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Embedded Cooperation: Women's Thrift Cooperatives in Andhra Pradesh

Guy Stuart and Sandhya Kanneganti

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Guy Stuart and Sandhya Kanneganti[1]

Introduction

In the Warangal and Karimnagar districts of Andhra Pradesh in Southern India impoverished women and men are engaged in the construction of cooperative financial institutions. The cooperatives provide their members with a place to deposit their savings and a source of uncollateralized loan funds. The members are being helped in this endeavor by a Hyderabad-based non-government organization (NGO) called the Cooperative Development Foundation (CDF), which provides technical assistance to those cooperatives that it helps create. This paper focuses on the women's cooperatives and shows how their women members have constructed their cooperatives, with the help of the CDF. It provides a case study of the social construction of an economic institution, and, in doing so, highlights the paradoxes inherent in such a construction process. The paradoxes, we argue, are due to the fact that the process is embedded in an existing social structure which both sustains and constrains it.

The paper proceeds as follows. We begin with a brief introduction to the organizational field of microfinance institutions, to which the Andhra Pradesh cooperatives belong. We argue that two central ideas in economic sociology, the social construction of economic institutions and embeddedness (Granovetter 1985; Granovetter 1992; Fligstein 2001), are highly consistent with the empirical literature on microfinance institutions. We then provide a brief description of our data collection and research site, and outline the formal structure and function of the cooperatives. With these data we demonstrate the embedded nature of the cooperatives by looking at their leadership structure, and the way the women have participated in the construction of their own institutions through the management of delinquencies and defaults. From this we draw conclusions about the paradox of embeddedness in the construction of economic institutions.

Microfinance and economic sociology

Since the mid-1970s there has been a burgeoning growth in microfinance institutions (MFIs). These institutions provide small loans to impoverished people, mostly in developing countries. In rural areas they target the landless, or the land-poor, who have insufficient collateral to secure loans from regular banks (if such banks even serve their villages). In urban areas the MFIs target people working in the informal sector. A good working definition of the urban informal sector is "the otherwise legal forms of income

[1] Guy Stuart is a Lecturer in Public Policy at the Kennedy School of Government, Harvard University, 79 JFK Street, Cambridge, MA 02138, guy_stuart@harvard.edu. Sandhya Rani Kanneganti works Program Director (Social Risk Management), Society for Elimination of Rural Poverty, Dept. of Rural Development Govt. of Andhra Pradesh, India. She is on the board of directors of the Cooperative Development Foundation (CDF) in Hyderabad. At the time when she was conducting field research for this study, in July and August 2001, she had no formal relationship with the CDF. She can be reached by e-mail at sandhyarani_k@hotmail.com

generation that are not regulated by the legal and political institutions of society." (McKeever 1998, 1211) Given the extent of rural poverty in China and South Asia, affecting well over one billion people, and the growing size of the urban informal sector in all developing countries, the potential market of microfinance institutions is enormous.

A key assumption of the way MFIs operate is that their clients are embedded in an existing social structure. MFIs use this social structure to ensure the timely repayment of their loans, in the absence of collateral. A highly popular mechanism that MFIs use to tap the social structure for their own ends is what is known as "peer lending."[2] There are a variety of peer lending models, but the most common is a model wherein the MFI lends money to an individual only after she has formed a group of peers (normally about four others) who guarantee her loan. If she fails to repay, either the MFI denies the others in the group access to further loan funds and/or holds them liable for the outstanding balance of the defaulter's loan.

Peer lending exploits the embeddedness of the borrower in two ways. First, the group requirement screens potential loan applicants based on information only available to the applicants' peers. The assumption is that people in the same village or urban neighborhood will only form a group with people they trust not to default. Their embeddedness in the existing social structure of that village or neighborhood enables them to make a determination of who to trust – a determination that a loan officer working for an MFI may not be able to make because he does not have access to the same information. Peer lending also exploits the embeddedness of the borrower by using peer pressure to ensure repayment. If a borrower's peers are likely to be punished in some way for the borrower's failure to repay, the peers will use whatever means available to them to ensure that the borrower does pay. Given their embeddedness in a shared social structure they can use social shame, appeals to members of an extended family, or other mechanisms to get the delinquent borrower to pay.

The empirical evidence suggests that peer lending and other mechanisms, such as stepped-lending, which creates a bond between the borrower and the MFI's loan officer, have worked. MFI default rates are often below 5%.[3] The evidence also suggests considerable support for an idea central to economic sociology – the importance of the non-market context for market transactions.[4] But the contribution that economic sociology can bring to the study of MFIs does not stop there. Another central idea of the field is that market institutions are themselves social constructs. The history of the development of MFIs, yet to be written from the perspective of economic sociology, is rife with strategic attempts to gain legitimacy within the worlds of donors and multilateral organizations, and debates about the appropriate construction of financial accounts (Morduch 1999; Morduch 2000).

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[2] The two best-known microfinance institutions, Accion International and Grameen Bank, both use peer lending, though in recent years many Accion affiliates have also been making individual loans.
[3] This success does come at a price in some cases. There is concern that the pressure meted out by peers can be overly harsh (Rahman, 1999).
[4] Furthermore, the study of MFIs brings economic sociology and mainstream economics into closer alignment. The argument above could easily have been couched in terms of asymmetric information and a principal agent problem.

The evidence presented in this paper focuses on the construction of a group of microfinance institutions. These institutions are different from the most well-known MFIs in that they are savings-led institutions – all the money they lend out comes from the savings of their members. As such, the focus is on the construction of the institutions through the interaction between the technical assistance provider, CDF, and the women who form and run them, rather than on the construction of an institution by professionals working for an NGO that then delivers credit to a market of waiting borrowers.

Data Collection and Research Site

The primary data we present in this paper are from interviews, written reports, and financial accounts. The interviews were with the staff of the Cooperative Development Foundation (CDF) and a core set of interviews with 38 members of 11 women's thrift cooperatives (WTCs) operating in the Karimnagar and Warangal districts of Andhra Pradesh. These cooperatives are, in turn, part of four Associations of Women's Thrift Cooperatives (AWTCs) centered in the villages of Mulkanoor, Huzerabad, Kothapalli, and Narsampet. There are a total of 55 WTCs that belong to these four AWTCs. One member of the research team, who is fluent in Telegu, the local dialect, conducted the interviews with members of the WTCs in July and August 2001. These interviews were semi-structured and lasted for about 60 minutes. The sample of members is heavily biased towards the leadership of the WTCs – members of the boards of directors of the thrifts, their presidents, and the presidents of the AWTCs, and the WTCs of which they are members have been in existence for longer than average. Both authors conducted interviews with the staff of CDF. The written reports are from the records of the CDF and the WTCs gathered in the summer of 2001 and supplemented with further research in July and August 2002.

Karimnagar and Warangal are about 150 km north and northeast of Hyderabad. They have a population of about 3.5 million and 3.2 million respectively, and population densities of 294 and 252 people per square kilometer respectively. The local dialect is Telugu. It is an area that is troubled both politically and economically. Politically, Naxalite (Maoist) guerillas operate in these districts. Economically the districts are some of the poorest in the state, and their literacy rates lag slightly behind the state average of 71% for men and 51% for women, especially for women.

As of the end of 2000, there were 200 women's thrift cooperatives in Karimnagar and Warangal with a total of 45,605 members. These cooperatives are organized into 27 associations of women's cooperatives (AWTCs)[5]. The WTCs are all the result of promotion efforts by CDF, which now provides them with training for their leadership and accountants and on-going technical assistance. It also conducts periodic audits of their accounts. Since the inception of CDF's active promotion of WTCs in 1990 there has been a steady growth in their number, the number of members in each thrift, and the amount of savings and borrowing that each thrift has conducted (Table 1).[6] As a result,

[5] There were also 159 men's thrift cooperatives organized into 21 associations.
[6] Between 1998 and the end of 2000 the number of thrifts doubled, from 100 to 200, resulting in a drop in the number of members per thrift overall.

by the end of 2000, the WTCs in Karimnagar and Warangal had accumulated over Rs. 71 million in total deposits and had almost Rs.58 million in outstanding loans. The progress of the WTCs has not been completely smooth. Since 1990 a number have closed and the default rate as of the end of 2000 was 15% of borrowers, though only 2% of loan funds.

Formal structure and functions of the cooperatives

Cooperatives in many parts of India have an extremely poor reputation. They very often are cooperatives in name only and are vehicles of political influence and corruption (Baviskar and Attwood 1995). The Cooperative Development Foundation (CDF) grew out of a direct response to such a situation that existed with Primary Agricultural Cooperatives in Andhra Pradesh in the 1970s. Initially the group who went on to found the CDF were interested in reviving flagging Primary Agricultural Cooperatives (PACs) in the district of Rajendranagar, near Hyderabad. In the 1970s the group promoted the consolidation and reorganization of PACs in their district and in Karimnagar. During the 1980s the CDF worked to support cooperatives in the state, and lobbied the government to reform the state cooperative societies act, with limited success. In 1993 CDF changed course: instead of lobbying for a change in the existing cooperative law, it lobbied for a new, parallel law under which cooperatives could opt to be regulated. The change was due to the realization on the part of the CDF that the interests vested in the existing cooperative structure were too great and too politically powerful to allow for its reform. A parallel law was an attempt to mitigate the opposition from these interests. In 1995 the CDF succeeded in its goal when the state legislature passed the Mutually Aided Cooperative Societies Act (MACS Act).

While it was campaigning to promote PACs and legal reform, CDF embarked on its efforts to form the women's thrift cooperatives (WTCs). Initially the CDF tried to promote the involvement of women in existing cooperatives, but found the men resistant to the idea. So they decided to promote new, women-only cooperatives. After some false starts working through another organization in the late 1980s, CDF decided to involve itself directly in promoting the formation of women's thrift cooperatives. It focused on the districts of Karimnagar and Warangal, and the first WTC was founded in 1990.

The cooperatives are self-managing, and self-financing, organizations. The members of each cooperative elect a board of directors at an Annual General Body Meeting, which in turn elects a president from their number. The board members sit for three years on staggered terms, while the presidents sit for one year. Both can be reelected indefinitely. Each cooperative is a member of an association of cooperatives (AWTCs). The cooperatives' presidents elect the directors and president of the association at an Annual General Body Meeting. The board of directors of each cooperative decides on loan applications from members, and, with the help of a paid accountant, trained by CDF but from the membership of the cooperative itself, manages the day-to-day activities of the organization.

Despite the emphasis on self-management and self-financing, CDF is heavily involved in the cooperatives in the first two years of their lives. They have a book-keeping system that they train the president and the accountant to use. They audit the books of the association every month, and audit every new cooperative in that association every three months. Once the cooperatives have matured, the CDF continues to audit the association monthly, but lets the association auditor audit the cooperatives, except for a test audit that CDF conducts once a year on each cooperative. At their most mature, cooperatives CDF no longer audits them, but it continues to audit the association monthly. Thus there is a rigorous process of training and development which WTCs go through under the guidance of the CDF. As a result, the WTCs have in place formal governance and management systems based on a model developed by the CDF, which is in turn informed by the principles of the International Cooperative Alliance.

Beyond the initial training and development phase of the relationship between the CDF and the WTCs, there is an on-going process of interaction. First, the CDF continues to provide training to the accountants, presidents, and cooperative directors. Second, the CDF receives monthly reports on the activities of the cooperatives through their associations, in a format similar to the one that the presidents of the cooperatives themselves receive at the monthly association meetings. In this way, the CDF is able to monitor the general health of the cooperatives. Finally, the CDF has a created a formal structure through which it learns from the WTCs. CDF staff and the leadership of the AWTCs meet monthly to discuss the functioning and future of the cooperatives. These meetings run on a regular schedule, beginning in April of each year and ending in October. At that time, the leaders of the associations jointly decide on any new policies for the cooperatives to come into effect the following January. In addition, as CDF has grown it has hired women who were once members of the cooperatives.

Membership is conferred on any woman within the WTC's service area who pays the initial membership fee and the first month's thrift amount. To be a member in good-standing, with borrowing privileges, a woman has to be current on her monthly thrift payment. Between 1990 and the end of 1996 members saved Rs.10 per month, since then the amount has been Rs.20. The amount a member can borrow is limited to three times her thrift savings balance. Since 1999, under new lending arrangements promoted by the CDF and agreed to by the WTCs, women are only eligible for a loan up to three times their thrift amount if they are a member of a Joint Liability Group (JLG), otherwise they are only eligible for a loan up to 75% of their thrift amount. Only one member of a JLG can borrow in any given month, though all members of the group may have loans outstanding at the same time. To be eligible for a loan, all members of the group must be in good standing on their thrift and loan payments. Furthermore, all members of the group must sign the loan application of any single member, and, as a result, they are formal guarantors of the loan.

In 1999 CDF helped the cooperatives introduce three new savings products: savings accounts, recurring deposits, and fixed deposits. Members can use these savings to leverage additional credit, but only up to the amount of their savings balance. In the same year the cooperatives introduced a new life insurance scheme, the Debt Relief Assurance Scheme (DRAS). The scheme requires a premium payment of between Rs.500 and Rs.1,000, depending on the age of the member, in return for which the survivors of the member will get Rs.10,000 when she dies, after clearing the outstanding debt, if any, in the account of the deceased member. The premium can be paid in a lump sum or in installments.

Cooperatives charge varying rates on their loans depending on the age of the organization. New cooperatives charge 2% per month, while more established cooperatives, with a larger deposit base, charge 1.5% per month.[7] All cooperatives pay 1% per month on the thrift amount in interest to their members, and less on the other, fixed deposit accounts. As a result, a thrift earns between 0.5% and 1% a month on its loans, and, with a fund utilization rate of about 80%, it earns about 0.4% to 0.8% on its total funds. Out of this it pays dues to the AWTC, the salary of the accountant, "sitting fees" to the directors and president, other administrative expenses, contributions to a loan loss reserve fund, and a "bonus" to its members in on top of their interest earnings on their savings.

Embedded Cooperation and the Construction of Cooperatives

In this section we present data showing the way the women have fitted the formal cooperative structure into their everday lives as rural villagers. We focus on two examples of this: their choice of leaders and the way in which they manage delinquencies and defaults.

Leadership structure

Based on interviews with CDF staff and the members of the WTCs there are three overlapping aspects of the village social structure that have shaped the way in which the women manage the WTCs. They are: gender relations, the caste system, and village political institutions. These cannot be easily separated and play multiple and cross-cutting roles. It is clear from the interviews that gender relations within the household are extremely important determinants of the level at which a woman can be involved in a WTC. Some women describe how their husbands encouraged them to join the WTC, while others describe how they encountered psychological and physical abuse from the male head of household for their participation in their WTC. One dynamic that seems to have been common, at least among the women leaders who remained leaders for a number years, is that they initially encountered resistance to their participation in the WTCs, but this waned in the face of the benefits that that participation generated for the household – most notably easy access to large loan sums, at a reasonable interest rate, without having to pledge collateral. One striking example of the transformation wrought for a president of a WTC is the following:

> I never went out on my own any time in the past. My mother-in-law managed everything from the beginning. I lived a highly secluded and confined life. We had to move in *purdha* (veil) when we went out. I was very afraid of my mother-in-law, though she used to respect me. She

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[7] The interest rate a WTC charges varies with its deposit base: WTCs with a deposit base less than Rs.500,000 charge 2%; WTCs with a deposit base of between Rs.500,000 to Rs.1 million charge 1.75%; and WTCs with a deposit base of over Rs.1 million charge 1.5%.

> controlled every wakeful hour of mine and made us do all the household work. She was a big mouth and an authority figure in the community…
>
> As my responsibilities increased I had no time for housework. My husband used to get quite irritated. When he shouted in anger, I used to keep silent. My children used to miss me at home and feel upset. My daughter used to help me till she got married in 1998. Once we found an accountant to take care of the accounts I felt a great relief. Managing the accounts gave a lot of headache. I used to fear that some thing may go wrong and used to get quite exercised. Seeing that my husband used to get very upset and sought me to give up the whole thing. But I stuck on. And am happy I did so…
>
> Especially since 2000 my husband has came to accept my WTC and AWTC (association of cooperatives) preoccupations gradually. Though he shouts sometimes, the next day he encourages me to go to office and take care of the AWTC business… My son in law, however, continues to discourage…Once I come to the WTC office I forget the house duties completely. Here people respect me and recognize me. (Kasala)

India's caste hierarchy is not as straightforward or structured as some Western observers have depicted it in the past. Nevertheless, there are clear advantages to being a member of one caste over another, and the government of India has recognized this by designating three distinct groups as being at a sufficient social and economic disadvantage as to warrant affirmative action in such areas as hiring and access to higher education (most notably through as system of "reservations" whereby a certain number of positions are reserved for these groups). The three groups are: 1) the Scheduled Tribes (STs), composed of members of India's indigenous tribal people; 2) the Scheduled Castes (SCs), who are members of what was once known as the "untouchable" class of people;[8] and 3) the Backward Castes (BCs), composed of socio-economically disadvantaged castes. Those not designated as warranting affirmative action are Other Castes (OCs), composed of higher castes and muslim, who are not part of the Hindu caste system.

Gender relations vary by caste, with those in the Reddy caste (a higher order caste) being more restrictive on the movement of women outside of the home. Women from other castes are far more likely to be able to move around outside the home either because the dictates of custom are less restrictive or because it is necessary for the economic well-being of the household – the women have to work. Nevertheless, women from the Reddy caste are prominent in the leadership of the 55 WTCs in the four AWTCs we have focused on in this study, in numbers disproportionate to their representation in the WTCs. Furthermore, a disproportionate number of the Presidents of the WTCs are from the Reddy caste (Table 2). The disproportionality in the directorships is not at the expense of the Backward Castes, but only at the expense of the Scheduled Castes and Tribes. This speaks to a further complication in the social structure in which the WTCs are operating, one with which students of Indian village social structure are familiar. Namely, the

[8] We state "once known" because untouchability is now outlawed in India.

“formal” hierarchy, whether defined in vedic terms or in terms of the government’s caste classifications as is done here, is not necessarily representative of the practical hierarchy on the ground, where sheer numbers can often bring political and social power to a particular caste grouping. Backward Castes are numerically dominant in nine (9) of the 11 villages for which we have village-wide data, and if these villages are representative then this may explain why Backward Castes are able to hold their own at the director level of the WTCs. It is only the Scheduled Castes and Tribes who are underrepresented. In 24 villages they have no representation among the directors, though in 13 of these 24 they constitute less than 10% of the membership. In the most egregious case of underrepresentation, there are 100 Scheduled Caste and Tribe members in a WTC, constituting 25% of the membership, without representation at the director level. Very clearly, the Scheduled Castes and Tribes’ caste status and correlated socio-economic characteristics are keeping them from leadership positions. On the other hand, they are not completely excluded. They do have representation in 31 WTCs, in one WTC they hold a majority of the directorships, and they hold the presidency in three (3) cooperatives.

The Reddy dominance of the position of president requires further explanation. To get an understanding of how the presidents were chosen for the position, we asked them to describe how they came to be president. We also found that in their responses to questions about how the WTCs started in their village, they offered insights into how they became president. Finally, we asked other members of the cooperatives how their presidents gained their positions. Though they all played down the role caste status played in their accession to the leadership of their WTC, it is clear that this had a role in many cases, because of the position in the social structure their caste status gave them. For example, two women described how the outreach staff of the CDF held the first meeting regarding the formation of a WTC in their village at their respective houses, because of their families’ leadership status in the village. Another described how her husband’s connections to the CDF through membership in another cooperative resulted in her becoming the president of the WTC in her village. (Sarojini) And a fourth gave multiple reasons why she was elected president: she was “already recognized as a leader in the village,” came from a “respected family,” and knew all the original members of the cooperative. (Marapati)

As noted above, in some ways, women from the Reddy caste are not in a good position to be presidents of the WTCs because of traditional restrictions on their movement outside the household. Nevertheless, the women we interviewed describe a variety of ways in that the women think of the WTC as another type of *chit* fund – a traditional revolving loan fund with which the women have a lot experience. One feature of *chit* funds is that they are run by an individual with a good reputation in the village. The presidents of the WTCs often play a similar leadership role, though their direct monetary reward is less.[9] In other words, though social prejudice is likely a factor in promoting Reddy women into the role of president, how they come to be president is multi-faceted: from the initial contact the CDF outreach workers make; to their educational and financial advantages; to the construction of the role of president as being one of high responsibility, something that biases the selection process towards women whose household's finances can withstand losses that might come from mistakes.

Managing delinquencies and defaults

Before the introduction of Joint Liability Groups in 1999 the WTCs required a loan applicant to have two guarantors sign her loan application form. The guarantors were supposed to serve the same purpose as any guarantor does in a credit transaction – they were a vouch for the applicant and they were a source of funds for the WTCs in case the applicant defaulted. The guarantees did not work very well because members of the WTCs proved quite willing to sign an application without knowing the applicant and without taking the responsibility that such a guarantee formally entailed. It was not unusual for one member of a WTC to become a guarantor on a number of loans because she lived close to the building where the loans were disbursed and so was easily available to sign loan documents.

The CDF and the leadership of the WTCs responded to the default problems these practices generated by instituting the Joint Liability Group (JLG). There was some resistance to the idea of the JLGs CDF staff, but the WTC leadership estimate that about 65% to 80% of members of WTCs set up before 1998 are in JLGs. As much of the literature on microfinance indicates, a JLG is designed to substitute social pressure for the collateral most lenders require from their borrowers. The fact that a member cannot get a loan if someone in her group is delinquent provides her with a strong incentive to force her group member to make timely payments on her loan. But it also provides an incentive for group members to help each other out in times of distress. Thus one of the ways in which the women in the WTCs have adapted to the requirements of the JLG is to create an informal lending system within the JLG:

> Sometimes if one of the five members is not able to repay her installment that month and another member in the JLG needs a loan, the latter pays the installment and takes the loan. The two members settle the payments between themselves later on. Usually the defaulter repays to her JLG

[9] In exchange for helping to organize a *chit* fund the leader either receives a fee or is given the first loan from the fund, interest free. As with *chit* funds, WTCs are vulnerable to the reliance their members place on their leaders. There have been instances where a president has taken out loans in the name of other members and then failed to repay them. In one instance the members pursued the corrupt president and seized her land, on which they subsequently built offices for the WTC.

> member once her financial position improves. Is it not fair that four others find a solution for one member's problem? (Afzar)

Note that this practice is underpinned by another adaptation to the JLG. Namely, because only one member of a JLG can borrow at any one time, the group will divide the proceeds of a loan among themselves informally so that those that need the funds have access to them.

The informal management of delinquencies does not stop at the group level. Almost since the founding of the first WTC, the WTCs' accountants have used a method of categorizing delinquencies that is not technically correct, given the terms on which the WTCs lend. The terms of the loan granted to WTC members requires a monthly installment payment of interest and principal that amortizes the loan over its full term, which is normally 10 months. But the WTCs are willing to accept a partial payment, below the requisite installment amount, and still consider the loan to be in good standing. The minimum payment that seems to be common is Rs.50, plus the Rs.20 thrift contribution. As a result, a borrower is not considered delinquent unless she fails to pay her minimum payment and her thrift. The acceptance of a partial payment shows up in the accounts of the thrifts in a very simple manner. In their summary reports the accounts show the number of borrowers who are one, two, and three months late and the amount that they owe in payments for those months. The reports show that the amount owed by those who are one month late is 50 times the number of those borrowers (i.e. Rs.50 per borrower), the amount owed by those who are two months late is 100 times the number of those borrowers (i.e. 2 times Rs.50 per borrower), and so on.

The WTCs adopted the partial payment system and CDF accepted it, because of the flexibility it provides the borrower. The incomes of many of the households are seasonal. In Karimnagar the largest crop in terms of area planted is rice, while in Warangal it is cotton. Cotton farmers in the region sell their harvest in November and so are able to repay their loans in full then; paddy farmers sell their harvest in December. A household that borrows in May or June for school fees for their children's education, or in July and August for agricultural inputs, can make the minimum payment until November or December and then pay off the loan. In other words, though technically the accountants are not correctly classifying partial payments, in the context of the economy which the WTCs serve their classification system is reasonable.[10]

The partial payment system is also reasonable because, at this time, it does not undermine the financial strength of the WTCs. In fact, the partial payments may be beneficial. This is so for two reasons: currently the funds use rate in most thrifts is less than 100%; and there is not a large default problem. As a result of the low funds use rate there is no pressure on the WTCs to collect the full installment payment on a loan because they do not need the funds to meet additional demand for loans. Furthermore, the partial payment

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[10] If the borrower fails to pay the minimum amount not only is she classified as delinquent and assessed a late payment fee of Rs.20, but the cooperative also refuses to accept her thrift contribution. This latter sanction is an important one because it slows down the woman's thrift accumulation thus lessening her ability to borrow in the future.

system contributes to the financial health of the WTCs because the average outstanding balances on the loans they originate remain higher over the life of the loans compared to what the balances would be if the borrowers were making full payments. The higher average balances yield greater interest income, so long as the borrower eventually pays off the accumulated interest and principal.[11]

Furthermore, the leaders of the WTCs state that they have had very few defaults and no losses. It is unclear how much long-term bad debt they are carrying on their books that make these assertions true, but it is clear that the women are quite confident that they can collect from members who owe money to their thrifts. This confidence stems from the fact that the women leaders have considerable experience in collecting on delinquent loans, and the social embeddedness of the delinquent borrowers gives the leaders a variety of means to force the repayment of a loan. Generally, the leaders use two types of strategy. One is an appeal to the *izzat* (honor) of the family – delinquent borrowers are subjected to public shame such as having the front doors of their house taken from them. The other is to collect the money owed from other members of the family or people on which the delinquent borrower is dependent.

Beyond the confidence the women have in their ability to collect on loans, there is another reason why they are not quick to recognize bad debts. Though it is technically correct to write-off loans that have been on the books of an institution for a long time with little prospect of repayment, the democratic, open nature of a thrift cooperative makes this a sensitive issue. Unlike in a stock-owned bank or non-profit financial institution a cooperative's practices are subject to the scrutiny of its own borrowers. Writing-off a loan may not be viewed by some members as a technical, accounting issue, but rather an acknowledgement that the cooperative is willing to allow its members to default. This can serve to legitimate the practice of defaulting thus increasing the likelihood of others defaulting. As Rama Reddy, President of the CDF notes:

> Even in the cases where honest lendings and borrowings take place, there will be inevitable instances of irrecoverable loans or (in banking terminology) non-performing assets. The CDF has, so far, not made a serious attempt at educating the TC members in general and the board members in particular in respect of acknowledging that there will be irrecoverable loans and the system must find a way to deal with the issue. (Personal e-mail communication with the authors, September 2001)

In other words, the technical practice of writing-off loans can not take place appropriately unless the context in which it takes place is prepared appropriately.

Conclusion – the paradox of embeddedness

The CDF has attempted to promote well-designed, formal cooperatives. The women members of the thrift cooperatives in the Karimnagar and Warangal districts of Andhra

[11] Note this is the same logic that credit card companies operate under. Their best customers are those who have large outstanding balances but consistently pay their minimum payment each month.

Pradesh have, in large part, followed the lead of the CDF. But, they have done so in a fashion that highlights the importance of what was already in the villages before the CDF outreach workers ever arrived, and of how the women have sought to mold the formal design of the cooperatives to their needs. In particular, we have highlighted two issues: the impact of the existing social structure on the composition of the leadership of the WTCs; and the informal practices of the women in response to the formal constraints of the WTCs. The directors of the WTCs are disproportionately Backward and Forward Castes, while the presidents are disproportionately Reddys (Forward Castes). The processes by which they became president vary, but there is evidence that their caste status played a role in many cases, not simply because of the socio-economic or educational advantages that correlates with higher caste status, but also because the CDF outreach workers' first contacts with the future members of the cooperatives were through higher caste households. Furthermore, the construction of the president's position as one of great responsibility may have biased the members in favor of a higher caste president. Thus far, the fact of Reddy leadership does not seem to have undermined the functioning of the WTCs. But there is some cause for concern, especially if large number of Scheduled Caste and Tribe members remain underrepresented at the board level. This lack of representation may result in alienation and default if it is not corrected.

In the same way, the informal practices the women have developed with regard to delinquency and default management serve, at the moment, to support the formal structure of the WTCs. The partial payment scheme was a response to the inadequacies of the loan terms in the context of a rural economy, and has achieved semi-formal status. The attitude of the women to defaults is also reasonable given the ambiguities with which a cooperative financial institution presents them. On the one hand, a consistent write-off policy is good accounting practice because it forces the institution to recognize situations where it is not going to be repaid. On the other hand, a member-governed institution may be more sensitive to the consequences of writing-off a loan because of the very public signal it sends to other borrowers about the necessity of repayment. The solution that the women have come up with is to spend considerable effort on collections either through the efforts of the members of the board or, more recently, the formation of JLGs. Whether such effort is sustainable is questionable, especially as the WTCs grow.

The data presented here highlight the way in which the process of constructing economic institutions is embedded in already existing institutional structures. For a new institution to survive it must be adaptable to what already exists and the responses it engenders. For it to transform the situation into which it is introduced it must engender new behaviors that violate the existing social structure. The evidence from the cooperatives is that they have not done much violence to the caste hierarchy of the villages, though they have at least created the possibility of caste mixing within the institutions. There is evidence that at least for the leaders of the WTCs there has been a transformation in the gender relations within their households. The women who benefited from this transformation often did so at considerable psychological and physical cost, yet they have come out of the process in a stronger position within their respective households.

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Table 1
Performance of Women's and Men's Thrift Cooperatives, 1990 to 2000
Price Adjusted to 2000 Rupees. Rs.48=$1 in 2000

		1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Women's loan amounts	Rs	449,661	790,776	3,427,802	11,794,973	21,900,334	15,274,087	24,833,488	34,376,686	38,648,079	50,008,206	69,980,799
Women's loan numbers	No	1,045	1,947	6,278	9,838	11,244	11,343	14,364	21,788	22,406	25,395	31,131
Women's avg loan amount	Rs	430	406	546	1,199	1,948	1,347	1,729	1,578	1,725	1,969	2,248
Women's Loans Outstanding	Rs	189,271	302,552	1,555,485	4,220,103	6,735,228	10,944,419	14,515,825	21,355,442	30,547,541	40,851,274	57,756,269
Women's Funds Use Rate	%	93%	98%	92%	84%	82%	87%	86%	83%	89%	90%	81%
Men's loan amounts	Rs	-	-	16,779	907,683	2,818,867	8,508,783	15,503,233	34,082,152	40,911,999	52,483,816	84,220,045
Men's loan numbers	No			18	480	1,505	2,321	7,145	11,660	11,439	14,288	22,474
Men's Avg Loan Amount	Rs			932	1,891	1,873	3,666	2,170	2,923	3,577	3,673	3,747
Men's Loans Outstanding	Rs	-	-	12,837	395,958	1,331,289	2,657,915	6,117,978	12,663,361	22,446,246	33,400,896	50,575,103
Men's Funds Use Rate	%			48%	56%	73%	68%	79%	80%	78%	80%	77%

		12/31/90	**12/31/91**	**12/31/92**	**12/31/93**	**12/31/94**	**12/31/95**	**12/31/96**	**12/31/97**	**12/31/98**	**12/31/99**	**12/31/00**
Women Regular Thrift	Rs	185,389	285,322	1,503,699	4,242,937	6,787,679	9,369,401	13,456,106	19,374,469	26,771,888	34,660,855	47,444,423
Women Members	No	1,422	2,312	7,317	11,416	12,012	13,830	17,928	27,974	31,271	38,187	45,605
Women's Avg Thrift Amount	Rs	130	123	206	372	565	677	751	693	856	908	1,040
Women's Total Funds	Rs	204,591	309,816	1,689,858	4,998,001	8,245,586	12,522,810	16,828,151	25,602,485	34,284,886	45,308,973	71,412,830
Men Regular Thrift	Rs			26,681	258,523	1,047,714	2,127,337	5,229,373	11,040,636	20,376,502	30,385,294	47,692,831
Men Members	No			213	921	1,977	3,319	6,799	15,605	18,036	20,477	31,011
Men's Avg Thrift Amount	Rs			125	281	530	641	769	708	1,130	1,484	1,538
Men's Total Funds	Rs	-	-	27,018	713,131	1,813,490	3,882,100	7,782,569	15,736,968	28,682,148	41,849,614	65,641,038

		1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
% defaults, # Women		0%	4%	15%	9%	10%	9%	12%	14%	18%	11%	15%
% defaults, Rs. Women		0%	8%	8%	6%	2%	1%	2%	2%	3%	1%	2%
% defaults, # Men				0%	16%	11%	13%	11%	9%	17%	13%	14%
% defaults, Rs. Men				0%	7%	3%	3%	2%	2%	3%	2%	2%

Cooperative Development Foundation Expenditures on WTC's and MTC's

		1990-91	**1991-92**	**1992-93**	**1993-94**	**1994-95**	**1995-96**	**1996-97**	**1997-98**	**1998-99**	**1999-2000**	**2000-01**
CDF Total Expenditure	Rs	201,135	544,656	631,628	617,737	465,353	395,451	789,176	1,223,080	1,241,018	1,643,579	2,555,406
Expense per Member	Rs.	141.45	235.58	83.88	50.07	33.27	23.06	31.92	28.07	25.17	28.02	33.35
Expense per Thrift Rupee	Rs.	1.08	1.91	0.41	0.14	0.06	0.03	0.04	0.04	0.03	0.03	0.03
Expense per Loan Rupee	Rs.	0.45	0.69	0.18	0.05	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Expense per Borrower	Rs.	192.47	279.74	100.32	59.87	36.50	28.94	36.69	36.57	36.67	41.42	47.67

Notes: 1. The financial year of thrift cooperatives (TCs) is from 1 Jan to 31 Dec. Therefore, the annual financial statements and progress reports on TCs are for that period. The end of the year figures relating to TCs are as on 31 Dec.

2. The financial year of Cooperative Development Foundation (CDF) is from 1 Apr to 31 Mar. Therefore, the annual financial statements of CDF are for that period. The end of the year figures relating to CDF are as on 31 Mar.

Table 2

Caste Distribution of Voters, WTC Members, Directors, Presidents

	55 Villages in 4 Associations				*Sample of 11 Villages*			
	OC	**BC**	**SC/ST**	**Total**	**OC**	**BC**	**SC/ST**	**Total**
Voters*	N/A	N/A	N/A	N/A	18%	63%	19%	41,245
Members	17%	66%	17%	21,787	16%	68%	16%	7,425
Directors	22%	69%	10%	624	26%	63%	11%	131
Presidents	26	26	3	55	9	2	-	11

OC = Other Castes, most likely to be Forward Castes, but one OC president is a Muslim

BC = Backward Castes

SC/ST= Scheduled Castes and Scheduled Tribes

* Voter data taken from 2001 voter rolls (men and women) and classified by caste based on last name. Classification conducted by a literate resident of the village in question for each village.