

Discussion of “Incentivizing Lending to Women Entrepreneurs” by David Raitzer, Markus Taussig, and Russell Toth

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Question and focus:

- **Q:** How to best increase lending to Women-Led SMEs?
- **F:** Pay incentives based on individual vs. relative performance, i.e., piece-rate vs. contest.

Design:

- Treatment 1: “Inclusive” multi-category contest.
 - ① Top winners.
 - ② Most improved WSME lender.
 - ③ Best new WSME lender.
- Treatment 2: Piece-rate.
 - Fixed incentive payment tied to number new WSME loans (not loan volume).

Headline findings:

- ① Both piece-rate incentives and multi-category contest increase WSME lending.
 - “They roughly co-move in terms of magnitude of impact.”
- ② This growth does not crowd out lending to comparable non-female enterprises.
- ③ Treatment effects persist beyond the intervention period.
- ④ No gender differences in performance in either treatment arm.

Question, design, and findings

Result 1 + 3:

$$\# \text{New WSME Loans}_{bt} = \beta_1 T_{1bt} + \beta_2 T_{2bt} + \phi_b + \theta_t + \gamma X_{bt} + \xi_{bcmt}.$$

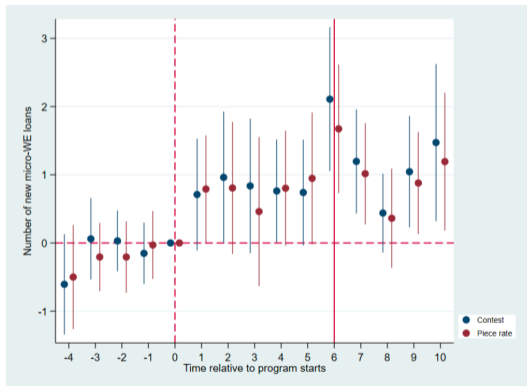


Figure 6: Effect of Treatments on Number of New WSME Loans

Question, design, and findings

Result 2:

$$\#New\ NonWSME\ Loans_{bt} = \beta_1 T_{1bt} + \beta_2 T_{2bt} + \phi_b + \theta_t + \gamma X_{bt} + \xi_{bcmt}.$$

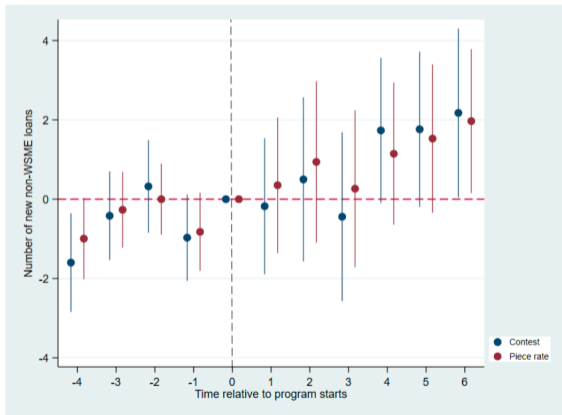


Figure 4: Effect of treatments on Number of New non-WSME Loans (Spillovers)

Question, design, and findings

Result 4:

$$\# \text{New WSME Loans}_{bt} = \beta_1 T_{1bt} + \beta_2 T_{2bt} + \phi_b + \theta_t + \gamma X_{bt} + \xi_{bcmt}.$$

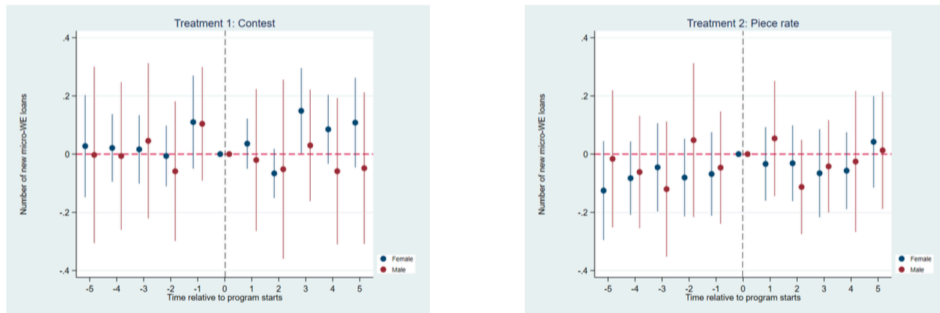


Figure 9: Disaggregate the impact of 2 treatment by gender on number of new micro WSME loans compared to control group

Main reaction

This early-stage paper is **thought-provoking** and of **great policy importance**.

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I'll follow the organizers' recommended structure.

1. Relevance and contributions of the research to the literature.
2. Comments on methodology/identification strategy/data analysis.
3. Policy implications of the research (public/private sectors' applications).
4. Possible extensions of the research that would be interesting to explore.

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#1: Relevance/contribution

Two central contributions:

(i) **Multi-category** contest vs. piece-rate incentive.

- Contest induces competition among loan officers.
- This competition can create stress and discourage cooperation.
- Inclusive multi-category contest attempts to minimize these downsides.

#1: Relevance/contribution

(ii) Authors produce **evidence from a real-stage, large field experiment.**

#2: Methodology/identification strategy/data analysis

Three main comments:

(i) Need to **rule out alternative explanation** for no crowding-out result:

- Result: WSME and non-WSME lending increased in both treatment branches.
- Explained by **treatment branches' local economic conditions or other interventions?**
- Pre-trends!

(ii) Authors mention other interventions.

- “...randomization is designed such that the presence of other interventions should be orthogonal to treatment assignment...”
- Two questions:
 - ① How does the design make treatment assignment orthogonal to other interventions?
 - ② What are the other interventions?

(iii) I'd love to see more info on methodology. Some examples:

- **Power:** Enough power to compare contest vs. piece-rate incentives, given FEs/controls?
- **Clustering**, etc.

#4: Possible extensions

Two possible extensions:

#4: Possible extensions

(i) Loan officers vs. managers vs. loan policies.

- Repetitive (complex) tasks are better motivated through piece-rate (contest) incentives.
- Loan officers perform both repetitive and complex tasks:
 - Repetitive: Evaluate applications using software.
 - Loan officers might be constrained by loan policies (Hurtado and Sakong 2024).
 - Complex: Helping borrowers to qualify, prospecting (Agarwal and Ben-David JFE 2018).
- Can this fact explain central results?
 - Can authors identify “repetitive” and “complex” loan officers?

#4: Possible extensions

(i) Loan officers vs. managers vs. loan policies.

- Managers likely perform more complex tasks.
- I propose interventions targeting managers and loan officers with varying performance:
 - Treatment 1: Standard contest.
 - Treatment 2: “Inclusive” contest.
 - Treatment 3: Piece-rate incentive.
- The good news is the authors already implemented intervention for managers.
- Goal/question: What’s the most effective way to increase WSME lending?

#4: Possible extensions

(ii) Loan performance

- Is more WSME lending welfare-improving?
- The answer depends on the performance of marginal WSME lending.
- To make sure owners are better off, authors should look at defaults in a few months!

#3: Policy implications

Implications depend on the partner bank's objective function:

- Is the bank profit or mission-driven?
- I suspect the bank is maximizing profits along with other objectives.
 - Otherwise, I wouldn't have partnered with the authors!
- I'd love more on this in the institutional details section.

#3: Policy implications

Two questions to motivate the policy implications section:

#3: Policy implications

- (i) Paper suggests it might be possible to ameliorate excessive competition issues in contests.
 - If so, are “improved” contests cheaper to implement than piece-rate incentives?
 - The paper includes some discussion on this (calibration), but I’d love to see more.

#3: Policy implications

(ii) Can “improved” contests work for other underserved groups? Why?

- This early-stage paper is **thought-provoking** and of **great policy importance**.
- It has **huge potential** and I look forward to seeing the next version!