

Gender, Group Liability and Moral Hazard in Microfinance

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OBJECTIVE

This study examines whether social context and gender norms influence gender differences in moral hazard behaviour in microfinance

METHODOLOGY

★ **3 microfinance game experiments** (full, ex-ante, ex-post games) were conducted in neighbouring matrilineal khasi and patrilineal karbi societies in India.

★ The two societies have similar genetic background and socio-economic conditions. However, they **differ across lineage and gender norms**.

★ In the patrilineal society, the eldest son inherits property whereas in the matrilineal society the youngest daughter inherits family property.

★ **512 subjects were randomly assigned to one of the three games and were randomly paired with another subject of the same gender and from the society.**

MICROFINANCE EXPERIMENTS



The Full Game Experiment

Subjects are given a group liability loan and they decide privately and independently to invest in one of two projects

Safer Project X :
5/6 chance of success to win Rs. 60

Riskier Project Y
(ex-ante moral hazard) :
1/2 chance of success to win Rs. 160

Failure:
Non-Strategic Default

Success

Failure:
Non-Strategic Default

Repay Group Loan

Strategic Default
(ex-post moral hazard)

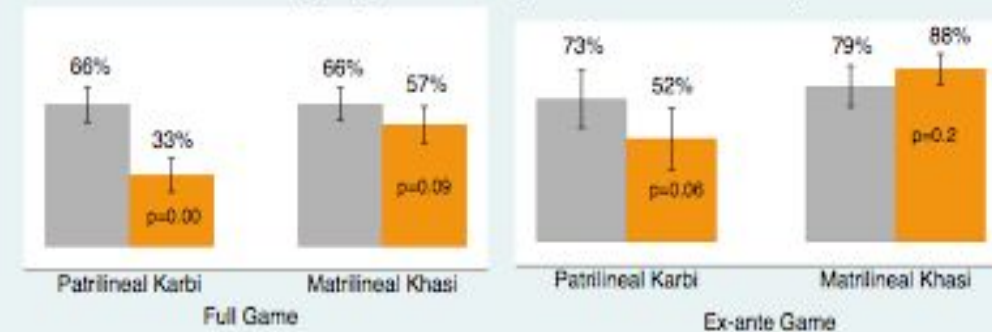
Ex-ante moral hazard game : Only project choice (no repayment choice)

Ex-post moral hazard game : Only repayment choice (no project choice)

FINDINGS

- ★ Women in matrilineal society are significantly more prone to exhibit both types of moral hazard behaviors than patrilineal women.
- ★ Matrilineal women become more prone to ex-post moral hazard when there is no possibility of ex-ante moral hazard channel and vice versa.

Risky Project Choice (Ex- ante Moral Hazard)



Strategic Default (Ex - post Moral Hazard)

