Functional Group Characteristics and Risk Orientation among Informal Financial Groups in Kirinyaga County, Kenya

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ABSTRACT

This study evaluates functional characteristics and risk orientation of non-rotating informal financial groups (IFGs) in Kirinyaga County, Kenya**.** While rotating informal financial groups have been widely studied, non-rotating groups remain under-explored in spite of their growing significance in enhancing access to financial services. The study employed a mixed-methods approach: descriptive survey of group members and key informant interviews involving community development officers. A target population of 60 non-rotating informal financial groups comprising 806 members that are registered with the County Department of Social Services was adopted. Primary data was collected using questionnaires and responses corroborated with key informant interviews. Before analysis using STATA software, data was coded. Study findings revealed that the institutional design of informal financial groups differed in terms of composition, size, activities and support. Functional characteristics such as manual operations, lending based on social capital, poor record keeping, dependence on external support and limited financial literacy rendered groups vulnerable to financial risks. To reduce risk exposure, enhance sustainability and strengthen informal financial groups as engines of economic empowerment, this study recommends strengthening of institutional design by encouraging fairly heterogeneous groups, hybrid models, designed targeted support, digitization of operations and institutionalized capacity building.

Keywords: Informal Financial Groups, Group Characteristics, Risk Orientation

INTRODUCTION

Informal financial groups (IFGs) enhance financial inclusion, resilience and social support for the underserved market where formal financial institutions fall short (Zhan, 2025). The groups harness reciprocity, trust and adaptability to support livelihoods and reduce financial risk. However, they remain vulnerable to functional failures due to their unique institutional design. Informal financial groups depend on communal participation, shared accountability, small scale contributions and trust (Bullen & Sokheang, 2015). The groups comprise 10-30 individuals who contribute a fixed amount of money weekly, bi-weekly or monthly based on the group's agreement. Unlike in the rotating informal financial groups where funds are redistributed at the end of each meeting, the non-rotating groups accumulate for lending and investment purposes (Niyonsaba, Adenikinju & Ntoiti, 2022). Their operating environment and characteristics thus render them unreliable, risky and prone to failure. According to Saeidi et al., (2021), organization culture, group dynamics and characteristics determine the effectiveness of risk approach.

While financial services are normally defined by characteristics such as size, term, returns, cost and eligibility, their appeal often depends on safety, affordability, accessibility, reliability and flexibility (Ledgerwood, Earne & Nelson, 2013). The ability to benefit from financial products and services depends to a great extent on functional characteristics. Different characteristics present different delivery challenges and risks. Financial products and services are able to meet customer needs if they are safe and well-structured (Yokoyama, 2023).

In the absence of a clear understanding of how group functional characteristics influence risk orientation, efforts to scale-up informal financial groups maybe misdirected and inefficient. An assessment of the structural and functional characteristics of the groups is therefore necessary to inform the risk approach appropriate for informal financial groups. Although the importance of informal financial groups has long been acknowledged, past studies have failed to clearly demonstrate the link between group characteristics and their risk orientation. Empirical studies evaluating informal financial groups by characteristics and risk profiles are limited. This study assessed functional characteristics of informal financial groups relating to group profile, member demographics, group activities, external support, associated risks and benefits.

Objective of the Study

The main objective was to assess functional characteristics and risk orientation of non-rotating informal financial groups in Kirinyaga County, Kenya.

Theoretical Framework

Social capital theory which is seen in the dimensions of trust and reciprocity was advanced by Robert Putnam (Claridge, 2018). Social capital is a communal stock of social trust marked by the readiness of reciprocity Willingness to undertake risks in a social context is based on the assumption that others will respond as expected (Ari et al., 2024). In a broader perspective, social capital denotes social relationships among people that allow productive outcomes. Since informal financial groups are self-regulated, social capital indicators in the form of trust and reciprocity are a dire component of their performance. Financing is nothing short of an exchange of funds now for a promise to return the funds with interest in future. Whether such a transaction occurs depends not only on the contract enforceability but also on the extent to which the lender trusts the borrower (Jha & Kelley, 2023).

Financial contracts require that a principal entrusts some monies to an agent. Anticipated returns in the principal-agent undertaking are dependent on the probability that the agent may default. The inherent risk in financial transactions determines the level of trust they call for (Hasan, He & Lu, 2022). In the event social capital and therefore, trust is limited, an individual would prefer holding cash as opposed to saving in an informal group. This affects the level of savings amongst informal financial groups in terms of membership and contributions. The current study relates social capital to participation in high-risk informal financial services. Involvement in informal financial services may perhaps be seen as undesirable and harmful. This occurs when social capital deters development and transformation. This theory helped evaluate social capital as a motivation for participation in informal financial groups.

Empirical Review

Saini & Meena (2020) examined functional characteristics of 150 women from 30 self-help groups in India. The study established low scores on processes but high on sustainability and group norms. The purpose of formation for most of the groups was saving for the future. The study however is limited to member characteristics. It fails to relate with potential risks resulting from group characteristics that would help inform risk strategy adopted to ensure sustainability.

Bariya, Chandravadia & Gami (2022) conducted a study on socio-economic characteristics to compare profiles of 90 self-help and 90 non self-help group members. Data was collected using personal interviews with pre-tested schedules. Findings reveal a significant difference in mean values for self-help and non-self-help group members in regards to education while there was no significant difference in regards to age. The current study adopts a comprehensive view of the design of informal financial groups by assessing member demographics, group attributes, group activities, external support and associated risks.

The Conceptual Framework

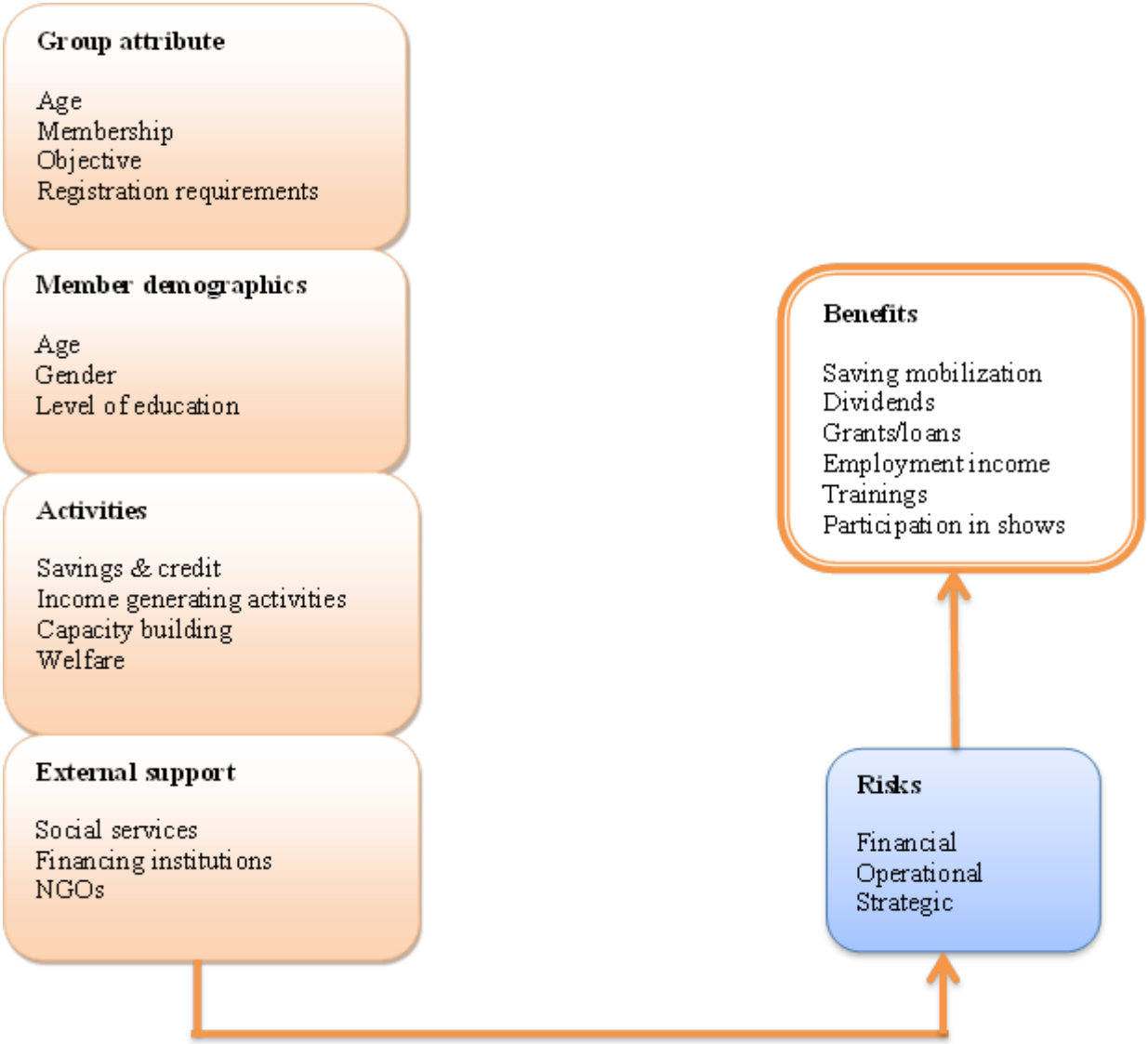


Figure 1: Conceptual Framework

DATA AND METHODOLOGY

The study adopted a mixed method descriptive research design and targeted 60 non-rotating informal financial groups with 806 members. A sample size of 424 was obtained using a combination of stratified, purposive, simple random sampling and census techniques. In addition, the study targeted 5 key informants comprising four community development officials and one social services officer. Primary data was collected using self-administered questionnaires and key informant interview guides. The questionnaires were both closed and open-ended. Data was analyzed using data analysis and statistical software STATA. Quantitative data was summarized in the form of frequencies and percentages and presented using tables and charts. Thematic analysis was adopted for qualitative data to identify patterns and themes across responses and presented in form of supporting quotes.

FINDINGS

GROUP ATTRIBUTES

Age of the Group: From the findings in Figure 1**,** 43.3% had existed for 3 years, 20.7% had been in operation for 4-6 years, 18.6% had existed for 7-10 years while only 17.3% of the groups had existed for over 10 years. This shows that the number of groups diminish with age.

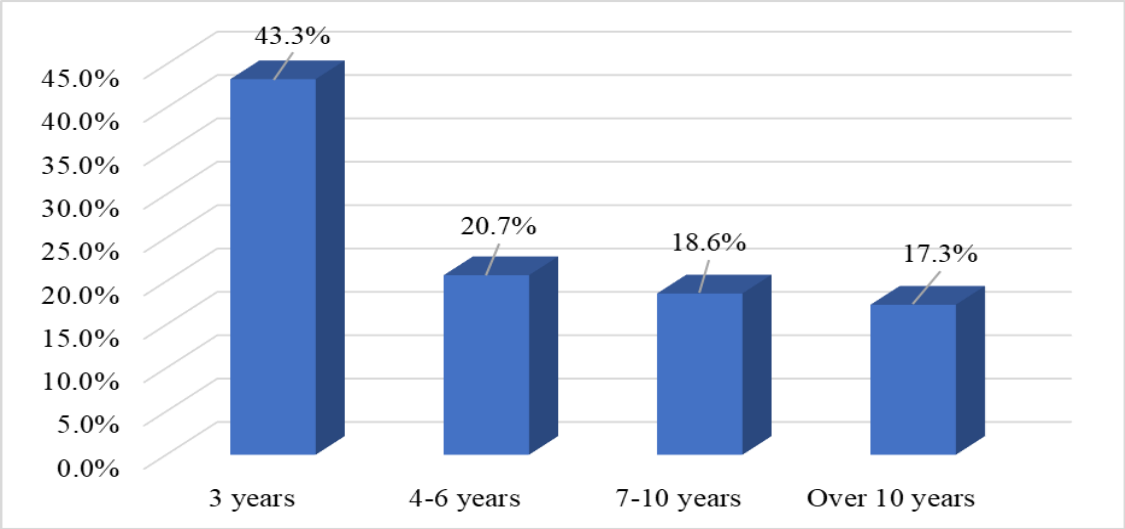


Figure 1: Age of the Group

Membership at formation: From the findings in Table 1, 52.9% of the groups had more than 15 members while 47.1% had 10-15 members at formation. A comparison with the current membership revealed reduction, an indication of withdrawal from the groups for one reason or the other.

Membership at formation: From the findings in Table 1, 52.9% of the groups had more than 15 members while 47.1% had 10-15 members at formation. A comparison with the current membership revealed reduction, an indication of withdrawal from the groups with time.

Table 1: Membership at Inception

Membership at formation	Frequency	Percent
10-15 members	152	47.1
16 -30 members	171	52.9
Total	**323**	**100**

Objective of group formation: From the findings in Table 2, all the respondents (100%) indicated that the objective of forming a group was improving access to savings and credit and eradicating poverty among members and households, 98.5% accessing capital to start businesses, 70.3% maintaining unity within the community and 65.6% improving access to health and education through loans.

Table 2: Objective of Forming the Group

	Frequency	Percent
Improve access to savings and credit	323	100
Help access capital to start businesses	318	98.5
Improve access to health and education through loans	212	65.6
Eradicate poverty among members and households	323	100
Maintain unity within the community	227	70.3

One key informant interviewee had this to say:

“Access to sustainable financial services is crucial for poverty reduction among residents of Kirinyaga county. Some residents are squatters living in settlement schemes. They cannot participate in the main economic activity, which is agriculture, on a large scale since they must lease land for farming. Leasing requires finances. These groups come in handy providing them with funds to lease land as well as start other income generating businesses. In addition to financial benefits, the groups have been able to create cohesion and unity among the community. Members are able to assist each other in welfare issues such as harambees, funerals, weddings etc”.

Requirement for Registration of Groups: From the findings in Table 3, all the respondents (100%) indicated that the requirements for registration of groups was a constitution with rules and regulations, minutes with a resolution to register, payment of registration fee, minimum membership, chosen office bearers-chair, treasurer, secretary, started operations, must have a letter of recommendation from social development officer/chief, must show evidence of members monthly monetary contributions, must have name of the group, must fill registration form. However, only 48.9% noted they must renew registration on an annual basis while 41.8% agreed to submitting copies of progress reports.

Table 3: Requirements for Registration of Groups

	Frequency	Percent
Constitution with rules and regulations	323	100
Minutes with a resolution to register	323	100
Registration fee	323	100
Minimum membership	323	100
Have chosen office bearers-chair, treasurer, secretary	323	100
Started operations	323	100
Must renew registration on annual basis	158	48.9
Submit copies of progress reports	135	41.8
Must have a letter of recommendation from SDO/chief	323	100
Must show evidence of members monthly monetary contributions	323	100
Must have name of the group	323	100
Must fill registration form	323	100

One key informant pointed out:

“Though operational, some groups fail to renew their certificates on annual basis as required by registering authority. This poses a challenge in determining whether the groups have collapsed or are just dormant. To access external funding be it government funding or aid from development partners, groups are required to produce current certificate of registration as evidence that they are legally recognized and operational. Access to external funding is one of the triggers that force the dormant groups to renew registration. Otherwise, most never give priority to the status of their registration in the subsequent years unless they hear of a pending aid.

Group leadership tenure: From figure 2, 72% indicated one year as tenure for office while 28% had 2-3 years Tenure of office is relevant since familiarity with operations helps leverage acquired financial skills and knowledge that may result to better financial decisions and reduced risks. It may also allow for change of leadership in case of non-performance.

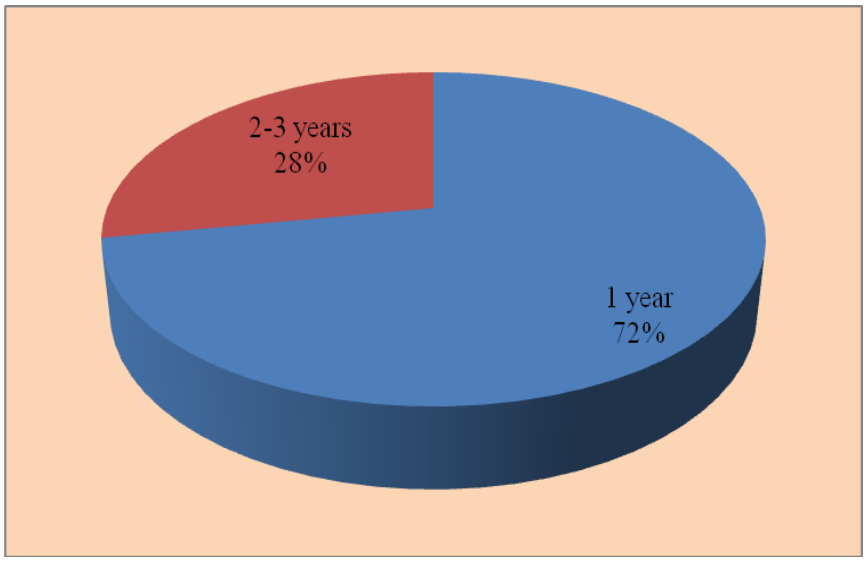


Figure 2: Office bearer tenure

Selection of office bearers: The study sought to establish whether office bearers are elected based on levels of education. This would help determine if group leaders were well informed in regards to planning, controlling and directing financial resources and activities. Majority of the respondents indicated that office bearers are not elected depending on level of education as shown by 78% while 22% of the respondents indicated that group office bearers are elected depending on level of education. The findings are shown in Figure 3.

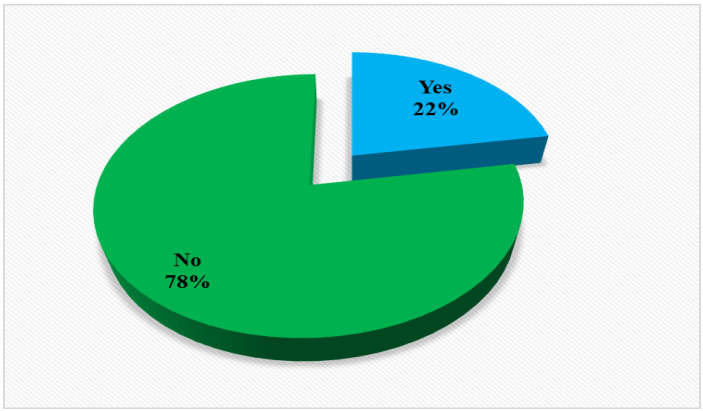


Figure 3: Selection of office bearers based on level of education

Level of formalization of operations: From the results in Table 4, all the groups (100%) had maintained group records. 99.3% had a constitution in place, 94.4% conducted regular elections while 80.5% held regular meetings. On decision making, 70.3% agreed to collectively making decisions while 60.7% admitted that their operations were free from political influence. In matters recognition and collaboration with the community, 50.8% of the respondents agreed that their groups formed part of community committees.

Table 4: Level of operational structures

	Frequency	Percent
Regular elections	305	94.4
Regular meetings	260	80.5
Constitution in place	321	99.3
Record keeping done	323	100
Decisions collectively made	227	70.3
Decisions independent of political influence	196	60.7
Group part of community committees	164	50.8

Mode of Conducting Financial Transactions: From Figure 4, 77% revealed that financial transactions are conducted manually while 23% had a combination of both manual and digital transactions. None of the groups had digitized their transactions fully. Manual transactions entail handling of physical cash which exposes funds to risk of loss.

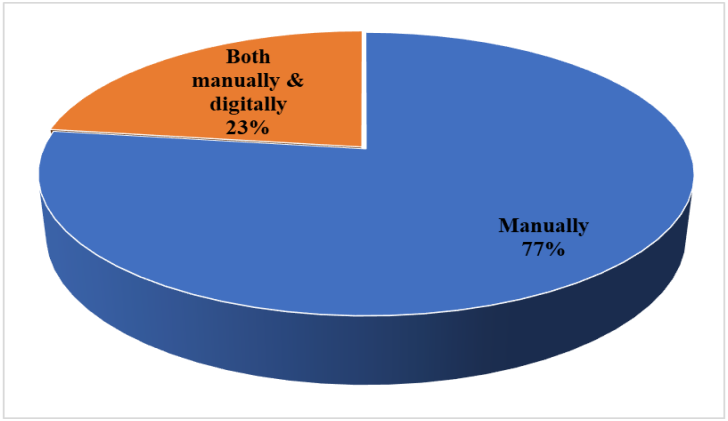


Figure 4: Mode of Financial Transactions

Type of Records Maintained: From the findings in Table 5, 99.3% maintained the constitution, 96.9% by-laws, 86.4% financial reports, 87.9% minutes and 81.4% passbooks. Individual transactions are recorded in passbooks. This means that nearly a fifth of the respondents do not have their consolidated personal records and can only access their statements of accounts through the group officials. Inaccessibility of records may lead to manipulation.

Table 5: Types of records maintained by the groups

	Frequency	Percent
Constitution	321	99.3
By-laws	313	96.9
Minutes	284	87.9
Financial reports	279	86.4
Passbooks	263	81.4

Maintenance of Statements of Accounts: From Table 6, 77.1% maintained solely in hard copies while 22.9% maintained both in hard and soft copies. No single group had fully digitized its records. The findings corroborate the assertions by Elven and LeMay- Boucher (2016) that most groups maintain loads of hard-copy records of attendance, minutes, individual passbooks, loan register and cashbook.

Table 6: Form of Maintaining Group Statements of Accounts

	Frequency	Percent
Solely in hard copies	249	77.1
Both in hard and soft copies	74	22.9
Total	**323**	**100**

Type of Records Maintained: From the findings in Table 7 the groups maintained various records such as constitution (99.3%), by-laws (96.9%), financial reports (86.4%), minutes (87.9%) and passbooks (81.4%). Individual transactions are recorded in passbooks. This means that nearly a fifth of the respondents do not have their consolidated personal records and can only access their statements of accounts through the group officials. Inaccessibility of records may lead to manipulation.

Table 1: Types of records maintained by the groups

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Safekeeping of cash: From Figure 5, 80.2% kept excess funds in bank account, 10.8% in safe box while 9% was retained by treasurer. The findings are an indication that the groups are gradually embracing banking services as opposed to holding physical cash. A few, however, still hold physical cash that is entrusted to the group treasurer. Those who use safe boxes noted that the functions of custody of the safe box and the key are segregated. The findings are consistent with USAID (2021) report on savings groups that revealed that traditionally groups used cash boxes which were lockable and had a number of padlocks normally three padlocks to store funds collected together with vital group documents. For safety, each key was given to a different member on appointment by the group. The boxes were then opened ideally during group meetings in the presence of the rest of members. The report further notes that majority of the groups currently make use of formal financial institutions and digital platforms to store excess liquidity.

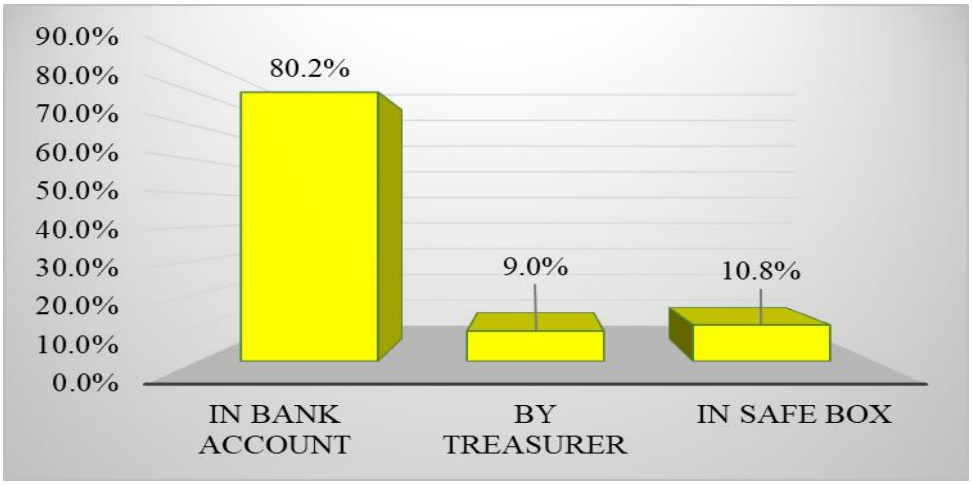


Figure 5: Custody of cash

Authorization and approval: The findings in Table 8 revealed that the levels of approval and the minimum number of signatories required were clearly stipulated for all the groups (100%). The response was evident that groups have controls over withdrawal of funds reducing chances of misuse of member savings.

Table 8: Authorization and approval of funds withdrawal

	Frequency	**Percent**
Minimum no. of signatories stipulated	323	100
Levels of approval defined	323	100

Determinants of Loan Limits: From Figure 6, loan limits depended on member shares (46.7%), number of guarantors (27.9%), cash available (25.4%) and collateral provided (9%). Majority of the groups prefer off-setting non-performing loans with member shares. However, some of the respondents felt that loans should not be limited to number of shares provided there is idle cash and member has a good credit score. The trade-off between risk and return is evident in this case. Disposal of collateralized assets is deemed problematic in terms of cost and time explaining the minority respondent view (9.0%).

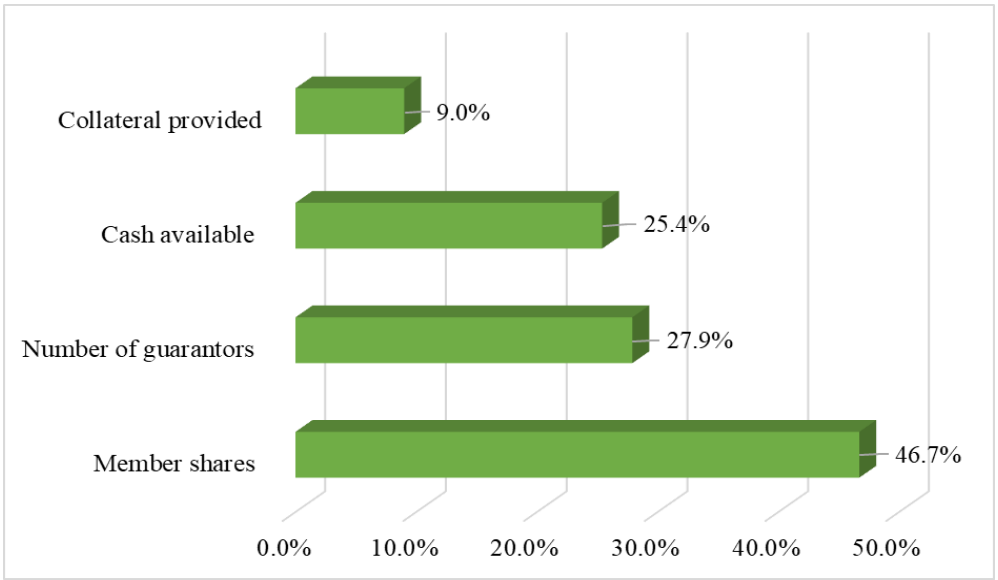


Figure 6: Determinants of loan limits

MEMBER DEMOGRAPHICS

Age: Majority of the respondents were between 41 and 60 years accounting for 48.9% of the respondents. Age groups 25 - 40 and 18 – 24 constituted 35.9% and 7.7% respectively while 7.4% of the respondents were aged

over 60 years as shown in Figure 7. Though the youth remain a substantial share of the country's population, the high percentage of middle-aged (41-60 years) signify a shift in dominance from the youth to middle-aged participants. This was attributed to the benefits derived from participation in the groups such as access to loans for businesses, education, health and engagement in welfare activities. Further vulnerabilities in the years past youthful age may limit economic independence of the middle-aged.

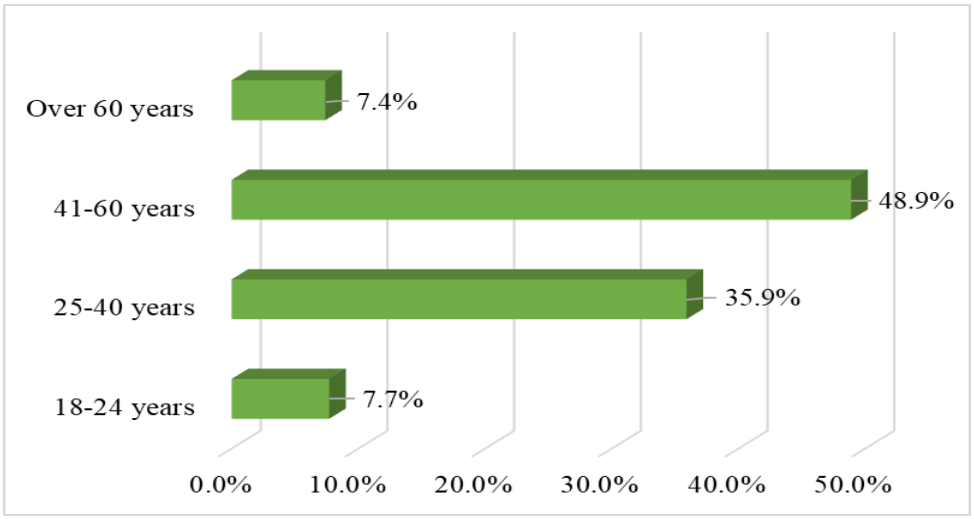


Figure 7: Age distribution of Group Members

One key informant noted that:

"Most of the middle-aged have been working in the informal sector and as is the norm, such jobs are characterized by low wages, lack of security of tenure and the absence of retirement benefits for instance, pension. Lack of financial security and the need for financial independence oblige this particular age bracket to participate in the activities of the groups as avenues to save and access credit services. Access to credit from banks, saccos and microfinance institutions is problematic owing to stringent requirements such as collateral. Family and friends have equally not been helpful. Digital lenders on the other hand charge exorbitant interest rates. The only viable option for these members is forming the grassroot savings and credit associations for survival as they are dependent on trust and relationship".

Gender: As indicated in Figure 8, the study found out that 83% of the respondents are female while 17% of them are male. The prevalence of women in the study at 83% corroborates a study by Nyataya (2016) observing that self-help groups have for a long time manifested in the number of women groups. The 17% of males however shows that the male gender has started to embrace the self-help concept. Keter (2018) observes that informal financial groups have gained traction in Kenya not just among women and youth but also men, with the government encouraging them to register with the ministry of gender and social services.

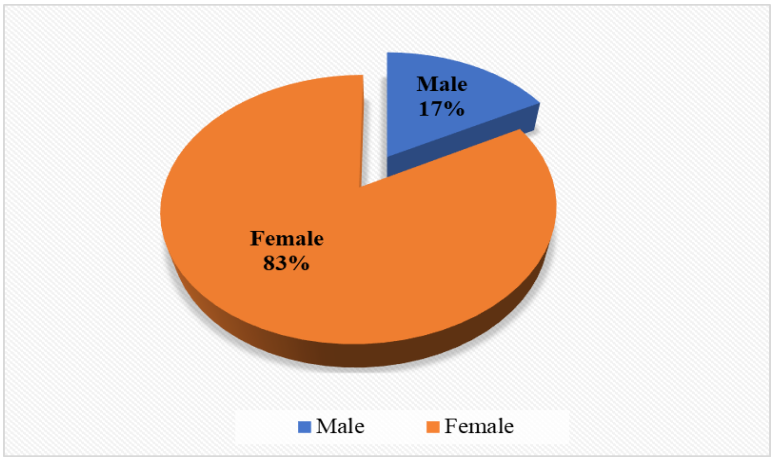


Figure 8: Gender Participation in groups

Level of education: From the findings in Figure 9, 54.5% of the respondents had secondary education, 24.8% had primary education, 13.3% had diploma while 7.4% had a degree. This is consistent with the findings that 78% of the population in Kirinyaga County has attained the basic level education and above (County Integrated Development Plan, 2018-2022). The respondent's level of education was significant as it could impact on extent of understanding of operations and potential risks.

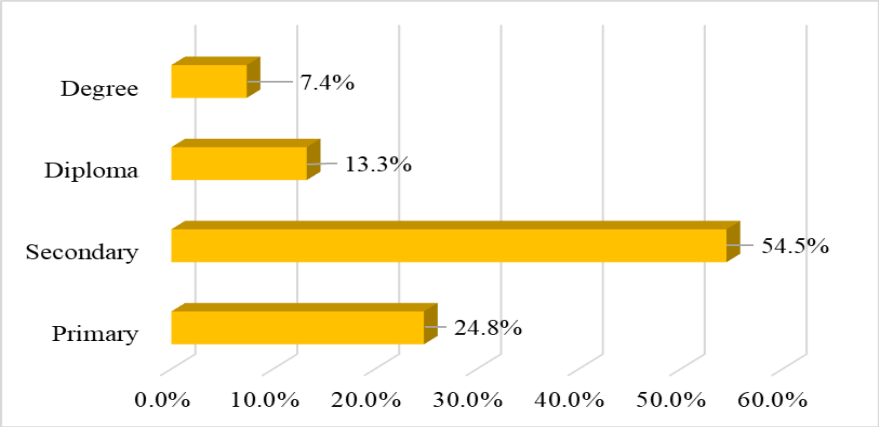


Figure 9: Level of education

GROUP ACTIVITIES

An assessment of group activities was helpful in understanding the risk orientation of the groups. The findings are shown in Table 9.

Table 9: Group Activities

	Frequency	Percent
Saving and advancing credit	323	100
Income generating activities	252	78
Capacity building/training	300	92.9
Welfare activities	197	61

All respondents indicated that the group activities include saving and advancing credit (100%), 92.9% capacity building/training, 78.0% income generating activities and 61.0% welfare activities. This is in line with Chitere (2018) who notes that for the modern groups, focus has shifted from solely welfare activities to income generating projects.

EXTERNAL SUPPORT

From the findings in Table 10, 75.2% are supported by department of social services, 13.6% by financing institutions and 11.1% by development partners. Support is in form of training (86.4%), grants (49.8%) and loans (13.6%). This shows that groups are not self-sufficient and have to rely on external assistance. This could pose a risk if such assistance is stopped.

Table 10: Activities of the group

Development Agencies Supporting the Group	Frequency	Percent
Department of Social Services	243	75.2
Financing institutions	44	13.6
NGOs/Development Partners	36	11.1
Form of support		
Loans	44	13.6
Grants	161	49.8
Training	279	86.4

Group Risks

From Figure 10, financial risks constituted the largest form of risk (41.2%), operational risks (31.4%) and strategic risks (27.4%). This implies that the greatest risk encountered by most groups is financial risks. Groups also were exposed to operational risks more than strategic risks.

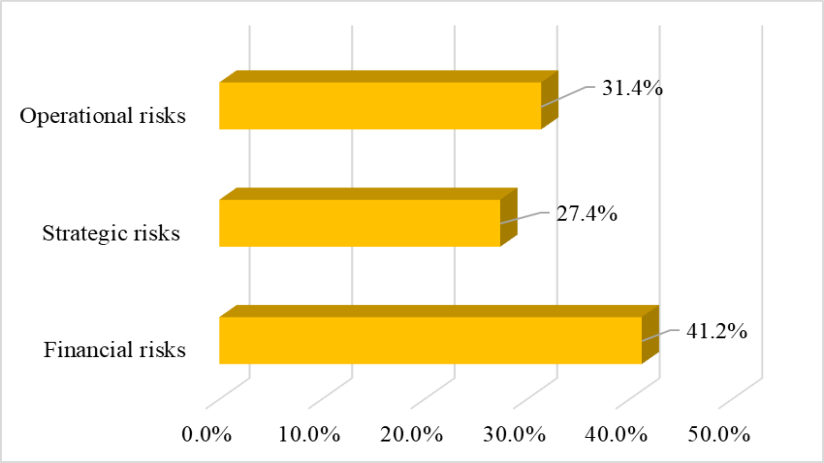


Figure 10: Possible Risks Encountered

Group Benefits

The respondents were requested to indicate the benefits derived from the groups. This will help understand the impact of disintegration to members, households and the economy at large. The findings are shown in Table 11. All the respondents (100%) had benefited from the groups through saving mobilization, payment of dividends and training. About 83.6% had accessed credit/grants to support their economic projects and activities. A few (3.1%) had an opportunity to attend agricultural shows. This shows that the groups serve as avenues to addressing the problem of savings and credit to underserved markets.

Table 11: Benefits Derived from the Groups

	Frequency	Percent
Savings mobilization	323	100
Payment of dividends	323	100
Business/farming support in form of grants and loans	270	83.6
Trainings	323	100
Creation of employment	171	52.9
Participation in agricultural shows	10	3.1

DISCUSSION OF THE FINDINGS

The study evaluated functional group characteristics by analysing group attributes, member demographics, group activities, form of external assistance, group risks and benefits derived by members.

Group attributes: Groups majorly consisted of small homogenous membership of 16-30 accounting 52.9%. Small membership may expose groups to financial risk in the form of default or withdrawal of membership. The main objective of forming the groups was to improve access to savings and credit (100%). Members associated access to financial services with poverty eradication explaining their motivation towards joining the groups. Regular loans could expose groups to moral hazard. Most of the groups had complied with registration requirements. However annual renewal of certificates and submission of progress reports scored very low at 48.9% and 41.8% respectively making it difficult to establish whether the groups were active for purpose of funding. In this case, the groups risk missing out on funding as observed by one key informant. All groups maintained records but the form in which records were maintained differed. Besides, the quality of records was poor due to having untrained members as book writers. Majority had regular meetings. Most of the groups

were 3yrs of age. The number of groups kept diminishing with age revealing instances of disintegration with time. Membership had also reduced. This could be attributed to financial, operational and strategic risks which manifested in various characteristics such as; small amounts of savings, manual transactions and failure to elect office bearers based on level of education. These group characteristics have the potential to negatively influence resource mobilization, planning and funds management. In addition, small amounts of savings and loan limits that are based on available funds could negatively affect liquidity, cash flow and budgeting.

Member demographics: Majority of participants accounting 48.9% were in their middle age of 41–60 years. This reflects the significant contribution of middle-aged adults, who are likely to be in their most productive years. Though the youth remain a substantial share of the country's population, the high percentage of middle-aged (41-60 years) signify a shift in dominance from the youth to middle-aged participants. This was attributed to the benefits derived from participation in the groups such as access to loans for businesses, education, health and engagement in welfare activities. On gender, females constituted the majority of the participants, accounting for 83.0% of the total sample. This high percentage indicates significant female involvement in the group, suggesting their dominant role in the context under study. The 17% of males however shows that the male gender has started to embrace the self-help concept. The findings are consistent with Keter (2018) who notes that informal financial groups have gained traction in Kenya not just among women and youth but also men. In regards to level of education, majority of participants constituting 54.5% had attained secondary education. Approximately 24.8% of the participants had primary education an indication of limited levels of financial knowledge. According to Mendis & Surangani (2024), lack of financial knowledge is one of the biggest problems that make individuals either avoid investing or make poor investment decisions. This could result to undercapitalization for the groups. Financial illiteracy could also lead to inability to sufficiently anticipate and plan for cash needs causing budget deficits.

Group activities: The major activity for all the groups was saving and credit as shown by 100%. Lending based on social capital could expose groups to credit and liquidity risks. Further, respondents who were involved in other income generating activities accounted 78.0%. The groups have become multi-purpose combining mutual financial assistance through informal financial groups to help pursue social and other economic activities. Groups create new opportunities for generating, saving and investing income to assist participants effectively respond to changing socio-economic conditions. Investors should have an understanding of risk/return trade-off since inappropriate investment decisions undermine the benefits of diversification by exposing groups to systematic risks. Besides savings and investments, 61% noted that they also participate in welfare activities. This is in line with Chitere (2018) who notes that for the modern groups, focus has shifted from solely welfare activities to income generating projects.

External support: Majority of the groups accounting 75.2% receive support from the department of social services in the form of training as shown by 86.4%. In addition, groups depend on support from development partners and financial institutions. Overreliance on external support could expose groups to cash flow problems in the case where such funding becomes unfeasible.

Risks: The greatest risk encountered by most groups is financial risk accounting 41.2%. Financial risks included inability to remit savings in time, default on loans, theft of funds, loss of funds through wrong investments, inadequate cash due to overreliance on interest income, withdrawal of membership for a member with existing loan and death of a member who owes the group. Groups were exposed to operational risks more than strategic risks. Operational risk magnified in the form of manipulation of records, loss of records, fraud, safety of assets, segregation of duties, authorization and approval, review of records, loan recovery mechanisms and loan monitoring. Some of the groups had not opened bank accounts with their excess funds being retained by the treasurer. In addition, the safety of cash during meetings was not guaranteed as they are conducted in the open. Informal financial group members are therefore considered risk takers.

Benefits to members: All the respondents (100%) had benefited from the groups through saving mobilization, payment of dividends and training. The findings are in agreement with Asetto (2014) who observed that the main objective of the groups is poverty eradication through creation of self-employment, increased income level, improved quality of living, development and self-reliance.

CONCLUSION AND RECOMMENDATION

Groups that are characterized by clear demographic composition, structured activities and functional diversity often present significant benefits more so in problem solving, adaptability and innovation. However, they also experience risks amplified by group size, characteristics and cultural norms. Group composition poses challenges which may expose groups to various risks. Groups composed of low income earners may experience credit risks due to lower capacity to save and repay loans during economic downturns. It may also lead to liquidity constraints and limited lending due low pooled funds. Small-sized groups may experience inadequate cash flows. Past studies have associated women participation to better repayment, cohesion and empowerment. For women dominated groups, they may experience external vulnerabilities in the form of restrictions that limit women participation and control over finances. Limited participation would lead to reduced savings, liquidity risk and thus reduced benefits. Where members have limited knowledge and skills, lack of innovation may lead to reduced diversification. Financial illiteracy may expose groups to fraudulent activities by external agents or literate members. Inexperience may make newer groups more prone to failure. Groups with diverse members may have access to wider networks and resources reducing vulnerabilities. A well trained, well organized informal financial group has low operational and financial risks which translate to higher benefits such as reduced defaults, low attrition, income generation, consistent savings and resilience.

This study therefore recommends strengthening of institutional design by encouraging fairly heterogeneous groups in relation to age, livelihood and skills. Groups should encourage gender balance and inclusivity by piloting age-diverse and mixed gender to establish dynamic shifts. This would enhance decision making, lower social friction and improve resilience by leveraging different member capabilities. Written rules would help address moral hazard and default risks. Groups should also encourage structured on-boarding where screening and early assessment of reliability is conducted to prevent on-boarding of risky participants. In addition, livelihood training and capacity building would improve earning opportunities and reduce dependence on external support. Tailored support based on age where more intensive training is offered to new informal financial groups while scaling up support to the mature ones would assist groups evolve effectively through life cycle. Regular management and leadership training for office bearers would improve dispute resolution and financial oversight thereby reducing member attrition. Monitoring and early warning systems such as performance-tracking systems would help monitor savings, repayment and attendance for timely intervention. Internal social capital should be strengthened to enhance communal action, increase trust and reduce withdrawal of membership. The study further recommends digitization of operations through digital tools for communication and bookkeeping to enhance transparency and reduce operational risk. Adoption of digital platforms should be evidence-based and cautious.

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