



Competing Visions of Inclusion in Kenya's Financial Landscape: The Rift Revealed by Mobile Money Transfer

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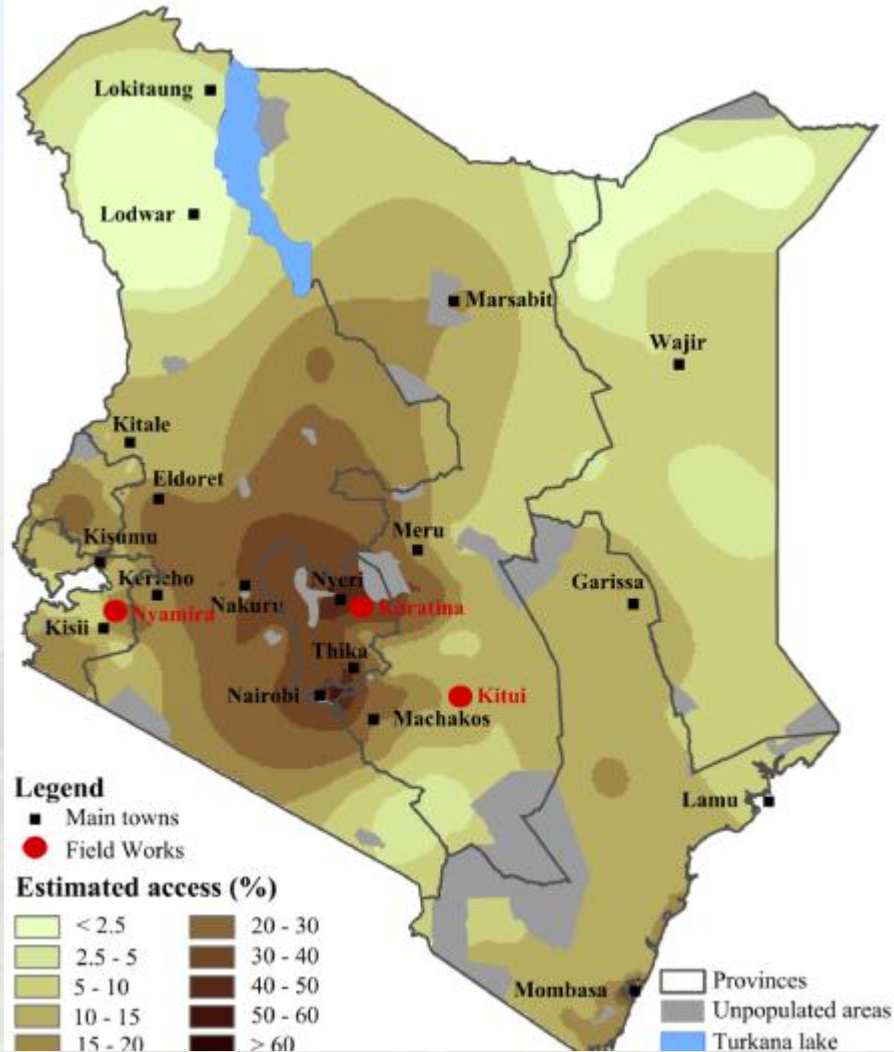
Policy context and research question

- Policy context:
 - financial inclusion focus on voluntary savings
 - Mobile money transfer (MMT) as a route to banking
 - emphasis on lowering transactions costs driven by new institutional economic analysis
- Research question:
 - How can (changing) patterns of access and use of financial services be explained?
 - In particular
 - The rise of M-Pesa
 - The enduring role of informal groups

Theoretical context

- Economic anthropology focus on monetary and financial practices:
 - Jane Guyer: understand African economic practices in their own terms in context of institutional instability
 - Parker Shipton: ‘fiduciary culture’ of entrustment and obligation among the Luo; key dynamic of reciprocity
 - David Graeber: Debt has moral logics of basic sociability; exchange and hierarchy
 - Sarah Berry: colonial institutional instability leading to ‘negotiability’ and role of social relations to resource access

Methodology



THE NUMBERS: SAMPLE SIZES

59

Interviews carried out with formal and semi-formal providers on the supply side

337

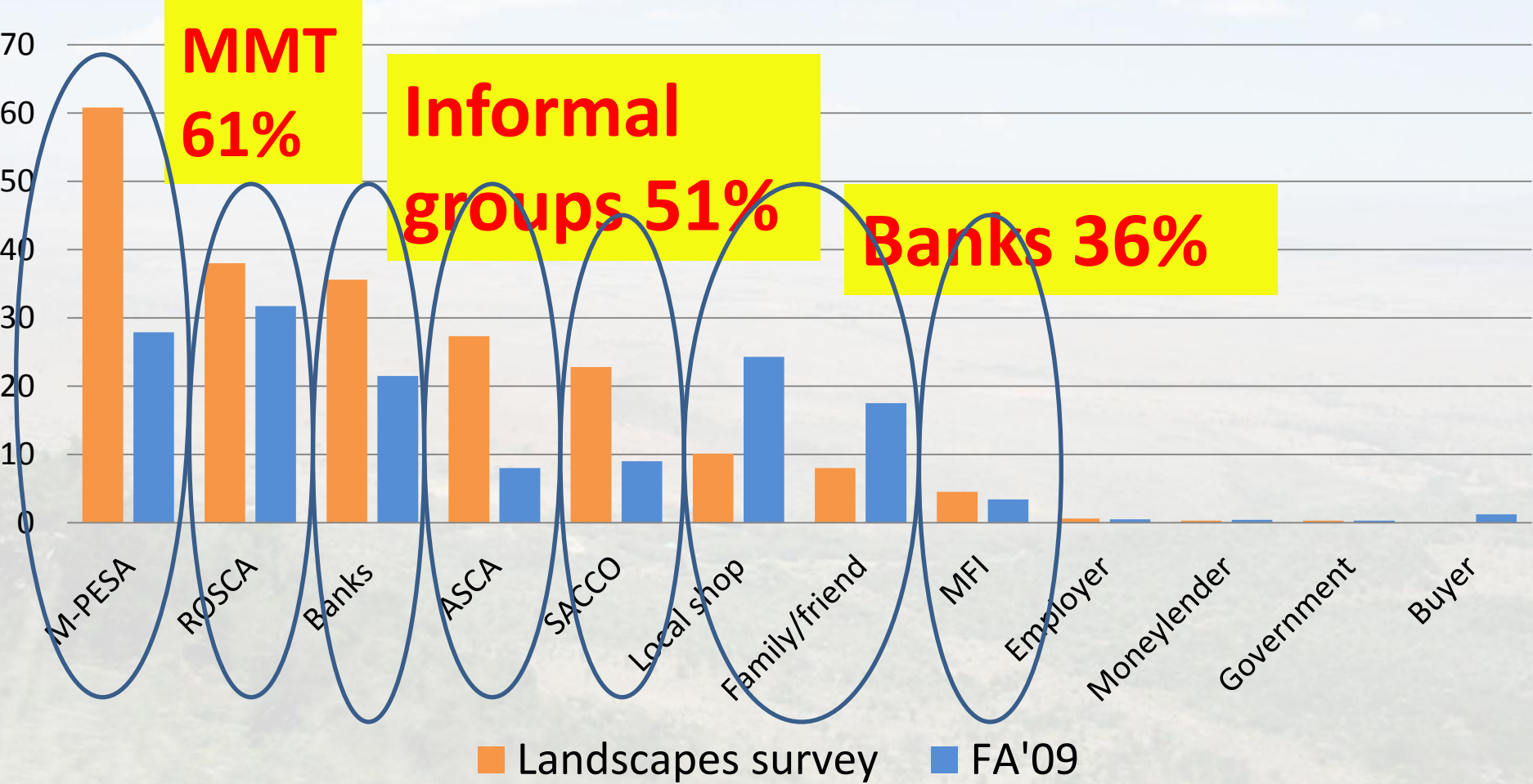
Respondents were interviewed in 194 randomly selected households

148

In-depth interviews were undertaken with purposefully chosen respondents

Financial Landscape Overview

Use of financial services



Banks: patterns of use

- **Access and use:**
 - Some now see accounts as for the ‘common man’
 - Strong use for payments >> dormancy
 - Not seen as a place for daily cash management; amounts have to be big enough to be taken there
- **Terminology:**
 - **Reserves for emergencies:** *muthithu* (Kikuyu); *ekagancha* (Gusii) or *kinandu* (Kikamba)
 - **Saving: keeping money for a purpose** after daily needs catered for; restrictions on access and may prefer to borrow rather than use these funds - “keeping money” *kuiga mbeca* (Kikuyu); “pulling together” *okobekarania* (Gusii), or *kumbani mbesa* in Kikamba
- **Loans: only 9% of those with bank accounts had a loan**
 - “people expect to get financial support from the bank...this is their main reason for banking” (Bank manager, Kitui)

Informal financial groups

- **Access to payouts / lump sums:**
 - “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”
 - 47% of ASCA members had a loan
- **Valued for social connections**
- **Discipline and commitment**
 - “if I leave the money in the house I will use it on things and never get a lump sum to do something good”
- **Flexibility in response to emergencies:**
 - “in case of emergency one can be allowed to get a payout even if the person’s turn is still far from there”

Mobile money transfer

- **Far more than “send money home”:**
 - Support to children at school/in city; school fees for siblings/relatives; ‘help’/’assistance’; ‘tokens’ and gifts; funds for investment/asset purchase; ROSCA contributions; births, marriages, deaths; medical expenses; labour; rent ; business
- **With a much wider range of people including friends and extended family – siblings, cousins**
- **Money in the phone:**
 - 34% of those registered had a balance
 - 19% gave safety as a reason
 - 18% in order to have funds to send to family, relatives and friends when they need them

Conclusion: Revealing the Rift

- **MMT**
 - **seamlessly facilitates** the wide array of inter-personal transactions people carry out **embedded in social networks and relationships of equality**
 - Spectrum of borrowing to reciprocity /‘give and take’ to ‘help’ and ‘assistance’ in processes of resource circulation
- **Informal groups** –access to proximate liquidity within “negotiable” social relations of equality
- **Banks:** return savings less a withdrawal fee!
 - Not a dynamic system of resource exchange
 - Has aspects of hierarchy rather than equality in which the rules are not negotiable for poor people – they just change:“Mountains move!”

Implications for financial inclusion

- **Lower transactions costs important but not enough for a revolution in inclusion**
- **Financial inclusion policy must resonate with local visions of ‘fiduciary culture’**
 - without this ‘nudges’ likely to be of limited relevance
- **Formal sector needs to develop approaches which involve ‘obligation’ in order to attract savings**
 - ‘credit led savings’ – does M-Shwari fill the gap?