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

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Abstract

Financial inclusion policy has been ignited globally by the rise of money transfer services over mobile phones led by the example of Kenya. This paper examines the financial practices of low income people and the social relational dimensions of debt that underlie these transactions, and contrasts these with widely used services of informal groups and banks services. This highlights a 'fiduciary culture' where relationships of equality and 'negotiability' dominate in contrast to a tendency towards hierarchical relations with banks. This questions policy-makers' expectations that mobile money transfer will 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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ABSTRACT

Financial inclusion policy has been ignited globally by the rise of money transfer services over mobile phones led by the example of Kenya. This paper examines the financial practices of low income people and the social relational dimensions of debt that underlie these transactions, and contrasts these with widely used services of informal groups and banks services. This highlights a 'fiduciary culture' where relationships of equality and 'negotiability' dominate in contrast to a tendency towards hierarchical relations with banks. This questions policy-makers' expectations that mobile money transfer will seamlessly facilitate engagement with the formal sector for savings and credit.

INTRODUCTION

Across Africa, household level access to formal financial services is less than 20% and these are concentrated in the wealthiest 20% of the population (Beck, et al. 2011). Since 2005 the policy agenda has moved away from the more limited focus of the previous decade on micro-credit for low-income people, particularly through microfinance institutions, towards a policy of inclusion in the mainstream financial sector (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). 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, MMT involves the creation of an 'e-wallet' in the phone into which e-money can be deposited and transferred by sending to another mobile phone number, then withdrawn at an agent or used to pay bills. By 2013 62% of the adult population were registered users (FSD Kenya and Central Bank of Kenya 2013). This success in Kenya compares with growing coverage in Uganda and Tanzania, significant success in the Philippines and more moderate success elsewhere such

as South Africa and India (McKay and Pickens 2010). Rapid adoption in Kenya is attributed to an easily understood phone menu, wide understanding of text messaging, and an initial marketing tag of “send money home” (Mas and Morawczynski 2009) which addressed the cost and risk of other mechanisms. Further factors have been identified as a ‘light touch’ regulatory regime; effective development of agent networks; and features of the mobile phone landscape related to coverage, texting, and the dominance of a particular operator (Safaricom) (Heyer and Mas 2011).

The dominant ‘rationalities’ of the financial inclusion agenda – that is the “intellectual machineries that render reality thinkable in such a manner as to make it calculable and governable” (Schwittay 2011, quoting Ina p393) - are underpinned in particular by new institutional economics, and more recently behavioural economics. The Global Partnership for Financial Inclusion’s definition¹ emphasises convenience and affordability, recognising people as agents choosing informal services as a default option in the absence of formal options. Market development is expected to drive competition and innovation inexorably lowering costs and prices to drive inclusion (World Bank 2008). Behavioural economics now offers this policy perspective accompanying “nudges” to enable 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 with the view that money dissolves social ties and social relations become dis-embedded (Maurer 2006). This is now seen as problematic because of the diverse ways in which practices in both developed and developing countries have social and symbolic dimensions alongside material content. Moves in anthropology have therefore been to focus on monetary and financial practices in order to reveal alternative logics.

This paper applies this perspective to the rise of mobile money in Kenya by examining the financial practices of low income people using it and contrasting these to the two other most heavily used services - informal financial groups and banks – in order to assess what this reveals about the nature of engagement with different institutional forms. To be clear, the purpose of this article is to develop a critical understanding of the social relational and

meaning dimensions of each service rather than to examine the interactions between them. It focusses on social relations drawing on Graeber's (2011) framework of their related moral dimensions, to analyse the dynamics of debt, additionally using Berry's (1993) insights into 'negotiability'. 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". Banks, by contrast, receive debt from poor people (in the form of savings) but rarely offer it and do not behave in ways that are seen as either equal or "negotiable" and their historical political origins also suggest they verge on hierarchy. The conclusions highlight the rift social relations reveals for financial inclusion into formal savings and credit services beyond payments services over mobile phones.

The paper first reviews developments in the anthropology of money and debt before presenting the methodology and context of the research. After presenting an overview of service use, I discuss the nature of financial practices involved in the three most used services: mobile money; informal groups and banks. I then discuss the insights that a focus on social relations offers in explaining the nature of financial practices before concluding.

LITERATURE REVIEW

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) but the core analytical framework has had an evolutionary emphasis in which money is seen as operating to dissolve social ties (Bohannan 1959; Maurer 2006). But analysis of social and cultural meanings of money and finance have proliferate in the developed as well as developing world and there has been increasing recognition that informal monetary and financial conventions and practices interact with and co-construct formally regulated systems such that the embeddedness framework is 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 (Geschiere, et al. 2007). Theoretically her project is to examine African economic practices in their own terms, going beyond etic traditions which 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 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: exchange; hierarchy ; and a basic sociability that he terms communism. 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 contrasts, first, to a basic and everyday sociability that he calls communism, 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.

Graeber's 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: "hierarchy is the very opposite of reciprocity. Whenever the lines of superiority and inferiority are clearly drawn and accepted by all parties as the framework of a relationship, and relations are sufficiently ongoing that we are no longer simply dealing with arbitrary force, then relations will be seen as being regulated by a web of habit and custom" (p110). 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 role of power arising from social status of class, gender, age, ethnicity and so on in producing exploitation in debt relations is one that has been long argued in relation to informal finance – particularly in the South Asian context of moneylending and patron-client relationships (McGregor 1994). 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 compared to kin and neighbours and hence that hierarchical relations are of a different nature. Indeed, his observations highlight

the importance of alternative perspectives and in particular the social dimensions of personal relations which have been shown to operate within, for example, rotating savings and credit associations, and the moralities of solidarity, inter-dependence and mutual aid that these relations invoke (Ardener 1995; Rodima-Taylor and Bähre 2014). 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 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 involved debates over authority and legitimacy at all levels of society which subjected these features to change as the debates 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). In these circumstances, efforts to keep options open and find ways to engage in and influence negotiations are 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.

To summarise, these 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. More specifically, they raise as central the social relations and the nature of institutions underpinning transactions. Shipton's focus on entrustment and obligation brings a wider conception of debt into the

frame of analysis which emphasises the nature of the reciprocal obligations that arise. Guyer's critique of assumed institutional stability suggests the variety of practices and 'registers' to which arise from unstable institutions. Graeber's moral theory of debt is usefully identifying two extremes: that social relations of debt are those tending to either equality – more consistent with Shipton's reciprocal obligations - or hierarchy, born of highly unequal power. Finally Berry's analysis highlights that the boundary between these may be unstable when institutions are born of ambiguity and negotiability and about retaining connections rather than creating exclusive control over resources. Together these lead to the central question of the nature of social relations and institutions underpinning the logic of financial practices.

METHODOLOGY

This research examined changing use of financial services among low income people in Kenya. It was designed to enquire into use patterns in greater depth than recent national access surveys through in-depth research in three districts 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 of 59 service providers covering banks, savings and credit cooperatives (SACCOs), microfinance institutions (MFIs) and other NGOs. On the demand side the methods were mixed. A randomly selected quantitative survey was used to establish patterns of livelihoods and financial service access and use. Questions on access from the national FinAccess survey were used to triangulate findings against national data, but went into greater detail on the use of services. It also gave a sample frame from which to purposefully select respondents for in-depth qualitative interviews. The survey sample of 337 was from 194 households where household heads and spouses were interviewed as far as was feasible. 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. 56% of respondents were female.

148 qualitative interviews focused in greater depth on money management, how people used the financial services and what people valued about the way services work. They were carried out by the author (with a translator) and a research assistant and undertaken within three weeks of the survey. Individuals were selected to capture diversity in gender, marital status, age and financial service use including evidence of recent changes. The methodology is inductive and interpretive. It first uses quantitative data to highlight patterns of behaviour and then explores these through the qualitative data using thematic analysis. There was consistency in findings across the research sites suggesting an underlying pattern, which the analysis draws out. I first identify key features of the financial market in terms of access. Then, I examine use of the main three services in turn before turning in the final section to their interpretation. As the interactions between the three kinds of financial practices are not a central concern of this paper, direct linkages between them will not be discussed.

FINANCIAL SERVICES AND FINANCIAL PRACTICES

Overview of the financial landscape

Rates of both formal and informal service use 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 and establishing it as the most used financial service.

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 credit	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 loan)	17.5	11.0	8.0

Source: FinAccess 2009, 2013 & own survey

Second, informal financial groups - ROSCAs and ASCAs - are heavily used. The ROSCA is the most basic form of intermediation where people contribute to a fund which is given to one (or more) person on each occasion, until everyone in the group has received a payout. The order of rotation may be determined by ballot, by age or seniority or other social systems of preferment. The ASCA develops this basic form by allowing funds to accumulate in a fund from which loans are taken at interest, the fund therefore grows and savers can receive dividends based on their savings. Membership of either of these is 51% in the landscapes survey, 36% for FinAccess 2009 and 24% in 2013. The extensive use of ROSCAs and ASCAs in Kenya is well-known (Kimuyu 1999). 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 illness or hospitalisation, assisting not only with money contributions but also with organising and carrying out funeral arrangements.

The third most used service in this survey is banks (35.6%) - higher than in the FinAccess 2009 and 2013 surveys, in part reflecting the location of the study in two relatively higher potential areas. Nevertheless, these three services are the most used services in all three surveys.

Who accesses these services? Probit regression analysis shows that expenditure mildly associated with bank access and more significantly for MMT access but more importantly by gender (male) and education. For groups, being female and region are significant with an inverse 'U' relationship for expenditure. So use may be 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. Interestingly, the proportion of bank users using all three services rises with expenditure levels.

The outstandingly rapid rise in use of MMT requires explanation. Its use may be complementary to the use of banks and groups by providing a payment service and this may help explain its greater use with higher incomes. However, the proportions using groups are still strong and of higher use among those between the poverty lines. Moreover, the proportion of bank users using all three services rises with income suggesting that groups have features of importance to users and that explanations focusing on the affordability of transactions costs alone are inadequate in understanding this. How then can the use of MMT can be understood relative to the use of banks and other informal financial groups and what are the financial practices that involve the use of multiple services in this way? The next sections discuss these services in turn starting with MMT, followed by financial groups and finally banks.

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 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.

The range of reasons for transferring funds was highly diverse. They embraced remittances from husbands and children working away from home. 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 suggests that the role of close relatives such as siblings, aunts, uncles, nephews, nieces is strong and these tend to be seen as gifts. 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 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 were of gifts, MMT was also expediting inter-personal borrowing. Respondents reported cases of borrowing and lending with their relatives (daughter, sibling, 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).

It appears that friends, family and other relatives are in both borrowing and more open-ended exchange relationships, and the boundaries between them are complex. For example, a woman reported sending her sister-in-law Kshs5000 to buy stock for her second hand clothes business. She had not been repaid but felt she could not “insist” on receiving

the money back 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.

Shipton’s analysis shows that exchanges that appear to be open-ended may produce obligations which are discharged in a very different form. 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. But 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.

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. 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%)², 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 this was supported by the qualitative interviews. This fits with the idea of holding a reserve for emergencies (see below), and hence the ability to give ‘help’ or ‘assistance’ when required. 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 it is seen as a place which is useful for accumulating funds.

Hence MMT is a means of moving money within inter-personal networks both within the immediate family but also beyond it to wider extended family and friends. These transfers are largely open-ended operating within relationships of entrustment and obligation, of which assisting those in need, is a part.

Informal financial groups

For the 51% of the sample using financial groups, the reasons clustered around four main themes. First, is the 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 needed. Lump sums are 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.

Groups offer access and convenience to lump sums as a result of their social dynamics. This was explained by a woman who had taken a bank loan for business stock and repaid, and then preferred instead to join two NGO trained ASCAs to borrow rather than the bank. She explained that the groups are near, as she knows the people she can get money whenever she wants and they also share ideas, so 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). 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.

Relatedly, a second theme was socializing with friends, which also links to exchange of ideas, advice and guidance which were also valued and go beyond the financial dimensions. 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 which can result in members losing funds with the main problem being failure to contribute; members pulling out; death of members and non-co-operation.

The fourth theme is assistance at times of crisis and this is financial and social. 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. This 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). Beyond this, the social welfare provided in cases of serious illness or death is a practice which has particular importance and meaning as a source of solidarity and support in difficult times.

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, again suggesting a strong affective dynamic in the relationships involved.

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 their welfare functions and the flexibility and scope for access to liquidity. The ease of access presents 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 flexible 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.

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. Qualitative data indicates that only a quarter of those opening an account in the last five years (31) did so with a motive of saving while almost half cited the need to be able to receive payments either salaries or payments related to business, temporary labour contracts, or for example to clear cheques, and 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, and even though these people were putting money aside in groups or in the house. Second, and implied in this, is that the amount to be taken to the bank has to be relatively large and seen as an amount that is worth saving.

The terminology used for saving in local languages also offers insights. 'Saving' is more akin to terms which translate as "keeping money" - *kuiga mbecha* 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 are stating, first, that they are not able to save for accumulation purposes; and second, that the bank is not an appropriate place for them to keep whatever money they do have because it is perceived as being for richer people who do have such funds.

Moreover, there is a further dimension. Bank managers reported the importance of access to loans and that the majority of enquiries about account opening related to this potential: “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). This points to an underpinning idea that the bank is expected to reciprocate on the deposit of savings with a loan and an expectation of support if that deposit is given. This expectation resonates far more with the expectation of obligation matched to the entrustment of funds than the conditional availability of a loan dependent on fulfilment of the bank’s criteria. While increased loan availability since 2003 is constantly advertised this is largely targeted at a salaried market where a “check off” at source system means repayment is made direct to the bank by the employer before it even reaches a bank account. But access for the non-salaried is particularly 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 and much lower than the proportion of members able to have loans from their ASCAs (47%). Loans from banks are expected to be large and significant and capable of enabling people to “move a

step higher". The mean loan size received by those in the sample was Kshs78384 (approximately US\$980) much larger than loans from groups (Kshs 8288 or US\$100) or amounts received from relatives and friends (approximately Kshs2500 or US\$30) which are the amounts people are more used to borrowing. This unsurprisingly, also therefore means that our respondents also reported experiencing the difficulties of managing the repayments. Overall, therefore there is a mismatch between the expectations people have of banks and what banks are in fact able to offer them and their ability to handle such loans when they are received, so signalling a further hurdle to their ability to develop a viable relationship with them.

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 sole 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. 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 reciprocity and a degree of relative 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. Their logic is to circulate funds in ways that benefit members and they also have elements of support through welfare funds which respond to need. The language is of contributions and the social connections allow access to resources through scope for “negotiability” and operate within a strong tendency to equality. This is not to suggest that groups may not have problematic power dynamics operating in them which mean that some members may lose out (see for example (Johnson and Sharma 2007)). But even if people do not repay in the time frame set, ‘delays’ are not the same as default and continue rather than end relationships.

The social relations of access to funds via 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. Where loans are taken they The bank does not therefore represent a social relationship of equality and a means through which social connections are developed in ways that enable access to resources.

Further, the politics of the banking system has in the past been identified with both the State and the wealthy political elite leading to instability and failure (Brownbridge 1998). Regulatory and supervisory improvements have now produced stability (Beck, et al. 2010) 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. While Equity Bank has become well known for disrupting the banking system through a focus on the low-income market, its development must be understood in the context of its origins in Central Kenya under

Kikuyu-ownership during the period of the Moi government when resources flowing to this area were reduced, in particular, from Government-owned banks. Equity's Kikuyu identification further developed after 2002 under Kibaki's government although it has also sought to diversify its ethnic base through its staffing, board directors and branch expansion.³ But despite its focus on the low income market, it has nevertheless not yet fully delivered a proposition that fully completes on the lending side of the exchange dynamic for the majority of its poorer customers. By contrast, the history of banking in Kenya suggests that banks do operate this way for particular rich and politically connected elites.

Critically, then the possibility that lending a few hundred shillings to a bank yields an exchange or reciprocal obligation is entirely absent and even where loans are taken there is little scope for negotiability to operate. However, Graeber does not suggest that hierarchy is a result of unpayable debts (ibid: 121) but that it is a different type of relationship born of a set of interactions over time which produce customs and habits of engagement in which superiority and inferiority are clear. These modes of engagement indeed suggest such superiority.

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 emphasised the uneven power relations: "mountains move!" [reference withheld] resulting in greater risk and contrasting to the long-term relationships they have with kin, friends and neighbours. Thus the scope for negotiability differs between services 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 requires a much shorter time horizon than for long term saving – 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.

CONCLUSION

Within the policy context of financial inclusion and literature calling for new understanding and analysis of money, debt and financial practices, this paper has examined the financial transactions of low-income people in Kenya comparing the use of MMT, financial groups and banks and focussing on the social relations involved. It has used Graeber's perspective on debt within relationships of equality or hierarchy which problematizes debt seen as an exchange relationship when hierarchical relationships ultimately backed by power and ultimately violence are at work. In this regard 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 dynamics.

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. By contrasting the social relations involved in mobile money to those of informal groups and banks, 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.

MMT has allowed relationships of exchange between equals to occur much more cheaply and efficiently, even extending the potential for social connections to be developed, and new routes to resource access to be developed and sustained. 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 main remittances story. Financial groups engage in a similar dynamic and are a more structured basis of equality which 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 see transactions costs and behavioural constraints as the main constraints to engagement with the formal financial sector and which therefore focus on improving access and 'nudging' people towards 'savings' in mainstream banks, are operating with a vision that is at odds with the relational vision of the underlying fiduciary culture. It suggests that unless banks are able to better engage in relationships of equality and 'negotiability' they will continue to 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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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.” (GPII and CGAP n.d.:1).

² Multiple responses were allowed.

³ In the wake of the 2008 post-election violence, 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).