Discussion of “The Impacts of Automated Loans on Mobile Money Agents”

Miriam Bruhn
(DECRG, World Bank)

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Summary

• Use a policy change to measure the effect of digital loans on mobile money agents
  • Loans offered based on minimum mobile money (MM) transaction volume
    • 2019: Doubling in loan size; lower eligibility minimum

Men: High-volume agents increase MM volume only at first. Low-volume agents seem to invest elsewhere.

Women: Low-volume agents increase MM volume after a couple of months.
Identification strategy I: Before and after

• Compare agents who received a loan one month before vs. one month after the policy change AND propensity score matching
  • Transactions in treatment group are smaller by design (drop in eligibility threshold)
• What is the average loan maturity? Do agents pay off the smaller loans quickly and get the new larger loans?
  • Plot outcomes for treatment and control agents separately over time
Identification strategy II: Transaction volume

• Compare agents with 25,000-50,000 MMK transaction volume (treatment) to agents with 50,000-75,000 MMK (control)
  • Why not use agents below 25,000 as the control group?

• Why not use a regression discontinuity design (RDD) based on the transaction volume eligibility thresholds?
Follow-up phone survey

- Response rate was 65% as many agents did not respond to calls
- Results for asset purchases look counterintuitive
  - Could they be driven by differential response rates/selection in the control and treatment group?
    - Treatment agents may be busier and less able to answer the phone
Which problem are digital loans solving?

• Agents often run out of float (e-money or cash)
  • This paper: 73% of agents report struggling with liquidity occasionally
  • Tanzania: Agents stock out on 49% of observed days (Acimovic et al. 2022)

• Loans are deposited into bank account and can be moved to mobile wallet
  • Helps with providing more e-money
    • May allow low-volume women to establish a reputation for reliably having e-money
  • What about cash?

• Loans may serve a different purpose for dedicated agents vs. stores
  • Here, only 20% are dedicated mobile money agents (breakdown by sex?)
    • Are the effects different for dedicated agents?
Why are digital loans a good option here?

- Administrative data allows screening based on MM transaction volume
- Here: 1% default and late payments
  - Mexico: 27% default  
    (Burlando, Prina, and Kuhn 2023)
  - Malawi: 47% late payments  
    (Brailovskaya, Dupas, and Robinson 2021)
- Does digital collateral play a role?
  - Lenders can disable flow value without physical repossession (Gertler, Green, and Wolfram 2023 - locking solar panels)
Advantage of digital loans for women

• Receiving digital loans instead of cash can enable women to overcome intra-household sharing pressure (Riley 2022)
  • This paper: “We also find an increase in decision-making power over household loan proceeds, on the part of the recipient.”
    • Is this effect larger for women than for men?

• Objective decision rule can benefit women if there is discrimination
  • Women received same loan terms as men when approved based solely on an alternative credit score, but worse terms when approved via a loan officer (Arráiz et al. 2023)
Policy implications

• Digital loans can benefit women for at least two reasons
  • More privacy than cash
  • Objective decision rules limit loan officer discrimination

• Lenders can avoid high default and late payment rates by using
  • Administrative data to determine eligibility
  • Digital collateral