

# Lying About Borrowing

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The Financial Access Initiative is a consortium of researchers at New York University, Harvard, Yale and Innovations for Poverty Action.

FULL PAPER:  
Karlan, Dean, and Jonathan Zinman. 2007. "Lying About Borrowing." Working Paper.

Social scientists rely heavily on self-reported data. But can respondents be trusted to report the truth? In this paper, the authors compared survey self-reports with administrative data and found that nearly 50% of recent borrowers did not report their high-interest consumer loans. Under-reporting appeared to be correlated with several characteristics, in particular gender. Relying strictly on self-reported data may lead to biased inference, and the authors outline some methodological implications for identifying impacts of credit access on borrower behavior and outcomes. Matching female surveyors to female respondents appears to be one low-cost mitigation strategy. The best strategy, however, is to avoid reliance on self-reported data by using lenders' administrative data or the credit bureau, when feasible.

## Surveying Borrowers & Non-Borrowers

The authors compared survey self-reports with administrative data for potential clients in the “cash loan” market in South Africa. The sample included first-time applicants for four-month installment loans that carry a roughly 200% APR. An independent survey firm administered a detailed household survey on the financial condition and well-being of a pool of marginal applicants identified by the lender. When the 553 applicants in the sample were surveyed 6 to 12 months later, 156 of them had actually received a loan.

## Health Insurance

The authors found that nearly half of respondents known to have borrowed recently from the lender did not report any recent borrowing from a financial institution. They labeled this under-reporting “lying” for two reasons: an expensive loan of this type would likely be difficult to forget, and because a stigma surrounds this type of borrowing, a temptation to lie for appearances is present. Additionally, respondents were far less likely to over report than under report. Women were 13 percentage points more likely to lie than men. For female respondents, the frequency of lying was affected by the gender of the surveyor: 62% of women under report when interviewed by men, whereas

42% of women interviewed by women under-report. Men do not show this difference, and 40% under-report, irrespective of the gender of the interviewer. The authors also examined whether the lying effect is driven by cohabitation—in other words, whether individuals living with a partner may have lied because their spouse did not know about the loan. This was true for men: 52% of cohabiting men lied, compared to only 32% of non-cohabiting men. The opposite was true for women: 43% of cohabiting women lied, compared to 62% of non-cohabiting women. There is little statistically significant correlation between lying and other variables such as income, race, marital status, or creditworthiness.

## Policy Implications

There are multiple possible explanations for under-reporting, including the social stigma of borrowing, concealing loans from spouses, or fear that financial information will be shared with debt collectors or fraudsters. These explanations could be explored in future studies, as could the source of the gender differences. Regardless of the source of under-reporting, the results cast some doubt on the feasibility of obtaining unbiased estimates of the impacts of borrowing or credit access using self-reported data. Researchers should consider other methodological approaches, such as obtaining administrative data or credit bureau data.