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Digital Finance Inclusion and the Mobile Money "Social" Enterprise: A Socio-Legal Critique of M-Pesa in Kenya

Serena Natile *

Abstract: *»Digitale Finanzintegration und das ‚soziale' Unternehmen mit mobilem Geld: Eine sozio-juristische Kritik an M-Pesa in Kenia«*. Financial technology or fintech initiatives are gaining increasing global attention as instruments for financial inclusion and economic and social development. Among such initiatives, mobile-phone-enabled money transfer systems, or "mobile money," have been particularly acclaimed for facilitating access to financial services and creating opportunities for the so-called "unbanked poor." One of the first and most-discussed mobile money projects to date is M-Pesa in Kenya, a digital payment system which is now used by over 70 per cent of the Kenyan population across a variety of sectors including finance, commerce, education, health, and social welfare. M-Pesa is premised on a narrative of social entrepreneurship and has increasingly embraced the idea of philanthrocapitalism, promoting the logic that digital financial inclusion can simultaneously address social problems and produce profit. This paper brings together socio-legal enquiry and international political economy analysis to illustrate the institutional arrangements underpinning the development of M-Pesa and examine some of the projects built on its infrastructure. It argues that social entrepreneurship promotes a logic of opportunity rather than a politics of redistribution, favouring mobile money providers and the institutions involved in the mobile money social business over improving the lives of the intended beneficiaries, namely the unbanked poor.

Keywords: Fintech, mobile money, philanthrocapitalism, development, socio-legal studies, Africa, Kenya, social entrepreneurship, digital financial inclusion.

1. Introduction

In March 2007 Kenya launched one of the first and so far most acclaimed mobile-phone-enabled money transfer systems, M-Pesa (from M for mobile, and *pesa,* the Swahili word for money). The idea of mobile money originated from people's practice of transferring prepaid airtime following the rapid spread of mobile phones in African countries, and the M-Pesa platform was realised via a

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public-private partnership between the UK Department for International Development (DFID) and the UK-based telecommunications company Vodafone and its local partner Safaricom. M-Pesa has grown at a phenomenal rate, rapidly reaching over 70 per cent of the Kenyan population. According to a series of surveys coordinated by Financial Sector Deepening Kenya (FSD 2007, 2009, 2013, 2016, 2019), the number of people in the country with access to formal financial services including mobile money increased from about 20 per cent in 2006 to 80 per cent in 2019. M-Pesa has captured global attention as a successful digital financial inclusion project that can contribute to economic growth and to the achievement of the Sustainable Development Goals (SDGs), which replaced the Millennium Development Goals (MDGs) in 2015.[1]

The link between financial inclusion and development is premised on the assumption that people, particularly the poor and the marginalised who do not have access to formal financial services such as credit, savings, insurance, and money transfers, are in need of such services to cope with their everyday needs and, possibly, improve their livelihoods, particularly in countries with limited infrastructure and resources. Financial technology (fintech) projects such as mobile money have been increasingly acclaimed as convenient, secure, and efficient ways of providing access to formal financial services for those excluded from mainstream banking (see for example Mas and Morawczynski 2009; Mas and Radcliff 2010; Jack and Suri 2011, 2014; Suri and Jack 2016). This idea has been supported by international organisations, financial institutions, governments, non-governmental organisations (NGOs), and philanthropic foundations, which use the term "unbanked poor," implying a nexus between financial exclusion and the perpetuation of poverty. Access to financial services is not considered more important than access to basic resources such as food, water, healthcare, and education, but it is seen as useful or even necessary to achieve these social goals.

This paper contributes to the growing critical debate on digital financial inclusion (see Gabor and Brooks 2017; Bateman, Duvendack, and Loubere 2019) that questions M-Pesa's social entrepreneurship narrative, namely the logic that business models can simultaneously address social problems while making profits. It brings together socio-legal enquiry and international political economy analysis, and draws on insights from law and development, critical development studies, and fieldwork conducted in Nairobi, Kenya. This methodological approach aims to capture the "interconnectedness" (Perry-Kessaris 2015) that

[1] The Sustainable Development Goals replaced the Millennium Development Goals as a set of development objectives supported by specific targets and indicators, to be achieved through global cooperation. The MDGs were adopted in 2000 with the aim of reaching them by 2015. Although the MDGs Report of 2015 describes them as "the most successful anti-poverty movement in history," the goals have not been attained. The post-2015 development agenda builds upon the MDGs and led to the adoption of the SDGs in 2015, with the aim of achieving these by 2030. See General Assembly, *Transforming Our World: the 2030 Agenda for Sustainable Development*, A/RES/70/1, 21 October 2015.

characterises the intersections between the global and local social, economic, and legal aspects of the M-Pesa system. The fieldwork served as a foundation from which to understand the context and functioning of M-Pesa and to identify the key aspects of its digital, physical, and legal infrastructure. It involved participant observations, focus groups of low-income M-Pesa users, and interviews with financial institutions, mobile network operators (MNOs), and regulators.[2] The socio-legal enquiry examines the structure, purpose, and implications of the institutional and regulatory arrangements of M-Pesa, making a distinction between its inclusionary techniques and its potential to improve the condition of the unbanked poor. This analysis cannot be detached from a consideration of the broader political economic context of M-Pesa, shaped by colonialism and development interventions, which created both the need and the necessary conditions for M-Pesa.

This paper argues that M-Pesa is premised on a narrative of social entrepreneurship and based on a logic of entrepreneurial opportunity rather than a politics of redistribution. The M-Pesa platform has been used to provide the unbanked poor with a variety of opportunities to access financial services and potentially improve their livelihoods. This logic of opportunity is supported by the decontextualized idea that people living in poverty should be the architects of their own development, while at the same time targeting them as consumers for private profit. The opportunities that M-Pesa offers in fact correspond to a secure source of profit for the mobile money providers, profit which is not redistributed to provide the unbanked poor with the necessary resources to enable them to really take advantage of financial services. In other words, M-Pesa treats digital financial inclusion as an instrument for development and private profit without contributing to addressing the causes of financial exclusion, such as lack of resources and an irregular income.

To develop this argument the first section examines the relationship between financial inclusion and social entrepreneurship, and locates the development of M-Pesa within the increasingly influential narrative of philanthrocapitalism, a type of philanthropy that emulates for-profit entrepreneurship in the capitalist world. The second section analyses the institutional arrangements that have contributed to the rapid development of M-Pesa. It illustrates how the M-Pesa infrastructure allows the making of private profits through fees and how its lenient regulatory framework has permitted the proliferation of mobile money providers and services. The third section looks more specifically at three mobile-money-

[2] The fieldwork was conducted in 2012 and 2013 and followed up in 2015. It involved six focus groups, each with five to seven informants, in Kawangware, Ngando, and Mathare areas, and a final discussion with one or two informants from each group on the most relevant issues to emerge from the fieldwork; observation and semi-structured interviews with 28 M-Pesa agents, 14 in Kawangware district and 14 in Ngando district; and 27 semi-structured interviews with relevant institutions including financial institutions, MNOs and mobile-money-related institutions, governmental and non-governmental organisations, regulatory institutions, and research centres.

enabled products and services: M-KOPA, Grundfos-Lifelink, and HELP, and the philanthrocapitalist logic underpinning these. It explains how these projects contribute to the individualisation and financialisation of social problems, creating profits for the providers and institutions involved in the "social business" of mobile money.

2. Financial Inclusion and the Narratives of Mobile Money: From Social Entrepreneurship to Philanthrocapitalism

The international development project has increasingly moved from considering the poor as beneficiaries of aid and development interventions to viewing them as actors, consumers, and entrepreneurs who are responsible for their own livelihood (Rankin 2002; Elyachar 2012). This idea has found its conceptual premises in Sen's capability approach (Sen 2006) and has been supported by the UN and other development actors. As embraced by international development institutions, this approach does not consider the role of colonialism in contributing to unequal structural conditions and ultimately to poverty, and instead focuses on providing people living in poverty with opportunities to be architects of their own development. Financial inclusion has played a key role in this shift, promoted as one of these opportunities. This section provides an overview of the role of financial inclusion in the international development project, examines its link to the evolving narrative of philanthrocapitalism in development discourse, and locates the rise of mobile money within this narrative.

2.1 Financial Inclusion: From Microcredit to Universal Financial Inclusion

The neoliberal development agenda adopted by International Monetary Fund (IMF) and World Bank that introduced the SAPs in 1980s and 1990s substituted donor-funded and state-led poverty lending programmes with microcredit (Rankin 2014, 553), holding borrowers fully accountable for repaying their loans.[3] Microcredit, modelled around Yunus's experiment in Bangladesh (Yunus 1999), involves the extension of small collateral-free loans to jointly-liable groups of poor women (Rahman 1999), to be used for income generating activities in the form of micro-entrepreneurship. Various studies showed that SAP's focus on marketisation, cuts to public expenditure and the privatisation of social services

[3] SAPs were a package of loans to developing countries conditional on the adoption of neoliberal policies imposed on them by the World Bank and the International Monetary Fund in the 1980s and 1990s. These policies included measures to stabilise, liberalise, and globalise economies by lowering barriers to foreign capital, controlling inflation by reducing government spending, and privatising public services and state-owned industries.

increased the need for microcredit not only for micro-entrepreneurship, but also to access food and basic resources, creating inequality and possible circuits of debt for poorer households (Mayoux 2001; Taylor 2012).

Following the criticism of SAP and the focus on social goals such as poverty reduction highlighted in the UN Millennium Development Goals (MDGs; Rittich 2006), microcredit was promoted as an instrument to allow poor people to realise their own economic and social development (Yunus 2008). The term "microcredit" has gradually been replaced by "microfinance," referring to a broad range of financial products beyond credit for microenterprises and including savings, insurance, and payment services (Armendariz and Morduch 2010). Although the two terms are often used interchangeably, with the change in language came a change in orientation from the consideration of microcredit schemes as mere development initiatives to more commercially-oriented, self-sustaining and regulated microfinance institutions that function according to financial markets (Robinson 2001, 22; Johnson and Arnold 2012). Importantly, however, while microcredit and microfinance schemes have been promoted as more effective and sustainable ways of achieving development than state-subsidised credit, they remain largely dependent on external funding provided by donors and the private sector. For this reason the public sector has increasingly partnered with the private sector to offer microfinance and, more recently, other financial inclusion programmes.

The shift towards universal financial inclusion in the years following the 2007-2008 financial crisis (Soederberg 2013, 2014) has seen the increasing involvement of the private sector in defining and providing new forms of financial service delivery. The global financial inclusion agenda has been embraced by globally influential institutions such as G20, IMF, World Bank, World Economic Forum, UN Capital Development Fund (UNCDF), the Gates Foundation as well as emerging institutions in the field such as Financial Sector Deepening (FSD) Kenya; the Groupe Speciale Mobile Association (GSMA) representing mobile network operators (MNO); and the Alliance for Financial Inclusion (AFI) representing regulators in the Global South. They support the idea of financial innovation capable of reaching the financially excluded via routes such as branchless banking, mobile and payment services provided by retail outlets in grocery stores, pharmacies, kiosks, and petrol stations, among others.[4] M-Pesa and mobile money more generally have become an example of digital financial innovation contributing to social goals while producing profits that would make the project sustainable.

[4] See for instance G20 Innovative Financial Inclusion Expert Group, Innovative Financial Inclusion: Principles and Report on Innovative Financial Inclusion, 2010 <https://www.gpfi.org/publications/principles-and-report-innovative-financial-inclusion> (Accessed 2 May 2019).

2.2 Business and Development: From Social Entrepreneurship to Philanthrocapitalism

Combining profit with social interests is the core aspect of the narrative of social entrepreneurship. The term originated in the US and was popularised in the 1980s by Bill Drayton, the founder of the American non-profit organisation Ashoka when he funded "Changemakers," a group of individuals working for social gain (McGoey 2015, 65). The concept was later embraced by Klaus Schwab, the founder of the World Economic Forum (WEF), who in 1998 set up the Schwab Foundation for Social Entrepreneurship, and since then it has been increasingly used to denote socially-motivated business initiatives in the Global North as well as development projects in the Global South. The aim of social entrepreneurship is to achieve social objectives, usually more vaguely defined as "missions," by adopting a novel, effective, and efficient business logic and method (Nichollson 2006, 2-3). This can consist, for instance, of new partnerships across the public, private, and social sectors, the creation of new ventures to deliver goods and services not yet supplied by existing markets, or new modes of finance, perhaps combined with aid or philanthropy (Elkington and Hartigan 2008, 3; Richey and Ponte 2011).

The idea of social entrepreneurship in development has been driven, on the one hand, by the process of privatisation started with SAPs and, on the other, by the increasing focus on social objectives such as poverty reduction following the adoption of the MDGs. The framework provided by the MDGs and replaced by the SDGs has emphasised the importance of new business models, partnerships, and financial instruments in development with a key role for the private sector, namely any organisation engaging in commerce and trade from start-ups to multinational corporations (Blowfield and Dolan 2014, 23). The idea of inclusive business as a development strategy was introduced by the UNDP in 2004 with the report *Unleashing Entrepreneurship: Making Business Work for the Poor* and reiterated in 2006 with *Growing Inclusive Market Initiative: Business Works for Development and Development Works for Business*, and was later embraced by the World Bank through the International Financial Corporation and by private-sector-centred institutions such as the WEF.

The private sector's involvement in development is generally associated with the potential for creating jobs, introducing innovation and efficiency, and attracting funds in the form of investment and donations. This often means that problems related to poverty are reframed as business opportunities, requiring partnership with "development experts," aid agencies, or philanthropic foundations, but also with local entrepreneurs and NGOs to better understand the habits and behaviours of beneficiaries/consumers (Blowfield and Dolan 2014, 32). This approach considers the poor as creative entrepreneurs and legitimises the idea that people living in poverty constitute a potential market that is not served or is under-served by the private sector, echoing Prahalad's so-called bottom-of-the-

pyramid (BoP) approach (Prahalad 2004). The role of business and "collaborative partnerships" in development has been supported by international figures from Muhammad Yunus to Bill Gates and has been fully embraced by the UN's 2030 agenda for Sustainable Development (Adams and Pingeot 2013). Finance is a key aspect of the increasing involvement of the private sector in development both in terms of creating new ways of "financing for development" and providing poor and low-income people with development opportunities via access to financial services.

Yunus, who in 2006 won the Nobel Peace Prize for founding the Grameen Bank and pioneering the idea of microcredit, adopts the concept of social business in relation to microcredit programmes (Yunus 2008; Yunus and Weber 2010). He assumes a link between microcredit and poverty reduction, and considers the business model as necessary to generate enough income to cover the cost of lending money to the poor. In other words, he proposes a market-based solution to poverty while giving a fundamental role to philanthropy. The link between philanthropy and business has also been theorised by the Harvard business scholar Porter and the corporate lawyer Kramer, who coined the concept "shared value," namely to pursue a philanthropic strategy that align with a corporation's commercial interests (Porter and Kramer 1999, 2006, 2011). Differently from Yunus's approach, creating value means creating profit for the business owners, and in so doing, contributing to social objectives: creating jobs, providing goods and services, and helping to fund social projects. According to this model, financial access for the poor should not be seen as a mere social obligation but as a "win-win logic" (Porter and Kramer 2011).

The idea of combining business interests with philanthropy also defines Bill Gates' concept of "creative capitalism," which focuses on how consumer-based technology can facilitate innovation and how philanthropic foundations can offer incentives to companies to create and deliver new products and services for the poor (Gates and Kiviat 2008; Kinsley 2008). More recently, this idea has found expression in the narrative of "philanthrocapitalism," a method of philanthropy that emulates for-profit business in the capitalist world (Bishop and Green 2008). Philanthrocapitalists are predominantly entrepreneurs such as Bill Gates, Mark Zuckerberg, Jeffrey Skoll, Marcus Goldman, and Samuel Sachs, who have made fortunes in the tech or financial industries and are "driven by the aim to bring innovative financing models and new performance metrics to philanthropy, making it more efficient and lucrative" (McGoey 2011).

Among philanthrocapitalist foundations, the Bill and Melinda Gates Foundation stands out for its wealth and public support from governments, international organisations, corporations, and celebrities. The majority of the fortune that Gates has accumulated via his business at Microsoft supports the philanthropic projects of the Gates Foundation. Financial inclusion is one of the current priorities of the Foundation, it has partnered with a variety of institutions to launch the Financial Services for the Poor initiative in 2006, and following the success

of M-Pesa in Kenya has invested in mobile money projects. For instance, in 2010 the Foundation offered a non-repayable grant of $4.8 million, followed by $2.9 million the following year, to Vodacom, a Vodafone subsidiary in Tanzania, to enable the company to start its own M-Pesa project.[5] The Foundation has also been indirectly involved in shaping the global agenda on financial inclusion by funding the institutions that are leading the debate on the regulation of digital financial inclusion such as AFI and the mobile money programme at GSMA. The narrative of philanthrocapitalism demonstrates how philanthropic foundations contribute to mobile money projects with the aim to create entrepreneurial opportunities for poor and low-income people to improve their livelihood and for MNO to make profits. The focus on entrepreneurial opportunities is preferred over the provisioning of social welfare and public access to resources as another way of improving livelihoods.

3. The Institutional and Regulatory Arrangements of M-Pesa

The idea of M-Pesa originated from the informal practice of transferring prepaid airtime and its institutionalisation into a money transfer service has been realised via a public-private partnership between DFID and Vodafone, and involved Vodafone's local partner Safaricom and other local and international institutions. This section will examine the institutional and regulatory arrangements that have contributed to the development of M-Pesa as a social entrepreneurship project for financial inclusion, looking at the "interconnectedness" of the social, economic, and legal elements of its infrastructure.

3.1 The M-Pesa Public-Private Partnership

According to Nick Hughes (Hughes and Lonie 2007, 66), the former head of Social Enterprise at Vodafone, the public-private partnership to realise M-Pesa originated at the World Summit on Sustainable Development in 2002, when he had the opportunity to discuss with DFID representatives the idea of developing a mobile-phone-enabled money transfer system to tackle financial exclusion. In Hughes's view, private organisations like Vodafone are legally bound to use their shareholders' capital to achieve immediate returns, and for this reason they do not usually commit themselves to long-term development projects whose gains are not assured. He pointed out how public-private partnerships could circumvent this issue and allow long-term development projects combining profit with social objectives (Hughes and Lonie 2007, 66).

[5] See <http://www.gatesfoundation.org/Media-Center/Press-Releases/2010/11/Vodacom-gets-US-48-Million-to-Expand-MPesa-Service> (Accessed 18 May 2019).

DFID, the UK government sector that manages aid and funds research and projects for international development, had established in the late 1990s the Financial Deepening Challenge Fund (FDCF) as part of its commitment to contribute to the realisation of the MDGs. The FDCF supported the belief that the MDGs could not be achieved without significant private-sector participation in activities contributing to poverty reduction, including financial inclusion.[6] Inherent in this belief was the expectation that the private sector is generally likely to commit to development projects with a strong commercial incentive. The FDCF was an attempt to find new partnership-based mechanisms that would enable this type of commitment, and was conceived to encourage commercial financial institutions to engage in risk-sharing partnerships with DFID.[7] Its main purpose was to develop commercially-viable financial services that would benefit the poor, and in particular the "economically active poor."

DFID also initiated another project to support the development of financial markets more specifically in the African context with the creation of the Financial Sector Deepening Trusts (FSD). The FSD was designed to work directly with private-sector institutions as well as with governments and donors to address constraints to financial inclusion. The first and most relevant FSD was established in Kenya in 2005 and attracted funding from the World Bank, French Development Agency, the Swedish International Development Agency, and the Bill and Melinda Gates Foundation for its key role in coordinating research and projects on financial development in Sub-Saharan Africa.

Besides these projects specifically focusing on finance, from 2001 DFID also funded a series of studies in Africa investigating the relationship between new information technologies and poverty reduction, which revealed the potential for using the mobile phone network infrastructure to facilitate financial transactions (McKemey et al. 2003). These studies documented the practice that inspired M-Pesa: transferring prepaid airtime and using it as a virtual currency (Batchelor 2005). This practice consists of users buying a prepaid scratch card and texting the code to someone to whom they need to transfer money, who then enters the code to use the airtime or can choose to sell the code on to another person or to a merchant in exchange for cash or some other commodity or service (Ray 2007; Maurer 2012, 589604).

Vodafone and DFID decided to collaborate to develop a mobile phone-enabled financial service: Vodafone was awarded a FDCF of one million GBP, which matched with an equal combination of cash and staff time. The project aimed to fill a niche in the market by serving those with no access to formal financial services, the so-called "unbanked poor," and in this way to also contribute to the MDGs via financial inclusion (Hughes and Lonie 2007). One of

[6] DFID (Financial Sector Team, Policy Division), "Financial Deepening Challenge Fund: Strategic Project Review," December 2005.

[7] DFID, "Discussion Document FDCF: Assessing its Achievements and Possible Future Directions," March 2004.

FDCF target zones was East Africa, and Kenya seemed a likely option as both DFID and Vodafone already had a relevant presence in the country. DFID had institutional links because of the UK colonial history and Vodafone's local partner, Safaricom (owned by Vodafone for 40 per cent), had 75 per cent share of the mobile phone market at the time and a strong brand presence (Owiro and Tanui 2011). Also local institutions, particularly the Central Bank of Kenya (CBK), expressed a willingness to collaborate on a project aimed at financial inclusion. The funding was followed by field research to develop the M-Pesa digital, physical, and legal infrastructure.

Vodafone commissioned the development of the M-Pesa software to Scientific Generics (now Sagentia), a consultancy firm based in the UK. Many of the available financial service platforms had been designed for integration with Western banking infrastructures and could only add new channels via which customers could access their bank accounts. However, M-Pesa was intended not as a banking service but as a mobile network operator (MNO)-based service outside the banking infrastructure, so its functionality needed to be integrated with MNO products and services (Wooder and Baker 2012). The software was developed around the well-known and widely-available SMS technology to allow the system to be used on basic, black-and-white mobile phones. M-Pesa was situated on the SIM card and linked to the mobile number, and the system was designed in both English and Swahili to be used by people living in the rural areas.

Vodafone and DFID initially intended M-Pesa as a system to facilitate microfinance transactions, but following a pilot to test its functionality it became clear that most customers were more interested in a low-cost payment service. M-Pesa had to facilitate the transfer of money by allowing the conversion of cash into electronic money (e-money); the transfer of e-money to other users, whether people or institutions, for which the payer would pay a fee proportionate to the amount transferred; and the conversion of e-money back into cash, for which the payee would pay a fee. To do this, Vodafone and DFID relied on Safaricom's well-established network of airtime dealer outlets, using them as mobile money agents where consumers could go to open an M-Pesa account and convert cash into e-money and vice versa.

3.2 The Mobile Money Regulatory Arrangements

When M-Pesa was being developed in 2005-2006, there was no regulation on mobile money and DFID, Vodafone, and Safaricom, in consultation with CBK, had to make key regulatory decisions. They decided to keep the M-Pesa money in a trust account at the Commercial Bank of Africa, managed by the non-profit M-Pesa Holding Company.[8] As M-Pesa is a money transfer system and not a

[8] Declaration of Trust, M-Pesa Holding Co Limited, 23 February 2007. As the size of the M-Pesa Trust account grew, the trustee in consultation with CBK decided to spread the funds across several banks to reduce the risk of single custodial bank or corruption.

banking service, customers remain in control of their electronic money at all times. There is no financial intermediation in banking terms between the M-Pesa customers and the mobile money agents. The agents do not perform bank credit assessments as deposit-taking banking institutions do, but just exchange cash for electronic money and vice-versa. M-Pesa is not regulated as a "banking business," which according to the Banking Act involves not only accepting money from the public but also "the employing of money held on deposit on current accounts, or any part of the money, by lending, investment or in any manner for the account and at the risk of the person so employing the money."[9] This also means that M-Pesa customers are not paid interest on the money kept in the M-Pesa account. The interest on customers' deposits is paid to the M-Pesa Holding Company and managed by the M-Pesa Foundation, created in 2010 for this purpose as an independent charitable trust.[10] The interest earned on these accounts are part of Safaricom philanthropic activities, which also means that no taxes are paid on them. There is a lack of clarity about who controls or can profit from the funds when they are sitting in the trust account (Malala 2018, 150).

M-Pesa is a fee-based service. The fee itself has an important regulatory role defining access to the service and also represents a secure source of income for the MNO. The fee for each transaction is taken directly from the customer's account as a fixed amount rather than a percentage of the transaction, making each transaction profitable for the MNO on a stand-alone basis. There is no charge for signing up to the service or for converting cash into e-money (i.e., cashing in, depositing money), and the charge for transferring e-money and reconverting it into cash (i.e., cashing out, withdrawing money) depends on the amount and whether the recipient is registered with M-Pesa.[11]

After the launch of M-Pesa in 2007, CBK opted for a "test and learn" approach to the regulation of mobile money services.[12] This means that while various audits were conducted to make sure that M-Pesa complied with international rules such as anti-money laundering (AML) and counter-terrorist financing (CTF), CBK supervised the service in partnership with the MNO, maintaining

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9 Laws of Kenya, Banking Act 1989 (as amended to 15 September 2015), Nairobi: Central Bank of Kenya. Part I section 2(C).

10 M-Pesa Holding Co Limited Declaration of Trust <https://www.safaricom.co.ke/images/Downloads/Personal/M-PESA/deed_of_amendment_to_declaration_of_trust_-_mpesa_account_holders.pdf> (accessed 3 May 2019).

11 Fees for money transfers currently range from 11 KES to send 101–500 KES; 77 KES to send 5,001–7,500 KES; and 105 to send 20,001–70,000 KES, which is the maximum amount that can be transferred. With the latest changes to the fees structure there is no fee to transfer 1-100 KES, but it costs 10 KES to withdraw 50–100 KES, with a minimum withdrawal of 50 KES. 1 KES = 0,0099 USD. The full list of M-Pesa charges is available here <https://www.safaricom.co.ke/personal/m-pesa/getting-started/m-pesa-rates> (Accessed 2 May 2019).

12 This term was used by Njuguna Ngundu, governor of the Central Bank of Kenya from 2007 to 2015. See B. Muthiora, Enabling Mobile Money Policies in Kenya: Fostering a Digital Financial Revolution, London: GSMA, January 2015.

an openness to new financial services and providers.[13] The CBK allowed Safaricom to operate under a special Communications Commission of Kenya licence without the need for a banking licence, and the Communications Act 1998 was amended in 2009 to recognise electronic transactions.[14] This demonstrates how M-Pesa was created at the intersection between telecommunications and finance, requiring the CBK and the Communications Authority of Kenya to collaborate on its regulation.

After conducting various legal and risk assessments and authorising two external audits, the CBK issued Safaricom with a Letter of No Objection (Muthiora 2015, 11). The letter represented M-Pesa's regulatory framework from its launch in 2007 to 2014, when the National Payment System (NPS) Regulations were adopted by the National Treasury.[15] The "test and learn" approach facilitated the rapid expansion of the service. The NPS Regulations codified the regulatory practices adopted by the CBK since the launch of M-Pesa and aimed to ensure the system's integrity and security, but also to validate the mobile money social entrepreneurship model and favour the further expansion of the system by allowing both banks and non-banks to provide mobile money services, and mobile money providers to offer a variety of e-money products (Muthiora 2015, 20). While mobile money services in Kenya are currently provided by other MNOs besides Safaricom and by financial institutions, M-Pesa remains dominant with over 24 million subscriptions as of September 2018.[16]

Since the launch of M-Pesa, Safaricom has become Kenya's largest and most profitable company, making profits of 63.40 billion KES (about 620 million USD) in 2019.[17] While Safaricom brands itself as distinctly Kenyan, and as the company that has brought first the mobile and then financial services to all Kenyans, it is important to consider that it is owned by the Kenyan government only for 35 per cent, 40 per cent is owned by Vodafone and the remaining 25 per cent of shares, sold by the government in 2008 for 52 billion KES (The Economist, 2008), are held in small tranches by a range of mainly foreign investors. While it is still unclear whether the money contributed to public services, recent suggestions advanced by the Kenyan government to tax part of the M-Pesa revenue to fund a universal healthcare programme have been dismissed by Safaricom as

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[13] See Alliance for Financial Inclusion, Case study: Enabling Mobile Money Transfers: The Central Bank of Kenya's Treatment of M-Pesa, 2010 <https://www.afi-global.org/sites/default/files/publications/afi_casestudy_mpesa_en.pdf> (Accessed 2 May 2019).

[14] Laws of Kenya, The Kenya Information and Communication Act 1998, Chapter 411 A. Rev. 2011. Electronic transactions Part VI A.

[15] The National Payment System Regulations 2014, *Kenya Gazette* Supplement no. 119, Legislative Supplement no. 43.

[16] Communications Authority of Kenya, data April-June 2018. <https://ca.go.ke/wp-content/uploads/2018/12/Sector-Statistics-Report-Q1-2018-2019.pdf> (Accessed 14 July 2019).

[17] <https://www.safaricom.co.ke/images/Downloads/Resources_Downloads/FY2019/FY2019_Results_Presentation.pdf> (Accessed 14 July 2019). M-Pesa revenue in 2019 is almost 75 billion KES.

against the purpose of financial inclusion (Kazeem 2018). As Bateman et al. (2019) have observed, this means that a relevant portion of the revenue produced by M-Pesa is not locally redistributed but repatriated back to shareholders in the UK and other countries as a form of neo-colonial digital extraction (Bateman et al. 2019, 7-8).

This analysis demonstrates how the public-private financing of M-Pesa and its legal infrastructure have favoured the rapid expansion of the platforms. This has created an enabling environment for mobile money to grow and for providers to make profits. The analysis demonstrates that the revenue deriving from the use of the M-Pesa infrastructure and its funds is not redistributed, for instance providing public access to needed resources and services. However, possible rewards are offered through opportunities, leaving the responsibility for and risks inherent in taking advantage of them to the users, raising some questions about the "social" implications of the M-Pesa social enterprise.

4. The "Social" Dimension of the Mobile Money Enterprise

As seen, M-Pesa is premised on the idea of social entrepreneurship, combining business interests with social objectives. In M-Pesa the business value is represented by the fees paid by customers to use the service, the interests earned on the M-Pesa accounts, and the monetary and reputational gains for Safaricom and Vodafone. The social value is represented by financial inclusion and the potential economic growth and social gains that mobile money projects could bring. While M-Pesa is formally a payment service for "all Kenyans," its social impact is primarily related to the benefits it can bring to poor and low-income people and its possible contribution to the SDGs, such as access to clean water, healthcare, and affordable energy. These benefits are considered achievable through a mix of entrepreneurship, philanthropy, and partnerships seeking to extend opportunities to access financial capital, goods, and services to poor consumers.

Some of these opportunities are offered via the projects managed by the M-Pesa Foundation which, as mentioned, are funded with the interests produced by the M-Pesa customers deposits which are held by the M-Pesa Holding Company. Other opportunities are offered via mobile money-based products and services in line with the narrative of social entrepreneurship. Here Safaricom, as the MNO, provides the channel through which money moves, corporations and philanthropic foundations provide expertise and funding to develop the projects (Maurer 2015, 22). The purpose of these products and services is to facilitate access to finance for the unbanked poor, while also offering them the opportunity to access basic resources that are paid for via the M-Pesa platform in small and flexible instalments suitable for poor consumers with small and irregular income. This section analyses three mobile money-enabled products: M-KOPA, Grundfos-Lifelink, and HELP.

M-KOPA was founded in 2011 by the same Nick Hugh, the former head of social enterprise at Vodafone, who started M-Pesa. M-KOPA has been defined as “the global leader of ‘pay-as-you-go’ energy for off-grid customers” and its mission is “to upgrade lives by making high-quality solutions affordable to everyone.”[18] Premised on the concept of sustainable development aligning with the SDGs, M-KOPA is a micro-solar system consisting of a base station with a solar panel, three lamps, and a charging kit for mobile phones. It was developed via a partnership between Safaricom, entrepreneurs, and donors initially including the Bill and Melinda Gates Foundation, DFID and the Shell Foundation, and more recently venture companies such as Gray Ghost Social Ventures, LGT Impact Ventures, and Generation Investment Management. The donors and companies provide resources to develop the system, which is offered on a credit basis to be repaid via the M-Pesa or other mobile money platforms (*kopa* itself means “to borrow” in Swahili). For customers, the electrical system costs about 18,999 KES (about 186 US dollars), which includes a deposit of 2,999 KES (about 30 US dollars) and daily payments of 50 KES (about 0.50 US dollars) for one year, made through M-Pesa, and more recently also through other mobile money systems. Customers can use the system as long as they keep up their payments, and after a year, when all the payments have been made, the customer owns the solar system. This product aims to rely on the mobile money infrastructure to “make solar products affordable to low-income households on a pay-per-use instalment plan” and promotes access to solar power as instrumental to increased opportunities for work and children’s education. M-KOPA also offers other products on credit such as a tank that stores rainwater, a smartphone, and a television and offers loans to pay for school fees, allowing small and flexible repayments.

Another such product is Grundfos-Lifelink, a project developed by the Danish water-pump manufacturing company Grundfos with the purpose *of delivering* water systems and associated infrastructure to low-income markets, combining existing water service technologies with innovation in business models and payment methods. The project was piloted in 2009 in the rural semi-arid community of Katitika and relied on the M-Pesa payment system.[19] As Patricia Kameri-Mbote and Philippe Cullet (1997, 23) point out, in understanding water constraints in countries like Kenya we need to recognise how the colonial rule, attempts at modernisation, and development programmes such as SAPs affected access to water, particularly among rural communities. K’Akumu (2004, 213) explains that after independence the process of privatising water began with the adoption of the 2002 Water Act under IMF conditions, particularly affecting low-income people in rural slums and other rural areas who could not afford to pay for clean water. The Grundfos-Lifelink project aimed to address these problems by adopting a social entrepreneurship logic. Grundfos established the

[18] M-KOPA <http://www.m-kopa.com> (Accessed 10 March 2018).

[19] Grundus-Lifelink project <http://www.grundfos.com/cases/find-case/grundfos-lifelink-projects-in-kenya.html> (Accessed 10 March 2019).

company Grundfos-Lifelink Kenya, a joint venture between Grundfos and the Danish Investment Fund for Development Countries, which concluded a partnership with Safaricom to provide villagers the opportunity to buy clean water from a community water pump with micropayments. In rural areas like Katitika, the upfront cost of the system needs to be funded by an external donor from the public sector, development organisations, philanthropic foundations, or corporate social responsibility programmes while the everyday water consumption finances the service and maintenance. Villagers have to transfer money through M-Pesa or other mobile money services to a smart key bob that could be used to draw water from solar-powered water pumps. According to the pilot's final report, one of the system's main objectives was to save villagers time and money and help them to start micro-businesses such as making bricks, cultivating kitchen gardens and tree nurseries, and selling bottled water in other villages from jerry cans.[20]

Projects related to healthcare include the Health Enablement and Learning Platform, HELP, a mobile phone-enabled programme to provide online training to community health workers in three areas: Kenya's Kibera slum, the rural district of Mwingi, and the Samburu pastoralist region. This project is a partnership between Amref Health Africa, the M-Pesa Foundation, Kenya's Ministry of Health, Accenture Development Partnerships, and Safaricom. The training is delivered according to a pedagogical model approved by the Ministry of Health, and the aim is to provide local volunteers with health-related mobile-phone-based training before putting them in charge of passing on the information to community members and providing support in emergencies.[21] Another project is Changamka Microhealth, an integrated health/finance company providing financing mechanisms for low-income people. It offers a medical savings plan for outpatients and maternity health care. Customers use M-Pesa to save small contributions to a smart card which locks the money in to be used when needed.[22] To promote this service, customers using the smart card are eligible for a discount at selected clinics.

These examples represent a very small part of the complex "mobile money ecosystem" in Kenya (Kendall et al. 2012, 49-64). There are numerous mobile money-enabled projects and apparently infinite possibilities for new ones. Some aim to address core development priorities, such as clean water, healthcare, and electricity, and can be considered useful in the absence of publicly provided access to basic resources and services. However, it is important to highlight that while these ideas are appealing, not all poor people can access or successfully

[20] S. Haas and G. Nagarajan, "Water Delivery Through Payment Platform: M-PESA Pushes the Rural Frontiers," *Financial Services Assessment*, 2011.

[21] Health Enablement and Learning Platform project (now called LEAP) <https://m-pesafoundation.org/cpt-ui-what-we-do/health/> (accessed 15 May 2020).

[22] Changamka Microhealth project: <http://changamka.co.ke/> (Accessed 10 March 2018).

use most of the programmes, not only because they need a mobile phone and a mobile money account but also because of the initial deposit necessary to access some of the services, and the daily or weekly commitment to pay. These products and services delivered through M-Pesa depend not on only on people's ability to access the service but also on the resources to take advantage of them: most people who are financially excluded do not have a regular source of income.[23] Some of the projects such as Grundfos-Lifelink are also limited to particular areas depending on the partnerships and the partners' interests, automatically excluding people living in other areas.[24] In addition to these issues, these projects provide limited and fractioned access to electricity and water and for this reason their long-term benefit to people at the lower end of the income distribution are often questionable. While of course different mobile money projects can have a different impact on particular local groups and areas, it is important to make some overall considerations on the social implications of mobile money-based products and services.

M-Pesa started as a project for financial inclusion, and all of the products and services developed on its platform have been tied to this main objective. Mobile money services have made access to basic resources conditional on access to finance, and have also reinforced the idea of financial inclusion as instrumental in the achievement of social objectives. However, as basic resources and services are sold through the M-Pesa infrastructure and purchasable through mobile financial services they become formalised, marketised, and financialised (Natile 2020). This also means that as the number of people "financially included" increases, livelihoods become dependent on the market and on integration within financial circuits. While people living in poverty might have more opportunities to access clean water and legal energy, they also become the target of private profit. The financialisation of resources puts profit ahead of social welfare and basic needs (Fraser 2014, 546). In the mobile money social enterprise basic resources can be bought on credit or through savings schemes, to be repaid in small and/or flexible instalments and, depending on the amount transferred, involve a fee to the MNO. At the same time, the emphasis on micro-entrepreneurship encouraged among users such as the Katitika villagers and M-KOPA customers is used to invest them with the pressure and responsibility to transform the opportunities offered via mobile money into improved livelihood.

[23] Focus group in Kawangware, Nairobi 28 November 2012, 2 December 2012; Mathare, 4 December 2012; Ngango 8 and 9 December 2012. According to the FSD and CBK FinAccess Survey conducted in 2006, the reasons for financial exclusion are lack of income (58.9 per cent) and lack of regular income (31.6 per cent). Similarly, the 2016 FinAccess survey (FSD 2007, 2016) shows that the main reason for stopping using a bank account was loss of income source (39.4 per cent).

[24] Focus group in Mathare, Nairobi, 4 December 2012.

5. Conclusion

Digital financial inclusion as a development policy has gathered pace in parallel with the increasing influence of the narrative of social entrepreneurship in international development. This article has examined the limits of this narrative in the case of M-Pesa in Kenya, one of the most successful digital financial inclusion projects to date. The first section has analysed the link between financial inclusion and social entrepreneurship by looking at various articulations of this narrative such as bottom of the pyramid (BoP) approach, social business, shared value, creative capitalism, and the increasingly dominant idea of philanthrocapitalism, a method of philanthropy that emulates for-profit business activities while encouraging poor people to take responsibility for their own development. The second section has illustrated the institutional arrangements and legal infrastructure that have contributed to the rapid expansion of M-Pesa and proliferation of mobile money providers and services, and how the revenue produced via M-Pesa goes mainly to Vodafone, Safaricom, and the M-Pesa shareholders. The third section has examined three mobile money-enabled projects, M-KOPA, Grundfos-Lifelink and HELP, and their social implications. It has pointed out that the main obstacles to access these projects are lack of income and regular income, which are also major causes of financial exclusion, and that they can be a means for the individualization of responsibility and financialisation of social problems.

Two key considerations can be done in relation to the analysis of the mobile money enterprise. The first is that mobile money legitimises a win-win "business ontology" (Fisher 2009, 17), typical of Western capitalism, according to which everything in society should be run on a business model to bring profits for the private sector, benefits for people, and prosperity for the country. This business logic increasingly makes use of the word "social" mirroring the inclusion of "social goals" in the mainstream development agenda. While in relation to business "social" was initially used to refer to amendments and reparations for corporate abuse such as in corporate social responsibility (Banerjee 2008), now business is often used as evidence of social value as demonstrated by its expansion to rural and slum areas of the Global South (McGoey 2015, 84). In the case of M-Pesa, the growth of Safaricom as a Kenyan corporation (although it is 40 per cent owned by Vodafone), its social projects, and commitment to social objectives have contributed to promoting a narrative of corporations bringing not only capital but also, and particularly, social value (Benerjee 2008). This idea of social value has been realised within the frameworks provided by international institutions such as the UN, the IMF, and the World Bank and embraced by institutions such as FSD Kenya and AFI that claim to represent the interests of the Global South. These frameworks, however, fail to recognise unequal structural conditions of the economy shaped by colonialism and development discourses (Ferguson 2006), and present mobile money as a quick fix to complex socio-

economic problems, often taking attention away from the issues that cause and reproduce financial exclusion itself.

The second, and perhaps most important, reflection in order to distinguish the "social" label of the mobile money enterprise from its actual social implications, is the way in which the various forms of revenue deriving from and attracted by M-Pesa are used. The M-Pesa platform has focused on providing the unbanked poor with the opportunity to access a variety of mobile money services, rather than contributing to measures for providing them with the resources necessary to take advantage of these opportunities. For instance, the M-Pesa revenue and philanthropic funding are not redistributed via the provisioning of public services and social infrastructure. The possibility to use the M-Pesa profits to provide publicly available resources and services instead of entrepreneurial projects funded by the M-Pesa Foundation has not been considered. The profits and funds generated by the rapid development of M-Pesa, to which poor and low-income users have greatly contributed, have not been locally redistributed. They have not been used to provide free access to basic resources and services such as water, electricity, healthcare, and education, with a potential greater impact on the socio-economic disadvantages that cause financial exclusion and reproduce social inequality. Opportunities to access basic resources and services have been offered via the mobile money market, leaving the responsibility for and risks inherent in taking advantage of these to the designated beneficiaries, the unbanked poor. This paper argues that the M-Pesa social enterprise promotes an approach to digital financial inclusion based on the proliferation of financialised fee-based opportunities rather than on redistributive measures aimed at providing the unbanked poor with the means they need to take advantage of financial services.

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