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### ABSTRACT

Growing evidence suggests that women are more likely to repay collateral-free microloans than men. However, we know little about what explains such gender differences. We hypothesize that better repayment performance of women microcredit borrowers can largely be explained by gender differences in innate trustworthiness. We conduct a trust game and a microloan repayment game in rural Bangladesh. We find that women are more trustworthy than men and that they are more likely to repay their loans irrespective of any control mechanisms, such as joint liability or dynamic repayment incentives. The results of a mediation test suggest that the gender effect on loan repayment is significantly mediated by differences in innate trustworthiness. We conduct a sensitivity test to check the extent to which unobserved confounders might have influenced the mediation effect, and find no evidence of significant omitted variables bias.

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