

**Authors**

Lori Beaman  
Northwestern University

Dean Karlan  
Northwestern University

Bram Thuysbaert  
Dutch Development Bank

Christopher Udry  
Northwestern University

**Self-Selection into Credit Markets: Evidence from Agriculture in Mali**

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Lori Beaman, Dean Karlan, Bram Thuysbaert, and Christopher Udry<sup>1</sup>

**Abstract**

We partnered with a micro-lender in Mali to randomize credit offers at the village level. Then, in no-loan control villages, we gave cash grants to randomly selected households. These grants led to higher agricultural investments and profits, thus showing that liquidity constraints bind with respect to agricultural investment. In loan-villages, we gave grants to a random subset of farmers who (endogenously) did not borrow. These farmers have lower – in fact zero – marginal returns to the grants. Thus we find important heterogeneity in returns to investment and strong evidence that farmers with higher marginal returns to investment self-select into lending programs.

JEL: D21, D92, O12, O16, Q12, Q14

Keywords: credit markets; agriculture; returns to capital

<sup>1</sup> Lori Beaman: lbeaman@northwestern.edu, Northwestern University; Dean Karlan: dean.karlan@yale.edu, Yale University, IPA, J-PAL, and NBER; bram.thuysbaert@ugent.be, Ghent University; and Christopher Udry: christopher.udy@yale.edu, Yale University. The authors thank partners See the Children and Sono Villages for their collaboration. Thanks to Yann Guy, Patrick Judeaux, Henriette Hancotte, Nicole Maurilio, and Assiatou Ouédraogo for excellent research assistance and to the field staff of Innovations for Poverty Action – Mali office. We thank Dale Adams, Alex W. Cohen and audiences at the Columbia University, Dartmouth College, the Federal Reserve Bank of Chicago, the University of California-Berkeley, University of California-San Diego, and the University of Maryland for helpful comments. All errors and opinions are our own.

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