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GENERIC FEATURES DEVELOPED FROM SELECTED
CASE STUDIES OF SPONTANEOUS
LOW INCOME HOUSING SETTLEMENTS

Prepared For the Office of Housing
and Urban Programs
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of USL International
Under Work Order No. 18

→ PRE/H

Indefinite Quantity Contract
OTR-0000-I-00-3295-00

February 1986

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FEBRUARY 1986

Table of Contents

I.	INTRODUCTION	1
II.	SPONTANEOUS LOW INCOME HOUSING SETTLEMENTS	1
	A. Types of Land Invasions That Regularly Occur	1
	B. Reasons For a Household To Choose Living in Spontaneous Housing Communities	2
	C. How Illegal Lots Are Acquired	2
	D. Characteristics of the Site Purchase and House Construction/Finance Process of Illegal Settlements	3
	E. Actions That Low Income Households Typically Take as a Result of Very Limited Savings or Access to Credit Upon Acquiring Housing	4
	F. Requirements and Problems of Owning Housing in Very Low Income Areas Housing	5
	G. Socioeconomic Characteristics of Very Low Income Housing Settlement Residents	5
	H. Physical Characteristics of Spontaneous Housing Communities	6
	I. Infrastructure	6
III.	COMMUNITY-BASED BUILDING MATERIALS PRODUCTION	7
	A. Source For Low Cost Building Materials	7
	B. Characteristics of Small-Scale Building Material Production Units That Operate at the Community Level	8
	C. Common Features Between Small-Scale Building Materials Units at the Community Level Versus Large-Scale Production	8

D.	Main Differences Between Small-Scale Versus Large-Scale Building Materials Producers	9
E.	The Materials Produced by Community-Based Building Material Producers	9
F.	The Inputs Used in Small-Scale Production of Building Materials	10
G.	Markets For Building Materials Produced at the Community Level	11
H.	Why Building Materials Produced by Small-Scale Businesses are Considered to be Low in Quality, a Major Obstacle in the Expansion of Their Use	11
I.	Why Small-Scale Businesses Tend Not to Adopt New Technology or Products	12
IV.	COMMUNITY-BASED CREDIT MARKETS	12
A.	Advanced LDCs - India	12
1.	Definition of Community-Based Credit Markets	12
2.	Organization and Composition of Community-Based Credit Market Intermediaries	13
3.	Advantages Of and Why a Borrower Chooses the Locally-Based Credit Market	14
4.	Negative Aspects of Local Credit Markets	15
B.	Less Advanced LDC's-Sub-Sahara Africa	15
1.	Fixed Fund Associations	15
2.	Rotating Savings or Credit Associations	16
3.	Most Common Uses For Savings Accumulated and Loans Acquired Through Fixed and Rotating Fund Associations	18
4.	Mobile Bankers	18
ANNEX:	Studies Utilized to Develop the Information Base	20

I. INTRODUCTION

This report constitutes a review of selected case studies of the development of spontaneous low income housing settlements in order to determine what commonalities or generic features exist in these communities. The information assembled is intended to serve as a data base to guide the Office of Housing's understanding and future involvement in community-based housing and housing finance.

This data base focuses on the development and characteristics of spontaneous low income housing settlements, the building materials production industry as it applies to low income housing, and community-based credit markets. Based on the studies reviewed, local community-based credit markets are not involved in housing. Yet, the feeling is that they could be active housing finance lenders. Learning about how they operate is therefore considered to be important.

This inventory of generic operating practices comes from a sample of the studies that were reviewed in late 1985 for the Office of Housing and Urban Programs (PRE/H) as part of the development of an annotated bibliography of the sector. A list of the studies that have been used to develop this data base are contained in the Annex. They were jointly selected by PRE/H and USLI for their comprehensiveness and attention to useful detail in the areas being examined.

Note that in the review of community-based credit markets, advanced LDC's are separated from less advanced LDC's. This division was made because such credit markets in a West African country, for example, have little in common with how these credit markets function in a more developed country like India.

The inventory of spontaneous low cost housing settlements operating practices that has been assembled below summarizes extensive review of the selected research reports. This summary is intended not only to provide an intensive overview of what is known about this subject from this research, but to stimulate ideas and insights as far as understanding specific problems and opportunities.

II. SPONTANEOUS LOW INCOME HOUSING SETTLEMENTS

A. Types Of Land Invasions That Regularly Occur

1. The use of land as a source of political patronage tends to occur near elections. When a political party wins an election but cannot deliver on promises of jobs, housing and improved standards of living, it may give away what it doesn't own.

2. Landowners covertly hire community leaders to invade generally unsellable land in order to raise its compensation level upon expropriation.

3. Squatters who resettle in a new invasion, rent or sell their previous homes.

B. Reasons For a Household To Choose Living in Spontaneous Housing Communities

1. Economic: limited availability of serviced land for low cost housing construction. On land available for low cost housing, the procedures required to build a formal unit are considered unnecessary costs. In addition, complying with procedures required for a permit and obtaining the permit or approval itself are seen to be too complicated and time-consuming.

2. Cultural traditions: land and building registration as well as building permits are not common.

3. Lack of interest or willingness to pay for either the infrastructure associated with formal areas or the higher land prices resulting from such infrastructure.

4. Lack of knowledge of registration and building permit procedures.

5. Lack of sanctions against spontaneous construction. The price of violating zoning, registration or building permit laws is either nil or sometimes results in minor harassment by authorities or an insignificant fine. Even the occasional demolition of houses in spontaneous communities by government authorities does not keep the people from actively expanding these communities.

C. How Illegal Lots are Acquired

1. Invasion without paying. The households seeking housing open up vacant land for themselves.

2. The household pays a professional squatter to clear and prepare the land that will comprise the site for a house.

3. Buying a lot without a house, frequently from a small local developer or speculator who has owned the lot without building on it.

4. Buying a lot that already includes a house.

D. Characteristics of the Site Purchase and House Construction/Finance Process of Illegal Settlements

1. The subdivision of the vacant land by the developer or invading household is usually a former rural property that has been converted from agricultural uses.

2. Because spontaneous housing is frequently located at relatively great distances from workplaces or shopping areas, it is extremely important that such settlements have reasonable access to major roads and railway or bus lines connecting with other parts of the city.

3. Developers or "contractors" typically buy up "noncultivable" agricultural land and re-sell parcels for residential use, often deriving a profit of 100% or more.

In most cases these "developers" or "contractors" are not contractors but transferrers of land. Moving from one peripheral area to another, they typically buy land from farmers, subdivide it, and then offer it on the market through aggressive door-to-door campaigns. This activity tends to inflate land prices and encourage spontaneous development.

4. In many cases, land transactions between the developer and the final owners are made in the form of undivided property, whereby various households share possession of the same lot while occupying only a part.

5. The buyers are usually households that formerly rented, are entering the homeownership market for the first time, and are doing so with limited resources.

6. The lots are usually sold to the first owner with few if any public utilities present at the subdivision level.

7. With low income households not usually having access to institutional credit, the developer usually sells the lots on an installment credit plan (typically 25-40% down and a 30-40 month repayment period) and makes allowances for delayed payments. Being six months or more behind on payments is not unusual and is an accepted practice by the creditor and accounted for with high interest rates.

8. Credit, supplemented by savings or assets sold to acquire the necessary resources, plays an integral part in the home building/improvement process.

9. The houses are built incrementally in discrete stages. Spontaneous housing settlements are therefore subject

to a continuous housing construction/improvement process. As a result, sidewalks, as well as surfaced streets, tend to be postponed until the drawn-out process of completing most of the housing units has been completed. The timely provision of public utilities tends to accelerate this process of incremental construction.

10. Family and friends are relied on heavily for labor, thus restricting out-of-pocket costs to building materials and some hired labor. Hired labor, usually transient gangs of workmen or a contractor with his own crew of workmen, are frequently supervised by the owner.

11. Buildings are usually designed by the owners themselves or by contractors. Engineers or architects are generally not used. Subdivisions or individual lots rarely comply with street width and public open space standards specified by zoning regulations.

12. Public services are available at the lot level at an early stage of the subdivision's development, usually through clandestine hookups to nearby neighborhood networks.

13. Developers involved in land subdivision for spontaneous housing communities know that the following usually occurs and, therefore, they provide little or no physical or social infrastructure:

- Once a spontaneous housing subdivision becomes a neighborhood and residents register their land and collectively lobby their local neighborhood councils, government will gradually deliver infrastructure and public facilities.
- Government will eventually take land by expropriation from private landowners or use adjacent public land to install social facilities (schools, hospitals).

E. Actions That Low Income Households Typically Take as a Result of Very Limited Savings or Access to Credit Upon Acquiring Housing

1. Bypass all official utility connections, relying on clandestine hookups to power lines that exist in neighboring developments. Rely on clandestine, shared or delivered water supplies. Build a simple latrine.

2. Delay occupancy of the lot until depleted savings can be partially rebuilt.

3. Fall behind on the monthly payments being made for the lot.

4. Phase in construction of even a modest core.

F. Requirements and Problems of Owning Housing in Very Low Income Areas

1. Possession of a sales contract provides all the security needed legally to dispose of property.

Obtaining clear title is time-consuming (taking up to several years of sustained effort) and difficult, due to administrative barriers, e.g. payment of property taxes in arrears at the subdivision level; possible disputes for specific properties.

Obtaining mortgages without clear title is usually not possible since the lending institution cannot place a mortgage lien on the land and/or the overlying structure. However, lack of title does not affect property rights.

2. Without legal, documented title, de facto ownership is by possession. Those who do not live on and protect their lot are likely to lose it. Once a household settles and is permanently living on a lot, it is difficult or impossible to evict or dispossess them.

In summary, lack of legal title acts to reduce large-scale speculation and limits the length of time an owner can risk owning but not living on his lot. He cannot easily lend this lot to another party, since the party, once installed, may simply claim the lot.

3. Yet, an owner will delay building a house on a lot if there is a lack of access to infrastructure. He will pay a resident neighbor to watch over the lot and notify him of any invasion.

4. In the case of an invasion, violence frequently occurs, with local leaders usually stepping in to arbitrate the conflict. Usually, eviction cannot be carried out. Protracted negotiations result in a cash compensation to the former owner, based on the lot's estimated market value and the financial resources of the invader.

5. During this negotiation process, the invader ensures that a member of his family is permanently in residence and he often hastily builds a structure on the lot.

G. Socioeconomic Characteristics of Very Low Income Housing Settlement Residents

1. They are young, frequently having migrated to urban from rural areas. They usually have a lower income and education level than the urban population at large in which they reside.

2. They are usually not highly skilled, not in unionized employment, but in small-scale, service sector type enterprises, e.g. artisan/machine operators, construction workers, personal services/domestics.

3. They are not financially capable of buying their own conventional homes, since their incomes are below that required even for a house constructed by public agencies.

4. The motivation to invade or purchase illegal housing is primarily to own a home of one's own, a sign of upward mobility, i.e. desire to have more space, be free of rent payments, provide housing for other relatives, and to provide an income source. Relatively little renting or subletting occurs.

5. Income of spontaneous housing community households is often unstable and can vary according to the months of the year. However, they are very capable at mobilizing financial resources from savings, from extended family, from friends and from money lenders.

H. The Physical Characteristics of Spontaneous Housing Communities

1. Housing in such communities spans a broad range of sizes and types of units from traditional single or two story units to high rise concrete and steel apartment buildings although it is generally of impermanent materials.

2. By far the most common units are single unit structures. Most owners of buildings with more than one unit live in the building.

3. Designs for buildings in spontaneous communities are often traditional and rather standard, easily replicated by contractors working without written plans.

I. Infrastructure

1. The on-site availability of water seems to be the single most important pre-condition for settlement, because it is a necessity both for sustenance and for construction of homes.

2. Electricity and sewerage are less of a concern. Power can be obtained by other means, e.g. small generators, gas lamps, kerosene lamps. Sewerage can be resolved by installation of septic tanks, cesspits or holding tanks.

3. Water for construction of houses is obtained from the following sources:

- Pumped from a nearby canal.
- From the pump of an establishment; or
- From a groundwater pump installed by the homebuilder on the construction site.

4. Potable water usually comes from one or more of the following sources:

- Pump installed by the household or community.
- Containers delivered by vendors.
- Taps constructed by the government.
- Tap of a nearby industrial, commercial or community facility.
- Tap financed and/or constructed by community members.
- Tap of a neighbor.

5. Solid waste disposal pick-ups are intermittently arranged by residents. The volume of waste is usually so large that their efforts frequently appear futile. Otherwise, garbage is usually dumped in piles in the nearest open public space. When garbage removal efforts are not mobilized by community members, degradation of the residential environment is frequently extreme.

6. Infrastructure costs are usually not fully recovered from formal housing, either from initial capital investments or from continued operations. This trend benefits formal sector housing residents, but limits government's ability to extend infrastructure to new areas, including neighborhoods with spontaneous housing. As a result, non-clandestine infrastructure tends to be withheld from spontaneous communities for extensive amounts of time.

III. COMMUNITY-BASED BUILDING MATERIALS PRODUCTION

A. Source For Low Cost Building Materials

1. Construction materials are obtained from both the regular and black markets, generally from small-scale suppliers or producers.

2. Local entrepreneurs buy from wholesale warehouses and retail to the local residents.

B. Characteristics of Small-Scale Building Material Production Units That Operate at the Community Level

1. Few employees and a labor intensive production process. Skill levels are low.

2. Little capital investment in plant and equipment, with low cost operations. A major investment is capital for the payment of wages for the labor force, or in cases where only family labor is used, subsistence until the products can be sold.

Most of the inputs required for production are obtained from locally available resources. With unskilled labor the major input to the production process is labor. With minimal investments in equipment, techniques are essentially manual and therefore contribute to low quality and volume of output. As a result, the market served is mainly the self-building housing market of low income households.

3. Very limited volume of output.

4. Production with locally available materials, i.e. intermediate technology or traditional production.

5. Production for strictly local markets because of the small volume of output and high transport costs.

6. Intermittent levels of production because of flexibility in production owing to low investments and fluctuating markets.

7. Accountability and government reporting requirements are often ignored.

C. Common Features Between Small-Scale Building Materials Units at the Community Level Versus Large-Scale Production

1. Access to loans is a constraint even though spontaneous housing communities have an advantage through traditional credit systems.

2. Basic inputs are purchased from the same source in the formal sector.

3. Markets are limited due to low volume of output.

4. Quality of output is inconsistent since government regulatory mechanisms are ineffective.

D. Main Difference Between Small-Scale Versus Large-Scale Building Materials Producers

1. Types of finished products:

- Spontaneous Housing Communities: e.g. lime, bricks, tiles, concrete blocks, thatch roofing, stone & fibre, cement roofing tiles.
- Formal sector: e.g. glass, cement, nails, asphalt, plastics.

2. Less re-investment for business expansion by small-scale building materials producers.

E. The Materials Produced by Community-Based Building Material Producers

1. The materials produced are "traditional", i.e. produced in the same manner for generations, with little change in methods of production, inputs or technology.

2. Modifications to traditional products are sometimes brought about by the decreasing availability of key inputs, e.g. firewood for fuel in the firing of clay bricks; the decreasing availability of clay itself. Product innovation is constantly occurring in small-scale informal sector manufacturing units. Materials produced vary from "traditional" to "conventional" (e.g. concrete blocks) to "innovative" or entirely new products.

3. Durability of the product varies from "temporary" materials requiring constant repairs, e.g. mud blocks, adobe or unburnt bricks, to semi-permanent materials e.g. kiln-fired unburnt bricks, to "permanent" materials, e.g. concrete blocks and stone.

4. The need for credit in buying housing materials, even over a period as short as three months, is what forces households to use the local entrepreneur.

5. The relatively large number of competing retailers helps to keep prices of building materials and the profit levels of the retailers down.

F. Inputs Used in Small-Scale Production of Building Materials

1. Land requirements are frequently filled by illegal processes, e.g. squatting or manufacturing in residential premises.

2. Traditional credit systems such as money lenders and family donations provide financial resources where necessary. Without access to formal sources of capital or credit, heavy interest payments on loans are avoided. However, the negative effect of this position is the inability to procure vital inputs in a timely manner and the inability to finance the build-up of stocks.

As a result, many of these entities can only produce in small quantities and cannot expand their output rapidly in response to surges in demand.

Financial and government institutions discriminate against informal sector entities due to the genuinely higher risks involved in lending to small entities with little or no collateral. Also, administrative costs of handling a large number of small loans versus a few large ones are higher.

3. Training of skilled labor is largely by on-the-job apprenticeship.

4. Extensive use of family labor reduces the final cost of the building materials produced.

5. Dependence on either locally produced equipment, or where imported machinery is used, attempts are often made to provide innovative, low-cost solutions to the problems of spare parts and maintenance.

G. Markets For Building Materials Produced at the Community Level

1. The community-based building materials industry is highly competitive as to costs but productivity and quality of the product is low. But because the price charged for it is also relatively low, it primarily serves the low income populations, either for construction of their own houses or indirectly through the small-scale indigenous contracting industry.

2. These conditions limit the possibilities for the expansion of demand for the industry's products, leading to the businesses usually being constrained in their expansion. Their small-scale frequently leaves them dependent on others, e.g. landlords, transporters, distributors.

3. As incomes rise, people tend to purchase building materials from formal sector, larger scale, more capital intensive entities rather than from the small community-

based ones. This tendency is evidenced in the ubiquitous appeal of cement blocks, modern windows, and galvanized iron roofing sheets.

4. With increases in incomes among the population as a whole, further market constraints to expansion can develop for community-based, small-scale building materials businesses as a result of this transfer to large-scale, capital-intensive production outputs.

H. Why Building Materials Produced by Small-Scale Businesses are Considered to be Low in Quality, a Major Obstacle in the Expansion of Their Use

1. Some materials produced have short lives, e.g. bamboo, adobe, wattle, thatch, mud blocks. These materials require constant repairs. While this may not be a serious disadvantage for nomadic or rural communities, it is not acceptable in urban areas or for people employed who do not have the time for house repairs. These materials are used by the lowest income families because of their low cost, and therefore, have an important role to play.

2. Some materials, while having a longer life than temporary materials, are relatively deficient in terms of strength or other physical properties, and, therefore, also deficient in durability. This problem is due to the low level of technology used. As a result, the products frequently lack the even appearance and exact dimensions of their machine-made substitutes, thereby further promoting the perception of low quality.

3. The actual levels of quality are relatively uneven.

I. Why Small-Scale Businesses Tend Not to Adopt New Technology or Products

1. With all the risks of producing a new product or adopting a new technique falling on the producers, and, with few resources available to them, many simply cannot afford to make mistakes.

2. They often lack the necessary capital and/or foreign exchange resources.

3. They cannot be sure that the product, if it is a new material that is being produced, will be accepted by clients.

4. Existing construction standards/specifications frequently favor large-scale, formal sector producers, due to

the difficulty and cost of obtaining approval for new or modified products, e.g. laboratory/field tests; acceptance by standards institutions and other regulatory bodies.

IV. COMMUNITY-BASED CREDIT MARKETS

A. Advanced LDC's - India

1. Definition of community-based Credit Markets:

a. Markets that are not subjected to the close customary and legal regulation characteristic of commercial banking and its variants. Among the major characteristics of these markets are:

- Lower transactions costs because of well-known clienteles entailing low information costs;
- Avoidance of controls on lending and borrowing rates;
- Avoidance of tax;
- Highly localized and segmented.

b. Financing is available mainly for working capital purposes because new ventures are seen as too risky. The bulk of finance from community-based institutions is provided directly to trading enterprises and very little is provided directly to very small businesses.

2. Organization and Composition of Community-based Credit Market Intermediaries:

a. The firms are organized along ethnic communal lines, e.g. the Shikapuris, the Gujeratis, the Chettiars, the Rastogis, etc. These groups, representing trading castes from different regions, have separate networks and markets, but similar procedures.

b. Originally, these trading castes all provided the following services in their home regions:

- Accepting deposits;
- Issuing and discounting bills of exchange and other commercial paper;

- Making loans on call and for fixed periods with or without security. Included is finance for the purchase of goods or against goods received for sale;
- Providing open lines of credit;
- Providing insurance and financial advice.

Over time, the various groups evolved differently. In addition, each of these trading castes acquired its own specialization, e.g.

- Gujerati credit goes mainly for funding trade, especially wholesale trade in agriculture and craftwork commodities.
- Rastogis and Chettiars finance smaller traders and artisans.
- Shikapuris loan to a variety of small and occasionally large enterprises.
- The finance companies concentrate on hire purchase finance of commercial vehicles, consumer durables in the cities and cash crop trade finance in the rural areas.

c. Types of credit market facilities that each trading caste offers as a total package (some castes only offer some of these services):

- Indigenous style bankers: Most of the firms belong to members of traditional banking ethnic communities. They provide commercial banking services to a local clientele whom they know intimately and do not solicit new clients. Their offices are open both later and earlier than the commercial banks and they are more flexible in serving their customers. They accommodate "non-priority sector" trades (e.g. grains, cloth, biri tobacco) not well financed by the banks.
- Commercial financiers: They employ their own funds and do not take significant amounts of deposits. Typically a broker will arrange to break up a large loan into smaller notes which commercial financiers will invest in. The typical commercial financier deals mainly through brokers.

- Finance companies: They solicit and take deposits and lend them strictly to commercial clientele, mainly industrial firms. A variation on these finance companies are the chit funds, a rotating credit type arrangement common to southern India. These funds are run by traders to meet their working capital as well as non-business needs.
- Commercial paper discounters.

3. Advantages Of and Why a Borrower Chooses the Locally-based Credit Market:

- a. Lending from this source is almost all unsecured. Many borrowers do not have or do not want to tie up stocks or other assets as collateral. Even if a borrower is willing to put up collateral, the restrictions on the collateral and the procedures for checking it often prove onerous.
- b. Loans are made without having to fill out extensive forms, wait for approval, or spend much time in the intermediary's office. Unlike receiving credit from a formal sector bank, the borrower is not tied in to formal requirements such as compliance with municipal land use regulations.
- c. Many community-based credit market intermediaries visit the client and do all the preparatory work for the loan as part of their service. The intermediary does what the borrower has to do in dealing with a formal sector bank.
- d. Elaborate savings schemes with very attractive yields that effectively mobilize deposits. These schemes which are constantly evolving in response to market conditions are widely copied by the formal sector banks.
- e. Community-based credit institutions provide credit for purposes like trade, which the formal sector banks will not finance.
- f. Community-based credit institutions incur lower transaction costs than formal banks because of well-known clienteles entailing low information costs.
- g. Community-based credit institutions avoid regulatory controls on lending and borrowing rates and reserve requirements.

4. Negative aspects of community-based credit markets:

a. Much of the credit is "call" money and, in any case, may have to be paid on some precise due date. Formal bank credit is seen as more flexible and easier to delay payment on.

b. A feeling prevails that credit available from community-based institutions is less reputable than formal bank credit, and that transactions with these institutions are more likely to be challenged by the tax authorities.

c. The interest rates charged are higher - typically 1% to 3% above formal bank rates.

B. Sub-Sahara Africa - Less Advanced LDC's

1. Fixed Fund Associations:

a. Each participant deposits savings at regular intervals with a treasurer who holds them for safe keeping until the end of the year, or whatever period the group has decided on, at which point the lump sum is returned.

b. In the simplest cases, there is no borrowing of these funds and the organizations have a savings function only.

c. More commonly, officers of the group lend money held on deposit to members, sometimes at interest, and sometimes to non-members as well. Loans are rarely, if ever, made to individuals not known to at least part of the association's members. Any interest income generated is ultimately distributed among the members.

d. Compared with formal sector lenders, these associations have much lower transaction and administration costs because overhead is lower and the costs of processing and recovering a loan are lower.

e. Loan processing costs are lower than for formal sector lenders because these associations:

- Can readily assess the creditworthiness of community members/neighbors by relying on the group's collective experience, and, therefore, can act quickly on a loan application without much, if any, paperwork in most instances.

- Can achieve relatively low default rates, not only because they know the reputations and abilities of prospective borrowers better, but because they are better able to locate borrowers and bring pressure by the community if a loan is in arrears. However, means to investigate the prospects of an applicant not already known are usually non-existent..

f. Participants seem to believe that they save more than they would if they save in a solitary fashion because of the discipline of having to regularly meet with the rest of the group and make a deposit. All members open up a source of credit, and perhaps one that is cheaper than would be otherwise available to them. These associations also allow their members to exchange economic intelligence and obtain assistance in technical and managerial aspects of their business.

2. Rotating savings or credit associations:

a. Each member contributes to a fund that is then given to one member each time the group meets. The right to the fund rotates until the fund has been received by everyone.

b. The following practices can differ:

- The way in which the order of rotation is determined;
- Provisions for assuring continued participation in the cycle of early recipients of the collective deposit;
- Provisions for providing credit;
- Amount of interest charged on loans.

For instance:

- Nigerian associations: The person organizing the association ("president") is given the privilege of being the first to get the collective deposit fund. He largely dictates the order in which the rest of the members get the fund. The member receiving the collective deposit is required to have an individual acceptable to the rest of the group sign as a guarantor, agreeing to pay the member's deposit any time he should fail to do so during the remaining meetings of

the cycle. Some funds hold the first contribution as a reserve to cover or help cover any defaults that occur in the cycle.

In some associations, contributions increase over the cycle in an attempt to offset with the size of contribution per member, the risk and inconvenience of waiting. Other associations set the turn of the participants judged to be relatively bad risks late in the cycle, the person with the poorest reputation being relegated to the end of the cycle.

- Ethiopian associations: The head of the rotating fund is often elected by the members, and the order of rotation is determined by drawing lots. Recipients of the collective fund are required to provide a guarantor.
- Cameroon associations: The order of rotation could be determined by age, social standing, need or drawing lots. Among the funds with a large collective deposit, the right to it was auctioned off among those who had not yet received it during the cycle in progress. Some associations not only require that the person receiving the fund provide a guarantor but that the guarantor provide a deed to land as collateral.
- Ghana associations: Members can contribute less to the fund of members they consider to be relatively poor risks.

c. As rotating funds reach an upper limit in deposits (e.g. \$1600 to \$3200 per depositor per month in Cameroon), the fund no longer is workable because:

- The deposit required becomes so large that few can participate.
- The risk of default increases to levels participants consider unbearable.
- Most participants start to need services which only formal sector banks provide.

Rotating funds then tend to evolve into formal sector banks.

3. The Most Common Uses For Savings Accumulated and Loans Acquired Through Fixed and Rotating Fund Associations:

- a. Hiring of labor.
- b. House construction.
- c. Financing education.
- d. Purchase of food.
- e. Financing of festivals and ceremonies.
- f. Associations in large urban areas may amass funds sufficient to finance a major consumer good, e.g. automobile, house, household appliance.
- g. Agricultural areas - funds relied on to purchase costly agricultural items such as seed, fertilizer or tools. Some funds amass large sums of capital for investment in agricultural machinery, processing equipment or transport vehicles.
- h. In some associations, separate funds are set aside for community purposes. In Ethiopia, regional associations, known as "mahabars", based in small towns are established to raise capital for construction of roads, schools, and bridges.
- i. In larger towns, traders and merchants rely on these associations to start, expand or diversify trading operations.

4. Mobile Bankers:

- a. In west Africa, traders frequently make a standard deposit with a mobile banker who visits them regularly. The banker typically keeps one deposit per time period as his fee and returns the rest in one lump sum at the end of the period, e.g. one daily deposit at the end of the month for traders making daily deposits.
- b. The mobile banker extends credit to depositors up to six times what they have on deposit.
- c. Mobile bankers are typically agents for large businessmen who are moneylenders.
- d. Traders feel under pressure to make deposits regularly and always deposit in the same amount, a practice which facilitates accounting and reduces the possibility of disputes.

e. Traders feel that they save more by participating in such arrangements. They also participate, because they feel uncomfortable in banks and with banking personnel in the formal sector. Also, this arrangement provides considerable convenience for a trader who must tend a stall in a marketplace during the hours the banks in the formal sector operate.

f. Mobile bankers are sometimes preferred over fixed or rotating fund associations, because with the associations, there are reported to be too many disputes. With a mobile banker, the trader negotiates with one individual rather than several.