

Repayment Performance of Joint-Liability Microcredits: Metropolitan Evidence on Social Capital and Group Names

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Abstract

This study empirically tests the predictions of four primary theories applicable to joint-liability microcredit programs' repayment performance using an administrative data in a metropolitan setting. We introduce a new variable -group names- as a proxy for social capital to capture cooperation, solidarity and drive for success, which shows a significant positive impact of 9.9% on repayment performance. Precise calculations of residential distance between group members show a deterioration of repayment performance by 1.1% with a 15-minutes increase of minimum walking distance. The results also show that joint liability, sectoral diversification, type of sector that the borrowers facilitate, the ratio of new members in a group, characteristics of loan officers, loan amount, interest rate, income-loan amount coverage ratio, the existence of senior members, average education and diversity in income streams significantly affect repayment performance.

Keywords: Microcredit, Joint-liability, Group lending, Group names, Borrower proximity, Sector diversity, Metropolitan, Social capital

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