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FINANCING OF SMALL AND MEDIUM ENTERPRISES (SMES):
FACILITATION THROUGH ROTATING CREDIT AND SAVINGS
ASSOCIATIONS (ROSCAS) IN LAHORE

By



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UUM
Universiti Utara Malaysia

DOCTOR OF PHILOSOPHY
UNIVERSITI UTARA MALAYSIA
2017

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FACILITATION THROUGH ROTATING CREDIT AND SAVINGS
ASSOCIATIONS (ROSCAS) IN LAHORE

By



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Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
in Fulfillment of the Requirement for the Degree of Doctor of Philosophy

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: Financing of Small and Medium Enterprises (SMEs) : Facilitation through
rotating credit and savings associations (ROSCAs) in Lahore.

Program Pengajian
(Programme of Study)

: Doctor of Philosophy (Islamic Finance and Banking)

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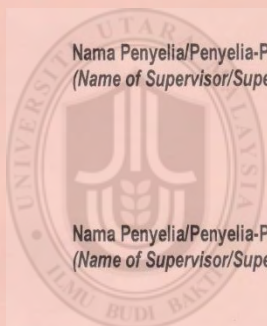
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ABSTRACT

SMEs are the backbone of Pakistan's economy but they have limited access to the formal sources of finance. According to the SME Development Authority (SMEDA) of Pakistan, 90% of start-ups exit within four years. The current research was carried out to discover the extent of the contribution of Rotating Credit and Savings Associations (ROSCAs) to the SME, explore their weaknesses and to develop measures to transform them into a significant source of SME finance. The study was conducted in the city of Lahore. Purposive sampling technique was adopted to collect the data from 433 entrepreneurs and eight informants. Nearly 90% of the respondents resort to ROSCAs-financing. The ROSCAs system finance the 386 sampled SMEs to the tune of Rs468 million every cycle. The average contribution per SME is Rs1.08 million per cycle. Only 9.8% of the sampled population had obtained formal loans during the last five years. The current study does not support the findings of SMEDA which reported that 80 to 90% of the start-up's exit within the first four years. The majority of respondents expressed fear of failure of ROSCAs is due to fraud or mismanagement and felt that management of ROSCAs by banks can assist in preventing mismanagement or fraud. Laws and procedures for managing cases of dishonoured checks are very weak. Since ROSCAs are extra-legal and un-registered, ROSCAs-related disputes have to be settled out of courts. Furthermore, the concept of *Shirkah al-Wujuh* was found to be widely practised in the form of ROSCAs for the interest-free (Islamic) financing of SMEs. The recommendations of the current study can be helpful in fortifying the existing ROSCAs system as well as promoting easy and secure access to finance. Moreover, banks can use these findings to position themselves as guarantor and play effective role in the entrepreneur-driven SME finance market.

Keywords: Musharakah, *Shirkah al-Wujuh*, SME, ROSCAs, Islamic finance

ABSTRAK

Perniagaan Kecil dan Sederhana (PKS) adalah tulang belakang ekonomi Pakistan dengan menyumbang hampir 25% Keluaran Dalam Negara Kasar (KDNK) Pakistan, Mereka mempunyai peluang mendapat kewangan formal yang terhad. Menurut Lembaga Pembangunan PKS Pakistan (SMEDA), 90% daripada penyingkiran kegagalan adalah dalam tempoh empat tahun pertama mereka. Kajian ini dijalankan untuk mengetahui sejauh mana sumbangan Persatuan Kutu (ROSCA) kepada ekonomi PKS, meneroka kelemahan mereka dan untuk membangunkan langkah-langkah untuk mengubahnya sebagai satu sumber kewangan yang penting. Kajian ini telah dijalankan di bandar Lahore. Ia adalah berdasarkan kepada maklum balas daripada 433 usahawan dan lapan pelapor-pelapor. Teknik pensampelan bertujuan telah digunakan untuk menghubungi responden. Hampir 90% daripada responden menggunakan kaedah pembiayaan secara Persatuan Kutu (ROSCA) ini. Setiap bulan sistem ROSCA yang membiayai 386 PKS dalam persampelan ini adalah sebanyak Rs468 juta. Purata sumbangan setiap PKS adalah Rs1.08 juta sebulan. Hanya 9.8% daripada populasi persampelan telah mendapat pinjaman formal dalam tempoh lima tahun yang lalu. Kajian ini tidak menyokong hasil dapatan SMEDA bahawa 80 hingga 90% daripada penyingkiran kegagalan adalah dalam tempoh empat tahun pertama. Sebahagian besar responden menyuarakan bahawa ketakutan akibat kegagalan ROSCA ini adalah disebabkan oleh penipuan atau salah urus dan menyarankan bahawa pengurusan ROSCA oleh pihak bank membantu mencegah penipuan atau salah urus. Undang-undang dan prosedur dalam menguruskan kes-kes cek tendang adalah lemah. Disebabkan ROSCA adalah melampaui undang-undang dan tidak berdaftar, pertikaian yang bersangkutan dengan ROSCA terpaksa diselesaikan di luar mahkamah. Di samping itu, konsep *Syirkah al-Wujuh* didapati telah diamalkan secara meluas dalam bentuk ROSCA ini bagi pembiayaan tanpa faedah (Islam) PKS. Menerima cadangan yang dibangunkan dalam kajian ini akan membantu mengukuhkan sistem ROSCA ini disamping meningkatkan peluang mendapatkan pembiayaan yang mudah dan terjamin kepada PKS. Pihak bank boleh menggunakan penemuan ini untuk memainkan peranan yang lebih berkesan dalam pasaran kewangan SME yang berorientasikan usahawan ini.

Kata kunci: *Musyarakah, Syirkah al-Wujuh*, PKS, Persatuan Kutu (ROSCA), kewangan

ACKNOWLEDGMENTS

In The Name of Allah the Most Gracious and the Most Merciful

My heartfelt gratitude goes to the Creator who brought me in to existence as a human being. He arranged that my journey on the path of life should be comfortable and free of want. I cannot thank Him enough.

Physician Dr. Mir Safi Ullah, my late father, may he rest in peace, has earned my lifelong gratitude. He introduced me to the concept of research and to higher learning. He inspired me to strive to earn a PhD and to remove the thorns and sharp stones in the way of fellow human beings.

To my dear little sister is owed a huge debt of gratitude. She provided invaluable support by taking over the crucial responsibility of looking after our mother while I was away from home. This allowed me to carry out my work with peace and freedom of mind. Thank you, Attiya, for your valuable support.

And then there is my dear Dr. Nasri Naiimi. Dr Nasri's area of expertise is only remotely connected to the subject of my research. Yet, he applied himself to supervising this work with a spirit and gusto that can only be called amazing. Dr Nasri is driven by his love of God and of fellow human beings. I hope this characteristic is acquired by his children too.

And, last but not least, are the innumerable people who add colour and charm to life. These include the cooks, drivers, gardeners, fellow students, guards, etc. and etc. I owe them my gratitude for making my four years sojourn in Malaysia, a most joyful experience.

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List of Abbreviations

BEEPS	Business Environmental and Enterprise Performance Survey
CGS	Credit Guarantee Scheme
EC	European Commission
EFS	Export Finance Scheme
EU	European Union
FFS	Falsification of Financial Statement
FSV	Forced Sale Value
GDP	Gross Domestic Product
IMF	International Monetary Fund
Kmaytee	Translation of ROSCA in to vernacular.
MGA	Mutual Guarantee Association
MGI	Mutual Guarantee Institution
NBP	National Bank of Pakistan
NPL	Non-Performing Loan
OECD	Organization for Economic Cooperation and Development
PLS	Profit and Loss Sharing
PPP	Purchasing Power Parity
QR	Quarterly Review by State Bank of Pakistan
ROSCA	Rotating Savings and Credit Association
SBP	State Bank of Pakistan
SME	Small and Medium Enterprise
SMEDA	Small and Medium Enterprise Development Authority
WB	World Bank

CHAPTER ONE

INTRODUCTION

1.1 Motivation for the Study

The strength of a country, its stature among the community of nations and the quality of life of its citizens, depend in no small measure upon the prosperity of its middle class. Historically, the industriousness of a well-led nation, when coupled with a high productivity, has enabled it to successfully weather many a crisis (Kennedy, 1987). A reliable metric of the productivity of a society and consequently its robustness and its stature, is the strength of its middle class. The strength of its SME sector in turn, is a measure of this (International Monetary Fund [IMF], 2013). A strong, healthy and flourishing SME sector means a strong, healthy and flourishing nation (European Commission [EC], 2012; Small Business Administration [SBA], 2012; Garelli, 2012). SMEs play a crucial role in the Gross Domestic Product (GDP), economic development and employment creation in emerging and in developed economies (Lukács, 2005). They provide a wide spectrum of work openings and play a vital part in decreasing poverty. With a business-savvy ownership, SMEs have a propensity for growth (Ryan, 2009).

SMEs are business enterprises and need finance for gestation, maintenance and for growth. Banks do not favour SMEs as business partners because the latter often cannot provide the collateral or guarantees required for formal financing. Globally, SMEs are known to be financially stressed and a majority of the start-ups are said to fail within their first five years. In Pakistan, a source of finance that does not require material collateral or guarantees is the ROSCA. ROSCAs rely on a member's social

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Appendix A
SME FINANCING NEEDS

Demographic Information

1. Your name.
2. The name of your business.
3. Are you the founder of this business?
a. Yes. b. No.
4. Your age.
5. The highest level of your education.
a. Middle or less. b. High. c. Intermediate. d. Graduate. e. Specify.
6. Indicate the segment in which your firm operates e.g. textile, garments, machinery, import, etc.

Business background

7. Indicate how long your firm has been in business.
a. Less than 5 years b. 5-10 years c. 11-15 years d. More than 15 years e. Specify._____.
8. Specify the form of ownership of your business.
a. Sole proprietorship. b. Partnership. c. Family business. d. Specify_____. e. Limited Liability Company.
9. State the number of persons working in your business when it started, full time or part time.
a. 1-3. b. 4-6. c. 7-9. d. 10-49. e. Specify._____
10. State the number of persons your business currently employs, full time or part time.
a. 1-3. b. 4-6. c. 7-9. d. 10-49. e. Specify._____
11. Indicate whether your cost of operation has decreased, remained unchanged or increased over the past five years.
a. Substantially increased. b. Increased. c. Remained unchanged. d. Decreased e. Substantially decreased.
12. As compared to five years ago, state how much your profits have changed.
a. Increased more than 20%. b. Increased, but less than 20%. c. No growth. d. Reduced by less than 20%. e. Reduced by more than 20%.
13. Over the last five years, state how much your firm has grown.
a. Grew more than 20%. b. Grew, less than 20%. c. No growth
d. Shrank a little. e. Shrank more than 20%
14. Indicate the change in your turnover over the last five years.
a. Increased more than 20%. b. Increased, but less than 20%. c. No change. d. Reduced by less than 20%. e. Reduced by more than 20%.
15. State the most pressing problem your firm is currently facing.
a. Customers b. Competition. c. Access to finance. d. Tax department
e. Load shedding.

Startup finance

16. Indicate your personal contribution to startup financing (percentage of total startup).
- a. 0-10. b. 10-25. c. 25-50. d. 50-75. e. 75-100.
17. Indicate family, relatives and friends' contribution to startup financing (percentage of total startup).
- a. 0-10. b. 10-25. c. 25-50. d. 50-75. e. 75-100.
18. Indicate Kmaytee contribution to startup financing (percentage of total startup).
- a. 0-10. b. 10-25. c. 25-50. d. 50-75. e. 75-100.
19. Indicate bank contribution to startup financing (percentage of total startup).
- a. 0-10. b. 10-25. c. 25-50. d. 50-75. e. 75-100.

Running finance

20. Indicate retained earnings contribution to running financing (percentage of total running).
- a. Below 10. b. 10-25. c. 25-50. d. 50-75. e. 75-100.
21. Indicate family, friends' contribution to running financing (percentage of total running).
- a. Below 10. b. 10-25. c. 25-50. d. 50-75. e. 75-100.
22. Indicate K'maytee contribution to running financing (percentage of total running).
- a. Below 10. b. 10-25. c. 25-50. d. 50-75. e. 75-100.
23. Indicate banks' contribution to running financing (percentage of total running).
- a. Below 10. b. 10-25. c. 25-50. d. 50-75. e. 75-100.

Bank loans

24. Have you applied for a bank loan within the last 12 months?
- a. Yes. No.
- If Yes, proceed to question number 35. If No, proceed to question number 34.
25. State the reasons for not applying for a bank loan.
- a. Possible rejection. b. Sufficient retained reserves. c. Bank loans involve Interest. d. Complicated documentation. e. Specify. _____.

Most recent bank loan

26. Did you obtain a loan within the last five years?
- Yes. No.
- If YES, answer the following question. If NO, proceed to question 28.
27. In terms of repayment period, the loan could be classed as
- a. Long term, longer than 12 months. b. Medium term, 7-12 months.
- c. Short term, 3-6 months. d. Overdraft. e. Specify.
28. If NO, why did you not obtain a loan within the last 12 months? Tick all that apply.
- a. I lacked the collateral. b. Documentation was difficult. c.

Unfavourable terms. d. I lacked the guarantee. e.

Specify _____.

29. Indicate the number of bank loans you have taken during the last 5 years.
a. None. b. One. c. Two. d. Five or less. e. Specify.
30. Indicate the use to which you put these loans. Select most significant answer.
a. Running expenses. b. Property. c. Growth. d. Premises improvement. e. Specify.
31. Indicate whether the availability of bank loans has decreased, remained unchanged or improved for your firm over the past 5 years.
a. Greatly improved. b. Improved. c. Remained unchanged. d. Decreased. e. Greatly decreased.
32. Indicate whether the general economic situation has improved, remained unchanged or deteriorated for business over the past 5 years.
a. Greatly improved. b. Improved. c. Remained unchanged. d. Deteriorated. e. Greatly deteriorated.
33. Indicate whether your firm-specific situation has improved, remained unchanged or deteriorated over the past 5 years.
a. Greatly improved. b. Improved. c. Remained unchanged. d. Deteriorated. e. Greatly deteriorated.
34. Indicate degree of your satisfaction with the convenience of bank loans.
a. Very satisfied. b. Satisfied. c. Somewhat satisfied. d. Unsatisfied. e. Very unsatisfied.

Experiences related to the most recent formal loan

35. The repayment period was equal to or less than, (months)
a. 6. b. 12. c. 18. d. 36. e. longer than 30 months.
36. The Interest rate of this loan was (percentage)
a. up to 15. b. up to 30. c. up to 40. d. 60. e. Other, specify _____.
37. The collateral posted was
a. Gold. b. Guarantee. c. Stock. d. Land. e. Specify _____.
38. The time taken between applying to the bank and the sanction was up to (months)
a. 1. b. 2. c. 3. d. 4. e. Specify _____.
39. Indicate the approximate size of loan, equal to or less than, (Rupees, lakhs).
a. 1. b. 5. c. 10. d. 20. e. Specify.

Finance, general

40. If you need external financing to realize your growth ambitions, state the type of financing would you prefer most.
a. Internal. b. Bank. c. Friends, relatives. d. Moneylender. e. K'maytee.

Appendix B
ROSCA (K'maytee) PENETRATION

K'maytee, general information

1. Are you a member or organizer of any K'maytee?
 Yes. No.
If Yes, proceed to next question. If No, quit.
2. The number of K'maytees that you are a member of, is
a. 1. b. 2. c. 3. d. 4. e. More, specify_____.
3. The number of defaults you personally encountered during the last 5 years is
a. 1. b. 2. c. 3. d. 4. e. Specify_____.
4. The number of defaults you have only heard of during the last 5 years, is
a. 1. b. 2. c. 3. d. 4. e. Specify_____.
5. What were the causes of the defaults? Click all that apply. Rank your answers
a. Death. b. Collapse of business. c. Mismanagement. d. Ill intent.
e. Bolee valee (Bidding type).

K'maytee Number 1

6. Indicate how you plan to spend this Pot.
a. Running expenses. b. Inventory. c. Growth. d. Merge pot with other pots to increase finances. e. Specify_____.
7. Indicate the number of members in K'maytee 1.
a. Up to 10. b. Up to 15. c. Up to 20. d. Up to 25. e. Specify_____.
8. What is the frequency of paying instalments in to K'maytee 1.
a. Daily. b. Weekly. c. Fortnightly. d. Monthly. e. specify_____.
9. Indicate the value of instalment in K'maytee 1 (Thousands of Rupees).
a. Up to 1. b. Up to 2. c. Up to 5. d. Up to 10. e. Specify_____.
10. What is the size of the "Pot" in K'maytee 1 (Rupees)?
a. Up to 20,000. b. Up to 50,000. c. Up to 1Lakh. d. Up to 5Lakh.
e. Specify_____.
11. What is the maximum number of subscribers for a position, in K'maytee 1?
a. 1. b. 2. c. 3. d. 4. e. Specify_____.
12. Indicate the duration (term, cycle, period) of K'maytee 1.
a. Weekly. b. Fortnightly. c. Monthly. d. 6-monthly. e. Specify_____.
13. Indicate where the draw takes place.
a. In President's office. b. In a bank. c. In any member's office. d. In a home. e. Specify_____.
14. Where does payment of subscription for K'maytee 1 takes place?
a. In President's office. b. In a bank. c. In any member's office. d. In a home. e. Specify_____.

15. Where do payments of Pot for K'maytee 1 take place?
 a. In President's office. b. In a bank. c. In any member's office. d. In a home. e. Specify_____.
16. In K'maytee 1, members' presence at draw is considered essential.
 Yes. No.
17. Indicate which type K'maytee 1 is.
 a. Random. b. Bidding. c. Need. d. In a home. e. Specify_____.
18. What is the basis for selecting members for K'maytee?
 a. Guild. b. Locality. c. Clan. d. Referral. e. Specify_____.

K'maytee Number 2

19. Indicate how you plan to spend this Pot.
 a. Running expenses. b. Inventory. c. Growth. d. Merge pot with other pots to increase finances. e. Specify_____.
20. Indicate the number of members in K'maytee 2.
 a. Up to 10. b. Up to 15. c. Up to 20. d. Up to 25. e. Specify_____.
21. What is the frequency of paying instalments in to K'maytee 2?
 a. Daily. b. Weekly. c. Fortnightly. d. Monthly. e. Specify_____.
22. Indicate the amount of instalment in K'maytee 2 (Thousands of Rupees).
 a. Up to 1. b. Up to 2. c. Up to 4. d. Up to 10. e. Specify_____.
23. What is the size of the "Pot" in K'maytee 2 (Rupees)?
 a. Up to 20,000. b. Up to 50,000. c. Up to 1Lakh. d. Up to 5Lakh. e. Specify_____.
24. What is the number of subscribers for a position, in K'maytee 2?
 a. 1. b. 2. c. 3. d. 4. e. Specify_____.
25. Indicate the duration (term, cycle, period) of K'maytee 2?
 a. Weekly. b. Fortnightly. c. Monthly. d. 6-monthly. e. Specify_____.
26. Indicate where the draw takes place.
 a. In President's office. b. In a bank. c. In any member's office. d. In a home. e. Specify_____.
27. Where do payments of subscription for K'maytee 2 take place?
 a. In President's office. b. In a bank. c. In any member's office. d. In a home. e. Specify_____.
28. Where does payment of Pot for K'maytee 2 take place?
 a. In President's office. b. In a bank. c. In any member's office. d. In a home. e. Specify_____.
29. In K'maytee 2, members' presence at draw is considered essential.
 Yes No.
30. Indicate which type K'maytee 2 is.
 a. Random. b. Bidding. c. Need. d. Decision. e. Specify_____.

31. What is the basis for selecting members for K'maytee 2?
a. Guild. b. Locality. c. Clan. d. Referral. e. Specify_____.

K'maytee Number 3

32. Indicate how you plan to spend this Pot.
a. Running expenses. b. Inventory. c. Growth. d. Merge pot with other pots to increase finances. e. Specify.
33. Indicate the number of members in K'maytee 3.
a. Up to 10. b. Up to 15. c. Up to 20. d. Up to 25. e. Specify_____.
34. What is the frequency of paying instalments in to K'maytee 3?
a. Daily. b. Weekly. c. Fortnightly. d. Monthly. e. specify_____.
35. What is the amount of instalment in K'maytee 3 (Thousands of Rupees)?
a. Up to 1. b. Up to 2. c. Up to 4. d. Up to 10. e. Specify_____.
36. What is the size of the "Pot" in K'maytee 3 (Rupees)?
a. Up to 20,000. b. Up to 50,000. c. Up to 1Lakh. d. Up to 5Lakh. e. Specify_____.
37. What is the number of subscribers for a position, in K'maytee 3?
a. 1. b. 2. c. 3. d. 4. e. Specify_____.
38. Indicate the duration (term, cycle, period) of K'maytee 3?
a. Weekly. b. Fortnightly. c. Monthly. d. 6-monthly. e. Specify_____.
39. Indicate where the draw takes place.
a. In President's office. b. In a bank. c. In any member's office. d. In a home. e. Specify_____.
40. Where do payments of subscription for K'maytee 3 take place?
a. In President's office. b. In a bank. c. In any member's office. d. In a home. e. Specify_____.
41. Where do payments of Pot for K'maytee 3 take place?
a. In President's office. b. In a bank. c. In any member's office. d. In a home. e. Specify_____.
42. In K'maytee 3, members' presence at draw is considered essential.
 Yes. No.
43. Indicate which type K'maytee 3 is.
a. Random. b. Bidding. c. Need. d. Decision. e. Specify_____.
44. What is the basis for selecting members for K'maytee 4?
a. Guild. b. Locality. c. Clan. d. Referral. e. Specify_____.

K'maytee Number 4

45. Indicate how you plan to spend this Pot.
a. Running expenses. b. Inventory. c. Growth. d. Merge pot with other pots to increase finances. e. Specify_____.

46. Indicate the number of members in K'maytee 4.
 a. Up to 10. b. Up to 15. c. Up to 20. d. Up to 25. e. Specify_____.
47. What the frequency of paying instalments in to K'maytee 4?
 a. Daily. b. Weekly. c. Fortnightly. d. Monthly. e. Specify_____.
48. What is the amount of instalment in K'maytee 4 (Thousands of Rupees)?
 a. Up to 1. b. Up to 2. c. Up to 4. d. Up to 10. e. Specify_____.
49. What is the size of the "Pot" in K'maytee 4 (Rupees)?
 a. Up to 20,000. b. Up to 50,000. c. Up to 1Lakh. d. Up to 5Lakh. e. Specify_____.
50. What is the number of subscribers for a position, in K'maytee 4?
 a. 1. b. 2. c. 3. d. 4. e. Specify_____.
51. Indicate the duration (term, cycle, period) of K'maytee 4.
 a. Weekly. b. Fortnightly. c. Monthly. d. 6-monthly. e. Specify_____.
52. Where does the draw take place?
 a. In President's office. b. In a bank. c. In any member's office. d. In a home. e. Specify_____.
53. Where do payments of subscription for K'maytee 4 take place?
 a. In President's office. b. In a bank. c. In any member's office. d. In a home. e. Specify_____.
54. Where do payments of Pot for K'maytee 4 take place?
 a. In President's office. b. In a bank. c. In any member's office. d. In a home. e. Specify_____.
55. In K'maytee 4, members' presence at draw is considered essential.
. Yes. . No.
56. Indicate which type K'maytee 4 is.
 a. Random. b. Bidding. c. Need. d. Decision. e. Specify_____.
57. What is the basis for selecting members for K'maytee 4?
 a. Guild. b. Locality. c. Clan. d. Referral. e. Specify_____.

Your opinions about financing through Kmaytees

58. The size of a Pot is sufficient to fulfil my need for running finance.
 a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
59. The size of a Pot is sufficient to fulfil my financial needs for business growth.
 a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
60. Enough Pots (K'maytee) are available to be added together to make a useful amount.
 a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.

61. Time of winning the Pot may not coincide with time of my need for finance.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
62. K'maytees are reliable as they cannot be demolished by a single default.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
63. Fraud by the K'maytee organizer is a strong possibility.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
64. Mismanagement by the K'maytee organizer is a strong possibility.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
65. Peer pressure is sufficient to prevent default.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
66. Peer pressure is not sufficient to prevent default. Formal, legal support is necessary.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
67. Sponsorship of an Interest-free K'maytee by a bank can greatly help reduce risk of default.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
68. K'maytees are simpler than bank loans as documentation is not involved.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
69. Unforeseen delay in paying subscription does not attract penalty.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
70. Collateral is not required and social capital is enough for participation.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
71. If the length of a K'maytee cycle is equal to that of a bank loan, K'maytee financing is less expensive than an equal bank loan.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
72. If the length of a K'maytee cycle is equal to that of a bank loan, K'maytee financing is more convenient than an equal bank loan.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
73. In a bidding K'maytee, the bid amounts help reduce cost of financing.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
74. K'maytees help increase social capital of participants.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.

75. K'maytees encourage group interaction, involvement and participation.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
76. The determinants of a K'maytee can be tailored to meet the needs of the group.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
77. In bidding K'maytee, the organizer has to bid for his turn.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
78. In any K'maytee, the organizer always gets the first Pot.
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.
79. I am satisfied with the ease of obtaining running finance through K'maytee
a. Strongly agree. b. Agree. c. Neutral. d. Disagree. e. Strongly disagree.



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Appendix C
BANKS' PERSPECTIVE OF SME FINANCING

Section A General Information

	Year-end				
	'13	'12	'11	'10	'09
Total number of commercial accounts					
Total numbers of fresh loans					
Total amount of fresh loans					
Total amount outstanding, 31 Dec.					
numbers of Non-Performing Loans (NPLs), 31 Dec.					

Section B Class of Depositors

Number of accounts by class of depositors

Up to 100,000
 100,000 - 1,000,000
 1,000,000 - 10,000,000

Deposits made by class of depositors

Up to 100,000
 100,001 - 1,000,000
 1,000,001 - 10,000,000

Loans made to class of depositors

Up to 100,000
 100,001 - 1,000,000
 1,000,001 - 10,000,000

Loans as % of class deposits

Up to 100,000
 100,001 - 1,000,000
 1,000,001 - 10,000,000

Loans to class as % of total loan portfolio

Up to 100,000
 100,001 - 1,000,000
 1,000,001 - 10,000,000

Section C Details of Types of Loans

Short-term Loans

Period of loan, (months)
 Number of Instalments
 Rate of Interest, (%)
 Period between Application - Approval, (months)
 numbers approved between 01 Jan – 31 Dec '13

Medium-term Loans

Period of loan

Number of Instalments

Number of Instalments

Period between Application and Approval

numbers approved between 01 Jan – 31 Dec '13

Long-term Loans

Period of loan

Number of Instalments

Rate of Interest

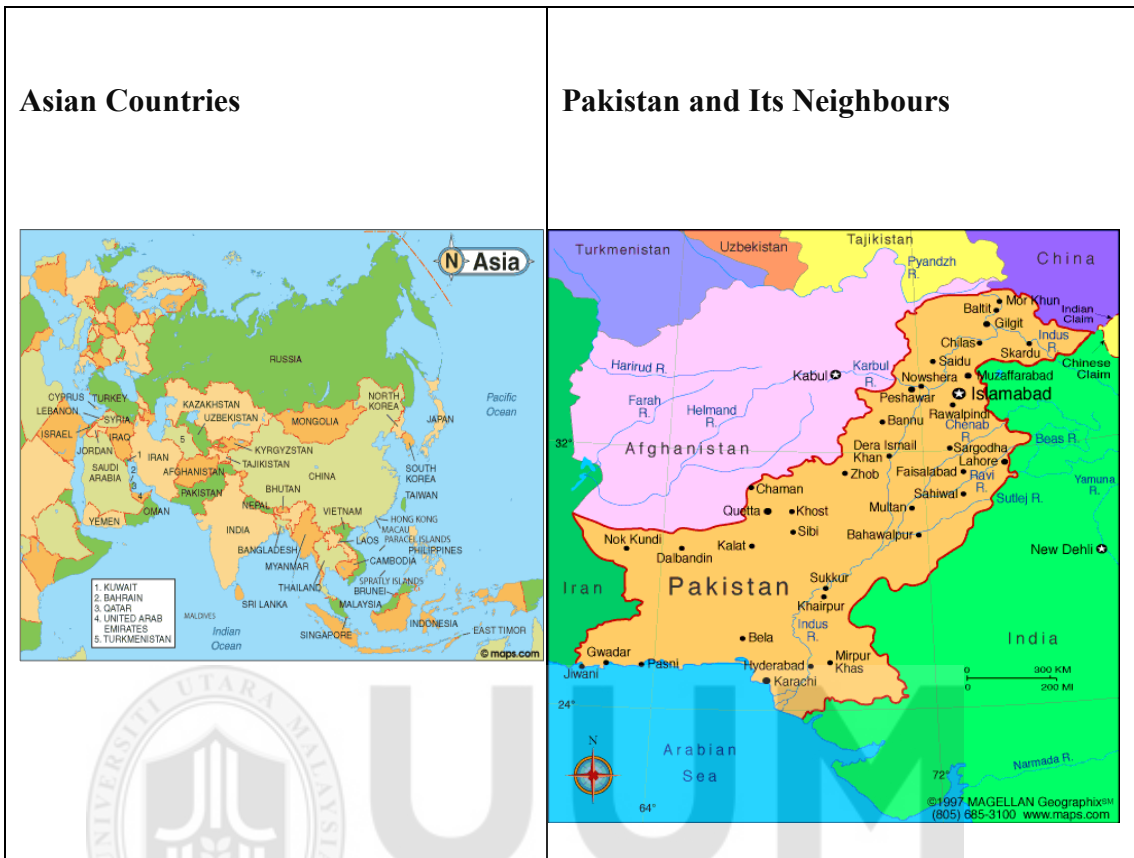
Period between Application and Approval

numbers approved between 01 Jan – 31 Dec '13



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Appendix D Maps of Pakistan



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Appendix E Interviews, coded

Table G.1
Categories of segments

No.	Codes	Segments	Total	Page
1	Relationship with banks	1 – 17	17	1
2	ROSCA organization	18 – 27	10	11
3	ROSCA management	28 – 41	14	16
4	Defaults	42 – 51	10	21
5	Advantages of ROSCAs	52 – 63	12	26
6	Weaknesses of ROSCAs	64 – 71	8	33
7	Important weaknesses of ROSCAs	72 – 78	7	37
8	Recommended reforms	79 – 89	11	40
Total			89	

Emerging Themes

Table G2
Themes that emerged from interviews and related codes

No.	Themes	Categories							
		1	2	3	4	5	6	7	8
1	Defaults		X	X	X		X	X	X
2	Dishonoured cheques	X			X		X	X	X
3	Legality of ROSCAs				X		X		
4	Timing of winning the Pot						X		
5	Depletion of working capital						X		
6	ROSCA membership by non-property owners				X		X		
7	Recommended Reforms	X	X	X	X	X	X	X	X

Table G.3
Relationship of codes to Research Questions

No.	Codes	Research Question		
		1	2	3
1	Relationship with banks	X		X
2	ROSCA organization	X		
3	ROSCA management		X	X
4	Defaults	X	X	X
5	Advantages of ROSCAs			X
6	Weaknesses of ROSCAs		X	X
7	Important weaknesses of ROSCAs		X	X
8	Recommended reforms			X

1. Relationship with banks

1. The volume of loans to SMEs is small. Is it so because banks hesitate to give loans to SMEs or is it because SMEs do not wish to deal with Interest, or both?

1. Banks hesitate to give loans to small traders. Secondly, many small traders prefer not to take loan from banks because of Interest.
 2. Banks require a lot of information before they can extend loans. The registration documents of houses, shops and businesses have to be deposited with the banks. Additionally, banks require some “commission” and they make us run about. Secondly our people do not want to pay Interest to banks. The business that takes money from banks does not prosper.
 3. Small traders lack the collateral which banks demand. Banks do not take Interest in the small traders. Interest is another factor. Traders who dislike Interest do not go to banks at all for financing.
 4. Banks hesitate to give loans to small traders. Secondly, many small traders prefer not to take loan from banks because of Interest.
 5. Small traders wish to avoid getting involved in Interest-bearing financing. In case of a bank loan, if they obtain a loan of Rs100, they have to return approximately Rs180 finally. Bank instalments are not easy. Banks also want to deal only with those people who can give full guarantees and from whom making recoveries is easy.
 6. People have the impression that whatever comes from a bank is based on Interest. Interest is abhorred by the traders. As a result they use banks only for safekeeping their money in Current accounts and as an intermediary for inter-city transfer of funds. For their own reasons, banks prefer to deal with much larger clients.
 7. I think the banks want to finance small traders but the traders do not wish to get involved in bank financing. The important reason is the presence of Interest in bank financing. Also, bank documentation is considered complicated by the traders. Many of them are unable to read and understand English. Banks’ demand for collateral or guarantee is also an obstacle in the way of traders obtaining bank loans.
 8. There are two aspects to this. Firstly banks require collateral against the finances they are going to loan. This may be a house, a shop, or some other property. A small trader, being small, lacks the resources. He may be working out of a rented shop and maybe living in a rented house. He might not have any property of his own that can be accepted for mortgage by the bank. The bank will not issue him any loan. On the other hand there is the question of markup. Small traders cannot handle markup and so avoid approaching banks for financing.
-

1. Relationship with banks

2. To what extent do banks maintain the confidentiality of accounts?

1. Banks do maintain confidentiality but share confidential customer data with government departments. Banks provide client information to government departments if the latter asked for it.
 2. There are some corrupt employees of some banks who were afflicted with evil desire such as gambling or matches, or going outside. When they are transferred from the branch, they inform the Income Tax department about the details of the transactions of some traders. Because of that there are some problems. FBR people make inquiries from the affected traders about the transactions. Otherwise there are no problems.
 3. Banks do not maintain confidentiality at all. In Pakistan relationships matter a lot. I have close working relationship with the officers in my bank branch. If I show them a cheque made out by an account holder in that branch, they will tell me how much balance the person has in his account, whether or not the cheque can be cashed and if not, how much money will be needed to be transferred into his account to enable the cheque to be cashed. I'm not talking of the National Bank only. I'm talking of all banks.
 4. Banks used to maintain confidentiality of account holders. Due to new State Bank of Pakistan regulations, banks are now bound to provide details of bank account holders' transactions to FBR. Because of this, the confidentiality of account holders' transactions is not maintained by banks.
 5. Banks do not maintain confidentiality at all. According to the rules, any government department can obtain the details of all the account's transactions from banks. The situation is so bad that if any person has good relationship with the bank officers, they can obtain all the details of the account transactions. There is no confidentiality.
 6. There is no confidentiality regarding bank accounts. If you know a bank officer well enough, you can find out all the details about any account in that branch.
 7. There is no confidentiality in bank accounts at all.
 8. In this market the banks claim to preserve 100% confidentiality of the account holder. However, the government has access to all accounts whenever they want. I think there is no confidentiality at all in banks.
-

1. Relationship with banks

3. How much time elapses between applying for and obtaining a bank loan?

1. If the client applies for a bank loan, considerable documentation is required. It might take approximately 3 to 6 months to complete the documentation and to obtain the loan, if it is sanctioned. If small traders obtain bank loans, it ordinarily causes only problems because the markup on Interest rate is considerable. This markup can reach 20 to 20% per annum.
2. Sometimes it takes a year and sometimes eight months to research the application of the traders, saying that your application has been forwarded. If it is approved we will give you the loan. People become fed up and abandon the application.
3. It takes a minimum of between 3 to 4 months between applying for loan and

- obtaining it.
4. Did not offer an opinion.
 5. Time taken for an application for bank loan to be sanctioned depends upon the skill of the applicant. Experienced traders who have good relations with the bank manager may obtain a loan within two months. In case of others it can be much longer.
 6. The time between applying for and obtaining a loan depends upon the skill of the account holder.
 7. I have never obtained a bank loan and have no experience.
 8. I do not know.
-

1. Relationship with banks

4. What advantages do small traders obtain when getting loans from banks?

1. Did not offer an opinion.
 2. Traders obtain no advantage at all from getting bank loans.
 3. If the bank loan is used correctly then it definitely helps in the business. If you ignore the aspect of Interest for the moment, if he invests the bank loan in his business in the form of running finance his cash flow improves and his buying is stronger, his products are stronger, his purchases improve. His profits improve.
 4. Traders obtain bank loans to expand their trade or increase their trade. There is no other advantage in obtaining bank loans.
 5. Small traders are in great need of financing. Their businesses default mainly because of lack of access to finance. They are in very great need of financing. Banks must launch schemes to provide small business persons easy access to finance.
 6. A qualified applicant may obtain a bank loan within say two or three months. This is quite unlike what happens in random ROSCAs. In a random ROSCA a member may have to wait until the last pot.
 7. I think the only advantage businessmen have in obtaining bank loans is that they can predict how much time will elapse between applying and obtaining it. In case of a random ROSCA, the timing of obtaining the pot cannot be guaranteed.
 8. They can get the loan without other traders coming to know about it.
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1. Relationship with banks

5. What are the difficulties small traders experience in obtaining bank loans?

1. Small traders have many difficulties in obtaining bank loans. The essential documentation is considerable. Additionally if you offer any property registration has to be submitted. Bank transfers the property to their own name.
2. Traders do not have disposable funds. Banks require collateral. If the trader requires a loan of Rs10 lakhs he will need to mortgage property worth at least 30 lakhs to the bank. People do not like to obtain loan from them and so they do not take them. Banks also require a lot of guarantee. They require that two friends or neighbors provide guarantee for the loan. Traders decline this condition because confidentiality is breached and the neighbors come to find out that he is applying for so much loan. To save their honor and maintain secrecy the trader will not go to a bank
3. Small traders lack the property which they can mortgage to the bank. The value

of the property is insufficient to meet bank's needs. Being a small trader he has to encounter the problems of documentation. He has the same problems of collateral. Either he has a shop which he has taken on goodwill or it has been rented. Even if the property is his own, he has difficulty getting the loans. Surveyors are unable to access the value of the property correctly. In places like Azam Market he will not obtain the loan that he needs.

4. Did not offer an opinion.
 5. Providing documents is a problem. Small traders are usually not so literate that they can read and understand the banks' loan agreement. Banks' agreements are very strong and complicated. For this reason small traders do not get involved with banks.
 6. Small traders, most of whom are not literate, have difficulty meeting the banks' requirements of documentation. Banks also demand a guarantee or the ownership documents for some property that may be used as collateral.
 7. The requirements for collateral or a guarantee, involvement of Interest and documentation are the main difficulties small traders do not access banks.
 8. The difficulties small traders had been getting bank loans are arranging the collateral or the guarantee, and rebuilding the property documents and understanding the loan documentation.
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1. Relationship with banks

6. What are the disadvantages small traders have in obtaining bank loans?

1. Additionally, if small traders obtain bank loans, they can be victims of bankruptcy because of the high Interest rate.
2. In my experience, if a trader takes loan from a bank, his business will never prosper. A friend of mine took a bank loan. His home and his shop were repossessed and sold by the bank. There is still a loan outstanding against his name. He mortgaged his house and it took a loan of Rs80 lakhs. He had to pay back a sum of Rs1 crore and 30 lakhs. He has become a defaulter. We all believe that we must never take a loan from a bank. Bank loans only cause problems and are never useful. Business cannot be completed properly. The Interest rate is so high that business cannot function. In our market the profit margin in wholesale transactions is very small and businesses cannot survive the high Interest rate.
3. Among the disadvantages small traders encounter in using bank loans is the rate of Interest. Secondly he cannot manage it properly. Normally, the trader does not take a loan from a bank to run his business. He takes the loan to meet some necessities. He does not use the loan to finance his business. As a result he is not in a position to pay the instalments of the Interest. The result is that after some time he defaults.
4. If after obtaining bank loans, the borrower's business does not do well, he has the burden of Interest. This increases to the extent that the borrower has difficulty in paying it.
5. The disadvantage of dealing with banks is that the traders' property gets pledged with the bank. If they ever default, the bank does not deal with them humanely. In order to further damage the defaulter, the bank occupies the pledged property and does not allow the owner to use it.
6. In obtaining financing, traders have to deal with Interest. This is effectively

higher than the declared or announced value. In case off a delay in paying instalments additional charges are imposed. In case of a default, the property is repossessed and auctioned.

7. In order to obtain loans, traders have to pledge property as collateral. They also have to pay a substantial Interest. In case of delay in payment of the subscription, a higher rate of Interest and surcharges are imposed. In case of a default, the property is repossessed and auctioned.
 8. The involvement of Interest and the paying of the instalments to the bank, the threat of default, the repossession of the property and its auctioning are the major disadvantages of obtaining a bank loan.
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1. Relationship with banks

7. Why do some traders maintain Current while others maintain Savings accounts?

1. Some traders maintain Current Accounts while others operate Savings Accounts. I personally feel that most accounts are Savings while business accounts are Current. Current accounts are easy to operate and have fewer restrictions applied upon them. Secondly, they do not have any Interest involved. Traders ordinarily use more CD accounts.
2. The banks that operate in our Azam Cloth Market work on Current Account. Very few traders maintain Savings Accounts. Current accounts generate profit for the banks. In our Azam Market the banks earn handsome profit due to current accounts. Our people do not have any share in the profits made by current account. They say that even if their funds lie in the banks for even six months, they will not take any profit from them. Banks are profitable in our Azam Market. Those of our colleagues who believe in religion say that their ancestors had not taken Interest from banks and they will not do it. But the new generation who has been educated, advise their fathers that they do not know how much profit their money can earn in a bank. Recently, a friend of mine deposited Rs50 Mn in KSB bank. The bank has defaulted, KSB bank. He is extremely worried. He kept the money in the bank thinking that he would get nine point some per cent profit. He had thought that he would earn Rs500,000 every month from bank Interest. There are very few people, 3% to 5% of the traders in Azam Cloth Market who go to banks and query about theirpercentage rate. Otherwise the rest say No.
3. There are two reasons why traders deposit their money in Current accounts. One is that Interest is not added into their deposits. The second is that at the end of the year Zakat is not deducted from their Current accounts. There are some minor tax issues also. The return obtained on Savings deposits is very low and dividend obtained is deducted by the tax authorities. Thirdly, withdrawing a large amount of money requires some notice to be given to the bank. This is a hassle.
4. Mostly, all traders maintain Current accounts. It is easy to draw money or cash a cheque from a Current account. Savings accounts have some conditions attached about how much money can be withdrawn and some notice of withdrawal.
5. Current accounts are easy to operate. No deduction on account of Zakat is made at the end of the year. They are free from Interest.
6. If traders deposit their finance his in a Current account, they are going having to

suffer any Zakat deduction. Additionally, earning on the account of Interest is not added into their funds.

7. Current accounts are easier to manage. No Zakat deduction is made at the end of the Islamic year.
 8. Current account is easy to operate. No deduction on account of Zakat is made from it.
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1. Relationship with banks

8. What information do banks obtain about the loan applicants before sanctioning?

1. Before giving any loans, the banks want to know how long the trader has been in business, their financial status, and your reputation and public relation in the market.
 2. The banks determine the market reputation of the party. Has he being a defaulter previously? What sort of business he has? Has he obtained a loan from another bank? They also query about him from his neighbours. There is no confidentiality. The applicant wants to take a loan to overcome his helplessness and to save his honor, but his honor is auctioned in the open public. Other people also find out that he has obtained a loan from a bank. He cannot escape.
 3. Most of the loans given by banks are based on “relationship lending” method.
 4. Banks cheque the reputation of the applicant. Is his business functioning correctly? Is it likely that he will run away with the banks finances? They inquire about his security. Does he exist in the market and does he carry a good reputation?
 5. Bank carries out a survey on its own. It examines their turnover. It cheques the documents of their guarantees and whatever they had pledged. There is a problem here. If the value of the guarantee is 100, the bank will give a loan only of 25% of the value.
 6. Banks try to determine the person’s net worth, his cash flow, whether or not he is the owner of any property, etc.
 7. Banks cheque the period for which the applicant has been in business, his cash flow and ownership documents of the collateral.
 8. Before giving loan to an applicant, the banks want to know his reputation in the market, his cash flow, and the correctness of his property documents.
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1. Relationship with banks

9. What type of traders do banks avoid giving loans to?

1. Banks avoid giving loans to traders whose financial situation is weak or those who have defaulted earlier.
2. The person who does not own a shop, whose trade relations are not satisfactory, the person who does not own his property, are not given any loan by the bank irrespective of his deposit in the bank. His reputation in the marketplace is also seen. Does he pay his dues in time, have his cheques bounced? People like this are not given loans by the bank.
3. Bankers avoid giving loans to traders with whom they do not have excellent relationships. The ordinary person.
4. Banks hesitate to extend loans to traders who do not have enough transactions in

their accounts, whose deposits are considered low and their reputation and worth in the market are not high.

5. Banks do not wish to give loans to small traders or retailers. This is because the entire system of retail trade runs on credit that they have given to parties in the background. The guarantees the bank demands from such people are more solid than solid.
 6. Traders who defaulted on an earlier bank loan, whose inventory, cash flow etc. are less than required by the banks or those who provide a suitable guarantee for collateral are denied financing.
 7. Banks are wary of traders were just started business, whose cash flow is unsteady poor who had a poor track record of earlier bank loans.
 8. Banks avoid giving loans to traders who have a history of earlier defaults, whose cash flow is less than what the bank expects, or who do not have ownership of some property.
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1. Relationship with banks

10. What sort of guarantee is demanded from them before loan approval?

1. Before approving a loan, banks demand the Registration documents of the business or their house or any other property. Sometimes they also ask for a personal guarantee.
 2. Bank guarantees are very solid and such people cannot fulfil them. There are four head offices of a bank which must approve the loan application. Even if the applicant has good social relations with the bank manager he will not be able to obtain the loan. The inventory in the shop is valued and the value of his business is appraised. If his shop is worth Rs20 Million, even obtained the loan of only Rs4 Mn or Rs5 Million. He will still not get the full worth. The DC (Deputy Commissioner) rate in the bazaar is Rs2.7 Mn per marla, whereas the actual rate is much more than this. Banks consider the DC rate only. If the business is worth more than this, the bank will give him a loan of may be Rs3 Million. He has to make do with whatever he gets.
 3. Collateral in the form of property is demanded by the banks.
 4. It normally the banks tried that the applicant should pledge either his shop or his house. Because if he is working out of a rented shop is not possible to determine when he will leave it and abscond with the money. For their security, banks demand a shop or his house. If the applicant does not own his own shop, banks see his turnover or cash flow.
 5. Banks sometime ask for personal guarantee. Sometimes they ask for collateral whose value is higher than that they would pass from account holders with a good track record.
 6. The guarantees usually demanded are the property documents, gold, etc.
 7. Applicants are required to offer property as collateral.
 8. Traders must provide proof of ownership of some property that is going to be pledged.
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1. Relationship with banks

11. What sort of conditions are imposed upon them, like higher Interest rate etc.?

1. Interest is demanded for the loans the banks give. Sometimes the rate of Interest can be quite considerable. Interest in range anywhere from 18 to 25%.
 2. Look! No one gives guarantee for anyone else. No one is prepared to give a guarantee to the bank for another person. They say brother what use is it for me to enter this matter, if tomorrow you do not pay the bank, I will be trapped. The rate of Interest is very high. People cannot afford it. Some of our shopkeepers have deposited money in the bank and received 7 to 8 Interest. When they go to them for the loan they are charged 18%. Banks also incurred large expenditure to operate. The branches that operate pay a rent of around Rs400,000-Rs500,000 a month. The salaries of the staff may be 800,000 Rs1 Mn per month. If a branch costs the bank Rs20 Mn annually to operate, where will they get this much money? They will have to make it up from these payments.
 3. Did not offer an opinion.
 4. Did not offer an opinion.
 5. The bank may also impose a higher rate of Interest upon them.
 6. In case the collateral is slightly less than what the bank demands, a higher Interest rate is imposed.
 7. Applicants, whose cash flow is somewhat unsteady but offered ample collateral, are expected to pay a higher rate of Interest.
 8. In case the trader does not have sufficient cash flow and ownership of property, but has one only the banks can impose a higher rate of Interest.
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1. Relationship with banks

12. What action does the bank take in case of a default by a small trader?

1. In case of default by a small trader, his property can be repossessed by the bank. The bank recovers their loan by selling his repossessed property at a very low Forced Sale Value. The small trader suffers considerably lost due to this and can be disturbed for the rest of his life.
2. In case of a default, the bank will seal and auction his shop or his house or any other property whose registry is available with the banks. They are ordered and they have the decree. In this Azam Cloth Market, during the previous 10 years, there has been no case of repossession or auctioning of any property, alhamdulillah. We keep briefing our traders not to take any loan from any bank. Ask for a loan from a friend but never get a loan from a bank.
3. If a small trader defaults, banks will climb upon him. He is small, and is scared very quickly. Recovery is quickly made from him. They threaten to seal his shop, ruin his reputation in the market and place posters in the market place about his default. The small trader is already half dead. He agrees to sell his assets to pay the loan. He is pressurized so much that he can even consider closing his business. He is immensely tortured mentally.
4. If the trader defaults on the payment of his loans, the bank forfeits the property.
5. In case of a default the, the bank takes the small traders to banking court immediately. Instead of using a middleman who will help negotiate the case with the bank out of court, so that the recovery is made easy, the bank wants to go to the court immediately. The bank wants to occupy the pledged property for

itself. It does not give them a chance whereas the defendant should be given an opportunity.

6. In case of a default by a small trader, his property that was pledged to the bank as collateral is repossessed and auctioned.
 7. In case of a default by a small trader, the bank take these matter to a banking court and tries to auction the pledged property.
 8. In case of a default by a small trader, the banks tried to occupy the property and auctioned so that they can recover what the trader owes to them.
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1. Relationship with banks

13. What action is taken by the bank in case a small trader delays paying instalments?

1. In addition, bank can levy punitive charges and Risk Premium in case of delay in paying instalments.
 2. In case of delay in paying instalments to the bank, the bank imposes a higher Interest rate. Additional charges are also levied on the person.
 3. Did not offer an opinion.
 4. If the trader delays in payment the instalments, the bank first warns him. After that the bank pressurizes him to pay the instalments. Sometimes they can even logical case with the police. Usually the traders paying instalments.
 5. The bank has already made provisions in the agreement that if the installment is not such and such date, additional compounded Interest will be levied upon the borrower. In its own place, the bank is 102% totally safe.
 6. A delay in paying instalments attracts a higher Interest rate. Other hidden charges may also be imposed.
 7. A delay in payment of the installment attracts a higher Interest rate and additional charges.
 8. In case of a delay, banks impose a higher rate of Interest and additional charges.
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1. Relationship with banks

14. When do banks demand post-dated cheques from small traders?

1. In order to assure payment of instalments, banks sometime demand post-dated cheques. These cheques have a legal position. Banks secure their position by these cheques.
 2. In case the bank feels that the trader is likely to miss paying instalments, they demand post-dated cheques from him. This gives them additional legal leverage to force him to pay in time.
 3. According to my experience, banks do not ask for post-dated cheques for running financing. They demanded only for term loans.
 4. Normally, banks do not believe in post-dated cheques because cheques mean very little in our society.
 5. Banks demand post-dated cheques for term loans only.
 6. Did not offer an opinion.
 7. Banks do not demand post-dated cheques in every case.
 8. I am not sure about this.
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1. Relationship with banks

15. What type and value of collateral is demanded by the banks?

1. Banks demand valuable property as collateral. Banks give loans up to about 25-30% of the market value of this property. 75% of the value of the property is retained as security.
 2. Banks demand as collateral property whose value is at least 3 to 4 times that of the loan that is asked.
 3. Did not offer an opinion.
 4. Banks give up to 60% of the value of the property that is being pledged for loan.
 5. If you need an investment of Rs1 Million, 5 Million, 10 Mn from a bank, you will have to offer collateral worth Rs30 Million. Only then the bank will take Interest. In exchange, the bank will pay you a meagre amount. It does not give you any facility whatsoever.
 6. The collateral the banks demand is supposed to have a present market value that is at least four times the amount of loan asked for.
 7. The collateral usually demanded is property whose value is at least three times that of the amount of loan being asked.
 8. The collateral must be commercial or residential property whose value is 3 to 4 times greater than that of the loan ask for.
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1. Relationship with banks

16. To what extent is the recovery of funds possible if a cheque is dishonoured?

1. If a cheque given to us by an individual or a trader becomes dishonoured, we usually do not receive any cooperation from the police or the bank. Dishonoured cheques are a serious problem for trade.
2. Up to 200 or 300 dishonoured cheques each are lying in many shops. Every person has up to 100 cheques with him. Some of them belong to traders from of Afghanistan, Jalalabad and Kandahar. Traders from these places have come here, giving cheques. Restrictions have been placed on their coming to Pakistan. People are very worried, trade involving cheques has flopped. A cheque is a fraud, it is a deceit. Just like a credit card was a deceit. Earlier, if someone had Rs500 in his pocket he would spend Rs300 only. Ever since credit cards have started people have started uncontrolled purchasing and the end has been a disaster. People have defaulted and there have been fights in households. Now the problem is that many people have numerous dishonoured cheques that cannot be cashed. Registering a case against somebody and getting him inside. Recently one of our shopkeepers has gone in. Today it is six months since he was arrested. He issued cheques worth Rs55 Million. He cannot pay off. It is five months since he is in Camp Jail. He was a very good party. Everybody here trades in credit. We trust and take a cheque. What is a cheque? Recovery is very difficult. If a criminal spends six months in jail, the courts let him out on bail. There is no law. The other man says that if you demand Rs60 Mn from me, I will spend six months in jail and come out. Then try to recover the money from me.
3. Recovery of funds involved in a dishonoured cheque depends on the influence of the victim.
4. In the case of a dishonoured cheque, the bank examines the reputation of the party in the market. The bank tries to recover the money by every means. The

- offender is also given some grace period to clear the cheque. Banks do not extend loans without any security. They try to use the security to clear this dishonoured cheque. According to law, a dishonoured cheque is a police case.
5. According to law, recovery from a dishonoured cheque is very simple. If someone's cheque is dishonoured, an FIR (First Inspection Report) can be launched against him and he can be arrested by the police. He finds no relief until there is a deal between him and the bank or the affected person. The method has become very simplified. But I think FIR should not be lodged. But they should be struck with that person to see whether he has defaulted by some misfortune or has he intentionally committed this act. I feel just 80 to 85% of the people are those to have suffered a loss due to a genuine business setback. The fact is that the payments that he was himself to have received did not reach him in time as promised and so his cheques bounced.
 6. You cannot say anything about recovery from bounced cheques. Here might be right. If the cheque has been issued by a strongman who can play with toy in order, there is nothing you can do about it. You are left at his mercy.
 7. It is possible to make recovery from a dishonoured cheque given by a Pakistani business person of even small repute but it takes some time. It is not so that the recovery is totally impossible. The traders from Afghanistan are not reliable at all. We accept only those cheques that have been signed by the buyer of our goods. If these cheques are not cashed in two days, four days, five days or a month, they will still be cashed. If someone says that these cheques cannot be cashed I will not agree with him. In my opinion people from Afghanistan are not traders. They are all thieves. We do not accept anything from them. We tell them that we will dispatch the goods once the funds are credited into our account. If the customers are from some other place and I know them, such as from Peshawar, Abbottabad, xyz, etc. we accept their cheques.
 8. Dishonoured cheques are a hassle. If they are made by our regular customers, the matter can be corrected in a few days. Bounced cheques given by traders from Afghanistan are a total loss. In other cases it depends upon the victim's relationship with the police.
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1. Relationship with banks

17. Discuss the usefulness of publishing details of bounced cheques on a publicly accessible central database.

1. Banks have a central database for Nonperforming Loans (NPL). If a similar publicly-accessible database is prepared for dishonoured cheques it will discourage individuals from issuing uncovered cheques and greatly improve trade in the country.
2. A central database for dishonoured cheques is a good idea. However unfortunately many of our people are illiterate and will not be able to access the database using laptops or computers. It is quite possible in Europe and other advanced countries for traders to immediately access the database and cheque the position of bounced cheques issued by a person. Great fraud is going on here. People coming from the frontier or the NWFP live in Peshawar but give cheques from a bank in Rawalpindi. They trade using cheques. Fraud is going on. Every trader brings a chequebook with 50 or 100 cheques. Banks should not open an account for everybody. They should seek the position of the applicant.

Bank managers are told that if they can open 200 new accounts they will be promoted or be given a bonus. In their greed they take 10,000 or Rs15,000 from each applicant and open their accounts. It is not sufficient to simply open a new account. They should see the financial base of every applicant. Is this a default party, or is it a default party or is it committing a fraud? The traders give a Rs2 or Rs5 rupees worth of cheque and write two 510 or 20 lakh rupees on it. How will the amount be recovered? Our system has been totally destroyed ever since people have come to use cheques. Instead of using a central database only, I feel the lists of dishonoured cheques should be printed and sold in the marketplace exactly like lists of winning prize bonds are published by the State Bank of Pakistan. People can buy the lists for a small amount of money, take them home and can learn of the bonds that have won the prize. Similar lists of dishonoured cheques can be used by traders to determine whether the person giving the cheque is habitual. His NIC number, picture etc. should be published. This will bring awareness to the public. The bank account of such fraudsters should be closed. He is a defaulter but is also killing other people that he is trading with. The fraudsters have great power. Liars are listened to today. They can hire attorneys. No bank manager or bank wants to antagonize them. They are afraid of the fraudsters. There is no grip of law in the country. If the law has a grip such things will not happen. If such a law is made it will help not only the capitalist but even those who are poor. They will know that they cannot be cheated. Laws should be made to protect trade and they should be appreciated.

3. Publishing the details of bounced cheques on a publicly accessed database will certainly help reduce the epidemic of dishonoured cheques. The general practice in our markets is to consider dishonoured cheques as zero. Small businessmen prefer to deal in cash. Sometimes traders give IOUs on a scrap of paper. This scrap has more value than a cheque. Traders accept cheques when they are sure they will be cashed. If the details of dishonoured cheques are published on the Internet or are otherwise very easily available even to small traders it will eliminate the scene of writing cheques casually.
4. Information regarding dishonoured cheques should be circulated to all the banks in the country. This way the banks will know which person is a habitual bad-cheque writer. The affected bank can give the offender a grace period to clear his cheques. This step will reduce or even end the practice of issuing bad cheques.
5. The system, whereby all banks can share the details of nonperforming loans between each other, already exists. This information is used by banks to evaluate a loan application. However some black sheep within the bank do manage to bypass this safety measure and help a defaulter to obtain a loan. I agree that there should be a central database about every person and about every dishonoured cheque. His cheque should not be accepted, small or large, till it is found that all his earlier cheques have been honored. If any of his earlier cheques had been dishonoured, then his cheque should not be accepted.
6. Particulars of account holders whose cheques have bounced, such as their National Identity Card (NIC) number should be included in an easily accessible database on the Internet. This database should also be available in hardcopy form on payment of a small fee just like lists of winning prize bonds numbers. Traders can use this list to make an informed decision about whether or not to accept a cheque.

7. If details of a bad cheque, such as the NIC number of the writer, the date, the amount, and the name of the bank involved are made easily available to any business person, it will help a great deal in curbing the flood of bad cheques that is threatening to ruin our economy.
 8. It will be a great idea to publish the complete details of bounced cheques and their writers online and in hard copy form. However this might not be really practicable. The reason is that banks in Pakistan are in a rush to open new accounts. They are more interested in the number of accounts rather than in the quality of the account holder. The government has made laws about bounced cheques harder but the matters are status quo.
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2. ROSCA organization

18. How is the reliability of a ROSCA holder determined?

1. We satisfy ourselves about the financial worth and market-reputation of the committee holder before we participate in a ROSCA.
 2. The reliability of ROSCA holders can be evaluated in a number of ways. Does he have his own shop, is his business doing well and not that his business is a flop and he is trying to raise finances by organizing the ROSCA to support it and then run away with our money. We first cheque his full data. That he has two godowns, he owns his shop, he has his own house end that he is a good business person. Only then we participate in the ROSCA. Because if the ROSCA is of 30 people and we give him Rs100,000 for Rs200,000 every month. It is quite possible that our names will come out at the end of the cycle. He can run away with that money. Where will we recover that money?
 3. We choose a ROSCA holder by examining his past history, his dealings and his status in the market. We see how many years he has successfully been managing ROSCAs. We also want to see the type of members he has. If the members have goodwill in the market we assume the ROSCA is good.
 4. The earlier performance of the ROSCA holder is first checked. Then, his general reputation in the market is checked. If it is okay, only when people join his ROSCA. They trust him.
 5. Committee holders are all mutual friends.
 6. First of all we see the reputation of the committee holder in the market. Then we see how many ROSCAs he has organized successfully before. As he been doing this for a decade or two or is this the first time? We see the amount of the pot and his status. Is he a big gun or a big shot in the market or is he a run of the mill businessman trying his hand at ROSCA. I guess reputation is the big factor.
 7. This is not an experience of one or two days but of year after year. I have worked here for 15 to 20 years. I am the third generation of my family doing business in this market. We inherited experience from our elders. We use the same experience to select the ROSCA holders carefully.
 8. Before accepting the traders as a member in our ROSCAs, we carefully examine his reputation in the market, his business dealings with others, and the volume of his business.
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2. ROSCA organization

19. What types of traders are admitted as members in a ROSCA?

1. Only such traders are admitted into a ROSCA whose financial situation is satisfactory and who are known to be reliable payers of instalments.
 2. We gladly accept as members such traders who have their own shop, who have good reputation in the market, whose business is good, is dealing with people is good, he hasn't issued cheques that later were dishonoured, no one comes and shouts at his shop that this man who owes money, such it trader we happily considered as members and assumed that is subscription will reach in time. If the subscription must be paid by the 10th of every month and his subscription has not reached by the 15th, he is considered a defaulter.
 3. Traders who have good payment history or who have goodwill in the market fall in the first category. The second category of traders is those, with whom we have dealings, either we owe them for they owe us. These people are also considered as members and can be adjusted in the ROSCA.
 4. First his business is examined. Is his business ongoing, are there chances of losses? Secondly what is the man's personal credibility, is he reliable, and can he be relied upon?
 5. Those traders who have good rapport in the market about when we know that they have so much turnover. According to their turnover, we include them in a ROSCA.
 6. Again it boils down to the factor of reputation. In the market such as ours, reputation develops very quickly. The president will examine your business, is your sale regular or is it only seasonal.
 7. We accept as members only such trader whose business is flourishing and can be seen to be flourishing, who is known to make payments to others in time and is not known for committing even minor irregularities. Our members are people who are reliable and not unreliable. Operating from a rented premise is not a disadvantage.
 8. We accept them if they carry a good reputation in the market, are known to be easy to work and are financially capable.
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2. ROSCA organization

20. What types of traders are not admitted as members in a ROSCA?

1. Traders whose dealings with others or their financial situation are not satisfactory, are ordinarily not admitted into the ROSCA. This is done to prevent problems from arising later.
2. Those traders who are not considered good in their dealing with others, who do not pay the subscription in time, who already owe to other people, they are not made members. If he does not have his own shop and is sitting in a rented premises, or lives in a rented house, or has taken a loan from a bank to buy a car such a person cannot be accepted and cannot function as a member.
3. We do not admit traders into ROSCAs who do not have good goodwill. Their give and take affairs are weak. Traders who may have goodwill but are quarrelsome or are over-smart are avoided.
4. The trader whose reputation in the market is bad, who does not make payments in time, who takes away goods but delays in making payments, is not admitted as a member in the ROSCA.

5. Traders whose rapport is that they have already defaulted in some earlier ROSCA or those who cannot afford to pay subscriptions, or if they get an earlier pot it might be difficult to extract from them the remaining subscriptions, are not accepted as members. Usually ROSCAs default or break because of such people who will take the pot but cannot pay the subscriptions. This loss has to be borne by all the other ROSCA members and the ROSCA breaks.
 6. We do not accept as members traders who carry a bad reputation in the market or are quarrelsome by nature. The owner or the shop is a safer option than one who is working out of rented premises. All these factors filtered down to reputation. If a very new businessman wishes to participate in a ROSCA, he will not be admitted at all because he has no reputation. He might **close** his business one day and vanish. The law and order is of no help to trace the person. We have had an occasion where a business person disappeared leaving the other members to bear the loss.
 7. We are wholesalers and do not accept retailers. We do not accept traders from other markets. If we accept an outsider, it will be one whom we have known for the last 30 or 50 years. There are some outsider members in our ROSCAs. They are those whom we have known for the last more than 50 years and who have been working with us for three generations. Operating from one's own premise is not a requirement.
 8. Traders who are known to be quarrelsome, who do not make payments in time for whose volume of business appears small are not accepted.
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2. ROSCA organization

21. What precautions are observed when admitting new traders?

1. A newcomer who has not yet set up a track record can be admitted into a small ROSCA if he can provide the personal guarantee of another person who has established a good reputation and track record.
2. Look! A ROSCA consists of confidentiality and an amount of money. It has to be given to the people. A person who subscribes to a ROSCA does so hoping that today he's putting in money tomorrow he will get it back. If I get the money I will get my daughter married off or make my home or improve the variety in my shop. There are others who feel that a ROSCA is a profit. It should be paid from the profit of a business and not from its capital. People who subscribe to a ROSCA and pay from their capital soon find their shops have become empty. If the ROSCA consists of 30 people, and he has been paying from the capital, and his draw comes out on the 29th or 30th position, his business will be emptied of capital. He should subscribe to a ROSCA on the assumption that his name will come out at the end and he should subscribe to it only from his income and not his capital. If he participates in the ROSCA from his capital and then puts the pot back in the business as capital, his business will flop. Only such a person should subscribe to a ROSCA who does it from his earnings and knows that if his chance comes he will buy something. Before admitting a person as a member when he has not yet developed credibility we ask for a personal guarantee. Sometimes people also ask for post-dated cheques. Sometimes his name is drawn at the end of the cycle. We exercise care when selecting a member. Once selected, he is like any other person. Most of the traders operating in this market are third-generation, grandsons of grandfathers. Their

grandfathers have been working here as well as their fathers for the last 50 years. We know each other very well. We do not admit newcomers especially those from outlying villages in our ROSCAs because we do not know their antecedents. We accept as members traders from this market because we know whose grandson or son he is. In our market we do not demand post-dated cheques. It might be happening in other markets.

3. In case of a newcomer, we find out about his person from members of his earlier ROSCAs. He has tried to enter our ROSCA through some reference or referral. We ask about him from them. If there is the slightest doubt about him we do not admit him into ROSCA.
 4. As for the person who is to be admitted into the ROSCA for the first time, inquiries are made from his neighboring traders about him. What sort of reputation does he carry? Is he correct in the matter of transactions of money? A person who is correct in the matters of transactions of money is admitted into the ROSCA.
 5. When considering new members we take the same factors into account. What is their reputation in the market, what is their turnover, have they ever participated in a ROSCA earlier and if so what was the result?
 6. Very new traders will get the last pot.
 7. Such traders will be assigned the last pot. This policy will continue to the newer traders have developed sufficient good reputation.
 8. Newcomers into the ROSCA are generally assigned the last pots in the cycle.
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2. ROSCA organization

22. What are the lowest and the highest limits of pots in your market?

1. The range of values of pots in our markets can extend from about Rs100,000 to about Rs10 or 20 Million.
 2. ROSCAs are participated even by the salesman class and the poorer class. Some participating in ROSCAs of Rs30,000, even of Rs50,000 and even Rs500,000 per month but with confidentiality. They do not show in their tax returns that they are participating in a ROSCA of this value. 400,000 and Rs500,000 per month ROSCAs are very common. ROSCAs of Rs1 and 1.5 crore are common.
 3. The smallest ROSCA running in this market is approximately Rs1 Million. The largest that I have experienced personally are Rs20 Million.
 4. In this market, the lowest value of ROSCA is Rs10,000, Rs15,000 and Rs50,000. The highest value of ROSCA is Rs10 Million.
 5. In this market, the largest ROSCA is of Rs10 Million. The smallest ROSCA is Rs500,000. ROSCA less than Rs500,000 is impracticable. The smaller committees are used by our workers, salespersons etc. to manage their own affairs with a small amount.
 6. The lowest value ROSCAs in this market is about Rs10000 Porters and labourers participate in these ROSCAs. The higher value ROSCAs are Rs2.5 Mn or Rs5 Million.
 7. The smallest committees in this market are not those being run by traders They are being run by labourers, salesmen, etc. They may be of the range of Rs10000 - Rs100000. In this market the largest committees are Rs25 Mn to Rs30 Million.
 8. The smallest ROSCA in this market is Rs1000. It is managed by the labourers who carry material from place to place. The largest ROSCA may be up to Rs10
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Million.

2. ROSCA organization

23. What are the ordinary limits of lowest and highest pots in your market?

1. The average values range from Rs100,000 to Rs2.5 Million.
 2. ROSCAs of Rs2 Million, 2.5 Mn and 5 Mn are very common. Traders participate in ROSCAs of their own means.
 3. The average range is approximately Rs2.5 Mn to Rs5 Million. The average subscription is Rs100,000 to Rs200,000 per month.
 4. The average value of ROSCAs in this market is Rs1 Mn and Rs2 Million.
 5. The most popular range of ROSCAs is Rs3 Mn to Rs5.
 6. The popular range for shopkeepers is Rs500,00 to Rs1.5 Million.
 7. The more usual range of pots is Rs2.5 Mn to Rs5 Million.
 8. The popular range of ROSCAs is between Rs1 Mn to Rs2 Million.
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2. ROSCA organization

24. What is the range in which most of the pots lie?

1. The overwhelming majority of ROSCAs have a value of ROSCAs ranging from Rs100,000 - Rs1 Million.
 2. The sizes of the pots in the ROSCAs depends upon the means of the traders. Small traders usually go in for Rs3 Mn Rs5 Mn while larger ones go for Rs15 Million. They are also ROSCAs of Rs20,000 and Rs30,000 in this market. The amount depends upon the convenience of the traders.
 3. The popular range is Rs2 Mn to Rs3 Million.
 4. Most people want to deposit a small sum of Money and earn a larger sum of money from it. When people are in a large part from the ROSCA, they invested in their business to earn profit.
 5. The most popular range of ROSCAs is Rs3 Mn to Rs5.
 6. Most of the ROSCAs that are aware of are in this range
 7. The most popular range of pots is also Rs2.5 Mn to Rs5 Million.
 8. Most of the ROSCAs that are running in this market are in the range of Rs1 Mn to Rs2 Million.
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2. ROSCA organization

25. What are the limits of the numbers of members in ROSCAs?

1. The number of members in a ROSCA is usually 20 to 25.
2. Good ROSCAs usually last between two and 2 ½ years. They have 25 members or 30 members in them.
3. Generally, the number of members in a ROSCA is between 20 and 24. In case we wish to have more, then it is 30 members
4. The average number of members in a ROSCA is 22 to 30.
5. ROSCAs usually consist of between 20 and 30 members.
6. Most often, the size of membership of a ROSCA is 20 members Sometimes it can go as much as 30 also.
7. ROSCA organizers do not accept the membership larger than 20 to 30. Even if a

trader is in the position to acquire several positions in the same ROSCA, he is discouraged by the ROSCA organizers from obtaining several positions, lest the membership exceeds 30.

8. Most of the ROSCAs that are running in this market are in the range of Rs1 Mn to Rs2 Million.
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2. ROSCA organization

26. Why have these limits been set?

1. This membership size is considered convenient because membership is related to time. If the number of members in a committee exceeds about 25, the time of completing the ROSCA becomes inconvenient and managing the members becomes difficult.
 2. If the number of members becomes large, it becomes a burden. The ROSCA is taking three or four years and not ending. A period of 20 years passes quickly.
 3. ROSCAs are not viable if the number of members is less than 20. If the membership is more than 30 it requires a lot of patience in managing the ROSCA.
 4. There is a greater likelihood of a long ROSCA to break up. Someone can die, someone can run away, or someone's business may collapse. If the number of members is less than a certain amount the ROSCA is not viable. The larger is the number of members, the larger is the size of the pot.
 5. It is usually is not viable to have less than 20 members. In case of membership exceeding 30, the likelihood of mishaps occurring during this long period increases. Some members had to wait inordinately long to obtain their pots.
 6. Experiences shown that if the membership is less than 20, the ROSCAs are not practicable. If the membership is greater than 30, some of the members had to wait long before they can get their savings back. Also, during this long period there is a greater chance of someone dropping out.
 7. If the membership is less than 20 ROSCAs tend to be not viable. If the membership size is larger than 30, the waiting period for the last successful traders is excessive. Maintaining cohesion for more than 30 months can be difficult.
 8. Experience has shown us that this is a good range.
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2. ROSCA organization

27. Approximately how many ROSCAs are operating in your market?

1. It is a common custom to be part of a ROSCA. Many ROSCAs are operating in the market. It is impossible for me to count them but their numbers is in several tens. I cannot count them all. Every shopkeeper is a member of at least one ROSCA.
2. It is difficult to determine how many committees are running in the Azam Cloth Market, but there are many. In my own Punjab block, I am aware of 20 or 25 ROSCAs. These range in size from Rs10,000 per month Rs5 Mn per month.
3. I have no idea how many ROSCAs are running in this market.
4. At this time, 10 to 15 ROSCAs are operating in this market. All these have pots of Rs10 Mn to Rs20 Million.
5. In this market in which we are sitting now I estimate that 20 to 25 committee

ROSCAs are operating. These range between Rs3 Mn to Rs5 Mn each. Approximately 5 ROSCAs are those which are larger and are between Rs8 Mn to Rs10 Million.

6. I cannot say with certainty how many ROSCAs are operating in this market. I suspect that there are about 20 to 25 ROSCAs whose members are traders. As far as labour ROSCAs are concerned I suppose there might be as much as 100 or even more.
7. There are approximately 6000 businesses operating in the Azam Cloth Market. I do not know the statistics for all of them. In the Punjab block I think there are three ROSCAs of up to Rs5 Million.
8. In this street, I think there are around 10 ROSCAs of between Rs3 Mn to Rs5 Million. Smaller ROSCAs of around Rs10,000 are too many to count.

3. ROSCA management

28. How frequently are the winners decided, daily, weekly, fortnightly or monthly?

1. Committees are drawn on daily, weekly, fortnightly or monthly basis. As far as my personal experience is concerned, I have participated only in ROSCAs that are monthly.
 2. Draws take place once a month. There are no ROSCAs of daily, weekly, or fortnightly in my block.
 3. The draws are conducted once a month.
 4. The draw is held once a month on the 10th.
 5. The draws take place once every month.
 6. in this market, draws are held once a month. The subscriptions may be collected on a daily, weekly, fortnightly or monthly basis.
 7. In all cases, the draw is held once a month.
 8. We hold the draw once a month. All other ROSCAs that I know of also hold the draw once a month.
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3. ROSCA management

29. How is the winner chosen?

1. The selection of the winner is ordinarily done by random selection of a name on a chit of paper. When all the members are present at a decided place, in their presence the name of the winner is drawn and they are informed accordingly.
2. Draws are carried out by using a pair of for every member. Is the name of one's personal and it is impossible to commit a fraud. One other ball carries the word "lucky". When members come in they are asked to cheque their names on the ball. Only members handle the balls, the ROSCA organizer does not come near them. To ROSCA members carry out the draw. One is out the balls with the names one by one while the other pulls out the other balls one of which has the word lucky written on it.
3. We use chits to select the names of the winners.
4. The draw is held using two sets of chits of paper. One set contains the names of the candidates while the other set contains bank chits and one that appears the words "successful" or "congratulations".
5. We use chits of paper for the draw. Each chit bears the name of only one

- member. One chit is drawn from the pile at random.
6. Draws are held by means of two sets of chits or balls. Each ball or chit in one set carries the names of the members who are eligible to be selected. The other set of balls or the chits carries the legend “winner” or “congratulations”.
 7. We use a system of chits. Every kid carries the name of one eligible member. One chit is picked at random. It appears the name of the winner.
 8. We use two sets of chits. Both sets carry equal number of chits. In one set, each chit bears the name of one eligible member. In the other set, all chits are blank except one that carries the words “congratulations”. The winner is the member whose name is drawn from one pile of chips and simultaneously the word “congratulations” is drawn from the other.

3. ROSCA management

30. Where does the draw take place?

1. The draw of the ROSCA ordinarily takes place in the market in the office or premises of the ROSCA holder or organizer. In case of large value ROSCAs, the draw takes place in a hotel.
2. The draw takes place in the shop or basement or godown of the ROSCA organizer. We do not carry out the draw in a hotel. Those people go to hotels will have to eat at the other person’s expense. Many of them are defaulters. Only male owners, jewellers etc. go to hotels for the draw. Why should we spend Rs20000-Rs30000 on a meal to feed the others? What we want to do is to maintain confidentiality. In our system to be sometimes be measured not to announce the names of the winners. Words are used to indicate the name of the winners and the ROSCA organizer does not announce their real names.
3. The draw for the winner is held usually in the office of the ROSCA manager.
4. Normally the draw is held in the office of the ROSCA holder. In some cases the draw is held in a restaurant and meals are taken after the draw.
5. The draw takes place at a hotel. The winner serves a meal to all those were present.
6. In this market, the draws are held in the office of the ROSCA organizer.
7. The draw is held in the office or shop of the ROSCA organizer.
8. The draw is held in the office or shop off the ROSCA]organizer.

3. ROSCA management

31. In what form is the pot paid out to the winner?

1. The pot for the ROSCA can be paid in cash or in the form of a cheque. Cash is preferred. Some ROSCAs also operate in gold. The payments (and receipts) are all made in terms of gold.
2. The parts are paid to the winner in the mix of cash and cheques. Some ROSCA members pay instalment in cash while the other ROSCA members pay in the form of cheques given to them by their own customers. Confidentiality is maintained by this method. If a cheque cannot be cashed the shopkeeper who deposited this cheque will pay in cash.
3. The pot is paid in cash and mostly in the form of cheques.
4. The pot is paid in the form of cash and cheques.
5. The pot is 1 kg of gold.

6. the pot is paid in the form of cash and cheques.
 7. The payment of the pot is made in the form of cash or cheques whichever are available.
 8. The pot is paid partly in the form of cash and partly in the form of cheques.
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3. ROSCA management

32. In what form are the subscriptions paid?

1. The subscription for the ROSCA can be made in cash, in the form of a cheque. Cash is preferred. In certain cases, gold is also used.
 2. Instalments are paid in the form of cash or cheques. Gold is used in the gold market.
 3. The instalments are also paid sometimes in the form of cash but mostly in the form of cheques.
 4. The subscription is paid in cash or in the form of a cheque.
 5. Each instalment is one tablet of gold. Members who have acquired more than one position give multiple tablets.
 6. Instalment is paid in the form of cash and cheques. The cheques are usually those that were received from customers by ROSCA members
 7. The instalments are paid in the form of cash or cheque.
 8. The pot is paid partly in the form of cash and partly in the form of cheques.
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3. ROSCA management

33. Where is the pot paid to the winner?

1. The small value pots can be collected by the winner in the office of the ROSCA holder or are delivered to the winner. Large value pots of ROSCAs that are conducted in a hotel, are delivered in the hotel.
 2. The pot is paid to the winner at the shop of the ROSCA organizer.
 3. Usually the pot is delivered to the winner's doorstep in the form of cash and cheques.
 4. The pot is paid wherever the subscriptions are collected and the draw is held.
 5. The pot is paid out in the same place where the draw is held.
 6. The pot is usually collected by the winner from the office of the ROSCA holder. Occasionally the ROSCA holder may deliver the pot at the winner's doorstep.
 7. The pot is paid out in the office of the ROSCA holder. Sometimes it is delivered to the winner's office.
 8. The pot can be collected by the winner from the office of the ROSCA organizer. Sometimes it is delivered by the ROSCA organizer to the office of the winner.
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3. ROSCA management

34. Where is the subscription paid?

- 1 Small value subscriptions are deposited in cash or cheque by the member in the premises of the ROSCA holder. In other cases a representative of the ROSCA holder goes around the marketplace and collects the subscriptions from the

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- members at their business places.
 - 2 Subscriptions are sometimes paid by the member to the ROSCA organizer and the latter's office, and sometimes a representative of the ROSCA organizer comes to the shop of the ROSCA member and collects the subscriptions from there.
 - 3 The instalments are paid in the office of the ROSCA holder.
 - 4 Did not offer an opinion.
 - 5 The instalments are paid at the same time and place when the draw is held.
 - 6 The instalments are either paid at the office of the ROSCA holder, or are collected by the representative of the ROSCA holder from the members' premises.
 - 7 Instalments are sometimes paid to the ROSCA holder in his office. Sometimes a representative of the ROSCA organizer goes around the shops of the members collecting the instalments.
 - 8 Sometimes the instalments are delivered to the ROSCA organizer. Sometimes they are collected from the shop or office of the member by the organizer or his employees.
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3. ROSCA management

35. How do you ensure the pot winner will pay the remaining instalments in time?

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1. We can tell from our experience that the party that has won the pot is of sound financial condition and will be able to continue paying the subscriptions. Additionally, it is in the Interest of the party that they pay the instalments in time. Otherwise they will acquire a bad reputation and will be unable to participate in any later ROSCA.
 2. ROSCAs had been operating in this market for decades. There has never been a case of default. The system is operating. There has never been a case in which a person did not deposit his subscription or ran away with the pot. In our market we have a system of NOC. If any shopkeeper were to sell his shop, we the members of the Association will not give him an NOC until he has cleared all his outstanding dues. We will give him the NOC only operate in tears his dues. If we receive an application for the transfer of ownership, the full payment of the price of the shop is deposited in our office by the buyer. We have done this to protect the investment of people from Faisal Abad, Karachi etc. There is no other market in all of Asia that protects the investors capital the way we do in this market.
 3. Winners of the pot do not run away with it. The system runs on trust.
 4. The question of whether or not a winner will run away with the pot is settled before any member is admitted into the ROSCA. People who are likely to run away with the pot are not admitted into the ROSCA to start with. The man is sitting in the market, he is operating in the market, is doing business in the market. If it does not pay it will cause severe difficulties for him. If he does not pay people break connection with him and he cannot survive in the market. We do not take a advanced cheques from a winner. Some ROSCAs to take advanced cheques but mostly we do not. The whole system runs on trust.
 5. Our ROSCA runs on complete trust of each other. However, before we pay the winner the pot we make him sign post-dated cheques to ensure that he will pay

- regularly.
6. About ensuring that the pot winner will pay the remaining instalments. As I said earlier ROSCA members are chosen with care. We accept only such traders as members who we are reasonably certain will pay the instalments in time. The whole system runs on trust. In case of a newcomer member, we ask that he provide a guarantor. Occasionally we ask that the newcomer winner provide post-dated cheques for the remaining instalments. We usually do not ask reputable traders who have successfully participated in several earlier ROSCAs, to provide cheques because this causes annoyance to them.
 7. This is a matter of trust. We select only such traders as members who we are sure will pay their instalments even after winning an early pot. In some other markets, I believe post-dated cheques for the remaining instalments are obtained from the winner before the pot is delivered to him.
 8. In our ROSCAs we have no problem on that account. We have chosen our members carefully. They are all reliable and trustworthy traders who care for their reputation. I have heard that in some other ROSCAs, the winner is expected to deliver post-dated cheques for the remaining instalments before he takes the pot.
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3. ROSCA management

36. Do ROSCAs enable social interaction between the members?

1. Another advantage of ROSCA space that we are able to meet new people with whom we would not be able to meet otherwise. This creates a small social set up in which we can interact with each other.
 2. No social interaction takes place at the time of the draw. However when we meet in times of happiness or sorrow such as a marriage or a funeral, we discuss social matters also. These include finding a good match for a son or a daughter. You might have noticed that many people are related by marriage to each other in this market. Often people come to me in my office and suggest that they have a daughter who has become wise. I then estimate which of the sons of the traders are eligible. If I find any I talk to the fathers of the two. In this way we make God happy. Most of the traders here belong to the Sheikh brotherhood.
 3. At the time of the draw of the ROSCA members get together and in addition to talking about the ROSCA they also talk about business in general and social matters. There is a degree of social interaction during the draws.
 4. Because of the ROSCA, a connection is made among the members. We meet each other. We arrange meals for each other. A social context is set up.
 5. Considerable social interaction takes place at the time of the draw.
 6. Socializing by ROSCA members varies from case to case. Small shopkeepers are too busy to socialize. Sometimes they even do not attend the draw but send a representative to bring back the news. In other cases they just wait to be told by others about who won the draw. When the traders manage larger businesses, they may have the leisure to socialize.
 7. Very little socializing takes place at the time of the draw. The traders are busy and do not have time for this. They are so busy that sometimes this center only a salesperson as a representative at the draw.
 8. Yes and no. Some traders socialize while others do not.
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3. ROSCA management

37. Are bidding ROSCAs operating in your market?

1. According to my information, there is no bidding ROSCA in the market nor is there anyone likely to be in the foreseeable future.
 2. There is no bidding ROSCA going on in our market. We consider it a cruelty and a fraud against the needy people. We absolutely think it is a cancer against the society and people who carry out bidding ROSCAs define the rights of other people. It is inexcusable that if ROSCA of Rs5 Mn should be taken away for Rs1.5 Million. In the decade of the 80's bidding ROSCA was practiced and many people became defaulters. One shop in the Shah Alam market became a defaulter.
 3. There is no bidding ROSCA operating in this market.
 4. No bidding ROSCA is operating in our market.
 5. To the best of my knowledge, bidding committees are not operating in this market.
 6. I have not heard of any bidding ROSCA in this market place.
 7. Bidding ROSCAs do not operate in this market.
 8. There are no bidding ROSCAs in my market.
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3. ROSCA management

38. How many bidding ROSCAs are operating in your market?

1. There is no bidding ROSCA prevailing in this market.
 2. In our market, No. There are no bidding ROSCAs going on in this market.
 3. There is no bidding ROSCA operating in this market.
 4. Did not offer an opinion.
 5. There are none in this market.
 6. I do not think any bidding ROSCA is operating here
 7. There are none.
 8. There are none.
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3. ROSCA management

39. When did the last bidding ROSCA operate in your market?

1. I do not have any information about when the last bidding ROSCA ever took place in this market.
 2. I believe the last bidding ROSCA took place in the decade of the 80's. But it did not take place in my block it took place in Karachi and Lahore blocks. The participants have long since died out.
 3. I have no idea when the last bidding ROSCA operated in this market. I have never experienced one.
 4. Bidding ROSCAs have never operated in this market.
 5. I am not aware.
 6. I do not know when the last bidding ROSCA operated here.
 7. I do not know.
 8. I do not know.
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3. ROSCA management

40. Where are bidding ROSCAs operating?

1. I do occasionally hear rumors of bidding ROSCAs going on in some distant place. I do not know of any market in which bidding ROSCAs are being carried out.
 2. Bidding ROSCAs are probably being carried out in the iron market and steel bar market at Misri Shah. They are also carried out in the Landa Bazaar. The organizers have brains made of iron and do not realize that bidding ROSCAs are a cruelty to the members
 3. I have seen the advertisements of bidding ROSCAs on the TV. I do not know where they are operating.
 4. Bidding ROSCAs are said to operate in certain markets. I do not know where they are operating.
 5. I do not know.
 6. I do not have any idea where bidding ROSCAs are operating.
 7. I am not interested and have never found out.
 8. I do not know.
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3. ROSCA management

41. Why are bidding ROSCAs infamous and unpopular?

1. In my opinion bidding ROSCAs had become failures because their modus operandi is unjust and damaging. Slowly and gradually they seem to be going out of the society.
 2. Bidding ROSCAs are a cruelty. They come in the purview of Interest. A person deposits Rs2 Mn and carries away much more. Neither the taker is happy nor the giver is happy.
 3. The people who participate in bidding ROSCAs usually are infamous.
 4. Bidding ROSCAs are not proper from the Islamic point of view, so we do not allow them here. Bidding ROSCAs seem to be run by infamous people. These usually break frequently. Members take the pot after winning the pot and then run away with it.
 5. Bidding ROSCAs are unsocial and exploitative.
 6. I have heard that they are un-Islamic and exploitative of the needy.
 7. Bidding ROSCAs exploit the weakness of the needy member. The difference between the value of the pot and the bid amount is a form of Interest. Bidding ROSCAs are inhumane, well, and un-Islamic.
 8. They are Satanic. They are cruel and exploit the needy person. They are a form of Interest.
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4. Defaults

42. How many random ROSCA failures have you seen or heard of during the last five years?

1. ROSCAs are participated in only after rigorous investigation. As far as the default ratio in random committee ROSCAs is concerned, it is rather low. We
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- hear of very few ROSCAs that have failed. Usually ROSCAs are able to complete their cycle successfully.
2. I have been the general secretary of this Association since 1995. In these 20 years I've seen only two ROSCAs failing. One of the defaulter ROSCA organizers is still working in this market. He is returning people's capital in small amounts since then.
 3. During the last five years I have seen only one random ROSCA failing. It was my own.
 4. I have never personally experienced failure of any random ROSCAs. I have never personally seen any random ROSCA failing. However, I've heard of a few of them failing.
 5. If consider the failure rate of random ROSCAs as a percentage, it is negligible. I've heard of only three or four random ROSCA failing during the last five years.
 6. I have not heard of any random ROSCA defaulting on account of the committee holder. I've heard or two or three defaults on the part ROSCAs members
 7. According to my information, maybe one or two random ROSCAs have failed in the last five years.
 8. I have not heard of a single random ROSCA failing in this market in the last five years.
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4. Defaults

43. What were the causes of the failures?

1. ROSCAs default if the ROSCA holders or the members do not pay. If the ROSCA holder develops ill-intent and does not pay the pot to the winner the ROSCA defaults. If a winner takes the pot and runs away without paying the remaining instalments, in that case too, the ROSCA develops problems and gets stuck.
 2. I think the cause of failure was his ill intent.
 3. It was a case of financial mismanagement.
 4. The reason for failure of random ROSCAs is lack of education. People say they do not have the money whereas actually they may have it. People do not have the habit of paying.
 5. Usually ROSCA failures are due to the inability of members to pay subscriptions in time. Very rarely, it has been caused by financial mismanagement by the committee organizer.
 6. I believe the default was caused by members' inability to pay instalments
 7. In both cases the cause was ill-intent or dishonesty by the ROSCA holder.
 8. The ROSCAs are carefully managed. There are no failures.
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4. Defaults

44. How many Bidding ROSCA failures have you seen or heard of during the last five years?

1. In the past several years I have heard of very few bidding ROSCAs.
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2. In our market bidding ROSCAs have never functioned. I cannot tell you how many bidding committees have failed here.
 3. I'm neither heard nor experience any bidding ROSCAs failing.
 4. Did not offer an opinion.
 5. I am not Interested in bidding ROSCAs. I have not counted their failure but believe it is very high.
 6. I believe almost all fail.
 7. I suspect the failure rate of bidding ROSCAs is very high.
 8. I do not know for sure. But I believe the failure rate is too high.
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4. Defaults

45. What were the causes of the failures of Bidding ROSCAs?

1. The reasons for their failure, as I said earlier, are unjust modus operandi. ROSCA holders or members are usually devoid of any repute. All sorts of people get together. It is because of these reasons that bidding ROSCAs usually fail.
 2. Did not offer an opinion.
 3. I have not neither heard nor experienced any bidding ROSCAs.
 4. Did not offer an opinion.
 5. I think bidding ROSCAs fail because they are based on exploitation.
 6. I believe organizers and members of bidding ROSCAs are greedy people who do not have enough social capital to participate in random ROSCAs.
 7. They are against Nature, our culture and our religion.
 8. They are Satanic. They are cruel and exploit the needy person. They are a form of Interest.
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4. Defaults

46. What are the causes of Bidding ROSCA failures?

1. Did not offer an opinion.
 2. Did not offer an opinion.
 3. I have neither heard nor experienced any bidding ROSCAs.
 4. Did not offer an opinion.
 5. As I said, bidding ROSCAs are based on exploitation and unfairness.
 6. There were several reasons why some members of random ROSCAs defaulted. In one case is a person spent extravagantly on the marriage of his son or daughter. I would say it was a case of financial mismanagement.
 7. Cruel systems cannot survive.
 8. I do not know.
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4. Defaults

47. What measures do you adopt to prevent default?

1. To prevent defaults in ROSCAs, I feel the members should be chosen carefully. Only people who have proved to be trustworthy and with whom we had worked
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- earlier and people were close to us should be selected. Their financial status should be determined so that they are allowed to participate only in committees which they can successfully support and do not fall prey to problems.
2. The ROSCA organizer selects his members very carefully. What sort of reputation that this man have, can this per cent pay Rs50,000 or Rs100,000 per month regularly? He consults his friends and they consult me. I sometimes convince the ROSCA organizer to not accept certain people as members because they will not be able to pay regularly and in time. If a member defaults, I have a lot of power. I can put a lock on his doors if a person tries to defraud. If we find that he is not behaving correctly we warn him that his business will be locked. His behavior is causing bad reputation for the market. If he still does not behave correctly, we call 5 or 6 committee members and agree on our course of action.
 3. The goodwill of the people from whom we are to collect subscriptions, matters a lot. In case of new members we have a system of so-called "guarantee". If such a person wins a draw we expect him to provide two people who will guarantee that this person will pay the remaining instalments. It is our other ROSCA members who will vouch for the person.
 4. The person who organizes the ROSCA in the market is a powerful person. Everybody cannot organize it. He has resources and he has a hold in the market. Only such people are accepted as members in the ROSCA as have good reputation in the market.
 5. We choose our members with care. All of them are our friends and colleagues. If any one of them defaults, the others support him. If he defaults after obtaining the pot, the rest of the members gathered around to help him along and help him to make his payments somehow or the other. If he defaults before he obtains his pot, someone else steps in as a new member, takes the defaulter's place, changes the name of the position and the committee goes on as before. Suppose there are 30 members in a ROSCA and a person wins the pot number six. To ensure that he will pay the remaining subscriptions, we adopt the same methodology as that adopted by the banks. Before we pay him the pot we make him sign 24 post-dated cheques to ensure that he will pay regularly.
 6. About ensuring that the pot winner will pay the remaining instalments. As I said earlier ROSCA members are chosen with care. We accept only such traders as members who we are reasonably certain will pay the instalments in time. The whole system runs on trust. In case of a newcomer member, we ask that he provide a guarantor. Occasionally we ask that the newcomer winner provide post-dated cheques for the remaining instalments. We usually do not ask reputable traders who have successfully participated in several earlier ROSCAs, to provide cheques because this causes annoyance to them.
 7. The most important step that we take to prevent default is prudent selection of the members We do not demand cheques from pot winners but I believe some other ROSCAs do that.
 8. We choose the ROSCA organizer and the members with great care. The committee holder makes sure before the ROSCA starts that the members are reliable and will pay the subscription even after they have collected the pot. The ROSCA holder is financially strong to start with. The members he chooses for his ROSCA are also reliable. For this reason there is no likelihood of a default taking place in the ROSCA.
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4. Defaults

48. Is the social pressure of peers sufficient to prevent default?

1. If a member default takes place we try to use peer pressure and social pressure to prevent default. Sometimes it works sometimes it does not. Usually social pressure is not enough.
 2. In our market social relationships and the pressure created by them have great importance. The sons or daughters of most traders in this market are married to sons or daughters of other traders here. Their sense of shame is very important to them. They may have bad relations with customers but are very careful within the marketplace. They do not want that someone should come at the shop and speak loudly that they owe the ROSCA. For the sake of his honor even deliver a cheque of the amount, apologize for his delay but will pay up.
 3. Social contacts with the peers and social capital in the market play a significant role in preventing default by ROSCA members
 4. Social capital and mutual interconnection counts a lot. Members care for what the other care and think. Ordinarily people do not commit such things in a ROSCA.
 5. In our society we have this. Our social values are such that our ROSCA members do not want to have themselves insulted before the others. They try their best to prevent their reputation of from being soiled. If one of them even thinks of defaulting, the others exert sufficient social pressure upon him to prevent him from doing so. The best ROSCAs simply accept only such members about whom they are certain that they will not default. Members understand that if their reputation is soiled just once, they will not be able to do business in this market. The defaulter will not be able to buy any material on credit because nobody will sell material on credit if word goes out that he is a ROSCA defaulter. This is just like the publicly-accessible database we talked of regarding dishonoured cheques. It happens very clearly.
 6. Peer pressure and social relations are usually not enough to prevent a default. Default has more to do with your own personal financial standing
 7. Peer pressure is not enough to prevent anyone from defaulting. Every member manages his own affairs.
 8. Peer pressure is sufficient only to a small extent to prevent any default.
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4. Defaults

49. How much will it help to apply legal pressure on the defaulters?

1. If pressure can be applied in an appropriate legal manner and we have appropriate legal support, it will bring about great improvement in the system and will reduce the number of defaults.
 2. All the ROSCAs operating are extra-legal. We show in our returns that the capital available to us is Rs500,000 but we are operating ROSCAs worth Rs3 Million. While this extra money come from? Neither the government deals with us correctly nor we deal with them correctly. The businesses are planning on lies. If the tax system is improved and the government gives protection to the people, the people will pay taxes honestly. There are 10,000 businesses in this market but only 2000 pay taxes. The government officers do not work correctly. Very few are in the tax net. Most shopkeepers own 2 to 3 cars but do not show any.
 3. It will bring a substantial reduction in defaults if there is some legal and procedural backing of ROSCAs.
 4. ROSCAs are purely private arrangement.
 5. If ROSCAs are given a legal status and are registered with some authority it will reduce the number of defaults. If a responsible department joins ROSCAs, it will provide additional social pressure and legal safeguard. The ROSCA holder will know that if a member disappears, his own capital will not sink. The joining of a responsible authority with ROSCA will always be better in every circumstance.
 6. It will be a great help if ROSCAs are recognized legally. If that is done, the judge will give the ball to the ROSCA organizer. The law will set up some procedures whereby ROSCAs will be spent. If the law takes notice of ROSCAs, recovery of funds such as bounced cheques will be made sure and easy.
 7. If ROSCAs are recognized by the Law, it will be a great help when defaulters are taken to the court.
 8. Yes! ROSCAs are not recognized by law. They operate by word-of-mouth without any document. In case of a default, the ROSCA organizer and members try to recover the situation by applying social and moral pressure on the defaulter. If legal pressure could be applied, it would reduce the default rate even further.
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4. Defaults

50. How far is it possible to make recovery of funds from dishonoured cheques?

1. Recovery of funds from dishonoured cheques, in my opinion, is only 50-50. It sometimes is possible and sometimes is not possible. In this condition we do not have any support from the government, the banks or the police. Eventually it becomes quite expensive. Police always demands money.
 2. We can only applying social pressure on people whose cheques had been dishonoured. Recently a case came before me. A party from Faisal Abad gave cheques worth Rs440,000. The aggrieved person waited two and a half months before hiring ruffians to obtain payment. The party who wrote the cheques came to me. I have arranged a compromise but the traders suffered a loss of Rs40,000. Collection funds involved in a bounced cheque is very difficult. Some people have a sense of shame and make an arrangement with the aggrieved person.
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- Many others seem to prefer going to jail rather than paying.
3. It is simply impossible to recover funds from a dishonoured cheque given to a ROSCA. The police or the courts do not entertain a cheque given for a ROSCA. Even if you make an application to the police regarding a defaulted ROSCA cheque, they will not entertain it. In case of defaulted cheques made for general business, the possibility of recovery is very low. In the current system it is impossible to recover the funds involved in a defaulted cheque.
 4. Did not offer an opinion.
 5. I feel recovery of bounced cheques is easy if the person has good connection with the police. A dishonoured cheque is a great tool to help in the recovery. Legally, the bank gives three chances for the settlement of a dishonoured cheque. If the cheque remains dishonoured even after availing the three chances, an FIR can be lodged very easily. The traders have mutually decided that instead of lodging an FIR with the police, they should use the market unions to influence the cheque writer to settle the matter. This will reduce the load on the police. The police are involved only if a settlement cannot be reached.
 6. Recovery of funds from a dishonoured cheque is very variable. If the party that gave a dishonoured cheque is solid, has a good reputation, was well-intentioned, but has suffered because of adverse seasonality or political turmoil, he will pay out ultimately. But if the party that signed the cheque is one who came with the intention of giving a bad cheque, and they know that the law and order situation is not strong enough to nab them, the probability of recovering from such a cheque is zero.
 7. Recovery from dishonoured cheques given by Pakistani traders of even a shred of respectability is 100% possible. Recovery from dishonoured cheques made by traders from Afghanistan is impossible.
 8. Dishonoured cheques are a hassle. If they are made by our regular customers, the matter can be corrected in a few days. Bounced cheques given by traders from Afghanistan are a total loss. In other cases it depends upon the victim's relationship with the police.
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4. Defaults

51. How effective are post-dated cheques in preventing defaults?

1. Post-dated cheques are a successful means, to some extent, to prevent default. If it is adopted, people develop a sense of responsibility and they become bound to a certain extent that they have to pay up.
 2. Post-dated cheques are used only to linger on or earn some time to the cheque writer. Cheques have no value if the writer is dishonest.
 3. Post-dated cheques help to a limited extent but only in the case of general business. In case of ROSCAs, they are nearly worthless.
 4. Did not offer an opinion.
 5. Post-dated cheques are a powerful tool to help in the recovery. However they are useful only for individuals who have good relations with the police.
 6. Recovery can be made from post-dated cheques only by traders who have great influence with the police. They can be used only to embarrass a defaulter.
 7. Post-dated cheques given by Pakistani businesspersons can be used to embarrass and coerce them to make a full payment. Otherwise in the present system of law and order they are useless.
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8. Post-dated cheques can be used to embarrass the defaulter. If they had been made by a reputable party, or recovery is simple. Post-dated cheques given by businessmen from Afghanistan are worthless.
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5. Advantages of ROSCAs

5.2. Simple and easy for relatively uneducated traders

1. ROSCAs are a simple and easy methodology. We had been seeing them operate since we were little children. It is an easy method and a less educated trader or less educated individual can easily participate.
 2. Did not offer an opinion.
 3. Financing is obtained easily from ROSCAs. No documentation is needed. No collateral is required to be posted.
 4. One of the advantages of the ROSCA is that a person is able to arrange finances which he can invest in his business, earn profit and pay instalments for the ROSCA. In addition to this, many people have the requirement for lump sum expenditure such as marriage of children. In that case too ROSCAs are a great help. There are many other functions which a person cannot carry out without capital. A person can do that with funds obtained from the ROSCA. ROSCAs are an important part of our social set up.
 5. There are several advantages in obtaining financing from ROSCAs as compared to bank loans. The ROSCA is composed such of your friends. You do not have a fear that there will be a default and your capital will sink. The pot is a substantial sum of money which you can use in your business. Traders participate in ROSCAs mostly to obtain financing for investment in their business, so that they can obtain some capital with which to acquire material. I feel that as compared to obtaining a loan from a bank, ROSCAs are better in every way. there will be no fear of your honor being trampled, nor will there be any danger to any of the property being snatched away. ROSCA gives convenience to a small trader. He can establish himself with the ROSCA. A ROSCA is the best convenience for a small trader. If not large ROSCAs, many small ROSCAs should be encouraged so that small traders can manage their business. In my experience many small traders were able to set up or get their business on track because of ROSCA financing.
 6. ROSCAs offer a number of advantages over dealing with banks. Payment of tax is an important issue. People feel that if they deal with banks a lot of their confidential information will become public and attract scrutiny of the tax authorities. Bank procedures and documentation are very complicated. The less educated traders hesitate to deal with banks on this account. People have the impression that whatever comes from a bank is based on Interest. As a result banks are used only for safekeeping traders' money in Current accounts and using it as an intermediary for inter-city transfer of funds. In case there is a delay in paying instalments to a bank, the bank levies surcharges and hidden surcharges. In a ROSCA, no fines or surcharges are levied in case of a delay in paying instalments. No deductions are made and the member obtains the full amount that he paid to the ROSCA.
 7. Many of the traders in this market are barely literate. They have difficulty understanding the documentation of the bank but can participate in a ROSCA quite easily. ROSCA is an effective way of achieving compulsory saving.
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8. ROSCAs are easy to manage and work with. It is possible to obtain a large pot after having paid only a small amount as instalments. Even less educated persons can participate.
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5. Advantages of ROSCAs

53. Confidentiality.

1. ROSCAs maintain confidentiality to a certain extent. If you do not expose yourself and quietly participate in a ROSCA, no one will find out.
 2. ROSCAs are essential to develop it traders social capital and respect in the marketplace. ROSCAs are a form of compulsory saving when the trader would find it normally difficult to say. They help in getting daughters married off, or to buy a plot of land on which one day he will build a house. Confidentiality is usually maintained in ROSCAs. If the ROSCA with a pose some money to others, and may want to face the pavement, he may not want his winning to be announced.
 3. In some ROSCAs the names of the winners are not announced. In others, they are intentionally announced so that other traders in the market should know that such and such trader is participating in such and such ROSCA. This helps build goodwill and social capital in the market. Other traders use code words instead of their real names so that their confidentiality is maintained.
 4. There is usually very little confidentiality in a ROSCA. Everyone in the market is aware that such and such person has taken part in such and such ROSCA. Even pots are paid by means of a cross cheque. The government does not recognize ROSCAs. It also does not recognize any money that you may deposit in your bank on account of the ROSCA that you are managing. The government considers it as an income and taxes it. The government should realize that the traders are generating funds for promoting their businesses, on self-help bases. The government should encourage ROSCAs rather than discourage them by taxing. No bank account is safe from government prying. State bank has permitted the income tax and other departments to pry into bank accounts. If ROSCA funds are retained by the manager then there is secrecy but if the funds are deposited in a bank, there is no secrecy.
 5. As far as the government departments are concerned, ROSCAs operate in complete confidentiality. Within the ROSCA itself, some members ask that code names be used instead of their own names. This is to prevent other members from knowing that they had won the pot. In some other cases members want their names to be announced so that they can, over a period of time, be known as successful partners in successful ROSCAs. This helps them acquire social capital.
 6. Confidentiality of members can be maintained to an extent in the ROSCAs. Some members request the ROSCA manager will not announce their names. This is for confidentiality. In other cases members request the ROSCA manager to announce their names so that people can know that they (members) have participated in successful ROSCAs. This is to build up a good track record and reputation in the marketplace.
 7. Confidentiality or otherwise of ROSCA members is maintained according to the member's wish. Members usually do not announce they had won the pot lest other traders come to them and ask for loans. Others intentionally announced
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- their participation so that over a period of time, their reputation can be built up.
8. Did not offer an opinion.
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5. Advantages of ROSCAs

54. collateral or guarantees are not required. Good reputation is enough.

1. Collateral or guarantees are not required in a ROSCA. Social capital is enough.
 2. Unlike banks who demand ownership papers for property or the shop, no such collateral is required for ROSCAs. Many people in this marketplace have been able to establish good businesses because their winning was announced early in the ROSCA cycle.
 3. I have heard of some collateral being used in some ROSCAs somewhere but have never really seen it happening.
 4. Did not offer an opinion.
 5. You do not need any documentation in a ROSCA. It does not involve any documents. Too many registries (property deeds) are not involved. The sword of the bank is not always involved. The fear of the disappearance of one's property or of the property being snatched away goes away. If you need an investment of Rs1 Million, 5 Million, 10 Mn from a bank, you will have to offer collateral worth Rs30 Million. Only then the bank will take Interest. In exchange, the bank will pay you a meagre amount. It does not give you any facility whatsoever. If you invest this same instalments which you would give to a bank to a ROSCA, you will not have to submit any documents.
 6. Collateral is not usually required in the low value ROSCAs. Only when the amounts exceed Rs5 Mn or the winner is relatively new, post-dated cheques are demanded as collateral.
 7. Collateral or guarantee is not required in a ROSCA. Reputation and social capital are sufficient.
 8. Collateral or any guarantee like the one banks demand is not required in a ROSCA. The member's social capital and reputation are enough.
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5. Advantages of ROSCAs

55. Surcharges in case of inadvertent delay in payment of subscription.

1. There are no extra charges for documentation involved.
 2. Delay in the payment of subscription for ROSCAs does not attract any penalty. We only applying social pressure upon the person to pay in time. The ROSCA organizer usually keeps the first draw for himself. He uses this as a cushion or buffer so that if any member later delays in payment, he can use this buffer to make sure that the ROSCA operates flawlessly.
 3. Accidental delay in paying the subscriptions does not attract any punitive fine. If a ROSCA member's cheque bounces he is asked to pay the remaining subscriptions in cash. There is considerable social pressure upon each ROSCA member. Committee holders often take two positions in a ROSCA. The first pot always goes to the ROSCA holder. He invests it back into the business and from its profit he pays the subscription for his second ROSCA position. The ROSCA holder is aware of the mental attitudes of the members If a member defaults or delays in payment of the subscription, he is not included in the subsequent
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ROSCA. If he wins a pot, it is paid to him only upon providing the guarantee of other ROSCA members. In case a member who is a habitual problem maker wins the pot, he is paid-back whatever he paid to the ROSCA so far and his account is closed.

4. In our ROSCA we announce that the subscription must be deposited by the 10th of every month. In case of delay, foreseen or unforeseen, a fine of Rs500 per day is levied.
 5. Fines are not levied in case of an unforeseen delay. Actually we tried to help the member along so that he can pay in time.
 6. In ROSCAs operating in this market, we do not impose fines on a member for late payment. I have heard that in some other markets, members are threatened with a fine but usually the fine is not imposed.
 7. In case of an unforeseen delay in payment of subscriptions, we do not impose any penalty of any sort.
 8. In case of a delay in paying instalments, no fine of any sort is imposed.
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5. Advantages of ROSCAs

56. Several smaller traders can acquire one position in a high pot-value ROSCA.

1. More than one persons can join together to purchase one position in a ROSCA. In this way ROSCAs are accessible to traders with smaller means.
 2. In case individual traders are unable to pay the subscription amount, two or more can join together to get one position in the ROSCA. Even the ROSCA organizer sometimes encourages and helps smaller members to find other people to join together.
 3. It is possible for more than one traders to join together to acquire one position in a ROSCA.
 4. It is possible for more than one traders to join together to purchase one position in a ROSCA.
 5. In some conditions, more than one persons can join together to acquire one position in a ROSCA. This helps them to be members off a ROSCA whose members are solid citizens. This helps them acquire good rapport over a period of time.
 6. Two or more traders can join together to acquire one position in a ROSCA.
 7. More than one trader can join together to acquire one position in a ROSCA.
 8. It is possible for more than one trader, say two or even three to join together and acquire one position in a ROSCA. They divide the pot among themselves in their own ratio.
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5. Advantages of ROSCAs

57. Member can obtain the loan from friends against an imminent pot.

1. If I know that my turn to get the pot is coming soon, I can use this information to obtain a loan from a friend or relative. For example if I know that the 10th ROSCAs will be mine I can announce to a friend that I'm getting two lakh rupees in such and such time and using that as a security, I can obtain an earlier loan.
 2. Although it is not frequently done, impending ROSCA wins can be used or
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pledged to obtain loan from friends. Both the parties been contact the ROSCA organizer and asked that the name be changed from the first to the second. The first member will continue to pay the subscription but the pot will be paid to the second.

3. There is a practice in the market that traders whose ROSCA is likely to be announced soon use this future ROSCA as a promissory guarantee to obtain loan from friends.
 4. It is possible for a ROSCA member who is expecting a pot in the very near future, to use this future ROSCA pot as a promise or guarantee to obtain an earlier loan from friends or relatives. I have personal experience of this. It is a mutual and private agreement between two people and ROSCA has nothing to do with it.
 5. Committee holders are all mutual friends. They know the financial needs of each other. They can request each other if they have a financial need. Some of the partners surrender their own part to a member who has greater need of it with the understanding that once the needy person gets his own pot, he will give it back to the one who had given his own pot to him earlier. It is easy to give a loan, it is easy to oblige a friend and best of all one's own capital is completely safe.
 6. If a member is certain that his turn to win the pot may come soon, he can use this information to obtain some loan from friends and relatives.
 7. In other markets, I believe traders can use sharing imminent pots to obtain loans from friends and relatives.
 8. Members can pledge their forthcoming ROSCA to obtain some loan from friends and relatives. Most businesspersons cooperate for two, three or four months with each other.
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5. Advantages of ROSCAs

58. Funds obtained from a ROSCA are cheaper than bank loan of similar amount and duration.

1. In my opinion, the financing obtained from a ROSCA can be considered to be a savings. The saving that we cannot achieve ordinarily, can be achieved through a ROSCA as a compulsory saving. Financing obtained from a bank is a loan. It involves Interest which in our faith is forbidden.
 2. The profitability of ROSCA as compared to banks depends upon the person's intention. If the person intended that he will participate in a ROSCA and obtained the first pot and use it in his business than it will not work. Committees are actually a form of compulsory savings. If he wants financing for his business he might as well go to a bank. If he takes loan from a bank in a have to pay Interest and being involved in the labyrinths of the bank. ROSCA should be considered as a form of compulsory saving only and not as a source of quick capital which can be invested in his business.
 3. If we take only Interest into account, then the capital obtained from ROSCAs is cheaper than that obtained as a bank loan in every way. If we do not take Interest into account, the bank loan is more viable. It is like the pot that has been obtained early in the cycle. It can be invested in the business and profit earned. ROSCAs are generally not participated in for the sake of business. Ordinarily ROSCAs are not used for the growth of business. Whether the ROSCAs are
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- small or large, every member participates in them only for his savings.
4. When we subscribe to a ROSCA, we get nothing out of it except our saving. On the other hand if we invest the same amount of subscription in our business, we obtain some profit. It is an advantage of ROSCAs that you are able to save and sometimes you are in a lump sum pot which you can invest in the business. Actually ROSCAs are really a compulsory saving method. The pot is a bonus.
 5. The capital obtained from a ROSCA is definitely cheaper and more convenient than that obtained from a bank. However capital obtained from a bank has its own characteristics, advantages and disadvantages.
 6. ROSCA financing costs less than bank financing of the same amount and period. However, bank financing is a loan that can be reinvested in them business will generate profit. This profit can be more than the cost of the loan.
 7. Finances obtained from ROSCAs are certainly more convenient and less expensive than finances of the same magnitude and duration obtained from a bank.
 8. When a loan is taken from a bank, the bank will levy Interest or they can call it profit or markup. There is no such charge involved in a ROSCA. Finances obtained from a ROSCA are cheaper than similar finances obtained from a bank.
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5. Advantages of ROSCAs

59. Funds from a ROSCA are not subject to any deduction.

1. No deductions are involved in a ROSCA financing.
 2. No deductions are made from the capital that is obtained from a ROSCA.
 3. No deductions are made to the pot ordinarily. In certain cases of very high value pots, the draws take place in a hotel and the winner is expected to pay for the lunch or dinner of the attending members
 4. No deductions are made from the pot.
 5. We do not make any deductions from the pot.
 6. No deduction of any sort is made from the pot. No charges are levied, and in case of a delay we do not impose any penalty.
 7. No deductions are made from the pot at all.
 8. No charges or deductions of any sort are made from the pot. There is no deduction of any sort whatsoever.
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5. Advantages of ROSCAs

60. No Interest in any form is included in funds obtained from a ROSCA.

1. It is very obvious that no Interest is included in ROSCA financing.
2. No Interest of any form is included in the finance obtained from a ROSCA.
3. Random ROSCAs do not include any trace of Interest.
4. No element of Interest is included in any form in the pot.
5. The best feature of a ROSCA is that Interest is not involved.
6. The pot obtained from random ROSCA is completely free of any Interest. The member obtains exactly what he deposited.
7. Interest is not included in the pot in any form whatsoever.
8. No Interest in any form is involved in a ROSCA pot.

5. Advantages of ROSCAs

61. More affluent traders can acquire several positions to increase the pots.

1. Traders with access to greater financial resources can acquire multiple positions in a ROSCA or participate in several ROSCAs simultaneously. There are no restrictions.
 2. There are traders who purchase several positions in a ROSCA. They can invest a larger amount and obtained a large amount. They pay a larger subscription every month but in the end get a larger pot.
 3. Traders who can afford to pay high subscription rate either participate in several ROSCAs or acquire more than one positions in a single ROSCA to increase the size of their saving.
 4. Traders who can afford to set aside greater amounts of funds for subscription can either take part in several ROSCAs or can take several positions in the same ROSCA.
 5. Traders who can afford to, acquire several positions in the same ROSCA or in different ROSCAs. By this means, they are able to access greater capital.
 6. It is common practice for traders who can afford it, to take part either in several ROSCAs or acquire several positions in the same ROSCA. This way they can access greater capital
 7. Traders pay subscription to the limit of their capacity. Some participate in more than one ROSCA and others acquire multiple positions in the same ROSCA.
 8. If a trader can afford to, he can take more than one shares in a ROSCA. It is his own courage.
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5. Advantages of ROSCAs

62. Probability of obtaining an early pot can be increased by acquiring several positions.

1. If we participate in several positions or ROSCAs, it is obvious that in some cases we will obtain the pot earlier and in others a little later. In this case obtaining the financing can be spread over time.
 2. Did not offer an opinion.
 3. Some traders acquire multiple positions in a ROSCA so that their probability of earning an early pot increases.
 4. It is an advantage to take part in more ROSCAs or acquire several positions in the same ROSCA. The probability of obtaining an early pot increases. This pot can then be used as an investment and the earnings can be used to pay the subscriptions for the others ROSCAs.
 5. Traders who can afford to, acquire several positions in the same ROSCA or in different ROSCAs. Their likelihood of obtaining an early pot increases.
 6. By acquiring several positions in the same or different ROSCAs, it is possible to improve one's probability of obtaining an earlier pot.
 7. The larger the number of ROSCAs or positions that a trader participates in, the larger is the probability of his obtaining earlier pots.
 8. Acquiring several positions increases the probability of obtaining an early pot.
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5. Advantages of ROSCAs

63. Instalments may be paid in cash, cheque, or gold.

1. Payment of subscription is simple. We can pay in the form of cheque, cash or even gold.
 2. Did not offer an opinion.
 3. The subscriptions are paid usually in cash but more often in the form of cheques. There are some other markets where they may be paid in the form of gold.
 4. Instalments can be paid in cash or by cheque. In our market we prefer cheques. This is because in our market we pay income tax. In some other markets I believe subscription is paid in the form of gold.
 5. Instalments are paid in the form of gold. Sometimes it is cash or cheque.
 6. Did not offer an opinion.
 7. We accept instalments in cash or in cheque. Sometimes the cheques have been signed by the ROSCA member while in other cases they are cheques signed by buyers of the members They are accepted in good faith.
 8. Payment of instalments is convenient. It can be done in cash or it can be paid in the form of a cheque. It can be paid to the ROSCA organizer at the time of the draw or a representative of the ROSCA manager can go from the offices or shops of member to member collecting the instalments. It is very flexible and easy.
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6. Weaknesses of ROSCAs

64. Pots may not be obtained exactly when the funds are needed.

1. Certainly will be a good points in a ROSCA there are some reservations also. If we participate in a committee today we do not know when we would succeed in getting the pot. If it is up 20-member. We can get the money early in the cycle, in the middle or towards the end. We do not know if we will obtain the pot when we need the financing. This is certainly a shortcoming in a ROSCA.
 2. One should not participate in a ROSCA hoping that he will get a pot the next day and invest it in his business. Committees should be participated only for compulsory saving. Many people use talismans to get an early pot, others mumble mystical verses when the draw is taking place. I have found that in spite of all this the draw goes in favor of an absentee member who has not resorted to any magical or mystical power.
 3. ROSCAs have a noticeable disadvantage that the success in the draw cannot be predicted. In other words, the pot may not be available when it is more needed.
 4. Did not offer an opinion.
 5. Those traders approach banks that need greater financing than ROSCAs can provide. Also if they need a large amount, Rs10 for Rs15 Million, in a hurry they will go to the bank. There are two major factors here. In a ROSCA they will have to save for themselves. If they get the first pot, they will have to earn from it and pay the instalments. Once they get a loan from a bank they will compulsorily have to earn so much that they can return the bank's principal amount and the instalments. They must earn so much profit that they can pay the instalments. If they do not they will start moving towards default in six or seven months. There is excessive fluctuation in Pakistan's market. This fluctuation causes a problem to the person who took the loan. In the past there was one banking court. Today there are four banking judges. The banking cases have
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become so many and the conditions are so bad that cases do not get their turn to be heard before three or four months. The advantage of litigation and delays goes to the bank because the price of the property keeps appreciating and banks use increase exponentially because of compounding of the Interest. The bank sets the reserve price to include the capital and the compounded Interest. Since the defaulter was originally unable to pay it all, he has no chance of winning his property back. He loses his trade, he loses his business, and is relieved of his ancestral property.

6. Did not offer an opinion.
 7. One of the weaknesses of random ROSCAs is that obtaining the pot cannot be predicted. In case of decision ROSCAs however, it is decided beforehand.
 8. We cannot base a business plan on obtaining the pot because the time of obtaining the pot is unknown in the popular random ROSCAs. Committees can be used really only for savings.
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6. Weaknesses of ROSCAs

65. Traders operating in a rented premise may have difficulty joining a ROSCA.

1. Secondly, traders who operate out of a rented premises or whose financial position is weaker find it difficult to be admitted into a ROSCA. This is because if a party abandons the ROSCA we should not have any problem in continuing it.
 2. Traders who work in rented shops cannot participate in a ROSCA because they have no basis in the market. Their stock in the shop might be worth Rs10 Mn or 20 Million. 90.9% of the traders in this market are owners of their shops. How can a trader who has to take out the rental find enough money to pay subscription for the ROSCA?
 3. A trader who is accepted into our ROSCA need not have property rights of the shop that he is operating from. He may be operating out of a rented premise. His market goodwill determines his chance of acceptance. Often, traders who are operating out of their own shops are not accepted in the ROSCA.
 4. Before approving a trader to be a member of the ROSCA we see whether he is the owner of the shop, is his business doing well, does he have good reputation, his dealing with his neighbors, and is he in a position to pay the subscriptions easily and regularly. Even if the applicant is working in a rented premise, we see his business and his reputation. If his dealings with the people are okay then there is no problem in accepting him as a member.
 5. The most important factors considered about a trader when admitting him into our ROSCA is his social capital, reputation in the market, is turnover. Operating out of a rented premise is not a disadvantage for him although owning his own premise is a positive point.
 6. Did not offer an opinion.
 7. Operating from a rented premise is a very small disadvantage for acceptance as a member. We normally do not give any importance to whether the applicant for membership is operating from his own or from a rented premise.
 8. People are usually under the impression that traders who work out of a rented shop are not admitted into a ROSCA. This is not correct. It is the business reputation of the trader that is taken into account and not whether he is operating from a rented premise. In countless situations owners of premises are not
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admitted into the ROSCA because of their reputation.

6. Weaknesses of ROSCAs

66. Possibility of default always exists.

1. In today's business environment, there is a constant threat or fear of default. Last, God forbid, for any reason whatsoever if the ROSCA breaks it will cause a disturbance to the others.
 2. The fear of default is always present. We exercise great care to ensure there are no defaults. In this market we accept only traders from this market and not from any other. We accept members from other markets only if they are very closely related to a member such as his son for a son-in-law and on the member's guaranty. Because we do not know what is behind the wall. We do not know the state of business often applicant who is operating in a different market. We do not have any default in this market.
 3. The threat of default always exists. Of course it depends also upon the ROSCA holder and the members. The threat of default even exists in the form of an unforeseen mishap.
 4. The greatest difficulty we have in managing the ROSCA is collection of subscriptions. Members do not pay the said subscription on the date they promise. Sometimes they even exceed the last date. ROSCAs run on trust. We choose the members because of the trust we have in that if they are not trustworthy, no amount of pre-dated cheques will be able to help.
 5. A default is always possible. We reduce the probability by choosing the ROSCA organizer and the members carefully.
 6. Did not offer an opinion.
 7. Defaults simply do not take place. At the most there can be a delay in paying the instalments. If someone says that he lost his capital in a ROSCA, I think it is a lie. Everyone has obtained a full value of the pot.
 8. There is a greater fear of default in high value ROSCAs because the amount involved is very large. Small value ROSCAs are very common and tend to be less likely to suffer default. But the fear of default remains to some degree.
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6. Weaknesses of ROSCAs

67. Leaving a ROSCA before the cycle is completed is difficult.

1. Another disadvantage of ROSCAs is that if any time during the cycle, you are unable to continue paying, you will have to pay in any condition. It is not possible to exit from a ROSCA before it is completed.
 2. If a member wishes to exit the ROSCA prematurely he will have to speak to the ROSCA organizer and explain his difficulty. The organizer can then communicate with any other person and invite him to join the ROSCA individually. Financial details are decided mutually. In this situation, the person who wants to exit can be exploited by others who offer him a smaller amount than he had deposited to help him leave the ROSCA.
 3. It is unusual for a member to exit a ROSCA before its completion. If one does, it requires considerable effort on the part of the ROSCA holder to settle the financial crisis.
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4. Did not offer an opinion.
 5. As I said earlier, if a member defaults before he obtains his pot, someone else steps in as a new member, takes the defaulter's place, changes the name of the position and the committee goes on as before.
 6. Default by a ROSCA holder or a ROSCA member is a constant threat. Business runs on credit. ROSCA members receive cheque from their buyers and in good faith submit these cheques as subscription into the ROSCA. Because of the variable economic conditions in the country, sometimes these cheques bounce. If that be the case, the ROSCA is brought under threat of default.
 7. Traders wish to be included in ROSCAs. Not only that they can obtain a lump sum pot which they can use, they also acquire good reputation by participating well in a ROSCA that ends satisfactorily. I have not known of any member leaving the ROSCA midstream. If anyone does, we will be able to replace him with another member seamlessly.
 8. It sometimes happens that a committee member is unable to keep up with the payments and wants to quit. It is a difficult situation but the ROSCA holders usually manage it. They always find another trader for stepping into the position of the one who wants to leave.
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6. Weaknesses of ROSCAs

68. ROSCAs are extra-legal private arrangements. Recourse to law is difficult.

1. If a default takes place, a ROSCA is a private arrangement in our society. It is not legally covered. Problems can be solved only by private mutual consultation. If some solution can be found it is good otherwise it results in a loss to others and recovery of loss becomes difficult.
 2. ROSCAs are extra-legal. There is no such thing as law in this place. If there had been any law here, want only 800,000 people out of a population of more than 40 Mn be paying taxes? Our tax collectors say give us some money and don't come into the tax net. The law has upper hand in India. And everybody is in the tax net. CBR leads People's homes and confiscate undeclared money.
 3. ROSCAs have no legal standing. If we take a ROSCA dispute before a judge or the police we are not given a hearing.
 4. Did not offer an opinion.
 5. ROSCAs are a private matter. They are extra-legal. They do not obtain the same attention before a court of law as any other civil dispute may.
 6. Did not offer an opinion.
 7. ROSCAs are private arrangements and are not recognized by law. Some judges consider ROSCAs to be extra-legal if not simply the illegal. A complainant ROSCA holder does not obtain the same protocol in a court of law as he would if ROSCAs were declared legal.
 8. ROSCAs are a private matter involving only the spoken word and trust. Documents are not involved and are not available. They are quite illegal. If there is a default, it cannot be pursued in a court of law because there is no documentary proof against the defaulter.
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6. Weaknesses of ROSCAs

69. Earliest winners get a loan, last winners obtain only their savings, while others obtain a mixture of the two.

1. If ROSCAs are analyzed carefully, we find that those traders who obtain the pot early in the cycle such as the first or the fifth are in profit. It trader who obtains the 18th or 20th pot certainly suffers considerable loss. His capital is taken away from him and is returned to him after 18 to 20 months.
 2. The members who win the pot early in the cycle get a net loan while those who get the pot at the end of the cycle obtain only their savings. There is really no difference between the two. It is a question of mental attitude. The early winners are happy because they can invest the pot in the business and increase capital from the profit. The later winners are also happy because they have been able to achieve compulsory saving when ordinarily it would have difficult for them to save anything.
 3. Generally, traders participate in a ROSCA only for savings. An early pot is a bonus for the savers. They may invest it back into the business.
 4. Did not offer an opinion.
 5. Traders who obtain an early pot have in effect obtained a net loan. They can invest it in their business and earn a profit from it. Those who obtain the loan in the middle of the ROSCA cycle are 50/50. They are obtained a net loan as well as part of their savings. Those who obtain the pot at the end of the ROSCA cycle obtain only their compulsory saving.
 6. Did not offer an opinion.
 7. It is simply a matter of Providence when the pot will be received. Some obtain it early while others obtain it right at the end.
 8. Early pot winners are lucky because they can get an Interest-free loan without any collateral and having paid very little.
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6. Weaknesses of ROSCAs

70. Capital of last winners remains out of business for long causing reduced profits.

1. Had this capital remained in the business for 18 or 20 months, it would have turned additional profit to the trader.
 2. There is really no difference between the two. It is a question of mental attitude. The early winners are happy because they can invest the pot in the business and increase capital from the profit. The later winners are also happy because they have been able to achieve compulsory saving when ordinarily it would have difficult for them to save anything.
 3. If a trader does not participate in the ROSCA but invests whatever he would have paid as subscription into the business, he is likely to earn more profit. However he will not be able to save anything. ROSCAs are usually participated in for saving and not for raising capital to help promote business.
 4. Did not offer an opinion.
 5. This is true. Members who obtain an early pot are able to use it in their business and single. ROSCAs are really a form of compulsory saving. This is true. Members who obtain an early pot are able to use it in their business and single. ROSCAs are really a form of compulsory saving.
 6. Members who obtain an early pot, have in effect obtained a loan from the
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ROSCA. They can invest it in their business but they are constantly under stress that the loan has to be returned to the ROSCA from this business. Those who obtain the last pots, will obtain only their savings. Now, the future value of money is always less than the present value and it can be safely said that such members are at a loss

7. Later winners of the pot have had to extract this capital from the business for the duration of the ROSCA. And then not participated in the ROSCA, this capital would have been reinvested in the business and earn up potential profit areas however the businessperson would not have been able to save anything. Most traders considered ROSCAs to be a form of compulsory saving. The pot is considered a bonus.
 8. The late winners obtain only their savings and usually are a little unhappy about it. The ones who get the draw in the middle, achieve some saving and some Interest-free loan.
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6. Weaknesses of ROSCAs

71. Cheques may bounce. Recovery is almost impossible as police and courts are busy.

1. Cheques paid into the ROSCA can bounce. Justice cannot be obtained from the police or the law courts. And if available, it is very expensive and time-consuming. It is difficult to focus on our own work. ROSCAs operate on mutual trust. If someone betrays the trust it becomes difficult to catch.
 2. A lot of fraud goes on in other markets on account of the cheques. In our market we find there is no need to accept cheques on account of ROSCAs. If a person owes money he will pay. This is because people have been working here for generations. In other markets there is a lot of fraud going on. There is no law to protect against dishonoured cheques. Gen. Musharraf promulgated some law. Initially people were afraid of violating this law. Advocates have found some lacunas in the law. Today, there are many people sitting in jails who have issued dishonoured cheques and refuse to clear them.
 3. During the days of Gen. Musharraf a law for handling bounced cheques was promulgated. It helped the situation considerably. Any case attracted police attention and a criminal non-bailable case was filed against the defendant. People used to sign cheques only after deliberation. Actually people used to avoid writing cheques at all. This law began to be misused. People began to get cheques signed at gunpoint and would join up with their opponents in order to get a person into jail. The matter would go to court and in very rare cases the defendant would be granted bail. Now the government of Punjab and the police has created a separate department for handling bounced cheques. They look at the cheques. If the bounced cheques concern ROSCAs, they reject the case out of hand. Smaller traders can do nothing about it except try to apply social pressure on the cheque writeRs They have no legal recourse. Today the situation is that only influential individuals and well-connected traders can make recovery from dishonoured cheques. Bounced cheques have become a drag on the economy and capital is disappearing from the market. Recovery of the amount in a bounced cheque is almost impossible.
 4. Did not offer an opinion.
 5. Recovery from a bounced cheque can be made if a person is well connected to
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- the police.
6. Did not offer an opinion.
 7. A dishonoured cheque is not a serious problem in our ROSCA. The reason is that all the members in our ROSCAs are chosen very carefully. They are conscious of their reputation. In case of a cheque given by any one of them bounces, he will immediately replace it immediately by a fully covered one. In the general trade in our market, however, bounced cheques are a serious problem. Those that have been issued by most Pakistani businessmen ultimately get cleared after maybe a few days or a little longer. However their recovery is a hassle. Police is usually no help. We have to apply social pressure. Bounced cheques issued by businesspersons from Afghanistan are usually worthless.
 8. Giving a dishonoured cheque is a bailable offense. Making the recovery from such a cheque is a distraction that causes a lot of expense and bother to the victim.
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7. Important weaknesses of ROSCAs

72. Laws and procedures relating to dishonoured cheques are weak.

1. The greatest difficulty is the weakness of the law regarding handling bounce cheques. It does not help us at all in recovery. Consequently the attitude of people is irresponsible. Even fraudsters succeed in this.
 2. The bounced cheques are pieces of paper. We can do nothing about them.
 3. Laws and procedures dealing with dishonoured cheques are weak. Recovery of the amount in a bounced cheque is almost impossible.
 4. Did not offer an opinion.
 5. In the past a bounced cheque was a piece of paper. Later laws were promulgated and it became possible to involve the courts and the police to make recovery from the. However, there are shortcomings in the laws relating to bounced cheques. Criminals have managed to get cheques signed on gunpoint and choose them later to embarrass their opponents.
 6. Did not offer an opinion.
 7. Laws and procedures that deal with bounced cheques are weak and ineffective.
 8. The law and procedure for recovering from bounced cheques are weak. Businesspersons do not wish to get involved with the hassle of police stations and courts.
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7. Important weaknesses of ROSCAs

73. Capital remains out of business for long for the later winners

1. In other difficulty with ROSCA is that our capital is removed from business circle and put in the ROSCA. Our hands are tied and we suffer a loss on this account.
 2. The difference between early and late weaning of the pot is a question of how we view ROSCAs. ROSCAs are compulsory savings and should be considered as compulsory saving only. If a member gets the pot early in the cycle should consider it as a bonus but should not base his business plans on obtaining the pot early.
 3. Did not offer an opinion.
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4. Did not offer an opinion.
 5. This is true. However, had the capital remained in the business it would have earned the trader profit but the traders would not have been able to save anything.
 6. Did not offer an opinion.
 7. In case of members whose pot is announced later in the ROSCA cycle, their capital remains out of business for a long time.
 8. If a person joins a ROSCA with the intent of obtaining capital which he can use in business, then obtaining the last ROSCA will be a serious setback to him. If he has participated for the sake of achieving a saving, then late pots will not be a bother.
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7. Important weaknesses of ROSCAs

74. ROSCA holders are not permitted by law to collect funds.

1. The law does not recognize ROSCAs or permit it to gather funds. There is no legal permission for this. ROSCAs are a mutual arrangement. There is no legal backing at least in my opinion.
 2. Only banks and cooperative societies are permitted by law to collect funds. ROSCAs are extra-legal or illegal. The law does not take cognizance of ROSCAs and considers it private matters between partners. It will be a great help if the government gives recognition to ROSCAs.
 3. ROSCAs have no legal standing. If we take a ROSCA-dispute before a judge or the police we are not given a hearing.
 4. Did not offer an opinion.
 5. ROSCAs are not yet recognized by law. Their action is extra-legal.
 6. Did not offer an opinion.
 7. ROSCAs do not have any legal permission to collect funds. Only banks and cooperative societies have that. ROSCAs are therefore very private arrangements and their position before a judge in a court of law is somewhat shaky.
 8. I'm afraid that if ROSCAs are granted recognition in the eyes of the law, every second man will become a ROSCA holder. There might be a chaos in the market.
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7. Important weaknesses of ROSCAs

75. Less affluent small traders have difficulty accessing larger pot ROSCAs.

1. If I need larger financing, I cannot participate in a large value ROSCAs. This is because the periodic subscription I must pay is considerably large. I can only participate in a small or reasonable value ROSCA and my pot is also a small value one. We cannot participate in a high value ROSCA.
 2. Traders are allowed to become members of only those ROSCAs whose subscription they can pay reliably. This automatically bars small shopkeepers from trying to obtain larger pots. However, two or more traders who have ample social credit can join together to acquire a position in a large value ROSCA. In any case, the larger pot will have to be divided among them and so the share of each will be proportional to how much they were able to pay.
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3. Did not offer an opinion.
 4. Did not offer an opinion.
 5. Small traders are able to access only small value ROSCAs because the subscription they can afford to pay is small.
 6. Did not offer an opinion.
 7. Traders with smaller cash flow have difficulty accessing large value ROSCAs.
 8. Small traders have difficulty accessing larger ROSCAs because it means are small. They had to obtain their subscriptions from their business, if they cannot afford to pay the subscriptions, it will lead to trouble.
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7. Important weaknesses of ROSCAs

76. The possibility of a default always exists.

1. There is always the threat of default in the ROSCA. Although defaults are rather rare, these problems are encountered by the marketplace.
 2. It is true that default is a constant threat. In our market, we have taken ample measures to successfully ensure that default does not take place. The steps were mentioned earlier.
 3. The threat of default always exists.
 4. Did not offer an opinion.
 5. The fear of default is always present. However, we reduce it to negligible levels by choosing the ROSCA organizer and the members very carefully.
 6. Did not offer an opinion.
 7. In most ROSCAs, the possibility of default is always present.
 8. In our market there is no fear of default. However I understand that default is a possibility in other markets.
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7. Important weaknesses of ROSCAs

77. Traders who do not own property have difficulty being admitted into a ROSCA.

1. It is difficult for financially handicapped traders or for those who do not own property to participate in a ROSCA.
 2. Traders who do not own the shops from which they operate have considerable difficulty being accepted as members of high-value ROSCAs. This is a consequence of our attempt to make sure that only those people who can pay the subscription regularly and reliably are accepted as members so that our ROSCAs will not default.
 3. A trader who is accepted into our ROSCA need not have property rights of the shop that he is operating from. He may be operating out of a rented premise. His market goodwill determines his chance of acceptance. Often, traders who are operating out of their own shops are not accepted in the ROSCA.
 4. Did not offer an opinion.
 5. If a trader operates from a rented premise, it is not a negative point against him. Other factors are taken into account and these include social capital, reputation etc.
 6. Did not offer an opinion.
 7. In many ROSCAs, traders who lack ownership rights to their premises, have
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- difficulty accessing high pot value ROSCAs.
8. In our market operating out of a rented premise is not a negative point for a member. What is more important is his reputation and his social worth.
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7. Important weaknesses of ROSCAs

78. In case of a dishonoured cheque, justice is available only to influential traders

1. The in case of a dishonoured cheque, I feel that justice or its recovery, is usually available only to socially influential persons who have connections with the police or with unions. Only they are able to succeed in recovery. It is rather difficult for an ordinary trader to succeed in it.
 2. Bounced cheques are worthless pieces of paper. We cannot use them for recovery of our capital.
 3. Laws and procedures dealing with dishonoured cheques are weak. Recovery of the amount in a bounced cheque is almost impossible.
 4. Did not offer an opinion.
 5. Recovery from a bounced cheque can be made if the aggrieved party has good relations with the police.
 6. Did not offer an opinion.
 7. The prevalence of bounced cheques is a threat to trade.
 8. In our ROSCA, bounced cheques are only a tiny annoyance. In the general trade at large they are a serious setback. Unfortunately recovery from them is possible only for influential victims.
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8. Recommended reforms

79. Essential details of a dishonoured cheque should be posted on a publicly accessible database by the defaulter's bank.

1. There should be a publicly accessible database of bounced cheques. Those people who are habitual and those who pass their time by giving uncovered cheques, their details should be brought to the notice of the people so that people can protect themselves from these offenders.
 2. It is important for the government to promulgate and enforce laws regarding protection from dishonoured cheques. People have given us cheques about which we can do nothing. Someone is from Kohat, someone else is from Bannu, someone is from Dera Ismail Khan and someone is from Afghanistan. They used to come but now visa has been imposed upon them. From where shall receive our funds. We have pieces of paper. The money has been taken away by the cheque writers. Ever since the system of cheques started, capital has disappeared from the market and people are becoming defaulters. For the last one year there is no business in the market. What will we do with a cheque? We're very happy to see cheques lying there but they're useless. The party does not come to pay the money. Cheques are very bad. Dealing in cash is excellent. The details of all dishonoured cheques along with the names and identity card numbers of the persons who issued them and amounts and dates should be published. This will go a long way in protecting traders from fraudsters who use a Rs5 worth of cheque to get five lakh rupees from traders. Ever since plastic money, credit cards, started it has only caused problems in the market.
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3. If details of bounced cheques are placed on a publicly-accessible database, it will help reduce the problem of dishonoured cheques.
 4. Did not offer an opinion.
 5. It is correct that a law should be promulgated that strengthens procedures for managing bounced cheques. This will improve recovery from the defaulters.
 6. Did not offer an opinion.
 7. The system of publishing particulars of bounced cheques such as the offender's NIC number, date, amount and the bank involved, on the Internet and in hard copy form is highly recommended. There are simply too many cheques in the market known as dumb cheques. These cannot be cashed at all. Recovery cannot be made from them. If the offending party pays a small bribe to the police, no action will be taken against him. Only if the law is correctly implemented will the system of cheques be improved.
 8. Publishing the details of bounced cheques in publicly accessible and easily available lists is a (good idea. It will surely help in reducing the incidence of bounced cheques. They were in a However most of our traders are literate or semi-literate. They will have difficulty reading from lists and interpreting the meaning. The banks are private enterprises. They are clamouring to create new accounts. They worry more about the number of accounts than the account holders. If you start making lists of dishonoured cheques, I'm afraid it will run into volumes. How many lists will you prepare? I think this is too big a task to be achieved.
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8. Recommended reforms

80. The pot should be insured.

1. I feel that ROSCAs should be insured. If an insurance company cooperates and makes up the losses it will be a good idea.
 2. Such payment can be ensured which can be declared. If we ensure our payment they will ask us for the source of our capital. Our confidentiality will be compromised. The papers will go forward in the departments. Tomorrow if we make a claim for Rs8 Mn giving our national tax number they will ask us for the source of the funds.
 3. Ensuring the funds in a ROSCA is a good idea. It needs to be considered.
 4. Did not offer an opinion.
 5. Ensuring the pot is a good idea. The question off confidentiality will need to be addressed.
 6. When the trader accepts a post-dated cheque, there are numerous worries in his mind about whether or not the cheque will be honored when presented. An online for a hard copy database will be an extremely essential and useful tool in such a situation. The seller can take the well informed decision in such a case. In my opinion this database will be so useful that if traders lack the skills of going online, they can hire a person will do that for them.
 7. Ensuring the pot in particular and ROSCA in general is a great idea. It might not work in practice due to a possible lack of transparency by insurance companies.
 8. In our market the default rate is absolutely zero. There is no reason to ensure that the pot. It will only increase the operating cost. In other markets where there is a possibility of default, in showing the parts might be a good idea. It will increase the operating cost and issue of confidentiality will have to be addressed.
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8. Recommended reforms

81. The account of a habitual bounced-cheque writer should be closed.

1. People whose cheques bounce frequently, if their cheques continue to bounce in spite of a warning, their accounts should be locked or closed. Or there should be a ban on their accounts for a period of two years.
 2. An individual who is a habitual dishonoured-cheque writer he should not be allowed to open an account in any branch of any bank. Not one but all banks should be informed that such and such party is a defaulter. He is causing a loss to everyone including the banks. If his bank account is frozen this will be a lesson to other people not to issue dishonoured cheques.
 3. I think there is a rule or practice with the banks that if an account holder issues more than a certain amount of dishonoured cheques, his account is either freezed or closed.
 4. Did not offer an opinion.
 5. The accounts of an habitual bad cheque writer should be closed. They must not be allowed to operate in the market and cause mischief.
 6. Did not offer an opinion.
 7. Unless you tighten the laws on issuing dishonoured cheques, the system will not improve. If a person writes dishonoured cheques beyond a certain limit, his accounts should be frozen and he should not be permitted to issue any more cheques.
 8. The bank accounts of habitual bad-cheque writers must be closed. They should not be allowed to cause havoc in the market. They should not be allowed to open an account in any bank in the country. They should be a simple way of giving awareness to all the trading community that such and such person is a habitual bad-cheque writer and should be avoided. Our trading community is mostly illiterate and has developed no way by which they can share information about bad-cheque writers with other permit trading communities in the country. The markets are far away and cannot share market intelligence with each other. The sense of confidentiality also prevents people from sharing information. Bad cheque writers damage the trade, whether it be ROSCAs or general trading.
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8. Recommended reforms

82. ROSCAs should be legally permitted to collect deposits.

1. A long should be promulgated to enable ROSCAs to accumulate deposits. This will provide a legal status to ROSCAs.
 2. A law must be promulgated to regularize ROSCAs. They should be permitted to accumulate funds. Only after such a law is promulgated and enforced will capital be secured and safe. ROSCAs will be secured and individuals will be assured that their capital is safe.
 3. If a law is promulgated and implemented to regulate the operation of ROSCAs, it will remove a lot of our problems. Even the amounts of committees will be ensured. ROSCAs must be legally permitted to gather public funds.
 4. Did not offer an opinion.
 5. Yes. Laws should be passed to recognize and registers random ROSCAs that exceed a certain value.
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6. Investor confidence is very low because of the prevalence of bounced cheques. Individuals who issue bounced cheques exceeding a certain level of tolerance are playing havoc with the economy. Their accounts should be closed and they should not be permitted to operate anymore. This is an extreme and an aggressive remedy but I guess it is only by extreme and aggressive remedies that you can fix a sick society. This measure is highly recommended to be adopted
 7. ROSCAs should be given legal recognition by law. They should be registered with an authority and be permitted to collect funds. The question of confidentiality must be addressed adequately otherwise ROSCAs will be out of the frying pan and into the fire.
 8. ROSCAs should be legalized by law and permitted to collect funds. At present they are illegal and private.
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8. Recommended reforms

83. ROSCAs that exceed a certain pot size, should be registered with the Chamber, bazaar committee or trade union.

1. Another suggestion from my side is that ROSCAs should be given a legal status. Another suggestion is that in the marketplace, ROSCAs that exceed a certain value such as Rs100,000 should be registered with the Chamber, bazaar union or some committee. There should be an involvement of these in the ROSCA so that in case of any problem they can be of help.
 2. ROSCAs whose pot sizes exceed a certain limit must be registered by the Chamber, bazaar committee, or bazaar union.
 3. Did not offer an opinion.
 4. In the marketplace, if the trader develops a reputation that his cheques are dishonoured, he is not accepted as a member in any ROSCA. The government should take steps to ensure that if any person is a habitual bad cheque writer, his account should be frozen and he should not be allowed to operate in the market. Unfortunately our government is simply not interested in the welfare of trade. If this step is taken, capital will be saved and people will be secured that the business is safe.
 5. Random ROSCAs that exceed a certain value should be registered with a responsible authority such as the Chamber, bazaar committees for trade unions.
 6. ROSCAs are providing a single service to the economy. The government should take steps to encourage ROSCAs by passing an act of Parliament to allow them to operate and by giving them recognition. Ultimately it will be the government that will prosper if ROSCAs are able to boost the economy even more.
 7. All ROSCAs, big or small, should be registered with the Chamber, bazaar committee, trade union etc.
 8. ROSCAs that exceed a certain pot size, must be registered with the Chamber, trade unions or market committees. This will help reduce the occurrence of default even further.
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8. Recommended reforms

84. Default in a registered ROSCAs should be considered a cognizable offense and a report by the ROSCA member should be admissible as evidence in a court.

1. It is complaint by the ROSCA should be acceptable in a court of law as evidence. The defaulter may be given a time period in which to clear his arrears and enable the ROSCA to proceed.
 2. Default in registered ROSCAs should be considered a cognizable offense. Evidence given by ROSCA manager or members should be admissible in a court of law as evidence.
 3. Did not offer an opinion.
 4. Did not offer an opinion.
 5. Complaints by organizers off registered ROSCAs should be given a fair hearing and the evidence should be admissible in a court of law.
 6. Did not offer an opinion.
 7. A default in a ROSCA should be considered a cognizable offense. The evidence of the ROSCA organizer and/or ROSCA members should be admissible as evidence.
 8. Default in these existed ROSCAs should be considered an offense. Statement by ROSCA organizer or members should be considered legal by the judge.
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8. Recommended reforms

85. Bidding ROSCAs must not be registered.

1. Another suggestion I have is that bidding ROSCAs should closed by law. They should not be registered. In case any is discovered the Law should come into motion and end the bidding ROSCA because it is a form of gambling.
 2. Bidding ROSCAs are a fraud and a cruelty. They should not be registered.
 3. Bidding ROSCAs must be discouraged.
 4. Did not offer an opinion.
 5. Bidding ROSCAs should not be registered.
 6. Did not offer an opinion.
 7. Bidding ROSCAs should be discouraged as antisocial and anti-Islamic. They should not be registered.
 8. Bidding committees are criminal. They should not be encouraged. They should not be registered.
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8. Recommended reforms

86. Registered ROSCAs should be managed only by banks or traders who fulfil certain conditions.

1. Registered ROSCAs should be managed only by such institutions as banks or by traders who fulfil certain preconditions. These preconditions should be determined by bazaar committees, unions or the Chamber. It will be a great help if they can be involved with the ROSCA management.
 2. Registered ROSCAs should be managed only by institutions such as banks or traders that fulfil certain preconditions.
 3. If ROSCAs can be given legal cover, criteria to do this such as registration with the Chamber, bazaar committees, etc. will evolve.
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4. Did not offer an opinion.
 5. The fear of the failure of the ROSCA and the consequent loss of capital of the members is a threat that is always present. It can be reduced by making sure that registered random ROSCAs are operated only by banks or traders who comply with certain preconditions.
 6. Did not offer an opinion.
 7. The organizers or managers of registered random ROSCAs may be banks, or traders who fulfil certain requirements. These requirements can be developed collectively by bazaar committees, associations, trade unions and the Chamber.
 8. The registered ROSCAs should be managed only by such institutions (banks), or traders who fulfil certain conditions. These conditions can be developed by mutual consultation with the trading community and other stakeholderS
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8. Recommended reforms

87. Banks should also operate Interest-free random ROSCAs.

1. Banks should organize Interest-free random committees. The pot sizes should be determined by the market requirements. The winner of the pot should deposit posted dated cheques for the remaining instalments before he can collect the pot. This will remove the danger of defaults. In order to protect the Interest of the bank, the first one or two pots should go to the bank time. They can be returned to the ROSCA later.
 2. If banks manage Interest-free ROSCAs it will go a long way to removing the threat of default. The size of the pot can be decided by market forces. If a member defaults on the subscription before winning the pot, the bank will pay on the defaulters be half and convert the payment into a loan. Winning members will have to deposit posted dated cheques to cover the remaining instalments. A huge amount of money will become part of the documented economy. The question of confidentiality will need to be addressed.
 3. If banks operate Interest-free ROSCAs it will attract many people. People trust banks more.
 4. Did not offer an opinion.
 5. Banks should be encouraged to operate Interest-free random ROSCAs. Terms and conditions such as the size of the pot, membership etc. can be determined by market forces.
 6. If a large institution supports or even takes over something it can help remove the concerns people have about defaults in ROSCAs. Banks are considered highly reputable in Pakistan. If banks begin to manage ROSCAs, it will remove all the fears and doubts that people have of ROSCAs defaulting and the loss of the capital. Banks must sponsor Interest-free ROSCAs. It will be very good for the ROSCA members
 7. It is obvious that if banks operate Interest-free random ROSCAs, the system of ROSCAs will improve considerably.
 8. It will be a good idea if banks can run Interest-free ROSCAs. However banks will not do that. The salaries of bank staff and are friends and expenditure come from Interest. ROSCAs are Interest-free and they will not generate any profit for banks. I'm afraid the banks will never organize ROSCAs or participate in any business which is free of profit or Interest. They will not come this way.
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8. Recommended reforms

88. In addition to banks, traders who have excellent reputation in the market should manage registered ROSCAs.

1. In addition to banks, the Chamber, traders or respectable individuals who have ample social capital in the market should be allowed to operate Interest-free random ROSCAs so that larger number of traders can participate in ROSCAs and their capital can be returned to them collectively.
 2. In addition to the banks the Chamber as well as traders with ample social capital and who meet certain preconditions should be allowed to manage registered ROSCAs. Traders who meet these preconditions should be income tax payers, have not passed any cheques that were later dishonoured, have not been convicted by a court of law and are the owners of substantial property and assets.
 3. In addition to banks, if the Chamber or such traders who have got highly social capital in the market are allowed to operate legally ROSCAs, it will certainly help strengthen ROSCAs.
 4. If a bank is involved in the collection of ROSCA subscriptions, defaults will be reduced considerably. If the ROSCA member is a bank account holder, the bank can pay to the ROSCA subscription from his account. If he does not have enough balance to be the rock and the subscription, the bank can they on his behalf and consider the amount paid as a loan to the members
 5. In addition to the banks, the Chamber and such traders who have social capital in the marketplace and satisfy certain preconditions may be allowed to operate ROSCAs.
 6. In addition to banks, registered ROSCAs should be managed only by the Chamber or by such traders who have very high reputation in the market.
 7. The organizers or managers of registered random ROSCAs may be banks, or traders who fulfil certain requirements. These requirements can be developed collectively by bazaar committees, associations, trade unions and the Chamber.
 8. The registered ROSCAs should be managed only by such institutions (banks), or traders who fulfil certain conditions. These conditions can be developed by mutual consultation with the trading community and other stakeholders. Adventurers should be kept away.
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8. Recommended reforms

89. Government should set aside a fund to boost registered Interest-free ROSCAs. This fund should be managed by the Chamber or qualified tradeRs

1. In order to end unemployment, the government provides funds to the banks to give loans to citizens. The government can patronize ROSCAs by promulgating laws and providing funds to banks or other institutions to manage ROSCAs. In this way, ROSCAs-members can obtain their pots early by paying relatively few subscriptions into the fund. They can be paid the pot after they had deposited post-dated cheques to the organizers. This situation will be somewhat similar to that of ordinary random ROSCAs in which some lucky members obtain the pot early in the cycle.
 2. This government has been making schemes to boost trade and employment in the country. You remember they started the Yellow Cab scheme. Thousands of cars were imported into the country and given to people to become taxis. What
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happened? All the money was wasted. They have now embarked on a bigger scheme. I think this game is a bigger folly than the earlier one. Billions of rupees are being distributed among young people who have no track record of business and cannot even prepare a business plan. It is based on Interest and is bound to fail. The government should set aside funds by which they can give assistance to registered ROSCAs managed by respectable traders. The default rate of ROSCAs is nearly zero. The government's funds will come back to the government because there is no default. Also because no Interest is involved, you will see this scheme will prosper. Business will get a boost in a way that is Islamic.

3. Yes! This is a good idea. The details of its implementation will have to be worked out beforehand.
4. If banks can manage ROSCAs it will be glorious. You have an account with the bank, you can give a cheque, the bankers can collect from you. If banks can manage ROSCAs, I think it will be 100% secure. If banks can be involved in managing ROSCAs, this ROSCA system will improve considerably. If a person gives a bad cheque his bank can give him a grace period during which he can make arrangements to cover the cheque. If the cheque is still not covered, the offender's name can be put on the Internet for everyone to see and take note of. This will reduce the incidence of bad cheques.
5. I think it will be a good idea if a fund is used to support marketplace ROSCAs. If a trader has paid in three or four instalments on time, it indicates that he is in a position to pay the remaining instalments also in time. If he is given the pot from the fund, it will be as though he had obtained a bank loan (early pot). He will pay off his loan into the fund. The government's funds will be recouped, the trader would have obtained a loan, the institution of ROSCAs will get boosted and hopefully the economy will improve. Once he has paid off his loans, it will give an opportunity to others to obtain benefit from this fund. He will have a fear that if he has given cheques to the ROSCA organizer. He understands that if his intention becomes bad he will come in the clutches of the government.
6. The government has access to the large amount of funds that they do not use correctly or not want to use correctly. In the past our government has spent a large amount of money but the returns have been zero. A case in point is the Yellow Cab scheme. Many of these cars landed up in the wrong hands. Another example is Mr. Shehbaz Sharif's Laptop Scheme. It will be an excellent idea if government can set aside a large amount of money to be used for paying off ROSCAs. It will boost the economy considerably. However, this scheme must be backed by an act of Parliament that criminalizes and punishes the misuse of dishonoured cheques. The dollar today is worth more than a dollar in the future. If the traders realize that by paying three or four instalments they can get access to the entire pot thereby saving a long amount of time, they will certainly go in for the scheme wholeheartedly.
7. ROSCAs are successful in our country because there is no interference by politicians in any sense whatsoever. How many businesspersons have you met against whom there is a large loan outstanding? Billions of rupees worth of loans were taken out by politicians and later written off as being nonperforming. If the government interferes in our ROSCA system, there is a strong possibility the system will be destroyed instead of improved having said that. If a substantial funds that is proportional to the requirements of the marketplace, is

placed at the disposal of the committee of respectable traders who meet certain qualifications and is used for accelerating payment of ROSCAs, ROSCAs and trade in the country will be given a great boost. However, I feel the rule about publishing the details of bounced cheques, and freezing the accounts of people who are habitual bounced-cheque writers, must be enforced.

8. The idea of the government providing a fund to support ROSCAs is a great step. The problem is its implementation. The people in the government are defaulter-type. They don't carry a good reputation. They will oblige their own favorite people who have no intention of returning loans. This will be a useless step by the government.
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