Centre Emile Bernheim
Research Institute in Management Sciences

Solvay Brussels School Economics & Management

The Cost of Empowerment: Multiple Sources of Women's Debt in Rural India

Supriya Garikipati, Isabelle Agier, Isabelle Guérin and Ariane Szafarz

Poor women borrow from multiple sources. This study examines whether the source of debt matters for women's role in household financial decisions. Drawing on a household survey from rural Tamil Nadu, we categorise women's loans along the lines of accessibility and formality into 'planned loans' and 'instant loans'. We find that 'instant loans' support women's bargaining power in various types of household financial decisions, whereas 'planned loans' have no impact. This surprising result is better understood when the nature of 'instant loans' is examined – these are frequently usurious, involve coercive enforcement methods and considered socially debasing. Hence women who use them perform a convenient role for their husbands and in return gain some negotiating power.

Keywords: Debt, Women's Empowerment, Microfinance, Tamil Nadu, India.

JEL Classifications: G24, L26, O16, M13.

CEB Working Paper N° 14/007
February 2014

Université Libre de Bruxelles - Solvay Brussels School of Economics and Management
Centre Emile Bernheim
ULB CP114/03 50, avenue F.D. Roosevelt 1050 Brussels BELGIUM
e-mail: ceb@admin.ulb.ac.be Tel. : +32 (0)2/650.48.64 Fax: +32 (0)2/650.41.88

The Cost of Empowerment:

Multiple Sources of Women's Debt in Rural India*

Supriya Garikipati**
Management School, University of Liverpool, and CERMi

Isabelle Agier
UMR 201 Développement et sociétés (Université Paris I Panthéon Sorbonne - IRD), and CERMi

Isabelle Guérin
UMR 201 Développement et sociétés (Université Paris I Panthéon Sorbonne - IRD), and CERMi

Ariane Szafarz
Université Libre de Bruxelles, SBS-EM, CEB, and CERMi

February 2014

Keywords: Debt, Women's Empowerment, Microfinance, Tamil Nadu, India.
JEL codes: G24, L26, O16, M13

*We thank the French Institute of Pondicherry, who financed the fieldwork within the frame of their research program: *Labour, finance and social dynamics*. We gratefully acknowledge Santosh Kumar for excellent support with fieldwork. Ariane Szafarz benefited from the financial support of the "Interuniversity Attraction Pole" on social enterprise, funded by the Belgian Science Policy Office. Earlier versions of this paper were presented at the European Microfinance Conference at University of Agder (June 2013) and at a workshop on Microfinance and Women's Empowerment at University of Liverpool (July 2013). We thank the audience for insightful comments, some of which went towards improving the paper.

**Corresponding Author: S.Garikipati@liv.ac.uk

Abstract

Poor women borrow from multiple sources. This study examines whether the source of debt matters for women's role in household financial decisions. Drawing on a household survey from rural Tamil Nadu, we categorise women's loans along the lines of accessibility and formality into 'planned loans' and 'instant loans'. We find that 'instant loans' support women's bargaining power in various types of household financial decisions, whereas 'planned loans' have no impact. This surprising result is better understood when the nature of 'instant loans' is examined – these are frequently usurious, involve coercive enforcement methods and considered socially debasing. Hence women who use them perform a convenient role for their husbands and in return gain some negotiating power.

1. Introduction

Considerable progress has been made in the last two decades toward a better understanding of poor people's financial lives (Collins et al., 2009). Of special interest to researchers has been the borrowing behaviour of poor women. It is now well documented that poor women can have complex borrowing networks, where they simultaneously borrow from different sources, in different forms, and with vastly different repayment arrangements. They may combine support from their relatives and friends with short-term borrowing from neighbours and shopkeepers and borrowing from moneylenders and formal institutions (Kabeer, 1994; Salway et al., 2005).[1] While this juggling of multiple loans by poor women has been well documented (Johnson, 2004; Guérin, 2011), research so far has only focussed on examining the impact of formal lending on women's empowerment. Even within formal lending, the focus has mainly been on studying the impact of microfinance. In other words, informal borrowing as a possible source of women's empowerment has been ignored. Drawing on a household survey from the Indian state of Tamil Nadu, this paper seeks to fill the gap by investigating the role of multiple sources of women's debt on their empowerment.

Why do women borrow from diverse sources? Part of the answer lies in the way financial responsibilities are divided within households. Irrespectively of the diversity and complexity of financial arrangements, intra-household financial responsibilities are generally divided along the gender lines (Dwyer and Bruce, 1988; Kabeer, 1994; Johnson, 2004; Guérin, 2011). Men and women also operate their own financial circuits and borrow from different sources for different purposes (Johnson, 2004; Guérin, 2011; Agier et al., 2013). Men are typically in charge of asset management while women take care of expenditures in household provisioning, children's health and education (Thomas, 1990; Senauer, 1990; Schultz, 2001;

[1] While Collins et al. (2009) provide an extremely detailed analysis of households' complex and sophisticated financial lives; they do not pay any attention to the gender aspects of borrowing.

Duflo, 2003; Chant, 2007; Garikipati, 2009). In poor households, women typically lack co-ownership of productive assets but are nevertheless responsible for family provisioning (Kabeer, 1994; da Corta and Venkateswarlu, 2005), which often means they have to secure small loans to balance the family budget (Dwyer and Bruce, 1988).

Women in developing countries engage in permanent juggling between various sources of income, savings, loans or reciprocal gifts (Dwyer and Bruce, 1988; Ardener and Burman, 1996; Lemire, 2001; Johnson, 2004) and India is no exception (Mencher, 1988; Harris-White and Colatei, 2004; Guérin, 2011). Notwithstanding amounts and costs, borrowing sources differ in many aspects, notably in terms of accessibility and flexibility. Recent evidence indicates that these characteristics matter (Collins et al., 2009). Importantly, borrowing sources differ along social lines (Shipton, 2007; Morvant-Roux et al. 2014). According to the prevailing social norm, borrowing from banks, financial institutions, and the local elite is honourable, while borrowing from local moneylenders and shopkeepers is degrading (Guérin et al., 2013). Borrowing from degrading sources is less acceptable to men than to women – who borrow for different reasons anyway (Harris-White and Colatei, 2004; D'Espallier et al., 2011).

Evidence suggests that even women's microloans, meant for the promotion of self-employment, are routinely diverted into consumption (Kalpana, 2008; Garikipati, 2008a; D'Espallier et al., 2011; Guérin et al., 2012). In fact, Collins et al. (2009) argue that credit for consumption is a necessity in cash-strapped families. Such credit may also reduce women's reproductive work burden by allowing them to make time-saving choices and release more time for productive work (Johnson, 2004). For these reasons, that, informal credit networks in poor households are likely to be more important to women than to men. To some extent, the emergence of Rotating Savings and Credit Associations (ROSCAs) may be interpreted as a response to this 'female burden' imposed by male hegemony over family assets and incomes on the one hand, and by a disproportionate burden for family provisioning on the other (Bouman, 1977 and 1994; Ardener and Burman, 1996; Johnson, 2004).

In this context, access to multiple sources of credit is important for women. The link between women's borrowing and their empowerment is heavily debated (Pitt and Khandker, 1996; Hashemi et al. 1996; Kabeer, 2001, 2005; Holvoet, 2005; Garikipati, 2008a; Armendáriz and Morduch, 2010; Banerjee et al. 2010; Agier and Szafarz, 2013; D'Espalier et al., 2011 and 2013). The literature, however, focuses on the impact of microfinance on women's empowerment. As far as we know, it is silent on the issue of whether credit in general, including credit from informal networks, matters for women's empowerment.

A likely reason why the impact of informal sources of credit has not been scrutinised is non-availability of systematic data. This paper uses a unique dataset from rural Tamil Nadu that is the result of extensive fieldwork over the five-year period 2005-2009. We pay attention to all available sources of credit and to all types of financial decisions through which women's empowerment possibly takes place. We broadly categorise women's borrowing into 'planned loans' and 'instant loans'. Planned loans are generally taken from formal, institutional sources and local elites and are repaid over several months or even years. Importantly, planned loans typically materialize with a written contract between the two parties. However, large loans taken from friends or relatives may also fall into this category. Both men and women access planned loans. In contrast, instant loans are typically taken from informal sources, for short periods, are small in size, and are available immediately with little or no paperwork. These loans are characterised by accessibility and informality. They are sourced informally from neighbours, friends, relatives, pawnbrokers, ambulant lenders and shopkeepers. Interestingly, these loans are secured mainly by women.

With respect to financial decision making, and as expected in a patriarchal society, we find that husbands in our survey promptly delegate responsibility for everyday spending to wives but not so readily for spending decisions of strategic interest to the household. Following the observation that intra-household decision-making varies with respect to the decision at stake we rank decisions in order of their importance using objective indicators of frequency and size. We examine the impact of women's borrowing on each decision type. Our findings show that women's borrowing does have a beneficial impact on their intra-household financial bargaining power – at least as much as their cash incomes. The impact is significant not only for routine decisions, but also for decisions of strategic interest to the household, like in matters of health and education. However, a more disaggregated analysis reveals that the impacts are driven by instant loans only. Planned loans from formal sources (including microfinance) do not help women have a greater say in household financial decisions.

This surprising result is better understood when we closely examine the nature of instant loans. We interview women borrowers and their household members to help unpick reasons for the result. The interviews provide insights into the social hierarchy of debt that exists in rural India. We find that not all sources of loans are valued equally by the households. Borrowing from formal sources is considered socially respectable, as it is generally motivated by investment, asset expansion, or prestigious ceremonies.[2] In contrast, instant loans from informal sources are considered socially degrading as these are usually taken for immediate consumption. Women are more or less forced into taking these loans to sustain household's reproductive activities and to cover for family honour. In several cases, we find that instant loans are exploitative and lenders, especially ambulant lenders, use coercive practices to elicit compliance. Women, who use instant loans to provide for their families, perform a convenient

[2] At the same time, borrowing from the local elite is often a source of exploitation and dependency. For more on this see Swaminathan (1991), Harriss-White and Colatei (2004), and Guérin et al. (2013).

service for their husbands and other household members, who do not themselves borrow from these sources. The additional bargaining power that these women gain in their households can then be seen as a concession by their husbands for securing instant loans. Women sacrifice their social honour and physical safety to enable the smooth day-to-day running of their households and in return they are given additional bargaining powers in their household. Instant loans empower women at a severe cost indeed. If credit is to help women secure their welfare, then institutional lenders must rise to the challenge of providing loans that emulate the flexible characteristics of instant loans without the usurious and coercive conditions attached to such loans.[3]

2. Data

During the years 2005 to 2009, fieldwork was carried out in rural Tamil Nadu in South India. The survey focused on women belonging to Self-Help-Groups (SHGs). These groups typically gather twelve to twenty women who firstly circulate money among each other and later become eligible for external loans. They are supported by institutional credit that is insured by the National Apex Bank for Agriculture and Rural Development (NABARD, India). SHGs are the most common modality of institutional lending in rural Tamil Nadu. In March 2009, of the 12 million clients served by microfinance institutions in rural Tamil Nadu, SHGs accounted for 62.2% of the number of borrowers and 62.9% of the volume of outstanding credit (Sa-Dhan, 2009).

Fieldwork was carried out in the villages of the districts of Vellore and Thiruvallur. Data collection was done in three distinct stages. First, during 2005 and 2006, semi-structured

[3] The design of flexible microfinance products is discussed by Laureti and Hamp (2011) and Labie et al. (2013).

interviews with men and women were carried out and group discussions were organised with key informants. These were used to capture the nature of household budget management systems and other financial arrangements within the households. Specific attention was paid to gendered roles and responsibilities in terms of management, borrowing, saving, repayment, and financial decisions. This qualitative stage exhibited the diversity of borrowing practices and their complex modalities. In the second stage, a quantitative questionnaire was developed and implemented in 2008. We used a stratification strategy to select the sample for this phase of the fieldwork. Details are provided in the Appendix. We interviewed 163 married women who were members of SHGs and had completed at least one year with the program.[4] The survey focused on household's socio-economic characteristics, financial decision making and financial practices. Finally, in 2009, qualitative fieldwork was carried out with the intent to further explore the role of debt in women's bargaining power within their households. Repeated visits with 15 women from different socio-economic backgrounds aimed at situating the role of women's instant borrowing within the dynamics of intra-household power relationships.

Table 1 gives an overview of the socio-economic characteristics of the respondents, their households and its finances. The average age of our respondents is around 35 years and 33% of the women in our sample are illiterate. This is despite the fact that education has improved over the recent decades in Tamil Nadu, especially for women (Vijayabaskar et al., 2004). Just over 31% still live in traditional joint family units. This most often is where the couple and their children share their residence with the agnatic family (the husband's parents and sometimes his brothers). The average size of a household is 4.8 members, including 1.7

[4] The full sample has a total of 170 households. One man and one woman were interviewed from each household. For this study, however, we use only the information collected from the women respondents. Furthermore, as we are interested in studying the relationship between credit and women's bargaining power in the household, for this study, we drop widowed and unmarried women from our analysis.

children. Approximately 60% of the households are Dalits (former untouchables, classified as Scheduled Caste). Around 74% of the households are located at a reasonable distance from urban centres (10 to 30 minutes by bus), some 25% are located in rural-remote areas (several hours by bus).

<Table 1 Here>

On average, the household's annual cash income is around 38,000 INR (around 850 USD) and around 12.6% of this income is earned by women.[5] Half of the women respondents, however, have no regular income generating activity. These meagre household cash incomes[6] are supplemented by significant kinship support of around 16,000 INR on average per year (just over 40% of household's cash incomes). Almost equal support is received from the kin of the husband and wife. In addition, households incur significant levels of debt either to support income smoothing or income generation activities. Loans contracted during the year 2008 were in excess of 75,000 INR on average per household, which is around twice that of average annual household incomes. This includes more than one third (36%) borrowed by the female respondent (28,000 INR) – who borrow mainly from formal sources (including microfinance) but also from informal networks.

From our data it is evident that women's role in household's finances go well beyond earning a cash income only. While their contribution to household cash incomes is just around 12%, they are responsible for supporting the finances of the household in a substantial way. Women are the beneficiaries of around 50% of support received from relatives and are responsible for over 35% of the loans that the household incurs. It would be fair to say that whether they are

[5] Attempts at including the household's non-cash income (self-production and payment in kind) were abandoned given the paucity of data.

[6] In 2008, the official Indian poverty threshold was around 20,000 INR for a five-member family. In fact, this amount is underestimated since decent living standards correspond to 50,000 INR.

earning cash incomes or not, women in our sample are highly involved in family finances and a large proportion of that involvement is sustained via borrowing. In the next section, we learn more about women's borrowing practices.

3. Women's Borrowing Habits and the Social Hierarchy of Debt

In the survey area, poor women tend to have complex borrowing habits – borrowing simultaneously from several sources and for varied reasons. From several deliberations with our respondents, we concluded that the main differences between the sources of borrowing were the speed of accessibility and the formality of a contract. We thus decided to categorise women's loans along these lines into 'planned loans' and 'instant loans'. A loan is categorised as 'planned loan' if it is taken in a planned manner and there existed an explicit agreement between the contracting parties, and it is categorised as an 'instant loan' if it is accessed immediately, with little or no paperwork. The average debt incurred by women in 2008 was 28,555 INR. Of this, 19,838 INR (69.5%) was planned and the remainder 8,717 INR (30.5%) was of the instant type. Both categories are made up of loans from various sources. Table 2 provides an overview of the terms and conditions attached to each of the individual loan sources.

<Table 2 Here>

Planned loans are usually sizeable amounts of money, incurred for long periods (several years), and often for investment purposes. They mostly concern agricultural business investment (bank loans), but sometimes also social investments like marriage and education (local elite). The essential point in planned loans is the presence of a contract – usually a written one. The most common form of planned loans is provided by local elite. These lenders are well-off people who seek to invest their surplus income. Although there is a contractual arrangement in place and collateral may be required (Harriss-White and Colatei, 2004; Swaminathan, 1991), trust is the main condition in such contracts. The other planned-loan types include loans from formal sources, like banks and private financial companies. Large amounts borrowed from neighbours, friends and relatives may also sometimes require a more formal agreement between the parties. While it is mainly men who incur such loans, women are increasingly involved in a direct or indirect way – in terms of sharing the repayment burden of such loans and also being the named person in contracts in many cases.

Importantly, women in our survey categorised SHG loans as planned loans. In practice, SHGs are micro-banks composed of fifteen to twenty people (only women in our study) who manage two types of loans: informal internal loans based on members' savings, and formal external loans provided by banks. Price is the main advantage of SHG loans: with a monthly interest rate of 1.5 to 2%. However the length of the procedure and its rigidity are major weaknesses. For instance, for internal loans SHG members have to wait for the monthly meeting. Moreover, potential borrowers never know in advance whether their demand will be accepted. For external loans procedures are not only long and time-consuming, but also unreliable. Besides, SHG cash transfers are highly uncertain because SHGs grant individual loans according to both fund availability and group's evaluation of the requests.

On the other hand, 'instant loans' are sourced informally, the amount of money involved is usually small and for a short period of time (generally days or weeks). Instant loans are mainly intended for immediate consumption needs. Accessibility is the primary quality of instant loans and there is little paperwork involved and there is virtually no formal contract between the two parties. In practice, instant loans gather several specific sources of loans: *kaimathu*, *thandal*, pawnbroker loans, and loans from shopkeepers, friends and family. *Kaimathu* literally means to "exchange money from hand to hand". It refers to very small loans from neighbours, with zero interest and implicit reciprocity. *Thandal* means "immediate" and represents small to medium loans from mobile lenders who bring cash and collect repayments at the door step. *Thandal* is typically a few thousand rupees given for around 3 months. Interest charged is quite high – in the range of 10 to 15% per month. Pawnbroker loans are another frequently used option. Almost any asset can be pledged, but gold in the form of jewellery is the most common. The loan amount depends on the item pledged. Pawnbroker loans are normally of one year duration and interest rates charged are around 2 to 3% per month. Village corner shops and bigger grocery stores in nearby towns also offer rapidly accessible loans and the terms vary widely depending on circumstances. In case of cash-flow issues, households can buy on credit and pay a few days or weeks later without any additional charges.

A significant observation of our fieldwork is that women play an important role in instant loans. This is especially true when it comes to reciprocal exchanges with neighbours, transactions with shopkeepers in the village and ambulant lenders at their doorstep.[7] At least partly, this is because the main purpose of instant loans is to cope with emergencies and income smoothing, which is typically a female responsibility. Men do not want to bother with the 'domestic tasks' of household management. Day-to-day management of the household is clearly seen as 'women's little problems' and women are viewed as 'problem solvers'. In the words of one of our male focus group participants "…*women are best at sorting out these little annoyances*" (*Murali*, age 43).

Importantly, men avoid getting involved in instant loans because it is also a matter of honour and status. It would be considered degrading for a man to ask neighbours and shopkeepers for

[7] For certain types of instant loans – like pawnbroker loans – male participation may be required depending of the value of item being pawned and the distance to the pawnshop. Occasionally men are also seen to borrow from their close circle of friends and acquaintances, but this is often at their place of work or outside the village, which has limited implications for their status and honour within their community.

a few hundred rupees to smooth out matters of daily survival. Borrowing large sums is a source of pride and reputation. It is an indicator of social prestige and trust. In contrast, borrowing small amounts, though unavoidable, is degrading, especially when it takes place in the neighbourhood: it suggests a lack of ability in running the household. Explaining how degrading the experience of borrowing small amounts would be for her husband Parvati (age 35) tells us: *"You know men do not want to be disturbed by small expenses. He* [my husband] *has a good position, he cannot beg like this. People will say: 'what sort of earning he has', 'what sort of man he is'. Even if he wanted to go, I won't let him, it is also a matter of status for me".* Parvati herself borrows from multiple informal lenders, suggesting that the husband's engagement with such loans is more closely associated with family honour than the wife's.

The profile of instant loan providers also contributes to the observed social hierarchy among sources of debt. Borrowing from ambulant lenders, in particular, is seen as the most degrading practice, reserved for women and Dalits (Harriss-White and Colatei, 2004; Guérin et al., 2013). Though ambulant lenders are often the only way to address emergencies, they are used as the last resort, because of the price, as well as the lack of respect shown by these lenders. They come to the household's doorsteps, precluding any form of discretion. They do not request any collateral but use coercive enforcement methods. The ambulant lenders we interviewed state that they prefer dealing with women, who are more prepared to tolerate abusive language from them and are more responsive to such treatment. In some cases ambulant lenders behaved so badly that households had barred the women from using them. One of our respondents, Sandhya (age 27), told us about how her husband accused her of exposing herself to bad men "*…from what kind of men you borrow*?" She was explicitly stopped from borrowing for a while and now she goes for so-called *"safe lending"* only – small sums and only from lenders known to family.

Evidence also suggests that women are excluded from certain types of institutional loans. Such exclusion may apply at several levels – not only gender, but class and caste are also likely to matter (Harriss-White and Colatei 2004; Swaminathan 1991; Guérin et al. 2013). One of our respondents, Saraswathi (age 43), is a Dalit who relates her experience of giving up on a bank loan for 30,000 rupees after having tried for nearly two months. She describes to us the slowness, complexity, but also unfairness of the procedure. *"If you want 10 paisa from the bank, you'll lose 10 inches of your legs"*, she says, referring to the multiple trips she had to make. She had been to the bank over 12 times. Each time the papers were not acceptable and she had to come back with a new certificate (certificate of residence, certificate from a local elite stating that she would repay, and so on). In addition, she met a knowledge barrier that is perhaps embedded in gender – she knew she had to bribe the clerk and the cashier but she did not know how much or how to approach them about it. She related to us the contrasting experience of the man from her village (from a different caste) who told her about this loan scheme: "*He got it within 10 days, without any certificate. Why do you think he got it in 10 days, without giving any certificate, while I have to go round and round?"* she questions.

We thus witness a distinct 'social hierarchy of debt' – where loans get associated with a social status depending on their source, size and purpose. Instant loans from informal sources, for small amounts of money and for immediate consumptions are assigned a lowly status in this social order. Furthermore, we witness a 'feminisation of low status debt' – where women are left to negotiate their families out of routine expenditures and have to withstand the insults and sullies that are part and parcel of such loans. In this respect, women incurring instant loans may face a variety of unpleasant experiences. Women (as well as lower caste) are also seen to be excluded from large, institutional loans which are mainly a male privilege.

The importance of instant loans for women cannot be understated. These loans constitute over 30% of women's borrowings. Given that they are borrowed for different reasons than planned loans, they may impact women in different ways. Since instant loans are mainly taken for consumption needs, it may be the case that they help women have a role in routine consumption decisions but not in household's strategic investment decisions. Therefore, examining the impact of instant loans on women's role in financial decisions is significant.

4. A Measure of Women's Empowerment

We measure women's empowerment through financial decision-making for at least two reasons. First, for the sake of result comparability, we favour this indicator as it is commonly used in the literature (Kabeer 2001; Hashemi, Schuler and Riley, 2005; Holvoet, 2005; Garikipati, 2008a). Second, the respondents themselves validated this choice by acknowledging that their participation in financial decision-making is a sign of respect and recognition by their family.

From our fieldwork it was also apparent that not all financial decisions were valued equally. Some reflect social norms and pre-existing gender division of roles and responsibilities. For instance, the purchase of daily items (like food) were typical female responsibility, while strategic life choices (like children education's and social ceremonies) fell within the male and in-laws' traditional arenas of decision-making (also see Kabeer, 2001).

Using first-stage qualitative analysis, we identify four types of financial decisions that households typically need to make. We used focus group discussions to rank these decisions from what are considered as most routine or day-to-day decisions to those considered most strategic to the household and hence most prestigious. We arrive at the following ranking of decisions from the most routine to the most prestigious: routine, health, children's education, and social ceremonies. We used the two benchmarks of 'regularity' and 'predictability' in classifying specific decisions. If a decision was taken regularly (daily or weekly) and was expected by the household – then it was considered 'routine'. If a decision was taken only occasionally (irregularly, biannually or annually) and/or was unexpected and could not be prepared for in advance then it was classed as non-routine and was classified under another relevant category (health, children's education or social ceremonies). In addition, any expense that was in excess of 300 rupees was also classed as non-routine. We arrived at this cut-off after discussions with several focus group participants. Excluding emergencies, expenses in excess of 300 were typically of strategic interest to the household – one that involved a fair level of consideration and planning. Participating in such strategic decisions was clearly considered quite important within the household.

<Figure 1 Here>

Each woman respondent was asked to describe her own involvement in each type of decision. She was offered three exclusive options: (0) she has little or no role in the decision which is made entirely by other member(s) of the household; (1) she decides jointly with other member(s) of the household; (2) she makes the decisions alone. Figure 1 summarizes the responses of the 163 married women respondents. It shows that women in our survey actively participate in financial decision making. Women are involved in the decision making process, alone or jointly, in 65% to 75% of the cases, which is a notable outcome. They even decide alone in 25% to 55% of the cases, depending on the issue at stake. In case of routine decisions, we find that if the woman respondent reports as having no role, it is generally another (older) woman in the household who has responsibility for it (typically, the mother-in-law). However, the more strategic the decision, the less likely that women would be consulted or be the sole decision maker. For instance, women have no say in financial decisions involving health and education in around 35% of the cases and in around 25% of the cases they are not consulted in the matter of social ceremonies. The household member(s) with decision making power in such cases is typically the husband, but also the parents-in-law – especially in case of joint families.

The different consideration given to routine versus non-routine financial decisions was a theme that kept recurring in our focus group interviews. One of our focus group participants Rajeswari (age 54) lives with her son's family. When asked whether her daughter-in-law who looks after the day to day affairs of the household is involved in big financial decisions – her response is extremely clear: *"How do you want her to decide these things? She has no idea, she is not capable..."*

It was evident that women recognised the difference in the importance attached to routine versus strategic decisions and felt considerable pride when they participated in financial decisions that are of strategic interest to the household. Parvati (age 42) is one such respondent, she has no regular income but she manages household budget and participates in all major financial decisions. She also explains that she struggled a lot with her husband to educate her handicapped daughter: *"I told him I am the pillar of the family, you earn money but my hands are safer, at the end he got convinced."*

Furthermore, it was evident that women who make non-routine financial decisions for their households on their own wield a considerable level of control and authority within their households. Rajam (age 48) who has the sole responsibility for all major decisions in her household tells us: *"I am the back bone of the family and if I stop functioning then the family will suffer very much. They know this. All of sudden if I close my eyes then the whole family is in dark"*. Describing the way she takes decisions – she tells us that she decides and lets the family know about her decision. She is confident about their consent. Interestingly, Rajam does not bother with most of the routine tasks in the household – which she has delegated to her daughter-in-law.

From this survey experience, we draw two significant conclusions. First, there is a clear differentiation in the importance attached to various types of financial decisions within the households. Women with a role in non-routine financial decisions are seen to enjoy a better status within their households when compared to those who do not have a role in such decisions. It would therefore be inappropriate to merge all decisions in one single measure. Instead, we separately consider women's role in each type of decision and the various factors that help or hinder her role in making that specific type of decision. Second, women with the authority to make decisions on their own are clearly different from those who decide jointly with others in their household. It would be interesting to capture the differences in the experiences of women who wield different levels of power in their households. We attempt to do this by assigning an order to women's role in decision making. Women who take decisions on their own are ranked highest in this order, followed by women who decide jointly with others in their household and finally women with no role in the decision.

5. Does the Type of Credit Matter for Women's Empowerment?

In this section, we examine the factors that influence women's empowerment measured by their role in household financial decision. We test two main hypotheses. The first is that women's borrowing matters, along with other sources of cash, household and individual characteristics. Our second hypothesis is that all sources of borrowing do not matter equally.

We regress women's role in financial decisions on borrowing and other explanatory variables related to personal and household characteristics. Given our earlier observation that routine and non-routine decisions are inherently different and participating in non-routine or strategic decisions is more empowering, we consider a woman's role in each decision type separately. Using the earlier classification of decision types we estimate four models: Routine; Health; Education and Ceremonies. In addition to women's borrowing, we include three categories of explanatory variables: woman's personal characteristics; household characteristics and variables on household finances. For descriptive statistics see Table 1.

With respect to variables pertaining to woman's personal characteristics, we expect age, education, number of children and her social ties to have a positive coefficient. Older women are likely to be more experienced in household matters and thus have a greater role in household decisions. Education is likely to be associated with better decision making ability which may also involve basic reading, writing and maths skills and hence better educated women are also likely to have a greater role in decisions. Further, women who have been through the enduring experiences of child bearing and rearing may also be given a greater role in household decisions, especially as these decisions may involve their children directly. Finally, women with social ties within the community are likely to have better outside options and support and hence be given greater say in household matters.

With respect to variables related to household characteristics, we consider the size of the household, whether or not it is a Dalit household, whether it is a joint or a nuclear family set up, the material used to construct the house and whether it is remotely rural. We have no *a priori* expectations on the relationship these variables are likely to have with woman's decision making power.

Finally, we include a set of variables related to household's finances. We expect other's income, support received from husband's kin and husband's borrowing to have a negative coefficient. These variables related to the level of financial contribution others make to the household and the expectation is that the more other members contribute, the less say the woman will have in household decisions. Conversely, we expect woman's income, support from her kin and her borrowing to have a positive coefficient because these variables relate to the extent of contribution she makes to the household economy.

Note that we assign an order to our dependent variable: woman's role in financial decision. Within each decision type, we consider women who take decisions on their own as the most empowered, followed by women who take decisions in consultation with others in their household and finally women who have no role in the decision and hence the least empowered. Given that our dependent variable is ordered – the appropriate theoretical model is the ordered probit model (Greene, 2000). Heuristically speaking, the ordered probit technique is a generalisation of the linear model to cases where the dependent variable is discrete and takes only a finite number of values possessing a natural ordering (Hausmann et al., 1991). An advantage of ordered probit is that unlike linear regression, it allows for unequal shifts between ordinal categories in the dependent variable. Thus, for example, it does not assume that the difference between the likelihood of having no role in decision making and having a joint role has the same magnitude as the difference between the likelihood of having a joint role and an independent role, given a unit change in the explanatory variable. Here the ordered probit captures the differences between the likelihood of different levels of female involvement in the decision.

The analysis assumes a latent continuous variable E^* (women empowerment) that is a linear function of observed explanatory variables. Although we cannot observe E^*, it is related to an observed discrete variable E coded as 0, 1, 2, whose realisations are determined by the relative position of E^*.

The ordered probit uses the following form which is built around the following linear relationship:

$$E^* = \beta' x + \epsilon \tag{1}$$

where E^* is the latent variable (women empowerment); β' is the vector parameters to be estimated and x is the vector of explanatory variables which include woman's borrowing and her personal characteristics; ϵ is the error term, which is assumed to be normally distributed. The observed data on women's role in household's financial decision, E are related to the underlying latent variable E^*, through thresholds $\mu_1$and μ_2. A women falls in no role if $E^* < \mu_1$, in joint role if $\mu_1 < E^* < \mu_2$ and independent role above $\mu_2 < E^*$.We have the following probabilities for a woman to fall in each category:

$$\text{Prob}\ (E = 0) = \Phi(\mu_1 - \beta' x)$$

$$\text{Prob}\ (E = 1) = \Phi(\mu_2 - \beta' x) - \Phi(\mu_1 - \beta' x) \tag{2}$$

$$\text{Prob}\ (E = 2) = 1 - \Phi(\mu_2 - \beta' x)$$

where $\mu_1 < \mu_2$ are defined as the two thresholds between which the probability of the three categorical responses are estimated. A likelihood function can be derived making the estimation of this model relatively simple. Ordered probit estimation will give the thresholds μ and parameters β.

The thresholds μ show the cut in the latent variable that make the dependent variable E shift from no role (0) to joint role (1) and from joint role (1) to independent role (2). The remaining parameters, β, represent the effect of changes in explanatory variables on the latent variable. The marginal effects of factors x on the propensity for women to fall in each level of decision can be derived in the following way:

$$\partial \text{Prob}(E = 0)/\partial x = -[\Phi(\mu_1 - \beta' x)]\beta$$

$$\partial \text{Prob}(E = 1)/\partial x = -[\Phi(\mu_2 - \beta' x) - \Phi(\mu_1 - \beta' x)]\beta \tag{3}$$

$\partial \text{Prob}(E = 2)/\partial x = [\Phi(\mu_2 - \beta' x)]\beta$

with Φ the probability density and Φ the cumulative density function of the normal distribution.

Computation of marginal effects is particularly meaningful for the ordered probit model whereas the effect of variables x on the intermediate categories is ambiguous if only the parameter estimates are available.

The estimated coefficients for each of the decision types are presented in Table 3. All results show a positive effect of woman’s borrowing on her role in household financial decisions – irrespective of the decision type. The effect is strong and significant in two of the four regressions, Health and Education, but not in regressions Routine and Ceremonies.

<Table 3 Here>

Other explanatory variables display a strong influence on woman’s participation in different types of household financial decisions. Among them, woman’s age, number of children and income are positive and significant in more than one regression. The variables, being Dalit and living in a remote rural area have negative and significant coefficients in more than one decision regression. Taken together, these results imply that, after controlling for personal and household characteristics and other sources of financial support received by the household, woman’s role in financial decisions is positively influenced by her borrowing. This influence, moreover, is significant for decisions in the area of health and education. These areas of decisions mostly concern the children of the household, suggesting that woman’s borrowing may enable her to influence health and educational outcomes for her children. The variable, number of children, is positive and strongly significant in three of the four regressions, the exception being the regression for routine financial decisions. This result supports two opposing ideas: perhaps women with children are more likely to push to have a role in strategic household decisions as these decisions determine the outcomes for their children or perhaps men are less interested in decisions that affect their children and leave these to their wives. In either case, it is reasonable to conclude that women with more children are more likely to have a role in decisions related to health and education within their household.

A key issue of interest to this paper is whether loans taken instantly for consumption purposes affect women’s power in different ways than planned loans that are more deliberately incurred. In the first round of estimations we did not differentiate between the different types of borrowing that women access. We do this next. Table 4 presents estimated coefficients on all four decision types, but in this round, we separately consider the impacts of planned loans and instant loans on women’s role in financial decisions.

<Table 4 Here>

In a surprising turn of events, we find that women’s planned loans do not impact their role in household financial decisions. The coefficient of women’s planned borrowing is even negative in the regression for routine decisions. Women’s instant borrowing, on the other hand, is seen to have a positive effect on their role in household decisions. The effect is strong and significant in three of the four regressions, the exception being the Ceremonies regression. The results on the remaining explanatory variables remain as before. Importantly, number of children woman has is positive and strongly significant in three out of four regressions, as before, the exception being routine decisions.

Next, we focus more closely on the estimates of the impacts of women’s planned loans and instant loans on their decision making role. For planned loans and instant loans we calculate marginal effects (the change in the probability of an outcome from a unit change in the explanatory variable). All other covariates are set at the means of the relevant sample for the calculations. Table 5 shows the marginal effects from ordered probit models for women’s role in household's financial decisions. As before, we consider three different probabilities: she has no role; she has a joint role and she is able to take these decisions alone. Given the structure of the ordered probit, these effects will sometimes be inversely related: any variable that has a positive effect on women's role in a household decision will increase the probability of women making decisions alone, but may reduce the probability of women having a joint role in a decision. The absolute values of the marginal effect can differ from probability to probability – because these also depend on the threshold parameters estimated by the ordered probit model. Although the magnitudes of the marginal effect are minute, once again, we find that instant loans are likely to significantly increase women's power to make decisions alone and reduce the likelihood of having no role or a joint role in decisions. This impact is consistent across three of the four decision types. The only exception is the decisions on ceremonies.

<Table 5 Here>

Taken together, these results suggest that while instant loans help women have a greater role in household financial decisions – planned loans (of which SHG loans are a part) have no such impact on women's role. Specifically, we find that instant loans help women have a say in routine decisions and decisions related to health and education expenditures – but they do not have a significant impact on women's role in decisions on ceremonies. This unexpected result is even more surprising when we consider that instant loans constitute just 30% of women's borrowing and are largely made up of small loans, accessed for short periods of time; whereas planned loans constitute 70% of women's borrowing and are large loans meant for investments and asset expansion. What this seems to suggest, is that small and short term loans that can be accessed quickly matter more for women's bargaining power than large and long term loans. To appreciate the significance of these unexpected results requires an in depth study of the context and practices surrounding the use of instant loans. The next section presents findings from interviews with women borrowers and their family members which are helpful in understanding the true nature of instant loans.

6. The Power of Instant Loans

Why should women's instant borrowing alone have a positive impact on women's decision making power and planned borrowing not matter in the same way? Moreover, why should instant loans have an impact on women's power in decisions related to routine matters and health and education but have no impact on decisions related to ceremonies? It seems unreasonable to suggest that women's instant borrowing incurred mostly in response to the reproductive needs of the household matter more to their bargaining power than women's planned borrowing, taken up mainly to enable productive investment, designed to enhance the livelihood opportunities available to them and their household. To enable a better understanding of our rather unexpected and surprising results, we examine more closely the true nature of instant borrowing. In doing so, we also find the reasons why instant loans are causally related to women's bargaining power.

6.1. Instant Loans are Women's Obligation

There are several structural reasons why the practice of instant borrowing is embedded in the lives of poor rural women in the survey area. Uncertain incomes, increased female responsibility for family provisioning, male inability to provide for the household coupled with male reluctance to engage in quick, short term borrowing leaves women with little choice but to seek out sources of instant borrowing. Since the day-to-day running of the household is generally considered a woman's "*headache*"– they have little choice but to deploy multiple financial tools to adjust income and expenses, both to make ends meet on a daily basis, but also to cope with unexpected health expenses and incidental expenses related to schooling.

Grocery shops are typically approached for small credit on consumption items and shopkeepers would generally offer such credit because they are familiar with the woman and her household and are confident about repayment. While pawnbrokers are another popular source – accessing them requires some pawn worthy asset and a little advance planning. Ambulant lenders who simply knock on the door and give unconditional loans are another frequently used source for small loans. Borrowing from ambulant lenders is seen as socially debasing, mainly because of the crude attitude shown by ambulant lenders – who are simply interested in finishing the transaction in as short a time as possible and do not mind using abusive language or coercive methods to enforce repayments. Although they charge exorbitant rates, often they are the only way to address emergencies and women do use this source frequently.

In a male focus group, we asked about why women were the only ones who procured these loans. Some men used the English word *"adjustment"* to describe the ability that wives possess that enabled them in the daily running of the household – something they readily acknowledge men simply cannot do. Ramesh (age 34) describes how wife goes about 'adjusting' finances to meet family needs. *"The moment I think about it, she gets the money"*, explains Ramesh. *"My mother gets sick, she will pledge her jewels, my bike needs to be repaired, and she will get help from friends, children need to go to school, she will arrange for the bus pass".* Praising this ability to borrow small amounts of money without involving other members of the family, Ramesh further claims that wives must be good at *"…borrowing quickly and without disturbing the other household members – especially their husbands"*.

Women too recognise that they are mainly responsible for *"adjustments"* required to run a household. Some are proud to describe the diversity of strategies they use to find the cash from various sources but at the same time associate this responsibility of finding petty credit with a *"burden"*. Parvati (age, 42), who is borrows from multiple sources, complaints about the injustice of gender responsibilities *"Women shoulder all the responsibilities, they have to deal with family problems in any situation, Men find no solution. They just consume alcohol and sleep."*

Women also recognise that getting small loans quickly enables them to have a say in the financial decision at stake. Without these loans, they realise that the opportunity to make a particular decision may be denied to them – simply down to financial constraints. Parvati (age 42) has no regular income but she manages household budget and participates in most financial decisions. She explains that *"giving 100 rupees to my husband for his petrol gives me more respect than finding 10,000 rupees for a big expense. You know, men do not want to be disturbed by small expenses."* She explains that she uses this as an opportunity to bargain: *"It is a give and take policy. I solve a problem, then I can ask for something"*. She also explains how she convinced her husband to educate their handicapped daughter (see Section 4 above).

Further, we find that women actively invest time and effort in cultivating a network of people on whom they can rely for petty cash and recognise that sustainability of these networks relies on reciprocity. Anajali (age 51) live with her son. She used to have an active role in financial decisions, but this is over now. She used to have a good relationship with her neighbours and she could borrow small amounts easily from them in times of need – but a recent squabble over some money she owed one of them meant that she cannot rely on their help. *"My credibility has reduced, she says, my son often shouts at me about this – 'you cannot even get 500 rupees now a days', he says, I've lost my credibility in my community and in my family"*.

This suggests that accessing instant loans is a necessity for women, without which they may even be open to abuse from family members.

Our evidence suggests that women are structurally compelled to incur instant borrowing to meet the reproductive needs of their households. These loans may in turn enable women to manoeuvre a bargaining space for herself that she uses to further her say in routine matters, but also in matters of health and education of her children. Instant loans do not exert the same influence on ceremonial expenses, perhaps because these are very different in nature. Expenditures on health and education are typically incidental and are usually not very large. They are more likely to be provisioned either from family savings or from instant borrowing. Ceremonial expenses, on the other hand, are much more planned and typically also involve larger amounts. These expenses are much more likely to be prearranged by the family, explaining why instant loans do not help women have a greater say in such decisions.

6.2. Instant Loans are Socially Debasing

The interviews with our respondents unequivocally established the fact that taking instant loans was considered socially debasing. Borrowing from the crudely behaved ambulant lender was degrading indeed, but it was also not honourable to borrow from the seemingly well behaved shopkeepers. Such borrowing is almost like *"begging"*, says Parvati (age 42). The repayment burden on women is also crushing. The family takes little responsibility in repaying these loans – as they are either *"too small"* for them to be concerned or they are *"her loans"*, explains Ramesh (age 34).

Some ambulant lenders can use extremely nasty coercive measures – not only using the worse kind of verbal abuse imaginable but also show no hesitation in physically handing, even beating women. Our evidence suggests that women also experience varying degrees of sexual abuse, ranging from vulgar language to crudely being touched in their private parts.

Recollecting some of these experiences, Parvati (age 42) tells us how on the day of mobile lender repayments, she has stomach cramps. *"It's like husbands, their mood is unpredictable"*. Giving a similar account of lender's behaviour Rajam (age 48) tries to take a more balanced view, *"... (borrowing) is like a family member, who gives both happiness and sorrow, just like your husband, he may love you, but he may also beat you"*. She further acknowledges that everyone in her household relies on her for small amounts of cash on a frequent basis and that she can never do without instant loans.

So it seems that instant loans are a boon and a bane for these women – they must take them to meet the reproductive needs of their family, but equally taking these loans means they must sustain a level of social degradation. Women, it seems, perform a convenient role for their husbands and households by taking on the burden for these loans. It is perhaps in recognition of this service that women who access instant loans are allowed a greater say in household financial decisions. Women's greater role in decisions here may not indicate greater empowerment but a mere concession by her family in return for women's role in securing an instant loan and saving other family members the humiliation of incurring a socially debasing loan. Even this concession, it seems, extends to only small, incidental expenses. Large, strategic expenses like ceremonies are still decided by others in the family.

6.3. Instant Loans are Better Designed to Meet Household's Reproductive Needs

By design, instant loans are more effective in helping women meet household's reproductive needs and by extension, are more suited to help women have a greater role in household decisions. The main characteristics that set apart instant loans from planned loans are: ease of access, small size and short term. Instant loans are accessed within the community, mostly from people known to the women and their households. Shopkeepers extend credit only because women regularly buy from their shops, neighbours give small amounts to women because they know they can rely on her in their time of need and ambulant lender may not be respectful, but they would lend without any conditions. Moreover, women can get these loans at very short notices – and this is the key to them having a role in household's decisions. Let's hypothesise that a household is faced with the problem of paying for the school bus. Let's further assume that the woman get a small loan and solve the problem and manages to send her children to school. Not only has she solved this problem, but next time, when a financial issue involving children's education comes up, it is more likely that the woman is called upon to solve it and partake in the decision. This power is given to the women only via instant loans. Planned loans cannot achieve this due to their rigid and nepotistic nature.

Women, in general, find it difficult to access loans from formal lenders. Apart from SHG loans, which deliberately target women without any specific conditions, planned loans are not easily available to women. Those that are available, impose several conditions – which most women cannot fulfil. Because most planned loans are for large amounts of money and are associated with some prestige – they need the applicant to have some social status, either in term of asset ownership or in terms of knowing important people in the community. Planned loans typically require some collateral and some form of introduction: someone introduces you to the bank manager and implicitly becomes a guarantor to your loan. Women generally lack such pre-existing economic and social "power" and this may at least partly explain why they are excluded from most planned loans – especially very large amounts. Further, large planned loans require spatial mobility – as many big lenders live outside the village. Several women and their families are reluctant to let them travel outside their village to get loans – as this may tarnish their reputations. Women being humiliated by informal lenders within the community, it seems, is much more acceptable to families, than unknown dangers that women may face if they leave their village to borrow.

7. Concluding Comments

So far, the literature that explores the relationship between women's borrowing and their empowerment has ignored the role of borrowing from informal networks. Data from rural South India suggests that such loans are a significant part of poor women's loan portfolio (around 30%) and ignoring their influence on women's intra-household bargaining power may lead to erroneous conclusions. We seek to remedy this by categorising women's debt along the lines of accessibility and formality into 'planned loans' (usually taken from formal institutions, including microfinance) and 'instant loans' (quick to access and little paperwork). We separately examine the impact of these loans on a specific measure of women's empowerment – their role in household's financial decisions. We differentiate between types of household's financial decisions depending on their purpose and significance to the household. We find that women's instant borrowing does help them have a greater say in several types of household financial decisions. Women who access instant loans are able to exert influence on routine financial decisions as well as decisions pertaining to health and education of their children. Furthermore, we find that neither planned nor instant loans are able to help women exert an influence on financial decisions pertaining to religious and cultural ceremonies. Planned loans do not exert such influence on women's role in these financial decisions. This unexpected result is even more surprising when we consider that instant loans are general very small and mainly incurred to meet the consumption needs of the household. On the other hand, women usually take larger planned loans for productive investment with the expectation to improve their livelihoods. By exploring the true nature of instant loans, we find the reasons why they might help women have a greater say in household's financial decisions.

Our findings suggest that there exists a social hierarchy of debt in rural South India. Borrowing instantly, whether it is from the vulgar ambulant lenders or friendly shopkeepers is not considered socially honourable. Indeed, we find that women experience severe verbal and physical humiliation at the hands of some informal lenders. We find that men rarely borrow from informal sources as their humiliation in a social sphere is more closely associated with family honour. We also find that women are structurally embedded to instant debt. Their increased responsibility for day-to-day family provisioning coupled with high income volatility means borrowing from informal sources is almost a daily necessity that women cannot escape. Household members are found to actively rely on women's ability to borrow instantly and indeed chide the women if she fails to secure such loans. By accessing instant loans and by bearing the brunt of the social humiliation associated with such loans, women are actually performing a service for their husbands and households. The greater role that these women have in household financial decisions, especially those associated with routine activities or incidental activities, can then be explained as a concession by their husbands for this service.

Despite the negative associations, we find that instant loans have a very important role in the lives of women and their households. They are accessible quickly, are small enough for individuals to manage and are typically short termed. There is little paperwork and repayment conditions are generally flexible. It is for these reasons of availability and convenience that women continue to rely on these loans.

The realisation that instant loans are both a boon and a bane for the poor rural women suggests a role for microfinance institutions (MFIs). If MFIs seek to promote women's empowerment, then they should design "instant loan" contracts. So far, the design of MFI products has focussed entirely on women's productive roles and completely ignored their reproductive roles. It is important to recognise that most often it is women who bear the responsibility for provisioning their family's reproductive needs and may have to borrow, from time to time, to meet some of these needs. Rather than leave them to the instant loan sharks – MFIs must rise to the challenge of designing products for women that facilitate their ability to meet their responsibility towards household provisioning. As also pointed out by Johnson (2004), by reducing the constant burden of procuring loans to meet their reproductive responsibilities, this is also likely to alleviate the constraints women face in making successful use of enterprise loans from the SHGs.

It is not only the access to microloans which matter, but the design of loan contracts. At the same time, we believe that more flexible financial products won't "empower" women in a radical sense: it will only help them to better negotiate their position within a structural framework which remains unchanged; it may even reinforce the gendered division of responsibilities. One of the main challenges of the microfinance industry is to ensure that products designed for women do not entrench them in subordinate positions by responding only to practical needs identified through market research (Johnson 2004: 1372). Kabeer (2001) also observes that in Bangladesh microfinance does not translate into radical change; it improves room of manoeuvre in a given framework which remains intact. Changing that framework remains the real challenge and credit alone is unlikely to help women confront this challenge.

Tables and Figures

Table 1: Summary Statistics (N = 163, data from the year 2008)

Variable Name	Description	Mean (SD)	Minimum	Maximum
Women's personal characteristics				
Age	Women's age in years	35.4 (9.1)	18	55
Education	Women's level of education. 0 = never been to school; 1 = primary; 2 = secondary.	0.9 (0.7)	0	2
Children	Number of children below the age of 15	1.7 (1.1)	0	4
Social ties	Women's social ties outside the household	8.84 (7.54)	0	41
Household characteristics				
Size	Number of members in the family	4.8 (1.5)	2	11
Dalit	Dummy variable. 0 = non-Dalit; 1 = Dalit	0.6 (0.5)	0	1
Joint	Dummy variable. 0 = Nuclear family; 1 = Joint family	0.33 (0.5)	0	1
Land	Farm land owned by the household in acres[1]	0.5 (0.8)	0	6
Housing	Type of materials used to construct the house – ranging from 0 = all temporary to 4 = all permanent[2]	1.8 (1.4)	0	4
Remote	Dummy variable. 0 = Rural but not remote; 1 = Rural and remote.[3]	0.8 (0.4)	0	1
Household finances in 2008				
Woman's income	Woman's annual cash income	4564.42 (6460.37)	0	30,000
Other's income	Annual cash income earned by members of the household other than respondent	35655.52 (24485.23)	0	160,800
Support from woman's kin	Annual support given by wife's maternal home	8261.66 (10788.48)	0	106,000
Support from her husband's kin	Annual support given by husband's siblings and other relatives	8589.72 (11762.29)	0	100,000
Woman's debt	Debt incurred by woman alone	28555.92 (38539.62)	0	240,000
Other's debt	Debt incurred by members of the household other than respondent	47966.56 (83765.96)	0	780,000

Notes: [1] Land typically belongs to the male head of the household.
[2] In rural India, it is common to own the house one lives in. In our sample, ownership of house is 100%, but like agricultural land, house is also usually in the name of the male head of family.
[3] A household was classified as Rural and Remote if it took over 30 minutes to reach it by bus.

Table 2. Loan Types

Type of loan	Who gives?	Typical amount	Typical duration	Interest charged[1]	Other conditions	Who takes and why?	Amount borrowed
Planned loans							3233700 (69.47)[2]
Local Elite	Wealthy persons, locally influential	Large (>10000)	Very long (sometime several years)	High (5-10% pm)	Repayment schedules are inflexible	Mainly men, but also women, for productive and social investments	179250 (3.85)
Institutional	National banks and subsidiaries and private institutions	Large (>10000)	Long (usually 1 to 2 years)	Medium (2-3% pm)	Repayments are fixed but in practice can be negotiated	Only men, for agricultural investment. Collateral is necessary.	476500 (10.24)
Relatives and Friends	Relations and friends who may also be neighbours	Medium to Large (>5000)	Very long (several years)	Low (1-2% pm)	Fairly flexible	Men and women, mainly for social and religious needs	278300 (5.98)
SHG loans	Rural banks	Medium to Large (between 2500 and 10000)	Long	Low (1-2% pm)	Rigorous, but instalments are small	Only women, for both consumption and productive purposes	2299650 (49.41)
Instant loans							1420915 (30.53)
Kaimathu	Neighbours and friends	Small (100 to 1000 rupees)	Short (few days)	None	Reciprocity is expected	Mainly women, for consumption	432790 (9.30)
Thandal	Door-to-door money lenders	Medium (a few 000)	Medium (3 months)	High (10-15% pm)		Mainly women, for consumption (men may be present)	281000 (6.04)
Shops	Shopkeepers	Varies but generally <1000	Varies but generally a few weeks	Varies, ranges from 0 to 10%	Groceries on interest free credit	Only women, for consumption	270125 (5.80)
Pawnbroker	Pawnbroker	Jewellery, occasionally land is pawned (1000-10,000)	Long (1 to 2 years)	Medium (2-3% pm)	A piece of paper gives details of exchange	Mainly women, but also men if loan amount is big, for consumption and social investment	437000 (9.39)

Notes: [1] CPI based average inflation rate in 2008 for rural India was 8.32% (Source: inflation.eu).
[2] As percentage of total debt incurred by the woman.

Table 3: Regressing Women's Role in Financial Decisions on Borrowings and Personal Characteristics: Raw Coefficients from Ordered Probit Model

	Type of financial decision			
	Routine	**Health**	**Education**	**Ceremonies**
Women's personal characteristics				
Age	-.0197	.0059	.0131	.0045
	(-1.91)*	(0.55)	(1.72)*	(0.43)
Education	-.0456	.0275	-.0148	-.0875
	(-0.31)	(0.21)	(-0.11)	(-0.68)
Number of children	.1259	.2824	.1972	.2903
	(0.83)	(2.08)*	(1.79)*	(2.29)**
External ties	.0359	.0032	-.0083	.0070
	(2.66)***	(0.25)	(-0.67)	(0.57)
Household characteristics				
Household size (log)	-.2178	-.0964	-.0257	-.1083
	(-2.10)**	(-0.98)	(-0.27)	(-1.15)
Dalit by caste (d)	-.3460	-.5818	-.2986	-.2516
	(-1.76)*	(-2.93)***	(-1.47)	(-1.25)
Joint family (d)	.0961	.1218	.0435	.0311
	(0.33)	(0.45)	(0.16)	(0.12)
Housing material	-.0487	-.0607	-.0860	-.0643
	(-0.65)	(-0.86)	(-1.21)	(-0.93)
Remote location (d)	-.4590	-.1046	-.2168	-.3936
	(-1.97)*	(-0.46)	(-0.95)	(-1.77)*
Household finances				
Woman's income (log)	.00002	.0004	.0004	.0009
	(1.71)*	(0.99)	(2.87)***	(1.29)
Other's income (log)	.0003	.0005	.0008	-.0000
	(0.427)	(1.46)	(0.20)	(-0.05)
Support from wife's kin	.0009	-.0002	.0001	.0006
	(1.90)*	(-0.29)	(0.92)	(0.61)
Support from	.0009	.0006	.0005	.0007
husband's kin	(1.58)	(0.67)	(0.56)	(1.66)
Woman's borrowing	0.0001	0.0002	0.0005	0.0002
	(0.65)	(1.92)*	(2.23)**	(0.97)
Other's borrowing	-0.0001	-0.0000	-0.0001	-0.0000
	(-1.04)	(-0.66)	(-0.90)	(-0.37)
Observations	163	163	163	163
Log likelihood =	-173.0521	-198.1367	-195.2506	-188.2965
Chi^2	37.43	23.93	30.41	24.35

Z-statistics in parentheses. (d) indicates a dummy variable. * Significant at 10%; ** Significant at 5%, *** Significant at 1%.

Table 4: Regressing women's role in financial decisions on types of borrowings and personal characteristics: Raw coefficients from ordered probit model

	Type of financial decision			
	Routine	**Health**	**Education**	**Ceremonies**
Women's personal characteristics				
Age in years	-.0241	.0057	.0077	.0045
	(-2.15)*	(0.53)	(1.70)*	(0.42)
Education	-.0635	.01986	-.0631	-.0925
	(-0.43)	(0.15)	(-0.47)	(-0.72)
Number of children	.1218	.2834	.1889	.2895
	(0.79)	(2.08)*	(1.73)*	(2.18)*
External ties	.0249	.0006	-.0250	.0057
	(1.99)*	(0.05)	(-1.86)*	(0.46)
Household characteristics				
Household size (log)	-.2116	-.0943	-.0034	-.1074
	(-2.00)	(-0.95)	(-0.04)	(-1.14)
Dalit by caste (d)	-.4258	-.5979	-.4456	-.2567
	(-1.97)*	(-2.99)***	(-2.14)*	(-1.27)
Joint family (d)	.1069	.1458	.0609	.04333
	(0.37)	(0.53)	(0.22)	(0.16)
Housing material	-.0339	-.0641	-.0710	-.0661
	(-0.44)	(-0.91)	(-0.97)	(-0.95)
Remote location (d)	-.3847	-.0869	-.1327	-.3852
	(-1.64)	(-0.38)	(-0.57)	(-1.68)
Household finances				
Woman's income (log)	.0006	.0002	.0009	.0007
	(1.34)	(0.82)	(2.62)**	(1.18)
Other's income (log)	.0003	.0006	.0001	.0000
	(0.70)	(1.57)	(0.25)	(0.01)
Support from wife's kin	.0006	-.0005	.0002	.0004
	(2.13)**	(-0.52)	(0.89)	(0.48)
Support from husband's kin	.0006	.0005	.0002	.0005
	(1.34)	(0.59)	(0.29)	(1.63)
Woman's planned loans	-.0000	0.0000	.0003	.0001
	(-0.19)	(0.26)	(0.98)	(0.46)
Woman's instant loans	.0005	.0007	.0004	.0004
	(2.84)***	(2.44)**	(4.10)***	(0.93)
Other's borrowing	-.0000	-.0000	.0000	-.0000
	(-0.32)	(-0.45)	(0.04)	(-0.28)
Observations	163	163	163	163
Log likelihood	-168.3541	-197.4284	-186.8630	-188.1066
Chi^2	43.83	42.35	44.19	41.73

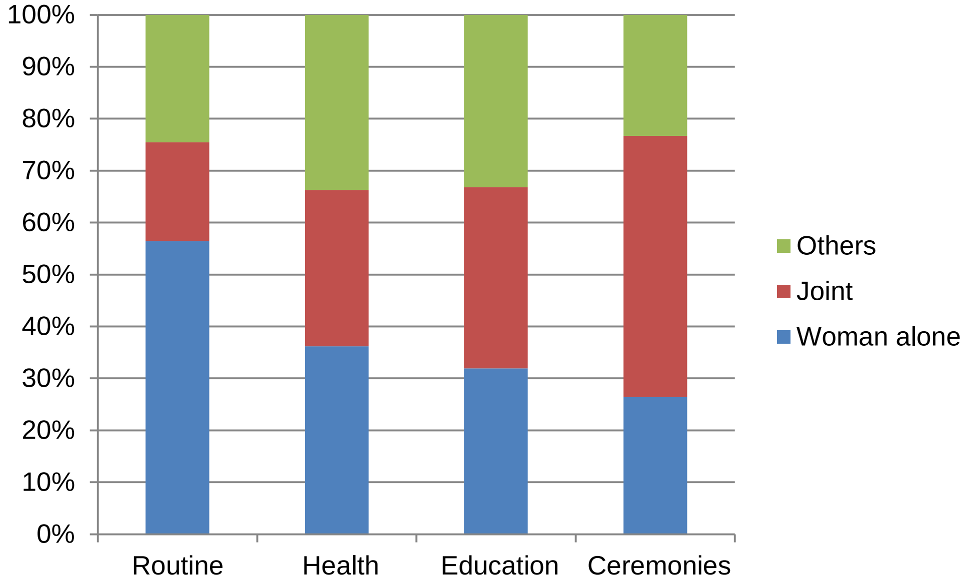
Z-statistics in parentheses. (d) indicates a dummy variable. * Significant at 10%; **Significant at 5%; ******* Significant at 1%.

Table 5: Effects of Planned loans and Instant loans on Women's Role in Financial Decisions: Marginal Effects from Ordered Probit Models (N = 163)

	Planned loans			Instant loans		
	No Role	**No Role**	**Joint**	**Alone**	**Joint**	**Alone**
Routine	.0000	-.0008	-.0004	.0008	.0000	-.0000
	(0.19)	(-2.94)***	(-2.16)**	(2.92)***	(0.19)	(-0.19)
Health	-.0000	-.0002	-.0000	.0002	-.0000	.0000
	(-0.26)	(-1.35)	(-0.43)	(2.34)**	(-0.23)	(0.26)
Education	-.0000	-.0004	-.0001	.0005	-.0000	.0001
	(-0.98)	(-4.26)***	(-0.78)	(3.86)***	(-0.63)	(0.98)
Ceremonies	-.0000	-.0001	-.0000	.0001	-.0000	.0000
	(-0.46)	(-0.93)	(-0.52)	(0.93)	(-0.37)	(0.46)

Note: *Z*-statistics in parentheses. * Significant at 10%; **Significant at 5%; *** Significant at 1%.

Figure 1: Decision making in the household (N=163)



References

Agier, I., I. Guérin, A. Szafarz. 2012. Child Gender and Parental Borrowing: Evidence from India. *Economics Letters* 115: 363-365.

Agier, I., A. Szafarz. 2013. Microfinance and Gender: Is There a Glass Ceiling on Loan Size? *World Development* 42: 165-181.

Ardener, S., S. Burman. 1996. Money-go-rounds: the Importance of Rotating Savings and Credit Associations for Women. Berg: Cross Cultural Perspectives on Women Series.

Armendáriz, B., J. Morduch. 2010. *The Economics of Microfinance*. 2nd Ed. Cambridge, MA: The MIT Press.

Banerjee, A., E. Duflo, R. Glennerster, C. Kinnan. 2010. The Miracle of Microfinance? Evidence from a Randomized Evaluation. Abdul Latif Jameel Poverty Action Lab, J-PAL and Centre for Microfinance, Boston.

Bouman, F.J.A. 1977. Indigenous Savings and Credit Associations in the Third World: A Message? *Savings and Development* 1: 181-220.

Bouman, F.J.A. 1994. ROSCA and ASCRA: Beyond the Financial Landscape. In Bouman F.J.A. and O. Hospes (Eds.) *Financial Landscapes Reconstructed: The Fine Art of Mapping Development*. Boulder, CO: Westview Press, 375-394.

Collins, D., J. Morduch, S. Rutherford, O. Ruthven. 2009. *Portfolios of the Poor: How the World's Poor Live on $2 a Day*. Princeton, NJ: Princeton University Press.

da Corta, L., D. Venkateshwarlu. (1999) Unfree relations and feminization of agricultural labor in AP, 1970–1995, *The Journal of Peasant Studies*, 26(2), pp. 71–139.

D'Espallier B., I. Guérin, R. Mersland. (2013) Mersland R. Focus on women in microfinance institutions, *Journal of Development Studies*, 49(5): 589-608.

D'Espallier B., I. Guérin, R. Mersland. (2011) Women and Repayment in Microfinance: A Global Analysis. *World Development* 39: 758–772.

Duflo, E. 2003. Grandmothers and Granddaughters: Old-Age Pensions and Intrahousehold Allocation in South Africa. *World Bank Economic Review* 17: 1-25.

Dwyer, D.H., J. Bruce. 1988. *A Home Divided: Women and Income in the Third World*. Stanford, CA: Stanford University Press.

Garikipati, S. 2008a. The Impact of Lending to Women on Household Vulnerability and Women's Empowerment: Evidence from India. *World Development* 36: 2620-2642.

Garikipati, S. 2008b. Redefining Gender Roles, Reworking Gender Relations: Female Agricultural Labour in Dry Regions of Andhra Pradesh, in S. Horrell, H. Johnson, and P. Mosley (Eds.) *Work, Female Empowerment and Economic Development*. London: Routledge.

Garikipati, S. 2009. Landless but not Assetless: Female Agricultural Labour on the Road to Better Status: Evidence from India. *Journal of Peasant Studies* 36: 517-545.

Guérin, I. 2006. Women and Money: Multiple, Complex and Evolving Practices, *Development and Change* 37: 549-570.

Guérin, I. 2011. The Gender of Finance and Lessons for Microfinance *In* Armendariz B. and M. Labie M. (Eds.) *Handbook of Microfinance*, London-Singapore: World Scientific Publishing, 563-589.

Guérin, I., B. D'Espallier, G. Venkatasubramanian. (2013) Debt in Rural South India: Fragmentation, Social Regulation and Discrimination, *Journal of Development Studies*, 49(9): 1155-1171.

Guérin, I., M. Roesch, G. Venkatasubramanian, B. D'Espallier. (2012) Credit from Whom and for What? Diversity of Borrowing Sources and Uses in Rural South-India, *Journal of International Development* 24: S122-S137.

Harris-White, B., D. Colatei. 2004. Rural Credit and the Collateral Question. In Harriss-White and Janakarajan (Eds.) *Rural India Facing the 21st Century. Essays on Long Term Change and Recent Development Policy*. London: Anthem South Asian Studies, 252-283.

Hashemi, S.M., S.R. Schuler, A. P. Riley. 1996. Rural Credit Programs and Women's Empowerment in Bangladesh. *World Development* 24: 635-653.

Holvoet, N. 2005. The Impact of Microfinance on Decision-Making Agency: Evidence from South India. *Development and Change* 36: 75-102.

inflation.eu: Worldwide Inflation Data (http://www.inflation.eu/inflation-rates/india/historic-inflation/cpi-inflation-india-2008.aspx, accessed on 9th December, 2013)

Johnson, S. 2004. Gender Norms in Financial Markets: Evidence from Kenya. *World Development* 32: 1355-1374.

Kabeer, N. 1994. *Reversed Realities: Gender Hierarchies in Development Thought*. London:Verso Books.

Kabeer, N. 2001. Conflicts over Credit: Re-Evaluating the Empowerment Potential of Loans to Women in Rural Bangladesh. *World Development* 29: 63-84.

Kabeer, N. 2005. Is Microfinance a 'Magic Bullet' for Women's Empowerment: Analysis of Findings from South Asia. *Economic and Political Weekly* 40: 4709-4718.

Kalpana, K. 2008. The Vulnerability of "Self-Help": Women and. Microfinance in South India. *Institute of Development Studies Working Paper 303*, Brighton, UK.

Labie, M., C. Laureti A. Szafarz. 2013. Flexible Products in Microfinance: Overcoming the Demand-Supply Mismatch, *Working Papers CEB 13-044*, Université Libre de Bruxelles, Belgium.

Laureti, C., M. Hamp. 2011. Innovative Flexible Products in Microfinance. *Savings and Development* 35: 97-129.

Lemire, B. 2001. _Introduction. Women, Credit and the Creation of Opportunity: An Historical Overview. In B. Lemire, R. Pearson and G. Campbell (Eds.) *Women and Credit. Researching the Past, Refiguring the Future*. Oxford/New York: Berg Editions, 3-15.

Mencher, J.P. 1988. Women's Work and Poverty: Women's Contribution to Household Maintenance in South India. In Bruce et Dwyer (Eds.) *A Home Divided: Women and Income in the Third World*. Stanford, CA: Stanford University Press, 99-119.

Morvant-Roux S., I. Guérin I., M. Roesch J.-Y. Moisseron. 2014. Adding Value To Randomization with Qualitative Analysis: The Case of Microcredit in Rural Morocco, *World Development*, 56: 302-312.

Pitt, M.M., S.R. Khandker. 1996. Household and Intrahousehold Impact of the Grameen Bank and Similar Targeted Credit Programs in Bangladesh. World Bank, DP 320, Washington D.C.

Rahman, R.I. 1986. Impact of Grameen Bank on the Situation of Poor Rural Women. Bangladesh Institute of Development Studies Grameen Bank Evaluation Project 1, Dhaka.

Rahman, R.I. 1989. Impact of Grameen Bank Intervention on Rural Power Structure. Bangladesh Institute of Development Studies Research Report 61, Dhaka.

Sa-Dhan. 2009. The Bharat Microfinance Report - Quick Data. Sa-Dhan, New-Delhi.

Salway, S., S. Jesmin, S. Rahman. 2005. Women's Employment in Urban Bangladesh: A Challenge to Gender Identity? *Development and Change* 36: 317-349.

Schultz, T.P. 2001. Women's Roles in the Agricultural Household: Bargaining and Human Capital Investments. In B.L. Gardner and G.C. Rausser (Eds.), *Handbook of Agricultural Economics*, 383-456.

Senauer, B. 1990. The Impact of the Value of Women's Time on Food and Nutrition. In I. Tinker (Ed.), *Persistent Inequalities: Women and World Development*. Oxford: Oxford University Press. Press, 150-161.

Shipton, P.M. 2007. *The Nature of Entrustment: Intimacy, Exchange, and the Sacred in Africa.* London:Yale University Press.

Swaminathan, M. 1991. Segmentation, Collateral Undervaluation and the Rate of Interest in Agrarian Credit Markets: Some Evidence from Two Villages in South India, *Cambridge Journal of Economics*, 15 (2), pp. 161–78.

Thomas, D. 1990. Intra-Household Resource Allocation: An Inferential Approach. *Journal of Human Resources* 25: 635-664.

Vijayabaskar, M., P. Swaminathan, S. Anandhi, G. Balagopal. 2004. Human Development in Tamil Nadu: Examining Linkages. *Economic and Political Weekly* 39: 797-802.

Appendix: Data Collection

The data were collected in 2008 from the clients of two NGOs operating in two adjoining districts, Vellore and Thiruvallur, in the North of Chennai (Tamil Nadu, India). Names of NGOs have been withheld for confidentiality reasons. The first NGO (we shall call it NGO A) has been operating since 1990 in the Vellore district, which is traditionally agricultural, but where there is an increasing amount of textile and electronic industry. In 2008, NGO A dealt with 585 groups, involving 8875 women, in 115 villages. Its target population is exclusively women from low and middle castes. The second NGO (we shall call it NGO B) has been operating since the 1980s in the more urbanized Thiruvallur district, closer to the main city of Chennai. In 2008, NGO B dealt with 126 groups (about 2142 women). Its target population is exclusively women from low castes. The two NGOs currently apply SHG methodology and thus act as an intermediary between these groups and external lenders, namely banks, governmental schemes and governmental agencies such as the Tamil Nadu Women Development Corporation.

The following steps were applied for sample stratification:

1. Classification of all villages attended by the NGOs (based on lists provided by the two NGOs) according to three enclosure levels: enclosed rural, intermediate and peri-urban.

2. For each enclosure level, frequented villages were drawn at random. The weight applied to each enclosure level was the same as that observed in the general population (both NGOs' policy is to have a homogenous coverage in a given specific and bounded geographic area).

3. For each village selected, groups were randomly drawn out (based on the exhaustive list of groups provided by the two NGOs).

4. For each group drawn, members were randomly drawn to be interviewed (based on a list provided by the SHG leaders). In Vellore, both middle and low castes are attended by the NGO. Thus women were drawn within each category in order to follow the weight of each caste level in the attended population.