

Authors

Dean Karlan
Northwestern University

Jonathan Zinman
Dartmouth College

*Manuscript (include title, author names and affiliations on page 1)
[Click here to view linked References](#)

***List Randomization for Sensitive Behavior:**

An Application for Measuring Use of Loan Proceeds

Dean Karlan Yale University Innovations for Poverty Action MIT, Jansel Poverty Action Lab	Jonathan Zinman Dartmouth College Innovations for Poverty Action MIT, Jansel Poverty Action Lab
--	--

August 2011

Policymakers and microfinance institutions (MFIs) often claim to target poor entrepreneurs who then invest loan proceeds in their businesses. Typically in non-research settings these claims are assessed using readily available but unverified self-reports from client loan applications. Alternatively, independent surveyors could directly elicit how borrowers spent their loan proceeds. That too, however, could suffer from deliberate misreporting. We use data from the Peru and the Philippines in which independent surveyors elicited loan use both directly (i.e., by asking how individuals spent their loan proceeds) and indirectly (i.e., through a list-randomization technique that allows individuals to hide their answer from the surveyor). We find that direct elicitation under-reports the non-enterprise uses of loan proceeds.

List Randomization for Sensitive Behavior: An Application for Measuring Use of Loan Proceeds

Policymakers and microfinance institutions (MFIs) often claim to target poor entrepreneurs who then invest loan proceeds in their businesses. Typically in nonresearch settings these claims are assessed using readily available but unverified self reports from client loan applications. Alternatively, independent surveyors could directly elicit how borrowers spent their loan proceeds. That too, however, could suffer from deliberate misreporting. We use data from the Peru and the Philippines in which independent surveyors elicited loan use both directly (i.e., by asking how individuals spent their loan proceeds) and indirectly (i.e., through

a list-randomization technique that allows individuals to hide their answer from the surveyor). We find that direct elicitation under-reports the non-enterprise uses of loan proceeds.

August 01, 2011