Assignment 5

Use the database microfinance.dta for this assignment. You can download the data from the following link:

https://www.dropbox.com/sh/vyvpdtgc367hte3/AABb1nFQh4vcTPMaQ9ExaI4Wa?dl=0

For the definition of the variables, see Table 1 of Pitt, M. and S. Khandker (1998), "The Impact of Group-Based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?", The Journal of Political Economy, 106(5), 958-996. This file contains information on participation to microfinance in 1991/92. We want to estimate the causal impact of microfinance.

Q1. Can we compare participants (part=1) to non-participants (part=0) to see the effect of microfinancing? Why or why not?

Q2. Regress the participation to the program, with a logit specification, on HGC sex age landHHpar landHHbro landHHsis landHHSPpar landHHSPbro landHHSPsis HHland HGChead sexhead agehead adultmale adultfemale scohab village11-village243. What is the R^2? Generate ps1, the propensity score from this estimation.

Q3. Regress the participation to the program, with a logit specification, on HGCdummy (a dummy equal to 1 if the individual has HGC>0, and equal to 0 otherwise) savings nfeown livevalue agrincome HHland hhsize nonagrwage agrwage fed med mar age2 age3 age4 mliv sex age agehead adultmale village11-village243. Does this regression seem better? Why? Generate ps2 from this specification.

Q4. Conduct the post-matching tests about whether the two samples are matched well.