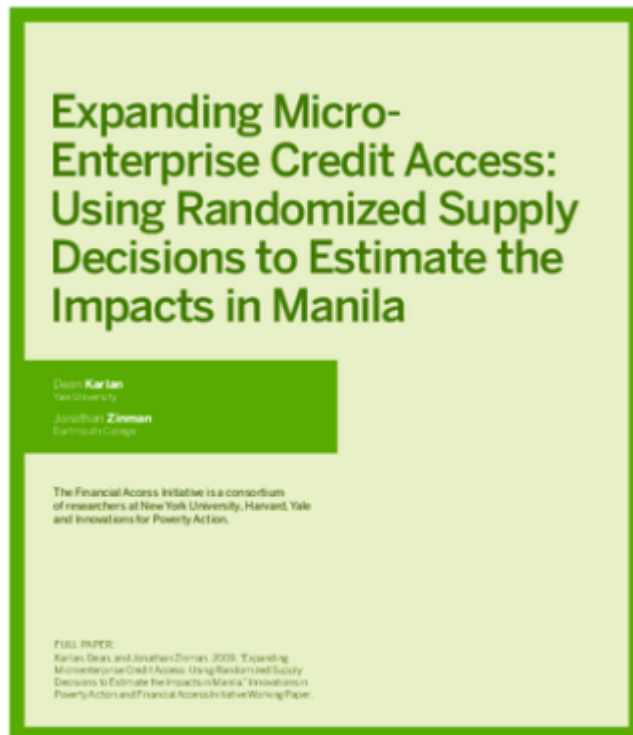


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Expanding Microenterprise Credit Access: Using Randomized Supply Decisions to Estimate the Impacts in Manila

In order to study the impact of microcredit on entrepreneurs in Manila, the authors worked with a lender in Manila who undertook an expansion by randomly accepting some marginally credit-worthy loan applications. The researchers conducted a follow-up survey to measure the effects of this credit expansion on borrowing, business, and social outcomes. Compared to marginally credit-worthy applicants who did not receive approval of their loans, there is

some evidence that the business profits of those in the treatment group increased. Households given the opportunity to borrow invested less in the target business, spent less on labor, and substituted away from formal insurance. These effects were stronger for male and higher-income entrepreneurs. Together, the results suggest that microcredit works broadly through risk management and investment at the household level, rather than directly through business investment as is typically claimed.

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