

Experimenting with mobile money: Savings and Credit

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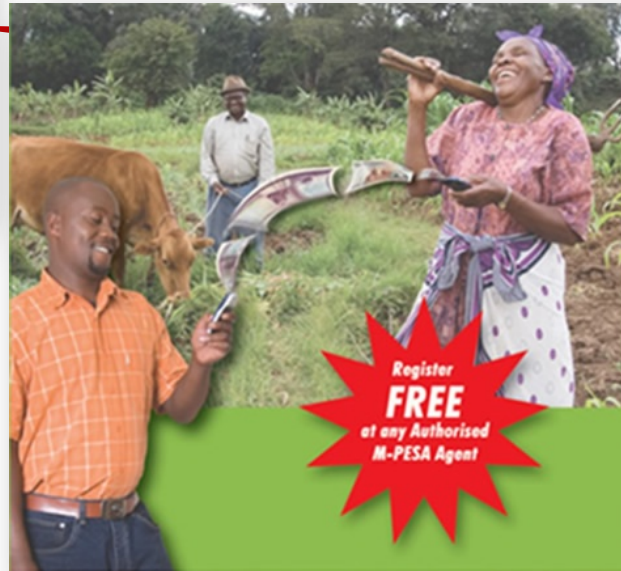
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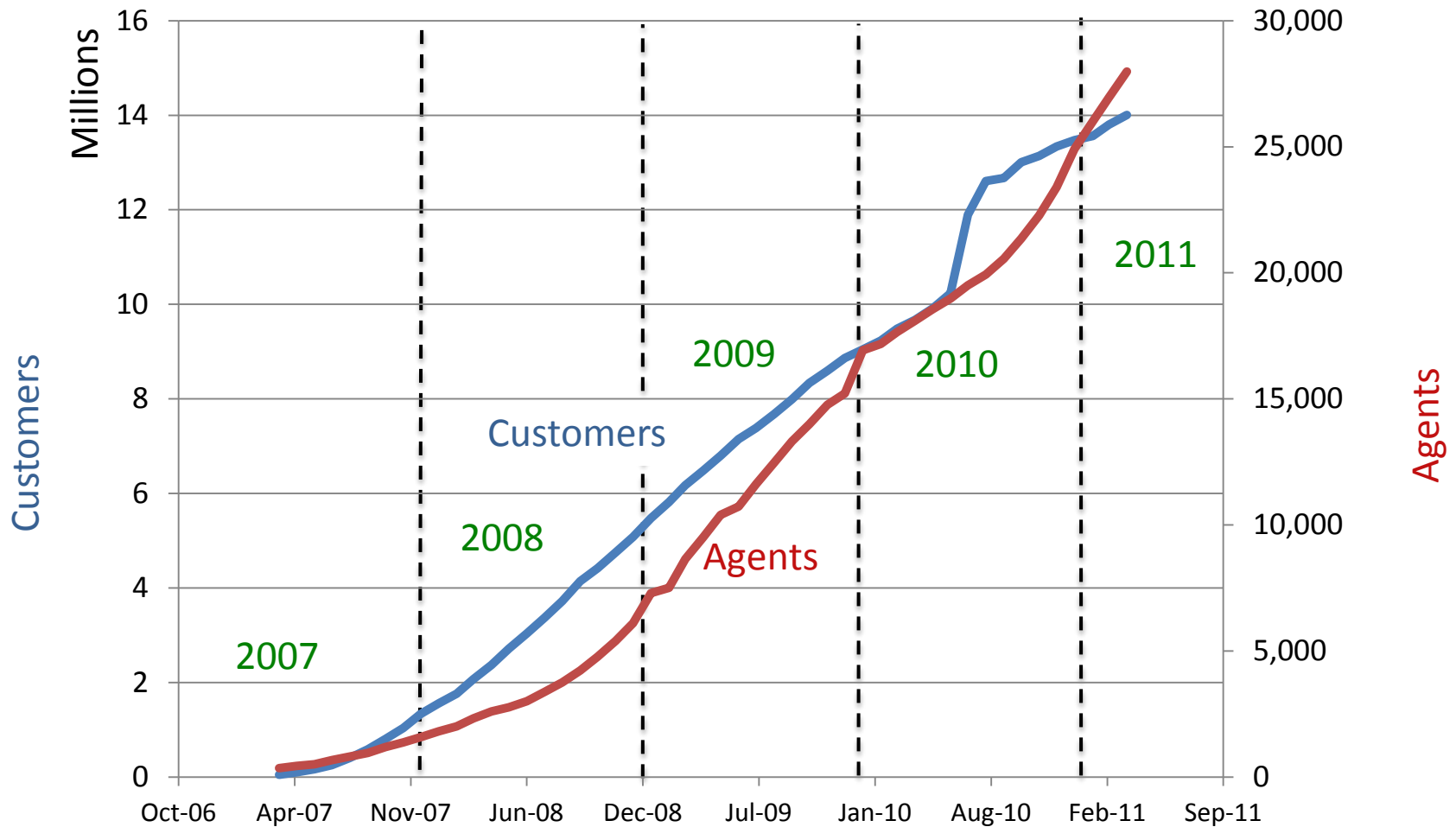
Mobile Money and the Economy

IGC, Kampala, February 12, 2015

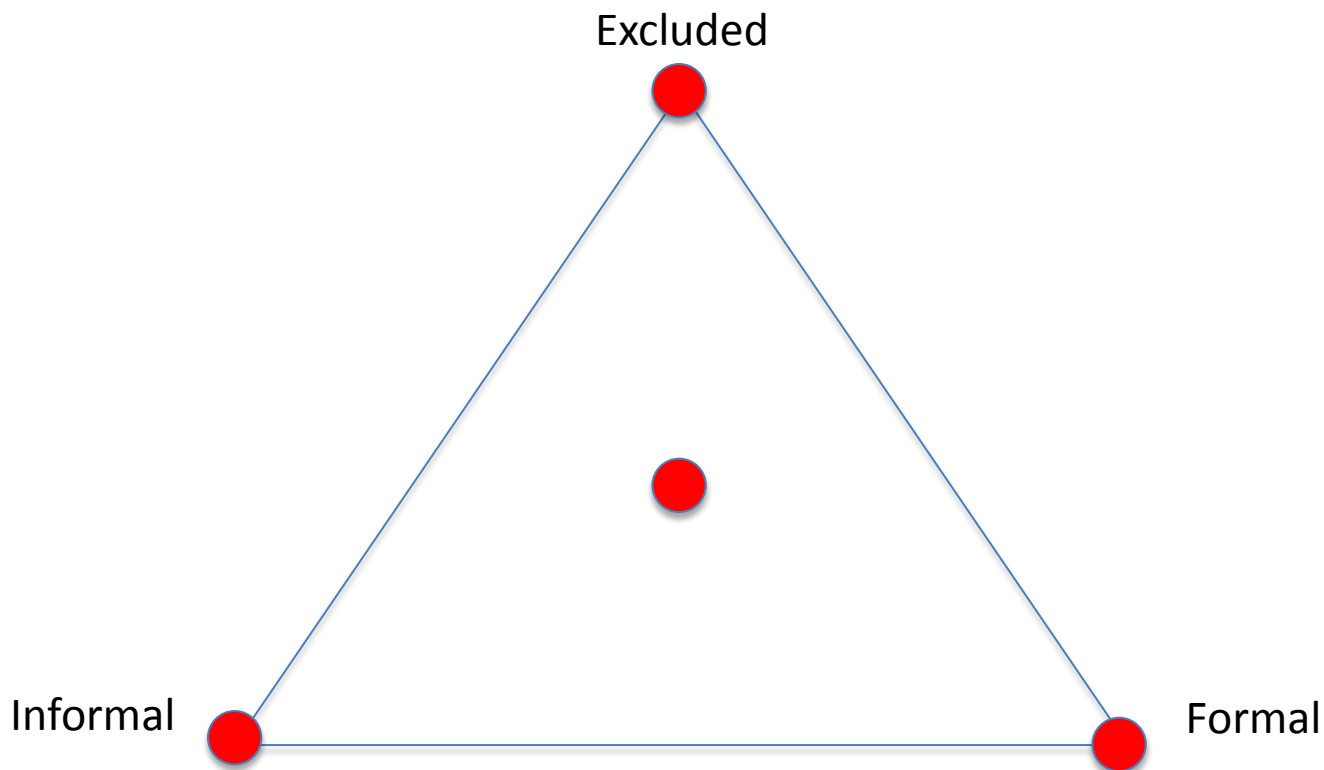
The solution: M-PESA



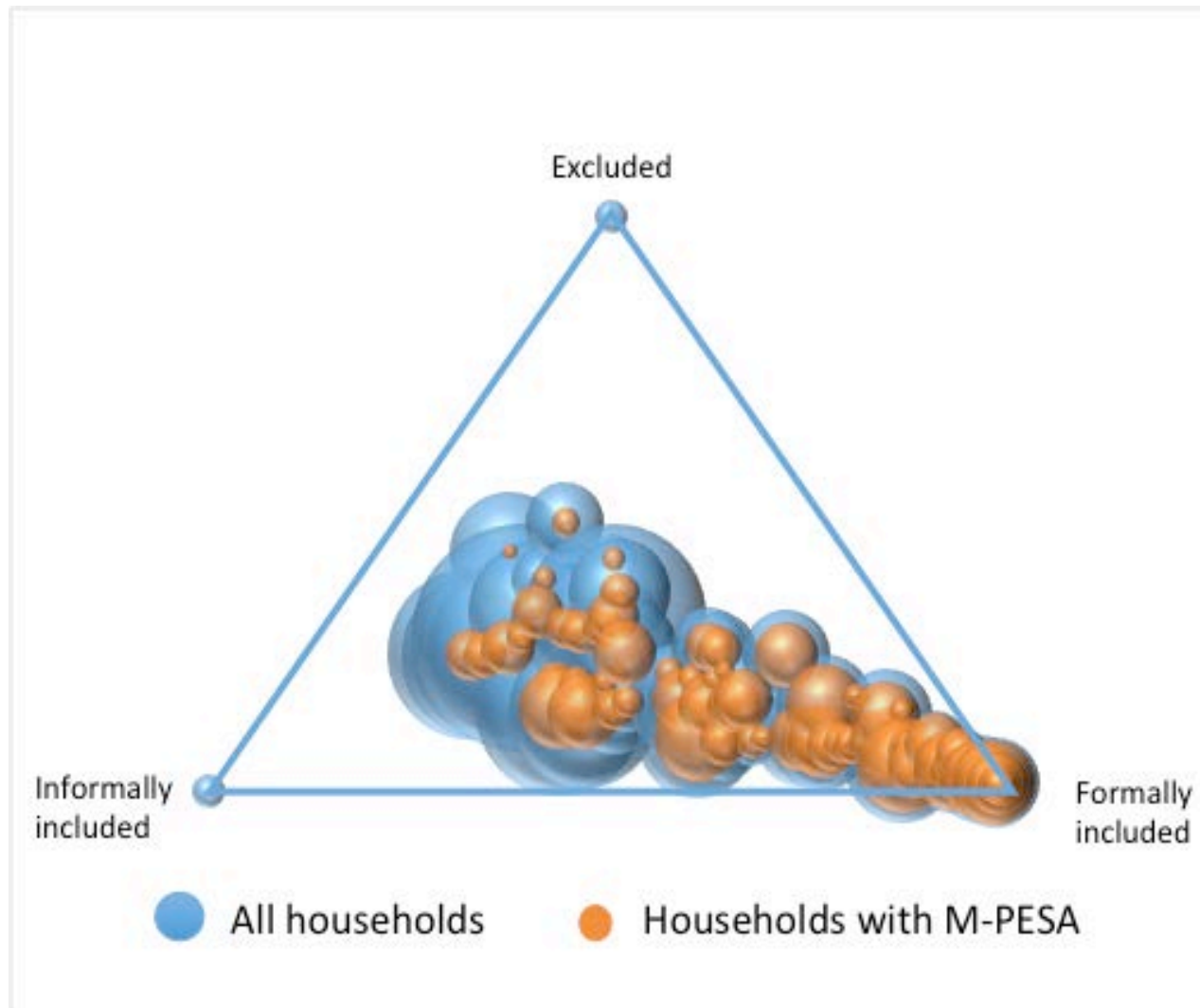
Customer and Agent growth



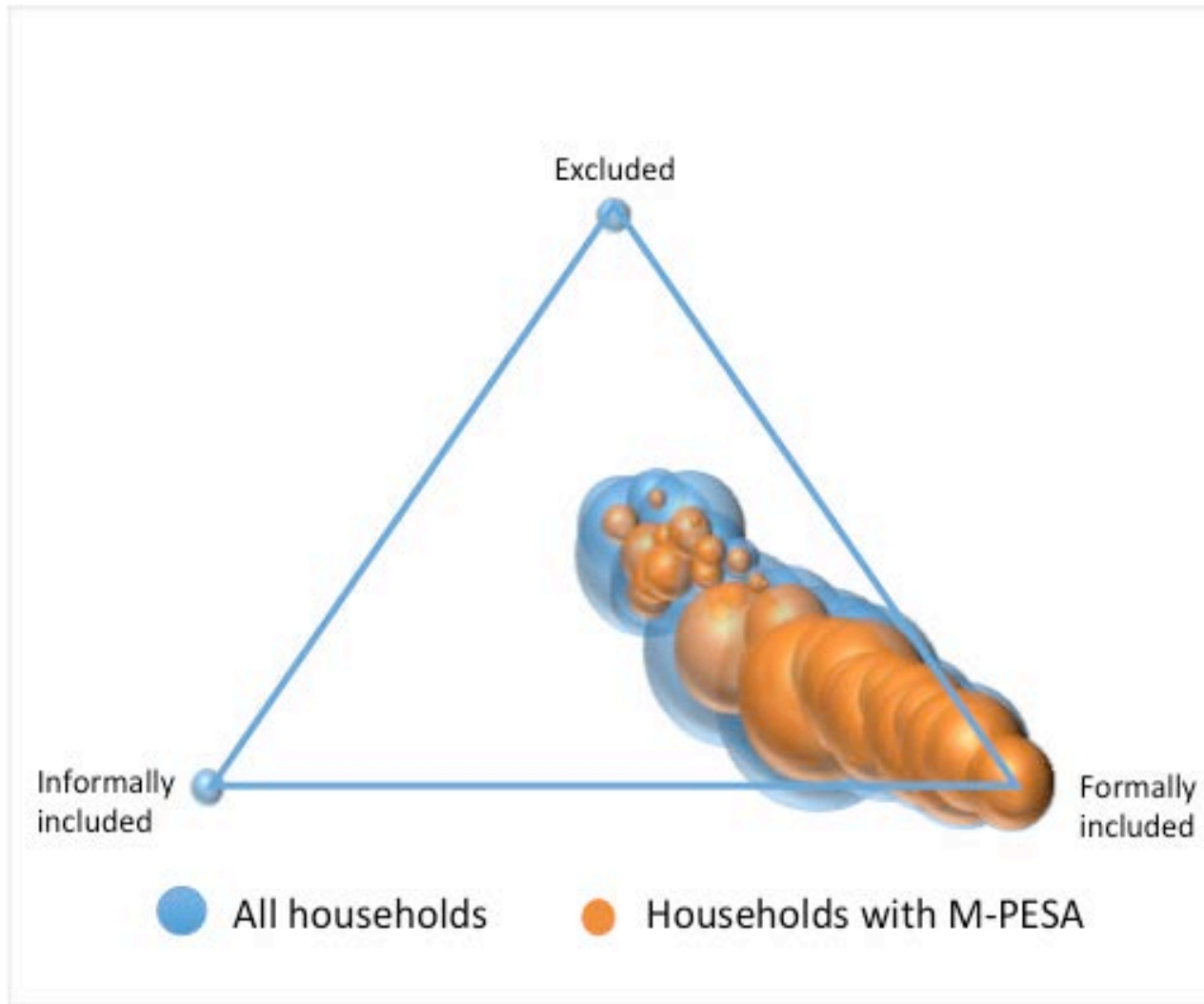
Visualizing financial inclusion



Financial inclusion in Kenya: 2009



Financial inclusion in Kenya: 2013



M-PESA as a risk spreading tool

- Four-year panel survey of 3,000 households
- Negative shocks reduce consumption by about 7% - 10%
- But M-PESA users see no fall in consumption
- That is, M-PESA users are fully insured

Credit (with Tavneet Suri)

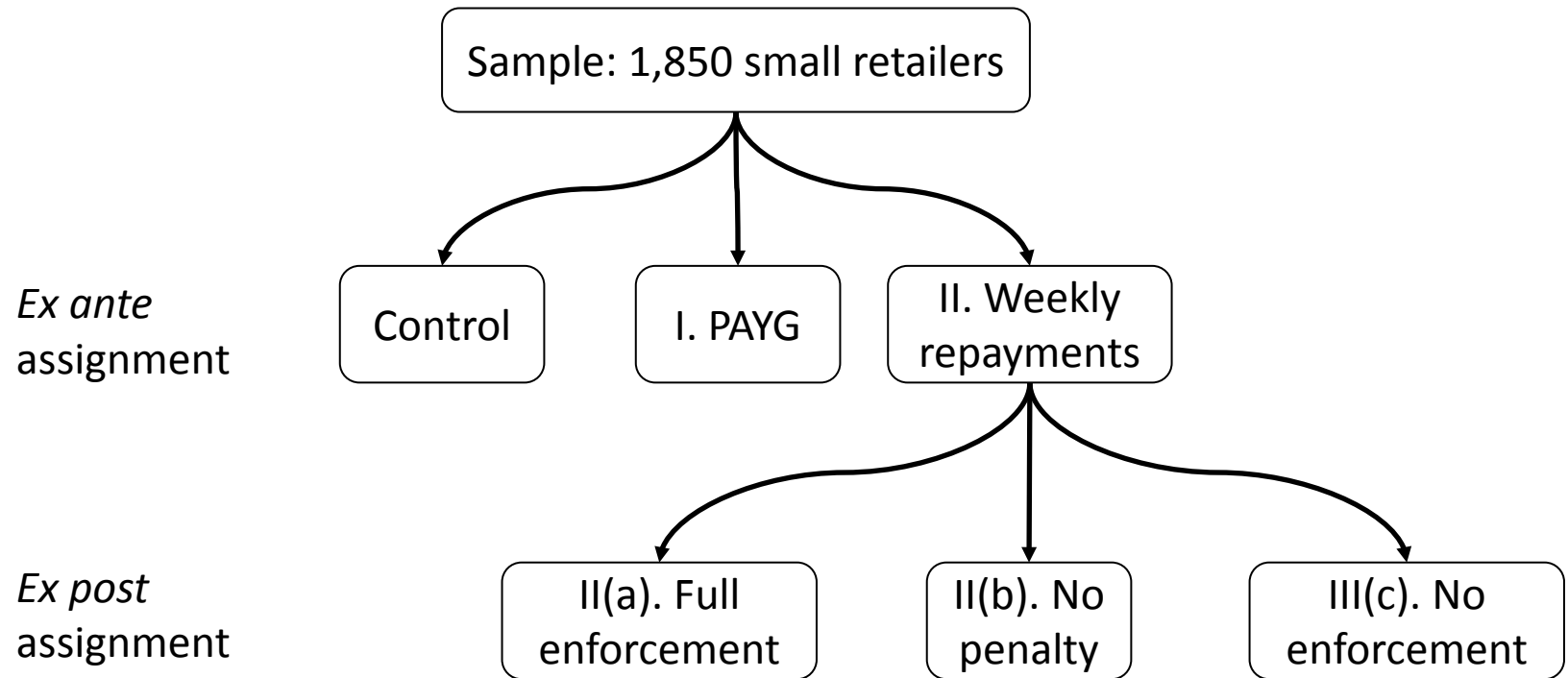
- Sustainable credit requires screening of bad risks
- But group-based lending and high deposits can choke off demand
- Asset collateralization is rare – especially for small, easy to hide, assets

Mobile credit: making credible the threat of repossession

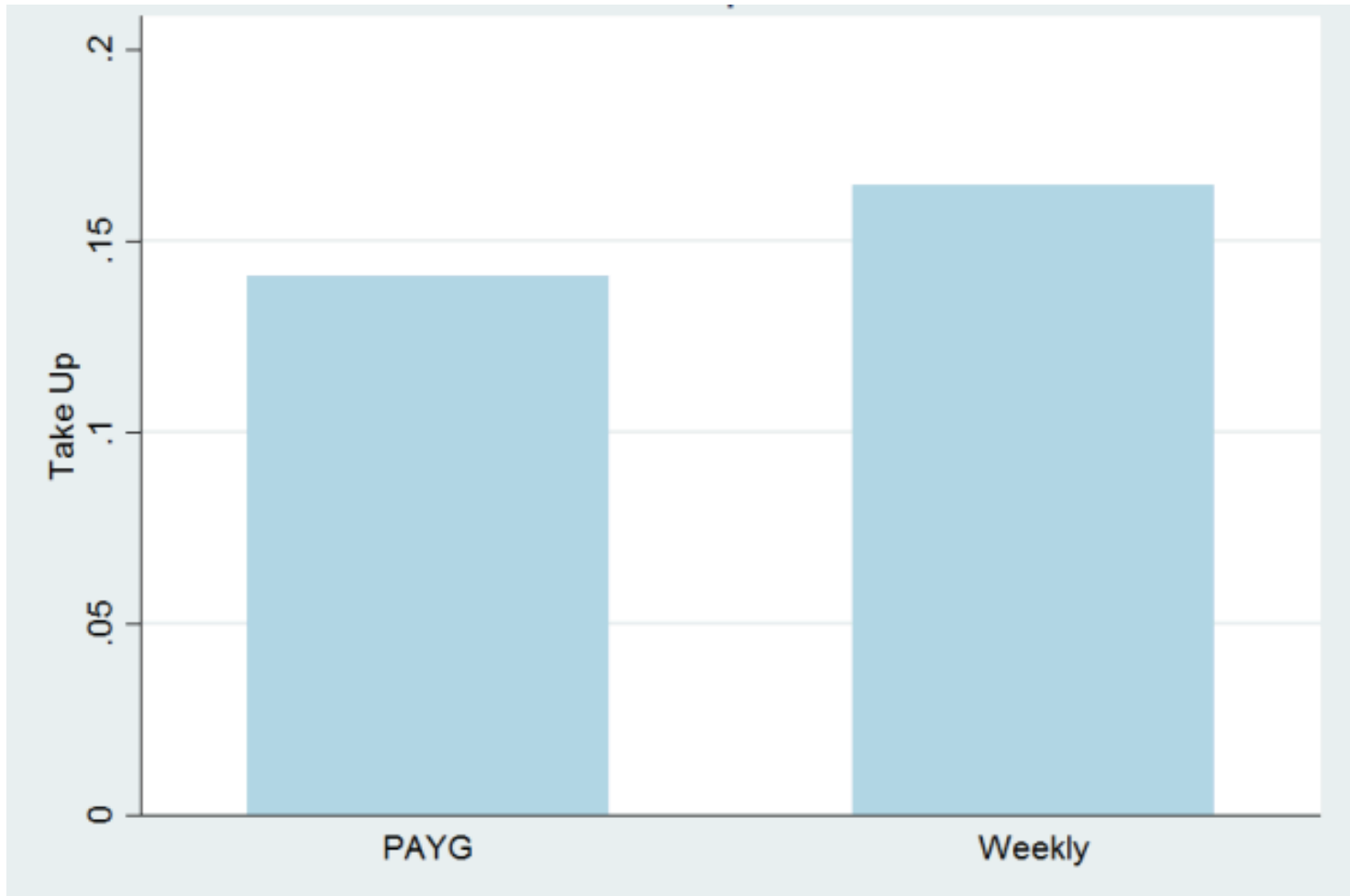
- Solar power purchased on credit
- Cost: \$75
- Down-payment: \$5
- Repayment via mobile money
- Remote penalties and shut-off both feasible



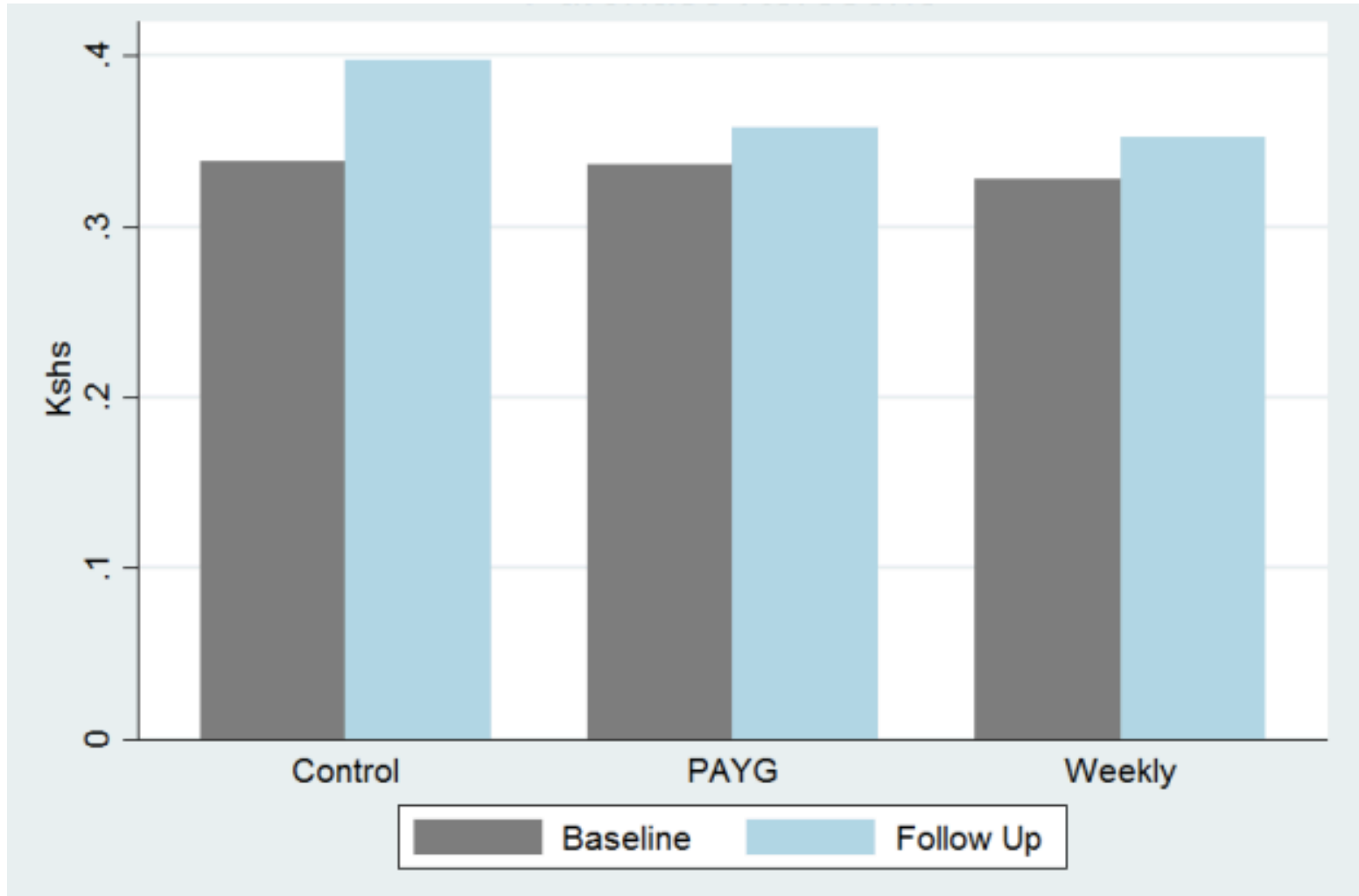
Design



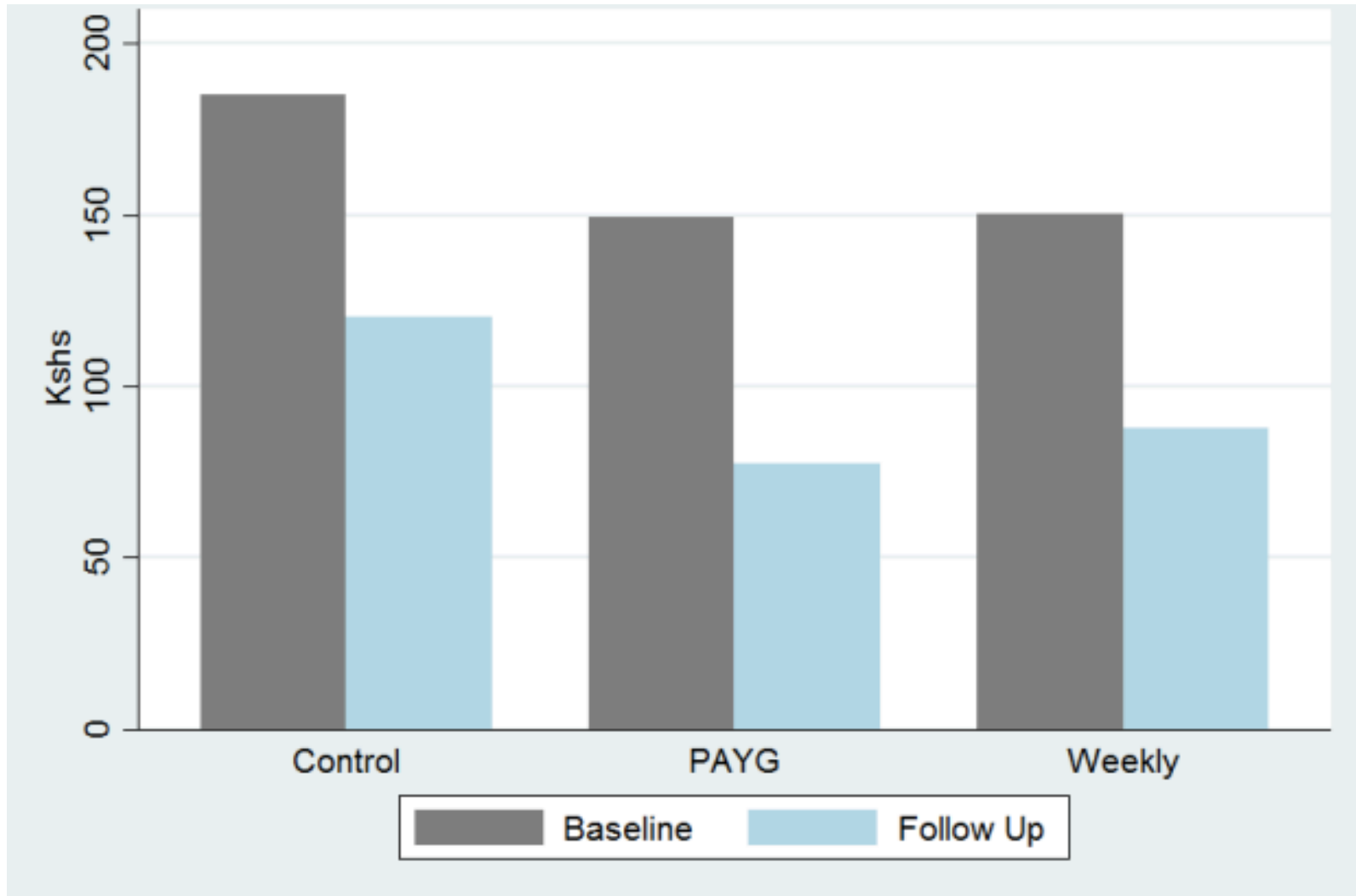
Take-up



Impact of panel: purchase of kerosene



Impact of panel: expenditures on kerosene



Savings: High Hopes (with James Habyarimana)

- Context: saving for the transition to high school
- How can savings be boosted?
 - Information about future costs
 - Mobile savings account
 - Mobile Commitment Savings Account
 - Regular text reminders

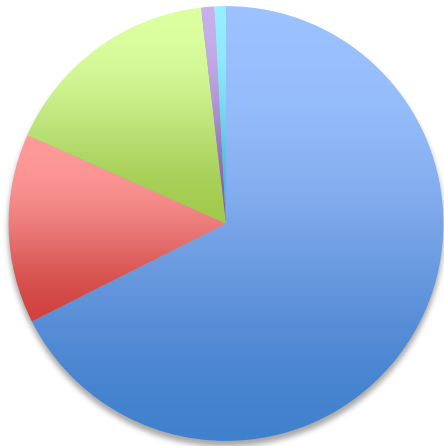
Design: school-based randomization

	Weekly SMS	No SMS	Total
Control	60	60	120
Mobile bank account	60	60	120
Mobile commitment account	60	60	120
Total	180	180	360

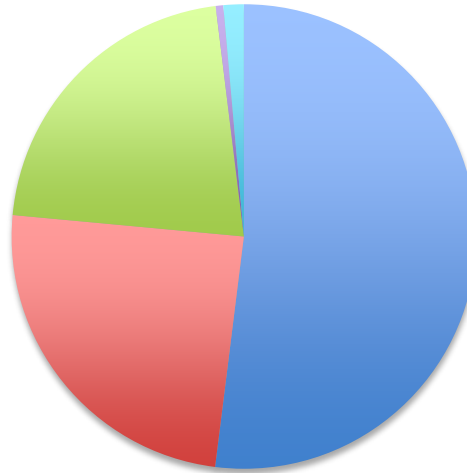
- All groups received information on the importance of saving for high school

Take up

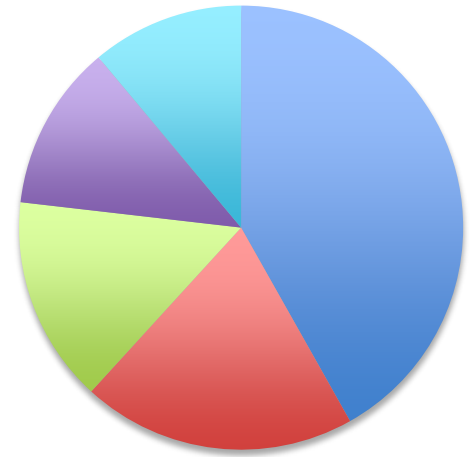
Control



Mobile bank account



Commitment Savings Account



- No Mobile bank account
- Active Mobile bank account
- Active commitment savings account

- Inactive Mobile bank account
- Inactive commitment savings account

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