Sex and Credit:
Is There a Gender Bias in Lending?

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Abstract

This paper shows an own-gender bias in the credit market. Using loan-level data from a large Albanian lender, we exploit the quasi-random assignment of first-time borrowers to loan officers and find that borrowers matched to loan officers of the opposite gender are 13 to 16 percent less likely to return for a second loan. This effect fades with exposure of loan officers to the opposite gender and in more competitive environments. We also find that the own-gender bias works partly through loan conditionality. Borrowers pay, on average, 28 to 35 basis points higher interest rates when paired with a loan officer of the other sex and receive lower loan amounts. The evidence further suggests that the bias originates with both female and male loan officers. It is more pronounced when the social distance between the loan officer and the borrower increases and when financial market competition declines. This is consistent with theories that predict a taste-based bias to be stronger when the psychological costs of being biased are lower and the discretion in setting interest rates is higher. Together our results show that own-gender preferences can have substantial welfare effects.

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We are grateful to Santosh Anagol, Tore Ellingsen, Marcel Fafchamps, Steven Poelhekke, Raghuram Rajan, David Yanagizawa-Drott, and seminar participants at Goethe University Frankfurt, the NEUDC 2011 at Yale, Stockholm School of Economics, Tilburg University, the Development Economics Workshop in Bergen 2010, and University of Göttingen. This paper was previously circulated under the title ”Sex and Credit: Is There a Gender Bias in Microfinance?”