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**Competing visions of financial inclusion in Kenya:
The rift revealed by mobile money transfer**

Susan Johnson

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COMPETING VISIONS OF FINANCIAL INCLUSION IN KENYA: THE RIFT REVEALED BY MOBILE MONEY TRANSFER

Susan Johnson, University of Bath

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Abstract

Financial inclusion policy has been ignited globally by the rise of money transfer services over mobile telecommunications platforms. Explanations for the success of the leading example in Kenya have focussed on conditions of supply side development and the demand for domestic urban to rural remittances. This paper investigates this phenomenon by examining the financial practices of low income people and in particular the social relational dimensions of debt that underlie these mobile money transactions. By contrasting the social relations involved in mobile money to those of informal groups and banks which are the next most used services, this evidence highlights a 'fiduciary culture' in which relationships of equality and 'negotiability' dominate and which are seamlessly facilitated by mobile money in contrast to relations with banks which tend towards relations of hierarchy. I argue that this reveals a competing emic vision that questions policy makers expectations that mobile money transfer will itself seamlessly facilitate engagement with the formal sector for savings and credit.

Key words: microfinance, mobile money, financial inclusion, financial practices, Kenya, Africa

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1 Introduction

Across Africa, household level access to formal financial services is less than 20% (Honohan 2008) and these are concentrated in the wealthiest 20% of the population (Beck, et al. 2011). Since 2005 the policy agenda towards financial services for low-income people has moved away from the more limited focus of the previous decade on micro-credit, particularly through microfinance institutions, towards a policy of inclusion in the mainstream financial sector (Beck, et al. 2011; World Bank 2008). Moreover, enthusiasm for the achievement of inclusion has been ignited by the advent of money transfer services provided over mobile phones and the further potential this technology offers for financial service development (Aker and Mbiti 2010; Ivatury and Mas 2008). The phenomenally rapid take-up of mobile money transfer (MMT) in Kenya has led this wave. Introduced in 2007 by Kenya's leading mobile phone operator Safaricom, by 2013 62% of the adult population were registered users (FSD Kenya and Central Bank of Kenya 2013). This has been explained primarily as revealing the unmet demand for domestic remittances (Heyer and Mas 2011).

As the agenda for financial inclusion has gathered pace, the arena of policy and practice has expanded into an "assemblage" of "subjects, technics and rationalities" (Schwittay 2011). The dominant 'rationalities' of the financial inclusion discourse, that is the "intellectual machineries that render reality thinkable in such a manner as to make it calculable and governable" (Schwittay 2011, quoting Inda p393) are underpinned by economics, in particular new institutional economics, and more recently the rise of behavioural economics. The Global Partnership for Financial Inclusion's definition emphasises the rationality of convenience and affordability, recognising people as agents choosing informal services as a default option in the absence of formal options.¹ Market approaches to financial sector development are expected to drive competition and innovation and the inexorable lowering of costs and prices which will drive inclusion (World Bank 2008). A policy perspective to which behavioural economics is now seen as offering accompanying "nudges" in enabling low income people to overcome the time-inconsistencies and self-control constraints that lead to sub-optimal saving behaviour (Banerjee and Duflo 2011).

While anthropology has done much to uncover the social and symbolic dimensions of money, exchange and debt, much of its analysis has operated on a Polanyian spectrum in which social relations become dis-embedded (Maurer 2005; Maurer 2006). Finding this problematic because of the diverse ways in which practices in both developed and developing countries are found to have social and symbolic dimensions alongside material content, moves in anthropology have therefore been towards a re-working of perspectives and a focus on monetary and financial practices in order to reveal alternative underlying logics.

¹ "Financial inclusion"... refers to a state in which all working age adults have effective access to credit, savings, payments, and insurance from formal service providers. "Effective access" involves convenient and responsible service delivery, at a cost affordable to the customer and sustainable for the provider, with the result that financially excluded customers use formal financial services rather than existing informal options." (GPFI and CGAP n.d.:1).

The purpose of this paper is to apply this alternative perspective to the rise of mobile money in Kenya by examining the financial practices of low income people using it and contrasting this to the two other most heavily used services - informal financial groups and banks – in order to examine what this reveals about the social relations and logics of people’s engagement with different institutional forms of financial service. In focussing on the social relations these involve I draw on Graeber’s (2011) framework of their related moral dimensions to analyse the dynamics of debt, additionally using Berry’s insights into ‘negotiability’ in African institutional contexts. This focus reveals that MMT and informal financial groups offer strong dynamics of equality in social relationships of exchange and offer routes to securing access to resources through their “negotiability” (Berry 1993). Banks, by contrast, receive debt from poor people (in the form of savings) but rarely offer it and hence do not behave in ways that are seen as either equal or “negotiable” but their historical political context rather suggests they verge on hierarchy. The conclusions highlight the challenge of these social relations for financial inclusion into formal savings and credit services beyond payments services over mobile phones.

The paper first considers the emerging literature on mobile money transfer and related literature from experimental and behavioural economics research on how to design products to encourage savings. It then reviews developments in the anthropology of money and debt before presenting the methodology and context of the research. After presenting the key logics influencing engagement with each of the three most used services, that is, mobile money, informal groups, and banks, I discuss the insights that a focus on social relations offers in explaining the nature of financial practices before concluding.

2 Literature review

2.1 Mobile money transfer and savings behaviour

Safaricom’s M-Pesa² service grew out of a donor funded experiment to enable the repayment of microfinance loans over the mobile phone (Mas and Morawczynski 2009). Market research demonstrated the extent to which airtime was being used as a means of payment (see also (Maurer 2012) and set in motion the creation of an ‘e-wallet’ in the mobile phone into which units of e-money are transferred at a one for one exchange rate when a deposit is made with an agent. The e-money can be transferred to others by sending to their mobile phone number. They in turn can then visit an agent to withdraw the funds or use the e-value to send to others or pay bills.

The runaway success of MMT in Kenya compares with significant success in the Philippines and more moderate success elsewhere such as South Africa and India (McKay and Pickens 2010), resulting in much research concentrated in Kenya. An easily understood menu in the phone and wide understanding of text messaging along with the initial marketing tag of “send money home” is seen as having given it a clear identity (Mas and Morawczynski 2009) and it filled a gap

² M-Pesa as a brand name uses ‘m’ for mobile and ‘pesa’ which is the Swahili word for money - so means mobile money.

in the market given the cost and risk of previous mechanisms: mainly courier services and informal arrangements with friends. Further factors contributing to its success in Kenya have been identified as a 'light touch' regulatory regime; the potential for the development of retail agent networks; and the nature of the mobile phone network landscape in particular related to coverage, texting, and the dominance of a particular operator (Safaricom) (Heyer and Mas 2011). Additionally, trust in the telecommunications operator was initially important with its expatriate CEO offering political neutrality in the midst of Kenya's ethnically divided politics, and reducing concerns that either the company would collapse or funds disappear (Morawczynski and Miscione 2008).

Ethnographic research has identified the way that its availability has affected the frequency and amounts sent by remitters allowing better tailoring to need and cash flow management ability, which lower cost also makes more viable, though it can also reduce the frequency of visits by urban dwelling husbands (Morawczynski 2009). In addition the extent of migration and an "ethnically based rendition of citizenship" maintains strong links to home areas (Heyer and Mas 2011:32).

Maurer (2012) has pointed out the way in which airtime used to transfer money in a range of contexts creates new socialities of talk and text as well as monetary value sent and received. In the case of Kenya too, ease of use also enabled rural recipients to access wider social networks of support more easily when the need arose – whether for seasonal farming inputs or emergencies and hence deal with risk and reduce vulnerability, although this increased volume of requests has also required new management strategies in dealing with them for those expected to send funds (Morawczynski 2009). In terms of remittance behaviour, based on national data, Mbiti and Weil (2011) find that adoption appears to increase the frequency of sending transfers but interestingly not to increase the likelihood of receiving them (Mbiti and Weil 2011). Jack and Suri suggest that MMT has significant impacts in reducing the impact of negative shocks on consumption compared to those who do not have it (Jack and Suri 2014).

Beyond use for payments, whether or not people actively save in these accounts is a key issue for financial inclusion. Jack and Suri (2011) report that 81% of users use the e-money account for 'saving', adopting their own definition of saving as any financial instrument in which funds are held for more than 24 hours, and this contrasts with 26% of users themselves reporting this in the FinAccess 2009 survey³ (Mbiti and Weil 2011) – so contrasting outsider and user perspectives. However, there is strong evidence, especially amongst rural users, that they are most likely to 'cash out' their remittances (Mbiti and Weil (2011); (Morawczynski 2010; Stuart and Cohen 2011).

With policy concern to bring poor people into using formal savings accounts, Kenya has recently been the site of a number of experimental studies of savings account design. The provision of

³ However, the construct validity of the survey question is doubtful as the Swahili translation of save used was *kuweka mpesa* – literally to 'put money' which is necessary for any remittance to be made.

free accounts in one frequently cited study was found to have positive impacts on productive investments and expenditures for women, though not for men (Dupas and Robinson 2013a). However, highly skewed uptake means that this result arises from a relatively small proportion of the participants and a further study also experienced low take up (Schaner 2011). Experiments with commitment savings products have been used to increase fertilizer use rates (Duflo, et al. 2009), and a similar study in Malawi concluded that the greater positive impacts of a commitment compared to a voluntary savings accounts was because it enabled people to shield savings from others in their social networks (Brune, et al. 2011). A further experimental study in Kenya on savings for health also concluded that this could be explained by a mental accounting effect because the money was “out of sight”, enabling the deflection of requests from others for funds (Dupas and Robinson 2013b).

Hence, the literature offers some rather varied perspectives on the extent to which MMT is being used for “saving” but indicates improved access to social networks through which risk-sharing may be able to take place. Amidst the relatively low take up rates of formal savings accounts in experimental studies, it is suggested that commitment products may help shield resources from these same social networks.

2.2 The alternative logics of monetary and financial practices

Despite anthropologists long enquiry into money, exchange and debt, their forms and practices still produce “bewilderments” (Guyer 2004:3), “confusions” (Graeber 2011) and “misunderstanding” (Shipton 2009). The classic debates over gifts and the extent to which these involved expectations of a return, established the social, symbolic, cultural and moral dimensions of exchange (Peebles 2010; Yan 2005) but the core analytical framework has had an evolutionary emphasis in which money is seen as operating to dissolve social ties (Bohannan 1959; Simmel 1978)). This analysis has mainly operated on a Polanyian “great transformation” spectrum moving from embeddedness to dis-embeddedness (Maurer 2005; Maurer 2006). However, on the one hand research of the ways in which money and finance has moral and embedded dimensions have proliferated in the developed world (Granovetter 1985; Zelizer 1997). On the other, the differences in the ways systems operate between the “centre” of the financial world and its “margins” despite the ubiquitous presence of markets and commercial exchange, has led to Guyer’s observed “bewilderments” (2004). There has been recognition that informal monetary and financial conventions and practices interact with and co-construct formally regulated systems (Berry 1993; Guyer 2004; Hart 2010; Peebles 2010) and the embeddedness framework and trajectory is seen as no longer adequate to “financial worlds whose entanglements with other domains render inside and outside difficult to ascertain” (Maurer 2005:188). Moves in anthropology have therefore been towards a re-working of perspectives and a focus on monetary and financial practices and their “repertoires, pragmatics and indexicality” (Maurer 2006:30) as an alternative approach to the investigation of underlying logics.

Guyer’s study of money in West Africa (2004), has been acknowledged as seminal in this regard and opening new ground with a particular focus on Africa (Geschiere, et al. 2007; Maurer 2006).

Theoretically her project is to attempt to see African economic practices in their own terms, going beyond etic traditions which she argues have blocked their realities from view. She shows how trading systems in the region were set up to be “other” and were never governed by institutions with the same “systematic and invariant” (ibid: 14) principles and features as in Europe. Hence local experience was spatially highly variable with a multiplicity of forms of colonial and trading engagement, such that transactions undertaken represent only moments of equivalence rather than being embedded in institutional environments in which values were stable. In those contexts money currency never had the institutional qualities of the West and trade operated across measures of value and was conducted on the logic of making “marginal gains”. In this context, ‘formal’ institutions derived from shifting structures of governance and authority are consistently unstable and she suggests a need to recognise deep differences in perspective over what money means and the way value is measured. For example, recognising that multiple registers of social valuation may be at work in an exchange in relation to the type of exchange and the social distances of the people involved.

While much literature on money and exchange offers insights into debt, Shipton argues that anthropologists have rarely put debt at the centre of their analysis. He demonstrates the intricate variety of symbolic, ritual, moral, spiritual and social factors at play in Luo “fiduciary culture” (Shipton 2007: 17) in Western Kenya through examining the ways in which a wide range of resources such as land, labour, animals, money and even humans are “entrusted” to others and returned later. This involves many entrustments which produce obligations for which there is no strict accounting in terms of the time or form of repayment. A loan in one form could be returned in political support, patronage or a job introduction or assistance in retirement - a form of social security or pension. Some of these have characteristics of Sahlinesque “generalised reciprocity” in which social distance relates to the terms involved, but, going beyond this, he shows through analysis of marriages and funerals how ‘entrustments’ operate over generations and involve relationships with ancestors. While his conclusions underline the complexity of forms, meanings and relationships, he confirms the way such circuits of entrustment and obligation form the life blood of a society: “[a] loan or entrustment (of a cow or goat for instance) can express trust, constituting a kind of social circuitry as kinetic as electricity. In Africa, as elsewhere, a life in which all debts were settled would be a frozen life of atomized individuals – no life at all” (ibid: 208). Indeed bringing these insights to bear on the “misunderstanding” (Shipton 2009) that arose as external development financiers proffered credit on their own terms and found that it was not returned within them, he comments that “[p]eople living in the shadow of debts like these cannot be expected to consider impersonal debts to state cooperatives or banks their highest personal priorities” (ibid: 14).

Graeber’s (2011) bold theorisation of debt relations also argues that they are critical to human society. He seeks to disentangle the moral confusion he sees in contemporary Western discussion of debt by theorizing a threefold framework of social relations which have different moral logics: communism (or basic sociability); exchange; and hierarchy. Exchange – or reciprocity – “is all about equivalence. It’s a back-and-forth process involving two sides in which

each side gives as good as it gets.....not that there is ever and exact equivalence... but more a constant process of interaction tending towards equivalence" (ibid: 103). This contrast, first, to communism or basic sociability, where there is an interaction based on need and mutual expectations and responsibility with the interaction based on the idea that someone *would* do something for the other when the need arose rather than that they definitely will. And second, to hierarchy where lines of "superiority and inferiority are clearly drawn and accepted by all parties" (p110) and have been institutionalised into custom and habit rather than by an obvious and arbitrary force. He points out that the in-built tendency is to see debt relations in transactions that occur in all of these spheres. He particularly criticises anthropologists for seeing the circulation of gifts in terms of exchange, as, for example in the use of the concept of "generalised reciprocity", when they were in fact looking for something that was not exchange (see also (Yan 2005). His proposition is that: "Debt is a very specific thing and it arises from very specific situations... It requires a relationship between two people who are not fundamentally different sorts of people who are at least potential equals and who are not currently in a state of equality but for whom it is possible to set the matter straight" (ibid: 120) – so debt is a form of exchange that has not been completed and until it has there is a hierarchical relationship between the parties. When the debt is cancelled people can walk away because equality has been restored, but exchange therefore provokes human relations to be seen as implying both equality and separation. "Debt is what happens in between... carried out in the shadow of eventual equality"(p122) but achieving it destroys the reason for the relationship "just about everything human happens in between - even if this means that all such human relations bear with them at least a tiny element of criminality, guilt or shame" (p122). He reviews the history of debt through the way money in its form as credit money ebbs and flows with periods of trust and stability which enable credit relations to operate, while shifts to bullion money occur in periods of war and violence allowing value to be expropriated and relationships severed. He shows how much violence it has taken to turn human sociality into markets using many examples of the wresting of individuals from their contexts, especially for example, through various forms of slavery. His analysis revives a focus on the dimensions of hierarchy and political power in the understanding of debt. He argues that discourses of markets versus states have recast our understanding of debt relations as exchange relations when these are a false choice and markets necessarily require states for their construction and the power of violence to support them – they are two sides of the same coin (citing (Hart 1986).

The hierarchical dimensions of debt relations and the role of power and exploitation in them is a well understood point, and with respect to informal finance in developing countries is one that has been long argued in relation to moneylending and patron-client relationships – particularly in South Asia (McGregor 1994; Wood 2003). Moreover, Shipton's observation about development finance in Kenya indicates that the Luo may not suffer the confusion Graeber sees in the West over the morality of default to external parties and hence that hierarchical relations are of a different nature. Graeber's contribution highlights that these relations can in fact have very different moral characters. This therefore means that debt relations are not necessarily what they seem, and that instead they need to be examined for the boundaries between exchange and hierarchy.

Graeber's concern with the dynamics of boundaries between equality and hierarchy resonate with historian Sara Berry's analysis of institutional development in Africa (Berry 1993). Her interpretation focuses on the feature of "negotiability" in African economic life, arguing that it requires re-conceptualisation of the way historical process, law and social institutions interact with economic organisation. Her argument is that the struggle for resources under colonial rule involved debates over the definitions of the rules themselves. As the interpretation of local customs and norms took place to create the rules, this engaged people in debates over authority and legitimacy at all levels of society which subjected these features to change as the debates were played out. In this context when "rules, transactions and values are ambiguous and negotiable, then economic activity cannot necessarily be explained in terms of decisive choices or efforts to gain exclusive control over goods and resources" (ibid: 14). This leads to a logic in which keeping options open and finding ways to engage in and influence negotiations is more beneficial than gaining exclusive control and severing connections. The ability to influence the interpretation of meaning was affected by social status as well as material resources and underpinned the importance of social relations as a means to access productive resources. In her argument then, negotiability is the product of an institutional environment where the boundaries between exchange and hierarchy are inherently unstable.

These recent contributions to the anthropological discussion of money and debt first re-assert the diversity of relationships and meanings involved in money and financial practices despite the presence of money and markets; and second suggest a new focus on these practices as a means to theorize differently about them. Further, Graeber's analysis suggests the importance of the moral dynamics of debt's social relations, a proposal to which Berry's analysis of African institutional instability offers a further dynamic perspective.

3 Methodology

This research set out to examine changing use of financial services among low income people in Kenya. Research focused at mixed distances from three towns chosen to cross-cut Kenya's district poverty rankings (according to GOK, KNBS 2006). These were Mathira and Nyamira in the agro-ecologically higher potential zones in particular where cash crops of tea and coffee are grown; and Kitui which is semi-arid and experiences crop failure and food insecurity on a frequent basis.

Supply-side research involved interviews with managers or their representatives of 59 service providers covering banks, savings and credit cooperatives (SACCOs), microfinance institutions (MFIs) and other NGOs or companies offering or facilitating group-based approaches. On the demand side the methods were both quantitative and qualitative. The survey component offered two functions: first to provide a randomly selected sample frame from which to purposefully select respondents for in-depth qualitative interviews and, second, to take advantage of that contact to conduct a survey which could capture broad patterns of usage so that the picture relative to the national overview could be established. The sample of 337 was

from 194 households, of whom 56% were female respondents, and main income sources were: own agriculture, livestock and fishing (35%); employment in agriculture, casual labour or domestic chores (21%); own business (20%); public or private sector employment (11%) and pensions or transfers (11%). 56% fell below the \$2.50 per day poverty line with 20% below \$1.25 per day.⁴

The qualitative interviews focused on understanding how people used the services they did and why. The methodology is inductive and interpretive. It first uses quantitative data to highlight patterns which are explored and interpreted through the qualitative data to understand the reasons for and meaning of these interactions for users. The evidence is presented here in an integrated way. I first offer an overview of the financial market in terms of access in order to identify its key features. Second, I review the evidence on the development of the types of service in turn. I then turn to a discussion of what this evidence offers for interpreting patterns of financial practices.

4 Financial services and financial practices

4.1 Overview of the financial landscape

The rates of service use across the formal and informal sectors are given in Table 1 (final column). This also gives comparable figures obtained from the nationally representative surveys for 2009 and 2013 (FSD Kenya and Central Bank of Kenya 2009; 2013).

First, the data confirms the high penetration of MMT, doubling the level found nationally in the 2009 FinAccess survey establishing it now as the most used financial service.

Second, informal financial groups (ROSCAs and ASCAs⁵) are heavily used. Membership of either of these is 51% in the landscapes survey, 36% for FinAccess 2009 and 31% in 2013. Rotating savings and credit associations (ROSCAs) are well-known (Anderson and Baland 2002; Johnson 2004; Kimuyu 1999; Nelson 1995) and known by a range of names in local languages and as “merry go rounds” in English. Accumulating savings and credit associations (ASCAs) are strong in this dataset reflecting donor programmes which have promoted them in all of the research areas. Moreover, 42% of the financial groups reported having multiple functions of both a ROSCA and ASCA or welfare component (30%) where support is given in cases of death, serious

⁴ The Poverty Assessment Tool was used to estimate expenditure level and compare it to the poverty line, see www.povertytools.org.

⁵ The most basic form of a ROSCAs involves people contributing to a fund which is usually (but not necessarily) given to one person on each occasion, until everyone in the group has received the money in turn. The order of rotation may be determined by ballot, by age or seniority or other social systems of preferment. More sophisticated versions involve the payout being auctioned with the person willing to take the largest discount receiving the payout - the remainder being divided amongst those who have not yet won the payout. The ASCA develops this basic form by allowing funds to accumulate in a fund which is not paid out or bid for at each meeting, rather those who wish to take loans do so with interest, the fund therefore grows (as long as funds are repaid) and savers can receive dividends based on their savings.

illness or hospitalisation, assisting not only with money contributions but also with organising and carrying out funeral arrangements.

Table 1: Financial service access (% using)

Financial service	FinAccess 2009 (n=6343)	FinAccess 2013 (n=5849)	Financial landscapes survey 2010/11 (n=337)
Banks	21.5	29.2	35.6
SACCO	9.0	11.0	22.8
MFI	3.4	3.5	4.5
MMT registered	27.9	61.6	60.8
Government	0.3	1.0	0.3
ROSCA	31.7	21.4	38.0
ASCA	8.0	8.8	27.3
Local shop	24.3	5.6	10.1
Informal moneylender	0.4	0.4	0.3
Employer loan	0.5	0	0.6
Buyer loan	1.2	1.1	0
Family or friend (saving or	17.5	11.0	8.0

Source: *FinAccess 2009, 2013 & own survey*

The third most used service in this survey is banks (38.5%) although with a rather higher rate of use than in the FinAccess 2009 and 2013 surveys - reflecting the location of the study in higher potential areas. Beyond these top three most used services the levels of use between the Landscapes survey and the national data differ more substantially and may be explained by the focus in two relatively high potential areas. The falling figure for family and friends is intriguing given the rise of MMT, but we noted that there was frequent discussion of using borrowing from family and friends in the qualitative interviews even if this borrowing was not currently outstanding and hence perhaps not captured in survey instruments whereas 'loan' is understood as having a greater degree of formality.

Probit regression analysis (see Annex 2 of Johnson, et al. 2012) indicates that gender (being male) and higher levels of education are the most significant predictors of bank and MMT access, with income mildly associated with bank access and more significant for MMT access. For financial groups, gender (being female), income and region are significant. Income has an inverse 'U' relationship and use declines with higher incomes.⁶ This suggests that service use

⁶ Similar analysis on the FinAccess datasets 2006 and 2009 (Johnson and Arnold 2012) is consistent in the importance of education, gender and income related variables and also finds age, type of employment and assets to be positively correlated with bank access while being female and rural are negative. For MMT age and gender were not significant but rurality was, suggesting that the rural focus of this study may influence the significance of these variables. Informal groups were more likely to be used by women and those with mobile phones and in business.

maybe somewhat segmented with groups being used by poorer people and bank services and mobile money being used by the better off. However, high levels of multiple use are also evident with 83% of bank users also using MMT, and 54% using groups and almost a half using all three services. Moreover, descriptive statistics on the profiles of service users indicate that the proportion of bank users who also use MMT rises as poverty falls, and follows the same inverse 'U' for those also using both banks and groups. But most interestingly, it rises with use of all three services: from 34% of those on less than \$1.25 per day, to 45% of those between \$1.25 per day and 50% of those on more than \$2.50 per day.⁷

Table 2: Multiple use of main services

	% of respondents	% of bank users	% of MMT users	% of financial group users
Bank and MMT	29.7	83.4	48.8	--
Bank and financial group	19.3	54.2	--	37.8
Bank and financial group and MMT	16.9	47.5	27.8	--
Financial group and MMT	31.5	--	--	61.8

Source: Own survey

The national data set for 2013 gives similar ordering of results. 90% of bank users also use MMT; lower but still significant proportions of bank users are also in a financial group - 41%, and both groups and MMT – 34%. FinAccess 2013 offers the opportunity to examine the relationship with financial capability indicators and attitudinal variables such as: being worried about having enough money in old age; going without basic things in order to save; not feeling in control of finances; making spending mistakes; having a budget and sticking to a budget. Probit regressions⁸ revealed that having a budget was significantly correlated with the use of all three types of service once socio-economic and demographic variables were controlled for. Interestingly the use of financial groups was correlated with being worried about having enough money in old age which might suggest a seeking out of these as a means to enable improved fund management or as a means of creating social connections for support. However, having a budget remained significant across all combinations of multiple use, while this worry about old age did not. This suggests that it is not an aptitude for greater financial discipline that leads people to particular services or combinations of services, and hence that it is not obviously different types of people who are using them.

⁷ Descriptive data on characteristics of users of each service and multiple use is available in the Annex 1.

⁸ Available on request.

Overall, given this shape of the financial landscape, the question is how the use of MMT can be understood relative to the use of banks and other informal financial groups and what this reflects in terms of financial practices involved. While MMT has overtaken both banks and groups, the latter appear to retain an important role. The next sections discuss these services in turn starting with MMT, followed by financial groups and finally banks.

4.2 Mobile money transfer

72% of the total sample reported having ever used the MMT service (i.e. more than the proportion registered) and many cited the lower cost, convenience, instantaneous nature, fee payment on withdrawal and extensive agent network, as advantages. 47% had sent funds to family and friends in the last 12 months using MMT and 58% had received funds.

Data on the last transactions made suggests a strong pattern of receipts from family, household and 'other' relatives (67%) with almost half of these from 'other' relatives. The pattern of sending was more strongly towards family and 'other relatives' (53%) than household members (18%). Proportions transacted with friends and for business are similar across both sending (15%) and receiving (14%). These data do support the view that there is a strong pattern of receipt of funds in the rural areas from spouses or children who are "sending money home" but it also suggests strong patterns of transactions with 'other relatives' and an important though smaller role for friends.⁹

The range of reasons for sending or receiving funds given by respondents is as diverse as any need to transfer funds. The reasons certainly embraced remittances from husbands working away from home and from children working in the town or city. But they also included sending to children who had gone away for education or were looking for jobs in Nairobi; money for investments in businesses; or for group contributions either one's own contribution or assistance received from a relative – such as a niece – to make a contribution. They extended to transfers sent or received in relation to particular events such as a pre-wedding; wedding; funeral; Christmas; birth of a child. Further reasons were assistance to others in paying for medical expenses; school fees; or for payments related to work for picking tea, casual or regular labour contracts; rental payments as well as business transactions of many kinds.

The qualitative evidence suggested that the role of close relatives such as siblings, aunts, uncles, nephews, nieces was strong. Obviously the boundary between these as family and 'other' relatives is a porous one depending on how families and households are formed and operating. Transfers received in these contexts could be interpreted as instances of redistributive "sending money home", and it is clear that they involve cases where repayment is not expected. As one young man who received funds from his brother for his brick making business explained, "I can't refund him the money as he has work in Mombasa" (703/1). The themes in the reporting of gifts

⁹ The classification between "family and household members" and "other relatives" was not imposed by the research instrument but depended on how the respondent classified them.

from siblings in particular was that they were assistance for a child for clothes or in case of sickness, or because the recipient was “low on money”.

While the majority of qualitatively reported MMT transactions involved gifts rather than loans, it is certainly clear that MMT was also expediting inter-personal borrowing. Respondents reported cases of borrowing and lending with their relatives (daughter, sibling, and sister-in-law) and friends, while others talked more generally about the potential for borrowing, lending or paying debts using MMT. While only 5% reported having an outstanding loan from someone else at the time of the survey the prevalence of borrowing directly in cash as well as via MMT from friends was much clearer from the qualitative data. Approximately one-third of in-depth interviewees spontaneously talked about how they had borrowed from friends or family. The time frame for returning such borrowing is flexible and no interest is usually paid with repayment likely to be dependent on “paying the people who were hurrying [me] to get the money” (810/2).

Shipton’s analysis shows that exchanges that appear to be open-ended may produce obligations which are discharged in a very different form and hence it is not surprising that justifications for gifts were rarely given, although one young man specifically explained a gift to his sister as a gesture in response to her having accommodated his wife for some time (902/1). The example of a woman who reported that her brother had helped her clear her daughter’s final year school fees balance so that she could get her certificate, is a case in point (907/2). The brother who was a policeman had small children of his own, so that this expenditure could arguably have been put in a child savings account for his own children’s future education. As Shipton (2007) points out, it is likely that this daughter too will feel the need to reciprocate in some way when she is in a position to do so in the future. It appears that friends, family and other relatives are in both borrowing and more open-ended exchange relationships. Indeed, an example of the difficulties of negotiating boundaries was where a woman reported sending her sister-in-law Kshs5000 to buy stock in her second hand clothes business which had not been repaid and which she felt she could not “insist” on receiving back the money because the sister-in-law “is still young and views [me] as an elder sister” (816/2), suggesting the complexity of these exchanges within familial relationships.

The majority of users withdrew funds completely after receiving a transfer (see also Stuart and Cohen 2011). In this sample, some 34% (71) of those registered with a money transfer service reported holding a balance on their phone. The most common reason was safety (39%): by putting money in the phone “you can walk with the money and you don’t have it” (320/2) and hence this was not co-terminous with a place to ‘save’ in the sense of building up balances but was more related to being able to move around with funds (an e-wallet). These reasons are followed by having funds to send to others when needed (36%). If these responses are viewed alongside having funds for unexpected needs (9%) and financial flexibility (10%)¹⁰, this indicates a need for funds to be on hand to deal with the unexpected whether for oneself or others and that keeping funds in the phone is therefore a safe and easy way to do this and was supported

¹⁰ Multiple responses were allowed.

by the qualitative interviews.¹¹ In turn this underlines holding a reserve that was evident in local language terminology for saving discussed above, and hence indeed the ability to give 'help' or 'assistance'. This evidence suggests that keeping money in an MMT account needs careful interpretation, especially where surveys ask about 'saving'. Holding money for convenience, safety or an emergency reserve are valuable features that respondents feel the service offers but this does not necessarily suggest that they see it as a place in which it is useful for "keeping" or "pulling" money together.

4.3 Informal financial groups

51% of the samples were using financial groups and the reasons given clustered around four main themes. First, is the management of liquidity in terms of their ability to get lump sums, which might also be specifically directed towards buying household and farm goods or other investments, and having access to liquidity when it is needed. Lump sums or pulling resources together is achieved by access to loans in ASCAs – a feature that some men in particular underlined. Emphasising that "someone who makes little money like me cannot qualify for a bank loan" (504/1) which requires on-going deposits and withdrawals and by contrast the flexibility of borrowing from a group even pertains to borrowing outside meetings signalling it as an accessible source of liquidity. 47% of ASCA members had a loan outstanding – five times the proportion of those in banks.

The effect of these features was exemplified by one woman who had taken a bank loan for business stock and repaid, and then stopped using her bank account. She had then joined two NGO trained Group Savings and Loan (GSL) groups that operate as ASCAs. She explained that the groups are near, she can get money whenever she wants – so signalling the ease of access to loans - and they also share ideas, and that "In these days if one is not in any group she cannot survive"! ... "instead of staying in the house alone the group helps solve your problems" (620/2). Joining a second group had given her another place to borrow and she explained how she had "rushed" to the group chairlady the previous week to take a loan for the child to return to school and that the loan would be reported to the group meeting the following week.

The second theme is socializing with friends and others, which also links to exchange of ideas, advice and guidance which were also valued. Third is the way groups enable safe saving and support the discipline and commitment of savings: "Groups are good because if I leave the money in the house I will use it on things and never get a lump sum to do something good" (112/2); "The groups help a lot because no one is self-reliant" and "encourage [me] to save" (311/1). However, groups are not without their problems with the main problem being failure to

¹¹ The responses found here for 'saving' for safety and emergencies are of a similar order to those reported by Jack and Suri (2010).¹¹ They found that 81% were holding funds on their phone by their own definition of savings as holding funds for 24 hours. However, 26% reported using it because of safety and 22% for emergency. They report the highest proportion - 41% of users - reporting using it because of 'ease' of saving.

contribute; members pulling out; death of members and non-co-operation. Relatively few cases of poor administration, dishonesty and misuse were reported.¹²

The fourth theme is assistance at times of crisis and this is particularly financial but also operates in the form of social assistance. While the rigidity of ROSCAs is often applauded and seen as a feature that enables discipline and commitment in savings (Gugerty 2007), the way they are in fact used allows for much more flexibility. There are various ways this is achieved. In ROSCAs this flexibility may be offered by the group as a whole “in case of emergency one can be allowed to get a payout even if the person’s turn is still far from there” (114/2) or “negotiate with your friends” (212/2) enabling you to “trade places” (214/2) making it “pretty flexible” (914/1).

Guyer advocates a focus on language in order to gain insight into actual practices (2004). The terminology for groups differs considerably across locations and even within particular language areas, but in general you “contribute” to a group – *iruta* (Kikuyu); *egango* (Gusii) – and this is not considered saving as the funds in the group are not exclusively yours. ROSCA payouts are often considered as “winning” *kūrea gitati* (Kikuyu); *kusinda* (Kikamba) in relation to voting or lotteries over who will take the funds even though one will get it at some point in the cycle. ASCA loans are an *ngumbato* or literally an “embrace” in Kikuyu; and funds in the group are only ‘savings’ once they are withdrawn. Hence, funds contributed to groups do not necessarily engage members with a strong sense of individualistic accumulation or ‘saving’ since they are not clearly one’s own and in ROSCAs must be won or in an ASCA are an ‘embrace’ even if interest is paid.

This evidence points to the strong social dimensions of the way groups operate. They enable the development of social networks which render support in times of need through both the welfare function that many also have and the flexibility and scope for access to resources and liquidity and represent relationships of equality in the exchange of resources. Shipton (2007:116) also points out that these groups are “a way of accumulating capital without seeming selfish to other needy kin or neighbours. Every contribution made is on member’s behalf as well as one’s own”. The circulation of funds develops social relationships that are negotiable and allow claims to be made and heard by others rather than putting resources in places where exclusive control is established, so offering a qualitatively different type of service to those of banks.

4.4 Banks

Of the 36% using a bank, 64% reported putting money in the account at least monthly, and a relatively low proportion of these were automatic monthly payments (10%) reflecting the low proportion of salaried employees in the sample. As a result of shifts to transaction based charging since 2005 in the banking system (see (Stone, et al. 2010)), many saw accounts as now available to “the common man”. Qualitative data gives us greater insight into the nature of their use, with more reporting opening their bank account for receiving payments than making savings. Only 7 of the 31 who had opened an account in the last five years, cited saving as a motivation while almost half (14) cited their reasons as related to the need to be able to receive

¹² Since these questions were asked of groups which respondents were currently in, there is a “survivor” bias in these responses, since groups with serious problems have usually collapsed.

payments either salaries or payments related to business, temporary labour contracts, or for example to clear cheques, many of these being infrequent or temporary uses.

This evidence of a strong payments rather than 'saving' rationale is further illuminated by those who reported that their non-use of bank accounts because "the money I make is very little and there is nothing to be taken to the bank" (704/1); or the lack of a permanent job, low income or that there is nothing remaining after expenses have been dealt with to be taken to the bank. Or: "when I get money, if I do not have anything to do I take the funds to the account" (914/1). Such statements reveal two points. First, that banks are not perceived as a means through which money management for daily purposes can take place, rather that they are a place to put residual funds to be "saved" or once a sufficient lump sum has been accumulated. The aspiration to be able to have such a lump sum is strong but hard to achieve given the demands of daily expenditure. Second, and implied in this, is that the amount to be taken to the bank has to be an amount that is worth saving.

The terminology used for saving in local languages also offers some insights here. The terminology for 'saving' is more akin to terms which translate as "keeping money" - *kuiga mbeba* in Kikuyu, or "pulling together" - *okobekarania* in Gusii, or *kumbani mbesa* in Kikamba. There are also terms for a reserve of money or resources which is something to fall back on in an emergency. In Kikuyu the term is *muthithu* which is used in the case of *utūkū mūru* - literally a bad or evil night - and can be in the form of food, livestock or a piece of land, or a reserve which is in the house or bank. This is not something that is 'saving': it is something someone needs to have and is equivalent to *ekagancha* in Gusii or *kinandu* in Kikamba. 'Keeping' money for a purpose has a connotation of surplus once expenses and the fall back reserve are taken care of. When funds are "kept" or "pulled together and set aside" in these ways they cannot easily be used for something else and there is a restriction on accessing them for other purposes unless in very grave circumstances. Indeed it might be preferred to create a debt rather than use these funds. Funds may be accumulated for the future or even for inheritance by children, the fruits of which are not expected to be seen within a lifetime and this can particularly take the form of purchasing land, plots or shares in land companies. Thus when people say that they are not able to save they mean that they are not able to keep money for such accumulation purposes beyond their everyday needs and the response that people cannot 'save' in the bank refers to this.

The aspiration to get loans has become greater in recent years. Indeed bill boards are constantly advertising personal loans in contrast to a perspective before 2003 that borrowing from banks was like trying to "milk an elephant" (Johnson 2004) - but this is largely targeted at a salaried market where a "check off" at source system means repayment is relatively secure and in which there is acute competition between banks. Bank managers indicated that access to a "facility" was important to people and the majority of enquiries about account opening related to the potential to get loans: "people expect to get financial support from the bank...this is their main reason for banking" (Manager, Kitui) and "people want to bank where they can get a facility(it) has to be a win-win situation - you have their deposit...if I have some eventualities can you

help me out? ...can you trust me with your 100,000? How can you be able to lift me from where I am and I move a step higher?" (Manager, Karatina). But access for the non-salaried is hard and can turn to disillusion when requirements cannot be met or amounts qualified for are small. Among our survey sample 9% of bank account holders had outstanding loans, a figure that is lower than the 16% of those with accounts in the FinAccess 2009 sample. In our in-depth sample seven had taken bank loans and four were on-going cases, with the main experience reported being the difficulties of managing them. This evidence regarding loans signals a mismatch between the expectations people have of banks and what they are in fact able to offer.

5 Explaining financial practices: Social relations and negotiability

This evidence exposes the dimensions of social relations underlying the financial practices which produce headline levels of financial service use, and I now consider these through the lens of Graeber's threefold social relations of basic sociability, exchange and hierarchy and Berry's insight into the concept of negotiability.

The evidence for the use of MMT demonstrates that its use is more varied in terms of relationships and reasons for sending money than a simple logic of remitting funds to family and household or even extended family in rural areas. It appears instead to seamlessly facilitate a wide array of inter-personal transactions that are part of people's financial lives and does this over distance in the context of a mobile population. This opens rather than closes the question of what the underlying logic of these transactions is. From Graeber's perspective it is important not to over-interpret all of these as exchange relationships when some of the 'gifts' or 'assistance' may represent aspects of basic sociability – transfers that 'would' be returned if the need arose – donations in support of funerals, sickness, fundraising events of various kinds (e.g. *harambees*) as well as occasional support at times of need may fall into this category.¹³ The boundaries between such basic sociability and exchange in which these transfers - appearing to go one way – in fact produce a reciprocal flow of support or assistance are therefore hard to identify. Some are entrustments which produce future obligations of resources as Shipton identifies for the Luo and some are clearly and straightforwardly inter-personal borrowing – but both appear to have at their core relations of equality.

Informal financial groups offer proximate liquidity which can be accessed either directly through the mechanism itself as a loan or re-timed payout, or indirectly through the social connections that people gain through them. This is not to suggest that elements of power dynamics are not at play in these groups (see for example Bouman 1995; Johnson and Sharma 2007). Even if people do not always repay in the time frame set, 'delays' are not the same as default and continue rather than end relationships. Their logic is to circulate funds in ways that benefit members and they also go beyond to have elements of additional support through welfare funds which respond to need. The language is of contributions and the social connections allow for

¹³ The reciprocity approach has been extended to social insurance and the idea of "conditional reciprocity" (Platteau 1997) but while membership of groups where insurance does take place, there are levels of assistance that are not so clearly codified in this way.

“negotiability” in access to resources seeming to operate in a strong framework of equality (see also Johnson 2004).

The social relations of resource access and use for these two services stand in stark contrast to the relational dynamics of banks. In this case the entrustment of deposits to them results in, at best, the obligation that the amount is returned less a withdrawal fee. Interest is effectively irrelevant on balances of the level held due to higher inflation rates. But the difficulty of gaining loans through them means that the evidence confronting poor people is that a relationship with a bank is not a dynamic system of exchange in which funds are lent in both directions. The bank does not therefore represent a social relationship of equality and a means through which social connections are developed in ways that offer access to resources.

Further, the politics of the banking system has in the past been identified with the wealthy political elite leading to instability and failure (Brownbridge 1998; Ogachi 1999). Regulatory and supervisory improvements have now produced stability (Beck, et al. 2010; Upadhyaya 2011) but a system that is still oligopolistic in its structure with the majority of assets concentrated in a small number of government-owned or influenced, and foreign-owned banks. Banks as a result continue to be popularly understood as affected by political influences in the context of Kenya's on-going political dynamics.

Equity Bank has been instrumental in changing the perspective of the banking system on the scale and scope of the low income market, has changed the charging structure (see above) and had a focus on lending which has helped lead to its popularity and increased client base. This in turn must be understood in the context of its origins in Central Kenya under Kikuyu-ownership during the period of Kikuyu opposition to the Moi government prior to 2002 when resources flowing to this area were reduced, in particular, from Government-owned banks. Equity's Kikuyu identification has developed since 2002 with Kibaki's government although it has also sought to address this through its staffing, board directors and branch expansion.¹⁴ But despite its focus on the low income market, it has nevertheless not yet delivered a proposition that completes on the lending side of the exchange dynamic for the majority of poorer people. Critically, then the possibility that lending a few hundred shillings to a bank yields an exchange or reciprocal obligation is entirely absent and also leaves no scope for negotiability to operate. By contrast, the history of banking in Kenya suggests that banks do operate this way for particular rich and politically connected elites.

From this perspective therefore, financial groups and MMT operate within social relations of equality. For low income people banks behave in a manner that is more hierarchical in nature, or, as a respondent in an earlier piece of research put the emphasis on their power in the

¹⁴ Indeed, the recognition of the alignment of Equity Bank with the Kikuyu led Kibaki Government is noted in (Morawczynski and Miscione 2008) and in the wake of the post-election violence of 2008 Equity's opening of a branch in the home district of the opposition leader Raila Odinga was particularly symbolic in seeking to heal the political divide (see http://kenyapolitical.blogspot.co.uk/2008_05_01_archive.html accessed 21/03/12).

relationships: “mountains move!” [Johnson 2004]. Thus, scope for negotiability is different and the boundaries between equality and hierarchy in debt relations in the contemporary Kenyan context are brought into view. The use of banks for payments underlines the point. The trust required to utilise a payments system is much shorter in terms of time horizons than that required in institutions for longer term saving or accumulation – it is more akin to the situation of barter in which enduring ties are not established (Peebles 2010). Indeed, MMT is being used in a largely similar way and raises the question as to whether MMT does in fact have the potential to become a recipient rather than simply a conduit for funds.

6 Conclusion

Within the context of literature that calls for new understanding and analysis of money, debt and financial practices, and a policy emphasis on financial inclusion, this paper has examined the financial transactions of low-income people in Kenya in their use of MMT and compared them with financial groups and banks focussing on the social relations involved. Graeber’s perspective is on the contrast between equality and hierarchy in these relationships and problematic definition of debt as part of an exchange relationship which operates in the “shadow of equality” when hierarchical relationships ultimately backed by power and violence are in fact at work. Berry’s perspective on African “negotiability” and its origins in institutions, whose bases are open to the shifting sands of social relations and meaning, highlights both the logic of developing social connections in order to secure access to resources but also the ever present need to identify their limits.

Together these offer insight into the financial practices underlying the use of these three services and shows how they operate on different social relational dynamics. MMT has allowed relationships of exchange between equals to occur much more cheaply and efficiently, even extending the potential for social connections and negotiability to be developed. This allows new routes to resource access to be developed and sustained, especially over greater distances through the cultivation of relationships with extended family and friends as well as more immediate family. While this expands the opportunities for access to resource transfers in the face of idiosyncratic shocks, the dynamics of these relationships are more open-ended and varied and cannot therefore so easily be reckoned in terms of insurance. This therefore offers a dimension of analysis far beyond the simple remittances story. Financial groups engage in a similar dynamic although are a more structured basis of equality and provide routes to negotiability in resource access.

Banks by contrast give little evidence to poor people that these relationships are equal – debt extended to banks in the form of deposits by poorer people are not returned in equivalent value, and nor does this debt flow in both directions. Indeed, the preference of banks for salary-based lending in which they can directly control the means of repayment further confirms their risk aversion and failure to engage in direct building of relationships with borrowers who do have control over their means of repayment. Hence they do not enter into the landscape of social relations with negotiable dimensions but present a boundary which the history of banking

and its relationship to political elites suggests is better understood as having elements of hierarchy. This further explains their heavy use for payments rather than savings. This analysis also underlines the importance of these social dynamics as investments in themselves which also engender economic resource mobilisation in contrast to the view that they are necessarily sub-optimal and a drain on resources.

This analysis suggests that policy efforts towards financial inclusion which seek to lower transactions costs and which seek to 'nudge' people towards 'savings' services operate on an etic vision which is at odds with the emic vision revealed here and will therefore encounter this 'rift' in social relations. While mobile money transfers may create the infrastructure for payments services through reduced transactions costs, this research suggests that neglecting an understanding of the social relations within which they actually operate is likely to render the ambitions of financial inclusion policy a more challenging goal.

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Annex 1: Access profile by service and socio-economic characteristics

%	N		Bank	Financial group	Money transfer	Bank and MMT	Bank and fin group	Bank and fin grp and MMT	Fin group and MMT
	N=337	%	120	171	205				
Overall			35.6	50.7	60.8	29.7	19.3	16.9	31.5
Sex									
Male	148	43.9	43.9	33.1	72.3	37.2	17.6	16.9	29.1
Female	189	56.1	29.1	64.6	51.9	23.8	20.6	16.9	33.3
Age (mean)	42.0		39.8	39.0	40.8	40.3	39.1	39.1	40.4
Education									
None	34	10.1	5.9	35.3	17.6	0	5.9	0	8.8
Primary	177	52.5	20.3	50.8	53.7	13.6	10.2	7.9	27.7
2y	86	25.5	61.6	55.8	77.9	55.8	33.7	31.4	40.7
2y+	39	11.6	71.8	51.3	92.3	69.2	38.5	38.5	46.2
Poverty									
<\$1.25 p.d	72	21.4	8.3	38.9	37.5	5.6	2.8	2.8	18.1
\$1.25-2.50	130	38.6	29.2	56.2	55.4	21.5	17.7	13.1	29.2
>\$2.50 p.d	131	38.9	56.5	51.9	79.4	51.1	29.0	28.2	41.2
Main income source:									
Pensions/transfers	36	10.7	16.7	50.0	38.9	13.9	5.6	5.6	10.7
Own agriculture, fishing, livestock	118	35.0	34.7	53.4	55.9	23.7	19.5	14.4	35.1
Employed on farms, domestic chores and casual labour	71	21.1	12.7	47.9	42.3	9.9	7	5.6	21.1
Employed in government	12	3.6	83.3	41.7	91.7	75	25	25	3.6
Employed in private sector	23	6.8	56.5	56.5	91.3	52.2	39.1	39.1	6.8
Own business	66	19.6	53.0	50.0	83.3	50	28.8	27.3	19.6
Other	10	3.0	50.0	40.0	70.0	50	30	30	3.0

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