



ROTATING AND SAVINGS CREDIT ASSOCIATION (ROSCAs): A VERITABLE TOOL FOR ENHANCING THE PERFORMANCE OF MICRO AND SMALL ENTERPRISES IN NIGERIA



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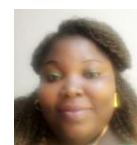
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ABSTRACT

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ROSCAs are informal financial institutions serving the financial needs of many people especially in developing countries. They provide an alternative through which entrepreneurs raise funds to support their business operations. Therefore, this study evaluated the relationship between ROSCAs participation and MSEs performance in Nigeria. A sample of 240 ROSCAs members was selected using stratified random sampling. Data were analysed using Frequency and Percentages, Regression analysis and Goodman and Kruskal's gamma statistics. Findings showed that significant and positive relationship exist between ROSCAs participation and MSEs performance ($G = 0.768, p < .005$). By establishing this connection, the analysis elucidates the prominent role of ROSCAs in enhancing MSEs performance. Additionally, this paper discusses factors influencing participation in ROSCAs and the implications on ROSCAs existence. Internal regulations of Formal Financial Institutions (FFIs) influence ROSCAs participation positively and significantly while income, level of education and attitude of ROSCAs members' impacts significantly but negatively on ROSCAs participation. This study examines rationale for joining ROSCAs and findings indicate that financial motives outweigh all other motives. Our analysis suggested that ROSCAs participation is beneficial because it serves as a mechanism for saving, provides capital with little or no interest, strengthens networks and helps to accumulate assets. Consequentially, it would be important for policy reforms to integrate ROSCAs to FFIs rather than seeking to eliminate them in order to pave way for appropriate linkages and integration of the two systems.

Contribution/ Originality: This study is one of very few studies which have examined the motives for ROSCAs participation among entrepreneurs in Nigeria.

1. INTRODUCTION

Micro and Small Scale Enterprises (MSEs) are evidently behind most of the social-economic transformation in Nigeria where they have contributed immensely to the development process through wealth creation (Kimuyu and

Omiti, 2000). Apart from increasing per capita income and output, they create employment opportunities, enhance regional economic balance through industrial dispersal and generally promote effective resources utilization considered critical to engineering economic growth (Tagoe, 2005; Ademola, 2016). MSEs are paramount in promoting an entrepreneurial culture and technological adaptation.

Despite their significant contribution to the economy, MSEs are undercapitalized, suggesting major operational difficulties in accessing credit and pursuing corporate goals. Non-availability of long-term finance and long procedures to access financial help, where available, has been identified as a major constraint facing entrepreneurs in Nigeria. Lack of access to credit is associated with insufficient income and a lack of assets for collateral, generally land ownership (Johnston and Jonathan, 2008; Thapa, 2015). Almost all the entrepreneurs depend on personal funds, family resources, moneylenders and informal financial institutions (IFIs) as sources of initial and additional capital (Ademola, 2013).

MSEs do not succeed in attracting enough loans because most formal financial institutions (FFIs) consider these enterprises as risky and credit-unworthy, as validated by their high failure rates (Cobham, 2000). The lending policies of various FFIs are unfavourable to MSEs' owners because they are inaccessible to the poor, require collateral securities and underestimate the significance of household savings (Fadiga and Fadiga, 2003). Based on these facts, banks find it difficult to finance MSEs. The incapability of the MSEs to meet the standard set by the FFIs for loan provisions paved way for IFIs to fill the gap usually based on informal social networks (Ademola *et al.*, 2019). IFIs that exist in Nigeria include Isusu, age grade associations, village administration contribution and rural development, men's revolving loan associations, married women's association, town union, local money-lenders and social clubs, etc. Others that are well recognized are Rotating Savings and Credit Associations (ROSCAs) and Accumulating Saving and Credit Associations (ASCAs) (Ademola *et al.*, 2019).

ROSCAs are the most popular forms of IFIs in developing countries (Ambec and Treich, 2003). ROSCAs refer to groups of people who come together for a common purpose and for a specified period of time in order to save and borrow together. They fill the gap in some developed and many developing countries where formal savings or credit facilities are inaccessible (Etang *et al.*, 2011). They offer tangible bedrock to alleviate the problem of financial exclusion by assisting unbanked consumers to save money and access credit. ROSCAs participation is advantageous because it serves as a mechanism for saving, provides access to no-interest financing, very convenient, strengthens networks and provides safe spaces for women and girls to meet. This has proved especially powerful for people with very low incomes who lack access to formal banking system.

However, ROSCAs participation involves some costs, for instance, the opportunity cost of time spent attending meetings and the risk of default suffered by members which may eventually lead to the breakdown of the association. Aside from these, credits provided by ROSCAs are small amounts and not long term. Despite these costs, ROSCAs enjoy popularity and high patronage, therefore the question arises here: why do participants prefer ROSCAs even when there are safer ways of saving and investing within the formal financial system? There is lack of consensus by researchers on the answer to this question yet knowledge of the motives for ROSCAs participation would be fundamental in meeting the needs of the MSEs and addressing issues such as the potential complementarity or substitutability of ROSCAs.

Research has been carried out on ROSCAs from different perspectives and within the context of different countries. For example, the impact of ROSCAs on poverty reduction (Kabuya, 2015) ROSCAs role in facilitating control to the unbanked (Kamran and Uusitalo, 2016) ROSCAs mechanism for creating savings (Aliber, 2001) ROSCAs enforcement and role in the economy (Chiteji, 2002). However, despite these studies, inadequate attention has been given to the factors influencing members' participation in ROSCAs especially in Nigeria. Therefore, this study filled this gap by evaluating the factors influencing entrepreneurs' participation in ROSCAs, assessing the motives for joining ROSCAs and examining the effect of ROSCAs participation on the performance of MSEs in Nigeria.

2. LITERATURE REVIEW

2.1. ROSCAs Characteristics and Management Practices

ROSCA known as Isusu in Nigeria, Susu in Ghana, KO in Japan according to World Bank (2004) refers to an association whose members often contribute a fixed amount that is allotted to each member in turn (may be drawing of lots, bidding or any system that the group establishes. In ROSCAs, a group of trusted individuals agree to contribute a fixed amount into a fund at regular intervals. Meetings are arranged regularly for members where the money collected from the group is given to a member who is chosen through a draw or by negotiation. This process continues until all members receive the sum of the money that have been deposited into the fund (Basu, 2011).

ROSCAs differs from one another in terms of membership, monetary contributions and law enforcing mechanism used by different groups (Agengelu, 2012). The membership in a given cycle of ROSCAs ranges from few to many members and they could be chosen on the basis of age, ethnic affiliation, occupation, religion or educational background or any given social tie (Sandsör, 2010).

2.2. Effect of ROSCAs on the Performance of MSEs in Nigeria

ROSCA is one of the community support mechanisms helping fragile households cope with certain crises through the network of informal and formal relationships. Mbizi and Gwangwawa (2013) reported a significant relationship between ROSCA membership and operations sustainability. Lasagni and Lollo (2011) reported that the endowment of social capital at the village level had a positive correlation with ROSCAs participation in Indonesia.

Also in Nigeria, Adebajo (2010) reported that ROSCAs has brought relief to the people because it is very convenient and also easy to access funds. Kabuya (2015) also provided a critical reflection on the use of ROSCAs in reducing poverty in local communities. The study described the different forms of informal and microfinance institutions, discusses the household poverty measure and, reviews the relationship between ROSCAs and poverty reduction. The author found that ROSCAs makes significant difference to local communities' welfare, measured as a change in the household consumption.

Nuhu *et al.* (2015) analysed the determinants of ROSCAs among rural women in Borno State, Nigeria. The logit regression model was used to determine the effects of factors (socioeconomic, institutional and cultural) on the probability of savings of the respondents. Income, education, marital status, working experience and type of saving institution used by respondents were found to influence their participation in ROSCAs.

Figure 1 presents the factors influencing member's participation in ROSCA and the rationale for joining ROSCAs.

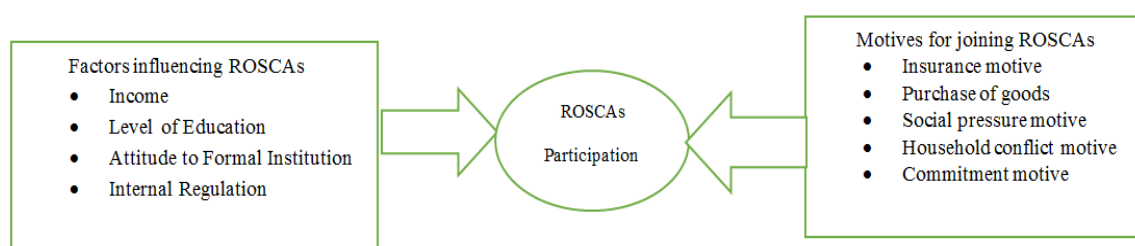


Figure-1. Conceptual framework showing factors influencing entrepreneur's participation in ROSCAs.

2.3. Theoretical Review

The theoretical framework for this research is based on Social Capital Theory.

2.3.1. Social Capital Theory

This theory was stipulated by Woolcock and Deepa (2000). Social capitals are the resources entrenched in relationship that allows people to get some products or services that can't be assessed using other forms of capital.

Social capital by nature is a public good and it depends on the existence of shared values and social norms between two or more persons. It refers to the norms and networks that enable people to act collectively. In supporting this idea, Ansari *et al.* (2011) defined social capital, as a community stock of social trust and norms of reciprocity embedded in social networks that facilitate collective actions.

It also enables people to attach greater value to their family, friends and associates that facilitate collective action. The established social networks help in creating spontaneous mutual insurance mechanisms. The communities that are endowed with a diverse stock of social networks are in a stronger position to confront poverty and vulnerability as opposed to those without such networks. They further observed that social capital is considered to be very dynamic among ROSCAs. This theory encourages a strong link between entrepreneur's choices and their social networks because it provides information, opportunities, human and capital resources. The relevance of this theory is that it explains how entrepreneurs tap the resources entrenched in ROSCAs group to benefit themselves.

3. METHODOLOGY

The study was carried out in Oyo state, Nigeria. Oyo State is one of the prolific small scale entrepreneurial states in the South Western Nigeria with availability of physical and financial infrastructures as well as economic resources. The population for the study consisted of MSE owners who patronize ROSCAs. They were selected from across various sectors mainly commerce, trading and service among others.

The first stage involved random sampling of five (5) Local Government Areas from 33 Local Government Areas in Oyo State. The five selected Local Government Areas were Ibadan North East, Oluyole, Ogbomosho North, Surulere and Ido Local Government Areas. 25 ROSCAs with membership levels of about 50 within the sample area were identified. 240 entrepreneurs were purposively selected. The purposive sampling technique required that the selected entrepreneur must have been ROSCA member for at least two years in order to get meaningful data. Frequencies and percentages, Regression Analysis and Goodman and Kruskal's gamma statistics were used to analyse the data.

3.1. Model Specification

Regression analysis was used to evaluate the factors influencing members' participation in ROSCAs. The model was implicitly specified as follows;

$$Y = f(x_1, x_2, x_3, x_4 + e_i) \quad (1)$$

The model is explicitly specified as follows;

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \quad (2)$$

Where:

α = intercept

Y = ROSCAs Participation.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

The included variables X_1 - X_4 represent income, level of education, attitude towards financial institutions and internal regulations of formal financial institutions.

$\beta_1 - \beta_4$ are the slope coefficients of the regressors, and

ε represents the stochastic residual term designed to capture the effects of unspecified variables in the model which is normally distributed with a mean value of zero.

4. DATA ANALYSIS AND DISCUSSION OF RESULTS

4.1. Socio Economic Characteristics of ROSCAs Members

This included their age, gender, and marital status, level of education and years of experience. A summary of the percentage distribution of these variables among the respondents is represented in Table 1. The study

conducted indicated that 39.58 percent of the respondents were male while 60.42 percent were females. The distribution revealed that females were more involved in ROSCAs than males. This may be because ROSCAs participation enables women to deal with a wide variety of needs, including household savings and financing of economic activities.

Findings further revealed that 20.8 percent of the respondents were between the ages of 20-30 years, 52.1 percent fell between the ranges of 31-40 years and 20.8 percent were between 41-50 years while 6.3 percent were within the range of 51 years and above. This was an indication that the ROSCAs members were predominantly middle aged and they needed to save in order to meet their socio-economic needs such as paying children's school fees, buying household items, paying rents, hospital and water bills among other expenses. About 67.9 percent of the respondents were married, 27.1 percent were single while 5 percent were divorced respectively. This indicated that large proportions of ROSCA members were married and has parental responsibilities to discharge to their family members. Hence, they required more income to cater for their family needs. This finding was in consonance with the submission of Adofu *et al.* (2010) that the majority of the ROSCA members are married.

Only 4.2 percent of the respondents were B.Sc holders, 8.3 percent were NCE holders, 15 percent had senior secondary certificate (SSCE), while about 40 percent had primary school certificates and 32.5 percent of the respondents had no formal education. This confirmed that the majority of the ROSCA members have basic primary education which assists them in computing arithmetic sums for their investments in the group. 35.42 percent had between 1- 4 household members, 54.17 percent had about 5 - 9 household members while only 10.41 percent had more than 10 household members. This implied that ROSCAs members need financial resources to cater for their household members' feeding, clothing, education and other human wants. Thus, the need to participate actively in ROSCAs.

In addition, 18.75 percent of the entrepreneurs saved below #1000 monthly, more than 68 percent saved between #1000 - #5000, 8.33 percent saved between #6000 -#10000 while only 4.17 percent of the entrepreneurs saved more than #10,000 per month. This showed that the entrepreneurs have low savings and this may be the reason for banks' unwillingness to finance their enterprises, thus the majority of them found ROSCAs to be an alternative for people with very low incomes and those who lack access to the formal banking system. This finding was in consonance with the submission of Ademola (2013) who reported that entrepreneurs have low propensity to save.

Table-1. Socio economic characteristics of ROSCAs members.

Variables	Frequency	%	Variables	Frequency	%
Sex			Age		
Male	95	39.58	20-30	50	20.80
Female	145	60.42	31-40	125	52.10
Total	240	100	41-50	50	20.80
			51 and above	15	6.30
			Total	240	100
Marital status			Educational qualification		
Married	163	67.9	B.Sc /B.A	10	4.20
Single	65	27.1	OND/NCE	20	8.30
Divorced	12	5	SSCE	30	15.00
Total	240	100	Primary	80	40.00
			None	100	32.50
			Total	240	100
Household Size			Average monthly savings with ROSCAs		
1 - 4	85	35.42	Below #1000	45	18.75
5 - 9	130	54.17	#1000 - #5000	165	68.75
10 and above	25	10.41	#6000 - #10000	20	8.33
Total	240	100	#11000 and above	10	4.17
			Total	240	100

4.2. Relationship between ROSCA Participation and the Performance of MSEs

The relationship between ROSCA participation and performance of MSE owners was tested using Goodman and Kruskal's gamma statistics, and the result in Table 2 showed that ROSCA participation had a significant and positive relationship ($G = 0.768$, $p < .005$) with the performance of MSEs. The extent of the relationship was 0.768. The hypothesis tested showed $P < 0.005$ suggesting a rejection of the null hypothesis. Therefore, the alternate hypothesis which stated that there was an association between ROSCAs participation and MSEs performance in Nigeria was accepted thus implying that ROSCA participation influences MSEs performance significantly. ROSCAs participation increases savings and investments, enables easy access to soft loans and provides business and market information for participants. All these and many more improve the performance of MSEs. This assertion tallied with the findings of Eroglu (2010) and Siganga (2013) who reported that ROSCA is an important tool for productivity and advancement.

Table-2. Relationship between ROSCA participation and the performance of MSEs

Model	Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Ordinal by Ordinal Gamma	.768	.078	7.038	.000
N of valid cases	240			

4.3. Motives for Joining ROSCAs

Evidence from Figure 2 revealed why members patronise ROSCAs. The first reason is that ROSCAs are a means to purchasing durable goods. Almost all the entrepreneurs (91.67%) used the money they received for the purchase of small piece of land or machines, payment of school fees or house rents and investments in their business. Others used theirs for asset acquisition such as buying house furniture like tables, chairs and sofas sets. This finding was supported with the report of Adebajo (2010) who noted that ROSCAs have assisted poor masses in Nigeria to embark on productive investments, pay for children's school fees and feeding.

More than 80 percent of entrepreneurs asserted that the insurance motive is another reason for participating in ROSCAs. For instance, if a member has not yet received the pot, and is suddenly in need of money due to e.g. funeral or health expenditures, he can receive an earlier order in the rotation conditioned on other members being willing to switch or change orders. The entrepreneurs stressed that this is not possible with formal financial institutions but in case of any emergency, they have something to fall back on. This confirmed the findings of Sandsör (2010) that ROSCAs serve as an insurance mechanism because participants are able to access money when they need it especially during emergencies.

About 79 percent of the entrepreneurs asserted that the commitment motive is another reason for participating in ROSCAs. The entrepreneurs reported that they needed some kind of commitment device to overcome issues of procrastination – the feeling of “I can start saving tomorrow, not today” (Sandsör, 2010). Aside from procrastination, entrepreneurs further asserted that it's difficult to save alone because money was used for other things, either for the family members or spouses. They stressed that savings requires self-discipline and ROSCAs help to cultivate good saving habits. Gugerty (2007) also affirmed that ROSCAs provide a collaborative system for self-discipline in the presence of time-inconsistent preferences and in the absence of alternative commitment technologies.

Social pressure motive was cited as another cogent reason for participating in ROSCAs. About 77 percent of the respondents stressed that they used ROSCAs as an escape route to break free from day to day pressure from the society. Because of the tradition and culture in Africa that values families and relationships, it becomes imperative to assist a family member or friend in need especially when you have the means. However, membership in ROSCAs makes it possible not to actually have the money. Divisibility of income among relatives and friends is avoided by participating in ROSCAs as it helps in protecting one's savings. This finding was supported by Ambec and Treich

(2003) that ROSCAs are financial agreements that assist participants to keep their savings secure despite pressures from relatives and friends.

Additionally, more than 58 percent of the respondents used ROSCAs to resolve intra-household conflict especially in resource allocation. This refers to the conflict between immediate consumption and saving for divisible durable goods. The women entrepreneurs interviewed stressed that they usually devoted a higher proportion of their income to family needs (payment of children's school fees and family feeding) unlike most men, who used their income personally or for things not related to upkeep of the family. As a result, some of them even participated in ROSCAs without their husband's knowledge. With ROSCAs, savings are secured. The result was supported with report of Anderson and Baland (2002) who noted that ROSCAs are used by women in a low-income neighborhood to keep their savings away from their husbands.



Figure-2. Motives for joining ROSCAs.

4.4. Factors Influencing Member's Participation in ROSCAs

The factors influencing members participation in ROSCAs was analysed using multiple regression analysis. The result is as shown in Table 3. The multiple regression line was written as:

$$\text{Performance} = 1.745 - 0.506 x_1 + 0.582 x_2 - 1.0966 x_3 + 0.1978 x_4$$

Adjusted R^2 was 0.559 and this implied that 55.9 percent of changes in performance were explained by the four variables considered in the model. The significance of this value was tested with the analysis of variance (ANOVA) and the calculated F-value was 89.25 which was significant at ($P < 0.05$). However, the four predictors which are income, level of education, attitude towards financial institutions and internal regulations of formal financial institutions were found to significantly influence member's participation in ROSCA.

Specifically, income had a significant and negative influence on member's participation in ROSCA. This result indicates that as income increases, entrepreneurs tend to shift towards the use of formal finance. This finding may be due to the fact that the low income earners feel safer with ROSCAs than participants with high income because high income earners may view ROSCAs as being risky for them to save huge amounts of money therefore they may prefer to save their money with banks for security purposes. Aside from this, when income increases, people may use that opportunity to save in banks and obtain bigger loans. This result tallied with the findings of previous studies Aryeetey (2003) and Johnson and Nino-Zarazua (2008) that ROSCA are used mainly by participants with low income because their incomes and savings may be too low to be considered by formal financial institutions

The level of education significantly and negatively influences member's participation in ROSCA. Findings showed that entrepreneurs with little or no education participated more in ROSCA and that the higher an entrepreneur's level of education, the more their preference for formal finance. This may be because their low education level alienates them from formal financial institutions. However, educated individuals can cope with the requirements of formal banking more easily than uneducated ones. They have confidence and can relate easily to their staffs unlike those that are uneducated. This was in agreement with the reports of Aryeetey (2003); Oladeji and Ogundrinola (2001) that educated individuals are more likely to use formal finance.

Findings further showed that the attitude of ROSCA members towards formal financial institutions though significant was negative. This may be attributed to the feeling that banks are meant for only the rich and therefore do not offer products or services that are affordable by the poor. The entrepreneurs interviewed felt that the collateral requirements, high interest rates and documentation required by FFIs were too burdensome. As a result of this, they developed negative attitudes towards formal financial institutions. This finding supported the assertions of Turvey and Kong (2010); Yaldiz *et al.* (2011); Johnson and Nino-Zarazua (2008) who reported that the negative attitude exhibited by entrepreneurs towards formal financial institutions drove them to participate in ROSCA

Additionally, internal regulations of formal financial institutions exhibited positive and significant influence on ROSCA participation. Rigid and cumbersome know your customer, (KYC) requirements such as too much documentation, inflexibility, collateral requirements, requirement of guarantors, negatively impacted individual borrowing from formal institutions but positively influenced members participation in ROSCA. The stringent procedures for accessing formal credit increases transaction cost and hinders entrepreneurs from accessing loans (Ademola *et al.*, 2019). Consequently, many individuals may be locked out as they do not meet the set qualifications. This finding concurs with reports of Tsai (2004); Yaldiz *et al.* (2011); Batini *et al.* (2010) who posited that restrictive requirements to use formal finance increases informal finance use.

Table-3. Factors influencing member's participation in ROSCA.

Model	Coeff	T value	p> t
Cons	1.745929	8.39	0.004***
Income	-.5061713	-9.36	0.006***
Level of education	-.5827285	-10.88	0.002***
Attitude to formal institution	-1.097993	-13.98	0.000***
Internal regulations	.1978122	2.45	0.015***

Dependent variable: ROSCA participation.

R² = 0.5851, Adjusted R² = 0.559, *** Significant at 5%.

Source: Field survey, 2019.

4.5. Benefits of ROSCAs Participation

The benefits derivable from ROSCAs participation are shown in Table 4. Results showed that more than 90% of MSE owners opined that provision of capital; investment in business; savings mobilization and access to soft credits at low interest rates are the major advantages of ROSCAs participation. The respondents regarded ROSCAs as vehicles for saving which enabled them to pay their children's school fees, invest in their businesses and purchase machineries. According to the entrepreneurs, ROSCAs help to increase their physical asset base thus improving their livelihoods. This finding was supported by Ijaiya (2011) who revealed that ROSCAs is an investment for purchasing indivisible durable goods.

The majority of the entrepreneurs agreed that they have benefitted from ROSCA to 'a large extent' by building strong networks of relationships (89 percent), obtaining business information (89.58 percent) and entrepreneurship training (75 percent). To the participants, ROSCAs is a social gathering where members share a common language and culture. It provides opportunities for participants to socialise, freely discuss, support each other in economic endeavors and congratulate each other in attaining a financial goal. The respondents asserted that ROSCAs support information sharing. They help participants locate where to purchase quality goods at a reasonable price. In this way, ROSCAs offer most of the services those financial advisors in banking institutions provide.

Aside from these benefits, ROSCAs serve as a training ground for participants as members are trained in different skills and they learn new methods of improving their businesses and in case of any business opportunity, they network themselves to ensure that members benefit from such opportunities. Aside from the economic opportunities, ROSCAs also enables participants to save in a more relaxed way in comparison to visiting a stuffy bank branch to make a deposit. ROSCAs also provide a means of upward social mobility. They introduce members

to new ideas and also preserve traditional values and customs. This implied that by virtue of being ROSCA members, one can gain different knowledge and skills from peers and experts in business and financial management. These submissions were in line with the observations of Nwaobi (2005); Eroglu (2010) and Siganga (2013).

Table-4. Benefits of ROSCAs participation.

Variables	Ranking		
	Not at all	To a small extent	To a large extent
Capital for business	3 (1.25%)	17 (7.08%)	220 (91.67%)
Building strong network	10 (4.17%)	15 (6.25%)	215 (89.58%)
Business and market information	18 (7.5%)	22 (9.17%)	200 (83.33%)
Training for entrepreneurship	25 (10.42%)	35 (14.58%)	180 (75.00%)
Credit or savings	-	5 (2.08%)	235 (97.91%)
School requirements for children	5 (2.08%)	35 (14.58%)	200 (83.33%)
Money to pay for house rent	20 (8.33%)	40 (16.67%)	180 (75.00%)
Opportunity recognition for business	30 (12.5%)	35 (14.58%)	175 (72.92%)
Money to invest in other business	2 (0.83%)	8 (3.33%)	230 (95.84%)
Accessing soft credits at low interest rates	2 (0.83%)	8 (3.33%)	230 (95.84%)

5. CONCLUSION AND RECOMMENDATION

ROSCAs are IFIs meeting the financial needs of many people especially in developing countries. They serve as the alternative through which most entrepreneurs raise funds to support their business operations. Therefore, this study examined the relationship between participation in ROSCAs and performance of MSEs in Nigeria. A sample of 240 ROSCAs group members was selected using stratified random sampling. Data were analysed using frequency and percentages, regression analysis and Goodman and Kruskal's gamma statistics.

Findings showed that ROSCAs participation affect MSEs performance positively and significantly ($G = 0.768$, $p < .005$). By establishing this connection, the analysis elucidates the prominent role of ROSCAs in enhancing MSEs' performance. Additionally, this paper discussed factors (income, level of education, attitude of ROSCAs members and internal regulations of FFIs) influencing member's participation in ROSCAs and the implications of these factors on ROSCAs existence. Findings showed that internal regulations of FFIs influence member's participation in ROSCAs positively and significantly while income, level of education, attitude of ROSCAs members to formal financial institutions imparted significantly but negatively on members participation in ROSCAs.

This study examined the rationale for joining ROSCAs and findings indicated that the financial motive outweighed all other motives, as the majority of the respondents participate in ROSCAs to obtain loans for investing in their businesses, payment of school fees and purchase of food items. Some respondents indicated other motives like insurance and commitment motives, as members stressed that ROSCAs help to cultivate good saving habits and make it easy to obtain funds especially during emergencies. Other reasons cited for joining ROSCAs were social pressure and intra-household conflict motives. Our analysis suggested that ROSCAs participation is highly beneficial because it serves as a mechanism for saving, provides capital with little or no interest, strengthens networks and helps to accumulate assets. Consequentially, it would be important for policy reforms to integrate ROSCAs with formal financial institutions rather than seeking to eliminate them. Future studies should also try to establish the linkages between formal and informal finance in Nigeria in order to determine empirically whether they are complementary or substitutes and hence enhance policy formulation.

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