Are Women Really Better Borrowers in Microfinance? Evidence from Matrilineal and Patrilineal Societies in India

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Objective

- This study examines whether social context and norms can lead to gender differences in behavior among microfinance borrowers

Methodology

- Microfinance lab-in-the-field (artefactual field) experiments were conducted in neighboring patrilineal and matrilineal societies in India
  - The two societies have the same genetic background, religion and primary occupation but they differ regarding social and gender norms
- In the **patrilineal Karbi society**, the eldest son inherits family property, and women have little bargaining and decision-making power
  - In contrast, in the **matrilineal Khasi society**, the youngest daughter inherits family property and men are not allowed to own land

Microfinance Lab-in-the-Field Experiment

- 368 subjects in total (184 male, 184 female) participated in the experiment
  - Subjects received either an individual or a group liability loan and decided independently to invest between projects X and Y
  - If project fails, then subjects cannot repay loan
  - If project is successful, subjects decide to repay loan or default strategically

Project	Success		Failure
	Prob	Return	Return
X	5/6	60	0
Y	1/2	160	0

  - **For group liability loans**, two subjects of the same gender and society are randomly matched and make the same decisions in the experiment
  - If one group member defaults, the other must repay the entire group loan to continue receiving loans in future rounds in the experiment

Key Findings

- **Reversal of gender effect** across the two societies
  - In the patrilineal society women are better credit risks, but the pattern reverses in the matrilineal society
  - Matrilineal women are more likely to invest in risky projects and default strategically more than patrilineal women
  - Patrilineal women are significantly more risk-averse than patrilineal men, but this gender gap disappears in the matrilineal society