

Digital Credit: Filling a hole, or digging a hole? Evidence from Malawi

Consumer digital credit has the potential to expand credit access dramatically; however, as currently offered, loans tend to be for small amounts, with short terms, at high effective interest rates (well over 100% APR annually). What is the effect of access to these loans? Are consumers informed about loan terms? We use two research approaches to answer these questions in Malawi. First, we use a regression discontinuity design around credit score thresholds to estimate impacts. Second, we conduct a financial literacy RCT which informed customers of the sizeable fees and penalties associated with the loan.