

***"E-Payment Technology and Business Finance:  
A randomized Control Trial with Mobile  
Money"***

***Patricio S. Dalton, Haki Pamuk, Ravindra  
Ramrattan, Daanvan Soest Burak Uras (2020).***

César Pabón

# Content:

- Summary
- Comments
- Further research

# Summary

- The authors use an RCT to understand e-payment adoption and its effect on business finances and financial development through the lens of Lipa Na M-pesa in Kenya.
- The study targets more than 1200 pharmacies and restaurants (SME's) and uses a treatment which consists of informing them about the e-payment system and offering to open an account on their behalf.
- Authors find that informational and transaction costs barriers affect interest in and adoption of technology. Moreover, they find that financial transparency concerns of the business owner is negatively associated with the interest of using this technology.
  - This is strongly related with finding of Arango-Arnago (2017) in the case of Colombia.
- Authors also find that access to e-payments leads to better access to finance through mobile loans, both at the extensive margin. Additionally, there is evidence that it smoothed sales volatility.

# Comments

- In the literature and results sections, authors could mention their important contribution with respect to the determinants of the willingness to adopt e-payments (i.e. transparency, transaction costs, etc). Results might confirm findings in other papers in Kenya or in emerging economies, but it would be interesting to build from the extensive work carried out by the authors
- Authors use a randomized encouragement design and could briefly mention some of this methodology's characteristics. For instance, it is important to mention the caveat that treatment is based on the subpopulation that would not have received the treatment had it not been for the randomized offer of the treatment. In other words, there are no “defiers” which is of course difficult to test.

# Comments

- Given that having a business license is a legal barrier to adopt the e-payment system, authors are forced to only use licensed firms in their ITT estimates.
- Treatment licensed firms have a relatively higher mobile money use which could bias some of the estimates and is probably primarily driven by restaurants (with only 54% of the having a business license vs 91% of pharmacies).
- Authors could briefly mention this and potentially use robustness checks and controls to address this.

# Comments

- More than 90% of pharmacies and restaurants in the authors sample knew about the existence of Lipa Na M-pesa which means that the treatment was primarily not about eliciting the existence of the e-payment system, but about the removal of transaction costs such as the time of opening the account, the lack of know how and cost-benefit information.
- Moreover, an important contribution for this paper can be understanding what information is relevant for businesses to incorporate in their cost-benefit analysis.
- Authors mention that they did not manage to convince all respondents of the benefits of using the technology and could briefly discuss what information was given and how it might affect the uptake results. Authors mention the videos that businesses saw but there is no discussion of the kind of information.
- Could access to finance, one of the main findings of the paper, be especially relevant? Future research could benefit from stating what information was given in this videos.

## Further research

- Authors are exclusively measuring the effect of their treatment on a short-term (16 month) period. It would be important to underscore how their results on sales and other outcome variables might be affected by this time horizon. Further contributions in the literature could target longer periods of time.
- Authors use a combined approach of information, support for registration, and technology implementation assistance. Further research could elucidate the **differential impact** that each of these measures have on adopting e-payments.