

30-Nov-2022

RE: AER-2022-1262 "The Microfinance Disappointment: An Explanation based on Risk Aversion"

Dear Prof. Moav:

I am writing to you about your AER submission above. I thought that your paper was very promising and so I sent the paper to two very knowledgeable referees, whose reports are below.

I am afraid that I do not have great news to share, as both referees recommend a rejection. Referee 1 believes it is a nice paper, but the referee feels that the contribution is not large relative to the literature and that the paper does not engage enough with what we know about microfinance. This referee states: "I think a particular issue is that neither the experiment nor the sample used are tightly tied to/representative of the setting of microcredit. The paper also does not engage enough (in my opinion with recent papers on nonconvexities in development)." Referee 2 also recommend a rejection stating that "it's not clear if the results is driven by risk aversion. Given the correlation between risk aversion and other factors such as business skills or education."

Having read the paper myself, I enjoyed reading it and think it has a lot to offer. However, I am also persuaded by the referees on both issues, and I will have to unfortunately pass on the paper. I am very sorry. I hope the reports can help you as you think about next steps on the paper.

Again, I am very sorry to convey this disappointing news. I thank you for giving us the opportunity to consider your work, and hope that the outcome of this specific submission will not discourage you from the submission of future manuscripts. Good luck with the project!

Sincerely,

Prof. Rema Hanna
Coeditor, American Economic Review