ROSCA performance is the widespread gender inequality in the developing world, which poses the threat that women engaged in ROSCAs (or income-generating activities) may not be able to keep the money they earn because men in their household may take the woman’s money and use it irresponsibly\textsuperscript{143} (thus the need for spending agreements and other mechanisms). Research has found that women in ROSCAs can develop financial autonomy through multiple safeguards,\textsuperscript{144} but with regard to women specifically, theft and abuse sometimes prevents ROSCAs from resulting in control of the financial resource.

A second weakness of ROSCAs is that their insular, homogenous nature means that not only can members make each other better, but they can also make each other worse. One example of ROSCA members having a negative influence on one another occurred in South

\textsuperscript{139} Handa, 177; Dekle, 87.
\textsuperscript{140} Buijs, 62; Kovsted, 149.
\textsuperscript{141} Dzeingirai, 21; Goetz, 61.
\textsuperscript{142} Gugerty, 276.
\textsuperscript{143} Chamlee-Wright, 980.
\textsuperscript{144} Anderson, 967; Gugerty, 274.
Africa, where some members encouraged others to drink culturally inappropriate amounts of alcohol and engage in reckless sexual activity.\textsuperscript{145}

In addition to these ROSCA weaknesses, there is a larger debate on when ROSCAs will disintegrate, with two predominant, competing schools of thought – one is that ROSCAs disband once a nation’s formal market develops and sufficient to meet society’s credit needs. A competing ideology says that ROSCAs remain intact until trust among members breaks down.\textsuperscript{146} A majority of the ROSCA research suggests the latter, and the following section on social capital outlines why trust is so important in the formation and preservation of ROSCAs as an institution.

B. Social Capital in ROSCAs

1. What is Social Capital?

Social capital is a form of capital, just like physical or human capital. Whereas physical capital is very tangible, human capital is less so, and social capital is the least tangible of the three.\textsuperscript{147} Social capital refers to the idea that relationships have value. Just as any other form of capital (e.g., physical capital, human capital, economic capital) has value, so too do the relationships among individuals. As argued by Putnam, “the core idea of social capital theory is that social networks have value…norms of reciprocity and trustworthiness arise from them.”\textsuperscript{148} Trust and association are the two distinct components of social capital.\textsuperscript{149} Norms of reciprocity are a long-standing component of communities that have been discussed well before the relatively recently-coined term social capital, and readers should not place too much emphasis on

\textsuperscript{145} Campbell, 49.
\textsuperscript{146} Cheteji, 402; Dekle, 78.
\textsuperscript{148} Putnam, 18-19.
\textsuperscript{149} Larsen, 65.
the market-oriented “capital” of reciprocity. Though social capital sounds positive, it can be either positive or negative (just like any other form of capital) and is thus a neutral term. Social capital results when relationships of trust lead to coordination, cooperation, and reciprocity. An example of social capital occurs when two neighbors do favors for each other because they trust one another. Another form of social capital occurs when gang members encourage one another to engage in criminal activity.

Expectations are an important factor in the formation of social capital. If an individual does a favor for someone, that favor establishes an expectation of return in the favor-provider’s mind and a sense of obligation in the helped person’s mind. Such expectations are dependent upon the trustworthiness of the relationship, but some degree of an expectation-obligation dynamic is formed regardless the level of trust between individuals in the favor exchange. If a favor is reciprocated, individuals will often continue to provide favors for one another, which builds trust, deters conflict, and reduces cheating behavior.

2. Types of Social Capital

Two types of social capital exist: bonding and bridging. Bonding social capital occurs in communities, such as neighborhoods, where individuals are familiar with one another. Bonding social capital typically occurs among homogenous groups, such as the neighbors and the gang mentioned in the examples above. Despite its tendency to occur within homogenous communities, bonding social capital can occur among homogenous or heterogeneous

\[\text{150} \text{ Larsen 2004, 65.}\]
\[\text{151} \text{ Coleman, 102.}\]
communities, so long as the individuals within the community feel a sense of commitment to one another.\textsuperscript{153}

Bridging social capital occurs “when members of one group connect with members of other groups to seek access or support or to gain information.”\textsuperscript{154} Bridging social capital occurs when the interaction of several groups results in positive influences on society at large. This occurs because a group of diverse individuals has more influence on society than a single group of homogenous individuals does. Bridging social capital cannot occur without the precursor of bonding social capital,\textsuperscript{155} and low-income groups have difficulty achieving bridging social capital.\textsuperscript{156}

3. Requirements for Social Capital to Form

A closed system is necessary for fostering social capital. Individuals who participate in a group together are able to guide behavior, create obligations and expectations, and impose sanctions more effectively than an uncommitted acquaintanceship. In a closed system, an obligation fosters accountability within a group, which makes the individual more concerned with fulfilling that expectation than they would be otherwise, since their reputation may suffer if they fail to meet the expectation that they carry.

Groups do not have to be formalized for this principle to hold true. An example of an informally closed social network is an intergenerational community. In Figure 1 below, there is an unclosed and a closed relationship structure. In the top image (a), the unrelated parents (A and D) of the students (B and C) are both friends with person E, yet the parents (A and D) do not know one another. In the second image (b), the parents are friends. If student B misbehaves at

\textsuperscript{153}Larsen, 65.  
\textsuperscript{154}Larsen, 66.  
\textsuperscript{155}Larsen, 65.  
\textsuperscript{156}Larsen, 66.
school, student C may tell his/her parent (D). If parent D is a friend of parent A, the news of the miscreant reaches the parent and the behavior has an opportunity to be corrected. The ideal situation is an intergenerational closed circuit, which allows for easier monitoring of behavior. Such monitoring leads to an ability to punish, give guidance, and set norms.\textsuperscript{157}

![Diagram of network involving parents and children]

\textit{Figure 1. Network involving parents (A, D, and E) and children (B, C)}

Source: Coleman, S107.

Parents sharing knowledge of their children’s behavior is only one form of information dissemination in social capital. When individuals trust each other, both parties have an opportunity to receive new information, be that in regard to market prices, a child’s misbehavior, work opportunities, or any of a host of issues.

4. The Dark Side of Social Capital

It should be remembered that the manifestations of social capital and reciprocity can have negative social implications, positive social implications, or no social implications whatsoever.

\textsuperscript{157} Coleman, 107.
Low-income groups often do not have the resources or social clout to communicate effectively outside of their socioeconomic class, which hinders the formation of bridging social capital. Negative consequences of social capital occur more often in homogenous groups (where bonding social capital predominates) because there is no outside force to hold such groups accountable to the interests of society. All instances of social capital benefit members of the specific group, but groups with bonding social capital do not always have society’s interests in mind. As mentioned above, an example of a negative manifestation of the social connection of ROSCAs occurred in South Africa, where one ROSCA member served alcohol at meetings, leading the organization to be associated with alcohol and parties.¹⁵⁸

5. Criticisms of Social Capital

Some researchers have argued that the term social capital does not have a useful meaning, since the term is inherently difficult to define and has become commonplace in academic writing. Researchers complain that it is difficult to determine whether social capital is a process or a quantity,¹⁵⁹ and they also claim that social capital spans too many units of analysis. Whereas physical capital is visible, social capital is not, although adherents argue that an informed researcher is able to identify social capital, as well as assert whether one group has a higher degree of social capital than another.

Further criticisms include the issue that social capital inadequately engages with questions of power and inequality, that it uses tautological reasoning, that it fails to address the potentially harmful consequences that can result from relationships of cooperation and trust, and

¹⁵⁸ Buijs, 60; Campbell, 49.
that it forces distinctive social concepts into economic (“neo-liberal”) theory.\textsuperscript{160} Though several of these concerns are valid, there is ample literature that discusses the harmful effects of social capital, and the concept of social capital is widely accepted as a description for how relationships of trust lead to reciprocity.

### 6. How Social Capital in ROSCAs Affects Individuals, Families, and Society

Institutions like ROSCAs influence individuals’ opportunities, behaviors, and performances.\textsuperscript{161} The conversation that takes place at ROSCA meetings is the main arena for this influence to occur, but simply being an active ROSCA member may affect an individual’s life, as well as his or her family’s lives, as well as society in general. The discipline of saving a set amount of money is meaningful, as is the opportunity members have to learn new skills from their fellow members.\textsuperscript{162} Other examples of positive social externalities include the ROSCA pot being used to finance children’s school fees or to purchase food for the family. Additionally, ROSCA members are sometimes forced to mediate conflicts that may arise in their group. In addition to these potential membership benefits, ROSCA members may encourage one another to use the ROSCA pot to improve their family’s well being,\textsuperscript{163} which in turn can enable families to make better economic decisions. ROSCAs also help individuals strengthen their social network,\textsuperscript{164} which can help them hear about new opportunities from fellow ROSCA members.

Information channels formed in social relations are another form of social capital. Since information is costly and requires attention, individuals rarely obtain perfect information on their own. Having other individuals who they can rely on in order to hear new information, or verify

\textsuperscript{161} Ssewamala, 408.
\textsuperscript{162} Kajimo-Shakantu, 91.
\textsuperscript{163} Buijs, 60.
\textsuperscript{164} Buijs, 60.
their information, is invaluable. Norms and effective sanctions are additional forms of social capital. Norms that inhibit crime make it possible to walk freely outside at night, but norms can also negatively affect a community, as in the case where girls are not encouraged to pursue higher education.

In regard to gender, ROSCAs give women control of money, which helps women gain autonomy in the household.\textsuperscript{165} Social capital is a necessary component of this autonomy, for the collegial support within ROSCAs empowers women in interactions with their husbands.\textsuperscript{166} Since women spend more money on family-centered purchases than men,\textsuperscript{167} an increase in a woman’s autonomy tends to benefit the entire family.

ROSCAs cannot rely purely on the trust and familiarity among members to keep them functioning. Though a group’s identity does generate cooperation initially, “interdependent reciprocal relationships and social enforcement mechanisms sustain the success that the trust initiates. Identity cannot ensure group compliance over time.”\textsuperscript{168} In line with this thought, the combination of enforcement mechanisms and relationships of reciprocity are necessary to ensure that groups continue to function. Without mechanisms and reciprocity, the initial trust that brought a ROSCA together can turn into paranoia or cynicism towards whether or not fellow members will continue to make their requisite payments. Although ROSCAs flourish or fail for many reasons, previous research has made it quite clear that trust is paramount to ROSCA success. In addition to the financial success of a ROSCA, research has found that the trust within

\begin{footnotesize}
\begin{enumerate}
\item[165] Goetz, 46.
\item[166] Anderson, 969.
\item[167] Doocy, 2379; Goetz, 46.
\item[168] Anthony, 510.
\end{enumerate}
\end{footnotesize}
a ROSCA helps members develop friendships of reciprocity with other members, which keep the ROSCA functioning.\textsuperscript{169}

These norms of reciprocity are important to study in ROSCAs because they provide measurable values for the social connectedness of ROSCA members. One individual remarked that they joined a ROSCA to help them build social capital, in hopes of getting a favor when they had an emergency.\textsuperscript{170} Reciprocity is not limited to a physical favor, but can include other domains, such as personal advice, an exchange of knowledge or information, or emotional support. Examples of reciprocity in ROSCAs are apparent – ROSCA members share price information with each other,\textsuperscript{171} they discuss housing and employment opportunities,\textsuperscript{172} they talk about business and childcare opportunities,\textsuperscript{173} and they strengthen their social network (inviting one another to parties).\textsuperscript{174} Because of social capital, ROSCA members engage in conversations with fellow group members on topics that concern serious life issues, helping members learn how to save their families money, how to earn more money themselves, in addition to learning about new opportunities in their communities.

7. Gaps in Social Capital Research

Knowing that ROSCA members trust one another, that this trust leads to reciprocity, and that important conversations occur at ROSCA meetings, one would think that the existing research would have examined the comprehensive topics that are discussed (and their reason for discussion) at ROSCA meetings. This is not the case, however. No researcher has determined if training sessions occur at ROSCA meetings, be they informal peer-to-peer training sessions or

\textsuperscript{169} Anthony, 510.
\textsuperscript{170} Dzingirai, 22.
\textsuperscript{171} Mosley, 491.
\textsuperscript{172} Bouman, 376.
\textsuperscript{173} Buijs, 55.
\textsuperscript{174} Buijs, 55.
formal training sessions from a non-ROSCA individual. No research has examined whether or not ROSCA members discuss nutrition, HIV/AIDS, or education. This gap in the research must be addressed due to the fact that ROSCAs are primarily composed of women, the majority of whom have not received adequate formal education. Previous research has stressed the importance of educating women in the developing world, yet no research has connected this issue to ROSCAs. Given ROSCAs’ proliferation throughout the developing world, it is necessary to examine ROSCAs’ status as an institution before making recommendations to address training sessions and education at ROSCA meetings. The next section on local institutional development will examine this issue.

C. Local Institutional Development

1. What is a Local Institution?

What is an institution? What is local? What does it mean for local institutions to develop? Why are local institutions important? A look at the literature on local institutional development answers these questions, and addresses how ROSCAs are local institutions, and why it is important that we label them as such.176

176 It is important to note that ROSCAs are a global phenomenon, as well as a local institution in Ethiopia. By conducting research with ROSCAs in Ethiopia, the research team examined several ROSCA groups. Not every ROSCA group has taken on the characteristics of a local institution in their particular setting. When referred to generically ROSCAs are an institution, but a specific ROSCA group is not an institution itself. This differentiation is important in that the recommendations in this document are directed toward ROSCA groups, which when targeted appropriately will help better support their members and strengthen ROSCAs globally as an institution.
“Institutionalization is the process by which organizations acquire value and stability,” and organizations become institutions when they have acquired a special status for satisfying people’s needs over time. An organization cannot be an institution at the moment of inception, but must establish value in the local community’s eyes over a period of time. Even if an organization has existed for a long time, it will remain merely an organization if it exists purely on individual efforts. Contrast that to institutions, which require a level of collective action, in which the interests and resources of a group are brought together. Greedy individuals may try to take advantage of the collective nature of institutions, but such groups can impose penalties on free riders, which helps enforce the collective action and discourage the violation of group laws.

The meaning of “local” in the context of local institutional development refers to three levels of decision-making – the locality, the community and the group (refer to Figure 2 for a visual representation of all levels of decision-making). In the context of developing countries, initial investments in institutional development were targeted at the national level, since national institutions were the most visible. Though efforts targeted at national institutions were successful, it was unfortunate that local institutions, those closest to the intended beneficiaries, remained unreached. ROSCAs can be an example of a local institution, based on their status in the community as a fixture where individuals go to find support and capital.

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177 Uphoff, 8.
178 Uphoff, 8.
179 Uphoff, 14.
180 Uphoff, 1.
2. What is Local Institutional Development?

The practice of local institutional development supports, builds, and strengthens local institutions.\(^{181}\) Local institutions do not necessarily develop to their full potential autonomously,\(^ {182}\) but support from an outside source that creates dependency is worse than having no support at all.\(^ {183}\) Some degree of outside involvement can be positive so long as it does not become a mandate, and strategies for exterior assistance come in three modes – assistance,
facilitation, and promotion. These three styles of assistance lie on a continuum, with assistance being the most locally driven, and promotion being the most externally driven. See Figure 3 for a visual depiction.

![Diagram](image)

*Figure 3. The Types of Assistance Along the Continuum of a Project’s Driving Force*

Source: Uphoff, 189.

The kind of support provided to local institutions can shift along this continuum. “Assistance” typically occurs when a local group requests technical advice. “Facilitation” occurs when both a local institution and an outside group share the initiative on the project. “Promotion” occurs when an external source has a particular program in mind, and brings this program to the local group. Promotion activities do not necessarily increase the capacity of the local institution, though they have the ability to do so. From a local institutional development perspective, it is crucial to consider whose objectives are shaping the effort (be they the group or the donor).

When providing any of these three types of support to a local institution, the research dictates that agencies should have a gradual approach, citing flexible programs that adapt to the circumstances of particular organizations, as opposed to quickly scaling up efforts. To

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184 Uphoff, 190.
185 Uphoff, 189.
186 Uphoff, 190.
187 Uphoff, 193.
promote participatory development, local institutions stand apart because of their capacity to mobilize resources and regulate their use.\textsuperscript{188}

3. How Do Local Institutions Develop?

Local institutions work outside (though not necessarily in opposition to) government authority. This allows local institutions to promote self-determined change, which is seen as an effective counterbalance to state authority.\textsuperscript{189} Local institutions’ ability to mobilize resources and promote self-determination behaviors has made them a target of non-governmental organizations (NGOs), which see local institutions as a potential conduit of an NGO program. NGOs use several methods for improving local institutions, the main methods being training sessions, leadership development, network and support bases, and decentralization.

Training sessions for local institutions are not always effective. Six tips were created to make training sessions work, the first being that training sessions should be more dispersed than concentrated. By dispersing training sessions to different individuals, trainers prevent one individual from gaining a monopoly of knowledge over other group members.\textsuperscript{190} Furthermore, dispersing training sessions prevents the institution from suffering a setback in case the intensively trained individual leaves the community. Training sessions should also be given to heterogeneous groups, in order to allow horizontal and vertical social capital to occur. Having individuals from different sets of actors participate in the same training sessions helps stimulate cooperation between groups that otherwise have difficulty understanding one another.\textsuperscript{191}

\textsuperscript{189} Pratten, 140.
\textsuperscript{190} Uphoff, 196.
\textsuperscript{191} Uphoff, 197.
trainer must be willing to learn from the individuals whom he or she is training.\textsuperscript{192} To make training sessions more interesting, the trainer should use different styles of teaching, including role-playing and group problem solving.\textsuperscript{193} Holding a variety of sessions ensures that training sessions reach different styles of learners, as well as holding the participants’ attention. Along with this variety of training approaches, participants should be given opportunities to exchange ideas, knowledge, and experience with each other. This horizontal cooperation strengthens local groups and promotes interdependence without outside support. The final tip is that literacy and numeracy training sessions should be given to groups based on their specific knowledge. These lessons should be group specific, and the curriculum should be tied to their institution’s program.\textsuperscript{194} As quickly as possible, local people rather than individuals from outside of the local context should conduct training sessions.\textsuperscript{195}

Leadership is viewed as a function within local institutions. Leadership does not refer to the charisma of an individual, but rather to the needs of an organization, such as motivating others, resolving conflicts, overseeing the budget, and so forth. Multiple types of leaders are needed within any organization, and supporting such an effort is key to local institutional development. Other strategies to spread leadership skills include setting up a system to allow bad leaders to be replaced, a rotation of officers, and the compensation or rewarding of leaders.\textsuperscript{196}

Another major strategy for supporting local institutional development is the strengthening of institutional networks and support bases. Institutional networks can be encouraged at the local level, while support bases often exist at a national level, and may require some restructuring and reorienting, achieved by an outside advocate. In the case of ROSCAs, there are no support bases

\textsuperscript{192} Uphoff, 198.  
\textsuperscript{193} Uphoff, 198.  
\textsuperscript{194} Uphoff, 199.  
\textsuperscript{195} Uphoff, 197.  
\textsuperscript{196} Uphoff, 203.
at the national level, since these institutions are informal. Strengthening institutional networks is possible, but at a local level.

Horizontal and vertical linkages have been mentioned both in the earlier social capital section, and earlier in this section on local institutional development. In regard to institutional networks, both types of linkages can exist. Horizontal linkages involve interdependence among groups trying to accomplish common goals. Exchanges of ideas between similar groups facilitate collective learning, through which organizations can learn new strategies, which in turn can make them more effective (e.g., time efficiency, profitability). Vertical linkages can occur in two ways: either to higher level bodies in the same organizational structure (intra-channel), or across channels (inter-channel). The health unit of the regional government working with the health unit of the local government is an intra-channel linkage, while a local NGO working with a grassroots organization is an example of an inter-channel vertical linkage.

It is important that the national government support (or at least tacitly approve of) local institutional development because the national government has the ability to stifle such development if it chooses.\footnote{Uphoff, 219.} Convincing national leaders of the long-term utility of local institutional development as a learning process is easier to advocate for once it has borne some fruit,\footnote{Uphoff, 220.} after which is it more likely that local institutional development will be accepted.

Local institutional development is most effective when decision makers are accountable at a less central level.\footnote{Uphoff, 222.} When decision makers are located centrally, but are accountable locally, democracy exists. Where decision makers are both located and accountable locally, devolution exists. ROSCAs exist within this devolution framework. In any method of local institutional development

\footnote{Uphoff, 219.} \footnote{Uphoff, 220.} \footnote{Uphoff, 222.}
development, coordination with local administration officials is only effective if it is informal (e.g., outside of office hours).200

4. Why is Local Institutional Development Important?

Vibrant local institutions are critical to aid programs leveraging greater benefits because incorporating participation of the poor is an effective way of implementing aid programs.201 In addition to complementing other development efforts, the existing research goes into the details of how local institutions have comparative advantages over national governments in accomplishing certain tasks, such as irrigation water management.202 Local institutions have other advantages over national governments. In regard to the distribution of benefits and costs, local institutions are effective when benefits are immediate, tangible, locally concentrated, and matched to costs. Local institutions also have an advantage when an area is educated,203 so long as there is not a brain drain drawing the educated away from their communities.

5. Local Institutional Development in Ethiopia: A ROSCA Connection

Local institutional development efforts have been undertaken in Ethiopia in the past. When an acute seasonal seed shortage struck the highland areas of Ethiopia in 1995, local institutional development techniques were used to target, distribute, and manage the seed distribution project. By distributing seed through a local institution, the project used an alternative approach to the provision of emergency relief supplies, which had previously been

200 Uphoff, 226.
202 Uphoff, 17.
203 Uphoff, 18.
channeled primarily through the Ministry of Agriculture and the *woreda* administration (comparable to an American county).\(^{204}\)

An alternative method of seed distribution was necessary because Ethiopian farmers complained that petty corruption was rampant, due to *woreda* administration officials receiving their salaries through the food aid distributions. This decreased the legitimacy of both the government officials and the operation, which led to the selection of a local institution to distribute the seeds. Once the institution was selected, the initiative shifted distribution procedures, but chose to do so gradually in order to not overwhelm the existing distribution structure.\(^{205}\)

Local institutional development is relevant to this study on ROSCAs because ROSCAs are an example of a local institution. In many instances, poor individuals have strong claims in weak agencies or weak claims in strong agencies,\(^{206}\) but ROSCAs provide a healthier situation: strong claims by the poor in strong agencies. In the course of the Ethiopian seed distribution project, the researchers found that *ekubs* (Ethiopian ROSCAs) served as a local institutions which “secured participation and [provided] equitable distribution of benefits and long-term community management”\(^{207}\) in the field of financial development. This finding led the Ethiopian research team to conclude that ROSCAs were the primary viable institution to address the region’s seed targeting, distribution, and management.\(^{208}\)

Since the transition of Ethiopia’s government in 1991, NGOs have gained more access to establishing partnerships with Ethiopian community organizations.\(^{209}\) Among other objectives,

\(^{204}\) Pratten, 144.
\(^{205}\) Pratten, 148.
\(^{206}\) Uphoff, 211.
\(^{207}\) Pratten, 141.
\(^{208}\) Pratten, 144.
\(^{209}\) Pratten, 142.
this study will investigate whether or not a catalyst (or outside agency) is working with ROSCAs (from inside or outside of the community, volunteering or being paid).²¹⁰

D. Closing Remarks Regarding the Existing Literature

A comprehensive review of the existing research has revealed that ROSCAs are local institutions that rely on and produce social capital. Additionally, no study has comprehensively examined how the conversation and information disseminated at ROSCA meetings affects individuals, families, and society in general. Most ROSCA research concerns the economics of the organizations and, although in recent years ROSCA research has begun considering non-economic qualities of ROSCAs, this has not been done thoroughly. The qualitative analysis of this research study will complement the existing research on ROSCAs by providing a deeper understanding to an under-examined, yet critical, component of the ROSCA – the conversation and information dissemination that occurs at meetings.

Arguably more important is that this study can provide implications for how ROSCAs interact with outside groups, particularly civil society non-governmental organizations. To understand the context in which this research was performed, it is also pertinent to examine the setting of the research, Ethiopia.

²¹⁰ Uphoff, 206.
Chapter III. Making Sense of the Research Site: An Overview of Ethiopia

A. Introduction

Ethiopia is an utterly unique place. Home to the source of 80% of the Nile River’s water, Ethiopia ironically suffers chronic droughts. Ethiopia is host to one of the hottest regions on earth and simultaneously host to one of the few mountain ranges in Africa that regularly has snow. Noteworthy because it was never colonized, Ethiopians are a very proud people, who claim that they are distinct from the rest of African countries. Ethiopia has a population of over 85 million, making it the third most populated African nation (behind Egypt and Nigeria). Despite its large population, 83% of Ethiopians live in rural areas, and over 85% of the population is engaged in agricultural activities.

B. Geography

Ethiopia is situated in the Horn of Africa, bordered by Eritrea to the northeast, Djibouti to the east, Somalia to the southeast, Kenya to the south, and Sudan to the west. The Great Rift Valley runs northeast to southwest through the country, and it is within this corridor of the country that many of Ethiopia’s lakes are situated, as well as one of the lowest and hottest points on the planet, the Danakil Depression. To the north of the Great Rift Valley, the country slowly gains elevation until the Nile River Gorge, an African version of America’s Grand Canyon. North of the Nile sit the Ethiopian Highlands, where the Simien Mountains (one of the few mountain ranges in Africa where snow falls) earn the country the moniker, “The Roof of Africa.”

212 CIA World Factbook.
213 CIA World Factbook.
Throughout Ethiopia, plateaus have formed from the seismic activity, and “many of these plateaus remain completely isolated from one another.”\textsuperscript{214} The diversity of landscapes in Ethiopia makes the country difficult to travel, and the varying climate zones have led population groups to specialize in climate-specific agriculture, which has further isolated people from one another, having an influence on life and culture.\textsuperscript{215}

**C. Ancient History**

Ethiopia is known as “the birthplace of civilization,” dating from 1974 when an early hominid skeleton, thought to be over four million years old, \textit{Lucy}, was discovered in the eastern section of the country.\textsuperscript{216} Ethiopia was positioned along the Indian-Egyptian-European ancient trade route, giving it a large role throughout world history, as well as ties to Judaism, Christianity, and Islam. Several globally influential empires have reigned from Ethiopia: the Axumite Empire (A.D. 3\textsuperscript{rd}-6\textsuperscript{th} Century), the Fasil Empire (A.D. 14\textsuperscript{th}-15\textsuperscript{th} Century), and the Tewodros/Menelik Empire (A.D. 1855-1913).

**D. Modern History**

Ethiopia is one of only two African countries that were never colonized. The Italians briefly occupied Ethiopia from 1936-1941,\textsuperscript{217} but Ethiopia remained independent during that time and is thought to be one of the longest independent states worldwide (over 2,000 years). Ethiopia’s most famed ruler, Emperor Haile Selassie, reigned from 1930-1974. Selassie is inexorably linked with Ethiopia’s modern history for several reasons. First, his 1936 speech to the League of Nations about the invading Italian fascists is one of the most well-known speeches

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\textsuperscript{215} Adejumobi 2007, 5.
\textsuperscript{216} Harold Marcus, \textit{A History of Ethiopia} (Berkeley, California: University of California Press, 2002), 1.
\textsuperscript{217} CIA \textit{World Factbook}. 

45
of the 20th Century. Second, he was the Savior of the Rastafarian movement because the Rastafarians believed him to be God because he was the only African leader of an independent country). Finally, Selassie’s ultimate demise, the 1973 BBC video of the famine that made worldwide headlines, contrasted his lavish palace parties with footage of his citizens starving throughout the country. Selassie fell in 1974 during a coup and soon after a ruthless regime, named “The Derg,” took control in 1977 and ruled with communist backing until 1991. After the fall of the Soviet Union, the Derg’s support crumbled and a revolution captured Addis Ababa and took power in 1991 under the name “People’s Revolutionary Democratic Front.” After a few years in transition, including a civil war resulting in the establishment of Eritrea, the “Ethiopian People’s Revolutionary Democratic Front (EPRDF)” consolidated its power, and remains in power today, under the leadership of Prime Minister Meles Zenawi.

E. Government

Ethiopia is a federal republic, meaning that there is a federation, or group, of states that is governed by a central government. There are eight ethnic states within Ethiopia, referred to within the country as regions – Afar, Amhara, Binshangul Gumaz, Gambella, Oromia, Southern Nations Nationalities and People’s, Somali, and Tigray. Additionally, three cities have their own jurisdictional units – Addis Ababa, Dire Dawa, and Harar. Current Prime Minister Meles Zenawi, who has been in power since 1995, established these ethnic states, pictured in Figure 4.
The structure of Ethiopia’s hierarchical government is as follows: federal government, regional government, zonal government, woreda government, city/town government, and kebeles. While each level of government theoretically has its own decision-making abilities, the country functions from a top-down model with many zonal, woreda, and kebele offices filling the mandate given to them by the federal or regional government. See Table 1 for a visual representation.

Table 1. Hierarchy of Ethiopian Government

<table>
<thead>
<tr>
<th>Level</th>
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<tbody>
<tr>
<td>Federal Government</td>
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<tr>
<td>Regional Government</td>
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<tr>
<td>Zonal Government</td>
</tr>
<tr>
<td>Woreda Administration</td>
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<tr>
<td>Kebele Office</td>
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In rural areas of the country, there is no city/town administration, but there are kebeles (neighborhood organizations) throughout the country. Kebeles were established with the government’s issuance of Proclamation No. 27 (July 26, 1975). The kebele was originally an urban institution, charged with collecting rents on small homes and using its funds to finance social services. As the socialist government became paranoid, the kebeles were given wide police powers and made “revolutionary guards,” which perpetrated “unspeakable horrors… on a largely defenseless civilian population for the sake of dogmatic purity.” Since the fall of the Derg in 1991, the kebele has continued to play an active part in Ethiopian society, though today their role is a peaceful one. Kebele administrators are respected leaders in their communities, and important community decisions (e.g., who is eligible for World Food Program aid) are passed through the kebele leaders. Most kebeles have physical offices that serve as community centers or libraries.

![Figure 5. Overlay of Ethiopia’s Regions and Zones](image)

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218 Marcus, 193.  
219 Marcus, 196.
F. People

Though Ethiopia has nine ethnic regions, there are many more tribes and groups of people than there are regions. In the SNNP Region alone, there are over 75 languages spoken. Ethiopia has over 85 million people, and has the ninth largest population growth rate in the world (3.208% annually).\(^{220}\) This growth rate is unsustainable for a country with such a poor economy – it will be very difficult for the federal government to provide adequate infrastructure, resources, and jobs for its burgeoning population. Ethiopia has one of the shortest life expectancies in the world (55.4 years), and its literacy rate is under 45%.\(^{221}\)

G. Religion

Ethiopia’s geography has greatly affected its religion. With its proximity to the Holy Land for each of the three Abrahamic faiths, Ethiopia has a long history with Judaism, Christianity, and Islam. Demographically, Ethiopia is 61% Christian (51% Orthodox and 10% Protestant), 33% Muslim, and 6% traditional/other. Though Ethiopian Jews (named Falashas, or “the Black Jews”) have primarily left for Israel,\(^{222}\) Ethiopia’s Jewish community, also called the “Beta Israel,” traces its roots to the 10\(^{th}\) Century B.C., during which the Ethiopian legend asserts that the Queen of Ethiopia, named Sheba, went to King Solomon’s courts in Israel and had a child by him. The legend continues that Sheba left Israel and Solomon sent a group from his court to check in on his son. Ethiopia’s Orthodox Christian church has borrowed much from Judaism,\(^{223}\) including an emphasis on the Ten Commandments, which Orthodox churches keep a replica of in each of their churches (Ethiopia claims to be the holders of the Ark of the

\(^{220}\) CIA Factbook.  
\(^{221}\) CIA Factbook.  
\(^{223}\) Marcus, 23.
Covenant). The Ethiopian Orthodox Church maintains other Jewish Laws – men and women worship separately, shoes are not worn inside the church, each church has a Holy of Holies, and pork is not acceptable. Islam came to Ethiopia soon after Muhammad’s birth in A.D. 6th Century and, though concentrated in the east of the country, mosques have sprung up all over the nation. Islam’s fourth holiest city is located in eastern Ethiopia in Harar, an ancient city with a vibrant market and a wall around the entire old city that has remained intact.224

H. Economy

Ethiopia's economy is based on agriculture, with over 80% of the national workforce working in agriculture. Almost half of GDP is agriculturally related, but the sector suffers from frequent drought and poor cultivation practices. Ethiopia is the birthplace of coffee, and coffee is critical to the Ethiopian export economy. Farmers struggle to get a fair price for their coffee beans, however, and many farmers have switched to growing chat (a mild amphetamine stimulant illegal in the United States, but legal in many nations). Chat carries a stigma in some parts of the country, but many farmers grow it nonetheless in order to support their families. In November 2001, Ethiopia qualified for debt relief from the Highly Indebted Poor Countries (HIPC) initiative, and in December 2005 the International Monetary Fund (IMF) forgave Ethiopia's debt entirely.

A big deterrent for new forms of economic growth in Ethiopia is the legacy of state-owned land. Beginning with the socialist government’s Proclamations No. 27 and No. 31, rural and urban lands were nationalized, respectively.225 This system was not alleviated when the current government came to power. Prime Minister Zenawi claims that if individuals were given

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224 Marcus, 84.
225 Marcus, 192-193.
freehold tenure, peasants would sell their land and move into the cities en masse without any way to support themselves and their families. This policy continues to hamper growth in the industrial sector, as entrepreneurs are unable to use land as collateral for loans.

I. Modern Society

Though there are many languages and tribes in Ethiopia, the country showcases how people of diverse ethnicities can exist in a nation-state under relative peace. Despite this condition, there is little assimilation that occurs between tribes outside of the largest cities, and each of the nine jurisdictional regions in Ethiopia is heavily dominated by that specific ethnic group. This is partially attributable to the aforementioned geographic diversity of landscapes in Ethiopia, which historically prevented travel between regions. Ethiopians are closely knit and tend to stay with people of their tribe, which is further reinforced by the number of languages spoken (over 80).

J. Local Context

Field research was conducted in Debre Zeit, a large town (140,000 individuals) located 47 kilometers southeast of the capital, Addis Ababa. Debre Zeit has nine kebeles. Figure 6 provides an aerial photograph of the neighborhoods of Debre Zeit. The main section of town is nestled in between three Rift Valley Lakes, Chelekleka, Hora, and Bishoftu. Ethiopia’s main highway to the east and south runs through Debre Zeit, and is labeled on this map as “4.” Running parallel to “4” is an antiquated railroad line that was previously used to transport goods east to Djibouti. The town’s center is located off of “4” directly north of the train icon. The town’s post office and primary bank is located in this part of town, and the town’s second asphalt

\[226\text{ Marcus, 236.}\]
road runs from this traffic circle northeast past Hora Lake. This road developed because of the tourist appeal of Hora Lake and two other lakes outside of this map, and as the tourism industry has expanded, the town’s growth has shifted in this direction.

![Figure 6. Map of Debre Zeit, Ethiopia](image)

Debre Zeit, meaning “Mount of Olives,” was primarily known as a military town during the communist regime from 1974-1991, because the country’s only air force base is located on the edge of town. After the fall of the communist regime, Debre Zeit experienced a massive unemployment problem, since most of the military funding disappeared with the fall of the Soviet Union. Some servicemen were able to adapt to the newly formed democratic government and find different work, but to this day, many former military servicemen can be seen wandering the streets, unsure of how to find work and function in a post-military society. Though the military base sits just over a kilometer southeast of the commercial area of Debre Zeit, security
and building restrictions surrounding the base are strict, and the town has not grown toward the base. As show below in Figure 7, development activity ends as you approach the air force base. There are no housing opportunities on the air force base, and military personnel often patronize local bars.

![Aerial Photograph of Air Force base](image)

**Figure 7. Aerial Photograph of Air Force base**

**K. Summary**

Despite Ethiopia’s recent political turmoil and economic challenges, the country remains a tightly knit society (along ethnic/tribal lines). Individuals value relationships both in the family and in the community as a whole, which is reflected in the ease with which community members were able to identify rotating savings and credit associations (ROSCAs) for this research project. Other manifestations of this close-knit community are the low level of violence, the low level of
crime, and the frequency of social invitations, particularly to coffee. Ethiopia has a legacy of
greatness and, although the country is currently impoverished, its people have a strong spirit,
which may help invigorate a renaissance for Ethiopia.
Chapter IV. Conducting Research with ROSCAs

A. Pre-Fieldwork Research Plan

Before research methods were established, a comprehensive literature review of rotating savings and credit associations (ROSCAs) was conducted, which revealed that the knowledge of the content of conversation and information dissemination at ROSCA meetings was quite limited. To most effectively explore the deficiency on this topic, qualitative methods of research were selected for this study. First, the researcher conducted fact-finding interviews with ROSCA presidents, followed up by semi-structured interviews with ROSCA group members and observations of ROSCA meetings. Thirteen fact-finding interviews were conducted (Appendix 1), which provided information on the nature and frequency of ROSCA group meetings. These interviews allowed the research team to identify which ROSCAs had formal meetings, and though they did not address the major research questions, they did help the research team effectively target the semi-structured interviews and observation. Ten semi-structured interviews (Appendix 2) were conducted with seven women and three men, all of whom were active members of ROSCAs in Debre Zeit. These interviews provided the majority of the research findings, due to the intensive nature of these interviews. Five ROSCA meetings were observed using a guide available in Appendix 3. Meeting observations add validity to the findings of the semi-structured interviews and added further findings to the research project. Field research was conducted in the spring of 2009 with ROSCAs (locally known as ekubs) in Debre Zeit, Ethiopia.

B. Research Ethics

The University of Cincinnati Institutional Review Board (IRB) provides the standards that researchers must meet before conducting research involving human subjects. An Informed
Consent Form, Conflict of Interest Form, Participant Observation Information Sheet, and Research Protocol were submitted to the IRB for approval. Since research was being conducted with individuals who did not speak English, all forms that participants were given had to be translated into Amharic, and then back-translated into English by a third-party source. In addition to these forms, both the primary investigator and the research assistant underwent Collaborative Institutional Training Initiative (CITI) certification, an online training module in which a participant learns about theory, history, and practical skills of the research ethics.

C. Methods of Research

Semi-structured interviews gave the research team an opportunity to control the direction of interviews without forcing a rigid structure to the exchange. The researcher allowed conversation to unfold freely, but the semi-structured interview questions were arranged in an order and style that made it easy to rein in extraneous chatter. Upon understanding participants’ personal profiles, the first few questions of the interview asked icebreakers, such as when and why participants joined the ROSCA. After participants warmed up and became more comfortable in the interview environment, more probing questions were asked, covering topics of autonomy, advice giving, financial equity within their households, and sexual health. This progression of interview questions resulted in candid conversations with participants in regard to serious life issues.

Participant observation was selected as the secondary research method in order to help me “try to learn the native’s point of view.” Sitting in on ROSCA meetings allowed me to see what occurs at a group meeting, as opposed to just hearing about a group meeting through participant interviews. An observation guide was used to focus note taking, looking at group

227 Fife 2005, 71.
dynamics (who spoke, how people greeted one another, people’s tone of voice, engagement level), as well as types of conversation before, during, and after meetings (see Appendix 2). Schedules were also counted, recording how often certain events occurred (e.g., a member mentioning a family concern or a side-conversation occurring during the meeting).

Members of ROSCAs in different kebeles of Debre Zeit, Ethiopia were purposively selected to provide a representative sample of ROSCA members from various socioeconomic groups. The kebeles of Debre Zeit are known for being economically diverse, which allowed me to see whether or not there were differences in data based on neighborhood. Interviews were conducted by the primary researcher (who is fluent in English and conversational in Amharic) as well as an Ethiopian research assistant who is fluent in Amharic and English. Each interviewed ROSCA member was asked his/her age, gender, marital status, and number of children (living both in and outside of the home).

Sound recording equipment was not used to conduct interviews or observe ROSCA meetings. In the Ethiopian cultural context, individuals are not familiar with recording equipment, and when asked if it could be used it on this project, the researcher was told by the research assistant and by other host-national colleagues that this was culturally inappropriate. Although recordings would have allowed interviews and observations to be listened to multiple times, such recordings would not have yielded much clean audio in group meetings. To compensate, the primary researcher and the research assistant compared notes throughout and after the interviews.

Data were first transcribed and cleaned, meaning that words like “behave” were changed to “behavior.” Cleaning the data was important for me to be able to discern themes from the interviews. After data had been cleaned, data were uploaded to NVivo8, a qualitative software
program that performs word frequency queries. Analyzing the interviews and observations with NVivo8 yielded the most frequent words (with four or more letters) for all interview questions and participant observation notes. Once queried, the frequency tables were exported to Microsoft Excel and Wordle, a popular software tool, for a visual theme analysis. See the Findings Chapter for Excel figures and tables.

In addition to the interview questions, each ROSCA president agreed to explain the logistics of their ROSCA; this fact-finding questionnaire is available in Appendix 3. These conversations with ROSCA presidents were part of the researcher’s professional position as a Peace Corps Volunteer working on financial literacy training sessions, and were conducted before IRB permission was granted (conversations did not necessitate IRB approval).

D. Data Collection

Research assistants

One research assistant supported translation during the interviews. As mentioned above, this research assistant was certified by the University of Cincinnati’s IRB CITI training module. The research assistant was fluent in English and Amharic (Ethiopia’s national language), as well as conversant in Oromiffa (a local language). The primary researcher’s own skills in Amharic and Oromiffa were more than sufficient to gain the respect of locals. Many Ethiopians are comfortable with foreigners, but my knowledge of the local culture and language increased participants’ willingness to participate in the study, and publicizing my local nickname (Gemechu) helped me gain the respect of my potential participants. Since this study occurred in an urban area, Amharic was the lingua franca, even though we were in the Oromia region. Had we conducted interviews in rural villages surrounding Debre Zeit, the primary researcher would
have had to find a research assistant who could speak Oromiffa, but this was not necessary in our study area.

Reliability of the Research

The research assistant and the primary researcher checked the process and translations of IRB forms, interviews, and observation approach thoroughly before the study began. When a participant did not provide a relevant answer, the research assistant clarified the question. After every interview or observation, the research assistant and the primary researcher conferred to clarify remarks and notes from the research activity while it was still fresh in our minds.

Being a non-native allowed for more probing interviews than a native might have conducted. The researcher was able to ask questions that an Ethiopian researcher might not have felt culturally appropriate asking although it was acceptable for a foreigner to be asking it through a translator. This degree of separation from the questions made probing questions more comfortable both for participant and researcher.

E. Study Limitations

A female research assistant might have helped women feel more comfortable about personal questions, but the researcher was unable to find a local woman who had the time and ability to serve on this project. One female NGO staff person whom the primary researcher worked with professionally helped the research team locate and introduce themselves to ROSCAs, but she was not able to take time off from her multiple jobs (and schoolwork) to serve as a research assistant.

The primary researcher went to great lengths in the Informed Consent Form to explain that participants had no prize to gain if they gave certain answers, and the primary researcher
also explained that providing honest answers would be the most beneficial approach if participants wanted to help Ethiopian ROSCAs. That said, individuals could have lied in response to some of the questions for any number of reasons, though the research team does not think this occurred.

Another limitation of this study was the language barrier between the primary researcher and the research sample. Interview responses were only partially understood by the primary researcher, which forced the research assistant to translate and clarify question responses at the time of the interviews. Though the research team clarified data during interviews, and met after every interview to clarify the data received, there was certainly some information that was lost in translation. The same is true for group meeting observations. The primary researcher understood the majority of conversations, but the research assistant translated any ambiguous language. This does not undermine the value of the research or the lessons learned, but this communication barrier between the primary researcher and the research sample may have influenced data quality.

The results of participant observations may be unreliable because of the primary researcher’s non-native status. Observing meetings gave the primary researcher a good idea of what the tone and topics of conversation are at typical ROSCA meetings, but it was clear that ROSCA members wanted to appear professional when the research team was observing their meetings. Even though the Participant Observation Sheet outlined the advantages of acting naturally, the research team believes the meetings they observed were different from unobserved meetings. It was apparent that ROSCA members wanted to look a certain way in front of a foreigner, even though the researcher explained to them that it was preferred that they act naturally, and that no reward would be given based on group behavior. In one instance, after
arriving to observe a ROSCA, members telephoned missing members to encourage them to attend this “special” meeting. It would have been beneficial to observe a ROSCA group meeting twice or three times, since participants would have grown accustomed to the researchers’ presence and not been influenced by the research team’s presence at their meetings.

This research was observational, meaning there was no ability to randomly assign participants to experimental control groups. However, this is consistent with other microfinance research.\textsuperscript{228} As a result of the study design, it is impossible to generalize results to any population other than ROSCA groups in Ethiopia. For example, this study measured how much financial control ROSCA members had within their families. These results may be applied to ROSCAs in other contexts within Ethiopia, but do not apply to the Ethiopian population at large, since no information was collected about non-ROSCA families.

Another limitation of this study is its cross-sectional design. Whereas longitudinal studies can account for changes that occur over time, a single cross-sectional study is unable to control for secular trends or directional changes in characteristics of the population over long periods of time.\textsuperscript{229} Multiple cross sections could have revealed how ROSCAs operate in different communities, such as a rural community or another nation, but this approach was not possible in this study. It would not have been beneficial to interview participants multiple times while in the field, but this longitudinal approach could be employed with the interview participants after a few years to help track changes in their lives.

\textsuperscript{228} Doocy, 2381.  
\textsuperscript{229} Doocy, 2381.
Chapter V. Research Findings

Both the interviews and the participant observations helped answer the research questions, *What are the topics of conversation present at rotating savings and credit association (ROSCA) meetings, what enables and dictates that those specific topics are discussed, and what influence do those conversations have on group member’s lives?* Topics of conversation discussed were broken down into group conversations and one-on-one conversations, since it was thought that topics would differ based on different conversation dynamics. This notion was validated by the findings. Responses found that rotating savings and credit associations (ROSCAs) facilitate social capital, with all interviewees saying that conversation at ROSCA meetings is based upon trust, and that conversation at group meetings leads to relational benefits and an increase in instances of reciprocity. Furthermore, ROSCAs have specific influences on group members’ lives, such as an improved knowledge base or help on household projects. Also included in this section are the results from the participant observations, which uncovered a fascinating issue that will influence future local institutional development efforts targeted at ROSCAs.

A. Overview

The research sample for this study was thirteen ROSCAs in Debre Zeit, Ethiopia. Interviews with ROSCA presidents revealed that the average size of each ROSCA was 19 members. Further information was obtained during interviews with ROSCA presidents, but these questions did not address the major research questions, and are not included in the findings section. An average of 15 ROSCA members were observed during each observation. Seven women and three men were interviewed.
B. Topics of Group Conversations

Through participant interviews, it was found that group topics of conversation focused primarily on the logistics of the ROSCA. Individuals discussed regulations of the ROSCA more than any other topic. These conversations included discussions of appropriate sanctions for members who were late to meetings (or late on payments). No ROSCA in this study used advanced mechanisms, such as spending agreements or trouble-banks, and no advanced mechanisms were discussed at group meetings. Members also provided advice for fellow members in this group setting. Common advice concerned household conflicts with one’s spouse and ideas for income-generating activities. Group members also discussed the educations of their children, as well as certain health issues, including, but not limited to, HIV/AIDS. Market prices and jobs were mentioned as well, though not as often as the other topics. See Table 2 for a visual display of group topics of conversation.

When asked why these certain topics were discussed as a group, ROSCA members replied that the ROSCA group setting provides the best forum for such conversations. Several members remarked that the ROSCA meeting time is the only social activity they have each week, and the trust they have with their fellow ROSCA members is greater than that they have with other community members. Members had several ideas for additional topics that they would like to discuss with the group in the future: how to solve social problems (e.g., getting orphans to school and providing them with shelter), how to manage a business, health (HIV/AIDS and environmental hygiene), and how to promote the importance of savings to community members outside of the ROSCA.
Group conversations influenced group members in several valuable ways. Confidence was cited as the main influence, both in general and in regard to their relationship with their spouse. Gaining better business ideas was the second most common influence, followed by other life improvements, such as how to finance a child’s education and improving one’s decision-making abilities. When asked about the influences of conversation, one member remarked, “Members give me advice that helps me make better decisions.” Another member said that group conversation led him, “To be accepted by fellow members, who recommend a profession for me.” Table 3 shows how predominant the idea of confidence was in the influence of group conversation, as well as an improvement to individual’s business ideas, and an ability to finance a child’s education.
C. Topics of One-on-One Conversations

Through participant interviews, it was found that one-on-one conversation was more personal than was the group conversation. The main theme words in one-on-one conversations were gossip, spouse, and market prices. Any reporting of conversations that talked disparagingly of an individual not present at the ROSCA meeting was coded as a form of gossip. Since the ROSCA groups that the researcher conducted interviews and observations with were primarily homogeneous groups, such gossiping is typically a manifestation of negative social capital among group members. Since there is no outside force to hold such groups accountable to the interests of society, it is easy for these groups to deteriorate into a sort of sorority, where individuals aggrandize themselves by talking poorly of other group members. Gossiping is not always negative, however, in that it can reinforce positive cultural values. Though this is true,
individuals reported that one way they would like to improve the conversation at ROSCA meetings includes gossiping less and promoting healthy confrontations between members to resolve bad behaviors or conflicts.

In addition to gossip, one-on-one conversations emphasized family issues, such as their spouse, their children, and their extended family. Conflicts with spouses were the most commonly discussed family issue. Members also discussed personal issues, including secrets and problems. Several participants told me that they share secrets with ROSCA members that they have never told anyone else. When asked why they share secrets with other ROSCA members, they stated that they trust the members to never reveal their secret. When asked why they did not share secrets with the whole group, one participant remarked, “You may not reveal the secrets you have to all the members,” indicating that she trusts some members more than others. The final theme of one-on-one conversations was livelihoods, with 40% of interviewees naming market prices (predominantly the items they buy) as one topic of conversation. Personal finances, business ideas, and petitioning fellow members for loans were also mentioned in the one-on-one context. Table 4 provides a visual representation of the frequency of topics of one-on-one conversation at ROSCA meetings.
The topics of one-on-one conversations at ROSCA meetings occurred primarily because of the trust among members. One participant stated, “Making decisions by myself may lead me to make a mistake, but consulting with friends makes me more confident about my decisions.”

Also mentioned was the fact that ROSCAs are the best forum for sharing secrets, since the participants are busy during the rest of the time between meetings. As mentioned above, when asked what other topics individuals would want to discuss one-on-one at meetings, individuals remarked that they want to begin confronting individuals instead of just gossiping about them to another member. An example of this was the drinking habits of one ROSCA member. An interview respondent stated that the ROSCA would more effectively solve members’ problems if members took the initiative to confront other members in a respectful manner.

The influences of one-on-one conversations were similar to the influences of group conversations, but reached a more personal level. Confidence was commonly cited, as were other
benefits like having members give advice, changes in their own behavior that came about because of one-on-one conversations at the ROSCA meetings, strategies for ending conflicts with their spouses, better caring for their children, and showing more respect to their friends. One ROSCA member stated, “This [one-on-one] conversation ended a conflict with my husband.” Furthermore, one member’s career was strongly accelerated after he became a lawyer based on a fellow member’s recommendation that he change careers. Additionally, one-on-one conversations resulted in individuals receiving immediate loans from their friends to help them improve their livelihoods, which did not result from group conversations. When asked to explain this point, a ROSCA member said that because of one-on-one conversations at the ROSCA meeting, “I received immediate [financial] assistance from a friend to start a business.”

**D. Observations**

Observations at ROSCA meetings primarily reinforced the reported topics of conversation from interviews. Group topics of conversation at meetings were often about market prices, gossip, ROSCA logistics, jokes, ways they would spend the pot if they won, and community events. An example of such conversation occurred when a group member of one ROSCA raised the question of what the group should do with the accumulated punishment fees and interest from sold pots (approximately US$33 combined). The group debated whether to have a celebration before or after a religious season of fasting and, after a stalemate, the group leader declared that they would wait until after fasting season to hold a celebration.

At one group meeting, some group members were talking disparagingly about Islam until a Muslim group member arrived. Religious conflict was never mentioned during interviews and, though gossiping at meetings was anticipated, it was surprising to find members gossiping about a fellow member’s faith. Potentially in light of instances like this religious gossiping another
ROSCA meeting discussion centered on healthy ways to confront people when a member has a conflict with them.

The most interesting group conversation observation occurred when a group member petitioned the group to allow him to receive the pot that meeting. After asking this question, the group leader facilitated a debate on this issue, during which several members advocated on the member’s behalf, and several petitioned that his request be denied. As the debate proceeded, the petitioner was fidgeting and emotionally flustered, indicated by putting his head in his hands whenever someone would speak against his proposal. After approximately ten minutes, the ROSCA president broke the stalemate by denying the petitioner’s request. Though the petitioner did not leave the meeting following this decision, he left the meeting upon the giving of the pot, choosing not to stay around and talk casually with fellow members.

Individuals shared more intimate life details during side conversations at meetings, which is consistent with the interview findings. The researcher observed one member complaining about the inadequacy of her pension, to which another member responded, “You should be thankful for what you have. Continue to work hard to provide for your family.” Another woman was reprimanded by a fellow member for using foul language with her child present.

Observing meetings helped me learn about child proxies delivering money for members. Though not a topic of conversation, it is important to note that after receiving the pot in a ROSCA cycle, some ROSCAs allow members to send their contribution via proxy, which limits the opportunities for conversation to influence a group member’s life. This principle, that attendance is based on pot collection status, is relevant for groups who want target ROSCAs with training sessions.
Table 5. The Rate of Payment by Proxy at ROSCA Meetings

<table>
<thead>
<tr>
<th>ROSCAs Allowing Proxy Payment</th>
<th>ROSCAs Not Allowing Proxy Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 (80% of Observed ROSCAs)</td>
<td>1 (20% of Observed ROSCAs)</td>
</tr>
</tbody>
</table>

Within this study sample in Debre Zeit, nine of the ten ROSCAs that participants were drawn from had a rule that members were only eligible for winning the pot if they were present at the meeting. This rule provided an incentive for members who have not collected the pot to attend the meeting. Unfortunately, this could also be leading to the lack of attendance by some members following the receipt of the pot. In regard to conversation and information dissemination, meetings early on in the cycle have a much higher percentage of attendance than meetings late in the cycle.

Several ROSCAs had the state-run television channel playing during the meeting. Though not a training, the channel often is a news program, and information from the television occasionally guided members’ conversations. In many instances, this manifested itself by members talking about the news, but they also talked about the sports brawl highlights at one meeting.

**E. Trust – Why the ROSCA Functions**

Through participant interviews, it was found that there was a significant overlap between motivations for discussing group and one-on-one topics of conversation, with the main difference being that in regard to the group topics of conversation, ROSCA as “best forum” was given for the reason why particular conversations occur at meetings. ROSCA as “trusted space” was given for the reason why particular one-on-one conversations occur. Respondents claimed that trust was an important component of why conversations occurred at their ROSCA, but the
extent to which this trust influenced ROSCA viability depended on the gender of participants. Of female participants, 86% (6 of 7) said that trust is necessary in order for their ROSCA to function, but only 33% (1 of 3) of male respondents felt similarly. This gender difference shows that men and women consider a ROSCA’s function to be different – women see it as inclusive of the trust-based conversations, while men define the function of the ROSCA more narrowly: as a savings institution. Table 5 provides a visual representation of the divergent opinions between the sexes regarding the necessity of trust for ROSCAs to function.

Table 6. The Necessity of Trust for ROSCAs to Function, by Gender

In addition to the trust among members, interviewees reported that they all felt comfortable sharing personal things with fellow ROSCA members. In one instance, a member remarked that she shared information with the group about a conflict with her spouse, to which her fellow ROSCA members “gave her an idea of how to protect her child and receive child support.” Upon
announcing personal topics, ROSCA members reported that other members would voluntarily assist them, as in the case when one member announced her pregnancy and other ROSCA members provided her with money to spend on the baby.

The final lesson learned about the differences between genders was how individuals look at the conversation and information dissemination at ROSCA meetings. Whereas men see conversation as an important function, women perceive it as a key contribution for helping members improve their lives, and thus a critical component of the ROSCAs’ functioning. Women rely on conversations at meetings to equip them with better decision-making abilities and more autonomy, and thus the conversation at ROSCA meetings has a greater influence on women’s lives.

**F. Reciprocity from Conversations and Social Network Expansion**

All interview participants reported that conversation at ROSCA meetings led to reciprocal friendships, which served as the main indicator of social capital in this study. Individuals reported that their social networks expanded because of their participation in the ROSCA. Individuals discussed how this expansion of their social network accomplished two things – it led to increases in their income, and it led to an increase in the frequency of favors, particularly the borrowing of materials from fellow members.

Favors exchanged between members included gifts of food, serving as godparents for a fellow member’s child, working on household projects or funeral ceremonies, lending either money or household materials, invitations to celebrations, and professional advice. Many individuals received group counsel on their income-generating activities, and many members’ careers were improved thanks to the conversation at ROSCA meetings. Several interviewed individuals borrowed clothes, jewelry, barrels, chairs, and temporary mourning tents from other
members. In regard to selling their wares at the market, one individual replied that she refers shoppers to fellow ROSCA members before letting that business be lost to non-ROSCA individuals. Advice that these relationships generated led to increases in confidence (both with one’s spouse and in general) and improved strategies to save money more effectively. Also mentioned was the impetus to fund a child’s education, and the improvement of one’s health.

G. The Pot Winner

Though the ROSCA president interviews revealed that no ROSCAs in this sample had spending agreements, half of the interview participants stated that members advise one another on how to spend the “pot.” One member stated that although they have no spending agreement, members do check up on other members to see what they bought with the “pot.”

During a majority of the observations, the member who received the pot also received a benediction from several fellow members. In one case, the winner was encouraged to use the money well and be strong. A winner from another ROSCA was told, “I wish for you that God will give you long life, good health, and a good family, and I am sure that you will invite me to your wedding!” Another winner was told that the money would serve her well. These benedictions were reverent times of the meetings, during which it felt as if a religious leader were blessing the pot winner.

H. Life Skills

Through participant interviews, it was found that although no training sessions were held at meetings, individuals learned practical skills from one another through conversation at meetings. Information about how to operate a business more effectively was the most commonly shared life skill, followed by knowledge on how to produce fabrics, such as dresses, scarves, and
doilies, and knowledge on social norms, such as who were good people to socialize with in the community. Also mentioned were how to save money and how to prepare cobblestones (cobblestone preparation was a common income-generating activity in Debre Zeit at the time of the study because a German aid organization (GTZ) had begun improving community roads by replacing dirt with cobblestones).

Aside from these skills, every ROSCA member practiced the discipline of saving money. When asked what would happen if they saved on their own, individuals mostly replied that they would not have any savings, with reasons varying from a lack of self-discipline to theft in the household to social pressure to give their money away. One individual said, “It is difficult to save even with a bank because social pressure made me withdraw from the bank and now my account is empty.”

I. Conflict

Through participant interviews, it was found that conversation at ROSCA meetings reduced conflict among ROSCA members. In one ROSCA, when a conflict broke out between two ROSCA members, a third group member helped resolve the situation. Another interview participant reported that the problems that they solve within the ROSCA gives them the necessary experience to solve problems within the community. Responses were mixed about the degree to which conversations influenced broader community conflicts, however. Another participant stated that ROSCA elders will work alongside community elders to solve a variety of issues, but another participant stated that the ROSCA did not dabble in community affairs at all. Instances of ROSCA involvement with community conflicts were predominantly indirect: the aforementioned example of an individual saying that lessons learned at ROSCA meetings
enabled her to address community conflict more effectively, and another said that spouses have come to ROSCA meetings to receive counseling.

**J. Community Events**

Through participant interviews, it was found that community events are publicized at ROSCA meetings and, due to Ethiopia’s cultural emphasis on fasting, members talked frequently about food celebrations that occurred before or after a fasting season. Also mentioned at meetings were ethnic festivals and religious holidays. During a ROSCA observation, individuals discussed a wedding that was occurring in the neighborhood that day, because several members had heard the wedding music on their way to the ROSCA meeting. In one instance, a ROSCA member remarked that they do not discuss community events because her ROSCA had members from diverse backgrounds, so they avoided talking about community events to guard against conflict breaking out among members.

**K. Household Dynamics**

The last portion of the interviews posed personal questions to ROSCA members concerning conversations’ influence upon their households. When asked about their diet, most individuals said that their families eat better now that they are ROSCA members, though one person said that they eat less before the contribution is due in order to meet their ROSCA payment contribution. When asked if this is related to the conversation that occurs at ROSCA meetings, the results were mixed, and many individuals said that they ate better based solely on their increased ability to save. Some individuals, however, did say that their ROSCA informed them of good foods to buy, as well as the cheapest time of year to buy teff, which is cheaper
during the winter months. Another individual with a young baby said that side conversation at meetings helped her decide how to approach milk for her child (breast milk versus formula).

Individuals were also asked if conversation at the ROSCA influenced the control of finances within the household. All individuals said there was equal control of money within the household, but less than half of interview respondents related this to conversation at meetings. One woman said, “Being in the ROSCA has helped give me the right to use the money equally,” and one male ROSCA member said, “Since I save in the ROSCA, it keeps me from hiding money from my wife. She knows how much I have, so it makes sure I am not tempted to protect my money.” Individuals did say that being in the ROSCA helped them teach their family about budgeting and savings, and some participants felt more in control of their family’s welfare due to their ability to be a ROSCA member.

In regard to family planning, all interviewees said that their partners did not have veto authority over their desire to use family planning methods. Several participants learned about HIV and family planning measures through conversation at ROSCA meetings, but most participants already had such knowledge from other sources. One ROSCA member said that the increase in confidence they gained from the ROSCA empowered them to demand that future partners be tested for HIV.

**L. Training Sessions**

Through participant interviews, it was found that no ROSCA meetings have formal training sessions. When asked if members were interested in receiving training sessions, research participants unanimously agreed. Interest in training sessions ranged from environmental hygiene to HIV/AIDS to bad cultures of Ethiopia, but the predominant training sessions desired

230 **Teff** is an Ethiopian grain that is used to produce the staple bread, *injera*
were tips on starting and managing income-generating activities. Based on many ROSCAs’
status as a local institution, as well as past experience of incorporating local Ethiopian
institutions to solve a seed shortage crisis, it is apparent that certain training sessions would
greatly benefit both ROSCA members and the community at large. Table 7 provides a visual
representation of the training sessions that ROSCA members requested by frequency.

Table 7. Training Topics of Interest to ROSCA Members

<table>
<thead>
<tr>
<th>Income-Generating Activities</th>
<th>HIV/AIDS</th>
<th>Culture</th>
<th>Budgeting</th>
<th>Fundraising</th>
<th>ROSCA Improvements</th>
<th>Family Planning</th>
<th>Family Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

M. Summary

The key pattern from these interviews and observations is that ROSCA conversations do
have significant positive influences on group members’ lives. Be they group conversations or
one-on-one conversations, ROSCA members gain confidence and new knowledge during these
portions of meetings. Interviewees said the group and one-on-one conversation at meetings led to
relationships of reciprocity among members, along with the aforementioned information
exchange, on issues such as life skills, market prices, conflict resolution, and family dynamics. These findings bring new knowledge to the field of ROSCA research, and a better understanding of this worldwide phenomenon, which had previously been researched primarily in regard to its financial element. The following section will make conclusions and recommendations for the ROSCA research, and ROSCA group interactions with outside organizations.
Chapter VI. The Future of ROSCAs

A. Connections between Findings and Previous Research

This research project found that the rotating savings and credit associations (ROSCAs) in Debre Zeit, Ethiopia were indeed local institutions, since individuals valued their ability to satisfy their needs over time. In addition to the financial aspect of ROSCAs, the research confirmed that ROSCA groups provide a venue for influential conversation and information dissemination. Women in particular are empowered by the conversations that occur at ROSCA group meetings. Conversation at ROSCA meetings helps produce relationships of reciprocity among members, who in turn share important information with fellow members.

In the context of ROSCA groups, reciprocity was not limited to physical favors, but included other domains, such as personal advice, an exchange of knowledge or information, or emotional support. The research findings affirmed this theme of the existing literature: ROSCA group members shared price information with each other, they discussed housing and employment opportunities, they talked about business and childcare opportunities, and they strengthened their social network (inviting one another to parties). Because of social capital, ROSCA group members engage in conversations with fellow group members that concern serious life issues, helping members learn how to save their family’s money, how to earn more money themselves, how to mediate conflict, and how to make better decisions.

ROSCA group meetings do have flaws, and the social capital that allows influential conversations to occur also results in the manifestation of negative social capital. This is seen

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231 Mosley, 491.
232 Bouman, 376.
233 Buijs, 55.
234 Buijs, 55.
primarily in the gossip among members, about the community and about fellow members. This is due to the homogenous make-up of ROSCA groups, which have bonding social capital, but do not move beyond their homogeneity and make connections to other societal groups. Not all gossip is negative, since such conversation can reinforce societal norms and positively influence behavior. That being said, most of the interviewees reported that they would like to be more direct with their peers in the future, as opposed to talking about them in their absence.

This project is the first study thoroughly to examine the influences of conversation and information dissemination at ROSCA group meetings. This study contributes to the existing literature by providing a new understanding of what conversations occur at ROSCA meetings, why individuals discuss certain topics in the group setting and other topics in a one-on-one setting, and an understanding of how conversations at group meetings influence group members’ lives. This study will help ROSCA researchers more thoroughly understand the dynamics of ROSCA group meetings, and the findings of this study have introduced new findings on ROSCAs, which can be used to develop future research projects.

B. Theoretical Implications

Over the course of foreign aid’s history, efforts targeting women have been emphasized as a requisite for successful development. Foreign aid organizations’ approach for reaching women is typically through government channels, which leaves many women without support. Based on the findings of this study, ROSCA groups function outside of formal government channels, and as a local institution, they are not reached with training sessions. Though they are not a part of the formal system, conversations at ROSCA meetings still include important information exchanges between members, including topics ranging from education to family planning to conflicts within the household.
By incorporating ROSCA groups as a target for non-governmental organizations (NGOs), more women could be reached. Local institutional development research has emphasized that training sessions are best done when relevant for each particular group, and ROSCAs may begin to fail (and lose their prominence in society) if individuals perceive that the government or another outside actor has co-opted them. Individuals will best implement the following policy recommendations if they understand and abide by this knowledge.

C. Policy Recommendations

ROSCA members may not receive formal training sessions, but ROSCA meetings serve as a forum for advice, particularly in regard to household issues and income-generating ideas. Government organizations, NGOs, and other development organizations could target ROSCA groups as organizations that have the potential for changing the way communities look at health issues, as well as other life issues (particularly ones not comfortably discussed outside of a circle of trust), but these efforts would be best undertaken with great care.

Based on the research findings, both group and one-on-one conversations were vital to the reciprocity among ROSCA members. Training sessions have the potential to make ROSCA groups focus too much time on group conversations, which would limit the time available at meetings for the positive influences of one-on-one conversations. In order to prevent this from happening, outside training sessions would be best done if they did not run for the entire duration of a ROSCA meeting, since this approach would be a form of regulating the groups and promoting an outside agenda. NGOs should have a staff person make him/herself available to ROSCAs to assist and facilitate a variety of training sessions, but these sessions would be best done if they preserved the current format of group meetings as much as possible.
Based on the research finding that payment by proxy is allowed in many ROSCAs, training sessions should be conducted early on in a ROSCA cycle, when meeting attendance is higher. Conducting training sessions later during cycles would not reach as many members as a training session conducted at the beginning of a new ROSCA cycle. Furthermore, any training sessions given to ROSCAs should occur at the group’s request. ROSCAs are a local institution, and all NGOs should be careful not to force their agenda, or themselves, on ROSCAs. NGOs will work best with ROSCAs if they pay careful attention to principles of local institutional development, recognizing that ROSCAs work because they are unregulated, and based upon the trust among members. Any NGO attempt to regulate ROSCAs will end up hurting these groups and this institution as a whole, diminishing their positive influence on group members. ROSCA presidents should not be gathered for mandatory meetings, and ROSCAs should not be incorporated into NGOs’ financial programs.

Training sessions for local institutions are not always effective. Of Uphoff’s six tips for making training sessions more effective (details in Chapter II), several are applicable to ROSCAs. The first applicable tip is that training sessions should be more dispersed than concentrated. By dispersing training sessions to several individuals, trainers prevent one individual from gaining a monopoly of knowledge over other group members.\(^{235}\) Furthermore, dispersing training sessions prevents the institution from suffering a setback in case the intensively trained individual leaves the community. This tip renders training sessions targeted to a consortium of ROSCA presidents unappealing. Though ROSCA presidents are leaders of the community, targeting training sessions to presidents alone would be reckless, since a ROSCA president may leave the group. ROSCA presidents could be offered support about logistical ROSCA issues, such as setting up an emergency fund or implementing spending agreements, but

\(^{235}\) Uphoff, 196.
ROSCA group meeting time should not be used as a time for training sessions on how to improve the functions and logistics of their organization. Many of the researched ROSCA groups in this study use group discussion time as an opportunity to discuss ROSCA logistics, and outside training sessions targeted to ROSCA logistics has the potential to usurp autonomy from the groups. No ROSCA in this study used advanced mechanisms, such as spending agreements or trouble-banks, but these topics could easily be incorporated into group conversations by ROSCA group presidents.

Training sessions should be given to ROSCA groups where all members are invited, which would ensure that if a ROSCA president leaves the organization, other members would have the same knowledge moving forward. The trainer must be willing to learn from the individuals whom he or she is training. Through this project, it became clear that ROSCAs have information on the community that would be beneficial for the outside donor to understand. To make training sessions more interesting, the trainer should use different styles of instruction, including role-playing and group problem solving. Holding a variety of sessions ensures that training sessions communicate effectively to learners of different styles, as well as holding the participants’ attention. Another tip given by Uphoff was that participants should be given opportunities to exchange ideas, knowledge, and experience with each other, but this exchange already occurs in both group and one-on-one conversations at ROSCA meetings.

The final applicable tip is that literacy and numeracy training sessions should be given to groups based on their specific needs. These lessons should be group specific, and the curriculum should be tied to their institution’s program. In the case of ROSCAs, literacy and numeracy training sessions could relate to budgeting, savings, and sanctions. As quickly as possible, local

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236 Uphoff, 198.
237 Uphoff, 198.
238 Uphoff, 199.
people rather than individuals from outside of the local context should conduct training sessions.  

D. Further Research

Relationships of reciprocity are strengthened by the conversation that occurs at ROSCA meetings. Although not addressed in this study, it would be interesting to study the dynamic between meeting attendance rates and the degree to which relationships of reciprocity develop, especially in the context of the observation finding that attendance rates decline later in the ROSCA cycle. Also, it would be helpful for another study to engage ROSCA members on how much they know about specific topics, such as HIV/AIDS. In this study, individuals were asked about personal subjects like HIV/AIDS, and it was found that ROSCA members already had knowledge of HIV/AIDS from non-ROSCA sources. Questions did not further probe to see how much participants knew about HIV/AIDS, so it is difficult to say whether or not ROSCA members in Debre Zeit have a strong understanding of the disease. Findings like this provide further impetus for each ROSCA training session to be group-specific.

E. Concluding Remarks

Previous research has shown that ROSCAs do not disappear as nations develop formal financial institutions. With the knowledge that ROSCAs are not going to disappear, it is clear that these local institutions are a worthy candidate for training sessions, so long as those sessions do not create a dynamic of dependency or take away too much time from the current allotment for one-on-one conversations. ROSCAs are local institutions that operate throughout the world, and research has established that they are an important component of the social fabric of

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239 Uphoff, 197.
240 Dekle, 80.
communities. Beyond their ability to provide a savings mechanism for individuals, a ROSCAs’
ability to positively influence individuals’ lives will be best understood by looking outside of
their financial dimensions to the relationships of reciprocity that are built among group members.
This study has uncovered two main findings, that conversation and information disseminated at
group meetings positively influences the lives of group members, and that training sessions can
further develop ROSCAs if they are undertaken with great consideration and respect.
Bibliography


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Appendices

Appendix 1. President Fact-Finding Interview

1. How many members are there?
2. Do you save birr\textsuperscript{241} or a good?
3. How much birr/good does each member contribute at each meeting?
4. When did the association form?
5. Did/How did members know each other (neighbors, kin, religion)?
6. How often do you meet?
7. Do you have formal meetings?
   - If yes, what sort of conversation takes place at meetings (just informal gossip, or actual information sessions)?
8. Is there food and drink served at meetings? Alcohol?
9. What is the pot most commonly used to finance (teff, wedding)?
11. Do you have a spending agreement?
12. What is the punishment if someone does not pay?
13. Is there an emergency fund/trouble-bank?
14. What is the reward for serving as president?
15. Are training sessions given at meetings?
16. Where did you get the idea to form a ROSCA?

\textsuperscript{241} Birr is the Ethiopian currency. At the time of this study, US $1 equaled approximately ten Ethiopian birr.
Appendix 2. ROSCA Member Interview

1. When did you join the association?
2. What was the main reason you wanted to join the ROSCA?
3. Other than the money collection and exchange, what happens at a ROSCA meeting?
4. What sort of issues do you discuss at the ROSCA meeting? – Community news/gossip, market prices, health behavior, help/favors you need, information sessions, etc…
5. Do you feel comfortable sharing personal things with ROSCA members?
   • If yes, why?
6. Do members trust other members?
   • If yes, would the ROSCA function if there were not trust?
7. How much do you value the social bond you share with other members? SCALE 1-10
8. What are group topics of conversation at ROSCA meetings?
   a. Why are these specific topics discussed? What enables these conversations to occur?
   b. What impact do these conversations have on your life? Does this group conversation change your life? How?
   c. What additional topics, if any, would you like to discuss with the group?
   d. Does group conversation give you more autonomy?
9. What do you talk about individually (one-on-one) at ROSCA meetings?
   a. Why are these specific topics discussed? What enables these conversations to occur?
   b. What impact do these conversations have on your life? Has this one-on-one conversation changed your life? How?
   c. What additional topics, if any, would you like to discuss with other individuals?
   d. Does one-on-one conversation give you more autonomy?
10. Do conversations at ROSCA meetings lead to friendships of reciprocity?
11. Are any training sessions provided at meetings?
    a. If yes, what type of training sessions?
    b. If no, would you like to receive any training/information?
    c. Do members advise you on how to spend the pot? (spending agreements)
d. Do members give you advice on any other issues?

12. Does conversation help reduce conflicts between members and the community in general?

13. What practical life-skills/knowledge have you learned from other members?

14. Have you learned about community events through conversation at meetings?

15. Has ROSCA membership resulted in a new or deeper social network?
   a. If yes, has this social connection helped increased your income or given you new income possibilities?
   b. Has this social network led to people exchanging favors? (housework, babysitting)
   c. Do you borrow clothes, jewelry, or other things from other ROSCA members?

16. Has being a member led to you wearing better clothes?
   • If yes, have fellow members discussed your clothing with you?

17. Does your family eat better now that you are part of the ROSCA?
   • If yes, why? Is it related to the type of conversation you have with other members?

18. If you have a spouse, is there equal control of money within the household?
   a. If so, did the ROSCA influence the equality?
   b. Do you feel more in control of your family’s welfare due to your ability to be a ROSCA member?
   c. Has your involvement in this ROSCA given you more influence towards what your family spends their money on? How so?

19. Does your spouse have veto power over you using family planning measures?
   a. If no, did the ROSCA influence that?
   b. Has your involvement on this project given you the confidence to discuss contraceptives and other safe sex practices?
   c. Do you intend to use any method to delay or avoid pregnancy at any time in the future?
   d. Has your involvement in the ROSCA given you the confidence to ask your partner to be tested for HIV?

20. If you saved money on your own, what would happen?
21. Do people stop paying?
   - Why do they stop paying? Why do they continue paying?

22. Do you value the role of the ROSCA president?
   - If yes, why?
Appendix 3. Participant Observation Guide

Logistics:

What time did the meeting start?
What time did the meeting end?
How many people were in attendance? Is that the full group?
Do members come on time?

Before Meetings:

What occurs before meetings? (Are people mingling? Watching television? Other?)
How do members greet each other? (Hugging, waving, other)

During Meetings:

Who speaks?
What do speakers say? What are the types of conversation?
Are there formal or informal training sessions or presentations?
Do members physically touch each other?
   In intimacy, for comfort, out of anger, in greeting?
Are there side conversations occurring while the meeting takes place?
How many members brought their financial contribution? How many did not?
Monitor members’ speech and mannerisms –
   Are people impassioned (pleading, arguing, crying)?
   Are people apathetic or indifferent (starting at ceiling, rolling their eyes)?