

RISK SHARING, MOBILE MONEY REMITTANCES, AND THE FAMILY NETWORK

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SUMMARY

This dissertation examines how financial inclusion facilitates risk sharing through remittances and thereby helps poor households cope with various types of shocks including extreme weather events and the COVID-19 crisis. The dissertation consists of two main chapters. In the first, we examine whether adoption of mobile money—an innovative financial inclusion technology used for remittances in developing countries—encourages maternal health investment in the event of droughts and floods. Using a rural Ugandan household panel data, we find mobile money’s shock-smoothing effect on investment in maternal health. The results from our analysis of transportation mode to health facilities reveal that mobile money services help households in geographically challenging situation—in the event of floods—travel to health facilities. In the second main chapter, we explore how mobile money remittances helped migrant workers in the capital city and their original households in villages share risk and jointly cope with the COVID-19 lockdown in Bangladesh. We apply an event study approach to panel data of the migrant workers and their original households. We provide descriptive evidence of shock-coping strategies of poor households against the pandemic. While both the workers and their original households experienced decline in consumption amid the COVID-19 lockdown, our results imply that the workers and their original households jointly utilized remittances and smoothed consumption between them—interhousehold (and intrafamily) risk sharing—to cope with the large shock. Our results suggest that mobile money services play a significant role in maintaining the risk sharing mechanism through the family network during the COVID-19 lockdown. Our findings have important policy implications for promoting financial inclusion in developing countries to help poor households cope with shocks through self-insurance in the absence of public safety net.

Keywords: Risk sharing, Financial inclusion, Mobile money, Remittances, Health investment, Coronavirus, Lockdown