A Human Economy and Mobile Money in Africa: Lessons from South Africa

Introduction

> 'Emergent world society is the new human universal – not an idea, but the fact of our shared occupation of the planet crying out for new principles of association' (Hart et al 2010: 2).

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In January 2017, Oxfam International released a report on global inequality observing that: "Since 2015, the richest 1% has owned more wealth than the rest of the planet". Mapping a way forward, it advanced: "It's time to build a human economy that benefits everyone, not just the privileged few". A 'human economy' in their view would be one in which the state and corporations are held accountable and responsible to the people.[2] We share these sentiments at the Pretoria-based Human Economy programme but differ on the way forward. We begin with the people in the economies. We prioritise what they do for themselves and meanings they attach with the purpose of creating a more inclusive and plural universality.

The idea of the human economy came out of the 2009 World Social Forum in Brazil. The forum brought together academics and activists in a counter-movement against dominant Euro-America centred economic epistemologies and practices (Hart *et al* 2010). In 2010, Keith Hart, Jean-Louis Laville and Antonio David Cattani published a collection of essays with the intention to '… bring to the attention of English readers some currents of economic theory and practice that have flourished in non-Anglophone countries over the last two decades' which were dominant in France, Brazil, Hispanic America and Scandinavia (ibid: 2).

The human economy acknowledges that the economy is already 'human' and plural, but such a perspective is obscured by dominant ideologies of production, grand historical events and powerful forces persistently working against the people (Hart *et al* 2010; Hart and Sharp 2014). The human economy, however, is not just something that may be handed down to the people as Oxfam advances, or simply what people are doing on the ground. It is a dialectic of small-scale humanism and big impersonal institutions – what people do is intricately connected to the big and impersonal world beyond their immediate reach (Hart *et al* 2010; Hart and Sharp 2014). In this sense, it is an analytical tool and approach towards understanding and learning from what people do through popular contestation and pragmatic collaboration with state bureaucracies, institutions and corporations.

Mobile money was launched in Kenya in 2007 by Safaricom (a subsidiary of Vodacom) as a Person-to-Person (P2P) money transfer system through their popular service and product, *M-pesa* – 'M' for mobile and 'pesa' for money in Swahili. Since then it has spread across the continent, and beyond, while *M-pesa* has been adopted in various countries. Therefore, it offers an ideal opportunity to explore what people do for themselves through selective partnerships with big corporations. In the last two decades, innovations in the Financial Technology (*FinTech*) industry and telecommunications have made significant strides into the financial system controlled by state bureaucracies and dominated by the banks. Digital monies such as cryptocurrencies, mobile money, and others, coming out of these industries have made the plurality of money and economies more apparent (Maurer 2015). Poor people in Africa cannot mine coins, however; but they can use mobile money.

The case of mobile money provides an ideal opportunity to make a case for a human economy. From informal money transfer methods (Brown 2010) and exclusive financial systems (Peebles 2014), mobile money transformed the movement of money across borders for the poor while the system has been developing into a mobile-based micro-financial system enabling saving, payments and insurance (GSMA 2016; Nyamnjoh and Brudvig 2016; Maurer 2015; Agar 2013; Quadir 2013).

The development of mobile money in various contexts is shaped by various social and historical conditions. This paper focuses South Africa (henceforth, SA). Since 2016, I have been studying the development of mobile money in southern Africa (Lesotho and SA) using historical and ethnographic methods. This piece presents more salient aspects of my on-going research in SA. I use Diepsloot, a township north of Johannesburg, as my ethnographic site and entry point. The government established Diepsloot as a transition camp in 1995 for black South Africans and immigrants. From approximately 15,000 in the 1990s, its population had reached approximately 350,000 by 2016. Its economy is built around small business with some people employed in other sectors of the economy (Harper 2011; Mahajan 2014). In immigrants' hubs such as Diepsloot, Sunnyside (Tshwane), and others, mobile money flourishes. In Diepsloot, individual stand-alone agents are predominately Zimbabweans connected to *Mukuru* and *Ecocash* mobile money corporations.

Mobile phones, people and finance in the 21st century

Ours is a digital world; and the African majority are inserting themselves through the mobile phone (Nyamnjoh and Brudvig 2016; Quadir 2013; Chiumbu 2012). The computer, internet connectivity, fixed landline and electricity remain an exclusive privilege of a few across the continent. The world's average internet access is 54.4%. Africa falls below average at approximately 35.2%.[3] The World Bank estimates that in sub-Saharan Africa, access to electricity only increased from 16% in 1990 to approximately 42.8% in 2016.[4]

In 1991, Finland developed the Global Systems for Mobiles (GSM) as a platform for universal mobile networks. In Africa, the European Telecommunications Standards Institute (ETSI) rolled out the system between 1998 and 2003 within a context of exclusive communication technologies and infrastructure (Agar 2013). Due to this, mobile phone networks grew by 5,000%, and by 2010, there were "more mobile phone subscribers than there were people …" in SA (ibid.: 67). By 2011, there were 445.6 million mobile phone users in the Middle East and Africa. In both regions, the statistics had reached approximately 745.1 million in 2018.[5] Agar argues that: "No longer [is a mobile phone] a status symbol – signifying privilege in the 1950s or wealth in the 1980s – but instead the universal accompaniment of young and old alike …" (2013:53). Nyamnjoh and Brudvig validate this point stating:

> ICTs have fundamentally changed the methods and extent to which mobile Africans and migrants across Africa sustain and extend social network, providing the grounds for greater autonomy of choice and action in navigating social exclusion, economic hardship and political marginalisation (2016:1).

Clearly, the mobile phone is a game changer in Africa. Its relevance continues to increase as it melts together the telecoms, financial corporations and non-financial actors into the movement of money within and across borders. They operate as 'mobile bank branches' that require less costs, labour and infrastructure than conventional retail banking. Through miniaturisation, applications (Apps) and Unstructured Supplementary Service Data (USSD) sessions, people can transfer money, save, buy insurance and make payments.

State, Corporations and New Alliances

African countries attained independence after the Second World War within a shifting global economic paradigm. Prior to this, the global economic system was designed around self-regulating markets, the gold standard, the liberal state and the balance of power in the west (Polanyi 1944; Hart and Hann 2009). The system collapsed disastrously leading to the First and Second World Wars. The survival of the liberal economy under the stewardship of the United States, and the results of the post-war economic boom of the 1950s and 60s was achieved through a Keynesian combination of world markets and political control of the economy by leading industrial nations (Hart and Hann 2009: 4-8). Other countries of the 'east' opted for the socialist economy under the leadership of the Union of Soviet Socialist Republics (USSR). Accordingly, the state, summed as the developmental state, became the engine of economic development.

In the 1970s, the global economic boom of the post-WWII reconstruction years came to an end with ruinous effects on developing economies. From then on, the focus was more on rolling back the state to allow for a greater role to free enterprise dominated by corporations. As many developing countries were experiencing severe poverty in the 1980s, interest in business and the role of innovation, as the engine for development, was also renewed world-wide. This shift began in England and the US when United Kingdom's Prime Minister Margret Thatcher (1979-1990) and US President Ronald Reagan (1981-1989), pushed for deregulation of their economies marking the second experimentation with neoliberalism. The 2008 crisis taught us that we cannot solely depend on the 'market'; we must no longer choose between the market and the state; capitalism (self-interest) or socialism (mutuality). Socialist experimentations exaggerated sharing while the neoliberal ethic, *homo economicus*, emphasised individualistic profit maximisation (Hart 2010: 1). Economies and economic motivations are plural; so is money and the institutions that it passes through (Maurer 2015; Laville 2010).

As an innovation, mobile money was made possible by several unconventional alliances. Traditionally, banks and selected corporations were uncontested financial actors; today, the telecoms and retailer have become significant actors allowing people to manage their finances. Financed by banks in respective countries, mobile money corporations set up a 'float' or 'trust account' connected to a network of agents that ranges from individual entrepreneurs to retail chain stores.[6] Through this system, money moves across as data that will be converted to cash on the receipt side. The easy flow of money across borders is facilitated through a complex set of systems and networks of various actors in the new financial 'eco-system', as Oranye aptly observes:

> If you look at South Africa, the reality is that not one person can fulfil everything … We, (banks), must work with everybody. Otherwise, how would banks service those customers? And, how would [mobile money companies] be able to provide financial services? You can't. It's not either, or. It's a symbiotic relationship … Just because banks aren't [that visible] in the mobile money space doesn't mean they are not part of the eco-system. Banks have always been there. You can't operate a mobile money service independent of banks.[7]

The 2015 FIC Act concessions

In attempts to emulate Kenya, Vodacom in SA launched *M-pesa* in partnership with Nedbank in August 2010 promising to sign 10 million subscribers within three years.[8] Around mid-2011, it had only registered approximately 100 000 users. The Vodacom Group's Chief Executive Officer (CEO) at the time, Pieter Uys, admitted that *M-pesa* was struggling mainly because "SA is a little different to Kenya and Tanzania … The banking sector is much more developed."[9] In 2014, Vodacom revamped *M-pesa* with backing from Bidvest and Visa. They signed approximately 8000 individual agents around the country, improved self-service functionalities, introduced a voucher system to upload cash, and issued Visa Cards which had access to roughly 27 000 Automated Teller Machines (ATMs) and over 240 000 merchant outlets across the country.[10]

In November 2012, Mobile Telephone Network (MTN) launched *MTN Mobile Money* in partnership with 'take your money everywhere' or TYME Capital. It is a SA-based *FinTech* company which designs, builds and operates digital banking ecosystems.[11] TYME was established in June 2012 as one of the outcomes of the Deloitte

Consulting project funded by MTN. The project was aimed at finding innovative ways to transform the SA banking economy through mobile technologies. *Pick'nPay*, a retail chain store became its merchant outlet. It subsequently acquired *Boxer Superstores* to extend services to the people in the townships, areas predominantly created for the 'black' people during the apartheid period. For its part, *Pick'nPay* was attempting to compete effectively with Shoprite's popular *Money Market*. *MTN Mobile Money* took off impressively. From zero in 2012, Johannesburg had reached approximately two million subscribers within three years;[12] however, it suffered a similar fate to *M-pesa*. Vodacom pulled the plug on *M-pesa* in July 2016, and MTN on *MTN Mobile Money* in September 2017.[13]

Popular commentary, reflected in Mr Uys statement above, attributes the collapse of *M-pesa* and *MTN Mobile Money* to SA's robust banking sector. While that played a role, such an analysis is parochially nationalistic and excluded multitudes of immigrants in SA. With both mobile money products, potential subscribers had to be above 16 years of age, be a SA citizen, owned a mobile phone with a registered Subscriber Identification Module (SIM) card through the RICA process – the Regulation of Interception of Communications and Provision of Communication-Related Information Act, which enforces all people in South Africa to register their mobile phone number using their proof of identity and residency.

In 2015, the government amended the 2001 Financial and Intelligence Centre Act (FICA) in line with the Financial Action Task Force's (FATF) international efforts to combat money laundering, illicit money flows and to enhance transitional cooperation on information exchange.[14] The amendments pulled in migrants by relaxing money transfer requirements while increasing controls on possible illicit flows of money. The law made several restrictions on the amounts of money that a mobile money account can hold per month and how much money can be transferred or be used per day, and per month.[15]

The concessions paved a way for the creation of various mobile money brokering companies such as *Mukuru*, *MamaMoney*, *MoavaMoney*, *HelloPaisa*, *Eco-cash*, and others, to facilitate cross-border and domestic transfers of money.[16] Through the concessions, the state basically turned a blind eye on the legality and status of immigrants in SA; it prioritised corporate interests, revenue creation, population surveillance and data-mining. Through the FIC Act, mobile money companies are required to report periodic flows of money to the Reserve Bank, and make sure that they track any suspicious or illicit flows of money.

Therefore, evidence provided above also demonstrates that immigrants catalysed the development of mobile money in SA. And, through the FICA concessions, the state looked beyond the narrow economic nation-state paradigms to embrace wider transnational mobilities and flows of money. SA's modern economy emerged as a regional and global complex; and retains such a character. The discovery of minerals in southern Africa and the subsequent colonisation of the region asymmetrically pulled the 'black' Africans into the global capitalist economy from the latter years of the nineteenth century. The proletarianization process was set into a self-propelling mode by historical preconditions of conquest, subjugation, dispossession, violence, dominance and dismantling of Africans' pre-colonial autonomy (Feinstein 2005). Europeans' myths of racial supremacy justified exploitation, inhumane treatments of Africans and subsequent implementation of segregationist policies and laws that grouped 'blacks' in what came to be known as the homelands and townships (Wolpe 1972; Rodney 1973; Murray 1981).

From the late 1970s and 1980s, the regional mining complex began to decline and reached its lowest ebb in the 1990s. Retrenchment rates increased significantly as the newly independent SA government also prioritised its citizens. The implementation of the National Identity (ID) system, stringent immigration laws and RICA, following 1994 played a significant role towards this end. Despite these restrictions and controls, more immigrants flocked into SA in search of better opportunities and refuge, some doing so in contravention to state-defined legalities.

Conclusion

Using the case of mobile money in SA, this paper utilised the human economy approach to explore what people do as they selectively partner with big and impersonal entities to advance their economic interests. The mobile phone is indispensable to these new formations. Due to an array of factors, mobile money emerged in SA. Central to the development of mobile money in SA was the government's amendment of the 2001 FIC Act in 2015. The concessions that came with the revision of the act enabled immigrants to register with mobile money corporations to remit despite stringent state-defined forms of legalities.

The concessions were a great leveller of the tensions between politics that are often trapped in locality, while money and disgruntled people in conflict-ridden countries in the region, observe no colonial boundary. Less constrained movements of people, money and goods across the continent are pertinent to economic survival and advancement. What may appear as an internal contradiction in the revision of the FIC Act illuminates the typically concealed forms of bureaucratic behaviour and functionality, on the one hand, and the influences of dominant political and economic interest groups, on the other. The pragmatic interplay of these two categories does not observe the binary rhetoric of legality and illegality, formality and informality, personality and impersonality in civil procedures.

Notes

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2. Oxfam International. 2017. "An Economy for the 99%: It's Time to Build a Human Economy that Benefits everyone, not Just the Privileged Few" https://www.oxfam.org/en/research/economy-99, [May 28, 2017, 17:24].
3. https://www.internetworldstats.com/stats1.htm, [May 4, 2018: 10:20].
4. https://data.worldbank.org/indicator/EG.ELC.ACCS.ZS?end=2016&start=2016&view=bar, [May 4, 2018: 10:10].
5. https://www.statista.com/statistics/274683/forecast-of-mobile-phone-users-in-the-middle-east-and-africa/, [May 4, 2018: 10:07].
6. See for example, http://www.pepstores.com/pep-money/money-transfers/; http://www.boxer.co.za/boxer-money-transfer/; https://www.ackermans.co.za/financial-services/money-transfers; https://www.shoprite.co.za/money-market/money-transfers.html, [May 20, 2016; 11:30].
7. Interview with Nnamdi Oranye, author, media contributor and employee of Standard Bank SA, May 2017. In this interview, Oranye was sharing his observations. No confidential information regarding any institution was shared, including his own employment institution.
8 https://www.howwe madeitinafrica.com/m-pesa-laun ched-in south-africa/3611 /, [February 05, 2018; 13:28].
9. https://techcentral.co.za/m-pesa-disappoints-for-vodacom-sa/23167/, [February 05, 2018; 14:12].
10. https://mybroadband.co.za/news/cellular/107288-vodacom-relaunches-m-pesa-in-sa.html, [February 05, 2018; 14:49].
11. http://www.tyme.com/About.html, [May 20, 2016; 11:55].
12. http://pressoffice.mg.co.za/mtn/PressRelease.php?StoryID=250272, [May 20, 2016; 11:55].
13. https://techcentral.co.za/vodacom-sa-pulls-plug-on-m-pesa/65103/, [February 06, 2018; 12:30]; https://qz.com/783230/mtn-has-cancelled-its-mobile-money-service-in-south-africa-but-will-continue-to-move-into-financial-services-in-africa/, [February 05, 2018; 15:20].
14. Financial Intelligence Centre, *Annual Reports 2015/2016*, https://www.fic.gov.za/Documents/FIC_Annual%20Report%202015-2016_LR.pdf, [May 20, 2016; 11:30], p. 5
15. https://www.fic.gov.za/Documents/FIC%20Amendment%20Bill%20B-Bill.pdf, [May 20, 2016; 11:10].
16. See for example, http://sa.mukuru.com/; https://www.mamamoney.co.za/; http://www.econetwireless.co.za/southafrica/southafrica.html; https://www.edgars.co.za/moova-money; http://hellopaisa.co.za/, [May 20, 2016; 11:15].

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