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SOCIAL CAPITAL IN MICROCREDIT: CENSURES AND SOME POLICY REFLECTIONS

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ABSTRACT:

Discussions are spilling over the agreement that use of microcredit provides easy access to finance, employment and enhanced household income to the poor. Practitioners in the country have explored the ability of microcredit in successful creation of social capital, deriving mutual benefit through a network of relationships. The broad foundation of microcredit is the replacement of physical capital with productive capital through social capital so as to reduce information asymmetry of microcredit borrowers. In fact, the group solidarity may force the borrower to repay, as an agent of the lender by providing 'reliable' credit information about the potential borrower at a reduced cost. Thus the access of credit is filtered, defeating the very purpose. The ambiguity of the existing policies may also have aggravated the issue. The obvious outcome is profit maximization of the lender not the social change as we dream. The paper questions the truthfulness of social capital in bringing social change. An investigation is proposed among the current literature and policies to know the relative strength of social capital. It also looks forward for some policy level suggestions to make this potent instrument more viable and constructive.

KEYWORDS: Group Solidarity, Joint Liability, Microcredit and Social capital.

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