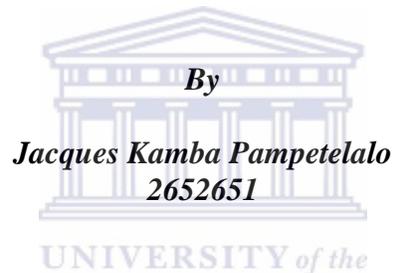


The University of the Western Cape



Institute for Social Development

***MOBILISING SAVINGS FOR POVERTY ALLEVIATION IN KINSHASA, DR
CONGO:
A CASE STUDY OF “KOBUAKISA CARTE PRACTICE”***



A mini-thesis submitted in partial fulfillment of the requirements for the Degree of Master of Art in Development Studies, the University of the Western Cape

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KEY WORDS

Savings

Poverty alleviation

Informal finance

Poor

Financial instruments

Development

Economic growth

Social network

Kobuakisa Carte practice



ABSTRACT

Informal saving is an important factor for the well-being of the poor. It enables the poor to smooth consumption, build capital and fulfill survival needs and emergencies. This study explores the informal saving institutions, with a particular focus on the Kobuakisa Carte practice, which is an informal financial institution that mobilizes savings for poverty reduction among low-income people in Kinshasa, Democratic Republic of Congo. The research investigates the extent to which the Kobuakisa Carte serves the purpose of mobilizing savings for poverty alleviation. It is hypothesized that Kobuakisa Carte influences informal savings, enables the poor to satisfy their basic material needs, reduces poverty and consequently leads to individual empowerment and development.

This study integrated the case study methodology in its research design. It applied both qualitative and quantitative methods. The qualitative research data comprised document analysis, interviews with Kobuakisa Carte's clients and officers. In addition, a questionnaire was utilized to gather quantitative research information from 50 informal traders.

The findings of the study reveals that Kobuakisa Carte has not have a positive impact towards poverty reduction. Informal savings were incapable of helping the poor to increase their income because they were small in amount and were mainly used for fulfilling basic needs rather than financing income-generating activities. Savings from Kobuakisa Carte were used for survival rather than for poverty reduction.

The majority of the poor favor Kobuakisa Carte due to its flexibility and adaptation to local culture and values. The study finds that the most positive impact of the scheme on the welfare of the poor was in the areas of education, health, food and housing. The scheme has the potential to empower the poor and to develop local finance system in following bottom up approach. This study recommends the partial integration of Kobuakisa Carte into formal financing channels and should be given proper recognition and adequate consideration in the nation's financial system. The study concludes that Kobuakisa Carte is an active and dynamic saving scheme. It has demonstrated the potential to alleviate poverty. It needs to be studied and requires support in order to make it more effective.

DECLARATION

I, Jacques Kamba, hereby declare that “*Strategies for Mobilizing Savings for Poverty Alleviation in Kinshasa, DR Congo: A case study of Kobuakisa Carte*” is my own work. None of the material contained in this thesis, other than that acknowledged to be by other authors, has been previously submitted for academic award in this or other institutions. All sources I have used or quoted have been indicated and acknowledged by means of references.

Jacques Kamba

SignatureDate.....



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I dedicate this thesis to my brothers Gaby and Christophe who encouraged me to get up after a fall and start again. A special thanks to my fiancée Tshibamba Pascaline for deepest love and support throughout the writing of this thesis.

At the end, I dedicate this thesis to my beloved mother Alphonsine Tshilomba of blessed memory. You were the real mother and my first teacher who taught me to read and write. This is the fruit of the education gifts you gave me. May your sole rest in peace.

LIST OF ABBREVIATIONS

ACCCO	Congo Community Assistance Bank
ASCAs	Accumulated Savings and Credit Associations
CBOs	Community-Based Organizations
CF	Congolese Franc
CGAP	Consultative Group to Assist the Poor
DR Congo	Democratic Republic of the Congo
GDP	Gross Domestic Product
ILO	International Labor Organization
MDGs	Millennium Development Goals
MFI	Micro-Finance Institutions
NEPAD	New Partnership for Africa Development
NGOs	Non-Government Organizations
PPRM	Participatory Poverty Ranking Method
ROSCAs	Rotating Savings and Credit Associations
SMEs	Small and Medium Enterprises



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CHAPTER ONE: INTRODUCTION

1.1 Contextualization of the Topic

Informal saving refers to a portion of people's disposable income, which is mobilized by informal financial institutions that operate outside official control and regulation (Qadir, 2005). It is one of the tools used by the poor to improve their well-being in the absence of formal financial services in developing countries. Poor people use informal savings to acquire essential goods and services such as food, clothes, health care and education over the short term. Such savings help stabilize income, build assets, provide a safety net to meet basic needs, fund projects such as housing, and start up or expand productive activities (Siewertsen and Facet, 2009, p. 3).

According to Mashigo (2007), the lack of access to saving services is a major barrier that makes it difficult for poor people to build productive capital and undertake profitable activities throughout the world. The well-being of humans hinges on a stable financial situation and the availability of funds to satisfy survival needs. According to Daley-Harris (2005), micro finance summit held in 2005 reported that millions of people worldwide live in poverty because of lack of access to saving services.

The first Millennium Development Goal established by Millennium Declaration of the United Nations has committed rich and poor countries to eradicate extreme poverty and hunger by 2015. Paragraph 1E states the objective to promote inclusive finance as well as inclusive financial sectors by offering appropriate credit, savings, insurance and payment products and services to all segments of the population (Millennium Development Goals Report, 2008). According to Goss, et al. (2011), 70% of people in emerging markets do not have access to formal saving services. Furthermore, more than 48.5% of the population in Sub-Saharan Africa lives in extreme poverty (World Bank, 2013) and 80% of the poor do not have access to financial services (Chaia, et al., 2009). Thus, the poverty rate in Sub-Saharan Africa would be reduced if access to financial saving services was adequately addressed. The topic of savings mobilization deserves far more serious attention, and there is a need to explore new effective and appropriate saving mobilization methods for poverty reduction.

The concern for improving the access to financial services for poor started in 1980s with microfinance institutions such as Grameen Bank, which provided small loans and saving services that were profitable to the poor. According to Schreiner and Colombet (2001 cited in Trocaire, 2005, p.32), microfinance has become one of the most popular options to improve access to financial services for the poor who are neglected by banks and enable them to move out of poverty. It not only provides savings and credit services to the poor, but also can involve a range of services from intermediate services to insurance services and advisory services. Simanowitz and Brody (2004 cited in Trocaire, 2005) in their study argue that microfinance is an opportunity for the poor people to take initiative, increase earnings and mobilize resources for more productive uses. Microfinance is also associated with improvements in household socio-economic welfare and helps empower women by supporting economic participation and promoting gender equity. In short, microfinance therefore can be a tool for poverty reduction and achieving the Millennium Development Goals.

However, most microfinance institutions on the African continent use financial approaches and instruments that are insufficient and mostly maladjusted to the financial needs, culture, value and economic behavior of the majority of the population. Rankin (2002) argues that microfinance models advocated by mainstream donors such as the World Bank respond more to lenders' concerns with financial sustainability and profit than to established traditions of fostering radical collective action. The articulation of microfinance programs with a wider cultural context offers considerable cause for skepticism. For example, women have been shown to be self-selective for group members with significant income, thus concentrating microfinance services among those with access to other forms of capital and excluding "the poorest of the poor" (Ackerly 1997 cited in Rankin, 2002).

Furthermore, several authors on this topic (Fitri, 2006; Beverly, et al., 2008; Aryeetey, et al., 1996; Ghate, 1992) argue that the development of local finance services has shifted from a centralized or top-down approach to a decentralized or bottom-up approach. While the centralized or top-down approach neglects the community's capacity and dynamism, the bottom-up approach enhances the capacity of local people by assuming that they can and want to save money in the financial institution. Thus, the development of local finance supports the concept of informal microfinance, which follows a bottom-up approach that targets poor people and households. In this case, the views, needs and opinions of the poor

are being heard and brought to the attention of those with the authority to influence the environment, in which the poor and informal financial institutions operate.

In this study, the informal financial institution is regarded as mostly attached to local people who are marginalized at grassroots level, and follows the bottom-up approach for the development of local finance for poverty reduction. Development theorists generally maintain that local people should have an opportunity to express their views, analyze knowledge, and be actively included in the process of local initiatives and development.

The next section explores the Kobuakisa Carte practice. It is important to study this practice because it provides a safety net to the poor, which is a critical component of poverty reduction. It is crucial to study this savings scheme as there is limited knowledge of its role in poverty reduction. In addition, to the best of the present researcher's knowledge, no systematic study has been done on this informal savings scheme.

1.2 Rationale and Significance of the Study

This research investigates the extent to which Kobuakisa Carte mobilizes savings for poverty reduction in Kinshasa, DR Congo. The informal savings strategy is one of the most important and popular finance services for low-income people in the DR Congo. This research zoned on informal savings because the high poverty level of informal traders in Kinshasa was related to lack of access to financial services, especially savings program. Formal banks have failed to serve the poor. Microfinance institutions have been concentrated on the provision of credit, and saving has been forgotten in the delivery of financial services to the poor. It is timely to provide appropriate saving services to poor informal traders as they represent the majority of the DR Congo's population and their role in the welfare of the family cannot be ignored.

Kobuakisa Carte is meaningful for the poor in Kinshasa because it helps them reserve a portion of their earnings, use their savings to increase their income, and fulfill emergency and basic needs, especially education, housing, food and health. It offers flexible saving services, which are adapted to the local culture and financial needs of the poor. Furthermore, it has the potential to strengthen the local finance system in an era of decentralization. Thus, this practice is a strategy that people use in their struggle to make a living in conditions of poverty.

Substantial research has revealed that formal financial institutions perform better than informal financial institutions in mobilizing savings because they have modern infrastructure that channels savings to the formal investment economy (Collins, et al., 2009). Previous studies have also attempted to explain the fact that the majority of the poor relies on informal financial institutions for their daily financial needs (Olalekan, 2010). In view of the credit given to the performance of formal financial institutions and the reliance on informal finance, this study attempts to explore the extent, nature, reliability and potential of informal financial institutions for poverty reduction so as to understand why it has attracted growing interest, particularly among low-income people.

The research serves as a means of identifying strategies that can be used to reduce poverty. It is a source of relevant data for Non-Governmental Organizations (NGOs) and Community-Based Organizations (CBOs) dedicated to poverty reduction, development and economic growth. The study forms part of the existing literature on informal finance and poverty reduction with a specific focus on Koboakisa Carte.

1.3 Background to the Study Topic

In recent decades, there has been an increasing attention paid to microfinance as a tool to alleviate poverty in developing countries. Microfinance provides small-scale financial services such as savings credits to the poor with the aim of reducing poverty and generating the prosperity among the poor people. The main effects of microfinance on poverty have been on the provision of credit, which makes a significant contribution to increasing the incomes of the better-off poor, including women. Microfinance services also contribute to the smoothing out of peaks and troughs in income and expenditure thereby enabling the poor to cope with unpredictable shocks and emergencies.

However, most attention in microfinance has been paid to credit systems, which are carried out either by government institutions or non-governmental organizations. Microfinance institutions are organized, regulated and apply the standard banking system, as well as providing a link to wider range of financial markets (Fitri, 2006). On the other hand, there is not much discussion given on informal microfinance savings system. Knowledge about informal saving institutions, which are not linked with the formal banking sector, is very limited. There is also insufficient research about how informal microfinance is adapted to the financial needs of the poor at grassroots level.

Focusing on the poor is the main objective of informal microfinance. Considering that the majority of the poor in developing countries do not have access to monetary services, the development of an appropriate financial service becomes significant (IFAD, 2001). The poor have many disadvantages in accessing financial services. Their lack of income leads to the hesitancy on the part of formal banks to provide financial services to them.

Available literature suggests that informal microfinance has a critical role for poverty reduction around the world. Informal financial institutions attempt to meet the substantial demand of financial services by low-income people and address effectively issues associated with material poverty with different approaches, values and philosophies. It has been reported that the Grameen Bank, which was established in 1976 by Professor Muhammad Yunus in Bangladesh, sustainably provides microloans to the poorest, with a particular emphasis on women, who receive 95% of loans without any collateral. Grameen Bank's philosophy is built around the idea that credit, even though they are very small, help the poor to bring out their innate entrepreneurial skill to shape their own destiny. The credit lending system is group-based and participatory (Qorinilwan, 2005).

The Grameen Bank's achievements are significant and can be measured in terms of the development of the institution and its outreach. The number of people who were served with loans increased from 1,033 in 1989 to about 1,928 members in 1994. In 2007, the Grameen Bank touched the lives of 7.41 million borrowers, mostly poor women. The total number of borrowers has increased to 8.40 million in 2013, of whom 96% are women (Grameen Bank, 2013).

In Costa Rica and Laos, village banks have been established as community-managed credit and savings associations because the formal banking system has little outreach into the poor areas. They provide more than 5 million of the poorest of the poor access to financial services, build community self-help groups, help members accumulate savings, stabilize, and possibly increase household income (Ashraf, et al., 2003, pp.19-21).

Rotating Savings and Credit Associations (ROSCAs) constitute an important means of providing saving and credit services to low income in the absence of formal financial services in countries such as Nigeria, Sierra Leone, Tanzania and Ghana (Donoso, Altunba and Kara, 2009).

In South Africa, there are several informal saving groups such as *stokvels*, *gooi-goois* and *kuholisana*, which are organized around structured gatherings of small groups of people. According to Irving (2005), savings in stokvels facilitate the purchase of productive assets or are invested in a new business. Stokvels offer people the opportunity to access affordable goods and services from banks and supermarkets. They provide additional income and enable individuals to manage emergencies such as unemployment, illness, unexpected expenses and the death of a breadwinner (Irving, 2005). According to Verhoef (2001), saving through stokvels is an opportunity that enhances the status of black South African women in financial matters, and facilitates the alleviation of poverty.

Poverty remains a matter of growing concern in African continent. It is constantly on the increase. Millions of people live each day in abject poverty due to health problems, financial setbacks, and other shocks (United Nations, 2010). The living conditions of the majority of African people are deplorable and constitute an offense to their dignity (Wynand, 2011). Governments, policy analysts and donors are concerned with the state of poverty in Africa and in the world. It is a wide consensus now that access to saving services enhances the investment potential, upholds the dignity and reduces the poverty of the people who are in most cases bankable but undeserved (Siewertsen and Facet, 2009, p. 3). According to Fitri (2006), this constitutes a new development paradigm that is built on market principles.

1.4 Background to the Case Study Area

This section provides a brief overview of the DR Congo, where the case study area is located in terms of its geographical location, as well as detailing the socio-economic challenges. A succinct historical background of the city of Kinshasa and an overview of the case study area are also given. This information consequently leads to the establishment of the research problem.

1.4.1 The DR Congo

The Democratic Republic of the Congo (DR Congo), formerly the Belgian Congo and later Zaire, is the largest country in Sub-Saharan Africa. It has a population size of 70,916,439 (US Census Bureau estimate for 2010; The Standards Forum, 2009, p. 1).

The DR Congo's economic growth depends on agriculture, extractive industries, trade, construction and public works. Agriculture is the backbone of the country's economy and

accounts for 55% of the nation's GDP while industry and service contribute 11% and 34% respectively (USAID, 2009). The country is rich in minerals such as, diamonds, gold and copper. The DR Congo has suffered from thirty years of Mobutu's dictatorship, five years of successive conflicts, economic mismanagement, widespread corruption among the elite, severe social and economic instability since its independence from Belgium in 1960. The DR Congo's overall economic performance has been extremely disappointing, notwithstanding the country's rich endowments of natural and human resources (Ulloa, Katz and Kekeh, 2009).

During President Mobutu's regime (1965 to 1997), the country was marked by stability and growth between 1966 and 1973. Mobutu's regime increased the state control on the economy, which resulted in an impressive economic expansion, with real GDP growing at an average annual rate of 5.1% and the per capita income of US\$ 323 in 1967. The portion of people living in poverty decreased from 40.1% in 1965 to around about 30% in 1970 (The Standards Forum, 2009; Ulloa, Katz and Kekeh, 2009).

From 1975 to 1982, the ill-advised economic policies of the early 1970s precipitated a debt crisis with a damaging impact on economic activities and social conditions of the people. The GDP growth fell to 2.2% in 1980. An additional 17% of people became unemployed, and the number of people living below the poverty line increased from 22% to 35% of the population in the same year, causing an expansion of informal sector activities and increased social problems. The GDP recovered with an average annual growth rate of 2.6% during the period 1984-1986 due to strong stabilization and liberalization program (République Démocratique du Congo, 2010; Ulloa, Katz and Kekeh, 2009).

During 1986-1990, the economic deterioration was extreme. The control over economic policies and plans was lost, and the country fell into the grip of an unprecedented cycle of hyperinflation, currency depreciation, financial disintermediation and declining savings. As a result, per capita real GDP plummeted from US\$323 in 1965 to US\$85 in 1990. During the same period, consumer prices rose at an annual average rate of 684%. Government revenue fell by 80%, and external debt rose to about 300% of GDP (or almost US\$13 billion). In 1990, the number of people living in poverty increased from 55% to 71% (République Démocratique du Congo, 2010).

The armed conflict that began in DR Congo in May 1997 exacerbated the crippling socio-economic conditions of the people. The national output and government revenue dramatically decreased by 220% in 1998 and the external debt increased about from 300% to 650% of the GDP in 1999. The armed conflict claimed more than five million lives and the vast majority died from non-violent causes such as malaria, malnutrition and poverty. The GDP fell from 4.9% in 1990 to 3.3% in 1999. The unemployment rate increased from 56% in 1985 to 71% in 2000 (The Standards Forum, 2009; Ulloa, Katz and Kekeh, 2009).

In the past decade, the feature of the economy of DR Congo has been the dichotomy between the formal economy, which has completely collapsed, and the informal economy, which has created its own momentum. The Gross Domestic Product (GDP) growth was 6.7% in 2010, and it slowed to 6.5% in 2011 because of the global inflationary trends and a highly charged political atmosphere in the country, and it fell to 5.1% in 2012 (Economy Watch, 2012; USAID, 2009). The DR Congo's savings rate in the year 2010 was lower at 20.189% (Economy Watch, 2012). From 1997 to 2010, low and declining savings rates have been compensated by external aid flows and capital inflows, which have filled the saving-investment gap and boosted domestic investment up to 10% in share of GDP (Economy Watch, 2012; The Standards Forum, 2009).

Like most developing countries, the degree of poor people access to financial services in the DR Congo is low. The recent report on the DR Congo shows that the formal banking system services less than 1% thus leaving 99% of population out of the formal banking system (Jones, 2010, p. 2; Opportunity International, 2013). The unmet demand for appropriate financial services by formal financial services is high. In 2010, the DR Congo's government indicated that the country's ability to achieve the Millennium Development Goals within the time limit was illusory, especially the goals regarding poverty (The Standards Forum, 2009).

1.4.2 Poverty in the DR Congo

Poverty in the DR Congo has been a serious problem for decades. The number of people living in poverty increased from 35% in 1980 to 71% in 1990. During the conflict period, the number of people living in poverty increased to 85% in 1997 (Republic Democratic du Congo, 2010). The Economic Watch report (2010) showed that 73% of the population lived on less than \$1 a day in 2010 and GDP per capita figures indicated that 71% of Congolese

earned approximately \$120 per year in 2010. This implies that a huge portion of the population lived on less than one-third of what is required to meet the absolute poverty line.

Almost 71% of the poor are involved in small-scale activities for survival such as trading and farming (International Monetary Fund, 2007). Poverty is related to the lack of capital to start or to expand income-generating activities. This is reflected in the inability to access credit and saving services. Commercial banks limit individuals and micro-enterprises' access to credit because they are very risky (Balomba, 2005). More than 80% of people do not have access to credit for consumption to maintain human capital and improve quality of life (International Monetary Fund, 2007, p. 19).

In Kinshasa, poverty is multidimensional and widespread. It has serious effects that undermined the stability of income, food security and the general well-being of people. Research shows that over two-thirds of the population in Kinshasa lives below the poverty line, and poverty rate is at 41.6% (Ulloa, Katz and Kekeh, 2009). The availability of savings and credit services, especially among the poor is very low in Kinshasa. In terms of access to credit, less than 0.5% of people have access to credit (Herdt and Marivoet, 2007). Poverty in Kinshasa is linked to low income. Over 60% of people have US\$0.85 per capita daily income. Almost 90% of people are less risk adverse and less likely to invest in fixed capital, and they are more vulnerable to shocks and unexpected events. Women are mostly affected by poverty since they do not have access to productive resources such as credit and capital (Muya and Mukendi, 2006).

The DR Congo government has devised several approaches to combat poverty in DR Congo since 1960, but progress has been insufficient to end poverty. In the past, the government relied on state-owned banks to extend savings and credit and microfinance services to the poorest. It is reported that the government failed to realize its objectives because many banks closed down because of political instability, therefore, the access to financial service was more given to the rich people and politicians instead of the poor (International Monetary Fund, 2007). The government has embarked on tackling poverty through a vast program of reforms of the national financial system and the re-launch of micro programs. In September 2000, the government created a ministry of microfinance, with the objective of extending financial services to the poor and grant credit to small and medium enterprises (Ooka and Keppelman, 2010).

In 2007, the Government aimed at reducing poverty by developing capital markets. It was argued that capital market is one of the factors that influence the process of development. The existence of efficient financial markets is a security or insurance against future shocks and vagaries of nature. It facilitates and intermediates between investors and savers leading to capital formation both in-group and at individual levels. The DR Congo government believes that the capital market is a key factor in determining economic growth and raising income. It will improve domestic resource mobilization and consequently reduce poverty. This objective has been criticized because capital markets in developing countries do not work well (Standards Forum, 2009).

1.4.3 Informal financial services

The demand for financial services in the DR Congo is much larger in informal finance when considering the amount of low-income and middle-income people currently excluded from the formal banking sector. Informal finance in the DR Congo embraces all financial transactions that take place beyond the functional scope of formal banking system and financial regulations (Ooka and Keppelman, 2010). The savings collection institutions observed in the DR Congo include the operations of Savings and Credit Associations (SCA), mutual assistance groups, Rotating Savings and Credit Associations (ROSCAs), savings cooperatives, workers savings organizations, money keeping shops, friends, *Likelemba*, *Muziki*, *Kobuakisa Carte* and *Tshikidimba*. The lending institutions include money lenders, credit cooperatives, friends and property owners (Mbaya and Streiffeler, 1999). It is estimated that 62% of the adult population is engaged in informal finance institutions and the informal finance constitutes 85% of total financials transactions in the DR Congo (Mabi, 2000).

1.4.4 City of Kinshasa

Kinshasa is the capital city of the DR Congo. It is an important center for consumption in DR Congo and a core region for the manufacturing, industrial and commercial activities. (USAID, 2007). In economic terms, the informal sector is more significant than the formal sector. It is within this sector that those who live in Kinshasa are active in the economy (International Monetary Funds, 2010). Informal finance is flourishing and popular in Kinshasa. It occupies an important place in the financial system of the city. It contains the mechanisms for savings schemes such as *Kobuakisa Carte*, money lenders, ROSCAs, money

collectors, *Tshikidimba*, *likelembe*, *muziki*, family-community-owned funds, money lenders, money club, money mutuality and other micro activities and initiatives (Mabi, 2000).

1.4.5 Kobuakisa Carte informal savings practice

Kobuakisa Carte is one of the many informal savings and credit institutions in Kinshasa. It grew out of indigenous practices of savings tailored to the local financial needs and culture of the population. It is a savings scheme that requires clients to make regular daily deposits in fixed or varying amounts to an organizer (collector). The money is kept in safe custody for the contributors. The withdrawal of the fund is restricted until the end of the month, but the collector can allow early withdrawal in case of emergency or urgent needs.

The practice aims at mobilizing saving of low-income people who are not served by the formal banks. It is characterized by simple procedures, easy access and has low transaction costs. Kobuakisa Carte has been significant in helping the poor to increase their income and enabling them to fulfill their basic and emergency needs. The economic advantages of the Kobuakisa Carte have been mainly to support the daily consumption of poor households. This financial practice enables people to have savings, which are used to pay fees for children's education, medical bills and finance events such as marriage, death and birthday. It has the potential to develop local finance and empower women in the era of decentralization. The poor use Kobuakisa Carte as a means of capital accumulation and formation, and use savings to expand their existing income generation activities or start new business, which will generate more wealth and improve their living conditions.

Several community development practitioners will agree with Donoso, Altunba and Kara (2009) that informal financial institutions have become increasingly important nowadays, as millions of low-income people in developing countries count on informal finance as a means of dealing with their savings activities. The importance of Kobuakisa Carte is related to its localized features and its attachments to the economic, social and cultural condition of the community. It is against this background that a study of informal financial institutions using Kobuakisa Carte as a case becomes necessary. The study leads to understanding of the factors that underlie the contribution of this institution towards poverty reduction in the DR Congo.

1.5 Research Problem

1.5.1 Problem statement

One of the important problems for the socio-economic development of Kinshasa is poverty, which Mbaya and Streiffeler (1999, p.45) argue to be widespread and multidimensional, with particular vulnerabilities facing poor women and children. Poor people's access to financial tools such as savings is difficult. Savings allow individuals to manage unexpected income shocks and daily risks, and accumulate lump sums for payment of expenses such as school fees and medical treatment. Recent research undertaken by Ulloa, Katz and Kekeh (2009) revealed that the promotion of national savings is what is needed to boost investment and influence the prospect for sustained economic growth and the reduction of poverty in the DR Congo. Wounou (2006, p.45) argues that the mobilization of savings is not realizable in the DR Congo because of the poor level of development, low earnings and the incapacity of formal financial institutions for mobilizing savings.

Notwithstanding the critical social, financial and economic conditions in the DR Congo, can we conclude that there is any incentive for savings? It is in the response to this question that this research explores the importance of Kobuakisa Carte informal financial institution in Kinshasa, DR Congo.

The general objective of Kobuakisa Carte is the mobilization of savings and distribution of credits to the urban poor for the reduction of poverty in Kinshasa. In view of the preceding information, the research problem is to analyze to what extent Kobuakisa Carte really serves the purpose of savings mobilization, and to what extent it is a factor in alleviating poverty in the DR Congo.

1.5.2 Aims and objectives

The overall aim of this study is to explore the strategies for mobilizing savings for poverty alleviation among traders in the informal sector in Kinshasa. This is accomplished by analyzing Kobuakisa Carte practice as an example of an informal strategy for mobilizing savings. In the DR Congo, like in others developing countries, most financial transactions occur in the informal sector where the majority of low-income people, especially women and young people operate for production and consumption. The objectives of this study are:

1. To analyze the effectiveness of the Kobuakisa Carte practice for mobilizing savings and the granting of credits.
2. To explore the extent to which the Kobuakisa Carte addresses the issue of poverty and vulnerability among urban poor traders in the informal sector, especially women and young people.
3. To discuss circumstances under which the Kobuakisa Carte practice can promote individual empowerment.

1.5.3 Hypothesis of the study

The study is based on the assumption that poor economic conditions in the DR Congo, the incapacity of formal financial services for mobilizing savings, the organizational and financial instruments of informal saving services and the nature and low level of income or earnings, are the factors contributing significantly to the profusion of the practice of Kobuakisa Carte. The main hypothesis of this research therefore is that Kobuakisa Carte's financial instruments and organizational approaches influence savings. Participation in Kobuakisa Carte enables people to get resources, which satisfy their basic material needs, and leads to protection against risk, vulnerability, and reduces poverty. The participation in Kobuakisa Carte also leads to individual empowerment and development.

1.6 Research Design and Plan

A research design describes the way a research is conducted. It establishes the procedures for conducting the study, including when, from whom, and under what condition the data was collected (McMillan and Schumacher, 2006, p. 22). Kothari (1990) and Babbie and Mouton (2001) stipulated that a research design should be a plan or structured framework of how one intends conducting the research process in order to solve the research problem.

This study integrates the single case study methodology. The case study is an approach that facilitates the exploration of a phenomenon within its context using a variety of data sources. This methodology provided a wider approach towards data gathering and analysis with both qualitative and quantitative methods. Yin (2003) prefers the case study for examining social phenomenon when the relevant behaviors cannot be reasonably manipulated for scientific research. Thus, a case study is recommended to the study of this nature, as the organization

under study is a single socio-economic phenomenon or a single unit of analysis. The case study was conducted using qualitative and quantitative methods.

1.6.1 Quantitative methods

Quantitative methods involve making inferences through looking at relationships and patterns and expressing these patterns with numbers (Rudestam and Newton, 1992). Fifty structured questionnaires were distributed to informal traders through a simple random sampling method. The structured questionnaire survey first gathered demographic and socio-economic information from respondents. Second, the questionnaire was used to elicit the following information: what was nature of income; the level of savings, what factors motivates savings, the allocation of saving to needs, the management of risk, vulnerability and empowerment. The quantitative method was also applied to analyze the strength of relationships between informal traders' daily earnings and savings. It helped to represent the research finding in numbers or statistical parameters (Creswell, 1994).

1.6.2 Qualitative methods

According to Babbie and Mouton (2001), the qualitative research design involves studying human action in a natural setting and through the eyes of the actors themselves, together with an emphasis on detailed description and understanding of the phenomena within the appropriate context. Qualitative research is suitable for this research because the study seeks an in-depth understanding of the activities that occur in the community of Kinshasa. In this study, qualitative data gathering methods included direct observation and semi-structured interviews.

1.6.3 Data processing, analysis and presentation

Collection of primary data was followed by arrangement of data before the analysing or interpreting their implications. Before carrying out processing and analysis of data, the raw data were coded and arranged according to their respective themes. Babbie (2007) noted that coding is a process whereby raw data are transformed into a standardised form suitable for machine processing and analysis.

The data from the questionnaires were coded, processed, analysed and presented in the form of frequencies, tables, graphs and figures with the aid of computer software like MS Excel. I used linear regression to find out the relationship between savings, earnings and consumption

expenses. The explanation and responses from interviews have been grouped into related themes, patterns and categories in order to answer the research question under study.

Research plan

The research plan of the study was based on systematic process to data collection and analysis. The research was conducted in 3 phases: 1) Literature review, scoping and learning-gathering, 2) In-depth field work, and 3) Data analysis and discussion of findings and reporting.

Phase 1: Literature review, Scoping and learning gathering (2 months)

This first step entailed reviewing the material that constitutes the qualitative study. We used different sources of literature books and documentation. The study sought to fill the gap in the research on savings mobilization and poverty alleviation, which has been focused on the imperative of formal financial system and microfinance institutions, without recognizing the relevance and dynamism of informal strategies for mobilizing savings. Previous studies have examined saving mobilization from the perspective of interest rate, income level and the propensity to save. However, this study argues that savings are influenced by factors such as proximity of service to clients, mobile saving collection, flexibility of service and especially the willingness of mobile collectors to advise clients about the benefit of savings and persuade them to respect their savings commitment. This study thus departed from the approaches taken by other studies in exploring informal strategies that influence savings among the poor for poverty reduction.

The selection of Kobuakisa Carte savings group was done on the basis of effectiveness of this scheme and its approach toward poverty reduction. I also assessed the pros and cons of the selection of Kobuakisa Carte in the context of my research objectives. I tried to identify potential key informants and had discussions with them. I also gathered and reviewed secondary data from different sources, e.g. Kobuakisa Carte's agency office and site offices, public library, and university libraries, etc.

Phase 2: In-depth field investigation (one month)

The research was conducted in Kinshasa in December 2011. The primary data source was obtained through a questionnaire. Qualitative research method such as group discussions and interviews were applied to implement and substantiate quantitative findings.

I undertook 10 structured interviews with some of Kobuakisa Carte agents and participants. I also sent 50 questionnaires to participants and met them to conduct the assessment regarding to the contribution of informal savings on their living conditions and poverty alleviation.

The purpose of the survey was to investigate to what extent does the practice of Kobuakisa Carte really serve the purpose of mobilizing savings for poverty reduction? The sample size was 50 informal traders from the area of the successful implementation of Kobuakisa Carte.

Phase 3: Data analysis and report writing (3 months)

Information obtained from the field was processed to address the research questions. Systematic data analysis was done with the aid of computer software MS Excel. Microsoft Office Word was used for report writing. The findings of the study were presented in form of interview script, graphs and tables. Qualitative data analysis was done on the collected data. However, quantitative analysis in the form of tables, figures, percentage distributions and statistical analysis was carried out in order to present the demographic data of the research respondents and to establish the allocation of savings to basic needs. Interpretation and analysis were the two strategic ways that are used to construct meaning in this study.

1.7 Limitations of the Study

There were some limitations in the process of executing this study. It was very difficult to get data relevant to the research because of the nature of the activities of Kobuakisa Carte practice. In the informal sector, record-keeping is hardly realizable. This means that it was not easy to have a detailed picture with regard to Kobuakisa Carte's activities. There was also scarcity of literature and documentation on the practice. Despite this limitation, the researcher was able to get two academic studies on this practice dated 2003 and obtained other data on this practice through observation.

Another problem encountered had to do with identification and availability of respondents for interviews. I had to travel to clients' place of activities but would sometimes not find them and could not reach them by phone. I had to re-schedule interview to the next day's morning before the clients started trading activities at the market or planned to meet them at their home.

This research was conducted at the time where there were numerous political intimidations in the DR Congo. Therefore, some clients did not fully cooperate in terms of answering questions and being available for meetings as they were probably skeptical and feared that their responses might be used against them.

I faced other challenges due to financial constraints and limited time. Therefore, I could spend only one and half weeks at a time in the research area. This may have impacted negatively on the accuracy of data collection.

Despite these limitations, I am confident enough that lessons drawn from the study serve as a point of departure for further research on the topic. Findings of the research are reliable and provide some insight into informal microfinance and poverty reduction.

1.8 Structure of the Study

This study comprises five chapters as outlined below:

Chapter one: *Introduction*. This chapter outlines the problem statement, aims, objectives, hypotheses and significance of the study. It also provides an outline of the chapters.

Chapter two: *Literature Review and Conceptual Framework*. The literature review presents the theoretical overview of savings. It discusses the factors relating to savings mobilisation and the use of savings for poverty alleviation. The conceptualization of poverty and informal finance is also provided for a better analysis of the contribution of informal financial institutions towards poverty reduction.

Chapter three: *Research Design and Methodology*. This chapter outlines the methodology applied in the study, the research design employed, and the selection criteria for the case study. It also presents the data collection methods and the limitations of the research methodology.

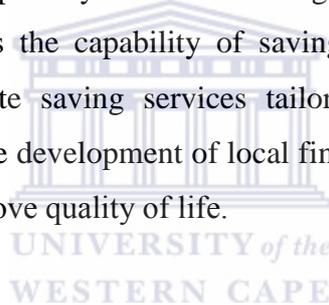
Chapter four: *A Critical Evaluation of Kobuakisa Carte, Informal Savings Practice in Kinshasa*. The data that were collected are analysed and presented in this chapter. Research findings are categorised, and factors contributing towards savings mobilisation for poverty reduction are reflected by appropriate savings mechanism and the effective allocation of savings to the needs. This chapter also discusses the practice of Kobuakisa Carte, which is an

informal financial institution that provides savings and credit services to low-income people in Kinshasa.

Chapter five: *Conclusion*. The chapter summarizes the study, interprets and discusses findings in relation to the study's main question and objectives and presents the general conclusion.

1.9 Conclusion

In this chapter, the aim was to investigate whether savings can contribute to poverty reduction. The DR Congo, however, has poor savings mobilization, which forces the country to depend on foreign resources. Mobilizing savings is a difficult objective and remains one of the greatest challenges in this country. This is attributable to several factors including the low level of income, undiversified financial services, uneven geographical distribution of banks, paucity of financial institutions, poverty and outdated legal and regulation framework. The informal financial system shows the capability of savings mobilization is DR Congo. It provides people with appropriate saving services tailored to their potential needs and preferences. It is important for the development of local financial services, which can expand people's income, assets and improve quality of life.



CHAPTER TWO: LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

This chapter reviews the literature on savings, presents the conceptualization of poverty and informal finance, and sets out the theoretical framework of the study. The purpose of the literature review is to outline the determinants and relevance of savings, and the factors relating to mobilizing savings for poverty alleviation.

2.2 Savings

Saving is a complex term. Dupas and Robinson (2008) consider savings as a portion of disposable income not spent on consumption but accumulated or invested directly in capital equipment. Shem (2002) describes saving as a behavior of abstinence economy or keeping for reserve, like an absence of consumption or a rationed consumption.

Complementary to this, Perkins et al. (2001) define savings as the reduction of present consumption in order to increase resources available to finance consumption in the future. Furthermore, Perkins, et al. (2001) note that economists like Keynes view savings as directly dependent on current disposable income (household income after direct taxes). The propensity to save out of current disposable income was thought to rise with income. This was known as the Keynesian absolute-income hypothesis, which means savings tend to increase when income increases. Keynes believes in the existence of an income-saving relationship. When there is income augmentation, the consumption expenses and savings also increase but not in the same proportion. The idea of Keynes is that consumption and savings increase gradually provided that income also increases. Both formal financial institutions and informal financial institutions have the primary function of mobilizing savings in an economy. In developing countries, informal microfinance plays a critical role in mobilizing the informal savings of low-income households.

Informal savings can be defined as a portion of an economic agent's income that is mobilized through informal channels. This saving is monetary. However, this definition is limited in understanding informal savings in Africa, where savings can be in form of livestock, food granaries, stores, and coffee trees (Obwona and Musinguzi, 1988). The non-monetary savings can be observed especially in rural areas where farmers save at harvest time to get through the pre-harvest lean season. According to Stuart (2000), informal savings refer to financial

and non-financial forms of contract or agreement conducted without reference or recourse to the legal system to save cash or goods in present for promises of cash or goods in the future. While this definition is also imperfect, its virtue is that it draws attention to the reduction of present consumption in order to increase resource available to finance consumption in the future. Thus, informal savings are used to smooth future consumption, fund future purchases and projects, and prepare for emergencies.

The mobilization of informal savings is flexible and has low transaction costs. The proximity of informal financial institutions to clients is essential to reduce transaction costs for making deposits and withdrawals. There are no regulations, rules, requirements and paperwork for participating in informal savings. This makes savings easily accessible to the poor.

According to Wounou (2006), three sorts of popular saving can be identified: Firstly, the saving precaution, which is explained by the action of treasuring. It means that an economic agent keeps a portion of income aside to use any time and especially in case of emergencies. Saving precaution puts a preference for putting the cash in a financial institution. It can be given to a responsible person who has moral authority over the saving depositor. Secondly, saving project is used to finance certain projects or events of household such as house renovations, purchase of equipment/material, and organization of wedding and birthday. Finally, saving yield is mobilized through the informal institution with the hope to get return on it. This can be observed in associations for savings and credits (ASCs), which obviously invest savings in productive activities so that they can generate a substantial superior return than that of formal institutions. The literature on informal finance tells us that this kind of saving exists, but it is not expanded in many regions (Qadir, 2005; Obwona and Musunguzi, 1988). Poor people have different financial needs according to their areas of residence, level of income, and household structure.

Regarding financial needs for the poor, we have to consider the important role of savings mobilization in informal finance. Siewertsen and Facet (2009) argue that informal savings have a critical impact on the lives of the poor. Poor people usually prefer to accumulate savings rather than invest in productive investments because the poor tend to hold liquid deposits so that they can use them when prompted by risks and shocks in their daily lives. Informal savings help build income and provide money to meet basic material needs

such as food, clothing, housing and health (Olalekan, 2010). Informal savings empower women to make more decisions in the household. In most households, women save more than men because they feel responsible for the risks that household can face in time (CARE, 2005). Against this background, Fitri (2006) asserts that there is insufficient research about how informal savings is adapted to needs and behavior of the poor at grassroots level. There is a lack of knowledge on what are the actual attitudes and behaviors of poor regarding savings. A great part of informal savings institutions are poorly studied if at all. In addition, it is difficult to study informal savings institutions, due to their informal and no legal nature. Poor people are the focus of informal savings institution because they have many disadvantages in accessing financial services. Considering that informal savings serves to get poor out of poverty, this study investigate to what extent the informal savings affect poverty at grassroots level.

2. 3 Theories and Determinants of Informal Savings

Classic theories and past research have not been conclusive about the factors influencing informal savings (Ashraf, et al.,2003; Beverly, et al.,2008, 1999; Mwega, Ngola, and Mwangi, 1990). These theories do not focus on low-income households in the developing countries. According to Beverly and Sherraden (1999), relatively little is known about the true determinants of informal savings in such a group of households. Neoclassical economic theories such as the life-cycle hypothesis and the permanent income hypothesis (Friedman, 1957) assume that individuals and households are concerned about long-term consumption opportunities and therefore saving and consumption are functions of future income.

The classic theories of savings were developed with industrial economies in mind. Although they have been very influential in the field of economics, they have been criticized on both theoretical and empirical grounds. They could not provide a suitable explanation of informal savings when they are applied to low-income households. Deaton (1989 cited in Ashraf et al., 2003, p. 4) argues that there are four reasons why the Life Cycle Hypothesis (LCH) and the Permanent Income Hypothesis (PIH) might be of limited application in developing nations. Firstly, people in developing countries have larger families than in industrialized countries and are more likely to contain several generations. As a result, there is less need to save for retirement or for intergenerational transfers. Secondly, income in developing economies is uncertain, cyclical and the estimation of longer-term income flows is difficult. Thirdly, individuals are likely to be credit constrained, so that borrowing in early years will be

difficult. Finally, these combined factors suggest that savings in developing economies often play an important role in buffering income and consumption. Individuals often save small amounts at frequent intervals to smooth income, rather than accumulate or save for retirement.

Wounou (2006) argues that since poor people in Kinshasa have limited earnings and access to financial services, they are unlikely to make optimal long-term decisions regarding saving and consumption as described by the LCH and the PIH. This view was supported by Mwega, Ngola and Mwangi (1990) who argue that informal savings in the DR Congo show significant contrast with McKinnon (1973) and Shaw's (1973) hypothesis. Furthermore, they argue that in this country, the financial market is underdeveloped, and savings mobilization is low. This might be a consequence merely of poor access to safe, flexible, convenient, and affordable savings products. Informal saving institutions such as Kobuakisa Carte, rotating savings and credit associations (ROSCAs) and physical goods, such as livestock, are prominent methods of savings in the DR Congo. Through these institutions, individuals save small amounts at frequent intervals to smooth income, face emergencies, and pay for food rather than accumulating money or saving for retirement.

In recent years, economists have extended the LCH and PIH to some new models such as buffer-stock. This model emphasizes a precautionary motive for savings for young people and households that face greater income uncertainty (Deaton 1991 cited in Beverly, et al., 2008). These people and households are expected to accumulate small stocks of assets (buffer stocks) to smooth consumption in the face of short-term income fluctuations and liquidity constraints. The pattern of asset accumulation predicted by buffer-stock model is very similar to informal savings in most developing countries.

In Kinshasa, people have adopted some informal savings mechanisms such as Kobuakisa Carte and *Likelembe* in order to convert the flow of small amount and irregular savings into significant amounts for the purchase of radios, TVs and other household materials. In South Africa, most black adults participate in an informal savings scheme such as *Stokvel* and savings propensity is high amongst members. Members accumulate small amount to support the expense of the birth of a child, the payment of *lobola* (bride-wealth), home-building and funeral expenses, and the purchase of productive assets or invest in a new business (Irving, 2005).

Other recent theories use hyperbolic discounting and mental accounting theories to model the decision of saving for future consumption versus current consumption (O'Donahue and Rabin, 1999; Thaler, 1992). Hyperbolic discounting models suggest that individuals would improve their welfare by seeking mechanisms that commit them to save for future needs. Mental accounting theories suggest that individuals often behave as if money is not fungible, and hence savings levels can be affected by mere framing of decisions (Ashraf, et al., 2003). Many financial institutions in Africa, implicitly or explicitly, incorporate these theories into their saving product designs. The Kobuakisa Carte because individuals enter into this saving scheme specifically because they want to improve their living conditions and the practice is flexible and appropriate to their needs.

Gugerty (2001 cited in Ashraf, et al., 2003) comments that in Kenya, the officers of rotating savings and credit associations (ROSCAs) explicitly design their products with the aim of providing self-control and savings commitment to participants. Discussing the Accumulated Savings and Credit Associations (ASCAs), the World Bank (2005) reported that in Bolivia, these organizations commit groups of people to savings and extend their activities to obtain interest on contributions through informal lending or the investment of collective capital in a bank account. Rutherford (1999 cited in Ashraf, et al., 2003) also cites several savings scheme devices that people in West Africa use to stick to savings for future needs. They include buying a lock box and throwing away the key and the use of “money guards” in which individuals entrust their savings to someone else so that they cannot spend it. The Kobuakisa Carte, like ROSCAs and ASCAs, has institutional characteristics, which influence informal savings for the consolidation of financial resources in poor communities.

Shem (2002) argues that both institutional and personal attributes are important determinants of informal savings for low-income people. The individual and household saving behavior is shaped by the institutional processes through which saving occurs. The institutional attributes include access, information, incentives, facilitation, expectations, restrictions and security for savings while personal attributes include individual level of monthly income, individual level of education, individual's age, gender, and size of household and major source of income.

Beverly, et al. (2008) outline that access to financial services means eligibility and practicality. Low-income people do not have access to formal banking system; therefore, informal saving groups provide them with an important means to mobilize financial

resources. Regarding practicality, the informal savings institutions are located in proximity with clients. The information may be general and specific to a particular informal financial product or program.

Incentives come in at least three forms: nonfinancial rewards, subsidies, and rates of return. In informal finance, nonfinancial rewards are more important than financial incentives. In participating in informal saving groups, people benefit from peer relationships and get opportunity for loan, build social capital, which establishes informal social security networks and systems of mutual insurance (Shem, 2002; Beverly, et al., 2008).

Facilitation refers to any form of assistance in saving. The informal financial institutions develop a simple model of savings to avoid the impact of excessive bank charges, consider financial illiteracy and the value added by social interaction. Expectations are implicit or explicit potential returns about desired savings, investment, or asset accumulation. They are embodied in institutional features such as saving targets, and social pressure of peers and objectives of savings (Shem, 2002; Beverly, et al., 2008).

An increasing body of analytical work (Aryeetey, et al., 1996) has attempted to give an explanation to the functioning of informal savings services. Paradigms of competitive equilibrium have been applied to explore the implication of the imperfect information for the operation of savings market in developing countries. According to Soyibo (2000, pp. 8-9) savings in the informal finance are subject to the same information and enforcement difficulties as lending. Consequently, savings in the informal finance are held within close social groups in order to contain the moral hazard and adverse selection problems associated with entrusting assets to strangers.

Most of informal savings groups restrict the use of funds until a particular date, or until a particular amount of money is raised or for a particular purpose (Ashraf, et al., 2003). Security refers to freedom from unreasonable risk in saving. All households need a safe place to put their money. Informal finance provides security for people through the saving facilities provided, thus safeguarding the people's money from incessant appeals from family and friends. They prevent the risk of losing cash money in accidents (fire, flooding), theft induced by hoarding or in unnecessary expenditures. However, there is a serious concern about the security of savings and confidentiality of transactions in informal finance (Beverly, et al.,

2008). Let us now have a closer look at informal finance, considering that the majority of poor in developing countries use this sector to fulfill their financial needs.

2. 4 Informal Finance

In defining informal finance, many authors have different opinions about this term (Soyibo, 2000; Qadir, 2005; Olalekan, 2010, Fitri, 2006). Chadravarkar (1985 cited in Ghate, 1992 p.8) argues that it is difficult to make a rigid definition of informal finance because it is not easy to differentiate between formal and informal finance. The two sectors form a continuum ranges from group savings, casual loan, credit unions that in some countries are related and in other are not. Furthermore, the difference between formal and informal should be based on country specific decision, meaning that in one county one savings scheme is informal, while in other countries it is formal (e.g. pawnshops) (Fitri, 2006). The difficulty in making clear-cut difference between formal and informal finance is also asserted by Germidis, Kessler and Maghir (1991 cited in Fitri, 2006, p.52) who stated that there is no distinct boundary between these two sectors, as the reality is much more complex.

Since its invention in the 1970s, the concept of informal sector has attracted much interest, discussion and disagreement (Olalekan, 2010). The earliest evidence of informal financial institutions in Africa dates back to the 16th centuries to *Esusu*, a rotating saving and credit association among the Yoruba. As a form of social capital, the *Esusu* financial self-help group was transported during the slave trade to the Caribbean islands where both the institution and the term still exist today and are now carried by a new wave of migrants to major American cities (Olalekan, 2010, p. 9).

Mabi (2000) argues that informal finance has long been considered as survival activities for poor households. It comprises the poor such as casual workers, street vendors, small farmers, etc. As such, this sector has been seen as the transitory and transitional phenomenon, which would disappear with economic development and growth. Observing this definition, Fitri (2006, pp. 53-55) finds that informal finance is considered undesirable and receives little attention in macroeconomic literature.

The lack of official acceptance of the informal finance has led to the image that this sector is unproductive or undesirable, and unorganized. However, this notion is not wholly true and is sometimes misleading. The size and growth of this market is at least as large as the formal

financial sector and may even be larger, and in many cases, the informal sector is highly organized with regulation control, not from the official authorities, but from social pressure and mutual agreement (Fitri, 2006).

Informal finance refers to loans, deposits and other transactions that occur outside the regulation of a central monetary authority (Fitri, 2006). Aryeetey, et al. (1996, p. 11) defines informal finance as all financial transactions that take place beyond the functional scope of various countries' banking and other financial sector regulations. Furthermore, they add that informal finance includes the operations of savings and credit associations, rotating savings and credit associations, moneylenders and cooperatives societies. Soyibo (2000, p. 1) notes that informal finance refers to the operations of all lawful but unregulated entities for saving and credit associations. It also refers to unrecorded and unregistered financial activities that take place outside the formal financial system. Analyzing these definitions, Aliber (2000) argues that informal finance implies the proper functioning of the financial institution, which relies at least on the establishment of personal relationships rather than on formal rules and procedures.

The literature on informal finances reveals two perspectives about the existence of informal finance, namely the residual and the dualism paradigm (Olalekan, 2010). The residual paradigm believes that the inefficiencies generated within the formal financial system and the improper way of adaptation of world's formal financial condition leads to the existence of informal finance. Economists such as Mckinnon (1973) and Shaw (1973) believe that informal finance stems from the excessive regulation of the formal financial institutions by direct credit policies, interest rate ceilings and preferential allocation of credit, which created distortion in the economy. The distortion led to high cost of fund to the poor thereby accentuating the development of informal financial institutions. In the same view, Anderson and Baland (2000) believed that informal institutions are better than the formal institutions in supplying short term savings to the poor, are more closer to their clients and are thus in a better position to give a substantial financial service to changing financial needs than the formal sector.

The dualism paradigm believes that informal financial institutions exist as a result of other motives that are not exclusively economic. According to this school of thought, informal financial institutions exist due to the subordinate the role they play to formal financial institutions, thus creating market segmentation. In the view of Hugon (1990 cited in Soyibo,

2000), the occurrence of market segmentation is not due to regulation but because of the fact that the informal financial institutions serve in redistributing income among community members and provide a form of social security by meeting their fluctuating liquidity needs. While it is costly in formal institutions to acquire mobilizing savings, informal financial institutions are located in proximity with clients and use interpersonal relationship, reputation and responsibility to reduce the high transaction costs of making deposits and withdrawals. This makes savings easily accessible.

Bouman (1994) and Karunagoda (2007) both explain that informal finance institutions have common characteristics in most of the countries. They include diversity, informality, flexibility, adaptability, comfortable atmosphere, lower transaction cost and freedom of deployment. They have poor institutional infrastructure resulting in lack of facilities, inability to meet documentary support, irregularities in income receipts and associated uncertainty of and risk. They are autonomous organizations with voluntary participation and high degrees of self-sufficiency, self-regulation and self-control.

According to Fitri (2006, pp. 59-65) the adaptability character of informal finance, suggests that this sector can operate in any circumstance and environment. As participants of informal finance are poor people, especially women, operators of small business, this means that informal finance attaches to grassroots people. As people engage in informal finance at local level, it also means that the culture and values of the community influence the mechanisms and operations of informal finance. The importance of culture and value is significant in informal savings group such as ROSCAs, and other self-help groups. The design of ROSCAs usually follows the culture and norms that have been practiced in an area for a long time. Therefore, ROSCAs are evident in many countries in the world with a different name and design, but having the same principles. The fact that informal finance is attached to people at grassroots level reflects that the process of formation of informal finance follows a bottom-up approach, which has been at the center of the development process. The bottom-up design of informal finance is in line with and supports the concept of decentralization and participation.

The size of informal finance varies with the socio-economic conditions in every country. The difficulty in obtaining information on informal finance means that it is not easy to have a distinct picture with regard to the size of the informal finance. Nevertheless, the size of informal finance remains large in most development countries. It is estimated that 95% of the poor in Africa and 85% in Asia and Latin America have no access to formal financial

services (FINCA, 2010). According to Napier (2009), the FinMark Trust's FinScope survey concerning the participation of people in informal savings group reported that there were roughly 11,183,469 participants in Kenya; 10,403,243 participants in Uganda; 12,208,503 members in Tanzania and 3,156,218 participants in Rwanda. In West Africa, Nigeria alone had nearly 41 million people participating in such groups. The FinMark Trust (2002) reported that 12% of the adult population (3.56 million households) uses stokvels in South Africa. This suggests that the poor use financial services through informal channels. Informal finance embraces various forms of financial institutions, which are adapted to the conditions of people.

Regarding the forms of informal financial institutions, Oloyede (2008, p. 40) argues that these institutions exist in different forms, and are distinguished by the specific features and savings mobilization strategies. Available literature on informal finance in African countries distinguishes three types of informal financial institutions: Firstly, savings mobilization institutions that have a limited or no credit approach. Secondly, credit institutions that do not engage in any savings mobilization; and lastly, other institutions that combine savings mobilization and credit approach. Informal financial institutions that combine both savings and credit have recently emerged in Africa; they respond to the need for direct financial intermediation and mostly fall under self-help organizations.

Recent savings theories (Perkins et al. (2001) have up until recently been focused on the imperatives of formal financial system and microfinance institutions, without recognizing the relevance and dynamism of informal strategies for mobilizing savings. In previous researches (Atieno, 2001; Bouman, 1990; Fitri, 2006; Aryeetey, 1996), saving mobilization was examined from the perspective of interest rates, income level and the propensity to save. However, this study argues that savings are influenced by other factors such as proximity of service to clients, mobile saving collection, and respect of clients, flexibility of service and especially the willingness of mobile collectors to speak out to clients about the benefit of savings, and put pressure on them to respect their savings commitment. Thus, this study departed from the approaches taken by other studies that have explored the role and impact of informal savings mobilization for poverty reduction among the poor traders in the informal sector.

The recent researches shows that the role of informal finance in developing countries has become increasingly important nowadays as millions of lower income people count on this

sector as a means of dealing with their savings and credit activities. According to Soyibo (2000), the importance of informal finance in developing countries is related to its localized feature and its attachment to the economic, social and cultural conditions of certain areas. Since it is away from government's regulation and supervision, informal finance can freely operate based on the desires and aspirations of each local community. In many societies, informal finance, especially saving services are easily adapted to the local culture and value. Unfortunately, because of the very nature of this sector, it is not easy to obtain information of the activities of the informal sector.

Informal finance sector helps poor people to save resources and enhances their investment potentials. It upholds poor people's dignity and frees them from the misery, and at the same time assists them to make vital contributions to national development. Aryeetey, et al. (1996) note that informal finance sector helps in mobilizing savings, enables people to take initiatives in business and provides a significant source of earnings to individuals, which reduces their level of poverty.

Informal finance is deemed to create jobs, promote SMEs and small-scale investments, which can make significant contributions towards addressing material poverty, deprivation of goods, services and income to attain them. Research undertaken by Mbaya and Streiffeler (1999) showed that informal finance enhances the self-confidence of women and young people in the DR Congo. It is also a key source of creativity, dynamism and flexibility. It provides appropriate supporting finance to the private sector's credit demand, particularly in small and medium enterprises.

Matovu (2006, p. 28) argues that informal finance institutions mobilize and organize people at grassroots level, they play a vital role in bringing about changes in young people and women's standard of living. It is widely believed that an empowered woman would be one who is self-confident, who critically analyses her environment and exercises control over decisions that affect her. Many women's organizations in developing countries have included both credit and savings, as a way of increasing women's incomes and bringing women together to address wider gender issues.

Discussing the empirical evidence on the role of informal microfinance in developing countries, Bolnick and Mitlin (1999) observed that informal microfinance provided members with housing loans in Bangladesh. The Grameen Bank provided over 330, 000 housing loans

to its saving scheme members, while the Self-Employment Women Associations (SEWA) in India also provided housing loans to their members. Studies on Uganda, Tanzania and Kenya reported that the majority of the thirteen microfinance institutions in these countries cater for HIV/AIDS clients. Besides, 45 percent of the informal microfinance institutions in Burkina Faso, Ghana, Kenya, Malawi, Mozambique, Namibia, Rwanda, Somalia, South Africa, Tanzania, Uganda, Zambia and Zimbabwe participated in HIV/AIDS education and prevention programs primarily through partnerships with health organizations, hospitals and religious bodies with the aim of reducing the HIV/AIDS.

2.4.1 Deficiency of the informal finance sector

While there is significant financial literature on the positive role of informal financial services, there are also some skeptical arguments, which reveal that a number of internal and institutional problems impede the formation and growth of the informal savings sector. According to Donoso, Altunbaş and Kara (2009, p.56), informal financial institutions are seen as a persistent problem around the world, representing a major challenge to economic and social policies, especially in emerging countries. As the volume of these informal financial activities cannot be tracked and regulated, the level of risk for the national economy is unknown. These institutions can be used for the proceeding of unlawful activities and money laundering.

Indeed, cynical observers like Bouman (1990, p. 14) considers the informal financial sector to belong to an outdated, somewhat archaic subsistence economy. This view attempts to explain the existence of informal finance as simply residual finance, satisfying only the excess demand of those excluded from formal finance. The informal saving institutions have organizational and operational deficiencies that compromise a better service to clients. It lacks recognition (by the law) and/or support from government, formal financial institutions and tax authorities. It has scattered holdings and poor infrastructure, which impede the formation of strong and larger savings groups and supervision. The informal finance lacks management expertise and funds for emergencies such as an illness or injury, or purchases and investments, resulting in the poor often having to borrow money from money lenders at high interest rates (Kendall, 2010, p. 2).

2.5 Poverty

Poverty has many forms and multiple causes. Poverty has worsened in recent decades in world because of globalization, commercialization of agriculture, climate change, lack of access to financial institutions, social injustice and increasing urban migration. The United Nations, through the Millennium Development Goals (MDG) is committed to eradicating extreme poverty and hunger, with a target of halving poverty by 2015. Although the world as a whole is roughly on track to reach this key development target, sub-Saharan Africa is unlikely on present trends to do so (World Bank, 2005, p. 18).

2.5.1 Definition, understanding and measuring of poverty

Defining poverty is a contested issue since many kinds of definitions have been given by many authors (Hulme and Mosley, 1996; Fitri, 2006; 1996; Chambers, 1983). However, the definition of poverty usually falls into two categories: reductionist and holistic.

The reductionist approach relates to the meaning of poverty as material needs. It concentrates on the measurement of consumptions and uses income as a surrogate. In the most general sense, poverty is considered as a form of deprivation. The World Bank (2005, p. 9) defines poverty as pronounced deprivation of well-being. The United Nations (2010) in the Millennium Declaration Goals defines poverty as living on less than \$1.25 a day. These definitions are based on a poverty line, which assesses poverty based on calories intake. The reductionist approach has been criticized, especially by Chambers (2007) because of its reductionism and because it ignores a broader approach of poverty alleviation. However, Greeley (1994) maintained that the use of poverty line as measurement of poverty could empower the poverty reduction agenda and encourage appropriate resource allocations.

The holistic approach, however, refers to a broader meaning of poverty, which is not only concerned with the lack of consumption and income, but also covers other shortages in the life of the poor such as inferiority, powerlessness, humiliation, isolation, physical weakness and ill-health. In the context of a holistic approach, Amartya Sen (1983 cited in Banik, 2006, p. 12) defines poverty as the lack of key capabilities to ensure adequate functioning in a given society. Banik (2006, p. 12) argues that a person's capability to acquire the food and income for survival, to achieve upward mobility, or to ensure education for children, determines whether or not he/she can be considered poor. Income will clearly be a factor influencing a

person's capabilities, but so will a number of other external factors such as the political, cultural and societal environment that a person lives in.

The holistic approach of defining poverty, which embraces both income and consumption, and capability poverty is important in development. As Korten (1980 cited in Fitri, 2006, p.28) states, poverty is not only the size of the world's poor but also the likelihood that the poorest did not benefit from and may even have suffered loss as result of development. In this case, the solution to poverty is including the poor in decision-making, implementation and benefits of development. The discussion about poverty turns our attention to identify the financial need of the poor.

Poverty means unsatisfied financial needs. The discussion about the financial needs of the poor is important in order to create saving services appropriate to the poor (Fitri, 2006). The economic environment influences the demand of financial services from poor households. Poor households are characterized by high level of insecurity and risk, and their vulnerability to crises and shock, death, loss of employment and fire. Savings to cope with risks and shocks are more important than credit for increasing production. Therefore, to recover from such situation, poor households tend to save their income.

Financial needs of the poor are based on their livelihood. According to Carney (1998), a livelihood refers to many activities which make up a living, and that the poor can choose financial assistance based on their livelihood capabilities. According to Dreze and Sen (1989 cited in Goodland, et al.,1999) the financial needs of the poor can be categorized as livelihood promotion and protection. The livelihood promotion refers to activities that aim at improving the standard of living, usually through increasing productivities and income. The types of activities include small business and on-farm activities. Thus, the financial assistance the poor in this case aims to help them increase their productivity and income in order to take them out of poverty condition. The livelihood protection concerns the activities that aim at maintaining living standards at a certain level, and protecting livelihood against unexpected crises or shocks. The financial needs of the poor in this case include savings scheme, consumption credit, and insurance system.

Regarding the need of a savings scheme for the poor, many authors (Trócaire, 2005; Fitri, 2006; Sida, 2005) have contributed their opinions about the important role of savings mobilization in microfinance. Savings mobilization can redistribute income, so that more

equitable income distribution would be achieved. It has positive effect on financial institutions because it makes the institution more viable and likely to have a continual flow of resources available for lending. The saving behavior of the poor usually relates to the lack of assets and the necessity to substitute future expenses. The poor prefer to accumulate savings rather than invest in productive activities, because they tend to hold liquid deposits so that they can use them when prompted by risks and shocks in their daily activities. They also use saving for consumption and income smoothing. Savings are related to human capital formation such as investment in education and improvement of nutritional and health status of family members. Savings are also important for an assurance substitute; they are known as precautionary savings as they help the poor to manage risks (Fitri, 2006).

2.5.2 Causes and eradication of poverty

According to CARE (2005), the causes of poverty include the human made social, political and economic power structures that consistently exclude certain groups of people and none more consistently and persistently than women in every society on the planet. Chambers (1983, p. 112) argues that the poor are poor because they are poor. Their poverty conditions interlock like a web to trap people in their deprivation. The causes of poverty are diverse and must be attacked from all fronts to save the poor from the poverty trap.

Many tools and strategies have been used in the eradication of poverty. Among the key strategies for eradicating poverty to achieve the MDGs, is the organisation of financial systems that meet the needs of the poorest people. The promotion of access to financial service increases productivity, income and food security through savings. Savings mobilized by local financial institutions are the main source of growth of funds. They enable families to invest in education and housing. In addition, they help individuals to build assets, reduce risks and improve their standard of living.

2.6 Conclusion

In this chapter, I attempted to review the conceptual and theoretical framework relevant to informal savings, informal finance and poverty. Informal saving is income not spent, or deferred consumption but mobilized in informal financial institutions. It is a practice that helps the poor to sustain financial security, build assets and provide a safety net to meet basic needs. I discussed the neoclassical economic theories of savings, which argue that individuals

attempt to maximize their utility or personal well-being by balancing a lifetime stream of earnings with a lifetime pattern of consumption.

This chapter explored the neoclassical economic theories of savings and the buffer-stock models. Such theories cannot provide the explanation about the informal savings. Many financial institutions, particularly in Africa, implicitly or explicitly incorporate the mental accounting and the hyperbolic discounting theories into their saving product designs with the aim of collecting informal savings for the improvement of people's living conditions. Informal savings behavior is shaped by the institutional and personal attributes through which saving occurs. The institutional attributes include access, information, incentives, facilitation, expectations, restrictions and security for savings while personal attributes include individual level of monthly income, individual level of education, individual's age, gender, and size of household and major source of income.

The informal finance sector was discussed in order to get an insight into the strategies of Kobuakisa Carte for mobilizing savings for the reduction of poverty in Kinshasa. The distortion in the financial market and the incapacity of the formal financial system in many developing countries have resulted in the creation of informal savings strategies, which satisfy the financial needs of low-income people. However, the concept of informal finance, which stems from the idea of providing microfinance services to the poor, is currently a contested issue as there is hardly any agreement on the definition of informal finance. In addition, there is limited information and data about the practice of informal finance. Nevertheless, although many authors are still searching for a best practice of delivering microfinance programs, informal microfinance seems more appropriate to tackle the problem of poverty. The conceptualization of poverty was based on development context, in which poverty is seen as the capability of deprivation, lowness and capability of inadequacy. In other words, poverty means not only the shortages of income or consumption, but also the condition of social and cultural incapability.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter presents the research design and the methodology that was adopted for this study. It explains why the case study methodology was selected and the rationale for the procedures. Furthermore, it discusses the research methodology, mixed research design, as well as the process of data collection and data analysis. It ends by highlighting the ethical considerations and the limitations of the research project.

3.2 Selection and Description of Research Area

There are many reasons why Kinshasa was selected as the study area for this research. Firstly, the level of poverty is high and most people are exposed to risks and vulnerabilities, and the formal banking system is unable to provide financial services to low-income people. Thus, the incidence of poverty in Kinshasa is critical and there is an urgent need for any experimental poverty reduction intervention. The second reason is that Kinshasa is the province where the Kobaakisa Carte was created, and savings activities with Kobaakisa Carte have been part of people's lives and behavior for decades. Many other informal institutions serve the city; however, Kobaakisa Carte serves about 60% of all informal traders, especially women and young people. Thus, this study is significant to enhance savings and credit behavior of informal traders in Kinshasa and to gather more information and data to improve savings mobilization strategies for poverty reduction in this area. The Sea Port OBMA neighbourhood in Kinshasa was selected as my fieldwork area. It is located in Barumbu Township, which is 15 kilometers from central Kinshasa. It is a commercial place where a large part of the population is involved in daily formal and informal activities of production and consumption and, more importantly, involved in the Kobaakisa Carte practice. The first map below shows the location of Kinshasa in the DR Congo and the second map shows the location of the Sea Port OBMA.



Figure 1: Location of Kinshasa, the DR Congo (UN, 2012).

Kinshasa

Source : [https://www.google.co.za/maps/place/DR Congo](https://www.google.co.za/maps/place/DR+Congo)

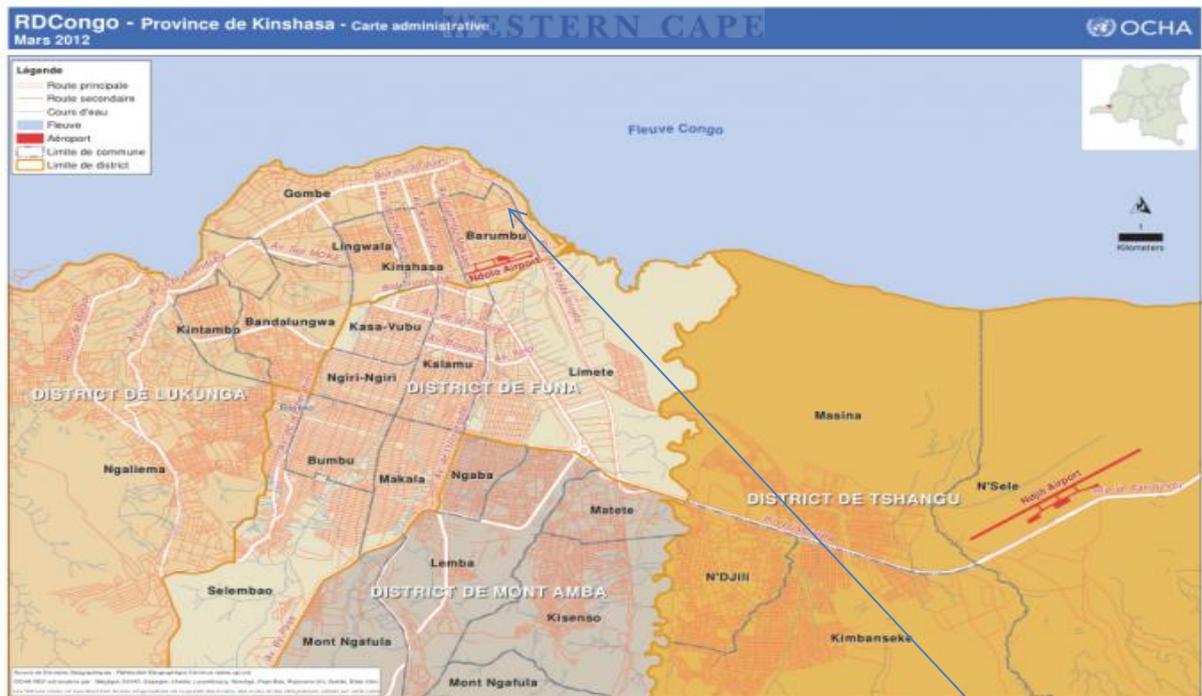


Figure 2: Location of Sea Port OBMA, Barumbu, Kinshasa

Sea Port OBMA

Source: <https://www.google.co.za/maps/place/Kinshasa>

The Sea Port OBMA was selected mainly because it is an area of various informal trading activities. It is a commercial place where urban poor, especially women and children, from all over Kinshasa go every day for trading and buying goods and products like in open market. Approximately 90% of people trading at Sea Port OBMA are poor. Kobuakisa Carte is a dominant saving scheme at Sea Port OBMA and serves about 60% of the informal traders with savings and credit services (Field notes, December 2011).

3.3 Selection of Case Study Approach

The purpose of this research is to investigate the contribution of Kobuakisa Carte toward poverty reduction in Kinshasa, the DR Congo. This entails a detailed study of a wider and local factors influencing savings mobilization in the informal finance sector. Such a focus led to the adoption of an interpretive stance, which seeks to uncover truth by understanding the phenomenon in their real life context.

A case study approach was initially set out to study three different savings informal financial institutions named Kobuakisa Carte, Muziki and Likelemba. The selection of these was based on informal financial institutions that serve the majority of poor women and young people who are most vulnerable and marginalized. However, this was not possible due to time and financial constraints as the nature of this study entailed spending a lot of time on fieldwork and getting information about institutions. More importantly, I did not select saving scheme such as Muziki and Likelemba because their clients were not reachable and there was no possibility of getting information relating to their saving services. As a result, I chose to focus my case study on the Kobuakisa Carte because it is one of the pioneers and most popular informal saving schemes in Kinshasa.

3.4 Research Design

A research design describes the way a research is conducted. It establishes the “procedures for conducting the study, including when, from whom, and under what condition the data was collected” (McMillan and Schumacher, 2006. p. 22). Thus, as Berg (2001) contends, the research design is a road map used in planning when undertaking a research, which aims at visualizing and imagining how the research will be carried out and the type of data that would be collected. The purpose of a research design therefore, is to generate empirical data to answer research questions (McMillan and Schumacher, 2006). In order to achieve the afore-

mentioned objectives, the assessment design of the study will be based on systematic process to data collection and analysis.

In planning for the research study, I was mindful of the need to have a well-articulated research design. Such a research design is desirable for the objective of data collection that will be useful in addressing the research questions as well as test the stated hypothesis. It is therefore a veritable guide for data generation, especially primary data of the study. The research framework adopted in this study was the single case study research methodology as it was the appropriate research strategy for this topic. The case study method was chosen because of its advantages in creating novel and profound insight and its focus on examining the rich social and cultural influence of local adaptation to the local savings strategies, financial initiatives and development dynamism (Yin, 2003) that can be applied to the DR Congo.

The following section discusses the research methodology, the case study method and its linkage to qualitative research design. It further elaborates on the reason for the choice of the research plan and how data were collected to answer the research question.

3.5 Research Methodology: Qualitative and Quantitative

3.5.1 Qualitative research

Qualitative research is an inquiry process of understanding where a researcher develops a complex, holistic picture, analyses words, reports detailed views of informants, and conducts the study in a natural setting (Creswell, 2007).

According to Babbie and Mouton (2001), the qualitative research design involves studying human action in a natural setting, through the eyes of the actors themselves, together with an emphasis on detailed description and understanding of the phenomena within the appropriate context. The qualitative method is valuable where the researcher wishes to address the structure and nature of attitude of motivations, and aims to explore in depth the feelings and beliefs of people and to learn how these feelings shape their behavior (Creswell, 1994). Creswell (2003) states that the qualitative approach is one in which the researcher often makes knowledge claims based on constructivist perspectives, i.e. multiple meanings of individual experiences, meanings socially and historically constructed, with the aim of developing a theory or pattern.

Qualitative research design therefore aims at understanding human perceptions and experience rather than explaining or predicting human behavior (Boonzaier and Shefer, 2006). It gives a detailed “verbal description of characteristics, cases, settings, people or systems obtained by interacting with, interviewing and observing the subject” (Thomson, 2007, p. 17). It allows the researcher to evaluate the selected issues of the study in depth and in detail (Patton, 1990).

According to Henning (2004), the qualitative researcher wants to discover how human interactions take place, and why these interactions happen in the manner in which they do in certain situations. The researcher examines the qualities, characteristics, or properties of the phenomenon in order to grasp, comprehend and explain their world. The goal of qualitative research is to explore and understand a central phenomenon, concept or process (Creswell, 2007). The research questions are general and broad, and seek to understand participants’ experiences with the central phenomenon. A qualitative research design was used in this study because it is a method of collecting data, which have been proven useful in the field of microfinance and poverty reduction.

3.5.2 Quantitative research

Rudestam and Newton (1992) argue that quantitative research involves reaching inferences through looking at relationships and patterns and expressing these patterns with numbers. Quantitative methods provide quick and clear results since they can be analyzed using statistical procedures. Quantitative research is also appropriate where variables could be measured quantitatively for the testing of a hypothesis.

In quantitative research, an investigator relies on numerical data to test the relationship between variables (Charles and Mertler, 2002). The quantitative researcher tests the theories about reality, looks for cause and effect, and uses quantitative measures to gather data to test the hypotheses or questions. The researcher relates the variables to determine the magnitude and frequency of the relationships. Quantitative studies are either descriptive or experimental. A descriptive study establishes only associations between variables, while an experiment establishes probable causality (Maree, 2007).

Quantitative research uses structured questions with a limited number of predetermined response options. Usually a relative number of respondents is involved. Quantitative data is

more efficient and able to test hypotheses. The most efficient use of quantitative in this study was to combine it with qualitative methods in order to gain different kinds of information to solve the research problem (Charles and Mertler, 2002).

3. 5.2.1 Linear regression analysis

A linear regression analysis describes, investigates and evaluates the relationships between quantitative variables. It is a powerful statistical technique that identifies the association between two or more quantitative variables: a dependent variable, whose value is to be predicted, and an independent or explanatory variable (or variables), about which significant amount of knowledge is available (Agresti and Barbara, 2009; Fox, 2008). It provides principles and foundation for a general understanding of quantitative methodology and data analysis. The linear regression analysis is an appropriate statistical method that can be used in social science to confirm or disconfirm the chosen hypotheses (Agresti and Barbara, 2009; Fox, 2008). Earlier research focusing on savings and poverty reduction has found significant results using the regression analysis (Yusuf, et al., 2009).

The simple linear regression is appropriate in this study because it determines the underlying effect of income on savings. In this case, the researcher collects different values of income and sees whether savings behavior is caused by the level of income, or the variation in income causes the variation in savings.

3. 5.2.2 Sampling size and method

Regarding sampling, Moshe and Levy (1994, p.80) state that it is a segment of a population and as such, it is expected to reflect the population, so that by studying it, we may learn more about certain attributes of the total population.

The selection of participants for the quantitative portion of this study was conducted through a simple randomized sampling procedure, considering that the information that needed to be achieved was general and applied to every poor person. The simple random sampling is a method of selecting subjects in the population in such way that every subject remaining in the population has the same probability of being selected for the sample (Diamond, 2000).

In this study, 50 respondents were randomly selected to complete the questionnaire and 5 clients were also randomly selected to answer questions in interview. Although random

sampling does not give every member of the population a known and equal chance to be included in the sample, however, clients were selected with regard to the individual's ability to provide the types of information sought through each research instrument (Seaberg, 1988, p.240). Five program officers were also interviewed. Notably, I did not use an interpreter as I could speak the local language Lingala fluently.

In qualitative case study research, the selection of participants is based on purposively sampling, in which the participants are selected based on the study purpose and relevant to research questions and theoretical framework (Babbie, 2001, p.281). To obtain maximum representativeness of the population, the participants were subdivided by many variables such as type of informal activities, types of household, education levels, nature of informal products sold and access to savings. To obtain optimum results, there were 10 participants involved in the case study research in each category of informal activities in the Sea Port OBMA, namely: traders in open spaces, mobile traders, traders in Stationery or fixed containers, traders in spaza shops, traders in special purpose market.

3. 6 Mixed Method Design

For the purpose of this study, a mixed method research approach was employed, meaning that the study utilized both qualitative and quantitative approaches. According to Creswell (2003), a mixed method approach is commonly defined as a research method that combines elements of both qualitative and quantitative approaches for in-depth understanding and verification. In Creswell (2003), the mixed method approach is a procedure for collecting, analyzing and mixing both qualitative and quantitative data at some stage of the research process within a single study, in order to understand a research problem more completely.

Greene (2008) also argues that the mixed method approach offers better generality as well as magnitude and dimensionality. It intensifies the effect and enriches the adaptability of the research design (Maree, 2007). It is inclusive, pluralistic, complementary and encourages an assortment of approaches to the selection of methods of research (Johnson and Onwuegbuzie, 2004). In this approach a researcher collects both numeric and text information to answer the study research question. Maree (2007) argues that the term "mixing" implies that the data or the findings are integrated or connected at one or several points within the study.

According to Creswell (2003), there are four main reasons for combining quantitative and qualitative methods within one study. The mixed method design explains and elaborates on quantitative results with subsequent qualitative data. It uses qualitative data to develop a new measurement instrument or new theory that is subsequently tested. In addition, it compares quantitative and qualitative data sets to produce well-validated conclusions, and enhances a study with a supplemental data set, either quantitative or qualitative.

This research sought in depth, open-ended responses from Kobuakisa Carte's clients and officers. It got them to speak freely about the savings and poverty reduction in Kinshasa. For this purpose, the research design was essentially qualitative in nature, but a small aspect was drawn from the quantitative method to complement the overall data. The rationale behind the choice of qualitative research was centered on its strengths. Qualitative method is flexible and emphasizes people's lived experiences. In this research, the participants' perceptions, assumptions, prejudices and presupposition were discovered and connected to the social world around them (Neumann, 2006). A qualitative design is also suitable in social research as it can be done in the subjects' natural setting (De Vos, 2001).

The qualitative approach assisted in getting to the bottom of savings mobilization for poverty reduction by getting information from informal traders. Miles and Huberman (1994, p. 10) assert that qualitative research is a type of primary research in which the researcher collects first-hand information obtained directly from participants. In this study, data was collected from books and Kobuakisa Carte's clients and officers in Kinshasa. I investigated factors that could make Kobuakisa Carte to be an effective saving scheme for the reduction of poverty.

3.7 Case Study Method

A case study is a research method, which allows for an in-depth examination of events, phenomena, or other observations within a real-life context for purposes of investigation, theory development testing, or simply as a tool for learning. This research approach is used to generate an in-depth, multi-faceted understanding of a complex issue in its real-life context. It is a qualitative design, which is open to the use of theory or conceptual categories that guide the research and analysis of data (Yin, 2003). The case study, as a research strategy, should encompass specific techniques for collecting and analyzing data, directed by clearly stated theoretical assumptions. Furthermore, data should be collect from different sources and its integrity should be ensured.

The case study method is tailor-made for exploring practices, dynamism or behaviors that are little understood (Hartley, 1994). Hence, the approach is particularly useful for responding to how and why questions about the Kobuakisa Carte practice and ‘what is the contribution of the practice towards poverty reduction?’ Gummesson (1988 cited in Yin, 2003, p.88) argues that the case study research gives the opportunity for a holistic view of the process. The detailed observations entailed in the case study method enable the researcher to study many different aspects, examine them in relation to each other, and view the process within its total environment. The case study approach can offer additional insights into what gaps exist in its delivery or why one implementation strategy might be chosen over another.

By focusing on informal microfinance, the case study method allowed for the study of the Kobuakisa Carte, analysis and interpretation of this practice, collection of detailed qualitative data and information on savings strategies of this scheme for poverty reduction.

3.7.1 Rationale of case study approach

The research’s nature leads a researcher to choose a qualitative method (Mertens, 2003) such as a case study approach. The analysis of savings mobilization for poverty reduction is well suited for a case study. The case study method is a widely accepted research strategy in the field of social science. It provides the main vehicle for research in the interpretive tradition. The case study research strategy makes the capture and understanding of context possible and can be used to achieve a variety of research aims using diverse data collection and analysis methods. Simons (2009) that this method permits a comprehensive approach to the historical and social analysis of complex phenomena. Campbell (1989) advocates a case study design for investigating real-life events, including organizational processes. Singleton, Straits and Straits (1993, p. 317) also recommend case studies when the item under study is a single social phenomenon or a single unit of analysis, such as an organization. In addition, Singleton, Straits and Straits (1993, p.319) acknowledge that sometimes field research, such as the case study, is simply the best research strategy because the problem under study precludes other methods. This especially makes sense when the goal of research is to reach an understanding in a complex context (Mertens, 1998).

Like the qualitative method, the case study approach encourages the role of the researcher in the research process, and acknowledges that a researcher cannot be completely “removed from the study context” (Boonzaier and Shefer, 2006, p. 5). Objectivity is therefore not

envisaged in this research design. Rather, it encourages self-reflexivity as a means of examining the researcher's role and impact in the research process.

Case study research has been subject to criticism on the grounds of non-representativeness and a lack of statistical generalizability. Moreover, the richness and complexity of the data collected means that the data is often open to different interpretation, and potential research bias. Despite the lack of detailed step-by-step data analysis of a case study (Miles and Huberman, 1994), and especially the problem of not being able to provide generalizability in a statistical sense, Yin (2009) still believes that the case studies are useful in developing and refining generalizable concepts and terms of propositions.

Thus to achieve a qualitative research, a case study design was most appropriate for this study as it complements the qualitative method. A combination of a qualitative research design and a case study methodology creates a platform to establish an analysis of savings mobilization for poverty reduction and it enables the researcher to document how the informal financial institution addresses the issue of poverty in Kinshasa.

3.8 Research Aims and Questions

The overall aim of the research was to analyze the contribution of Kobaakisa Carte toward poverty reduction in Kinshasa. The study explores effectiveness of this practice in savings mobilization and its allocation to basic needs. It investigates the constraints and challenges to the effective impact of Kobaakisa Carte on poverty reduction. The research was designed specifically to answer the following research questions: Given that the Kobaakisa Carte mobilizes savings for poverty alleviation, to what extent does this practice really serve this purpose and to what extent is it a factor in alleviating poverty in the DR Congo.

With the exploratory nature of the research, the aim and questions outlined above and having decided upon a case study methodology, the qualitative method coupled with quantitative method were the most appropriate research methods for the study. This is due to the fact that it provides the space for clarification and understanding between the researcher and the participants.

3.9 Primary Data Collection Method

A qualitative study is a type of primary research in which the researcher collects first-hand information obtained directly from participants (Miles and Huberman, 1994, p. 10). In this study, primary information was obtained through a questionnaire survey (See Appendix 1), interviews (See Appendix II and III) and observation.

3.8.1 Quantitative techniques: Questionnaire survey

The researcher conducted a quantitative research by using a questionnaire as an essential instrument in collecting primary data. Webster (2008) defined a questionnaire as a written or printed form used for gathering information on some subject or subjects, consisting of a set of questions. A questionnaire is also defined as a list of survey questions asked to respondents and designed to extract specific information. Although survey data can be obtained with other methods, the semi-structured questionnaire remains the most common method of obtaining a set of survey data (Neumann, 2006).

Fifty structured questionnaires were distributed to informal traders. The questionnaire survey first gathered demographic and socio-economic information of respondents. Second, the questionnaire was used to elicit the following information: what was the nature of income; the level of savings, the factors that motivate savings, the allocation of saving to needs, the management of risk and vulnerability, and empowerment. The questionnaire survey provided answers to key research questions and contributed to the analysis of savings mobilization strategies and the testing of the study hypotheses. The questionnaires were conducted in Lingala and for the purpose of this thesis, we keep a specimen in English. A confidentiality indemnity contract was drawn up to assure all participants that no data that was collected would be disclosed to third parties.

3.9.2 Qualitative techniques: In-depth interviews

In-depth interviews were conducted in order to elaborate on the quantitative data, and generate qualitative data on detailed views and opinions of the respondents regarding the use of informal savings as a tool to generate income and poverty alleviation.

As stated by Anderson, et al. (1990, p. 103), “the oral interview not only allows participants to articulate their own experience but also reflects upon the meanings of those experiences to

them”. The semi-structured interview aids strong rapport and empathy between the researcher and the research participants, allows for flexibility of coverage and broader discussion to take place, thereby enabling the discovery of new ideas within the area under investigation.

A total of 10 in-depth interviews were conducted. The interviewees were randomly selected and included five Kobuakisa Carte’s clients and five Kobuakisa Carte’s officers. The majority of these interviews took place in the homes or market places of the participants. The interviewees were chosen for their relevance to the conceptual questions rather than their representativeness. The interviews and group discussions with clients of Kobuakisa Carte practices were conducted in order to get an overall picture of the strategies of Kobuakisa Carte practices for mobilizing savings and poverty reduction. They also contributed towards gaining supplementary information that could not be obtained through the questionnaire.

Interviews helped understand the factors influencing people’s savings in Kinshasa, clients and program officers’ comments and opinions regarding savings mobilization and poverty reduction. The following interview question was used for all participants: “Which factors contribute towards savings mobilization by Kobuakisa Carte in Kinshasa and does it contribute toward reducing material poverty”? Interviews were structured into two categories. Firstly, I interviewed five officers of Kobuakisa Carte practice in order to gain insight into the type of financial activities being implemented by the agency and the strategies used for saving mobilization and credit distribution. Secondly, I interviewed five clients of Kobuakisa Carte at one of the agencies in Kinshasa in order to obtain an inside view of the savings mobilization. The interviews and data collection were conducted in Lingala in order to ensure participants’ understanding, and for the purpose of this study, were translated into English by the researcher himself. Interviews were conducted in one and a half weeks in December 2011. However, data collection may not be accurate given the limited time and financial constraints.

3.9.3 Direct observation

The observation method was used in this study for gathering more data on the topic. Observation is a critical data-gathering strategy in qualitative research because researchers are interested in the ways in which people usually make sense of or attach meaning to the world around them (De Vos, 2001, pp. 277-281). The observation method in this study was conducted through observing informal traders’ actions, behavior, expenses and financial

behavior throughout my fieldwork at the Sea Port OBMA. I was able to observe certain things like informal traders' financial behavior that would not be possible to get during interviews.

The major advantage of observation is its directness that the researcher can just listen and watch, and does not necessarily ask the participant's view, feelings or attitudes (Neumann, 2006). I had the opportunity to be close to the informal traders; they taught me about their finance and activities that allowed me to capture information related to my topic. The informal traders could speak to me about their financial difficulties, use of savings, business plans, feelings and aspirations with the hope that I could come up with solutions to their problems. I got more information and wrote it down in my research book.

3.10 Secondary Data Collection

This study draws on secondary data such as books, journal articles, reports and documents from an agency of Kobuakisa Carte. The collection of secondary data entailed an extensive survey of literature in order to appreciate the conceptual and theoretical framework of saving, poverty and informal finance. Quantitative analysis of data was used to calculate the correlation between saving and earnings. Raw data were collected at the Kobuakisa Carte agency called the Assistance of Community Bank in Congo (ACCCO) for the activities of 2011.

3.11 Data Analysis

Data analysis means the categorizing, ordering, codifying, manipulating and summarizing of data to obtain answers to research questions. Gopaul (2006, p. 91) argues that "the purpose of analysis is to reduce data to an intelligible and interpretable form so that the research problem is studied and tested and conclusions drawn". Mayan (2001, p. 21) observes that data analysis is the process of observing patterns in the data, asking critical questions of those patterns, constructing conjectures, deliberately collecting data from specifically selected individuals on targeted topics, confirming or refuting those conjectures, then continuing analysis, asking additional questions, seeking more data, furthering the analysis by sorting, questioning, thinking, constructing and testing conjectures, and so forth.

A qualitative data analysis was mostly done on the collected data. However, quantitative analysis in the form of tables, figures, percentage distributions and statistical analysis was carried out in order to present the demographic data of the research respondents and to establish the allocation of savings to basic needs. Systematic data analysis was also done with the aid of computer software like MS Excel.

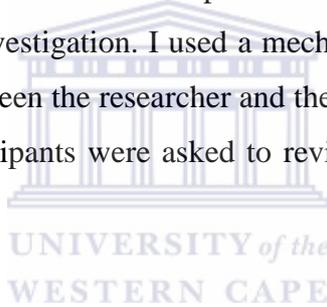
Interpretation and analysis are the two strategic ways that are used to construct meaning in case studies. The case study analysis included “Pattern Matching” (Yin, 2003), which consists of comparing an empirically based pattern with a predicted one. In this approach, a previously developed theory is used as a template with which to compare the empirical results of the case study (Yin, 2003). This comparison of research findings with the extant literature involves asking what it is similar to, what it contradicts, and why. The patterns matching analysis in the study included examined whether the Kobuakisa Carte contributes towards poverty reduction as relevant literature has shown that informal finance is a way for the poor to get out of poverty. If the patterns coincide, then the results lead to the validity of poverty reduction by Kobuakisa Carte.

The analysis of data was also done by following the empirical analysis. The empirical analysis is the employment of observed facts to shed light on particular problem. It involves in general, the gathering of appropriate data, the organization of data and the interpretation of result of the organizing and summarizing process in reference to the issues raised by the original problem outcome (Giles and Kyeongwon, 2007). This analysis is concerned about how the researcher thinks about a social problem and how he or she takes intellectual reasoning in finding the outcome (Giles and Kyeongwon, 2007). It involves data analysis using qualitative data and statistical tools. The empirical analysis is more subjective and relies heavily on the researcher’s knowledge and experience.

Interviewee information, survey questionnaires and documentation were assembled to ascertain whether Kobuakisa Carte could reduce poverty. Information to support the hypotheses is presented and analyzed. In this way, the reader can make an independent evaluation of the researchers’ material (Yin, 2003).

3.12 Validity of Qualitative Research Method

One major critique of a qualitative research design is how to ensure validity of research findings. The validity refers to “the degree of congruence between the explanations of phenomena and the realities of the world” (McMillan and Schumacher, 2006, p.324). In other words, validity of research measures the degree of accuracy between actual data collected and the concepts being measured (Harvey and MacDonald, 1993). The validity of qualitative research design is often questioned because of the possible occurrence of misinterpretation and misunderstanding between the researcher and the research participants. It raises the question of whether the participants hear what they think they understand or what is actually being asked or said by the researcher, and vice versa. In order to minimize this phenomenon and to enhance validity in this research, I had to triangulate data from different sources namely interviews, questionnaires and direct observation. I tried to minimize any risk by explaining interview questions in detail. The place where the interview takes place is important for reliability of the investigation. I used a mechanical recording device to capture the details of all interactions between the researcher and the participants. A participant review was also initiated whereby participants were asked to review the synthesis of the interview for accuracy of representation.



3.13 Ethical Statement

The study was conducted after the proposal was submitted and approved by the University of the Western Cape’s Institute for Social Development, the Arts Faculty Postgraduate Board of Studies and the Senate level committees. The research adhered strictly to all ethical research standards and legal obligations of the University of the Western Cape. An introductory letter addressed to the mayor of the area requesting permission to conduct this research with Kobuakisa Carte’s participants and permission was granted by the mayor of the area to conduct interviews. Permission was also obtained from the various interviewees before interviews were conducted and consent forms were signed. It was the responsibility of the researcher to adhere to the principles of ethical good practices in social science research such as voluntary participation, not doing harm to the participants, respecting confidentiality, avoiding accepting favors that might violate research principles and avoiding deceiving participants (Babbie and Mouton, 2001, pp. 520-525).

During the data-collection process and report writing, the researcher ensured that the identities and interests of all respondents were protected by adhering to the norms of confidentiality. Based on these norms, participants were assured that their names would not be used in the research. The purpose of the research was explained to the participants beforehand and the researcher sought their permission to use information gathered from them in writing. The researcher also explained to participants that the information obtained was purely for academic purposes and was a requirement for the completion of a master's degree and nothing else; no form of coercion was used against respondents. The researcher ensured that their participation was voluntary. Furthermore, the researcher assured participants that in the course of the interviews, those who did not feel comfortable with the information could withdraw. In addition, the researcher behaved in a respectful manner to all respondents throughout the research and finally thanked them for accepting being part of the research. The researcher also acknowledged all the sources of data and quotations used in the report.

3. 14 Limitations

There were some limitations in the process of conducting this study. It was very difficult to get data relevant to the research because of the nature of the activities of Kobuakisa Carte practice, which takes place in the informal sector. In the informal sector, record-keeping is hardly realizable. This means that it was not easy to have a distinct picture with regard to the activities of Kobuakisa Carte. There was also scarcity of literature and documentation on the practice. Despite this limitation, the researcher was able to get data on Kobuakisa Carte only by estimation and found two academic studies on this practice dated 2003.

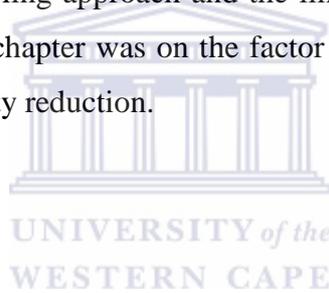
Another problem encountered had to do with the identification and availability of respondents for interviews. I had to travel to clients' place of activities but would sometimes not find them and could not reach them by phone, as they did not have cellphones. I had to re-schedule interviews to the next day's morning before the client started trading at the market or planned to meet clients at their homes. This research was conducted at the time of political intimidation in the DR Congo. Therefore, some clients did not fully cooperate by answering questions and being available for meetings, probably being suspicious that this might be used against them. The research questionnaire was initially in English, and a copy in Lingala was made available made available to respondents. The process of interview translation from Lingala to English constituted a limitation. I faced other big challenges due to financial constraints and limited time. Therefore, I could spend only one and half weeks at a time in

the research area. This may have affected negatively on the accuracy of data collected for the study.

Despite these limitations, the lessons drawn from the study serve as a point of departure for further research on the topic. Findings of the research are reliable and provide insights into informal microfinance and poverty reduction. Furthermore, I learned a lot from Kobuakisa Carte's clients. They taught me about their lives and finances. In addition, I observed the surroundings and established friendships with some clients for future studies.

3.15 Conclusion

This chapter paid attention to the approach used to conduct the empirical investigation. I used the qualitative method of research as it allowed me to have a detailed description of the strategies of savings for poverty reduction in Kinshasa, using questionnaires, observations and group discussions. The sampling approach and the limitations of the study were briefly discussed. The emphasis in this chapter was on the factor analysis concerning the strategies for saving mobilization for poverty reduction.



CHAPTER FOUR: A CRITICAL EVALUATION OF KOBUAKISA CARTE, INFORMAL SAVINGS PRACTICE IN KINSHASA

4.1 Background to the Analysis

The chapter presents an analysis of the data generated from the study, drawing especially on qualitative and quantitative information collected from respondents. It outlines the findings categorised in terms of effectiveness of Kobuakisa Carte in saving mobilisation, savings motive, preference to and the allocation of savings to needs and mechanism of financial intermediation, which directly addressed the initial aim of the research. The categories may overlap to some extent, but taken together, they provided a comprehensive overview of the researcher's interpretations of results based on qualitative research.

I use the empirical analysis to identify the effects of Kobuakisa Carte's savings on poverty reduction. The empirical analysis is concerned about how the researcher thinks about a social problem and how he or she takes intellectual reasoning in finding the outcome (Giles and Kyeongwon, 2007). This analysis assists me in the construction of valid arguments on the fact or facts and factors that explain the linkage between informal savings and poverty reduction. Focusing on the effects of savings places the analysis squarely on the question to what extent Kobuakisa carte serves the purpose of poverty reduction. I use pattern matching analysis to compare and contrast the findings with the informal finance literature. I also discuss other relevant literatures to explore to what extent Kobuakisa Carte could contribute to poverty reduction.

Systematic data for empirical analysis was also done with the aid of computer software like MS Excel. I used linear regression to find out the relationship between savings, earnings and consumptions expenses. For the coding of respondents to the interview, the Kobuakisa Carte's clients will be abbreviated as KC, while Kobuakisa Carte' officers will be abbreviated as KO.

4.2 Kobuakisa Carte Practice in Kinshasa

4.2.1 Origin, objectives and organization

Kobuakisa Carte, *Buakisa carte* or *papa et maman carte* is an informal savings and credit institution in the DR Congo. According to Balomba (2005), the term *Kobuakisa* is derived

from a Lingala word, meaning throwing something aside. Kobuakisa Carte grew out of indigenous practices of savings, which are tailored to the local culture, value and financial needs of the population. It gives prominence to savings to overcome times of insufficiency and natural calamity. Social networks, inter-personal relationships and trust that exist between clients and Kobuakisa Carte make this practice a mutually advantageous financial service. As an informal saving strategy, Kobuakisa Carte practice is not registered at any financial regulation or tax authorities (Kamba, 2000). Given the informal nature of Kobuakisa Carte, we can get the picture of its activities only by our analysis on field research and what other authors have written on this savings scheme.

Objectives of Kobuakisa Carte are savings mobilization and distribution of credits for lower-income people, especially women, young people and entrepreneurs of SMEs. The practice aims at collecting financial resources outside the formal financial system for production and consumption. The Kobuakisa Carte practice has put in place a financial organizational approach that is suitable and appropriate for the financial needs and preferences of low-income people. It is a form of contractual or programmed savings mechanism in which the client commits to regularly deposit a fixed or non-fixed amount to a practice officer for a specified period in order to reach a pre-determined goal. The practice officer is supposed to be credible and loyal (Balomba, 2005, p. 44).

Kobuakisa Carte is commonly organized at a place of high concentration of people such as in local markets in the poor neighborhoods of Kinshasa (Kamba, 2000). The transactions and operations of this practice take place inside a container or a shop, which always serves as an office. The location of the practice is in the proximity of clients and their economic activities. To identify where Kobuakisa Carte is organized, it is suggested that one reads what they write in front of the shop. Usually, they write “*Buakisa carte awa*” which means, “come to make savings here”.

There are no complicated requirements for opening a savings account other than the decision of the client to save a portion of his/her income. The practice officer issues to the depositor a membership card containing 30 squares representing the 30 days of the month. The membership card lists the client name, physical address, and the daily saving amount. The client commits to deposit every day a fixed or non-fixed amount to a practice officer in order to fill all the 30 squares in a monthly period. Any amount is acceptable. There are no initial fees or operational charges. The practice officer gets paid with a commission equivalent to

the value of one saving deposit, which is called “*Mutu*”. The client can only withdraw the money when all 30 squares are filled with 30 deposits. However, in the case of an emergency or by mutual agreement, it is possible for the client to withdraw a portion of his/her savings. Kobuakisa Carte operates nearly throughout the day. It opens at 7AM and closes around midnight (Field notes, December 2011).

Balomba (2005) states that more than 2,000 shops organize Kobuakisa Carte in Kinshasa, and that this savings scheme serves more than 10% of people with saving services and grant credits in the city of Kinshasa. Based on my research, most Kobuakisa Carte clients are female. This observation seems to coincide with other informal savings groups such as the Grameen Bank and Stokvels, which have mostly female clients (Hossain et al., 2000; Verhoef, 2001). About 20% of Kobuakisa Carte clients are young people and 15% are men (Field notes, December, 2011). Most Kobuakisa Carte’s participants are involved in small-scale economic activities. They include owners of productive workshop and small retail stores, taxi drivers, shoe repairers, street vendors etc. Participants are concerned with keeping aside a portion of their daily income in order to build capital, assets and become independent economic agents able to meet their future needs for survival and to face uncertainty (Field notes, December, 2011).

4.2.2 Method of saving collection

Two methods can be observed for the collection and mobilization of popular saving in Kinshasa: the collection of savings by pay desk or counter method and the collection of savings by mobile method. The pay desk or counter saving collection method allows clients to walk into a Kobuakisa Carte office or agency to deposit their savings at the counter. The practice is accessible to everybody and it allows the poorest of the poor to save. The saving by counter relies on the values such as mutual relationship, proximity and trust between depositor and practice officer (Kamba, 2000).

The mobile savings collection method is an innovation of Kobuakisa Carte to operate with extensive and decentralized organizational structures. It uses field outlets or mobile individual representatives to collect savings and serve withdrawals from clients in areas of high-density activities such as petrol stations, automobile garages, workshops, welding patch, painting-units, motor parks, railway stations and market places, etc. This method translates to the adaptability of the Kobuakisa Carte to the economic and financial behavior of people. The

visit of mobile saving collectors to clients, the professional way they treat them and their savings, and especially their willingness to communicate the benefit of savings are among the elements that influence saving or encourage other people to save (Balomba, 2005; Kamba, 2000). For example, Kobuakisa Carte's officer KO1 states:

Most of our clients are poor, not educated. We organize Kobuakisa Carte near their places of activities, our mobile collectors persuade them in order to make savings an habit, and we develop a relationship with clients to make the saving activities a mutual agreement (Interview, 07 December 2011).

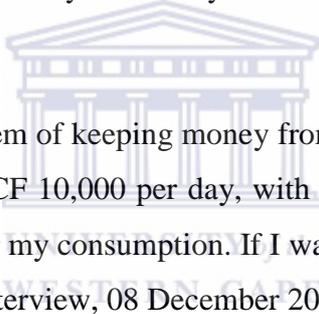
What this suggests is that informal finance mechanisms exercise an important role in promoting of savings and financial intermediation among the poor. They accommodate small savings deposits and reduce saving transaction costs. They make use of inter-personal relationships to guarantee the continuing of saving activities. The above quotation also suggests that Kobuakisa Carte has savings commitment features, which help people make regular deposits into their savings accounts. Indeed, mobile saving collection is an effective approach to help individuals keep the habit of saving. There is a moral imperative to deposit with a deposit collector since signing up with a deposit collector program is indeed making a commitment.

The idea of a relationship of trust between the mobile collectors and the client as described by as Kobuakisa Carte's officer KO1's quote above was a recurring theme in my interviews, observations, and in informal discussions with traders in Sea port OBMA. The flexibility of the Kobuakisa Carte savings system, which brings mobile collectors to sellers place of work, enables the building of strong relationships of trust. Indeed, as one of my interviewees, a woman retail seller (KC2) of maize meal points out:

I close my business at 19h00. Which bank is still open at that time? With Kobuakisa Carte, the mobile collector can still come to collect my saving here where I sell maize meal. I do not have time to go to town to visit the so-called banks, and even if I save with banks, the withdrawal of my money will be a problem. If Kobuakisa Carte does not involve trust, it could have disappeared like your banks (Interview, 07 December 2011).

In addition to the building of trust, the Kobuakisa Carte practice also allows seller KC2 to continue doing business rather than spending time and money travelling to town to do her banking. It would thus appear that the Kobuakisa Carte offers people in the informal trading some advantages compared to the formal banking system. The effectiveness of Kobuakisa Carte saving scheme includes the acceptance of small amount, closeness, accessibility, simple procedures, flexibility and adaptability to economic conditions of poor informal traders.

Based on my observation, participants' daily contribution to Kobuakisa Carte was small and varied between CF 1,000 to CF 10,000 (where CF 10,000 equals to R 100), (CF is DR Congo's currency and R is South African Rand). At the market place, Kobuakisa Carte mobilized about CF 5,000,000 per day (Field notes, December 2011). Kobuakisa Carte accepts small daily deposits to help the poor to aggregate small amounts of money over time into a more useful lump sum. The making of daily deposits is especially important for informal traders, who often earn money on a daily basis. For example, a load carrier (KC1) told us this:



Kobuakisa Carte is our system of keeping money from day-to-day; banks are for people paid in dollars. I can have CF 10,000 per day, with Kobuakisa Carte, I save CF 2,500 and the remaining I keep for my consumption. If I want to redeem my money, they give me without any problem (Interview, 08 December 2011).

I also interviewed Kobuakisa Carte officers about the factors that contribute towards savings mobilization by Kobuakisa Carte in Kinshasa. Kobuakisa Carte officer (KO2) highlighted the following:

There was an unmet demand for savings in Kinshasa. We target small activity traders in order to collect deposits with little cost and without complicated reporting requirements (Interview, 07 December 2011).

This suggests that informal financial services mobilize savings with mechanisms, which are more suited to people at micro level. The Kobuakisa Carte practice allows seller KC1 to save little of his daily earnings and permits seller KC2 to deposit savings late at 19h 00. This reflects the fact that Kobuakisa Carte can accommodate any client and operate in any circumstance and any environment.

The socio-economic advantages that Kobuakisa Carte are that it enables informal traders to pay for the monthly groceries of the family, pay the children's education, as well as the monthly rent, and health expenses. This method is thus preferred to avoid the risk of saving at home, where family and relatives may demand access to savings. In emergencies such as death of a family member, Kobuakisa Carte is of great assistance (Field notes, December 2011). This practice also creates employment in Kinshasa by appointing young people to be saving mobile collectors, which is an opportunity for them to get income. KO5 explains the advantage of Kobuakisa Carte for poverty reduction:

I joined the Kobuakisa Carte as a mobile collector officer after losing my jobs. It is difficult to find a job nowadays because of the economic situation in the country, but today I work as mobile collector and I am saving as well with Kobuakisa Carte in order to start my own business in the near future (Interview, 11 December 2011).

Despite the above advantages, Kobuakisa Carte is characterized by small size of savings, lack of administrative and managerial capability, which make this saving scheme to be not progressive. The accumulated savings are considered useful only for subsistence and emergencies. Kobuakisa Carte cannot achieve larger impacts to increase the prosperity of people.

The security of savings is critical for a successful saving product. Secure savings should be free from fraud, theft, fire, and relatives' demands. Safety is paramount, even in the face of inflation. Kobuakisa Carte practice is subject to insecurity of funds and the high risks in the transactions that cause frustration among clients. The practice does not ensure an adequate safeguarding of funds. The practice officer, practice representatives or mobile saving collectors can run away with the client's funds. There is no way to track them or lay a complaint against their agency (Field notes, December 2011).

4.3 Kobuakisa Carte and Poverty Reduction

This section provides the findings of the study from the fieldwork in Kinshasa. The findings are categorized in terms of the profile of the clients, the adaptation of Kobuakisa Carte to clients' behavior, the poverty alleviation strategies and the mechanism of financial intermediation for the address of poverty. This section analyzes the contribution of the Kobuakisa Carte's savings to poverty reduction. It draws from the experiences and issues

raised by the respondent interviewed in the research, and data collected through the questionnaire survey.

The data are presented in qualitative form in a narrative and textual manner, and quantitative data are also presented. The results of the analysis are based on both interviews and survey questionnaire about the Koboakisa Carte's savings and poverty reduction strategies.

4.3.1 Personal information of respondents

This section presents the personal details of respondents based on the survey questionnaire as quantitative data. It was important to enquire participants' backgrounds as they influenced their saving activities and assisted to assess to what extent Koboakisa Carte contributed toward improving their socio-economic conditions. Respondents' information was in terms of age, sex, range of income, nature of economic activities, key expenses and structure of their families. This made it possible to gauge the profiles and categories of people who participated in the Koboakisa Carte practice.

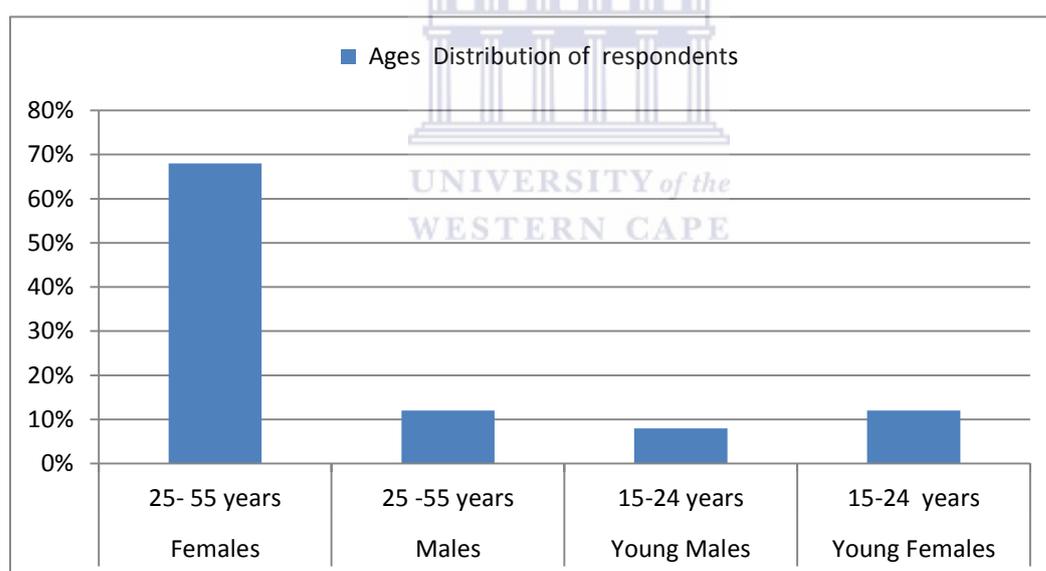
The research found that the majority of the respondents were women (68%) who fell between the ages of 25-55 years, while 12% of men fell between the ages of 25-55. Young females (12%) fell between the ages of 15-24 years and 8% of young males fell between the ages of 15-24 years. The description of the respondents is provided in Table 1 and Figure 3 below:

Table 1: Information and profiles of respondents

Clients / Gender	Age	Number of Respondents	Percentage	Clients with non-fixed earnings	Clients with fixed earnings
Females	25- 55 years	34	68%	25	9
Males	25 -55 years	6	12%	4	2
Young Males	15-24 years	4	8%	4	0
Young Females	15-24 years	6	12%	6	0
Total		50	100%	39	11

Source: Fieldwork survey, Kinshasa, December 2011.

Figure 3: Age distribution of respondents



Source: Fieldwork survey, Kinshasa, December 2011.

As depicted in Figure 3 above, the significant number of women respondents was attributed to the fact that women formed the majority clients of the Kobaakisa Carte. This suggests that saving activities are attractive to women. Women in Kinshasa have also taken control of households, as most of the men are unemployed. They are the breadwinners and take control of household's basic needs such as food, health care, education, shelter, clothing, transport and water. They are more concerned about household finance while men are involved in

leisure, alcohol and other forms of entertainment. This supports research conducted by Verhoef (2001) who finds that women (60%) dominate stokvels in South Africa and play a central role in the maintenance of their families.

Anderson and Baland (2002) also postulated that women have a larger preference for the household goods, and therefore want to save at a higher rate than men. In some cases, women join the informal financial institutions in order to hide or secure their savings from their husbands. They could then purchase an indivisible good, which they prefer, whereas men would rather opt for present consumption. By joining a stokvel, women thus commit part of the household's income against their husband's preference. In the view of Rankin (2000), women spend disproportionately more of their incomes on household welfare than men and women's associations, through microfinance, generate not just social and economic capital, but also a collective consciousness of and resistance to oppression.

With regard to respondents' earnings in Kinshasa, we could identify two types of earnings: fixed earnings and non-fixed earnings. Fixed earnings refer to any type of a person's income that does not vary materially over time while non-fixed earnings refer to income that changes every time, and which is irregular and unstable.

From my research, 39 out of 50 respondents had non-fixed earnings and 11 respondents had fixed earnings. The significant number of respondents (39) with non-fixed earnings is due to the high rate of unemployment and the lack of regular of monthly income paid to formal sector employees in Kinshasa. This supports research on poverty in Kinshasa done by Mabi (2000), which concludes that most people engage in informal activities, where the income is small, unstable and irregular.

Poverty conditions of respondents and their diverse sources of earnings create difficulty in detecting the exact level of their earnings. In addition, people hesitate to disclose information on their real earnings. Thus, considering the fact that respondents were engaged in small scale activities that provide them with daily earnings, the proxy measure of respondent's income can be estimated on daily basis. The daily earnings from their informal activities can be presented in the Table 2 below:

Table 2: Estimated daily earnings of respondents

Range of earnings in CF	Number of Respondents	Percentages
0 - 20,000	33	66%
20,000 - 40,000	11	22%
40,000 - 60,000	5	10%
60,000 - 80,000	1	2%
100,000 +	0	0

Note. n = 50, 1US \$ = 925.4057 CF and 1R South Africa = CF 90.90

Source: Fieldwork survey, Kinshasa, December 2011.

A significant number of respondents (66%) earned less than CF 20, 000 per day, which is equal to 181.8 South African Rand. They spent 5% of their daily earnings on consumption, which is equal to CF 1, 000. If the global poverty line threshold is US\$1.25 per day and US\$ 1.25 is equal to CF 1,156.75, then this reflects that the majority of participants live below the poverty line.

Table 2 above shows that people who fall in the very low range of earnings tend to rely more on informal financial activities. This suggests that reliance on informal finance decreases when their incomes increase to the next range. Furthermore, this reflects that Kobuakisa Carte embraces people who live in extreme poverty, with very low earnings, food insecurity and exposed to risks and vulnerability. The poor count on Kobuakisa Carte's savings as they reduce their risks of falling below minimum level of earnings and these savings are a safety net for food and other basic needs. This was the view of Beverly, et al. (2008) who assert the importance of informal financial institutions that help the poor save small amounts and take small loans, which they mainly use in emergencies (e.g. during periods of sickness or food insufficiency) or for income-generating activities like small animal raising. Richardson and Lennon (2001) also argue that saving facilities provided by ROSCAs in Senegal are used for financing health care and education, thus increasing the people's access to these social facilities and reducing the level of poverty of the people.

Furthermore, I examined the respondents' economic activities, key expenses and structures of their families. This was to gauge how Kobuakisa Carte's savings are other source of income for households. Table 3 below shows that 32% of respondents had two children while 24% of respondents had three children and 8% had only one child. Young males and females who had no children represented 20% of the respondents. Only 8% of the respondents had four

children. This finding is a little surprising because one would have expected more children in typical African household than as it is presented in this study.

Income generating activities are diverse in the informal sector. Informal traders tend to have more than one activity in order to enhance their earnings. Notwithstanding these strategies, their earnings are low and irregular. Table 3 below also shows that the key expense in respondents' household was food (48%) followed by children's education (24%), health and medical expenditure (20%) while 8% of money was used for housing. The national government is unable to provide basic services such as education and health to its population. People have to pay for these services in order to keep their standards of living. This suggests that people spend more on social services and survival needs and therefore cannot afford to build significant savings for asset accumulation and the expansion of economic activities.



Table 3: Socio economic indicators of respondents

Indicators	Number of Respondents	Percentages
Number of Children		
0	10	20%
1	4	8%
2	16	32%
3	12	24%
4	8	16%
5	0	0%
More	0	0%
Nature of activities		
Sellers of groceries	26	52%
Sellers of manufactured goods	15	30%
Craft men	0	0%
Vegetable and fruit sellers	7	14%
Sellers of traditional medicine	1	2%
Shoe repairers	0	0%
Alcohol sellers	1	2%
Key Expenses of households		
Education of Children	12	24%
Health and Medical	10	20%
Food	24	48%
Housing	4	8%
Asset Accumulation	0	0%
Expansion of Activities	0	0%
Other	0	0%

Source: Fieldwork survey, Kinshasa, December 2011

Regarding the nature of income generating activities, Table 3 above shows that the majority of respondents (26) sell groceries such as maize meal, cassava, dried fishes, palm oil and so on, while others (15) sell small manufactured goods such as cigarettes, sweets, matches, etc. This reflects that the majority of the poor people engage in small-scale activities as means of

survival. The small-scale activities have low productivity and generate very little income, which cannot help them escape poverty .

The low productive activities are the main constraint for the poor in Kinshasa to increase their income and get out of poverty. This is caused by a lack of sufficient funds and underdevelopment of the financial market. The lack of sufficient funds is linked to their limited access to banks and credit schemes of formal financial institutions, which charge excessive interest rates and require unrealistic collateral requirements.

4.3.2 The Effectiveness of Kobuakisa Carte in mobilizing savings

Informal savings group is more conveniently positioned and easy to access for savings activities. Usually the saving group staff frequently visit villages and find out who the potential savers are; they then discuss suitable savings plan.

Investigations on the prominence of Kobuakisa Carte required, first of all, an assessment of the extent to which savings were actually mobilized by this institution. I interviewed participants to get their comments and opinions on the adequacy and suitability of Kobuakisa Carte to their earnings and financial needs. The reason for focusing on earnings and financial needs is that low level of earnings limits the poor to access most formal financial services and their ability to fulfill their basic needs. Financial needs of the poor refer to lack of access to financial services to cope with lack of asset, high level of insecurity, risk and vulnerability to crisis and shocks, which characterize the poor people.

Based on my direct observation, a large portion of population in the study area used Kobuakisa Carte for savings. They hope to be financially stable; this is reflected by the different phrases and languages they use when they make savings such as "*malembe malembe tokokoma*", which means step by step we will arrive, and "*tout fait nombre*" which means every pound makes another pound. Thus, these languages and phrases characterized their struggles for survival. Kobuakisa Carte contributes to their struggle in collecting any amount of savings, small, big or scratched note with a simplicity and flexibility of procedure. The evidence from my field observation shows that about 60% of the funds in the study areas were with the Kobuakisa Carte (Field notes, December 2011).

Regarding Kobuakisa Carte’s method for savings mobilization, data gathered through the questionnaire gave us the following composition: There were 39 clients with non-fixed earnings. Among them, 29 made savings through a mobile saving collection unit and, 10 deposited money by paying at desk at the agency. Among 11 clients that had fixed earnings, two of them practiced savings through the mobile saving method and 9 others preferred to deposit their savings by paying at the desk at the agency. This information is summarized in Table 4 below:

Table 4: Calculation of association

Type of clients and Savings collection method	Clients with non-fixed earnings	Clients with fixed earnings	Total
Mobile saving collection	29	2	31
Pay desk saving collection	10	9	19
Total	39	11	50

Source: Fieldwork survey, Kinshasa, December 2011.

Table 4 above shows that 31 clients saved their money through the mobile savings collection scheme while the other 19 go to the agency to deposit their savings. Of the 50 clients, the proportion of clients that had small-scale activities and had non-fixed earnings is 78%. In the sub-group of clients that practiced saving through the mobile collection method, the proportion of clients that had small-scale activities and who did not have fixed earnings is 94%. In the sub-group of clients that deposited savings at the pay desk, the proportion of clients that had fixed earnings is 47%. The proportion of clients with fixed earnings in the sample was 22%. These percentages (78% and 94%) show that the type of clients (clients with fixed income and non-fixed income) and the Kobuakisa Carte operational approach (mobile saving collection) are simultaneously present. This means that there is an association or a link between operational approach of Kobuakisa Carte and the type of clients and nature of income.

The above findings show that Kobuakisa Carte mobilized more savings from people (39) with non-fixed earnings. It has done so by carefully evaluating the needs and preferences of the poor and by adapting its financial services to people’s behavior. An example of this is

mobile savings collection. I asked participants what saving collection method he/she preferred. One respondent, KC4, said:

I would say mobile collection. People here trust the mobile collectors; they are friendly and can give you the advance on your savings. This is all we want as financial services. I always give my money to the mobile collector because I know him. I never approach any bank for savings in my life (Interview, 07 December 2011).

Similarly, KC5 started:

I save with the mobile collector, but sometimes I go to inquire about him at the agency to find out if he is a good person that we can give our money (Interview, 07 December 2011).

The above statements show that informal traders earn daily and save a portion of their earnings in Kobuakisa Carte through a mobile collector. These people are very conscious of the effects of having savings for the rainy day. This was not supported by Atieno (2001) who argues that an appropriate saving method allows informal financial institutions to mobilize relatively large numbers of deposits and fund significant portions of their lending portfolios; therefore, they will enhance their productivity and help the poor to get out of poverty. It should be noted that the relative irregularity of savings among clients with fixed income is the result of relatively irregular monthly income paid to employees in the informal sector of service in Kinshasa. Few Kobuakisa Carte's clients preferred to deposit their savings at pay desk. The pay desk method is more secure as savings are deposited directly into the organization. In this regard, KC2 commented that:

The deposit of savings at the pay desk is more convenient than giving money to a mobile collector. It gives me rest of mind. The mobile collector is for people who do not have time. If you deposit your money at Kobuakisa Carte agency, you are sure that your money is at the right place. Some mobile collectors take people's savings to their homes and deposit it at the agency only the next day. However, something wrong might happen to that money. You will be stressed until they pay you back your money (Interview, 07 December 2011).

From the above findings, Kobuakisa Carte thus appears to be a vehicle for mobilizing savings of private individuals, which can be transformed into usage-maturity form for investment purposes. This implies that if Kobuakisa Carte is given adequate attention and facilities, it is can contribute to economic development. A general look at above findings does not conform with the view of Aryeetey (1996) on informal finance in Nigeria. In this country, informal finance institutions mobilize savings through the people's daily collection of deposits, which are in turn used as working capital to restock supplies that enable the poor to expand their output and earn a stream of profits, thereby providing a significant source of income to individual household, which reduces the level of poverty of some people. The findings could also not conform with the view of Nzotta and Okereke (2004) who observe that the high rate of savings mobilization is a crucial determinant of poverty reduction and economic growth. As savings grow, they fund the investment of income-generating activities, which will increase income, raise per capita income and therefore reduce poverty.

Despite the acclaimed beneficial effects of Kobuakisa Carte, its optimal provision of financial services is argued to still be bedeviled by a number of problems such as lack of appropriate framework for its regulatory operations and activities of participants, management problem and poor and inadequate book-keeping system. The following quotes express the concern about Kobuakisa Carte. As KC3 complained:

Kobuakisa Carte's collectors are risky. They can run away with your money and you will never find them. Some collectors use the money for their personal needs. By giving them our deposit, it is like making them rich (Interview, 07 December 2011).

In addition, KC2 raised concerned about the limited capacity of Kobuakisa Carte:

I felt that Kobuakisa Carte could be a way of saving so that I can pull money to expand the business. However, Kobuakisa Carte gets a small amount of savings, which cannot help to start a productive business. The withdrawal of an important amount is always problematic; they do not have enough cash available. You have to wait for more than three days to have cash. Sometimes the officer uses people's money for his own needs. It grants small credits with a short repayment period (Interview, 09 December 2011).

Based on my observation, the management of cash in Kobuakisa Carte presented a high security risk. The cash could be stolen, misplaced, or lost. It is also risky that the mobile

savings collectors can abscond with the savings of their clients. The women did point to the problems inherent in saving with others who were not well known, especially the risk of ‘insider robberies’ where members who knew the time and place at which the payout would occur would ‘organise people to rob the money’ from the recipient.

4.3.3 Preference for Kobuakisa Carte

Providing financial services to the poor is one of the many ways to help increase their incomes and productivity and make them self-reliant. In many countries of the world, traditional financial institutions have failed to provide this service to the poor. Informal savings institutions and different forms of co-operative programs have evolved to fill this gap. The main purpose of the microcredit program is to help the poor become self-employed and engage in alternative income generation, thus reducing poverty.

Informal traders have a very less income, which supposes them to save money. They prefer the savings account through which they can have easy way of transaction at any point of time when income is irregular. Marital status, educational qualification, primary occupation, family size have a negative but significant relationship with the preference for saving. They save a very less amount in the financial institutions for future needs. I analyzed the reasons why respondents preferred the Kobuakisa Carte. Table 5 below shows that the majority (50%) of the research respondents reported easy access as their reason for joining Kobuakisa Carte. Only 17 respondents (34%) preferred Kobuakisa Carte because it was near to them, while 16% preferred it because it is easier to operate.

Table 5: Respondents’ reasons for preferring Kobuakisa Carte

Reasons	No. of Respondents	Proportion in %
Easy access	25	50
Easier to operate	8	16
Closeness	17	34
Kinship/family ties	0	0
Safer than banks	0	0
Total	50	100

Source: Fieldwork survey, Kinshasa, December 2011

The easy access to Kobuakisa Carte (50%) contrasts with the formal bank to which the majority of population in Kinshasa does not have access at all or many people have difficulties in accessing formal banks. Thus, the Kobuakisa Carte's easy characteristic makes it popular among many small savers in the informal urban commercial environment. This finding supports research done by Shem (2002), which concludes that the institutional characteristics of financial institution such as proximity of services, accessibility and acceptance of small savings influence the choice of savings.

Many interviewees in Kinshasa favor Kobuakisa Carte because it is simple and easy. This was the main reason for their preference of this savings scheme. This is what one respondent, KC5, had to say on the subject:

Kobuakisa Carte is very helpful and easy for me to access. It helps me to save for my school fees and books (Interview, 09 December 2011).

Furthermore, KC2 commented that:

I have been saving with Kobuakisa Carte for a long time. It is very easy for me to save through this organization and it helps me to save for my children school fees (Interview, 09 December 2011).

The successful implementation of Kobuakisa Carte can be attributed to the adoption of local culture and values. The Kobuakisa Carte provides an efficient financial service to clients by committing or binding them to savings and restricting the withdrawal of funds. This savings tie savings to a particular time or use, which allows interviewees KC5 and KC2 to save for their children's education expenses. This is possible as the Kobuakisa Carte's savings products design ensured the accessibility, convenience and simplicity, which are in harmony with local culture and value. Kobuakisa Carte's officer (KO3) commented as follows:

We give people access to savings account, with low cost in order to prevent unnecessary expenditures. Kobuakisa Carte ensures that deposits will be safeguarded against unwanted needs. It is simple; people must have a place to save for tomorrow and essential needs (Interview, 07 December 2011).

These comments show that Kobuakisa Carte was suited to people at the micro level because of its easy process and functions, which demonstrated its adaptability to people's behavior

and their level of earnings. Flexibility and easy access of Kobiakisa Carte brought many advantages for KC2, KC5, and other local people. People preferred Kobiakisa Carte since the contribution amount is smaller than the amount of other saving schemes. This allows them to manage their needs properly. These findings confirm the research done by Ashraf, et al. (2003) which asserts that the cheapness and availability of funds in informal financial institutions is one of the reasons that they have been expanding all over the world.

Expanding access to finance to the poor has been proposed as a tool for poverty reduction. Two recent field studies undertaken in Kenya offer evidence that access to a saving account generates significant welfare effects on poor households, and that access to appropriate savings mechanisms can help poor farmers purchase fertilizer when they need it (Dupas and Robinson, 2008; Duflo, et al., 2009).

According to Shimelles and Zahidul (2009), expanding the access to small loans and savings services is one of the tangible ways that the Grameen Bank helps the poor to get out of poverty. Hossain, et al. (2000) found that 91% of Grameen Bank members improved their economic conditions after joining Grameen Bank. A critical look at these assertions also conform with the views of Mayo and Mullineux (2000), who argues that if poor and low-income households have opportunities to access savings and credit, it is believed that they may increase their living standards. Zeller (2001) proposes that the relationship between the access to financial services and poverty reduction is ambiguous. If the poor engage in some productive opportunities, financial services can help poor households get out of poverty, assist in stabilizing incomes and eliminating vulnerability to risk; and assist in processes of acquiring physical and human capital to allow households to overcome poverty traps. However, if productive opportunities do not exist, the poor will always live in poverty. Thus, depending on the circumstances, financial services can increase or decrease poverty. Furthermore, in assessing the contribution of Kobiakisa Carte towards poverty reduction, I attempted to examine the relative allocation of the Kobiakisa Carte savings to the reduction of risk and intra-household conflicts. Findings from my interviews showed that Kobiakisa Carte prevented the risk of losing cash money in accidents, theft or in unnecessary expenses. One of the participants, a load carrier (KC3) told us this:

My husband is an alcoholic; he fights with me for money. I do not carry the money home, otherwise he will confiscate it. He is unemployed; I always save with Kobiakisa

Carte to buy food, pay school fees and other family needs (Interview, 11 December 2011).

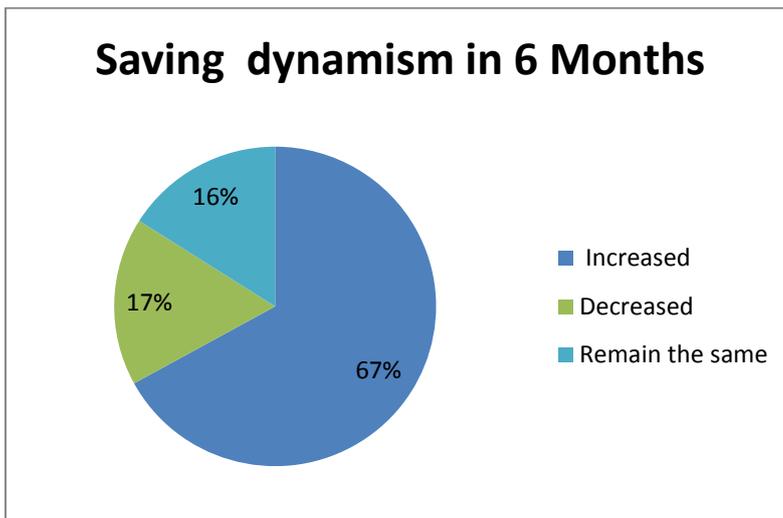
The above statement shows that the poor in Kinshasa perceived Kobuakisa Carte as a means of security against risk and shocks. Informal traders used Kobuakisa Carte to prevent unexpected expenditure. This savings scheme is advantageous to women such as KC3; it helps her not to carry their entire money home, thereby preventing the risk from husbands misusing money on entrainment forms such as alcohol. It also prevented money against unwanted requests from friends or extended family. In addition, it prevents informal traders from borrowing money from money lenders who charge exorbitant interest rates on loans. Therefore, Kobuakisa Carte has advantages for the poor as it allows them to allocate money to critical needs rather than to lose it in inopportune circumstances.

Anderson and Baland (2002) present a model of intra-household conflicts in consumption decisions. In their bargaining framework, men and women, sharing a common budget, exhibit asymmetric preferences for household goods; women always have a larger preference for the indivisible goods, and therefore want to save at a higher rate than men. In some cases, women join informal associations such as Kobuakisa Carte in order to hide or secure their savings from their husbands. They could then purchase some goods, which they prefer, whereas men would rather opt for present consumption. By joining savings scheme such as a stokvel or Kobuakisa Carte, women thus commit part of the household's income against their husband's preference.

4.3.4 Growth of savings

Although the foregoing shows the effectiveness of Kobuakisa Carte in savings mobilisation, one critical question to investigate is whether the poor accumulate their savings to a significant amount, which they can finance a productive activity or purchase durable goods. The questionnaire survey required clients to indicate whether their savings for the last six months period had increased, decreased or remained static. Figure 4 below shows that 67% of clients had increased their savings while 17% of other clients had reduced their savings and, only 16% of clients said that their savings remained constant.

Figure 4: Saving value for 6 months



Source: Fieldwork survey, Kinshasa, December 2011.

The majority of clients (67%) confirmed that their savings had increased through Kobuakisa Carte. This means that individuals adopt rules that restrict all attempts and opportunities to withdraw money from savings account. With these rules in mind, individual savings are seen as the result of the successful welfare-improving and self-imposed constraints on spending.

4.3.5 Motivation for savings

I also examined people's motives for informal savings. People have different motives when they join an informal financial institution. As mentioned in chapter 2, there are three motives for informal savings: savings precaution, savings project and savings placement. The main reason the poor have for participating in the informal financial institution is the reduction of poverty.

The precautionary motive was high in Kinshasa because informal traders are risk averse. Earnings from their activities are irregular, instable and have many uncontrolled constraints; they save with Kobuakisa Carte for precaution against emergency problems as depending upon daily earnings is too risky. The poor save in Kobuakisa Carte in order to maintain consumption should earnings be insignificant than expected. One of the interviewees, KC3, confirmed this by saying that:

Kobuakisa Carte is the only financial institution in the area, it is simple and there are no difficult requirements to subscribe to it. It has helped people in Kinshasa for many

years, especially to support our daily needs. We know the savings collector very well, that is why we trust Kobuakisa Carte. It is better than the banks or putting money in a bottle. It is a bank for us poor people who are not paid in US dollar. Kobuakisa Carte is open at any time; but there is no security for money (Interview, 07 December 2011).

Kobuakisa Carte is a precautionary savings that helps client at difficult time. In this regard, KC5 highlighted the following:

I lost my father three months ago, and during that time, I used my money from Kobuakisa Carte to organize the funeral (Interview, 10 December 2011).

Similarly, KC 4 declared that:

My parents do this at home, they introduced me to it and it is from the contribution they got that I started this business. Since then, I vowed not to leave it. I subscribed to Kobuakisa Carte because it is very good and assists me in case of my emergency need of money (Interview, 09 December 2011).

Furthermore, Kobuakisa Carte is a veritable savings scheme that enables the poor to succeed in their project to buy desirable goods such as TVs, radios or organize ceremonies such as weddings, birthday parties and other anniversaries. Kobuakisa Carte also helps the poor to pay fees for their children's education, the health of family children, housing and other household needs. The following comment is from one of the participants, KC4, who said:

I saved with Kobuakisa Carte last month, I used my savings for an urgent need to pay for my son's school fees when he gained admission into the university. I also plan to buy a birthday present for my daughter. Therefore, I have to save today with Kobuakisa Carte (Interview, 09 December 2011).

It was observed that the lack of sufficient savings to finance trade forced informal traders to rely on inefficient and unproductive activities, and inhibits the majority of small and marginal informal traders to expand their activities to increase their income. This is how one of the respondents KC4 viewed the problem:

Participation in Kobuakisa Carte for me is routine since I have been selling here. I discovered it to be a saving grace especially in the time of need. I have sent my children

to school through my involvement in Kobuakisa Carte and done many things, which I could not have done without Kobuakisa Carte money. In fact, I can say it is now my habit and I cannot do without it. With Kobuakisa Carte, you can save for six months and withdraw bulky money, which can be used to start a business of your own or used to expand on the one you already have. Nevertheless, we end up spending money solving unexpected problems than use it for business (Interview, 09 December 2011).

These comments confirm that Kobuakisa Carte benefited the poor to smooth consumption and protect against shocks. Kobuakisa Carte's savings were rarely used to expand productive activities. This suggests the incapacity of this savings scheme to increase the poor's income level and enable them to get out of poverty. However, the Grameen Bank shows an example of approaches through which, microfinance can enable the poor to move out of poverty. According to Shimelles and Zahidul (2009), the microfinance programmes such as Grameen Bank have been successful in expanding the opportunities of self-employment for their members. Self-employment generates higher returns than wages; it emancipates people from poverty.

On other hand, the questionnaire survey also helped to comprehend what motivated poor traders to save with Kobuakisa Carte practice. For this purpose, we divided clients into two categories: Clients with non-fixed earnings and with fixed earnings. Table 6 below shows that 83% of non-fixed income clients deposited savings as a precaution against unexpected events and uncertainty while 17% of them saved their resources for projects. As for clients with a fixed income, 73% of them stated that they saved money as a precaution while 27% of the clients opted to save for personal and family projects. In both categories, there was no saving placement motivation. This is justified by the fact that Kobuakisa Carte does not pay clients the interest on their savings.

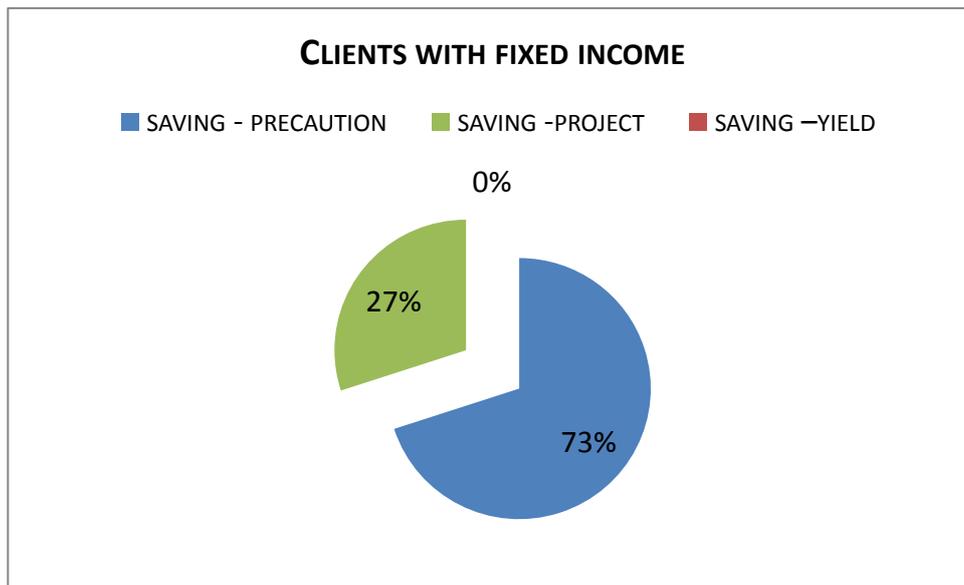
Table 6: Proportion of saving motives

Motivation for Saving	Category of Participants	
	Participants with fixed Income	Participants with non-fixed Income
Saving - Precaution	73%	83%
Saving –Project	27%	17%
Saving –Placement	0	0

Source: Fieldwork survey, Kinshasa, December 2011.

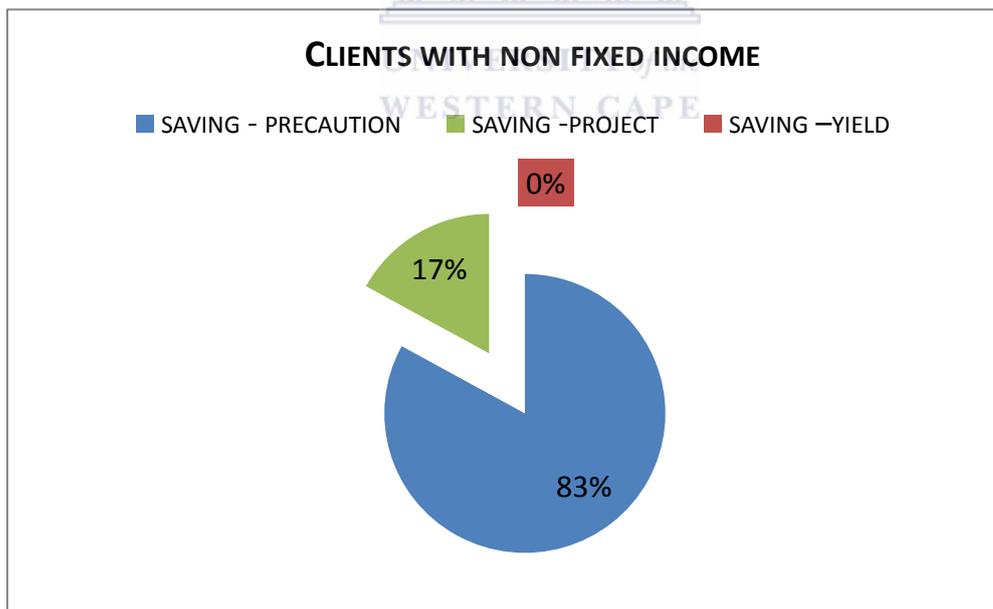
Table 6 above indicates that the majority of clients (73% and 83%) saved their resources for precaution in order to meet their diverse future needs and the protection against risks and vulnerability. This means that Kobuakisa Carte is a very accessible saving-precaution method among the urban poor traders with non-fixed income. This is consistent with the observation made by Deaton (1991 cited in Beverly, et al., 2008) that young people and households who face greater income uncertainty, have high a precautionary motive for savings. They are expected to accumulate small stocks of assets (buffer stocks) to smooth consumption in the face of short-term income fluctuations and liquidity constraints. Indeed the proportions shown in the above table can be presented in Figures 5 and 6 below:

Figure 5: Motivation for saving



Source: Fieldwork survey, Kinshasa, December 2011.

Figure 6: Motivation for saving



Source: Fieldwork survey, Kinshasa, December 2011.

With reference to Figures 5 and 6, it emerges that the incentive for savings yield or placement is very negligible. The motive for saving-project is low in proportion. Although savings projects and placements help clients expand or diversify business activities, and to purchase household appliances such as TVs, radios, stoves, and other materials, the majority of clients

are still allocating their savings for precaution and consumption. Thus, Kibuakisa Carte seems to be significant to poor people as it enables them to smooth consumption, and protect against shocks. The Kibuakisa Carte savings were rarely used for starting or expanding business, and asset acquisition.

4.3.6 Allocation of Kibuakisa Carte's savings

Alleviating poverty requires many tools such as savings, credits, food, shelter, infrastructure, education, financial services, etc. The key to reducing poverty is to know how to use these tools effectively. Savings and credit have been recognized as powerful tools to effectively address poverty. In Kinshasa, poverty is caused by lack of both physical and human capital. So, the best way to reduce poverty is to deal with both problems: increasing productivity and capital by creating employment and developing human capital.

Kibuakisa Carte should have clear impact on poverty by financing income-generating activities, increasing income and reducing vulnerability of the poor. It was critical to find out if savings collected by Kibuakisa Carte were allocated to the needs that make people poor.

I asked respondents to respond to the fifth question the main interview, which was: What factors contribute towards savings mobilization by Kibuakisa Carte in Kinshasa and does the Kibuakisa Carte practice contribute toward reducing material poverty?

The responses from participants affirmed that Kibuakisa Carte creates informal employment such as mobile collectors. The practice provides income to those who want to engage in private business and other entrepreneurial practice. Emphasizing this issue, an officer, KO4, said:

I can confirm yes. Some of mobile collectors were unemployed for a long period. We have 25 mobile collectors in this area, which means that we have created a job for 25 people. They do not have to go begging, however, they can feed their families with the commission money paid to them (Interview, 11 December 2011).

It is proper to mention that government has failed to create sufficient jobs and decrease the high unemployment rate. It is estimated that only 4% of the people were formally employed in 2010, most people work in the informal sector (USAID, 2009). Thus, informal jobs offered

by the Kobuakisa Carte are important to the economy and the welfare of people as they provide the means for survival. In light of this, one of the respondents, KO3, said:

I do this job in order to feed my family. I am a father of two kids; they have to eat every day. There is no job here; even if there was a job, you have to be recommended by someone in a high position, especially in government. As a savings collector, I have something to put food on the table. That is it (Interview, 11 December 2011).

Furthermore, as started earlier, Kobuakisa Carte as tool of poverty reduction should fund income-generating activities, which would make the poor self-reliant. Based on my observation, few Kobuakisa Carte participants in Kinshasa were able to use their savings to expand their business, open a new business, acquired an asset, which could give them the prospect for self-employment and reduce their poverty. Evidence of this was noted during my fieldwork experience, when respondent K1 asserted that:

I secured a place for my daughter to sell phone accessories with my savings from Kobuakisa Carte. My daughter is a mother; she must take care of her baby but she does not have any source of income. With this place at the market, she can now sell and get some money to help her child (Interview, 11 December 2011).

I noticed that savings from Kobuakisa Carte were mostly channeled to consumption rather than productive activities. This is due to the low subsistence level of informal activities in Kinshasa. Most people in Kinshasa are struggling for basic needs such as food, housing, education and health. In Kinshasa, about 50% of the population only has one meal per day, about 25% of people have one meal every two days. The vulnerable have very low earnings and they have difficulty in accessing social services (Mabi, 2000). In the DR Congo, the government does not provide free social service to the population. People pay for social services at high costs. This explains the reasons why about 80% savings in Kobuakisa Carte is directed to smooth consumption and protect against shocks than to enhance productivity.

Furthermore, investigation of the contribution of Kobuakisa Carte toward poverty reduction in Kinshasa required data on the uses to which savings from the Kobuakisa Carte were directed as in Table 7 below:

Table 7: Allocation of savings to needs

Clients' needs pattern	Number of respondents	Percentage
Food and clothing needs	47	94%
Children education	45	90 %
Family health	43	86%
Payment of rent	26	52%
Expansion of economic activities	7	14%
Investment	2	4%
Buying TV, material, car, building house or others	22	44%
Birth, marriage, funeral pilgrimage, family function	12	24%

Source: Fieldwork survey, Kinshasa, December 2011.

Table 7 above shows that 47 out of 50 clients (94%) allocated their savings to food and clothing needs. They could afford to buy groceries (meat, milk, bread, butter and clothes), which were difficult to afford before starting saving. Table 7 also illustrates that 45 respondents (90%) allocated their savings to the education of their children while family medical expenses amounted to 86%. These were two critical needs for human existence, development of children and the well-being of the whole family. It emerges from the findings that through savings, clients had a capability to send their children to school. Also, clients who had a sick person (most of them mentioned malaria, fever and malnutrition as a common sickness) could afford to pay their medical expenses. The research results also reveal that 7% of clients allocated savings to the expansion and diversification of economic activities while allocation to investment was lower at 4%. In addition, 44% of clients saved money with Kobuakisa Carte for the purchase of house appliances such as a TVs, radios and other material while 24% of clients spent their savings for social and religious needs.

It is evident from the findings that the highest portion of Kobuakisa Carte's savings is channeled to consumption rather than expanding trade. This suggests that the Kobuakisa

Carte is a precautionary saving strategy that aims only at solving survival needs and emergency problems. In the view of Wounou (2006), the importance of savings for poverty reduction is to finance income-generating activities, which will increase the income of people. Whenever the savings do not significantly increase income, then the poor will stay in poverty.

4.3.7 Empowerment of participants

Savings and credit programs are being used as a means to reach the masses of poor women, making a significant contribution to the alleviation of global poverty and upgrading women's economic, social, and political empowerment (Atieno, 2001; Bouman, 1990; Fitri, 2006; Aryeetey, 1996). Empowerment of clients is the basis of informal microfinance. It tries to make clients financially stable and able to stimulate others (stakeholders) and raise their morale to the extent that they are able to achieve what they are capable of (Davids, Theron, and Maphunye, 2005, p. 21).

The questionnaire survey required respondents to mention whether the Kobuakisa Carte has satisfied their financial needs and empowered them. Table 8 below shows that the majority of respondent (86%) said that by saving with Kobuakisa Carte, they succeeded in achieving what they had planned for themselves, their family and their business.

They stated that their participation in Kobuakisa Carte practice reduces vulnerability and there is a real change in their finance when they compare it to the period before they stated savings with Kobuakisa Carte.

Table 8: Empowerment and satisfaction

Satisfaction of Financial Needs and Empowerment	Percentage
Yes	86%
No	4%
Abstraction	10%
Total	100%

Source: Fieldwork survey, Kinshasa, December 2011.

It can be argued that Kobuakisa Carte empowers the poor by making change in their lives. They are able to afford their basic needs and solving emergency problems in using their savings. However, Kobuakisa Carte has made little change in the income of clients.

4.3.8 Permanent increase of income of respondents

Poverty is linked to sufficient income to fulfill their material needs. Recent research uses income as dependent variables for the measurement of the impact of informal financial institution on poverty reduction. In raising capital, people will invest in income generating activities and asset accumulation, which will increase their income and therefore they will move out of poverty. Investigations on the impact of the Kobuakisa Carte required seeing whether participants' income have been increased by their savings.

Figure 7 below shows that 94% of respondents reported that there was no increase in their income after saving with Kobuakisa Carte. The remaining 6% of respondents had an adverse opinion in this matter. The fact that savings are not allocated to increase income could be attributed to the savings amounts, which are small and mostly used to fulfill survival needs and emergencies.

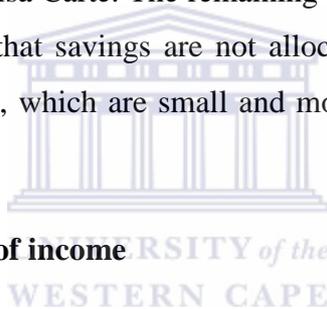
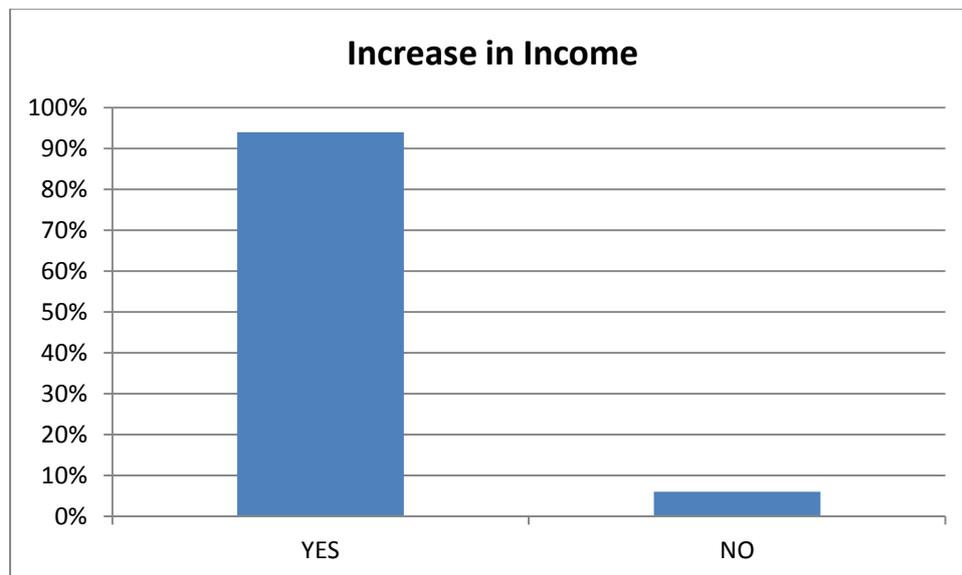


Figure 7: Permanent increase of income



Source: Fieldwork survey, Kinshasa, December 2011

These findings show that Kobuakisa Carte's savings did not contribute toward increasing income of the poor and consequently did not change their level of well-being and that of their family members. This is in consonance with empirical evidence on the lack of positive impact of informal finance sector on the poor conducted in countries such as Sri Lanka and Bangladesh (Shimelles and Zahidul, 2009).

4.3.9 Mechanism of financial intermediation

The foremost objective of Kobuakisa Carte is to alleviate poverty. It is widely believed that informal financial institutions raise incomes and broaden financial markets by providing credit to individuals and small-scale entrepreneurs.

Indeed, financial institutions link the economic agents in the capacity of financing with those in need of funds; this is done through an efficient financial market. Here, I provide the experiences and issues raised by the respondents interviewed in the research with regard to Kobuakisa Carte's credit. KC3 said:

The loan from Kobuakisa Carte is much better than a bank loan. It is very easy and cheap and there is no problem for you at all if you can make your contribution. It is unlike other microfinance loan where you have to go through different procedure, pay some money to open account first and they charge special interest rate. A bank loan is difficult. It is not meant for us poor people because we cannot meet the requirements (Interview, 12 December 2011).

Respondents in this study claimed that Kobuakisa Carte loans are more convenient, accessible, easy, and more helpful than bank loans. Most people in Kinshasa never approached banks for loans, as they do not meet banks' requirements. Those who have taken loans from the Kobuakisa Carte stated that it does not attract interest. One of the respondents, KC4, mentioned in a statement:

Kobuakisa Carte does not attract any interest here. There is no loan from the money lender without interest, even if you collect loan you pay more than 50% interest on it. That is why I do not go to money lenders or banks for loans and will never venture into taking loans from them (Interview, 12 December 2011).

Despite the fact that Kobuakisa Carte was favored by the majority of people for not charging interest rates on its loans, it was criticized for the small and limited amount of loans, which do not have an impact in the lives of the poor. One of respondents, K5, raised concerns about the size and duration of the loans:

The disadvantage of Kobuakisa Carte loans is that they are for a very short period. They do not provide enough money to finance income activities. These loans provide subsistence such as food, emergency needs, and in traditional way, they do not finance the income for people. (Interview, 12 December 2011)

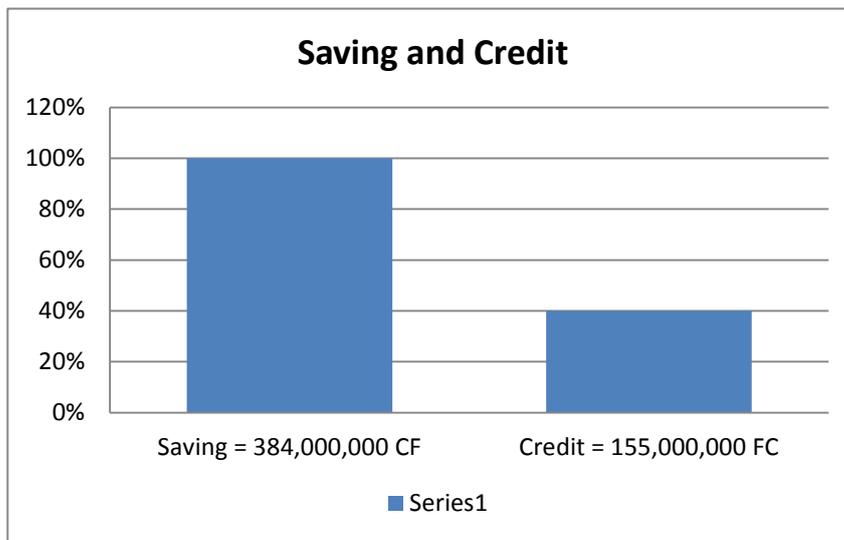
The section below presents the discussion about the static and dynamic analysis of the financial intermediation of Kobuakisa Carte.

4.3.9.1 Static and dynamic analysis of the financial intermediation

Kaufmann, Gadmer and Klett (2001) indicate that the static analysis involves findings, analysis and study of relationship of financial data of an organization for a certain period. The dynamic analysis is a process that examines and compares the financial data of a company over the course of time, taking into account the interaction between the different parts and the nature of the factors that influence the company results.

Regarding the static analysis, the observation of savings and credits of Kobuakisa Carte from ACCCO agency for the period of January to June 2011 provided us with the following information. The total savings collected for six consecutive months were CF38, 400, 000 while the credits distributed for the same period amounted to CF15, 500, 000. The proportion of credit to saving is therefore 40 %. Figure 8 below illustrates the proportion of savings and credits:

Figure 8: Saving and credit proportion



Source: ACCCO, Kinshasa, December 2011.

Figure 8 above gives us the percentage of the financial intermediation of Kobuakisa Carte. Urban poor people who are engaged in small-scale activities prefer savings with Kobuakisa Carte with the hope to apply for credit in order to expand or diversify their economic activities or the capital injection when their activities collapse.

However, the proportion of credits to savings is at 40%, which means that Kobuakisa Carte grants limited credits to clients. These credits were personalized, granted only to well-known clients and they were accompanied by short and inconsistent credit management training.

The analysis of the financial intermediation tells us that Kobuakisa Carte practice is limited in connecting savings to the credit application of clients. Kobuakisa Carte's credit cannot easily be expanded to increase household incomes of the poor. Credit is limited to fulfill basic needs and emergencies; therefore it does not have the potential for increasing the quality of life of the poor.

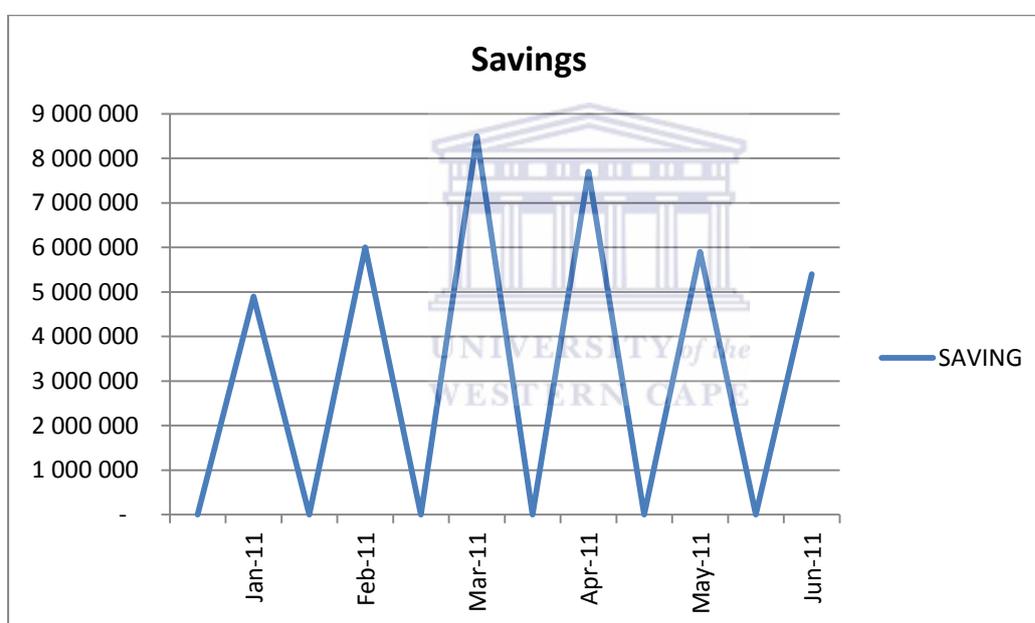
Across the dynamic analysis, we observe the evolution of savings and credit in every month for a period of six months. This analysis enables us to understand the monthly mechanism of financial intermediation by Kobuakisa Carte.

Table 9: Evolution of Saving and Credit

Period	Saving Amount	Credit Amount	Percentage
Jan 2011	4 900 000	1,000,000	20.41%
Feb 2011	6,000,000	3,500,000	58.33%
March 2011	8,500,000	4,500,000	52,94%
April 2011	7,700,000	3,000,000	38.96%
May 2011	5,900,000	2,000,000	33.90%
June 2011	5,400,000	1,500,000	27.78%

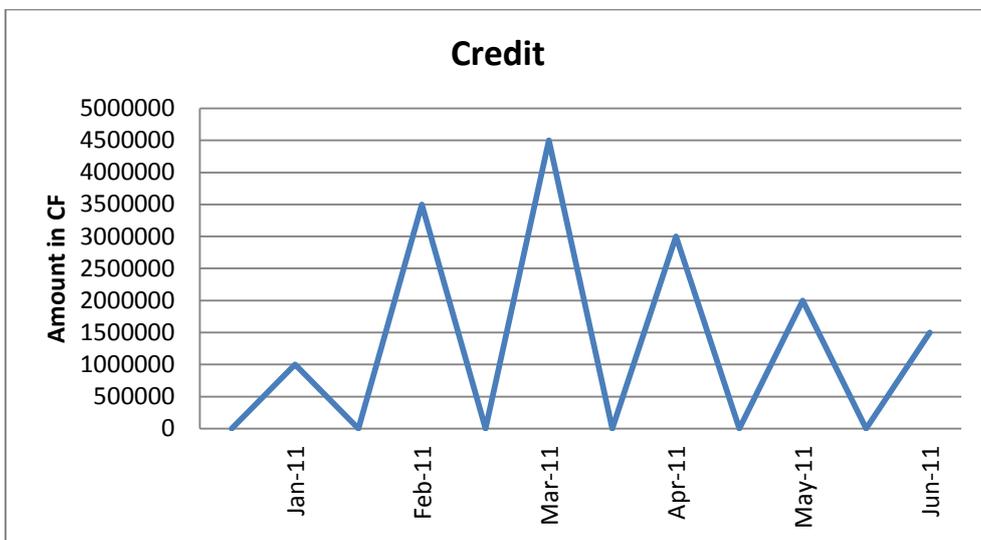
Source: ACCO/OBMA, Kinshasa, December 2011.

Figure 9: Evolution of Savings



Source: Fieldwork survey, Kinshasa, December 2011.

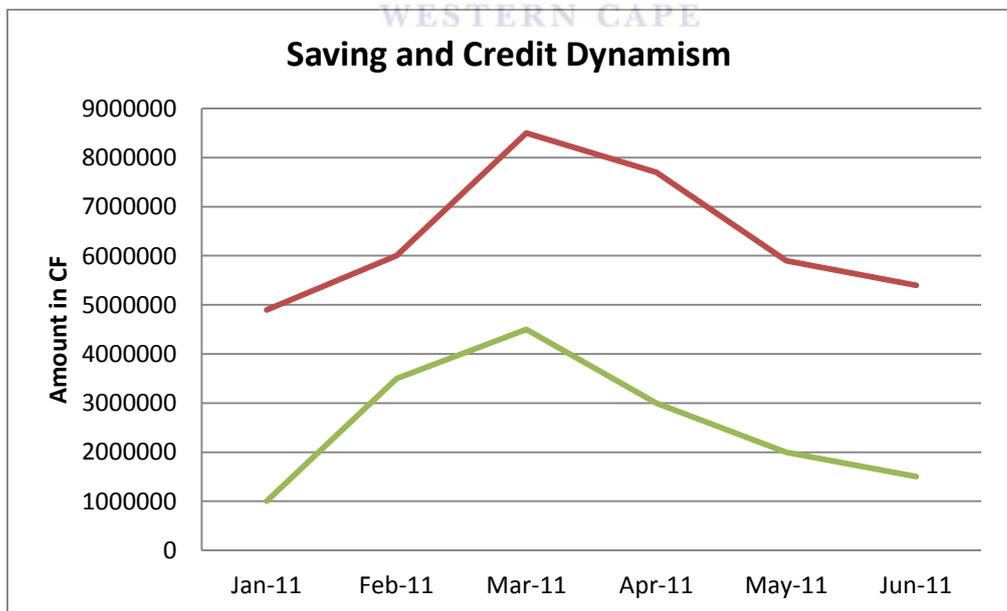
Figure 10: Evolution of Credit



Source: Fieldwork survey, Kinshasa, December 2011.



Figure 11: Savings and Credits Movement



--- Savings and --- Credit

Source: Fieldwork survey, Kinshasa, December 2011.

The analysis of the above Figures shows that Kobuakisa Carte practice does not apply a strong financial intermediation mechanism. The informal credit system of Kobuakisa Carte does not significantly augment the income of people. The credits are small and arbitrary, and are for a short-term period. In other terms, it is just a financing of a short term by another short term.

Kobuakisa Carte's credits do not have a significant impact on poverty alleviation for several reasons, more particularly: they are for a short-term period and are not oriented towards productivity activities, there is lack of training to guide people to become small entrepreneurs and there is limited available capital.

Oloyede (2008) corroborated the above findings by arguing that the informal finance providers do not perceive themselves as having sufficient capacity to meet the credit requirements of their clients. They are constrained by limited lending capital to reject applications that are perceived to be good. This finding agrees with our hypothesis that the informal financial sector is limited in the scope of its operations.

Based on my observation, Kobuakisa Carte's saving collectors had a strong interest in expanding their lending. They believed that many more of their clients who requested advances represented good risks, and that an increased probability of credit would attract additional clients, thus increasing their commissions on deposits. They also saw profitable opportunities in lending longer-term or to non-clients, with the higher interest rate more than sufficient to compensate for additional risk. Nevertheless, they are reluctant to increase lending because of the risk that slow repayment and loans maturing beyond one month would catch them short of the funds needed to refund depositors' payments at the end of the month. Failure to meet a month's obligations would put them out of business as savings collectors. They would, however, increase lending if they had access to a line of credit or other fallback that would enable them to borrow to meet any shortfall in liquidity at the end of the month.

4.3.10 Income, Consumption expenses and savings

The results of the multiple regression analysis conducted on selected individuals in the study area are presented in Table 10 below. These results are confirmation of the relationship between earnings and savings in Kinshasa.

Saving is an economic factor that is related to income and consumption. The savings amount depends on the income level and consumption expenses level. In this part of the study, we analyze the relationship between income, consumption and the savings for poor urban people in Kinshasa. The multiple regression analysis was used in determining the relative contribution of earnings from informal activities to savings, which enable the poor to satisfy the needs. It was generally believed that saving activity in Kinshasa is not realizable as people have very low income.

The linear regression analysis helps us find out whether the relationship between these three variables (daily earnings, consumption and saving), also realize the direction and amount of change that can be expected in savings when other variables change (SAQA, 2010). From a sample of 20 clients selected randomly, we have used the following model:

$$Y = \beta_0 X_1 + \beta_1 X_2 + \mu$$

Where:

- Y** = Saving
- β_0 and β_1** = Two parameters
- X1** = Daily earnings
- X2** = Consumption expense
- μ** = Disturbance term

Our concern is to determine the parameters **β_0** and **β_1** . However, we notice that there is a multi-correlation between the variables **X1** and **X2**. As it is difficult to find the exact proportion between **X1** and **X2**, I decided to cancel X2 in the model. Thus, the adjusted model can be presented as follows:

$$Y = \beta_0 X_1 + \mu$$

The information collected has helped us to establish the table below:

Table 10: Relationship between Daily Earnings and Savings

Participants	Savings = Y	Daily Earnings = X1	Y ²	X ²	YX
1	3,000	40,000	9,000,000	1,600,000,000	120,000,000
2	1,500	15,000	2,250,000	225,000,000	22,500,000
3	2,000	40,000	4,000,000	1,600,000,000	80,000,000
4	1,000	15,000	1,000,000	225,000,000	15,000,000
5	5,000	6,000	25,000,000	36,000,000	30,000,000
6	1,500	10,000	2,250,000	100,000,000	15,000,000
7	2,000	10,000	4,000,000	100,000,000	20,000,000
8	1,500	6,000	2,250,000	36,000,000	9,000,000
9	1,500	15,000	2,250,000	225,000,000	22,500,000
10	4,000	20,000	16,000,000	400,000,000	80,000,000
11	2,000	20,000	4,000,000	400,000,000	40,000,000
12	1,000	12,000	1,000,000	144,000,000	12,000,000
13	1,000	10,000	1,000,000	100,000,000	10,000,000
14	5,000	30,000	25,000,000	900,000,000	150,000,000
15	2,000	30,000	4,000,000	900,000,000	60,000,000
16	2,000	30,000	4,000,000	900,000,000	60,000,000
17	1,000	5,000	1,000,000	25,000,000	5,000,000
18	1,000	12,000	1,000,000	144,000,000	12,000,000
19	5,000	60,000	25,000,000	3,600,000,000	300,000,000
20	4,500	25,000	20,250,000	625,000,000	112,500,000
Total	47,500	411,000	154,250,000	12,285,000,000	1,175,500,000

Source: Own calculation from survey of earnings/savings, April 2012.

The analysis of the above data gives us the following information:

The average saving in Sea Port OBMA was $\frac{\sum Y}{n} = \frac{47,500}{20} = \text{CF } 2,3750$

The average daily earnings in Sea Port OBMA was $\frac{\sum X}{n} = \frac{411,000}{20} = \text{CF } 20,550$

The impact of the independent variable X over the dependent variable Y, in other words, the impact of income over saving is:

$$\beta_0 = \frac{n\sum XY - \sum X \sum Y}{n\sum X^2 - (\sum X)^2} = \frac{20 \times 1,175,000,000 - (47,500 \times 411,000)}{20 \times 12,285,000,000 - (411,000)^2} = 0,051934774 \approx 0,052$$

$$\mu = \frac{\sum Y - \beta_0 \sum X}{n} = \frac{47,500 - (0.051934774 \times 411,000)}{20} = 1,306.40 \approx 1,306$$

We examined the relationship between income and saving and the proportional variation between these two variables. This required calculating the correlation coefficient.

$$r = \frac{n \sum XY - \sum X \sum Y}{\sqrt{[n \sum X^2 - (\sum X)^2][n \sum Y^2 - (\sum Y)^2]}}$$

$$= \frac{20 \times 1,175,000,000 - (47,500 \times 411,000)}{\sqrt{[20 \times 12,285,000,000 - (411,000)^2][20 \times 154,250,000 - (47,000)^2]}} = 0,499$$

The coefficient of the correlation is less than one. This leads us to conclude that the two variables (earnings and saving) are not strongly linked. Although the coefficient is positive, it translates the fact that the increase in clients' daily earnings does not necessarily involve a proportional increase of savings. There was a very small increase in savings because incomes were intermittent and irregular. Many individuals experience a fall in their daily earnings because of the economic instability in country and they cannot keep pace with the high rate of inflation. The small increase in their earnings was spent on daily consumption than increasing the savings. This finding shows that people saved the same amount regardless of income. The broad meaning is that, less income is associated with less savings rate. The poor face many risks and expenses, and this does not allow them to increase their savings both absolutely and relatively to their income. For each CF 10,000 of recurrent income in the range from CF 0 to CF 80,000 (in Table 10) was linked with a decrease in the savings rate of 0.01 percentages. This association is statistically significant, but it is very small. This suggests that poor people may not be able to increase their savings because their incomes are so low. Poor people get nothing left to save after purchasing the necessities for their daily lives. This empirical evidence clearly indicates that most low-income households in Kinshasa have very low increase in saving rates and very limited or negative asset accumulation, the income standard is almost uncertain and leads to more consumption rather saving.

The above findings were supported by research undertaken by Irving (2005) who found that the savings in developing country such as South Africa does not depend upon income alone rather on the consumption pattern of the individuals. In addition, he identifies the main factors responsible for the lack of a commitment to increase saving, which are particularly relevant in the case of poor households. These major factors include the lack of income, inadequate income, over-consumption, market failures, lack of financial literacy, cultural and political factors.

4.3.11 Regression Line

We worked out the equation model by substituting the values of β_0 and μ into the equation:

$$Y = \beta_0 X_1 + \mu$$

$$\beta_0 = 0.052$$

$$\mu = 1,306.40$$

$$Y = 0.052 \cdot X_1 + 1,306.40$$

The calculation of saving value, by substituting daily earnings value in the equation model, gave the following results:

Table 11: Daily earnings/Savings regression

Earning	Saving
10,000	1,826.40
150,000	2,085.42
20,000	2,345.10
25,000	2,604.77
6,000	1,618.01
5,000	1,566.07

Source: Own calculation from survey of earning/saving, April 2012.

Figure 12: Relationship between Savings and Daily Earnings



Source: Own calculation from survey of earning/saving, April 2012.

The correlation between daily earnings and savings in Table 11 above shows that savings do not change in same proportion with earnings. Savings will probably ignore the change in earnings. In other terms, the relationship between the two variables is weak. This was shown by correlation coefficient of 0.49 or 49%.

The weak relationship can be explained by the fact that the amount of daily saving is fixed in advance at the time clients join the practice. Thus, even though the daily earnings can increase, however, clients do not have incentives to increase the daily savings. The analysis of the trend line gave a positive coefficient of 0.0519347. The trend line is straight and gives the picture of a positive relationship between daily earnings and savings.

4.4 Conclusion

This chapter presents findings of the study. One of the fundamental findings is about the reduction of poverty by Kibuakisa Carte. It is argued that given the poverty condition of informal traders in study area, which is illustrated by different indicators, savings through Kibuakisa Carte did not seem able to provide the path to poverty reduction. The practice is only used for survival needs. In Kinshasa, food, school fees, medication have been a matter of concern for the majority of population. Most people can no longer afford fees required for medication, education and monthly rent. Informal traders use their savings to fulfill their basic needs, and these savings are unable to increase their income. Therefore, there is an

urgent need to have an appropriate savings scheme for them, which could increase their income level, and therefore their quality of life.

Behind the failure of formal banking system, however, Kobuakisa Carte is growing and being implemented successfully. Kobuakisa Carte is not just more flexible in procedure, but is also diverse and is able to adapt to local culture, values and the nature of informal activities. Saving through Kobuakisa Carte is strongly shaped by the economy of resistance, which makes people to be concerned about their survival and their future.

Kobuakisa Carte grants limited credits to clients. This is indicated by findings of this study (Figure 4), which showed the financial intermediation of Kobuakisa Carte is low at 40%. The credits distributed by Kobuakisa Carte are small and arbitrary and do not increase the income of the poor. They are for short-term period and not oriented to income-generating activities. Therefore, they do not have impact on poverty alleviation.

The statistical technique of linear regression was utilized in the attempt to determine whether a relationship was present between savings and earnings. Its results show that savings do not change in same proportion with income. Savings will probably ignore the change in income. In other words, the relationship between the two variables is weak. This has been shown by a correlation coefficient of 0.499 or 49%.

The weak relationship can be explained by the fact that the amount of daily saving is fixed in advance at the time that clients join the practice. Thus, even though the daily income can increase, clients do not have the incentive to increase the daily savings. The analysis of trend line gives us a positive coefficient of 0.0519347. It appears there is a positive linear relationship between the two variables.

There are limitations of Kobuakisa Carte identified in Kinshasa. These include the limitation of capital and lack of administrative and management skills. These problems impacted negatively on the efficiency of Kobuakisa Carte to create and manage wealth in order to increase people's income and ensure the prosperity of the poor in Kinshasa.

CHAPTER FIVE: CONCLUSION

5.1 Introduction

This study of informal savings and poverty reduction is significant for the DR Congo, which is one of the developing countries lagging behind in the achievement of the third Millennium Development Goal (MDG), namely the promotion of inclusive financial sectors, which can offer appropriate savings, credit, insurance services to all segments of the population. The final chapter of the study outlines informal savings and provides the summary of the findings. It then discusses the implications of these findings in relation to the strategies of Kobuakisa Carte for mobilizing savings for poverty alleviation in Kinshasa.

In this study, informal savings referred to deposits or money saved and put aside that occur outside the fold of the formal financial system or the regulation of a central monetary authority in order to consume or invest it in future. An informal savings institution referred to a social organization formed to help community members save money for specific purposes (Qadir, 2005).

Informal savings meet two key purposes for low-income people: the management of short-term liquidity for security and convenience, and the accumulation of capital to respond to future needs. Low-income households have varying needs, some of which must be satisfied immediately (and this can be done from current income), but other needs will occur in the uncertain future, some of which are planned and some unforeseen. To satisfy these future needs, money needs to be saved and made available when needed.

Poor households have unreliable and limited sources of income. Thus, informal savings are important for the marginalized. They contribute towards the satisfaction of basic needs such as food, children's education; acquiring a home and healthcare. Notably, education and healthcare are usually high on the priority list of most households. Informal savings enable individuals to fulfill the unexpected life events such as illness and funeral costs. They are also imperative for capital accumulation. The poor want to free themselves from poverty and need to save to enable them to start some form of micro activities, for example, a mother who wants to purchase a cake making machine with the objective to be able to earn an own income while taking care of children at home. Informal savings affect the financial situation

of the poor through capital accumulation and improved resources for income-generating activities.

It was important to study the Kobuakisa Carte practice because it provides saving service and safety net to the poor, which are critical for poverty reduction and community development. Kobuakisa Carte is meaningful to the poor in a number of ways such as fulfilling of emergency and basic needs, especially education, housing, food and health. It offers flexible savings services, which are adapted to local culture and financial needs of the poor. This savings scheme is widespread in Kinshasa and subscriptions to it are increasing significantly. Given the size, popularity and provision of saving services to the poor by Kobuakisa Carte, it was important to study this scheme because there was limited knowledge of its role in poverty reduction and, to the best of the present researcher's knowledge, no systematic study has been done on it. This realization then formed the research problem, which in summary was the analysis of this saving scheme in order to find out the extent to which it serves the purpose of savings mobilization for poverty reduction.

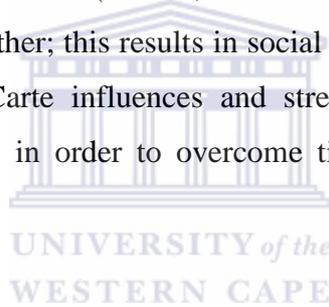
5.2 Summary of Study Findings

The research has shown that the effectiveness of Kobuakisa Carte in saving mobilization in Kinshasa is due to Kobuakisa Carte's organizational financial approach, which was favored by the majority of the people. The research found that this savings scheme was adapted to informal traders' financial behavior, local culture and values held by local people, and responded successfully to the saving demand from local people. It was also significantly meaningful for the poor, although its savings functions were small and its participants contributed with small amounts of money.

The study found that many Kobuakisa Carte's participants have been able to use their savings to pay school fees, food, health and housing. Through Kobuakisa Carte activities, employment doors were opened for many young people who were employed as mobile collectors. The study has revealed that despite providing saving services tailored to the needs of local people, Kobuakisa Carte did not provide a path to poverty reduction. The limited role of Kobuakisa Carte corresponds with its incapability to build capital and generate income. Indeed, Kobuakisa Carte's savings were rarely allocated to expanding business, open new businesses and acquired assets. Kobuakisa Carte's savings were mainly used for survival and could not finance income-generating activities, which could increase income of the poor and

provide a way to reduce poverty. The study has also shown that Kobuakisa Carte has numerous operational deficiencies, which include a lack of administrative function, insecurity of funds and managerial incapability.

The research showed that although Kobuakisa Carte cannot solve the problem of poverty in Kinshasa, however, the availability of this saving scheme has had a positive impact on the poor people of the study area, in terms of economic, social and cultural aspects. Economically, the Kobuakisa Carte is able to fulfill the basic and emergency needs of the poor. Kobuakisa Carte also has the potential to alleviate poverty and to increase people's income in the future because the system is already available and it only requires a small intervention from outside to make this saving scheme become more effective. Socially, Kobuakisa Carte has been able to empower local people by trying to make people financially stable and able to stimulate others (clients) and raise their morale to the extent that they are able to achieve what they are capable of (Davids, Theron and Maphunye, 2005, p. 21). It also encourages people to help each other; this results in social cohesion and an increase of social capital. Culturally, Kobuakisa Carte influences and strengthens the cultural elements of giving an importance to savings in order to overcome times of insufficiency and natural calamity.



5.3 Discussion of Findings

In the section that follows, main findings of the study will be discussed in the relation to the objectives of the study; also, the theoretical framework is cross-examined in the light of the findings. For these objectives, there were hypotheses that gave assumption responses. Here, I will approve or disapprove these hypotheses.

5.3.1 The effectiveness of the Kobuakisa Carte for savings mobilization

In the DR Congo, like in other countries in Africa, many factors contribute to the scarcity in savings mobilization. Such factors include lack of appropriate financial institutions, inadequate infrastructure, lack of saving and regulatory mechanisms.

In Chapter 2, traditional theories (Ashraf, et al., 2003; Beverly, et al., 2008, 1999; Mwege, Ngola, and Mwangi, 1990) explained savings in term of income, interest rate, ability, willingness and behavior to save. Neoclassic theories of savings stipulate that the

consumption is a function of disposable income, and saving is income not spent, saving is also primarily a function of disposable income. The literature shows that the life-cycle hypothesis (LCH) is a concept addressing individual consumption patterns. The life-cycle hypothesis implies that individuals both plan their consumption and savings behavior over the long-term and intend to even out their consumption in the best possible manner over their entire lifetimes. The key assumption in these theories is that all individuals choose to maintain stable lifestyles. This implies that people usually do not save up a lot in one period to spend furiously in the next period, but keep their consumption levels approximately the same in every period. This result in small change in savings amount if the individuals experience irregular income. Thus, savings is considered as a passive residual, determined by disposable income and the marginal propensity to consume and primarily function of the rate of interest.

In Chapter 4, the findings of this study do not conform to the life cycle hypothesis as well as the permanent income hypothesis. They (the findings) are consistent with the existence of other factors such as proximity and flexibility of financial service that influence savings mobilization. In this study, particularly in Chapter 4, findings showed that savings can be mobilized in poor country with new methods and strategies that are in harmony with financial behavior and culture of people.

It was argued in Chapter 2 that savings mobilization can be realizable in poor country through appropriate financial institutions. The informal saving is one of the appropriate saving schemes, which proves that there is a possibility of saving mobilization, and the Kobuakisa Carte practice could be considered as an example.

I adopt the colloquial definition (Aliber, 2002), whereby informal finance services implied the proper functioning of the financial institution for savings collection, which relies at least on the establishment of personal relationships rather than on formal rules and procedures.

I argue that savings among poor people is not necessarily influenced by income. This concurs with the theory discussed by Sondra, Beverly and Sherraden in chapter 2. They stipulate that since poor individuals are likely to have limited earnings, financial sophistication and information, they are particularly unlike to make optimal long-term decisions regarding saving and consumption as described by theories of savings. Moreover, many low-income individuals may never have earnings that substantially exceed their consumption needs.

However, savings or asset accumulation of low-income households can be explained by examining individual and household decision-making processes, psychological, sociological, and behavioral factors. (Sondra, Beverly and Sherraden, 1999). To these factors, should be added the influence of financial instruments and organizational approach over savings. According to study done by Hensher (1979) and shem (2002) the suitability of a financial institution directly implies the choice of saving, credit and transaction services thereof .

Thus, the organizational approach and financial instruments of Kobuakisa Carte are the critical factors that influence savings among the poor traders in informal sector. Kobuakisa Carte has designed its saving mechanism similar to savings commitment features (Gugerty 2001 cited in Ashraf, et al., 2003). The deposit-mechanism commits clients to make regular deposits, and withdrawal-mechanism restricts clients from the use of their funds, except for well-planned uses or emergencies. Kobuakisa Carte reproduces the saving system previously found in traditional societies. It gives an importance to interpersonal relationships in the saving services in order to establish social networks and trust between clients and saving officers. The success of the Kobuakisa Carte is due to this close relationship between clients and savings agents, which makes the Kobuakisa Carte a mutually advantageous financial service. The mobile saving collection method is a crucial innovation of Kobuakisa Carte. It has a major contribution to the effectiveness of the practice. It has permitted the Kobuakisa Carte practice to register a higher score in mobilizing savings more than the formal financial institutions. This has led to a growing awareness among urban traders that Kobuakisa Carte satisfies important financial needs that are handled poorly or not at all by most of the formal financial institutions.

The findings of this case study approve the hypothesis that Kobuakisa Carte influences savings of poor traders because its organizational approach and financial instruments are in harmony with the financial needs, trading activities, level of earnings, socio-economic behavior and preferences of urban poor people.

5.3.2 Kobuakisa Carte and poverty reduction

Poverty in Kinshasa is complex and multifaceted. A combination of both the internal and external factors has contributed toward the high level of poverty in DR Congo in general and in Kinshasa in particular. The poverty in the DR Congo has been caused by troubled transition of economic system from centralized planning under a Marxist government to a

market economy, together with the economic crisis, the state's mismanagement and the civil conflict. These critical conditions have caused the failure of formal financial institutions and the collapse of a proper functioning of the financial markets. The DR Congo's government has carried out programs and reforms of the national financial sector in order to ensure that this sector plays its true role in financing growth and poverty reduction. Despite these efforts, poverty is still a critical issue.

Theoretical framework in Chapter 2 stipule informal finance is deemed to create jobs, promote SMEs and small-scale investments, which can make significant contributions towards addressing material poverty, deprivation of goods, services and income to attain them. The findings of the case study in Chapter 4 showed that the most positive impact of Kobuakisa Carte on household welfare can be registered in the areas of education, health, food and housing, among others. Education is a human right and a critical factor for any development. It develops skills, knowledge and the cultivation of trades and profession. Education is one of the important keys to the reduction of poverty. It offers the capacity and ability to earn a living or a career. In Kinshasa, the education system has been ruined by non-payment or insufficient salaries paid to educators. Parents have to pay high fees for the motivation of education personnel. The Kobuakisa Carte is significant for the poor because it enables them to pay for school fees for their children.

The Kobuakisa Carte is a very accessible precautionary saving strategy for unforeseen events such as illnesses. Health or well-being is important for the clients and their families. A healthy person is a factor of production in a community. Healthy clients save and invest their resources in income-generating activities instead of spending them in medication. In the DR Congo in general and Kinshasa in particular, if there is a public health policy, this only exists on paper or verbally. Public health is not considered as a fundamental human right. Health services are not only expensive but also inaccessible to the majority of the population. By participating in Kobuakisa Carte, the poor were able to pay for the medication bills if a family member was sick. These findings are supported by Aryeetey (1996) who in Chapter 2 argues that informal finance has helped in mobilizing saving through the people's daily collection of deposits, which are in turn used as working capital to restock supplies which enable them to expand their output and earn a stream of profits, thereby providing a significant source of income for children education and health.

Kobuakisa Carte contributes towards improving the diet and the accommodation of its clients. For decades, people in Kinshasa ate only once per day. They describe this as “eating per daily rate” which means surviving is a function of daily earnings. This situation results in a high level of malnutrition and illness in the population. In Kinshasa, the housing is the area of social life most affected by the socio-economic crisis. The government does not have any policy for housing. Poor people find a solution for housing in building or renting in the township, without decent sanitation. Kobuakisa Carte could enable clients to buy food and pay the monthly rent. These findings are in harmony with the research done by Irving (2005) who asserts that that savings in stokvels are used to facilitate the purchase of productive assets or are invested in a new business. Stokvels offer people the opportunity to access affordable goods and services from banks and supermarkets. They provide additional income and enable individuals to manage emergencies such as unemployment, illness, unexpected expenses and the death of a breadwinner. Informal savings were designed to ensure that members of society meet their basic needs (such as adequate nutrition, shelter, health care and clean water supply), as well as being protected from contingencies (such as illness, disability, death, unemployment and old age) to enable them to maintain a standard of living consistent with social norms.

Despite these positives, Kobuakisa Carte did not provide a path to reduce poverty. Findings of the study showed that this saving scheme aims only at solving pressing survival needs and emergency problems and operates to provide subsistence. Thus, it does not significantly augment the capital and income of the poor. Indeed, the allocation of Kobuakisa Carte’s savings to increase income is sometimes difficult. In Kinshasa, the problem with savings among informal traders is that these savings are for a short term. In most cases, the intended purposes of these savings are often not achieved. There is always a fluctuation in savings, a change of objectives and a cancellation of savings subscription. This results in compromising the efforts to cope with vulnerability and risks in the time of crises. However, the practice does not increase income and as such fails to alleviate poverty among the poor. These findings conform to the view of Fitri (2006), who argues that the role of informal savings in poverty reduction is to increase income and to provide self-employment. This is a primary process by which financial services are viewed as reducing poverty. However, most informal savings scheme cannot increase and redistribute income, so that more equitable income distribution and increase would be achieved. Informal finance does not play role in increasing

the quality of life of the poor, not only the the economic aspects but aslo the social and cultural aspects of lives of poor.

Poverty is a very complex issue. In order for Kobuakisa Carte to reduce poverty in Kinshasa, it requires promoting people's entrepreneurial skills in business management, and ensuring efficient functioning of financial markets since they play an important role in economic development. Capital markets do not function well in the DR Congo. According to Mbaya and Streiffeler (1999, p.65), financial markets in African countries like the DR Congo are undersized, lack depth, highly inefficient and underdeveloped with high fluctuation. Thus, it is difficult for informal financial institutions to mobilize savings to fund investments to contribute to the long-term economic growth and development and poverty reduction.

The lack of financial markets indicates that there is still a long way to go to achieve the goal of poverty alleviation through informal saving institutions in the DR Congo. Although many authors (Atieno, 2001; Bouman, 1990; Fitri, 2006; Aryeetey, 1996) have acknowledged the success of many informal savings schemes in the world, they are not still successful in the DR Congo, especially at grassroots level. Regarding to these findings, Mbaya (2009) in Chapter 2 argues that financial markets in African countries like the DR Congo are undersized, lack depth, highly inefficient, underdeveloped with high fluctuation. This is one of the problems that compromise the efficient functioning of Kobuakisa Carte's savings for investment and development.

Research done by Trócaire (2005), Fitri (2006) and Sida (2005) identified two distinct motives for saving: the precautionary and life-cycle motives. The precautionary motive leads people to abstain from consuming income completely immediately so that a reserve is available to maintain consumption should income be lower than expected. In the life-cycle motive, people typically plan to retire, and in order to finance their spending in retirement they need to save up out of their earnings while they work. (Martin Weale, 2009). Thus, the practice of Kobuakisa carte constitutes a very accessible precautionary saving strategy for poor traders to satisfy the basic needs. Unlike to the Life-Cycle Hypothesis (LCH) (Friedman ,1957), which is an economic theory that pertains to the spending and saving habits of people over the course of a lifetime, Kobuakisa carte practice does not lead to personal saving that can ensure both individuals' retirement security and the nation's economic security.

We disapprove the hypothesis that Kobuakisa Carte leads to poverty reduction, but contributes to the satisfaction of basic needs and protection against risk and vulnerability.

5.3.3 Kobuakisa Carte practice and individual empowerment

Poverty also refers to an absence of elements that empower people such as autonomy, time, information, dignity and self-esteem. The marginalized people have difficulty in becoming self-reliant and taking initiative for their development because they are engaged in small-scale economic activities, which provide very little earnings. By saving small amounts over time, they can have the necessary financial means for their independence and development.

In Chapter 2, it was argued that informal savings plays a significant role in socio-economic development, especially by improving households 'economic status, increasing living standards, empowering women, creating self-employment, and ensuring better education and healthcare (Davids, Theron, and Maphunye, 2005) There are some benefits in participating in informal savings in Kinshasa. Based on the analysis of informal traders' savings behavior, the findings of this study showed that Kobuakisa Carte is preferable because it empowers local people and encourages participatory financial services. Kobuakisa Carte allows the members' voices to be heard. For example, when the mobile collector meets with clients, they discussed current issues to solve problems and improve their savings.

Early research in Chapter 2 (Davids, Theron, and Maphunye, 2005) demonstrated that savings and credit programs are being used as a means to reach the masses of poor women, making a significant contribution to the alleviation of global poverty and upgrading women's economic, social, and political empowerment. Regarding Kobuakisa Carte, it allows women to safely store away their small daily earnings, increase their unpredictable income and manage unexpected shocks and daily risks in their households. The support of household has been the role of women since the existence of humanity. In the traditional society, women could go for fishing and do agricultural activities for the well-being of the family. Women in the DR Congo do the same by meeting the needs of their households through savings in Kobuakisa Carte. Kobuakisa Carte is an innovative and flexible scheme adapted to local economic and social conditions. It is ubiquitous and rooted in the community, and usually follows the local culture.

The empowerment feature of Kobuakisa Carte can be seen by the capability of local people to create their specific savings system appropriate to them, and to make regulations so that the process of savings is done smoothly. The Kobuakisa Carte has positive roles in empowering local people in creating conducive environment for participatory financial development in following the bottom-up approach. The bottom-up approach of financial development takes into account the need to have greater in-depth understanding of clients. As practiced by the Grameen Bank system, this bottom-up informal finance services was started at the village level and at very low-level community organizations such as clan group, women groups and neighborhood groups (Qorinilwan, 2005). This could ensure that these informal financial services become adapted to the local community and therefore could become suitable.

Based on direct observation, the empowerment features of this bottom-up approach of Kobuakisa Carte are its capacity to make the voice of the poor to be heard and the ability of the poor, especially women and young girls to manage and control the resources. In Kobuakisa Carte practice, there is a meeting between mobile collectors and clients, where the participants have the opportunity to convey their opinions and aspirations. In addition, they also have opportunity to discuss current issues in their community. Therefore, its savings strategies are accessible and profitable for the participants.

The potential of a bottom-up approach of Kobuakisa Carte is the provision of savings service to the poor for survival. The majority of participants use Kobuakisa Carte's savings to fulfill their daily consumption needs, and to solve emergencies, while other use the fund for secondary needs such as for ceremonies (marriage, birth and death), children education or some house buildings. Thus, Kobuakisa Carte acts as a safety tool that leads to individual independence.

In the DR Congo, especially in Kinshasa, the majority of women are unemployed and engaged in survival activities in order to counter the rise of poverty owing to the low level of wages paid in formal employment. Women's economic dependence on their husbands' income results in violence, physical abuse and spousal sexual violence. Sexual violence has contributed to the propagation of the HIV/AIDS pandemic in Kinshasa. The lack of income forces girls and women into prostitution in order to survive; they thus constitute one of the groups that is most vulnerable to HIV/AIDS. The critical contribution of Kobuakisa Carte toward the empowerment of women and young females is in providing them an opportunity

to save their financial resources. This has a critical impact on their development and financial independence.

Remarkable changes have been witnessed in the situation of women who participate in Kobuakisa and there has been a consolidation of the role of women in households. Women always have the concern to improve their own lives and that of their children. They bring their savings in household to compensate for the lack of husbands' income and support household's needs. The findings of this study showed that 86% of clients felt empowered by participation in Kobuakisa Carte. This saving strategy has made it possible for women to wean themselves from depending on their husbands. They are more self-reliant, have had their voices strengthened in the household, and have control over their lives. Irving (2005) support these findings by asserting that women are often excluded from the formal networks, as eligibility for unemployment and health insurance. This implies that for many women, informal financial networks are essential for the provision of social security and empowerment.

The empowerment of women and young females is absolutely an imperative for the DR Congo if the country wants the participation of women in development. However, it is still a long way to go for women in Kinshasa to get the support and confidence that enable them to have more places within the state institutions and structures, to stand up in public and speak, and participate in the decision-making process. In the DR Congo, it is unheard of for a woman to ascend from a subordinate position, as women are considered subservient to men. These prejudices still exist in society and greatly compromise the promotion of empowerment. It is true that changes in resources can lead to individual women to enjoy economic freedom, but the danger is that they leave intact the structures of inequality and discrimination. In view of this analysis, one can argue that empowerment cannot be an outcome from the Kobuakisa Carte practice itself.

It is therefore necessary for Kobuakisa Carte to work diligently with the support of other stakeholders such as government, public and private organizations, and local community leaders in order to empower poor people by expanding their assets and capabilities, so that they can participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives.

Research undertaken by Mbaya and Streiffeler (1999) support that informal finance enhances the self-confidence of women and young people in the DR Congo. This view was also supported by Matovu (2006, p. 28) who asserts that informal finance institutions mobilize and organize people at grassroots level, they play a vital role in bringing about changes in young people and women's standard of living.

We approve the hypothesis according to which Kobuakisa Carte can lead to individual empowerment, but it requires the support from other factors as stated earlier.

5.4 Recommendations

The contribution of Kobuakisa Carte in the effort of addressing poverty can be achieved if the practice can serve as a bridge between informal and formal financial institutions. In this perspective, the partial integration of informal saving into formal financing channels should be done by establishing a complementarity between banks and agency of Kobuakisa Carte.

The idea implies this process is the "Bankarisation". In this context, it is not a question to transforming Kobuakisa Carte into a formal bank. However, the concept of Bankarisation of Kobuakisa Carte suggests two ideas:

- Kobuakisa Carte should be organized as a reliable financial institution in the form an agency for saving and credit cooperative.
- The positive features of Kobuakisa Carte to be partially integrated into formal financing channels for complementarity between banks and agencies of Kobuakisa Carte in order to achieve an appropriate and more responsive future financial development strategy for the poor in Kinshasa.

For the better poverty eradication, we should recommend these policies:

- The protection of Kobuakisa Carte's customers should be envisaged by supervising this practice publicly and ensuring that the supervisory body monitors it effectively.
- Kobuakisa Carte encourages the allocation of savings to production activities, which can increase their productivity and income in order to take them out of poverty. Credit lending program should be provided together with complementary service such as entrepreneurship and management skills.

- Informal financial institutions should be given proper recognition and adequate consideration in the nation's financial system. To this effect, government should redesign his regulatory policies to formalize and standardize the operations of the major institutions in the informal financial sector. However, such regulations should not be framed in a way that will totally cripple or paralyze institutions' activities, but effectively enhance their performance for maximum contribution to development.

5.5 Conclusion

Saving is one of the critical tools for the reduction of poverty. In Kinshasa, the formal financial sector has the difficulties in mobilizing savings and providing financial services, especially for the poor. Kobuakisa Carte practice is an informal savings institution, which is often seen as small and insignificant, but this study has found it active, dynamic and influential. It provides the subsistence to its members and means to manage emergency needs. It also adopts the bottom-up approach to financial development, which leads to empowerment of local people and participatory financial services.

Kobuakisa Carte is just a small fish in the ocean regarding the address of poverty. The practice addresses the symptoms of poverty and not its real causes. Here is a call for Government intervention to strengthen itself and have the dynamism to create the necessary infrastructure, institutions (legal and financial) good governance and invest heavily in urban job creation strategies where the majority of the people struggle with biting poverty.

Poverty is a very complex and multifaceted phenomenon. The poverty reduction strategy requires a critical analysis of both micro and macro factors of the socio-economic conditions in the country. One needs to be very careful in analyzing the strategies of Kobuakisa Carte for poverty alleviation since it requires support from other socio-economic factors and the participation of all stakeholders is necessary for the sustainability of the poverty alleviation process.

We do not pretend having covered all matters around informal finance in Kinshasa. Several aspects should be studied in future. For example, "the potential of informal bottom-up finance strategies for the development of local finance". We recommend this to be deeply studied and completed by other researchers for the integral development of DR Congo.

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APPENDICES

APPENDIX 1: SURVEY/QUESTIONNAIRE OF KOBUAKISA CARTE AS A MECHANISM FOR MOBILISATION OF SAVING FOR POVERTY ALLEVIATION IN KINSHASA.

The information provided in this survey is confidential and will be **only used** for academic purposes. Thank you very much for your cooperation

1. Introduction

Name of interviewer _____

Put a (Tick) where appropriate

Interview Date _____

Identification

1.1 Country _____

1.2 Province _____

1.3 Area _____

2 Individual Basic Information

2.1 Client name _____

2.2 Sex: _____

2.3 How old are you? _____

2.4 Marital status 1. Single/never married _____ 2 Married _____ 3 Widowed _____

2.5 How many children do you have? _____

2.5 What is your activity? _____

2.6 Level of education : Never go to school , Primary school, Tertiary, Vocational

3 Nature of Income

3.1 Do you have fixed income? Yes _____ No _____

3.2 What is your amount of daily income? _____

3.2 what is the key expense in your household? _____

4 Saving Activity

4.1. When did you start saving with Kobuakisa Carte? _____

4.2 What is your motivation for saving? 1) Precaution 2) Project 3) Production

4.3. Do you deposit your saving at a Pay desk or give it to a mobile collector? _____

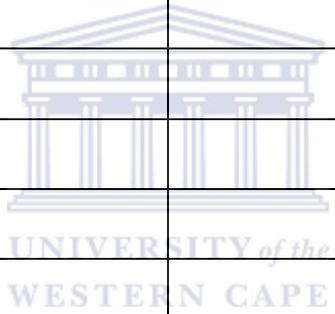
4.5 What is the amount of your saving? _____

4.6 For the last six months, has your saving: 1) increased 2) decreased 3) remained static?

4.7 Why you do you not save with a bank or other financial institutions? _____

4.8 What do you need to spend your saving on? Please list the items

ITEMS	VALUE
1)	
2)	
3)	
4)	
5)	
6)	
7)	
8)	
9)	
10)	



4.9 Can you afford to pay for the needs you have listed above? YES _____ NO _____

4.10 If NO, what do you have to do? _____

5 Risk and vulnerability

5.1 Have you and your family experienced any major risk or unexpected event within in the last six months that might have led to an increased financial expense? YES___ NO___

5.2 What was your response to this risk and event? Used my savings _____
 Borrowed from friend _____ sold assets _____
 Reduced my expenditure _____ Other (specify) _____

6 Empowerment

6.1 Are your financial needs satisfied with Kobuakisa Carte? Has your participation in Kobuakisa Carte empowered you? YES _____ NO _____ If YES, how?

6.2. In your view, has Kobuakisa Carte helped people with a financial service? YES ___No _

7 Increase in Income

From your experience, has Kobuakisa Carte increased your income? Yes_____ No_____

Thank you very much

THE END



APPENDIX II: INTERVIEW GUIDE FOR SAVINGS MOBOLISATION FOR POVERTY REDUCTION (**Respondents**)

Research Question

1. Given that the general objective of Kobuakisa Carte is savings mobilization, which in turn is a factor for poverty alleviation, at least to some extent, it is pertinent to explore to what extent it really serves this purpose?

Interview Questions

1. How old are you?
2. What is your highest education?
3. What is your Employment status?
3. What is your marital status?
4. When did you participate in Kobuakisa Carte?
5. Which factors contribute towards savings mobilization by Kobuakisa Carte in Kinshasa ? and does it contribute toward reducing material poverty?
6. Why do you prefer Kobuakisa Carte?
7. What is the savings collection method do you like?
8. What is your motivation for savings?
9. What needs have they allocated their savings to?
10. Do you think Kobuakisa Carte has satisfied your financial needs and empowered you?
11. Do you think Kobuakisa Carte has helped you to increase your income?
12. Have you applied for credit from Kobuakisa Carte? Do you think that the credit from Kobuakisa Carte is significant?

Thank you very much for your time.

APPENDIX III: INTERVIEW GUIDE FOR SAVINGS MOBOLISATION FOR POVERTY REDUCTION (**Officers**)

Research Question

1. Given that the general objective of Kobuakisa Carte is savings mobilization, which in turn is a factor for poverty alleviation, at least to some extent, it is pertinent to explore to what extent it really serves this purpose?

Interview Questions

1. How old are you?
2. What is your highest education?
3. What is your marital status?
4. When did you join Kobuakisa Carte?
5. Which factors contribute towards savings mobilization by Kobuakisa Carte in Kinshasa and does it contribute toward reducing material poverty?
6. How do you organize Kobuakisa Carte to collect poor savings in Kinshasa?
7. Do you think Kobuakisa Carte helps to reduce poverty?
12. Do you think that the savings from Kobuakisa Carte is significant?
13. What is the problem do you have in organizing Kobuakisa Carte and what is your suggestion to improve the savings services in Kinshasa?

Thank you very much for your time!

KOBUAKISA CARTE PICTURES

NOM: FALA
 ADRESSE: B.P. N° 30
 SALAIRE: 1000

MOIS DE 30/04/2013

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	AVANCE	RETEN.
1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000											

Figure 1: A subscription card to Koboakisa Carte., A client deposit CF 1,000 every day.



Figure 2: A shop where Koboakisa Carte is organized with a writings on wall “Buakisa carte”



Figure 3: A shop owner who organizes Koboakisa Carte practice in Kinshasa