SOAS Department of Economics

The collateralisation of social protection in Kenya: A review of the financial inclusion-social policy nexus

Noah Braden

Student Working paper

No. 7

April 2022

SOAS University of London

The SOAS Department of Economics Student Working Paper Series is published electronically by SOAS University of London.

ISSN 1753 – 5816

This and other papers can be downloaded free of charge from:

SOAS Department of Economics Working Paper Series at
http://www.soas.ac.uk/economics/research/workingpapers/

Research Papers in Economics (RePEc) electronic library at
https://ideas.repec.org/s/soa/wpaper.html

Suggested citation
Braden, Noah (2022), "The collateralisation of social protection in Kenya: A review of the financial inclusion-social policy nexus", SOAS Department of Economics Student Working Paper No. 7, London: SOAS University of London.

Department of Economics
SOAS University of London
Thornhaugh Street, Russell Square, London WC1H 0XG, UK
Phone: + 44 (0)20 7898 4730
Fax: 020 7898 4759
E-mail: economics@soas.ac.uk
http://www.soas.ac.uk/economics/

© Copyright is held by the author(s) of each working paper.

The collateralisation of social protection in Kenya: A review of the financial inclusion-social policy nexus

Noah Braden[*]

Abstract

It has been shown that the proliferation of cash transfer and financial inclusion programmes in the Global South has contributed to the collateralisation of social policies, especially in Brazil and South Africa. This paper argues that such a collateralisation process is also taking place in Kenya. At the intersection of cash transfer programmes, biometric registration policies and financial expansion, the monopolistic mobile payment provider M-Pesa uses Kenyan social policies as a basis for lending to poor households. This incorporation of poor households into the financial market creates and reproduces dependencies on an expropriatory financial system. This paper analyses how neoliberal ideas, a new distributional paradigm, and financial technologies can shape social policy and conceptualises an ambivalent role of the state as a minimal welfare state with important involvement in financial expansion.

Keywords: financial inclusion; social policy; financialisation; collateralisation; cash transfers; commodification.

JEL classification: D63, F54, F60, F65, G28, G51, G53, H4, H51, H53, H55, I30

Acknowledgements: This paper was initially submitted as a dissertation in partial fulfilment of the requirements for the degree in MSc Development Economics at SOAS University of London (2020-2021). I would like to thank Dr Sara Stevano for their inspiring work and much appreciated dedication and support during the academic year. Finally, many thanks to Sarah for their invaluable support.

[*] Department of Economics, SOAS University of London. Russell Square, London WC1H 0XG, UK. Tel: +33 67 1643 851. Email: noahbraden@hotmail.fr

1. Introduction

The World Bank (WB) plays a significant role in shaping social protection policies in the Global South (Mkandawire, 2010). As a response to the adverse effects of its own Structural Adjustment Programmes (SAPs), the WB promoted safety net programmes across the Global South, targeting vulnerable people and generally taking the form of cash transfers (CTs) (Ouma and Adésínà, 2019, 376; Sterck and Delius, 2020). CTs involve regular, predictable transfers of income from the government to the poor and vulnerable and are now considered as the blueprint of social welfare policy (SWP) in the Global South (Lavinas, 2013). SWP is generally understood as a social policy strand targeting vulnerable populations through policies related to social security, income stability, health care, etc. (Taylor and Triegaardt, 2018).

Poverty alleviation, which was a marginal issue during the SAP era, has become the main focus of social policy in sub-Saharan Africa (SSA) (Mkandawire, 2010, 37). CTs for the poor, people with disability, the elderly, orphans and vulnerable children have become popular in SSA, as they allow governments to provide low-cost social protection. As a result, and influenced by the WB, many cash transfer programmes (CTPs) have been initiated in SSA, with over 40 countries implementing such programmes (Garcia and Moore, 2012; Awortwi, 2017; WB, 2018).

Mkandawire observes a retreat of the state and an increased involvement of the private sector in social welfare driven by the privatisation of public services and the proliferation of public-private partnerships (PPPs) (Mkandawire, 2010, 44). This fits well with the adoption of CTPs, as they represent a system of commodified provision of social protection, where households/individuals receive a subsidy to then deal with vulnerabilities, shocks and risks themselves. CTPs represent a form of minimal state support against market failures and the exclusion from markets (Ouma and Adésínà, 2019, 378). Furthermore, CTPs generally contract private (financial) actors to carry out the payment process.

CTs are increasingly delivered via financial inclusion infrastructures and technologies (Torkelson, 2020). This connection with financial actors leads to increased credit uptake and the indebtedness of CT beneficiaries (Lavinas, 2020). The regularity and security of CTs has led to the use of CTs as a collateral for lending to poor households. Such processes of collateralisation of SWP have been identified and analysed in Brazil and South Africa (Lavinas, 2017; Torkelson 2020). These case studies show how the state also provides a collateral to financial markets for the financial inclusion of low-income households through commodified social protection (ibid.). Households become dependent on financial markets for their basic consumption needs and are exposed to exploitative financial practices (ibid.). Collateralisation of SWP expands the financial market as new households are incorporated, and the interplay of financial inclusion and SWP thus allows for (near risk-free) financial profit (ibid.).

This paper shows how commodified SWP and financial inclusion interact in a different context, for which there is no research on this subject. It asks whether a similar process of collateralisation of SWP can be identified in Kenya, given the country's high levels

of financial inclusion and increasing use of CTPs. I argue that overlaps between SWP developments and financial inclusion in Kenya pave the way for increasing household financialisation, presenting similarities but also important differences with the collateralisation processes of social policy in other countries in the Global South. Ultimately, the Kenyan SWP, along with the specifics of the Kenyan financial system, contributes to the financialisation of poor households.

In what follows, I first discuss the literature on the CTP-financial inclusion nexus and explain the chosen approach to answer the research question. Section 3 details the developments and interactions of SWP in the form of CTPs and financial inclusion in Kenya. This paper finds that a collateralisation process can be identified in Kenya, with the distinctive feature that it is based on what I call informational collateral rather than the direct use of CTs. This Kenyan peculiarity is related to the prominent role played by the payment system provider M-Pesa in the Kenyan financial system. Section 4 contrasts the findings on the Kenyan case with literature on financialisation and collateralisation of SWP, focusing on the South African case. In this discussion of the Kenyan specifics, I show that this collateralisation process is likely to financialise households and communities in an expropriatory manner that underpins the dependence of households and communities on the formal financial market.

2. Literature review and method

2.1 CTs as an emerging blueprint of social development policy

A SWP is always a product of a specific socio-political and historical context (Mkandawire, 2010). To better understand how, through the expansion of CTs, SWP has been collateralised in the Global South, I first present the literature on CTs and on financial inclusion, before turning to the literature on the collateralisation of CTs.

Pointing out that individuals are the most competent actors to decide how to improve their livelihoods, it is claimed that CTs are the most efficient, cheapest, and feasible solution to achieve concrete results in the fight against poverty (Hanlon et al., 2010; Ferguson, 2015). Ferguson (2015) rejects labour market integration as the sole way out of poverty and claims that CTs represent a new form of distribution, compensating populations for the unequal distribution of the profits of neoliberal growth. CTs enable the social reproduction of populations excluded from the labour market. According to Ferguson (ibid.), the simple distribution of cash as a form of redistributive policy is a form of protection from the exclusionary and exploitative aspects of neoliberal capitalism. Ferguson argues that CTs, in particular when offered universally, represent a new form of welfare state. Evaluations of CTPs generally find significant impacts on household consumption (Garcia and Moore, 2012; Barca et al., 2016; Awortwi, 2017). However, there is no evidence to support the alleged effects of CTs on productivity (Gunvald Nilsen, 2021).

CTs have been portrayed as neutral development policies by international development partners in order to depoliticise their implementation (Mkandawire, 2015). However, critics of CTs see such policies as a neoliberal approach to market failures, as they reconnect individuals to the markets through state support (Ouma and Adésínà, 2019, 379). CTs have been criticised as initiatives driven by the political economy of capital, as they facilitate the financial inclusion of recipients and cause the commodification of SWP (Gunvald Nilsen, 2020). Such commodified social protection through CTs contrasts with the ideal of the Northern welfare state which resulted from processes of decommodification (Esping-Andersen, 1990). International development actors argue that Global South contexts need solutions tailored to their challenges and cannot simply seek to adopt Northern welfare systems. These actors promote a model where commodified social protection ties populations to markets rather than creating independence from capitalist markets (Lavinas, 2017). Furthermore, CTs are criticised for considering individuals responsible for alleviating their own poverty, leaving aside the role of the rich, and thus avoiding any interference with the organisation of the economy or other structural inequalities (Torkelson, 2021).

The narrative of international organisations promoting CTs is based on the idea of universalism and models of universal protection (Leisering, 2020). However, they propagate a particular definition of universalism, which refers to individual entitlements to benefits rather than focusing on rights to social protection (ibid.). The universalism of the WB focuses on access and provision universalism, which ensures that populations have access to social protection services, but refrains from establishing social protection as a strong right (ibid.). In this conception, the specific form of service provision and the way it is financed are not included in the notion of universalism. CTs fit very well into such access universalism, as the state provides the means to access services but is itself not obliged to provide social protection services, thus shifting the provision of concrete services to private actors.

2.2 The financial inclusion paradigm and the financialisation of SWP

Over the last decade, financial inclusion has been intensely promoted by the WB as a key policy to eliminate extreme poverty (Bayliss et al., 2011; Lavinas, 2020) and has been associated with development policies in SSA (Itaman, 2017). Generally, financial inclusion is linked to SWP as social policy creates financial markets (Bryan and Rafferty, 2014; Schelkle, 2012; Fine, 2014).

Financial inclusion is promoted in the hope of achieving better developmental outcomes for low-income households through the emergence of a well-functioning financial system, which is supposedly necessary for socioeconomic development (Kvangraven and Dos Santos, 2016). However, while financial inclusion is portrayed as empowering individuals, it seems that financial inclusion promotes individual profit-seeking initiatives rather than substantial redistribution of power and capabilities (Natile, 2020b). Furthermore, critics have shown that financial inclusion (in the form of micro-credit initiatives) has generally failed to effect positive change and has often led

to an expansion of predatory lending, reducing the welfare of low-income households and communities (ibid.). Consumption credit is used for basic consumption goods such as school fees or medical care, which have become consumption goods as the state is commodifying social protection rights due to its own exposure to financialisation (Fine, 2014). These consumption oriented micro-loans show no evidence of positive effects on productivity (Bateman and Chang, 2012). It has been argued that consumer credit is expropriatory at the household level, as interests are repaid from income sources unrelated to the loan (Kvangraven and Dos Santos, 2016).

As financial inclusion has been achieved through linking non-financial spheres (social policy) to financial markets, financial inclusion can be understood as the financialisation of poor households through the exploitative effects of credit on the poor (Fine, 2014; Duvendack and Mader, 2017; Bateman, 2019). Financial inclusion exposes households to financialisation, as the household/individual income become sources of profit for the financial market through the expansion of financial assets and products (Lapavitsas, 2013). Financialisation is not only the increasing weight of finance in the economy, but also its penetration into various spheres of the society (Stockhammer, 2004; Fine, 2014). Financialisation in developing economies creates and reproduces asymmetries in an intrusive manner, as it targets non-financial spheres (Koddenbrock et al., 2020). Financialisation in the Global South is often associated with important negative effects on populations, mainly subordination to and dependence on financial markets (Epstein, 2005; Lapavitsas, 2013; Mader, 2018; Karwowski, 2019; James, 2021). These effects can be exacerbated by the use of new technologies (Dos Santos and Kvangraven, 2017). Moreover, financialisation is changing the dependency relationships between states, corporations, and populations (Kvangraven et al., 2020). In sum, financial inclusion, or the democratisation of credit, has hidden exploitative and unequal relations of power behind values of economic equality and liberty and created an industry of poverty (Soederberg, 2014).

The financial inclusion agenda advocates for greater involvement of private financial actors in development policies, thereby favouring the establishment of PPPs. PPPs have been criticised for further reducing the role of the state to that of a facilitator of private entrepreneurship and thus to initiatives driven by the profit-driven logics of capital (Bayliss and Van Wayenberge, 2018). Moreover, financial inclusion frameworks conceptualise the state as merely reducing barriers (information asymmetries and transactional problems) to financialisation, while downplaying the non-financial dimensions of development (Lavinas, 2018). Therefore, CTs and their potential underpinning of financial inclusion efforts fit very well into such a development paradigm where financial expansion lies at the core, as the last section of this literature review shows.

2.3 The collateralisation of SWP

A collateral is a security pledged for the payment of a loan, reducing the risk of default and thereby reducing the interest rate (Lavinas, 2020, 316). Low-income borrowers

usually have no asset that could be used as collateral and cannot afford to pay the high interest rates of an unsecured loan (ibid.).

Financial inclusion sits alongside CTs in development policies and this integrated process has become a widespread feature of social policy in the Global South (Soederberg, 2014). CTs help to remove factors inhibiting financial inclusion, such as the absence of stable incomes, assets, and screening devices (Lavinas, 2020).

While CTs were initially considered as inappropriate for financial incorporation (Fine, 2012), the literature has since extensively documented how states help financial actors to integrate CT recipients into the financial market by removing barriers to financial inclusion (Lavinas, 2018). Lavinas (2017) shows how social policy in Brazil are designed to secure consumption on the basis of credit, thereby contributing to the financialisation of livelihoods, increasing indebtedness, and reproducing poverty.

Social policy in the form of CTs or other monetary transfers becomes a collateral, available to financial actors for distributing credit to recipient households (Lavinas, 2020). They are also used to service the debt. CTPs also enable the collection of information on beneficiaries, which is transmitted to financial actors in the CT-payment process and facilitate credit risk assessments (ibid.). Thus, the state, through its social policy, provides the financial sector with the collateral and the screening device essential to financial expansion, removing the obstacles to financial inclusion (ibid.). In doing so, the state also considerably reduces the costs of financial actors, as lending risks are reduced and risk assessment processes are simplified and less costly.

To give an example - in Brazil, the state plays a key role in advancing financial inclusion as it provides the necessary collateral to financial actors so that CT recipients can gain access to credit and thereby satisfy their consumption needs and access their rights to social protection via the financial market (Lavinas, 2020). Lavinas argues that by allowing the collateralisation of SWP, the state supports a new form of expropriation and control of poor households (ibid.).

Torkelson (2020; 2021) shows that Lavinas' framework derived from the Brazilian case is highly applicable to South Africa. In South Africa, CTs are used as collateral for financial inclusion leading to increased household financialisation (Torkelson, 2020). The state provides the collateral and information necessary for the financial inclusion of the poorest South Africans (ibid.). Debt incurred by poor households replicates and enhances unequal power structures, decoupling debt from perceptions of justice or accountability (Torkelson, 2021). The collateralisation process is facilitated by PPPs with financial actors (ibid.).

2.4 Research Puzzle and Method

International actors impact national policymaking considerably. Social protection policymaking is subject to competing power dynamics, shaping the outcome of these policies (Ouma, 2020, 126). Today, policymaking, in particular in the SSA context, is influenced by global agendas promoted by international organisations. CTs and financial inclusion have been promoted and adopted globally. In both Brazil and South

Africa the interplay between CTPs and financial inclusion has led to the collateralisation of CTPs. CTPs form the core of national SWP, thereby financialising households, creating dependencies and exposing households to exploitative practices.

As CTs and financial inclusion are implemented globally, the question of the existence and nature of collateralisation process in other contexts appears. Brazil and South Africa are similar in that their CTPs are very large and well established, reaching a substantial proportion of the population. In addition, their levels of development are similar and characterised by developed financial sectors. This may explain why the collateralisation framework as described by Lavinas (2017) fits so well to the interpretation of the collateralisation process in South Africa. It remains to be seen how processes of collateralisation emerge and develop in different contexts, where CTPs and financial inclusion are not as widespread as in Brazil or South Africa.

This question is particularly relevant in the SSA context, given the continent's exposure to policies driven by international financial organisations and development partners, while welfare states are generally weak and financial sectors are still nascent (Taylor and Triegaardt, 2018). Analysing collateralisation processes in another SSA context, distinctly different from Brazil and South Africa, allows for a better understanding of how financial inclusion and marketised SWP contribute to the financialisation of poor households in the Global South. Using Kenya as a case study, this paper examines to which extent the Kenyan social welfare policy can be viewed as undergoing a process of collateralisation.

The Kenyan case has been selected as the country presents very high levels of financial inclusion while having established and expanded CTPs in the past decade. CTPs are nowhere near as large as in South Africa, but they already appear to be the main focus of the Kenyan SWP and have great potential for expansion, as 80% of the Kenyan population is considered as poor or precarious (Government of Kenya (GoK), 2017).

I argue that the overlaps between social protection policy developments and financial inclusion in Kenya should be understood as a process of collateralisation of social policy, paving the way for the increased financialisation of low-income households, replicating and creating dependencies, vulnerabilities, and subordination. In this respect, the Kenyan case presents similarities, but also important differences, with processes of collateralisation of social policy in other countries of the Global South. The differences are mainly the development of an informational collateral on the basis of CTPs, the existence of a quasi-monopolistic financial actor, and the widespread usage of mobile payment and banking.

This paper draws on secondary and grey literature to identify and interpret significant touching points between social policy and financial inclusion in Kenya. Following Lavinas and Torkelson, I focus on CTPs, arguing that they form the core of Kenyan social policy. I also focus on one financial actor, Safaricom, as its relationship with financial inclusion and social policy makes it the key actor in the SWP collateralisation process in Kenya. I then discuss and analyse the Kenyan case by comparing its distinctive features with the Brazilian and South African cases. I also compare the

effects of what I identify as the Kenyan collateralisation of social policy with literature on the effects of the financialisation of everyday life in other African contexts.

3. The Kenyan case

3.1 The centrality of cash transfers within Kenya's SWP

This section demonstrates that financial actors play an important role in CTPs and, by extension, in Kenya's SWP. CTPs commodify social protection, even more so if they can serve as a basis for increased credit uptake. In the Kenyan case, CTs are not directly collateralised, but their development, accompanied by an important process of digitalisation, seems to contribute to the emergence of an informational collateral. By informational collateral, I mean the accumulation of personal and behavioural data which allows financial actors to determine creditworthiness without requiring a collateral.

In what follows I demonstrate that CTPs are central to the Kenyan social policy and involve private financial actors as key partners, revealing a commodified understanding of social rights. First, I first briefly introduce Kenya's legal and policy framework for social protection to demonstrate which objectives the government has set for itself. The Constitution of Kenya (2010) guarantees a right to social security, and thus formally obligates the state to provide adequate care and assistance to those unable to support themselves and their dependants (Government of Kenya (GoK), 2011). The Constitution also enshrines basic rights from which an ambitious social policy programme could be derived. These rights are reflected in the Kenya Vision 2030 (KV30), the government's economic development agenda, which is also the general framework within which the Kenyan social policy is implemented (Mwasiaji et al., 2016). The KV30 strategy for social welfare was specified by the 2011 National Social Protection Policy, aiming to guarantee every citizen a life in dignity and provide Kenyans with the means they need to realise "their human capabilities to further their own social and economic development" (GoK, 2011, 5). Despite its universalist ambitions, the National Social Protection Policy is confronted with the reality of the huge needs of the Kenyan population, with 80 per cent of the population considered poor or precarious (GoK, 2017).

I follow Natile in arguing that the government's rhetoric around the KV30 represents a neoliberal interpretation of the Kenyan Constitution, focusing on developing people's capabilities against the risks emanating from the free market economy and offering compensation for people's exclusion from markets (Natile, 2020b, 124). This neoliberal understanding of SWP is also reflected in the National Social Protection Policy. It places social protection at the centre of Kenyan social policy (Mwasiaji et al., 2016), aims to coordinate the various actors of social protection (including private ones), and to promote synergies between existing programmes (GoK, 2011). It envisions a central role for private actors in the provision of social welfare (21).

Kenyan SWP is based on three main pillars: social security, health insurance and social assistance in the form of CTs (GoK, 2017). Overall, the coverage of social security programmes is very limited (Doyle and Ikutwa, 2021, 2). While Kenya has committed to achieving universal health insurance coverage by 2022, the reach of its National Hospital Insurance Fund (NHIF) remains limited, because it is a voluntary contributory scheme for the informal sector (Barasa et al., 2018, 348). The NHIF is the main health insurer in Kenya, covering 16% of Kenyans and paying for inpatient care for contributing members up to certain limits (353). Many are unable to access the schemes intended for them because their income fluctuates and it is generally difficult to identify those living in poverty (ibid.). Informally employed people have access to the NHIF through a low-cost contribution rate and the Government has promised that CT recipients will be automatically integrated into the NHIF (ibid.). As social security and health insurance are secondary elements of Kenyan social policy, the focus on CTPs highlights Kenya's development towards a model enhancing individual capabilities (and thus responsibilities) through measures of financial redistribution, rather than a rights-based model providing social services.

I now turn to the social assistance pillar to further highlight the evolution of Kenyan social policy towards a system based on the commodification of social rights. It is organised under the National Safety Net Programme or Inua Jamii, a framework consisting of four main CTPs (see Table 1): the Cash Transfer for Orphans and Children (OVC-CT), the Hunger Safety Net Programme (HSNP), the Older Persons Cash Transfer (OP-CT) and the Persons with Severe Disability (PSD) programme (GoK, 2020). In 2018, the Inua Jamii 70+ (IJ70+), a universal CTP for citizens over 70, was introduced to complement the OP-CT (ibid.). The National Safety Net Programme is Kenya's main social welfare framework, and aims to achieve the KV30 objectives in increasing the adequacy and effectiveness of support to poor and vulnerable populations in Kenya (Ouma and Adésínà, 2019, 377). CTPs are at the core of the Kenyan social policy. For example, investment in social protection increased from 0.35% of GDP in 2016 to 0.42% in 2018 and is characterised by increased investment in CTs, with the IJ70+ programme accounting for a large share of total investment in social protection, at 0.23% of GDP (GoK, 2017; World Bank 2019; GoK et al., 2020).

Table 1. CTPs in Kenya, an overview (Data for 2016 and for 2020 for Inua Jamii 70+). *Source: GoK, 2017; GoK et al, 2020; Oyunge and Chebii, 2020.*

CTPs in Kenya		**Launch**	**Grant**	**Number of beneficiaries**	**Payment process**
National Safety Net Programme / Inua Jamii	Cash Transfer for Orphans and Children (OVC-CT)	2004	KES 4000/$35/2 months	365,232	Delivery at post offices, development of a branch and agency model with point of service devices and biometric smart card
	Persons with Severe Disability (PSD)	2007	KES 4000/$35/2 months	41,374	Delivery through commercial banks, development of a branch and agency model with point of service devices and biometric smart card
	Hunger Safety Net Programme (HSNP)	2009	KES 5400/$47/2 months	101,63	Full bank accounts with biometric and PIN-enabled smart card, Equity Bank
	Older Persons Cash Transfer (OP-CT) now merged into IJ70+	2011	KES 4000/$35/2 months	320,636	Delivery through commercial banks, development of a branch and agency model with point of service devices and biometric smart card
	Inua Jamii 70+	2018	KES 4000/$35/2 months	833,000	Registration with commercial banks, account and biometric-enabled debit cards allocated
Other CTPs	Other governmental programmes		KES 1,167/month	65,501	n/a
	Private initiatives, current programmes, short- and medium-term		KES 2000 to KES 8,700/month	562,000 estimated	M-Pesa

In what follows I describe these programmes, highlighting their specifics, their reach and their links to financial actors. The first CTPs in Kenya can be traced to the influence of Western actors. In Kenya, as elsewhere in SSA, such programmes were driven by international organisations promoting cash transfers as purely technical and apolitical, legitimising direct intervention with limited state control (Ouma, 140). The OVC-CT was launched in 2004, the HSNP in 2009, the PSD-CT in 2011, and the OP-CT in 2007 (McKay et al., 2020). They were all initially created by international actors such as UNICEF, DFID, or the WB in the case of the OVC-CT and HSNP (Ouma, 2020, 129). They were then gradually scaled up and the government eventually bore 100% of the costs of these CTPs by 2019 (McKay et al., 2020). The four CTs now reach over 1.34 million beneficiaries, who receive KES 4000/$35 every two months (GoK, 2016; GoK et al., 2020). HSNP households receive KES 5400 paid bi-monthly (GoK, 2017). In addition to the CTPs now funded by government, the World Food Programme (WFP) is implementing a large CTP in Kenya. Originally conceived as an unconditional support programme carrying out general food distributions, it has been transformed into a conditional cash transfer programme, with responsibility increasingly transferred to the government and electronic payments introduced (WFP, 2018). The WFP and other major NGOs and international organisations are also implementing ad-hoc CTPs targeting tens of thousands in reaction to emergencies such as the COVID-19 crisis (Oyunge and Chebii, 2020).

The literature generally describes the impact of these CTPs in Kenya as overall positive, with noticeable effects generally observed on household consumption rather than productivity (Mwasiaji et al., 2016; Chirchir et al, 2019). CTPs contributed to a decrease in the poverty rate from 71% to 64% and increased consumption of beneficiary households by an average of 11% (ibid.). To give an example, the IJ70+ CTP, the first universal CT in Kenya, which was motivated by the deteriorating living conditions of elderly persons due to informality, unemployment and changing family structures (Mpuria and Wambu, 2015). It has become Kenya's flagship social protection programme as it is its largest CTP in terms of budget and coverage, with 833,000 people aged 65 and above benefiting (GoK et al., 2020).

Financial actors participate in CTPs through the payment process. IJ70+, for example, operates on a model where recipients register with one of four commercial banks affiliated with the programme, serving as payment service providers, and are then allocated an account and an ATM card to receive payment (Chirchir et al., 2019). CT funds are transferred from the National Treasury to the State Department for Social Protection and then to the four affiliated banks: Co-operative Bank, Equity Bank, Kenya Commercial Bank (KCB), and Post Bank, with Equity and KCB being by far the largest providers and players in the CTP landscape (McKay et al., 2020). Beneficiaries receive biometric-enabled debit cards that allow two free withdrawals and two free balance inquiries per payment cycle (ibid.). Payment procedures have evolved for each CTP since its inception and are still varying across CTPs. In the case of HSNP, cash is transferred electronically to a smartcard and can be redeemed at any time in participating shops by fingerprint scans (Barca et al., 2016). In the case of OVC-CT, cash was initially delivered to post offices and recipients collected it at specified times before drop-off at commercial bank offices with biometric identification was also introduced (ibid.). In general, the evolution of CTP payment procedures is

characterised by enhanced digitalisation and financial inclusion, driven by the government in the hope of improving efficiency and safety (Chirchir et al, 2019).

This section has introduced Kenya's SWP and described Kenyan CTPs. I have shown that CTs are at the heart of social welfare policy, commodifying social protection and involving private actors, which link social protection to financial markets. CTs have contributed to financial inclusion in both South Africa and Brazil constituting a link between grantees and financial markets (Lavinas, 2017; Torkelson, 2020). In the following I will explore how CTPs have been and can be linked to financial markets in Kenya and to which extent they contributed to financial inclusion.

3.2 Financial inclusion, credit and the financialisation of everyday life

In what follows, I argue that financial inclusion has been shaped by the emergence of mobile money and has fostered Kenya's financialisation. Kenya ranks very high in indices comparing financial inclusion in the Global South (King and Heyer, 2016). Financial inclusion has increased over the past decade, driven by financial innovation and the spread of mobile money services (ibid.). 83% of adults have access to formal financial services, but the poorest Kenyans remain excluded (CBK et al., 2019). 79% have mobile money accounts, 25% have mobile bank accounts, and 30% have opened traditional bank accounts (ibid.).

A major driver of financial inclusion is M-Pesa, a payment service provider that enables individuals to transfer money via mobile network operators. M-Pesa was established in 2007 as a multi-sector partnership between the British network provider Vodafone, its local subsidiary Safaricom, and DFID (Natile, 2020a). Safaricom is Kenya's largest and most profitable company, with a profit of KES 63.4 billion ($620 million) in 2019 on a total revenue of KES 240.3 billion (Natile, 2020a). M-Pesa allows customers to deposit, transfer, withdraw, and borrow money, pay bills, purchase airtime and various other services, increasingly focused on providing various forms of loans and insurance (Kusimba, 2021). M-Pesa transactions incur fees between 0.29 and 1.08 USD for registered users and fees are also charged for withdrawals (Safaricom, 2021). M-Pesa had over 50 million active users in 2021 (ibid.). Safaricom, which controls about 77% of mobile money, has a quasi-monopoly and has been criticised in various cases for the high costs imposed on customers (King and Heyer, 2016). Poor and vulnerable customers in particular are targeted with unfair prices and meaningless subscriptions (Bateman et al., 2019).

Although MPesa portrays itself as a mere mobile money transaction service, I argue that M-Pesa is a financial actor driven by profit and would benefit from further financialisation of SWP, as well as from any other increase in the usage of financial services. Safaricom is characterised by a large offer of uncollateralised forms of credit presented to a large audience of M-Pesa customers (see Table 2 at the end of this chapter). In the literature, M-Pesa has been widely praised as a successful business model combining socioeconomic development with shareholder profit (UN, 2018). Suri and Jack (2016) claim that M-Pesa has lifted 2% of Kenyan households out of poverty by increasing per capita consumption. These findings, however, have been heavily

criticised for painting a false picture of the benefits of financial inclusion and the role of fin-tech companies in development issues. Bateman et al. (2019) conclude that M-Pesa has inhibited economic development in Kenya, describing M-Pesa as an extractive activity whose main beneficiaries are Safaricom and its foreign shareholders (Bateman et al., 2019, 7). M-Pesa has become a very profitable enterprise, with most of its profits from transaction and loan fees distributed to often foreign shareholders, as the company is owned 35% by the Kenyan government, 40% by Vodafone, and 25% by small business owners (Natile, 2020a, 150). M-Pesa upholds the illusion of being a company dedicated to socioeconomic development, when in reality it is a profitable business, based on inequitable structures (124). It benefits from favourable regulation and governance, stemming from a socio-developmental narrative, allowing it to operate without a banking license, which allows for less regulation and taxation than commercial banks, even though it provides financial services (ibid.).

Financial inclusion, which often translates into increased use of M-Pesa in Kenya, has increased household debt. Credit uptake, mainly for consumption, especially through digital channels, has increased significantly in recent years and appears to provide access to credit for poorer individuals with unstable incomes (CBK et al., 2019, 29; Owuor, 2019). This trend has been reinforced by Covid-19 as many have experienced declining incomes, leading to a current household debt crisis (Sunday, 2021). The mobile lending business is based on constantly messaging and calling potential borrowers to advertise loans, which tend to be quite expensive (Owuor, 2019). 50% of borrowers have sold assets, borrowed, or cut expenses to repay loans and 25% use more than half of their income to service loans (CBK et al., 2019). M-Pesa offers several services that have promoted the uptake of digital loans in Kenya. M-Shwari, a fully digital bank account provided by M-Pesa with 10 million open accounts and over 4.5 million active users, offers small short-term loans with a monthly interest rate of 7.5% to customers with no banking or credit history, becoming one of the most popular digital loan products in the world (Bharadwaj et al., 2019). The disbursed loans are uncollateralised, starting at small amounts, which can be increased if the customer has a positive banking history (ibid.). M-Pesa uses data on consumption habits and income flows collected from its users to determine the credit limit (Breckenridge, 2019, 99). Savings in the M-Shwari account can be used to service the loan (Safaricom, 2021).

Financial innovations based on mobile money continue to contribute to the creation of household debt. Safaricom’s most recent financial innovation is its mobile overdraft service, Fuliza, allowing customers to complete transactions despite having insufficient funds. Fuliza de facto results in a form of short-term micro-loan for consumption, uncollateralised because Safaricom can rely on data estimating the income flows of its customers (Matinde, 2019; Saigal, 2019). Fuliza's borrowing increased by over 40% from KES 244.6 billion to KES 351.2 billion for the 2020 financial year due to Covid-19 (Alushula, 2021). During the same period, the number of active Fuliza customers doubled from 700,00 to 1.4 million, being very popular among low-income households, and generating KES 4.5 billion in revenue for Safaricom, while the use of other, more conventional M-Pesa loans declined (ibid.).

Fuliza can be understood as an uncollateralised loan targeting a broad audience, although Safaricom claims that Fuliza is not a loan product, but merely an "overdraft service" with a 1,083% access fee and a maintenance fee (Safaricom, 2021). Fuliza is automatically suggested to customers who attempt to conduct transactions on M-Pesa with insufficient funds (ibid.). Again, the credit limit is dependent on the customer's usage of Fuliza and M-Pesa (ibid.). Unlike the M-Shwari loan, any funds received in the M-Pesa wallet are immediately used to settle the loan, reducing substantially the default rate (Alushula, 2021). Fuliza has a repayment rate of 98.4% compared to 53.9% for M-Shwari and 51.3% for KCB-M-Pesa (a more conventional loan in partnership with a commercial bank) (ibid.).

M-Pesa's services are diverse and affect many aspects of everyday Kenyan life, thereby contributing to the financialisation of Kenya's economy and society. Other forms of credit through M-Pesa include the Faraja point-of-sale credit, which allows people to purchase goods and services from M-Pesa partners on credit with 0% interest (Safaricom, 2021). Another example is Lipa Karo, a service that allows payments and collection of school fees through M-PESA. After signing up for a Lipa Karo account, a school receives a business number to which parents and guardians pay their child's fees through the M-Pesa service (ibid.). Another example representing a small part of the complex mobile money system is Changamka Microhealth, a healthcare financing mechanism for low-income people, using M-Pesa to save small contributions in case of medical emergencies and provide discounts at selected clinics (Bateman et al., 2019). M-Pesa also offers schemes to get access to electricity and water systems through loans (ibid.). While these can be considered productive loans and seem to truly support socioeconomic development, they also promote MPesa's ubiquity in Kenyan everyday life and the normalcy of credit. M-Pesa's financial products are summarised in Table 2 at the end of this section.

In conclusion, this section has shown that the high level of financial inclusion in Kenya has significantly increased the usage of debt and of financial products in everyday life. M-Pesa is at the heart of Kenyan financial inclusion and must be understood as a monopolistic system through which most transactions in Kenya are conducted. Therefore, a commodified SWP will necessarily be linked to and influenced by financial actors such as M-Pesa.

Table 2. M-Pesa financial services. *Source: Safaricom, 2021.*

M-Pesa financial products	***Description***	***Type of credit***	***Fees***	***Collateral?***	***Usage***
M-Shwari	*Digital bank account*	*Small short-term loans*	*7.5% monthly interest*	*None, no banking or credit history, loan limit determined by data on consumption habits and income flows*	*4.5 million active users, 10 million registered*
Fuliza	*Mobile overdraft service*	*Completes transactions if not enough funds available. De facto short-term micro-loan*	*1,083% access fee and maintenance fee*	*None, data determines loan limit. Fees in M-Pesa wallet used to settle loan*	*1.4 million users*
Faraja	*Point-of-sale credit*	*Goods, services, and bills paid on credit*	*0% interest + M-Pesa transaction costs*	*None, Faraja is available for active M-Pesa customers. Repayment rates determine eligibility for higher loan limits*	*n/a*
Okoa Stima	*Pre-pay and post-pay service for power access needs*	*Loans for pre-paid and post-paid power meters*	*10% facility fee*	*None*	*n/a*
Bloom Finance Service	*Loan for businesses using M-Pesa*	*Loan for professional activities without collateral or requirements on credit history*	*2% for a 7-day loan and 7% for a 30-day loan*	*None, loan limit determined based on data on M-Pesa till activity of the business*	*n/a*
KCB M-Pesa	*Loans and savings product for M-Pesa customers*	*Loan available through the mobile money service, monthly loans*	*8.64% interest for one-month loans*	*None, loan limit determined by credit history*	*n/a*

3.3 Touching points? CTPs providing an informational collateral

Focusing here on the touching points between CTPs and financial inclusion in Kenya, I argue that CTPs help increase lending, not necessarily by serving as a collateral, but rather by collecting information about recipients that then helps build an informational collateral. This form of informational collateral is particularly linked to M-Pesa.

First, I show that existing and potential ties between M-Pesa and CTPs have recently been highlighted by the Covid-19 crisis. M-Pesa has the potential to be increasingly incorporated into CTPs. In National Safety Net programmes, traditional bank accounts are preferred over the use of M-Pesa mobile money accounts as biometric identification allows for more secure identification of recipients. While offering more flexibility, M-Pesa can also present disadvantages for recipients as it can involve higher fees and requires a smartphone (Ouma, 2021). For ad hoc CTPs for emergency situations, M-Pesa is the preferred payment option. This was underscored by the government's response to Covid-19, which mainly took the form of CTPs to support Kenyans during economic emergencies (Kenyanews, 2021; Doyle and Ikutwa, 2021). In 2020, existing programmes were expanded, and new, short-term CTPs were introduced. KES 13 billion was invested into the National Safety Net Programme CTPs and a total of KES 29.3 billion was invested in seven new short-term CTPs, initiated by the government and development partners, targeting about 1.5 million new beneficiaries (Oyunge and Chebii, 2020). All seven CTPs used M-Pesa as the payment channel (ibid.).

When M-Pesa has a stake in CTPs, it can directly collateralise CTs. Safaricom's loans are very popular, intensively used and although they are presented as small loans with low fees, they can reach very high amounts by Kenyan standards and incur expensive fees (Breckenridge, 2019, 105). In the case of Fuliza loans, M-Pesa automatically uses received funds to clear outstanding debts (Safaricom, 2021). The Kenya Employment Act states that overall deductions for servicing loans cannot exceed two-thirds of an employee's salary, but this does not apply to informal workers or CTs (Alushula, 2019). While formal banks condition their loans on sufficient regular income or collateral, mobile money institutions mainly deny credit in cases of poor or non-existent credit history and when other debts still need to be repaid (CBK et al., 2019, 31).

If M-Pesa were increasingly used as a receiving platform of CTs, it could be expected that CTs would directly be used for debt repayments or as collateral for new debt. M-Pesa, aware of the regular CT income stream, would adjust its credit limits for the affected customers. More generally, however, the quasi-monopolistic position of M-Pesa in Kenya's money transactions implies that M-Pesa can also indirectly collateralise CTs received through standard banks. Recipients of the traditional CTPs using M-Pesa will inform M-Pesa of the existence of their regular income stream through their consumption behaviour. It is the information about customers' behaviour that becomes the collateral and access to this information is being improved through the enhanced digitisation of CTPs and registration procedures.

Financial inclusion, like participation in CTPs, requires registration and both have justified enhanced digitalisation of personal information. About 82% of the population has a national ID, which is required to register with CTPs, access all government services, and open bank and mobile money accounts (CBK et al., 2019). Kenya's development partners, including DFID, FSD Kenya, UNICEF and the WB, have supported the implementation of CTPs as well as promoted the digitisation of these programmes in hopes of efficiency and security gains (ibid.). FSD Kenya and the World Bank have had a major impact on recent evolutions, the WB approving $250 million for CTPs in 2018 (ibid.). CTPs in Kenya gradually introduced digitisation of payments by using private financial actors to deliver social benefits (McKay et al., 2020). Another aspect of CTP digitalisation is the digitisation of the targeting process. Until the IJ70+, all CTPs in Kenya were targeted, had eligibility criteria, and adopted complex and tedious targeting procedures ranking households based on their poverty score (Mwasiaji et al., 2016). Given the difficulties in selecting beneficiaries, digital registration has been pushed, especially by international organisations, to simplify and improve the selection process. IJ70+ was the first programme to move from paper-based to electronic registration using dedicated software and biometric identification (CBK et al., 2019).

In designing the National Social Protection Policy, the government affirmed its commitment to developing management information systems to harmonise data across all actors involved in the programmes, thereby including financial actors in the collection and management of personal data on social protection (GoK, 2011, 34). The Single Registry is a software platform developed for the management and integrated monitoring of the Kenyan social policy programmes (Social Protection Kenya, 2019). The Single Registry contains data on WFP and National Social Protection Policy beneficiaries and is linked to the Integrated Population Registry Service (IPRS), which contains data of more than 30 million citizens, in order to verify the identity of CT recipients and monitor payment procedures (ibid.).

These different databases and the tendency to merge them while granting access to private actors, can de facto provide financial actors with a lot of important information for credit assessment. For example, IPRS processes 1.5 million authentication requests per day, almost all from financial actors (Breckenridge, 2019). Payment service providers are explicitly quoted as parties included in the data sharing protocol of the Single Registry (GoK, 2019). Furthermore, the report presenting the strategy for developing these databases clearly states, that "information shall be distributed in a manner that is incompatible (legally inappropriate) with the purpose for which it was collected, with the consent of the person" (GoK, 2019, 16). Foreign companies (Microsoft) are building links between the IPRS and credit information sharing systems (Breckenridge, 2019, 99). By developing similar systems and linkages, the IPRS was linked to Safaricom, which used the information for its M-Shwari product. In this way, Safaricom could link its data on the spending habits of millions of customers with their identity and personal data and introduce a credit model that emancipated itself from the need for information on regular income streams, assets, and defaults. Safaricom was able to leverage its own data collection and access to government databases to

develop a simple form of virtual reputation assurance that was used to extend credit to a very large audience (95).

Identification systems and databases are central to the development of financial inclusion and the emergence of informational collaterals in particular. The WB and Kenyan banks played a distinctive role in the development of identification systems in Kenya (Breckenridge, 2019, 93). This influence and the importance of such databases is also demonstrated by the government's efforts to develop new and larger databases. As the IPRS has weaknesses such as basic errors, frequent duplication, and limited coverage, a new database was announced in 2014, the National Digital Registry System (NDRS). The NDRS was a biometric registration scheme pushed by formal banks as the system would have formalised non-fixed assets and served as a universal credit reporting system, which would have brought new collateralisation objects to the banks (ibid.). The failure of the NDRS can be understood as a conflict between Safaricom and formal banks over the form and ownership of credit information as collateral. Safaricom was opposed to this register as its own business model does not depend on reliable and complete credit and asset histories. Safaricom was able to communicate its reluctance to the government, which was convinced by Safaricom that a system delivering unsecured, high-interest microloans not requiring collateral registers would be more in its interest (93). This identification database, conceived as a PPP, crystallised a conflict between two competing models of collateralisation, one based on physical assets and the other primarily on information. Here, the close ties between Safaricom and the Kenyan state, arising from the states' interests in the company's profits, both as a shareholder and as a tax collector, also explain the subsequent failure of the NDRS (Breckenridge, 2019, 105).

The most recent governmental efforts to establish an extensive registration database are designed to enable access to financial actors and facilitate the emergence of informational collaterals. In 2019, the government initiated the National Integrated Identity Management System (NIIMS) to create, manage, maintain, and operate a national population register as a single source of personal information, assigning each person a unique national identification number and harmonising data with other databases (GoK, 2020). It will use registration for health services, CTPs, and education programmes, thus playing a central role in social policy (ibid.). NIIMS will serve in parallel with IPRS, also supposed to be the main source of information on the Kenyan population. NIIMS will collect new information, including biometrics, and link this information to other databases such as land records, social welfare, and school enrolment records (Open Society Justice Initiative, 2020). The government has announced that registration in NIIMS will be compulsory to access government services (ibid.). The establishment of NIIMS required the amendment of over fifty laws and claims to have already registered 36 million Kenyans, collecting information on nationality, birth, family status, education, employment, biometrics etc. (ibid.). It has been challenged by individuals and data protection advocates as it raises significant problems concerning privacy and personal liberty rights (ibid.). As NIIMS will be connected to the CTP, private financial actors involved in CTPs will have access to its information.

The above analysis of Kenya's digitalisation process concerning both financial inclusion and SWP and the emergence of uncollateralised credit through mobile money has shown that information on citizens has become the core of credit allocation. I illustrate this process in Figure 1 below, again highlighting the actors and key steps involved. The SWP not only leads to the commodification of social protection through financial redistribution, but also contributes to the emergence of an informational collateral, described in Figure 2 below. This is made possible by the co-evolution of SWP and financial inclusion, embodied in the interaction between CTPs and financial actors. The outcome of these interconnected processes seems to be a state-supported informational collateral, which I will further analyse and discuss in the next chapter.

Figure 1. Overview of the processes and actors included in the Kenyan collateralisation of SWP.

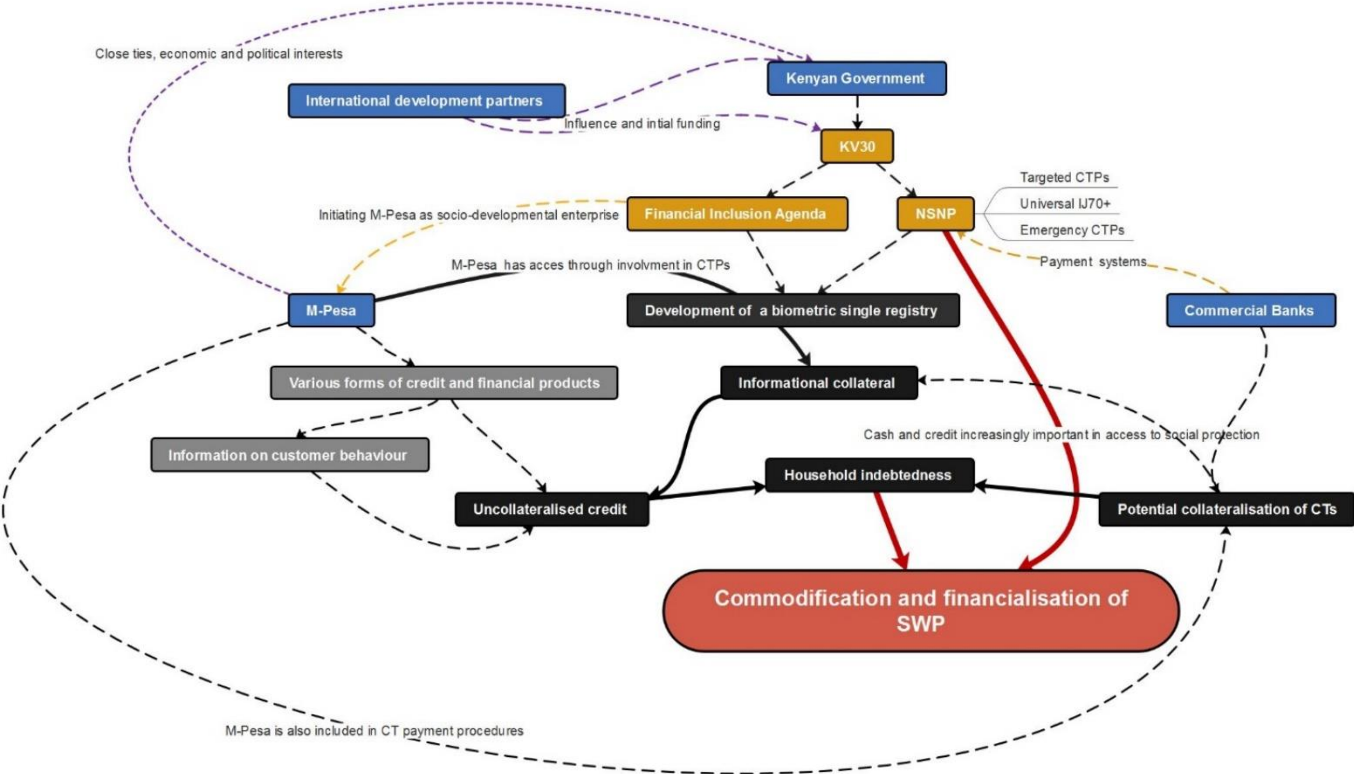
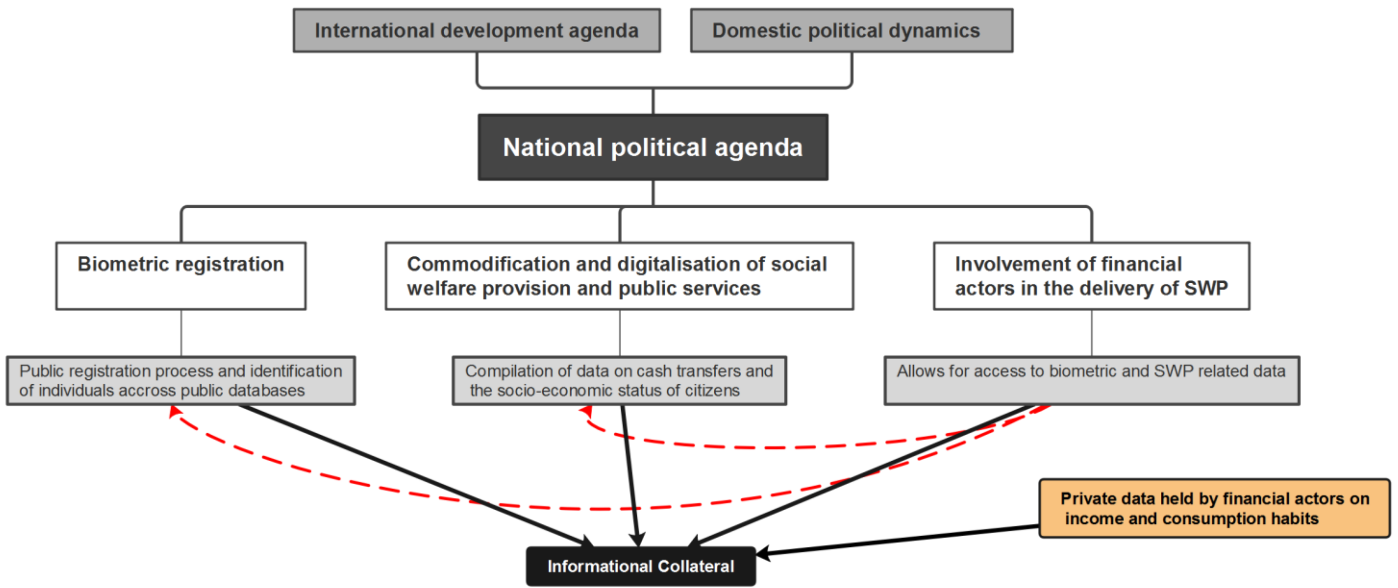


Figure 2. Dynamics allowing for the emergence of the informational collateral.



4. Interpretation and discussion of the Kenyan collateralisation of SWP

4.1 The state as a driver of financialisation

In this chapter, I compare the collateralisation process of the Kenyan SWP with other cases in order to identify and interpret Kenyan specificities. I first focus on the role of the state and show that it plays a central role in the collateralisation process and contributes to the financialisation and subordination to financial profit of SWP. I then argue that the commodification and resulting financialisation of the SWP make people dependent and vulnerable to financial markets.

Despite significant differences in the size of their respective CTPs, Kenya and South Africa are close in the way that CTs promote financial inclusion and financialisation. Collateralisation of SWPs in Kenya is less direct than in South Africa, but shares the important feature of biometric infrastructure being developed for SWPs, while also serving the interest of financial inclusion and thus financial actors. A comparison between M-Pesa and the South African financial player that managed CTs between 2012 and 2018 shows important similarities. Torkelson demonstrates how CTs in South Africa "incorporated recipients into a highly coercive and monopolistic financial system predicated on proprietary technologies" (Torkelson, 2020, 1). She notes that the development of biometric registration and mobile banking services has enabled the conversion of CTs to be converted into loan collateral, allowing for almost risk-free profits (ibid.). South Africa has one of the largest CTPs in the world, spending more than $11 billion annually to provide targeted social grants to a third of the population (Torkelson, 2021, 68). A multinational company, Net1 UEPS Technologies (Net1), was responsible for distributing the subsidies (ibid.). This gave Net1 monopoly control over the personal data and bank accounts of a third of the population, which it could use to aggressively sell consumer loans securitised by the government based on regular income streams (71). Net1 controlled these income streams and deducted loan repayments before the money was transferred to the beneficiaries. Net1 was able to base its operations on a biometric registration system through which it could sell other financial products. This only required that customers consent with their fingerprints to a purchase advertised by a private financial actor closely linked to an official government agency, often leading to confusion (ibid.). Net1's monopoly position, which allowed for risk-free lending, led to aggressive promotion of financial products among CT grantees, resulting in poverty alleviation goals being sidelined in favour of financial expansion (ibid.). Like M-Pesa, Net1 also offered a variety of financial inclusion products that targeted clients' everyday needs. In 2018, a public outcry against Net1 led to its ejection and a new payment system with several more traditional players (including the Post Office) was launched (Torkelson, 2020, 9). While the aggressive involvement of grantees in debt programmes has been reduced, the new system is still based on debt generation (Torkelson, 2021). M-Pesa is similar to Net1 in that it transforms a form of public mandate to participate in social development into a for-profit activity. Net1 appears to have used very similar strategies and technologies to those available to M-Pesa. Loans delivered through M-Pesa are rapidly increasing and

Kenya is expected to expand CTPs in the coming years. Although M-Pesa's profits are already high, its profitability is likely to increase in the future, as any socio-economic development in Kenya can become a source of profit.

In the Kenyan case, the way in which collateralisation of SWPs works and contributes to the financialisation of social protection is different. The main difference between M-Pesa and Net1 is that M-Pesa is currently much less involved in the management of CTs. While their monopoly position and the use of personal data collected through government-icreated databases are important common features, they differ fundamentally in that Net1 has derived its monopoly from its mandate to manage CTs, while M-Pesa's monopoly is rooted in its control ofmobile money. M-Pesa has access to CT-related information, personal data, and consumer behaviour, and thus has an informational collateral. M-Pesa should be able to identify whether a lender is benefiting from CTs and its monopoly position makes it very likely that sooner or later the said customer will have to use M-Pesa, allowing them to use funds for debt service. In addition, the centrality of M-Pesa in the Kenyan financial system and in everyday Kenyan life has significant consequences for individuals who cannot use M-Pesa, as they are excluded from important services. Both factors contribute to M-Pesa's very low default rates.

As in the Brazilian or South African case, the state in Kenya is directly involved in strengthening the financialisation process. In Brazil, the collateralisation of CTs has allowed the financial sector to remove the requirement for liquid assets in order to make offers to low-income groups (Lavinas, 2020, 312). The state provides both collateral in the form of CTs and information about the beneficiaries that enables risk assessment (ibid.). Databases to improve targeting and prevent fraud are then shared with financial actors to improve identification procedures and thus reduce their costs and risks (320). I have already shown that in Kenya, it is mainly beneficiary information that is used as collateral. Under the guise of social policie5s, the state is taking over activities that were previously the responsibility of private actors. In the cases of Brazil and South Africa, the state provides both protection for lenders and the screening system. In Kenya, the quality of the screening system, combined with the monopolistic nature of M-Pesa, seems to reduce the importance of CTs as a direct protection. The cost of these activities is borne by the state, even though they are vital and very profitable for the financial sector. The state, through its social policies, thus participates directly in the process of financialisation, becoming a source of dependence on the market and subordinating SWP to the imperatives of financial profit (Lavinas, 2017).

In the Kenyan case, the financialisation of social policy is characterised by the specificity of M-Pesa as a financial actor with special links to the state. These links re-emphasise that the public sector can act as a catalyst for financial expansion and financialisation. For Natile (2020a), M-Pesa was founded on a narrative of social entrepreneurship and promotes the idea of philanthrocapitalism, namely that financial inclusion can simultaneously bring social improvements and profits. This narrative allows M-Pesa to benefit from political support and institutional arrangements in its

pursuit of profit and to pass off profit-driven entrepreneurship as philanthropic activity (ibid.). As a result, M-Pesa is still seen as a mere provider of money transfer systems and is therefore less regulated, even though it makes significant profits from credit products (ibid.). In the Kenyan case, the role of the state is further enhanced by its close association with the Kenyan government, which reduces the likelihood of being stripped of public contracts because of public critique, as in the case of Net1. Moreover, the state acts as a promoter of financialisation through social policies and financial inclusion, as it enables M-Pesa to maintain a very stable, quasi-monopolistic and advantageous position in the financial market.

Overall, in the context of large CTPs such as in Brazil and South Africa, CTs provide a state-sponsored solution to the problems of financial expansion, namely the lack of sufficient and stable income. In Kenya, the state plays a similar role, albeit through different mechanisms, by providing information security and granting a monopoly position to a financial player. While Kenya's focus on CTPs must be understood as reflecting a social policy defined as minimal state provision (Ouma, 2021), its interference in facilitating financial expansion is more akin to a highly interventionist state. One consequence of this collateralisation of the SWP, which allows recipients of CTs to become borrowers, is the exponential growth of household debt seen in both Brazil and South Africa (Lavinas, 2020, 316). In Kenya, the debt is linked to mobile money loans and can thus be attributed to this informational collateral, based in part on data collected through CTPs. In the next section, I will discuss the impact of this financialisation of social protection on the livelihoods of Kenyan citizens.

4.2 The effects of collateralised SWP: subordination and dependency

In the context of collateralised SWP, the state can be understood as both an enabler of financialisation and as influenced by financialisation processes. The impact of the financialisation process on society is unclear, especially in the case of financialised social security and resulting financial inclusion. In the following, I discuss these effects on the affected population and argue that commodified and collateralised SWP financialises everyday life in a particular way, creating dependency and vulnerability.

The emergence of new liabilities mainly creates financial wealth and reproduces market dependence. While the interplay of social protection policies and financial inclusion has increased people's ability to borrow, their ability to pay back loans did not improve substantially, credit is mainly used to cope with consumption crises and social reproduction activities (Lavinas, 2020, 319). In Brazil, even the poorest saw their debt levels increase, especially as their loans are generally subject to high interest rates (ibid.). This is similar in Kenya with the difference that 80% of the population is considered as poor (GoK, 2017), so most of Kenya's financially included citizens are poor. Many households in Brazil have been pushed into debt spirals and the same could be expected for Kenya, as loans and products can be very expensive, especially for low-income households (Lavinas, 2018; Breckenridge, 2019). These high interests persist even if state-backed collaterals drastically reduce the risk of default. In a system

of commodified social protection, additional debt solves emergencies and consumption crises, undermining the welfare effects CTs are supposed to bring (Torkelson, 2020). Loans are taken out against future commodified social protection rights, not based on future work (ibid.). Evidence on short-term small loans and productivity has already been surveyed for the purported effects of microcredit and the impacts on poverty reduction or economic development are meagre at best (Lavinas, 2020).

Small consumer loans contribute to the financialisation of many households' daily lives, as debt then becomes the basis of their economic participation (Montgomerie, 2020, 386). However, financialisation itself is not necessarily a burden for households and communities. James (2021, 4) refutes the assumption that the financialisation of everyday life is a "one-way, top-down intrusion by the market" and maintains that concerned individuals are complicit participants rather than victims. For her, access to credit in South Africa enables people to lead consumerist lives from which they were previously excluded (ibid.). James criticises critical accounts of new forms of financial inclusion for ignoring the history of local credit systems and the role of credit in organising social life (James, 2018, 815). She argues that the creation of new wealth through resources provided by states is a form of new redistributive capitalism (ibid.). In this redistributive neoliberalism, intermediaries between income (provided by the state) and formal and informal financial markets ensure the further spread of redistribution and create new socio-economic positions and identities (827). Guermond (2020) shows how debt relations shape social life in Ghana and Senegal. He conceptualises remittance recipients as resisting and rejecting subjects of financialisation, who individually and collectively reject the inclusion of their remittances in formal financial systems. These "quasi-subjects" of financialisation still participate in the reproduction of credit, but in informal ways (Guermond, 2020, 4). Saving money (including remittances) and borrowing from family, friends and credit and savings associations are very common practices among remittance recipients in Ghana and Senegal (ibid.). He shows how money is often saved in local credit associations, which play an important role in social life, participate in the social reproduction cycle, and function to terms set by the participants (5). The relational value created by these forms of mutual debt helps to ensure the social reproduction of households (11). Debt in these systems is a mean to create social value over the longue durée (ibid.), detached from monetary instability.

These examples contrast with M-Pesa's form of financialisation. Profit-driven and subordinating financialisation creates forms of dependency without social value. The main difference between Kenya and these examples is again the monopoly position of M-Pesa and the nature of mobile money itself. In a payment and credit system dominated by M-Pesa, there are no intermediaries, and credit is used to meet basic consumption needs. The wide reach of M-Pesa and standardised credit offerings do not make it a suitable vehicle for creating new socio-economic identities. When person A makes a payment to person B using Fuliza credit, A is not indebted to B. If she were, she could delay repayment or change the repayment terms through various stages of social life ceremonies. Instead, person A is indebted to a powerful, bureaucratic

institution on which she depends, tying up her future wage or reproductive labour (CTs) to service a loan to an institution from which she can expect nothing in return. This type of financialisation makes households dependent on the market to maintain their connection to financial circuits that allow them to access the market (Bateman et al., 2019). M-Pesa-led, state-supported financialisation is not conducive to building social relations. It is an extremely asymmetric financial relationship, as the creditor relationship with M-Pesa is one-sided and undemocratic. Paradoxically, these formal financial relationships are generally much more asymmetric than certain forms of informal lending because there is no discussion about the terms of the lending process and it is often difficult for poor households to complain or even guarantee their rights (Guermond, 2020, 13).

Moreover, neoliberal financialisation without social value actively hinders the adoption of alternative logics. The unwillingness to join formal financial systems is seen as a problem by governments and their development partners, which is why they try to implement programmes to improve the financial literacy of the population (Guermond, 2020). This usually takes the form of financial literacy/education policies, which assume that individuals' problems are due to their behaviour rather than financial products or social structures (Lazarus, 2020, 390). Nonetheless, financial literacy is promoted as a means to protect citizens from the financialisation of markets and private life (390). Financialisation and financial education create "financial subjects" (396). The constraints of financialisation are internalised by subjects and the general process of financialisation then becomes a form of Foucauldian governmentality that promotes a subordinate neoliberalism in the Global South (396). The involvement of states in the financialisation of the SWP and the resulting financialisation of households highlights the hegemonic character of financialised (peripheral) capitalism, which leaves little room for alternative logics.

To conclude this section, I would like to point out once again that the financialisation process in Kenya, which, as in other examples of collateralised SWP, is increasingly managed by the state, has subordinated social policy to a profit-driven logic. In this form, SWP-induced financialisation reproduces dependencies on the market. Commodified social rights service credit needed to organise the life cycle of social reproduction and is provided by a monopolistic financial institution, thereby likely sacrificing the production of relational value through mutual indebtedness at the local level.

4. Conclusions

Kenya can be considered as another case where SWP collateralisation of under the influence of development partners and financial actors is noticeable, albeit with important differences from Brazil and South Africa.

Chapter 1 showed how CTPs, at the heart of Kenya's SWP, help build an informational collateral. The government's collection of SWP beneficiaries' personal data and its compilation in databases accessible to financial actors has enabled M-Pesa to extend seemingly uncollateralised credit to a very large population. In Kenya, CTPs are not directly collateralised, but constitute the basis of a system in which the state provides a monopolistic financial actor with an increasingly efficient screening device. This results in increasing indebtedness of poor Kenyan households and their inclusion in a monopolistic payment system provider, which facilitates the use of various financial products offered by M-Pesa.

Chapter 2 argued that in this system of collateralised SWP, the state plays a primordial role in advancing the interests of the financial sector while pursuing minimal public policies on social protection. In settings where commodified social protection rights are appropriated by an expropriatory financial system, households depend on a financial actor to which they direct their income and subsidies to service debt incurred for basic consumption needs. By servicing a formal financial actor, households do not benefit from the creation of relational value and opportunities for contestation and participation that informal or more democratic alternative credit systems could offer (Guermond, 2020).

The Kenyan case supports the argument that the combination of CTPs and financial inclusion as core elements of development policies in the Global South promotes the infrastructural and ideological basis for the collateralisation of social policy. However, the nature and the procedures of said collateralisation process are likely to vary, depending on the nature of the financial sector involved and the interests linking political actors to financial ones. In the Kenyan case, it is also a difference in the technology used – a monopolistic mobile payment system – that constitutes the difference in the collateralisation process and the extent to which financialised households are dependent on the market.

This paper is limited by a lack of fieldwork, making assumptions about the dependency and vulnerability of financialised households mainly hypothetical. Furthermore, it lacks a detailed understanding of the political processes that have shaped current social policies and the political economy of the M-Pesa payment system. Moreover, what has been described and conceptualised as an informational collateral remains a black box. What exactly is used by financial actors to deliver unconditional collaterals and what business model this credit form follows, is unknown to the author. More generally, this paper's macro focus did not allow for a consideration of individual agency. Furthermore, data on CTPs in Kenya suffers from the unreliability of the reported details of the programme, information can vague and differs from one source to

another. Finally, this article asserts that there is a correlation between CTPs and credit uptake in Kenya, without having statistical evidence to prove this claim, which requires further empirical research.

Future research could draw on the research framework of dependency theory to analyse the extent to which the collateralisation of SWP contributes to the economic subordination of peripheral countries in the Global South. The literature linking financialisation to dependency and the observation that financial inclusion channels profits from the Global South to Western shareholders – as is the case with Safaricom – are first starting points for such an analysis. Finally, this research subject would benefit from approaches conceptualising the possibilities of establishing a radical decommodification agenda (Gunvald Nilsen, 2021) and general alternatives to and forms of resistance against the expropriatory financialisation of low-income livelihoods.

References

Alushula, P. (2019). Alarm as easy digital loans yoke more Kenyans to debt. Business Daily Africa, April 9. [https://www.businessdailyafrica.com/datahub/Alarm-as-easy-digital-loans-yoke-more-Kenyans-to-debt/3815418-5063014-en2bp7z/index.html].

Alushula, P. (2021). Fuliza hits Sh350bn on Covid cash woes. Business Daily Africa, May 14. [https://www.businessdailyafrica.com/bd/corporate/companies/fuliza-hits-sh350bn-covid-cash-woes-3399446].

Awortwi, N. (2017). Conclusion. In Awortwi, N., & Aiyede, E. (Eds.). Politics, public policy and social protection in Africa. Evidence from Cash Transfer Programmes. London: Routledge.

Barasa, E., Rogo, K., Mwaura, N., & Chuma, J. (2018). Kenya national hospital insurance fund reforms: Implications and lesson for universal health coverage. Health Systems & Reform, 4(4), 346-361.

Barca, V., Hurell, A., MacAuslan, I., Visram, A., & Willis, J. (2016). A framework to evaluate payment systems for cash transfer programmes: examples from Kenya. International Policy Centre for Inclusive Growth, Research Brief 54.

Bateman, M. (2019). The rise of microcredit 'control fraud' in post-apartheid South Africa: from state-enforced to market-driven exploitation of the black community. Review of African Political Economy, 46(161), 387-414.

Bateman, M. & Chang, H. J. (2012) Microfinance and the illusion of development: from hubris to nemesis in thirty years, World Economic Review, 1 (1), 13–36.

Bateman, M., Duvendack, M., & Loubere, N. (2019). Is Fin-Tech the new panacea for poverty alleviation and local development? contesting Suri and Jack's M-Pesa findings published in Science. Review of African Political Economy, 46(161), 480-495.

Bayliss, K. & Van Wayenberge, E. (2018). Unpacking the public-private partnership revival. Journal of Development Studies, 54(4), 577-593.

Bayliss, K., Fine, B., & Van Waeyenberge, E. (2011). The Political Economy of Development: The World Bank, Neoliberalism and Development Research. London: Pluto Press.

Bharadwaj, P., Jack, W., & Suri, T. (2019). Fintech and household resilience to shocks: Evidence from digital loans in Kenya. NBER Working Paper Series, Working Paper 25604.

Breckenridge, K. (2019). The failure of the single source of truth about Kenyans; The NDRS, collateral mysteries and the Safaricom monopoly. African Studies, 78(1), 91-111.

Central Bank of Kenya, Kenya National Bureau of Statistics, & FSD-Kenya (2019). 2019 FinAccess Household Survey. [https://www.centralbank.go.ke/2019/04/03/2019-finaccess-household-survey-report/].

Chirchir, R., Tran, A., Magutu, H., Schmitt, V., & De, L. (2019). Kenya: Inua Jamii senior citizen's scheme. Geneva: ILO.

Dos Santos. P.L., & Kvangraven, I.H. (2017). Better than Cash, but beware the Costs: Electronic Payments Systems and Financial Inclusion in Developing Economies. Development and Change, 48 (2), 205-227.

Doyle, A., & Ikutwa, N. (2021). Towards shock-responsive social protection: lessons from the Covid-19 response in Kenya. Maintains Research Report, Oxford Policy Management.

Duvendack, M. & Mader, P. (2017). Poverty Reduction or the Financialization of Poverty. In Bateman, M. & Maclean, K. (Eds.). Seduced and betrayed. Exposing the contemporary microfinance phenomenon. Santa Fe: School for Advanced Research Press, 33–46.

Epstein, G. (2005). Financialization and the World Economy. Cheltenham: Edward Elgar Publishing.

Fine, B. (2012). Financialization and Social Policy. In Utting, P., Razavi, S., Buchholz, R.V. (Eds.). The Global Crisis and Transformative Social Change. International Political Economy Series. London: Palgrave Macmillan.

Fine, B. (2014). The Continuing Enigmas of Social Policy. UNRISD Working Paper 2014/10, UNRISD, Geneva.

Garcia, M., & Moore, C. M. T. (2012). The cash dividend: The rise of cash transfer programs in Sub Saharan Africa. Washington, D.C.: World Bank Group.

Government of Kenya (2011). Kenya National Social Protection Policy. Ministry of Gender, Children, And Social Development.

Government of Kenya (2016). Inua Jamii Towards a more effective National Safety Net for Kenya. Progress Report, Ministry of Labour and East African Affaires (MLEAA).

Government of Kenya (2017). Kenya social protection sector review 2017: Main report. Government of Kenya.

Government of Kenya (2019). Single registry data sharing protocols. Ministry of Labour and Social Protection.

Government of Kenya, Ministry of Labour and Scoial Protection, Social Assistance Unit, Kenya National Bureau of Statistics, HelpAge International Kenya, World Food Programme, International Labour Organization, United Nations Children's Fund (2020). Baseline Survey Report of Kenya's Inua Jamii 70 Years and Above Cash Transfer Programme. Government of Kenya.

Guermond, V. (2020). Contesting the financialisation of remittances: Repertoires of reluctance, refusal and dissent in Ghana and Senegal. Environment and Planning A: Economy and Space, 0(0), 1-22.

Gunvald Nilsen, A. (2021). Give James Ferguson a fish. Development and Change, 52(1), 3-25.

Hanlon, J., Barrientos, A., & Hulme, D. (2010). Just Give Money to the Poor: The Development Revolution from the Global South. Sterling, VA, USA: Kumarian.

King, M., & Heyer, A. (2015). Kenya's Financial Transformation in the 21st Century. Nairobi, Kenya: FSD Kenya.

Itaman, R. (2017). The financialization of Africa's development. Developing Economics. [https://developingeconomics.org/2017/04/07/the-financialization-of-africas-development/].

James, D. (2018). Mediating Indebtedness in South Africa. Ethnos: Journal of Anthropology, 83(5), 814–831.

James, D. (2021). Life and debt: A view from the south. Economy and Society, 50(1), 36-56.

Karwowski, E. (2019). How financialization undermines democracy. Development and Change, 50(5), 1466–1481.

Kenyanews (2021). Government disburses Sh 8.7 billion to Inua Jamii. Kenyanews, July 7. [https://www.kenyanews.go.ke/government-disburses-sh-8-7-billion-to-inua-jamii/]

Koddenbrock, K., Kvangraven, I. H., & Sylla, N. S. (2020). Beyond Financialisation: The Need for a Longue Durée Understanding of Finance in Imperialism. OSF Preprints pjt7x, Center for Open Science.

Kusimba, S. (2021). Reimagining money. Kenya in the digital finance revolution. Stanford University Press.

Kvangraven, I. H., & Dos Santos, P. L. (2016). Financial inclusion and its discontents. Private Debt Project.

Lapavitsas, C. (2013). The financialization of capitalism: ‘Profiting without producing’. City, 17(6), 792-805.

Lavinas, L. (2013). 21st Century Welfare. New Left Review, 84(1), 5–40.

Lavinas, L. (2017). The Takeover of Social Policy by Financialization. The Brazilian Paradox. New York: Palgrave Macmillan.

Lavinas, L. (2018). The Collateralization of Social Policy under Financialized Capitalism. Development and Change, 49(2), 502–517.

Lavinas, L. (2020). The collateralization of social policy by financial markets in the Global South. In Mader, P., Mertens, D., & Van der Zwan, N. (Eds.). The Routledge international handbook of financialization. London: Routledge.

Lazarus, J. (2020). Financial literacy education. A questionable answer to the financialization of everyday life. In Mader, P., Mertens, D., & Van der Zwan, N. (Eds.). The Routledge international handbook of financialization. London: Routledge.

Leisering, L., (2020). The calls for universal social protection by international organizations: constructing a new global consensus. Social Inclusion, 8(1), 90-102.

Mader, P. (2018). Contesting financial inclusion. Development and Change, 49(2), 461-483.

Matinde, V. (2019). Safaricom's Fuzila helps company rake in KES60-billion profit. ITWeb Africa, Mais 3. [https://itweb.africa/content/kLgB1Me8NG1759N4].

McKay, C., Mdluli, G., Chebii, M., & Malu, V. (2020). The future of government-to-person payments: Innovating for customer choice in Kenya. CGAP, FSD-Kenya.

Mkandawire, T. (2010). How the new poverty agenda neglected social and employment policies in Africa. Journal of Human Development and Capabilities, 11(1), 37-55.

Mkandawire, T. (2015). Neopatrimonialism and the Political Economy of Economic Performance in Africa: Critical Reflections. World Politics, 67(3), 563–612.

Montgomerie, J. (2020). Indebtedness and financialization in everyday life. In Mader, P., Mertens, D., & Van der Zwan, N. (Eds.). The Routledge international handbook of financialization. London: Routledge.

Mpuria, M., & Wambu, C. (2015). Challenges of Kenya’s Vision 2o3o and the Jubilee Manifesto: The Case of People Cah Transfer pension scheme in Nakuru county. International Journal of Social Sciences Studies, 3(3), 176-184.

Mwasiaji, W., Reidel, K., Mistiaen, E. S., Sandford, J., & Munavu, M. (2016). Inua Jamii: towards a more effective national safety net for Kenya (English). Washington, D.C.: World Bank Group.

Natile, S. (2020a). Digital finance and the mobile money “social” enterprise: A socio-legal critique of M-Pesa in Kenya. Historical Social Research, 45(3), 74-94.

Natile, S. (2020b). The exclusionary politics of digital financial inclusion: Mobile money, gendered walls (1st ed.). London: Routledge.

Open Society Jutice Initiative (2020). Kenya’s National Integrated Identity Management System. Open Society Justice Initiative – Briefing Paper.

Ouma, M. (2020). Social protection policymaking in Kenya. Africa Development, 45(2), 125-142.

Ouma, M. (2021). Kenya's Social Policy Response to Covid-19: Tax Cuts, Cash Transfers and Public Works. Covid-19 Social Policy Response Series, CRC 1342 / 27.

Ouma, M., & Adésínà, J. (2019). Solutions, exclusion and influence: Exploring power relations in the adoption of social protection policies in Kenya. Critical Social Policy, 39(3), 376-395.

Owuor, V. O. (2019). Mobile-based lending is a double-edged sword in Kenya – helping but also spiking personal debt. Quartz, October 5. [https://qz.com/africa/1722613/mobile-money-lending-in-kenya-helps-but-also-spikes-debt/].

Oyunge, P., & Chebii, M. (2020). Kenya enhances its cash transfer programmes in response to the COVID-19 pandemic. FSD-Kenya Blog. [https://www.fsdkenya.org/blogs].

Safaricom (2021). FAQS. Safaricom Webstie. [https://www.safaricom.co.ke/faqs].

Saigal, K. (2019). Africa: Safaricom's new overdraft facility 'will boost revenues' for M-Pesa. Euromoney, March 29. [https://www.euromoney.com/article/b1dqs5q2rd53x5/africa-safaricoms-new-overdraft-facility-will-boost-revenues-for-m-pesa].

Schelkle, W. (2012). In the Spotlight of Crisis: How Social Policies Create, Correct, and Compensate Financial Markets. Politics & Society, 40(1), 3-8.

Soederberg, S., (2014). Debtfare States and the Poverty Industry. Money, Discipline and the Surplus Population. London and New York: Routledge.

Sterck, O., & Delius, A. (2020). Cash transfers and micro-enterprise performance: Theory and quasi-experimental evidence from Kenya. CSAE Working Paper Series 2020-09, Centre for the Study of African Economies, University of Oxford.

Stockhammer, E. (2004). Financialisation and the Slowdown of Accumulation. Cambridge Journal of Economics, 28(5), 719-741.

Sunday, F. (2021). CBK raises red flag on high household debt. Standardmedia, July 14. [https://www.standardmedia.co.ke/business/news/article/2001418218/cbk-raises-red-flag-on-high-household-debt].

Suri, T., & Jack, W. (2016). The long-run poverty and gender impacts of mobile money. Science, 354(6317), 1288-1292.

Taylor, V., & Triegaardt, J. (2018). The political economy of social welfare in Africa. Transforming policy through practice. Oxford: Oxford University Press.

Torkelson, E. (2020). Collateral damages: Cash transfer and debt transfer in South Africa. World Development, 126, 104711.

Torkelson, E. (2021). Sophia's choice: Debt, social welfare, and racial finance capitalism. Society and Space, 39(1), 67-84.

World Bank (2018). The State of Social Safety Nets 2018. Washington, DC: World Bank.

World Food Programme (2018). Kenya, General Food Distribution Cash Modality scale up for the refugees and host community in Kakuma and Dadaab Camp: an evaluation. Rome: World Food Programme.