

Electoral Cycles and Savings Liquidity

A Political Economy Perspective on VSLAs in Western Kenya

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ABSTRACT

Village Savings and Loan Associations (VSLAs) are crucial community-based financial institutions in Sub-Saharan Africa. Their operation, particularly regarding savings liquidity, is often analysed through socio-economic lenses, but the influence of political cycles remains under-explored. This perspective piece examines how national electoral cycles influence the savings withdrawal behaviours of VSLA members, arguing that political economy factors are significant yet overlooked drivers of liquidity fluctuations. The analysis synthesises longitudinal field observations and qualitative interview data from multiple VSLA groups, applying a political economy framework to interpret patterns of financial behaviour. A clear pattern of accelerated savings withdrawals emerges in the months preceding a national election, with a notable theme of funds being diverted to support political canvassing activities and household consumption in anticipation of political patronage. Electoral periods introduce distinct, politically-induced liquidity shocks to VSLAs, challenging the assumption that their operations are insulated from broader political dynamics. VSLA federations and supporting NGOs should develop contingency plans and member education programmes to mitigate liquidity risks associated with electoral cycles. Policymakers should consider these patterns when regulating community finance. Village Savings and Loan Associations, political economy, electoral cycles, liquidity management, financial behaviour, Kenya This paper provides a novel political economy mechanism explaining periodic liquidity stress in VSLAs, demonstrating that withdrawal surges are strategically timed to electoral events rather than being random or solely needs-based.

Keywords: *Political economy, Electoral cycles, Savings mobilisation, Village Savings and Loan Associations (VSLAs), Sub-Saharan Africa, Community-based finance, Liquidity management*

Article Highlights

- Accelerated savings withdrawals precede national elections in observed VSLA groups.
- Funds are diverted to support political canvassing and anticipated patronage.
- Withdrawal surges are strategically timed to electoral events, not random.
- Findings reveal a novel political economy mechanism for periodic liquidity stress.

Policy Implication

VSLA federations and NGOs should develop contingency plans and member education to mitigate electoral cycle liquidity risks.

This perspective applies a political economy framework to interpret financial behaviour in community-based finance.

ABSTRACT-ONLY PUBLICATION

This is an abstract-only publication. The complete research paper with full methodology, results, discussion, and references is available upon request.

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