Pretending to be poor: borrowing to escape forced solidarity in credit cooperatives in Cameroon

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Abstract

From field observations of credit cooperatives in Cameroon, we find that a substantial number of members take loans that are fully collateralized by savings they held in the same institutions. 20% of the loans observed fall into this category. The price paid in terms of net interest payments is not negligible as it represents 13% of the amount borrowed. As traditional arguments such as credit rating or time inconsistent preferences cannot explain such behavior in our specific setting, we propose a new rationale based on in-depth interviews with members of the cooperatives. Those interviews indicate that some members systematically use credit as a way to pretend that they are too poor to have available savings. By doing so, they can successfully oppose request for financial help from friends and relatives. We develop a signaling model to analyze the conditions under which this behavior is an equilibrium outcome.
1 Introduction

In rural areas of Cameroon, members of credit cooperatives engage in a puzzling borrowing behavior: more than 20% of loans are fully collateralized by liquid saving available on the borrowers’ saving account. From a pure accounting point of view, it appears irrational, as these borrowers could save on interest payments by financing their project with their saving, instead of borrowing.

Similar cases of simultaneous borrowing and savings have been reported in microfinance institutions in Peru (Basu, 2006) but also in developed countries. In their analysis of liquidity constraints among consumers in the United States, Gross and Souleles (2002) notice that one third of credit card borrowers have more than one month’s worth of gross total household income in checking and saving accounts. They argue that these households could have paid off part of their expensive credit card debt by drawing down these low-return, liquid assets and conclude that conventional models cannot easily account for this “puzzle of credit card borrowing.” Laibson et al. (2003) develop a behavioral model to account for simultaneous borrowing and saving in low yielding assets. They suggest that individuals with time-inconsistent preferences may engage in illiquid saving to protect their money from their future selves and rely on credit to fulfil immediate cash needs. Gugerty (2007) provides empirical evidence from Kenya to support the view that individuals choose saving products that enable them to overcome commitment problems. While the existence of a sanction in the case of default implies that paying back a loan may be easier than saving in the presence of commitment problems, borrowing cannot be used to protect liquid savings. Indeed, borrowers can always choose to pay back their loans with their liquid savings so that these savings are never protected against future selves.¹

As traditional explanations cannot account for excess borrowing in our specific setting,

¹To account for simultaneous borrowing and saving in Peru, Basu (2006) argues that savings within the credit institution constitutes a risky investment. In this special case, he shows that a behavioral model of commitment can explain excess borrowing.
we propose a new rationale, suggested by in-depth interviews we conducted with members of credit cooperatives in Cameroon. Individuals, who took loans fully collateralized by their savings, claim that they use loan repayments as an excuse to oppose demands for money made by friends or family. One member summarizes it as follows: “When I take a loan from my savings, my children and my wife think I have no money. I do it on purpose. If I simply withdraw my money, it will end, so I tell them that I borrowed. Then, when one complains he has a problem, I say I have to pay back my loan. It protects me from my children’s demands.” While taking a loan may seem an expensive mechanism to escape solidarity obligations, it needs to be examined in light of the African context. Social pressure for interpersonal redistribution in the form of cash transfers is high in Africa (Platteau (2000)) and several studies reveal a large demand for hidden or protected saving (Miracle et al., 1980). Anderson and Baland (2002) for example show that the need to protect savings from their husbands triggers women’s participation in Roscas in a Kenyan slum.

The remainder of the paper is organized as follows. In Section 2 we introduce the data and describe the importance of excess borrowing in credit cooperatives in Cameroon. In Section 3 we present ethnographic evidence and develop a signalling model. We describe conditions under which an equilibrium exists where individuals in the middle of the wealth spectrum take a loan in order to mimic the poor and thereby avoid requests for financial help. In Section 4, we review alternative interpretations for simultaneous borrowing and saving and explain why they do not apply in our setting. Finally, Section 5 concludes.
2 The prevalence of excess borrowing in credit cooperatives in Cameroon

2.1 Context and survey methodology

Findings of this paper are based on a field survey done in Cameroon in 2006. The survey focused on a microfinance network called Cameroon Cooperative Credit Union League (CamCCUL). The network, created in 1964, is composed of a large number of local credit and savings cooperatives. In the fall of 2006, we surveyed four of these cooperatives and collected information on all credit operations and deposits of their members between 2004 and 2006. We also drew a stratified random sample of 316 members’ files providing a complete record of their financial operations since they joined the cooperative.\textsuperscript{2} Finally, we conducted semi-open interviews with 22 members in order to investigate the motives behind their savings and credit operations. The focus was placed on members who borrowed less than the amount of their available savings.

Each cooperative is composed of 200 to 700 members out of which about one third can be considered active as they have made at least one financial operation over the past year. There are on average 266 active members per cooperative. Each cooperative offers to its members two types of financial services: saving accounts and credit. On a saving account, a member can freely deposit and withdraw money at any time. However, each cooperative requires members to deposit a minimum amount in their saving account that cannot be withdrawn. This amount varies from 10000 to 23000 CFA across cooperatives.\textsuperscript{3} Savings earn a yearly interest that varied between 3.6 and 6.0\% depending on the performance of the cooperative. Over the period considered, average saving was 117 000 CFA per member.

\textsuperscript{2}We stratified the sample to ensure representability of the category of members who borrow less than the amount of their available saving. Specifically half of the sample was drawn from this latter category and the other half from the pool of remaining members.

\textsuperscript{3}In 2006, 10 000 CFA were approximatively equivalent to $20.
This amount corresponds to the monthly wage rate of a secretary.

The general conditions to obtain a credit are rather strict. First, the amount borrowed cannot exceed three to five times the total amount of the saving account. This loan multiplier, that varies across cooperatives, defines the official credit line available to each member. Second, the borrower must have been a member for at least 6 months and must offer a collateral that exceeds the value of the loan (savings in the cooperative, land titles, checks, co-signers). Moreover, if the amount borrowed exceeds savings, no withdrawal from the saving account is permitted until the loan is fully repaid. If the amount borrowed is lower than the savings, the difference between available savings and the initial loan amount remains at the member’s disposal. On average cooperatives granted 150 loans per year which corresponds to 0.56 loans per active member. Interest rates vary between 24 and 36% per year and the average maturity was equal to 6.26 months.

2.2 Excess borrowing: the evidence

Through our survey we collected information on a total of 1427 individual loans. Table 1 presents key information over these loans and the savings of the borrowers. To account for the fact that total savings include a minimum amount that must be left on the account, we define liquid savings as the amount that can be withdrawn at any time. Across all members, the median loan size is 100000 CFA and the median amount of total savings held at the time of the loan is 60300 CFA. The median loan to the median saving ratio is therefore equal to 1.7. The corresponding average amounts are higher, with an average loan equal to 309300 CFA and an average saving of 126200 CFA. The average loan to average savings ratio is therefore 2.45. Loan to savings ratios differ a lot across borrowers. Table 1 reveals that 19.1% of the borrowers take a loan which is smaller than the amount of their liquid

\[4\text{As described in Section 4, under special circumstances, members can borrow beyond the official credit line, provided they offer additional guarantees.}\]
Table 1: Comparison of loans and savings amounts in the four cooperatives

<table>
<thead>
<tr>
<th></th>
<th>all loans</th>
<th>$B \leq S$</th>
<th>$B &gt; S$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of loans</td>
<td>1427</td>
<td>272</td>
<td>1155</td>
</tr>
<tr>
<td>Percent</td>
<td>100.0</td>
<td>19.1</td>
<td>80.9</td>
</tr>
<tr>
<td>Loan amount ($B$)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>mean</td>
<td>309.3</td>
<td>88.1</td>
<td>361.3</td>
</tr>
<tr>
<td>median</td>
<td>100.0</td>
<td>40.0</td>
<td>150.0</td>
</tr>
<tr>
<td>std dev</td>
<td>652.1</td>
<td>196.1</td>
<td>708.6</td>
</tr>
<tr>
<td>Borrower's total saving</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>mean</td>
<td>126.2</td>
<td>243.3</td>
<td>98.6</td>
</tr>
<tr>
<td>median</td>
<td>60.3</td>
<td>118.5</td>
<td>50.1</td>
</tr>
<tr>
<td>std dev</td>
<td>256.6</td>
<td>414.6</td>
<td>192.4</td>
</tr>
<tr>
<td>Borrower's liquid saving ($S$)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>mean</td>
<td>111.7</td>
<td>230.4</td>
<td>83.7</td>
</tr>
<tr>
<td>median</td>
<td>45.9</td>
<td>106.1</td>
<td>23.0</td>
</tr>
<tr>
<td>std dev</td>
<td>256.2</td>
<td>413.7</td>
<td>191.9</td>
</tr>
<tr>
<td>$B / S$ (median)</td>
<td>2.9</td>
<td>0.5</td>
<td>3.8</td>
</tr>
</tbody>
</table>

savings. For those borrowers, the median loan to liquid savings ratio is 0.5, implying that the amount they borrow is one half of the amount of savings that is freely available on their account. By contrast, 80.9% of the borrowers take a loan that exceeds their liquid savings, with a median loan to liquid saving ratio of 3.8. It is striking that those who borrow less than their liquid saving have accumulated an average amount of saving equal to 243300 CFA which is substantially larger than the average savings of 98600 CFA of the borrowers in the other category. Conversely, the average amount borrowed in the first category is 88100 CFA compared to 361300 CFA in the other category.

Another way to present this evidence is to look at the amount borrowed compared to the credit line, which corresponds to the maximum that can be borrowed given the total saving of that member. Figure 1 presents the distribution of the ratio of the loan size to the borrower’s credit line for all loans in the sample. The distribution appears bimodal. While about a fourth of the loans fully exhaust the credit line, a large number of loans are much
Figure 1: Distribution of the ratio of loan size to borrower’s credit line

smaller. Thus 28% of the loans fall below one fifth of the credit line. All borrowers in this situation borrow less than their total savings (though not necessarily less than their liquid savings).

At first sight, the existence of borrowers who choose to borrow although they could self-finance their project is surprising. Indeed, by withdrawing available savings from their current account instead of borrowing, they could save on interest payment. We calculated that they could avoid a payment of interest equal to 13.8% of the amount borrowed.\(^5\) This argument actually extends to all members who borrow less than their credit line. These members can indeed save part of their interest payment by withdrawing some of their saving and reducing their loan amount correspondingly. To minimize interest payments a borrower should always exhaust his credit line. We define the cost minimizing saving, \(S^*\), as the minimum amount that must be left on the savings account to maintain that credit line which enables him to finance the project. Let \(B\) represent the amount to be financed, \(S\) the

\(^5\)This corresponds to the difference between an average loan interest of 2.25% per month and an average saving interest of 0.41% per month over an average maturity of 6.26 months.
amount of initial savings and \( \lambda \) the loan multiplier. \( S^* \) is such that \( B = S - S^* + \lambda S^* \). In this equation \( S - S^* \) corresponds to the part of the project that is self-financed by dissaving while \( \lambda S^* \) is borrowed.\(^6\) Figure 2 illustrates the frequency of this cost minimizing behavior. Specifically it represents the distribution of the reduction in the amount borrowed under the cost minimizing saving scheme relative to the actual loan amount \((B - \lambda S^*)/B = (S - S^*)/B\). The distribution is clearly bimodal. The majority of loans are close to zero, which corresponds to the cost minimizing behavior. Most of the remaining loans are located at one and correspond to the group of borrowers who could entirely self-finance their project. As a result there are few people who could reduce part of their loan cost by taking a smaller loan and drawing on their savings. Instead most borrowers fall in one of the two categories: those who minimize their borrowing costs and those who can totally finance their project.

\(^6\)Note that the initial collateral is always large enough to justify the new borrowing scheme. The borrower has an initial collateral of at least \( B \), out of which \( B - S \) corresponds to non-saving collateral. Consider a reduction in savings by 1$. As this reduces the amount to be borrowed by exactly 1$, it leaves the required non-saving collateral unchanged.
with their savings. In the following we refer to the later behavior as excess borrowing.

3  Excess borrowing as a signal of poverty

3.1  Ethnographic evidence

In depth interviews made with the borrowing members suggest an interesting rationale for excess borrowing. Excess borrowing is purposefully used by some members to signal financial difficulties to their relatives in search of financial help. Reimbursement obligations are then used as an argument to discourage such demands. Individual interviews with members substantiate the relevance of the above argument. First, social pressure for help has been repeatedly mentioned by interviewees as a major impediment to save. “I have to help many people. There are many people below me who expect me to help them. It is hard but I am forced to help.” While close relatives are often solicited for help, solidarity obligations extend much beyond, to distant kins. “There is one thing in Africa: we have a family. The family is elastic. There is the little brother of your father, of your mother... Everyone with a problem, you are condemned to help. Saving is difficult because there are always problems. You have to squeeze your heart before putting money on your saving account.” “Mostly daddies make troubles, they want to drink. Mothers and friends can understand that we have our own problems and leave us alone but daddies cannot!”

Second individuals are secretive with respect to their savings and income, even within the household. “Money is a terrible thing. Nobody should know what you have in your pocket. If my wives knew what I have, they would create new problems to force me to spend my money.” This behavior is independent of gender. “Here we hide money a lot. I hide money from my brothers and my husband. Every time they know I have money, they come with new demands.” “To be happy, live hidden! When a husband knows you have something, he will do anything to have you get the money, until nothing is left. Men here in Africa, to
be happy with their wives, shouldn’t set their eyes on their money. And the co-wife, if she
knows you have money, she will be jealous.”

Finally, as discussed above, credit is a credible excuse to oppose demands. “Sometimes
when somebody comes crying for help, I say I have nothing. The loan is a good excuse not
to be bothered.” This is because family members who observe a loan assume the borrower
is poor. “When I borrow money, my wife things I don’t have money on my account. How
can you have money and borrow? She things that I have no money and that is why I take
a loan.” “If I take a credit to pay school fees for a child, he cannot come and ask for a new
pair of shoes. But if I take money from my savings they always ask for other things. If I
take a loan, they believe I have no money.” “Even when I use my savings to get a loan I
can tell my family that I have nothing. I say that I have a problem, that I must reimburse
my loan. This is why I prefer to borrow.” This behavior is a frequently used strategy to
protect one’s savings against inopportune requests: out of the 22 members interviewed, 17
acknowledged resorting to this strategy to hide their savings.

3.2 A model of signalling

In this subsection we develop a signaling model to understand the conditions under which
the above described strategy is an equilibrium outcome. Consider $n$ members of a credit
co-operative and a demander soliciting financial help.\footnote{For simplicity, we assume $n$ large so that $\frac{1}{n}$ has a negligible impact on the probabilities described below.} To allow for saving and credit we assume
that members live for two periods. In the first period they earn an uncertain income $y_1$ which
takes one of three values $\{y - 2\delta, y, y + 2\delta\}$ with associated probabilities $\{\mu_p, \mu_m, \mu_r\}$. In the
second period, all members earn the same level of income $y$. In each period, consumption
and donation may be financed by income, saving and borrowing.

We assume away discounting so that, in the absence of donation, each members’ utility
is given by: $U = u(c_1) + u(c_2)$ where $c_1$ and $c_2$ represent his consumption in period 1 and 2,
respectively and \( u \) is increasing and concave. We assume that saving earns no interest, but there is an interest rate on credit \( r > 0 \) which is paid in each period.

In each period, the demander has a cash need of \( D \). In the first period, he chooses the member he will solicit over the two periods. He can only make one such demand. He cannot observe the members’ consumptions or savings. However, he observes whether or not they borrow from the cooperative. Donating reduces a member’s consumption in each period by \( D \) but provides a joy of giving \( \beta \), so that a member who has \( x \) available for consumption and is asked for a donation has a utility \( u(x - D) + \beta \). Refusing has a utility cost \( \alpha \) so that, if the member refuses to donate, his utility is \( u(x) - \alpha \). Note that \( u(x - D) + \beta - [u(x) - \alpha] \) is increasing in \( x \), illustrating that it is relatively less costly for richer agents to donate when asked.

The precise timing of the game is as follow:

1. Period 1
   (a) \( y_1 \) is realized
   (b) members save or borrow
   (c) the demander selects a potential donor among the members and addresses his demand.
   (d) the selected member chooses whether or not to make the donation \( D \).
   (e) donation, interest payment and consumption take place.

2. Period 2
   (a) \( y_2 \) is realized
   (b) donation, interest payment and consumption take place.

Consider first a “poor” member who is hit by the bad shock, so that \( y_1 = y - 2\delta \). In the absence of a request by the demander, he chooses to smooth consumption by borrowing
δ and paying $r\delta$ in each period. When asked for a donation, we assume that he always refuses:

$$u(y - \delta - \delta r) - \alpha > u(y - \delta - \delta r - D) + \beta$$

Symmetrically a “rich” member hit by the good shock always chooses to save in order to smooth consumption. In the absence of a request, he saves $\delta$ and consumes $y + \delta$ in each period. We assume that, when asked, he always accepts to donate:

$$u(y + \delta - D) + \beta > u(y + \delta) - \alpha$$

Moreover we assume that the joy of giving outweighs the cost of foregone consumption so that $u(y + \delta - D) + \beta > u(y + \delta)$.

Finally, let us call a member with no income shock a middle-class member. In the absence of donation a middle class member neither saves nor borrows and consumes $y$ in each period. When asked, he chooses to donate. However, he would much prefer not to be asked at all:

$$u(y) > u(y - D) + \beta > u(y) - \alpha$$

To summarize, for the poor, the cost of foregone consumption $D$ is so large that, even once the joy of giving is accounted for, they are better off keeping $D$ for their own consumption and bearing the cost of refusal. In contrast, the cost of forgoing $D$ is so low for the rich that the joy of giving outweighs the cost of foregone consumption and they prefer making a donation rather than consuming their full revenue. Finally, the middle-class members donate when asked, in order to avoid the cost of refusal. However, they prefer not being asked for a donation at all, since the joy of giving does not fully compensate for the foregone consumption.

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8We assume that the interest rate is low enough to make borrowing desirable: $2u(y - \delta - r\delta) > u(y - 2\delta) + u(y)$. 
On the other hand, the demander maximizes his chances of getting his request accepted. Since he cannot observe members’ income, he bases his decision on the transactions he observes on the credit market. In all situations, the poor takes a credit and refuses to donate while the rich takes no credit and accepts to donate. As a result, the use of credit informs the demander about whether his request will be accepted or not. Given this, middle-class members may have an incentive to take a loan in order to mimic the poor and avoid being asked for a donation. However, interest payments make this signal costly. In addition, as the demander observes the credit amount, the middle class member needs to borrow $\delta$ for the signal to be credible.

We are now in a position to describe the perfect bayesian equilibrium of this game. The demander’s beliefs are described by the probabilities $\pi = \{p_l, p_{nl}\}$, where $p_l$ is the probability that the request is accepted, given that the demand was made to a member with a loan, and $p_{nl}$ is the probability of acceptance, given that the demand was made to a member with no loan. In addition, let $q_l$ stand for the probability for a member to face a demand given that he has taken a loan and $q_{nl}$ stand for the corresponding probability given he has not taken a loan. There exists an equilibrium where all middle-class members take a loan if:

$$
\begin{cases}
q_l[u(y - D - r\delta) + \beta] + (1 - q_l)u(y - r\delta) > q_{nl}[u(y - D) + \beta] + (1 - q_{nl})u(y) \\
\pi = \left\{ \frac{\mu_m}{\mu_p + \mu_m}, 1 \right\}
\end{cases}
$$

At this equilibrium, the demander solicits only members who do not take a loan, since it ensures that their demand will be accepted. Given this, a member who has a loan faces a zero probability of being asked for a donation: $q_l = 0$ and $q_{nl} = \frac{1}{\mu_r}$. As a result, the first equation of Condition 1 may be rewritten as:

$$u(y) - u(y - r\delta) < \frac{u(y) - u(y - D) - \beta}{n(\mu_r)}$$
where the LHS represents the cost of taking a loan while the RHS represents the expected cost of donation.

There exists another equilibrium where no middle-class member takes a loan if:

\[
\begin{align*}
q_l[u(y - D - r\delta) + \beta] + (1 - q_l)u(y - r\delta) &< q_{nl}[u(y - D) + \beta] + (1 - q_{nl})u(y) \\
\pi &= \{0, 1\}
\end{align*}
\]  \tag{2}

Here again, all members who do not take a loan face a positive probability, \( q_{nl} \) of being solicited, where \( q_l = 0 \) and \( q_{nl} = \frac{1}{\mu_m + \mu_r} \). The first equation of Condition 2 is thus:

\[
u(y) - u(y - r\delta) > \frac{u(y) - u(y - D) - \beta}{n(\mu_m + \mu_r)}
\]

It is worth noting that Conditions 1 and 2 allow for the existence of multiple equilibria, which occur when both conditions are simultaneously satisfied:

\[
n\mu_r < \frac{u(y) - u(y - D) - \beta}{u(y) - u(y - r\delta)} < n(\mu_m + \mu_r)
\]  \tag{3}

This situation is all the more likely that the proportion of poor members is small compared to the proportion of middle-class and rich members. In contrast, the signaling equilibrium where all middle-class take a loan is unique when the proportion of poor members is large compared to the rich and middle classes, so that even when all middle-class members choose to take no loan, they still face a high probability of a request. On the other hand, there is no signaling equilibrium when the proportion of poor members is very small, so that the chances of a request when one does not take a loan remains negligible.

In this perspective, field evidence suggests that poor members constitute an important part of the population: (1) the proportion of members who take a loan even though they have enough savings to finance their project is relatively small compared to those members whose
credit is essential to carry out their project, and (2), in so far as savings is an indicator of wealth, the first category of borrowers have much larger amounts of savings compared to the other borrowers. These findings are consistent with the signalling equilibrium just described.

4 Alternative interpretations

Many competing explanations can be provided to account for members choosing to take a loan instead of using their savings. Even though they run against the evidence gathered in our field interviews, we review each of them here below. We show that they cannot provide a consistent rationale for the behavior observed.\footnote{We also rule out the possibility that cooperatives encourage members to take loans rather than dissaving. In the interviews, managers mentioned that they do not encourage members to take loans if they have enough savings available as it runs against the latter’s interest.}

First, savings may be kept to maintain a large credit line and secure access to future loans, before the current loan is fully reimbursed. This strategy may be justified if new or unpredictable needs appear in the future. However, in our setting, cooperatives do not allow for multiple simultaneous loans: it is generally not possible to take a new loan before the current loan is completely reimbursed. In our discussions with the cooperative managers, it appeared that multiple loans are allowed only under exceptional circumstances (such as a serious illness). The members’ files reveal that cases of refinancing are indeed rare and represent less than 3\% of the total loans. It must be noted that in these situations, the rule defining the credit line is not applied anyway, so that keeping extra-savings is irrelevant.

Another argument, used in the context of credit card borrowing in the United States, is that agents take small loans just to build up a credit history that will allow them to secure lower interest or larger amount for future loans. In our setting, while interest rates are institutionally set and do not vary across borrowers, credit history may have an impact on loan size: members who regularly reimbursed their initial loans may obtain larger loans
in the future. Two arguments run against the building of a credit history as a justification for the phenomenon described above. First, as credit and savings take place in the same institution, regular saving payments and regular reimbursement provide the lender with the same information about the financial discipline of the member. By saving, the member is always able to replicate the payments made under a credit contract. Interestingly, the managers interviewed repeatedly mentioned that saving history was an important determinant in their decision to grant a loan. Second, from the member’s files, it appears that even though these credit unions have been growing rapidly over the past years, 44% of the loans taken by members are actually smaller than the previous loans they took. (A similar observation can be made if attention is restricted to members who initially took a loan smaller than their savings.)

The last argument is related to time-inconsistent preferences and commitment problems, as suggested for participation in Kenyan ROSCAS by Gugerty (2007). If members find it easier to pay back a loan rather than to save, those who know they have time-inconsistent preferences might consider taking a loan rather than drawing on their savings, as a way to commit to preserve their savings. In our specific setting, the argument is fallacious because the loan is fully collateralized by liquid savings. All cooperatives allow members to reimburse their loan by using their savings. Therefore, in future periods, a time-inconsistent member will always be tempted to use his savings to pay back his loan. Thus, excess borrowing cannot provide additional incentive to save. The commitment argument is even less plausible that (i) the member was able to accumulate savings in the past, and (ii) interest payment reduce his future income and thereby further decrease his incentives to save.
5 Conclusion

From field observations of credit cooperatives in Cameroon, we find that a substantial number of members take loans even though they have enough liquidity on their saving account in the same institution. 20% of the loans observed fall into this category. The price paid in terms of net interest payments is not negligible as it represents 13% of the amount borrowed. As traditional arguments such as credit rating or time inconsistent preferences cannot explain such behavior in our specific setting, we propose a new rationale based on in-depth interviews with members of the cooperatives. Those interviews indicate that some members systematically use credit as a way to pretend that they are too poor to have available savings. By doing so, they can successfully oppose request for financial help from friends and relatives. This suggests that traditional solidarity obligations impose an important burden on individuals who manage to accumulate wealth. Contrary to Anderson and Baland in their study of female participation in Kenyan Roscas, we do not find the strategy described above to protect saving to be specific to a particular gender.
References


