



Determinants of Rotating Savings and Credit Associations (ROSCAs) Features: Evidences from Asmara

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Abstract

Purpose: participation in rotating savings and credit institutions is very prevalent in developing countries including Eritrea. This is despite the fact that such participation is costly in terms of the opportunity cost of time spent in meetings and the risk of loss from defaulting participants. Thus, the objective of this study is to investigate two often overlooked common features of Rotating Savings and Credit Associations (ROSCAs) namely form of balloting and contribution frequency.

Design/methodology/approach: a survey was conducted among 464 respondents from the city Asmara and its environs. Multinomial logit (MNL) was employed to estimate members preferred kind of balloting and preferred periods of contributing to the pot.

Findings: the findings of this study suggest that gender, age, household size, educational level, occupation, marital status, ethnicity, and bank account are found to be significant variables influencing members' choice of balloting form. Similarly, the findings reveal that gender, ethnicity, marital status, religion, bank account, membership to a number of ROSCAs and duration of a ROSCA are found to be significant variables in explaining the choice of respondents' period of pot contribution.

Discussion: this study shows that many of this city's dwellers can and do save; hence, the belief that the poor do not save should be abandoned.

Keywords: ROSCAs, social-based information, pot allotment, choice of balloting form, Eritrea