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Buffett Undergraduate Research Fellowship Opportunity

The Role of Digital IDs in Reducing Financial Market Frictions and Improving Financial Inclusion and Credit Market Outcomes in Ethiopia

Faculty Mentor: Sean Higgins, Associate Professor, Kellogg School of Management

Project Synopsis: Do digital IDs reduce frictions in financial markets, and what are the effects of reducing these frictions on financial inclusion and credit market outcomes for households and small businesses, as well as on competition and loan terms offered by banks, fintech lenders, and microfinance institutes? Access to formal financial services remains limited in Ethiopia: about half of the population has an account at a financial institution, and one-quarter have saved money using an account at a financial institution (Global Findex 2021). One barrier in gaining access to the formal financial system is the lack of official, verifiable identification. The ongoing introduction of a new biometric-verified digital ID system can potentially reduce this friction and improve access to financial services.

To answer this research question, a team of researchers at Northwestern, Oxford, the World Bank, and Ethiopia's Policy Studies Institute are collaborating closely with Ethiopia's National ID Program (NIDP) to randomize the rollout of digital IDs across rural areas at the district level. The rollout involves registration partners traveling to these areas with kits that include the technology necessary to enroll people in the biometric-verified digital ID system, including an iris scanner, camera, and fingerprint scanner. By randomizing the rollout across four waves, the later waves will serve as a control group until the rollout of digital IDs has expanded to all areas, enabling us to measure both the direct effects and general equilibrium effects of digital IDs on financial outcomes.

Project Term: Summer and Academic Year 2026

Project Location: Hybrid, on campus with travel to Ethiopia

Job Description: Data analysis in R, Python, or Stata (proficiency in at least one of the three is required); preparing, programming, and piloting survey questionnaires (prior experience in this not necessary); power calculations; literature reviews of other studies using similar financial outcomes and/or measuring general equilibrium effects. Background in economics, data science, or quantitative social sciences preferred.

Time Commitment: Ideally 10-20 hours per week during summer and up to 10 hours per week during academic year.

Number of available positions: Two, both preselected