Introducing Mobile Money in Rural Mozambique: Evidence from a Field Experiment*

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August 2016

Abstract

What is the economic impact of newly introducing mobile money in rural areas underserved by financial services? This study is the first to use a randomized control trial to answer this research question, in a sample of rural communities in Southern Mozambique. Our experimental results show that the availability of mobile money translated into a clear degree of adoption of these services, measured through administrative data on mobile money transactions. We find that introducing mobile money made rural households less vulnerable to adverse shocks, and reduced investment in agriculture and other businesses. We also observe an increase in the remittances received by rural households, while savings and asset accumulation are kept basically unchanged. We interpret these results as evidence that mobile money acted as a mechanism of informal insurance provided by urban migrants to their rural family members. In a context where households face binding credit constraints, this additional insurance may have reduced the incentives for investment.

JEL Classifications: O12, O16, O33, F24, G20, R23.

Keywords: mobile money, risk-sharing, vulnerability, investment, remittances, savings, Mozambique, Africa.

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* We wish to thank Pedro Pita Barros, Simone Bertoli, Joshua Blumenstock, Taryn Dinkelman, Xavier Giné, Isaac Mbiti, Chris Woodruff, and Dean Yang for helpful suggestions. We are particularly indebted to Nadean Szafran, Abubacar Chutumia, and their team at Carteira Móvel for a fruitful collaboration. We are grateful to our main field supervisor Inês Vilela for her outstanding work and dedication to the project. We would also like to thank especially to Matilde Grácio, Stefan Leeffers, and Julia Seither for excellent field coordination, and to the many other people who made this project happen in the field. We thank participants at the North American Winter Meetings of the Econometric Society (San Francisco), the Bank of Mozambique/International Growth Center (IGC)/NOVAFRICA Workshop on Mobile Money (Maputo), the World Bank IZA GLM-LIC Conference, as well as in seminars at CERDI, University of Navarra, and NOVAFRICA for useful comments. We wish to acknowledge financial support from the UKAid-funded IGC, the Portuguese Fundação para a Ciência e Tecnologia (Grants PTDC/IIM-ECO/4649/2012 and UID/ECO/00124/2013), the UKAid/IZA GLM-LIC program, and NOVAFRICA at the Nova School of Business and Economics. All remaining errors are the sole responsibility of the authors.

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