

Abstract

Improved household accessibility to credit is identified as a significant determinant of intra-household re-allocation of labour resources with important implications for productivity, income, and poverty status. However, credit accessibility could also have wider impacts on poverty if it leads to new hires outside the household. This paper contributes to the existing literature on microcredit in two important ways: first, it investigates the routes through which microcredit reaches those in poverty outside the household. We test whether, by lending to the vulnerable non-poor, microcredit programmes can indirectly benefit poor labourers through increased employment. Second, we conduct the study in the spatial dimension of urban poverty Mexico. This is relevant when considering that, unlike in rural areas, labour often represents the only source of livelihoods to the extreme poor. Our findings point to significant trickle-down effects of microcredit that benefit poor labourers; however, these effects are only observed after loan-supported enterprising households achieve earnings well above the poverty line. The paper concludes with reflections on the policy implications.

JEL Classification: C24; C25; C81; O16; O17; O18

Keywords: Mexico; microcredit; labour; poverty

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