

Mobile Payment Services in Developing Countries: firm capabilities and financial development

Project Summary

Investigators:

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❖ **Context and motivation:**

Mobile payment services (MPS) may foster financial inclusion in developing countries by providing a cheap and secure way of transferring, and, in certain cases, storing money. This is crucial in economies with a large unbanked population and environments where demand for secure and cheap money transfers is high. While some research exists on the impact of mobile money on consumers and on the financial behaviour of the poor (Jack and Suri (2011, 2014); Mbiti and Weil (2011)), little is known about the "supply side" of mobile payment provision. The overall objective of our project is to examine how mobile payment services promote sustainable economic growth by facilitating financial exchanges and improving the allocation of funds in an economy. Our study is set at the firm level. We will analyse the impact of three different types of MPS providers -banks, telecoms and "third party providers" (non-banks/non telecom providers) - on the reduction in transaction costs, the increase in the frequency of transactions, and the facilitation of the allocation of resources. Particular attention will be paid to the organizational structure that firms put in place to support their mobile payment services, and the interaction between the headquarters and the agents' network.

❖ **Policy relevance/impact:**

The demand for this type of research is particularly high both in the public and private sector. Private sector actors want to better understand what firm capabilities are necessary to achieve operational performance in the provision of mobile payment services. Public sector actors need to better understand the regulatory aspects which can enable the diffusion of such services. Another challenge is that of inter-operability and cooperation: how to ensure that there is enough competition between providers while at the same time making sure that there is a certain degree of inter-operability between them. As such, we identify demand for this type of research emanating both from the regulators, central banks, and the private sector.

❖ **Methodology:**

We will conduct our research in three different developing countries, each representing a different case of mobile payment diffusion: Tanzania, Myanmar and Bangladesh. To examine the different aspects of the diffusion of MPS and their impact on the local economy we are adopting a multilevel

survey approach for each company: (1) at the firm headquarter (HQ) level, (2) at the individual agent level. HQ represents the corporate network level while agents are the face of the company, conducting all the cash-in and cash-out operations. The first survey, at the HQ level will help us understand how the mobile payment unit has been integrated into the architecture of the company, and to identify the key firm capabilities on which it has relied. The survey, at the level of networked agents will focus on (a) interactions with the headquarters (degree of decentralization, flexibility, and training received from the headquarters); (b) liquidity management issues and constraints faced in their cash-in, cash-out operations; and (c) clients' withdrawals and deposits to examine transaction frequency and volume and the impact of MPS on the transaction velocity of money.