This article was downloaded by: [Carolyn Kulb]
On: 18 February 2014, At: 05:27
Publisher: Routledge
Informa Ltd Registered in England and Wales Registered Number: 1072954 Registered office: Mortimer House, 37-41 Mortimer Street, London W1T 3JH, UK

Development in Practice
Publication details, including instructions for authors and subscription information:
http://www.tandfonline.com/loi/cdip20

Vinya wa Aka: an expanded microcredit model for community development

Monique Hennink, Carolyn Kulb & Ndunge Kiiti
Published online: 30 Jan 2013.

To cite this article: Monique Hennink, Carolyn Kulb & Ndunge Kiiti (2013) Vinya wa Aka: an expanded microcredit model for community development, Development in Practice, 23:8, 1034-1047, DOI: 10.1080/09614524.2013.840265

To link to this article: http://dx.doi.org/10.1080/09614524.2013.840265

PLEASE SCROLL DOWN FOR ARTICLE

Taylor & Francis makes every effort to ensure the accuracy of all the information (the "Content") contained in the publications on our platform. However, Taylor & Francis, our agents, and our licensors make no representations or warranties whatsoever as to the accuracy, completeness, or suitability for any purpose of the Content. Any opinions and views expressed in this publication are the opinions and views of the authors, and are not the views of or endorsed by Taylor & Francis. The accuracy of the Content should not be relied upon and should be independently verified with primary sources of information. Taylor and Francis shall not be liable for any losses, actions, claims, proceedings, demands, costs, expenses, damages, and other liabilities whatsoever or howsoever caused arising directly or indirectly in connection with, in relation to or arising out of the use of the Content.

This article may be used for research, teaching, and private study purposes. Any substantial or systematic reproduction, redistribution, reselling, loan, sub-licensing, systematic supply, or distribution in any form to anyone is expressly forbidden. Terms & Conditions of access and use can be found at http://www.tandfonline.com/page/terms-and-conditions

Development in Practice, 2013
Vol. 23, No. 8, 1034–1047, http://dx.doi.org/10.1080/09614524.2013.840265

Routledge
Taylor & Francis Group

Vinya wa Aka: an expanded microcredit model for community development

Monique Hennink, Carolyn Kulb, and Ndunge Kiiti

Downloaded by [Carolyn Kulb] at 05:27 18 February 2014

Microcredit is often seen as a simple solution to poverty reduction. However, its sustainability for longer-term community development is debated. This qualitative study describes a unique community-based model of microcredit in Kenya, which includes investment, emergency loans, and social support components. In-depth interviews with group members highlighted how this model fostered longer-term economic development, financial security, and stability. However, additional social and psychological benefits were valued higher than economic gains, although both were closely intertwined as economic security reduced psychological stress. This expanded model of microcredit has the potential to contribute to sustained community development amongst poorer households.

Vinya wa Aka : Un modèle de microcrédit élargi pour le développement communautaire
Le microcrédit est souvent perçu comme une solution simple pour la réduction de la pauvreté. Cependant, sa durabilité pour le développement communautaire à long terme fait l'objet de débats. Cette étude qualitative décrit un modèle communautaire kényan de microcrédit sans pareil, qui englobe des éléments d'investissement, de prêts d'urgence et de soutien social. Des entretiens approfondis menés avec des membres du groupe ont souligné la manière dont ce modèle favorisait le développement économique, la sécurité financière et la stabilité à long terme. Cependant, les avantages sociaux et psychologiques supplémentaires étaient plus appréciés que les gains économiques, bien que les uns et les autres fussent étroitement liés puisque la sécurité économique réduit le stress psychologique. Ce modèle élargi de microcrédit a le potentiel de contribuer au développement communautaire soutenu parmi les ménages les plus pauvres.

Vinya wa Aka: un modelo expandido de microcrédito para el desarrollo comunitario
A menudo el microcrédito es considerado como una solución sencilla para reducir la pobreza. Sin embargo, existen debates en torno a su sostenibilidad para propiciar el desarrollo comunitario de largo plazo. El presente estudio cualitativo examina un singular modelo de microcrédito comunitario llevado a cabo en Kenia, el cual incluye componentes de inversión, de préstamos de emergencia y de apoyo social. Las detalladas entrevistas realizadas con integrantes de los grupos destacaron cómo este modelo fomentó el desarrollo económico a más largo plazo, la seguridad económica y la estabilidad. Si bien se encuentran íntimamente ligados, los beneficios sociales y psicológicos adicionales fueron más valorados que los avances económicos, ya que la seguridad económica disminuyó el estrés psicológico. Este modelo de microcrédito expandido tiene el potencial de contribuir al desarrollo comunitario sostenible de los hogares más pobres.

© 2014 Taylor & Francis

Vinya wa Aka: Um modelo de microcrédito expandido para desenvolvimento da comunidade
O microcrédito é frequentemente visto como uma solução simples para a redução da pobreza. Porém, sua sustentabilidade para o desenvolvimento da comunidade no longo prazo é debatida. Este estudo qualitativo descreve um modelo único de microcrédito baseado na comunidade do Quênia, que inclui investimento, empréstimos emergenciais e componentes de apoio social. Entrevistas minuciosas com membros de grupo destacaram como este modelo promoveu o desenvolvimento econômico de mais longo prazo, a segurança financeira e estabilidade. Porém, benefícios sociais e psicológicos adicionais foram mais valorizados do que os ganhos econômicos, embora ambos estejam intimamente interligados uma vez que a segurança econômica reduziu o estresse psicológico. Este modelo expandido de microcrédito possui potencial para contribuir com o desenvolvimento sustentável da comunidade entre as famílias mais pobres.

Key Words: Labour and Livelihoods – Microfinance; Poverty reduction; Sub-Saharan Africa

Downloaded by [Carolyn Kulb] at 05:27 18 February 2014

Introduction

A human becomes a human because of other humans — African proverb

Microcredit is often hailed as a simple strategy for community development in resource-poor settings, by providing small loans to poor people to develop income-generating activities. There is significant evidence that microcredit does lead to community development through increased income and poverty reduction (Pronyk, Hargreaves, and Morduch 2007); however, less is known about its sustainability for longer-term poverty reduction. Rotating savings and credit associations (ROSCAs) are a common model of microcredit in Africa. They operate both through formal microfinance institutions, which provide small loans to a group, and through informal community-led groups, whereby

> "a number of people form a group and contribute equal amounts on a regular basis to a fund which is usually (but not necessarily) given to one person on each occasion, until everyone in the group has received the money in turn." (Johnson and Sharma 2004, 4)

Group members are often linked together informally and tend to include families, friends, and social networks based on common bonds, such as their tribe, professional groups, neighbourhood, or age (Endeley and Thompson 2007). In Kenya, approximately 53 per cent of adults are members of at least one informal credit group (Malkamaki 2009, vi).

Participation in microcredit has a clear effect on community development by increasing incomes of group members (Pronyk, Hargreaves, and Morduch 2007). Studies in Kenya have shown that participation in microcredit reduced household poverty by 30 per cent (Owuor 2009), and increased household income by 20 per cent (Erulkar and Chong 2005). However, longer-term economic benefits and sustainability of these changes is less well documented. Further research is necessary to explain the nature of long-term benefits of microcredit and the sustainability of these changes.

A further consideration is whether the ROSCA model is sufficient to support longer-term community development. Informal community-led ROSCAs are often criticised for their poor administrative procedures, low enforcement of loan repayment, and lack of investment for capital growth. Endeley and Thompson (2007, 10) state that "*the main weakness of ROSCAs is their low capacity for generating substantial amounts for investments* . . . [and] *the fact that little or no records are kept does not allow for business analysis and planning for growth*". Furthermore, community-led ROSCAs are typically built on existing social net-

works, with little formal structure for loan repayment and enforcement, thereby weakening members' accountability to the group. Repayment delays or defaults among members can create extreme financial and social problems for the group. "*Incentives for members to force each other to repay are weak when these relationships are seen in the broader social context and livelihood strategies involved*" (Johnson and Sharma 2004, 39). Malkamaki (2009, 10) also supports this, stating that the "*embededness of [ROSCAs'] economic functions within wider social relations are both a reason for their success and failure*". Due to these drawbacks Sandsor (2010, 2) states that "*in order for the ROSCA to serve as an economic, social and cultural institution, it must be sustainable both in itself (internal sustainability) and as an institution among other institutions (external sustainability)*". Internal sustainability refers to the inclusion of mechanisms to support member commitment and loan repayment, while external sustainability refers to the ability of ROSCAs to achieve their purpose of offering and managing credit. Achieving sustainability remains challenging for informal community-led ROSCAs.

Informal community-led ROSCAs are based on Asset Based Community Development (ABCD), which involves utilising the strengths, talents, and resources within a community to ensure genuine participation and sustainability in the development process, without external support or control (Kiiti and Nielsen 1999). This approach enables ROSCAs to become self-sufficient and sustainable while building on existing social capital within communities. These social relationships, established through social networks, often become the safety nets within communities that provide support during household economic shocks. However, impoverished communities often lack the management and governance capacity needed to maintain control of community-led institutions (Dasgupta and Beard 2007). Endeley and Thompson (2007) state that *strict rules* or formal binding guidelines need to be strengthened in community-led ROSCAs to promote sustainability and support longer-term community development.

Furthermore, microcredit provides a particularly important route for gender-based development. Poverty is heavily engendered, often tied to women's unequal access to resources and restricted participation in political and economic institutions (Atieno 2001; Endeley and Thompson 2007). Women are also considered to be a credit risk as they have no property to meet collateral requirements for loans from formal banking institutions (Endeley and Thompson 2007). Therefore, examining development strategies for women remains important and improvements to community-led ROSCAs are a particularly beneficial route for poverty reduction amongst women.

This paper presents a case study of *Vinya wa Aka*, a Kenyan women's group that initiated an expanded community-based model of microcredit which goes beyond a basic ROSCA to include mechanisms for investment and social support. *Vinya wa Aka* (meaning "*strength of women*" in Kikamba) was established in 2001, with roots in impoverished rural areas of the Eastern Province of Kenya. At this time, most women in Kenya were reliant on their husbands for financial needs as they were not legally permitted to own property and bank loans required collateral and the co-signage of their husband. In addition, the Kenyan economy was depressed, with high interest rates for bank loans. Therefore, women were unable to access capital to establish small businesses. Bank accounts were not available to women due to the high cash deposit requirement upon opening an account. In this context, informal financial institutions like ROSCAs gained momentum as mechanisms for women to independently access small loans without pre-existing collateral or savings and where other financial products for women were unavailable (Atieno 2001). *Vinya wa Aka* developed an informal microcredit group that began as a basic ROSCA and later expanded to include investment and social support funds. *Vinya wa Aka* is not affiliated with any formal microfinance institution (MFI) scheme or banking institution. It thereby challenges the traditional top-down model of development by recognising the bottom-up model, based on the ABCD framework that builds on community

Downloaded by [Carolyn Kulb] at 05:27 18 February 2014

assets utilised by women's groups. This approach reduces dependency on external aid and technical assistance and may be more sustainable in addressing community development. The purpose of this study was to document the operation of this unique community-led model and identify how participating in this microcredit group contributes to community development.

Methods

Study participants comprised two groups: (a) the founding members of *Vinya wa Aka* who established the microcredit group in 2001 and who remain members, and (b) members of groups trained by *Vinya wa Aka* and based in rural areas of the Eastern Province of Kenya. All 14 founding members of *Vinya wa Aka* were interviewed to understand the group's structure, operation, and vision. Their longstanding involvement as members also provided a unique perspective on the development of the group over time as well as the longer-term effect of group participation on their lives. Founding members were mainly based in Nairobi and were recruited via telephone and email invitations. Founding members also oversee 25 rural groups each consisting of 10–25 members located in the Eastern Province of Kenya. The experience of rural groups with implementing the *Vinya wa Aka* model of microcredit is critical to understanding its transferability to rural women. Ten rural group members were purposively recruited through the founding members. Leaders of each rural group were contacted via telephone, informed about the study, and asked to invite group members to participate. Of those who volunteered, participants were purposively selected to provide diversity in their location of residence, length of group membership, occupation, marital status, education, and age, as shown in Table 1. Ten interviews were sufficient to provide diversity in the issues of interest to this study to reach a point of saturation, whereby the qualitative data yield no more new information and little is gained from additional data collection (Guest, Bunce, and Johnson 2006).

Data were collected using in-depth interviews, observation, and document review. Twenty four in-depth interviews were conducted, 14 with founding members, and ten with rural group members. A semi-structured question guide was used including questions on women's personal experiences as a member of *Vinya wa Aka* and how participating in this model of microcredit had affected their lives. Founding members were asked additional questions about the goals, development, operation, and challenges of *Vinya wa Aka.* In-depth interviews with founding members were conducted in English, and group members in Kikamba. The interview guide for rural group members was translated into Kikamba and back-translated to check for accuracy. Research assistants conducted the interviews in Kikamba and were trained on qualitative interviewing, research ethics, translation, and verbatim transcription. Interview guides were pilot tested and revised. Interviews were conducted in private, quiet locations. Founding members living abroad were interviewed by telephone.

All interviews were 60–90 minutes duration and digitally recorded. This study was exempted by Emory University Institutional Review Board; however, study procedures were fully explained to all participants and verbal consent obtained for participation and recording. Participants received a gift valued at US$10 for their contribution.

Data were also collected using participant observation to understand the leadership and decision-making process amongst founding members and to observe activities of rural group members. Three observations were conducted in different settings, for a period of three to five hours each. Observation of a formal management meeting enabled understanding of administration activities, decision-making, and fund management. Observation at a social gathering of group members contributed to understanding the social component of group membership, including social activities, exchange of support, and celebration. Observation of a catering business highlighted the benefits and challenges of income generation using microcredit. The

Downloaded by [Carolyn Kulb] at 05:27 18 February 2014

Table 1 : Demographic characteristics of founding members and rural group members

Characteristic	All ($N = 24$)	Founding members ($N = 14$)	Trainees ($N = 10$)
Residence			
Urban	11	11	0
Rural	11	1	10
International	2	2	0
Length of VWA membership			
Short (1–3 yrs)	7	0	7
Medium (4–6 yrs)	3	3	0
Long (7–10 yrs)	14	11	3
Educational attainment			
Primary school	1	0	1
Secondary school	10	6	4
College or above	13	8	5
Occupation			
Farming	4	2	2
Small business	8	4	4
Education	8	4	4
Other	4	4	0
Marital status			
Married	16	9	7
Single	4	3	1
Widowed	4	2	2
Age			
30–39	6	3	3
40–49	6	1	5
50–59	10	9	1
60 or older	2	1	1
Level of income[a]			
Low	9	5	4
Medium	6	4	2
High	9	5	4

[a]Income levels were determined by proxy of 13 household expenditure questions, with cutoff points at five even intervals. Expenditure of KSH0–50,000 (US$0–595) was "Very Low"; expenditure of KSH51,000–100,000 (US$606–1,189) was "Low"; expenditure of KSH101,000–150,000 (US$1,201–1,784) was "Medium"; expenditure of KSH151,000–200,000 (US$1,796–2,379) was "High"; expenditure of >KSH200,000 (>US$2,390) was "Very High." For the purposes of this table, "Very Low" and "Low" income categories were combined, as were the "Very High" and "High" income categories.

Downloaded by [Carolyn Kulb] at 05:27 18 February 2014

number of observations was limited by the events that occurred during the three-month data collection period. Observations were conducted by one of the authors in Nairobi and the Eastern province, recorded using field notes and photographs, and used to provide context to data from in-depth interviews.

Data were also collected by reviewing all internal documents relating to the structure, process, and policies of *Vinya wa Aka*. These included a review of the organisation's constitution, policies, and operating procedures, membership documents, meeting minutes, and accounting documents for the last five years. The document review contributed to understanding the structure and operation of the organisation, and was used to augment the findings of the in-depth interviews and observations.

In-depth interviews were digitally recorded, transcribed verbatim and, where necessary, translated into English. Translations were checked for accuracy and completeness by an independent source and de-identified for confidentiality. MAXQDA 2007 (Marburg, Germany) software was used to manage textual data for analysis. A grounded theory approach (Corbin and Strauss 1990) was used for data analysis, whereby inductive themes were identified from participant narratives by reading, re-reading, and writing memos. Core themes were then listed in a codebook and used to code the entire dataset. Coding consistency was assessed by two researchers blind coding a selection of data then revising coding protocols to improve reliability. Data analysis involved searching data by each core theme, and developing thick descriptions of each theme to understand its context and nuance. Structured comparison between participants identified variations within each issue and highlighted any patterns by demographic or social characteristics. Issues were then categorised by their influence on participants' lives and used to explain how the various components of the *Vinya wa Aka* model of microcredit facilitates personal and community development. Data from observations and document analysis was used to validate information from the in-depth interviews and provide additional contextual information not available from interview data.

Downloaded by [Carolyn Kulb] at 05:27 18 February 2014

Results

We describe below the operation of the *Vinya wa Aka* model of microcredit using data from the in-depth interviews, observations, and document review. We then utilise in-depth interview data to describe women's experiences of participating in a *Vinya Wa Aka* group and its influence on individual and community development.

Vinya wa Aka microcredit model

Four core components of the *Vinya wa Aka* model of microcredit can be distinguished: an administrative component that governs group operations; an economic component that guides loan, investment, and repayment activity; a social component that identifies social support obligations; and an outreach component to support community development initiatives and support other groups to establish the *Vinya wa Aka* model of microcredit. Each of these components is described below.

Vinya wa Aka has a constitution that outlines the objectives of the group, membership rules, fund operations (loans, repayments, penalties, and group fund use), election and dismissal of group officials, and meeting procedures. The constitution is developed and agreed upon by group members themselves. The constitution stipulates that groups must elect a governing board every two years, comprising a chairperson, treasurer, secretary, and social organiser, who are reimbursed for group management expenses. Attending monthly group meetings is

mandated in the constitution, with penalties ranging from KSH200–500 (US$2–5) for non-attendance, or not following group rules and procedures. These self-imposed penalties provide accountability that goes beyond the 'social contracts' found in many ROSCA models. The highest penalties are levied against group members who do not attend a monthly meeting or fail to make their monthly contribution to the group fund, causing some women to drop out of the group mainly due to their inability to meet monthly payment requirements. However, dropping out was considered a last resort, after a process of discussion with group members when alternative repayment options were exhausted. Smaller penalties are given for being late to a meeting or not participating in social obligations of the group. Monthly meetings have both a functional and social purpose. During meetings, group business is conducted, such as dispensing loans, collecting repayments, voting on financial decisions, discussing group matters, and reporting on outreach group activities. Meetings also have a strong social role, beginning with a shared meal and social interaction. Meetings rotate between members' homes with the hostess providing a meal, for which she receives a hostess payment to cover some expenses.

The economic component of *Vinya wa Aka* includes savings and loans, investment, emergency loans, and social support funds. The core function of *Vinya wa Aka* is to provide small, low interest loans to group members from a pooled group savings fund, similar to a typical ROSCA model. Each month members are required to contribute a fixed amount of KSH5,000 (US$50) to the group savings fund, which provides both a systematic way for members to save money and funds loans to group members. Loans of up to KSH100,000 (US$1,000) are given at 10 per cent interest, repaid over 12 months with no collateral required.[1] While these stipulations are firmly in place, loan repayments are flexible if a member makes a case for an extended repayment period. Loans are typically used for payment of household expenses (e.g. school fees), establishing small businesses (e.g. farming, export, catering), or building personal assets (e.g. home improvement, education, purchasing stocks). Unlike a typical ROSCA, however, *Vinya wa Aka's* economic activities extend to include investment of the group savings fund in stocks and bonds, equities, and money market accounts to increase the group's financial assets. Investment profits enable the purchase of assets, such as land on which to build small apartments for rent or sale, which contribute to the growth in group capital, whereas a ROSCA simply rotates funds through lending without capital growth of the group. The founding members' group is now a registered investment company, utilising accountants and lawyers for financial decision-making and ensuring compliance with business and property law. The expansion towards investment was challenging, requiring commitment from all group members to increase monthly contributions simultaneously. The *Vinya wa Aka* constitution also stipulates that members contribute fixed amounts each month to fund emergency loans and social support payments for group members, which are unique components not found in a ROSCA. Emergency loans are available to members in times of financial crises, such as medical emergencies or job loss, and given at short notice, a low interest rate (five per cent) and capped at KSH10,000 (US$100). Emergency loans are repaid monthly alongside any regular loans. A social support fund provides payments to group members or their families experiencing major life events, such as a marriage, birth, or death. Payments vary by the event experienced. For example, if a group member dies, her children receive KSH20,000 (US$200); if her spouse or child dies, she receives KSH15,000 (US$150); if a parent dies, she receives KSH10,000 (US$100). Group members also have designated beneficiaries to inherit their investment in the group upon the group member's death. The social support fund also provides members with annual Christmas dividends of KSH10,000 (US$100) for gifts and food, and awards for excelling in membership duties.

Downloaded by [Carolyn Kulb] at 05:27 18 February 2014

The *Vinya wa Aka* model also has a strong social component, with formal obligations and informal expectations to support other members, attend group functions, celebrations (e.g. baptisms, graduations), and outings. Social cohesion amongst members was facilitated early in group formation, where the group visited the families of members (i.e. parents or siblings in rural villages) to strengthen social ties within the group. The social organiser is responsible for notifying the group of members' life events and group obligations, which are funded through the group's social support fund. While many ROSCAs foster social support, *Vinya wa Aka*'s constitution requires specific social duties and members may be penalised for non-compliance, providing additional accountability. Some members were critical of these requirements, reporting that meeting group obligations was often time-consuming and sometimes they were too busy to comply with every stipulation. Additionally, groups faced challenges in monitoring equal participation in social and outreach activities and determining fair penalties for non-participation.

A further component of *Vinya wa Aka* is a strong sense of social responsibility to both share their group model with other women's groups and to contribute to community development projects in their own communities. This is different from a ROSCA, which is focused only on generating funds for loans to members. The founding members received a grant from the New Partnership for African Development (NEPAD), to train 25 existing rural women's groups to implement the *Vinya wa Aka* model. These rural groups received support in developing their own constitution, financial management (e.g. saving, investment, loan management, basic accounting, and business administration), and starting income generating activities. Rural groups were also expected to train others on the group model and start projects that provided their communities with needed products and services, such as tree nurseries, grain mills, beekeeping, preschools, and nursing homes, thereby continuing community development.

Downloaded by [Carolyn Kulb] at 05:27 18 February 2014

Participants' experiences of the Vinya wa Aka *model*

"Enlightenment": Many participants described a period of enlightenment when they joined a *Vinya wa Aka* group because they became exposed to new knowledge on saving money, investment, and financial management. Group members referred to this process as "*waking up*" or "*having our eyes opened*" to the possibility that even with meagre incomes they could save money and invest. Participants described two phases of enlightenment: their first insight came with learning how to save money within a group. Women described the difficulty in developing a habit of saving money, when poverty meant money was immediately spent. For example:

> "When [*Vinya wa Aka*] came and taught us on how to spend and manage our money, our eyes were opened . . . what had blinded us was removed . . . Were it not for them we would be in the same old place. But right now we have 300,000 shillings (US$3,550) somewhere." (Rural group member)

While a traditional ROSCA model may also enlighten women about saving money, the continued mentoring, training, and longer-term support from *Vinya wa Aka* helped women translate enlightenment into action through savings, investments, and capital growth, as shown above.

The second phase of enlightenment came when participants learnt the concept of investment, which changed their perspective from short-term financial survival to longer-term financial planning. On joining a *Vinya wa Aka* group, some women did not have a bank account due to their meagre savings. Women reported that experiences with traditional ROSCA models led only to "*eating money*" (spending it) with no mechanism for investment or longer-term financial planning. For example:

> "Before we got involved with *Vinya wa Aka*, I can say we had no vision. We used to collect money and share it amongst ourselves at the end of the year, we used to 'eat it' and go back to zero. So, even after being in that other group for almost ten years, there is nothing we can show and say … this is what we did. But now … we have a lot to show in terms of better vision, in terms of savings, in terms of wanting to invest." (Rural group member)

This process of enlightenment was a critical part of participants' transition from previous ROSCA models of microcredit towards *Vinya wa Aka's* structured group savings, investment, and long-term financial planning. However, the founding members who trained rural groups reported that a gradual transition was important by initially teaching women how to generate capital through savings before introducing investment strategies. Founding members discovered that initially "*these ladies* [were] *not ready for stocks*", and had difficulty limiting initial training only to savings strategies, without simultaneously introducing investment.

Downloaded by [Carolyn Kulb] at 05:27 18 February 2014

Collective financial power: Participants indicated that a strong benefit of being part of a *Vinya wa Aka* group was not only the collective financial power of the group, which was achieved from pooling financial resources, but also the specific structured mechanisms within *Vinya wa Aka* for group savings and investment of those resources. While a typical ROSCA model allows for pooling monetary resources, *Vinya wa Aka* expands this by investing pooled funds and building group assets. These mechanisms allowed the group to achieve greater economic development than women could achieve individually, for example:

> "When you … put your small resources together you can go far … [investments] multiply that money per year, it is a lot of money. But if you were alone, you could not even save … When we started, we didn't have anything … but now we can say we have some plots [of land] somewhere, although we are struggling, but we are somewhere." (Founding member)

Such collective investments have allowed groups to increase their net worth dramatically. Group contributions to *Vinya wa Aka* have led to saving a substantial amount annually. As one group member explains, "*after saving like that for a few years … we realised we don't even need to run to the bank to get a bank loan*". An added benefit of this financial progress, especially among poorer women, is the sense of confidence amongst women to change their financial situation and become less financially dependent on others, as described below:

> "When … they join [*Vinya wa Aka*] they start contributing something, you will find that they gain confidence in themselves. Yes, they can do something on their own … You know, that confidence matters a lot. If it is not there, you cannot do anything … you will find them changing, even their way of life, even their families." (Founding member)

Financial planning: A further component of women's economic development was the financial planning skills they gained from their *Vinya wa Aka* group, which changed their perspective towards long-term financial planning while also providing the mechanism through which to make financial gains possible. Women stated that the structured savings mechanism, variety of loan options and group investment activities enabled them to build their financial resources and provide security, particularly during times of economic hardship.

Vinya wa Aka group members benefited from the structured savings system of the group, whereby mandatory monthly contributions become part of the group capital so they cannot easily be retrieved by individuals, hence promoting savings. Participants valued this monthly

obligation as it instilled the "*habit of saving money*", focused on longer term financial goals and helped to plan for financial emergencies. The habit of savings also extended to changing individual savings habits; some women described "*concurrent visions*" so that as they saved with the group, they also saved as individuals. Group saving also exerted pressure on women to make their monthly contribution, while the late fees imposed by the constitution encouraged timely payments. This structured savings mechanism was not only effective but valued by group members, for example:

> "Saving money is not very easy on your own, because of temptation of 'eating' [it]. If you leave that money in the banks, with ATMs around you just spend it . . . That money [in *Vinya wa Aka*], we are not supposed to access it, it is a very good avenue of putting money for future causes." (Founding member)

The savings mechanism of the group was particularly valued by group members living in poverty who typically spent all income rather than saving any. Many women stated that they learned how to budget with limited resources in order to meet the group's monthly payments.

The group investment activities of *Vinya wa Aka* were also considered a strategy for long-term financial planning and economic development. Investment was particularly valued by women previously involved in a ROSCA which did not invest funds for capital growth. Once group members understood the concept of investment and experienced financial gains from investing group capital, they felt that it was an easy way to generate income without relying on physical labour or crop success. For example,

> "A lot of women never knew things like this, things like money market . . . things like a stock exchange. Now . . . they have seen the profit . . . They have seen there is somewhere where they can 'hide' money, and it generates more for them without much labor." (Founding member)

> "The fact that we have an investment somewhere, it relieves you, even doing away with stress of where are you going to get [money for] this and this and this." (Rural group member)

The variety of loan options available to *Vinya wa Aka* members was another benefit that contributed towards financial planning. Women can access small, low interest loans from the group that were typically used to establish or expand profit-making small business activities (e.g. catering, farming). For example, one group member has used consecutive loans from her *Vinya wa Aka* group to purchase catering equipment (e.g. fridge, deep freezers, and serving dishes) to expand her business and increase profit; she now employs 20 people and caters lunch for 5,000 Nairobi business people daily. Another group member used loans to establish a garage with her husband, a mechanic, who quit his low-paying job to repair cars in the garage while she sells the auto parts. The founding members' group now has sufficient group capital for each member to take a loan out at any given time, which provides greater flexibility for financial planning than a traditional ROSCA. Furthermore, taking a loan is beneficial to the group as interest payments from loans are paid back into the group, thereby increasing group capital for investment. The emergency loans offered by *Vinya wa Aka* are not typically available in a ROSCA, and provide an alternative to depleting savings, liquidating investments, or taking a high-interest loan from a moneylender, all of which can plunge a household into economic crisis. Furthermore, the social support payments (described below) also provide a financial buffer for members experiencing unexpected hardship.

Group members experiencing life events that may deplete household resources receive a payment to ease financial hardship. The example below highlights the monetary and social support given after the death of a family member.

Downloaded by [Carolyn Kulb] at 05:27 18 February 2014

> "Everybody is going to give 1,000 shillings [US$10] to support her and for the funeral costs . . . to get 40,000 Kenya shillings [US$400] when somebody in your family has died, that's a huge assistance . . . but that comes with the social, because people are there . . . that's what women get from it, they feel there's that sense of support and sisterhood." (Founding member)

Social support: Participants described the sense of security they felt from being part of a *Vinya wa Aka* group, both in terms of social and financial support. However, many women asserted that the social support from group membership was of equal or greater value than the economic benefits. Participants felt a strong sense of sisterhood within their group which provided them with social support, encouragement and assistance. They also described this support as a form of stress reduction since women felt they could rely on their 'sisters' in the group for emotional, social, and financial support. Unlike a ROSCA model which provides no mandate for social support, participants stated that the trust felt amongst group members was facilitated by *Vinya wa Aka*'s constitution which makes transparent all group decisions, procedures, and penalties, therefore promoting group cohesion and preventing disagreements amongst members, as shown below.

> "Surprisingly, in our group, because of the rules and regulations, very rarely do we find people not agreeing. Somehow you find we are all like sisters, I would say." (Founding member)

Many participants commented that *Vinya wa Aka* provided an important support network outside of their family. Participants described the extent of social support received; for example, during weddings and funerals group members contributed to preparations (e.g. cooking, cleaning, hosting visitors), attending proceedings, purchasing gifts, and continuing to provide moral support to celebrating or grieving families; during illness, group members visited the home or hospital, provided food and gifts and raised funds for medical expenses; group members also celebrated births, graduations, or other achievements of fellow members by visiting the family with food and small gifts. Participants described the importance of this support network in terms of relieving stress and feeling supported. For example:

> "I think there's that level of support, knowing people are going to come in during difficult times, during joyful times, to pray with you, to encourage you . . . So I think there is a sisterhood that is there, [it's] the under girth that holds it." (Founding member)

In addition, social interactions provided a forum to learn from other members by discussing new strategies for small business management.

Discussion

As with many community-based microcredit groups in Kenya, the core function of *Vinya wa Aka* is to provide small, low-interest loans to group members from a pooled group savings fund following a basic ROSCA model. However, the structure and operation of *Vinya wa Aka* extend well beyond a simple ROSCA, and include emergency loans, investment activity, social support funds, an outreach component, and a constitution that governs group operations. It is not only the unique structure of the *Vinya wa Aka* model of microcredit that is worthy of reporting but how components of this model contribute to longer-term community development through poverty reduction. Microcredit is often hailed as a simple solution to poverty reduction, yet, long-term sustainability remains in question. While this study did not set out to conduct a

Downloaded by [Carolyn Kulb] at 05:27 18 February 2014

formal evaluation of the *Vinya wa Aka* model, the experiences of its members highlight a range of long-term development benefits, which indicate its potential for sustained community development to improve the lives of poorer households.

Group members highlighted that the economic benefits of participating in a *Vinya wa Aka* group were not only the *economic security* from the structured group savings mechanism, which enabled members to learn the habit of saving money, but also learning to invest the group capital to increase its value, rather than immediately spending any financial gains. The group saving and investment activities prompted a focus on longer-term financial planning, and provided confidence that even with meagre incomes, women could plan for future financial needs. While the group saving component is not new and remains the central feature of a ROSCA, it is the additional investment component of *Vinya wa Aka* that boosts the group capital and prompts a shift towards longer-term financial planning amongst members. Members also gained *economic stability* from their *Vinya wa Aka* group, through the availability of low interest emergency loans and social support payments, which countered economic shocks that often erode household savings in times of crises. Economic shocks can often be catastrophic for a household, leaving them vulnerable to seeking a loan from aggressive moneylenders. The structures within *Vinya wa Aka* help to balance these economic shocks, which has been shown to have a "*consumption smoothing*" effect for households, thus contributing to economic stability while they recover from economic losses (Gertler, Levine, and Moretti 2009). Overall, these components of *Vinya wa Aka* provide an alternative mechanism that may foster poverty reduction in households receiving a microcredit loan.

The structure of the *Vinya wa Aka* model supports both internal and external sustainability, which Sandsor (2010) highlights are absent from a typical ROSCA model. *Vinya wa Aka* ensures internal sustainability through the development of a formal constitution with built-in procedures for enforcement, thereby increasing member commitment and accountability to the group and reducing payment delay or default. These formal structures overcome difficulties of enforcement that exist within social relationships such as ROSCAs (Johnson and Sharma 2004; Malkamaki 2009), while maintaining the value of social capital of these informal groups. These operational mechanisms also support external sustainability of *Vinya wa Aka* by ensuring there is capital for loans to group members and capital growth, through investment, to secure the group's economic sustainability and viability.

Group members also emphasised the significant social and psychological benefits of participating in a *Vinya wa Aka* group, which they indicated often surpassed the economic benefits received. *Vinya wa Aka* group members became enlightened that they could shape their future and felt strong sisterhood within their group for social support during stressful and joyful times. They received skills and confidence to gain ownership of their financial future and contribute to their household and community through their small businesses and in training others on the *Vinya wa Aka* model. These social and economic benefits are in fact closely intertwined, as the economic security and stability gained from group membership contributed to reduced stress amongst participants. Therefore, the structures within the *Vinya wa Aka* model appear to go beyond simple economic development to also contribute to the social and psychological well-being of group members. The *Vinya wa Aka* model fosters strong cohesion amongst group members with activities and obligatory contributions to the social support fund. These components provide the foundation for building social capital that underlies the ROSCA system, contributing towards self-sufficiency and sustainability of community structures that promote development, particularly amongst women.

The value of non-economic benefits of microcredit is gaining recognition in the literature. For example, Barrett (2005, 3) highlights that "*economic behavior is embedded in a socio-cultural context*", which is often overlooked in focusing on measuring the economic benefits of micro-

Downloaded by [Carolyn Kulb] at 05:27 18 February 2014

credit (Stiglitz, Sen, and Fitoussi 2010). Sandsor's (2010) work in Kenya also found that ROSCAs constituted economic, social, and cultural institutions, that together support community development. Examining the social and psychological benefits of microcredit and strengthening these within basic ROSCA models is an area worthy of further research, in particular to re-balance the strong focus on economic gains of microcredit and highlight the equally important contribution of these less tangible components of development.

Conclusion

Identifying women's experiences of alternative models of community microcredit, such as *Vinya wa Aka*, remains critical in shaping future microcredit initiatives to be effective for longer-term community development. The *Vinya wa Aka* model goes beyond a traditional ROSCA to provide emergency loans, investment, social support funds, community outreach, and a formal constitution. Group members' experiences of this model have shown how these additional components can facilitate economic security within poorer households, which had both economic and psychological benefits for women. These outcomes suggest such a model has potential for providing sustained, multifaceted development in the lives of poorer households, and warrants further research.

Downloaded by [Carolyn Kulb] at 05:27 18 February 2014

Acknowledgements

The authors would like to thank the study participants for generously sharing their experiences, Jane Mutinda for logistical support, and Christine Ndinda for transcription of data.

Note

1. In contrast, participants reported that interest rates offered to them at mainstream banks were 25 per cent at this time.

References

Atieno, R. 2001. *Formal and Informal Institutions' Lending Policies and Access to Credit by Small-scale Enterprises in Kenya: An Empirical Assessment*. Nairobi: The African Economic Research Consortium, The Regal Press Kenya, Ltd.

Barrett, C. 2005. *The Social Economics of Poverty: On Identities, Communities, Groups, and Networks*. New York, NY: Routledge.

Corbin, J., and A. Strauss. 1990. *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory*. 2nd ed. Thousand Oaks, CA: Sage Publications.

Dasgupta, A., and V. Beard. 2007. "Community Driven Development, Collective Action and Elite Capture in Indonesia." *Development and Change* 38 (2): 229–249.

Endeley, R. M. R., and R. Thompson. 2007. *Credit Management for Poverty Alleviation*. London: Commonwealth Secretariat and SFI Publishing.

Erulkar, A., and E. Chong. 2005. "Evaluation of a Savings and Micro-Credit Program for Vulnerable Young Women in Nairobi." Unpublished report, Nairobi: Population Council.

Gertler, P., D. Levine, and E. Moretti. 2009. "Do Microfinance Programs Help Families Insure Consumption Against Illness?" *Health Economics* 18 (3): 257–273.

Guest, G., A. Bunce, and L. Johnson. 2006. "How Many Interviews are Enough? An Experiment with Data Saturation and Variability." *Field Methods* 8 (1): 59–82.

Johnson, S., and N. Sharma. 2004. "Institutionalizing Suspicion': The Management and Governance Challenge in User-Owned Microfinance Groups." In *What's Wrong with Microfinance*, edited by D. Harper and T. Malcolm. Rugby: Practical Action Publishing.

Kiiti, N., and E. Nielsen. 1999. "Facilitator or Advocate: What's the Difference?" In *The Art of Facilitating Participation: Releasing the Power of Grassroots Communication*, edited by S. White. New Delhi: Sage Publications.

Malkamaki, M. 2009. "The Role of Informal Financial Groups in Extending Access in Kenya." Unpublished report, Nairobi: FSD Kenya.

Owuor, G. 2009. "Is Micro-Finance Achieving Its Goal among Smallholder Farms in Africa? Empirical Evidence from Kenya Using Propensity Score Matching." Paper presented at the XXVII International Conference of Agricultural Economists, Beijing, August 16–22.

Pronyk, P., J. Hargreaves, and J. Morduch. 2007. "Microfinance Programs and Better Health: Prospects for Sub-Saharan Africa." *JAMA* 298 (16): 1925–1927.

Sandsor, A. M. J. 2010. "The Rotating Savings and Credit Association—an Economic, Social and Cultural Institution." Unpublished thesis, Oslo: University of Oslo.

Stiglitz, J., A. Sen, and J.-P. Fitoussi. 2010. *MIS-Measuring Our Lives: Why GDP Doesn't Add Up*. New York, NY: The New Press.

The authors

Monique Hennink (corresponding author) is Associate Professor at the Hubert Department of Global Health, Rollins School of Public Health, Emory University, USA. <mhennin@emory.edu>

Carolyn Kulb is a Master's graduate from the Hubert Department of Global Health, Rollins School of Public Health, Emory University, USA.

Ndunge Kiiti is Professor of International Development at the Department of Intercultural Studies, Houghton College, NY, USA and Adjunct Associate Professor at the Hubert Department of Global Health, Rollins School of Public Health, Emory University, USA.

Downloaded by [Carolyn Kulb] at 05:27 18 February 2014