Loan Officers Impede Graduation from Microfinance: Strategic Communication in a Large Microfinance Institution

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  - Loan officers implicitly penalized when good borrowers graduate out of their portfolio

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- We document that these organizational features are common amongst MFIs

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- Objective - lower the costs of endorsements to study if incentive structure was generating a meaningful problem

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- Randomized survey timing around a policy change may be a useful design for other experiments within firms

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    - Only endorsements received at Mitigation and Recognition predict repayment and business growth in GL

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  - For ML, we observe all borrowers for at least one loan cycle

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  - Default rate for borrowers endorsed after compensation change - 17%**
  - Fondo collected an extra ~$275** on average from graduated borrowers endorsed after the compensation change

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  - Non-graduated borrowers endorsed in mitigation and recognition do not experience business growth

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  - Consistent with this, non-graduated borrowers endorsed after mitigation and recognition had better repayment in the ML portfolio

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  - Of MFIs with graduation programs, 31%-54% also satisfy points 2-4

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- From org econ perspective, this is an unusually direct exploration of strategic communication inside a firm