

# The Impact of Microcredit in Rural Bangladesh: A Fuzzy Regression Discontinuity Design Approach



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## Abstract:

Microcredit has expanded rapidly in recent years but its effect at the household level is still controversial and there is little evidence on its externalities. This paper estimates the effect of participation in microcredit on expenditure and savings both in micro and macro level using a dataset collected from Bangladesh. A regression discontinuity (RD) design is used to identify the credit effect. To justify the validity of RD design we test the discontinuities in the conditional density of the forcing variable. We did not find any substantial evidence of manipulation of forcing variable at the threshold to invalidate the RD design. The results show that access to microcredit increases household saving, possibly for the start of a new business or expending the existing enterprises, instead of spending on durable or nondurable goods. At the village level microcredit generates positive externalities on expenditure.

**Monday, December 9, 2013**

**From 12.15p.m. to 1.30p.m.**

**Location: Seminar Room R42.2.113 (ground  
floor) of the Université libre de Bruxelles  
(ULB), Solvay Brussels School of Economics  
and Management**

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