

# An exploratory study on the working of Rotating Saving and Credit Association (Gamiya) in the Sultanate of Oman

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## I. INTRODUCTION

The urge to save money is as old as human civilization. Human race has devised various methods of saving over their civilizational journey. One of the informal methods of saving which is very popular in various parts of the world is Rotating Saving and Credit Association (ROSCA). They are informal peer to peer bank and peer to peer lending financial arrangements. They are known by different names in different countries such as contribution club, slate, mutual lending society, pooling club, thrift group, friendly society, rotating credit association, temporary loan association, tontine, Ajo, Susu, Tanda, Pandeiros, Ekub, etc. (Anderson, 1966; Drake, 1980, p. 134; Ali, D., 2024) committee and Ballot Committee or B.C. in India and Pakistan (Khan, M. & Iqbal, H., 2022), Gamieya or Jamiea or Gameeya in Egypt (Jackson, T., 2022). The literature available on ROSCAs reveals considerable variation in how they are operationalized in various countries around the world from being illegal in Malaysia (Satkunasingam, E. B. & Shanmugam, B., 2006) to legal in India and various other countries (Sethi, R. M., 1996; Dutta, R., 2003). The popularity of ROSCA can be gauged from the fact that the participation rate in countries like Nigeria, Cameroon, Republic of Congo, Gambia and Ivory Coast reaches up to 95 percent (Ali, D., 2024).

Calomiris and Rajaraman (1998) define ROSCA as “voluntary grouping of individuals who agree to contribute financially at each of a set of uniformly-spaced dates toward the creation of a fund, which will then be allocated in accordance with some prearranged principle to each member of the group in turn”.

ROSCAs provide a means of making joint savings work (Ardener, 1964, P. 217) and are a collective mechanism for individual self-control (Gugerty, 2007). For ROSCAs to operate successfully it is necessary for members to keep their commitment to

pay into the ROSCAs even after they have won the pot. This problem is largely overcome through exploiting the member's social connectedness (Besley et. al., 1993)

The ROSCA fund is made up of fixed or variable contribution of each member of the fund (Brink & Chavas, 1997) per cycle which is mostly a month. Each period the pool is distributed to one or more member. The method for distribution may be ranking, lottery or bidding. The member to whom the money is distributed is excluded from participating in rest of the distributions till the end of the cycle. However, that member has to keep contributing till the end of the cycle for which that particular ROSCA was started. When the last member gets his share, the ROSCA is either terminated or restarted.

## II. LITERATURE REVIEW

Much of the literature available regarding ROSCA theorizes that the need for ROSCA arises because of failure of formal money and credit market to provide credit. The gap thus left is filled by ROSCA. An underlying assumption is that as the formal credit market will mature, the role of ROSCA will simultaneously come down (Kedir, A. M. et. al., 2011).

A review of literature on ROSCA suggests that they are popular not only in countries where financial markets are less developed (Bouman, 1995; Kimuyu, 1999; Brotei et. al., 1995;) but also in countries where financial markets are developed (Besley & Levenson, 1996; Scholten, 2000; Srinivasan, 1995). The popularity of ROSCA can be gauged from a very high level of participation from a large section of population in many countries (Gugerty, 2007).

A ROSCA cannot function unless all members continue to keep their obligations. The pressure of public opinion among members may be enough to ensure this (Ardener, S., 1964).

### III. METHODOLOGY

The study was done in Muscat, the capital of the Sultanate of Oman from January 2025 and March 2025. The sampling technique used in the present study is snowball sampling technique as the ROSCAs working in Muscat are informal and it was difficult to get information from any other method. Snowball sampling is used where identifying respondents is difficult and the best method to identify them is through referral network. In this technique individuals are discovered and used to locate others with similar characteristics and who, in turn, identify others. The snowball gathers subjects as it rolls on (Blumber et. al., 2014). Snowball sampling technique is more useful for qualitative research as compared to quantitative research. The problem is that the sample may not be representative of the population. However, the very attempt to define population may not be suitable for some situations (Bryman, A. & Bell, E., 2007). Looking at the difficulty of defining population and drawing sample from it in the present study, snowball technique was considered adequate to get relevant data.

A total of 68 ROSCAs were covered. Questionnaire filled by 13 ROSCAs were rejected for being incomplete. Thus, the study is based on a sample of 55 ROSCAs having a membership of 605. The first participant ROSCA was identified in a Higher Education Institution and further were identified through the first group giving reference of another group and so on and so forth. Questionnaire was used to collect data including demographic data. The following table contains the demographic details of the Sample.

Female	390	64.46 %
Male	215	35.54 %
Indian	227	37.52%
Bangladeshi	179	29.59%
Omani	68	11.24%
Pakistani	51	8.43%
Pilipino	32	5.29%
Jordanian	20	3.30%
Sudani	17	2.81%
Syrian	11	1.82%
Age Range	21 - 68Years	
Average Age	41 Years	
Income Range / Month	60 R.O. – 2200 R.O. (156-5720 USD)	
Average Income	550 R.O. (1430 USD)	
Academic	Class 5 – Post Doctorate	

Qualification Range	
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Various Types of ROSCAs commonly prevalent in the Sultanate of Oman

The present study identified the following types of ROSCAs in use in Muscat. The various groupings in the present study are done on the basis of the type of contribution and the method of payout.

#### Fixed contribution and fixed payout

This example is from a higher educational institution. There are 10 members in this Gamiea, each contributing 100 R.O. per month. The total monthly collection is 1000 R.O. The duration is 10 months starting September and ending June. The institution is closed for summer vacation during the month of July and August. The distribution is according to ranking order prepared by the person who starts the Gamiea. Usually the person who starts is first to get the pot. Those who join later, they are ranked accordingly. Everybody contributes equally and is paid equally.

#### Variable contribution and variable payout

This example from a small trading company. There are 9 members in this Gamiea. Each member is contributing variable amount and getting variable payout according to their contribution. 7 participants were contributing 100 R.O. each while 2 members were contributing 150 R.O. each. The duration is 10 months starting January and ending October. The collection is 1000 R.O. each month. Member who are contributing 100 R.O. each month will get a pot of 1000 R.O. on their turn while the two members contributing 150 R.O. each will get 1500 R.O. on their turn. To keep calculation simple, the two higher contribution candidates will get 1000 R.O. on their turn but the last pot of 1000 R.O. will be distributed equally between the two to make it 1500 R.O.

#### Fixed contribution and variable payout – Discount-Time value of money

This example is from a Money Exchange Company. There were 12 members each contributing 100 R.O. every month thus collecting 1200 R.O. per month. There is no ranking in this group, neither is there any Ballot. The method to decide who will get the first pot is auction of discount. Members are asked who is ready to give discount on first distribution of 1200 R.O. Suppose two members offer discount of

40 R.O. and 25 R.O. respectively. The member offering more discount (in this case 20 R.O.) will get the first pot of 1160 R.O. (Discount of 40 R.O. from 1200 R.O.). The remaining 40 R.O. was distributed to the other 11 members. In this way each member got 3.63 R.O. The process of auctioning subsequent pots continues as long there is discount offered by the members. The discount usually comes down every month unless somebody has emergency and is ready to offer a higher discount than previous month. In this particular case, no member was ready to offer discount after fourth round. To decide the ranking from 5 to 12, lottery system was used. An interesting ritual was observed in one such ROSCA where a small amount was deducted from the discount amount for high tea and the balance was distributed among the members minus the person who won the pot by offering the highest discount.

#### IV. METHOD OF PAYOUT

The various methods of payout in the identified in the present study may be summarized as follows:

##### Fixed Ranking Method

In ranking method, the rank has to be decided in advance so that each member knows before the start of the ROSCA what his rank i.e. which month he will get the pot. It was found during this study that ranking was decided using a variety of methods. The most common method of deciding ranking was in order of joining the ROSCA. If anybody needs money for any reason immediately, that person will announce that he is starting a ROSCA with this amount and needs, say, x number of participants. It is commonly understood that the person starting the ROSCA will get the pot in the first month. Rest of the ranks will be decided according to joining date or time. The person who starts the ROSCA will get the first rank and so on and so forth.

##### Ballot Method

This is a method which is very common in India and Pakistan (Pakistan Today, 2013) where ROSCA is usually called Ballot Committee or B.C. in short. This method was also found being commonly used in Oman for deciding about the ranking of payout. Under this method, once the required number of participants are found, the amount to be paid per cycle is decided and the duration of the committee decided. On appointed date, everybody gathers together and pay their contribution in cash and

immediately lots are drawn. The person whose name comes in the draw gets the first pot. In the second cycle, the lots are drawn again by excluding the name of the winner of the first lot. This drawing of lots or ballot continues till the second last cycle. The participant whose name has never appeared in the lots get the last pot. For this there is no need to draw the lot as he or she is the only one left. The strength of this system is that everybody has an equal chance of getting the pot irrespective of joining sequence. However, those who get early chance have early access to funds. It was also observed in few cases that through mutual consent, the person who won the pot in a particular month allowed another person to collect the pot for meeting some emergency. It has to be noted that this was purely voluntary.

##### Mix of Ranking and Ballot

Another method found during this study is by writing the names of all the participants on pieces of paper and drawing lots. Immediately everybody knows about his rank as per the result of the lot. In this method ranking is done but not on the basis of joining date or time. Joining date and time is irrelevant. Once the required number of participants are found, lots are drawn and ranking decided in the beginning. Everybody has an equal chance of being selected for each rank.

##### Auction method

In this method the winner of the pot is decided based on the percentage of discount offered by the participants. Various committee members who are in urgent need of funds offer discounts to have early access to the pot. Whoever offers more discount in each round gets the pot. The money which is saved through the discount is then distributed in various methods. The most common being the distribution of discount money among others members equally. Thus those who are ready to wait get more than what they contribute over the life of the ROSCA. Opposite to this, those who require urgent access to money offer discounts and contribute more than what they receive over the life of the ROSCA. There was another method of distributing the discount money. In two ROSCAs it was observed that the person responsible for managing the records, called president, was given the discounted money as a compensation for his services.

##### Need based ranking

This is a less popular method of deciding the ranking. Once the required number of participants

are found, the ranking is decided based on the need of the participants. The participant with the most pressing need is given first pot and so and so forth. Each month the participants meet and decide who is needier and thus deserving of the pot.

## V. CONCLUSION

The study found several types of ROSCAs in vogue in the Sultanate of Oman. However, there may be more varieties in use as the present study covered only Muscat city and hence there is every chance that in other parts of Oman there may be other types in use. There is a need to conduct more research in this interesting area of saving to get a better understanding of the phenomenon.

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