Title: Economic Theory and Diverse Economic Agents in Rural Credit Markets

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ABSTRACT

This paper argues that the diversity of agents in rural Asian credit markets implies specific requirements for theoretical and policy conclusions of economists. First, the heterogeneity of agents is reviewed. A comparison is made with some orthodox economic literature which idealises actors in an overly general way. Recognising the heterogeneity of people and the multiplicity of units of analysis in rural finance, I argue that there are often appears a choice paradox in banking. For instance, farmers choose to borrow from a moneylender who is a wholesale trader and therefore in a position to exploit the farmer through interlinking markets. The farmer's judgment is that this relationship is the best choice from among those available, in a situation which is considered undesirable overall.

The second part of the paper argues in favour of looking at personal characteristics of borrowers and savers in rural areas, although these people are often buried within data on households or farms. It is argued that as a temporary mode of assessment of patterns in credit markets, facilitating the empirical analysis of heterogeneous agents, multi-level regression may be useful in conjunction with consumer finance surveys because it will allow the specific tendencies of individuals within particular types of farm or household to emerge. An empirical model is developed which allows the involvement of individuals in chit funds to emerge in spite of the usual one-to-one association of farms with households. In multi-level models, individual characteristics can have measurable effects without resorting to methodological individualism.

The conclusion of the paper analyses this particular result in terms of heterodox economics.

old institutional economics. Specifically retroduction is used to analyse the way that the conclusions were reached and the model was developed as a response to my exposure to an empirical situation. The hypothesis is put forword that small-scale, in formal mutual funds are more are useful for women than four-man specifically because of their potential for generating relationships on which labour sharing can be based. The present context is one in which agricultural labour is getting feminised whilst full-time employment is more often taken by men. The gendered finding with regard to chit funds and exchange labour may have general relevance to policymakers. However, qualitative research is needed in specific regions because instead of being a universal generalisation, this is a path-dependent and historically specific finding.

The paper verse illustrates the use of statistical empirical analysis in the context of a world in which agents are assumed to be heterogeneous and financial systems are assumed to be open

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