ROTATING SAVINGS AND CREDIT ASSOCIATION: A CASE STUDY OF *AJỌ ILE AARẸ* IN ILA LOCAL GOVERNMENT AREA, OSUN STATE, NIGERIA

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ABSTRACT
Rotating Savings and Credit Association (ROSCA) is a coping strategy by vulnerable individuals against financial challenges unfortunately most of these strategies are undocumented. This study was an in-depth interview with the management team of one of such ROSCA based in Ila-Orangun, Osun state. It all started in 1993 when members of Oke-Ola community, Ila-Orangun wanted to encourage participation of members to discuss community development at their weekly Friday meetings. They started a ROSCA for the welfare of members and called it Ajọ Ile Aarẹ. Challenges they have faced include fraudulent member of management in year 2000, covid-19 lockdown, cashless policy of 2023. They also experienced demise of members, but families of deceased members have always been very cooperative. Their current modus operandis are: management team of chairman, secretary and treasurer who operate based on mutual understanding; contributors are guaranteed by any of the management team who collects cash of N1,000.00 from contributor and submits it at weekly Friday meetings; at the beginning of each cycle, they contribute for six weeks before anyone can harvest; membership is unrestricted; weekly beneficiaries are selected based on their genuine needs; defaulters pay fine of ₦500.00 per week and serial defaulters are expelled; they instituted retained earnings to cater for eventualities. The Ajọ Ile Aarẹ has sustained their members for over thirty years unfortunately, they are not registered with any government agency. Empowerment programmes for Agricultural and Micro, Small and Medium Enterprises are advised to identify such groups and strengthen them.
Keywords: ROSCA, Nigeria, Agriculture, MSMEs, Vulnerable

INTRODUCTION

Rotating Savings and Credit Associations (ROSCAs) represents a contract where the parties agree to pool certain resources (labour, goods or money) that are then given, in whole or in part to each in turn (Bouman, 1995). ROSCAs are an informal cooperation strategy developed to increase the resilience and social development of individuals in underprivileged communities (Zambrano *et al*., 2023) and they serve the financial needs of many people especially in developing countries (Ademola *et al*., 2020). "Esusu" is a revolving loan program that originated in Nigeria and serves as a source of credit and savings in a particular community. Members of such a community contribute set amounts of money at predetermined periods and one member will be privileged to harvest all of the contributions at each interval (Okafor *et al.,* 2023) and this is done until all the members have harvested their shares. The practice of ROSCA has been in existence in several Nigerian communities but there is paucity of documented evidence on strategies adopted by ROSCAs to sustain themselves over the years. Thus, examining the history, strategies and weaknesses of a ROSCA such as *Ajọ Ile Aarẹ* that has been in existence for over three decades will shed light on resilience strategies of some vulnerable individuals in Nigeria.

METHODOLOGY

An in-depth interview was conducted for the management team of *Ajọ Ile Aarẹ* at Ila-Orangun (8.01569º N, 4.90037º E) to examine the history; motive for establishment, identify the challenges faced over the years and highlight the strategies deployed that made them achieve success.

Case Study of *Ajọ Ile Aarẹ*

On Saturday 2nd February, 1991 the Ila-Orangun Muslim Community installed the first *Aare Musulumi* (President of Muslims) in Ila Local Government of Osun State. To affirm his illustriousness, the late Orangun of Ila, His Imperial Majesty Oba William Adetona Ayeni conferred a chieftaincy title on the same man as Balogun of Oke-Ola (This traditional title translates to War Lord of a section in the town). After the conferment, the new Balogun invited several members of the community to his house and informed them that since there were no more physical battles to fight, he has decided to fight human and infrastructural under-development of the community. He then asked those present to follow him round all the houses within the community to sensitize them that Balogun wants to have meeting with them on Friday morning.

On the appointed day, several people (mainly men as head of households) gathered and the Balogun informed them that he wants a situation where they will be coming to meet every Friday morning (around 7am – 8am) in his house so that they can deliberate on issues that affect the community. He was staying at Ibadan (about 150km away) but offered to be coming every Thursday so as to meet with them on Friday mornings. He offered to be giving them sumptuous meal so as to encourage attendance and participation. He attended the weekly meeting diligently but at times his attendance was fortnightly due to cost. He could not sustain the sumptuous meal financially so he turned to provision of bean cakes to those who were in attendance, and this could also not be sustained.

During one of their Friday weekly meetings in 1993 those who were present deliberated on what can encourage participation and it was suggested that they should start contributing 10k (10kobo) weekly so that they can use it for the welfare of members. The money was meant for members to take loan, and when anyone is sick they can support such person, they opined that when people know they can benefit financially, probably it will encourage them to continue coming. They started the contribution and after some weeks they agreed that only those who attend regularly and contribute regularly can benefit from their benevolence. They later agreed among themselves that the contribution every week must be given to one of them so they turned it into a Rotating Savings and Credit Association (ROSCA). It will be on a rotational basis such that any weekly beneficiary will continue to contribute so that all of them will benefit at one time or the other until the cycle is completed. They started with 10 kobo in 1993, and metamorphosed through 50 kobo, ₦1.00 (One naira), ₦ 20.00, ₦50.00, ₦200.00, ₦500.00 and currently stands at ₦1000.00 (one thousand naira only) as at January, 2025.

Some Major Challenges that *Ajọ Ile Aarẹ* has surmounted over the years

1. In year 2000/2001 they had only one person serving as Secretary and Treasurer. The person collected money from people, he did not remit to the ROSCA and could not account for the money he collected from individuals. This fraud was discovered after completing a cycle of forty weeks. The Balogun had to pay off the debt. As from then, they decided to have two different people as Treasurer and Secretary henceforth.
2. In 2018, someone suggested that they should allow a situation where a member can contribute for a share in one week and contribute for two shares in the following week. Majority did not support such a suggestion and he tried to form a faction with those who bought his idea. As at 2022, their model has collapsed.
3. During covid-19 lockdown, they encouraged themselves to contribute a small token on weekly basis just to sustain the ROSCA.
4. During cashless policy of 2023, they encouraged all their members to save N200 daily so that they can get a cash of N1,000.00 by Friday and they were able to sustain themselves.
5. For demise of members, they have had situation where members have contributed and died without harvesting and they have also had situation where members collected their share and died without completing their contribution. In whichever case, they go to condole with the family and inform them if the deceased is owing or has money in their coffers. The response they get from the family is that a family member wants to continue with the scheme.

Current *Modus Operandis* of *Ajọ Ile Aarẹ* in Ila LGA of Osun State.

1. They consistently meet every Friday morning between 8am – 9am.
2. They are being coordinated by a team of three being the chairman, secretary and treasurer.
3. The spouse of each of the management team know all the members that their husbands stand surety for.
4. All the contributors are guaranteed by any of the trio of the management team.
5. The member of the management team collects cash of N1,000.00 from the contributors and brings it to the weekly Friday meeting.
6. At the beginning of each cycle, they contribute for six weeks (moratorium) without allowing anyone to harvest their money. This is to allow room for whoever wants to join to join and be up to date in payment.
7. All contributions must be in cash.
8. Their membership spans through those residents in the community and those resident outside the community (those outside send their contribution through the management team via bank transfer and they include bank charges). The members are farmers, artisans, civil servants and owners of MSMEs. Currently, the chairman coordinates eighteen members who own forty-five shares, the treasurer coordinates ten members who own seventeen shares while the secretary coordinates eight people who own thirteen shares.
9. Each contributor can have more than one share and this is without limit. Few individuals have half a share.
10. Presently, they are contributing for seventy-five weeks and they would be at the sixtieth week by end of January, 2025.
11. They operate based on mutual understanding among the management team. Weekly beneficiaries are rotated within the team.
12. The beneficiaries are selected based on their genuine needs. Some people are contributing because they want to pay rent at a certain time of the year, some want to buy farm inputs, some want to recapitalize their small-scale businesses, some are saving because of festive period. There was an instance where a

member was contributing three shares, she harvested two shares at the beginning of the farming season (March 2024) for her husband to buy farm inputs and to harvest one share (February, 2025) to pay Junior Secondary School Examination for her daughter.

13. Before the conclusion of a cycle, whoever is interested in joining signifies his/her intentions and the management team will notify him/her when they are about to start another cycle.
14. They tell new entrants that if a member is not consistent in payment it might not get to his/her turn early.
15. They also tell new entrants that if a member has not collected his share and defaulted in weekly payment then there is no offence but if there is default in weekly payment after harvesting one's share then, there would be a fine of ₦500.00 per week of defaulting. However, this fine is being overlooked for first time offenders and they have not experienced serial defaulters because, if there is a serial defaulter, he/she will be expelled.
16. They have instituted a system of retained earnings which is presently sum of five hundred naira (₦500.00) only. This is done such that ₦500.00 is deducted from the total amount every week and this is used to take care of any eventualities such as gift to a sick member, use part of the retained earnings to augment default payments etc.

Observed weaknesses to *Ajọ Ile Aarẹ*

1. The ROSCA of *Ajọ Ile Aarẹ* is not registered with any government agency.
2. They do not have a functional bank account that can show their annual turnover but they have their records.
3. The management team does not have a specified tenure.

DISCUSSION

The unrestricted membership of *Ajọ Ile Aarẹ* provides opportunity for individuals, neighbours of diverse ethnic and religious background to increase their network and social capital. The members were also able to have access to funds to solve some of their pressing needs. This is in line with Bouman (1995) who reported the functions of ROSCAs as insurance, socializing and economic. And this is further reiterated by the fact that some of the contributors at *Ajọ Ile Aarẹ* harvest their savings and invest it in farming operations and other small-scale businesses. They are able to have access to funds in absence of traditional banks whose provision of credit to members of agrarian communities and owners of small and medium scale enterprises are filled with several inadequacies and high cost of borrowing (Akerele and Adekunmbi, 2018). These challenges in accessing credit faced in traditional banks are not existent in ROSCA as indicated by contributors to *Ajọ Ile Aarẹ* who are provided financial support with minimal cost of borrowing.

CONCLUSION

It was observed that some unique characteristics of *Ajọ Ile Aarẹ* include: consistent contribution; regularity of meetings; brief meeting time; few reliable coordinators; integrity of coordinators and retained earnings. The aforementioned may be some of the contributing drivers to the success and sustainability of *Ajọ Ile Aarẹ* for over thirty years of existence. It is thus recommended that contract farming cooperatives, extension agents, development partners, Local Government Authorities (LGAs) and all those working with vulnerable individuals can encourage them to adopt and modify any of the strategies deployed by *Ajọ Ile Aarẹ.*

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