

Name: Jaji, Henry Munashe
Student ID: 201526007
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Abstract:

The decade prior to the formation of the Government of National Unity (2009) in Zimbabwe witnessed massive financial disintermediation owing to hyperinflation arising from the Reserve Bank of Zimbabwe's (RBZ) quasi fiscal activities, lack of confidence in the banking sector due to misappropriation of bank's statutory reserves by the RBZ, abuse of foreign currency account balances, export surrender requirements and fixed exchange rate regimes, among other interventionist policies. The introduction of mobile money in 2011 resulted in a major shift from the traditional brick and mortar banking to mobile money owing to the convenience as well as cost structure of the mobile money services. This financial infrastructure allows for users to make financial transactions using a mobile device without necessarily being linked to a financial institution. We use Two Staged Least Squares (2SLS) regression model to examine the effect of mobile money adoption on children's school attendance using nationally representative household cross sectional data from Zimbabwe. Results from the specifications reveal that adopting the services of mobile money increases children's school attendance by 14.3 percentage points. The mechanism through which mobile money adoption affects children's school attendance is by means of receiving remittances. A mobile money user household will receive more remittances, the more remittances will increase the household's resources and the more resources will increase children's school attendance. Our results are robust to various robustness checks.