3ie-IFPRI Joint Seminar: The impacts of mobile money: result from observational and experimental studies

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William Jack, Assistant Professor at Georgetown University presented research on the impact of mobile money and financial services on poverty, consumption, and education in Kenya at the 3ie-IFPRI joint seminar series in Washington D.C. on April 28. Dr. Jack presented on two studies, the first evaluates the M-PESA system; a mobile money transfer service that provides financial products, which has brought the unbanked population into Kenya's formal financial system. The second examines the effect of two additional mobile money services; M-Shwari and Lock-Box Savings on savings for future events and school attendance.

The M-PESA study used a model based on the differential roll-out of M-PESA in different communities as randomization, with a difference-in-differences analysis to determine if the M-PESA system had long-term impacts on household consumption and poverty levels. The long-term results demonstrated that M-PESA did indeed raise household consumption. The per capita consumption of female-headed households increased, while simultaneously the poverty levels of these same households fell. Moreover, women moved out of farming and into business, indicating that financial inclusion helped them shift away from subsistence agriculture and reduced their reliance on multiple part-time occupations.

The second study examined the effects of M-Shwari and Lock-Box Savings, (LBS) which are both financial products provided by M-PESA. M-Shwari is a loan facility and LBS is a savings account with a 1-6 month maturity and a 1% interest rate. This study examined the effect of these products on household savings and school attendance. This project randomly assigned parents of final year primary school students to one of three arms, the control group was simply made aware of the cost of secondary school, the first intervention group was also encouraged to use M-Shwari, the other to use LBS. The results indicated that savings were negative for all groups, explained by the authors by study timing over the Christmas holiday. However, as was hoped for, those in the treatment groups saw more savings than those in the control group. School enrolment also increased significantly for those who used M-Shwari or the LBS.

Robert Cull, Lead Economist of the Development Research Group at The World Bank served as the discussant for this seminar. Dr. Cull highlighted some of the issues with using M-PESA roll out as an identification strategy, especially for long-term analysis. He also discussed how M-PESA led to consumption smoothing and increased financial activity, but had minimal impact on savings. Cull raised the importance of how the consumption of M-PESA users was protected from economic shocks, while the consumption of non-users decreases during these shocks. The audience noted that more controls (education, infrastructure, business) should be added to the model in order to make the study more robust. The audience also pointed out that Dr. Jack did not include the costs of schooling, which made it difficult to gauge what amount parents needed to save for the following school term.