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Thesis Title: The Effect of Mobile Money on Saving, Borrowing and Remittance: A Case of Tanzania

The paper presents the analysis of the impact of using mobile money services on receiving and sending remittances, borrowing, and saving behavior of the households in Tanzania, including the difficulty in paying unexpected expenses of the households. I use nationally representative survey of FinScope Tanzania 2017¹ for the population aged 16 years and older in the application of 2SLS estimation using mobile network coverage as an instrumental variable. The results show that using mobile money services increases the probability of receiving remittances by 48-59 percentage points and the probability of sending remittances by 38-55 percentage points. Moreover, the results show that using mobile money services facilitates the transactions channeled via mobile money services, increasing the probability of receiving remittances by 44-59 percentage points, sending the remittances by 27-45 percentage points, borrowing by 14-15 percentage points, and saving by 42-53. Furthermore, analysis of the channels through which using mobile money services facilitates the households in their everyday lives, revealed that using mobile money services facilitates receiving remittances from rural villages (31-73 percentage points) to pay for business expenses (11-16 percentage points) and sending remittances to urban communities (29-39 percentage points) to pay for education expenses (16-18 percentage points) and funeral expenses (2-5 percentage points). Also, mobile money services facilitate saving with the purpose of borrowing funds using the saved funds as collateral or security (1-4 percentage points) and borrowing to pay for education or school fees (15-17 percentage points). In summary, using the mobile money services facilitates the households in education through remittances and borrowing, savings also may be included as households may save funds with the purpose of borrowing for the education using the funds saved as collateral or security to borrow the funds. Moreover, using mobile money services facilitates the economic development of the households through remittances received which enables better education, medical services, and standards of living.

¹ The findings in this report /output are based on data collected by FinScope Tanzania 2017. The findings, interpretations, and conclusions expressed in this report/output are entirely those of the authors and do not necessarily represent the views of FinScope Tanzania 2017.