Gender, Group Liability and Moral Hazard in Microfinance  
Shagata Mukherjee and Michael Price

**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

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

- **Failure**: Non-Strategic Default
  - Repay Group Loan
  - Strategic Default (ex-post moral hazard)

**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.

**Risk Project Choice (Ex-ante Moral Hazard)**

- Patrilineal Karbi Full Game: 66% 30% 60% 57% p=0.06
- Matrilineal Khasi: 73% 52% 79% 88% p=0.0

**Strategic Default (Ex-post Moral Hazard)**

- Patrilineal Karbi Full Game: 8% 1% 0% 40% p=0.00
- Matrilineal Khasi: 4% 14% 0% 0% p=0.00