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February 2011

Online at <https://mpra.ub.uni-muenchen.de/55758/>

MPRA Paper No. 55758, posted 08 May 2014 13:25 UTC

Missing links, missing markets: Evidence of the transformation process in the economic networks of Gambian villages*

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First version: February 2011. Current version: December 2013.

Abstract

A unique dataset of social and economic networks collected in 60 rural Gambian villages is used to study the ways in which households with links outside the village (a proxy for market connections) behave in the locally available exchange networks for land, labor, input and credit. The econometric results at both household and link (dyadic) level provide evidence of: (i) substitutability between internal and external links, and (ii) substitutability between internal reciprocation and external links. These findings provide support for the transformation process of primitive economies described in a long tradition of anthropological work as well as recent theoretical models.

Keywords: Social Networks, Missing markets, Gift economy, Economic Anthropology, West Africa.

JEL codes: Z13, C31, 012.

*I am particularly indebted to Jean-Louis Arcand for inspirational discussions. I thank Jean-Marie Baland, Marc Bellemare, Tessa Bold, Marcel Fafchamps, Sanjeev Goyal, Rafael Lalive, Julien Labonne, Matthias Schündeln, and Joachim von Braun for their thoughtful suggestions. I have also benefited from comments received during my research visit at the CSAE (Oxford) in 2010 and by participants of the NEUDC 2012 conference and the seminars organized by CREI (Barcelona), DIW (Berlin), Goethe University (Frankfurt), J-PAL (Santiago), Rigotnomics (Geneva), University of Gottingen, University of Padua, and Universidad de Chile. The data collection was funded as part of the baseline analysis for the World Bank's Community-Driven Development Project for The Gambia. It would have been impossible to gather these data without the collaboration of the inhabitants of the 60 villages we visited and the hard work of Amie Bojang, Antou Faal, Bakary Baludin, Cheikh Ibrahima Fall DIOP, Lamin Cham, Pa Alieu Fye, Saikou Jawara, Slavica Zec, Yiu Por (Vincent) Chen, Yong HE and people at the Gambia Bureau of Statistics (GBoS) and CDDP-Banjul.

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“The pattern of symmetrical and reciprocal rights is not difficult to understand if we realize that it is first and foremost a pattern of spiritual bonds between things which are to some extent parts of persons, and persons and groups that behave in some measure as if they were things.”
Mauss (1923, “The Gift”)

1 Introduction

The aim of the present paper is to contribute to the empirical analysis of the process of transformation in traditional rural societies using a network perspective. Using a unique database of economic networks (land, labor, inputs and credit) collected in 60 villages in rural Gambia, where traditional non-monetary economic exchanges -*gift economy*- prevail, the behavior of households involved in market transactions is studied.

The transition from primitive economic activities to more complex exchanges that eventually lead to market economies (or to alternative modern economic systems) was a relevant element in the conception of classical economic theory and a key issue for early economic sociologists, as can be seen in the works of Thorsten Veblen, Max Weber and, in particular, Karl Polanyi. In the latter’s conception of the *great transformation*, modern societies are shaped through the transition from a network of communitarian reciprocal exchanges to institutionalized market interactions (Polanyi, 1944). The concept of primitive economies as reciprocal exchanges is largely based on Malinowski’s influential description of the production system of the Trobriand islanders (Malinowski, 1921, 1922), which also provides the foundation for Mauss’ analysis of a gift economy.

The transformation process is subsequently formalized by Kranton (1996). In her model, agents can choose either reciprocal exchanges with other agents whose preferences, production costs and other relevant characteristics are known, or market transactions with anonymous agents, using money as a medium of exchange. If the cost of searching for trading partners is higher than the benefit obtained from consumption diversification offered by markets, then agents will prefer reciprocal exchanges. One of the main results of Kranton (1996) is that reciprocity can be enforced even if markets exist as an alternative for transactions. In particular, she predicts that reciprocal exchanges will be pervasive in settings such as the Gambian villages, where common features of rural societies are predominant, namely high costs to access market exchanges, non-anonymity (therefore high value on the future utility from a relationship), and homogeneous consumption preferences.

The descriptions of ethnographic and anthropological literature and the predictions of models *a la* Kranton (1996) have not been matched with rigorous quantitative evidence about the transformation process.¹ Most of the empirical evidence of behavior under different levels of market exposure has been collected through experimental games across different societies. A robust finding, replicated in experiments played in different groups and contexts, is that communities more exposed to market are *fairer* in transactions with

¹A summary of studies focusing on the influences of markets on behavior and preferences is provided by Bowles (1998). More related to the framework of the present study, Barrett (2008) reviews the literature related to market participation of smallholders in Africa.

strangers, as measured by the amount of money offered in the *ultimatum game* and the *dictator game* (Henrich *et al.*, 2004 and Henrich *et al.*, 2010). Indirectly, this result implies that individuals belonging to groups that participate in the market are less likely to get involved in reciprocated transactions. In other words, the difference between gift and commodity exchange is that a gift establishes a feeling-bond between two people, which is absent from a commodity transaction (Hyde, 1983).

Following the contribution of Kranton & Minehart (2001), I will consider a market as a network of buyers and sellers that establish a link between each other. The data from Gambian villages provide information regarding the existence of a link connecting a particular household for a transaction outside the village in each network. While most of the households in the data have at least one economic link with their fellow villagers (and in most cases several links), only a few households have links outside the village. I consider these outside links as a proxy for a market connection, an assumption supported by observations on the field and by empirical tests provided below. On the other hand, and in line with previous studies described in the next section, the economic links within the village are assumed to represent some kind of gift exchange.

Another important assumption behind the study is the idea, first formalized by de Janvry *et al.* (1991), that the problem of missing or failing markets may be better understood as a household instead of a commodity specific phenomenon. Even if markets exist, transaction costs that exceed the utility gain from the transaction will push a particular household outside the market. Moreover, there are general equilibrium effects, in which failures of an important market, such as credit, labor or food, can lead to exclusion from exchanges in other markets. While the predictions of de Janvry *et al.* (1991) are not directly tested, the concept of household-level market exclusion is adopted.²

For the empirical analysis, two specific hypotheses derived from previous descriptions of the transformation process will be explored: (i) *Substitutability between internal and external exchanges*, i.e. households with external economic links are less likely to be involved in economic interactions within the village; and (ii) *reciprocation versus market*, i.e. households with external economic links are less likely to be involved in reciprocated exchanges with fellow villagers. Network based measures of degree centrality (number of links in each network) and reciprocity are used to quantify economic interactions inside the village. The relationship of these variables with external economic interactions is analyzed in various empirical specifications. Firstly, the predicted probability of external link existence is used to implement a propensity score matching estimator to compare a set of households with similar observed characteristics. The analysis at the household-level is expanded by implementing a specification in the spirit of the recent contributions of Krishnan & Sciubba (2009) and Banerjee *et al.* (2012), where variables gleaned from network measures are included into a linear model. Taking advantage of the network structure of the data, the main hypotheses are further tested at the dyadic (link between households)

²Most of the previous applied econometric studies specifically dealing with the issue of market participation are efforts to test models in the spirit of de Janvry *et al.* (1991). Goetz (1992) combines bivariate probits and 2SLS in a sample of Senegalese rural households and finds some differences in the determinants of grain market participation for buyers and sellers. Using structural estimation, Key *et al.* (2000) show the importance of transaction costs in data for Mexican *ejidos*. Bellemare & Barrett (2006) use an ordered Tobit model to show the sequentiality in the decisions of market entry and volumes to be transacted for rural households in East Africa.

level, following the specification first proposed by Fafchamps & Gubert (2007).³

In all the econometric specifications I find support for the main hypotheses. External links are negatively related to household degree, and therefore there is evidence of substitutability between internal exchanges and external links. This effect is observed only within each network and not across networks. In terms of the *reciprocation versus market* hypothesis, the analysis also provides evidence of less reciprocated exchanges for households with external links, again mainly within each network, but also across networks in some cases. These results are generally robust to the different econometric specifications and alternative methods to control for village- and household-level unobserved heterogeneity, but the effects are not always present for every network. The findings are suggestive in terms of providing empirical evidence for the hypotheses using detailed network data. However, they should not necessarily be interpreted in causal terms given potential endogeneity problems that might remain unsolved with the techniques that the data allow me to use.

The rest of the paper is structured as follows: Section 2 describes the setting and data collection. In section 3 formal definitions of the network measures are presented. Section 4 introduces the empirical strategy and presents the main empirical results. A final section suggests policy implications of the findings and concludes.

2 Context and Data

2.1 Setting: economic exchanges in rural Gambia

The setting of the study largely resembles the characteristics of rural West Africa. Gambian villages are mostly engaged in basic subsistence agriculture, combined in some cases with cash crop production -mainly groundnuts- with the use of basic technologies (Gajigo & Sainebe, 2011). Some villages also rely on fishing and livestock rearing as complementary economic activities. In the small villages in which the surveys were conducted kinship relationships are very common and are usually dominated by the lineage of the village founders and the oldest settlers. The village is organized into *compounds*, a group of huts surrounded by a grass fence where members of the same family live and organize daily activities together. The majority of labor activities are carried out by compound members organized in one or more *dabadas* or farm production units (Webb, 1989). Most of the time a compound can be identified as a household, but in some cases there are members identified as independent households inside the compound.⁴

While many of the production activities are organized within the compound, there is also an active exchange with other households in the village, mainly through non-monetary transactions embedded in the traditional social norms and a network of reciprocal exchanges.⁵ As described by Shipton (1990) “*in The Gambia, virtually everything*

³To my knowledge, the only study that analyzes reciprocity in rural societies in a dyadic framework is the recent contribution by Schechter & Yuskavage (2012).

⁴A detailed description of the organization of activities within compounds is provided by Carney & Watts (1990) and von Braun & Webb (1989).

⁵The most active period of economic exchanges between households in the village occurs before, during and after the rainy season.

is lendable and at times will be lent. This includes nearly all factors of agricultural production land, labor, livestock, seeds, fertilizer, pesticides, and farm tools. Craft tools, vehicles, and household goods are also lent". For the present study these exchanges are grouped in four networks -land, labor, inputs (basically tools, seeds and fertilizers), and credit- described in detail below.

Formal land titles are very rare in rural Gambia. Instead, the unwritten rights over land usage are determined by the descendants of the village's founders, generally the village chief (*Alkalo*) and his direct relatives. In some cases, the *kabilo* (clan) heads, who might not be related to the founder's lineage but represent the descendants of other early settlers, are entitled to permanent usage rights. As noted by Webb (1989), the rights over land are closely related to the old social structure, with the former highest castes having the most productive plots. All other villagers must borrow plots on either a seasonal or an annual basis from them, in agreements that can also last for several years (Chavas *et al.*, 2005). Sometimes other individuals own small plots of land outright that can be lent or rented, usually to individuals outside the village.

In terms of labor exchanges between villagers, to deal with a shortage of family workers (particularly before and during the rainy season) households usually invite other villagers or outsiders to help with household tasks in exchange for various kinds of goods, labor or even a marriage arrangement. Other alternatives available in some villages are the use of *kafos*, an organized workforce of villagers from various households who participate in the provision of public goods but who can also be hired for a fixed wage, and the use of *strange farmers* (Swindell, 1978), individuals from outside the village who provide part-time labor in exchange for the right to use part of the family plot for their own benefit. In the villages surveyed, the hiring of *kafos* was rarely observed (less than 1% of the interviewed households heads declared they borrowed labor from more than 5 other households) and the use of strange farmers cannot be identified due to data limitations.

The input network is defined in the survey as exchanges of means of production that imply a monetary or opportunity cost for the lender, such as tools, cattle, fertilizer, seeds and the like. Livestock are usually lent for milk, manure and transport during long periods, and sometimes also lent to relatives outside the village, as a means of avoiding the loss of an entire herd in the case of disease or theft (Shipton, 1990). As for other agricultural inputs, the lending can take the form of a bilateral household exchange or a centrally organized process by some of the villager groups. The external links relate to the acquisition and distribution of these inputs from and to other villages, rural markets or urban centers.

The credit exchanges between villagers generally follow the Islamic prescription of not charging any interest rate to the borrower, and are related to risk-sharing activities of support for relatives and friends, enmeshed in the network of mutual obligations created by the other types of economic and social exchanges (Shipton, 1990). Therefore, these exchanges must be understood as *quasi-credit*, as defined by Platteau & Abraham (1987) and Fafchamps (1999). Apart from the direct borrowing of money from another household in the village, there is also the possibility of obtaining credit from external sources, both informal and formal (mainly rural development banks or microcredit agencies), or from some village-level rotating saving and credit associations (ROSCAs), locally known

as *osusus*. Other forms of organized saving, such as the *money-keepers* and the *village bank*, are usually available.

2.2 Data collection and description

The data were collected by the author, other researchers, and local collaborators in the context of the baseline survey for the impact evaluation at national level of a Community-Driven Development Program, conducted between February and May of 2009. 60 Gambian villages with populations between 300 and 1,000 inhabitants, mainly in rural areas (just 4 villages are in semi-urban areas), were randomly selected using area sampling at the ward level, a smaller geographical division that tends to be homogeneous in geographical but heterogeneous in socio-cultural terms.

The methodology adopted for the present study differs from that of traditional household surveys in which a random sample of households is collected in each village. Structured group interviews geared to collect quantitative information were implemented instead.⁶ Therefore, village censuses were carried out through gatherings co-organized with the Alkalo and district-level officers. In such village meetings it was possible to obtain relatively coarse quantitative information -with a particular focus on socio-economic interactions- for almost all households in each village (the median village-level coverage rate is 94%).⁷

These type of group surveys have the advantage to minimize recall bias, since other members of the group will help to answer the questions. A potential problem is, therefore, that the measurement error could be correlated with the composition of the group. This is likely not to be the case in our data for two reasons. Firstly, the groups were randomly formed by the enumerators based on the village taxation list. Secondly, while a typical group in this surveys was formed by five to eight persons, many persons from the community were present in the village gatherings where these open surveys were conducted, and it was common that persons outside the group contributed to clarify data that were incomplete or doubtful. Another concern with these open surveys is that individuals may not be willing to reveal some information in front of the community. This is improbable in the setting in which we conducted the survey, where at least the information related to our main questions (links in the economic networks) was usually observable for community members and therefore common knowledge and not sensitive information, as we could confirm during the pilots and the data collection.⁸ Even though information about economic interactions was likely to be revealed in front of the community, it is possible

⁶This type of approach is common in ethnographic research and is related to the *rapid rural appraisal* methodology that has been successfully used in the past for quantitative analysis in different disciplines (Chambers, 1994)

⁷Having census network data implies that in the empirical analysis there is no need for the adjustment in the estimates that are necessary in sampled networks proposed by Chandrasekhar & Lewis (2011).

⁸During the pilots we were initially reluctant to ask information about credit links (money exchange), thinking that it might be perceived as being disrespectful and that this information would not be revealed. On the contrary, it was found that villagers were in general willing to respond to this questions. The clue to understand this behavior was given by one of the local enumerators: “*In Islam there is no interest rate. If you lend money it means that you are helping at the moment when the other really needs it, so you are doubly blessed. While usually lenders will not reveal the information, grateful borrowers will.*”

that other kind of information, in particular about income, was more sensitive. Fortunately, from the village taxation list we were able to obtain objective measures of wealth.

The survey, which was answered by the head of the household,⁹ has two sections: a standard (and very lean) household questionnaire designed to collect a vector of household characteristics and a set of questions specifically designed to understand the economic networks in the village. For the latter, the respondents were asked to name villagers with whom they and other members of their households had exchanges, during the past year (therefore from the end of the 2008 dry season to the end of 2009 dry season), in terms of (i) land, (ii) labor, (iii) inputs, and (iv) credit. We also collected information about networks created by kinship and marriages and, importantly for the purpose of the present study, about connections external to the village in each of these networks.

We finally interviewed 2,886 persons, but the sample is reduced to 2,810 when incomplete data are removed. In Table 1 the main variables of the household questionnaire are summarized. Average household size is 12.7 members, but some households have even more than 50 members (approximately 1% of the sample) a fact explained by the polygamous nature of Gambian rural society, with 45% of households declaring to have more than one wife. Only a very small number of household heads are females (7%) or non-Muslims (4%). 16% of the respondents declared having some kind of formal education (although a substantial fraction of the villagers received some kind of koranic education and usually master basic Arabic language skills) and the average (self-declared) annual income per capita is 3,565 Gambian Dalasis, which corresponds to approximately \$380 (in constant 2005 and PPP adjusted dollars from World Development Indicators), with only around 12% of this income stemming from agricultural activities. Around half of the respondents declare to have current or former household members who work outside the village, including 19% who receive remittances from overseas migrants outside Africa. 41% claim to produce some sort of cash crops.

Figure 1 presents a graphical representation of the network data for one of the villages, where the four economic networks are considered jointly. It is possible to see that the whole village is linked with economic interactions, with the exception of five households that are in autarky (the five isolated nodes in the upper left corner). The numerous links of economic interactions within the village is further confirmed in the descriptive statistics for the data on networks of all the villages displayed in Table 2. These data support the idea that most of the economic interactions take place within the village instead of outside it. When the four economic networks are taken together (fifth row of Table 2), it can be seen that 76% of the households do not have any links that enable them to bring something from outside the village and 83% do not have links that enable them to send something outside the village (columns 3 and 4 respectively). On the other hand, only less than 15% of the households declare having no links in these networks with fellow villagers (*internal autarky*).

More details related to the data collection methodology, as well as an extensive analysis of the data can be found in Arcand *et al.* (2010) and Jaimovich (2011).¹⁰

⁹In some limited cases the household head was absent and his or her replacement answered the questionnaire.

¹⁰Jaimovich (2011) is a working paper largely based on chapters of my PhD dissertation. Some of the

While this database is unique in many aspects, there are limitations that constrain the possibilities of the empirical analysis. In the first place, the data are available only for one period, therefore only a cross-sectional analysis is possible. In particular, dynamic features in household's behavior can not be captured, limiting the observed economic interaction inside and outside the village to those that have taken place in the year before the survey. Another issue with the data is that the relevant unit for economic exchanges is the household, therefore the complexities of intra-households allocation of resources are not captured and the external exchanges of others members apart from the household head can be misrepresented.

3 Definitions: Network measures.

3.1 Internal exchanges

Each household will be considered as a node i in each of the m economic exchange networks, with $m = \{LAND, LABOR, INPUT, CREDIT\}$. The internal exchanges consist of a set of nodes in each village v belonging to $n_v = 1, \dots, N_v$ where n_v is the number of households inside each village. The existence of a link between households i and j in the network m will be measured as a binary variable $\ell_{ij}(m)$ which takes value one if a link is reported in the data and zero otherwise.¹¹ $\ell_{ij}(m)$ is a directed link from i to j , which implies that the former lends m to the latter. If the opposite is true (i borrows from j), then the link will be denoted as $\ell_{ji}(m)$. Following this definition, it is possible to see that in the network shown in Figure 1, household D is *lending labor* to household C .

While the data do not provide information in terms of the specific type of exchange that a link implies, I will consider that a link in the network of internal economic exchanges represents some kind of *gift exchange*. This assumption is largely supported by the description of the economic activities presented in section 2.1, as well as the anecdotal observations during the fieldwork.

A basic metric of the level of internal exchanges of a node i in a network m is its *degree centrality*, $d_i(m)$, measured as the number of links involving this particular node. In the data it is possible to make a distinction in terms of the directionality of the link. If the link goes from i to j , then it will be counted in the measure of the *out-degree*: $d_i^{out}(m) = \sum_j \ell_{ij}(m)$, which is related in the economic networks to the position as a lender. When the link goes in the other direction, from j to i , it will be counted as part of the *in-degree* of i : $d_i^{in}(m) = \sum_j \ell_{ji}(m)$, which is therefore a characteristic of i as borrower.

The first panel of Table 2 presents descriptive statistics for the average *degree* of the households in the sample, both as borrowers and as lenders. The average degree for the economic networks is always below 1, indicating that for many households $d_i(m) = 0$ (*internal autarky*). This fact is captured in the fourth panel of Table 2, which indicates that

results discussed there are also reported in the present study.

¹¹A link is recorder in the data if at least one of the two villagers of the dyad mention the existence of a link.

between 40% and 50% of the households do not have any links for each specific network. Among the networks, *INPUT* has households with higher degree and *CREDIT* with lower, but these differences are not statistically significant given the large variation in the distribution of degrees.

3.2 Reciprocity

One of the main characteristics of tribal or primitive economies, as described by Malinowski (1921) and Mauss (1923), is the reciprocity of exchanges. Reciprocity can be defined in various ways, but basically is linked to the concept of non-pecuniary transactions in which the provision of a good or service is expected to be rewarded in the future. This reciprocity can be expected in the long term, particularly in villages such as those in the present study, where social relations are long-lasting. This is a limitation for the cross-sectional data used in the empirical analysis, but at least it is possible to observe whether an economic exchange was reciprocated within the year before the survey was conducted.

I will limit myself to the description of reciprocity within the m economic networks for which detailed information is available. Given that the data about links are directed, it is possible to observe whether any specific link has a counterpart in the opposite direction. If a link is bidirectional, meaning that the lender was also a borrower in a transaction with a given household, this link will be considered as *reciprocated*. In particular: $Recip_{ij}(m) = 1 \Leftrightarrow \ell_{ij}(m) = 1$ and $\ell_{ji} = 1$, where ℓ_{ji} is a link between i and j in any of the m networks. Therefore, reciprocation can exist within the same network or with another network. For example, in Figure 1 households A and B have a reciprocal link to exchange inputs, while households C and *Alkalo* have a reciprocated link in which the former lends labor and the latter land.

As in the case of household degree, the reciprocal relation is directional. For each household i , *reciprocal out - degree* is defined as $Recip_i^{out}(m) = \sum_j \ell_{ij}(m)\ell_{ji}$. Similarly, *reciprocal in - degree* is defined as $Recip_i^{in}(m) = \sum_j \ell_{ji}(m)\ell_{ij}$.

The second panel of Table 2 shows a general description of the reciprocal degree of households in the sample, taken as a percentage of household's degree in each network. It is possible to see that many of the internal exchanges were reciprocated within the year of the study. *INPUT* is the network with more reciprocation, with an average of close to half of the links, followed by *LABOR*, where nearly 35% of the links are reciprocated. In the case of *LAND* and *CREDIT*, on average approximately 20% of the links are reciprocated.

3.3 External connections

The existence of an external link in each of the m economic networks is reported in the data, but not the identity and location of the specific agent with whom villagers have it. Neither the intensity of the link nor the existence of more than one external link in each network are reported. Given these limitations of data, the external link will be

taken as a binary variable $Ext_i(m) = 1$ if an external link is reported and zero otherwise. A distinction will be made in terms of external links created to bring something to the village ($Ext_i^{in}(m)$) or to take something out something from the village ($Ext_i^{out}(m)$).

Even though the specific characteristics of the external connection cannot be identified in the data, I will consider the external links as a proxy for a link to a market outside the village. The idea is that economic exchanges outside the village are more likely to be established between anonymous agents, with the purpose of expanding the available set of production inputs or diversifying consumption, and, even if no money is used as a medium of exchange, involving relative prices agreed by the agents. This assumption is supported by the evidence presented below, given that household-level variables such as number of emigrants, remittance reception, and marriages with outsiders are uncorrelated with the probability of having an external link. On the other hand, households involved in the production of cash crops are more likely to have external connections. Informal interviews in the field as well as reports provided by the local enumerators also confirm that this assumption is likely to be true.

In the third panel of table 2, $Ext_i(m)$ is summarized. The description is consistent with the idea that only few economic transactions occur outside the village. Only 24% of the households have an *external-in* link and 17% an *external-out* in any of the four economic networks (fifth row of table 2). In the case of *LAND*, 5% of the households give out plots to outsiders, while 8% get land from other villages. For *LABOR*, the database only has information about the households with members working outside the village.¹² Just 3% of the households work outside the village. For the links in the *INPUT* network, 8% of the respondents declared getting input from outsiders, just 3% to give out. A similar disproportion is observed for *CREDIT*, where 12% obtained money from outside the village and just 5% acted as money lenders.

4 Empirical analysis

The main goal of the empirical analysis is to test the transformation process of rural economies that are exposed to the possibility of more complex types of exchanges outside the village. Using the detailed database about network of economic exchanges described above, two hypotheses of the transformation process will be tested: (*H1*) Households with external economic links are less likely to be involved in economic interactions within the village (substitutability between internal and external exchanges); and (*H2*) Households with external economic links are less likely to be involved in reciprocated exchanges with fellow villagers (*reciprocation versus market* hypothesis).

This section proceed as follows. Firstly, the households characteristics correlated with the existence of a link to economic exchanges outside the village are analyzed. Afterward,

¹²The lack of information related to external hiring is unfortunate, because the use of *strange farmers* is an important way of dealing with labor shortages (Swindell, 1978). In terms of the definition of households working outside the village, the original question was “*Did you, or any members of your household, work for other households during the last year (2008-9)? If yes, how many days?*”. Only households that worked at least one week during last year outside the village are considered as having an external link.

evidence regarding the two aforementioned hypotheses is presented. A first subsection compares the network degree and the reciprocal degree of households with and without external connections, showing that the former tend to have lower means for both variables when the group of comparison is created using a propensity score matching. The next subsection provides further evidence with respect to the two hypothesis with household-level OLS estimation of linear models. Finally, the analysis at the link-level is presented, with dyadic regressions which results are also in line with the predictions of *H1* and *H2*.

4.1 Who has external connections?

The data described in Table 2 shows that few villagers have external links. Therefore the question arises, who are these villagers? In order to understand which household-level characteristics are related to the the probability of $Ext_{iv}(m) = 1$, the following model is estimated:

$$Pr(Ext_{iv}(m)) = G(\alpha_v + X_{iv}\beta_x) \quad (1)$$

where the dependent variable can be a link to bring something to village v ($Ext_{iv}^{in}(m)$) or to take out something/someone outside ($Ext_{iv}^{out}(m)$). In addition to the probability of an external link in each of the m networks, the probability of an external link in any of the economic networks will be estimated. $G(\cdot)$ is the logistic function and X_{iv} is a vector of controls at the household level. To control for village-level unobserved heterogeneity, in all the estimations village fixed effects are included (α_v).¹³

The results of the estimation of Equation 1 are presented in Table 3, where only variables that are interesting from an economic perspective and which are statistically significant are shown. Household size is positively associated with the existence of an external link for most networks. The level of education of the household head is negatively correlated with external links in some networks. For instance, the result in column 5 suggests that educated individuals are less likely to work outside the village, a result that can be explained by the fact that those who have the comparative advantage of basic education inside the village tend to work there. Income per capita increases the probability of external exchanges only in terms of credit. Ethnic minorities (in this case considered as those that represent an ethnic group which constitutes less than a third of villages' population) are more likely to get land and work outside the village. Older households are less likely to give credit.

Traditional roles are very important in rural Gambia, reflecting the importance of social norms. The *Alkalo* is more likely to lend land and inputs outside the village, while the members of the Village Development Council (VDC, an important organization that coordinates the most important village groups) also have a higher chance of exchanging land and receiving credit from outside. Nevertheless, households that are relatives of the *Alkalo* are less likely to be involved in external credit, a fact probably related to their favorable position for accessing cash inside the village. The Imam, village religious leader,

¹³Given the dependent variable is binary, the estimated coefficients can suffer the incidental parameters problem. One alternative to solve this concern is the use of the conditional likelihood function estimator, that in this case will take the form $L = \prod_{v=1}^{60} Pr\left(\frac{Ext_{1v}, \dots, Ext_{nv}}{\sum_{i=1}^n Ext_{iv}}\right)$. In the Appendix (Table B.1) is shown that estimating Equation 1 with this specification barely change the results.

is less likely to work outside the village but has a higher probability of giving out inputs.

The results in Table 3 provide support to the idea that the external links in the four economic networks are a proxy for market exchanges, where interactions with anonymous agents prevail. All the variables measuring the existence of relatives and friends outside the village -as is the case for number of emigrants, the reception of remittances and marriage exchanges outside the village (to bring and send family members)- are either statistically insignificant or have a negative coefficient as determinants of the probability of an external link.¹⁴ Additionally, households that produce some kind of cash crop, and therefore are more likely to be involved in market exchanges, indeed have a higher probability of an external link (even though this is not always statistically significant).

4.2 Descriptive statistics and propensity score matching

A direct implication of *H1* is that households with economic links outside the village should have a lower degree ($d_i(m)$) in the networks of internal economic exchanges. Table 4 shows the differences in the mean degree in all economic networks and in each network individually (for both $d_i^{in}(m)$ and $d_i^{out}(m)$) between households with external links m ($Ext_i(m) = 1$) and those without external links ($Ext_i(m) = 0$). The rows labeled as *simple* show the average degree and a t-test of the difference between both kinds of households. It can be seen that the differences are statistically significant in various networks, but no clear trend is observed in terms of which kind of household has higher degree. For instance, in the case of Ext_i^{out} , the in-degree is higher on average for households with external links in the *LAND* network, while the opposite is true if out-degree is considered.

The simple mean comparison is not informative given the set of households with and without external links are unlikely to be directly comparable due to differences in their characteristics. A first approach to address this concern is to create a balanced comparison group with respect to observable household characteristics. In order to do this, I use the predicted values from Equation 1 as propensity scores to match households with similar probability of having an external link. For each i with $Ext_i = 1$ a comparison group is estimated using households without external links which have a close propensity score. This is implemented only in the subgroup of observations that are in the common support of the propensity scores.¹⁵ In the rows labeled as *matched* of Table 4 the difference between the average degree for the groups of households with $Ext_i = 1$ and the estimated comparison group is shown only for the subsample of observations that are in the common support of the propensity score. It is possible to see that thirteen of the eighteen differences in mean are negative when the matched groups are considered (only four differences are statistically significant, all of them when d_i^{in} is considered because the dispersion of the data is larger in the case of d_i^{out}). This result provides initial evidence

¹⁴The only exceptions are for input given out in the case of the coefficient for $Ext_{iv}^{in}(MARRIAGE)$ and labor for the coefficient of $Ext_{iv}^{out}(MARRIAGE)$

¹⁵For the main results, the k -nearest neighbors matching estimator is reported, with $k = 3$ (Abadie *et al.*, 2004), and the standard errors are bootstrapped to take into account the fact that values are estimated. If different number of k are used or if the kernel matching estimator is implemented instead, the results (available upon request), even though different in magnitude, have a similar interpretation.

in favor of *H1*.¹⁶

In the case of *H2* the prediction is that household with external links will have a lower *reciprocal degree*. In Table 5 the differences in *reciprocal out-degree* ($Recip_i^{out}(m)$) and *in-degree* ($Recip_i^{in}(m)$) are compared between households with and without external links, in both the original and the matched comparison group. The upper panel of Table 5 shows that no significant differences are found when Ext_i , a link in any network, is considered. This is in contrast to the results of the lower panels of Table 5, where it is possible to see that the differences are significant when reciprocation within each network is analyzed. In the case of Ext_i^{in} , most of the differences are significant or close to significant and always negative. In the case of Ext_i^{out} , only the difference for $Recip_i^{out}(LABOR)$ is significant, and also negative.¹⁷ The results in Table 5 offer initial evidence of the reduction in reciprocity under the influence of external connections.

If the creation of an external link is completely determined by the household characteristics included in Equation 1, then the results for the matching estimators can be taken as the causal estimate of the average treatment effect of $Ext_i(m) = 1$ on household's degree and *reciprocal degree*. Nevertheless, it is likely that unobservable household characteristics jointly determine the dependent variables as well as the existence of an external link. Given this concern, the results must only be interpreted as the differences in $d_i(m)$ and $Recip_i(m)$ for a set of households with and without external links that are comparable according to observable characteristics.

4.3 OLS estimates at the household level

To further analyze *H1* at the household-level, I will follow Banerjee *et al.* (2012), in their reduced-form specification, by using measures of network centrality in a linear specification of the following form:¹⁸

$$\frac{d_{iv}(m)}{n_v - 1} = \alpha_v^m + X_{iv}\beta_x^m + Ext_{iv}(m)\beta_{ext}^m + e_{iv}, \quad (2)$$

where the dependent variable, household's degree, is expressed in terms of the total possible links that a household can have in each village v .¹⁹ The vector of coefficients of interest is β_{ext}^m , associated with the dummies capturing the existence of an external link in each network m ($Ext_{iv}(m)$). In particular, if there is substitutability between $d_{iv}(m)$ and $Ext_{iv}(m)$, it is expected that $\beta_{ext}^m < 0$. Village-level fixed effects (α_v) are included, as well as X_{iv} , the vector of household-level characteristics already described above. e_{iv}

¹⁶In appendix table B.2 it is shown that when the existence of an external link in any of the four economic networks is considered, the differences in degree are never statistically different in the matched samples. This is also the case if the degree in networks other than the ones with external degree are considered, as shown in appendix B.3.

¹⁷The differences in $Recip_i(m)$ for networks others than the one with the external link, no significant results (with very few exceptions) are found, as reported in appendix table B.4.

¹⁸Banerjee *et al.* (2012) use the eigenvector centrality in their study of microfinance diffusion in Indian villages, and show that their results are different if degree centrality is used instead. This is the case given their data are for (subsamples) of networks with many more nodes than the network data from Gambian villages. Given networks are much smaller for the latter, and therefore indirect connections are not so relevant, eigenvector and degree centrality are very similar (Borgatti, 2005).

¹⁹If instead $d_{iv}(m)$ is used as dependent variable, the main results are unchanged.

is the disturbance term.

The β_{ext}^m coefficients from the OLS estimation of equation 2 are displayed in Table 6.²⁰ In the upper panel, $Ext_i^{in}(m)$ and $Ext_i^{out}(m)$ are defined as variables taken value 1 if there is an external link in any network, while in the lower panel the external links are defined for each separate network m . The results in Table 6 are very much in line with those obtained from the comparison of matched samples in Table 4: external links tend to be negatively related to household's internal degree within each network m , but unrelated in the rest of the networks. β_{ext} is negative for *LAND*, except in the $Ext_i^{out}(LAND)-d_i^{out}(LAND)$ combination, for *LABOR* only in the $Ext_i^{out}(LABOR)-d_i^{out}(LABOR)$ combination, for *INPUT* always except in $Ext_i^{out}(INPUT)-d_i^{out}(INPUT)$ and for *CREDIT* only in $Ext_i^{in}(CREDIT)-d_i^{in}(CREDIT)$. Given the mean values of $\frac{d_{iv}(m)}{n-1}$ (last row of Table 6), the existence of external links is associated to a reduction on internal degree which ranges between 4% and 50%.²¹

Even though in the estimation of the parameters of equation 2 a series of household level controls are included, it is still possible that unobserved characteristics are related to the existence of links in both internal and external networks, and therefore the estimates would be bias given this potential endogeneity problem. Therefore, in order to be conservative, the magnitudes of β_{ext}^m must be taken as the conditional correlation between internal degree and external connections. Nevertheless, if the unobserved variables affect degree and external links in the same direction, then the bias in the estimates will be upwards and the sign of the coefficients in Table 6 is correct, with magnitudes that are upper bounds of its true value (in appendix section A this argument is formally explained). This would be the case if the unobserved variables are related to characteristics as entrepreneurial ability, empathy or assiduousness. A better way to deal with the problem of unobserved heterogeneity at household level is present below, since in the estimations using link level data it is possible to include household fixed effects.

In the same spirit of Equation 2, the relationship of reciprocation and external connections (*H2*) is tested using the following specification:

$$\frac{Recip_{iv}(m)}{d_{iv}(m)} = \alpha_v^m + X_{iv}\beta_x^m + Ext_{iv}(m)\beta_{ext2}^m + e_{iv}, \quad (3)$$

where the dependent variable is the proportion of reciprocated links over the total links of households i in network m .

²⁰To account for the fact that observations are likely to be correlated within each village, the standard errors are clustered at the village-level.

²¹A potential concern with the estimation of Equations 2 and 3 is the fact that the dependent variable is a fraction that can take values between 1 and 0, but the predicted values from an OLS estimation can lie outside this interval. To check if this poses a problem, I will follow Papke & Wooldridge (2008) in implementing a version of these equations with a probit specification estimated using quasi-maximum likelihood and controlling village unobserved heterogeneity by using the *Mundlak-Chamberlain device*. Therefore, instead of the α_v vector, the average of all the village-variant variables ($\overline{X_v}$ and $\overline{Ext_v}$) are included. Using this specification has no effect on the interpretation of the main results when compared to the OLS estimates, in terms of the sign and statistical significance of β_{ext} , and therefore I will prefer the OLS estimation which coefficients are easier to interpret (the results of the Mundlak-Chamberlain estimates are reported in the appendix tables B.5

The results of the OLS estimation of Equation 3, only for β_{ext2}^m , are reported in Table 7. Apart from the estimation of $Recip_i^{out}(m)$ and $Recip_i^{in}(m)$, the proportion of total reciprocated links over total degree, $Recip_i$, is also reported in the third column of each network. The results are in line with the preliminary evidence from Table 5. Most of the statistically significant coefficients are negative, and this particularly the case when external links exists in each particular network. For *LAND* and *CREDIT*, β_{ext2} is negative for $Ext_{iv}^{in}(LAND) = 1$ and $Ext_{iv}^{in}(CREDIT) = 1$, while for *LABOR* and *INPUT* this is the case when $Ext_{iv}^{out}(LABOR) = 1$ and $Ext_{iv}^{out}(INPUT) = 1$. Additionally, in the lower panel of Table 7 can be seen that there are some cross-networks effects of external links, given that some of the coefficients for networks others than the dependent variable are statistically significant, always with a negative sign (excepts for $Ext_{iv}^{out}(CREDIT)$ in *LAND*).²²

The same concerns as before, in terms of a bias in the OLS estimations given unobserved heterogeneity, are valid in the case of the coefficients displayed in Table 7. Next subsection presents an alternative to deal with this issue.

4.4 Dyadic regressions: internal exchanges

So far, network based variables have been aggregated at the household level, therefore missing part of the richness of these detailed data. In order to better understand the transformation process at a more disaggregated level, the variables related to the probability of a link will be explored. In the case of *H1*, the formation of a link $\ell_{ij}(m)$ with a fellow villager is estimated using the following dyadic model:

$$\ell_{ijv}(m) = G(\alpha_v + w_{ijv}\beta_{dyad} + Ext_{ijv}\beta_{extdyad} + (X_{iv} + X_{jv})\beta_{sum} + |X_{iv} - X_{jv}|\beta_{dif}) \quad (4)$$

where the dependent variable is the undirected binary measure of a link between i and j (therefore in this case $\ell_{ijv}(m) = \ell_{jiv}(m)$).²³ To preserve symmetry on the right-hand-side, I follow Fafchamps & Gubert (2007) by specifying: β_{dif} as the coefficient associated with the absolute value of the difference in attributes between i and j and β_{sum} to the sum of their attributes (for variables like household size, head's age, income, etc.), and β_{dyad} as the parameter associated with the variable w_{ijv} that corresponds to common characteristics of i and j (like kinship and ethnic group). As for the coefficient associated with Ext_{ijv} ($\beta_{extdyad}$) two kinds of dummies are included: *One* $Ext_{ij}(m)$ when only one household in the dyad has an external link, and *Two* $Ext_{ij}(m)$ when this is the case for both (therefore the comparison group is dyads without external links).²⁴

The dyadic framework is also helpful for dealing with the problem of potential bias in the estimation given omitted observed and unobserved household characteristics. Since every household i can have links with many fellow villagers j , it is possible to include

²²In Table B.6 of the Appendix is possible to see that the main results do not change if the fractional linear model is estimated using the specification of Papke & Wooldridge (2008).

²³The directed probability of link formation can also be estimated, but given the interest in this case is to study the existence of an economic exchange within the village, the undirected measure has a more direct interpretation

²⁴In these estimations, the disturbance terms are allowed to be correlated across observations involving the same individual using the two-dimensional clustering methodology proposed by Cameron *et al.* (2011)

household fixed effects. Including α_i directly in Equation 4 may imply the potential problem of incidental parameters, namely the inconsistency in the estimation of the household fixed effects can be ‘transmitted’ to inconsistency in the estimation of the other parameters. One alternative to address this issue is the estimation of the conditional likelihood function, as proposed by Chamberlain (1980), that in this case will take the following form:

$$L = \prod_{i=1}^{n_v} Pr \left(\frac{\ell_{1jv}(m), \dots, \ell_{n_v jv}(m)}{\sum_{j=1}^{n_v} \ell_{ijv}(m)} \right), \quad (5)$$

that can be estimated only for the sub-sample of households where $\sum_{j=1}^{n_v} \ell_{ijv}(m) \neq 0$, therefore those with at least one link in each network.²⁵

The estimation of the $\beta_{extdyad}$ parameters of Equation 4 are presented in Table 8. The first panel shows the logit estimation (DYADIC LOGIT) and the second panel the estimation using the conditional likelihood function of Equation 5 (DYADIC CONDITIONAL LOGIT). It can be seen that, even the sample size is not the same, both models yield very similar results. And these results tend to provide support to *H1* given that all the estimated $\beta_{extdyad}$ are negative when external links within the same network are considered, with the exception of the case of *CREDIT*. It is also possible to see some effects across networks, given that $\beta_{extdyad}$ for other networks than *m* are also significant in some cases, with not clear prediction regarding the sign.

It is not possible to directly compare the results from the household-level estimates and those from the dyadic model, but the fact that the negative effect of external links on internal economic interaction is present in both specifications provides further evidence that omitted household-level unobserved characteristics do not necessarily drive the results. Nonetheless, it cannot be ruled out that in the dyadic specification household-pair-level unobservables are introducing biases in the estimates.

4.5 Dyadic regressions: reciprocity

Aggregating reciprocation data to the household-level hides important link-level heterogeneity. Table 9 presents a detailed summary of all the links registered in the four economic networks, with particular attention to the fact if the link was reciprocated or not ($Recip_{ij}(m)$). The information is disaggregated according to: whether the household that formed the link has external links or not; whether each link was formed to borrow out or lend in within the village economic networks; and whether the link was established between households that are close relatives (family) or not. Around 65% of the links described in Table 9 are formed by households that do not have any external link ($Ext_i(m) = 0$). These households also have more reciprocated links. When links with all the villagers are considered, households without external links reciprocate around half of the links while those with external links only reciprocate between 41% to 43%. The only exceptions are households that are external lenders and internal borrowers, which display even more reciprocity than those only exchanging internally (53.5%). When links

²⁵There are 2,828 links for *LAND*, 3,546 for *LABOR*, 5,401 for *INPUT*, and 2,598 in the case of *CREDIT*.

are divided between exchanges within and outside the family, it is possible to see that the differences in reciprocity are mainly associated with the former group. Links with relatives are reciprocated more than half of the time, but more intensively for households with only internal links. On the other hand, the level of reciprocation is similar for all groups if links with non-relatives are considered.

In Table 10 the link summary is presented by network. The external links are considered only in the case a household has links outside the village in each particular network m . *LAND* and *CREDIT* are reciprocated in less than 30% of the cases on average, while *LABOR* and *INPUT* have reciprocation in around half of the links. The latter networks are actively reciprocated within the same network, among them and also with *LAND* and *CREDIT*. In terms of the differences between links created by households with and without external links, the previous evidence is confirmed in various combinations: links created by the former group are, in general, reciprocated less. This is particularly the case when the external link is created to bring something to the village, and the effects are more pronounced for the *LABOR* and *INPUT* networks.

In order to further explore the descriptive evidence in terms of less reciprocated links for households with external connections (*H2* at the link-level), the following dyadic model is estimated:

$$Recip_{ijv} = \alpha_v + w_{ijv}\beta_{dyad} + Ext_{ijv}\beta_{ext2} + (X_{iv} + X_{jv})\beta_{sum} + |X_{iv} - X_{jv}|\beta_{dif} + \epsilon_{ijv} \quad (6)$$

where $Recip_{ijv} = 1$ if households i and j , from village v , have a reciprocated link, and $Recip_{ijv} = 0$ if the link between i and j is non-reciprocated. This specification differs with respect to Equation 4 because those dyads without a link (that represent around 99% of the sample) are not considered. Otherwise, the right hand side variables are all symmetric and expressed in a similar fashion as in the dyadic Equation 4. Of particular relevance is the fact that w_{ijv} variables, including kinship, are controlled for, given the evidence from Table 9 that most reciprocate exchanges are within the extended family.

Table 11 displays the coefficients obtained for β_{ext2} in the dyadic model of Equation 6. Some of the findings obtained for the household-level results in Equation 3 are confirmed at the link-level. For various specifications, the probability of creating a reciprocated link is negatively related to Ext_{ijv} . $\beta_{ext2} < 0$ for *LAND* and *CREDIT* when Ext_{ijv}^{in} is considered, and for *INPUT* when Ext_{ijv}^{out} is taken into account (in the case of the latter, only significant at the 12% level). It is interesting that the effect is particularly pronounced in those networks where reciprocation is less prevalent (Table 10), a fact that may be related to endogenous preferences and cultural norms.²⁶

5 Conclusions

A long tradition of anthropological studies have described the characteristics of primitive economies based on reciprocal exchanges, known as gift economies, and how this type of

²⁶Given very small within household variation in terms of the partners, it is not possible to estimate Equation 6 using conditional logit.

transaction tends to be reduced when more complex exchange mechanisms exist. This transformation process is formalized in the model introduced by Kranton (1996). Nevertheless, little rigorous empirical evidence has been provided to support the qualitative evidence and the predictions from the model. In order to fill this gap, the present study takes advantage of a unique dataset of social and economic networks collected in 60 rural Gambian villages to analyze the ways in which households with links outside the village (interpreted as a proxy for market connections) behave in the locally available exchange networks for land, labor, input and credit.

The main results, from econometric specifications at both household- and dyadic-level, provide evidence supporting the predictions of the transformation process. In particular, it is found that: (i) households with external economic links are less likely to be involved in economic interactions within the village (substitutability between internal and external exchanges); and (ii) households with external economic links are less likely to be involved in reciprocated exchanges with fellow villagers (*reciprocation versus market* hypothesis). In the case of the substitutability between internal and external exchanges, the results are mainly driven by within-network effects, given that cross-network coefficients are statistically insignificant (e.g. an external link in the network of inputs of production is a substitute of an internal link in the inputs exchange but this is not the case for the other economic exchange networks). In terms of *reciprocation versus market*, the analysis also provides evidence of within-network substitution, but jointly with some cross-network effects. The results are robust to different econometric specifications and alternative methods to control for unobserved heterogeneity at the village- and household-level, but the effects are not always present in every network.

The findings suggest some important policy implications. The goal of many rural development programs is the integration of isolated communities into market transactions. In other words, using a network framework, there is an effort to create external links that connect currently missing markets. To explain why many of these programs fail, theoretical models have proposed that the benefits of market transactions may not be enough to abandon the traditional means of exchange and production (de Janvry *et al.*, 1991; Kranton, 1996). Therefore, it is necessary to consider the complexities of community exchanges in order to understand the effects of market-oriented interventions. For instance, von Braun & Webb (1989) and Carney & Watts (1990) have shown how in The Gambia many programs that attempted to increase agricultural productivity and cash crop production failed because the traditional distribution of land was not considered in the design. The results I have presented suggest that the existence of external links is related to a decrease in the exchanges within the village, and particularly of reciprocated exchanges with fellow villagers. If policies oriented to the creation of external links are implemented, undesired effects, such as the reduction in community interactions and the isolation of villagers not willing to abandon the gift exchange system, can be the source of renewed failures in attempts at rural development.

The study of the transformation of rural societies using a network perspective have the potential to improve the understanding of the overall economic development process. Exploring whether the results of the present contribution hold in different settings, and improving data collection and analysis to overcome its limitations, represent fruitful avenues for future research.

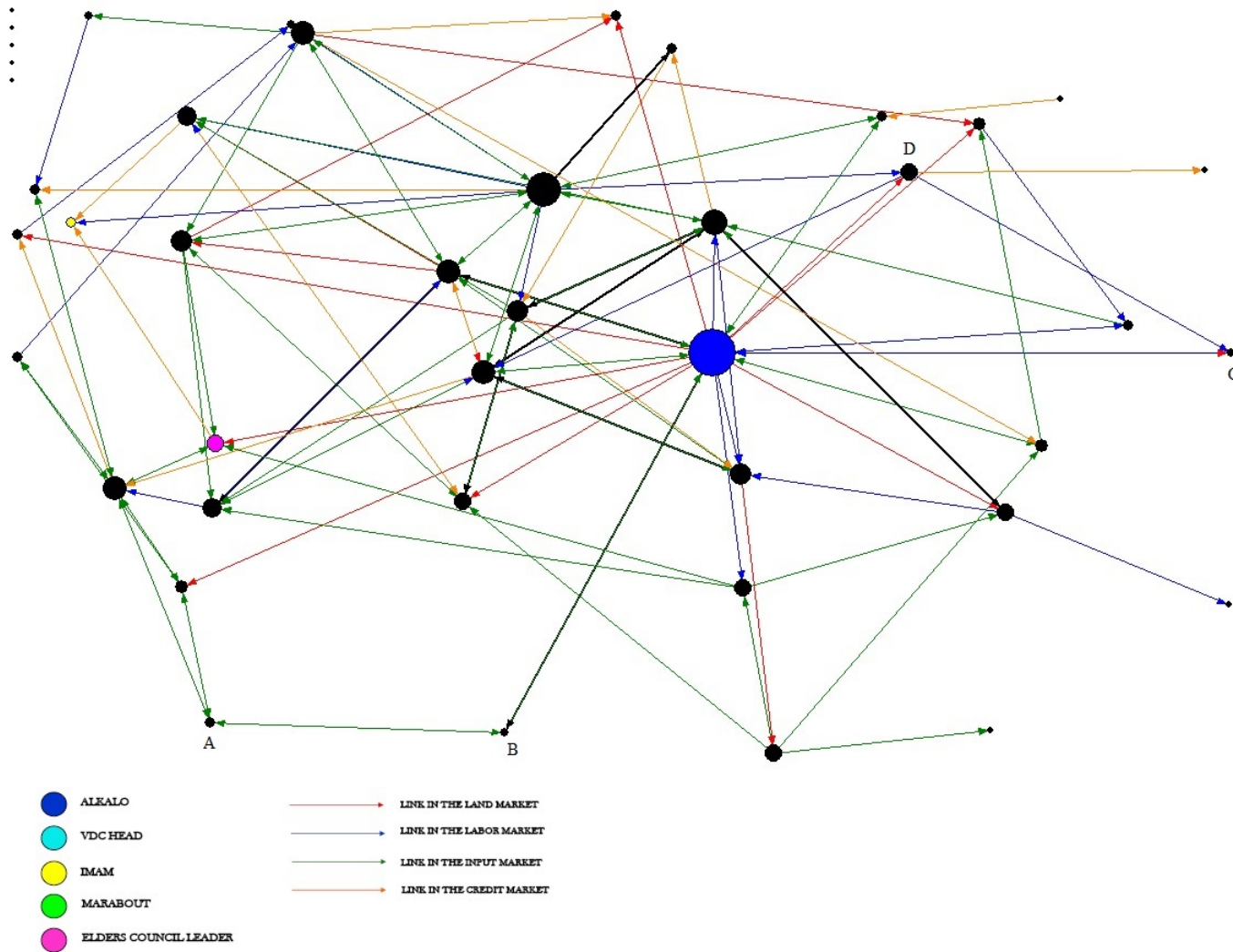
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Figure 1: The economic network in one of the villages



Note: This is a graphical representation of the network of economic exchanges in one of the villages of the study. Each node represents a household and the arrows represent a link in each of the four networks considered: land, labor, inputs, and credit. The size of the nodes is proportional to the number of links incident upon it (degree centrality). The colors of the nodes represent traditional positions in the village and the color of the arrows identify the network in which a link was created.

Table 1: HOUSEHOLD DESCRIPTIVE STATISTICS

Variable	Mean	Std. Dev.	Min	Max
HOUSEHOLD CHARACTERISTICS				
Household Size	12.67	11.40	1	400
Age of household head	51.70	15.54	15	100
Female Household head	0.06	0.25	0	1
Formal Education	0.16	0.37	0	1
Compound head	0.84	0.37	0	1
Polygamous	0.46	0.50	0	1
Monogamous	0.48	0.50	0	1
Relatives in the village (%)	0.09	0.09	0	0.73
Non Muslim	0.04	0.19	0	1
Ethnic minority	0.19	0.40	0	1
Workers in the household	1.27	0.66	0	6
Agricultural land (hectares)	8.06	21.22	0	400
Land per worker (hectares)	2.27	7.40	0	133
Income per capita (GMD)	3,514	4,735	43	125,000
Agricultural income (% of total)	0.12	0.24	0	1
Emigrants	0.48	0.50	0	1
Cash crops sellers	0.41	0.49	0	1
Remittances receivers	0.19	0.39	0	1
VILLAGE ROLE				
Alkalo	0.02	0.14	0	1
Alkalo's relative	0.35	0.48	0	1
Alkalo's assistant	0.04	0.20	0	1
VDC member	0.19	0.39	0	1
Elders council member	0.19	0.39	0	1
Traditional healer	0.20	0.40	0	1
Griot (storyteller)	0.01	0.12	0	1
Imam	0.02	0.14	0	1
Marabout	0.02	0.14	0	1

Note: Household-level descriptive statistics. 2,810 observations for each variable. A fully detailed description of the variables can be found in Jaimovich (2011).

Table 2: NETWORK DESCRIPTIVE STATISTICS

Networks	Internal links		Reciprocity (%)		External links (%)		Internal autarky (%)		
	Borrower $d_i^{in}(m)$	Lender $d_i^{out}(m)$	Borrower $Recip_i^{in}(m)$	Lender $Recip_i^{out}(m)$	In $Ext_i^{in}(m)$	Out $Ext_i^{out}(m)$	$Ext_i(m) = 0$	$Ext_i^{in}(m) = 1$	$Ext_i^{out}(m) = 1$
<i>LAND</i>	0.485 (0.754)	0.488 (1.627)	0.205 (0.380)	0.218 (0.361)	0.082 (0.274)	0.055 (0.228)	0.452 (0.497)	0.711 (0.454)	0.465 (0.501)
<i>LABOR</i>	0.608 (1.314)	0.611 (0.948)	0.348 (0.424)	0.359 (0.434)	-	0.033 (0.180)	0.478 (0.499)	-	0.416 (0.494)
<i>INPUT</i>	0.925 (1.290)	0.924 (1.484)	0.499 (0.462)	0.530 (0.451)	0.078 (0.268)	0.031 (0.174)	0.481 (0.499)	0.400 (0.490)	0.416 (0.495)
<i>CREDIT</i>	0.446 (0.773)	0.437 (1.262)	0.214 (0.373)	0.241 (0.385)	0.122 (0.327)	0.048 (0.214)	0.475 (0.499)	0.471 (0.499)	0.440 (0.498)
ECONOMIC NETWORKS	-	-	0.316 (0.371)	0.352 (0.384)	0.239 (0.427)	0.171 (0.376)	0.150 (0.357)	0.125 (0.331)	0.070 (0.254)
<i>MARRIAGE</i>	0.992 (2.951)	1.022 (2.631)	-	-	0.738 (0.440)	0.600 (0.490)			

Note: 2,810 observations at the household-level. Sample mean value for each variable, with standard deviation in parenthesis. The first panel describes in- and out-degree of households in each network; the second panel shows the percentage of reciprocated links over total links of the household; third panel describe percentage of households with external links and the last panel the percentage of households without links in each network (internal autarky). All the definition of the network measures are specified in section 3.

Table 3: PROBABILITY OF EXTERNAL LINKS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
VARIABLES	ECONOMIC NETWORKS		LAND		LABOR	INPUT		CREDIT	
	Ext_{iv}^{in}	Ext_{iv}^{out}	Ext_{iv}^{in}	Ext_{iv}^{out}	Ext_{iv}^{out}	Ext_{iv}^{in}	Ext_{iv}^{out}	Ext_{iv}^{in}	Ext_{iv}^{out}
Household Size	0.357** (0.163)	0.369** (0.162)	0.196 (0.280)	0.548** (0.259)	-0.044 (0.184)	0.076 (0.199)	0.484 (0.297)	0.512** (0.204)	0.478* (0.271)
Education	-0.163 (0.171)	-0.417 (0.255)	-0.943** (0.398)	-0.008 (0.480)	-0.839*** (0.300)	-0.200 (0.271)	-0.762 (0.594)	0.089 (0.179)	0.071 (0.343)
Income per capita	0.021 (0.018)	0.018 (0.021)	-0.046 (0.047)	0.008 (0.042)	-0.051 (0.053)	-0.038 (0.045)	-0.060 (0.069)	0.034 (0.022)	0.037** (0.017)
Absolute ethnic minority	-0.049 (0.332)	0.427 (0.381)	0.815* (0.427)	-0.050 (0.514)	1.655*** (0.490)	0.134 (0.495)	0.889 (0.591)	-0.130 (0.419)	-0.151 (0.616)
Age	0.000 (0.223)	-0.329 (0.276)	-0.343 (0.342)	0.396 (0.415)	-0.172 (0.349)	0.087 (0.267)	-0.612 (0.471)	-0.089 (0.303)	-0.717* (0.420)
Cash crop seller	0.292* (0.157)	0.460** (0.191)	0.647** (0.312)	0.911*** (0.253)	0.425 (0.279)	0.182 (0.214)	0.427 (0.331)	0.600*** (0.216)	0.323 (0.354)
$Ext_{iv}^{in}(MARRIAGE)$	0.242 (0.169)	0.215 (0.215)	-0.346 (0.251)	-0.350 (0.285)	0.354 (0.297)	0.352 (0.267)	0.820** (0.399)	0.329 (0.238)	0.136 (0.317)
$Ext_{iv}^{out}(MARRIAGE)$	-0.385** (0.152)	0.035 (0.145)	-0.141 (0.228)	0.374 (0.327)	0.372* (0.199)	-0.283 (0.176)	-0.585** (0.276)	-0.406** (0.172)	-0.270 (0.215)
Emigrants	-0.219 (0.198)	-0.066 (0.275)	-0.068 (0.265)	-0.099 (0.375)	0.498 (0.365)	-0.113 (0.306)	-0.118 (0.490)	-0.483* (0.254)	0.520 (0.320)
Remittances receiver	-0.121 (0.186)	-0.032 (0.252)	-0.454 (0.229)	0.072 (0.252)	-0.002 (0.079)	-0.104 (0.240)	-0.350 (0.345)	-0.030 (0.237)	-0.505* (0.294)
Alkalo	-0.520 (0.408)	1.168*** (0.379)	-0.123 (0.656)	2.392*** (0.616)	0.183 (0.483)	-0.221 (0.618)	1.843** (0.734)	-0.618 (0.502)	0.190 (0.581)
Alkalo's relative	-0.317** (0.130)	-0.388** (0.173)	-0.404 (0.269)	0.116 (0.273)	-0.324 (0.263)	0.249 (0.202)	-0.506 (0.350)	-0.602*** (0.198)	-0.757** (0.384)
VDC member	0.238* (0.129)	0.268 (0.188)	0.506** (0.245)	0.814*** (0.280)	0.123 (0.263)	0.131 (0.221)	-0.020 (0.282)	0.334* (0.171)	0.095 (0.285)
Imam	0.082 (0.385)	-0.117 (0.352)	0.421 (0.651)	-0.056 (0.618)	-0.960* (0.582)	0.303 (0.536)	1.348** (0.650)	-0.383 (0.508)	0.370 (0.711)
Observations	2294	2212	1604	1238	1834	1988	1196	2189	1708
Pseudo R^2	0.162	0.183	0.353	0.314	0.227	0.133	0.173	0.160	0.10

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Logit estimates, using village fixed-effects (Equation 1). Standard errors clustered at village level.

Other household level variables that were included in the estimation but are not statistically or economically significant are not reported.

Table 4: INTERNAL DEGREE FOR HOUSEHOLDS WITH AND WITHOUT EXTERNAL LINKS BY NETWORK

			<i>External in</i>				<i>External out</i>							
			$Ext_i^{in}(m) = 1$	obs.	$Ext_i^{in}(m) = 0$	obs.	S.E.	t-stat	$Ext_i^{out}(m) = 1$	obs.	$Ext_i^{out}(m) = 0$	obs.	S.E.	t-stat
ALL NETWORKS														
	ALL BORROWERS	Simple	2.462	556	2.626	1738	0.129	-1.27	2.753	425	2.530	1787	0.141	1.58
		Matched	2.458	554	2.720	1725	0.174	-1.5	2.745	420	3.010	1621	0.261	-1.02
	ALL LENDERS	Simple	2.638	556	2.588	1738	0.169	0.3	3.311	425	2.406	1787	0.182	4.98
		Matched	2.648	554	2.691	1725	0.247	-0.18	3.305	420	3.185	1621	0.289	0.42
BY NETWORK														
$d_i^{in}(m)$ (borrower)	<i>LAND</i>	Simple	0.349	187	0.495	1417	0.057	-2.37	0.243	148	0.510	1090	0.069	-3.89
		Matched	0.352	179	0.629	1387	0.140	-1.98	0.245	143	0.559	1046	0.132	-2.39
	<i>LABOR</i>	Simple							0.808	177	0.604	1603	0.099	2.05
		Matched							0.807	176	0.598	1571	0.182	1.15
	<i>INPUT</i>	Simple	0.785	200	1.006	1788	0.099	-2.23	0.733	75	1.182	1121	0.170	-2.64
		Matched	0.789	199	0.965	1766	0.148	-1.19	0.726	73	1.289	1015	0.238	-2.36
<i>CREDIT</i>	Simple	0.297	283	0.464	1906	0.050	-3.37	0.464	112	0.439	1596	0.076	0.34	
	Matched	0.297	283	0.422	1851	0.062	-2.02	0.464	112	0.396	1542	0.099	0.69	
$d_i^{out}(m)$ (lender)	<i>LAND</i>	Simple	0.253	187	0.538	1417	0.101	-2.85	0.892	148	0.445	1090	0.104	4.3
		Matched	0.256	179	0.419	1387	0.109	-1.49	0.888	143	0.706	1046	0.205	0.89
	<i>LABOR</i>	Simple							0.554	177	0.598	1603	0.073	-0.61
		Matched							0.551	176	0.716	1571	0.120	-1.37
	<i>INPUT</i>	Simple	0.865	200	1.012	1788	0.114	-1.29	1.373	75	1.156	1121	0.184	1.18
		Matched	0.864	199	1.039	1766	0.182	-0.96	1.356	73	1.071	1015	0.274	1.04
	<i>CREDIT</i>	Simple	0.498	283	0.439	1906	0.085	0.7	0.545	112	0.428	1596	0.120	0.97
		Matched	0.498	283	0.608	1851	0.240	-0.46	0.545	112	0.652	1542	0.203	-0.53

The rows labeled as *simple* show the average degree of households with and without external links and the t-test of its difference.

The rows labeled as *matched* show the average degree of households with and without external links and the t-test of its difference when the comparison group is estimated using k -nearest-neighbor matching estimator, with $k = 3$. In this case, only observations on the common support of the propensity score are considered and the standard errors of the estimated comparison group are bootstrapped.

Table 5: RECIPROCATED LINKS FOR HOUSEHOLDS WITH AND WITHOUT EXTERNAL LINKS

			<i>External in</i>				<i>External out</i>							
			$Ext_i^{in} = 1$	obs.	$Ext_i^{in} = 0$	obs.	S.E.	t-stat	$Ext_i^{out} = 1$	obs.	$Ext_i^{out} = 0$	obs.	S.E.	t-stat
ALL NETWORKS														
ALL BORROWERS		Simple	0.889	557	1.039	1737	0.085	-1.78	1.167	425	0.986	1787	0.094	1.92
		Matched	0.890	556	1.064	1722	0.135	-1.29	1.174	420	1.220	1629	0.163	0.43
ALL LENDERS		Simple	0.910	557	1.043	1737	0.087	-1.53	1.228	425	0.982	1787	0.097	2.53
		Matched	0.912	556	1.089	1722	0.130	-1.36	1.231	420	1.255	1629	0.156	0.92
BY NETWORK														
$Recip_i^{in}(m)$	<i>LAND</i>	Simple	0.059	187	0.101	1417	0.025	-1.67	0.068	148	0.111	1090	0.031	-1.41
		Matched	0.056	180	0.100	1403	0.035	-1.27	0.070	143	0.126	1025	0.051	-1.1
	<i>LABOR</i>	Simple							0.315	178	0.223	1602	0.048	1.9
		Matched							0.316	177	0.316	1565	0.107	-0.34
	<i>INPUT</i>	Simple	0.307	199	0.544	1789	0.079	-3.02	0.493	75	0.719	1121	0.143	-1.58
		Matched	0.305	197	0.513	1763	0.082	-2.53	0.486	74	0.500	941	0.163	-0.08
	<i>CREDIT</i>	Simple	0.049	285	0.113	1904	0.023	-2.77	0.143	112	0.113	1596	0.037	0.81
		Matched	0.049	285	0.111	1833	0.038	-1.9	0.143	112	0.155	1540	0.064	-0.19
$Recip_i^{out}(m)$	<i>LAND</i>	Simple	0.032	187	0.111	1417	0.031	-2.56	0.203	148	0.099	1090	0.034	3.06
		Matched	0.033	180	0.141	1403	0.052	-2.07	0.203	143	0.119	1025	0.055	1.53
	<i>LABOR</i>	Simple							0.163	178	0.233	1602	0.040	-1.76
		Matched							0.164	177	0.292	1565	0.071	-2.45
	<i>INPUT</i>	Simple	0.347	199	0.546	1789	0.082	-2.45	0.547	75	0.718	1121	0.146	-1.17
		Matched	0.335	197	0.511	1763	0.085	-2.07	0.541	74	0.495	941	0.181	0.25
	<i>CREDIT</i>	Simple	0.088	285	0.107	1904	0.028	-0.7	0.134	112	0.112	1596	0.044	0.49
		Matched	0.088	285	0.129	1833	0.042	-1.28	0.134	112	0.167	1540	0.061	-0.53

The rows labeled as *simple* show the average degree of households with and without external links and the t-test of its difference.

The rows labeled as *matched* show the average degree of households with and without external links and the t-test of its difference when the comparison group is estimated using k -nearest-neighbor matching estimator, with $k = 3$. In this case, only observations on the common support of the propensity score are considered and the standard errors of the estimated comparison group are bootstrapped.

Table 6: HOUSEHOLD DEGREE CENTRALITY: EXTERNAL LINK

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	LAND		LABOR		INPUT		CREDIT	
	$d_i^{out}(m)$	$d_i^{in}(m)$	$d_i^{out}(m)$	$d_i^{in}(m)$	$d_i^{out}(m)$	$d_i^{in}(m)$	$d_i^{out}(m)$	$d_i^{in}(m)$
EXTERNAL LINK BY NETWORK								
$Ext_i^{in}(m)$	0.001 (0.002)	-0.000 (0.001)	0.000 (0.001)	-0.001 (0.001)	-0.004** (0.002)	-0.003** (0.002)	0.001 (0.001)	-0.002* (0.001)
$Ext_i^{out}(m)$	0.004* (0.002)	-0.003* (0.001)	0.000 (0.002)	0.002 (0.002)	0.003 (0.002)	-0.001 (0.002)	-0.000 (0.002)	-0.001 (0.001)
R^2	0.149	0.084	0.051	0.092	0.136	0.050	0.125	0.057
EXTERNAL LINKS IN ALL NETWORK								
$Ext_i^{in}(LAND)$	-0.004** (0.002)	-0.006*** (0.002)	0.002 (0.002)	-0.001 (0.002)	0.002 (0.002)	-0.004** (0.002)	0.003 (0.003)	0.001 (0.001)
$Ext_i^{out}(LAND)$	0.001 (0.004)	-0.007*** (0.002)	0.003 (0.003)	-0.001 (0.003)	0.003 (0.005)	0.001 (0.003)	-0.001 (0.003)	-0.003* (0.002)
$Ext_i^{out}(LABOR)$	0.008 (0.005)	0.001 (0.002)	-0.006** (0.002)	0.001 (0.002)	0.005 (0.003)	0.002 (0.003)	0.000 (0.002)	-0.001 (0.001)
$Ext_i^{in}(INPUT)$	0.008 (0.005)	0.000 (0.002)	-0.000 (0.002)	-0.000 (0.002)	-0.006*** (0.002)	-0.006** (0.003)	-0.001 (0.002)	0.001 (0.001)
$Ext_i^{out}(INPUT)$	-0.007 (0.005)	-0.001 (0.002)	0.002 (0.002)	-0.006* (0.003)	0.006* (0.003)	-0.011*** (0.003)	0.003 (0.003)	-0.000 (0.002)
$Ext_i^{in}(CREDIT)$	0.003 (0.002)	0.001 (0.001)	0.001 (0.001)	-0.001 (0.002)	-0.002 (0.002)	0.001 (0.002)	0.000 (0.002)	-0.004*** (0.001)
$Ext_i^{out}(CREDIT)$	0.010 (0.007)	-0.002 (0.002)	0.004 (0.003)	0.005 (0.005)	0.002 (0.003)	-0.001 (0.002)	-0.001 (0.002)	-0.000 (0.001)
Observations	2,792	2,792	2,792	2,792	2,792	2,792	2,792	2,792
R^2	0.160	0.094	0.059	0.094	0.138	0.058	0.127	0.063
Mean dependent variable	0.012	0.011	0.013	0.014	0.022	0.022	0.009	0.009

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Standard errors, clustered at village level, in parentheses.

OLS estimation of Equation 2. Village fixed-effects and the variables summarized in Table 1 are included in the estimation but not reported.

Table 7: HOUSEHOLD LEVEL RECIPROCATED LINKS OVER TOTAL

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	LAND			LABOR			INPUT			CREDIT		
	$Recip_i^{out}$	$Recip_i^{in}$	$Recip_i$	$Recip_i^{out}$	$Recip_i^{in}$	$Recip_i$	$Recip_i^{out}$	$Recip_i^{in}$	$Recip_i$	$Recip_i^{out}$	$Recip_i^{in}$	$Recip_i$
EXTERNAL LINKS BY NETWORK												
$Ext_i^{in}(m)$	-0.160*** (0.046)	-0.066 (0.057)	-0.077** (0.033)				0.022 (0.042)	-0.018 (0.049)	0.009 (0.039)	-0.059 (0.043)	-0.112*** (0.035)	-0.094*** (0.030)
$Ext_i^{out}(m)$	0.085 (0.074)	0.052 (0.081)	0.048 (0.056)	-0.104 (0.075)	-0.121 (0.079)	-0.113* (0.057)	-0.132** (0.063)	0.095 (0.068)	-0.006 (0.049)	-0.092 (0.058)	0.012 (0.064)	-0.020 (0.045)
R^2	0.046	0.050	0.022	0.045	0.041	0.028	0.050	0.044	0.071	0.046	0.055	0.036
EXTERNAL LINKS IN ALL NETWORK												
$Ext_i^{in}(LAND)$	-0.143*** (0.041)	-0.071 (0.061)	-0.080** (0.035)	-0.093 (0.061)	0.079 (0.069)	-0.038 (0.052)	-0.161*** (0.051)	0.081 (0.054)	-0.023 (0.041)	-0.016 (0.073)	-0.028 (0.063)	-0.027 (0.046)
$Ext_i^{out}(LAND)$	0.089 (0.074)	0.034 (0.081)	0.045 (0.056)	-0.013 (0.053)	0.049 (0.071)	0.014 (0.048)	0.030 (0.049)	0.080* (0.047)	0.046 (0.038)	0.064 (0.072)	0.005 (0.099)	0.040 (0.066)
$Ext_i^{out}(LABOR)$	-0.070 (0.076)	-0.075 (0.067)	-0.011 (0.051)	-0.072 (0.080)	-0.134* (0.078)	-0.106* (0.058)	-0.007 (0.052)	0.006 (0.055)	-0.026 (0.049)	-0.114 (0.084)	-0.133* (0.066)	-0.118** (0.050)
$Ext_i^{in}(INPUT)$	-0.007 (0.058)	0.013 (0.046)	0.022 (0.034)	-0.037 (0.047)	0.002 (0.057)	-0.003 (0.037)	0.026 (0.042)	-0.019 (0.048)	0.011 (0.039)	-0.071 (0.043)	-0.021 (0.041)	-0.036 (0.030)
$Ext_i^{out}(INPUT)$	-0.097 (0.069)	0.065 (0.071)	-0.002 (0.051)	-0.149** (0.056)	0.068 (0.088)	-0.018 (0.050)	-0.133** (0.062)	0.076 (0.067)	-0.006 (0.048)	0.019 (0.075)	0.032 (0.075)	0.015 (0.049)
$Ext_i^{in}(CREDIT)$	0.039 (0.061)	-0.001 (0.031)	0.006 (0.030)	-0.056 (0.052)	0.037 (0.050)	-0.013 (0.036)	0.016 (0.033)	-0.032 (0.038)	-0.012 (0.030)	-0.050 (0.046)	-0.106*** (0.035)	-0.088*** (0.031)
$Ext_i^{out}(CREDIT)$	0.112* (0.062)	0.159** (0.073)	0.093* (0.048)	0.060 (0.053)	0.028 (0.077)	0.048 (0.048)	0.016 (0.051)	0.007 (0.064)	-0.013 (0.052)	-0.101* (0.059)	0.011 (0.061)	-0.024 (0.045)
Observations	646	1,029	1,479	1,093	939	1,541	1,182	1,371	1,738	631	881	1,238
R^2	0.058	0.058	0.026	0.055	0.046	0.030	0.061	0.048	0.072	0.053	0.061	0.042
Number of villages	56	57	57	59	59	59	60	60	60	58	58	58
Mean dependent variable	0.219	0.205	0.197	0.359	0.347	0.315	0.530	0.500	0.407	0.240	0.213	0.206

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Standard errors, clustered at village level, in parentheses.

OLS estimation of Equation 3. Village fixed-effects always included, as well as the variables summarized in Table 1.

Table 8: DYADIC REGRESSION FOR UNDIRECTED LINKS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	DYADIC LOGIT				DYADIC CONDITIONAL LOGIT			
	$\ell_{ij}(LAND)$	$\ell_{ij}(LABOR)$	$\ell_{ij}(INPUT)$	$\ell_{ij}(CREDIT)$	$\ell_{ij}(LAND)$	$\ell_{ij}(LABOR)$	$\ell_{ij}(INPUT)$	$\ell_{ij}(CREDIT)$
One $Ext_{ij}^{out}(LAND)$	-0.059 (0.109)	-0.037 (0.098)	-0.030 (0.090)	-0.191 (0.129)	-0.044 (0.115)	-0.099 (0.119)	-0.055 (0.116)	-0.185 (0.134)
One $Ext_{ij}^{in}(LAND)$	-0.551*** (0.119)	0.080 (0.091)	-0.002 (0.094)	0.072 (0.107)	-0.542*** (0.133)	0.079 (0.104)	-0.014 (0.117)	0.118 (0.118)
Two $Ext_{ij}^{out}(LAND)$	-0.729*** (0.262)	0.044 (0.176)	-0.231 (0.173)	-0.284 (0.280)	-0.761*** (0.266)	0.197 (0.245)	-0.138 (0.201)	-0.308 (0.303)
Two $Ext_{ij}^{in}(LAND)$	-1.604*** (0.296)	0.511** (0.242)	0.358 (0.226)	0.588** (0.245)	-1.748*** (0.364)	0.523** (0.263)	0.380 (0.254)	0.568** (0.277)
One $Ext_{ij}^{out}(LABOR)$	0.031 (0.098)	-0.019 (0.084)	0.200** (0.080)	-0.090 (0.087)	0.030 (0.100)	-0.025 (0.090)	0.195** (0.093)	-0.124 (0.113)
Two $Ext_{ij}^{out}(LABOR)$	0.681*** (0.154)	-0.124 (0.174)	0.327* (0.193)	-0.120 (0.246)	0.604*** (0.205)	-0.031 (0.212)	0.351 (0.221)	-0.062 (0.216)
One $Ext_{ij}^{out}(INPUT)$	-0.252** (0.121)	-0.078 (0.104)	-0.076 (0.094)	0.118 (0.117)	-0.230* (0.133)	-0.117 (0.129)	-0.068 (0.122)	0.111 (0.138)
One $Ext_{ij}^{in}(INPUT)$	0.189*** (0.070)	-0.018 (0.083)	-0.239*** (0.075)	-0.056 (0.117)	0.195** (0.086)	0.001 (0.095)	-0.214** (0.093)	-0.066 (0.117)
Two $Ext_{ij}^{out}(INPUT)$	0.136 (0.201)	-1.266 (0.787)	-1.366* (0.724)	0.001 (0.539)	0.152 (0.240)	-1.036 (0.857)	-1.447** (0.686)	0.041 (0.549)
Two $Ext_{ij}^{in}(INPUT)$		0.356** (0.150)	-0.369** (0.188)	0.188 (0.246)		0.362* (0.193)	-0.400** (0.195)	0.290 (0.282)
One $Ext_{ij}^{out}(CREDIT)$	0.155* (0.089)	0.205** (0.099)	0.070 (0.098)	0.011 (0.101)	0.171 (0.107)	0.244** (0.097)	0.079 (0.108)	0.013 (0.125)
One $Ext_{ij}^{in}(CREDIT)$	-0.037 (0.064)	0.034 (0.072)	0.019 (0.061)	-0.105 (0.109)	-0.053 (0.082)	0.021 (0.078)	0.004 (0.075)	-0.108 (0.093)
Two $Ext_{ij}^{out}(CREDIT)$	0.264 (0.330)	-0.316 (0.474)	-1.547** (0.645)	0.414 (0.318)	0.252 (0.395)	-0.105 (0.461)	-1.586** (0.677)	0.446 (0.358)
Two $Ext_{ij}^{in}(CREDIT)$	0.136 (0.193)	-0.065 (0.150)	0.158 (0.163)	0.015 (0.224)	0.274 (0.216)	-0.083 (0.183)	0.244 (0.185)	0.056 (0.241)
Observations	101,742	105,482	105,482	103,964	53,877	53,208	50,395	42,923
Households	2,269	2,347	2,347	2,292	1,102	1,126	1,157	1,383
Pseudo R^2	0.148	0.147	0.136	0.148	0.082	0.095	0.061	0.082

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

For column 1 to 4 (DYADIC LOGIT): Logit estimates with two-way (i and j) clustered standard errors in parentheses. Village dummies included.

For column 5 to 8 (DYADIC CONDITIONAL LOGIT): Conditional Logit estimates with clustered standard errors at household level in parentheses.

In all estimations, sums and differences of other households characteristics are included in the estimations but not reported. The values for these coefficients are reported in Jaimovich(2011).

Table 9: LINKS SUMMARY: RECIPROCITY IN ALL ECONOMIC NETWORKS

External links	$Ext_i(m) = 0$		$Ext_i^{in}(m) = 1$		$Ext_i^{out}(m) = 1$	
Internal links	Borrow	Lend	Borrow	Lend	Borrow	Lend
	LINKS WITH ALL VILLAGERS					
Total links	4815	4528	1764	1879	1128	1383
Reciprocated	47.9%	50.9%	43.6%	40.9%	53.5%	43.7%
Non-reciprocated	52.1%	49.1%	56.4%	59.1%	46.5%	56.3%
	LINKS WITH NON-FAMILY					
Total links	2889	2712	1012	1069	676	845
Reciprocated	35.1%	37.4%	36.6%	34.6%	45.0%	36.0%
Non-reciprocated	64.9%	62.6%	63.4%	65.4%	55.0%	64.0%
	LINKS WITH FAMILY					
Total links	1926	1816	752	810	452	538
Reciprocated	67.0%	71.1%	56.3%	51.8%	66.4%	55.8%
Non-reciprocated	33.0%	28.9%	43.7%	48.2%	33.6%	44.2%

Note: Summary of all the links registered in the four economic networks (*LAND*, *LABOR*, *INPUT* and *CREDIT*). Based on 2,810 households.

Table 10: LINKS SUMMARY: RECIPROCITY BY NETWORK

External links	$Ext_i(m) = 0$		$Ext_i^{in}(m) = 1$		$Ext_i^{out}(m) = 1$	
Internal links	Borrow	Lend	Borrow	Lend	Borrow	Lend
<i>LAND</i>						
Total links	1305	1228	71	49	38	137
Reciprocated with:						
<i>LAND</i>	3.4%	3.6%	0.0%	0.0%	15.8%	4.4%
<i>LABOR</i>	10.2%	9.6%	4.2%	10.2%	0.0%	9.5%
<i>INPUT</i>	8.4%	8.2%	7.0%	4.1%	7.9%	10.2%
<i>CREDIT</i>	3.1%	3.7%	7.0%	0.0%	5.3%	1.5%
Non-reciprocated	74.9%	74.8%	81.7%	85.7%	71.1%	74.5%
<i>LABOR</i>						
Total links	1664	1711			109	62
Reciprocated with:						
<i>LAND</i>	7.1%	7.8%			16.5%	4.8%
<i>LABOR</i>	11.6%	11.3%			2.8%	4.8%
<i>INPUT</i>	20.3%	20.0%			12.8%	14.5%
<i>CREDIT</i>	8.0%	7.9%			5.5%	6.5%
Non-reciprocated	53.1%	53.1%			62.4%	69.4%
<i>INPUT</i>						
Total links	2452	2396	183	184	61	125
Reciprocated with:						
<i>LAND</i>	4.2%	4.3%	6.0%	6.0%	3.3%	4.8%
<i>LABOR</i>	13.4%	13.2%	10.9%	11.4%	8.2%	12.8%
<i>INPUT</i>	47.6%	48.7%	25.7%	25.5%	59.0%	28.8%
<i>CREDIT</i>	5.9%	6.3%	3.8%	3.8%	11.5%	2.4%
Non-reciprocated	28.9%	27.5%	53.6%	53.3%	18.0%	51.2%
<i>CREDIT</i>						
Total links	1142	1046	94	173	60	83
Reciprocated with:						
<i>LAND</i>	3.9%	4.0%	1.1%	2.9%	5.0%	1.2%
<i>LABOR</i>	11.0%	11.0%	6.4%	9.2%	15.0%	12.0%
<i>INPUT</i>	12.3%	12.6%	10.6%	8.1%	15.0%	15.7%
<i>CREDIT</i>	2.8%	3.1%	1.1%	0.6%	1.7%	1.2%
Non-reciprocated	69.9%	69.3%	80.9%	79.2%	63.3%	69.9%

Note: Summary of all the links registered in the four economic networks (*LAND*, *LABOR*, *INPUT* and *CREDIT*). Based on 2,810 households.

Table 11: DYADIC REGRESSION FOR RECIPROCATED LINKS

	(1)	(2)	(3)	(4)
	$Recip_{ij}(LAND)$	$Recip_{ij}(LABOR)$	$Recip_{ij}(INPUT)$	$Recip_{ij}(CREDIT)$
One $Ext_{ij}^{out}(LAND)$	0.146 (0.393)	0.127 (0.289)	0.297 (0.240)	0.065 (0.364)
One $Ext_{ij}^{in}(LAND)$	-0.570 (0.351)	-0.436 (0.309)	0.025 (0.242)	-0.281 (0.381)
Two $Ext_{ij}^{out}(LAND)$	-0.519 (0.896)	0.469 (0.540)	0.776* (0.420)	1.173 (0.796)
Two $Ext_{ij}^{in}(LAND)$	-2.074* (1.237)	-0.598 (0.557)	-0.259 (0.562)	-0.455 (0.779)
One $Ext_{ij}^{out}(LABOR)$	0.323 (0.311)	-0.001 (0.239)	-0.168 (0.214)	-0.169 (0.309)
Two $Ext_{ij}^{out}(LABOR)$	-0.485 (0.570)	-0.054 (0.655)	0.065 (0.523)	0.022 (0.795)
One $Ext_{ij}^{out}(INPUT)$	-0.621 (0.420)	-0.252 (0.300)	-0.412 (0.273)	-0.027 (0.393)
One $Ext_{ij}^{in}(INPUT)$	-0.036 (0.320)	-0.492* (0.276)	0.133 (0.222)	-0.528* (0.315)
Two $Ext_{ij}^{in}(INPUT)$	1.358** (0.655)	-0.578 (0.643)	-0.567 (0.589)	0.057 (0.731)
One $Ext_{ij}^{out}(CREDIT)$	0.392 (0.346)	0.309 (0.244)	-0.143 (0.240)	0.029 (0.369)
One $Ext_{ij}^{in}(CREDIT)$	0.120 (0.275)	-0.098 (0.205)	-0.022 (0.168)	-0.775** (0.305)
Two $Ext_{ij}^{out}(CREDIT)$	-0.098 (1.047)	-0.130 (1.089)		-1.127 (1.277)
Two $Ext_{ij}^{in}(CREDIT)$	0.317 (0.539)	0.428 (0.522)	-0.171 (0.511)	-0.538 (0.707)
Observations	1006	1162	1561	872
Households	704	780	972	575
$PseudoR^2$	0.270	0.217	0.317	0.304

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Two-way (i and j) clustered standard errors in parentheses. Logit estimates. Village dummies and other sums and differences of characteristics that were not statistically significant or have limited interest were included in the estimations but their associated coefficients are not reported.

A Appendix: Potential bias of the linear model

The estimation of Equation 2 using OLS yields β_{ext}^m that are consistent estimators of the effect of external links on the degree of internal exchanges when $cov(Ext_{iv}(m), e_{iv}) = 0$ and $cov(X_{iv}, e_{iv}) = 0$. Nonetheless, it is likely that household unobserved characteristics are related to the existence of links in both internal and external networks, and therefore $cov(Ext_{iv}(m), e_{iv}) \neq 0$. If μ_i denotes the omitted variable, household level unobservable characteristics, then the disturbance term in Equation 2 can be re-written as:

$$e_{iv} = \mu_i \sigma + u_{iv}, \quad (1)$$

where u_{iv} is *iid* and σ is the coefficient that captures the effect of μ_i on the dependent variable. In the case when $Ext_{iv}(m)$ is one variable (to avoid assumptions related to the covariances within $Ext_{iv}(m)$ when taken as a vector), if the usual OLS assumptions hold (including $cov(X_{iv}, e_{iv}) = 0$) and X_{iv} relates to $Ext_{iv}(m)$ only through its relationship with unobservables, then $\text{plim } \widehat{\beta}_{ext}^m = \beta_{ext}^m + \sigma \frac{cov(Ext_{iv}(m), \mu_i)}{var(Ext_{iv}(m))}$. Therefore, if it is expected that μ_i will affect degree and external links in the same direction (σ and $cov(Ext_{iv}(m), \mu_i)$ have the same sign), for example through entrepreneurial ability, empathy or assiduousness, then $\widehat{\beta}_{ext}^m$ will be upward biased. In this case, if in the estimation of Equation 2 $\widehat{\beta}_{ext}^m < 0$ is obtained, then β_{ext}^m is indeed negative and the coefficient obtained is an upper bound of its true magnitude. It is more difficult to think in terms of cases when it is expected that μ_i affects internal and external exchanges in opposite directions (maybe some kind of asymmetric information problem in which villagers know that i is dishonest but people outside do not), but if this is the case then $\widehat{\beta}_{ext}^m$ will be downward biased and when negative coefficients are found it is not possible to know if the sign is only due to the bias or not.

The same concerns in terms of the endogeneity of the external links variables are valid for Equation 3. The sign of the coefficients can only be interpreted in a causal way if μ_i is correlated with both $Recip_i(m)$ and $Ext_{iv}(m)$ in the same direction (and the other assumptions stated above also hold), and consequently $\widehat{\beta}_{ext2}^m < 0$ is an upper bound of the true unbiased value. It is again reasonable to expect that this assumption holds. If the unobservable characteristics mentioned above are associated with the fact that a household has an external link and also to a higher degree in the internal networks, it is likely that, in the context of a gift economy, they also relate to active reciprocated exchanges with fellow villagers. Nevertheless, if μ_i affects $Recip_i(m)$ and $Ext_{iv}(m)$ in opposite ways, the sign of the coefficients may be driven by the inconsistency of the estimators.

Ideally, an instrumental variable will be used to deal with this potential endogeneity problem, but it is extremely unlikely to find in the data a household level variable z_i that will credibly meet the requirements of $cov(z_i, e_{iv}) = 0$ and $cov(z_i, Ext_{iv}(m)) \neq 0$. Household-specific random effects are not feasible either, because the likely endogeneity of the external links implies that it will be correlated with the random effects. Therefore, if the expected result ($\beta_{ext}^m < 0$) is obtained, its sign can be interpreted in a causal way only if the assumption of unobservable characteristics to be related with internal and external exchanges in the same direction holds.

B Appendix: Robustness check for main results

Table B.1: CONDITIONAL LOGIT: PROBABILITY OF EXTERNAL LINKS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
VARIABLES	ECONOMIC NETWORKS		LAND		LABOR	INPUT		CREDIT	
	Ext_{iv}^{in}	Ext_{iv}^{out}	Ext_{iv}^{in}	Ext_{iv}^{out}	Ext_{iv}^{out}	Ext_{iv}^{in}	Ext_{iv}^{out}	Ext_{iv}^{in}	Ext_{iv}^{out}
Household Size	0.347**	0.357**	0.181	0.526**	-0.044	0.072	0.454	0.497**	0.460*
	(0.159)	(0.157)	(0.272)	(0.247)	(0.179)	(0.193)	(0.284)	(0.198)	(0.263)
Education	-0.151	-0.405	-0.891**	-0.005	-0.816***	-0.194	-0.733	0.101	0.070
	(0.165)	(0.248)	(0.378)	(0.459)	(0.294)	(0.263)	(0.577)	(0.178)	(0.332)
Income per capita	0.021	0.018	-0.047	0.007	-0.050	-0.037	-0.059	0.033	0.036**
	(0.018)	(0.020)	(0.046)	(0.040)	(0.052)	(0.043)	(0.068)	(0.021)	(0.016)
Cash crop seller	0.269*	0.446**	0.577**	0.874***	0.412	0.176	0.411	0.558***	0.312
	(0.147)	(0.185)	(0.289)	(0.240)	(0.270)	(0.206)	(0.317)	(0.207)	(0.343)
Relative ethnic minority	0.202	-0.503*	0.057	-0.497	-0.894**	0.455	-0.193	0.004	-0.146
	(0.168)	(0.258)	(0.244)	(0.457)	(0.347)	(0.358)	(0.396)	(0.220)	(0.389)
Absolute ethnic minority	-0.040	0.414	0.844**	-0.055	1.602***	0.128	0.851	-0.121	-0.152
	(0.324)	(0.371)	(0.402)	(0.497)	(0.473)	(0.478)	(0.563)	(0.411)	(0.601)
Age	0.003	-0.320	-0.325	0.388	-0.167	0.084	-0.590	-0.081	-0.692*
	(0.217)	(0.269)	(0.327)	(0.400)	(0.338)	(0.259)	(0.453)	(0.296)	(0.407)
$Ext_{iv}^{in}(MARRIAGE)$	0.261	0.212	-0.281	-0.333	0.344	0.346	0.799**	0.361	0.141
	(0.164)	(0.210)	(0.236)	(0.273)	(0.289)	(0.260)	(0.387)	(0.231)	(0.311)
$Ext_{iv}^{out}(MARRIAGE)$	-0.365**	0.038	-0.111	0.365	0.364*	-0.273	-0.561**	-0.380**	-0.258
	(0.147)	(0.141)	(0.223)	(0.315)	(0.193)	(0.170)	(0.266)	(0.165)	(0.207)
Emigrants	-0.215	-0.018	-0.068	-0.101	-0.300	-0.103	-0.112	-0.470*	0.500
	(0.193)	(0.219)	(0.257)	(0.360)	(0.336)	(0.298)	(0.471)	(0.246)	(0.306)
Remittances receiver	-0.116	-0.082	-0.438	0.070	0.033	-0.100	-0.338	-0.031	-0.487*
	(0.181)	(0.177)	(0.348)	(0.243)	(0.295)	(0.235)	(0.331)	(0.229)	(0.284)
Alkalo	-0.517	1.109***	-0.122	2.224***	0.170	-0.215	1.712**	-0.625	0.171
	(0.395)	(0.359)	(0.628)	(0.554)	(0.462)	(0.601)	(0.670)	(0.485)	(0.548)
Alkalo's relative	-0.311**	-0.377**	-0.391	0.110	-0.313	0.241	-0.490	-0.592***	-0.732**
	(0.126)	(0.168)	(0.257)	(0.261)	(0.255)	(0.195)	(0.337)	(0.192)	(0.371)
VDC member	0.220*	0.260	0.453*	0.785***	0.118	0.126	-0.016	0.310*	0.094
	(0.123)	(0.182)	(0.237)	(0.268)	(0.254)	(0.214)	(0.269)	(0.166)	(0.274)
Imam	-0.038	-0.112	0.123	-0.056	-0.928	0.290	1.266**	-0.637	0.358
	(0.378)	(0.340)	(0.664)	(0.591)	(0.566)	(0.514)	(0.607)	(0.515)	(0.679)
Observations	2294	2212	1604	1238	1834	1988	1196	2189	1708
Pseudo R^2	0.043	0.066	0.120	0.174	0.088	0.032	0.142	0.069	0.074

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Conditional Logit estimates, using village fixed-effects. Standard errors clustered at village level.

Variables included in the estimation are summarized in Table 1. Some other household level variables that were included in the estimation but are not statistically or economically significant are not reported.

Table B.2: INTERNAL DEGREE FOR HOUSEHOLDS WITH AND WITHOUT EXTERNAL LINKS IN ANY NETWORK

	Network	Difference	<i>External in</i>						<i>External out</i>					
			$Ext_i^{in} = 1$	obs.	$Ext_i^{in} = 0$	obs.	S.E.	t-stat	$Ext_i^{out} = 1$	obs.	$Ext_i^{out} = 0$	obs.	S.E.	t-stat
$d_i^{in}(m)$ (borrower)	<i>LAND</i>	Simple	0.509	557	0.519	1737	0.038	-0.26	0.429	425	0.517	1787	0.042	-2.09
		Matched	0.510	555	0.626	1724	0.097	-1.19	0.427	420	0.541	1618	0.074	-1.54
	<i>LABOR</i>	Simple	0.617	557	0.640	1737	0.067	-0.35	0.757	425	0.586	1787	0.067	2.53
		Matched	0.618	555	0.674	1724	0.098	-0.57	0.757	420	0.748	1618	0.098	0.09
	<i>INPUT</i>	Simple	0.941	557	0.997	1737	0.065	-0.86	1.130	425	0.983	1787	0.073	2.02
		Matched	0.937	555	1.006	1724	0.094	-0.73	1.124	420	1.086	1618	0.139	0.28
	<i>CREDIT</i>	Simple	0.396	557	0.470	1737	0.038	-1.95	0.443	425	0.442	1787	0.042	0.04
		Matched	0.396	555	0.462	1724	0.068	-0.97	0.444	420	0.516	1618	0.068	-1.06
$d_i^{out}(m)$ (lender)	<i>LAND</i>	Simple	0.520	557	0.562	1737	0.086	-0.49	0.847	425	0.448	1787	0.087	4.56
		Matched	0.521	555	0.483	1724	0.130	0.29	0.840	420	0.574	1618	0.157	1.69
	<i>LABOR</i>	Simple	0.606	557	0.589	1737	0.044	0.38	0.632	425	0.576	1787	0.049	1.14
		Matched	0.607	555	0.549	1724	0.060	0.98	0.637	420	0.654	1618	0.073	-0.23
	<i>INPUT</i>	Simple	0.980	557	1.003	1737	0.074	-0.32	1.340	425	0.949	1787	0.082	4.76
		Matched	0.982	555	1.124	1724	0.126	-1.13	1.337	420	1.183	1618	0.147	1.04
	<i>CREDIT</i>	Simple	0.532	557	0.433	1737	0.065	1.52	0.500	425	0.432	1787	0.071	0.97
		Matched	0.533	555	0.470	1724	0.104	0.61	0.499	420	0.663	1618	0.135	-1.21

The rows labeled as *simple* show the average degree of households with and without external links and the t-test of its difference.

The rows labeled as *matched* show the average degree of households with and without external links and the t-test of its difference when the comparison group is estimated using k -nearest-neighbor matching estimator, with $k = 3$. In this case, only observations on the common support of the propensity score are considered and the standard errors of the estimated comparison group are bootstrapped.

Table B.3: INTERNAL DEGREE FOR HOUSEHOLDS WITH AND WITHOUT EXTERNAL LINKS BY NETWORK (Difference in degree for networks different than the one with external link. Only matched samples)

		<i>External in</i>			<i>External out</i>		
		Degree difference	S.E.	t-stat	Degree difference	S.E.	t-stat
		<i>Ext_i(LAND)</i>					
$d_i^{in}(m)$	<i>LABOR</i>	0.142	0.156	0.91	-0.156	0.170	-0.92
	<i>INPUT</i>	-0.208	0.147	-1.42	-0.266	0.214	-1.24
	<i>CREDIT</i>	-0.027	0.105	-0.25	-0.023	0.090	-0.26
$d_i^{out}(m)$	<i>LABOR</i>	0.180	0.113	1.6	0.054	0.127	0.42
	<i>INPUT</i>	0.165	0.173	0.95	-0.051	0.239	-0.21
	<i>CREDIT</i>	0.059	0.214	0.27	0.033	0.144	0.23
		<i>Ext_i(LABOR)</i>					
$d_i^{in}(m)$	<i>LAND</i>				0.008	0.089	0.09
	<i>INPUT</i>				0.004	0.166	0.02
	<i>CREDIT</i>				-0.076	0.082	-0.92
$d_i^{out}(m)$	<i>LAND</i>				0.585	0.300	1.95
	<i>INPUT</i>				0.261	0.175	1.49
	<i>CREDIT</i>				-0.271	0.161	-1.68
		<i>Ext_i(INPUT)</i>					
$d_i^{in}(m)$	<i>LAND</i>	-0.044	0.079	-0.55	-0.017	0.096	-0.18
	<i>LABOR</i>	-0.044	0.146	-0.3	-0.062	0.145	-0.43
	<i>CREDIT</i>	0.037	0.062	0.59	-0.056	0.104	-0.54
$d_i^{out}(m)$	<i>LAND</i>	0.407	0.265	1.53	-0.005	0.241	-0.02
	<i>LABOR</i>	0.040	0.082	0.49	-0.087	0.133	-0.65
	<i>CREDIT</i>	-0.030	0.128	-0.24	-0.037	0.198	-0.18
		<i>Ext_i(CREDIT)</i>					
$d_i^{in}(m)$	<i>LAND</i>	-0.004	0.050	-0.08	-0.158	0.090	-1.76
	<i>LABOR</i>	0.002	0.085	0.02	0.146	0.189	0.77
	<i>CREDIT</i>	0.101	0.084	1.21	-0.051	0.183	-0.28
$d_i^{out}(m)$	<i>LAND</i>	0.108	0.115	0.95	0.750	0.466	1.61
	<i>LABOR</i>	0.031	0.058	0.53	0.158	0.129	1.22
	<i>CREDIT</i>	0.018	0.095	0.19	0.190	0.209	0.91

Differences in the average degree of households with and without external links and the t-test of its difference when the comparison group is estimated using k -nearest-neighbor matching estimator, with $k = 3$. Only observations on the common support of the propensity score are considered and the standard errors of the estimated comparison group are bootstrapped.

Table B.4: RECIPROCATED LINKS FOR HOUSEHOLDS WITH AND WITHOUT EXTERNAL LINKS BY NETWORK (Difference in reciprocal-degree for networks different than the one with external link. Only matched samples)

		<i>External in</i>			<i>External out</i>		
		Degree difference	S.E.	t-stat	Degree difference	S.E.	t-stat
<i>Ext_i(LAND)</i>							
<i>Recip_iⁱⁿ</i>	<i>LABOR</i>	0.030	0.085	0.35	0.107	0.092	1.16
	<i>INPUT</i>	0.002	0.135	0.01	0.168	0.160	1.05
	<i>CREDIT</i>	-0.015	0.048	-0.31	-0.016	0.050	-0.33
<i>Recip_i^{out}</i>	<i>LABOR</i>	0.000	0.065	0	0.047	0.072	0.65
	<i>INPUT</i>	0.026	0.143	0.18	0.107	0.163	0.66
	<i>CREDIT</i>	0.048	0.058	0.83	0.089	0.066	1.34
<i>Ext_i(LABOR)</i>							
<i>Recip_iⁱⁿ</i>	<i>LAND</i>				-0.041	0.039	-1.07
	<i>INPUT</i>				0.128	0.126	1.02
	<i>CREDIT</i>				-0.075	0.044	-1.72
<i>Recip_i^{out}</i>	<i>LAND</i>				0.077	0.070	1.1
	<i>INPUT</i>				0.124	0.130	0.96
	<i>CREDIT</i>				-0.032	0.057	-0.56
<i>Ext_i(INPUT)</i>							
<i>Recip_iⁱⁿ</i>	<i>LAND</i>	0.015	0.032	0.48	-0.018	0.052	-0.35
	<i>LABOR</i>	0.012	0.060	0.2	0.032	0.072	0.44
	<i>CREDIT</i>	-0.061	0.031	-1.94	-0.063	0.044	-1.42
<i>Recip_i^{out}</i>	<i>LAND</i>	0.047	0.058	0.81	-0.117	0.056	-2.08
	<i>LABOR</i>	-0.064	0.044	-1.45	-0.072	0.060	-1.2
	<i>CREDIT</i>	-0.051	0.038	-1.34	0.036	0.063	0.57
<i>Ext_i(CREDIT)</i>							
<i>Recip_iⁱⁿ</i>	<i>LAND</i>	0.021	0.026	0.81	-0.039	0.041	-0.95
	<i>LABOR</i>	0.056	0.052	1.07	0.128	0.108	1.19
	<i>CREDIT</i>	-0.057	0.090	-0.63	0.104	0.152	0.69
<i>Recip_i^{out}</i>	<i>LAND</i>	0.058	0.041	1.43	0.179	0.091	1.97
	<i>LABOR</i>	-0.025	0.039	-0.62	-0.030	0.072	-0.41
	<i>CREDIT</i>	-0.033	0.093	-0.35	0.185	0.159	1.16

Differences in the average reciprocal degree of households with and without external links and the t-test of its difference when the comparison group is estimated using k -nearest-neighbor matching estimator, with $k = 3$. Only observations on the common support of the propensity score are considered and the standard errors of the estimated comparison group are bootstrapped.

Table B.5: FRACTIONAL PROBIT: HOUSEHOLD'S DEGREE CENTRALITY AND EXTERNAL LINKS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	LAND		LABOR		INPUT		CREDIT	
$Ext_i(m)$	$d_i^{out}(m)$	$d_i^{in}(m)$	$d_i^{out}(m)$	$d_i^{in}(m)$	$d_i^{out}(m)$	$d_i^{in}(m)$	$d_i^{out}(m)$	$d_i^{in}(m)$
$Ext_i^{in}(LAND)$	-0.602** (0.246)	-0.626*** (0.206)	0.138 (0.145)	-0.002 (0.198)	0.138 (0.129)	-0.242** (0.111)	0.311 (0.249)	0.117 (0.161)
$Ext_i^{out}(LAND)$	0.209 (0.176)	-0.729*** (0.273)	0.223 (0.142)	-0.075 (0.161)	0.131 (0.142)	0.081 (0.123)	0.032 (0.227)	-0.324 (0.199)
$Ext_i^{out}(LABOR)$	0.234 (0.157)	0.077 (0.159)	-0.352** (0.159)	0.013 (0.120)	0.134 (0.121)	0.085 (0.094)	-0.118 (0.203)	-0.094 (0.084)
$Ext_i^{in}(INPUT)$	0.352** (0.173)	0.011 (0.144)	-0.003 (0.122)	0.015 (0.131)	-0.236*** (0.085)	-0.297** (0.125)	-0.211 (0.215)	0.045 (0.121)
$Ext_i^{out}(INPUT)$	-0.456 (0.280)	-0.098 (0.182)	0.157 (0.159)	-0.544** (0.247)	0.096 (0.121)	-0.568*** (0.150)	0.267 (0.173)	0.027 (0.221)
$Ext_i^{in}(CREDIT)$	0.086 (0.138)	0.071 (0.132)	0.072 (0.098)	-0.021 (0.107)	-0.081 (0.123)	0.025 (0.088)	0.207 (0.193)	-0.520*** (0.147)
$Ext_i^{out}(CREDIT)$	0.459*** (0.160)	-0.152 (0.181)	0.296* (0.158)	0.206 (0.216)	0.183 (0.113)	0.008 (0.098)	0.068 (0.190)	0.022 (0.161)
Observations	2,792	2,792	2,792	2,792	2,792	2,792	2,792	2,792
$R^2 deviance$	0.442	0.352	0.351	0.373	0.438	0.434	0.370	0.337

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Standard errors, clustered at village level, in parentheses.

Fractional panel probit estimation (Papke & Wooldridge, 2008) of Equation 2, where the average of all the village-variant variables ($\overline{X_v}$ and $\overline{Ext_v}$) are included.

The model includes variables summarized in Table 1.

The goodness of fit measure reported is the one recommended by Cameron & Windmeijer (1997) for this kind of non-linear models, based on deviance.

Table B.6: FRACTIONAL PROBIT: HOUSEHOLD LEVEL RECIPROCATED LINKS OVER TOTAL

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
		LAND		LABOR			INPUT			CREDIT		
$Ext_i(m)$	$Recip_i^{out}$	$Recip_i^{in}$	$Recip_i$	$Recip_i^{out}$	$Recip_i^{in}$	$Recip_i$	$Recip_i^{out}$	$Recip_i^{in}$	$Recip_i$	$Recip_i^{out}$	$Recip_i^{in}$	$Recip_i$
$Ext_i^{in}(LAND)$	-0.692*** (0.245)	-0.464** (0.236)	-0.459*** (0.167)	-0.052 (0.169)	0.217 (0.194)	-0.035 (0.159)	-0.373** (0.154)	0.112 (0.179)	-0.125 (0.133)	0.141 (0.223)	-0.169 (0.279)	-0.023 (0.195)
$Ext_i^{out}(LAND)$	0.278 (0.238)	-0.091 (0.252)	0.044 (0.189)	-0.007 (0.183)	0.067 (0.207)	0.013 (0.144)	0.098 (0.166)	0.036 (0.135)	0.110 (0.123)	0.070 (0.201)	-0.001 (0.351)	0.090 (0.216)
$Ext_i^{out}(LABOR)$	-0.310 (0.256)	-0.148 (0.283)	-0.044 (0.199)	-0.221 (0.254)	-0.322 (0.229)	-0.283 (0.179)	-0.109 (0.171)	0.098 (0.167)	-0.043 (0.154)	-0.316 (0.314)	-0.469* (0.260)	-0.414* (0.220)
$Ext_i^{in}(INPUT)$	-0.020 (0.189)	0.070 (0.169)	0.106 (0.125)	-0.024 (0.146)	0.041 (0.166)	0.019 (0.116)	0.031 (0.138)	0.009 (0.146)	0.061 (0.121)	-0.271 (0.181)	-0.042 (0.158)	-0.125 (0.120)
$Ext_i^{out}(INPUT)$	-0.243 (0.319)	0.309 (0.221)	0.025 (0.174)	-0.347* (0.210)	0.125 (0.244)	-0.005 (0.147)	-0.258 (0.180)	0.022 (0.239)	-0.041 (0.163)	0.071 (0.225)	0.072 (0.290)	0.019 (0.165)
$Ext_i^{in}(CREDIT)$	0.165 (0.219)	0.092 (0.115)	0.090 (0.111)	-0.152 (0.130)	0.096 (0.128)	-0.011 (0.094)	0.134 (0.120)	-0.141 (0.125)	0.009 (0.091)	-0.284* (0.157)	-0.535*** (0.165)	-0.473*** (0.131)
$Ext_i^{out}(CREDIT)$	0.424** (0.190)	0.513** (0.221)	0.326** (0.157)	0.219 (0.139)	0.121 (0.200)	0.191 (0.131)	0.106 (0.166)	0.004 (0.208)	-0.066 (0.161)	-0.283 (0.188)	-0.008 (0.210)	-0.090 (0.165)
Observations	646	1,029	1,479	1,093	939	1,541	1,182	1,371	1,738	631	881	1,238
$R^2_{deviance}$	0.244	0.214	0.184	0.235	0.234	0.188	0.457	0.404	0.326	0.255	0.225	0.240

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Fractional panel probit estimation (Papke & Wooldridge, 2008) of Equation 3, where the average of all the village-variant variables (\overline{X}_v and \overline{Ext}_v) are included.

The model includes variables summarized in Table 1.

The goodness of fit measure reported is the one recommended by Cameron & Windmeijer (1997) for this kind of non-linear models, based on deviance.