

***Chamas – more than just financial tools: Reframing Kenyan savings groups as institutions rich in grassroots knowledge and tacit learning opportunities***

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## ABSTRACT

This paper explores the role of Kenyan *chamas* – informal, community-based savings groups, including Rotating Savings and Credit Associations (ROSCAs) and Accumulation Savings and Credit Associations (ASCAs) – in fostering valuable knowledge creation and exchange. It examines how the natural dynamics within *chamas* create an environment that supports both tacit and explicit knowledge sharing. By analysing *chamas* through cultural and practical lenses, this study applies organisational theories of tacit knowledge acquisition to better understand their unique knowledge ecosystem.

## INTRODUCTION

I first met Charles in Kibera, Nairobi's largest informal settlement, on a bright, mid-June afternoon. He led me through a maze of narrow winding streets, seemingly alive with enterprise – carpenters busy with handsaws; greengrocers standing by neatly organised stalls stocked with bananas, tomatoes and mangoes; and shoemakers dismantling old tyres and reworking them into sandals. These vendors, tradespeople and entrepreneurs, more broadly known as *jua kali* workers as I would later come to learn, make up over 80% of Kenya's workforce and account for just under 25% of the nation's gross domestic product (KNBS 2025).

Charles brought me to a dark room, almost reminiscent of a classroom, and apologised for the power outage they were experiencing that day. Well known in the community, he is an administrator for over a dozen *chamas* (informal savings groups providing vital access to financial services for many *jua kali* workers<sup>1</sup>) (Mwakodi & Sakwa 2025). He also runs a Savings and Credit Cooperative Organisation (SACCO), a larger and more regulated cousin of the *chama*, derived from similar community values (Upadhyaya et al. 2024). It was here that Charles voiced a simple yet fascinating observation: those who start off saving with a *chama* and then 'graduate' to a SACCO repay loans at a far higher rate than those who start immediately with a SACCO (Ogutu 2025).

The reason for the observed higher repayment rate is not immediately clear, and the quantitative data that would be required to come close to drawing final conclusions based on this case alone is simply not available. Regardless of this, the conversations I had in the field combined with extensive background research suggest an answer could lie in the educational value of the *chama* model. To explore this hypothesis, this paper will be broken down into two sections. The first will draw on my own fieldwork period in Kenya as well as invoking some of the broader anthropological literature on savings groups to examine the *chama* model in more depth. It will also explore how '*harambee*', the Kenyan community value, could contribute to the model's popularity and effectiveness. The second will consider existing research in the field of management studies to help explain how trust and open conversation within communities of practice can significantly boost acquisition of tacit and explicit knowledge and improve

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<sup>1</sup> It is worth noting that while *chamas* are popular among a variety of different groups, their popularity among groups of women is particularly notable. This factor often contributes to group dynamics and broader societal views on *chamas*. It is already given due consideration in the academic literature addressing *chamas* and the fieldwork interviews. It does not affect the insights from management studies given in this paper, and as a result there is no further discussion of this factor here.

decision making. The paper aims to marry the two concepts to show how *chamas* may create environments extremely conducive for this type of conversation-based learning.

## **METHODOLOGY**

This research draws on two complementary modes of enquiry. The first is a review of relevant literature, which provides the theoretical grounding for the paper. The second is fieldwork, conducted during a ten-day trip to Nairobi. Rather than formal interviews, this consisted primarily of fieldnotes from informal conversations with a range of interlocutors, including *chama* members, programme facilitators and academics. These were supplemented by a more structured interview with programme facilitator Charles Ogutu, whose insights offered detailed analytical perspectives on the dynamics of *chamas*.

### **1 WHAT IS A CHAMA? A BRIEF LOOK AT THE LANDSCAPE**

Before we look at the potential educational benefits of the *chama*, it is important to first understand its primary purpose, financial service provision, and how it achieves this. While the exact details of a *chama*'s operations can vary greatly, the basic principle is the same: a small group of individuals meet on a regular basis and contribute a fixed amount to a communal pot, the usage of which is mutually agreed upon when the *chama* is created. This is not a uniquely Kenyan phenomenon and can be observed regularly across many developing nations under different names (Agesa and Agesa 2025). In fact, the development of different savings groups globally appears to have happened largely independently of others and for several distinct reasons (Zambrano et al. 2023).

The exact point at which *chamas* first started to appear in Kenya is unclear, but some sources suggest they began in the 1960s and rose to prominence in the 1980s and 1990s (Thelwell 2021). In the present day, their popularity is undeniable with estimates suggesting almost 30% of all Kenyan adults are *chama* members (CBK, KNBS, and FSD Kenya 2024).

Most *chama* functions can be broken down into three broad strands: the Rotating Savings & Credit Association (ROSCA) or merry-go-round; the Accumulating Savings & Credit Association (ASCA) or savings and loans group; and the welfare Chama (Agesa and Agesa 2025).

#### **1.1 THE MERRY-GO-ROUND**

The merry-go-round is one of the simplest and most widespread models of *chama* in Kenya. Members contribute a set amount on a regular basis (often weekly or monthly), then take it in turns to receive the entire pot.<sup>2</sup>

For example, a merry-go-round *chama* with four members, each contributing 500ksh per week means that once a month each member receives a lump sum of 1,500ksh (Figure i). Once each

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<sup>2</sup> For a fuller account of the social and cultural complexity of the ROSCA model see foundational analyses by Clifford Geertz (1962), Shirley Ardner (1964) and others. These complexities are acknowledged but do not need to be examined in depth for the sake of this argument.

member has received the pot once, the cycle is complete, and members are free to start another cycle or leave.<sup>3</sup>

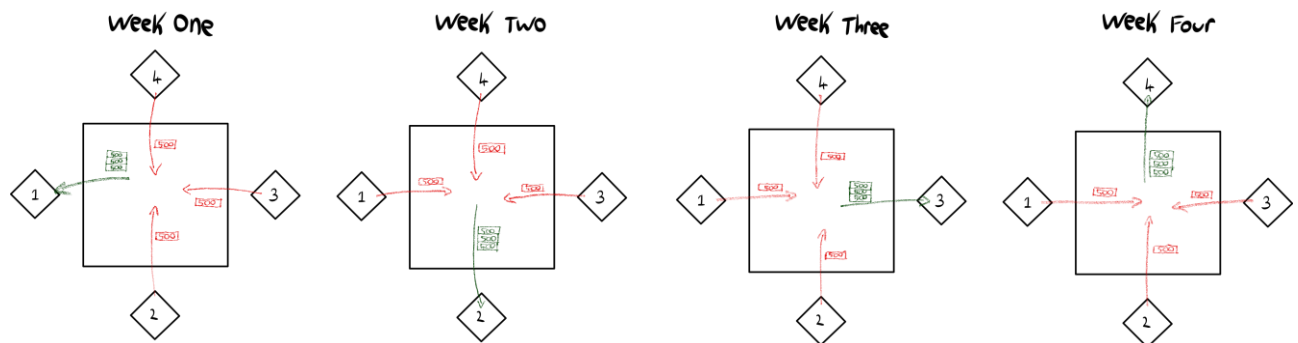


Figure i

There are a few possible explanations for the enduring popularity of ROSCA-style *chamas*. Callier (1990 as cited by Albiér 2001) explores purely mathematically driven reasons for joining a ROSCA. On average, ROSCA members must wait only half the cycle period to receive the pot, meaning they effectively gain access to capital faster than if they had saved on their own (Callier 1990). This relies on the assumption that accessing significant capital as quickly as possible is the primary goal for all members. If we take that to be true, we can extrapolate that ROSCAs will only be formed when the order in which members will receive the pot is not set at the beginning, otherwise nobody would agree to go last and subsequently the structure would collapse (Albiér 2001). Additionally, there would be little motivation to repeat cycles back to back as, in effect, the waiting time between payments would be the same (Ibid.). In reality, however, many ROSCA-style *chamas* are formed with a predetermined order and many repeat the cycles over and over again. It is thus evident that the enduring popularity of the ROSCA is not explained purely by the mathematics of access to capital.

The first possible explanation is the commitment savings factor. It's very easy to theorise about simply stashing 500ksh 'under the mattress' every week, but the reality is that there is always a sick relative or a friend who needs support and when the money is there it is almost inevitably spent (Shipton 2007). Commitment to savings is so valued in many economically deprived communities that people are, in many cases, willing to actually *pay* significant amounts to be forced to save (Rutherford 2009). As Rutherford concisely puts it, 'financial services for poor people are largely a matter of mechanisms that allow them to convert a series of savings into usefully large lump sums'. This, in effect, is exactly what a ROSCA does.

While commitment to savings likely plays a key role in the draw of ROSCAs, it would be hard to justify it as their only attraction, especially in a world where it is increasingly easy to save digitally. Throughout my fieldwork period in Kenya, one theme came up consistently: community. Members of ROSCAs (and *chamas* more broadly) are virtually always connected by a common factor, whether this be similar businesses, stages of life or neighbourhoods (Ogotu 2025). One participant I spoke to, 'Eric', had a ROSCA with five friends from his

<sup>3</sup> Worth noting here is that some *chamas* have fixed cycles where the pot is passed around more than once, e.g. the cycle is complete when each member has received the pot twice. This information is omitted in the main body of the text for simplicity.

childhood in rural Kenya, all living in the same part of Nairobi. Their weekly meetings were a social occasion, and beyond these they regularly took trips together to visit different parts of Kenya (Houlihan 2025). The importance of community as a motivation for *chama* membership cannot be underestimated, as discussed further below.

## 1.2 ACCUMULATING CREDIT & SAVINGS ASSOCIATIONS (ASCAs)

To those used to formal financial systems, the ASCA model can make more intuitive sense. The difference between the ROSCA and ASCA models is, at its core, quite simple. In an ASCA the funds accumulated through members' contributions are not distributed immediately, but instead are held centrally in a communal pot (Bouman 1995). This seemingly simple difference, as Roodman (2012) puts it, 'unleashes a dizzying variety [of different options for example borrowing and lending mechanisms and group businesses and investments]'.

Globally there are hundreds of different types of ASCA (Rutherford 2009); however, understanding them in depth is not the primary purpose of this paper. As such, I will focus here on the ASCA mechanisms most prevalent in Nairobi and use broad brushstrokes to delineate how they are run. To do this, let's return to the simple table banking diagram above (Figure i), this time incorporating a basic ASCA model. Members pay in as before and can decide (with the approval of the group) to take a loan, often up to three times the total they have put into the pot as an individual (Ogutu 2025). They then pay the loan back within the pre-defined period at an interest rate also pre-defined by the group (Ibid).

For ease of understanding I will illustrate an example with, again, just four participants — although ASCAs often have more (Ibid) — a regular payment of 1,000ksh made monthly, a loan period of one month and an interest rate of 20%. We assume here that the ASCA has already been running for a period of four months, accumulating a total pot of 16,000ksh (4,000 from each member).

The fifth meeting of the ASCA is illustrated in Figure ii. The members first contribute their monthly payments. Member 1 then borrows 10,000ksh for business improvements. This loan is discussed and approved by the group.

One month later, the loan is repaid in full with interest of 20% and the ASCA concludes its cycle (Figure iii). Each member then receives their savings, plus a proportional share (in this case  $\frac{1}{4}$ ) of the interest accrued.

Data from 21 centrally facilitated ASCAs in Kibera with a total of 478 members shows high rates of borrowing and repayment, with interest payments making up just shy of 30% of the total savings on liquidation. This leads to returns for members far higher than the original amount saved (Haki Group 2025).

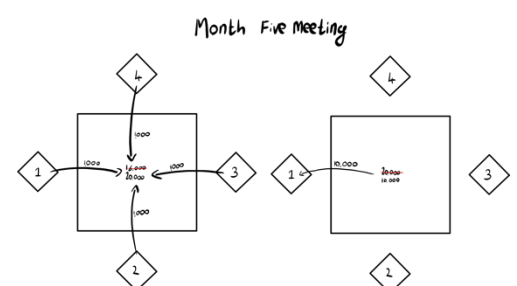


Figure ii

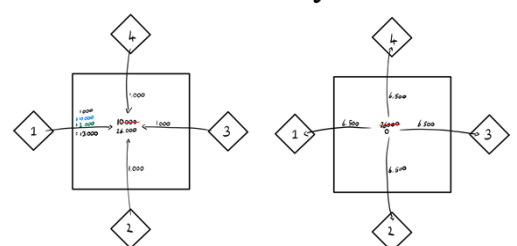


Figure iii

The ASCA structure, much like a formal bank (Roodman 2012) acts as an intermediary between those hoping to save and those hoping to borrow, and although interest rates are typically high, funds stay within the group rather than being siphoned off as they would by a formal bank or moneylender. This can have some notable benefits for local economic growth, but from a purely individual standpoint makes ASCAs redundant if loans are available at lower interest rates elsewhere and financial gain is the only motivating factor for membership.

### **1.3 THE WELFARE *CHAMA***

The third and final broad *chama* categorisation discussed in this paper is the welfare *chama*. Welfare *chamas* as a category include wedding and funeral insurance, business development pots, emergency funds (Agesa and Agesa 2025) and even in the case of one *chama* I spoke to, a 'parents' pot' to support families in rural areas (Houlihan 2025). While it is possible to run a welfare *chama* on its own, they are most often run as an offshoot of either a ROSCA or an ASCA. The existence of welfare *chamas*, especially mechanisms like business development and parents' pots, links closely to a broader theme arguably vital to the success of Kenyan *chamas*: *harambee*, an underlying sense of communal commitment.

### **1.4 *HARAMBEE***

*Harambee*, translating directly from Kiswahili as 'pull together', is the official motto of Kenya and one which is lodged at the very core of Kenyan society. It was invoked regularly by Kenya's founding president Jomo Kenyatta during speeches (Kenyatta 1969) and reflected in his anthropological work decades earlier with his own tribe, the Gikuyu (Kenyatta 1938). This community commitment has played a central role in Kenyan social policy and culture since independence.<sup>4</sup> Similar ideas are indeed prevalent across much of sub-Saharan Africa, perhaps most famously in *ubuntu* philosophy. Stemming originally from the Bantu, the philosophy emphasises cooperation and collaboration and has gained popularity throughout the African continent (Ndhlovu 2023).

Charles, during our second meeting, provided extensive anecdotal evidence of such community-mindedness, mentioning numerous examples. He described one group where 'they lost their member, and members of this group stood strongly with that family, including ensuring that the children left behind will go to school' (Ogutu 2025). This culture of shared commitment and duty perhaps helps to explain the widespread popularity and success of *chamas*.

Not only can it be argued that the *harambee* spirit acts as a social adhesive keeping groups together, but a strong sense of community can actually help foster an environment conducive

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<sup>4</sup> It is important here to note a dichotomy in the usage of the term. Its usage has developed in such a way that it often refers to 'the provision of public goods/through the voluntary cooperation of the members of the community' (Wilson 1992).

to impactful knowledge exchange and learning opportunities too, thus improving the overall benefits to members.

## 2.1 TACIT KNOWLEDGE EXCHANGE

Hungarian-British philosopher Michael Polanyi (1966) coined the term *tacit knowledge* to mean pre-logical knowledge that we are not necessarily aware of, or 'know-how'. This can be made up of any number of minor inputs which we may not notice but which still factor within our understanding of something.

Because of the hidden nature of tacit knowledge, its use can sometimes be hard to identify. Daniel Kahneman (2011) conceptualises the decision-making process into two distinct systems. System 1 thinking refers to fast-paced, intuitive thinking, while System 2 refers to more deliberate and logical thinking. Tacit knowledge, being pre-logical, for the most part informs System 1 thinking, helping people make fast decisions and informing *gut feelings*. Decision making has been noted to be most effective when both System 1 and System 2 thinking are employed (Akinici and Sadler-Smith 2018).

Not only is the application of tacit knowledge difficult to identify, the means by which it is created and exchanged can be equally elusive. You can't just tell somebody a piece of tacit knowledge, otherwise it isn't tacit. Rather, tacit knowledge is created and shared through a more organic and subtle process of action and reflection (Schön 1983).

Action, in this context, can be any kind of experience. Take riding a bicycle. When you first start, you're wobbly, maybe you need stabilisers, or at the very least a parent's arm to keep you up. When the bike wobbles one way, you don't instinctively know how to correct it, so you fall off. Over time, however, you find that by shifting your weight the other way slightly, you can stay on the bike. Eventually, you have built up a large enough base of knowledge that you can ride without any conscious thought – you can 'feel' how to ride the bike even if it would be hard to explain to somebody else how to balance it successfully. This illustrates how tacit knowledge acquisition differs from explicit knowledge acquisition or fact learning.

Let's extend the bike analogy. Say you and a friend both share a love of mountain biking, and one day you notice his arm is in plaster. You enquire, and discover he hit a patch of particularly slippery gravel on a route you plan to ride the coming weekend. Before riding the route, you visualise the scenario again and again: you have *explicit* knowledge about that particular corner and are able to slow down and avoid coming off your bike. Further down the course, however, you find yourself sliding out. Without really thinking about it, you instinctively correct and manage to stay on your bike. Perhaps you would have stayed on your bike anyway but perhaps the conversation and subsequent reflection allowed you to build the knowledge required to do so without realising you were doing it. Extensive research shows marked performance improvement among athletes performing mental practice (Toth et al. 2020) and forums where conversation about practice take place offer opportunities to reflect on other's actions in addition to one's own.

So, what does this *actually* mean for Kenyan *chamas*? After all, members are very unlikely to be downhill mountain bikers! The benefits of creating and exchanging tacit knowledge are well researched and documented, especially in institutional contexts (Oranga 2023). These benefits include increased innovation and creativity (Yıldız et al. 2025) and improved decision making (Meisch et al. 2022). Similarly there is extensive research into the characteristics of institutional environments most conducive to the creation and dissemination of tacit knowledge among peers. The environments which many studies find to be the most effective at boosting tacit knowledge sharing are communities of practice<sup>5</sup> which build trust and psychological safety (Shahzad et al. 2024) and encourage regular informal discussion<sup>6</sup> (Nonaka 2008).

## 2.2 COMMUNITIES OF PRACTICE

My argument here is reasonably straightforward. Kenyan *chamas* present an excellent environment for the creation and sharing of tacit knowledge.

*Chamas* are very much communities of practice; members typically come from similar backgrounds, earn their income from similar sources and are brought together initially by a shared characteristic such as being parents at a school, small business owners or childhood friends.<sup>7</sup> In most of these cases their goals align too. The parent might care primarily about school fees, the business owner about profit margins and the childhood friends about their rural village.

## 2.3 TRUST AND ENTRUSTMENT

The very close-knit interpersonal nature of a *chama* places trust front and centre. There is no such thing as anonymity. Any member who acts in an untrustworthy way faces loss of credibility and often a huge network of both economically and socially valuable connections. In close-knit communities like this, social collateral is very effective at filling the gap left by the absence of physical collateral (Coleman 1988).

From a cultural perspective, concepts of trust and entrustment also run deep. Among the Luo people of western Kenya, culture is deeply intertwined with practices of non-monetary credit and debt, creating obligations which often overlap with social ties (Shipton 2007). Research among the Kamba people of Kitui, in the former eastern province of Kenya shows the practice of borrowing and lending to be similarly socially embedded (Krijtenburg 2017).

In the cultural melting pot of Nairobi's informal settlements, it would be a mammoth task to track exactly how individual tribal/local practices affect the overall approach to borrowing and lending, but it would be careless to disregard their effect.

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<sup>5</sup> A group of people who share a common concern, a set of problems, or an interest in a topic (Edmonton Regional Learning Consortium 2016).

<sup>6</sup> Often referred to as a 'water-cooler conversation'.

<sup>7</sup> All three are examples of *chamas* I came across while researching in Kenya.

With trust such a vital factor in both the cultural and economic effectiveness of *chamas*, it follows that breaking that trust would have huge knock-on effects. While I'm not aware of any existing studies on this, I was provided with anecdotal evidence of it during my fieldwork period. One striking story involved the treasurer for an ASCA skirting the regular borrowing requirements and taking unofficial loans at a 0% interest rate to stock his shop. He hadn't stolen the money per se. In fact, as far as I could gather from the story, he regularly replaced the funds from shop profits until he was found out. When his sleight of hand came to light, however, not only was he socially ostracised by members of the *chama*, but the entire group fell apart (Houlihan 2025). I didn't come across enough such examples to say for sure whether this is a 'normal' fallout from something like this, but it shares some notable similarities with more formally researched trust breakdown in organisational settings, including workers disassociating with individuals who have broken trust and exiting the work environment entirely (Camblor and Alcover 2019).

Given the cultural elements at play, the importance of trust and the effects when it's broken, it's reasonable to assume that a *chama* that manages to maintain regular meetings and contributions from its members must be simultaneously maintaining and growing a dynamic of trust between members.

## **2.4 INFORMAL CONVERSATION**

When it comes to promoting informal conversations, *chamas* are also strong. Some of the *chamas* I spoke to actively encouraged this with tea and food each week at a different member's house; others did not. Either way as a natural part of coming together as a group or community of practice, conversations emerge, even if conversation is not the primary goal of the meeting. It was emphasised throughout my fieldwork that *chama* members regularly discuss matters beyond monetary contributions and purely financial matters.

While all *chamas* differ from one another, most which continue to function involve these three factors: informal conversation, trust and a community of practice. These create an environment with proven benefits for tacit knowledge creation, with scope in turn to improve decision making, innovation and productivity (Mayfield 2010).

## **2.5 EXTERNALISING TACIT KNOWLEDGE**

While tacit knowledge on its own provides incredibly valuable benefits, its potential doesn't end there. Tacit knowledge (dependant to some extent, of course, on its exact nature) can indeed become explicit and in many cases, this can result in additional benefits including more efficient sharing of knowledge and an increase in innovation (Argote & Ingram 2000). The socialisation, externalisation, combination and internalisation (SECI) framework, first introduced by Ikujiro Nonaka (2008) presents us with four simple stages by which knowledge passes from being tacit, to being explicit, to contributing eventually to the creation of new tacit knowledge. The first stage, socialisation, we have already touched on above. It refers to the informal, conversational setting facilitating the transfer of tacit knowledge. The second,

externalisation, refers to the process by which tacit knowledge is transferred to explicit knowledge.

Let's take, for example, a hypothetical *chama* where 10 of the members own greengrocer stalls across the area. One day Wanjiku, one of the stall owners, decides to move her bananas so that they are next to the mangoes instead of the tomatoes. That week, she sells all her bananas, when normally she might only sell 70%. As she's sitting down ahead of the *chama* meeting, counting the profits from the week, she smiles to herself. Perhaps here, thinking back to the beginning of the week, she makes a link between moving the bananas and the unprecedented profits. Perhaps she doesn't. If she does, we could say that the tacit knowledge which led her to move the bananas in the first place has resulted in the creation of a piece of explicit knowledge. If she does not make the link explicitly, the knowledge remains tacit, possibly contributing to her existing yet intuitive sense of how a good fruit stall looks.

If Wanjiku does indeed make the connection, a community such as a *chama* where she is surrounded by likeminded and trusted individuals might be the first place she would disseminate the information. She tells a friend who tells a friend and soon all of the greengrocers are experimenting with this organisation of their fruit. They all try slightly different approaches, and soon they find that the best way to organise their goods is bananas, mangoes, tomatoes in that order, with a small wooden divider separating each type. As time goes by some of them leave the *chama* for one reason or another and young friends and family members join the trade. They learn how to set up their stalls in the same order, but without explicitly being told why. Over time the knowledge is *internalised* and once again becomes tacit, now disseminated across the group and passed from person to person not by explicit exchange of facts, but through casual conversation and mentorship. It becomes, as Polanyi (1966) coined it 'know-how'.

## 2.6 ANECDOTAL EVIDENCE OF KNOWLEDGE SHARING

I would now like to return to Charles' comment reported at the beginning of this paper. Those who first join *chamas* before 'graduating' to SACCOs, repay SACCO loans at a much higher rate. The *chamas* he refers to here are ASCAs, which follow a very similar model for saving and borrowing to that of a SACCO, just on a smaller more personal level. Much like learning to ride a bike, ASCA members have the opportunity to learn through doing with the support of a community of practice. Explicit questions can be asked and answered, tacit knowledge flows subtly through day-to-day conversation and reflection. Through their peers, members get intimate insights into the process of taking out and paying back a loan before ever taking one themselves. When it comes to taking out their own loan, they have an improved understanding of how the process works, some of the pitfalls and how they can minimise the risks. In Charles' words, they have been made 'financially literate'.

## 3.1 CONCLUSION

This paper doesn't attempt to present a deeply nuanced understanding of *chama* structures, nor does it attempt to present any novel ideas on knowledge exchange. The main effort of this paper

has been to draw a parallel between environments prized in organisational settings for their educational potential and the atmosphere often already occurring naturally within *chamas*. Kenyan *harambee* culture along with more widely recognised community values like *ubuntu*, promote an environment where community-based groups like *chamas* thrive.

*Chamas* provide access to financial services to many informal workers. From a purely financial standpoint, however, they are becoming increasingly redundant, especially in urban areas. The popularity of repeating ROSCAs with a fixed order cannot be explained purely mathematically and ASCA-style loans are available at lower rates elsewhere.<sup>8</sup> Despite this, *chamas* are enduringly popular with their strong communities and commitment savings mechanisms. They naturally foster an environment extremely conducive to informal learning. Kenyan *chamas*, as communities of practice that foster deep trust and regular casual interaction, can be strongly compared to organisational cultures in formal institutions that are prized for their tacit knowledge benefits. Countless studies into management culture show the exchange and creation of tacit knowledge to be invaluable in promoting innovation, effective decision making and efficiency.

*Chamas* are not only financial cooperatives but institutions rich in grassroots knowledge where trust, conversation and shared identity can generate powerful learning opportunities.

### 3.2 WHAT COMES NEXT?

While this paper provides a convincing initial case for *chamas* as institutions rich in grassroots knowledge, I feel there is significant scope to develop this investigation in a few different ways.

The first would be to run a quantitative analysis which might allow the real-world impact of these theories to be tested. While tacit knowledge is notoriously difficult to track in any quantitative way, it might be possible to derive useful data by tracking the progress of primarily *chama*-funded small and medium-sized enterprises as compared to externally funded ones.

There is also potentially scope to explore other insights from management studies which might be applied to informal lending groups and lead to even higher rates of knowledge acquisition. This is particularly relevant with regard to converting tacit knowledge into explicit knowledge, a process prized by institutions for its effect on organisational memory and potentially beneficial to long-standing *chamas* for similar reasons.

The final possibility I am interested in is a slightly longer-term potential application. If *chamas* do indeed have the notable knowledge benefits my work suggests, they may present a key to further research into both urban and rural poverty in Kenya more broadly. *Chamas* are pre-organised, socially interested groups often with a culture of knowledge exchange. They are also, naturally, comprised of people whose day-to-day lives are centred around the area in which the *chama* is based. *Chama* members know a huge amount about their immediate

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<sup>8</sup> Most notably SACCOs.

surroundings, and in keeping with Polanyi's theories, the members almost certainly know more than they think they do about how best to address many local issues.

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