Online Appendix

Investing in the Next Generation: The Long-Run Impacts of a Liquidity Shock

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A. Appendix Tables and Figures

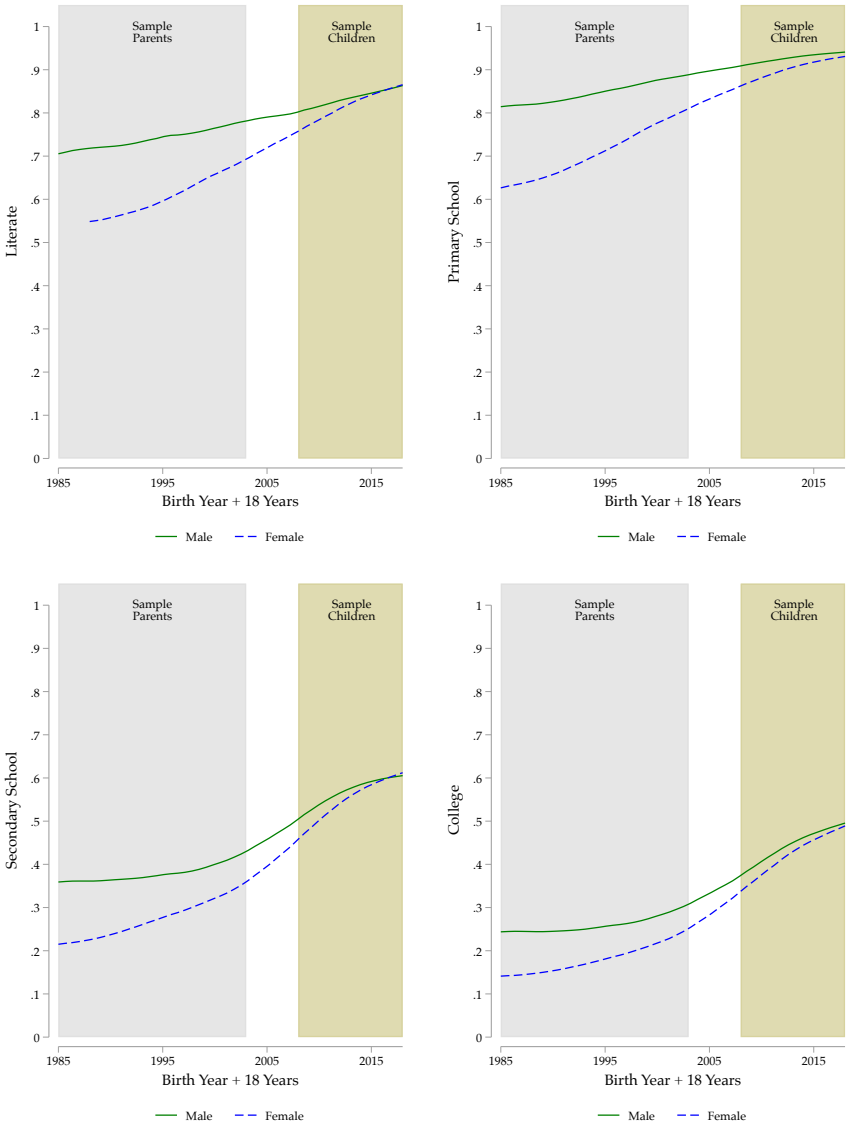


Figure A1: Educational Trends in India

Note: These figures plot trends in educational attainment by gender across birth year cohorts in the National Family Health Survey-5. The lines correspond to local regressions (bandwidth = 2, kernel = epanechnikov). The x-axis shows the year in which the person turned 18 years of age and the y-axis varies by panel. Clockwise from the top left panel, the y-axis shows the following outcomes: literacy; primary school completion; secondary school completion; and any college attendance. In all panels, the solid line corresponds to men and the dotted line corresponds to women. The right shaded area in each panel denotes the age range of the VFS school-age child sample (aged 7-17 years at baseline) and the left shaded area in each panel denotes the age range of their parents. The sample includes all individuals aged 18-80 in urban areas in the National Family Health Survey-5 (175,372 observations for the top left panel and 349,115 observations for all other panels).

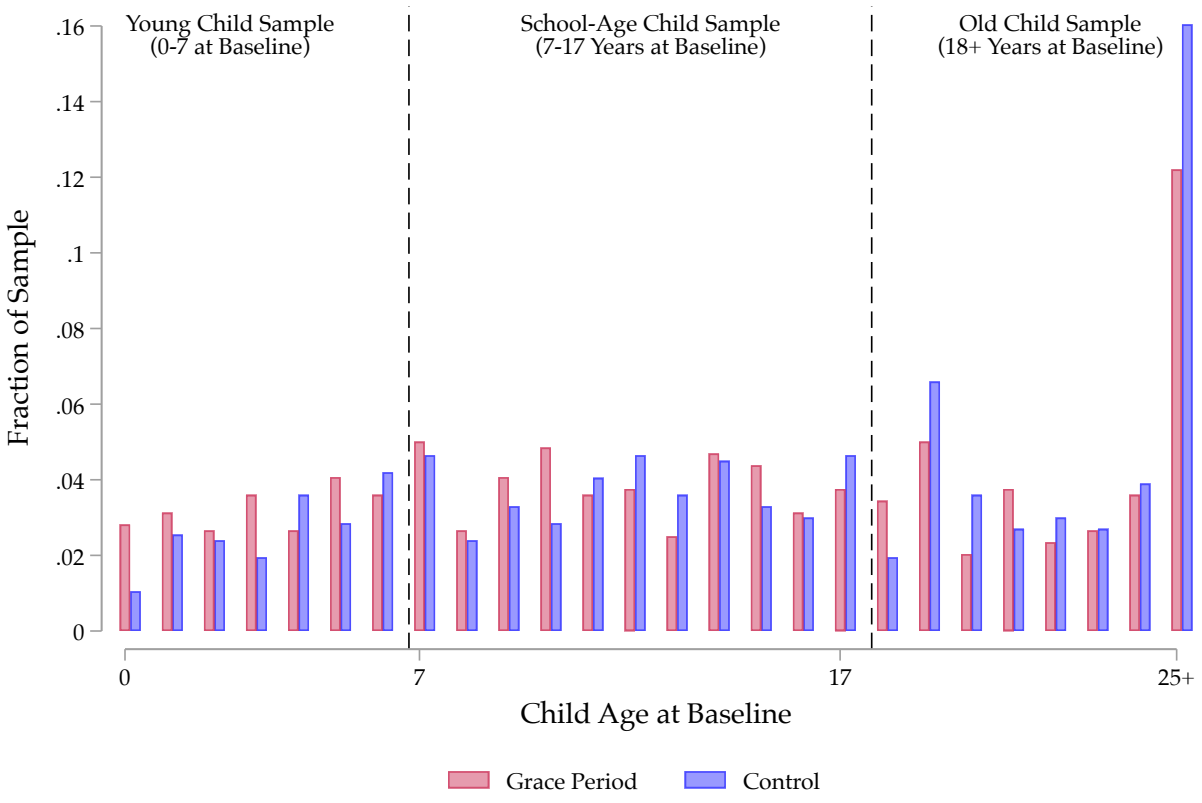


Figure A2: Histogram of Child Age

Note: This figure shows the distribution of sample children by age at baseline separately by treatment and control (N=1,303). There are 268 observations in the young child sample, 543 in the school-age child sample, and 492 in the old child sample. The two dotted lines denote the child age cut-offs (7 and 17 years old) for inclusion in our school-age child sample.

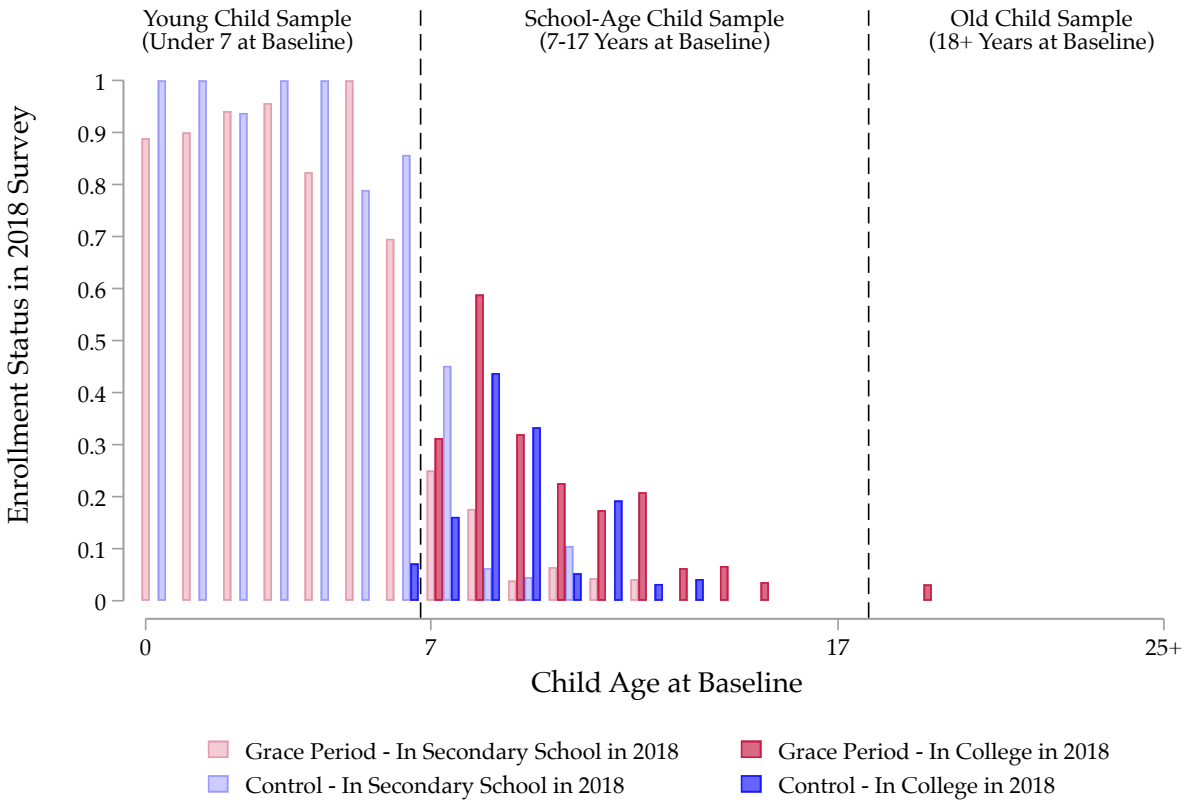
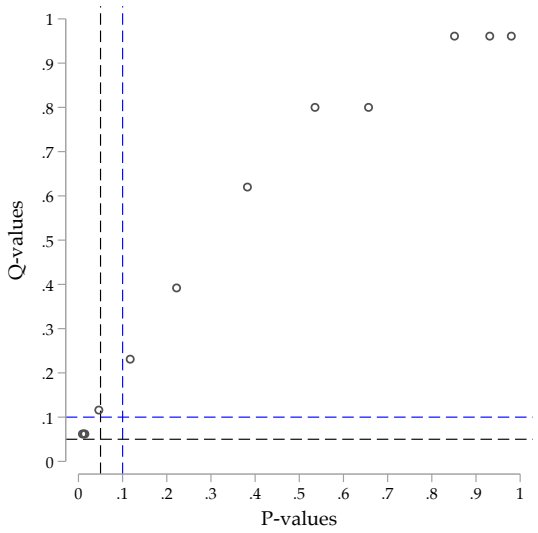
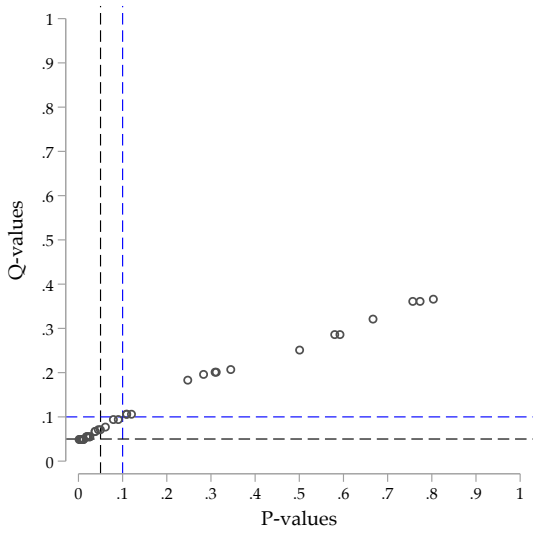


Figure A3: Enrollment Status by Child Age at Baseline

Note: This figure shows enrollment in either secondary school or college in 2018 by child age at baseline by treatment group (N=1,303). There are 268 observations in the young child sample, 543 in the school-age child sample, and 492 in the old child sample. The two dotted lines denote the child age cut-offs (7 and 17 years old) for inclusion in our school-age child sample.



Panel A: Outcome Family 1



Panel B: Outcome Family 2

Figure A4: Corrections for Multiple Hypothesis Testing

Notes: The figures plot sharpened q-values against unadjusted p-values. Both figures include the following household-level economic outcomes and child-level education and socio-economic outcomes: educational investment index, completed secondary school, attended college, years of education, economic index, number of household workers, number of non-household workers, ever self-employed under 18, dropout due to economic considerations, dropout due to child ability, dropout due to marriage for the pooled school-aged sample. The left panel shows the corrections for the first outcome family which is comprised of 12 tests (Panel A of Tables 1, 3 and 4). The right panel shows the corrections for the second outcome family which considers the heterogeneity analysis by parental education and comprises 36 tests (Panel A of Table 2 and Panel B of Tables 3 and 4). Sharpened q-values are calculated using the approach developed by Benjamini, Krieger and Yekutieli (2006) and described in Anderson (2008).

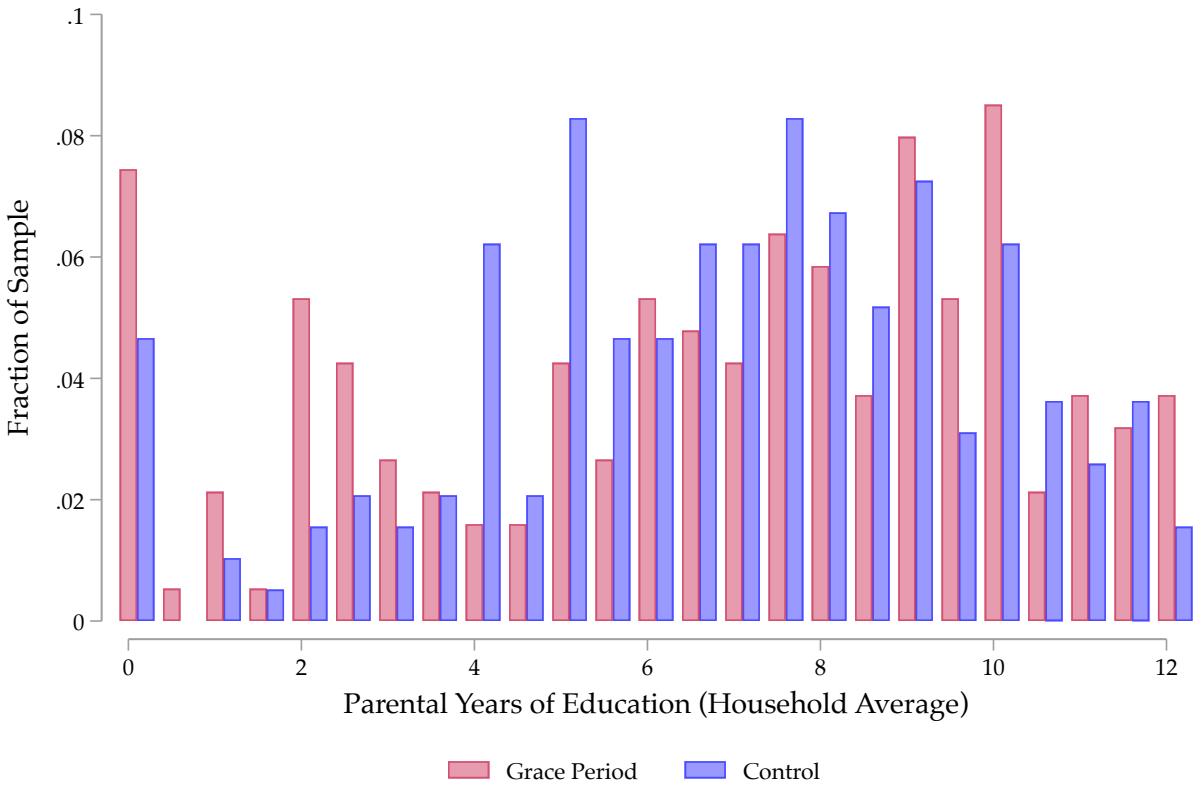


Figure A5: Histogram of Parental Education

Note: This figure shows the distribution of household-level average of mother's and father's education by treatment status (N=381).

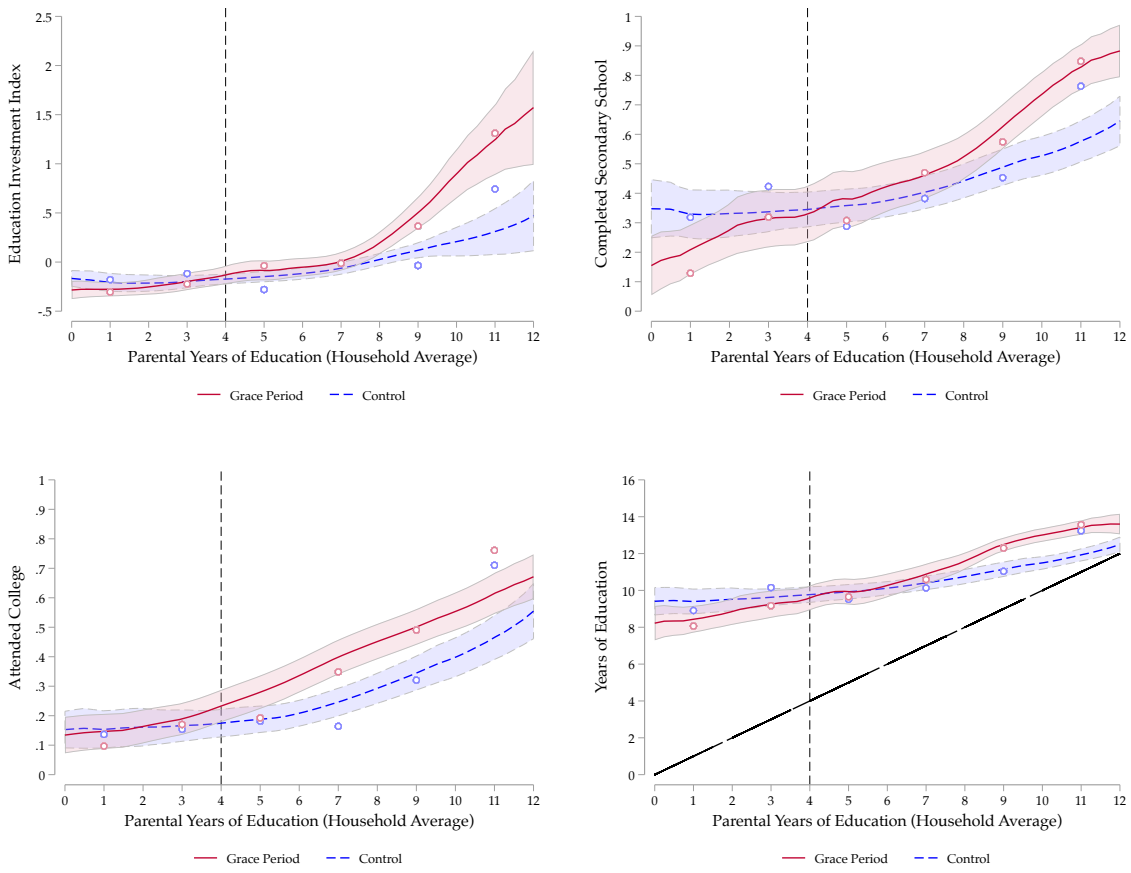
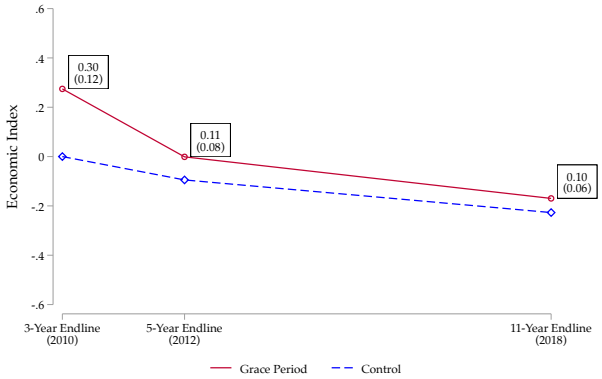


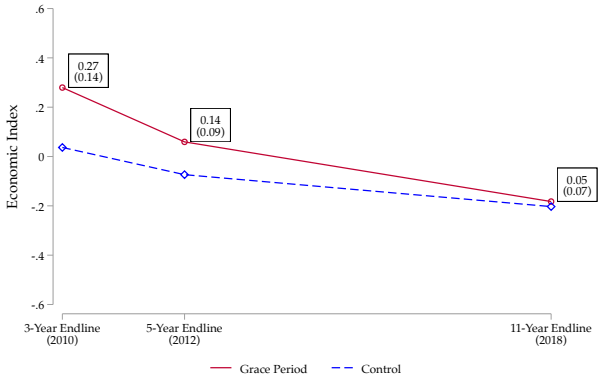
Figure A6: Child Education Outcomes by Parental Education and Treatment Group

Notes: These figures plot the distribution of educational outcomes by average years of parental education (average of mother's and father's education). We separately estimate local regressions (bandwidth = 2, kernel = epanechnikov) for children in treatment (solid red line) and control (dotted blue line) households. The x-axis shows average parental years of education and the y-axis varies by panel. Clockwise from the top left panel, the y-axis shows the following outcomes: educational investment index; secondary school completion; any college attendance; years of education. The shaded areas correspond to 90 percent confidence intervals. The hollow circles correspond to the raw means of each outcome variable. For all panels, the sample consists of school-age children (7-17 at baseline; N=543). See Data Appendix for details on variable definitions and construction.

Panel A: Pooled



Panel B: Literate Parents



Panel C: Illiterate Parents

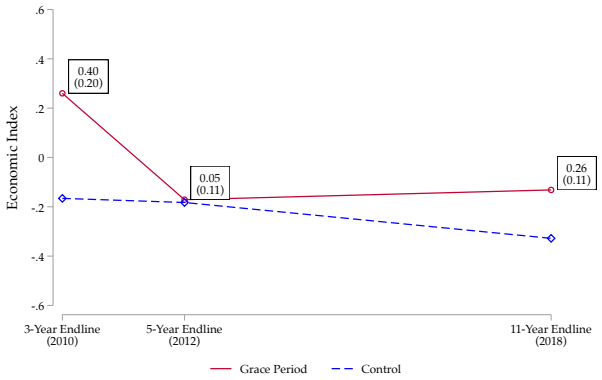


Figure A7: Treatment Impacts on Standardized Economic Index Over Time: Average Treatment Effects

Notes: These figures plot the mean of the economic index variable by treatment (solid red line) and control group (dotted blue line) for each survey year. The figure in Panel A uses the pooled sample of all households (N=363 in 2010, N=369 in 2012, N=381 in 2018) while the figures in Panels B and C show plots for the literate- and illiterate-parent subsamples (N=281 in 2010, N=285 in 2012, N=296 in 2018 for literate parents and N=80 in 2010, N=84 in 2012, N=85 in 2018 for illiterate parents). The boxes report the treatment effects from a regression in which we regress the outcome on an indicator variable for assignment to the grace period treatment, stratification dummies, an indicator variable for non-client respondent to the 2018 survey, and baseline controls selected by LASSO (equation 3). Regressions are shown in Table 1 and Appendix Table A14.

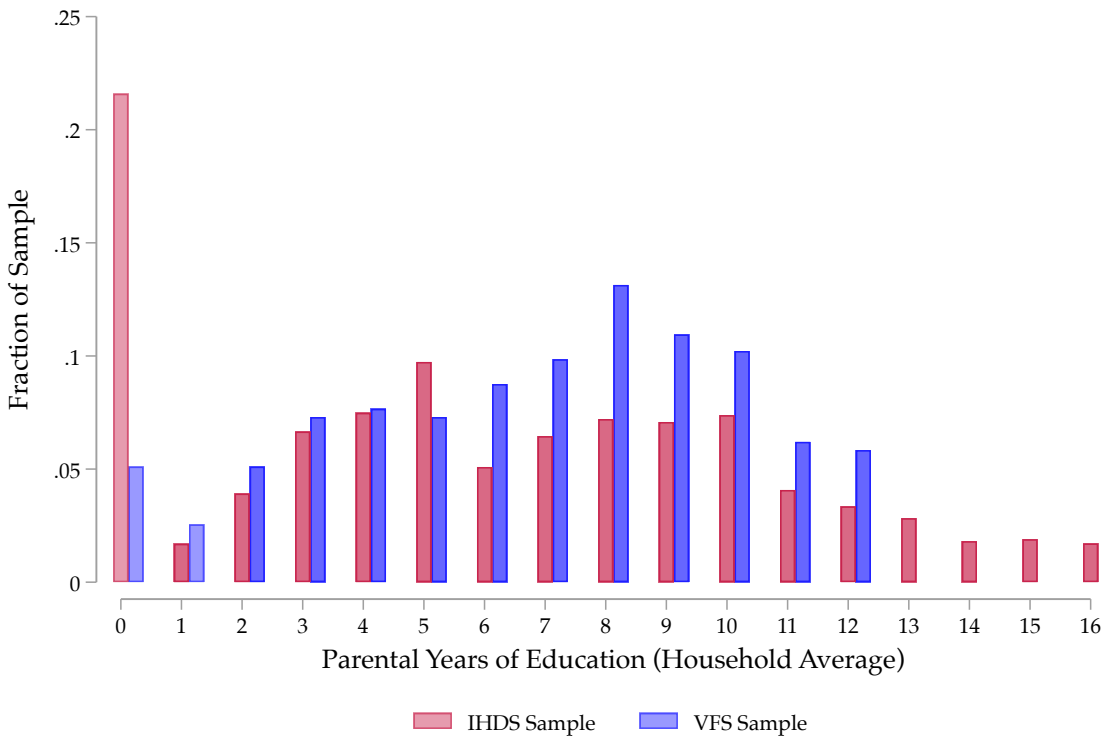


Figure A8: Distribution of Average Parent Education in VFS and IHDS Samples

Notes: This histogram plots the distribution of average years of parental education (average of mother's and father's education) in the IHDS (N=6,892) and VFS samples (N=274). The VFS sample is limited to the parents of school-age sons. The IHDS sample is limited to parents of sons who are 18-28 in the IHDS (2012) and who live in urban areas. For ease of visualization, average parent education is always rounded up to the nearest integer value.

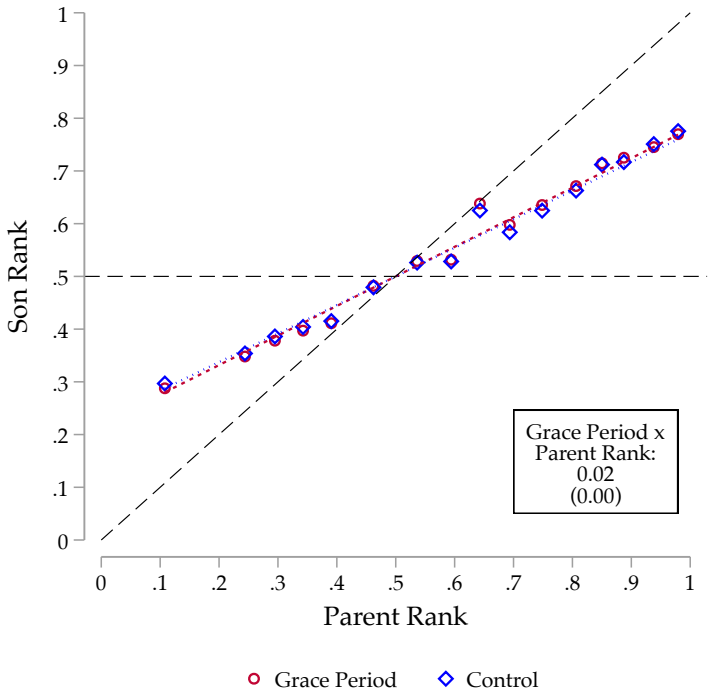


Figure A9: Predicted Son-Parent Rank-Rank Relationship by Treatment Group for Full Population

Notes: These figures plot binned scatter plots of the rank–rank relationship between sons and parents education rankings. Parent's education is defined as the average of mother's and father's education. We show the status-quo relationship (blue line and squares) and the relationship adding the VFS treatment effects for the microfinance sons' subsample (red line and circles) in IHDS data. The 45-degree line corresponds to complete immobility and the horizontal line corresponds to perfect mobility. The IHDS sample is limited to sons (and their parents) who are 18-28 in IHDS (2012) data and who live in urban areas (N=6892). See Online Appendix Table A16 for the regression results.

Table A1: Balance Check

	Pooled			Literate			Illiterate		
	Control Mean	Grace Period Coeff.	N	Control Mean	Grace Period Coeff.	N	Control Mean	Grace Period Coeff.	N
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Panel A: Household-Level Variables									
Client's Age	34.26	0.36	381	33.96	0.27	296	35.51	-0.12	85
	[5.89]	(0.62)		[5.90]	(0.66)		[5.76]	(1.52)	
Client Is Married	0.96	-0.01	381	0.96	0.00	296	0.97	-0.07	85
	[0.19]	(0.02)		[0.19]	(0.02)		[0.16]	(0.07)	
Client Has Financial Control	0.87	-0.04	379	0.88	-0.02	295	0.84	-0.09	84
	[0.34]	(0.04)		[0.33]	(0.05)		[0.37]	(0.09)	
Empowered Client	0.57	0.01	346	0.55	0.01	277	0.66	0.02	69
	[0.50]	(0.06)		[0.50]	(0.07)		[0.48]	(0.14)	
Client Is Impatient	0.53	-0.04	363	0.52	-0.03	287	0.56	-0.09	76
	[0.50]	(0.06)		[0.50]	(0.07)		[0.50]	(0.14)	
Spouse's Age	41.00	0.68	364	40.64	0.53	284	42.50	0.35	80
	[6.84]	(0.72)		[6.81]	(0.77)		[6.85]	(1.71)	
Household Size	4.34	-0.04	380	4.29	-0.07	295	4.54	0.08	85
	[1.31]	(0.15)		[1.32]	(0.14)		[1.30]	(0.44)	
Education Expenditure 2007	635.66	11.86	380	681.89	62.45	295	440.77	-115.75	85
	[588.19]	(72.99)		[613.04]	(86.78)		[422.83]	(91.65)	
Muslim	0.04	0.05	381	0.03	0.03	296	0.11	0.12	85
	[0.20]	(0.04)		[0.16]	(0.03)		[0.31]	(0.08)	
Household Shock	0.63	0.02	375	0.64	0.00	292	0.58	0.02	83
	[0.48]	(0.07)		[0.48]	(0.07)		[0.50]	(0.12)	
Number of Children in Household	1.85	0.04	380	1.76	-0.01	295	2.22	0.13	85
	[0.91]	(0.10)		[0.80]	(0.09)		[1.25]	(0.32)	
Household Has a Business	0.78	0.05	380	0.78	0.04	295	0.76	0.08	85
	[0.42]	(0.05)		[0.41]	(0.05)		[0.43]	(0.10)	
Loan Amount ₹4,000	0.02	-0.01	381	0.02	-0.02	296	0.00	0.01	85
	[0.12]	(0.01)		[0.14]	(0.01)		[0.00]	(0.01)	
Loan Amount ₹5,000	0.05	0.01	381	0.04	-0.01	296	0.08	0.05	85
	[0.21]	(0.03)		[0.19]	(0.03)		[0.28]	(0.07)	
Loan Amount ₹6,000	0.30	-0.09	381	0.32	-0.10	296	0.22	-0.03	85
	[0.46]	(0.05)		[0.47]	(0.06)		[0.42]	(0.10)	
Loan Amount ₹7,000	0.01	-0.01	381	0.00	0.00	296	0.03	-0.04	85
	[0.07]	(0.01)		[0.00]	(0.00)		[0.16]	(0.04)	
Loan Amount ₹8,000	0.55	0.01	381	0.54	0.03	296	0.62	-0.08	85
	[0.50]	(0.06)		[0.50]	(0.07)		[0.49]	(0.09)	
Loan Amount ₹10,000	0.08	0.09	381	0.08	0.10	296	0.05	0.08	85
	[0.27]	(0.04)		[0.28]	(0.04)		[0.23]	(0.07)	
Owns Home	0.85	-0.03	377	0.85	0.01	294	0.86	-0.15	83
	[0.35]	(0.04)		[0.36]	(0.04)		[0.35]	(0.11)	
Socio-Economic Index	-0.14	0.18	333	-0.05	0.30	258	-0.48	-0.19	75
	[1.17]	(0.15)		[1.20]	(0.17)		[0.99]	(0.28)	
No Drain in Neighborhood	0.12	0.01	379	0.10	0.02	295	0.24	0.00	84
	[0.33]	(0.05)		[0.30]	(0.04)		[0.43]	(0.10)	
Literate Parents	0.81	-0.07	381						
	[0.39]	(0.05)							
Joint Test p-value		0.33			0.37			0.14	
		[0.65]			[0.67]			[0.89]	
Panel B: Child-Level Variables									
Female	0.51	-0.02	543	0.50	-0.03	399	0.54	0.01	144
	[0.50]	(0.05)		[0.50]	(0.05)		[0.50]	(0.11)	
Birth Order	1.79	-0.06	543	1.71	-0.07	399	2.06	-0.16	144
	[0.99]	(0.10)		[0.97]	(0.12)		[1.00]	(0.21)	
Resides with Parents	0.91	0.01	543	0.92	0.00	399	0.89	-0.01	144
	[0.28]	(0.03)		[0.27]	(0.04)		[0.31]	(0.07)	

Notes: This table shows balance for baseline covariates measured in 2007. Panel A reports on household-level outcomes and Panel B on child-level outcomes. Panel A include households with at least one 7-17 aged child in 2007 and who were surveyed in 2018. Columns (1)-(3) present the pooled school-aged sample (N=381 in Panel A and N=543 in Panel B). Columns (4)-(6) are limited to the literate sample (N=296 in Panel A and N=399 in Panel B) and columns (7)-(9) are limited to the illiterate sample (N=85 in Panel A and N=144 in Panel B). Differences in sample sizes across variables reflect missing data. Columns (1), (4), and (7) report the control mean of the dependent variable for each relevant subgroup (standard deviations in brackets). Columns (2), (5), and (8) report the difference in the dependent variable from OLS regressions of each outcome on an indicator variable for assignment to the grace period treatment and stratification dummies. Panel B regressions include child age fixed effects. Standard errors clustered by loan group are reported in parentheses. Randomization inference p-values for the joint tests from 1,000 permutations of the treatment assignment are reported in brackets. Data Appendix provides details on variable definitions and construction.

Table A2: Consumption and Additional Investment Opportunities

	Expenditures									
	Past 7 Days		Past 30 Days							
	2018 Survey		Pooling 2012 & 2018 Surveys				2018 Survey			
	Food	Alcohol/ Cigarettes	Festival	Renovations	Health	Education	Household Size	Number of New Children Since Baseline	Total Savings	Permanently Migrated
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Grace Period	25.15	-16.20	-12.54	-249.53	84.61	185.76	0.07	-0.02	444.80	0.02
	(48.01)	(13.13)	(116.47)	(317.36)	(95.09)	(88.33)	(0.12)	(0.03)	(2863.98)	(0.02)
	[0.62]	[0.25]	[0.94]	[0.46]	[0.40]	[0.04]	[0.56]	[0.44]	[0.89]	[0.22]
Control Group Mean	822.19	59.51	438.25	898.53	635.34	503.57	3.67	0.08	12495.45	0.037
Observations	381	370	749	748	749	738	381	303	376	462

Notes: This table shows the effect of the grace period treatment on consumption and variety of alternative investment opportunities. Columns (1)-(2) and (7)-(10) use data from the 2018 (N=381) survey and columns (3)-(6) pool data from the 2012 (N=369) and 2018 (N=381) surveys. The sample in column (8) is restricted to households in which the client was younger than 40 years at baseline. We regress each outcome on an indicator variable for assignment to the grace period treatment, stratification dummies, an indicator variable for non-client respondents, and baseline controls selected by LASSO (equation 3). In columns (3)-(6), we also include survey year dummies. All regressions are estimated by OLS and standard errors clustered by loan group are reported in parentheses. Randomization inference p-values are from 1,000 permutations of the treatment assignment and are reported in brackets. See Data Appendix for details on variable definitions and construction.

Table A3: Returns to Enterprise Capital

	2010	
	Capital OLS (1)	Profits 2SLS (2)
Panel A: Pooled		
Grace Period	13173.80	
	(8988.46)	
Capital		0.04
		(0.03)
Observations	361	355
Panel B: Heterogeneity by Parental Literacy		
Grace Period × Literate Parents	14704.66	
	(10560.73)	
Grace Period × Illiterate Parents	16189.27	
	(12934.02)	
Capitol × Literate Parents		0.04
		(0.02)
Capitol × Illiterate Parents		0.06
		(0.04)
p-value: Grace Period × Literate Parents = Grace Period × Illiterate Parents	0.924	
p-value: Capital × Literate Parents = Capital × Illiterate Parents		0.684
Observations (Literate Parents)	281	277
Observations (Illiterate Parents)	80	78

Notes: This table estimates household-level returns to capital in 2010. In column (1), we regress capital on an indicator variable for assignment to the grace period treatment, stratification dummies and hours worked on the business by the business owner. In column (2), the outcome variable is profits and we instrument for capital using treatment status. Panel A reports the results for the pooled sample. Panel B reports a variant which includes the fully interacted effects of treatment and parental literacy (the parental literacy indicator is included in regression but not reported). Differences in the number of observations between columns (1)-(2) are due to missing profits data. Standard errors clustered by loan group are reported in parentheses. See Data Appendix for details on variable definitions.

Table A4: Attrition Check for 2018 Survey

	Pooled			Literate			Illiterate		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Panel A: Attrition									
	Treat	SE	N	Treat	SE	N	Treat	SE	N
Attrited	-0.04	(0.03)	462	-0.04	(0.03)	365	-0.01	(0.05)	97
	[0.11]			[0.21]			[0.84]		
Control Mean	0.10			0.11			0.05		
Panel B: Attrition and Baseline Characteristics									
	Attrited x Treat	SE	N	Attrited x Treat	SE	N	Attrited x Treat	SE	N
Client's Age	-3.26	(1.78)	462	-3.94	(1.86)	365	4.28	(3.73)	97
Client Is Married	-0.12	(0.14)	462	-0.17	(0.15)	365	0.10	(0.11)	97
Spouse's Age	-3.02	(2.77)	437	-2.90	(3.18)	345	-2.47	(3.56)	92
Household Size	1.25	(0.67)	461	1.24	(0.78)	364	1.12	(0.95)	97
Education Expenditure 2007	134.35	(149.97)	461	79.42	(170.34)	364	25.37	(389.80)	97
Number of Children in Household	0.60	(0.26)	461	0.59	(0.28)	364	0.26	(0.69)	97
Socio-Economic Index	-0.67	(0.42)	399	-0.34	(0.34)	315	-1.84	(0.63)	84
Literate Parents	0.02	(0.13)	462						

Note: This table shows the relationship between treatment status and attrition in the 2018 survey. In Panel A, we regress an attrition indicator for the 2018 survey round on an indicator variable for assignment to the grace period treatment and stratification dummies. In Panel B, outcomes shown in columns (1), (4), and (7) are from regressions of a baseline characteristic on a grace period indicator, an attrition indicator for the 2018 survey round, and an interaction between the two. The table reports the coefficient on the interaction term. The sample consists of households who had either a school-age child in 2007 according to the full child roster in the 2018 survey or a school-age child in 2007 according to the household roster in the 2007 survey. Columns (1)-(3) present the pooled school-aged sample at baseline (N=462); columns (4)-(6) are limited to the literate sample (N=365) and columns (7)-(9) are limited to the illiterate sample (N=97). All regressions control for stratification dummies and cluster standard errors by loan group. Randomization inference p-values from 1,000 permutations of the treatment assignment are reported in brackets. See Data Appendix for variable definitions.

Table A5: Pre-Analysis Plan and Implemented Analysis

Table	Specified in PAP	Deviations
Table 2 - Educational Outcomes		
Outcomes:		
(1) Investment Index	*"We will test impacts on standardized indexes of sub-outcomes for measures of educational attainment and investments."*	None
(2) Primary School Investment Subindex (3) Secondary School Investment Subindex (4) College Spending Standardized	*"Analyze the cost and quality of education and extracurricular activities [after-school tutoring]."* The primary and secondary school indexes are composed of the cost of school fees, cost of after-school tutoring, and whether the child went to private school. We only collected cost measures for college expenditures.	Due to data collection constraints, we focus on cost measures.
(5) Years of Education (6) Completed Secondary School (7) Attended College	*"We will analyze years of schooling and the quantity of education"*	None.
Specification:		
Panel A	Child-level regression for educational outcomes specified.	(i) Age fixed effects included; (ii) Age-cutoffs for child-sample were not specified. Our choice is discussed in Section 2, and robustness check are provided in Appendix Tables A8, A9, and A10. Non-linear treatment effects for all children are shown in Figure 2.
Panel B	*"The child-level measures of intergenerational educational mobility will be based separately on mothers' and fathers' education levels."*	Measure of parental education was not specified. Our preferred measure is parental literacy, with justification in Section 2. Robustness checks using alternative specifications of parental education include: (a) Figure A6 - non-linear treatment effects by mean years of parental education (b) Table A11 - heterogeneity by literacy of both the mother and the father (Panel A), Alesina et al. (2021) measure of parental primary school completion (Panel B), and parental years of education (Panel C)."
Table 3 - Effects by Gender	*"We will analyze heterogeneous treatment impacts by child gender"*	None.
Outcomes:		
(1) Investment Index - (4) Attended College	See explanation of outcomes under Table 2 above.	None.
(5) Married (6) Any Children	*"We will analyze impacts on children's demographic outcomes including "marital status" and "fertility"."*	None.
(7) Housewife	*"We will analyze "impacts on children's economic activity" including "labor force participation, occupation, and income"."*	Given that 21% of our study sample children are still in school (and disproportionately more in the treatment group), we restrict analysis to the single outcome of housewife which is closely linked to marriage.
Table 4 - Household Enterprise Outcomes	The pre-analysis plan only focused on the child-level analysis. The main household-level outcomes are the same as in Table 2 in Field et al. (2013).	Field et al. (2013) did not include the creation of a household economic index.
Table 5 - Dropout and Child Labor	*"We will analyze performance and reasons for dropping out of school"*	Due to data collection constraints, we focus on reasons for dropout.

Notes: The project was pre-registered under AEA registry ID AEARCTR-0003572; the PAP can be found at `https://www.socialscienceregistry.org/trials/3572`.

Table A6: Treatment Effects on Educational Investment Subindex Components

	Primary School Investment Subindex Components			Secondary School Investment Subindex Components			
	Private School	Total School Fees	Total After-School Tutoring	Private School	Total School Fees	Total After-School Tutoring	College Spending
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: School-Age Child Sample (7-17 Years at Baseline), Pooled							
Grace Period	0.08	1371.99	143.46	0.06	2125.58	5744.17	1650.37
	(0.04)	(1138.05)	(812.86)	(0.02)	(1536.07)	(1849.20)	(929.51)
	[0.10]	[0.26]	[0.86]	[0.00]	[0.17]	[0.01]	[0.10]
Control Group Mean	0.23	6573.27	8155.80	0.02	10993.63	23411.48	3827.34
Observations	543	518	542	543	513	535	531
Panel B: School-Age Child Sample (7-17 Years at Baseline), Heterogeneity by Parental Literacy							
Grace Period × Literate Parents	0.09	1749.36	-15.86	0.08	3670.08	5842.44	2876.40
	(0.05)	(1440.75)	(944.33)	(0.03)	(1855.33)	(2343.16)	(1332.77)
	[0.18]	[0.27]	[0.99]	[0.00]	[0.05]	[0.03]	[0.05]
Grace Period × Illiterate Parents	0.04	206.48	417.13	-0.01	-2285.45	1845.28	-1502.33
	(0.05)	(944.26)	(1639.28)	(0.01)	(1528.28)	(3125.89)	(1448.33)
	[0.56]	[0.84]	[0.81]	[0.41]	[0.14]	[0.60]	[0.26]
p-value: Grace Period × Literate Parents =	0.51	0.33	0.82	0.00	0.01	0.31	0.03
Grace Period × Illiterate Parents	[0.57]	[0.36]	[0.81]	[0.00]	[0.01]	[0.33]	[0.03]
Control Group Mean (Literate Parents)	0.29	7456.41	7951.28	0.02	12033.33	24982.54	4223.05
Control Group Mean (Illiterate Parents)	0.03	3735.66	8807.13	0.00	7652.95	18403.70	2603.68
Observations (Literate Parents)	399	379	398	399	378	393	388
Observations (Illiterate Parents)	144	139	144	144	135	142	143

Notes: This table shows the effect of the grace period treatment on child educational investment subindex components as measured by the 2018 survey. In Panels A and B, the sample is children aged 7-17 (school-age) in 2007 (N=543). In Panel A, we regress each outcome on an indicator variable for assignment to grace period treatment, stratification dummies, child age fixed effects, an indicator for non-client respondent in 2018 survey, and baseline controls selected by LASSO (equation 1). Panel B reports a variant of equation (1) which includes the fully interacted effects of treatment and parental literacy (equation 2; we do not report the parental literacy dummy in the table). All regressions are estimated by OLS and standard errors clustered by loan group are reported in parentheses. Randomization inference p-values from 1,000 permutations of the treatment assignment are reported in brackets. See Data Appendix for details on variable definitions and construction.

Table A7: Heterogeneous Treatment Effects on Educational Investment Subindex Components by Gender

		Primary School Investment Subindex Components				Secondary School Investment Subindex Components			
	Primary School Investment Subindex	Private School	Total School Fees	Total After-School Tutoring	Secondary School Investment Subindex	Private School	Total School Fees	Total After-School Tutoring	College Spending
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Panel A: School-Age Child Sample (7-17 Years at Baseline), Heterogeneity by Gender									
Grace Period × Male	0.14	0.06	2001.16	1192.40	0.26	0.06	774.88	6569.79	1485.10
	(0.11)	(0.05)	(1762.02)	(1005.58)	(0.12)	(0.03)	(2367.07)	(2529.29)	(1438.94)
	[0.23]	[0.32]	[0.28]	[0.25]	[0.04]	[0.03]	[0.74]	[0.03]	[0.35]
Grace Period × Female	0.05	0.08	684.25	-878.13	0.25	0.05	3634.40	4727.85	1819.04
	(0.09)	(0.05)	(1,427.33)	(1,049.80)	(0.10)	(0.02)	(2,037.79)	(2,458.71)	(1,214.45)
	[0.61]	[0.16]	[0.63]	[0.44]	[0.02]	[0.05]	[0.06]	[0.09]	[0.19]
p-value: Grace Period × Male = Grace Period × Female	0.49	0.76	0.57	0.12	0.97	0.64	0.37	0.58	0.86
	[0.48]	[0.75]	[0.52]	[0.11]	[0.96]	[0.64]	[0.34]	[0.65]	[0.88]
Panel B: School-Age Child Sample (7-17 Years at Baseline), Heterogeneity by Gender & Parental Literacy									
Grace Period × Literate Parents × Male	0.19	0.08	2646.19	1431.23	0.31	0.09	1777.97	5947.61	3107.77
	(0.13)	(0.07)	(2272.89)	(1170.37)	(0.15)	(0.04)	(2988.30)	(3099.20)	(2094.10)
	[0.17]	[0.29]	[0.27]	[0.21]	[0.06]	[0.02]	[0.57]	[0.11]	[0.18]
Grace Period × Illiterate Parents × Male	-0.03	-0.02	291.98	99.62	0.11	-0.00	-1797.27	4467.97	-3418.15
	(0.15)	(0.09)	(1,441.78)	(2,090.63)	(0.14)	(0.01)	(1,965.94)	(4,787.56)	(2,146.33)
	[0.86]	[0.86]	[0.84]	[0.96]	[0.43]	[0.84]	[0.31]	[0.40]	[0.08]
Grace Period × Literate Parents × Female	0.03	0.08	778.18	-1343.42	0.36	0.06	5548.36	5296.85	2629.48
	(0.11)	(0.07)	(1,767.38)	(1,250.49)	(0.13)	(0.03)	(2,387.64)	(3,100.68)	(1,557.89)
	[0.80]	[0.27]	[0.67]	[0.33]	[0.01]	[0.06]	[0.01]	[0.13]	[0.12]
Grace Period × Illiterate Parents × Female	0.12	0.09	57.96	279.03	-0.06	-0.01	-2695.73	-812.28	363.88
	(0.13)	(0.05)	(1,048.70)	(2,101.87)	(0.12)	(0.02)	(2,749.47)	(3,893.21)	(1,796.38)
	[0.40]	[0.09]	[0.96]	[0.90]	[0.64]	[0.23]	[0.28]	[0.84]	[0.82]
p-value: Grace Period × Literate Parents × Male = Grace Period × Literate Parents × Female	0.31	0.97	0.53	0.09	0.82	0.54	0.34	0.87	0.85
	[0.31]	[0.96]	[0.49]	[0.10]	[0.83]	[0.56]	[0.33]	[0.89]	[0.87]
p-value: Grace Period × Illiterate Parents × Male = Grace Period × Illiterate Parents × Female	0.44	0.28	0.89	0.95	0.34	0.69	0.80	0.40	0.17
	[0.45]	[0.29]	[0.87]	[0.94]	[0.35]	[0.42]	[0.76]	[0.42]	[0.14]
Control Group Mean (Male, Literate Parents)	0.03	0.30	8005.62	6637.68	0.12	0.03	13926.77	25009.38	4569.19
Control Group Mean (Male, Illiterate Parents)	-0.18	0.07	3718.53	9021.97	-0.24	0.00	6784.32	17663.47	3571.04
Control Group Mean (Female, Literate Parents)	0.10	0.28	6907.20	9277.63	0.01	0.02	10139.89	24955.18	3859.26
Control Group Mean (Female, Illiterate Parents)	-0.25	0.00	3751.19	8622.98	-0.18	0.00	8440.15	19056.84	1774.51
Observations (Male, Literate Parents)	205	205	192	204	205	205	193	202	200
Observations (Male, Illiterate Parents)	69	69	68	69	69	69	67	69	69
Observations (Female, Literate Parents)	194	194	187	194	194	194	185	191	188
Observations (Female, Illiterate Parents)	75	75	71	75	75	75	68	73	74

Notes: This table shows the effect of the grace period treatment by gender on child educational investment subindex components as measured in the 2018 survey. The sample is children aged 7-17 (school-age) in 2007 (N=543). In Panel A, we regress each outcome on the fully interacted effects of treatment and child gender (dummy for child gender omitted from the table), stratification dummies, child age fixed effects, an indicator variable for non-client respondent to the 2018 survey, and baseline controls selected by LASSO (equation 2; we do not report gender dummy in table). Panel B reports a variant of equation (2) which includes the fully interacted effects of treatment, child gender, and parental literacy (all related two-way interactions are included in regression but not reported in the table). All regressions are estimated by OLS and standard errors clustered by loan group are reported in parentheses. Randomization inference p-values are from 1,000 permutations of the treatment assignment and are reported in brackets. See Data Appendix for details on variable definitions and construction.

Table A8: Robustness Checks for Child Age Cut-Offs

		Investment Index Components					
	Investment Index	Primary School Investment Subindex	Secondary School Investment Subindex	College Spending (Standard-ized)	Completed Secondary School	Attended College	Years of Education
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: 6-16 Years at Baseline							
Grace Period	0.16	0.09	0.19	0.17	0.03	0.09	0.48
	(0.07)	(0.07)	(0.08)	(0.09)	(0.04)	(0.04)	(0.27)
	[0.06]	[0.24]	[0.04]	[0.10]	[0.53]	[0.03]	[0.10]
Panel B: 6-17 Years at Baseline							
Grace Period	0.16	0.10	0.20	0.15	0.04	0.09	0.52
	(0.07)	(0.07)	(0.08)	(0.08)	(0.04)	(0.04)	(0.27)
	[0.04]	[0.21]	[0.01]	[0.09]	[0.29]	[0.02]	[0.06]
Panel C: 6-18 Years at Baseline							
Grace Period	0.14	0.07	0.19	0.14	0.05	0.09	0.50
	(0.07)	(0.07)	(0.07)	(0.08)	(0.04)	(0.04)	(0.26)
	[0.05]	[0.36]	[0.01]	[0.11]	[0.25]	[0.03]	[0.08]
Panel D: 7-16 Years at Baseline							
Grace Period	0.20	0.09	0.24	0.14	0.04	0.10	0.54
	(0.08)	(0.08)	(0.08)	(0.10)	(0.04)	(0.04)	(0.29)
	[0.02]	[0.25]	[0.00]	[0.17]	[0.45]	[0.03]	[0.09]
Panel E: 7-18 Years at Baseline							
Grace Period	0.17	0.08	0.23	0.15	0.05	0.10	0.55
	(0.07)	(0.08)	(0.08)	(0.08)	(0.04)	(0.04)	(0.28)
	[0.04]	[0.29]	[0.00]	[0.10]	[0.22]	[0.02]	[0.07]
Panel F: 8-16 Years at Baseline							
Grace Period	0.17	0.05	0.21	0.17	0.01	0.09	0.46
	(0.08)	(0.08)	(0.08)	(0.10)	(0.05)	(0.05)	(0.32)
	[0.05]	[0.57]	[0.02]	[0.14]	[0.79]	[0.05]	[0.22]
Panel G: 8-17 Years at Baseline							
Grace Period	0.18	0.04	0.22	0.15	0.03	0.10	0.36
	(0.08)	(0.08)	(0.08)	(0.09)	(0.04)	(0.04)	(0.30)
	[0.04]	[0.59]	[0.01]	[0.10]	[0.49]	[0.03]	[0.26]
Panel H: 8-18 Years at Baseline							
Grace Period	0.14	0.03	0.20	0.15	0.03	0.09	0.45
	(0.07)	(0.08)	(0.08)	(0.08)	(0.04)	(0.04)	(0.30)
	[0.10]	[0.72]	[0.02]	[0.12]	[0.47]	[0.03]	[0.19]

Notes: This table shows the effect of the grace period treatment on child educational outcomes as measured by the 2018 survey for different child age cut-offs. The age cut-off is specified in each panel label. In all panels, we regress each outcome on an indicator variable for assignment to grace period treatment, stratification dummies, child age fixed effects, an indicator for non-client respondent in 2018 survey and baseline controls selected by LASSO (equation 1). All regressions are estimated by OLS and standard errors clustered by loan group are reported in parentheses. Randomization inference p-values from 1,000 permutations of the treatment assignment are reported in brackets. See Data Appendix for details on variable definitions and construction.

Table A9: Robustness Checks for Child Age Cut-Offs: Heterogeneity by Parental Literacy

		Investment Index Components					
	Investment Index	Primary School Investment Subindex	Secondary School Investment Subindex	College Spending (Standardized)	Completed Secondary School	Attended College	Years of Education
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: 6-16 Years at Baseline							
Grace Period × Literate Parents	0.22	0.09	0.26	0.24	0.10	0.13	0.89
	(0.09)	(0.08)	(0.09)	(0.12)	(0.05)	(0.05)	(0.33)
	[0.02]	[0.29]	[0.01]	[0.06]	[0.07]	[0.02]	[0.01]
Grace Period × Illiterate Parents	0.04	0.06	0.03	-0.09	-0.15	-0.02	-0.56
	(0.12)	(0.12)	(0.10)	(0.14)	(0.07)	(0.07)	(0.62)
	[0.74]	[0.63]	[0.75]	[0.51]	[0.03]	[0.76]	[0.38]
Panel B: 6-17 Years at Baseline							
Grace Period × Literate Parents	0.22	0.12	0.26	0.26	0.11	0.13	0.88
	(0.09)	(0.09)	(0.09)	(0.11)	(0.05)	(0.05)	(0.31)
	[0.01]	[0.19]	[0.01]	[0.03]	[0.03]	[0.01]	[0.00]
Grace Period × Illiterate Parents	-0.01	0.03	0.02	-0.12	-0.13	-0.01	-0.75
	(0.11)	(0.11)	(0.09)	(0.13)	(0.06)	(0.06)	(0.49)
	[0.90]	[0.73]	[0.85]	[0.30]	[0.02]	[0.89]	[0.14]
Panel C: 6-18 Years at Baseline							
Grace Period × Literate Parents	0.20	0.10	0.25	0.24	0.09	0.12	0.87
	(0.08)	(0.09)	(0.09)	(0.11)	(0.05)	(0.05)	(0.31)
	[0.02]	[0.29]	[0.01]	[0.05]	[0.09]	[0.02]	[0.01]
Grace Period × Illiterate Parents	-0.03	0.01	0.00	-0.11	-0.10	-0.00	-0.81
	(0.11)	(0.11)	(0.08)	(0.12)	(0.05)	(0.06)	(0.48)
	[0.74]	[0.90]	[0.98]	[0.35]	[0.11]	[1.00]	[0.14]
Panel D: 7-16 Years at Baseline							
Grace Period × Literate Parents	0.25	0.09	0.32	0.25	0.11	0.15	1.03
	(0.09)	(0.09)	(0.10)	(0.12)	(0.06)	(0.06)	(0.34)
	[0.01]	[0.37]	[0.00]	[0.07]	[0.05]	[0.02]	[0.00]
Grace Period × Illiterate Parents	0.05	0.10	0.04	-0.10	-0.17	-0.03	-1.00
	(0.12)	(0.12)	(0.11)	(0.14)	(0.07)	(0.08)	(0.60)
	[0.65]	[0.38]	[0.69]	[0.48]	[0.02]	[0.68]	[0.12]
Panel E: 7-18 Years at Baseline							
Grace Period × Literate Parents	0.22	0.09	0.31	0.24	0.11	0.14	0.93
	(0.08)	(0.09)	(0.09)	(0.11)	(0.05)	(0.05)	(0.33)
	[0.01]	[0.35]	[0.00]	[0.04]	[0.04]	[0.01]	[0.01]
Grace Period × Illiterate Parents	-0.03	0.03	0.01	-0.12	-0.10	-0.00	-0.91
	(0.11)	(0.11)	(0.09)	(0.13)	(0.06)	(0.06)	(0.50)
	[0.78]	[0.81]	[0.92]	[0.29]	[0.13]	[0.94]	[0.11]
Panel F: 8-16 Years at Baseline							
Grace Period × Literate Parents	0.22	0.06	0.29	0.24	0.08	0.14	0.96
	(0.10)	(0.10)	(0.10)	(0.13)	(0.06)	(0.06)	(0.36)
	[0.04]	[0.59]	[0.01]	[0.09]	[0.22]	[0.04]	[0.02]
Grace Period × Illiterate Parents	0.06	0.11	0.04	-0.08	-0.23	-0.04	-1.24
	(0.13)	(0.13)	(0.11)	(0.15)	(0.07)	(0.08)	(0.59)
	[0.62]	[0.39]	[0.74]	[0.58]	[0.01]	[0.56]	[0.08]
Panel G: 8-17 Years at Baseline							
Grace Period × Literate Parents	0.23	0.09	0.30	0.26	0.09	0.14	0.89
	(0.10)	(0.11)	(0.10)	(0.13)	(0.06)	(0.06)	(0.36)
	[0.03]	[0.39]	[0.01]	[0.05]	[0.11]	[0.01]	[0.02]
Grace Period × Illiterate Parents	0.04	0.07	0.02	-0.12	-0.16	-0.03	-1.00
	(0.11)	(0.12)	(0.10)	(0.14)	(0.06)	(0.06)	(0.49)
	[0.69]	[0.57]	[0.82]	[0.35]	[0.03]	[0.66]	[0.05]
Panel H: 8-18 Years at Baseline							
Grace Period × Literate Parents	0.20	0.05	0.27	0.27	0.08	0.14	0.89
	(0.09)	(0.10)	(0.09)	(0.12)	(0.06)	(0.05)	(0.36)
	[0.06]	[0.64]	[0.01]	[0.05]	[0.14]	[0.01]	[0.02]
Grace Period × Illiterate Parents	-0.01	0.03	0.01	-0.11	-0.11	-0.00	-1.07
	(0.11)	(0.12)	(0.09)	(0.13)	(0.06)	(0.06)	(0.49)
	[0.92]	[0.80]	[0.91]	[0.35]	[0.10]	[0.97]	[0.06]

Notes: This table shows the effect of the grace period treatment on child educational outcomes as measured by the 2018 survey by parental literacy for different child age cut-offs. The age cut-off is specified in each panel label. In all panels, we regress each outcome on an indicator variable for assignment to grace period treatment, stratification dummies, child age fixed effects, an indicator for non-client respondent in 2018 survey, baseline controls selected by LASSO and fully interacted effects of treatment and a dummy for parental literacy (equation 2; we do not report the parental literacy dummy in the table). All regressions are estimated by OLS and standard errors clustered by loan group are reported in parentheses. Randomization inference p-values from 1,000 permutations of the treatment assignment are reported in brackets. See Data Appendix for details on variable definitions and construction.

Table A10: Alternative Child Samples

		Investment Index Components					
	Investment Index	Primary School Investment Subindex	Secondary School Investment Subindex	College Spending (Standardized)	Completed Secondary School	Attended College	Years of Education
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: All Child Sample, Pooled							
Grace Period	0.07	0.03	0.04	0.08	0.02	0.05	0.02
	(0.05)	(0.05)	(0.05)	(0.06)	(0.02)	(0.02)	(0.19)
	[0.24]	[0.61]	[0.38]	[0.19]	[0.39]	[0.04]	[0.87]
Control Group Mean	0.06	0.04	0.07	0.02	0.26	0.17	9.48
Observations	1303	1303	1303	1303	1303	1301	1303
Panel B: All Child Sample, Heterogeneity by Parental Literacy							
Grace Period × Literate Parents	0.11	0.04	0.08	0.17	0.05	0.08	0.27
	(0.06)	(0.06)	(0.06)	(0.08)	(0.03)	(0.03)	(0.22)
	[0.10]	[0.61]	[0.21]	[0.03]	[0.07]	[0.01]	[0.33]
Grace Period × Illiterate Parents	-0.06	0.02	-0.06	-0.09	-0.06	-0.01	-0.70
	(0.07)	(0.08)	(0.06)	(0.08)	(0.04)	(0.03)	(0.40)
	[0.42]	[0.76]	[0.39]	[0.19]	[0.10]	[0.70]	[0.12]
p-value: Grace Period × Literate Parents = Grace Period × Illiterate Parents	0.05	0.84	0.09	0.03	0.02	0.02	0.03
	[0.07]	[0.96]	[0.13]	[0.02]	[0.02]	[0.03]	[0.07]
Control Group Mean (Literate Parents)	0.13	0.09	0.14	0.05	0.28	0.19	9.88
Control Group Mean (Illiterate Parents)	-0.17	-0.13	-0.18	-0.09	0.17	0.08	8.12
Observations (Literate Parents)	940	940	940	940	940	938	940
Observations (Illiterate Parents)	361	361	361	361	361	361	361
Panel C: Old Child Sample (18+ Years at Baseline), Pooled							
Grace Period	-0.09	-0.11	-0.06	-0.03	0.01	0.01	-0.16
	(0.06)	(0.07)	(0.06)	(0.08)	(0.04)	(0.03)	(0.37)
	[0.25]	[0.18]	[0.42]	[0.70]	[0.70]	[0.62]	[0.69]
Control Group Mean	0.00	-0.00	-0.00	0.00	0.20	0.13	8.86
Observations	492	492	492	492	492	492	492
Panel D: Old Child Sample (18+ Years at Baseline), Heterogeneity by Parental Literacy							
Grace Period × Literate Parents	-0.06	-0.14	-0.04	-0.02	0.04	0.04	0.23
	(0.10)	(0.09)	(0.10)	(0.12)	(0.06)	(0.04)	(0.43)
	[0.57]	[0.18]	[0.71]	[0.89]	[0.51]	[0.34]	[0.56]
Grace Period × Illiterate Parents	-0.07	0.04	-0.07	-0.13	-0.02	-0.02	-0.54
	(0.08)	(0.09)	(0.07)	(0.08)	(0.04)	(0.03)	(0.61)
	[0.43]	[0.72]	[0.34]	[0.12]	[0.59]	[0.37]	[0.44]
p-value: Grace Period × Literate Parents = Grace Period × Illiterate Parents	0.95	0.14	0.79	0.46	0.36	0.21	0.28
	[0.95]	[0.19]	[0.82]	[0.46]	[0.40]	[0.18]	[0.31]
Control Group Mean (Literate Parents)	0.11	0.07	0.12	0.06	0.26	0.16	9.69
Control Group Mean (Illiterate Parents)	-0.28	-0.17	-0.29	-0.16	0.06	0.04	6.83
Observations (Literate Parents)	308	308	308	308	308	308	308
Observations (Illiterate Parents)	184	184	184	184	184	184	184

Notes: This table shows the effect of the grace period treatment on child educational outcomes as measured by the 2018 survey for alternative child samples. In Panels A and B, the sample is all children ever born to the household before the baseline survey (N=1,303). In Panels C and D, the sample is all children aged 18 years or older in 2007. In Panels A and C, we regress each outcome on an indicator variable for assignment to grace period treatment, stratification dummies, child age fixed effects, an indicator for non-client respondent in 2018 survey, and baseline controls selected by LASSO (equation 1). Panels B and D report a variant of equation (1) which includes the fully interacted effects of treatment and parental literacy (equation 2; we do not report the parental literacy dummy in the table). All regressions are estimated by OLS and standard errors clustered by loan group are reported in parentheses. Randomization inference p-values from 1,000 permutations of the treatment assignment are reported in brackets. See Data Appendix for details on variable definitions and construction.

Table A11: Treatment Effects on Educational Outcomes for Alternative Measures of Parental Education

		Investment Index Components					
	Investment Index	Primary School Investment Subindex	Secondary School Investment Subindex	College Spending (Standard-ized)	Completed Secondary School	Attended College	Years of Education
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: Parental Literacy Breakdown							
Grace Period × Literate Parents	0.27	0.11	0.33	0.26	0.12	0.15	0.91
	(0.09)	(0.09)	(0.10)	(0.12)	(0.05)	(0.05)	(0.34)
	[0.01]	[0.28]	[0.00]	[0.05]	[0.04]	[0.01]	[0.01]
Grace Period × Literate Mother, Illiterate Father	0.20	0.16	-0.00	0.19	-0.10	0.15	-0.45
	(0.12)	(0.13)	(0.17)	(0.15)	(0.12)	(0.11)	(1.00)
	[0.18]	[0.32]	[0.98]	[0.26]	[0.46]	[0.28]	[0.67]
Grace Period × Illiterate Mother, Literate Father	0.01	0.09	0.12	-0.34	-0.07	-0.11	-1.17
	(0.15)	(0.16)	(0.13)	(0.13)	(0.09)	(0.09)	(0.56)
	[0.97]	[0.62]	[0.38]	[0.00]	[0.47]	[0.22]	[0.10]
Grace Period × Illiterate Parents	-0.20	-0.25	-0.13	-0.24	-0.32	-0.07	-0.70
	(0.27)	(0.24)	(0.22)	(0.45)	(0.12)	(0.11)	(0.93)
	[0.46]	[0.34]	[0.55]	[0.66]	[0.02]	[0.60]	[0.51]
Control Group Mean (Literate Parents)	0.07	0.07	0.07	0.04	0.46	0.31	10.76
Control Group Mean (Literate Mother, Illiterate Father)	-0.32	-0.37	-0.16	-0.24	0.33	0.10	9.29
Control Group Mean (Illiterate Mother, Literate Father)	-0.26	-0.22	-0.29	-0.10	0.29	0.19	9.84
Control Group Mean (Illiterate Parents)	0.01	0.04	-0.07	0.07	0.38	0.15	9.69
Observations (Literate Parents)	399	399	399	399	399	397	399
Observations (Literate Mother, Illiterate Father)	47	47	47	47	47	47	47
Observations (Illiterate Mother, Literate Father)	63	63	63	63	63	63	63
Observations (Illiterate Parents)	34	34	34	34	34	34	34
Panel B: Heterogeneity by Parental Primary School Completion							
Grace Period × Primary School Parents	0.29	0.13	0.36	0.25	0.10	0.13	0.76
	(0.10)	(0.10)	(0.10)	(0.12)	(0.05)	(0.05)	(0.36)
	[0.01]	[0.23]	[0.00]	[0.06]	[0.08]	[0.02]	[0.05]
Grace Period × Non-Primary School Parents	0.01	0.01	0.01	-0.04	-0.06	0.04	-0.13
	(0.10)	(0.10)	(0.11)	(0.11)	(0.06)	(0.05)	(0.48)
	[0.89]	[0.92]	[0.93]	[0.69]	[0.34]	[0.46]	[0.79]
p-value: Grace Period × Primary School Parents =	0.04	0.40	0.02	0.08	0.04	0.20	0.15
Grace Period × Non-Primary School Parents	[0.03]	[0.38]	[0.02]	[0.08]	[0.05]	[0.20]	[0.16]
Control Group Mean (Primary School Parents)	0.08	0.07	0.06	0.07	0.46	0.33	10.90
Control Group Mean (Non-Primary School Parents)	-0.20	-0.18	-0.14	-0.16	0.33	0.14	9.49
Observations (Primary School Parents)	373	373	373	373	373	371	373
Observations (Non-Primary School Parents)	170	170	170	170	170	170	170
Panel C: Parental Years of Education							
Grace Period × Parental Years of Education	0.05	0.03	0.07	0.03	0.02	0.01	0.08
	(0.03)	(0.03)	(0.03)	(0.04)	(0.01)	(0.01)	(0.08)
	[0.19]	[0.29]	[0.05]	[0.50]	[0.04]	[0.30]	[0.28]
Grace Period	-0.07	-0.07	-0.18	-0.01	-0.09	0.02	-0.04
	(0.18)	(0.16)	(0.18)	(0.21)	(0.08)	(0.08)	(0.60)
	[0.71]	[0.61]	[0.37]	[0.98]	[0.25]	[0.76]	[0.94]
Parental Years of Education	0.07	0.05	0.08	0.08	0.03	0.04	0.34
	(0.02)	(0.02)	(0.02)	(0.03)	(0.01)	(0.01)	(0.06)
Control Group Mean	-0.00	0.00	0.00	-0.00	0.42	0.27	10.49
Observations	543	543	543	543	543	541	543

Notes: This table shows the effect of the grace period treatment on child educational outcomes as measured by the 2018 survey for alternative measures of education. In Panels A-C, the sample is children aged 7-17 (school-age) in 2007 (N=543). In Panel C, we report a variant of equation (1) which includes the fully interacted effects of treatment and four mutually exclusive dummies for the literacy status of the parents (equation 2; we do not report the different parental literacy dummies). In Panel B, we regress each outcome on an indicator variable for assignment to grace period treatment, stratification dummies, child age fixed effects, an indicator for non-client respondent in 2018 survey, baseline controls selected by LASSO and fully interacted effects of treatment and a dummy for whether both parents completed primary school (equation 2; we do not report parental primary schooling dummy in Table). In Panel C, we instead regress each outcome on an indicator variable for assignment to grace period treatment, a continuous variable of average parentel years of education, an interaction between treatment and average parental years of education, stratification dummies, child age fixed effects, an indicator for non-client respondent in 2018 survey, and baseline controls selected by LASSO. All regressions are estimated by OLS and standard errors clustered by loan group are reported in parentheses. Randomization inference p-values from 1,000 permutations of the treatment assignment are reported in brackets. See Data Appendix for details on variable definitions and construction.

Table A12: Treatment Effects on Household Enterprise Outcomes for Full Household Sample

	2010 Survey				2018 Survey			
		Index Components				Index Components		
	Economic Index	Profits (Standardized)	Capital (Standardized)	Household Income (Standardized)	Economic Index	Profits (Standardized)	Capital (Standardized)	Household Income (Standardized)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Pooled								
Grace Period	0.23	0.29	0.26	0.16	0.03	0.03	0.05	0.01
	(0.07)	(0.09)	(0.10)	(0.09)	(0.03)	(0.04)	(0.07)	(0.02)
	[0.00]	[0.00]	[0.00]	[0.06]	[0.39]	[0.56]	[0.46]	[0.67]
Control Group Mean	0.00	0.00	-0.00	-0.00	-0.21	-0.20	-0.12	-0.31
Observations	766	766	766	766	744	744	744	744
Panel B: Heterogeneity by Parental Literacy								
Grace Period × Literate Parents	0.25	0.31	0.31	0.17	0.00	-0.01	0.02	-0.00
	(0.07)	(0.10)	(0.11)	(0.09)	(0.04)	(0.05)	(0.08)	(0.03)
	[0.00]	[0.00]	[0.00]	[0.08]	[0.94]	[0.86]	[0.83]	[0.91]
Grace Period × Illiterate Parents	0.178	0.202	0.166	0.175	0.150	0.142	0.223	0.087
	(0.14)	(0.22)	(0.15)	(0.17)	(0.07)	(0.09)	(0.14)	(0.03)
	[0.32]	[0.48]	[0.42]	[0.36]	[0.07]	[0.12]	[0.16]	[0.02]
p-value: Grace Period × Literate Parents = Grace Period × Illiterate Parents	0.639	0.660	0.441	0.963	0.073	0.112	0.206	0.022
	[0.70]	[0.74]	[0.56]	[0.97]	[0.11]	[0.14]	[0.26]	[0.05]
Control Group Mean (Literate Parents)	0.01	-0.01	0.02	0.02	-0.19	-0.19	-0.10	-0.29
Control Group Mean (Illiterate Parents)	-0.06	0.03	-0.10	-0.11	-0.27	-0.24	-0.21	-0.38
Observations (Literate Parents)	615	615	615	615	593	593	593	593
Observations (Illiterate Parents)	149	149	149	149	149	149	149	149

Notes: This table shows the effect of the grace period treatment on household income and enterprise outcomes from the 2010 (N=766) and the 2018 (N=744) surveys for the full household sample. In Panel A, we regress each outcome on an indicator variable for assignment to the grace period treatment, stratification dummies, an indicator variable for non-client respondent to the 2018 survey, and baseline controls selected by LASSO (equation 3). Panel B reports a variant of equation (3) which includes the fully interacted effects of treatment and parental literacy (the parental literacy indicator is included in regression but not reported in table). All regressions are estimated by OLS and standard errors clustered by loan group are reported in parentheses. Randomization inference p-values are from 1,000 permutations of the treatment assignment and are reported in brackets. See Data Appendix for details on variable definitions and construction.

Table A13: Treatment Effects on Household Economic Index Components

	2010 Survey				2018 Survey			
	Economic Index Components				Economic Index Components			
	Profits	Capital	Household Income	Log Household Income	Profits	Capital	Household Income	Log Household Income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Pooled								
Grace Period	711.32	16053.79	3034.37	0.19	103.50	12529.33	517.02	0.10
	(255.75)	(9440.17)	(2651.25)	(0.10)	(99.21)	(10043.02)	(627.52)	(0.07)
	[0.01]	[0.08]	[0.24]	[0.08]	[0.31]	[0.20]	[0.40]	[0.16]
Control Group Mean	1203.63	28747.84	14682.07	9.05	874.44	21253.05	7746.82	8.73
Observations	355	361	352	351	346	351	378	378
Panel B: Heterogeneity by Parental Literacy								
Grace Period × Literate Parents	618.56	16563.34	2414.64	0.13	21.46	7660.12	220.77	0.06
	(275.17)	(10853.67)	(2908.22)	(0.11)	(115.78)	(11805.71)	(728.89)	(0.07)
	[0.03]	[0.13]	[0.39]	[0.25]	[0.86]	[0.51]	[0.77]	[0.43]
Grace Period × Illiterate Parents	901.58	18309.41	5334.06	0.40	323.50	27620.24	1865.53	0.28
	(525.12)	(14873.21)	(5049.10)	(0.22)	(163.65)	(16485.05)	(849.35)	(0.13)
	[0.24]	[0.39]	[0.31]	[0.08]	[0.07]	[0.13]	[0.05]	[0.05]
p-value: Grace Period × Literate Parents = Grace Period × Illiterate Parents	0.63	0.92	0.60	0.25	0.12	0.31	0.11	0.13
	[0.75]	[0.94]	[0.60]	[0.27]	[0.16]	[0.37]	[0.17]	[0.16]
Control Group Mean (Literate Parents)	1237.82	32282.73	15319.44	9.10	909.36	23012.86	8110.76	8.77
Control Group Mean (Illiterate Parents)	1045.51	12787.27	11842.89	8.82	717.26	13696.20	6212.34	8.55
Observations (Literate Parents)	277	281	274	273	270	273	294	294
Observations (Illiterate Parents)	78	80	78	78	76	78	84	84

Notes: This table shows the effect of the grace period treatment on non-standardized household economic index components and log income from the 2010 (N=363) and the 2018 (N=381) surveys. In Panel A, we regress each outcome on an indicator variable for assignment to the grace period treatment, stratification dummies, an indicator variable for non-client respondent to the 2018 survey, and baseline controls selected by LASSO (equation 3). Panel B reports a variant of equation (3) which includes the fully interacted effects of treatment and parental literacy (the parental literacy indicator is included in regression but not reported in table). All regressions are estimated by OLS and standard errors clustered by loan group are reported in parentheses. Randomization inference p-values are from 1,000 permutations of the treatment assignment and are reported in brackets. See Data Appendix for details on variable definitions and construction.

Table A14: Treatment Effects on Household Enterprise Outcomes in 2012

		Index Components		
	Economic Index	Profits (Standardized)	Capital (Standardized)	Household Income (Standardized)
	(1)	(2)	(3)	(4)
Panel A: Pooled				
Grace Period	0.11	0.13	0.14	0.07
	(0.08)	(0.15)	(0.14)	(0.05)
	[0.14]	[0.37]	[0.28]	[0.09]
Control Group Mean	-0.09	0.05	-0.13	-0.21
Observations	369	369	369	369
Panel B: Heterogeneity by Parental Literacy				
Grace Period × Literate Parents	0.14	0.20	0.17	0.06
	(0.09)	(0.17)	(0.17)	(0.05)
	[0.14]	[0.26]	[0.32]	[0.25]
Grace Period × Illiterate Parents	0.05	-0.07	0.10	0.13
	(0.11)	(0.22)	(0.17)	(0.08)
	[0.63]	[0.74]	[0.62]	[0.16]
p-value: Grace Period × Literate Parents = Grace Period × Illiterate Parents	0.54 [0.56]	0.32 [0.32]	0.78 [0.79]	0.40 [0.46]
Control Group Mean (Literate Parents)	-0.07	0.07	-0.09	-0.20
Control Group Mean (Illiterate Parents)	-0.18	-0.01	-0.29	-0.25
Observations (Literate Parents)	285	285	285	285
Observations (Illiterate Parents)	84	84	84	84

Notes: This table shows the effect of the grace period treatment on household income and enterprise outcomes from the 2012 (N=369) survey. In Panel A, we regress each outcome on an indicator variable for assignment to the grace period treatment, stratification dummies, an indicator variable for non-client respondent to the 2018 survey, and baseline controls selected by LASSO (equation 3). Panel B reports a variant of equation (3) which includes the fully interacted effects of treatment and parental literacy (the parental literacy indicator is included in regression but not reported in table). All regressions are estimated by OLS and standard errors clustered by loan group are reported in parentheses. Randomization inference p-values are from 1,000 permutations of the treatment assignment and are reported in brackets. See Data Appendix for details on variable definitions and construction.

Table A15: Treatment Effects on Educational Outcomes with Neighborhood FEs

	Education Outcomes				Economic Outcomes	
	Investment Index	Completed Secondary School	Attended College	Years of Education	2010 Economic Index	2018 Economic Index
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: Thana Fixed Effects						
Grace Period × Literate Parents	0.24	0.12	0.15	0.94	0.28	0.08
	(0.09)	(0.05)	(0.05)	(0.35)	(0.13)	(0.08)
	[0.01]	[0.04]	[0.01]	[0.01]	[0.05]	[0.29]
Grace Period × Illiterate Parents	-0.02	-0.13	-0.01	-0.81	0.41	0.30
	(0.12)	(0.06)	(0.07)	(0.52)	(0.19)	(0.12)
	[0.86]	[0.05]	[0.90]	[0.17]	[0.11]	[0.01]
p-value: Grace Period × Literate Parents =	0.05	0.00	0.06	0.01	0.56	0.11
Grace Period × Illiterate Parents	[0.05]	[0.01]	[0.07]	[0.01]	[0.66]	[0.14]
Fixed Effects	Thana	Thana	Thana	Thana	Thana	Thana
Control Group Mean (Literate Parents)	0.07	0.46	0.31	10.76	0.04	-0.20
Control Group Mean (Illiterate Parents)	-0.22	0.32	0.15	9.63	-0.17	-0.33
Observations (Literate Parents)	395	395	393	395	279	294
Observations (Illiterate Parents)	144	144	144	144	80	85
Panel B: Ward Fixed Effects						
Grace Period × Literate Parents	0.17	0.10	0.15	1.03	0.34	0.12
	(0.09)	(0.06)	(0.05)	(0.36)	(0.15)	(0.08)
	[0.11]	[0.15]	[0.03]	[0.02]	[0.04]	[0.17]
Grace Period × Illiterate Parents	-0.15	-0.10	-0.14	-0.61	0.59	0.45
	(0.14)	(0.08)	(0.09)	(0.64)	(0.27)	(0.15)
	[0.30]	[0.22]	[0.11]	[0.39]	[0.10]	[0.00]
p-value: Grace Period × Literate Parents =	0.04	0.04	0.00	0.03	0.37	0.04
Grace Period × Illiterate Parents	[0.05]	[0.06]	[0.00]	[0.06]	[0.56]	[0.08]
Fixed Effects	Ward	Ward	Ward	Ward	Ward	Ward
Control Group Mean (Literate Parents)	0.08	0.45	0.30	10.74	0.03	-0.22
Control Group Mean (Illiterate Parents)	-0.24	0.34	0.17	9.81	-0.15	-0.34
Observations (Literate Parents)	372	372	370	372	264	278
Observations (Illiterate Parents)	124	124	124	124	72	77
Panel C: Loan Group Fixed Effects						
Grace Period × Literate Parents	0.58	0.30	0.31	1.28	0.07	-0.49
	(0.22)	(0.15)	(0.13)	(1.20)	(0.23)	(0.27)
	[0.01]	[0.06]	[0.01]	[0.28]	[0.75]	[0.46]
Fixed Effects	Loan Group	Loan Group	Loan Group	Loan Group	Loan Group	Loan Group
Control Group Mean (Literate Parents)	0.07	0.46	0.31	10.76	0.04	-0.20
Control Group Mean (Illiterate Parents)	-0.22	0.32	0.15	9.63	-0.17	-0.33
Observations (Literate Parents)	399	399	397	399	281	296
Observations (Illiterate Parents)	144	144	144	144	80	85

Notes: This table shows how the effect of the grace period treatment on child-level education outcomes and household-economic outcomes with different neighborhood fixed effects. Columns (1)-(4) estimate child-level regressions on outcomes from the 2018 survey (N=543). Columns (5)-(6) estimate household-level regressions on outcomes from the 2010 (N=363) and 2018 (N=381) surveys. Differences in sample sizes across variables are due to missing data. In Panel A, we regress each outcome on an indicator variable for assignment to grace period treatment, stratification dummies, child age fixed effects, an indicator for non-client respondent in 2018 survey, baseline controls selected by LASSO, Thana fixed effects and fully interacted effects of treatment and a dummy for parental literacy (equation 2; we do not report parental literacy dummy in Table). Panel B uses the same specification but includes ward fixed effects instead of Thana fixed effects. In Panel C, we regress each outcome on an indicator variable for assignment to grace period treatment, a parental literacy dummy, an interaction the grace period dummy and the parental literacy dummy, stratification dummies, child age fixed effects, an indicator for non-client respondent in 2018 survey, baseline controls selected by LASSO, and loan group fixed effects (we do not report parental literacy dummy in Table). All regressions are estimated by OLS and standard errors clustered by loan group are reported in parentheses. Randomization inference p-values from 1,000 permutations of the treatment assignment are reported in brackets. Appendix Table A6 provides regression estimates for each index component contained in the sub-indices in columns (2)-(4). See Data Appendix for details on variable definitions and construction.

Table A16: Treatment Effects on Intergenerational Mobility Measures

	Dependent Variable: Son Rank; Sample:		
	VFS	IHDS	
	(1)	(2)	(3)
Panel A: VFS			
Grace Period × Parent Rank	0.25		
	(0.10)		
	[0.03]		
Grace Period	-0.14		
	(0.07)		
	[0.08]		
Parent Rank	0.36		
	(0.07)		
Observations	274		
Panel B: IHDS			
Parent Rank		0.54	0.56
		(0.01)	(0.01)
p-value col 2 vs. col 3			0.000
Observations		6892	6892
Microfinance sub-sample		0	814

Notes: This table shows rank–rank measures of intergenerational mobility in the VFS and IHDS (2012) samples. In Panel A, we regress son's education rank on an indicator variable for assignment to grace period treatment, stratification dummies, child age fixed effects, an indicator for non-client respondent in 2018 survey, baseline controls selected by LASSO, and fully interacted effects of treatment and a dummy for mean parent education rank. Son and parent ranks are computed within the VFS sample education distribution separately by treatment group and are assigned using the mid-rank method. Standard errors clustered by loan group are reported in parentheses. In Panel B, we regress son's education rank on mean parent education rank for sons who are 18-28 in the IHDS sample and who live in urban areas. Son and parent ranks are computed within the IHDS sample education distribution and are assigned using the mid-rank method. In column 3, we categorize sons by whether their households meet the microfinance eligibility criteria (have at least one non-farm enterprise, own their home, and the household's yearly earnings are less than Rs.120,000). 817 out of 6,892 meet these criteria. If they do, we add the VFS treatment effects on level of education by mean parent education level to their level of education. If they do not, their level of education is not adjusted. We then generate a son rank using this new education distribution. Bootstrapped standard errors in parentheses.

Table A17: Treatment Effects on Educational Outcomes for Sons

		Investment Index Components					
	Investment Index	Primary School Investment Subindex	Secondary School Investment Subindex	College Spending (Standardized)	Completed Secondary School	Attended College	Years of Education
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: School-Age Son Sample (7-17 Years at Baseline), Pooled							
Grace Period	0.25	0.13	0.26	0.12	0.07	0.12	0.69
	(0.12)	(0.12)	(0.13)	(0.12)	(0.06)	(0.05)	(0.41)
	[0.04]	[0.25]	[0.05]	[0.38]	[0.25]	[0.05]	[0.10]
Control Group Mean	0.03	-0.01	0.04	0.05	0.43	0.27	10.35
Observations	274	274	274	274	274	274	274
Panel B: School-Age Son Sample (7-17 Years at Baseline), Heterogeneity by Parental Literacy							
Grace Period × Literate Parents	0.31	0.20	0.34	0.26	0.11	0.16	1.12
	(0.14)	(0.14)	(0.16)	(0.19)	(0.07)	(0.07)	(0.44)
	[0.04]	[0.13]	[0.05]	[0.18]	[0.14]	[0.03]	[0.02]
Grace Period × Illiterate Parents	0.03	-0.03	0.09	-0.36	-0.02	-0.08	-0.65
	(0.18)	(0.17)	(0.17)	(0.22)	(0.10)	(0.08)	(0.81)
	[0.83]	[0.86]	[0.57]	[0.08]	[0.83]	[0.38]	[0.50]
p-value: Grace Period × Literate Parents = Grace Period × Illiterate Parents	0.21	0.26	0.23	0.03	0.26	0.02	0.05
	[0.21]	[0.24]	[0.26]	[0.03]	[0.28]	[0.04]	[0.10]
Control Group Mean (Literate Parents)	0.09	0.03	0.12	0.07	0.48	0.30	10.66
Control Group Mean (Illiterate Parents)	-0.19	-0.18	-0.24	-0.02	0.27	0.17	9.27
Observations (Literate Parents)	205	205	205	205	205	205	205
Observations (Illiterate Parents)	69	69	69	69	69	69	69

Notes: This table shows the effect of the grace period treatment on child educational outcomes as measured by the 2018 survey. In Panels A and B, the sample is sons aged 7–17 (school-age) in 2007 (N=274). In Panel A, we regress each outcome on an indicator variable for assignment to grace period treatment, stratification dummies, child age fixed effects, an indicator for non-client respondent in 2018 survey, and baseline controls selected by LASSO (equation 1). Panel B reports a variant of equation (1) which includes the fully interacted effects of treatment and parental literacy (equation 2; we do not report the parental literacy dummy in the table). All regressions are estimated by OLS and standard errors clustered by loan group are reported in parentheses. Randomization inference p-values from 1,000 permutations of the treatment assignment are reported in brackets. See Data Appendix for details on variable definitions and construction.

B. Data Appendix

Our outcome variables draw on surveys done in 2010 and 2018. In 2018, our tracking rate is 88% (747 out of 845 households). Between the baseline and the final survey, 51 clients moved cities, 6 could not be located, and 16 were not surveyed due to illness. Nineteen clients died before 2018; for 18 of these clients, we interviewed another household member. Twenty-four clients refused consent for the 2018 survey.

Our main sample consists of households with at least one child aged 7-17 years at baseline, as measured in the 2018 survey. For the attrition check, we additionally include 81 households that had at least one child aged 7-17 present in the household in the baseline survey.

All continuous outcomes are top-coded at the 99.5th percentile. All monetary values are deflated to 2007 prices using CPI data published by the World Bank.

Household-Level Outcome Variables

- *Economic Index:* standardized index consisting of: profits, capital, and income. Standardization is based on the 2010 survey control means.

- *Profits:* obtained from survey question: "Can you please tell us the average weekly profit you have now or when your business was last operational?. By 'profits', I mean the income you receive from sales (revenues) after subtracting the costs (raw materials, wages to employees, etc.) of producing the items or services." Households without an enterprise in operation are assigned zero values.

- *Capital:* value (₹) of raw materials and inventory plus equipment across all businesses in operation at time of survey. Households without an enterprise in operation are assigned zero values for these outcomes.

- *Household Income:* In 2010 and 2018 survey, outcome is obtained from the survey question: "During the past 30 days, how much total income did your household earn?". In 2012 survey, the outcome is obtained from the survey question: "What is the average income for the whole household per month now?"

- *Household Workers:* sum of all household workers across all household businesses in operation at the time of the survey.

- *Non-Household Workers:* sum of all non-household workers across all household businesses in operation at the time of the survey.

- *Food Expenditures:* obtained from the following survey question in the 2018 survey: "How much did your household spend on food expenses in total during the past 7 days?". We did not collect information on total food expenditures in the 2012 survey.

- *Alcohol/Cigarettes Expenditures:* obtained from the following survey question in the 2018 survey: sum of household spending on alcohol and cigarettes in the past 7 days. We did not collect information on alcohol and cigarettes in the 2012 survey.

- *Festival Expenditures:* obtained from the following survey question: "How much did your household spend on festivities (marriages, births, funerals, festivals etc) expenses during the past 30 days?"

- *Renovation Expenditures:* obtained from the following survey question: "How much did your household spend on household renovations and damage expenses during the past 30 days?"

- *Health Expenditures:* obtained from the following survey question: "How much did your household spend on medical treatment expenses during the past 30 days?"

- *Education Expenditures:* obtained from the following survey question: "How much did your household spend on educational expenses during the past 30 days?"

- *Household Size:* obtained from the following survey question: " How many people live in the household? By that I mean all people, including children, who live under this roof or within the same house at least 30 days in the past year, and when they are together, they share food from a common source, and contribute to and/or share in a common resource pool."

- *Number of New Children Since Baseline:* the total number of children born to the client after the baseline survey.

- *Total Savings:* the sum of total savings held inside or outside of a bank account.

- *Permanently Migrated:* indicator variable that is equal to one if the household permanently outmigrated from Kolkata.

Child-Level Outcome Variables

For our sample, primary school (grades 1-4) is followed by secondary school (grades 5-10) and then higher secondary school (grades 11-12).

- *Investment Index:* standardized index that consists of: primary school investment subindex, secondary school investment subindex, and college spending,

- *Primary School Investment Subindex:* standardized index that consists of: private primary school, total primary school fees, and total primary school after-school tutoring.

- *Secondary School Investment Subindex:* standardized index that consists of the following variables: private secondary school, total secondary school fees, and total secondary school after-school tutoring.

- *Private School:* indicator variable that is equal to one if the child attended at least one year of private primary school (grades 1-4) or private secondary school (grades 5-12) respectively.

- *Total School Fees:* obtained from the question: "How much were/are the total school fees for (CHILD) in class X (including textbooks, uniforms, school fees, admission fees etc.)?". The question was explicitly asked for grades 1, 10 and 12 and whenever the child changed a school.[1] For the remaining classes, we impute the value by copying the value from the class below. The value is 0 if the child did not complete the

[1] 80% of children switched schools when transferring to secondary school in class 5. Nominal fees mostly remain the same across classes in the same school. In 98% of cases, the imputed schools fees in class 9 are the same as the reported school fees in class 10. We explicitly ask for school fees and after-school tutoring in class 10 and 12 since students need to take important exams at these points.

corresponding class. We compute total primary school fees by summing fees for grades 1 to 4 and total secondary school fees by summing fees for grades 5 to 12.

- *Total After-School Tutoring:* obtained from the following survey question: "How much did you spend in total on private tuition for (CHILD) in class X?". The question was explicitly asked for grades 1, 10 and 12 and whenever the child changed a school. For the remaining classes, we impute the value by copying the value from the class below. The value is zero if the child did not complete the corresponding class. We then compute total primary school after-school tutoring by summing all tutoring costs for grades 1 to 4 and total secondary school after-school tutoring by summing all tutoring costs for grades 5 to 12.

- *College Spending:* obtained from the survey question: "How much did (CHILD) spend in total until now on all post-secondary schooling (excluding living costs such as board or food)?"

- *Completed Secondary School:* indicator variable that is equal to one if the child completed grade 12. Children still attending secondary school at the point of the survey are coded as 0.

- *Attended College:* indicator variable that is equal to one if the child attended or had completed post-secondary school (excluding vocational schooling) in the 2018 survey. Post-secondary school degrees include graduate degrees (science, art, commerce), medical/engineering degrees, post-graduate degrees, and engineering diplomas. Children that are still attending secondary school at the point of the survey are coded as 0.

- *Married:* child is married at the point of the 2018 survey.

- *Any Children:* child has at least one child at the point of the 2018 survey.

- *Housewife:* indicator variable that is equal to one if the respondent answered "housewife only" to at least one of the following questions: "What is currently the primary occupation of (NAME)?".

- *Dropout Reasons:* obtained from the following survey question: "Why did (NAME) stop attending school?" This question was asked for all children that did not complete grade 12. Multiple choices were allowed. The value is equal to zero if the child completed grade 12. Economic considerations consist of the following reasons: money reasons, a good job opportunity, or feeling that school was not worthwhile. Child ability consists of the following reasons: child disliked school or had low test scores. Marriage factors include marriage- and pregnancy-related reasons.

- *Ever self-employed under 18:* indicator variable that is equal to one if the child ever engaged in self-employment under the age of 18 according to the 2012 survey. We use two sources of information to construct this variable: (1) the child engaged in self-employment in the past 30 days according to the 2012 household roster and (2) the child was ever listed as a household worker in the 2012 business roster.

- *Child Years of Education:* total years of education the child completed at the time of the 2018 survey. For college graduates, we use the average length of the completed degree program. For children who are still attending college, we are adding two years of education if the child is aged 20+ years and one year of education otherwise. We are also adding one year of education if the child is currently enrolled in a vocational school or if the child is currently pursuing a second bachelor's degree.

- *Child Rank:* percentile rank of the child based on the child's years of education variable. This variable is calculated separately for the treatment and control group.

Control Variables

- *Client's Age:* age of the client in years at baseline.

- *Client is Married:* indicator variable that is equal to one if the client was married at baseline.

- *Client Has Financial Control:* obtained from the following survey question: "If a close relative like your parents or siblings fell sick and needed money, would you be able to lend money to that relative, if you had the extra money?".

- *Empowered Client:* indicator variable that is equal to one if the client was listed in response to the following survey question: "Who has the major say in how much to spend on education?".

- *No Drain in Neighborhood:* indicator variable that is equal to one if the neighborhood has no drainage based on the enumerator's observation. A neighborhood is a collection of 10-15 houses surrounding client's house.

- *Client Is Impatient:* indicator variable that is equal to one if the client has a discount rate above the median.

- *Spouse's Age:* age of the client's spouse at baseline.

- *Literate Parents:* indicator variable that is equal to one if both parents can read and write. If the client is divorced or widowed at baseline, we use the literacy status of the client.

- *Household Size:* number of household members at baseline.

- *Education Expenditure 2007:* this variable sums all household education expenses in the past 30 days at baseline, including school fees, personal teaching expenses, and spending on textbooks.

- *Muslim:* indicator variable that is equal to one if the head of the household is Muslim.

- *Household Shock:* indicator variable that is equal to one if the household experienced a birth, death, or heavy rain in the last 30 days at baseline.

- *Number of Children in Household:* the number of children of the client at baseline that were in the household roster in the baseline survey.

- *Household Has a Business:* indicator variable that is equal to one if the household reported to have at least one business in operation at baseline, excluding businesses formed either during 30 days prior to or after loan group formation.

- *Loan Amount:* VFS loan amount given to client.

- *Owns Home:* indicator variable that is equal to one if the household owned the home at baseline.
- *Socio-Economic Index:* consists of the first component of a principal component analysis of whether the household had owned a radio, cassette player, camera, refrigerator, washing machine, heater, television, VCR, pressure lamp, tube well, wristwatch, or clock for longer than one year.
- *Female:* indicator variable that is equal to one if the child is female.
- *Child Age:* age of the child at baseline.
- *Birth Order:* birth order of the child.
- *Resides with Parents:* indicator variable that is equal to one if the child was part of the household roster at baseline.

Additional Variables

- *Parental Years of Education:* this variable is the average of highest grade of education completed across client and her spouse. We top-code individual schooling variable by 12 years since only one client and two spouses completed more than 12 years of education.
- *Primary School Parents:* indicator variable that equals one if both parents completed primary school. For client divorced or widowed at baseline, we use her educational attainment.
- *Parental Literacy Breakdown:* classifies the sample into four groups based on the literacy status of the client and her spouse at baseline. If the client is divorced or widowed at baseline, we assign the household either to "Literate Parents' or "Illiterate Parents' based on client's literacy status at baseline.
- *Parent Rank:* percentile rank of parents based on the mean parental years of education variable, calculated separately for the treatment and control group.

Construction of Standardized Indices

1. If a component value in an index is missing and therefore cannot be standardized, we replace it with the relevant treatment group's average separately by parental literacy status, as long as there is at least one non-missing observation for the individual's remaining components of the index.

2. For each component, standardize with respect to the control group mean (subtract off the mean and divide by the standard deviation of the control group). For the household economic index, we standardize with respect to the control group mean in 2010.

3. Divide the standardized value by the number of components in the sub-index.

4. After completing steps 1-3 for each component, sum the values achieved in step 3 to obtain the index value.

Indian Human Development Survey

We use data from the Indian Human Development Survey to create Figure 1 and implement the education mobility and income inequality exercises in Section 5. The India Human Development Survey is a nationally representative panel survey of 42,152 households in 1,420 villages and 1,042 urban neighborhoods across India. The first round was conducted in 2005-2006 and the second round was conducted in 2011-2012.

For construction of Figure 1 and the education mobility exercise in Section 5, we restrict the sample to men aged 18-28 in 2012 (or 11-21 in 2005) who live in urban areas and who have at least one parent living in their household. For the earnings inequality exercise in Section 5, we restrict the sample to men aged 30 in 2012 who live in urban areas and who have at least one parent living in their household.

Variable construction

To construct parental education and literacy outcome, we first identify who the son's parents are using a variable that asks all household members to identify which roster member (if any) is their father and their mother. To construct average parental education, we take the mean education of the mother and the father. If only one parent's education level is

non-missing, we use that to proxy for the average level of education of the parents. In the sample selection subsection below, we note how frequently this is the case for each of the samples. Parental literacy is defined as a dummy for having two literate parents. As with education, if only one parent's literacy is known, that is used to proxy for parental literacy. Our results are quantitatively unaffected if, instead, we defined parental education variables as missing if only one parent's level of education is known.

Son's years of education and college attendance are always measured in 2012. If the son is still in school, we utilize number of years of completed education.

We use the mid-rank method to construct parent and son education ranks. For example, if 20% of parents have 0 average years of parent education, their rank is 0.1. If another 5% have an average of 0.5 years of education, their rank is assigned as 0.225. And so on.

Sample and Selection

Figure 1 relies on the IHDS panel structure. 8,665 men aged 11-21 in 2005 live in urban areas. In 2005, 95% of these men live with at least one parent (85% live with both parents) and have non-missing parental education/literacy information. Of these 8,273 men present in the household roster in 2005, 5,431 are present in 2012; 1,891 are missing because the entire household was not surveyed in 2012 and 951 because the man is not present in the household although the household was surveyed. Conditional on the household being present in 2012, there is no statistically significantly different selection by parental literacy or by the interaction of parental literacy and household income quintile (see Section 2).

For our mobility exercises, we do not leverage the panel structure. For the educational mobility exercise, we restrict the sample to men aged 18-28 in 2012 years who lived in urban areas and co-reside with at least one parent (N=6892). Selection out of the sample will be very similar to that described above for Figure 1 since sons who are 18-28 in 2012 were 11-21 in 2005.[2] For the earnings mobility exercise, we restrict the sample to men aged 30 in 2012 years who lived in urban areas and co-reside with at least one parent (N=371).

[2]The only difference is driven by a small number of inconsistencies in the ages reported in 2005 and 2012.

C. Mobility Analysis

To understand population-level intergenerational mobility, we turn to the IHDS, which allows us to understand the status quo mobility for children in our school-age group age range and to then simulate how mobility would change as a result of our treatment. We use the IHDS for two reasons: first, it allows us to construct a dataset of child and parent education, and second, because it is a household panel, we can quantify what parts of the intended child-parent population distribution are absent in the sample due to children moving out of the household.

Educational Mobility

We begin with IHDS-2, which was conducted in 2012, and limit the sample to the 7,543 men who were 18–28 years of age and resided in an urban area.[3] We can ascertain the son's average parent level of education for 6,892 men who coreside with a parent. To generate ranks, we take the total years of education that the parents and sons completed. If sons were currently attending school, we assume that they completed the grade they were attending. We convert the son's level of education and the average level of parent into ranks and implement a rank–rank regression in Panel B, column (2) of Appendix Table A16.

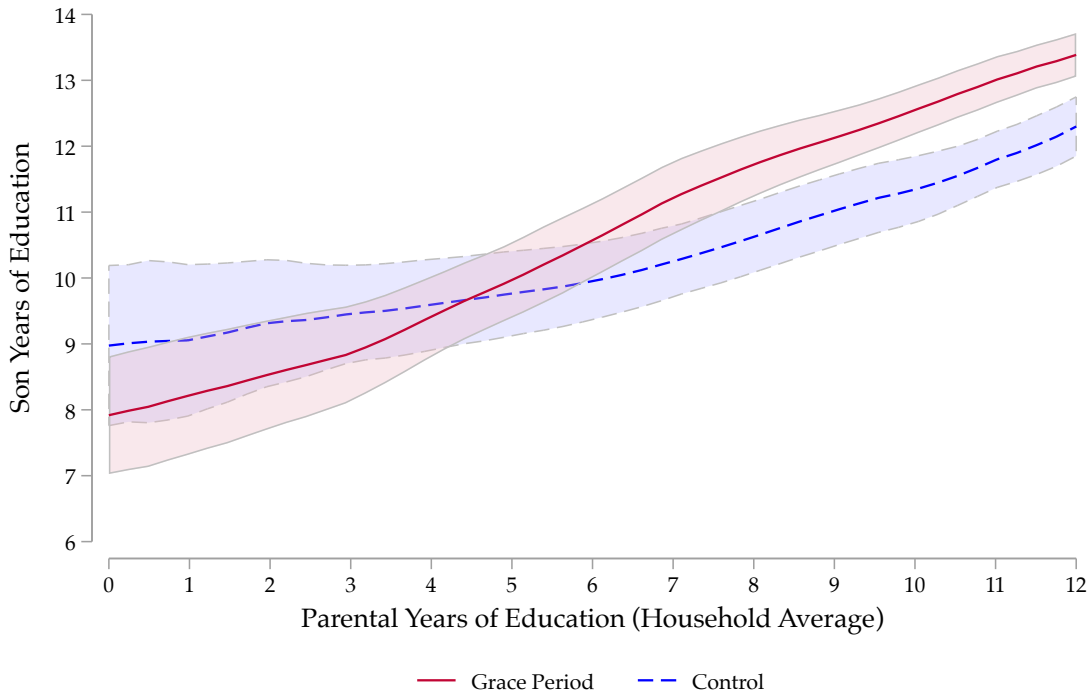
To understand how treatment would affect this rank–rank correlation at the population level, we return to the VFS sample. First, we estimate the treatment effect on son's years of education by parent level of education using a local polynomial regression: we regress son's years of education on parent level of education by treatment assignment (Appendix Figures A10).

We estimate the treatment effect for each level of parent education by taking the difference of the fitted treatment value and the fitted control value of son's years of education. For each level of parent education, we estimate how many more (or fewer) years of education a son attained due to the treatment.

To approximate treatment impact on population-level mobility, we identify a subsample of IHDS households that are comparable to our VFS study clients. These are urban house-

[3]We focus on men because 55% of women in that age range leave the household between 2005 and 2012, likely in large part due to marriage.

Figure A10: Local Polynomial Regression of Son's Years of Education and Average Parent Education



Notes: These figures plot the distribution of son's years of education by average years of parental education (average of mother's and father's education). We separately estimate local regressions (bandwidth = 2, kernel = epanechnikov) for sons in treatment (solid line) and control (dotted line) households. The x-axis shows average parental years of education. The shaded areas correspond to 90 percent confidence intervals. The hollow circles correspond to the raw means of each outcome variable. The sample consists of school-age sons (7-17 at baseline; N=274).

holds that meet the inclusion criteria for most microfinance lending (henceforth, "IHDS microfinance sample"). In 2011, the Reserve Bank of India mandated that to qualify for microfinance, an urban household could not earn more than ₹ 120,000 per year.[4] VFS utilized three additional metrics to ascertain loan risk: (i) whether the household had an enterprise, (ii) whether the household owned the structure they lived in, and (iii) whether the borrowing female client was married. We therefore identify the IHDS microfinance sample using the criteria: household operates a non-farm enterprise, owns the home they live in, and annual household income was below ₹120,000. If a son in the sample has a parent with a matching level of education in VFS, and he meets the household criteria, then we add to his level of

[4]https://www.rbi.org.in/commonperson/English/Scripts/Notification.aspx?Id=945

education the corresponding treatment effect. 817 of the 6,892 sons in the sample meet these criteria. We then re-rank all the young men in the sample based on the adjusted levels of education and regress this new rank on the parent rank. Panel B, column 3 of Appendix Table A16 presents this result. We also report the p-value of an F-test of equality of the rank–rank coefficient in column (2) relative to column (3).

Economic Mobility

In the IHDS-2 dataset, we limit the sample to men who are 30 years old, reside in an urban area with their parents such that we can observe the parents' literacy status. 596 men meet these criteria. Parallel to VFS analysis, parents as illiterate if either or both the mother and father are illiterate. Roughly 52% of men have literate parents. The monthly earnings of men with literate parents is Rs. 6294 and for men with illiterate parents it is Rs. 3231, in 2007 INR.

The treatment induced sons of literate parents to attain 1.12 more years of education (Panel B, column 4 of Appendix Table A17). Khanna (2023) finds average return to education for males is 14.6% per year. So we estimate that sons of literate parents in the treatment group earn $e_L \times (1 + r \times t) = 6294 \times (1 + 0.146 \times 1.12) = 7323$. Therefore $\Delta E_L = e_L \times [(1 + r \times t) - 1]$ captures the treatment induced difference in earnings between treatment and control sons of literate parents. The treatment induced the sons of illiterate parents to attain 0.65 fewer years of education (Panel B, column 4 of Appendix Table A17). So we estimate that sons of illiterate parents in the treatment group earn $e_I \times (1 - r \times t) = 3231 \times (1 - 0.146 \times 0.65) = 2924$. Therefore $\Delta E_I = e_I \times [(1 - r \times t) - 1]$ captures the treatment induced difference in earnings between treatment and control sons of illiterate parents. As Khanna (2023) does not provide estimates of the return to education by parental literacy, we use the same r for both groups.

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