

**IMPACT OF ROTATING SAVINGS AND CREDIT ASSOCIATION (ROSCA) ON THE PERFORMANCE OF MSMEs IN ANAMBRA STATE**

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**ABSTRACT**

This study examined the impact of rotating savings and credit association (ROSCA) on the performance of micro small and medium scale enterprises in Anambra State: a case of Idemili South and Aguata Local Government Area. The study employed the Transaction Cost Theory to explain the relationship between ROSCA and the performance of MSMEs in Anambra State. A sample of 400 ROSCAs members were drawn from both local governments using purposive random sampling. Data were analysed using frequency, percentages and binary logit regression analysis for inferential statistics. The result of findings revealed that membership of ROSCA has the likelihood of 642.3 percent (7.423 odd ratio) to improve MSMEs performance in Anambra state. In addition, the study showed that access to credit from formal financial organisation has the potential (not significant) likelihood of 93.2 percent to reduce MSMEs performance in Anambra state. Finally, the result of findings showed that access to government special intervention funds for MSMEs has the potential (non-significant) likelihood of 62.6 percent to improve MSMEs performance in Anambra state. Based on research findings, the study made the following recommendations among others: Government and its financial regulatory agency should adopt policy that will integrate ROSCAs with formal financial institutions rather than seeking to eliminate them.

*Key Words: ROSCA, MSMEs, Transaction Cost, Binary Logit Model*

*JEL Classification: G23, D23, C25*

## **1. INTRODUCTION**

The dominance of informal financial sectors is mainly seen in developing countries. These sectors are unrecorded, legal and unregulated. Their activities are carried out outside the domain of formal financial activities. Rotating savings and credit associations (ROSCA) is one of the key informal financial institutions that are commonly found in developing economies (Amankwah, Gockel, Osei-Assibey & Nubuor, 2020). Shirley Ardener gave a more general definition by saying that “ROSCA is an association formed upon a core of participants who agree to make regular contributions to a fund which is given, in whole or in part, to each contributor in a rotation” (Amankwah, Gockel, Osei-Assibey & Nubuor, 2020). He emphatically stated that ROSCA rooted from regions of West Africa countries that were economically developed during the slave trade era where these West Africa origins were transported into the Caribbean and the southern part of the United States.

Rotating savings and credit association was coined by Geertz (Geertz 1962). According to him, earlier scholars have used various kind of names to describe the association. Some of which include, slates, contribution clubs, pooling clubs, thrift groups and friendly societies. According to Amankwah et al. (2020), it is called Esusu in Anambra and Liberia, Osusu in Gambia, Susu in Ghana, Asusu in Sierra Leone, Ndjouu in Benin, Arisan in Indonesia, Yao hui in China, Tontine in Cameroon and Senegal, Equbs in Ethiopia, Huis in Vietnam.

Micro and Small-Scale Enterprises (MSEs) are evidently behind most of the social-economic transformation in Anambra where they have contributed immensely to the development process through wealth creation (Ademola, Ben-Caleb, Adegboyegun, Eluyela, Falaye & Ajayi, 2020). 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 (Ademola, 2016). MSMEs are paramount in promoting an entrepreneurial culture and technological adaptation.

MSMEs 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 (Ademola, et al, 2020). 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., 2020). IFIs that exist in Anambra 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.

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.

### **1.1 Research Problems**

Despite their significant contribution to the economy, MSMEs 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 Anambra. Lack of access to credit is associated with insufficient income and a lack of assets for collateral, generally land ownership (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).

The peculiar problem at hand is the existence of inadequate financial services and inclusion in Idemili south and Aguata Metropolis. Self-employed and civil-servants who do not have access to bank loans and are members of ROSCA and other Cooperative Societies. Most of the existing cooperative societies are expected to be registered with the government while low-income earners would not like to do that in order to avoid double tax, payment of dues and levies from the government. This informs the need to evaluate the relationship between ROSCA and the performance of SMEs in Anambra state. Based on the problem identified in this paper, the following reaserch question arises: What is the impact of ROSCA on the performance of MSMEs in Anambra State, Nigeria?

## **1.2 Research Objectives**

To this end, the main objective of this paper is to examine the impact of ROSCAs participation and MSEs performance in Anambra state, Nigeria.

- i. Examine the impact of ROSCA membership on performance of MSMEs in Anambra state.
- ii. Determine the impact of access to credit from formal financial organisation on the performance of MSMEs in Anambra state.
- iii. Establish the impact of government special intervention fund for MSMEs on the performance of SMEs in Anambra state.

## **2. LITERATURE REVIEW**

### **2.1 Savings**

Savings is defined by Keynes (1936) as excess of income over the expenditure on consumption. Put differently, Savings is the unexpended or surplus income of a sector of an economy or the resources not used either for production and/or consumption purposes. It may be hoarded, given out to be consumed by other sector, or given-out as a gift, used as a loan to finance other sector(s) of the economy. Therefore, whatever is saved by a sector of the economy may be what is taken for investment by the other sector(s) of the economy. Keynes (1936) definition of savings is adopted for this study. Saving is a function of Income while Investment depends on rate of interest and Marginal Efficiency of Capital (Keynes, 1936).

The statement of Ishola (2010) that it is unrealistic to have an economy where all income Is spent on consumer goods and services and no saving and investment take place is not accepted, for Keynes (1936) has proved that there could be Autonomous Consumption which means Negative Savings. Negative Savings is a situation where expenditure on consumption is above the income of the consumer. Thus, there can be an economy where all income is spent.

### **2.2 Finance**

There are several definitions of finance. The process of raising funds or capital for any kind of expenditure is financing. Drake & Fabozzi (2010) defines finance as the application of economic principles to decision making that involves allocation of money under conditions of uncertainty. Finance is much more than raising of fund or capital as opined by Olowe (2011) who referred to finance as the management of money. This limitation of the concept of finance to money belittles the scope of finance. This is because other assets like time, physical energy or labor resources that are not quantified monetarily can also be used to finance other projects. This does not evade the fact that some of these resources may converted to money by liquidating them.

Meanwhile, financial institutions can be classified into Formal and Informal Financial Institutions, Schreiner (2000), Ijaiya (2002). The financial institutions that are formed and registered in consonance with the existing rules and regulations of the states or national governments are known as Formal Financial

Institutions (FFIs) while those that are not formed and registered in consonance with the existing rules and regulations of the state are called Informal Financial Institutions (IFIs). IFIs are operated on mutual trusts, poor based, collaterals, borrowings and repayments (Yusuf, et al. 2009).

Institutions that channel funds from sources to users are called financial intermediaries. They include: commercial banks, saving banks, savings and loans association and such non-bank institutions (e.g. credit unions, savings and loans associations, insurance companies, pension funds, investment companies, and financial companies). The financial institutions we have in Anambra are the banks (Deposit Money Banks, Central Bank, Merchant Banks, Mortgage Banks, and Microfinance Banks), finance houses, discount houses, bureau de change, development finance institutions, credit bureau, insurance companies, managers, trustees, collective investment scheme, pension fund administrators, pension fund custodians, stock broking firms, regulatory agencies, and credit rating agencies (Olowe, 2011). With reference to these definitions, one could infer that Rotating Savings and Credit Associations (ROSCA) belong to the Savings and Loans Associations. The fact that Olowe (2011) does not mention ROSCA, specifically, shows that it (ROSCA) has not been given its rightful place in the Economic and Financial History of Anambra.

### **2.3 Rotating Savings and Credit Associations (ROSCA)**

The General review of Rotating Savings and Credit Associations (ROSCA) is based on the evolution, concepts, nomenclature, modus operandi and types of ROSCA.

The mode of ROSCA is the method of organizing ROSCA as an organization. It is discussed with respect to formation, penalty for non-membership, component of members, membership size, volume of contributions, articles of payment, frequency of payments, frequency of loan disbursement, service provision to help clients, sustainability, utilization of funds and methods of dealing with defaulters as they are relevant to Islamic Economics and economic emancipation of their members (human development).

#### **a. Formation of ROSCA**

According to Aredo (1993) a ROSCA is formed when a man in financial need asks his friend to form an Iqqub (Ethiopia name for ROSCA) for him. People do subscribe to ROSCA membership because they want interest-free loans (Aredo, 1993), to mobilize saving when workers do not have access to formal Credit Markets (Besley, et al., 1994) and cannot save alone Gugerty (2005). The reasons given by these scholars might not have exhausted the reasons why people form and/or join ROSCA.

#### **b. Component of Members**

Homogeneous groups form ROSCA (Aredo, 1993). People invited into ROSCA are friends, work-mates, kinfoiks, etc. who are usually of same blood (family members), sex, location, occupation, religion, tribe, political delineation, Ardener (1964), Aryeetey (1995), Besley, et al (1994) and Okorie (1997) among others.

#### **c. Penalty for Non-Membership**

Anybody that rejects invitation to participate in ROSCA is inflicted with societal rejection, Aredo (1993). This means that the ROSCA members of the society would have nothing to do with him as far as ROSCA benefits are concerned.

#### **d. Membership Size**

The average number of people in ROSCA is usually eleven (Aredo, 1993); twelve in Ghana, corresponding to the number of months in a year (Aryeetey, 1995); and ranges from two wage earners up to hundreds (Ardener, 1964). Besley, et al (1994) says sixty-percent of the people of Addis Ababa are members of ROSCA.

**e. Size of Contribution to ROSCA**

Aryeetey (1995) found out that poor people contribute a higher percentage of their income to ROSCA than rich people. This is contradictory to the view of Keynes (1936). Keynes (1936) observes that Marginal Propensity to Save (MPS) tends to increase as income increases while Marginal Propensity to Consume (MPC) tends to fall as income increases. About 16.67 percent of salaries are contributed to ROSCA in Anambra republic and between one-third and a half are contributed to ROSCA in Bolivia (World Bank, 1989).

**2.4 Theoretical Review**

**Contending Hypothesis about the Motives for joining ROSCA**

Besley, et al (1993) hypothesized that ROSCA as an institution gives Pareto superior allocation in a society where there is fragmentation in the capital market. The superiority comes in as the waiting time to buy an indivisible good reduces. Anderson et al., (2009) used the term ‘early pot motive’ as the motive for joining ROSCA for the early purchase of indivisible goods. Theoretically, models that explain the great abundance of rotating savings and credit associations were developed by Besley, et al (1993).

These economists demonstrated that participation in ROSCA was not efficient as compare to saving alone and a random ROSCA gives the individual a higher ex-ante expected utility than formal financial sectors. What this means is that the association gives each of its participants except the last person on the rotation, the pot for the purpose of their participation sooner than they would save alone. However, some participants enjoy their purpose periods after, before others. And almost all the participants with the exception of the last one on the random rotation enjoy it earlier than they would have saved.

**Transaction Cost Theory and ROSCA Participation**

Adam Smith, in the classical school of thought, explained specialization, to be the determinant of the productivity level in an economy. Specialization, on the other hand, can be realized when there is an exchange which involves its own expense a transaction cost. There is an inverse relationship between transaction cost and specialization or division of labour alongside productivity in an economy. Transaction cost depends positively on the existing institutions which include the legal, political, education and social system.

According to the neoclassical economists, the efficient market works only when transaction costs are zero. Whenever there are transaction costs, then institution matters. This confirms the reason for the argument by New Institutional Economists (NIE) that institution matters in the world where much of the national income goes into transaction cost. The formation of the institution is underpinned by the transaction cost which in turn is dependent on the level of information completeness and the capacity of human beings to undergo the information processing.

According to Gugerty (2007), “the cost of transaction arises because information is costly and asymmetrically held by the parties to exchange. The way of measuring the multiple valuable dimensions of the goods or services exchanged or of the performance of agents and the cost of enforcing agreement determines transaction cost”. Hence institutions are built to reduce the level of uncertainty in an exchange. The individuals and the institution as a whole with a bargaining power as a result of the institutional framework have a crucial responsibility in perpetuating the system

**2.5 Empirical Review**

Amankwah, Osei-Koduahb And Boahene (2021), investigated the characteristics of ROSCA participants in Ghana, evidence from Asunafo North Municipality of Ghana. Open and closed ended questionnaire were administered to 400 ROSCA participants. Both purposive and convenient sampling techniques were employed for the study. It was found that females, married individuals, people with no or low level of education, people who are not financially constraint, the poor and people who receives extra financial assistance are the main characteristics of ROSCA participants in Ghana.

Ademola, et al (2020) 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.

David, Aduhisi, Farouk and Adehi (2020) in their study titled assessing MSMES growth through ROSCA involvement using paired t-test and one sample proportion test., examined the effect of rotating savings and credit association (ROSCA) on the growth of micro, small and medium enterprises (MSMEs) and identification of a factor supporting the continuity of ROSCAs. A well-designed questionnaire with a reliability value of 0.957 was distributed to 400 entrepreneurs in Wukari through snowball sampling technique. A paired t-test was applied to know if entrepreneurs achieve significant positive growth in their business before and after 5 years of joining ROSCAs. At 5% level of significance, entrepreneurs achieved significant positive growth in their businesses 5 years and above of joining ROSCAs. Secondly, a one sample proportion Z score test was used to identify the major factor responsible for ROSCAs continuity, flexibility was identified as the major factor responsible for ROSCAs. It was concluded based on the results obtained that ROSCAs has a significant positive effect on the growth of MSMEs and ROSCAs continuity towards MSMEs growth is due to its flexibility factor in terms of operations, disbursement, seeking loans and interest rate.

### **3. METHODOLOGY**

#### **3.1 Research Design**

The survey study employed questionnaire as instrument of data collection. The questionnaires were administered among members and non-members of Rotating Savings and Credit Association (ROSCA) in Anambra state using both purposive and convenient sampling techniques. Purposive sampling technique is a non-random sampling technique which is used to select ROSCA participants for the study whereas the convenient sampling technique is also used to select respondents who will be ready and, in the position, to respond to the questionnaire.

The study was conducted in Idemili south and Aguata Local Government Area of Anambra state. Anambra State is a Nigerian state, located in the south-eastern region of the country. It has over 11 million residents Formed in 1976 from the former East Central State, the state is named after the Anam, one of its clans. (Onumajuru, 2016).

#### **3.2 Sample Size Determination**

In view of the foregoing, the sample size for the study is determined using the Yamane (1967) sample size determination technique. This is expressed below as:

$$n = \frac{4177821}{1 + 4177821 * 0.05^2}$$

$$n = \frac{4177821}{10444.57}$$

$$n \approx 400$$

Based on Yamane (1967) formula as presented above, the sampled respondent was four hundred (400).

### **3.3 Model Specification and Technique of Analysis**

The specified model is expressed as:

$$\text{Performance} = \beta_0 + \beta_1 \text{Member} + \beta_2 \text{Access} + \beta_3 \text{Govt} + \mu \dots \dots \dots 3.1$$

Where:

Performance: is the dependent variable, it is also a dummy variable on why respondents join the association (Y is equal to 1 if individual participation of ROSCA improves the performance MSMEs, zero otherwise).

Member: is a dummy variable which represent participants membership of ROSCA (Memb is equal to 1, if participants is a member, zero otherwise).

Access: is a dummy variable which represent participants access to credit from Formal Financial organisation (Access is equal to 1, if respondents have access to formal financial organisation credits, zero otherwise)

Govt: is a dummy variable which represents participant access to government special intervention fund for MSMEs (Govt is equal to 1, if participant has no access to Government special intervention fund for MSMEs, zero otherwise).

The above model was analysed using descriptive and binary logit model (discrete choice model) owing to the qualitative nature of the dependent variable (dichotomous).

## **4. RESULTS AND DISCUSSION OF FINDINGS**

### **4.1 Demography of Respondents**

Table 4.1 (appendix) captures the demographic characteristics of respondents. The distribution of respondents according to gender showed that majority of the respondents are female with a frequency of 288 representing 72 percent of the total respondents. While the male is 112 representing 28 percentage of the total respondents. This indicates most of the participants of ROSCA are females.

The age distribution depicts that majority of the respondent are from age of 35 to 44, with a frequency of 156 representing 39.0 percent of the total respondents. The second largest age group were 25 to 34 with a frequency of 100 representing 25.0% of total respondents. The age group of 55 and above is the third largest group with a frequency 76 representing 19.0 percent of sampled respondents, while the least group are persons within the ages of 45 to 54 with a frequency of 68 representing 17.0% of the total respondents.

The marital status distribution of respondents showed that 264 representing 66.0% of the total respondents are married, 124 representing 31.0 percent of the respondents are single, while 12 representing 3.0 percent of the total respondents were divorced. Data evidence indicates that majority of the respondents are married.

The educational qualification distribution showed that 116 of the respondents are representing 29 percent of sampled respondents are primary school certificate holders. 32 (8.0 percent) of the total respondents were secondary school certificate holders. 136 (34.0 percent) of the respondents were ND/NCE certificate holders. 92 (23.0 percent) were NHD/BSc certificate holders. while the post-graduate holders are 24 representing 6.0 percent of the total respondents. The available data shows that ND/NCE certificate holders forms the largest group of respondents for this study.

On the occupational distribution of respondents, 44 (11.0 percent) of the respondents are farmers. 168 (42 percent) of the respondents are traders. 92 (23.0 percent) of the respondents are artisans. While 96 (24.0 percent) of the respondents are civil servants. The available data shows majority of the participants of ROSCA are traders followed by civil servants.

The distribution of the family size of respondents showed that 124 (31.0 percent) of the respondents have a family size of 1-3. 56 (14.0 percent) of the respondents have a family size of 4-6. 132 (33.0 percent) of the respondents have a family size of 7-9. While 88 (22.0 percent) of the respondents have a family size of 10 and above. The study revealed that the family size 7-9 form the majority of respondents of this research study and this is followed by respondents with family size that is 10.

The distribution years in economic service of respondents, showed that 140 (35.0 percent) of the respondents have been in active economic service for less than five years as a farmer, trader, artisan or civil servants. 132 (33.0 percent) of the respondents have been in active economic services for less than ten years. While 128 (32.0 percent) have been in active economic services for ten years and more.

**4.2 Relationship between ROSCA and MSMEs Performance**

Table 4.2 (Appendix) present the results of the binary logit model on how impact of ROSCA on MSMEs performance in Anambra state. The result presented revealed that membership of ROSCA have a significant impact on MSMEs performance in Anambra state at 5 percent significant level ( $p\text{-value} = 0.000 < 0.05$ ), a positive coefficient value of 2.005 and an odd ratio of 7.423. This implies that as MSMEs operator becomes member of a ROSCA likelihood of improving MSMEs performance in Anambra state increases by 642 percent (7.423 odd ratio). This outcome is in-line with a priori expectation. Thus, evidence abound to reject the null hypothesis which states that ROSCA participation have no significant impact on the performance of SMEs in Anambra state and accept the alternative hypothesis which stated otherwise.

On the contrary, table 4.2 presented that access to credit from formal financial organisation have no significant impact on improving MSMEs performance in Anambra state at 5 percent significant level ( $p\text{-value} = 0.779 > 0.05$ ), a negative coefficient value of 0.070 and an odd ratio of 0.779. This implies that MSMEs operators access to credit from formal financial organisation potential likelihood of improving MSMEs performance in Anambra state decreases by 77.9 percent (0.779 odd ratio). This outcome is in-line with apriori expectation. The plausible explanation is that MSMEs operators find it rather difficult to near impossible securing loan or credit from formal financial institutions.

Similarly, table 4.2 showed that access to government special intervention funds have no significant impact on improving MSMEs performance in Anambra state at 5 percent significant level ( $p\text{-value} = 0.626 > 0.05$ ), a positive coefficient value of 0.184 and an odd ratio of 1.202. This indicates that MSMEs operators access to government special intervention funds potential likelihood of improving MSMEs performance in Anambra state increases by 20.2 percent (0.202 odd ratio). This outcome is in-line with apriori expectation. The plausible explanation for its non-significance is that MSMEs operators don't have access to the special intervention funds. But when they do it is a booster to funding MSMEs operation unlike the commercial bank credit that comes with an interest which must be serviced irrespective of economic situation.

**Table 4.2: Result of Binary Logit Regression on the impact of ROSCA on MSMEs Performance**

|                            | B     | S.E. | Wald   | Df | Sig. | Exp(B) | 95.0% C.I.for EXP(B) |        |
|----------------------------|-------|------|--------|----|------|--------|----------------------|--------|
|                            |       |      |        |    |      |        | Lower                | Upper  |
| Step 1 <sup>a</sup> Member | 2.005 | .279 | 51.518 | 1  | .000 | 7.423  | 4.294                | 12.833 |
| Access                     | -.070 | .252 | .078   | 1  | .779 | .932   | .569                 | 1.526  |
| GOVT                       | .184  | .378 | .238   | 1  | .626 | 1.202  | .574                 | 2.520  |
| Constant                   | -.560 | .250 | 5.020  | 1  | .025 | .571   |                      |        |

a. Variable(s) entered on step 1: Member, Access, GOVT.

### **4.3 Implication of the Study**

This study examined the economic assessment of the impact of rotating and savings credit association (ROSCA) (Osusu) on the performance of micro small and medium scale enterprises in Anambra State: a case of Idemili South and Aguata Local Government Area. The policy implication of findings from the empirical analysis are expressed below.

The result of findings revealed that membership of ROSCA, a form of informal financial organisation provides members access to much coveted funds that are not easily access from formal financial organisation. This implies that informal financial organisations seem to be the major source of credit for MSMEs operators. Statistic has shown that the informal sector contributes more 60 percent of the gross domestic product of our economy (NBS, 2015). Thus, the financial exclusion of the informal sector is a bane to the growth and development of this economy. Therefore, government need to as a matter of urgency pursue policies that will provide financial inclusion for MSMEs.

From the perspective of MSMEs operators to credit from formal financial organisation, the result of finding revealed that MSMEs operator are excluded from main stream finance. That is MSMEs cannot access credit from commercial banks and other financial organisation to boost their business. Rather this credit is only made available to quoted firms or organisation due to their capital outlay and the perceived ability to repay the loans. Going by the fact that the informal sector contributes more than 60 percent of gross domestic product. It simply implies that credits are being directed to the wrong sectors and this development will only impede economic growth and development. Therefore, the government and its financial regulatory agencies should come up with policies that will drive the formal financial institutions to redirect and adopt lending policies that will capture the informal sector.

Access to government special intervention funds for MSMEs was found to have insignificant positive impact on the performance of MSMEs. The implication is that the interventions possess the potential to drive the growth of MSMEs in Nigeria but the intervention is not accessible for those it was designed, and as such MSMEs are starved of need credits to the boost their business outfit. This intervention are usually part of government overall plan to attain the sustainable development goals. The challenges of this intervention is that they are not adequately disbursed to the MSMEs operators rather politicians and government officials misappropriate and divert these funds to meet their private aggrandisement and frivolities. Thus, government should ensure that this intervention is promptly and adequately distributed to reach the target population. This can be achieved by ensuring that there is zero tolerance to corruption and flagrant abuse of public offices.

## **5. CONCLUSION AND RECOMMENDATIONS**

### **5.1 Conclusion**

ROSCAs are informal financial institutions that meet 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. Thus, this study examined economic assessment of the impact of rotating savings and credit association (ROSCA) (Osusu) on the performance of micro small and medium scale enterprises in Anambra State: a case of Idemili South and Aguata Local Government Area. A sample of 400 ROSCAs group members were selected using purposive random sampling. Data were analysed using frequency and percentages, binary logit regression analysis.

The result of findings revealed that membership of ROSCA has the significant impact to improve MSMEs performance. It revealed that membership of ROSCA has the likelihood of 642.3 percent (7.423 odd ratio) to improve MSMEs performance in Anambra state. The result of findings revealed that access to credit from formal financial organisation has a negative non-significant impact on improving MSMEs performance in Anambra state. It showed that access to credit from formal financial organisation has the potential likelihood of 93.2 percent to reduce MSMEs performance in Anambra state. Finally, the result of findings on government special intervention fund for MSMEs has a non-significant positive impact of

MSMEs performance in Anambra state. it showed that access to government special intervention funds for MSMEs has the potential likelihood of 62.6 percent to improve MSMEs performance in Anambra state. In the light of the above, the study has been able to establish based on the research questions and objectives that rotating savings and credit association (ROSCA) (Osusu) on the and significant impact on the performance of micro small and medium scale enterprises in Anambra State.

## **5.2 Recommendations**

This study empirically examined economic assessment of the impact of rotating savings and credit association (ROSCA) (Osusu) on the performance of micro small and medium scale enterprises in Anambra State: a case of Idemili South and Aguata Local Government Area. Based on the result of findings the following are recommended.

Government and its financial regulatory agency should adopt policy that will integrate ROSCAs with formal financial institutions rather than seeking to eliminate them. Therefore, government need to as a matter of urgency pursue policies that will promote financial inclusion for MSMEs.

Government and its financial regulatory agencies should come up with policies that will drive the formal financial institutions to redirect and adopt lending policies that will capture the informal sector, since the informal sector is a major contributor to the country's gross domestic product.

Government should ensure that this intervention is promptly and adequately distributed to reach the target population. This can be achieved by ensuring that there is zero tolerance to corruption and flagrant abuse of public offices

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**APPENDIX**

**Table 1 Demographic Distribution of Respondents**

| VARIABLE       | VALUE LABEL  | FREQUENCY  | PERCENTAGE (%) |
|----------------|--------------|------------|----------------|
| Gender         | Male         | 112        | 28.0           |
|                | Female       | 288        | 72.0           |
|                | <b>Total</b> | <b>400</b> | <b>100</b>     |
| Age            | 25-34        | 100        | 25.0           |
|                | 35-44        | 156        | 39.0           |
|                | 45-54        | 68         | 17.0           |
|                | 55 and Above | 76         | 19.0           |
|                | <b>Total</b> | <b>400</b> | <b>100.0</b>   |
| Marital Status | Married      | 264        | 66.0           |
|                | Single       | 124        | 31.0           |

|                           |                    |            |              |
|---------------------------|--------------------|------------|--------------|
|                           | Divorced           | 12         | 3.0          |
|                           | <b>Total</b>       | <b>400</b> | <b>100.0</b> |
| Educational Qualification | Primary            | 116        | 29.0         |
|                           | Secondary          | 32         | 8.0          |
|                           | ND/NCE             | 136        | 34.0         |
|                           | HND/BSc            | 92         | 23.0         |
|                           | Post Graduate      | 24         | 6.0          |
|                           | <b>Total</b>       | <b>400</b> | <b>100.0</b> |
| Occupation                | Farmer             | 44         | 11.0         |
|                           | Trader             | 168        | 42.0         |
|                           | Artisan            | 92         | 23.0         |
|                           | Civil Servant      | 96         | 24.0         |
|                           | <b>Total</b>       | <b>400</b> | <b>100.0</b> |
| Family Size               | 1-3                | 124        | 31.0         |
|                           | 4-6                | 56         | 14.0         |
|                           | 7-9                | 132        | 33.0         |
|                           | 10 and Above       | 88         | 22.0         |
|                           | <b>Total</b>       | <b>400</b> | <b>100.0</b> |
| Years of Economic Service | Below 5 years      | 60         | 20           |
|                           | Below 10 years     | 90         | 30           |
|                           | 10 years and above | 150        | 50           |
|                           | <b>Total</b>       | <b>300</b> | <b>100</b>   |