

**Original Article**

# Risk Premia and Credit Pricing For Female Borrowers in Informal Financial

**AMAIRAH SHARMA**

Jayshree Periwal International School, Rajasthan, India 302026.

**ABSTRACT:** *This research focuses on exploring gender differences regarding credit pricing and risk evaluation in informal finance markets, where women represent potential customers. The analysis will draw upon both an overview of the literature available on the topic as well as an extensive survey of primary sources. Lenders tend to apply social criteria such as reputation, norms, and household characteristics instead of financial indicators when evaluating their clients' riskiness. As a result, there is a notable gap between perceived and real riskiness: although women prove to be relatively more reliable as debtors, they have to pay higher interest rates and meet more stringent terms. This can be attributed to such factors as occupational stereotypes, volatility in incomes, and lack of bargaining power resulting in a substantial risk premium. Hidden transaction costs also increase women's cost of obtaining credits as they include obligatory savings, mandatory group membership, and additional conditions not directly related to the monetary aspect.*

**KEYWORDS:** *Informal Credit Markets, Gender Bias, Female Borrowers, Risk Premia and Credit Mispricing.*

## 1. INTRODUCTION

Screening in informal credit markets is strongly linked to social closeness, gender norms, and interpersonal trust. Lenders in South Asia, Latin America, and Sub-Saharan Africa employ informal due diligence procedures including reputation, community gossip networks, family visits, and kinship verification before making loans to female borrowers (Banerjee & Duflo, 2010). Unlike official banks, which rely on credit scores and recorded income trails, informal lenders utilize perceived honesty, home stability, and marriage status as main indications of female trustworthiness. According to research, women are frequently screened more rigorously than males since they are perceived as more "risk-averse" but also more "income-dependent" on seasonal or household-based activities (Field et al., 2013). Studies of Indian moneylenders show that marital status, the presence of male earners, and long-term residency all have a substantial impact on the selection process, resulting in gendered entrance hurdles that consistently penalize unmarried or migrating women. Another body of research investigates behavioral screening, in which lenders evaluate nonverbal signs, negotiation behavior, timeliness, and even emotional tone during borrower-lender contacts. Such high-frequency informal evaluations generate tailored risk premia, resulting in women being viewed as either low-risk because of dependability stereotypes or high-risk due to perceived poor fallback positions (Karlan & Zinman, 2009). Informal lenders frequently utilize progressive screening, which means that criteria tighten after initial default episodes within a community network, disproportionately harming female borrowers since women's defaults are more prominent within closely related peer groups. Screening bias is exacerbated by occupational assumptions, in which female-led small businesses such as tailoring, food vending, beauty services, and micro-retail are automatically assigned higher baseline risk scores due to lower expected income volatility buffers. Research from microfinance institutions indicated that lenders do not always discriminate between capacity-based and stereotype-based risk, producing situations where female borrowers face harsher scrutiny regardless of real financial behavior (Augsburg et al., 2015). The evidence consistently shows that informal lenders depend on qualitative, relational, and reputation-based factors, which perpetuate gender inequities and raise risk premia, disproportionately harming female borrowers.

### 1.1. INTEREST RATE DISPERSION AND RISK PREMIA

The evidence consistently shows that informal lenders depend on qualitative, relational, and reputation-based factors, which perpetuate gender inequities and raise risk premia, disproportionately harming female borrowers (Stiglitz & Weiss, 1981). However, empirical research suggests that interest rates vary substantially for women, even after adjusting for risk characteristics like as income stability, previous repayment behavior, and collateral alternatives. Studies show that informal lenders apply risk-based markups that vary by geography, occupation, and kind of lender. For example, female borrowers in agricultural or home-based commerce sectors frequently incur a risk premium of 10-30% greater than male borrowers, although exhibiting higher payback rates overall (Fafchamps, 2000). Recent study emphasizes the importance of monopolistic competition among money lenders. In rural markets where lenders have localized monopolistic strength, interest rate disparities develop, particularly for socially disadvantaged groups such as women. Lenders take advantage of women's limited mobility, low financial knowledge, and limited outside choices, resulting in pricing discrimination disguised as "risk-adjustment". In contrast, if microfinance institutions coexist with conventional moneylenders, dispersion decreases as options

strengthen bargaining power. Even here, gender-based credit limitations continue. Relationship lending introduces an additional layer of dispersion. Long-term borrowers, particularly women with established reputations, frequently earn cheaper rates. Regardless of objective risk, women who are new to the neighborhood or do not have male guarantors face significant markups. This leads to segmented loan pricing, in which risk is not the primary driver; social capital, marital status, and family labour allocation all have an impact on rates. Furthermore, research demonstrates that informal credit typically contains non-price lending arrangements like tethered labor, compelled purchases, or in-kind repayments, causing hidden interest rate disparities that do not show up in nominal calculations (Basu, 1997). Women are more likely to have non-monetary responsibilities, which raises their real borrowing costs. Thus, the literature agrees that interest rate dispersion conditional on risk is substantially influenced by gendered informal institutions and uneven bargaining power, resulting in systematic credit mispricing of female borrowers.

### **1.2. INCOME FLUCTUATION AND DEFAULT RISK PERCEPTION**

Income fluctuation is a significant predictor of default likelihood, especially among female borrowers who are overrepresented in informal, irregular, and seasonal professions. According to research, women's salaries are more affected by family shocks, childcare obligations, medical emergencies, and intra-household bargaining dynamics (Dercon, 2002). Because women frequently engage in home-based production activities such as tailoring, food processing, beauty services, and handicrafts, income flows are more erratic and dependent on local demand changes. Informal lenders interpret this fluctuation as increased repayment risk, which leads to higher borrowing rates, tighter payback schedules, or requests for household guarantees. However, empirical research suggests that, despite income instability, women generally demonstrate greater repayment discipline than males. Microfinance payback studies conducted in India, Bangladesh, and Kenya consistently reveal that women default less, even during economic shocks, due to greater social network enforcement and higher stigma costs associated with default (Armendariz & Morduch, 2010). Nonetheless, informal lenders seldom use behavioural dependability in their risk calculations, instead depending on professional preconceptions. Default probability models frequently overlook gender-specific risk-coping techniques. Rather than defaulting, women try to smooth consumption by lowering personal expenditure or increasing unpaid labor hours. This results in an underestimating of women's genuine repayment capabilities when traditional expected-income models are used. Furthermore, because women have limited access to savings tools and formal risk-sharing networks, they frequently rely significantly on rotating savings groups (ROSCAs) to smooth out income fluctuations. Failure to acknowledge ROSCA involvement causes informal lenders to overstate women's default prospects. Evidence also suggests that women are more likely to fail owing to related home obligations—medical expenditures, school fees, or personal shocks—than to workplace losses. Because informal lenders often penalize female borrowers collectively through neighborhood reputation systems, a single household shock may raise future risk premia for a large number of women. Thus, the research finds that gendered income volatility has a considerable impact on default probability, yet lender perceptions of risk frequently differ from actual repayment behaviour, resulting in systematic overpricing of female credit risk.

### **1.3. CONTRACTUAL CONSTRAINTS AND GUARANTEES FOR HOUSEHOLD**

Household guarantees have an important role in determining contract parameters in informal lending environments. Many informal lenders need a spouse, father, or family elder to co-sign when lending to women, regardless of loan amount or purpose (Anderson & Baland, 2002). This supports the idea that women have weaker fallback positions, necessitating household support to assure repayment (Lundberg & Pollak, 1993). As a result, contract parameters such as maturity time, installment frequency, and approved repayment methods are frequently more restricted for women (Pitt & Khandker, 1998). According to research, home guarantees are efficient informal collateral replacements, allowing lenders to depend on social pressure rather than legal methods (Besley & Coate, 1995). Because default by a woman borrower is regarded as a household failure, informal lenders deploy moral fines, exclusion from communal resources, and reputation harm as enforcement measures (Rahman, 1999). These dynamics disproportionately harm women since their economic activities are more closely linked to local social networks (Kabeer, 2001). Contract terms vary according to intra-household power dynamics. Women with higher negotiating power, as assessed by asset ownership, control over earnings, or decision-making autonomy, have more flexible contracts and lighter penalties (Agarwal, 1997). In contrast, women with little autonomy face strict payback mechanisms, greater penalties, and more scrutiny (Kabeer, 1999). This demonstrates how gender connects with household inequality to affect contract conditions. Furthermore, studies reveal that lenders frequently include non-financial requirements in their contracts, such as forcing women to demonstrate proof of economic activity, engage in community service, or attend group meetings (Rahman 1999). Women face higher transaction costs than males under such settings. Household guarantees can also cause moral hazard when male relatives drain cash while women are held liable for repayment, increasing their risk of failure and reinforcing lenders' unfavorable perceptions (Anderson & Baland, 2002). According to the research, home guarantees and gendered contract arrangements create an unequal playing field in which women face more restricted, socially mandated credit conditions than males, although frequently displaying greater repayment conduct (Pitt & Khandker, 1998).

A large amount of research has looked into how lenders utilize occupation as a proxy for risk. Female borrowers are more likely to work in jobs with lower capital intensity, more informal operations, and greater susceptibility to demand swings, which lenders view as intrinsically riskier (Fletcher & Mesbah, 2020). Women entrepreneurs in retail, food vending, tailoring, and domestic services suffer larger risk premiums than males in transportation or construction, even when income levels are

controlled. Informal lenders also conduct qualitative assessments of professional severity. Businesses operated from home are viewed as side projects rather than established enterprises. Gender stereotypes enhance this perception: women are frequently considered as "secondary earners" whose companies are extensions of family responsibilities rather than income-generating ventures. These views lead to higher interest rates, shorter loan terms, and tougher screening. Empirical research also suggests that occupation-based pricing may not reflect actual repayment risk. Women in low-capital firms often have higher payback rates than males in high-risk industries (Aker et al., 2016). However, lenders seldom alter risk assessments to reflect this, resulting in sticky risk premia that punish female borrowers irrespective of performance. Overall, the evidence implies that occupational risk pricing reflects gender bias in the same way as statistical risk assessment does.

Women frequently pay higher effective capital costs because informal credit includes layered fees, forced savings, tiered purchases, and social duties that disproportionately burden female borrowers. According to research, women in various South Asian communities have a 25-50% higher effective borrowing cost due to hidden transaction costs imposed by moneylenders and rotating savings clubs (Ghate, 1992). A large body of literature documents how informal lenders bundle credit with implicit social expectations, such as purchasing goods from the lender's shop, providing intermittent labour at discounted rates, or accepting repayment in produce rather than cash — all of which raise the real cost of borrowing (Banerjee & Duflo, 2011; Besley, 1995). Women already have disproportionate household duties, so these added commitments greatly raise their opportunity costs. Attending weekly meetings or participating in mandatory group activities, for example, might waste important working hours, increasing the burden in comparison to male borrowers (Kabeer, 2001). Microfinance institutions, although intended to help women, accidentally raise effective costs by requiring mandatory savings deductions, insurance premia, collective responsibility standards, and rigorous weekly payback schedules that conflict with women's irregular or seasonal revenue streams (Rahman, 1999). Scholars argue that assessing simply nominal interest rates hides structural disparities. When the effective cost of capital is evaluated, which includes transaction time, behavioral compliance costs, tied-goods conditions, and missed profits, gender discrepancies increase dramatically (Collins et al., 2009). Female borrowers' economic activities are more home-based and small-scale, resulting in smaller and more erratic cash flows, which exacerbates the stress of high-frequency repayment (Pitt & Khandker, 1998). As a result, women not only pay more, but they are also more vulnerable to sanction-based enforcement mechanisms if they fail to perform the social duties outlined in their credit contract. Overall, the research consistently shows that the effective cost of capital, a more comprehensive and accurate criterion, indicates highly gendered credit pricing patterns among informal lenders. Women's greater implicit costs are caused not by risk-based pricing, but by the social and institutional frameworks that define informal financial relationships.

Women typically outperform males in punctuality, loan completion, and group discipline, even when adjusting for poverty and loan amount (Pitt & Khandker, 1998; Armendáriz & Morduch, 2010). Despite this more stringent repayment behavior, informal lenders typically apply harsher and more frequent fines on women because of their reliance on social-enforcement standards. Common punishments include public naming, household visits, higher future interest rates, compulsory attendance at public meetings, and removal from rotating savings clubs and village-level credit networks (Rahman 1999). Women are disproportionately affected by these punishments because their economic and social lives are more strongly interwoven in local community organizations, making public scolding more personal (Kabeer, 2001). Researchers claim that punishment systems are intrinsically gendered since lenders believe women are more susceptible to social pressure and so easier to discipline (Besley & Coate, 1995). This image encourages lenders to depend on behavioral enforcement techniques such as shame, guilt, or threats of expulsion from the group rather than financial contracts. While this decreases lender risk and real default rates, it also raises the psychological burden of borrowing for women. According to evidence from South Asia and East Africa, women are frequently subjected to emotional or relational sanctions, such as questioning their respectability, shaming them in front of peers, or requesting intervention from relatives, rather than purely financial penalties (Rahman, 1999; Goetz & Gupta, 1996). These tactics may result in payback by sacrifice, such as reducing food intake or selling household assets, rather than through consistent revenue growth. This dynamic results in a structural paradox: women repay more reliably while facing tighter and more intrusive enforcement procedures (Armendáriz & Morduch, 2010). Lenders justify stronger controls by arguing that women are more disciplined, cooperative, and socially restrained, supporting the stereotype of women as "low-bargaining-power borrowers." As a result, women bear a disproportionate share of the emotional and social costs associated with informal borrowing, despite contributing to higher portfolio stability and reduced default risk.

Informal guarantees such as familial relationships, reputation, community status, and group responsibility serve as crucial alternatives for physical collateral in informal financial markets, particularly for female borrowers. Because women often have less productive assets, restricted property rights, and few collateralizable titles, they rely more significantly on social collateral to get credit (De Mel et al., 2009; World Bank, 2012). Lenders publicly acknowledge gendered tendencies by arranging borrowing groups in ways that benefit women, who are perceived to be more dependable, compliant with peer monitoring, and anchored in dense social networks (Armendáriz & Morduch, 2010). As a result, informal lenders regard social guarantees as more enforceable and less dangerous than standard asset-backed collateral. Social networks function as informal, real-time credit rating systems, rapidly disseminating information about behavior, repayment patterns, and interpersonal conduct. Extensive research reveals that even slight transgressions, such as tardiness, group disagreements, or unwillingness to attend meetings, can spread across community networks, changing lenders' impressions of a borrower's trustworthiness (Besley &

Coate, 1995; Karlan, 2007). This minimizes information asymmetry, but increases women's vulnerability to reputational harm. Because female borrowers' livelihoods are inextricably linked to community-based reciprocity networks, reputational harm can have economic, social, and even marital ramifications, increasing the implicit risk premia they face on future borrowing. Community-based guarantees also establish collective responsibility, which means that women are held accountable not just for their own actions but also for those of their peers in lending groups. According to research on group lending arrangements, women incur disproportionate monitoring costs, frequently controlling the behavior of other members in order to avoid fines on the entire group (Ghatak, 1999). This peer-enforcement approach lowers default rates while increasing social pressure, monitoring, and psychological distress. While the system efficiently serves as a collateral alternative for lenders, it limits women's autonomy and emphasizes reliance on social acceptability rather than economic accomplishment (Kabeer, 2001). Although informal guarantees improve repayment discipline, they hinder women's capacity to negotiate better terms or enter official loan markets. By linking creditworthiness to community-managed expectations rather than individual company performance, these processes deepen gender inequities in the lending system. The evidence repeatedly reveals that social collateral lowers financial risk for lenders while raising social and emotional costs for women, resulting in uneven lending dynamics in informal markets.

#### **1.4. MARKET INEFFICIENCIES AND GENDERED CREDIT MISPRICING**

Credit mispricing occurs when lenders establish interest rates that do not appropriately reflect the borrower's individual risk. In informal financial markets, women are disproportionately affected by this phenomena, since they typically face equivalent or greater interest rates despite superior repayment behavior. A meta-analysis of 350+ microfinance institutions discovered that women routinely outperform males in repayment discipline and loan completion, yet this dependability is not rewarded with cheaper pricing (D'Espallier, Guérin, & Mersland, 2011). Instead, lenders frequently retain uniform or higher rates for women because of long-held gender stereotypes, perceived economic weakness, and beliefs regarding reduced asset ownership (Armendáriz & Morduch, 2010). This consistent disparity between risk and pricing points to ongoing gendered mispricing. Mispricing creates significant inefficiencies in informal markets. When women, who historically reinvest a greater proportion of their income in their families, healthcare, and children's education, are deterred by high borrowing costs, family welfare suffers (Kabeer, 2001; Pitt & Khandker, 1998). High lending rates can discourage female entrepreneurs, restricting the size, profitability, and longevity of women-owned businesses (Banerjee & Duflo, 2011). This discourages productive investment and inhibits informal loan markets from providing efficient capital allocation. Studies in South Asia and Sub-Saharan Africa reveal that women commonly turn down advantageous business opportunities due to high borrowing costs and inflexible credit frameworks, underlining the economic drag caused by gendered mispricing (World Bank, 2012). Lenders' continuous reliance on stereotype-driven credit evaluations, rather than empirical borrower data, perpetuates these inefficiencies. Research shows that informal lenders frequently use heuristics such as marital status, employment, and perceived "seriousness" of women's businesses rather than actual repayment records (Goetz & Gupta, 1996). Even in microfinance, where women make up the majority of borrowers, interest rates remain high since institutions classify women as typical "high-touch" consumers who require monitoring and group sessions, which increases administrative costs (Armendáriz & Morduch, 2010). This inflexible segmentation remains, despite data that women have a lower default risk and a better repayment consistency. Correcting mispricing with gender-sensitive credit scoring and data-driven risk models might greatly boost market efficiency. When lenders price risk appropriately based on payback history rather than societal prejudices, interest rates decrease, portfolio quality improves, borrower retention increases, and capital flows more effectively. The evidence clearly supports that eliminating gendered mispricing helps not just women borrowers, but also the whole informal financial ecosystem, by increasing productivity, lowering monitoring costs, and enhancing long-term financial security.

## **2. MATERIALS AND METHODS**

For the methodology, this paper combines qualitative literature review and survey-based analysis of primary data. The objective of the analysis will be to determine gender-specific dynamics in informal credit market lending practices in terms of risk assessment, interest rates, and contractual practices.

The secondary data analysis will comprise an overview of academic research and articles on informal credit lending, microfinancing, and gender economics. Screening methods, dispersion of interest rates, social collateral, and enforcement practices are among key topics explored.

Primary data will be collected through the application of a structured questionnaire to a limited sample group of individuals in three borrower types: those with a fixed income, those with a variable income, and homemakers. The survey will cover such aspects as loan amounts, durations, and interest rates; screening procedures (documentations and verifications); contract terms (guarantor requirements, loan repayment schedules); and experiences (income variations, penalty fees, and loan repayment).

The objective of this paper is not to prove causality but to uncover patterns in informal lending and their gender-specific dimensions. Although the sample size is relatively small, the results obtained from it could reveal some trends that would otherwise remain invisible.

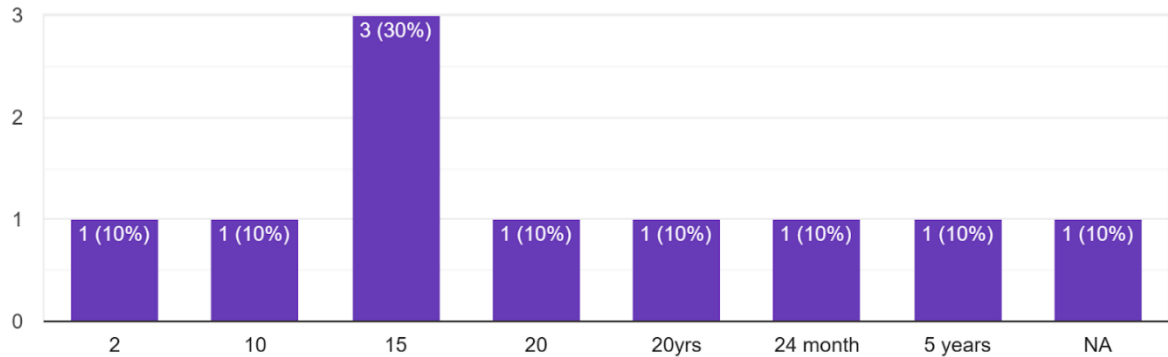
### 3. RESULTS AND DISCUSSION

#### 3.1. FIXED CASH FLOW BORROWERS

Years of borrowing experience:

Years of borrowing experience

10 responses

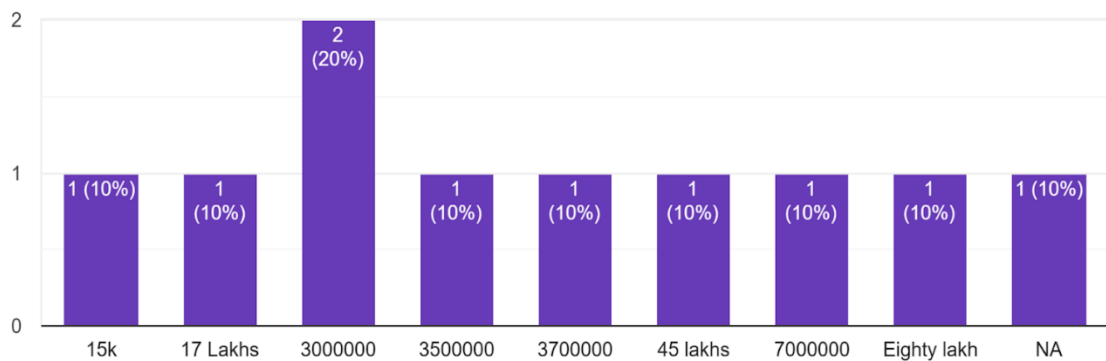


This graph reflects the number of years participants have been borrowing. It consists of 8 different categories where 30% of the respondents have borrowed for 15 years, whereas all of the other categories have one respondent each. This showcases an uneven distribution with a singular clear peak at 15 years of borrowing experience.

Loan Amount (in rupees):

Loan amount (in rupees):

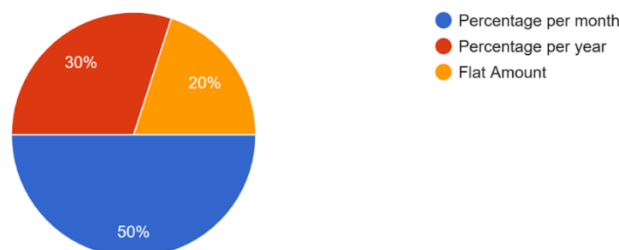
10 responses



Interest Rate Charged

Interest Rate Charged:

10 responses



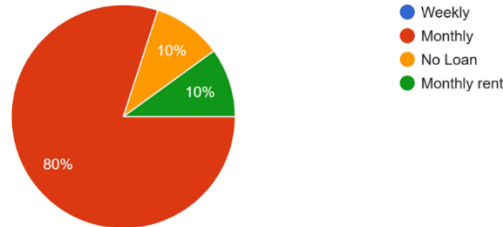
The loan amount (shown as a bar graph) represents the different loan amounts taken by respondents. 20% of respondents have taken a loan amount of ₹30,00,000, whereas all the other categories including-15k, 17L, 35,00,000, 37,00,000, 45L, 70,00,000, 80L, and NA- were taken by 10% of respondents each. The interest rate charged (shown as a pie chart) represents the three types of interest rates charged. Percentage per month is the largest category at 50% respondents. Percentage per year accounts for 30% of the respondents and flat amount accounts for 20% of the respondents.

**Loan Duration:**

The collected responses from the participants show a wide range of loan durations. The responses include loan durations of 240 months, 36 months, 180 months, 1 month, No loan, 15 months, and 25 months. With 2 respondents having a loan duration of 240 months, 2 respondents having a loan duration of 180 months, 2 respondents taking no loan, and the rest accounting for one respondent each.

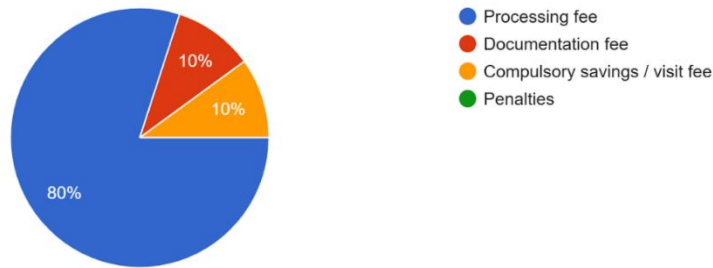
**Repayment Frequency:**

Repayment Frequency:  
10 responses



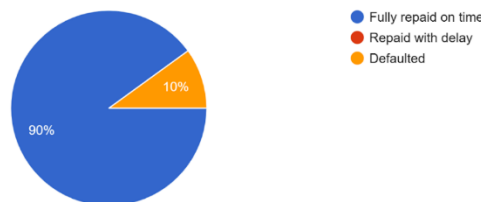
**Total additional charges paid (approximate amount in rupees):**

Total additional charges paid (approximate amount in rupees) :  
10 responses



**Final repayment outcome:**

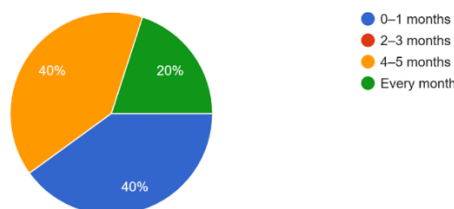
Final repayment outcome:  
10 responses



The repayment frequency (shown as the first pie chart) shows that 80% of respondents repay their loans. An additional 10% reported no loan, and the last 10% indicated monthly rent as their payment pattern. The total additional charges (shown as the second pie chart) indicated that processing fees accounts for 80% of all additional charges reported. Documentation fees and compulsory savings/visit fees account for 10% each. The final repayment outcome (shown as the third pie chart) shows that 90% of respondents fully repaid their loans on time, while 10% defaulted on their loan. No respondents repaid their loans with delay.

**Income Variation:**

Over the last 6 months, in how many months did your income vary significantly?  
10 responses

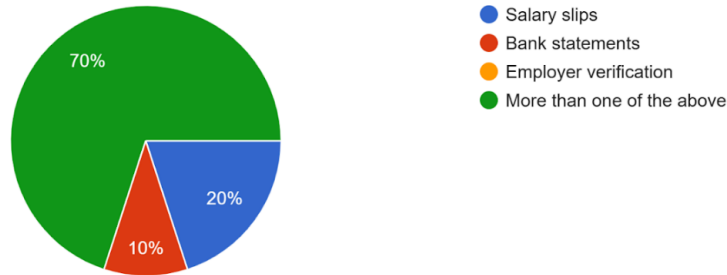


The income variation (shown as the pie chart) shows responses to how many months income varied significantly in the last six months. 40% reported 0-1 months, another 40% reported 4-5 months, and 20% stated their income varied every month.

*Documents requested before loan approval:*

Which documents were requested before loan approval?

10 responses

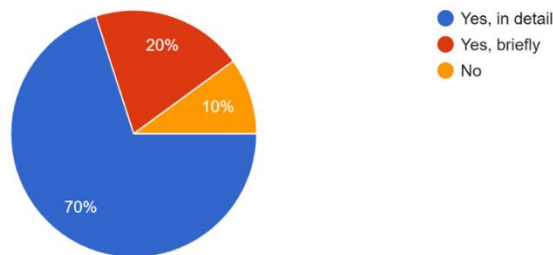


The documents requested before loan approval (shown as the pie chart) shows that salary slips were selected by 20%, bank statements by 10%, employer verification by none, and 70% indicated that more than one of these documents were required.

*Lender asking about job tenure or likelihood of job continuation:*

Did the lender ask about job tenure or likelihood of job continuation?

10 responses



The lender asking about job tenure or likelihood of job continuation (shown as the pie chart) indicates that 70% said the lender asked in detail, 20% said the lender asked briefly, and 10% said that the lender did not ask.

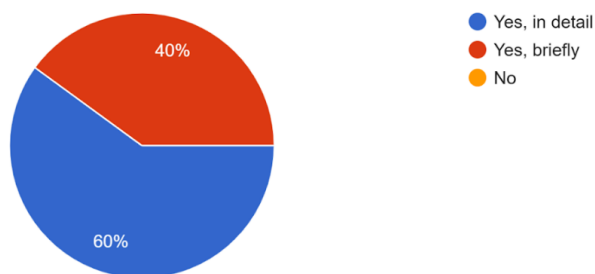
*For the same loan amount, what was the range of interest rates you were offered?*

The responses show a wide range of reported interest rates, including values such as 8-14%, 6%, 8.7-11.9%, 7.5%, 8-9%, 9%, 10 & 18%, 7-9%, and some noting different rates for house vs personal loans.

*Lender review of past borrowing of repayment history:*

Did the lender review your past borrowing or repayment history?

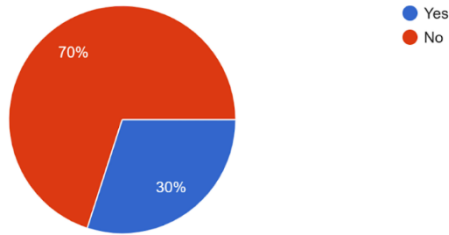
10 responses



The lender review of past borrowing of repayment history (shown as the pie chart) indicates that 60% said the lender reviewed in detail and 40% said the lender reviewed briefly.

*Guarantor requirement despite stable income:*

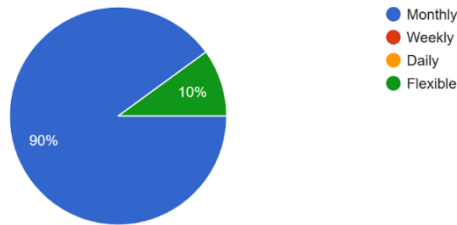
Was a guarantor required despite stable income?  
10 responses



The guarantor requirement despite stable income (shown as the pie chart) indicates that 70% said that a guarantor was required and 30% said that a guarantor wasn't required.

*Type of repayment schedule offered:*

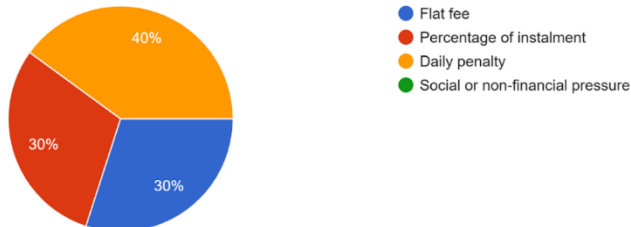
What repayment schedule was offered?  
10 responses



The type of repayment schedule offered (shown as the pie chart) indicates that 90% had a monthly repayment schedule and 10% had a flexible repayment schedule.

*Penalty applied for repayment delay:*

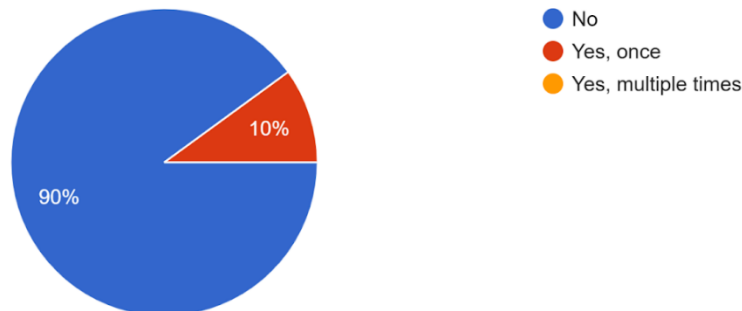
If repayment was delayed, what penalty applied?  
10 responses



The penalty applied for repayment delay (shown as the pie chart) indicates that 40% had a daily penalty, 30% had a flat fee, and 30% had a percentage of installment.

*Missed or delayed repayment for above loan:*

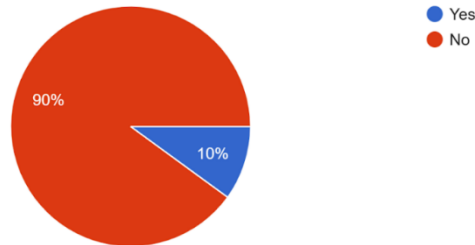
Did you miss or delay any repayment for this loan?  
10 responses



The missed or delayed repayment for the above loan (shown as the pie chart) indicates that 90% had not missed or delayed the repayment of the loan and 10% had missed/delayed the repayment of the loan once.

*Penalties applied despite outcome:*

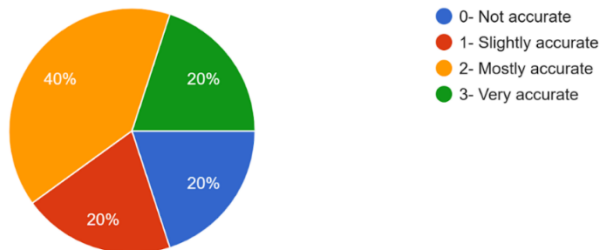
Despite the repayment outcome above, were penalties applied?  
10 responses



The penalties applied despite the outcome (shown as the pie chart) indicates that 90% did not have penalties and 10% had penalties.

On a scale of 0–3, how accurately do you think the interest rate reflects your repayment risk?

On a scale of 0–3, how accurately do you think the interest rate reflected your repayment risk?  
10 responses



This pie chart shows that 20% found that the interest rate did not accurately reflect the repayment risk, 20% found that the interest rate slightly accurately reflects the repayment risk, 40% found that the interest rate mostly accurately reflects the repayment risk, and 20% found that the interest rate very accurately reflected the repayment risk.

**3.2. VARIABLE CASH FLOW BORROWERS**

*Years of borrowing experience:*

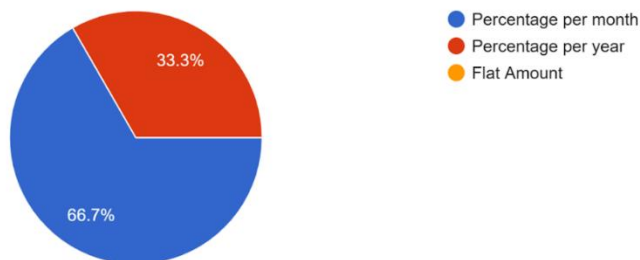
The years of borrowing experience reflects the number of years participants have been borrowing. 33.3% of the respondents have borrowed for 1.5 years, another 33.3% of the respondents have borrowed for 13 years and 9 months, and 33.3% of the respondents have borrowed for 10 months.

*Loan Amount (in rupees):*

The loan amount represents the different loan amounts taken by respondents. 33.3% of respondents have taken a loan amount of ₹108,000, 33.3% of respondents have taken a loan amount of ₹15L, and 33.3% of respondents have taken a loan amount of ₹1L.

*Interest Rate Charged:*

Interest Rate Charged:  
3 responses



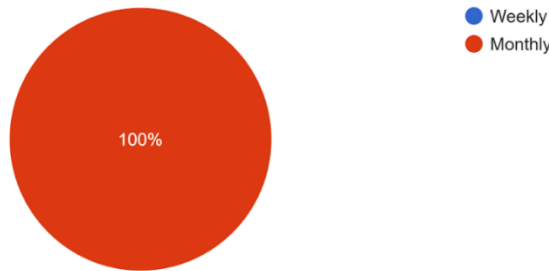
The interest rate charged (shown as a pie chart) represents the three types of interest rates charged. Percentage per month is the largest category at 66.7% respondents. Percentage per year accounts for 33.3% of the respondents.

*Loan Duration:*

The collected responses from the participants show a wide range of loan durations. The responses include loan durations of 18 months, 10 months, and 165 months. With 1 respondent having a loan duration of 18 months, 1 respondent having a loan duration of 10 months, and 1 respondent taking 165 months.

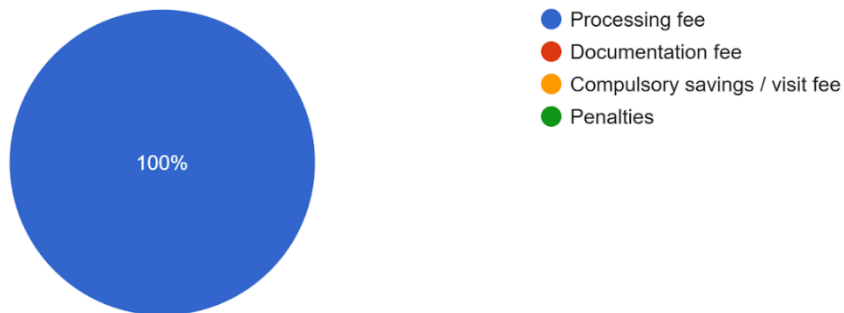
*Repayment Frequency:*

Repayment Frequency:  
3 responses



*Total additional charges paid (approximate amount in rupees):*

Total additional charges paid (approximate amount in rupees) :  
3 responses



*Final repayment outcome:*

Final repayment outcome:  
3 responses



The repayment frequency (shown as the first pie chart) shows that 100% of respondents repay their loans monthly. The total additional charges (shown as the second pie chart) indicated that processing fees accounts for 100% of all additional charges reported. The final repayment outcome (shown as the third pie chart) shows that 100% of respondents fully repaid their loans on time.

*Income Variation:*

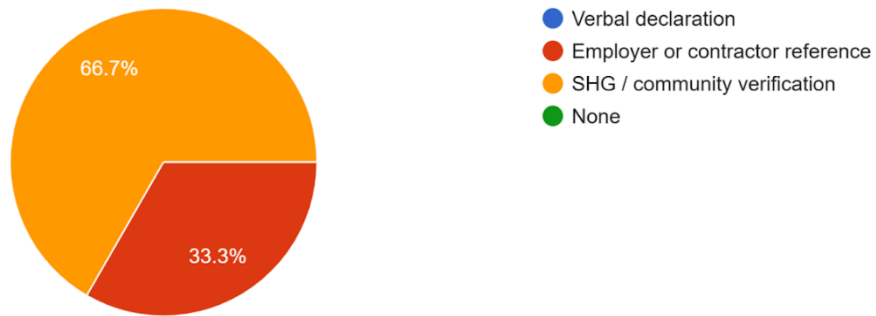
How much does your weekly income vary?  
3 responses



The income variation (shown as the pie chart) shows responses to how many months income varied significantly in the last six months. 100% reported very low variation.

*Requested Proof of Income:*

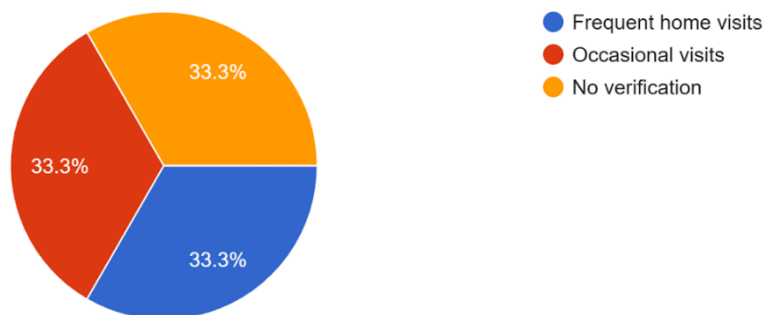
What proof of income was requested?  
3 responses



The documents requested before loan approval (shown as the pie chart) shows that SHG/community verification was selected by 66.7% and employer or contractor reference was selected by 33.3%.

*Did the lender conduct verification beyond income discussion?*

Did the lender conduct verification beyond income discussion?  
3 responses



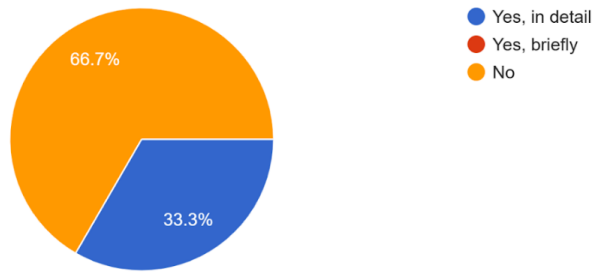
This pie chart shows that for 33.3% respondents the lender conducted frequent home visits, for 33.3% respondents the lender conducted occasional visits, and for 33.3% respondents the lender conducted no verification.

*What interest rates were you charged for this loan?*

The responses show a wide range of reported interest rates, 33.3% respondents had an interest rate of 1.85%, 33.3% respondents had an interest rate of 8%, and 33.3% respondents had an interest rate of 13-14% annually.

*Did the lender ask about seasonal low-income periods?*

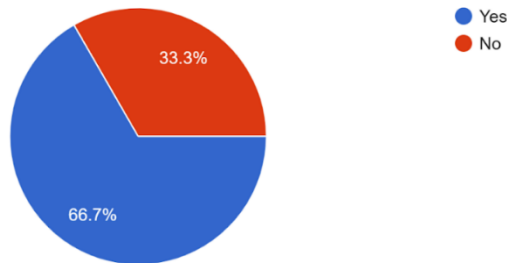
Did the lender ask about seasonal low-income periods?  
3 responses



This pie chart shows that for 33.3% respondents the lender asked about seasonal low-income periods in detail, and for 66.7% respondents the lender did not ask about seasonal low-income periods.

*Requirement for guarantor or household member to support the loan?*

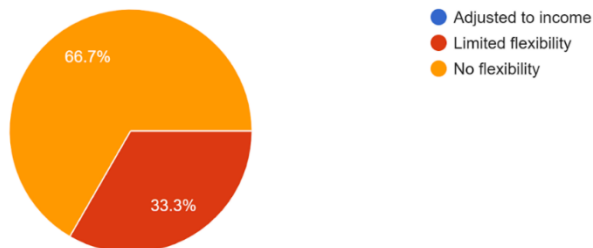
Was a guarantor or household member required to support the loan?  
3 responses



This pie chart shows that 33.3% respondents were required for a guarantor or household member to support the loan, and 66.7% respondents were required for a guarantor or household member to support the loan.

*Repayment flexibility:*

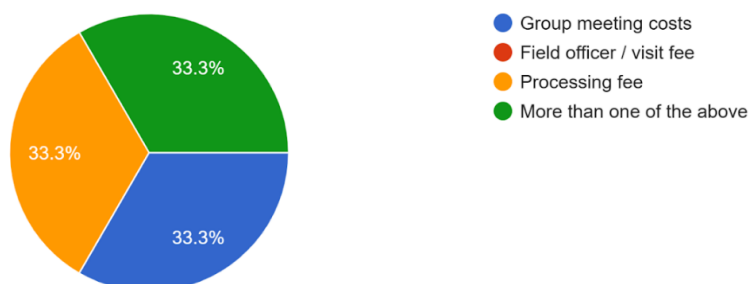
What repayment flexibility was allowed?  
3 responses



This pie chart shows that 66.7% respondents had limited flexibility and 33.3% respondents had no flexibility.

*What non-interest charges applied?*

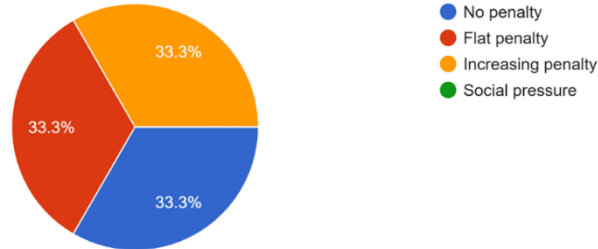
What non-interest charges applied?  
3 responses



This pie chart shows that 33.3% respondents had group meeting costs, 33.3% respondents had a processing fee, and 33.3% respondents had more than one non-interest charge.

*During low-income weeks, what happened if repayment was delayed?*

During low-income weeks, what happened if repayment was delayed?  
3 responses



This pie chart shows that 33.3% respondents had no penalty, 33.3% respondents had an increasing penalty, and 33.3% respondents had a flat penalty.

*Did you miss or delay repayment for this loan?*

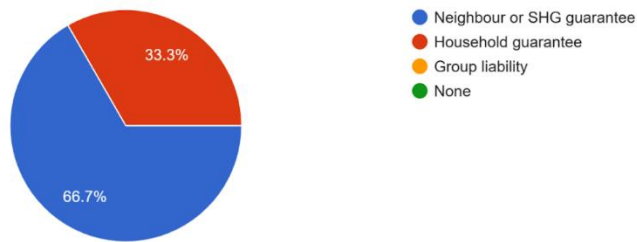
Did you miss or delay repayment for this loan?  
3 responses



This pie chart shows that no respondents missed/delayed repayment for this loan.

*What collateral substitute was used?*

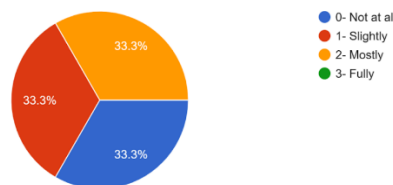
What collateral substitute was used?  
3 responses



This pie chart shows that 33.3% respondents used neighbour or SHG guarantee and 33.3% respondents used household guarantee.

*On a scale of 0–3, how well did the interest rate reflect your income volatility?*

On a scale of 0–3, how well did the interest rate reflect your income volatility?  
3 responses



This pie chart shows that 33.3% found that the interest rate did not accurately reflect the income volatility, 33.3% found that the interest rate slightly accurately reflects the income volatility, and 33.3% found that the interest rate mostly accurately reflected the income volatility.

**3.3. HOMEMAKERS**

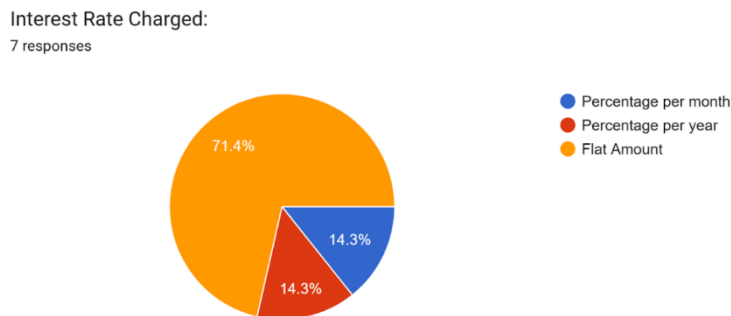
*Years of borrowing experience:*

The years of borrowing experience reflects the number of years participants have been borrowing. The respondents had several different responses like 10, 2, 0, 15, 5, with two respondents saying that they had no experience.

*Loan Amount (in rupees):*

The loan amount represents the different loan amounts taken by respondents. The respondents had taken loan amounts like 45000000, 10L, 1Cr, 15L, with 3 respondents saying they didn't take a loan.

*Interest Rate Charged:*

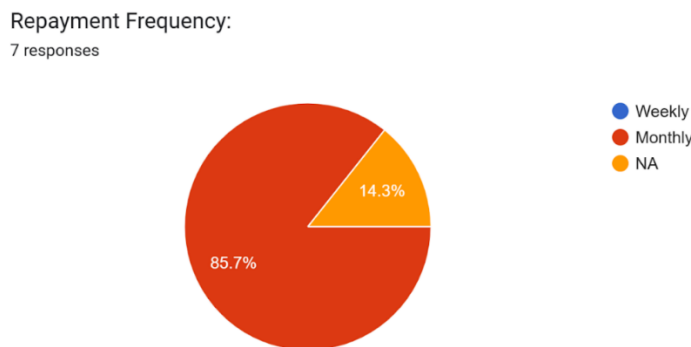


The interest rate charged (shown as a pie chart) represents the three types of interest rates charged. Flat amount is the largest category at 71.4% respondents. Percentage per year accounts for 14.3% of the respondents. Percentage per month accounts for 14.3% of the respondents.

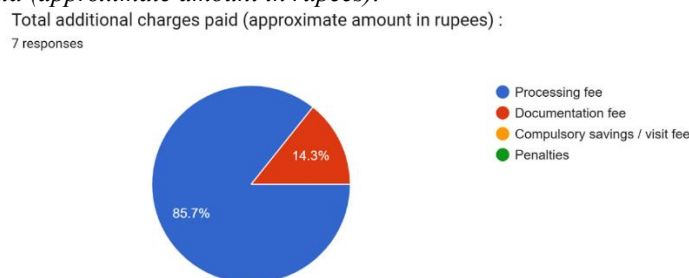
*Loan Duration:*

The collected responses from the participants show a wide range of loan durations. The responses include loan durations of 240 months, 12 months, 10 months, 60 months, and 300 months. With other respondents taking no loan.

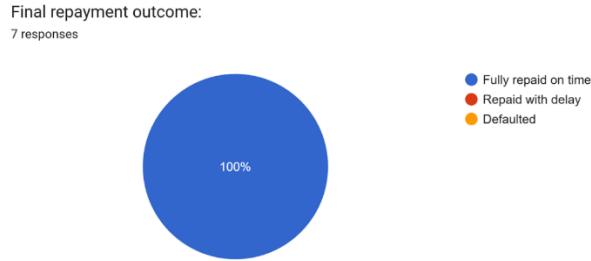
*Repayment Frequency:*



*Total additional charges paid (approximate amount in rupees):*

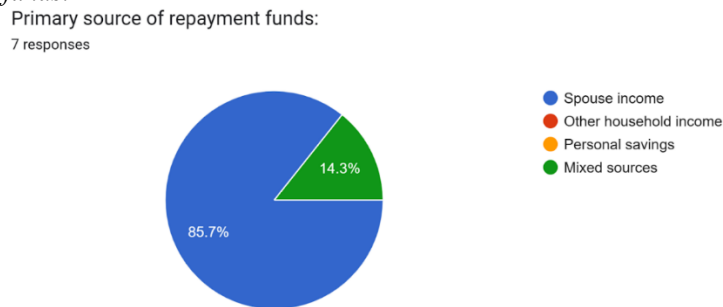


*Final Repayment Outcome:*



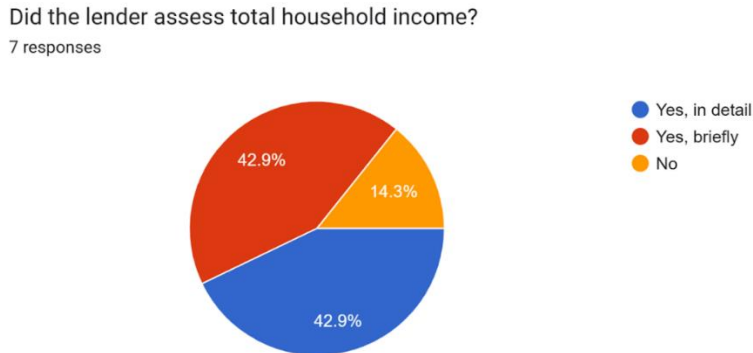
The repayment frequency (shown as the first pie chart) shows that 85.7% of respondents repay their loans monthly and it is not applicable to 14.3% of the respondents. The total additional charges (shown as the second pie chart) indicated that processing fees accounted for 85.7% of all additional charges reported and 14.3% of respondents used a documentation fee. The final repayment outcome (shown as the third pie chart) shows that 100% of respondents fully repaid their loans on time.

*Primary source of repayment funds:*



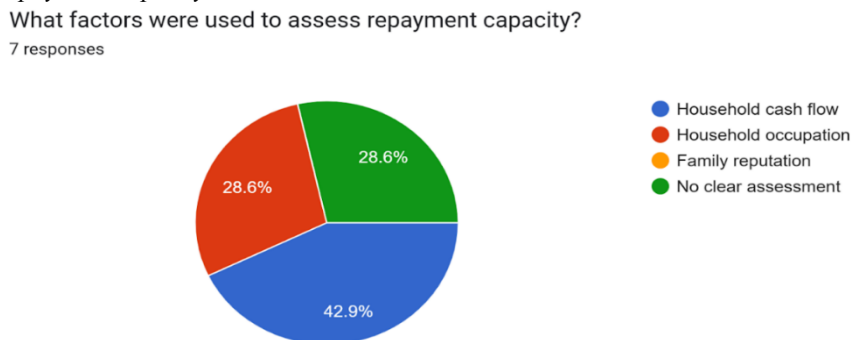
The primary source of repayment funds (shown as the pie chart) indicates that 85.7% of respondents repaid using their spouses' income and 14.3% of respondents used mixed sources to repay.

*Lender assessment of total household income:*



The lender assessment of total household income (shown as the pie chart) indicates that 42.9% respondents said that the lender assessed their total household income briefly, 14.3% respondents said that the lender did not assess their total household income, and 42.9% of respondents said that the lender assessed the total household income in detail.

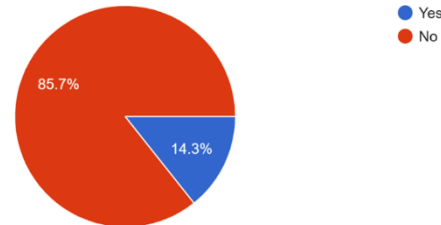
*Factors used to assess repayment capacity:*



The factors used to assess repayment capacity (shown as the pie chart) indicates that 42.9% respondents said that the factor used to assess repayment capacity was household cash flow, 28.6% respondents said the factor used to assess repayment capacity was no clear assessment, and 28.6% of respondents said the factor used to assess repayment capacity was household occupation.

*Requirement for a household guarantor:*

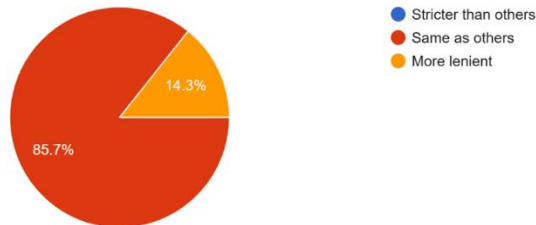
Was a household guarantor required?  
7 responses



The requirement for a household guarantor (shown as the pie chart) indicates that 85.7% respondents said that there was a requirement for a household guarantor, 14.3% respondents said that there was no requirement for a household guarantor.

*Nature of repayment terms:*

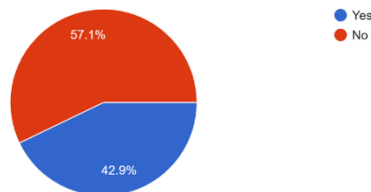
Nature of repayment terms:  
7 responses



The nature of repayment terms (shown as the pie chart) indicates that 85.7% respondents said that the nature of repayment terms was the same as others, 14.3% said that the nature of repayment terms was more lenient.

*Effect of household occupation on loans:*

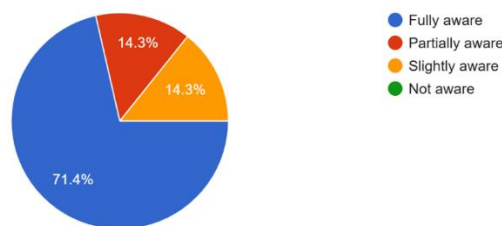
Did household occupation affect loan terms?  
7 responses



The effect of household occupation on loans (shown as the pie chart) indicates that 57.1% respondents said that there was an effect of household occupation on loans and 42.9% said that there was no effect of household occupation on loans.

*Awareness of total loan cost:*

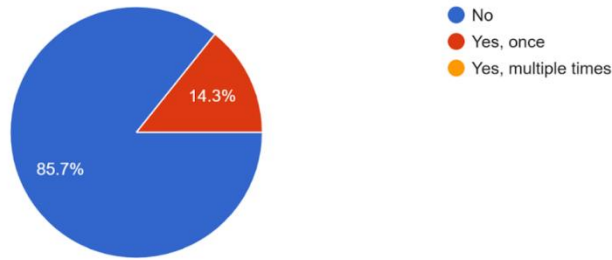
Awareness of total loan cost (interest + fees + penalties):  
7 responses



The awareness of total loan cost: (shown as the pie chart) indicates that 71.4% respondents said that they were fully aware, 14.3% of respondents said that they were partially aware, and 14.3% of respondents said that they were not aware.

*Missed repayments by household:*

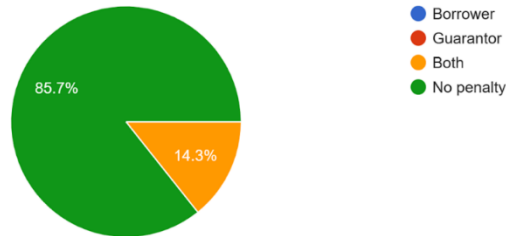
Did the household miss any repayments?  
7 responses



The missed repayments by households (shown as the pie chart) indicates that 85.7% respondents said that they did not miss repayments and 14.3% of respondents missed their repayments once.

*Who faced penalties or pressure?*

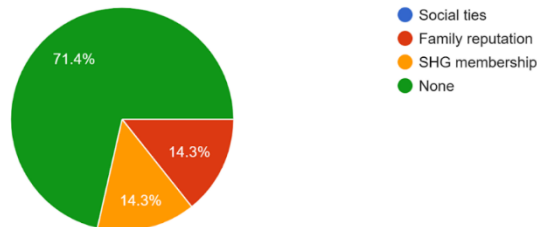
Who faced penalties or pressure?  
7 responses



The pie chart indicates that 85.7% respondents said that they did not face a penalty and 14.3% of respondents faced penalties/pressure by both the borrower and guarantor.

*Informal collateral substitute applied:*

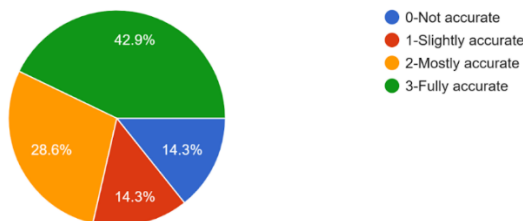
What informal collateral substitute applied?  
7 responses



The informal collateral substitute applied (shown as a pie chart) indicates that no informal collateral substitute used is the largest category at 71.4% respondents. SHG membership accounts for 14.3% of the respondents. Family reputation for 14.3% of the respondents.

*On a scale of 0–3, how accurately did the loan terms reflect household repayment ability?*

On a scale of 0–3, how accurately did the loan terms reflect household repayment ability?  
7 responses



This pie chart shows that 14.3% found that the interest rate did not accurately reflect household repayment ability, 14.3% found that the interest rate slightly accurately reflects the household repayment ability, 28.6% found that the interest rate

mostly accurately reflects the household repayment ability, and 42.9% found that the interest rate fully accurately reflects the household repayment ability.

### 3.4. DISCUSSION

The findings across the literature paint a consistent picture: gender deeply shapes how women experience informal credit markets, not only through explicit contract terms but through the social structures that govern screening, pricing, enforcement, and collateral substitutes. Across contexts, lenders do not simply evaluate women based on measurable financial indicators, but instead rely on relational, reputational, and gender assumptions that become embedded in every stage of the lending process. This creates a dynamic in which women, who often exhibit stronger repayment behavior, are nonetheless treated as riskier or more burdensome borrowers.

One of the clearest patterns is that screening processes are built on social closeness, marital status, and community reputation rather than objective financial capacity. Women face more intense informal due diligence, household visits, kinship verification, gossip network checks, because lenders view them as simultaneously dependable yet economically vulnerable. This dual perception leads to gender entry barriers, especially for unmarried, mobile, or newly settled women. Behavioral screening further amplifies these biases by interpreting loan, punctuality, or negotiation style through a gendered lens. Instead of reducing uncertainty, these practices reinforce stereotypes and produce subjective risk labels that rarely reflect actual repayment outcomes.

Similarly, interest-rate dispersion reveals how pricing is shaped less by risk and more by bargaining power, mobility constraints, and social norms. Women often face markups of 10-30% even when they display stronger repayment discipline than men. Where lenders hold local monopoly power, these markups expand, suggesting that lenders exploit women's weaker outside options and lower financial literacy. Even in competitive environments like markets with microfinance institutions, gendered gaps persist. Long-term relationships can reduce rates for some women, but new or socially isolated women pay significantly more, underscoring how social capital drives price differentiation.

The evidence on income volatility and default risk highlights another gendered contraction. Women's incomes are more irregular because they work in home-based or seasonal activities, and lenders interpret this as higher default probability. However, empirical data repeatedly shows that women default less and adopt stronger coping mechanisms before missing a payment. Informal lenders rarely incorporate these behavioural strengths into risk calculations, leading to systematic overpricing of women's loans and chronic underestimation of their true repayment reliability.

Informal credit contracts themselves also reflect household power dynamics. Requirements for male co-signers, restricted repayment schedules, and model fines function as substitutes for legal collateral but disproportionately constrain women. Enforcement often relies on shame, public reprimand, or community intervention. Because women are more embedded in dense social networks, these penalties carry heavier social and emotional costs. The paradox is striking: women repay more reliably yet face harsher, more intrusive enforcement. Lenders justify such behaviour through stereotypes that women are more controllable, which further normalizes gendered sanctioning systems.

Another major theme is that occupation acts as a gendered proxy for risk women are concentrated in low-capital, home-based, or informal activities that lenders discount as side ventures rather than legitimate business. This occupational stereotyping leads to higher interest rates and shorter loan durations even when repayment data contradicts these perceptions. Discriminative lending becomes "sticky", persisting regardless of performance. Gendered occupational segregation and lender beliefs reinforced each other, producing a cycle in which women's enterprises are undervalued and underfinanced.

Finally, the effective cost of borrowing for women is far higher than nominal interest rates suggest. Hidden fees, forced savings, socially obligated purchases, time-intensive group meetings, and behavioural compliance costs accumulate to raise women's real borrowing costs by 25-50% in some settings. These burdens interact with household responsibilities, reducing women's working hours and increasing psychological strain. The combination of explicit financial charges and implicit social duties create an environment where women pay more for capital despite being more creditworthy.

Taken together, the literature shows that informal lending to women is shaped less by rational risk assessment and more by gendered expectations, social norms, household hierarchies, and community mechanisms of control. Women demonstrate stronger repayment behaviour, tighter consumption-smoothing abilities, and deeper social discipline, yet these strengths are rarely rewarded in credit terms. Instead, they face higher screening thresholds, greater borrowing costs, and stricter enforcement. The research therefore points to a structural misalignment between perceived and actual risk, resulting in persistent gender mispricing in informal financial markets.

#### 4. CONCLUSION

Overall, the literature shows that gender shapes every stage of informal lending- who gets screened in, how interest rates are set, how risk is judged, and how repayment is enforced. Even though women consistently demonstrate stronger repayment discipline, lenders rely on social norms, stereotypes, and household power structure instead of objective financial indicators. These distortions accumulate overtime, widening the gap between women's economic behavior and how lenders perceive their risk. In many cases, these biases operate invisibly, embedded in cultural expectations rather than explicit lending rules. This means that even high-performing women borrowers are disadvantaged simply because they are evaluated through a social lens rather than a financial one. Such structural disadvantages push women toward more costly, less flexible forms of credit reinforcing long-term inequality. As a result, women face higher costs, structure conditions, and greater emotional and social penalties. The evidence makes it clear that gendered institutions- not real risk- drive most of the disadvantages women experience in informal credit markets. Addressing these biases is essential for creating fairer, more accurate, and more inclusive lending systems.

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