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Estimating the Impact of Microcredit on Those Who Take It Up: Evidence from a Randomized Experiment in Morocco[†]

By Bruno Crépon, Florencia Devoto, Esther Duflo, and William Parienté*

We report results from a randomized evaluation of a microcredit program introduced in rural areas of Morocco in 2006. Thirteen percent of the households in treatment villages took a loan, and none in control villages did. Among households identified as more likely to borrow, microcredit access led to a significant rise in investment in assets used for self-employment activities, and an increase in profit, but also to a reduction in income from casual labor. Overall there was no gain in income or consumption. We find suggestive evidence that these results are mainly driven by effects on borrowers, rather than by externalities. (*JEL* D14, G21, I23, O12, O16, O18)

Several recent randomized evaluations in different countries and contexts have found that granting communities access to microcredit has positive impacts on investment in self-employed activities, but no significant impact on overall consumption—or on overall income, when that is measured (Attanasio et al. 2011; Augsburg et al. 2013; Banerjee et al. 2013; Angelucci, Karlan, and Zinman 2013; Desai, Johnson, and Tarozzi 2013). A plausible interpretation of these findings is that the small businesses that the households gaining access to microcredit invest in have low marginal product of capital. Consistent with this hypothesis, these studies often find no significant impact of microcredit access on business profits or income from self-employment activities on average, although several do find an impact on profits for preexisting businesses or for businesses at the top end of the

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