Borrowing and Women's Empowerment: Does Type of Credit Matter?

Isabelle Agier, Supriya Garikipati, Isabelle Guérin and Ariane Szafarz

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Keywords: Credit, Microfinance, Women's Empowerment, Tamil Nadu, India

JEL Classifications: G24, L26, O16, M13

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Abstract

Poor women have complex financial lives. They borrow from a variety of sources. So far, however, research has focussed only on formal borrowing as a source of women's empowerment. This study examines whether *type* of borrowing matters to women. We differentiate between 'easy loans' – that are easy to access and have flexible conditions – and 'contracted loans' – that require a contractual agreement, usually written. We examine whether type of loan matters for one dimension of women's empowerment – their bargaining power in household decisions. We separately consider women's role in routine and strategic decisions. Drawing on a household survey from Tamil Nadu, we find that easy loans support women's bargaining power in household decisions, whereas contracted loans have no impact. Women rely heavily on easy loans because of their flexibility. These loans, however, are usurious and lenders are known to use coercion to elicit compliance. This suggests a niche in the market for institutional providers.

1. Introduction

Considerable progress has been made in the last two decades toward a better understanding of the poor's financial life (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 borrowings from neighbours and shopkeepers while at the same time borrow 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 (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 microcredit. In other words, informal sources of borrowings as a possible source of women's empowerment have been entirely ignored. Drawing on a household survey from the Indian state of Tamil Nadu, in this paper we seek to remedy this by asking if *type* of credit matters to women's 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). 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; Duflo, 2003; Chant, 2007; Garikipati, 2009). In poor households, women typically lack co-ownership of productive assets but are nevertheless responsible for family

[1] Interestingly, while Collins et al. (2009) provide an extremely detailed analysis of households' complex and sophisticated financial lives, they don't pay attention at all to gender aspects of borrowing.

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).

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., 2012a). 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 (Johnson, 2004). It is for these reasons that in poor households, informal credit networks are likely to be more important to women than to men. To some extent, the emergence of 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 (Bourman, 1977, 1994; Ardener and Burman, 1996; Johnson, 2004).

In such context, it is not surprising that a woman's household status is closely linked to her ability to access formal and informal networks to meet the needs of her family. The link between women's borrowing and their empowerment is well-established (Armendariz and Morduch, 2010). The literature, however, focuses only on borrowings from formal sources – mainly microcredit (Pitt and Khandker, 1996; Hashemi et al. 1996; Kabeer, 2001, 2005; Holvoet, 2005; Garikipati, 2008a; D'espallier, et al., 2011; Banerjee et al. 2010). As far as we know, there are no studies that address the issue of whether credit from other informal sources matters for women's empowerment. Given that poor women have complex financial arrangements and rely on different sources of credit, this is a significant issue.

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. Some are honourable, while others are degrading. Borrowing from certain sources is less acceptable to men than to women – who borrow for different reasons anyway (Shipton, 2007; D'Espallier et al., 2011).

A likely reason why the impact of informal loans 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 a five year period. We pay attention to all available credit sources and to all types of financial decisions through which women's empowerment possibly takes place. Following careful scrutiny, we broadly categorise women's borrowings into 'easy loans' and 'contracted loans'. The former are typically taken 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 from neighbours, friends, relatives, pawnbrokers, mobile lenders and shopkeepers. In contrast, contracted loans are generally taken from formal, institutional sources and are generally repaid over several months or even years. Importantly, in these cases there is usually a written contract between the two parties.

With respect to financial decisions making, 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 separately examine the impact of women's borrowings on each decision type.

Our findings show that women's borrowings do have a beneficial impact on their intra-household financial bargaining power – at least as much as their cash incomes. As expected, we find the impact to be significant for routine decisions, but we also find significant impact for decisions of strategic interest to the household like health and education. A more disaggregated analysis reveals that this impact is solely driven by loans categorised as ‘easy loans’. Microfinance loans do not belong to this category, which concurs with the findings of Banerjee et al. (2010). However, these so-called ‘easy loans’ can be exploitative and lenders are known to use coercive practices to elicit compliance. If borrowing is to result in improving women’s bargaining power then institutional lenders must rise to the challenge of providing loans that are flexible in terms of size and availability.

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, we carried out semi-structured interviews with men and women and key informants in group discussions. 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 stratified sampling strategy to select the sample for this phase of our 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.[2] 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 capturing 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). On average, women claim to enjoy 9 close social ties within their community – these are friends and relatives on whom they have previously relied on for financial support on reciprocal basis or otherwise. Note that there is a high level of variance in the social ties reported by women in our sample – the maximum number of ties reported is 41 but the minimum is 0. 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 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. Both

[2] 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.

areas were served by two different NGOs.[3] The location of the household is thus also a proxy for the NGOs serving these two areas. For details see Appendix.

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.[4] Half of the women respondents, however, have no regular income generating activity. These meagre household cash incomes[5] 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 but also from informal or easy sources.

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

Table 1: Summary Statistics (N = 163)

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 = no education; 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	Land owned by the household in acres	0.5 (0.8)	0	6
Housing	Type of materials used to construct the house – ranging from 0 = all temporary to 4 = all permanent	1.8 (1.4)	0	4
Remote	Dummy variable. 0 = Rural but not remote; 1 = Rural and remote.	0.8 (0.4)	0	1
Household finances in 2008				
Other's income	Annual cash income earned by members of the household other than respondent	35655.52 (24485.23)	0	160,800
Woman's income	Woman's annual cash income	4,564.42 (6460.37)	0	30,000
Support from husband's kin	Annual support given by husband's siblings and other relatives	8589.72 (11762.29)	0	100,000
Support from wife's kin	Annual support given by wife's maternal home	8261.66 (10788.48)	0	106,000
Other's debt	Debt incurred by members of the household other than respondent	47966.56 (83765.96)	0	780,000
Woman's debt	Debt incurred by woman alone	28555.92 (38539.62)	0	240,000

3. Women's Loans and the Social Hierarchy of Debt

Poor women in our survey area tend to have complex borrowing habits – borrowing simultaneously from several sources and for varied reasons. The interviews revealed that, depending on the source, size and purpose of the loan, women tend to split their loans into two broad categories. To facilitate discussion we refer to these categories as 'easy loans' and 'contracted loans'. The average debt incurred by women in 2008 was 28,014 INR. Of this, 8,819 INR (31.5%) was of the easy type and the remainder 19,195 INR (68.52%) was contracted. Both categories are made up of loans from various sources. Table 2 provides a quick overview of the terms and conditions attached to each of these loan sources.

Loans referred to as 'easy' are sourced informally, the amount of money involved is usually small and for a short period of time (days or weeks). Easy loans are mainly intended for short term consumption needs. Accessibility is the primary quality of easy loans and there is little paperwork involved and there is virtually no formal contract between the two parties. In practice, easy 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 amounts loaned are necessarily limited as they depend 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.

On the other hand, 'contracted loans' are usually incurred for bigger amounts, longer periods (several years), and are often incurred for investment purposes. They mostly concern agricultural business investment, but sometimes also social investments like marriage and education. The essential point in contracted loans is the presence of a contract – usually a written one. The most common form of contracted loans is provided by *terinjavanga* – meaning, a well-known, well-connected or prominent person in the community. These lenders are well-off people who seek to invest their surplus income. No collateral is required: trust is the main condition in such contracts but there is a contractual arrangement in place and repayment schedules are fixed. The other contracted 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 contracted loans. Indeed, SHGs lack flexibility. 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. Actually, SHGs grant individual loans according to both fund availability and group's evaluation of the requests.

A significant observation of our fieldwork is that easy loans are mainly a female preserve, especially when it comes to reciprocal exchanges with neighbours and dealing with shopkeepers.[6] At least partly this is because the main purpose of easy loans is to cope with emergencies and income smoothing, which is typical a female responsibility. Daily management is clearly a women's matter and they are seen as the day-to-day 'problem solvers'. Men do not want to bother with the 'domestic tasks' of household management. In the words of one of our male focus group participants "*…women are best at sorting out these little annoyances*" (*Murali*, age 43).

[6] For certain types of easy loans – like pawnbroker loans, male participation may be required depending of the value of item being pawned and the distance to the pawnshop.

Importantly, however, men also avoid getting involved in such 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 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: it means the incapacity to run 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".*

The profile of easy loan lenders 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 only for women and Dalits. Though ambulant lenders are often the only way to address emergencies, they are used as the last resort option, both 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 themselves state that women are more prepared to tolerate abusive language from them and are more responsive to such treatment. It is also the reason why they prefer dealing with women. 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 contracted loans, like institutional loans. Such exclusion may apply at several levels – not only gender, but class and caste are also likely to matter. 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 and each time she went the papers were not acceptable, and every time she had to take a new certificate (certificate of residence, certificate from a local elite stating that she would repay, etc.). There was also a knowledge barrier – she knew she had to give money to the clerk and the cashier but she did not know how much or how to go about it. She relates 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. 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, the so-called 'easy loans' are not 'easy' at all – women incurring such 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.

All said and done, the importance of these loans for women cannot be understated. Easy loans constitute over 30% of women's borrowings and given that they are borrowed for different reasons than contracted loans – they may impact women in different ways. Given that easy loans are mainly taken for consumption needs – it may be the case that easy loans help women have a role in routine consumption decisions but may not help her have a say household's strategic investment decisions. It is for these reasons that we separately study the impact of easy loans on women's role in financial decisions.

Table 2. Loan Types

Type of loan	Who gives?	Typical amount	Typical duration	Interest charged	Other conditions	Who takes and why?	Amount borrowed (as % of total hh debt)	Mean (SD)
Easy loans							1420915 (30.53)	8717.27 (22149.81)
Kaimathu	Neighbours and friends	Small (100 to 1000 rupees)	Short (few days)	None	Reciprocity is expected	Only women, for consumption	432790 (9.30)	2655.153 (16742.41)
Thandal	Door-to-door money lenders	Medium (a few 000)	Medium (3 months)	High (10-15% pm)		Only women, for consumption (men may be present)	281000 (6.04)	1723.926 (6082.80)
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)	1657.209 (3577.30)
Pawnbroker	Pawnbrokers	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)	2680.982 (8355.68)
Contracted loans							3233700 (69.47)	19838.65 (34089.05)
Terinjavanga	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)	1099.693 (5087.02)
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	476500 (10.24)	2923.313 (15839.33)
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)	1707.362 (6019.519)
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)	14108.28 (26730.47)

4. Measuring Women's Empowerment

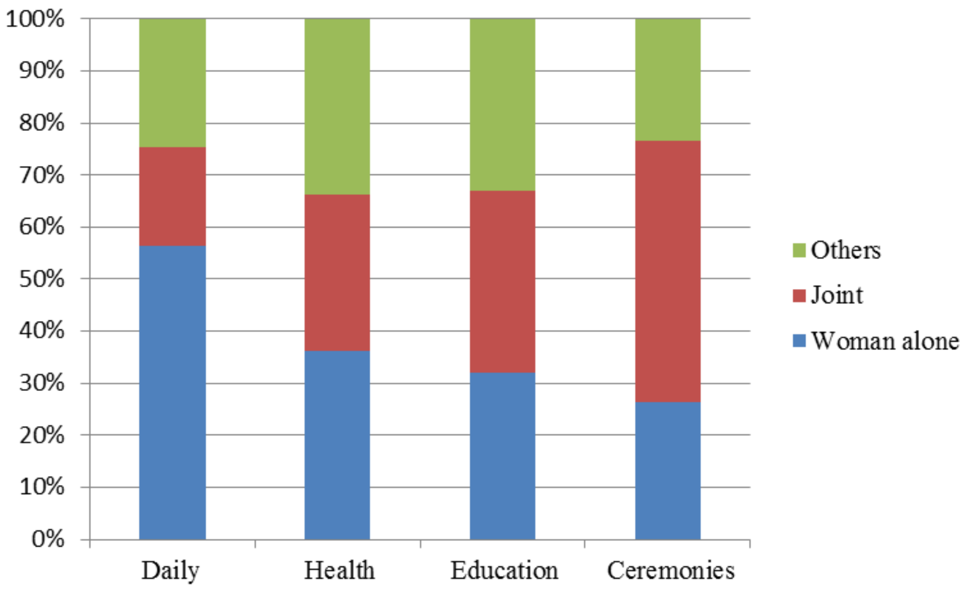
We measure women's empowerment through financial decision-making for at least two reasons. First, for the sake of result comparability; we favour this indicator as it is commonly used in the literature (Kabeer 2001; Hashemi, Schuler and Riley, 2005; Holvoet, 2005; Garikipati, 2008a). Second, the respondents themselves validated this choice by acknowledging that their participation in financial decision-making is a sign of respect and recognition by the 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 five 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: daily, 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 (annually or irregularly) and/or was unexpected and could not be planned for in advance then it was classed as non-routine and was classified under one of the other categories. In addition, any expense that was in excess of 300 rupees was 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 contemplation and planning. Participating in such strategic decisions was clearly considered quite important within the household.

Each woman respondent was asked to describe her own involvement in each type of decision. She was offered three exclusive options: (1) she has little or no role in the decision which is made entirely by other member(s) of the household; (2) she decides jointly with other member(s) of the household; (3) she makes the decisions alone. Figure 1 summarizes the responses of the 163 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 woman in the household who has responsibility for it. 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.

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



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 strategic 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 strategic 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 into one single measure. Instead, we separately consider women's role in each type of decision and the various factors that hinder or help her in having a role in that specific type of decision making. 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 decision making power. 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 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 financial decision making'. 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 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 experience of child bearing and rearing may also be given a greater role in household decisions, especially as these decisions may involve their children directly. Women with social ties with 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 others income, support received from husband's kin and husband's borrowing to have a negative coefficient. There variables related to the level of financial contribution others make to the household and the expectation is that the more others contribute, the less power women will be able to exert on household decisions. Conversely, we expect women's income, support from her kin and her borrowing to have a positive coefficient because these variables related to the extent of contribution women makes to the household economy.

Note that we assign an order to our dependent variable: women'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 regression analysis to cases where the dependent variable is discrete and takes only a finite number of values possessing a natural ordering (Hausmann et al., 1991). The advantage of ordered probit is that unlike ordinary least squares regression, it discerns unequal differences between ordinal categories in the dependent variable. Thus, for example, it does not assume that the difference between having no role in decision making and having a joint role is the same as the difference between having a joint role and an independent role, given a unit change in the explanatory variable. Here the ordered probit captures the qualitative differences between different levels of female involvement in the decision.

Underlying the analysis is a "virtual" regression model with an unobserved continuous dependent variable E^* (women's empowerment) whose conditional mean is a linear function of observed explanatory variables. Although we cannot observe E^*, it is related to an observed discrete variable E, whose realisations are determined by the relative position of E^*.

The ordered probit uses the following form which is built around a latent regression:

$$E^* = \beta' x + \epsilon \qquad (1)$$

where y^* is the unobserved women's power; β' is the vector of estimated parameters and x is the vector of explanatory variables which include women's borrowing and her personal characteristics; ϵ is the error term, which is assumed to be normally distributed. For every type of financial decision, a woman falls in the category n if $\mu_{n-1} < E^*$. The observed data on women's role in decision making, E, are related to the underlying latent variable E^*, through thresholds μ_n, where n = 1, 2, 3. We have the following probabilities:

$$Prob(E{=}n) = \Phi(\mu_n - \beta' x) - \Phi(\mu_{n-1} - \beta' x), \qquad n = 1, 2, 3 \qquad (2)$$

where $\mu_0 = 0$; $\mu_3 = +\infty$ and $\mu_1 < \mu_2$ are three thresholds between which 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 range of the normal distribution associated with the specific values of the response variable E. The remaining parameters, β, represent the effect of changes in explanatory variables on the underlying scale. The marginal impacts of factors x on the underlying propensity for women to be empowered can be evaluated in the following way:

$$\partial Prob(E = n)/\partial x = -\,[\Phi(\mu_n - \beta' x) - \Phi(\mu_{n-1} - \beta' x)]\beta, \qquad n = 1, 2, 3 \tag{3}$$

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

The ordered probit estimations 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.

Other explanatory variables display a strong influence on woman's participation in household's 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 are negative and significant 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, women'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 borrowings 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 Routine regression. This further supports the idea that 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.

A key issue of interest to this paper is whether easy loans and contracted loans affect women’s power in different ways. In the first round of estimations we did not differentiate between the different types of borrowings that women access. We do this next. Table 4 presents regressions on all four decision types, but in this round, we separately consider the impacts of easy loans and contracted loans on women’s role in decisions.

Once again, all regressions show a positive effect of woman’s easy borrowings on women’s role in household decisions. The effect is strong and significant in three of the four regressions, the exception being the Ceremonies regression. ’In contrast, contracted loans do not have a similar impact. The coefficient of woman’s contract borrowing is even negative in the Routine 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 easy loans and contract loans on their decision making role. For easy loans and contract 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 form 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 impact are small, once again, we again find that easy 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 3: Regressing Women's Role in Financial Decisions on Borrowings and Personal Characteristics: Ordered Probit Model

	Type of financial decision			
	Routine	**Health**	**Education**	**Ceremonies**
Women's personal characteristics				
Age in years	-.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				
Other's income (log)	.0003	.0005	.0008	-.0000
	(0.427)	(1.46)	(0.20)	(-0.05)
Woman's income (log)	.00002	.0004	.0004	.0009
	(1.71)*	(0.99)	(2.87)***	(1.29)
Support from husband's	.0009	.0006	.0005	.0007
kin	(1.58)	(0.67)	(0.56)	(1.66)
Support from wife's kin	.0009	-.0002	.0001	.0006
	(1.90)*	(-0.29)	(0.92)	(0.61)
Other's borrowing	-0.0001	-0.0000	-0.0001	-0.0000
	(-1.04)	(-0.66)	(-0.90)	(-0.37)
Woman's borrowing	0.0001	0.0002	0.0005	0.0002
	(0.65)	(1.92)*	(2.23)**	(0.97)
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

Note: Estimator is ordered probit. Absolute value of *t*-statistics in parentheses. (d) indicates a dummy variable. * Significant at 10%; ** Significant at 5%, *** Significant at 1%.

Taken together, these results suggest that while easy loans help women have a better bargaining power within the household – contracted loans (of which SHG loans are a part) have no such impact on women's power. Interestingly, however, we find that easy loans help women have a say in routine decisions and decisions related to big health and education expenditures – but they do not have a significant impact on women's role in decisions on ceremonies.

Table 4: Regressing Women's Role in Financial Decisions on Types of Borrowings and Personal Characteristics: 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				
Other's income (log)	.0003	.0006	.0001	.0000
	(0.70)	(1.57)	(0.25)	(0.01)
Woman's income (log)	.0006	.0002	.0009	.0007
	(1.34)	(0.82)	(2.62)**	(1.18)
Support from husband's kin	.0006	.0005	.0002	.0005
	(1.34)	(0.59)	(0.29)	(1.63)
Support from wife's kin	.0006	-.0005	.0002	.0004
	(2.13)**	(-0.52)	(0.89)	(0.48)
Other's borrowing	-.0000	-.0000	.0000	-.0000
	(-0.32)	(-0.45)	(0.04)	(-0.28)
Woman's easy borrowing	.0005	.0007	.0004	.0004
	(2.84)***	(2.44)**	(4.10)***	(0.93)
Woman's contract	-.0000	0.0000	.0003	.0001
borrowing	(-0.19)	(0.26)	(0.98)	(0.46)
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

Note: Estimator is ordered probit. Absolute value of *t*-statistics in parentheses. (d) indicates a dummy variable. * Significant at 10%; **Significant at 5%; ******* Significant at 1%.

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

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

Note: Absolute value of *t*-statistics in parentheses. * Significant at 10%; **Significant at 5%; ******* Significant at 1%.

6. Discussing the Results and Addressing Causality

Why should women's easy borrowing alone have a positive impact on her decision making power and contract borrowing not matter in the same way? And moreover, why should easy 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 is conceivable that we are merely observing a positive association between women's easy borrowing and the extent of role they have in household's financial decisions and not a causal relationship. Establishing causality remains one of the biggest challenges of such work. We have at least two reasons to believe that the results we observe are because easy loans are causally related to women's bargaining power.

6.1. Easy Loans as a Means of Income Smoothing

First, given the high level of income uncertainty in the survey area – easy loans are viewed as a very important source for income smoothing. Most jobs in the survey area are of a casual nature. Income are not only low and irregular, they are often unpredictable. Agriculture is the main source of income, but mainly as daily labour as most households are landless. Non-farm labour takes place mainly in neighbouring towns. More and more men go back and forth between the village and the city but many come back empty hands as they lack "contacts" to find employers and are unable to face the harsh competition from migrants coming from all over the country. Far beyond the volatility of the job market, incomes vary according to men's mood: some come back empty hands simply because they have spent everything or they didn't want to work. Other studies report similar behaviour among male labour migrants in rural Andhra Pradesh – a state adjacent to Tamil Nadu (see da Corta and Venkateswarlu, 2005; Garikipati, 2008b). As a result women have no choice but to deploy multiple financial tools to adjust income and expenses, both to meet ends on a daily basis, but also to cope with unexpected expenses mainly related to health, but also incidental expenses like school fee.

Since the day-to-day running of the household is generally left to the women – managing such matters is therefore generally considered a woman's "*headache*". In such situations women borrow from whatever sources they are able to. Grocery shops are typically approached for small credit on consumption items and shopkeepers would generally forward 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 your door and give unconditional loans are another frequently used source for small loans. Borrowing from ambulant lenders is seen as socially degrading, 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 skills that wives possess that enables to daily running of the household – something they acknowledge men simply cannot do. Describing how wives borrowed small loans Ramesh told us how women are better at *"…borrowing quickly and without disturbing the other household members – especially their husbands"* (Ramesh, age 34). He further tells us about how his own wife does this. *"The moment I think about it, she gets the money"*, explains Ramesh, referring to his wife anticipates his needs. *"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".*

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 an active borrower, 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 before).

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"*.

Our evidence also suggests that ceremonial expenditures are markedly different from other types of non-routine financial decisions like health and education. Expenditure on health and education are typically an emergency or an incidental expense, and therefore this decision may needs to be made more immediately. Ceremonial expenses are much more planned and typically also involve a larger amount than health or education. These expenses are much more likely to be planned by the family jointly. More than 75% of the women in our study were actively involved in such decisions.

6.2. Easy loans are a Different Kettle of Fish

The second reason why our results indicate a causal relationship between easy loans and women's bargaining power is because easy loans are very different from contracted loans. And this is what makes them more effective in terms of helping women have a greater role in household decisions. Apart from SHG loans, which deliberately target women without any specific conditions, contracted loans are not easily accessible by women. Those that are available, impose several conditions –

which several women cannot fulfil. Because most contracted 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. Contracted 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 contracted loans – especially very large amounts. Further, large contracted 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.

On the other hand, easy loans are accessed within the community, mostly from people known to the women and the household. 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 us hypothesise that the household is faced with a problem (sending children to school), women get a small loan and solve the problem (pays their school fee) and manages to send her children to school. Next time, when a decision involving children's education is to be made, it is more likely that the woman is involved in the decision. This power is given to the women only via easy loans. Contracted loans can never achieve this due to their rigid and nepotistic nature.

7. Concluding Comments

Easy loans have a very important role in the lives of women and their households. However, the negative aspects of easy loans are undeniable. Taking easy loans is socially degrading – not only from the insulting ambulant lender – but even from the friendly shopkeeper – it 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. Anecdotal evidence suggests some use of sexual abuse, especially verbal and touching women 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 these easy loans.

So it seems that easy loans are a boon and a bane for these women – and it is this dual realisation that suggests a role for microfinance institutions (MFIs). If MFIs seek to promote women's empowerment, then they should design "easy loan" contracts So far, the design of MFI products has focussed entirely on women's productive roles and completely ignored women's reproductive roles. It is important to recognise that most often it is women who bear the reproductive responsibilities of the family and they will have to from time to time borrow to meet some of these needs. Rather than leave them to the easy loan sharks – MFIs must rise to the challenge of designing products for women that facilitate their reproductive roles. 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. But 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.

Appendix: Data Collection

The data were collected in 2008 from the clients of two NGOs operating in two adjoining districts in the North of Chennai (Tamil Nadu, India). 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.

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