

Trust and Development: Rotating savings and credit associations (Roscas) in Rwanda

Abstract

Trust is a critical challenge that has faced Rwandans for many years due to the ethnic conflict, which disrupted people's lives starting in 1959s between Hutu and Tutsi. Especially, after the Genocide of 1994, trust among people cannot be taken for granted. However, where trust is occurred, it changes everything; it promotes social order and stability through social exchanges and interactions. Moreover, trust reduces transactions cost and hence, it leads to development through people's initiatives. Rotating Savings and Credit Associations (Roscs) are mutual aid associations where trust is viewed as a prerequisite for Roscas' sustainability. Recently, research considers Roscas as a pro poor community development. This paper discusses the relationship between trust and development, and generates knowledge about Roscas, as well as its presence and involvement in the development of Rwanda aftermath of Genocide in 1994.

Participation and persistence of Roscas in development, is examined on the basis of the qualitative interviews. In addition, the connection between trust and development is framed according to the social and economic theories. In Roscas, trust is based on individual reputation and past experience. This research found that Roscas have facilitated in building trust among their members as well as their development.

Keywords: Trust, Development and Roscas

'Trust is a key for success' (Alesina and La Ferrara, 2000)

Introduction

Roscas are informal financial, economic or social institutions in developing countries such as Rwanda. Being informal, these institutions do not exist without having trust among their members. This study aims to examine the influence of trust in development, particularly on the social dimensions. It discusses the trust mechanism on the basis of social values among Roscas' members. Benda (2012) argues that trust is a key factor for the success of Roscas. This is further supported by Biggart (2001) who states that membership in Roscas is based on mutual trust. However, trust among Rwandans has been a critical challenge after the Civil War and the Genocide disrupted the lives of Rwandans in the 1990s. The recruitment process is operated and arranged by neighbourhoods, workmates, or communities (Ardener and

Burman, 1995). Knowing about each other can serve as social collateral in Roscas. Biggart(2001) argues that reputation is an important part of social collateral in Roscas. Being a member of a Rosca, which in Kinyarwanda is called Ikimina, requires a person who has integrity and sincerity as well as being solvent and known to others, especially in post - genocide. We study the importance of trust mechanism in Roscas because being an informal and unregulated traditional financial institutions, one cannot rely on the existence of any legal contract and external enforcement of payments by participants; hence trust is viewed here as a prerequisite for its sustainability.

Recent studies reveal the role of Roscas in poverty reduction (Noah, 2009), economic growth (Alabi et al, 2007; Adeniyi, 2011), women's development (Akingunola, 2010) and social networks, insurance (Sandsor, 2010; Kan, 2012), and well being (Benda, 2012). In my review of previous literature, the closest paper covering this topic was by Cecilia Benda (2012) who has examined the potential of Roscas as an agent of pro-poor community development and wellbeing in the northern province of Rwanda. However, Benda did not discuss the trust mechanism of Roscas in depth, that is, the ways in which the desire of this study is based on how trust affects social development. Nonetheless, she discussed Roscas' effect on social capital briefly and persuasively. Thus, my intention is to discuss the relationship between 'trust' and 'social development' in Roscas more widely, specifically, how does trust influence social development? It contributes to the knowledge of Roscas and trust in social development, particularly in the Northern Rwanda.

The paper proceeds as follows: first, it starts with a literature review on trust concept and Roscas in social development in developing countries. Secondly, it discusses the Roscas' participation in the socio-economic development of Rwanda. Thirdly, it discusses the influence of trust in social development. The concluding section reflects upon trust among members of Roscas for their social development. The discussion data are from a study conducted in the Gakenke District in the northern province of Rwanda (August 2012-September 2012), which is the most recent area latest in poverty reduction in the northern province of Rwanda (NISR, 2012) and was disrupted by the Genocide of 1994 and the Civil War in the 1990s.

1. Literature review

1.1 Trust concept

Trust concept has been discussed by different scholars from different disciplines such as: Luhman (1979), Fukuyama (1995), Misztal (1996), Rousseau et al (1998), Uslaner (2000,

2002,2003, 2004), Covey and Merrill (2008), and Casterfranchi (2008). Trust can be found in exchanges and everyday interaction in human life, both socially and economically. This paper seeks to address the conceptualization of trust from economist and sociologist because rational trust is rooted in economic life that cannot be discussed without social dimensions. In defining trust, I also address social problems, which can impede trust to be occurred in social interactions. And more importantly, social development is viewed in the broadest social terms as an upward directional movement of society from lesser to greater level of productivity and accomplishment (Sakamoto, 2003).

Uslaner (2002) discusses trust as generalized trust, which reflects on trust between the population and either government, society, organization, ethnic and religious group. Uslaner defines trust as a moral sense in social life. He considers moralistic trust as being generalized trust. That is, we can trust others without knowing them well beforehand. He also discusses trust as particularized trust. He sees particularized trust as a strategic trust because we trust others when we get to know them in particular situations such as in associations, club, cooperatives, etc. Uslaner shows grammatically that strategic trust is A trust B to do X. Specifically, particularized trust is limited to trusting others over the time. In his statement about moralistic trust (generalized trust), Uslaner is somewhat too normative and optimistic that “*people ought to trust each other*”(Uslaner, 2002, p.6). He argues, “ A trust”. This can cause some confusion about the choice that rational human being has. In addition, Misztal(1996) argues that ‘to trust’ others means that there is a degree of freedom, i.e people can trust each other under certain circumstances.

Moreover, trust refers to three types of expectation as described by Barber;

“Expectation of the persistence and fulfillment of mutual obligation, expectation of technically competent role from those involved with us in social relationship, and expectation that partner in interaction will carry fiduciary obligation and responsibility”(Barber, 1983 cited in Misztal, 1996, p.23).

Human beings in their rationality intend or expect to make good choices and increasing capacity to fulfill its choice by its own capacity and initiatives. They always depend on the behavior/interests of others. If people believe that others will react in favor of their interest, then they will want them to do well too. When others respond positively to their interest they have confidence in them. Trust emerges in reciprocation of an action (Misztal, 1996) and expecting good result favor his/her interests. Conversely, they feel pain and distrust when others react negatively. Bengtsson(2000) argues that trust is equal to distrust but obviously in an opposite sense. Trust requires people to reciprocate the action or be confident in others, that is, people become vulnerable to others’ interests and thus trust involves

dependence on the others goals (Misztal, 1996; Luhman, 1979). This context of trust opposites to the generalized trust belief that trust carries moral values, which do not depend upon reciprocity but on the good will of the others (Uslaner, 2002).

Moreover, other research in the social context sees trust as a faith, belief, attitude, emotion and confidence (Putnam, 1993; Rousseau et al, 1998). Another feature of trust in the sociology debate is that it involves contingency. The overall trust in the sociology debate is relation-based trust, which is dependence to the family tie and other social connections; identity-based- trust, which is an individual characteristic and attitude; knowledge-based trust, which is individual reputation and past experience (Rousseau et al, 1998). All those types of trust take place in strategic trust where Uslaner(2002) argues that we place our confidence in people we know. The complex matter of trust in the social analysis is that a person may trust others that he/she doesn't know well because trust carries moral values. And even, Rutherford (2000) argues that in this context, trust is a verb rather than a noun. He stresses that a person can trust a stranger rather than someone he/she knows. It is a matter of time. Trust can be built and rebuilt.

In regard to economic debate, trust is viewed as being calculus- based trust. Trust emerges when truster perceives that the trustee intend to perform an action. Thus, trust can carry both risks and benefits in social life. Trust carries risks, when a person trusts another willing to be reciprocated, when a person defects, there is an emergence of risks. It carries benefits, when a person gets a positive result to his/her action. However, neo-classical economics reject trust in its theory, based on perfect market competition where everything is explicit; thus, there is no reason to imply trust (Furlong, n.d). This is an opposite idea to the belief of the new institutional economics theory that trust can reduce transaction costs (North, 1995) such as, cost of enforcement, acquiring information and cost of negotiation. The view of trust in reduction of transaction costs, Uslaner (2002) consider it as strategic trust. He argues that such type of trust is based on expectation or performance of actors. Furthermore, trust is seen as a precondition for economic efficiency (Fukuyama, 1995). Other economist views trust as a disposition of individuals for doing something in favor of others and relying on others' goals (Castelfranchi, 2008). In addition, Castelfranchi contrasts the definition of trust as always involving reciprocation. He concedes that trust is a decision to support others' motivation but not always reciprocation of action. Castelfranchi idea on trust is moralistic trust. He doesn't matter how people should behave. In addition, he argues that trust means to trust others' ability to accomplish his/her obligation. The famous approach in economic debate used to analyze 'trust' is 'the game theory', where actors rely on others people'

interests. A person is keen willing that others will respond to his/her interest. This can be viewed as an appropriate definition of trust in economic behavior; where repetitiveness of an action or exchanges could generate trust through the performance of actors. The reciprocity from the two agents or more could enhance trust between them. However, trust ignores the fact that others should be guided by self-motivation, what Adam Smith stresses as 'selfish rational human being' (Smith, 1776).

From the socio-economic notion of trust, trust is seen as a public good (Misztal, 1996), which everyone is able to have and it is assessed through individual capacity in realization of an action. It involves individual determination in order to make a free choice (Castelfranchi, 2008). It is also considered to be a social capital (Putnam, 1993; Fukuyama, 1979). If a person decides to trust another, the trustee may have certain values such as being honest, integrity, sincerity, credibility, accountability (Covey and Merrill, 2008) and being able to fulfil his/her obligation; that is a person's reputation and capability. To trust others depends on the background of the person we want to trust, which requires being tolerant and supportive (Luhman, 1979). Thus, everyone cannot be trustworthy (Fukuyama, 1995).

To sum up, trusting people means to place our confidence in them. This study analyses trust among members of Rosca in referring to the definitions from Uslaner, which trust, is a moral sense (generalized trust) where strangers can be trustworthy; "It is trust in people who are likely to be different from ourselves, rather than trust in people like ourselves" (Uslaner, 2004, p.3). Moreover, I also refer to the strategic trust (Uslaner, 2002) where Uslaner argue, " strategic trust can only lead to cooperation among people you have gotten to know, so it can only resolve problems of trust among small numbers of people"(Uslaner, 2002, p.5). If social relations are established, Roscas can provide to its member means that lead to social development, which is driven by the subconscious aspiration of individuals for advancement or progress.

1.2. A socio-economic development of Roscas in developing countries

In referring to what social development is as World Summit describes, "... *Men and women, especially those living in poverty may exercise the rights, utilize the resources and share the responsibilities that enable them to lead satisfying lives and to contribute to the well being of their families, their communities and human kind...*"(United Nation, 1995,p.3).

A Roscas is a popular form of traditional financial intermediaries, known as informal finance (Chiteji, 2002; Bouman, 1995; Seibel, 2001), which allows the poor to save (Rutherford, 2000; Gugerty, 2005) and improves the well being of the members as well as the community (Benda, 2012). Members of a Rosca typical know each other (Besley et al, 1993).

Each member of a Rosca contributes regularly with an agreed amount, which can vary according to the structure of the Rosca in fixed period and given to the one who is predetermined or selected randomly or by auction. When each member receives the pot, a Rosca can start another cycle or come to an end. A Rosca can vary from a region to the region, a community to the community and even with between 'neighboring regions within a country' (Bouman, 1995). Often, membership of a particular Rosca is based on gender, income, social standing, individual attitude or identity, or on the purpose for which it was formed (Kan 2012).

Rosca is a source of capital with savings and lending as a primary function. Bouman (1995) stresses this by arguing, "Roscas have been instrumental in accumulating capital to build enterprises of every size and shade"(Bouman, 1995, p372). The capital is from the money saved; only the earliest receivers are considered as having a loan to be repaid during their contribution (Besley, 1993). Saving in Rosca is based on social pressure mechanism, embedded in the structure of a Rosca. The loan is automatic, as its repayment.

Rosca is also a financial mutual aid, which its role regarding against emergency expenses, constitute a motive for participation particularly among vulnerable people (Bouman, 1995; Ardener and Burman, 1995; Sandsor, 2010). Participation is voluntary so that everyone can choose a Rosca to belong in according to his/her ability to fulfill obligations and to achieve his/her objectives. In the study Benda (2012) conducted in the Musanze district she found that Roscas are inclusive since all categories of vulnerable people can participate in a Rosca for improving their life conditions.

A Rosca can promote equality and empower women and young people by access to means. Women and young people are often excluded from formal credit due to lack of collateral (Akingunola, 2010). Social collateral in Roscas is based on individual reputation in community (Benda, 2012). The one who is excluded from Roscas group is the one who can also be excluded from the community (Ardener and Burman, 1995) due to his/her behaviour. Sidman in the study conducted in Cameroun, he found that "Thousands of women, young people and unemployed could not survive without their Tontines"(Sidman Steiner 1983:9 cited in Bouman, 1992, p.9). Benda (2012) emphasizes this point by arguing that Roscas represent an empowering tool, especially for marginal and vulnerable people. The funds women receive are used in solving household problems and reduces dependence to their husbands. There is a lot of evidence in Ardener and Burman(1995)'s book "*money go rounds, the importance of Roscas for women*". In addition, Roscas can enhance self-esteem and confidence as well as equality, which is a determinant of trust (Uslaner, 2004).

An economic function of Rosca that is revealed in different studies is an investment for purchasing indivisible durable goods, investment in human capital and investment in small household enterprises (Gugerty, 2005; Kan, 2012; Alabi et al, 2007, Besley et al, 1993; Adeniyi, 2011). Furthermore, consumption of durable goods has been found as a microeconomic of Roscas because majority of members who receive the pot is used for consumptions (Andersson et al, 2008; sandsor, 2010; Agegnehu, 2012). A study conducted by Besley et al (1993) suggest that poor are not only participate in informal finance but also people who are able having access to formal finance, because informal finance do serve a function in consumer demand for durables.

Moreover, Roscas are being seen as having moral and social mechanism. A researcher has revealed that Roscas promote in community 'togetherness' where members meet for sharing foods, drinks and information so that asymmetric information is reduced (Bouman, 1995). It enhances social values which trust is embodied (Benda, 2012) and social relationship. For maintaining Rosca's sustainability, social sanctions are introduced in order to reduce defaults (Adofu, 2010). Often, social pressure and social norms are introduced in order to maintain the reputation of the group in the community as well as of the individuals. As result, individual reputation is prerequisite for being a member of a Rosca (Biggart, 2001).

Furthermore, Roscas have been participating in achieving certain objectives in societies; for example, *Roscas participated in Ethiopia in the devastation following the Italian war in response to the needs of reconstruction* as mentioned Arderner and Burman (1995, p5). *In Indonesia, family planning organizations directed to providing contraceptives for women have set up Roscas to ensure that women present themselves regularly for medication* (ibid, p4). In addition, Roscas have served a model to the Grameen Bank in Bangladesh. To sum up, transformation of lives of members of Roscas in community can contribute to social development objectives, which are ensuring poverty eradication, full employment, promoting equality and integration of marginal people.

2. Methodology

Overall, the research makes use of a qualitative method. It is focused on Roscas groups in the northern province of Rwanda, particularly in the Gakenke district. Semi-structured interviews have been conducted individually and in-group discussion. Twenty-one interviews have been conducted in the Gakenke district; three interviews took place in focused group discussions with three Roscas selected according to the time they were founded; eighteen others interviews took place with individuals from six Roscas selected randomly. In order to discuss

the importance of trust in social development in these groups, I address the social and economic mechanism from Roscas in relation to its theories, which lead to social development theories. The trust issue in leading to social development is transitivity from social and economic theories that is discussed as a connection to social development, particularly how people change their life condition in good working relationship. Inclusion of the research from several different Roscas operating in developing countries and also the multiple sources of evidence such as focus group discussions, individual interviews and relevant research on trust contribute to the verification and confirmation of the information from the participants in this study.

The study area

Rwanda is one of the poorest areas in Africa, which has shown an improvement in development and social reconstruction after the Genocide of 1994. In the United Nations Development Programmer's Human Development Index in 2013, Rwanda is ranked at 167 out of 187 countries (UNDP, 2013). Furthermore, the research conducted by Ansoms (2008) showed an improvement in economic trends and reconciliation in IJR (2010). The research was conducted in the Gakenke district in the northern province of Rwanda. The northern province of Rwanda is recognized as the highest in poverty reduction (NISR, 2012), even it is predominated by high hills and mountainous. The Gakenke district's population density is 481per Km²; with a population of 338,586 which 53% are women. In 81,367 households, 64% are headed by women and 12% headed by orphans (NISR, 2012). The Gakenke district is one of the latest in poverty reduction among five districts from northern province (Ibid). The Gakenke district is ranked at lowest level in social development, gender inequalities, and scarcity of land (NISR, 2010). The majority of subsistence is through farming. Employment and income is low, resulting in limited access to financial services and ability to access on basic needs such as food, clothes, health and education.

3. Results and discussion

This section covers the presentation of findings through interviews and group discussions.

3.1. Roscas' nature and structure in the Gakenke district

A Rosca in the Gakenke district is a cultural, social, economical and financial intermediaries' institution and bears a local name 'ikimina'. Participation is voluntary. Each member may contribute regularly so that the money pooled is allocated to one or more. If a person finds that the money received is insufficient for his/her needs, he/she can belong to several Roscas. One participant says that: 'I belong to two Roscas because the money I

received from one Rosca cannot solve all my problems. I participate in another one because I want to receive more money’.

The contribution pooled together during the meetings is allocated equitably. In the group discussion, participants account that:

‘Each member contributes a fixed amount at an agreed time period and does so regularly. The money collected is allocated to one or two. The one who receives the pot (this term is used in referring to the money collected) may be predetermined or selected randomly. It can also be allocated according to prior agreement due to the urgent needs of any person in the group’ (personal communication).

There is a supportive strategy and tolerance for the members who have an urgent need or have difficulty in contributing at a fixed time, and do so in transparency. No money kept aside, except, when members have decided to add a little money for social issues and insurance for cases where a member is unable to contribute. In that case, they use the money that was kept aside so that the one who is supposed to receive the pot gets the total amount without being affected by someone who violated the rules and did not contribute at this time. In addition, in order to reach a large number of members, many Rosca adopt a strategy to contribute daily, weekly or monthly. Many Roscas’ participants in this study stated that their meetings were organized twice per week.

Every member can recruit a new member, but they can only be accepted during the meeting. One participant accounts that:

‘Everyone can make a Rosca known to his/her friends, neighbors or workmates. When he/she finds a person who is interested, then he/she must introduce him/her during the meeting to other members in the Rosca. When members realize that he/she is a person of integrity, sincerity and well known, then that person is welcome in the next cycle if it is already in the middle of a cycle. When it is in the beginning of the cycle, she/he can be included in the cycle with others immediately. If the members are uncertain about his/her sincerity and honesty, then the newcomer receives the pot at the end of the rotation in order for the members to be insured of his/her commitment’.

Each Rosca in the Gakenke district has its own internal rules. The common rules in many Roscas are to respect the time for contributing and participating in meetings or any activities organized by a Rosca. The person who violates the rules is sanctioned by having to pay penalties, which is a source of profit. One respondent highlights that ‘ without being strict or harsh, our Ikimina will not be sustainable or developed’. Moreover, there are rules, which are related to individual behavior both within ikimina and outside of ikimina. In one ikimina,

they add two people to their committee who are in charge of discipline. The president or organizer is the one who is elected among members. Each member is a candidate. However, there are some Roscas where the organizer is the one who introduces the idea to form a Rosca. Five per cent of the Roscas participants in this study were youths where the organizers were the ones who brought the idea to form a Rosca forward. Accordingly, Roscas enhances a one's social status (Agegnehu, 2012), for example when the organizer profits by showing the members his ability and accountability to lead in the community. This generates trust in the event when there is a need to elect a local leader¹ in the community; the one who has a chance to be elected is the one who was a leader of a Rosca because he is known in the community. It is noteworthy that in some Roscas every member is responsible for taking care of others when it is his/her turn to receive the pot. One respondent reveals that:

‘The one who is supposed to receive the pot for the next meeting, is responsible for organizing a meeting and collecting the money. The penalties are also kept by the one who will receive the pot for the next meeting (not being a part of the pot) and so on until the end of the cycle the totality is shared to all member equitably’.

In the Gakenke district, gender balance is recognized in a Rosca. Many Roscas participants in this study are of mixed genders. Women represent 70% of the participants. However, the single persons (i.e those who are not married, especially younger) are not viewed as being trustworthy; the respondents have stressed that: ‘single persons do not have a permanent address. They can move any time. They can only participate in Roscas if their parents agree to be their guarantor or bring the guarantee, which is accepted by all member of a Rosca’. Stenman (2006) supports this point by arguing that older people are considered to be more trustworthy than younger people. Accordingly, single persons often do not participate in Roscas; only married people or widows are common participants in Roscas. However, there are also Roscas, which are formed by youth in the Gakenke community. In addition, there are Roscas, which are formed by women only because of fear that the men will influence their decisions. During group discussions with women, they revealed that men want to dominate them and take responsibility for everything. They state, ‘it is our money so we do not need someone to dominate our ideas or decisions’ (personal communication).

¹ In Rwandan policy election of parliament leader or local leader is done from village level to the province level. The candidates must be well known and have a good reputation in the community, particularly on the village level(umudugudu). If he/she is not elected on the village level he/she will not be able to continue the competition on the cells levels,sector level,etc.

A Rosca in the Gakenke district faces the same risk of defaulters as to other financial institutions. However, defaulters and enforcement are low due to severe social sanctions (Adofu, 2010) and peer pressure (Akhil, 2005). The social sanction has the result of depriving access to opportunities in the community. Sixty per cent of respondents account that ‘when a member of a Rosca defaults on a loan, he/she loses his/her reputation in the community’; often they will not be trusted to participate again, thus, hurting their ability to achieve their goals in the community. As a result, people fear losing their reputation, which is a factor that holds them to honor their obligations.

Rosca serves as an empowerment tool for poor people, women and youth. In Roscas, poor people can participate in a Rosca where he/she will be able to honor their obligations. They can save money according to their abilities. When they are with others as human beings, seek to maximize his/her individual utility and strive to raise their self-esteem. They profit by competing with others and showing their capabilities. Human beings always struggle to not lose self-respect, which is a determinant of self-reliance and independency. Sen (1999) in his capability approach, he argues that ability for achieving self-respect is part of personal functionings. Thus, women join Rosca for reducing dependence on their husbands and contribute to the family advancement so that they can maintain self-esteem. One-woman participant reveals that she also participates in a Rosca, which is formed by women only, where its objective is to buy mattress for each member in order to retain their husbands². When they close the first cycle, they can fix another objectives and so on, thus allowing for everyone in their group to change their life for the better.

3.2. Trust among members of Roscas in the Gakenke district

Trust among Roscas member is studied on the basis of how it is experienced and perceived in the group; how members are recruited and integrated into the group; how they share opportunities; and how they interact. From participant’s account, trust is based on calculus and knowledge: trust based on calculus for Roscas’ members occurs when a member wants a loan or receives the pot early, he/she may bring a guarantee in order to secure the money received. When she/he is unable to pay, the member or committee that is selected sells the guarantee and repays the loan. For those who do not have a guarantee, they must have a guarantor (for example, your wife or husband, your parents or anyone who is a member of a Rosca). Consequently, anyone from outside of Roscas or your closest family will not be

² In this area there is a problem of polygamy (NISR, 2012); Where one man can have two or more women. Women must compete with others in order to have a man.

accepted as a guarantor. They trust each other willing that other members will fulfill their promises (Miształ, 1996; Luhman, 1979).

There are also Roscas where a guarantor or guarantee is not needed. However, in those Roscas, the loan must be equal to or be below to the amount he/she has contributed in (trust based calculus). In many Roscas that have even a larger number of participants, trust is absolutely used without any condition due to what people they know about each other. Therefore, ones' reputation is the basis of determining whether one is trustworthy or not (trust based knowledge).

Moreover, Trust is established when there is a strong kinship, social network and social relationship (Miształ, 1996). This is embedded in the process of recruiting new members because they know about each other's social conditions and even some Roscas are formed on the basis of pre-existing social connection such as workmate or having common activities. Those who are members in a Rosca are well known to others. Having such information is helpful in finding a person of integrity, sincerity and recognition in the community. One respondent says that: 'we know each other, everyone must be known at least by one person from our group, otherwise he /she may bring a guarantee or a guarantor'. Roscas, however, appear to only be formed among of people with similarities and overlapping social attributes.

Apart from lacking integrity and good reputation, those who agree to fulfill all obligations are welcomed to be part of any Rosca. Forty per cent of interviewees stress this by arguing, 'everyone is welcome'. Accordingly, generalized trust here is ironical that everyone should be trustworthy (including strangers) because a member is 'included in-group when there is at least one person who known him/her well beforehand'. This was stressed during group discussions and in individuals' interviews. However, saying that 'everyone is welcome', is to show that if someone wants to participate may have a guarantor or a guarantee. In absence of those, he/she may receive the pot at the end of cycle in order to be insured his/her commitment.

Due to the conflict having disrupted the lives of Rwandans, strategic trust is used more than generalized trust; specifically trust based on knowledge and calculus. However trust is built and rebuilt depending on individual's performance. Roscas are formed in such a way so that the recruitment of membership may screen for similar life attitudes, class standing and a commitment to remaining in the same community. Nowadays in Rwandan, it appears to be politically unacceptable to publicly use 'ethnic' labels in reference to people, such as Hutu, Tutsi, and Twa, without the risk of being treated as a divisionist or a

genocide ideologist. However, in each group of people as described by Linda Melvert, cited by Musoni (2007), as survivors, perpetrators, victims and returnees, I have found that there are people from those groups who belong to the same Roscas, as participants stressed, ‘everyone is welcome’ (personal communication with respondents).

3.3. Roscas’ participation in socio-economic development of Gakenke

In the Gakenke district, most people live in rural areas without convenient access to urban banks, which are few and far between, often taking days to reach. A Rosca provides to its member a financial means that is either a loan or a saving; the fund is called a loan, when a member receives the money before the end of a cycle date, which is considered as gaining more profit than the one who receives the pot at the end. When a member receives the funds at the end of a cycle date, it is viewed as savings (Besley et al, 1993). Using the economic theory it is well known that saving is harder than consumption. These institutions are succeeding in helping people to save; saving is supported by mainstream development as a source of wealth (Crossley, 2010).

Roscas have been known to provide capital assets to all members. It helps people to save the money and acquire a loan, and even the poorest can save (Rutherford, 2000). The participants account that ‘everyone can choose a Rosca to belong to due to his/her ability to save’. Saving is a precondition in a Rosca because you receive the amount you have contributed or are willing to contribute during the whole period. Seventy-five per cent of participants in this study argue that they have learned to save through a Rosca rather than saving through a microfinance or at home. Pressure to save in Roscas urges members to save regularly with their own abilities (Biggart, 2001).

The utilization of funds received in a Rosca is grouped into two categories: funds for consumptions and investments. According to the participants’ statement in this research, the funds received in a Rosca for consumption, are used to resolve some problems in households, such as paying for: food, clothes, household equipment (mattress, chairs, TV, etc), medical insurance, school fees for their children, land leases, dowry and renovating the house or roof repair. It is dependent on the quantity of money received; if the money collected is greater than 50000Rwf, most people who receive this money can use it for investments such as purchase land, purchase domestic animals (cows, pig, goats, etc), purchase sewing machine and invest in small business; in agriculture (purchase pesticide, seeds and fertilizer) as well as in commerce and in tailoring. The following figure shows the percentage of participants how they use the money received.

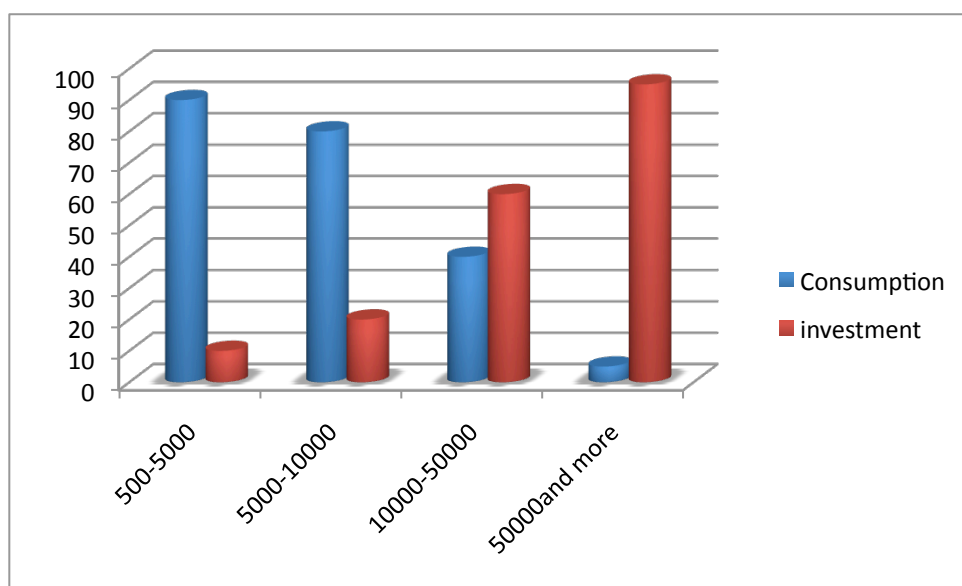


Figure 1: Utilisation of Roscas funds according to the amount they received (from participants)

The figure above shows the amount a member contributes (on horizontal axis); if they contribute a lot, then the pot will be large enough for investment. The vertical axis represents the percentage of participants in this study. As the figure shows, 58% of participants who contribute more than 10000Rwf spent their money on investments.

One respondent stresses that ‘he cannot survive without being a member of a Rosca’ because the money he gets from his ordinary activities, is spent them on buying drinks in a bar since that money is not enough to purchase a cow, land or paying school fees for his children. He adds: ‘When I am in a Rosca I can save these money and don’t spend it on unnecessary needs thinking that tomorrow I will contribute to a Rosca as I promised. I wait until I get my pot and invest it in agriculture’. This means that Rosca can facilitate people to plan for their future.

The preference of being a member of a Rosca rather than some other microcredit institutions is that Rosca is a simple form, flexible, provides a quick loan and easily accessible (see also in Seibel, 2001; Adeneyi, 2011). One participant says that:

‘I prefer to be in a Rosca rather than being a member of any other microfinance because when I want to solve my urgent problem, the microfinance have a long process and sometimes they charge some money for their services and also that the money comes late and is a lesser amount. If I want to pay the school fees for my children, they would risk being late at school by waiting for the money and there is a risk that more money will be added. For example, if each month they take 500Rwf, then I put my money in a savings account for five months, 2500Rwf is deducted, then what I have left to use becomes insufficient’.

In addition, microfinances in Rwanda have a bad reputation due to their failure in the 2006, where many microfinances, particularly in rural areas did not manage to reimburse their clients after its failures until now. Many participants mention this failure during discussions groups. Thus, the participants in a Rosca are not all incapable of using formal financial institutions. For instance, in the Gakenke district, some staffs from the district formed a Rosca for enhancing solidarity and social relationship. As result, Roscas seem to be more popular than other kind of microfinances in the Gakenke district.

Regarding to the social function of a Rosca in the Gakenke district, people members of Rosca benefit by sharing information, advice and fostering friendships, relationships as well as solidarity among those in the community. During the meetings they share information about different issues, such as business, health, and so on. The following example is from a participant's experience; one participant gives us an example of family planning by using contraceptives. Previously, she had incorrect information about contraceptives, thinking that contraceptives can cause harm in the next pregnancy or result in other complications. She learned from a friend in the Rosca the reality of contraceptives.

The cultural benefit from a Rosca is to learn how people help each other, as it was previously existed in Rwandan cultural such as, visiting a family that is going to have a baby or having a ceremony. Those who are invited first are the ones from a Rosca in which one belongs (this was stressed by a participant during an interview). She stated: “ when you do not participate in a Rosca you are selfish, no one can visit you or help you in case you are in difficult situation”. This shows how a Rosca is like a cultural institution. Roscas urge people to behave appropriately not only in-group, but also in the broader community; consequently, a member who exhibits bad behaviour risks being outcasted from a Rosca.

Furthermore, Roscas are used for achieving certain government objectives such as providing medical insurance for a large number of people. For instance, in the Gakenke district, local leader urges people to form a Rosca in order to be able to pay medical insurance; many people in the Gakenke district are not able to pay medical insurance on time, especially marginal people or people who have a large family. When they form a Rosca, they can save until they get the total amount required for medical insurance. The organizer collects the money instead so that it is allocated to the person whom medical insurance is to be paid if that person did not pay for it. If he/she has already paid for the medical insurance, he/she gets his/her pot as planned.

3.4. Challenges in Roscas in the Gakenke district

Many Roscas are formed on the basis of income categories; I found that some groups of people are excluded in some Roscas (including self exclusion) due to their inability to fulfill their obligations. When a person does not honor his/her obligations, he/she becomes untrustworthy.

A Rosca can create conflict among its members; specifically, when the first receiver of the pot runs away without honoring his/her obligations as promised. However, there are social sanctions, which are embedded in social norms that can regulate misbehavior in the group. Nevertheless, Roscas have no legal contracts; thus, there are no remedies that can be pursued in any court. Sometimes members of a Rosca are selected to go to the defaulter to listen his/her problem and give advice. If he/she resists, they enforce him/her to repay by taking his/her goods such as domestic animals or any other materials that are valued in equivalent to the loan. In turn, the one who defaults cannot visit other members, who live nearby in times of need, as a result of his/her actions. Visiting a neighbour in Rwandan cultural shows a good relationship. In rural areas such as Gakenke is located, visiting or helping a neighbor, is a basic need. For instance, when a family wants to carry a pregnant woman in order for her to give a birth, neighbours commit because they live in areas where an ambulance does not have easy access or there are only few ambulances available in the district. In such a case, there are some typical Roscas, which are formed for such purpose. The participants revealed an appropriate name for such a Rosca, which is called ‘Guhekerana’ i.e solidarity.

Another challenge is when one of the members who need a loan is favored because she/he has many friends in a Rosca or some members are corrupt. Other members can give up and change to another Rosca. This has been the case in the Gakenke district. Such those challenges make it difficult for a Rosca to be sustainable.

3.5 The influence of trust in social development

Social development implies good working relationships (social inclusion), equality (distribution of social and economic opportunities) and integration of marginal or discriminated people (against social exclusion), where its principal objective is to eradicate poverty and promote social cohesion. Accordingly, this study analyses the influence of trust on social development on the basis of Amarty Sen’ s development theory called “Development as Freedom”(Sen, 1999). Sen argues that poverty needs to be seen as the “deprivation of basic capabilities rather than merely as a consequence of low income”(Sen, 1999, p.20). Rational human beings plan for their future by changing her/his behavior, which

requires freedom of choice. Sen asserts that, “development consist of the removal of various types of unfreedoms that leave people with little choice and little opportunity of exercising their reasoned agency (ibid, p.xii). Sen identifies two different types of freedom: constitutive and instrumental freedom. Constitutive freedom in our context reflects on a person’s freedom of participation while instrumental freedom reflects on interdependence of distinctive features of development. Trust in this study falls under both the category of freedom. Trust doesn’t only limit on economic efficiency but also the performance of social life. Roscas are a kind of financial choice, where everyone can exercise her/his ability to address economic and social problems. Trust as a principal focus in those groups, influences social development in two different ways but leads to the same result.

When trust is established, it changes everything (Covey and Merrill, 2008). Strategic trust as defined by Uslaner (2002) seems to be pessimistic to wards the people whom they do not know. They exclude those people from their social interactions. Uslaner argues, “They avoid strangers and base their social circle upon family, close friends, and members of their own group”(Uslaner, 2002,p.5). In strategic trust people do not trust beyond their own community, which means that they can exclude the people they do not know beforehand. Sen (2000) calls this capability deprivation in human life, which is a direct relation feature of social exclusion that leads to poverty. According to Sen (1999) poverty is defined as “capability failure”. He argues, “ social exclusion can thus, be constitutive a part of capability deprivation as well as instrumentally a cause of diverse capability failures”(Sen, 2000, p.5). He explains by statement that there are multiple consequences of social exclusion on human life. Social exclusion is constitutive when a person is directly deprived of social and economic opportunities from social contact such as being unable to participate in-groups (e.g Roscas). Social exclusion is instrumentally, when a person is deprived to access to social and economic opportunities through the causal consequences such as being unable to have access to the means (e.g. loan) which can result in lack of basic needs (food, education, medical insurance, etc). The strategic trust that is based on knowledge and calculus can only solve the problems of a small group of people in the community. Strategic trust can be a problematic in large community where people do not know well about each other. Strategic trust reduces risk of uncertainty from lacking relevant information regarding the performance of individuals or firms (Nielsen, 2004). Not only are people who are not known excluded but also people who are known can face a risk of exclusion from social interaction, particularly in the groups that involves monetary values because reputation is viewed as a source of legitimacy (ibid). Therefore, strategic trust can impede social development achievements for the people who are

excluded from social interactions. For example, Single people often are excluded from some Roscas groups in the gakenke. However, strategic trust reduces transaction costs such as costs for monitoring and acquiring information (ibid).

All the same, trust rubricates social life (Putnam, 1993). With moralistic trust, everyone is involved in social interaction; thus, there is no need to worry about how people should behave. Uslaner argues, “People ought to trust others”(Uslaner, 2002, p.3). This influences social development positively, but it also creates a little confusion about the freedom of choice that a rational human beings has for trusting others. If all people are involved in social interactions, it means that they will know each other through the repetitiveness of interactions, which can facilitate individuals to exercise their capabilities for achieving functionings. Sen (2000) suggests that being able to be in a relationship with others and exchanges goods and services can help in achieving self-respect, appearing in public without shame, taking part in the life of the community and having access to social and economic opportunities from social contact. It has an optimistic view of the world. Generalized trust has been viewed as a public good and a social capital (Putnam, 1993). When a person is able to be in a relationship with others including participation with their preferences and feel confident with them and see the goodwill of others. Having confidence with others that they will fulfil their promise boosts economic and social development directly from good working relationships. For example, being able to participate in a Rosca, you are able to share social and economic opportunities from social interactions and exchanges. The assets you accumulate can help you with consumption or investment in productive activities so that you can contribute to the well being of your family and development of the broader community. Thus, generalized trust reflects a personal well-being and a supportive community.

In addition, generalized trust enhances social cohesion such as integration of disadvantaged people, which it can solve common problems in the community, specifically an impoverished person’s life such as undernourishments, persistence of morbidity, widespread illiteracy, etc. However, as far as people interact and exchange goods and services, the problem with generalized trust is that people can distrust or trust due to other people’s performance (Bengtsson, 2000). Furthermore, generalized trust lies in more equitable distribution of opportunities because it reflects concern for others, especially people who have faced discrimination and as result have fewer resources.

To summarize both strategic trust and generalized trust can influence social development positively and/or negatively but in different ways. Strategic trust favours people

who are like themselves. Accordingly it positively influences social development of the people involved in-groups and negatively those who are excluded from the group and/or not involved in-groups. It reduces risk and transaction cost for those who are involved in- groups.

Generalized trust is a trust with the people who are unlike us. Trust is not based on conditions. Trust tends to make people be more optimistic about their own ability to achieve development. Generalized trust is more political than social. Like strategic trust, generalized trust reduces transaction costs and facilitates people in exercising their capabilities for their advancement or progress.

5. Conclusion

This research paper discussed the relationship between trust and development in Rotating savings and credit associations in the Gakenke district in the northern province of Rwanda; the findings showed that strategic trust influences the social development of members of Roscas through economic and social opportunities from social contact. When a person is known, he /she can participate in a Rosca, due to his/her reputation. A Rosca is a typical financial choice, which can reduce transaction costs among its member. Strategic trust excludes the people one does not know well, which positively influences social development of people included into the group and negatively influences the social development of the people excluded from the group or not involved in the group. Generalized trust occurs when everyone is welcome to be a member of a Rosca; as far as they interact generalized trust is evaluated through individual performance.

The qualitative interviews are conducted among members in Roscas and I discussed strategic trust and generalized trust on the basis of the process of recruiting members as well as social and economic mechanisms from Roscas groups. The participants in this research, through individual experiences revealed that trust is built and rebuilt during the period of rotation. Accordingly, in the Gakenke district trust among members of Roscas, is a strategic trust rather than generalized trust. However, this study does not address whether the conflict in Rwanda had an effect on the strategic trust among Roscas members. This can be a topic of further research. The implication of these findings is to contribute to the knowledge of Rotating savings and credit associations in Rwanda, and increase knowledge regarding the influence of trust in social development.

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