

E3017. IMPACT OF MOBILE PHONE-BASED MONEY TRANSFER SERVICES ON SMALLHOLDER AGRICULTURE IN KENYA

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Abstract

The recent introduction of mobile phone-based money transfer services is seen to resolve one idiosyncratic market failure farmers face, namely access to financial services. It facilitates transfer of money to beneficiaries in a quick and cost effective way and offers an easy platform for the small savings and transactions. This study employs propensity score matching technique to examine the impact of mobile phone-based money transfer services on level of agricultural commercialization, input use and farm incomes among rural farmers in Kenya. It uses cross-sectional data collected from 379 randomly selected households in Central, Western and Nyanza provinces in Kenya. One hundred and eighty eight of these households use mobile money transfer (treatment group) while one hundred and ninety one do not use the services (control group). Use of mobile phone-based money transfer services significantly increases level of household agricultural commercialization by 37 percent, household per capita income by \$224 and household per capita input use by \$42. We discuss the implications of these findings for policy and practice.

Key words: mobile phones, money transfer, impact, farmers, m-banking, Kenya