

## **Digital Lending and Financial Well-Being: Through the Lens of Mobile Phone Data**

**AJ Chen**

*Marshall School of Business, University of Southern California*  
[chen663@usc.edu](mailto:chen663@usc.edu)

**Omri Even-Tov**

*Hass School of Business, University of California, Berkeley*  
[omri\\_eventov@haas.berkeley.edu](mailto:omri_eventov@haas.berkeley.edu)

**Jung Koo Kang**

*Harvard Business School and D<sup>3</sup> Institute*  
[jkang@hbs.edu](mailto:jkang@hbs.edu)

**Regina Wittenberg-Moerman**

*Marshall School of Business, University of Southern California*  
[reginaw@marshall.usc.edu](mailto:reginaw@marshall.usc.edu)

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## **Abstract**

To mitigate information asymmetry about borrowers in developing economies, digital lenders utilize machine-learning algorithms and nontraditional data from borrowers' mobile devices. Consequently, digital lenders have managed to expand access to credit for millions of individuals lacking a prior credit history. However, short-term, high-interest digital loans have raised concerns about predatory lending practices. To examine how digital credit influences borrowers' financial well-being, we use proprietary data from a digital lender in Kenya that randomly approves loan applications that would have otherwise been rejected based on the borrower's credit profile. We find that access to digital credit improves borrowers' financial well-being across various mobile-phone-based well-being measures, including monetary transaction volume, mobility, and social networks, as well as borrowers' self-reported income and employment. We further show that this positive impact is more pronounced when borrowers have limited access to credit, take loans for business purposes, and obtain more credit.

**Keywords:** Information Asymmetry, Big Data, Digital Loan, Digital Credit, Access to Credit, Financial Welfare, Financial Well-Being, Developing Economies, Mobile Phone Data

**JEL Codes:** D14, G21, G51, M40, M41, O16, O30, O55

## 1. Introduction

Extant literature documents that information asymmetry between lenders and borrowers significantly impedes credit provision. To mitigate information asymmetry, when issuing loans to corporate borrowers, financial institutions typically exploit various information channels, including financial statements, covenant compliance reports, analysts' reports, and business press articles (e.g., Balakrishnan & Ertan 2021; Bushman et al. 2017; Dou 2020; Dyreng et al. 2017; Vashishtha 2014; Call et al. 2022). With respect to household credit, lenders extensively rely on borrowers' credit scores, employment and income records, and banking history when making credit decisions (e.g., Experian 2023; Plaid 2023). Although these studies have advanced our understanding of how information asymmetry is resolved in credit markets, they primarily focus on developed economies with well-functioning financial and legal systems. In contrast, many developing economies lack well-performing formal institutions. Therefore, the majority of the households in these economies do not have credit scores, lack banking records, and are employed informally. This leads to their limited ability to borrow from the formal financial system (e.g., Beck et al. 2009; Akoten et al. 2006; Domeher and Abdulai 2011; World Bank 2022).

The emergence of digital lending in recent years has mitigated information asymmetry and reshaped the consumer credit market in many developing economies, including Egypt, Ghana, Kenya, the Philippines, India, and Mexico. To compensate for the lack of prior credit history or traditional credit scores from credit bureaus, digital lenders rely primarily on "nontraditional" data from individuals' mobile devices, including individuals' travel patterns, social networks, and transaction histories (e.g., Francis et al. 2017). Utilizing this data and machine-learning algorithms, digital lenders develop alternative credit scores, which allow them to extend credit to millions of individuals without prior access to credit (Blumenstock 2018a). Although digital lenders increase

financial inclusion by mitigating information asymmetry about individuals without access to formal financial systems, there are substantial concerns that these lenders may engage in predatory lending practices and exacerbate borrowers' financial hardships (Center for Financial Inclusion 2020; Quartz 2021; Boston Review 2019). In this study, we examine whether digital loans, issued based on nontraditional digital information, enhance borrowers' financial welfare.<sup>1</sup>

While extant literature shows that access to credit leads to wealth creation (e.g., Buera et al. 2011; Beck et al. 2007; Bruhn and Love 2014), digital loans typically bear annualized interest rates of over 100%, which may impose a substantial financial burden on borrowers.<sup>2</sup> Borrowers of digital loans also tend to have low financial literacy and may be poorly informed regarding these loans' interest rates and late fees, potentially leading to overborrowing (e.g., Francis et al. 2017; Garz et al. 2021; Brailovskaya et al. 2023; Robinson et al. 2022). Weak consumer protection for borrowers of digital loans further exacerbates these concerns (Garz et al. 2021; Robinson et al. 2022). Notably, recent research finds little evidence that digital credit has a positive impact on borrowers' welfare, though it documents some improvement in borrowers' subjective well-being and resilience to income shocks (Suri et al. 2021; Björkegren et al. 2023; Brailovskaya et al. 2023).

We rely on a proprietary database of digital loans in Kenya, which were originated by a digital lender (the Lender hereafter) that served over 8 million borrowers worldwide, including more than 3 million borrowers in Kenya. Kenya has experienced tremendous growth in digital lending, where by 2018 more than 25% of the Kenyan adult population had obtained at least one digital loan (Totolo 2018; Björkegren et al. 2023). The Lender administers its digital loans using a mobile app through which applicants submit loan applications, fill out a loan application survey,

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<sup>1</sup> We use *financial welfare* and *financial well-being* interchangeably throughout the paper.

<sup>2</sup> These high interest rates are comparable to the rates on payday loans in the US, which may be as high as 400% annualized (Consumer Financial Protection Bureau, 2022).

and grant the Lender access to their mobile phone data. This research setting offers two important advantages in assessing the welfare benefits of digital credit. First, starting from April 2018, the Lender conducted an experiment in which it randomly approved loan applications that would have been rejected based on the borrower's credit score, as estimated by the Lender's proprietary credit scoring model.<sup>3</sup> This experiment allows us to address an important endogeneity concern that the Lender is more likely to approve loans to borrowers with better economic prospects, making it difficult to establish a causal relation between digital loans and borrowers' future financial welfare.

Second, measuring borrowers' financial well-being in developing economies is challenging because economic activities in these economies are mostly informal, such that there is little data on individuals' income and other welfare attributes. Census data is also largely unavailable or significantly outdated. Therefore, to measure financial well-being, prior research on microfinance and digital credit relies primarily on self-reported household surveys, which are costly to conduct and are often done on a small scale. To overcome this data challenge, we rely on the emerging literature in computer science that shows that mobile phone data can be used to infer individuals' well-being (e.g., Blumenstock et al. 2015; Blumenstock 2014, 2016, 2018a,b; Luo et al. 2017; Aiken et al. 2022, 2023; Deng et al. 2021; Moro et al. 2021). To measure borrowers' welfare, we utilize the Lender's mobile phone data, which contains latent information about how borrowers communicate, their mobility patterns, and the financial transactions they engage in.

Turning to our research design, borrowers who are randomly approved in the experiment serve as treatment borrowers in our sample, while control borrowers are those whose loan applications were rejected by the credit model and were not selected to receive credit as part of the

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<sup>3</sup> This type of experiment, often referred to as the reject inference methodology, is a common practice for credit risk modelers in the consumer credit industry (e.g., Crook and Banasik 2004; Banasik and Crook 2007; Buecker et al. 2013). By randomly approving loans rejected by the credit scoring model, the Lender aims to test the effectiveness of this model and to determine if there are opportunities to increase lending while maintaining an acceptable level of risk.

experiment. Because of the random approval by the Lender, any difference between the treatment and control borrowers can only be due to the treatment (i.e., digital loans). However, we obtain borrowers' mobile phone and survey data on loan application dates and thus can measure changes in financial well-being only if a borrower decides to apply for a subsequent loan, raising self-selection concerns. To mitigate these concerns, we match treatment and control borrowers based on their creditworthiness and loan application dates. Specifically, we match a treatment borrower's *initial* loan (the first loan randomly approved by the Lender) with a rejected loan application of a control borrower and a treatment borrower's *last* application with a subsequent application of the control borrower, conditional on the control borrower not having been approved for a loan prior to this application. We require the loan application dates for the control borrower to fall within 30 days of the respective loan application dates for the treatment borrower, and the control borrower's credit score to be within a tight 0.05 range of the treatment borrower's credit score on the *initial* loan date (the credit score ranges from 0 to 1 according to the Lender's credit scoring model).

Our final sample consists of 20,092 loan applications for 5,023 unique treatment borrowers and 4,352 unique control borrowers (we match with replacement), spanning the period from April 2018 to January 2022. We conduct a difference-in-differences (DiD) research design with borrower and year-month fixed effects, which allows us to study the effect of digital loans on borrowers' financial well-being by comparing the changes in the financial well-being of treatment borrowers between their initial and last loan applications to those of control borrowers.

As discussed above, we follow a novel approach to measure financial well-being based on mobile phone data. First, we construct two measures of borrowers' monetary transactions—the monetary amounts mentioned in text messages (SMSs), averaged per transaction, and the average daily mobile banking (M-PESA) balance as reported in SMSs. Second, because recent research

documents that mobility is strongly associated with an individual's wealth, we construct two measures of borrowers' mobility—the number of unique cell towers passed by the borrower and the number of cities the borrower has traveled to. Third, we construct three measures of the extent and the strength of borrowers' social networks, as network attributes have been shown to reflect individuals' financial well-being. Specifically, we rely on the total number of borrowers' SMSs, the total number of unique phone numbers in their contacts list, and the proportion of people in their network who repaid loans to the Lender on time. Motivated by microfinance research that relies primarily on self-reported household surveys to measure borrowers' welfare and to support the robustness of our findings based on mobile phone data, we supplement our phone-based measures with borrowers' self-reported monthly income and employment status.<sup>4</sup>

Our evidence suggests that, relative to control borrowers, digital lending improves treatment borrowers' financial well-being across all mobile phone measures. Treatment borrowers experience an increase in monetary transaction volume, have greater mobility, and command more extensive and stronger networks after receiving digital loans. These effects are also economically significant. For example, relative to control borrowers, average monetary amounts per transaction are higher by 14.9% for treatment borrowers, these borrowers travel to 9.4% more cities, and they have 26.8% more SMS messages. Last, we find that treatment borrowers have 20.8% higher monthly income and are 23.5% more likely to be employed or self-employed after getting access to digital credit, further supporting a positive impact of digital credit on financial well-being.

Although these primary analyses rely on the matched sample of the initial and subsequent loan applications of the treatment and control borrowers and a tight fixed effect structure, to further address self-selection concerns, we obtained data through the Lender's mobile app installed by the

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<sup>4</sup> The data we use to measure an individual's financial well-being is not necessarily used by the Lender in the credit scoring model.

borrower when applying for the loan (the App data hereafter). Because the App data is automatically collected over time regardless of whether a borrower applies for a subsequent loan, the analyses based on this data significantly mitigate the concerns associated with a borrower's decision to apply for more credit. However, we acknowledge that these analyses are subject to a self-selection concern arising from the fact that borrowers may select to uninstall the app.<sup>5</sup> To alleviate this concern, we match treatment and control borrowers based on their creditworthiness, loan application dates, and subsequent App data collection dates. Our analyses are limited to the monetary transaction volume and mobility measures as only those can be reconstructed based on the App data. We find results similar to our main analysis. This evidence indicates that our findings are unlikely to be attributed to borrowers' decision to apply for additional loans.

Next, to better understand the influence of digital lending on financial well-being, we examine borrower and loan characteristics that may strengthen this influence. First, we expect the impact of digital lending to be more pronounced for borrowers with limited access to credit (Bruhn and Love 2014; Di Maggio et al. 2022; Balyuk 2022). We proxy for the access to credit by whether borrowers have credit scores issued by a credit bureau, since these scores reduce information asymmetry and thus allow borrowers greater access to credit (e.g., Pagano and Jappelli 1993; An and Chan 2008; Karlan and Zinman 2010). Second, building on prior studies that show that loans issued with productive purposes are more likely to increase borrowers' income relative to loans for nonproductive purposes (Imai and Azam 2012; Attanasio et al. 2015), we expect loans with business purpose, rather than personal purpose (e.g., consumption needs), to have a greater effect on financial well-being. We find some evidence in support of these two predictions. Last, we explore whether the influence of digital loans on borrowers' financial well-being is stronger when

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<sup>5</sup> Note that the self-selection issue of borrowers selecting to uninstall the Lender's app does not apply to our primary analyses given that borrowers in these analyses reapply for subsequent loans and thus must retain the Lender's app.

borrowers obtain more credit. Although we expect the beneficial effect of digital loans to increase with the amount of credit, we acknowledge that borrowers may overborrow. We find a stronger improvement in financial well-being when borrowers' total loan amounts are greater, further reinforcing the benefits of digital credit and mitigating concerns associated with overborrowing.

Our study makes several contributions. First, we contribute to the growing literature on fintech lending. Although prior studies show that this lending increases access to credit in developed economies (e.g., Hau et al. 2019; Di Maggio et al. 2022; Erel and Liebersohn 2022), there is still mixed evidence on the welfare effects of fintech credit. Di Maggio et al. (2022) find that fintech borrowers are less likely to default on credit card payments and have better credit scores. In contrast, Di Maggio and Yao (2021) show that these borrowers are more likely to default on their loans and tend to experience only a short-term reduction in the cost of credit, and Johnson et al. (2023) find that nonprime borrowers overpay and subsidize prime borrowers. We extend this research by exploring the welfare implications of digital loans, which have become a vital source of credit in developing economies. Although digital loans differ substantially with respect to their approval process, pricing, amount, and the regulatory environment from fintech personal loans in developed economies,<sup>6</sup> we show that by reducing information asymmetry fintech lending can be highly beneficial for borrowers typically rationed out of traditional financial services.

In this respect, we also contribute to the emerging literature on digital lending. The collective evidence from prior studies suggests that, despite the substantial demand for digital loans in developing economies, they have a modest effect on borrowers' welfare. Specifically, these studies show that while digital loans improve borrowers' subjective well-being (as measured by reduced depression and borrowers' satisfaction with their financial well-being) and households' resilience,

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<sup>6</sup> See Section 2 for a more detailed discussion of these differences, as well as the differences between digital loans and payday loans, and digital loans and microfinance loans in developing economies.

they do not significantly affect many objective welfare attributes, including income, financial health, expenditures, and savings (Suri et al. 2021; Brailovskaya et al. 2023; Björkegren et al. 2023). We extend these studies by showing that access to digital credit can enhance borrowers' welfare across a variety of mobile-phone-based and self-reported welfare measures.

Our findings also add to the growing literature on household finance and consumer protection (e.g., Hayes et al. 2021; Law and Zuo 2021; Law and Mills 2019; Christensen et al. 2019; Nicoletti & Zhu 2023; deHaan et al. 2023; Dou and Roh 2023). Regulators in developing economies have expressed concerns about predatory practices by digital lenders, such as lack of transparency regarding the interest and late fees they charge (e.g., World Bank 2021; Central Banking 2021; Central Bank of Kenya ACT 2021; German Development Institute 2021; Chherawala and Vaidya 2023).<sup>7</sup> Due to these concerns and limited evidence of whether digital lending benefits or exploits borrowers, regulators have recently introduced or are considering restrictions on this lending s (e.g., Ilako 2019; Quartz 2021; Odueso 2022). We show that access to digital lending can enhance borrowers' welfare, especially for those without external credit scores and those using digital credit for business purposes. This suggests that digital lending can offer significant benefits, such as providing borrowers with business opportunities that are not available otherwise.

Last, we contribute to the emerging literature on alternative big data sources. Prior studies find that these sources curtail managers' opportunistic behaviors and shape institutional lending decisions (e.g., Jame et al. 2016; Bartov et al. 2018; Zhu 2019; Dichev and Qian 2022; Kang 2023). Additionally, big data allows researchers to measure important economic constructs, such as local informational advantages, local economic activities, consumer foot traffic, and the impact of

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<sup>7</sup> The Central Bank of Kenya (Amendment) Act, 2021, which became effective on December 23, 2021, empowered CBK to license, regulate, and supervise digital credit providers to ensure a fair and non-discriminatory marketplace for access to credit. In August of 2022, the Reserve Bank of India (RBI) announced a similar regulatory framework for digital lenders in India, which restricts digital lending to businesses that are regulated by the RBI.

managerial vocal cues (Hobson et al. 2012; Mayew and Venkatachalam 2012; Kang et al. 2021; Christensen et al. 2022; Li and Venkatachalam 2022; Noh et al. 2023). However, prior research also highlights that although big data provides a huge amount of information at relatively low costs, it may decrease investment efficiency and adversely affect the welfare of investors (e.g., Goldstein et al. 2019; Goldstein et al. 2023). Our study extends this body of work by showing that big data is pivotal in enhancing the financial well-being of borrowers lacking traditional financial records. Furthermore, while prior research on access to credit in developing economies largely relies on self-reported survey data, our study, to the best of our knowledge, is the first to show that mobile phone data can be used to measure objective aspects of borrowers' financial well-being.

We acknowledge that our study has several limitations. We cannot measure the impact of digital credit on borrowers who are approved for credit in the normal course of business, that is, borrowers with higher creditworthiness. Regarding external validity, although our sample is limited to borrowers in Kenya, we believe it to be representative of borrowers in developing economies without traditional credit scores from credit bureaus and those without prior experience with formal financial systems. However, our findings may not generalize to developing countries with different institutional and regulatory environments. Furthermore, our data is obtained from a single digital lender, which may not be representative of other digital lenders that may encourage overborrowing or may not be sufficiently transparent regarding the fees they charge.

## **2. Institutional Background and Related Literature**

### ***2.1 Digital Lending***

Financial inclusion is one of the primary issues in sub-Saharan Africa. In 2014, this region had 350 million unbanked individuals, accounting for 17% of the global total (OECD 2015). Over the last two decades, Kenya has become the epicenter for fintech innovation in sub-Saharan Africa

that aims to increase access to financial products for these individuals. In 2007, Safaricom and Vodafone launched the M-PESA project, which allows users to deposit, withdraw, transfer money, and pay with their mobile phones (Saylor 2012). In 2021, 81% of the Kenyan adult population had a mobile wallet account (Central Bank of Kenya 2021). Kenya has also experienced an exponential growth in digital lending since the first digital loan service—M-Shwari—was launched in 2012 through a partnership between the Commercial Bank of Africa and Safaricom.<sup>8</sup>

Digital lending generally works as follows. A loan applicant downloads the mobile app of the lender and fills out a short application on their mobile phone. The lender uses an automated system to process the applicant’s information and assesses an applicant’s creditworthiness primarily based on the data derived from their phones. If the loan application is approved, the loan is disbursed into the applicant’s mobile wallet within minutes of submission. Digital loans are typically short-term, ranging from less than one month to several months, and are small—from a few to several hundred US dollars. They also bear high interest rates, often exceeding 100% on an annualized basis (e.g., Francis et al. 2017; Robinson et al. 2022).

Despite digital loans being costly, a recent survey by the Digital Financial Services Association of Kenya (DFSAK) indicates that approximately 55.5% of Kenyan households depend on digital lending for business financing. Furthermore, 82.4% of respondents are willing to continue borrowing digital loans to invest in their businesses, and 62% of these borrowers go to digital lenders as their first borrowing option, even before asking family and friends (DFSAK 2021). Prior studies also show that the return on micro-enterprises in credit-constrained developing economies may be very high (e.g., McKenzie and Woodruff 2006, 2008; Karlan and Zinman 2010;

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<sup>8</sup> While there is no official information on the number of digital lenders in Kenya, the Central Bank of Kenya (CBK) has received 381 applications for a license from digital lenders following regulations introduced in 2022, suggesting that this is the lower bound of digital lenders operating in Kenya (CBK, 2023). Our Lender is licensed by the CBK.

Dupas and Robinson 2013, Hussam et al., 2022), which further explains borrower's willingness to take on high-interest-rate digital loans. Digital credit is particularly valuable in Kenya because most businesses there are informal and insufficient access to affordable financing has been recognized as a main challenge for the informal economy (Federation of Kenyan Employers 2021).

In addition to typically having shorter duration and substantially higher interest rates, digital loans have three distinctive properties relative to more traditional microfinance loans (e.g., Björkegren et al. 2023). First, because digital loans do not require in-person interactions and are disbursed and repaid electronically, they have low transaction costs. In contrast, most microfinance loans involve large transaction costs, including costs related to travel to a bank branch, the wait time at the branch, and the time spent in group meetings. These costs can be prohibitive for many individuals, especially in rural areas, leading to modest take-up rates, which are typically lower than 30% (Banerjee et al. 2015b; Francis et al. 2017). In comparison, the take-up rates on digital loans are substantially higher and range from about 34% to 70% (Robinson et al. 2022). Specific to Kenya, by 2018, more than 25% of the Kenyan adult population had obtained at least one digital loan, while less than 5% obtained microfinance loans (Totolo 2018; Björkegren et al. 2023).

Second, the evaluation of loan applicants' creditworthiness is automated and relies primarily on nontraditional digital data including mobile phone data (e.g., Francis et al. 2017). Because this evaluation is not based on traditional credit scores generated by credit bureaus, digital loans grant access to credit to many individuals without any prior experience with a formal financial system.<sup>9</sup>

Third, digital loans are almost instantaneous in their approval and disbursement.

Prior research finds mixed evidence regarding the economic benefits of microfinance.<sup>10</sup>

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<sup>9</sup> Three credit bureaus are licensed by the Central Bank of Kenya: Metropol Credit Reference Bureau Limited, Credit Reference Bureau Africa (TransUnion), and Creditinfo Credit Reference Bureau Kenya Limited.

<sup>10</sup> See for example de Mel et al. (2008), Kaboski and Townsend (2012), Karlan et al. (2014), Angelucci et al. (2014) Augsburg et al. (2015) and Meager (2019).

Banerjee et al. (2015a,b) find non-transformative effects of microcredit on households' well-being, including investments, income, consumption, women's empowerment, health, and education, while Karlan and Zinman (2011) find that microcredit has an adverse effect on borrower's business activities, employees, and subjective well-being. In contrast, Imai et al. (2010), Karlan and Zinman (2010), and Kaboski and Townsend (2011, 2012) find a positive influence of microcredit on household consumption, investment, income growth, and some aspects of mental health.<sup>11</sup>

There are also critical differences between digital loans in developing economies and personal loans issued by fintech lenders in developed economies (e.g., Di Maggio and Yao 2021; Di Maggio et al. 2022; Berg et al. 2022; Buchak et al. 2018). Digital lenders in developing economies are substantially less regulated than fintech lenders in developed economies. Digital loans in developing economies are typically smaller and of shorter duration and have substantially higher interest rates. Furthermore, while digital loan borrowers in developing economies mostly do not have access to traditional financial services, borrowers who obtain credit from fintech lenders in developed economies generally have access to a wide range of financial products. The former borrowers are also significantly poorer and have much higher income volatility.

Digital loans also differ substantially from payday loans in developed economies. Payday loans are only given to employed borrowers (i.e., those with a paycheck) and those with an active account in a financial institution, while digital loans are mostly issued to borrowers without formal employment and without access to a formal financial system. Additionally, the issuance of payday loans does not rely on sophisticated credit scoring models. Like the evidence on fintech lending and microfinance, the extensive literature on payday lending is inconclusive with respect to whether this lending exacerbates or alleviates borrowers' financial challenges (e.g., Zinman 2010;

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<sup>11</sup> See Banerjee (2013) and Zinman (2014) for a comprehensive review of the microfinance literature.

Melzer 2011; Morse 2011; Bhutta et al. 2015; Gathergood et al. 2019; Skiba and Tobacman 2019).

## ***2.2 Evidence from Prior Research on Digital Credit***

To the best of our knowledge, there is still limited research on the impact of digital credit on borrowers' welfare. Utilizing survey data in Nigeria, Björkegren et al. (2023) find that digital loans increase borrowers' subjective well-being, which is largely attributed to applicants reporting being less depressed. In contrast, they do not find that access to credit significantly affects any objective aspect of borrowers' welfare, including income, expenditures, or women's economic empowerment. Suri et al. (2021) explore M-Shwari in Kenya and rely on administrative and survey data. The authors find that access to digital credit decreases the likelihood that households have to forgo an expense in the face of negative income shocks, thus improving households' resilience. However, the study finds no evidence that access to digital credit positively affects other welfare outcomes, such as savings and asset ownership.

Brailovskaya et al. (2023) examine a digital credit product called Kutchova in Malawi. Relying on self-reported borrower data, the authors find a positive effect of this product on one subjective measure of financial well-being ("are you satisfied with your financial well-being?"), but not on other subjective or on objective well-being measures, such as savings and borrower resilience. The authors complement these analyses with an intervention that enhances borrowers' financial literacy with respect to the lender's late fees. This intervention was successful in educating borrowers about fees and other risks associated with Kutchova loans and marginally improved loan repayments. However, surprisingly, it made the product more attractive to borrowers and increased loan demand, leading to overall higher default risk.

Although these studies suggest that digital loans have a rather modest effect on borrowers' welfare, Robinson et al. (2022) highlight that this evidence is based on only a handful of products

in specific markets and therefore call for more work in the digital credit area. To better understand the welfare impacts of digital credit, we examine a large sample of digital loans provided by the Lender in Kenya. In contrast to prior studies, we measure objective aspects of borrowers' financial well-being primarily using their mobile phone data. We supplement these mobile-based measures with income and employment data, as self-reported by borrowers in loan application surveys.

### ***2.3 Institutional Setting***

The Lender acquires customers using a mix of offline and digital marketing tools and digital onboarding channels, such as radio campaigns, social media advertising campaigns, SMS campaigns, and referrals. Customers apply for digital loans through the Lender's mobile app, in which they submit their applications, fill out a loan application survey, and grant the Lender access to their mobile phone data in accordance with the Lender's Privacy Policy. Utilizing these data and machine-learning algorithms, the Lender generates a credit score for each applicant to decide whether credit should be extended. Rejected borrowers can reapply after a 30-day grace period.

Customers apply for the Lender's loans to satisfy capital needs for their small informal businesses, such as grocery and clothing stalls, and farming, as well as to cover medical, educational, housing, and transportation expenses. According to the Lender's internal analyses, the average APR on their loans in Kenya is over 180%. The Lender also charges a one-time late fee of 8% of the total amount outstanding if a borrower fails to repay seven days past the due date; no additional late fees are charged and the interest rate does not accumulate beyond the original due date. Borrowers are informed of the interest rate and late fees at the loan application stage before a customer accepts a loan offer. Importantly, the Lender does not sell any other products to the borrowers (i.e., there are no cross-selling) and does not sell borrower data to third parties.

The overall portfolio default rate of the Lender, defined as the percentage of loans that are

not paid one year past the due date, is low at 5%.<sup>12</sup> The Lender reported defaulted borrowers to credit bureaus prior to April 2020 but stopped doing so afterward, in line with the CBK's directive that suspended reporting of borrowers' negative credit information as part of the COVID-19 relief efforts.<sup>13</sup> The Lender employs several approaches to motivate timely loan payments. First, borrowers can apply again only after they repay their previous loan in full. Because the Lender is a large player in the digital market in Kenya, borrowers might not want to jeopardize their ability to rely on the Lender in case of future shocks to their income, such as a loss of employment. This policy of providing future credit conditional on prior loan repayment also helps borrowers to avoid overborrowing. Second, for well-performing borrowers, the Lender accounts for borrowers' payment history when determining future loan amounts and interest rates. Third, the lender has built a reputation as a reliable digital credit provider in Kenya. The Lender does not use unethical shaming techniques to enforce repayments, such as notifying a borrower's friends and family when the borrower defaults. Furthermore, digital loans provided by the Lender often help borrowers in times of crisis, such as a medical emergency or acute business liquidity needs. Therefore, borrowers value their relationship with the Lender and reciprocate via loan repayments.

### **3. Data, Sample, and Variables**

#### ***3.1 Data Sources and Sample Selection***

We received from the Lender data that contains information on the loan application, the mobile phone data of the applicant and the applicant's self-reported monthly income, employment status, and loan purpose from the loan application survey. We obtain mobile phone data and loan

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<sup>12</sup> The default rates of the other large digital lenders in Africa range from 7% to 27% (Robinson et al. 2022).

<sup>13</sup> The CBK's directive covers all loans under 5 million KSH, which means that no negative credit information is reported with respect to any digital loan, given that these loans are very small. With respect to positive credit information, the Lender no longer reports it to credit bureaus because outstanding credit with digital lenders may adversely affect borrowers' credit score and their ability to borrow from banking institutions.

application survey information as collected by the Lender on the loan application date. We also receive an applicant's credit score, as generated by the Lender's credit scoring model.<sup>14</sup>

An inherent empirical challenge in investigating whether digital loans have financial well-being implications for borrowers is endogeneity; that is, unobservable borrower characteristics explain both the Lender's decision to issue a loan and a borrower's future welfare. To address this identification challenge, we leverage the Lender's experiment that *randomly* approves loan applications that *would have otherwise been rejected* based on the borrower's credit score. To implement the random assignment, the Lender utilizes a standard random number generator available in Scala (i.e., `scala.util.Random`, Scala version 2.12). Borrowers are not informed that their application is randomly approved as part of the experiment. The Lender solely designed and conducted the experiment and collected the data during its normal business operations. We were not involved with the Lender's experiment and conducted our research using the data provided by the Lender following the completion of the experiment.<sup>15</sup>

Borrowers randomly selected and approved by the Lender serve as a treatment group in our sample. Because we obtain information collected by the Lender on loan application dates only, to measure changes in borrowers' well-being, we restrict our sample to borrowers who applied for more than one loan from the Lender. We begin our sample with 23,946 treatment borrowers with multiple loan applications over our sample period from April 2018 to January 2022 (the sample period starts when the Lender initiated the experiment). For each treatment borrower, we collect the initial loan, which is the first loan randomly approved by the Lender, and the borrower's last

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<sup>14</sup> All data items we have received are fully de-identified and anonymized, such that identifiable details of individual borrowers are not available to us. The Lender obtains all appropriate consents related to customer data from borrowers and users of its products and adheres to domestic and global data-handling and data protection standards.

<sup>15</sup> Over our sample period, rejected borrowers who are randomly approved represent a negligible percentage of all rejected borrowers.

loan application, which can be approved or rejected.<sup>16</sup> We focus on the last loan application to measure changes in borrowers' financial well-being over a longer horizon because of the loans' short maturity. Given that our sample only includes borrowers who applied for multiple loans, our sample does not include borrowers who defaulted and thus cannot apply for a subsequent loan according to the Lender's policy (as discussed in Section 2.3).

Because treatment borrowers are randomly approved for the experiment by the Lender, any difference between the treatment and control borrowers – those whose loan applications were rejected by the credit model and were not selected to receive credit as part of the experiment – should be attributed to the treatment (i.e., access to digital credit). However, we can measure changes in borrowers' financial well-being only if a borrower decides to apply for a subsequent loan after her loan application was approved (treatment borrowers) or denied (control borrowers), raising self-selection concerns. To mitigate these concerns, we match treatment and control borrowers based on their creditworthiness and the dates on which they apply for digital loans. Specifically, we match a treatment borrower's initial loan with a rejected loan application of a control borrower and the treatment borrower's last application with a subsequent application of the control borrower, conditional on the control borrower not obtaining a loan from the Lender prior to this subsequent loan's application date. We perform the matching with replacement according to the following criteria: (1) the loan application date for a control borrower is within 30 days of the *initial* loan date for the treatment borrower; (2) a control borrower's credit score on the loan application date, as estimated by the Lender's credit scoring model, is within 0.05 range of the treatment borrower's credit score on the *initial* loan date; and (3) a control borrower's subsequent loan application date is within 30 days of the *last* loan application date for the treatment

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<sup>16</sup> Our results are robust to the inclusion of all subsequent loans rather than just the last loan.

borrower. In Section 4.2.1, we discuss additional analyses that further address self-selection issues.

We successfully match 5,023 treatment borrowers with 4,352 control borrowers, such that our final sample includes 5,023 treatment-control pairs (our results are robust to matching without replacement). Because we incorporate two loan applications per borrower for each matched pair, our final sample consists of 20,092 loan applications.<sup>17</sup> Our treatment borrowers obtain 4.5 loans on average over the 158-day period between their initial and last loan application dates. Treatment loans have on average an amount of 3,675.00 KSH, which is equivalent to \$36.38,<sup>18</sup> a duration of 27.44 days, and an interest rate is 15.00% over the loan duration (APR of 199.53%).<sup>19</sup>

### ***3.3 Variable Measurement and Descriptive Statistics***

Emerging literature in computer science and developmental economics relies on mobile phone data to measure poverty and wealth at the individual level (e.g., Blumenstock et al. 2015; Blumenstock 2014, 2016, 2018a,b; Aiken et al. 2022, 2023). These studies show that individuals' past mobile phone records, such as the history of transactions and patterns of travel, can be employed to measure their financial welfare. Therefore, to measure our sample borrowers' welfare, we follow this novel approach and use mobile phone data. We supplement this data with borrowers' employment status and monthly income reported in loan application surveys, because combining mobile phone data with survey-based measures can help estimate individuals' financial well-being more accurately (e.g., Aiken et al. 2022). We next discuss these measures in detail.

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<sup>17</sup> An important benefit of retaining one observation in each of the pre- and post-period per borrower is that it alleviates a concern regarding potential serial correlation in difference-in-differences estimation when multiple observations are incorporated in the pre- and post-period (Bertrand et al. 2004).

<sup>18</sup> To convert Kenyan shillings to US dollars, we use the average exchange rate in 2018, which is the first year of our sample period (1 USD = 101 KSH).

<sup>19</sup> The higher interest rates for our sample of borrowers relative to this statistic for all loans in Kenya issued by the Lender is consistent with randomly approved borrowers having higher credit risk.

### 3.3.1 Monetary Transactions

Motivated by recent studies that utilize SMS data to estimate individuals' wealth (Blumenstock 2014, 2016, 2018a,b; Blumenstock et al. 2015; Aiken et al. 2022, 2023), we construct two measures of monetary transaction volumes. Our first measure is the monetary amounts mentioned in the borrower's SMSs, averaged per transaction (*SMS Amt*).<sup>20</sup> Our second measure is based on M-PESA, which is a dominant mobile banking service app in Kenya. We estimate the average daily M-PESA balance mentioned in the borrower's text messages (*SMS MPESA Amt*). These two outcome measures are generated by textually parsing each applicant's SMS texts available on their mobile phones as of the loan application date.<sup>21</sup>

Because loans are disbursed immediately after approval, and borrowers tend to use the loan funds on the loan application date according to the Lender's analysis, we exclude SMS messages received within 24 hours after the loan application for the measurement of both *SMS Amt* and *SMS MPESA Amt*. In the case of the *SMS Amt*, excluding messages received within these 24 hours helps us eliminate potential mechanical increases in the average transaction amount resulting from borrowers' immediate use of loan funds. With respect to *SMS MPESA Amt*, M-PESA sends texts to borrowers when their monetary balance changes, such as balance changes after the completion of a transaction. Therefore, by removing the 24-hour period, we can offset changes in the M-PESA balance due to the loan disbursement and subsequent use of funds by the borrower. Furthermore, for the estimation of the *SMS Amt* measure, we exclude SMSs received from the Lender to remove the impact from loan-related messages. Detailed variable definitions are reported in Appendix A.

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<sup>20</sup> We base *SMS Amt* on borrowers' incoming SMS messages. Monetary amounts in text messages are often related to invoice messages or transaction completion messages and are more objective when they are received by a borrower (that is, monetary amounts can be more easily manipulated when sent by a borrower).

<sup>21</sup> Mobile money is the most used and dominant financial service in Kenya (Central Bank of Kenya 2021). For example, in 2018, Kenyans transacted nearly half the equivalent of the country's gross domestic product (GDP) through their mobile phones (Central Bank of Kenya 2018). Therefore, borrowers' SMSs should reflect most of the monetary transactions they conduct.

### 3.3.2 Mobility

Prior research suggests that mobility reflects an individual's wealth and is one of the strongest factors in predicting poverty (e.g., Blumenstock et al. 2015; Aiken et al. 2022; Deng et al. 2021; Moro et al. 2021). Using mobile phone data, Frias-Martinez and Virsesa (2012) show that wealthier citizens travel to more locations and for longer distances. Greater mobility may also be indicative of an individual's ownership of transportation assets (Blumenstock et al. 2015). Furthermore, Llorente et al. (2015) and Almaatouq et al. (2016) find that unemployed individuals tend to be less mobile and spend more time at their home location. Following this stream of literature, we use two proxies to capture borrowers' mobility. First, we count the number of unique cell towers the borrower passes during the 30-day period preceding the loan date (*#Cell Towers*).<sup>22</sup> Second, we count the number of cities the borrower has traveled to during this period (*#Cities*).

### 3.3.3 Social Networks

Prior research shows that patterns of social networks derived from mobile phone data can be used to infer individuals' well-being (Eagle et al. 2010; Blumenstock et al. 2015; Blumenstock 2016; Luo et al. 2017; Aiken et al. 2022, 2023; Blumenstock et al. 2022; Chi et al. 2022). Social ties facilitate job opportunities and salary negotiations (Granovetter 1973; Burt 1992; Seidel et al. 2000), job mobility (Podolny and Baron 1997), entrepreneurial process (Dubini and Aldrich 1991), upward income mobility (Chetty et al. 2022), and connects people with complementary resources and information (Burt 1992). Thus, more extensive and stronger networks are likely to lead to borrowers' greater business opportunities, and in turn, reflect their greater financial well-being.

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<sup>22</sup> We acknowledge that due to data limitations the measurement window for mobility measures differs from that for measures of monetary transactions and social networks (discussed subsequently), with the latter two sets of measures being estimated based on all information accumulated on the borrower's phone prior to the loan application date (versus mobility measures that are based on information accumulated over the 30-day period prior to this date). Nevertheless, our research design captures changes in financial welfare of treatment borrowers from the initial to the last loan applications relative to respective changes for control borrowers, such that the estimation period of welfare measures should not affect our findings.

We employ three measures of borrowers' social networks. Our first measure relies on the total number of incoming and outgoing text messages in the borrower's mobile phone (*SMS Count*). Similar to the construction of *SMS Amt*, we exclude SMS messages received from the Lender as well as SMS messages received within 24 hours after the loan application to remove the impact on *SMS Count* from the messages related to loan disbursements and the immediate use of loan funds. The second measure is the total number of unique phone numbers in the borrower's contacts list (*Network Ppl Number*). The third measure captures the economic strength of a borrower's network because economically stronger networks are likely to be more effective in facilitating business opportunities and providing financial support (e.g., Blumenstock et al. 2016; Chetty et al. 2022). To measure the strength of a borrower's network, we estimate the proportion of the people in their network that repaid loans to the Lender on time out of the total number of network people (*Network Repaid*). All measures are estimated on the loan application date.

#### 3.3.4 Self-Reported Monthly Income and Employment Status

Last, we follow prior studies that employ surveys to measure individuals' welfare (e.g., Kaboski and Townsend 2012; Imai and Azam 2012; Bruhn and Love 2014; Banerjee et al. 2015a,b). We incorporate a measure of a borrower's monthly income (*Monthly Income*) and an employment status (*Employed*), which is an indicator variable that takes the value of one if a borrower is employed or self-employed, and zero otherwise.

#### 3.3.5 Descriptive Statistics

Table 1 presents descriptive statistics.<sup>23</sup> The mean values of *SMS Amt* and *SMS MPESA Amt* are 1,346 and 2,289 Kenyan shillings, respectively, which correspond to \$13.3 and \$22.6 US

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<sup>23</sup> To better assess an economic magnitude of continuous variables used in our analyses, we discuss their mean values based on their original values before taking the log-transformation. However, because these variables are log-transformed in the empirical analyses, we report the descriptive statistics for log transformed values in Table 1.

dollars. The average borrower in our sample passes 3.49 cell towers (*#Cell Towers*) and travels to 1.74 cities (*#Cities*) in the 30-day period prior to the loan application date. Furthermore, borrowers have on average 493 text messages on their phones (*SMS Count*) and 203 people in their contacts list (*Network Ppl Number*). The mean value of a borrower’s network economic strength indicates that 65% of people in the network repaid their loans from the Lender on time (*Network Repaid*). The average monthly income (*Monthly Income*) is 28,490 Kenyan shillings, equivalent to \$282.<sup>24</sup> Also, 42% of borrowers are either employed or self-employed (*Employed*). Reflecting the strength of a borrower’s relationship with the Lender (*Days First App*), on average 496 days elapsed since a borrower’s first loan application. Lastly, the mean value of the credit score estimated by the Lender’s credit scoring model on the loan application date (*Lender Credit Score*) is 0.79.

## 4. Results

### 4.1 The Effects of Digital Lending on Financial Well-Being

To isolate the effect of digital lending on borrowers’ financial well-being, we employ a DiD research design using the following specification:

$$Financial\ Well\ Being = \beta_0 + \beta_1 POST + \beta_2 POST \times TREAT + CONTROLS + \text{Borrower fixed effects} + \text{Year-Month fixed effects} + u \quad (1)$$

where *Financial Well-Being* is one of the proxies for a borrower’s monetary transactions, mobility, social networks, *Monthly Income*, or *Employed*, as defined previously. *POST* is an indicator variable that takes the value of one for the last loan application of the treatment borrowers and their matched loan applications of the control borrowers, where initial loans for treatment borrowers and their matched loan applications of control borrowers are assigned the value of zero. *TREAT* is an indicator variable that takes the value of one for treatment borrowers, and zero

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<sup>24</sup> The average monthly income in Kenya was \$586.1 in 2018. The substantially lower average monthly income for our sample borrowers is consistent with digital loans being issued primarily to low creditworthiness borrowers without access to the formal financial system.

otherwise. By design, the mean values of *TREAT* and *POST* are 0.5. Following prior research (e.g., Björkegren et al. 2023; Robinson et al. 2022), we control for the strength of a borrower’s relationship with the Lender (*Days First App*) and its creditworthiness (*Lender Credit Score*). We include borrower fixed effects to control for unobservable time-invariant differences between treatment and control borrowers, thus further mitigating self-selection concerns. We further include year-month fixed effects to control for macroeconomic attributes and cluster standard errors at the borrower and year-month level.<sup>25,26</sup> Our research design allows us to compare the changes in the financial well-being of treatment borrowers between their initial and last loan applications to those of control borrowers.<sup>27</sup>

We start by exploring whether access to digital lending affects borrowers’ monetary transaction volume. Table 2 reports the results of these analyses, where we estimate Model (1) without and with control variables. In columns (1) and (2), we employ the *SMS Amt* measure and find in both specifications a positive and significant coefficient on the interaction term *POST\* TREAT*, suggesting that access to digital lending increases the volume of borrowers’ monetary transactions. Economically, in the post-period, average monetary amounts per transaction are

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<sup>25</sup> Our results are robust to excluding borrower fixed effects and to performing the analyses with clustering standard errors at borrower level only.

<sup>26</sup> Recent studies suggest that DiD estimates with two-way fixed effects can be biased when the treatment effects exhibit heterogeneity over time and across groups (e.g., Baker et al. 2022; Goodman-Bacon 2021). We employ staggered DiD with two-way fixed effects, which estimate the weighted sum of the treatment effects in each time and group level. When already treated units serve as controls, their treatment effects are subtracted from the DiD estimate, leading to negative weights and larger negative weights can raise concerns about heterogeneous treatment effects. To mitigate this concern, we follow de Chaisemartin and D’Haultfoeuille (2020) and find that the negative weights are less than 0.5% for all of our main analyses (untabulated). We further estimate (1) the minimal value of the standard deviation of the treatment effect across the treatment groups and time periods under which our DiD estimate and the average treatment effect on the treated could have opposite signs, and (2) the minimal value of the standard deviation of the treatment effect across treatment groups and time periods under which our DiD estimate could be of a different sign than the treatment effect in all the treatment groups and time periods (de Chaisemartin and D’Haultfoeuille 2020). We show that our DiD estimate falls within the acceptable distribution using the two standard deviation measures. We conclude that treatment effect heterogeneity is unlikely to influence our findings.

<sup>27</sup> We recognize that we are unable to perform a pre-trend analysis in our DiD estimation because we have a limited number of loan applications in the pre-period for both treatment and matched control borrowers. However, we believe that the random approval in the experiment of loan applications that would have been rejected otherwise alleviates the concern over the difference in pre-trends between treatment and control borrowers.

higher by 14.9% for treatment borrowers relative to control borrowers. In columns (3) and (4), we find similar results using *SMS MPESA Amt.* Economically, in the post-period, treatment borrowers have an 8.2% higher average daily M-PESA balance relative to that of control borrowers.<sup>28</sup>

Next, we examine the impact of digital lending on borrowers' mobility and report the results in Table 3. Relying on *#Cell Towers*, in columns (1) and (2), we show that access to digital lending enhances borrowers' mobility: the coefficient on *POST\*TREAT* is positive and significant. Economically, in the post-period, treatment borrowers pass 63.6% more cell towers relative to control borrowers.<sup>29</sup> In columns (3) and (4), we report similar results when using *#Cities*. In the post-period, treatment borrowers travel to 9.4% more cities relative to control borrowers.<sup>30</sup>

Our following analyses based on social network measures corroborate previous findings (Table 4). In columns (1) and (2), we explore the effect of digital credit on the extensiveness of borrowers' social networks by employing *SMS Count*. The positive and significant coefficient on *POST\*TREAT* suggests that access to digital credit leads to more extensive networks. Economically, in the post-period, treatment borrowers have 26.8% more SMS messages relative to control borrowers. In columns (3) and (4), we find similar results using *Network Ppl Number*. Economically, in the post-period, treatment borrowers have 2.9% more people in their networks relative to control borrowers. In columns (5) and (6), we focus on the economic strength of a borrower's network using *Network Repaid* and find that access to digital credit leads to stronger

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<sup>28</sup> We measure economic significance based on specifications that includes control variables for all our tests. The sum of the coefficients on *POST\*TREAT* and *POST* is positive and statistically different from zero in both columns (2) and (4) (p-value = 0.000 and 0.005, respectively), which indicates that treatment borrowers have higher average monetary amounts per transaction and higher average daily M-PESA balance in the post- relative to the pre-period.

<sup>29</sup> The high economic significance of this effect is explained by a relatively very low number of cell towers in Kenya, as Kenya is substantially lagging behind in the development of telephone and internet connection (Robertson 2020). Our sample borrowers use on average 3.49 cell towers, with 66.6% higher number of cell towers corresponding to 2.21 additional cell towers used by treatment borrowers.

<sup>30</sup> The sum of the coefficients on *POST\*TREAT* and *POST* is positive and statistically different from zero in columns (2) and (4) (p-value = 0.000 and 0.000, respectively). This evidence suggests that treatment borrowers have greater mobility in the post- relative to the pre-period based on both mobility measures.

networks. Economically, in the post-period, treatment borrowers have a 5.6% higher proportion of people in their network who paid their digital loans on time relative to control borrowers.<sup>31</sup>

Last, we supplement the preceding analyses utilizing mobile-phone-based measures of borrowers' financial well-being with borrowers' monthly income and employment outcome measures collected from the loan application survey. As we report in columns (1) and (2) of Table 5, the coefficient on  $POST \times TREAT$  is positive and significant, which indicates that access to digital loans increases borrowers' monthly income. In terms of economic significance, relative to control borrowers, treatment borrowers have 20.8% higher monthly income in the post-period.<sup>32</sup> In columns (3) and (4), we use *Employed* as an outcome measure and show that access to digital credit improves borrowers' employment outcomes.<sup>33</sup> Economically, in the post-period, treatment borrowers are 23.5% more likely to be employed or self-employed relative to control borrowers.<sup>34</sup>

Collectively, our findings suggest that digital lending improves borrowers' well-being across all mobile-phone-based measures we explore, including borrowers' monetary transactions, mobility, and social networks. These findings are reinforced by the evidence that access to digital loans increases borrowers' monthly income and leads to a higher likelihood of employment.

#### ***4.2 Robustness Tests: Self-Selection Issue***

To address self-selection concerns due to borrowers' decision to apply for subsequent loans, our primary analyses rely on the matched sample of the initial and subsequent loan applications of

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<sup>31</sup> The sum of the coefficients on  $POST \times TREAT$  and  $POST$  is positive and statistically different from zero in columns (2), (4), and (6) (p-value = 0.000, 0.094, and 0.011, respectively), suggesting that treatment borrowers have more extensive and stronger networks in the post- relative to the pre-period.

<sup>32</sup> The sum of the coefficients on  $POST \times TREAT$  and  $POST$  is positive and statistically different from zero in column (2) (p-value = 0.000), suggesting that treatment borrowers have higher income in the post- relative to the pre-period.

<sup>33</sup> We continue to use the OLS model to estimate the effects on *Employed* because the Logit model does not converge due to our tight fixed effect structure.

<sup>34</sup> The negative and significant coefficients on  $POST$  in columns (3) and (4) suggest that control borrowers have lower employment probability in the post period, potentially due to not being able to get access to credit. The sum of the coefficients on  $POST \times TREAT$  and  $POST$  is positive and statistically different from zero in column (4) (p-value = 0.000), suggesting that treatment borrowers are more likely to be employed in the post- relative to the pre-period.

the treatment and control borrowers and employ a tight fixed effect structure. To further address these concerns, we use data obtained through the Lender’s mobile app, which is installed by the borrower during the loan application process. Because the App data is collected over time *regardless of* whether a borrower applies for a subsequent loan, the analyses based on this data significantly mitigate these self-selection concerns. The App data is collected by the Lender on a monthly basis and allow us to reconstruct monetary transaction and mobility welfare measures used in our tests in Tables 2 and 3 (the App data does not allow to estimate social network measures as well as borrowers’ income and employment, which are obtained from self-reported surveys).<sup>35</sup>

While App data analyses are unaffected by borrowers’ decision to apply for subsequent loans, we acknowledge that borrowers may select to uninstall the Lender’s app. To mitigate this concern, we match treatment and control borrowers based on their creditworthiness, loan application dates and subsequent App data collection dates. Similar to our main sample, for each treatment borrower we collect the initial loan, which is the first loan randomly approved by the Lender, and match this loan with a rejected loan application of a control borrower. For each of these matched pairs, we collect the monthly App data for the 12 subsequent months (if available) and match the last available App data of the treatment borrower with the subsequent App data of the control borrower, conditional on the control borrower not obtaining a loan from the Lender prior to the collection date of the subsequent App data.

We perform the matching with replacement according to the following criteria: (1) the loan application date for a control borrower is within 30 days of the *initial* loan date for the treatment borrower; (2) a control borrower’s credit score on the loan application date, as estimated by the Lender’s credit scoring model, is within 0.05 range of the treatment borrower’s credit score on the

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<sup>35</sup> Although the data is collected monthly, some months are missing for some borrowers, potentially due to borrowers turning off internet data connectivity on their device.

*initial* loan date; and (3) a control borrower's subsequent App data is collected within 30 days of the collection date of the treatment borrower's *last* App data. We begin the App data sample with 42,186 treatment borrowers for which the Lender collected App data for more than one month following the first loan application over our sample period from April 2018 to January 2022.<sup>36</sup> We successfully match 10,155 treatment borrowers and construct 10,155 matched treatment-control pairs. As we retain two observations per borrower for each matched pair, the App data sample consists of 40,620 observations. The average number of days between the initial loan application date and the last App data collection date is 235 days.

Panel A of Table 6 reports descriptive statistics for the App data sample. The mean values of *SMS Amt* and *SMS MPESA Amt* are 1,299 and 1,724 Kenyan shillings, respectively, which are equivalent to \$12.86 and \$17.6 US dollars. Regarding the mobility features, average borrowers pass 3.9 cell towers (*#Cell Towers*) and travel to 1.69 cities in the 30-day period before the App data is collected. The mean value of *Days First App* is 309, implying that 309 days elapsed since a borrower's first loan application with the Lender.

We re-estimate Model (1) using the App data sample and report the results of these analyses in Panel B of Table 6. We do not control for *Lender Credit Score* because the credit score is estimated by the Lender only when borrowers apply for a loan and thus is not available when the App data is collected subsequent to a loan's application. Across all four well-being measures, we continue to find a positive and significant coefficient on the interaction term *POST\*TREAT*, reinforcing our previous findings that digital lending enhances borrowers' monetary transaction volume and mobility. In the post-period, relative to control borrowers, treatment borrowers have

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<sup>36</sup> We start with a larger number of treatment borrowers than the starting number of borrowers in the main sample because the App data is collected on a monthly basis, so we do not restrict our sample to borrowers who applied to multiple loans from the Lender to measure changes in borrowers' well-being.

average monetary amounts per transaction that are higher by 24.1% and 4.4% higher average daily M-PESA balance. Treatment borrowers also pass 39.1% more cell towers and travel to 4.6% more cities in the post-period. These findings based on App data that is collected continuously suggest that the selection issue in our primary analyses related to borrowers' decision to apply for subsequent loans is unlikely to explain the effect of digital lending on borrowers' welfare.

Furthermore, the App data-based analyses allow us to shed some light on whether the impact of digital loans on borrowers' well-being is short-term. While the average number of days between the initial and last loan application in our main sample is 158 days, the average number of days between the initial loan application date and the last App data collection date is 235 days, which suggests that the welfare effects we observe are sustained over a longer time. To further support this inference, in untabulated analyses we require the borrowers in the App data sample to have at least 9 months of data after the first loan application date (in this subsample there are on average 310 days between the initial loan application date and the last App data collection date). We continue to find similar results across all welfare measures.

## **5. Cross-Sectional Variations in the Effect of Digital Lending**

To further explore the impact of digital credit on financial well-being, we focus on borrower and loan characteristics that are likely to heighten this impact. We start with borrowers' ability to access credit. Bruhn and Love (2014) show a more sizable effect of access to credit on borrowers in areas with lower preexisting bank penetration. Di Maggio et al. (2022) find that the "invisible primes" (i.e., borrowers with low credit scores and short credit histories) are most positively affected by fintech lending. Similarly, Balyuk (2022) finds that the effect of fintech loans is more pronounced for more credit-constrained borrowers. Building on these studies, we expect borrowers with more limited access to credit to be affected to a greater extent by digital loans.

To test this prediction, we rely on TransUnion data to identify whether a borrower has a credit score from a credit bureau, as having an external credit score should reduce information asymmetry and allow borrowers greater access to credit (e.g., Pagano and Jappelli 1993; An and Chan 2008; Karlan and Zinman 2010; Campello et al. 2011). We partition our sample based on whether a borrower has *TransUnion*'s credit score on the day of its first loan application and re-estimate Model (1) for all financial well-being measures we employ in Tables 2–5.<sup>37</sup> As we report in Panel A of Table 7, for eight out of the nine measures, the coefficients on the interaction term *POST x TREAT* are positive and significant in the *Without Credit Score* subsample. Furthermore, for *SMS Count*, *Network Repaid*, *Monthly Income*, and *Employed*, the coefficients on *POST x TREAT* are significantly higher for the *Without Credit Score* partitions than for the *With Credit Score* partitions (p-value = 0.000, 0.012, 0.051, and 0.000, respectively). This evidence suggests that digital loans have substantial welfare potential for “invisible” borrowers.

We also perform the analyses using a borrower's age as an additional proxy for access to credit because younger borrowers have shorter credit histories and are typically more likely to be credit rationed (e.g., Jappelli 1990; Hayashi 1985). We do not find that younger borrowers benefit to a greater extent from digital loans (untabulated). Women also typically have more limited access to credit in developing economies (e.g., Diagne et al. 2000; Banerjee 2013). Similar to Karlan and Zinman (2011) and de Mel et al. (2009), we do not find that the impact of the access to credit on financial well-being is more pronounced for female borrowers (untabulated).

In the next set of analyses, we explore how the loan purpose—whether the loan is obtained for business or personal purpose (for example, for consumption or healthcare needs)—is associated

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<sup>37</sup> Although we measure access to credit based on TransUnion data only, there is typically a substantial overlap in the coverage of different credit bureaus (Forbes 2021). Moreover, TransUnion is the dominant credit bureau in Kenya, further mitigating concerns associated with the measurement of the access to credit based on its data only.

with financial well-being. Prior literature in microfinance emphasizes the importance of loans for productive purposes, such as investments and business creation, and shows that these loans are more likely to decrease borrowers' poverty and increase their income relative to loans for nonproductive purposes (Imai and Azam 2012; Banerjee et al. 2015; Attanasio et al. 2015). Motivated by this evidence, we expect that digital loans used for business purposes have a stronger effect on borrowers' welfare relative to other loans. To test this prediction, we partition our sample based on whether a borrower self-reports in the loan application survey that the loan is obtained for a business or personal purpose. As we report in Panel B of Table 7, we find evidence consistent with our expectations: for all well-being measures except *SMS MPESA Amt*, the coefficients on the interaction term  $POST \times TREAT$  are positive and significant in the *Business Purpose* partitions. For *#Cell Towers*, *Network Repaid*, *Monthly Income*, and *Employed* the coefficients on  $POST \times TREAT$  are also significantly higher for the *Business Purpose* than for the *Personal Purpose* partitions (p-value = 0.011, 0.008, 0.019, and 0.096, respectively). Importantly, these loan-purpose-based findings suggest that digital loans potentially increase borrowers' financial well-being by providing borrowers with business opportunities not available to them otherwise.

In the final set of our cross-sectional tests, we focus on the amount of digital credit obtained by borrowers. So far, the primary tests in Tables 2–5 as well as in cross-sectional tests in Panels A and B of Table 7 suggest that access to digital credit enhances borrowers' welfare. These findings motivate us to predict that the beneficial effect of digital credit will be stronger when borrowers have access to a greater amount of credit. However, we acknowledge that larger loan amounts may indicate overborrowing, thus leading to adverse consequences on their welfare. We examine these arguments by partitioning our sample based on whether a treatment borrower's total amount of

digital credit from the Lender is above or below the sample median.<sup>38</sup> As we report in Panel C of Table 7, we find that, for eight out of the nine well-being measures we employ, the coefficients on the interaction term  $POST \times TREAT$  are positive and significant in the *High Loan Amount* partitions. Furthermore, for all these measures except *#Cities* and *Network Repaid*, the coefficients on  $POST \times TREAT$  are significantly higher for the *High Loan Amount* partitions than for the *Low Loan Amount* partitions.<sup>39</sup> Thus, the effect of digital credit is more pronounced when borrowers receive greater funds, mitigating concerns associated with overleveraging.

Overall, our analyses in Table 7 reinforce the positive financial welfare effects of digital credit by providing some evidence that this credit is more beneficial for borrowers with limited access to credit, for borrowers who utilize digital loans for business purposes, and when borrowers obtain larger amounts of digital credit.

## 6. Conclusion

In many developing economies, the absence of borrowers' formal financial history and employment records exacerbates information asymmetry between borrowers and lenders and significantly limits households' ability to access credit. To mitigate this information asymmetry, digital lenders apply machine-learning algorithms to alternative data, primarily from mobile devices, bypassing the need for traditional credit scores. This has led to the tremendous growth of digital lending over the past decade in many developing countries around the world and has enabled millions of individuals without prior credit history to secure loans. However, this boon is not without its pitfalls. Critics highlight that, in the absence of robust regulation, some digital

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<sup>38</sup> We partition treatment borrowers based on total loan amounts aggregated over the post-period excluding the last loan. Because control borrowers do not obtain digital credit, we assign these borrowers to the *High Loan Amount* (*Low Loan Amount*) partition if their matched treatment borrower obtains above (below) median total loan amounts.

<sup>39</sup> In untabulated analysis, instead of partitioning our sample based on the total loan amount, we partition it based on the total number of digital loans obtained by treatment borrowers and find similar results.

lenders impose exorbitant interest rates without properly informing borrowers about these rates and late fees, imposing a further burden on poor households.

To examine the welfare impact of digital lending, we exploit an experiment conducted by the Lender in Kenya that randomly approves loans from the pool of applicants rejected based on its credit model. Using measures of borrowers' monetary transactions, mobility, and social networks based on mobile phone data and borrowers' income and employment collected from the self-reported survey, we find that access to digital credit improves borrowers' financial well-being. Additional analyses provide some evidence that digital lending has a greater impact on the financial well-being of borrowers who lack external credit scores, those who use digital credit for business purposes, and those who borrow larger loan amounts. Overall, our findings suggest that digital credit can play a positive role in financial inclusion and well-being.

The evidence we provide has important implications for regulators who consider how to design policies that carefully balance consumer protection with greater access to credit through digital loans. These policies are particularly important because the informal sector plays a vital role in job creation and poverty reduction in developing economies, and poor access to credit is one of the main challenges faced by this sector (e.g., IMF 2020; World Bank 2020). Thus, by allowing for greater business opportunities in the informal sector, digital credit has the potential to contribute to the higher growth of developing economies.

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## APPENDIX A Variable Definitions

Variable	Definition
<i>Days First App</i>	= The natural logarithm of the number of days between the date of the borrower's first loan application and the date of the loan application under consideration.
<i>Employed</i>	= An indicator variable equal to one if the borrower is employed or self-employed, as reported in the loan application survey, and zero otherwise.
<i>Monthly Income</i>	= The natural logarithm of the monthly income reported in the loan application survey.
<i>Network Ppl Number</i>	= The natural logarithm of the total number of unique phone numbers in the borrower's contacts list.
<i>Network Repaid</i>	= The natural logarithm of the proportion of the people in the borrower's network that repaid loans to the Lender on time out of the total number of network people.
<i>POST</i>	= An indicator variable equal to one for the last loan applications of the treatment borrowers and their matched loan applications of the control borrowers, whereas initial loans for the treatment borrowers and their matched loan applications of the control borrowers are assigned the value of zero.
<i>SMS Amt</i>	= The natural logarithm of the average monetary amounts mentioned in the borrower's incoming SMS messages prior to the loan application date. SMS messages received from the Lender as well as SMS messages received within 24 hours following the loan application are excluded from the estimation.
<i>SMS Counts</i>	= The natural logarithm of the total number of incoming and outgoing text messages of the borrower prior to the loan application date. SMS messages received from the Lender as well as SMS messages received within 24 hours following the loan application are excluded from the estimation.
<i>SMS MPESA Amt</i>	= The natural logarithm of the average daily M-PESA balance mentioned in the borrower's incoming SMS messages prior to the loan application date. SMS messages received within 24 hours following the loan application are excluded from the estimation.
<i>Lender Credit Score</i>	= The natural logarithm of the credit score as estimated by the Lender's credit scoring model on the loan application date.
<i>TREAT</i>	= An indicator variable equal to one if the loan applicant was randomly approved by the Lender, and zero otherwise.
<i>#Cell Towers</i>	= The natural logarithm of the number of unique cell towers passed by the borrower during the 30-day period preceding the loan application date.
<i>#Cities</i>	= The natural logarithm of the number of cities the borrower has traveled to during the 30-day period preceding the loan application date.

**TABLE 1**  
**Descriptive Statistics**

This table provides descriptive statistics for the main variables used in our analyses. All variables are defined in Appendix A.

	N	Mean	Median	SD
<i>SMS Amt</i>	16,656	5.69	5.53	1.69
<i>SMS MPESA Amt</i>	14,746	6.53	6.91	2.32
<i>#Cell Towers</i>	20,092	0.97	0.70	0.72
<i>#Cities</i>	20,092	0.48	0.70	0.41
<i>SMS Counts</i>	20,092	5.75	6.01	1.95
<i>Network Ppl Number</i>	20,092	4.18	5.15	2.93
<i>Network Repaid</i>	20,092	-0.57	-0.34	0.87
<i>Monthly Income</i>	20,092	9.83	9.90	1.22
<i>Employed</i>	20,092	0.42	0.00	0.49
<i>Days First App</i>	20,092	5.77	5.86	1.28
<i>Lender Credit Score</i>	20,092	-0.23	-0.19	0.12

**TABLE 2**  
**The Effects of Digital Lending on Monetary Transaction Volume**

This table examines the effects of access to digital lending on borrowers' monetary transaction volume. In columns (1) and (2), we measure the borrower's monetary transaction volume using the average monetary amounts mentioned in the borrower's incoming SMS messages prior to the loan application date (*SMS Amt*). In columns (3) and (4), we measure the applicant's monetary transaction volume using the average daily M-PESA balance mentioned in the borrower's incoming SMS messages prior to the loan application date (*SMS MPESA Amt*). We include borrower and year-month fixed effects; standard errors in parentheses are clustered at the borrower and year-month level. \*\*\*, \*\*, and \* indicate significance at the 0.01, 0.05, and 0.10 levels, respectively. All variables are defined in Appendix A.

	<i>SMS Amt</i>		<i>SMS MPESA Amt</i>	
	(1)	(2)	(3)	(4)
<i>POST</i>	0.103*** (0.015)	0.098*** (0.015)	0.003 (0.023)	0.008 (0.023)
<i>POST x TREAT</i>	0.153*** (0.025)	0.149*** (0.028)	0.066** (0.028)	0.082** (0.031)
<i>Days First App</i>		0.031** (0.013)		-0.012 (0.010)
<i>Lender Credit Score</i>		-0.027 (0.113)		0.142 (0.105)
Borrower FE	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes
Adjusted R-squared	0.805	0.805	0.909	0.909
Observations	16,656	16,656	14,746	14,746
Model	OLS	OLS	OLS	OLS

**TABLE 3**  
**The Effects of Digital Lending on Mobility**

This table examines the effects of access to digital lending on borrowers' mobility. In columns (1) and (2), we measure the borrower's mobility using the number of unique cell towers passed by the borrower during the 30-day period preceding the loan application date (*#Cell Towers*). In columns (3) and (4), we measure the borrower's mobility using the number of cities the borrower has traveled to during the 30-day period preceding the loan application date (*#Cities*). We include borrower and year-month fixed effects; standard errors in parentheses are clustered at the borrower and year-month level. \*\*\*, \*\*, and \* indicate significance at the 0.01, 0.05, and 0.10 levels, respectively. All variables are defined in Appendix A.

	<i>#Cell Towers</i>		<i>#Cities</i>	
	(1)	(2)	(3)	(4)
<i>POST</i>	0.063*** (0.017)	0.074*** (0.017)	-0.002 (0.010)	0.001 (0.010)
<i>POST x TREAT</i>	0.603*** (0.019)	0.636*** (0.020)	0.084*** (0.011)	0.094*** (0.011)
<i>Days First App</i>		-0.007 (0.008)		0.001 (0.005)
<i>Lender Credit Score</i>		0.348*** (0.064)		0.113*** (0.033)
Borrower FE	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes
Adjusted R-squared	0.438	0.440	0.290	0.291
Observations	20,092	20,092	20,092	20,092
Model	OLS	OLS	OLS	OLS

**TABLE 4**  
**The Effects of Digital Lending on Social Networks**

This table examines the effects of access to digital lending on borrowers' social network. In columns (1) and (2), we measure the borrower's social network using the total number of incoming and outgoing text messages of the borrower prior to the loan application date (*SMS Count*). In columns (3) and (4), we measure the borrower's social network using the total number of unique phone numbers in the borrower's contacts list on the loan application date (*Network Ppl Number*). In columns (5) and (6), we measure the borrower's social network using the proportion in the borrower's network that repaid loans to the Lender on time out of the total number of network people (*Network Repaid*). We include borrower and year-month fixed effects; standard errors in parentheses are clustered at the borrower and year-month level. \*\*\*, \*\*, and \* indicate significance at the 0.01, 0.05, and 0.10 levels, respectively. All variables are defined in Appendix A.

	<i>SMS Count</i>		<i>Network Ppl Number</i>		<i>Network Repaid</i>	
	(1)	(2)	(3)	(4)	(5)	(6)
<i>POST</i>	0.250*** (0.026)	0.246*** (0.025)	-0.014* (0.007)	-0.012* (0.007)	-0.010 (0.016)	-0.003 (0.015)
<i>POST x TREAT</i>	0.255*** (0.026)	0.268*** (0.028)	0.023*** (0.008)	0.029*** (0.011)	0.035 (0.022)	0.056** (0.022)
<i>Days First App</i>		0.082*** (0.025)		0.002 (0.002)		-0.007 (0.010)
<i>Lender Credit Score</i>		0.296*** (0.099)		0.074 (0.047)		0.215*** (0.071)
Borrower FE	Yes	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.823	0.824	0.991	0.991	0.461	0.461
Observations	20,092	20,092	20,092	20,092	20,092	20,092
Model	OLS	OLS	OLS	OLS	OLS	OLS

**TABLE 5**  
**The Effects of Digital Lending on Monthly Income and Employment Outcome**

This table examines the effects of access to digital lending on borrowers' monthly income and employment outcome. In columns (1) and (2), we report the results using the borrower's self-reported monthly income (*Monthly Income*). In columns (3) and (4), we report the results using the borrower's employment outcome based on whether the borrower is employed or self-employed (*Employed*). We include borrower and year-month fixed effects; standard errors in parentheses are clustered at the borrower and year-month level. \*\*\*, \*\*, and \* indicate significance at the 0.01, 0.05, and 0.10 levels, respectively. All variables are defined in Appendix A.

	<i>Monthly Income</i>		<i>Employed</i>	
	(1)	(2)	(3)	(4)
<i>POST</i>	-0.015 (0.024)	-0.015 (0.023)	-0.086*** (0.015)	-0.084*** (0.015)
<i>POST x TREAT</i>	0.206*** (0.027)	0.208*** (0.028)	0.227*** (0.034)	0.235*** (0.034)
<i>Days First App</i>		0.005 (0.012)		0.005 (0.004)
<i>Lender Credit Score</i>		0.027 (0.104)		0.100*** (0.025)
Borrower FE	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes
Adjusted R-squared	0.329	0.329	0.892	0.892
Observations	20,092	20,092	20,092	20,092
Model	OLS	OLS	OLS	OLS

**Table 6**  
**The Effects of Digital Lending on Borrowers' Well-being Using the App Data Sample**

This table examines the effects of access to digital lending on borrowers' well-being using the App data collected, regardless of whether a borrower applies for a subsequent loan through the Lender's mobile app installed by the borrower when applying for the loan. Panel A provides descriptive statistics and Panel B reports the results of the analyses. We include borrower and year-month fixed effects; standard errors in parentheses are clustered at the borrower and year-month level. \*\*\*, \*\*, and \* indicate significance at the 0.01, 0.05, and 0.10 levels, respectively. All variables are defined in Appendix A.

**Panel A: Descriptive Statistics – App data**

	N	Mean	Median	SD
<i>SMS Amt</i>	28,666	5.04	4.96	1.85
<i>SMS MPESA Amt</i>	19,131	6.02	6.25	1.99
<i>#Cell Towers</i>	40,620	0.68	1.13	1.57
<i>#Cities</i>	40,620	0.43	0.70	0.44
<i>Days First App</i>	40,620	5.51	5.71	0.79

**Panel B: Main Analyses – App data**

	<i>SMS Amt</i>	<i>SMS MPESA Amt</i>	<i>#Cell Towers</i>	<i>#Cities</i>
	(1)	(2)	(3)	(4)
<i>POST</i>	0.158*** (0.031)	0.040 (0.026)	-0.173*** (0.053)	-0.108*** (0.013)
<i>POST x TREAT</i>	0.241*** (0.038)	0.044** (0.021)	0.391*** (0.038)	0.046*** (0.009)
<i>Days First App</i>	0.002 (0.035)	-0.024 (0.023)	-0.072* (0.042)	-0.003 (0.012)
Borrower FE	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes
Adjusted R-squared	0.804	0.913	0.390	0.253
Observations	28,666	19,131	40,620	40,620
Model	OLS	OLS	OLS	OLS

**TABLE 7**  
**Cross-Sectional Variations in Borrower and Loan Characteristics**

This table examines whether the effects of access to digital lending vary with the borrower and loan characteristics. Panel A reports the results for sample partitions based on whether a borrower has an external credit rating from a credit bureau (TransUnion). A borrower is assigned to *Without Credit Score* partition if the borrower does not have an external credit score on the date of the first loan application; otherwise, the borrower is assigned to *With Credit Score* partition. Panel B reports the results for sample partitions based on the loan purpose. A borrower is assigned to *Business Purpose* partition if the borrower reports in the loan application survey that she obtains the loan for a business purpose; otherwise, the borrower is assigned to *Personal Purpose* partition. Panel C reports the results for sample partitions based on the loan amount. We calculate total loan amounts obtained by each treatment borrower aggregated over the post-period excluding the last loan. A treatment borrower and her matched control borrower are assigned to *High Loan Amount* partition if the treatment borrower obtains above median total loan amounts; otherwise, they are assigned to *Low Loan Amount* partition. We report the coefficients on *POST x TREAT* for each outcome variable from Table 2 to Table 5 (other coefficients are not reported for brevity). We include borrower and year-month fixed effects; standard errors in parentheses are clustered at the borrower and year-month level. \*\*\*, \*\*, and \* indicate significance at the 0.01, 0.05, and 0.10 levels, respectively. All variables are defined in Appendix A.

<b>Panel A: External Credit Score</b>			
Coefficients on <i>POST x TREAT</i> for each outcome variable	<i>With Credit Score</i> (1)	<i>Without Credit Score</i> (2)	<i>Difference</i> (2) - (1)
<i>SMS Amt</i>	0.135*** (0.047)	0.117** (0.051)	-0.018 (0.395)
<i>SMS MPESA Amt</i>	-0.028 (0.052)	0.078 (0.047)	0.106* (0.069)
<i>#Cell Towers</i>	0.642*** (0.042)	0.646*** (0.031)	0.004 (0.463)
<i>#Cities</i>	0.097*** (0.022)	0.092*** (0.021)	-0.005 (0.437)
<i>SMS Count</i>	0.040 (0.044)	0.327*** (0.057)	0.287*** (0.000)
<i>Network Ppl Number</i>	0.023*** (0.008)	0.040* (0.021)	0.017 (0.232)
<i>Network Repaid</i>	-0.025 (0.032)	0.093** (0.039)	0.118** (0.012)
<i>Monthly Income</i>	0.165*** (0.039)	0.280*** (0.057)	0.115* (0.051)
<i>Employed</i>	0.113*** (0.032)	0.300*** (0.032)	0.187*** (0.000)

**Panel B: Loan Purpose**

Coefficients on $POST \times TREAT$ for each outcome variable	<i>Personal Purpose</i> (1)	<i>Business Purpose</i> (2)	<i>Difference</i> (2) - (1)
<i>SMS Amt</i>	0.105* (0.062)	0.166*** (0.040)	0.061 (0.227)
<i>SMS MPESA Amt</i>	0.120* (0.064)	0.048 (0.036)	-0.072 (0.153)
<i>#Cell Towers</i>	0.551*** (0.040)	0.665*** (0.023)	0.114** (0.011)
<i>#Cities</i>	0.090*** (0.023)	0.099*** (0.014)	0.009 (0.367)
<i>SMS Count</i>	0.260*** (0.045)	0.248*** (0.031)	-0.012 (0.410)
<i>Network Ppl Number</i>	0.017 (0.022)	0.024** (0.011)	0.007 (0.377)
<i>Network Repaid</i>	-0.017 (0.037)	0.084*** (0.027)	0.101*** (0.008)
<i>Monthly Income</i>	0.102* (0.058)	0.254*** (0.035)	0.152** (0.019)
<i>Employed</i>	0.207*** (0.036)	0.228*** (0.035)	0.021* (0.096)

**Panel C: Loan Amount**

Coefficients on $POST \times TREAT$ for each outcome variable	<i>Low Loan Amount</i> (1)	<i>High Loan Amount</i> (2)	<i>Difference</i> (2) - (1)
<i>SMS Amt</i>	0.096** (0.039)	0.186*** (0.042)	0.090* (0.065)
<i>SMS MPESA Amt</i>	0.018 (0.030)	0.127** (0.048)	0.109** (0.028)
<i>#Cell Towers</i>	0.597*** (0.030)	0.671*** (0.024)	0.074** (0.019)
<i>#Cities</i>	0.101*** (0.014)	0.087*** (0.017)	-0.014 (0.248)
<i>SMS Count</i>	0.112*** (0.033)	0.407*** (0.041)	0.295*** (0.000)
<i>Network Ppl Number</i>	0.013 (0.011)	0.044** (0.017)	0.031* (0.074)
<i>Network Repaid</i>	0.060** (0.030)	0.043 (0.030)	-0.017 (0.336)
<i>Monthly Income</i>	0.113*** (0.040)	0.303*** (0.043)	0.190*** (0.002)
<i>Employed</i>	0.119*** (0.027)	0.341*** (0.046)	0.222*** (0.000)