



# Impact of Financial Inclusion on Household Resilience to External Shocks

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Innovations for Poverty Action  
September 7, 2017



# Digital payments

Digital payments enhance the impacts of risk-sharing by lowering transaction costs and expanding the social network able to contribute, including across borders. They also increase efficiency and targeting for cash transfer programs .

## Mobile Money

- In Kenya, M-PESA users experienced no reduction in consumption following a drought vs 6-10% reduction in consumption among nonusers (Jack & Suri 2014)

## Cash Transfers

- Women in Niger targeted for cash transfers after a drought; digital payments increased diet diversity, amount of food consumed, and empowerment of women (Aker et al 2016)

## International Remittances

- In the Philippines, int'l remittances responded to income shocks related to rainfall, replacing 60% of lost household domestic income. (Yang & Choi 2007)



# Savings

Removing barriers to savings, including cost and behavioral, may help to smooth consumption in the face of unexpected setbacks.

- In Nepal, no-fee accounts offered to women led to a smaller drop in income after a health shock and a corresponding increase in health-related expenditures compared to those without an account (Chiapa et al., 2015)
- Savings groups in Malawi, Uganda and Ghana had positive – though not definitive – impacts on resilience to income shocks, in this case drought (Karlan et al., 2017)
- In Chile, participants with access to a savings account reduced consumption cutbacks associated with a negative income shock by 44% (Kast & Pomeranz, 2014)



# Insurance

When low-income households do invest in insurance, they may be better able to manage food insecurity and income shocks, but low demand is a persistent problem.

- In Senegal and Burkina Faso, women who invested in insurance had higher average yields and better managed food insecurity and income shocks (Delavallade et al., 2015)
- In the same study, women were less likely to invest insurance, preferring savings. Do formal insurance products compete with informal risk management mechanisms?
- Rainfall index insurance led to higher investments in agricultural production in Ghana (Karlan et al., 2013)
- Need more research to understand demand constraints

