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Emma Riley

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Mobile Money and Risk Sharing Against Village Shocks

Emma Riley *

Department of Economics, Manor Road Building, Oxford OX1 3UQ, UK

(email: emma.riley@economics.ox.ac.uk)

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Abstract

Households in developing countries have gained increased access to remittances through the recent introduction of mobile money services. I examine the impact of these mobile money services on consumption after a rainfall shock, such as a flood or drought, for both users of mobile money and for household that don't use mobile money but who reside in villages with other users. This allows me to determine the extent that remittances received via mobile money are shared within villages, creating wider benefits to the community. Using a difference-in-difference fixed effects specification, I find that after a village-level rainfall shock it is only users of mobile money who are able to prevent a drop in their consumption. There are no spillover effects to other members of the village. This finding has implications for how new technologies might change traditional risk sharing arrangements, and who might benefit and lose out from their spread.

Keywords: risk sharing, mobile money, Tanzania

JEL Classification - O16, O17, O33

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