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THE ECONOMICS OF LENDING WITH JOINT LIABILITY:  
THEORY AND PRACTICE

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# The Economic of Lending with Joint Liability: Theory and Practice \*

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## Abstract

Institutions that rely on joint liability to facilitate lending to the poor have a long history and are now a common feature of many developing countries. Economists have proposed several theories of joint liability lending that stress various aspects of its informational and enforcement advantages over other forms of lending. This paper analyzes how joint-liability lending promotes screening, monitoring, state verification, and enforcement of repayment. An empirical section draws on case studies to highlight how joint liability works in practice.

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