

Amaroh, Siti; Husnurosyidah; Masykuroh, Ely

## Article

# Financial attitude, trust, and ROSCAs' member commitment: Social relations as mediating factor

Global Business & Finance Review (GBFR)

## Provided in Cooperation with:

People & Global Business Association (P&GBA), Seoul

*Suggested Citation:* Amaroh, Siti; Husnurosyidah; Masykuroh, Ely (2023) : Financial attitude, trust, and ROSCAs' member commitment: Social relations as mediating factor, Global Business & Finance Review (GBFR), ISSN 2384-1648, People & Global Business Association (P&GBA), Seoul, Vol. 28, Iss. 3, pp. 35-49,  
<https://doi.org/10.17549/gbfr.2023.28.3.35>

This Version is available at:

<https://hdl.handle.net/10419/305897>

## Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

## Terms of use:

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*



<https://creativecommons.org/licenses/by-nc/4.0/>

## Financial Attitude, Trust, and ROSCAs' Member Commitment: Social Relations as Mediating Factor

Siti Amaroh<sup>a†</sup>, Husnurrosyidah<sup>b</sup>, Ely Masykuroh<sup>c</sup>

<sup>a</sup>Associate Professor, Faculty of Islamic Economics and Business, Institut Agama Islam Negeri Kudus, Indonesia

<sup>b</sup>Assistant Professor, Faculty of Islamic Economics and Business, Institut Agama Islam Negeri Kudus, Indonesia

<sup>c</sup>Associate Professor, Faculty of Islamic Economics and Business, Institut Agama Islam Negeri Ponorogo, Indonesia

### ABSTRACT

**Purpose:** This research examines the function of social relationships in the association between financial attitudes and trusts toward member commitment of informal financial institutions, notably the rotating savings and credit association in Indonesia.

**Design/methodology/approach:** The study consisted of 207 female participants, and a partial least square structural equation modelling was utilized to test the hypotheses. All items' validity and reliability were confirmed through inner and outer model testing.

**Findings:** The study found that financial attitudes and trust did not significantly affect commitment but positively influenced social relations. Additionally, social relations impacted commitment and mediated the relationship between financial attitudes, trust, and commitment.

**Research limitations/implications:** Therefore, the study underscores the need to prioritize women and social relationships in informal financial institutions to enhance informal financial inclusion from the grassroots level.

**Originality/value:** These findings highlight the critical role of social cohesion in financial activities and emphasize the potential of informal financial institutions to alleviate short-term liquidity pressures.

*Keywords: Social relations, Informal finance, Financial attitude, Trust, Commitment*

## I. Introduction

The issue of financial inclusion remains a challenge, despite attempts to extend inclusive financial services to disadvantaged and low-income groups who are often unbanked (Musembi & Chun, 2021). The objective of financial inclusion is to enable access to essential financial services, and such services must

be flexible and easy to use (Cooper & Ross, 2021). The inability to provide access to finance has led to the emergence of informal financial institutions, exacerbating the problem (Ivanov, 2021). Community-led initiatives have created their version of the financial community, allowing surplus fund owners to capitalize on parties that are difficult to connect with banks (McPherson & Trumbull, 2021). Unfortunately, such efforts have also contributed to the rise of informal and illegal financial institutions (Prasad et al., 2021). Informal financial institutions have undergone significant evolutionary changes, but daily or weekly collection and mobilization of funds remain operational characteristics

Received: Mar. 14, 2023; Revised: Apr. 14, 2023; Accepted: May. 13, 2023

† Siti Amaroh

E-mail: [sitiamaroh@iainkudus.ac.id](mailto:sitiamaroh@iainkudus.ac.id)

that primarily benefit low-income groups, small businesses, and rural communities who lack access to formal financial institutions (Kelkar, 2010; Mor & Ananth, 2007; Seibel, 2001; Chen & Huang, 2021).

The issue of financial inclusion remains a challenge, despite attempts to extend inclusive financial services to disadvantaged and low-income groups who are often unbanked. The objective of financial inclusion is to enable access to essential financial services, and such services must be flexible and easy to use. The inability to provide access to finance has led to the emergence of informal financial institutions, exacerbating the problem. Community-led initiatives have created their version of the financial community, allowing surplus fund owners to capitalize on parties that are difficult to connect with banks. Unfortunately, such efforts have also contributed to the rise of informal and illegal financial institutions. Informal financial institutions have undergone significant evolutionary changes, but daily or weekly collection and mobilization of funds remain operational characteristics that primarily benefit low-income groups, small businesses, and rural communities who lack access to formal financial institutions (Kelkar, 2010; Mor & Ananth, 2007; Seibel, 2001).

The rotating savings and credit associations (ROSCA) are community-based informal finance systems that rely on good social relations and trust for long-term viability. Studies have emphasized the pivotal role of social relations in the sustainability of ROSCA while identifying potential weaknesses in the system, such as the inability to sanction undisciplined members. The ROSCA can work effectively as long as there is not too much pressure to conform to group norms, and it is successful in Japan and formalized schemes in Ilorin Metropolis (Abdul-Yakeen & Gatawa, 2015). Social relationships play a crucial role in fostering the success of financial institutions, including ROSCA, and household necessities, moral economy, and community dynamics influence women's financial behavior in various regions. Overall, the ROSCA system offers a valuable instrument in mitigating economic challenges by the financial system, provided that a non-coercive environment

prioritizes group harmony is maintained.

Indonesia is a developing country in Southeast Asia with a rich history of informal financial systems. These systems are prevalent in rural and urban areas and are based on social relationships within the community. One prominent type of informal financial institution is the ROSCA, which is dominated by female participants and involves deposits of household goods, vehicles, gold, and diamonds. ROSCAs operate on various levels, including family, neighborhood, recitation group, work, or school, with the deposit amount varying depending on social standing. Members' commitment to ROSCAs is influenced by social attachment, trust, member character, and financial motives. As informal communities, ROSCAs are countless and unique, with members joining for financial savings, social interaction, or gathering with friends. There is little published data on the impact of financial attitudes and trust on member commitment in informal financial institutions. This paper attempts to show that social relationships play a crucial role in the association between financial attitudes and trust toward member commitment of informal financial institutions, specifically the rotating savings and credit association in Indonesia.

## II. Literature Review

### A. Social Embeddedness

Economic activities are often considered rational and self-directed, but Granovetter (1985) offers a different perspective: economic activity is socially situated and embedded within personal social networks (Granovetter, 1985). This social embeddedness framework is supported by economists, sociologists, and social experts who argue that social relations act as collateral, resources, media, and catalysts, ensuring that economic transactions are agreed upon by all parties involved. Strong social participation fosters efficient economic activities and creates opportunities for market-based solutions to economic problems. Conversely, indivi-

dualism is perceived to have a negative impact on economic performance. Therefore, the concept of social embeddedness in economic activity is critical to understanding the significance of social networks and their role in enhancing economic performance. Mutual trust, strong social participation, and attachments are essential in facilitating efficient economic activities, widely recognized among economists, sociologists, and social experts (Biggart & Castanias, 2001; Gundlach et al., 2006).

## **B. Informal Finance and ROSCA**

ROSCA, or rotating savings and credit associations, are informal financial institutions that involve members depositing predetermined funds in a designated place. Members benefit from temporary access to funds disbursed earlier than if held individually (Benda, 2013). ROSCA enhances participant socialization and communication (Elven & LeMay-Boucher, 2016). ROSCA is a traditional financial arrangement practiced worldwide under different names and structured in daily, weekly, or monthly contributions. The establishment of ROSCA is driven by women, serving as a strategy to safeguard their savings from husbands' claims for immediate consumption (Anderson & Baland, 2002). ROSCA serves as an alternative to formal financial institutions that often do not offer small capital assistance programs, limiting the sector's development (Karwitha & Mahiri, 2020).

ROSCA operates voluntarily and independently, with rules determined by members without external control (Karwitha & Mahiri, 2020). Participants may incur losses due to others who fail to make payments, withdraw from membership without fulfilling financial obligations, or depart after receiving a payout (Elven & LeMay-Boucher, 2016). ROSCA groups involve family, friends, or social networks that are not elitist, like commercial or financial institutions (Hossein, 2015). ROSCA members share a bond of trust due to their long relational age, which is believed to strengthen their commitment to participating in the ROSCA membership (Armendáriz & Morduch, 2010).

ROSCA groups are also prevalent in India, Ethiopia, Taiwan, Mexico, Bahamian, Cambodia, Korea, Mozambique, and Cameroon, among other countries. ROSCA serves as a means to solve financial problems by setting the rules of the game within their respective groups, and members can access temporary funds while enhancing socialization and communication (Stoffle et al., 2014).

## **C. Commitment**

Organizational sustainability heavily relies on commitment. Meyer & Allen (2012) proposed three dimensions of genuine commitment: affective, normative, and continuity. Affective commitment involves emotional attachment, normative commitment stems from moral responsibility, while continuity commitment is rooted in the costs of leaving the organization. Trust (Casalo et al., 2007; Kassim & Abdulla, 2006) and interpersonal attachment (Vriens et al., 2021) influence commitment. Moreover, affective and normative commitment can foster employee engagement (Rameshkumar, 2020), and emotional connection plays a significant role in members' decisions to stay (Murray & Holmes, 2021).

## **D. Financial Attitude**

Financial attitude refers to an individual's inclination towards financial issues, which can determine their plans and direction. Financial attitude encompasses an individual's ability to plan for future needs, respond to financial problems, use financial principles to make sound decisions, and desire thrift and saving (Banthia & Dey, 2022; Rai et al., 2019; Sorongan, 2022; Talwar et al., 2021). Cultural differences also affect how people view and use money, with financial prestige, financial management, and goal-oriented attitudes varying across cultures (Henchoz et al., 2019). Informal financial institutions like ROSCA are often chosen for saving or borrowing funds due to the perception that the formal banking system is

unprofitable, and participation in ROSCA is mainly influenced by socio-economic factors and demographic characteristics of individuals (Ahn et al., 2017; Alpay & Kahyaoglu, 2016; Bouman, 1995).

**H1:** Financial attitude has a positive effect on commitment.

**H3:** Financial attitude has a positive effect on social relations.

## E. Trust

Trust is a dynamic and complex construct that involves multiple parties and can change over time. It is crucial in interpersonal and intrapersonal relationships, impacting cognitive and affective reasoning, reliability, reputation, emotional connection, empathy, and commitments (de Groote & Bertschi-Michel, 2021; Kumar & Saha, 2017). In economic activities, long-term customer relationships can build trust, which leads to customer loyalty (Melewar et al., 2017). Globalization, digitization, interpersonal relationships, and modern technologies can transform the nature of trust, influencing how people interact (Bodó, 2021). Trust in the organizational context is determined by how an organization operates and behaves, which stakeholders can trust (Vanhala, 2020). Trust is also essential for establishing membership in groups such as ROSCA, and information-based trust affects customer engagement (Agvei et al., 2020; Etang et al., 2011). Understanding trust and its dynamics can significantly impact building and maintaining relationships in personal and professional settings.

**H2:** Trust has a positive effect on commitment.

**H4:** Trust has a positive effect on social relations.

## F. Social Relations

Middlemiss et al. (2019) proposed a two-dimensional concept of social relations encompassing an individual's

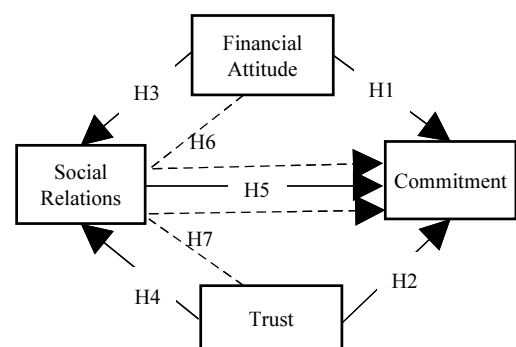
ability to live with and toward others while possessing a social base of self-esteem and non-humiliation. Good social relations are established when an individual maintains affiliations while upholding the same values as others. Pena-López et al. (2021) found that individuals with high economic and human capital have better accessibility and networking opportunities. Organizations can influence members to remain with them by seeking profit, serving the community, and improving their reputation (Tuna & Aslan, 2018). Social relationships between members strengthen online communities' support for commitments (Yang et al., 2017), and social relations tribalism mediates the influence of employee empowerment on organizational commitment (Emam et al., 2019). Furthermore, social integration plays a mediating role in organizational commitment (Yozgat & Güngörmez, 2015).

**H5:** Social relations have a positive effect on commitment.

**H6:** Social relations positively mediate the effect of financial attitudes on commitment.

**H7:** Social relations positively mediate the effect of trust on commitment.

The influence of the variables in the study is depicted in the research framework in Figure 1 below.



**Figure 1.** Research framework

### III. Methodology

This study employs a causality-quantitative approach, focusing on hypothesis testing to establish causal relationships between variables. The research investigates three independent, dependent, and intervening variables. The independent variables are financial attitudes and trust, the dependent variable is the commitment to participate, and the intervening variable is social relations. The respondents of this study were women from several villages located on the northern coast of East Central Java, Indonesia. Snowball sampling technique, a social network research sampling technique that involves selecting initial participants who then recruit their acquaintances and so forth until the desired sample size is achieved (Raifman et al., 2022), was utilized. From this technique, a total of 207 respondents completed the questionnaires through various mediums, such as WhatsApp, Instagram direct messages, Facebook messenger, or paper and Google form.

Each variable is defined and measured by its dimensions, where financial attitude encompasses how an individual perceives money, including obsession, power over money, effort, ability, retention, and security (Humaira & Sagoro, 2018). Trust, conversely, involves non-economic relationships that create information exchange, including trust in faith and intensity (Bruno, 2020). Social relations refer to interdependent relationships among members of the organization and their values, which include beliefs,

norms, rules, and networks (Sen & Cowley, 2013). Commitment, as a variable, relates to the extent of an organizational member's attachment and knowledge of their organization, encompassing affective, normative, and continuance commitment (Meyer & Allen, 2012). The study employs a 5-Likert scale to measure the construct indicators for each variable, where a score of 5 reflects 'very important/strongly agree,' and a score of 1 reflects 'very unimportant/strongly disagree.'

The analysis method is a variant-based structural equation modeling (SEM), specifically the partial least squares (PLS) technique, aided by the SmartPLS 3 program. The selection of SEM-PLS was made based on the complexity of the analyzed model and the research focus to predict and explain variables (Hair & Alamer, 2022). The PLS-SEM approach comprises two stages: the assessment of the outer and inner models. The evaluation of the outer model entails assessing convergent validity, discriminant validity, and composite reliability, while the inner or structural model is assessed based on the coefficient of determination and goodness of fit. The final step involves hypotheses and bootstrapping testing.

Meanwhile, the indicator assessment criteria referred to can be seen in Table 1 below.

Assessing the contribution of independent variables to the dependent variable is crucial in statistical analysis. In this regard, the coefficient of determination is used to evaluate the collective effect of all independent variables on the dependent variable. Additionally, the goodness of fit testing approach determines the model's suitability. Specifically, the standardized root

**Table 1.** PLS-SEM assessment criteria

Validity and Reliability	Parameter	Cut-Off Value
Convergent Validity	Loading Factor	> 0.7
	Average Variance Extracted (AVE)	> 0.5
Discriminant Validity	Cross Loading	> 0.5 and higher than the correlation with contracts in other variables
	The square root of AVE and the correlation between Latent constructs	The square root of AVE > Correlation between latent constructs
Reliability	Cronbach's Alpha	> 0.7
	Composite Reliability	> 0.7

Source: Ghazali & Latan (2012)

square residual (SRMR) value is considered to avoid model misspecification. It is important to note that an SRMR value of less than 0.1 is considered acceptable for declaring the model suitable (Hair et al., 2017). Meeting all requirements indicates that the model is appropriate for generalization purposes. Therefore, using these statistical measures is essential in determining the suitability of a statistical model for research and analysis purposes (Henseler et al., 2014).

#### IV. Result

This study was conducted in Indonesia in several villages in northern Central Java. In order to ensure adequate respondents, the questionnaire was sent through social media and administered directly to meet the participants. The questionnaire return waiting period was three weeks, and respondents were re-confirmed willingness to participate. In the Table 2, the study's participants were 207 individuals aged between less than 20 to over 50 years old, comprising homemakers, workers, and professionals, whose income varied from less than Rp 5 million to more than Rp 10 million per month (where USD 1=IDR 14,940).

Table 2 presents the distribution of respondents based on age, marital status, level of education, occupation, and monthly income. Based on age, the highest number of respondents falls in the 31-40 age range with 71 respondents or 34.30% of the total respondents. The next highest age range is 21-30 with 23.19%, 41-50 with 22.32%, more than 50 with 10.63%, and the lowest age range is less than 20 years old with 9.66%. Based on marital status, 172 respondents or 83.09% are married and the remaining 35 or 16.91% are unmarried. Based on the level of education, the highest number of respondents have completed junior high school with 81 respondents or 39.13%, followed by elementary school with 54 or 26.09%, senior high school with 51 or 24.64%, and tertiary education with 21 or 10.14%. The majority of the respondents' occupation is housewife with 89

or 43%, followed by private employees with 52 or 25.12%, entrepreneurs with 35 or 16.91%, and government employees with 31 or 14.97%. The highest average monthly income of respondents is less than IDR 5,000,000 with 108 respondents or 52.17%, followed by an income range of IDR 5,000,000 to IDR 10,000,000 with 70 or 32.82%, and more than IDR 10,000,000 with 29 or 14.01%.

The results of this research were analyzed using descriptive statistical data processing, outer loading, reliability and validity tests, cross-loading, correlation, hypothesis testing, mediating test, coefficient of determination, and model fit. These tests were conducted to ensure methodologically and empirically relevant results for research with a quantitative approach. Constructs that do not meet the required standards will be removed from the model to obtain a good model. Generalizations can be made if all the tests have met the requirements. This research was conducted quantitatively and followed a rigorous methodological process. The results are presented in tables and

**Table 2.** Respondents' demographics

Characteristics	Frequency	%
Age:		
Less than 20	20	9.66
21-30	48	23.19
31-40	71	34.30
41-50	46	22.32
More than 50	22	10.63
Marital Status:		
Married	172	83.09
Unmarried	35	16.91
Level of Education:		
Elementary School	54	26.09
Junior High School	81	39.13
Senior High School	51	24.64
University	21	10.14
Occupation:		
Housewife	89	43.00
Private Employee	52	25.12
Government Employee	31	14.97
Entrepreneur	35	16.91
Average Monthly Income:		
Less than IDR 5,000,000	108	52.17
IDR 5,000,000 - IDR 10,000,000	70	32.82
More than IDR 10,000,000	29	14.01

Source: processed from respondent data, 2022

supported by various statistical tests to ensure their reliability and validity. The study's findings can be used as a basis for further research and policy-making related to the study's topic.

Table 3 presents the statistical analysis results, including each indicator's mean, median, minimum, maximum, and standard deviation values. The findings indicate that the indicators of commitment 5 (COMIT5) and commitment 6 (COMIT6) have the lowest mean value of 3.888, while the indicator of confidence 3 (TR3) has the highest mean value of 4.058. Furthermore, the median value for all indicators is 4, with a minimum value of 3 and a maximum value

of 5. The standard deviation values range from a minimum of 0.206 for the social relations indicator 2 (SOC2) to a maximum of 0.444 for the commitment indicator 6 (COMIT6). These results provide insights into the distribution of responses across the indicators and highlight the respondents' perceptions' variations.

Table 4 presents the outer loading of each indicator, with all values exceeding 0.7, indicating their validity. This finding was further supported by the discriminant validity test on the Average Variance Extracted (AVE), which showed values of 0.562, 0.554, 0.629, and 0.766, respectively, all above the threshold of 0.5 for all variables. The reliability of the variables was

**Table 3.** Descriptive statistics

Variables/Indicators	Mean	Median	Min	Max	STDEV
Financial Attitude					
FINAT1	4.005	4.000	3.000	5.000	0.387
FINAT2	4.014	4.000	3.000	5.000	0.399
FINAT3	3.961	4.000	3.000	5.000	0.366
FINAT4	3.913	4.000	3.000	5.000	0.329
FINAT5	3.971	4.000	3.000	5.000	0.339
FINAT6	4.010	4.000	3.000	5.000	0.326
Trust					
TR1	3.995	4.000	3.000	5.000	0.303
TR2	3.961	4.000	3.000	5.000	0.308
TR3	4.082	4.000	3.000	5.000	0.415
TR4	4.010	4.000	3.000	5.000	0.260
TR5	4.029	4.000	3.000	5.000	0.293
Social Relations					
SOC1	4.010	4.000	3.000	5.000	0.311
SOC2	3.966	4.000	3.000	5.000	0.206
SOC3	3.981	4.000	3.000	5.000	0.259
SOC4	3.957	4.000	3.000	5.000	0.266
SOC5	4.058	4.000	3.000	5.000	0.376
SOC6	3.990	4.000	3.000	5.000	0.326
Commitment					
COMIT1	3.889	4.000	3.000	5.000	0.384
COMIT2	3.903	4.000	3.000	5.000	0.394
COMIT3	3.952	4.000	3.000	5.000	0.414
COMIT4	3.932	4.000	3.000	5.000	0.412
COMIT5	3.899	4.000	3.000	5.000	0.398
COMIT6	3.899	4.000	3.000	5.000	0.444



assessed using Cronbach Alpha (CA) and Composite Reliability (CR). The CA values for FINAT, TR, SOC, and COMIT were 0.843, 0.800, 0.881, and 0.939, respectively, all above 0.7, indicating their reliability. Additionally, the CR values for the variables were 0.885, 0.861, 0.910, and 0.952, respectively, all exceeding 0.7, further supporting their reliability. Hence, all variables were declared reliable based on CA and CR values.

The discriminant validity assessment examines the cross-loading between the indicators and their corresponding constructs. An indicator must display a stronger relationship with its associated construct

to be considered valid than any other. Discriminant validity testing is also conducted to confirm that each concept within a latent variable is distinct from other variables. Adequate discriminant validity is indicated by each indicator's cross-loading value within a latent variable being higher than the loading value associated with other latent variables. The outcomes of the cross-loading test between variables are presented in Table 5, which indicates that the cross-loading value of a variable was more substantial than that of the cross-loading value between variables. These results demonstrate that all indicators were deemed valid.

Table 6 presents the results of the Fornell-Larcker

**Table 4.** Outer loading

Variables/Code	Statements	Loading	CA	AVE	CR
Financial Attitude			0.843	0.562	0.885
FINAT1	Short-term financial planning	0.704			
FINAT2	Money usage control	0.753			
FINAT3	Working to make ends meet	0.710			
FINAT4	Buying items as needed	0.750			
FINAT5	Saving regularly	0.848			
FINAT6	Recording of income and expenditure of money	0.725			
Trust			0.800	0.554	0.861
TR1	Means to meet liquidity needs	0.718			
TR2	Agreeing on group rules	0.726			
TR3	Admin meets group rule	0.746			
TR4	Accepting the risk	0.777			
TR5	Sharing information	0.751			
Social Relations			0.881	0.629	0.910
SOC1	Making friends in groups	0.769			
SOC2	Communication in maintaining the friendship	0.891			
SOC3	Cooperating	0.799			
SOC4	Listening to opinions	0.790			
SOC5	Motivating	0.742			
SOC6	Exchanging ideas	0.759			
Commitment			0.939	0.766	0.952
COMIT1	Having pride	0.859			
COMIT2	Feeling like an important part	0.914			
COMIT3	Staying in the group	0.881			
COMIT4	Consider first receiving other financial services	0.821			
COMIT5	Feeling lucky in the community	0.905			
COMIT6	Inviting others to join the group	0.868			

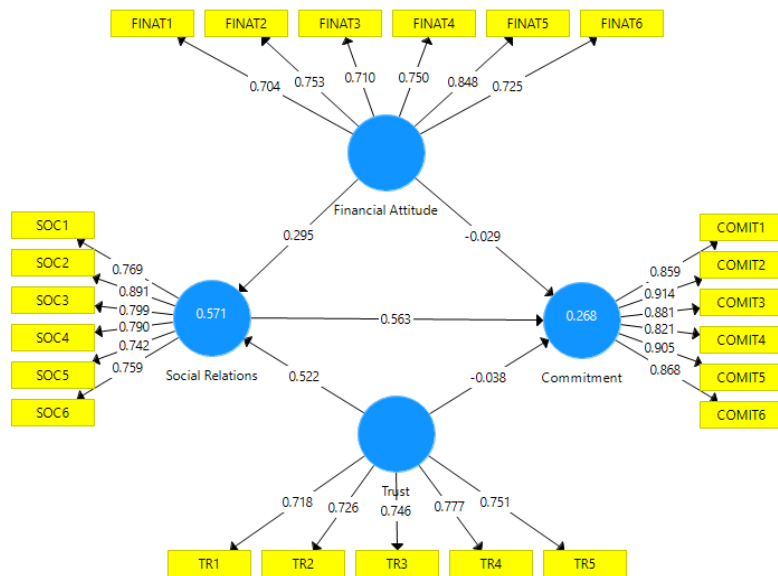


Figure 2. Structural model

Table 5. Cross loading

	Financial Attitude	Trust	Social Relations	Commitment
FINAT1	<b>0.704</b>	0.437	0.439	0.245
FINAT2	<b>0.753</b>	0.472	0.457	0.225
FINAT3	<b>0.710</b>	0.451	0.435	0.261
FINAT4	<b>0.750</b>	0.493	0.465	0.178
FINAT5	<b>0.848</b>	0.579	0.549	0.259
FINAT6	<b>0.725</b>	0.621	0.567	0.233
TR1	0.670	<b>0.718</b>	0.614	0.258
TR2	0.505	<b>0.726</b>	0.605	0.242
TR3	0.447	<b>0.746</b>	0.433	0.181
TR4	0.491	<b>0.777</b>	0.521	0.299
TR5	0.398	<b>0.751</b>	0.476	0.306
SOC1	0.547	0.573	<b>0.769</b>	0.295
SOC2	0.641	0.555	<b>0.891</b>	0.436
SOC3	0.578	0.561	<b>0.799</b>	0.360
SOC4	0.476	0.522	<b>0.790</b>	0.423
SOC5	0.424	0.519	<b>0.742</b>	0.419
SOC6	0.418	0.480	<b>0.759</b>	0.524
COMIT1	0.323	0.354	0.513	<b>0.859</b>
COMIT2	0.269	0.296	0.452	<b>0.914</b>
COMIT3	0.259	0.271	0.444	<b>0.881</b>
COMIT4	0.265	0.311	0.460	<b>0.821</b>
COMIT5	0.269	0.318	0.424	<b>0.905</b>
COMIT6	0.245	0.274	0.400	<b>0.868</b>

Criterion (FLC) test, which aims to evaluate the correlation among financial attitude, trust, social relations, and commitment. The FLC test is also responsible for establishing the Average Variance Extracted (AVE), which confirms that the model is valid if the correlation between variables is higher than among variables. In this study, the FLC test indicated that the correlation among variables was more substantial than between variables, indicating that the model met the required standards. The correlations with other variables were 0.724, 0.686, 0.653, 0.516, 0.350, and 0.312, respectively, while the correlation among variables was 0.875, 0.793, 0.75, and 0.744. Subsequently, the study employed bootstrapping to determine the significance level of the influence between variables and the coefficient of determination, which served as the testing phase

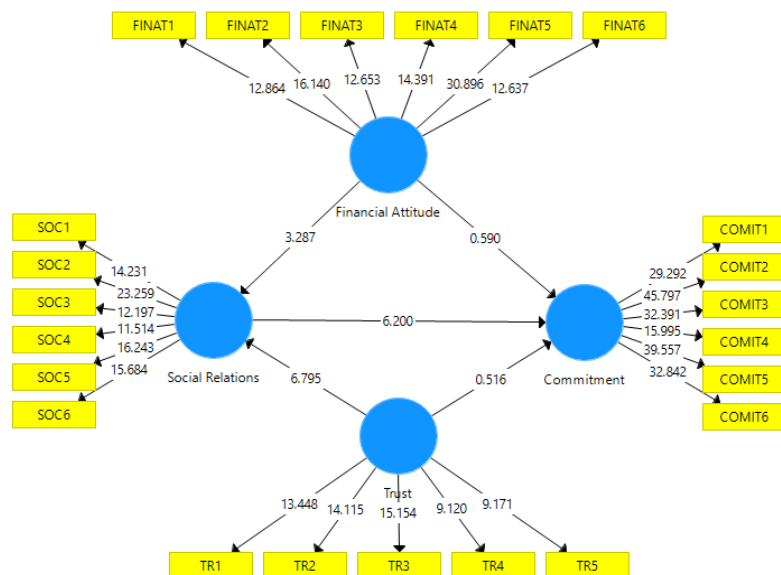
for the proposed hypotheses.

The findings of this study, as presented in Table 7, indicate that financial attitudes and trust were found to have no significant effect on member commitment. As a result, hypotheses 1 (H1) and 2 (H2) were rejected. However, the analysis revealed that financial attitudes and trust significantly impacted social relations, supporting hypotheses 3 (H3) and 4 (H4). Furthermore, the study found that social relations did play a significant role in determining member commitment, thereby accepting hypothesis 5 (H5). These results provide valuable insights into the factors contributing to member commitment and highlight social relations' importance.

The present study examined the mediating effect of social relations on the relationship between financial attitudes, trust, and member commitment within a

**Table 6.** Correlations with fornell-larcker criterion

	Financial Attitude	Trust	Social Relations	Commitment
Financial Attitude	0.750			
Trust	0.686	0.744		
Social Relations	0.653	0.724	0.793	
Commitment	0.312	0.350	0.516	0.875



**Figure 3.** Bootstrapping

particular context. The data analysis in the Table 8 revealed that social relations significantly interfered with the impact of financial attitudes on member commitment, thereby confirming hypothesis 6 (H6). Furthermore, the results indicated that social relations mediated the effect of trust on member commitment, providing evidence for the acceptance of hypothesis 7 (H7). These findings contribute to the existing literature on the role of social relations as a mechanism through which financial attitudes and trust affect member commitment. The study highlights the importance of considering social relations' mediating effect in understanding organizational commitment dynamics.

The study utilized Table 9 to present the regression analysis results on two endogenous variables: commitment and social relations. The adjusted R-squared determination coefficient was used to measure the proportion of variation in the endogenous variable explained by the model's exogenous variables. The findings revealed that the adjusted R-squared value for the endogenous commitment variable was 0.258, indicating that the endogenous variables influenced 25.8% of the variation in commitment. In comparison, the remaining 74.2% was attributable to other factors not accounted for in the model. Similarly, the adjusted R-squared value for the social relations variable was 0.566, indicating that 56.6% of the variation in social relations was influenced by the exogenous variable, whereas the remaining 43.4% was attributed to other unobserved variables.

The study further found that financial attitudes

and trust had a more significant impact on social relations than on commitment, which supports the notion that social relations are crucial in economic and financial activities. Therefore, the results suggest that the role of social relations in the community should not be underestimated, and policies aimed at enhancing social capital may positively affect economic and financial outcomes.

As presented in Table 10, the model test results revealed an SRMR value of 0.076. This value indicates that the model can be considered a fit, as it is below the recommended threshold of 0.1. Additionally, the NFI value obtained was 0.782, which suggests room for improvement, as a value closer to 1 would indicate a better fit.

**Table 9.** Coefficient of determination

	R-Squared	Adjusted R-Squared
Commitment	0.268	0.258
Social Relations	0.571	0.566

**Table 10.** Model fit

	Saturated Model	Estimated Model
SRMR	0.076	0.076
d_ ULS	1.604	1.604
d_ G	0.661	0.661
Chi-Square	721.147	721.147
NFI	0.782	0.782

**Table 7.** Path coefficient and hypotheses summary

	Path Coeff.	T-Stat	P-Value	Decision
Financial Attitude à Commitment	-0.029	0.590	0.556	Rejected
Trust à Commitment	-0.038	0.516	0.606	Rejected
Financial Attitude à Social Relations	0.295	3.287	0.001	Accepted
Trust à Social Relations	0.522	6.795	0.000	Accepted
Social Relations à Commitment	0.563	6.200	0.000	Accepted

**Table 8.** Mediating effect

	Path Coeff.	T-Stat	P Value	Decision
Financial Attitude à Social Relations à Commitment	0.166	2.899	0.004	Accepted
Trust à Social Relations à Commitment	0.294	3.963	0.000	Accepted

## V. Discussion

The popularity of ROSCA (Rotating Savings and Credit Associations) has been established through socially congruent processes and a willingness to assist individuals in overcoming deficiencies in meeting particular needs (Fessler, 2002). The high level of social participation in ROSCA can be attributed to various factors such as the availability of money that can be used to purchase durable goods early, a commitment to prevent the use of money in unnecessary allocations, guarantees against exogenous shocks, concern for socio-cultural aspects, and the absence of social norms and a system of sanctions (Reito, 2020). In Ethiopia, ROSCA serves not only as a financial solution but also as a means of resolving non-financial issues (Kedir & Ibrahim, 2011).

This study tested the hypothesis that financial attitudes and trust affect member commitment, but the results did not support H1 and H2. However, the study confirmed several proposed hypotheses about the factors influencing commitment to social relations as mediators. Members' financial attitudes and trust significantly affected social relations, affecting member commitment to non-formal financial institutions-ROSCA. These findings indicate that the upper-class community relies on ROSCA for their basic needs, relatedness needs, and social obligations, while the middle class utilizes ROSCA to attain economic stability and maintain their social status (Shoaib & Siddiqui, 2020).

The findings presented in this study confirm that organizational commitment and sustainability, specifically within informal financial ROSCA, are determined by various factors beyond economic and financial considerations. Attachment between individuals and emotional connection is crucial in determining organizational commitment and sustainability (Murray & Holmes, 2021; Vriens et al., 2021). These findings suggest that social situations cannot be separated from economic transactions, as hypotheses 3, 4, and 5 were accepted.

The results of this study further indicate that social

relations can interfere with the influence of financial attitudes and trust on members' commitment (hypotheses 6 and 7) to remain in the ROSCA. The stronger the social relations between members, the stronger the effect on commitment. The social embeddedness theory considers social relations as collateral, resources, media, and catalysts that ensure the parties agree upon economic transactions (Biggart & Castanias, 2001). The research results also reveal that organizational commitment is influenced by the social identity approach (Postmes et al., 2001). ROSCA plays a significant role in raising funds for small businesses, and communities benefit from joining it (Khan & Ali, 2021).

Financial attitudes, trust, social relations, and commitment offer crucial insights for organizational management. An ideal organization should provide a shared knowledge environment where life experiences are connected to group identity (Levine, 2003). Social relationships within organizations can reduce inequalities in access to resources, such as income, employment, and respect (Avent-Holt & Tomaskovic-Devey, 2019). The social attachment has a positive domino effect on organizational goals (Czernek-Marszałek, 2020). However, social relations can have positive or negative impacts on an organization, and positive relationships require involvement between parties to minimize losses. Positive impressions of an organization increase long-term retention compared to negative ones. Reducing non-content words can improve sentence clarity.

Finally, although previous studies have shown that participation in ROSCA membership is influenced by economic factors (Ahn et al., 2017; Bouman, 1995), this study demonstrates that commitment to participate in ROSCA could occur if there were strong social relations. As informants in this study, women used social relations to meet social existence's needs and solve financial problems, even temporarily.

## VI. Conclusion

This paper has argued that social relationships play a crucial role in the association between financial attitudes and trust toward member commitment of informal financial institutions, particularly the rotating of savings and credit associations. This study has identified the importance of social cohesion in financial activities and the potential of informal financial institutions to alleviate short-term liquidity pressures. The results of this study indicate that financial attitudes and trust did not significantly affect commitment but positively influenced social relations. Social relations impact commitment and mediate the relationship between financial attitudes, trust, and commitment. A limitation of this study is that the model is purely predictive and therefore cannot be used to confirm specific theories. Additionally, the variation in exogenous and endogenous variables is limited, thus requiring further investigation and research. The results of this study have several implications: first, for the government, particularly in providing protection to the public against various financial service offers that lack credibility. Arisan is a community effort to solve financial problems, but it lacks legal protection, so if there are losses or problems between them, the resolution is still unclear. Second, for the community, arisan can be developed into a cooperative or remain an informal financial institution, but through improved management. Third, for future researchers, the results of this study can be continued from other aspects such as social, legal, or religious perspectives.

## References

- Abdul-Yakeen, M., & Gatawa, N. M. (2015). Attitudes of Coordinators towards the Formalization of Rotating Savings and Credit Associations in Ilorin Metropolis: An Econometrical Approach. *Global Journal of Contemporary Research in Accounting, Auditing and Business Ethics*, 1(2), 400-412.
- Agyei, J., Sun, S., Abrokwah, E., Penney, E. K., & Ofori-Boafo, R. (2020). Influence of Trust on Customer Engagement: Empirical Evidence From the Insurance Industry in Ghana. *SAGE Open*, 10(1), 215824401989910. doi:10.1177/2158244019899104
- Ahn, D., Kang, W., Kim, K. K., & Shin, H. (2017). Analysis and design of microfinance services: A case of ROSCA. *Engineering Economist*, 62(3), 197-230. doi:10.1080/0013791X.2016.1236305
- Alpay, E. E., & Kahyaoglu, M. B. (2016). 8. Why people participate Rosca new evidences from Turkey. *Pressacademia*, 5(2), 242-257. doi:10.17261/pressacademia.2016219265
- Anderson, S., & Baland, J.-M. (2002). The Economics of Roscas and Intrahousehold Resource Allocation. *The Quarterly Journal of Economics*, 117(3), 963-995.
- Armendáriz, B., & Morduch, J. (2010). *The Economics of Microfinance* (2nd ed.). MIT Press.
- Avent-Holt, D., & Tomaskovic-Devey, D. (2019). Organizations as the building blocks of social inequalities. *Sociology Compass*, 13(2), e12655. doi:10.1111/soc4.12655
- Banthia, D., & Dey, S. K. (2022). Impact of Financial Knowledge, Financial Attitude and Financial Behaviour on Financial Literacy: Structural Equation Modeling Approach. *Universal Journal of Accounting and Finance*, 10(1), 327-337. doi:10.13189/ujaf.2022.100133
- Benda, C. (2013). Community rotating savings and credit associations as an agent of well-being: A case study from Northern Rwanda. *Community Development Journal*, 48(2), 232-247. doi:10.1093/cdj/bss039
- Biggart, N. W., & Castanias, R. P. (2001). Collateralized Social Relations: The Social in Economic Calculation. *American Journal of Economics and Sociology*, 60(2), 471-500. doi:10.1111/1536-7150.00071
- Bodó, B. (2021). Mediated trust: A theoretical framework to address the trustworthiness of technological trust mediators. *New Media and Society*, 23(9), 2668-2690. doi:10.1177/1461444820939922
- Bouman, F. J. A. (1995). ROSCA: On the origin of the species. *Savings & Development*, 19(2), 117-148.
- Bruno, D. (2020). Trust-Based Theories of Promising. *The Philosophical Quarterly*, 70(280), 443-463. doi:10.1093/pq/pqz086
- Casalo, L. V., Flavián, C., & Guinaliú, M. (2007). The influence of satisfaction, perceived reputation and trust on a consumer's commitment to a website. *Journal of Marketing Communications*, 13(1), 1-17. doi:10.1080/13527260600951633
- Chen, D., & Huang, B. (2012). Financial Crises and Stock Market Indices: Markov Switching Approach. *Global Business & Finance Review*, 17(2), 101-120.
- Cooper, E., & Ross, N. (2011). Bridging the Information Gap between Borrowers and Microfinance Lenders. *Global Business & Finance Review*, 16(1), 1-15.
- Czernek-Marszałek, K. (2020). Social embeddedness and its benefits for cooperation in a tourism destination. *Journal*

- of Destination Marketing and Management, 15, 100401. doi:10.1016/j.jdmm.2019.100401
- de Groote, J. K., & Bertschi-Michel, A. (2021). From Intention to Trust to Behavioral Trust: Trust Building in Family Business Advising. *Family Business Review*, 34(2). doi: 10.1177/0894486520938891
- Elven, S., & LeMay-Boucher, P. (2016). How sustainable is the use of different savings devices?: A study of formal and informal finance in Benin. *The Journal of Developing Areas*, 50(1), 123-139. doi:10.1353/jda.2016.0023
- Emam, A. S., Jais, J. B., & Tabash, M. I. (2019). The role of tribalism as mediator between employee empowerment and organizational commitment in Yemeni Islamic banking sector. *Management and Marketing*, 14(1), 130-149. doi: 10.2478/mmcks-2019-0009
- Etang, A., Fielding, D., & Knowles, S. (2011). Trust and ROSCA membership in rural Cameroon. *Journal of International Development*, 23(4), 461-475. doi:10.1002/jid.1686
- Fessler, D. M. T. (2002). Windfall and Socially Distributed Willpower: The Psychocultural Dynamics of Rotating Savings and Credit Associations in a Bengkulu Village. *Ethos*, 30(1-2), 25-48. doi:10.1525/eth.2002.30.1-2.25
- Ghozali, I., & Latan, H. (2015). *Partial least squares: Konsep, teknik, dan aplikasi menggunakan program SmartPLS 3.0 untuk penelitian empiris*. Semarang: Badan Penerbit UNDIP.
- Granovetter, M. (1985). Economic Action and Social Structure: The Problem of Embeddedness. *American Journal of Sociology*, 19(3), 481-510.
- Gundlach, M., Zivnaska, S., & Stoner, J. (2006). Understanding the relationship between individualism-collectivism and team performance through an integration of social identity theory and the social relations model. *Human Relations*, 59(12), 1603-1632. doi:10.1177/0018726706073193
- Hair, J., & Alamer, A. (2022). Partial Least Squares Structural Equation Modeling (PLS-SEM) in second language and education research: Guidelines using an applied example. *Research Methods in Applied Linguistics*, 1(3), 100027. doi:10.1016/j.rmal.2022.100027
- Hair, J., Hollingsworth, C. L., Randolph, A. B., & Chong, A. Y. L. (2017). An updated and expanded assessment of PLS-SEM in information systems research. *Industrial Management & Data Systems*, 117(3), 442-458. doi:10.1108/IMDS-04-2016-0130
- Henchoz, C., Coste, T., & Wemli, B. (2019). Culture, money attitudes and economic outcomes. *Swiss Journal of Economics and Statistics*, 155(1). doi:10.1186/s41937-019-0028-4
- Henseler, J., Dijkstra, T. K., Sarstedt, M., Ringle, C. M., Diamantopoulos, A., Straub, D. W., ... Calantone, R. J. (2014). Common Beliefs and Reality About PLS. *Organizational Research Methods*, 17(2), 182-209. doi:10.1177/1094428114526928
- Hossein, C. S. (2015). Black Women as Co-operators: Rotating Savings and Credit Associations (ROSCAs) in the Caribbean and Canada. *Journal of Co-Operative Studies*, 48(3), 6-17.
- Humaira, I., & Sagoro, E. M. (2018). The Influence of Financial Knowledge, Financial Attitude, and Personality Towards Financial Management Behavior. *Nominal*, 7(1), 96-110.
- Ivanov, S. (2011). Cross-Sectional Analysis of Index and Commodity Markets Price Discovery. *Global Business & Finance Review*, 16(2), 103-117.
- Karwitha, N. D., & Mahiri, J. (2020). Women Participation on Rotating Savings and Credit Associations for Community Development In Muthara Division, Kenya. *IOSR Journal Of Humanities And Social Science*, 25(5), 40-50. doi: 10.9790/0837-2505024050
- Kassim, N. M., & Abdulla, A. K. M. A. (2006). The influence of attraction on internet banking: An extension to the trust-relationship commitment model. *International Journal of Bank Marketing*, 24(6), 424-442. doi:10.1108/02652320610701744
- Kedir, A. M., & Ibrahim, G. (2011). ROSCAs in Urban Ethiopia: Are the Characteristics of the Institutions More Important than those of Members? *Journal of Development Studies*, 47(7), 998-1016. doi:10.1080/00220388.2010.536219
- Kelkar, V. (2010). Financial Inclusion for Inclusive Growth. *ASCI Journal of Management*, 39(1), 55-68.
- Khan, S., & Ali, A. (2021). Rotating saving and credit association: An alternative informal credit source for wholesale and retail traders in Peshawar, Pakistan. *Liberal Arts and Social Sciences International Journal (LASSIJ)*, 5(1). doi:10.47264/idea.lassij/5.1.29
- Kumar, S. P., & Saha, S. (2017). Influence of Trust and Participation in Decision Making on Employee Attitudes in Indian Public Sector Undertakings. *SAGE Open*, 7(3), 2158244017733030.
- Levine, D. P. (2003). The ideal of diversity in organizations. *American Review of Public Administration*, 33(3). doi:10.1177/0275074003255682
- McPherson, M., Trumbull, W., & Friesner, D. (2010). Can Foreign-Born Populations Reduce Informal Trade Barriers? An Examination of US State Level Exports to Latin America. *Global Business & Finance Review*, 15(1), 1-12.
- Melewar, T. C., Foroudi, P., Gupta, S., Kitchen, P. J., & Foroudi, M. M. (2017). Integrating identity, strategy and communications for trust, loyalty and commitment. *European Journal of Marketing*, 51(3). doi:10.1108/EJM-08-2015-0616
- Meyer, J., & Allen, N. (2012). Commitment in the Workplace: Theory, Research, and Application. In *Commitment in the Workplace: Theory, Research, and Application*. doi:10.4135/9781452231556
- Middlemiss, L., Ambrosio-Albalá, P., Emmel, N., Gillard, R., Gilbertson, J., Hargreaves, T., ... Tod, A. (2019). Energy poverty and social relations: A capabilities approach. *Energy Research and Social Science*, 55, 227-235. doi: 10.1016/j.erss.2019.05.002
- Mor, N., & Ananth, B. (2007). Inclusive Financial Systems Some Design Principles and a Case Study. *Economic and Political Weekly*, 42(13), 1121-1126.

- Musembi, G. R., & Chun, S. (2020). Long-Run Relationships among Financial Development, Financial Inclusion, and Economic Growth: Empirical Evidence from Kenya. *Global Business & Finance Review*, 25(4), 1-11. doi:10.17549/gbfr.2020.25.4.1
- Murray, W. C., & Holmes, M. R. (2021). Impacts of employee empowerment and organizational commitment on workforce sustainability. *Sustainability (Switzerland)*, 13(6), 3163. doi:10.3390/su13063163
- Pena-López, A., Rungo, P., & Sánchez-Santos, J. M. (2021). Inequality and individuals' social networks: The other face of social capital. *Cambridge Journal of Economics*, 45(4), 675-674. doi:10.1093/cje/beab016
- Postmes, T., Tanis, M., & de Wit, B. (2001). Communication and Commitment in Organizations: A Social Identity Approach. *Group Processes & Intergroup Relations*, 4(3), 227-246. doi:10.1177/1368430201004003004
- Prasad, D., Puri, Y., Khandaker, W., & Baker, K. (2007). Capital Structure Convergence and a Dominant-Country Effect: A Case Study of the European Union. *Global Business & Finance Review*, 12(1), 1-22.
- Rai, K., Dua, S., & Yadav, M. (2019). Association of Financial Attitude, Financial Behaviour and Financial Knowledge Towards Financial Literacy: A Structural Equation Modeling Approach. *FIIB Business Review*, 8(1), 51-60. doi:10.1177/2319714519826651
- Raifman, S., DeVost, M. A., Digitale, J. C., Chen, Y.-H., & Morris, M. D. (2022). Respondent-Driven Sampling: a Sampling Method for Hard-to-Reach Populations and Beyond. *Current Epidemiology Reports*, 9(1), 38-47. doi:10.1007/s40471-022-00287-8
- Rameshkumar, M. (2020). Employee engagement as an antecedent of organizational commitment - A study on Indian seafaring officers. *Asian Journal of Shipping and Logistics*, 36(3), 105-112. doi:10.1016/j.ajsl.2019.11.003
- Reito, F. (2020). Roscas without sanctions. *Review of Social Economy*, 78(4), 561-579. doi:10.1080/00346764.2019.1693054
- Seibel, H. D. (2001). Mainstreaming informal financial institutions. *Journal of Developmental Entrepreneurship*, 6(1), 83-95.
- Sen, S., & Cowley, J. (2013). The Relevance of Stakeholder Theory and Social Capital Theory in the Context of CSR in SMEs: An Australian Perspective. *Journal of Business Ethics*, 118(2), 413-427. doi:10.1007/s10551-012-1598-6
- Shoaib, A., & Siddiqui, M. A. (2020). Why do people participate in ROSCA saving schemes? Findings from a qualitative empirical study. *DECISION*, 47(2), 177-189. doi:10.1007/s40622-020-00244-8
- Sorongan, F. A. (2022). The Influence of Behavior Financial and Financial Attitude on Investment Decisions With Financial Literature as Moderating Variable. *European Journal of Business and Management Research*, 7(1), 208-212. doi:10.24018/ejbmr.2022.7.1.1291
- Stoffle, B. W., Stoffle, R. W., Minnis, J., & Vlack, K. Van. (2014). Women's Power and Community Resilience Rotating Savings and Credit Associations in Barbados and The Bahamas. *Caribbean Studies*, 42(1), 45-69.
- Talwar, M., Talwar, S., Kaur, P., Tripathy, N., & Dhir, A. (2021). Has financial attitude impacted the trading activity of retail investors during the COVID-19 pandemic? *Journal of Retailing and Consumer Services*, 58, 102341. doi:10.1016/j.jretconser.2020.102341
- Tuna, S. K., & Aslan, H. (2018). The relationship between perceived social support and organizational commitment levels of primary and secondary school teachers. *Universal Journal of Educational Research*, 6(5), 983-993. doi:10.13189/ujer.2018.060519
- Vanhala, M. (2020). Trust as an organizational knowledge sharing enabler - validation of the impersonal trust scale. *VINE Journal of Information and Knowledge Management Systems*, 50(2), 349-367. doi:10.1108/VJIKMS-12-2018-0119
- Vriens, E., Buskens, V., & de Moor, T. (2021). Networks and new mutualism: How embeddedness influences commitment and trust in small mutuals. *Socio-Economic Review*, 19(3), 1149-1170. doi:10.1093/ser/mwz050
- Yang, X., Li, G., & Huang, S. S. (2017). Perceived online community support, member relations, and commitment: Differences between posters and lurkers. *Information and Management*, 54(2), 154-165. doi:10.1016/j.im.2016.05.003
- Yozgat, U., & Güngörmez, D. (2015). The Mediating Role of Social Integration on the Effect of Proactive Socialization Tactics Applied by Newcomers on their Organizational Commitment. *Procedia - Social and Behavioral Sciences*, 207, 462-471. doi:10.1016/j.sbspro.2015.10.116