

## Abstract

We use a field experiment with 2,800 small and medium enterprises (SMEs) in 100 local markets in China to measure the direct and indirect effects of access to finance. In 2013 in Jiangxi province a large rural bank introduced a new loan product targeted to SMEs. We created an information treatment about this product and randomized the treatment both within and across local markets. Using data from three survey waves we document the following preliminary results. (1) Treated firms were 33 percentage points more likely than control firms to start borrowing from the rural bank, while borrowing from other sources did not vary by the treatment. (2) Treated firms exhibited significantly higher growth than control firms in revenue, profit, factors, inputs, number of clients, use of trade credit, and entry into formality. (3) More than a third of this difference is accounted for by the relatively poorer performance of control firms in markets in which more peer firms were treated. These results suggest that in our context SMEs faced credit constraints, reducing credit constraints improved firm performance, and much of the improvement came via business-stealing effects.