

# Role of Self-Help Groups on Cost Reduction of Household Food Items- Scope of Nakuru West Sub-County, Kenya

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**Abstract:** The study intended to examine whether co-operative purchasing among Self Help Groups has impacted on cost of food as a way of reducing the cost of living in the recent times. The major objective of the study was to establish the role of self-help groups on cost reduction of household food items. The study intends to use both quantitative and qualitative method and will be guided by descriptive research design. Questionnaires, focus group discussion and interviews will be used as tools for the data collection. Further, statistical package for social science (SPSS) will be used as a tool during data analysis. The study will use the social exchange theory, which suggests that human beings make social decisions based on perceived costs and benefits. The findings of the study will benefit the Self Help Groups, the county policy makers and other scholars since the work will be in public domain.

**Keywords:** Cooperative purchasing, Self Help Groups (SHGs), cost reduction, household food items.

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## I. INTRODUCTION

### *A Background of the study:*

In an economy where the cost of living increases year after year, the struggle for survival becomes key, thus the need to come up with strategy to meet the basic needs. Most people strive to spend less on food at the expense of development this calls for strategies that will reduce the cost of food stuffs. The cost of living is also increasing day by day but the income of many individuals remains constant. The ratio of the cost of living to the incomes of many in the economy is not the same thus people end up spending more on food which is a basic commodity. (World Bank,2008) warned that it cannot be assumed recent growth has translated into poverty reduction: despite the growth,17 million Kenyans almost half the entire population live below the poverty line and often sleep hungry.

It further stated that Unemployment is spiraling, particularly among the youth, around 2.5 million of whom are jobless. Moreover, the proportion classified as the 'urban food poor' who are even poorer than the 'absolute poor' and can barely meet their nutritional requirements, let alone other basic needs is on the increase. With such reports by various world organizations, the call for strategies to reduce cost becomes key. The World Health Organization (WHO) states that Food Security is achieved when all people, at all times have physical and economic access to adequate/sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.

Many Kenyans still face a challenge in getting food because of the recent rise in food prices. While the government is working day in day out to improve the current condition in the country Kenyans need to come up with strategies for survival in these economic times. Food security is a basic human right; nevertheless millions of people, throughout the world continue to suffer the effects of hunger and malnutrition (World Food Summit, 1996). Further, the report states that food security exists when all people at all times have physical and economic access to adequate, safe and nutritious food to meet their dietary needs and food preference. Household food security is the application of this concept at the family level with individuals within the family being the focus of concern. Nyariki and Wiggins (1997) pointed out that food

security encompasses food availability through farm production, storage or imports; and the access that people have to food through their purchasing power in markets.

The concept of self-help groups is not a new phenomenon in Kenya. SHGs are groups of people who provide mutual support for each other. Most of these groups are made up of women because they constitute of the largest population according to UNIDO (2003), women and girls consist of three-fifths of the world's population. Another reason is their poverty level which is worse than that of men as clear gender disparities in education, employment opportunities and decision making power exists. However, this does not mean that men do not form SHGs. There exist such groups and most of the functions are similar to those SHGs for women.

The description of Self Help Groups is mostly related to the functions within the group as Archan (2002) observes that the SHGs are informal groups where members come together toward collective action for common cause. The common need here is meeting their emergent economic need without being dependent on outside help. The first people in history to demonstrate the power of Self-Help Groups were the alcoholics. Alcoholics Anonymous was started in 1935 to help "hopeless alcoholics" recover from alcoholism, something the medical profession had been unable to do. From then, literature of Self Help Groups is built around togetherness which is the major principle of Co-operatives.

SHGs are said to be of great value, as Grootaert (2001) indicates group formation can contribute to building social capital and this in turn can have positive effects on human welfare especially as a result of income generation among the poor. However, (Ghosh, 2001) points out that combating poverty cannot be managed by government alone there are many areas where government needs collaboration and co-operation from NGOs particularly in creating opportunity facilitating empowerment and providing security to the poor. In addition, Sivasubramanian (1999) suggests that poverty can be attentively eradicated only when the poor start contributing to the growth process through the process of social mobilization, participatory approach and empowerment of the poor. Although SHGs have been formed for other purposes like spread of Christianity most of them have been formed to improve the livelihood of the members (Coppock et al, 2005).

Nakuru is the 'capital' of Nakuru County, the fourth largest town in the Kenya. Located 1850 meters above sea level, Nakuru has a population of well over 500,000 people (Census 2009). With a total service area of 270 km (of which 50 km in peri-urban areas), Nakuru is one of the fastest growing towns in East Africa with a growth rate of 4.5% per annum. KNBS & SID (2009) states that Nakuru County has a child rich population where 0-14 year olds constitute 43% of the total population. However, the county is at the onset of a fertility decline as 49% of households have 0-3 household members. Thus the dependency rate in the town is high forcing people to come up with strategies to be able to get their most important basic need that is food.

### ***B. Statement of the problem:***

The sustained rise in food and non food prices is expected to accentuate food insecurity among most vulnerable livelihood groups especially the urban, pastoral and marginal agricultural households because of this those groups are forced to devise strategies to adopt to the harsh conditions. With the Millennium Development Goals and vision 2030 food security becomes an issue of great concern. Every person in the economy has a major role to play, if this is to be achieved. However, food insecurity cannot allow economic growth and economic development, thus, there is need for collective action to reduce the impacts of poverty.

Whereas self-help groups is not a new phenomenon they have been seen to represent unique approach to financial intermediation among women. Their role on cost reduction measures has not been evaluated The study therefore, seeks to determine the effects of Self-Help Groups on cost reduction of household food items in Nakuru West Sub-County.

## **II. LITERATURE REVIEW**

### ***A. Co-operative purchasing and cost reduction:***

With the role of purchasing taking a more strategic approach in the organization it is evolving from an obscure buying function into strategic business partnerships (Ellram et al, 1994) and firms that emphasize cooperation are more likely to achieve greater economic benefits (Dyer, 2000). In the purchasing literature many terms are used in reference to cooperative purchasing, including horizontal cooperative purchasing, group purchasing, collaborative purchasing, collective purchasing, joint purchasing, consortium purchasing, shared purchasing, pooled purchasing, bundled purchasing, and buying offices (Schotanus & Telgen, 2007). They further state that the terminology is broad and not yet fully stabilized. Tella & Virolainen (2005), further state that the terminology varies because of the nature of the parties involved in the purchasing cooperation

Kenya has a long history of cooperative development that has been characterized by strong growth, thus making a significant contribution to the overall economy. Cooperatives are recognized by the government to be a major contributor to national development, they are found in almost all sectors of the economy. With the total population of Kenya at approximately 37.2 million (Republic of Kenya, 2008), it is estimated that 63 per cent of Kenya's population participate directly or indirectly in cooperative-based enterprises (Ministry of Cooperative Development & Marketing, 2008). However, while the role of co-operative movement in Kenya is recognized and the underlying benefits, there exist little literature on co-operative purchasing.

**B. Self Help Groups and cost reduction:**

Kenya is noteworthy in having a long history of formal cooperative movements involving smallholder farmers (Heyer, 1976) due to the harsh living conditions. According to Cappock et al(2005) most groups were formed to improve the livelihoods of the members. Also ILO, states that Self Help Groups are groups of 10 to 20 women or men who want to improve their living conditions by setting up their own savings and loan fund. Thus it is evident that most of these associations that people form are due to the living conditions which are in most cases hard. However, apart from hardships group formation can contribute to building social capital, and this, in turn, can have positive effects on human welfare, especially as a result of income generation among the poor (Grootaert, 2001).

In Kenya studies show that the main reason for formation of groups is the aspect of money. According to a survey carried out by FAS (2006) informal groups were classified under the following five types: Welfare/clan group (WCG); ROSCAs; Individual ASCAs; managed ASCAs; and investment clubs. Welfare/Clan Groups do not use intermediate funds but provide financial support for members and their next of kin in the case of illness, death etc. Rotating Savings and Credit Associations (ROSCAs) and Accumulating Savings and Credit Associations (ASCAs) facilitate saving and lending within groups. Thus, most of the Self-Help Groups are money based. Further a report by FSD (2009) indicates that 53% of adult Kenyans belong to at least one informal financial group, and that for 35% of the population informal groups are the only financial service they have access to. This demonstrates the overall importance of informal group membership.

**III. RESEARCH METHODOLOGY**

The study adopted Exploratory Research design. Kothari, (2004), states that the major emphasis of exploratory research is the discovery of ideas and insights. This is a method of collecting information through in-depth interviews, administering a questionnaire and focus groups discussion. The study adopted multi stage sampling approach.

**IV. RESULTS AND DISCUSSION**

**A. Source of Income:**

The research collected data to establish the main source of income of Nakuru Sub-Country residents. The data collected showed that 45% are employed while 53% are self-employed. 2% of the respondents have their source of income other than employment or self-employment. Source of income was an important factor to consider because it is an important consideration when it comes to group formation.

**B. Number of Dependents:**

To know the rate of dependency the researcher sought to know the no of dependents per household. The rate of dependency is important because it affects the reliability of co-operative purchasing. According to the data collected, 22% of the respondents have one child, 36% have two children, 25% have three children and 17% have more than three children. This was an important consideration because the no of dependents may affect the reliability of co-operative purchasing.

**Table 1 Number of Children per Household**

Number of Dependents	Frequency	Percent
One	82	22.3
Two	133	36.1
Three	92	25.0
More than Three	61	16.6
<b>Total</b>	<b>368</b>	<b>100.0</b>

**C. Self-Help Group Membership:**

Data that was collected by the researcher shows that 37% of the respondents who are members of Self-Help are male and 63% are female. Further 52% of the respondents not in Self-Help Group are males and 38% are female. Table 4.4 shows this data. From this data it can be seen that Self-Help Group is popular among the female population in Nakuru Sub-County. To establish whether there was an association between gender and membership Pearson Chi-Square test was used and it showed that there is a significant association between gender and membership into a Self-Help group,  $\chi^2 (1) = 5.44$ ,  $p < 0.05$ . This means that Self-Help Group membership is dominated by women in Nakuru Sub-County.

**D. Role Played by Co-operative Purchasing in Cost Reduction of Household Food Items in Nakuru Sub County:**

The objective of the study was to establish the role played by co-operative purchasing in cost reduction of household food items. The researcher hypothesized that co-operative purchasing play a significant role in cost reduction of household food items in Nakuru Sub-County.

**E. Awareness of Cooperative Purchasing and Cost Reduction:**

Results show that 87% of the respondents who strongly agree that there is a strong relationship between cooperative purchasing and cost reduction are also aware of cooperative purchasing. 77% respondents who agree that there is a strong relationship between cooperative purchasing also are aware of cooperative purchasing. 83% who strongly disagree that there is a relationship between co-operative purchasing and cost reduction are not aware of Self Help groups.

From a total of 340 of those that indicated that there is a relationship between co-operative purchasing and cost reduction those that were aware of co-operative purchasing had a mean of 4.05 meaning that most of them agreed and  $\sigma^2$  of 0.01 and  $\sigma$  of 0.11 as indicated in table 4.7

To test whether there is a relationship between co-operative purchasing and being aware of the practice Karl Pearson's coefficient of correlation was computed  $r = 0.344$  which indicates that there is a positive relationship meaning that being aware of cooperative purchasing increases the chance of being aware of the effect of cooperative purchasing and cost reduction.

Table 2 shows that all those who said that there is reduced cost due to bulk buying are aware of bulk buying. 8% of respondents who do not believe that bulk buying leads to reduced cost are aware of cooperative purchasing. To test the hypothesis that co-operative purchasing does not play a significant role in cost reduction of household food items in Nakuru Sub-County. Karl Pearson correlation coefficient was used, the value for was found to be 0.941 meaning that there is a strong positive association between co-operative purchasing and cost reduction thus the null hypothesis was rejected.

**Table 2 Awareness of Cooperative Purchasing and reduced cost due to bulk buying**

Aware of Cooperative Purchasing	Reduced cost due to bulk buying			
	F.	G.	H.	I.
Yes		Yes	No	
No	J.	K.	L.	
Total	M.	100.0%	N.	100.0%

**F. Effect of Self Help Groups in Cost Reduction Initiatives in Nakuru Sub-County:**

The third objective the study the researcher intended to assess the impact of Self Help Groups in cost reduction initiatives in Nakuru Sub-County. The researcher collected data in relation to duration the respondent has been in a Self-Help group, active participation in the Self-Help Group, and reasons why the respondent is in Self-Help Group.

**G. Duration in the Self-Help Group:**

In the data collected; there were 289 respondents who are members of Self-Help Group which is 79% of the total. The study showed that 25% of the respondents in Self-Help Group have been in the Self-Help Group for one year, 35% have been in Self-Help Group for two years, 21% have been in Self-Help Group for three years and 19% for more than 3 years. 40% of the Members in Self-Group have been members for more than two years.

**H. Participation in the Self-Help Group:**

21% of respondents who participate actively in more groups have been in the Self-Help Group for one year, 33% two years, 22% three year and 24% more than three years. 29% of respondent who have actively participated in the same

group have been in the Self-Help Group for one year, 36% two years, 23% three years and 12% for more than three years. Finally 23% of respondents actively participate fewer groups have been one year in the Self-Help Group, 34% for two years, 16% for three years and 27% for more than three years. Using the Pearson Chi-square test, it showed active participation is independent of each other duration in Self-Help Group,  $\chi^2(6) = 9.64, p > 0.05$ .

**Table 3 Duration in Self Help Group Active Participate**

Duration in Self Help Group		Participate Actively		
		More groups	Same Group	Fewer Groups
One Year	Observed	16	40	17
	Expected	19.4	26.6	18.7
Two Years	Observed	25	50	25
	Expected	26.6	47.8	25.6
Three Years	Observed	17	31	12
	Expected	16.0	28.7	15.4
More than 3 years	Observed	19	17	20
	Expected	14.9	26.7	14.3

**I. Reason for being in Self-Help Group:**

Data collected from the study shows that 25% of the respondents reported that they in Self-Help Group because of cooperative purchasing, 33% of the respondents are in the Self-Help Group because of more income while 45% are in the Self-Help Group because of social capital and Merry Go Round. It is worth noting that cooperate purchasing ranks low than other reasons. While most of the members indicated that they are in self Help groups because of social capital and Merry Go Round .The results in the study are in consistent with Njoki et al (2013) whose study also indicated that one of the major reasons for group formation was social capital and Merry Go Round among other reasons.

The researcher conducted a cross tabulation to determine the whether there exist significant relationship between Self-Help groups using the cost reduction initiatives and Self-Help Group membership. Table 3 shows the output where 19% of the Self-Help Group members strongly agree that group initiatives lower prices, 61% agree 13% were neutral, 6% and 1% disagree and strongly disagree respective. To test the hypothesis that Self Help Groups do not have a significant role in cost reduction initiatives in Nakuru Sub-County the Pearson Chi-Square was used, 0.05 level of significance was used and the computed value was found to be 11.074 at 4 degrees of freedom, the computed value is greater than the table value thus we reject the hypothesis and conclude that Self Help Groups have a significant role in cost reduction initiatives in Nakuru Sub-County. This means members of Self-Help Group confirm that the cost reduction initiative is effective.

**Table 4 Relationship between Self-Groups using the cost reduction initiative and Self-Help Group Membership**

			Member of Self Help Group		Total	
			Yes	No		
Groups using the initiative benefit through lower prices	Strongly Agree	observed	55	23	78	
		Expected	61.3	16.7	78.0	
	Agree	observed	177	34	211	
		Expected	165.7	45.3	211.0	
	Neutral	observed	38	11	49	
		Expected	38.5	10.5	49.0	
	Disagree	observed	16	10	26	
		Expected	20.4	5.6	26.0	
	Strongly Disagree	observed	3	1	4	
		Expected	3.1	.9	4.0	
	Total		Count	289	79	368

## V. CONCLUSION

Nakuru Sub –County is comprised of a majority of more women than men. The main source of income is self – employment and a majority of the population is made of majority of the population is between the age of 21-30 years. The population is also well educated though the rate of dependency is high. The majority of the population in the Sub-County is aware of the Co-operative purchasing and its benefits however, majority of the members are not in Self Help Groups because of the same. Also, most of the respondents buy goods retail meaning cost reduction on food items is not a major consideration to most of the household.

Self Help Groups is an important practice amongst household in Nakuru Sub County and the household participate in more groups over the years. The groups also play a major role in cost reduction initiatives .However, co-operative purchasing is not one of the major initiatives that the groups have adopted.

It is important for groups in Nakuru Sub –County to have guidelines and procedures in their activities as they enhance efficiency, reliability and cost reduction.

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