Workshop on Social Finance and Social Ties

Kashf Foundation, Lahore Pakistan

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Existing Social Ties

Vertical Ties
- Reciprocal Altruism in the rural communities across familial lines
- Clans or Tribes (area specific)
- Occupations (cobblers, masons etc)
- Religion or Sect
Existing Social Ties - contd

Horizontal Ties

- ROSCAs (ubiquitous in the urban/rural environment)
- Water management committees (irrigation channels)
- CBOs or Town Committees
Building on Vertical and Horizontal Ties - Kashf

- Strengthened the concept of “peer selection” of roscas
- Emphasised the role of savings and its importance in poverty alleviation (roscas)
- Empowered groups by sharing decision-making (lending decisions to recovery) through the center approach (cbos/WMCs)
Building on Vertical and Horizontal Ties - Kashf

- Introduced innovative “pro-poor” products with low transactional costs to clients (money lenders/roscas/neighbourhood)
- Twinned microfinance services with social empowerment programmes (generate social capital)
- Developed a stronger delivery approach by offering “financial services”
Weaknesses of Roscas

- Are very dependent on the rosca managers
- Are inflexible when it comes to turns
- Some are net borrowers/others net savers
- Tend to breakdown (moral hazard) – 30-40%
- High cost attached if want to access out of turn
- Have to be of a minimum economic level to participate
The value of social capital to an MFI

- Strengthens the impact of the programme
- Improves on programme indicators (portfolio quality)
- Creates brand loyalty and a visible programme commitment
- Reduces transactional costs
- Ensures cost effectiveness and viability
- Provides a window of learning about clients needs
An MFI will continuously improve on social capital generation methods to ensure its competitive EDGE