

Authors

Tavneet Suri
Massachusetts Institute of Technology

Prashant Bharadwaj
University of California, San Diego

William Jack
Georgetown University

NBER WORKING PAPER SERIES

FINTech AND HOUSEHOLD RESILIENCE TO SHOCKS:
EVIDENCE FROM DIGITAL LOANS IN KENYA

Prashant Bharadwaj
William Jack
Tavneet Suri

Working Paper 25604
<http://www.nber.org/papers/w25604>

NATIONAL BUREAU OF ECONOMIC RESEARCH
1050 Massachusetts Avenue
Cambridge, MA 02138
February 2019

Many thanks to Financial Sector Deepening Kenya for funding this research and to Nikita Kohli and Layane El-Hor for her superb research assistance. This research was conducted in collaboration with Innovations for Poverty Action, Kenya. We are also grateful to seminar audiences at Berkeley Haas, Sloan, The World Bank, Apple University, Microsoft Research, Michigan, George Washington, University of Washington and MIT for comments. Institutional Review Board (IRB) approvals for the data collection were obtained from MIT. Suri is the corresponding author: E62-524, 100 Main Street, Cambridge MA 02142. Email: tavneet@mit.edu. The views expressed herein are those of the authors and do not necessarily reflect the views of the National Bureau of Economic Research.

NBER working papers are circulated for discussion and comment purposes. They have not been peer-reviewed or been subject to the review by the NBER Board of Directors that accompanies official NBER publications.

© 2019 by Prashant Bharadwaj, William Jack, and Tavneet Suri. All rights reserved. Short sections of text, not to exceed two paragraphs, may be quoted without explicit permission provided that full credit, including © notice, is given to the source.

Fintech and Household Resilience to Shocks: Evidence from Digital Loans in Kenya

Developing country lenders are taking advantage of fintech tools to create fully digital loans on mobile phones. Using administrative and survey data, we study the take up and impacts of one of the most popular digital loan products in the world, M-Shwari in Kenya. While 34% of those eligible for a loan take it, the loan does not substitute for other credit. The loans improve household resilience: households are 6.3 percentage points less likely to forego

expenses due to negative shocks. We conclude that while digital loans improve financial access and resilience, they are not a panacea for greater credit market failures.

February 01, 2019