

The Expanding World of Self-Help Financial Groups

by

Dale W Adams and Hans Deiter Seibel

January 1, 2017

Abstract Promotion of informal, self-help savings groups is a growing part of development activities. These groups draw on features found in traditional rotating savings and credit associations (roscas) and in accumulating savings and credit associations (ascas). Sub-types of these two groups are proposed in the article, and their strengths and weaknesses discussed. The authors suggest that promoted groups, along with the hundreds of millions of groups that emerge spontaneously, provide economic and social safety nets for billions of poor people, and that they may be next to families and ethnic groups in importance as social organizations for poor people.

1. Introduction

Belatedly, developers' attention is turning to providing savings opportunities for poor people, as is shown by the growth in the number of savings groups that have been promoted by a few governments and by various non-governmental organizations. India, for example, has more than 100 million households that are members of promoted, self-help savings groups, with owned deposits amounting to nearly US\$10 billion (NABARD, 2017). Information collected by the SEEP network, although not covering all savings groups promoted by non-governmental organizations, shows more than 10 million members in these groups. In addition to these promoted groups, there are hundreds of millions of additional people around the world who are members of spontaneously formed, savings groups, for which F. J. A. Bouman (1995) proposed a two-part

typology.ⁱ One he called rotating savings and credit associations (roscas), and the other he termed accumulating savings and credit associations (ascas).ⁱⁱ Had he lived longer, he may have suggested sub-types within these two categories, something we do in the following.ⁱⁱⁱ In addition to describing the variety of forms, we also argue that roscas and ascas provide extremely valuable economic and social safety nets to poor households, services that are mostly unavailable from other sources.

A feature that emerges from reviewing literature on self-help financial groups is the variations in forms and combinations that exist, due to human ingenuity and the diverse needs that these groups satisfy.^{iv} Roscas and ascas are found among most economic classes and in most countries, including the USA and the UK where they often found among immigrants. Light and others (1990), for example, found numerous roscas called *kye* among Korean immigrants in Los Angeles, and Gold (1988) similarly reported numerous roscas, called *hui*, among Vietnamese immigrants also in California. Velez-Ibanez (1986) also found many roscas among Mexican-Americans in the USA, and Ardener (2014) observed roscas functioning among wives of High Commissioners from Africa who were living in London. In addition, Barton (1977) reported that wealthy overseas-Chinese who lived in Vietnam often participated in roscas.

Many years ago, Geertz (1962) studied these groups and concluded they were rudimentary forms of finance that would wither away with economic development. Subsequent research, nonetheless, showed that self-help financial groups grow and adapt with economic development. As Izumida (1992) noted, at least in Japan, some self-help financial groups evolved into more complex forms of formal finance such as farmers' cooperatives and finance companies. Research in various countries including

Bolivia, Egypt, Indonesia, and India suggests that a substantial part of the population participates in these groups. Schrieder and Cuevas (1992) estimated that as many as 80 percent of the adults in Cameroon were members of at least one self-help financial group.

A challenge in discussing roscas and ascas is that they may carry the same name. Another problem is that they may be entangled with groups that use physical goods -- instead of money as mediums of exchange -- with associations that involve work groups, and with groups that invest in joint ventures. In Liberia, for example, Seibel and Massing (1974) found rice, palm oil, and coffee being used as savings mediums in both rosca and asca forms. Sexton (1992) further found savings groups in Papua New Guinea that earned money through work groups, and invested some of their funds in business ventures that were group-owned and group-operated. To simplify our task, we limit our typologies to those groups that primarily perform financial functions: loans, savings, and insurance, mostly involving money. In the following, we suggest that at least five informal subtypes of financial roscas, and four subtypes of financial ascas appear in the literature.

2. Rotating Savings and Credit Associations

Roscas have been studied by numerous anthropologists, sociologists, and economists.^v What is increasingly apparent is that they are found in many places, and that these groups come in a variety of sub-types.

2.1 Lots roscas

Roscas using drawings or lots to determine rotation of funds distribution may be the oldest form of these groups. At least in the Orient, roscas are mentioned in written records from a thousand years or more ago [Izumida (1992); Kennedy (1997)]. A typical lots rosca is organized and managed by someone who wants a significant amount of money rather quickly, with the organizer typically seeking participants from among friends, relatives, co-workers, and neighbors. It is common for the organizer to receive the money collected in the first rotation. A typical lots rosca may have a dozen members, do a rotation every month, and finish its initial activities in 12 months.^{vi} It may then disband, recycle for another 12 months, and perhaps add or subtract members. While most organizers of lots-roscas are not formally paid for their services, Bonnett (1981) noted that it is common for them to receive small gratuities and gifts from member for their services.

Compared to some other forms of financial self-help groups, lots roscas have several shortcomings. First, they favor recipients who win their pot early, and disfavor the individuals who receive pots late in the rotation. Second, they provide no reward on savings deposits made by members. Third, except for the person who receives the first distribution, they fail to effectively match when members have access to a pot, with the needs or opportunities of individual members -- that is, they are inflexible in terms of when members have access to their distribution of money. Finally, most of them lack a feature that offers members emergency loans.

Numerous innovations have been employed to reduce these shortcomings. For example, roscas that go through a repeat cycle with the same membership, may invert

the order of the rotation in the second cycle. Thus, the person who received the money first in the initial cycle would be the last to receive the pot in the second go around. This results in a fairer system for savers in the group. Also, to add flexibility, two group members may share payouts at two spots in the rotation to diversify when they receive funds, and on occasions, an emergency may cause members to voluntarily swap places in the rotation. Dolma (2014) reported a clever innovation in lots roscas operating among Nepali speaking immigrants in New York City. To reward savers -- those who drew the distribution in the later phases of the rosca -- each winner of the pot was required to add \$5 to their normal payments of \$100 each month. Thus, the winner of the first pot paid \$105 in the second rotation while everyone else deposited \$100. In the third rotation, the winner of the first pot paid \$110, the second winner \$105, and the others \$100, and so on. This resulted in early winners paying in more than they received, and those receiving money late in the rotation receiving more than they paid in, thus solving the rewards-to-savers' problem.

2.2 Auction roscas

Auction roscas were invented because they reduced the matching problem, treated borrowers and savers more equally, and eliminated the savers' reward difficulty. An auction rosca accomplishes this by allowing members, who have not been winners, to bid for the next pot, with the highest discount bid winning, thus reducing the matching problem.^{vii} Those who most need the pot submit the highest discount bid. Typically, these bids are the amount of discount the bidder is willing to accept in the payments that members initially agreed to deposit.

Auction roscas also reward savers. An important result of bidding is that members who obtain pots early in the rotation, possibly excepting the leader, who often receives the first distribution without bidding, end up paying in more over the life of the rosca than they take out – they are net borrowers in an auction rosca. At the same time, those members who receive their pots late in the rotation pay in less than they receive, thus realizing a reward for saving.

Auction roscas may support more enterprise development than do lot roscas. Seibel and Shrestha (1988), for example, found numerous businessmen in Nepal using auction roscas to initiate or support their enterprises. One hotel owner was a concurrent member of six roscas that were his primary method of financing his business. Wu (1974) reported similar uses of roscas in Papua New Guinea to support enterprise developments, and Tsai (2000) found that auction roscas were a major way that entrepreneurs financed new firms in China during the economic reforms in the 1980-1990s.^{viii}

Auction roscas are common in East Asia, perhaps because roscas may have a long history there. Nonetheless, various forms of auction roscas have been found in many regions of the world. In general, they are more common in urban areas than among rural people, and they often handle larger sums of money than do lots roscas.

2.3 Commercial roscas

A third type of rosca involves merchants and entrepreneurs who use rosca techniques for commercial purposes. These roscas come in numerous variations. The merchant's motivation for employing a rosca is to sell more goods by offering credit arrangements

through the rosca, and the main reason for clients' participation may be the opportunity to buy goods on "installments," perhaps with a discount. Typically, members are recruited by an entrepreneur and they may never meet as a group, or even know each other. Schreiner (2000) reported that some merchants in Argentina sold cars through organizing rosca groups, with the winner in each rotation receiving a new vehicle. In other countries, bicycles, motor scooters, and other consumer durables were also sold using roscas. In Malaysia, Shanmugam (1989) found that commercial roscas were used to sell consumer durables and housewares to women.

Nayar (1986) also reported that many *chit* funds (roscas) in India involved the promoter extracting a commission of say 5 percent from each of the pots, in addition to possibly taking the first distribution. He further reported on a prize *chit* fund in Ahmedabad with 3,500 members and a monthly contribution of Rs. 20 each, that ran for 50 months, and had gambling features. It allowed the promoter to access each month about Rs. 70,000. Each winner was decided by lot to receive a prize that could be as expensive as a motor car, and winners were not required to make further contributions to the fund. The attraction of these roscas was enhanced by a gambling feature, and a closed ended asca arrangement.^{ix} After the 50 months had passed, all 3,450 remaining non-prize winners got their money back, that is 50 times Rs. 20. But the promotor, meanwhile, for 50 months had a substantial amount of money at his disposal, less the cost of prizes.^x The interest he earned on this money made this enterprise profitable. Because of potential malpractices, the prize *chit* was banned in India, but Smets (1992) later reported that they were still being operated by shopkeepers in Sangli, Maharashtra, with prizes including watches, jewelry, radios, bicycles, and refrigerators.

Sometimes, inflation prompts the formation of commercial-roschas. In the 1980s Bolivia suffered hyperinflation, and consumers as well as merchants in La Paz were unable to obtain credit to finance the purchase and sale of consumer durables (Adams and Canavesi de Sahonero 1989). To sustain sales, and to compete, various merchants organized roschas among their clients. Tailors, for example, collected a dozen clients who wanted new suits, with each client agreeing to pay monthly in dollars, one-twelfth the value of a new suit. The tailor then made one suit each month for a member of the rosca, with a drawing being held at the first of the month to determine, from among the non-winners, who would receive the next suit. Under these arrangements, each of the clients, except the last to draw, received a suit earlier than they would have if they had been required to save the entire amount for the suit before receiving it. Denominating the rosca in dollars also protected tailors from capital erosion that would have occurred if they had sold suits at a fixed price in pesos for some later date.

Khatib-Chahidi (1995) reported on roschas in Northern Cyprus that used a different adaptation to inflation. These lots-roschas were called *altun g n * (gold roschas) where the prize in each rotation was a gold piece of a certain weight. Instead of each member paying monthly a fixed amount in local currency, the monthly payment by members depended on what a gold merchant charged the group that month for the gold piece. Thus, the nominal amount that each person paid monthly increased apace with inflation. A variant was to grant the monthly prize in German marks, rather than gold, with each member's monthly share being tied to the total amount of local currency it took to buy a fixed number of marks that month. In these cases, it was the gold merchant and the foreign exchange dealer who profited from these transactions.

2.4 Combinations of roscas and ascas

Still another sub-type of rosca involves combinations, where members of a rosca may concurrently organize and participate in one or more side ascas. Tankou and Adams (1995) reported on such a combination in Cameroon among Bamileke businessmen. The group first organized a lots rosca, but later converted to an auction rosca. This change, however, did not satisfy all the group's financial objectives. This led them to form three ascas that most members of the rosca concurrently joined. One asca was closed ended and provided emergency loans to members. A second asca was open ended and was used to assist with the medical and funeral expenses of members. The third asca was likewise open ended and collected funds from members that were used to support development efforts in the members' home village. The authors mentioned additional benefits of being a member of this rosca. Besides providing social opportunities at monthly meetings, the members also shared business intelligence, a feature that Barton (1977) likewise noted in his study of roscas in Vietnam.

Hamalian (1974) described an example among the Armenian population in Lebanon, where some simple lots roscas evolved into a variety of commercial and non-commercial ascas, collectively called *skirket*, the Turkish word for association or cooperative. Hamalian estimated that about two-thirds of the adult females in the Armenian community in Beirut were members of such groups, often involving concurrent membership in two or more sub-types of roscas and ascas. Earlier, *skirkets* were mostly used by Armenian refugees as emergency and burial funds with asca features.

Further complicating this picture, numerous researchers have noted that it is common for members of roscas to be concurrent members of separate roscas and even separate ascas, with diverse groups having shorter or longer cycles.^{xi} In some cases, members used the proceeds from one group to fulfill obligations in other groups. Similarly, it is not uncommon for an organizer/manager of a rosca to handle more than a single rosca at the same time. One of the authors met an employee of the Central Bank of Taiwan who, on the side, was managing seven separate roscas, mostly comprised of bank employees.

2.5 Roscas in financial institutions

Revisiting Geertz's (1962) forecast that self-help financial groups would wither away with development, it is astounding how often these groups are found among bank employees and employees of other formal or semi-formal financial institutions. Based on casual interviews, we have encountered roscas in many such institutions. For example, most of the employees of a credit union federation in Cochabamba, Bolivia were members of roscas, called *pasanaku*. Many of the employees of Bank Indonesia (Indonesia's Central Bank) were members of roscas called *arisan*. Nearly all the employees of the Central Bank of Belize were members of roscas, called syndicates. During assignments in the Bahamas, one author found roscas, called *esu*, operating among bank employees, staff of credit union federations, and among workers in regulatory agencies. In the Central Bank of the Philippines, a substantial percentage of the employees were members of roscas, called *paluwagan*. Among Central Bank employees in Taiwan, their numerous roscas were called *hui*. Many of the employees of development banks in Indonesia were also rosca members. In the Dominican Republic,

Central Bank employees referred to their roscas as *san*. IMF and World Bank employees from Ethiopia, living in Washington, D.C., called their rosca an *ikub*. Workers in the Central Bank of Mexico also participated in roscas, called *tanda* or *cundina*. Roscas were likewise common among employees of the African Development Bank, being called by names including *tontine*, *stockvel*, and *susu*. In addition, employees in the Asian Development Bank in Manila only whispered about their roscas, because bank management had decreed that these self-help groups among employees were prohibited.^{xii}

Baydas and others (1995) studied roscas among bank staff in the Agricultural Development Bank of Egypt where these groups were called *gam'iya*. They found that more than 75 percent of the bank employees participated in roscas comprised of bank staff, and that they were members, on average, of 1.5 roscas each. About one-third of the employees who did not participate in roscas inside the bank, were members of other roscas. It was also common for the spouses of bank employees to be members of other roscas outside the bank. Overall, bank employees were placing a surprising 15 to 20 percent of their monthly incomes into roscas. In some branches of the bank, it was common for all the employees to belong to one or more roscas within the unit. Obviously, roscas were providing valuable services to these bank employees that their bank employer did not offer. Given the relatively large amounts of money involved in these roscas, it seems inappropriate to view them as primarily socializing affairs.

3. Accumulating Savings Credit Associations

There is less literature on ascas than there is on roscas, suggesting that ascas have been underrecognized. When they are clearly defined, and more carefully studied, it could be that there are more ascas than roscas worldwide. As with roscas, ascas come in various forms. The core operations of many of these groups involves members periodically depositing small savings with the group, and then members occasionally borrowing from group funds. Rather than providing a lending feature, some ascas offer informal insurance or emergency assistance.

3.1 Closed ended ascas

Many ascas are closed ended where a fixed date is set for when the accumulated deposits, possibly topped off with the interest earned on loans made by the group, are returned to members. Some groups call that event share-out time. In Latin America, share-outs are often every 12 months, in anticipation of a holiday. In other regions, groups may opt to receive their share-outs shortly before planting time, when school fees are due, or when religious or cultural events occur. CARE, Oxfam, and various other nongovernmental organizations (NGOs) have successfully promoted hundreds of thousands of these savings groups, especially in Africa, Asia, and in Latin America [Allen and Panetta (2010); Ashe and Neilan (2014); Martin (2014); Mersland (2007); Wilson et. al. (2010)].

A major advantage of closed ended ascas, over some other forms of self-help groups, is that members can predetermine when access to a considerable sum of savings is most useful for them, and then tailor their group to satisfy the collective needs of the members. Another attractive feature of closed ended ascas is that they provide savings

opportunities for some members, while offering convenient access to loans for others. In the typical asca promoted by CARE, this includes borrowers paying an average of 10 percent per month on their short-term loans, with some ascas charging as much as 20 percent per month. These robust interest rates, in turn, provide attractive rewards for those in the group who are primarily savers.

One of the authors visited several promoted ascas near Puebla, Mexico with mostly women members (Dajui et al. 2013). They were of the closed ended variety, and did their share-outs just before Christmas, with members saying they mainly used payouts to cover their social and religious commitments associated with the holiday season. Two features of these ascas were interesting. First, like many CARE sponsored ascas, the groups charged members who borrowed group funds 10 percent per month on their loans. Second, they sometimes made loans to nonmembers, but charged 20 percent or more per month on these loans. Because of these considerable interest rates on loans, members who were primarily savers in the groups, reported receiving share-outs after twelve months that were 30 to 40 percent larger than the amounts they deposited. Catering to local customs, other closed ended ascas in India, and especially in Islamic countries, charge much lower rates of interest, or sometimes, no interest at all (as such) on loans made to group members (Aga Khan Foundation 2014).

Morduch and Schneider (2017) made an insightful observation about savings by poor people. They noted that, unlike wealthier people, who may have savings goals that are far in the future, poor people have much shorter time horizons for savings. Deaton (1992) called these high frequency savings, something closed ended ascas are

especially proficient at handling. An underappreciated service that closed ended ascas provide to members is a way to accumulate savings that are meant to realize diverse, short-term goals, such as paying for weddings, covering school fees, buying a consumer durable, acquiring livestock, or financing a *hajj*.

3.2 Open ended ascas

Other ascas operate with no fixed time for payout, major examples being the self-help financial groups (SHGs) in India, Indonesia, and several other countries. Some advocates of SHGs suggest they involve the largest number of promoted self-help financial groups in the world. Seibel (2010) described the nature and purpose of these groups. He noted they are often organized by banks, NGOs, or other development agencies with the objective of eventually connecting these groups to banks. Indian officials promoted the scheme with the slogan “savings first.” In initial phases, SHGs collect savings from members that were mostly kept as a loan fund within the group, while part was deposited in a group-savings account in a bank. After a probationary period, the group may qualify for group loans from a bank, with the lender retaining the group’s bank deposits as loan collateral (Tankha 2012). SHGs may begin by stressing savings, but then evolve into also stressing access to bank loans. In addition, many SHGs are grouped into federations. This structure is then used by the federations to provide other services.

While on an assignment in Russia in the early 1990s, one of the authors encountered an open ended asca that was operating among employees of a large state-owned farm

outside Noginsk, a town near Moscow. About 150 individuals were members of the asca, they deposited a small, fixed amount each month with a leader, who, in turn, deposited in a bank the money collected from members. Members could borrow from the accumulated funds, and paid modest interest rates on these loans. As inflation was spiraling out of control in the country at the time, the purchasing power of the group's bank deposits was rapidly disappearing, but members were unable, or unwilling, to adjust the group's procedures to protect the real value of their savings. Subsequent interviews in Russia suggested that similar ascas were common among employees of other large enterprises in the country, including among workers in large, state-owned pawn shops.

3.3 Commercial ascas

Most ascas are nonprofits, but there are cases where an entrepreneur organizes and manages a group for personal gain. Examples of this are the *susu* collectors in Ghana that Aryeetey and Steel (1995) studied. The average collector had about 300 clients -- mostly women who worked in central markets. They were visited daily and small savings were given to the collector. Typically, these deposits were returned to the saver at the end of each month, making these ascas closed ended. No interest was paid on individual deposits and collectors charged a monthly fee of about three percent on the deposits collected for their services. For safe keeping, collectors often deposited in banks the money they collected. In addition, some clients occasionally obtained informal loans from collectors.

These ascas provided several benefits to members through this commitment form of savings. As Rutherford (2000) noted, self-help financial groups allow members to save small sums and assemble a larger, and more useful lump of savings in the future. Along with this, they may satisfy an “illiquidity preference” of members who wish to avoid buying items compulsively, or even being asked to lend money to friends or relatives. A major advantage for these asca clients was that they could make deposits, while incurring few transaction costs in doing so, and they were willing to pay for that service. The opportunities to borrow – essentially credit reserves -- that may be available from the collectors, even if not used by members, were an additional advantage for these asca members.

Several variants of the *susu* collector system have been reported in India and the Philippines. Bhatt (1989) described a similar system that the Syndicate Bank in India operated, called pygmy savings accounts, that included commissioned agents visiting, on a regular basis, an informal group of clients who made deposits with these agents. In the Philippines, the system was turned on its head with itinerant, merchant agents, called *bombays*, who facilitated installment buying through a system called *puhulugan*. They delivered consumer durables to rural clients, and then periodically revisited customers to collect small payments (Adams and Nazaria-Sandoval 1992). In this quasi “commercial asca”, the lump of “savings” came first to the client in the form of a consumer durable and the bits of “savings” followed later in the guise of loan repayments.

Still another variant of commercial ascas are consumer goods ascas where a leader forms a group to buy goods in substantial quantities, and may, thereby, receive a

discount from merchants (Hospes 1996). These are typically closed ended ascas that usually collect funds from members just before the purchase. Velez-Ibanez (1986) noted such ascas being operated by prisoners in Mexico's notorious Leucunberri prison, the purpose of the group being to buy, at a discount, wholesale amounts of marijuana within the prison. Sexton (1982) also found commercial ascas in Papua New Guinea, mostly comprised of women.

Women were often members of commercial ascas in Indonesia and used them to buy household items and consumer durables. Papanek and Schwede (1988) estimated that three-fourths of the women in Jakarta belonged to one or more *arisan*, including commodity *arisan*, in which women save for the purchase of an item and, through bulk-buying, arranged for a quantity discount from the seller. Some ascas earned a "profit" by charging members the retail price for the commodity, while buying at a lesser price. Typically, at the end of a year, these earnings were returned to the members in the form of dividends.

3.4 Insurance ascas

Burial societies have been around for millennia, appearing in ancient Greek and Roman times and later throughout Europe, including in Jewish communities. The Friendly Societies that were popular in the United Kingdom and in some of its colonies for a time, had similar features (Johnson 1991; Fletcher 1978-79). More recently, open-ended insurance ascas have been found in numerous countries, particularly in Africa. For example, in Ethiopia they are called *iddir*, and in Tanzania some groups that provide funeral services are called *muungano* (Dercon et al. (2006). These are open ended ascas that provide funeral and burial insurance for members, sometimes along with

additional emergency assistance. At least three varieties of nonprofit funeral ascas have been reported in the literature: communitywide groups, associations built around ethnic affiliation, and heterogeneous groups (Gerdes 1975). In Zimbabwe, ethnic groups of immigrant workers often formed funeral ascas (Hall). Mengesha (2013) even found Ethiopian taxi owners in Boston participating in funeral ascas. Burial ascas are especially popular in societies where a priority is placed on elaborate funerals. In addition, Roth (2000) reported on for profit funeral ascas organized by funeral homes in South Africa.

Typically, membership in the nonprofit variety of these groups involves a small initial fee and then paying a fixed amount each month to sustain their insurance. In addition, members may be called upon to make additional ad hoc payments to the asca when numerous deaths occur among group members. Participants may also be expected to attend funerals of members and contribute their time and some commodities to events associated with interments. In South Africa, Zimbabwe, and Benin studies show that a substantial percentage of the population belongs to one or more funeral ascas (Hall 1987; Lemay-Boucher 2012). In these ascas, instead of receiving their accumulated savings sometime in the future, the member buys insurance that covers future funeral and burial expenses.

4. Conclusions

What to make of these numerous, but often invisible groups? While it is noteworthy that possibly millions of non-poor people around the world are members of spontaneous self-help financial groups, it is more significant to note that possibly billions of poor

people are finding comfort in these groups. Without fuss or fanfare, these groups overcome the collateral, loan-screening, and transaction cost obstacles that block most poor people from accessing formal financial services -- obstacles that recent microcredit programs have only partially reduced.

Understanding how ascas and roscas overcome these problems, while providing invaluable financial services for so many poor people ought to be of interest to donors and policy makers. A book by Bouman (1990) and another volume by Collins and others (2009), pinpointed the nature of these needs and services. On the one hand, Bouman noted that poor people mostly deal with financial transactions that are small, short term, and are unsecured, all features of services that self-help financial groups provide exceedingly well. On the other hand, Collins and others documented that the overriding features of most poor households is their income instability, and their struggles to smooth household consumption. Self-help financial groups are tailored to help poor households cope with this instability, and saving is a key element in this coping – a feature that is often missing in traditional microcredit programs that concentrate on fostering new enterprises.

Access to occasional loans, attractive opportunities of save, and various forms of insurance are tools that poor households juggle in dealing with household challenges. While a few poor individuals may have the opportunities to establish or expand income-generating activities, most poor households mainly use financial services to deal with these emergencies and disasters.^{xiii} Self-help financial groups are social safety nets that are created by the people who need and use them.

For women, who are often the managers of poor household finances, self-help financial groups provide several especially important services. They allow members to make small deposits and have access to small loans, while incurring negligible transaction costs, along with enjoying social benefits. For women who primarily wish to save, these groups also offer ways to convert tiny amounts of savings into larger, more useful amounts, and in some cases, also provide savers attractive rewards. These groups also generate valuable services for those members who are primarily interested in borrowing, or at least having access to loans when needed, or even having some form of insurance.

An important lesson from sifting through the literature on informal self-help financial groups is that concerned observers must ask about those groups that are formed spontaneously to find them – they don't advertise their wares and most operate out of sight. Nonetheless, after families and ethnic groups, they may be the next most common social organization in low income countries.

References

- Adams, Dale W, and Marie L. Canavesi de Sahonero. 1989. "Rotating Savings and Credit Associations in Bolivia." Savings and Development 13, no. 3:219-236.
- Adams, Dale W, and Virginia Nazaria-Sandoval. 1992. "Informal Finance in a Semi-Rural Area of the Philippines." Savings and Development 16, no. 2:159-168.
- Aga Khan Foundation. 2014. "Community-Based Savings Groups in Bihar." New Delhi: Aga Khan Foundation.
- Allen, Hugh, and David Panetta. 2010. Savings Groups: What Are They? Washington, DC: SEEP Group.
- Ardener, Shirley. 1964. "The Comparative Study of Rotating Credit Associations." The Journal of The Royal Anthropological Institute of Great Britain and Ireland 94, no. 2: 201-229.
- , 2014. "Credit Unions and Money Clubs (roscas)." Anthropology Today 30, no. 4:1-6.
- Aryeetey, Ernest, and William. F. Steel. 1995. "Savings Collectors and Financial Intermediation in Ghana." Savings and Development 19, no. 2:191-212.
- Ashe, Jeffrey, and Kyla J. Neilan. 2014. In Their Own Hands: How Savings Groups are Revolutionizing Development. San Francisco: Berrett-Koehler.

- Banerjee, Abhijit, Dean Karlan, and Jonathan Zinman. 2015. "Six Randomized Evaluations of Microcredit: Introduction and Further Steps." American Economic Journal: Applied Economics 7, no. 1:1-21.
- Barton, Clifton A. 1977. "Trust and Credit: Some Observations Regarding Business Strategies of Overseas Chinese Traders in South Vietnam." PhD diss., Department of Anthropology, Cornell University.
- Baydas, Mayada. M., Zakaria Bahloul, and Dale W Adams. 1995. "Informal Finance in Egypt: Banks within Banks." World Development 23, no. 4:651-661.
- Bhatt, V. V. 1989. "On Financial Innovations and Credit Market Evolution," Economic Development Institute Working Paper no. 52, World Bank, Washington, DC.
- Bonnett, Aubrey W. 1981. "Structured Adaptation of Black Migrants from the Caribbean: An Examination of an Indigenous Banking System in Brooklyn." Phylon 42, no. 4:346-355.
- Bouman, F. J. A. 1995. "Rotating and Accumulating Savings and Credit Associations: A Development Perspective." World Development 23, no. 3:371-384.
- , 1990. Small, Short and Unsecured: Informal Finance in India. New Delhi: Oxford University Press.
- Collins, Daryl, Jonathan Morduch, Stuart Rutherford, and Orlanda Ruthven. 2009. Portfolios of the Poor: How the World's Poor Live on \$2 a Day. Princeton: Princeton University Press.

- Dajui, Esteban M., Ignacio C. Cerda, and Miguel S. Hernandez. 2013. Finanzas Comunitarias: Metodología para la Formación de Grupos de Ahorro y Préstamo Comunitario en el Medio Rural. Puebla, Mexico: Colegio de Postgraduados, Campus Puebla.
- Deaton, Angus. 1992. Understanding Consumption. Oxford: Oxford University Press.
- Dercon, Stefan, Joachim De Weerd, Tessa Bold, and Alula Pankhurst. 2006. "Group Based Funeral Insurance in Ethiopia and Tanzania." World Development 34, no. 4:685-703.
- De Weerd, Joaquim. 2001. "Community Organizations in Rural Tanzania." Economic Development Initiatives, Bukoba, Tanzania.
- Dolma, Tsechu. 2014. "Savings Groups: Case Study of Dhukuti in New York Nepali-Speaking Community." Unpublished paper, School of International Public Affairs, Columbia University, New York.
- Fernando, Edgar. 1986. "Informal Credit and Savings Organizations in Sri Lanka: The Cheetu System." Savings and Development 10, no. 3:253-263.
- Fletcher, Leonard P. 1978-79. "The Friendly Societies in St. Lucia and St. Vincent." Caribbean Studies 18, no. 3-4:89-114.
- Geertz, Clifford. 1962. "The Rotating Credit Association: A Middle Rung in Development." Economic Development and Cultural Change 10, no. 3:241-263.
- Gerdes, Victor. 1975. "Precursors of Modern Social Security in Indigenous African Institutions." The Journal of Modern African Studies 13, no. 2:209-228.

- Gold, Steven J. 1988. "Refugees and Small Business: The Case of Soviet Jews and Vietnamese." Ethnic and Racial Studies 11, no. 4:411-438.
- Hall, N. P. 1987. "Self-Reliance in Practice: A Study of Burial Societies in Harare, Zimbabwe." Journal of Social Development in Africa 2:49-71.
- Hamalian, Arpi. 1974. "The Shirkets: Visiting Pattern of Armenians in Lebanon." Anthropological Quarterly 47, no. 1:71-92.
- Hospes, Otto. 1996. People That Count: Changing Savings and Credit Practices in Ambon, Indonesia. Amsterdam: Theses Publishers.
- Izumida, Yoichi. 1992. "The Kou in Japan: A Precursor of Modern Finance." In Informal Finance in Low-Income Countries, ed. Dale W Adams and Delbert A. Fitchett, 165-180. Boulder, Colorado: Westview Press.
- Jacques, E. W. 1931. "A Chinese Loan Society." Man 31:225-226.
- Johnson, Howard. 1991. "Friendly Societies in the Bahamas 1834-1910." Slavery and Abolition 12, no. 3:183-199.
- Kennedy, Gerard F. 1977. "The Korean Kye: Maintaining Human Scale in a Modernizing Society." Korean Studies 1:197-222.
- Khatib-Chahidi, Jane. 1995. "Gold Coins and Coffee Roscas: Coping with Inflation the Turkish Way in Northern Cyprus." In Money-Go-Round, ed. Shirley Ardener and Sandra Burman, 241-261. Oxford: Oxford University Press.
- Lemay-Boucher, Philippe. 2012. "Insurance for the Poor: The Case of Informal Insurance in Benin." Journal of Development Studies 48, no. 9:1258-1273.

- Light, Ivan, Im Jung Kwuon, and Deng Zhong. 1990. "Korean Rotating Credit Associations in Los Angeles." Amerasia 16, no. 1:35-54.
- Low, Alaine, 1995. A Bibliographical Survey of Rotating Savings and Credit Associations. Oxford: Oxfam.
- Martin, Xavier. 2014. "How Do Savings Groups Work: Experience from Latin America and the Caribbean." Washington, D. C.: Pro Savings Program.
- Mengesha, Elizabeth. 2013. "Informal Funeral Insurance and Savings Schemes Among Ethiopian Taxi Drivers in Boston," Unpublished paper, The Fletcher School of Law and Diplomacy, Tufts University, Boston.
- Mersland, Roy. 2007. "Innovations in Savings and Credit Groups – Evidence from Kenya." Small Enterprise Development 18, no. 1:50-56.
- Morduch, Jonathan, and Rachel Schneider. 2017. The Financial Diaries: How American Families Cope in a World of Uncertainty. Princeton: Princeton University Press.
- National Bank for Agriculture and Rural Development (NABARD). 2017. Status of Microfinance in India, 2016-17. Mumbai: NABARD.
- Nayar, C. P. S. 1986. "Can A Traditional Financial Technology Co-Exist with Modern Financial Technologies? The Indian Experience." Savings and Development 10, no. 1:31-58.
- Papanek, Hannah, and Laurel Schwede. 1988. "Women are Good with Money: Earnings and Managing in an Indonesian City." Economic and Political Weekly 23, no. 44:73-84.

- Roth, Jimmy. 2000. "Informal Micro-Finance Schemes: The Case of Funeral Insurance." ILO working Paper No. 22. Geneva: International Labor Office.
- Rutherford, Stuart. 2000. The Poor and Their Money. Delhi: Oxford University Press.
- Schreiner, Mark. 2000. "Formal Roscas in Argentina." Development in Practice 10, no. 2:229-232.
- Schrieder, Gertrud. R., and Carlos. E. Cuevas. 1992. "Informal financial Groups in Cameroon." In Informal Finance in Low-income Countries, ed. Dale W Adams and Delbert A. Fitchett, 43-56. Boulder, Colorado: Westview Press.
- Seibel, Hans D. and Bishnu P. Shrestha. 1988. "Dhikuti: The Small Businessman's Informal Self-Help Bank in Nepal." Savings and Development 12, no. 2:183-200.
- Seibel, Hans D. 2010. "Old and New Worlds of Microfinance in Europe and Asia." In Southeast Asia's Credit Revolution: From Moneylenders to Microfinance, ed. Aditya Goenka and David Henley. London: Routledge: 40-57.
- , 1985. "Saving for Development: A Linkage Model for Informal and Formal Financial Markets." Quarterly Journal of International Agriculture 24, no. 4:390-398.
- Seibel, Hans D. and Andreas Massing. 1974. Traditional Organizations and Economic Development: Studies of Indigenous Cooperatives in Liberia. New York: Praeger Publishers.
- Sexton, Lorraine D. 1982. "Wok Meri: A Women's Savings and Exchange System in Highland Papua New Guinea." Oceania 52, no. 3:167-198.

- Shanmugam, Bala, 1989. "Development Strategies and Mobilizing Savings Through Roscas: The Case of Malaysia." Savings and Development 13, no. 4:351-368.
- Shipton, Parker. 1992. "The Rope and the Box: Group Savings in the Gambia." In Informal Finance in Low-Income Countries, ed. Dale W Adams and Delbert A. Fitchett, 25-41. Boulder, Colorado: Westview Press.
- Smets, Peer. 1992. My Stomach is My Bishi: Savings and Credit Associations in Sangli, India. Amsterdam: Vrije Universiteit.
- Summerfield, Hazel. 1995. "A Note on Roscas Among Northern Somali Women in the United Kingdom." In Merry-Go-Round, ed. Shirley Ardener and Sandra Burman, 209-215. Oxford: Oxford University Press.
- Tankha, Ajay. 2012. Banking on Self-Help Groups: Twenty Years On. New Delhi: Sage.
- Tankou, Maurice., and Dale W Adams. 1995. "Sophisticated Rotating Savings Credit Associations in Cameroon." African Review of Money Finance and Banking 1-2:81-92.
- Tsai, Kellee S. 2000. "Banquet Banking: Gender and Rotating Savings and Credit Associations in South China." The China Quarterly 161:142-170.
- Vander Meer, Paul., Mu-shan Hung, and William F. Slusser. 2006. "Rotating Savings and Credit Associations and The Economic Take-off of Chulin Village, Taiwan." Unpublished paper, California State University, Fresno, California.

Velez-Ibanez, Carlos. 1986. Bonds of Mutual Trust: The Cultural System of Rotating Credit Associations among Urban Mexicans and Chicanos. New Brunswick, NJ: Rutgers University Press.

Wilson, Kim, Malcolm Harper, and Mathew Griffith. 2010. Financial Promise for The Poor: How Groups Build Microsavings. Stirling, Virginia: Kumarian Press.

Wu, David Y. H. 1974. "To Kill Three Birds with One Stone: The Rotating Credit Associations of Papua New Guinea Chinese." American Ethnologist 1, 3:565-584.

Notes

ⁱ Bouman's initial interest in self-help financial groups focused on roscas. Seibel later reported that some self-help financial groups in Liberia did not use rotations to allocate funds collected by groups, prompting Bouman to add ascas to his terminology.

ⁱⁱ Initially, Bouman (1995) used the acronym ascras, but later shortened it to ascas.

ⁱⁱⁱ We restrict our discussion to self-help financial groups that are informal, thus leaving aside credit unions, and other financial cooperatives that operate with government approval.

^{iv} Ascas and roscas are only two of the types of informal groups found in communities in low-income countries. De Weerd (2001), for example, found 47 distinctive informal groups operating in a Tanzanian village with only 120 households. Eight of these were roscas and several others were ascas with funeral or burial features.

^v For surveys of rosca literature see Low (1995); Ardener (1964); and Bouman (1995).

^{vi} For examples of lots roscas see: Shipton (1992) who describes lot roscas in Gambia where they are called *osusu*; and Summerfield (1995) on lots roscas among Somali women where they are called *hagbad*.

^{vii} For examples of auction roscas see Jacques (1931) on *hui* among overseas Chinese in Sarawak; and Fernando (1986) on Sri Lanka where auction roscas are called *Cheetu*.

^{viii} As Vander Meer and others (2006) found in Taiwan, auction roscas even played a role in financing the growth of industries and communities that were well up the economic ladder.

^{ix} Closed and open ended ascas are described later.

^x This feature was like a closed end asca.

^{xi} Kennedy (1977) reported it was common for individuals to belong to more than one self-help financial group in South Korea, as did Baydas and others (1995) in Egypt, and Wu (1974) in Papua New Guinea.

^{xii} This prohibition was precipitated by an employee who was a member of a substantial rosca in the bank, who had won his pot in the rotation, but was then transferred to work in another country, and then failed to pay his obligations in subsequent rotations of the rosca. Members of the group sought assistance from bank managers in collecting the debt, and this led managers to prohibit (unsuccessfully) future roscas among bank employees.

^{xiii} The disappointing economic results from use of microcredit reported by Banerjee and others (2015) in random controlled trials, might be explained by many borrowing households using borrowed funds to deal with household risks, rather than investing in income generating ventures.