

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
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Existing Social Ties - contd

Horizontal Ties

- # ROSCAs (ubiquitous in the urban/rural environment)
 - # Water management committees (irrigation channels)
 - # CBOs or Town Committees
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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”
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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
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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

