

Authors

Erica Field

Duke University

Rohini Pande Yale University

John Pann

Research Institute for Compassionate Economics

Jeanette Park

Natalia Rigol

Harvard School of Public Health

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Repayment Flexibility Can Reduce Financial Stress: A Randomized Control Trial with Microfinance Clients in India

Erica Field¹, Rohini Pande²1, John Papp³, Y. Jeanette Park⁴

1 Department of Economic, Sale University, Status, North Carolina, United States of America, 20th and Hammedy School, Cambridge, Nacoschusetts, States of States of America, 20th and States of States of America, 20th and States of America

Abstract

Financial street is widely believed to cause health problems. However, policies seeking to relieve financial street by limiting delet series of poer households in segi dentity series on their economic self-being. We evaluate an attenuate printy-increasing the stoppenent flexibility of delet connects. A finite equivalent candidrip assignment increasings of celests to a monthly or a traditional levelity instrument behalfied IN 2003, We used cell phones to gather survey data on increasing expenditums, and financial stress every 4th house over seven media. Cleans appring restrictly were 31 percent less likely to report feeling women of the service of the service

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Introduction

The success of microfilmater of the system that aids poor waters, the checking in contract by Gering them small collasses—like from some adhesses—like from some adhesses—like from the success and the Cameron Bank some for Nobel Parce Date [12]. While the microfilmater smold has increased commonic opportunities for the power, in series reporter of mixtless among loan sinks for its the smolin aider reports of mixtless among loan fortunes in the final series of health articles among loan formation of the foreman contract for its description of the processes of foreman proposers of particularly among poor of times who close back the foreign classes have done back to financial bands to optimize among times of the processes.

The equicalization/finance between there as very rigid empayanes wheelah that requires been to make incollisation on a sovilly hash beginning-shortly after-lived disbusement. While such a construct is believed us to an important component or floreging definite a law [3], floregones repayaness able finish efector's shifty to dood with other terror defects to beseebald insome and could, therefore, be an important source of smirry when there is in high degree of income contract. One study depressal consistent whether a smit adjustment in least store-time that endource requirement rigidity can describe the study of the contract of the contract based on the study of the contract of the contract of the contract for the contract of the contract of the contract for the contract. Financial steve is self-documented in the psychology literatus to be an inspectation factor leading to assemble ship holishes [6:12], which is tern are among the most important cases of morthical is the sould, and which purdance considerable disability is developing countries [9:11], Indicators of processy and risk for account disasters are highly control in the developing would [1:3]. Howe, minimizing financial stewn is of fine outler impo-

Yes, depite the media's pormayal, signesses estimate that microfilance indebtodows negatively impacts menul health is helding [13]. Moreover, theory suggests that the regulations which have been proposed in each microfilance elimin' store levels has antisymm implications. Nevertheless, highly hasted on case-major evidence, the Indian fideral and state governments have moved to increase regulation of the microfilance owner [13].

Here, we provide experimental evidence on a key parallel design feature represents frequency. For broadcalds' income other imagelar and succertain [13], As a result, frequent repayment requirement result has a source of street. Ver, one can imagine in frequent repayment instantif frameric force of features potential frequent repayment instantif frameric force of features potential in preparing and have to sexualide to make a larger installment of

Observational existence is unable to identify the caused impact of expapsions flexibility on stress in large past because often is little variation in repayment wheelules across microfinance effects, and because, where alternative payment plans are possible, effects who

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Repayment Flexibility Can Reduce Financial Stress: A Randomized Control Trial with Microfinance Clients in India

Financial stress is widely believed to cause health problems. However, policies seeking to relieve financial stress by limiting debt levels of poor households may directly worsen their economic well-being. We evaluate an alternative policy – increasing the repayment flexibility



of debt contracts. A field experiment randomly assigned microfinance clients to a monthly or a traditional weekly installment schedule (N=200). We used cell phones to gather survey data on income, expenditure, and financial stress every 48 hours over seven weeks. Clients repaying monthly were 51 percent less likely to report feeling "worried, tense, or anxious" about repaying, were 54 percent more likely to report feeling confident about repaying, and reported spending less time thinking about their loan compared to weekly clients. Monthly clients also reported higher business investment and income, suggesting that the flexibility encouraged them to invest their loans more profitably, which ultimately reduced financial stress.

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