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Card Crusaders, Cash Infidels and the Holy Grails of Digital Financial Inclusion

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Abstract:

This paper analyses the turn toward financial inclusion in general, and digital money and the end of cash in particular, in development policy. It examines the profit-oriented logics at work and raises critical questions about the moral crusade being waged over digitalising poor people's money. It begins with a discussion of why financial inclusion has displaced microfinance on global development agendas, and has introduced new practices and players to the space of poverty finance. It shows how financial inclusion brings a modified theory of change, with financial intermediation rather than income generation now being seen as crucial to poverty alleviation, and explains the particular emphasis on promoting cashless payment systems in the name of inclusion. As becomes evident, powerful actor coalitions (card crusaders) seek the end of cash and the full digitalisation of poor people's money in pursuit of three holy grails: to capitalise on everyday transaction costs, to seek and analyse big data generated by the poor, and to exert greater governmental power over poor people's money. This draws into doubt the prospect of empowerment through financial inclusion.

Keywords: financial inclusion, mobile money, microfinance, international development, cash, big data

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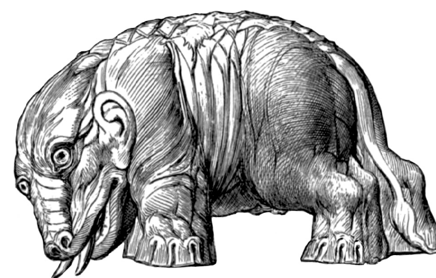

Introduction

"We need to undertake a crusade against cash. We need to work together to make people use cards and other technology more. We need financial education to make people understand the importance of these electronic tools", the head of a major Colombian card issuing company and payments network told a congress of bankers in March 2014. **[1]** He reiterated the common mantra that financial inclusion helped poor people, but his speech to the Colombian finance community, assembled in an upmarket seaside hotel, focused mostly on other expected benefits from the full digitalisation of payments, namely the fees and the vast amounts of client data that payments providers could gain. The prime ally that they needed in this crusade, the executive intimated, was the state, which needed to be pushed to extend broader social welfare programmes, because this would require every poor Colombian household to have (and use) a digital payment account. **[2]**

Financial inclusion was already quietly ascendant before the great financial crisis of 2008, but has strongly gained impetus since then, and a series of international declarations and keystone publications has cemented its emergence (United Nations 2006; AFI 2012/2015; GFPI 2014; World Bank 2014). As World Bank President Jim Yong Kim highlighted in 2014:

> "Financial inclusion has moved up the global reform agenda and become a topic of great interest [...]. For the World Bank Group, financial inclusion represents a core topic, given its implications for reducing poverty and boosting shared prosperity. The increased emphasis on financial inclusion reflects a growing realization of its potentially transformative power to accelerate development gains." (World Bank 2014, xi)

Financial inclusion follows on the heels of microfinance as "a broader push to extend financial markets, and this push introduces new products, new providers, and new target markets"; as World-Bank affiliated authors explain (Cull et al. 2013, 1). Although its specific form is novel, the new agenda's rise tessellates with the enmeshment of finance and poverty that has taken place at least since the 1980s, a "financialisation of poverty" of which microfinance was an integral part, and in which debt was the most lucrative and most attended-to frontier (Mader 2015). Soederberg (2014) refers to that enmeshment as "debtfarism", wherein a financial "poverty industry", mandated by the state, has come to administrate the welfare needs of the "surplus population" in exchange for new opportunities for value extraction; prominent forms of this include subprime lending and microcredit. But the gradual assembly of a community of thought and practice under the banner of "financial inclusion", roughly over the past five to ten years, now signals a move at least partly away from credit, and a shifting and widening of the agenda towards one of "poverty payment" (Maurer 2015). In particular, digital money inscribed into cards, on which this paper focuses, represents the most exciting emerging frontier for the proponents of financial inclusion, chiming into the broader cacophony of calls to put an end to cash (Rogoff 2016). Digital monies and

[1] I have gratefully benefited from inputs from Axel Paul, Milford Bateman, Hugh Sinclair, and an unknown reviewer. All errors are my own.

[2] Source: notes made by the author, at the "V. Congreso de Acceso a Servicios Financieros, Sistemas y Herramientos de Pago", Cartagena de las Indias, 21 March 2014.

cashless payment systems are pivotal to the "fast-evolving fintech–philanthropy–development (FPD) complex" which seeks to develop and deploy individualised "fixes" for poverty via digital financial technologies aimed at governing the behaviours of "risky populations" (Gabor/Brooks 2016, 2f.).

The financial inclusion agenda builds on many established features of microfinance, above all the recognition that poor people can be profitable clients for financial firms; but it vastly expands the scope, and assembles a new coalition of actor groups (card crusaders) that includes international organisations, philanthropic foundations, NGOs, large banks, credit card companies, governments, financial regulators, educators and technology firms. Just like the microfinance mania that peaked around a decade ago, the contemporary focus on extending financial services, and digital payments in particular, as drivers of modernisation and inclusion for the world's poor, comes with the trappings of a moral crusade. Proponents proclaim unequivocally that the benefits from "dethroning cash as king" (Inside Philanthropy 2016) are manifold and would accrue especially to the most marginal and vulnerable. For instance, as the managing director of the "Better than Cash Alliance" (BTCA), Ruth Goodwin Groen, claims, moving away from cash will promote women's empowerment: "If you want to make sure women are participating in the economy and have economic opportunities, one way to do it is by digitizing payments. Women in informal businesses not only increase their economic opportunity by digitizing payments, but it helps them move their business to formality." (ibid.) Regardless of whether such claims stand up to logical scrutiny or not – a hallmark of moral crusades being that they do not need to –, in the peculiar world of "poverty finance", where poverty appears as an ill that is best engaged through financial services extension (Rankin 2013), they ring undeniably true.

This article critically examines the moral crusade for changing poor people's money. It examines the profit-oriented logics at work, and raises critical questions about the implications of digitalising poor people's money. For present purposes, as a definition it will suffice to understand financial inclusion as the generation of *access to and usage of formal financial services by people who currently do not use them*, and digital financial inclusion as modes of financial inclusion that eschew the use of cash in favour of electronic money. Although it is generally discussed as a global issue, an important distinction is between financial inclusion in richer and poorer countries. In affluent countries, financial inclusion addresses a generally small minority of people who, for whatever reasons, are unable to obtain a bank account and other basic financial services that are otherwise the *norm* in their society (which may, for instance, make getting a job or renting accommodation difficult). But financial inclusion in the development sphere, the focus of this paper, is a much more sweeping agenda: in many developing countries, using formal financial services is the exception rather than the norm, and financial inclusion is not about helping a left-behind minority to catch up, but about tethering entire communities, territories and populations to formal finance for the first time. In line with the grander scale of this project, the promises are more grandiose, and financial services are presented as central to social

inclusion, cohesion and modernisation: a keystone for poverty alleviation, financial stability, and economic development (cf. World Bank 2014).

The next section will discuss the evolution of the financial inclusion agenda out of the microfinance agenda, and examine the changes in poverty finance that have resulted, which include new players, new practices, and a new theory of how finance benefits poor people. Financial inclusion, we see, invites new players such as payday lenders into poverty finance, and suggests processes of financial intermediation (rather than income generation) to be the key to poverty alleviation. The following section then examines the crystallisation of *digital* financial inclusion, which aims for the use of electronic money and the end of cash. Digitalisation via card money promises far easier outreach for financial service providers; but it also raises questions about who benefits in what ways, what drawbacks different types of money may have, and what resistances the project may encounter. The final section examines three "holy grails" pursued by card crusaders. First, transaction costs: digital monies promise efficiency gains, and the potential (for those who control the infrastructure) to capitalise on transaction costs. Second, micro big data: digital monies create data that may be sold or used by financial service providers to enhance their own profitability, and that is keenly sought after by the economics profession. Third, governmental power: digital monies promise greater transparency, which may also be used to discipline and control people through monitoring and governing of their financial behaviours. The concluding section raises questions about whether digital financial inclusion can be a progressive and empowering vision.

From microfinance to financial inclusion

Where does the agenda of financial inclusion come from? In many ways, poverty programming has long intermeshed with morally-driven changes and expansions of the monetary and financial system. As Viviana Zelizer's (1997) study of poor relief in early 20th century North America showed, social reformers wrestled with, but ultimately settled on, cash rather than in-kind forms of poor assistance, because they hoped that having to decide how to spend their money themselves would finally make poor people more moral and upright citizens. More recently, the United States' subprime lending sector proliferated as much thanks to efforts of activists since the 1980s who worked to ensure that poor, predominantly black communities gained equal access to mortgages as due to new financial technologies and deregulation initiatives (Rajan 2010; Rivlin 2010). Similarly, and contemporaneously, in the Global South microcredit grew thanks to state welfare retrenchment, deregulation, and the globalisation of financial markets, but also due to the moral promise of mass empowerment through small enterprise. This promise was anchored in the public imaginary among other things through the Gandhi-*esque* presence of Muhammad Yunus, who promised a poverty-free world by ending "financial apartheid", and argued that credit was a "human right" (Mader 2015, 62). In short, changes in the moral narratives around money

and finance go hand-in-hand with changes in the forms and boundaries of money and finance.

The globally ascendant call for financial inclusion incorporates the better-known practices and narratives of microfinance, particularly microcredit. In some respects a simple switch of terminology has taken place; practices formerly known as microfinance are re-labelled as financial inclusion. This comes precisely at a time when the beneficence of microfinance is increasingly questioned and challenged (cf. Dichter/Harper 2007; Bateman 2010; Duvendack 2011; Karim 2011; Sinclair 2012), which has led some critics to warily dismiss financial inclusion as "an almost entirely fake agenda" (Bateman 2012). Their scepticism may be justified, inasmuch as key organisations have simply adopted the new label without significantly changing much in practice; for instance, very prominently, the global microfinance funder Accion has placed itself at the helm of the new discourse by founding the "Center for Financial Inclusion", although Accion continues mainly to fund microfinance institutions (MFIs). Such moves recall an earlier terminological switch when, in the mid-2000s, "microcredit" was superseded by "microfinance", while most institutions simply continued to focus on credit (Mader 2016, 5).

But the power of labels can also easily be underestimated; particularly when what to the sceptic appears just a hollow phrase acts as a powerful mantra for the believer. Financial inclusion potently invokes contemporary social justice vernacular, aligning practices of finance with broader discourses of social and economic inclusion, such as those which frame the post-2015 Sustainable Development Goals. Statements like "[o]ne key component of inclusive development is financial inclusion" (from a headline African Development Bank publication; Triki/Faye 2013, 25) illustrate how financial inclusion is inserted into broad donor agendas of "economic inclusion" and "market inclusion". And who could ever be in favour of financial *exclusion*?

The shift to financial inclusion evokes ideals of equality, while pursuing (at best) a highly simplistic, binary notion of equality; one which, depending on the modalities of inclusion, may even serve to generate and obscure new forms of inequality and difference (one is either included in finance or excluded from it, but what recedes from view is the different *quality* of inclusion received and *price* paid for it, such as differential interest rates). By discounting questions about the terms of inclusion, as Kate Meagher (2015, 837) notes, market inclusion and inclusive growth discourses work to reframe "poverty and informality as a product of inadequate inclusion in markets, rather than a result of inequities in the way markets function." Critical questions about market inclusion should be formulated in terms of whether it generates (beneficial) inclusion or "adverse incorporation", which hinges on the *terms* of inclusion (Hickey/Du Toit 2013). **[3]** The importance of the terms is starkly illustrated by Fourcade and Healy's (2013) research on United States' consumer lending, which finds that the differentiated pricing of credit, calibrated through individual performances of creditworthiness and assessed by algorithms, creates profound new class distinctions. As outright class-based exclusion subsided, the vast majority of Americans have found themselves included in credit markets on highly differential terms that reflect

[3] For example, textile workers in Bangladesh clearly are economically included in global value chains, but their terms of incorporation are often highly adverse.

cumulative and mostly irreversible "classification situations" (Fourcade/Healy 2013).

Not only is the rhetoric changing thanks to the shift toward financial inclusion and away from microfinance, but also the actors and their activities. The mission for poverty finance is now inclusion, on as many dimensions as possible (payments, savings, credit, insurance) and by whatever means that appear suitable. As a result, even though much of what is called "financial inclusion" remains microfinance, the change in implied mission is stark, and a variety of new players and practices is entering the field of poverty finance as legitimate participants. Microfinance has never been easily defined or delineated; however, as the World Bank's central promotion agency CGAP **[4]** used to specify: "in practice" the term is often used "narrowly to refer to loans and other services from *providers that identify themselves as 'microfinance institutions'*" (CGAP 2012, emphasis added). Microfinance was pioneered by small NGOs, many of which over time transformed into commercially oriented MFIs under the auspices of the World Bank and other international finance institutions (IFIs), with the aim to garner more ample capital from private investors (Robinson 2001). MFIs presented themselves (and were broadly perceived as) pro-poor alternatives to other formal financial actors and informal lenders, and microfinance thus generally remained restricted to MFIs (commercial and non-commercial) and some banks who "downscaled" or founded their own microfinance divisions.

The financial inclusion agenda, however, opens the stage for a range of new players and practices. It reintroduces many who were left out in the cold by microfinance programming, including community savings-and-loans associations, semi-formal village rotating savings and credit associations (ROSCAs), financial cooperative institutions, and even government lending programmes. **[5]** It also, more ominously, brings in many who had previously not been seen at all as interested in the welfare of the poor, such as payday lenders, large banks, technology firms, mobile network operators, and credit card companies. IFIs remain strongly involved in financial inclusion, and donor bodies and specialist MFI funder networks still play a role. At the core of the actor assembly is the global Alliance for Financial Inclusion, which took shape around 2010, and brings together national central banks under the auspices of the G20 and the Bill and Melinda Gates Foundation. Much of the global advocacy for financial inclusion is performed by the Gates Foundation, selected global financial corporations such as Visa, and "independent" philanthropy bodies created by finance companies, such as the Citi Foundation and MasterCard Foundation.

To understand the profundity of the shift, it is instructive to examine one of the previously-unthinkable partnerships taking place under the financial inclusion umbrella: a recent deal that brought together the Christian microfinance network Opportunity International and the South African (Luxembourg-registered) company MyBucks. In late 2015, Opportunity, a central player among the international values-driven microfinance networks, announced that it was selling its "Opportunity Bank" subsidiaries in six African countries to MyBucks, a "FinTech" company bringing a "unique blend of innovation and

[4] CGAP stands for "Consultative Group to Assist the Poor", which is rarely spelled out. It no longer offers a distinct definition of microfinance, and only explains it as part of financial inclusion.

[5] This associates microfinance/financial inclusion with unabashedly member-based institutions, as though they were involved in the same business. It appears to help deflect some of the rising criticisms of financial inclusion actors as being too profit-oriented.

cutting-edge technology [that] will continue to refine the process of banking, building credit and accessing other short-term financial services" for Africans (MyBucks 2016, 2-3). According to microfinance industry expert Chuck Waterfield, rather than some sort of cutting-edge tech firm, **[6]** MyBucks should be understood simply as a payday lender specialised in making extremely high-interest loans in Sub-Saharan Africa, at between 216 and 480 percent. Waterfield suggests MyBucks aims to use the six Opportunity Banks to gain access to the low-/no-interest accounts of around one million mostly poor Africans, to on-lend these savings at high margins to payday borrowers. Given MyBucks' two founders' checkered history, having previously led another payday lender into bankruptcy, he worries: "The savings and potentially the economic welfare of over a million trusting poor clients in Africa appear to be at risk." (Waterfield 2016) Another expert analysis highlighted the ambiguity and novelty which this "inclusive" alliance represents:

> "The key lies in how MyBucks' mission will evolve over the next few years. Its current model of high-interest loans, high-cost funding, and high profits differs greatly from traditional microfinance practice. Does the transaction signal MyBucks' pursuit of the vision [...]? Or will it simply use technology to push high-cost loans in pursuit of high profits? Or will it create something in-between, and if so, how will the new structure balance client protection with financial return?" (Rozas/Erice Garcia 2016)

The strange bedfellowship between Opportunity and MyBucks illustrates how much change the turn to financial inclusion brings to the poverty finance space.

On another level, a major shift has already happened. The underlying theory (or expectation, or narrative) of how finance should benefit the poor has changed with the turn to financial inclusion. The MyBucks-Opportunity deal indicates the new centrality of financial intermediation in poverty finance, with the focus no longer being on lending to poor people, but rather connecting different types of finance with different users, by whoever can do it best. While MFIs may have pioneered the credit technologies that made it possible to channel loans to masses of poor people in the global South, the new financial inclusion logic suggests MFIs may soon be (legitimately) superseded by more skilful players, such as large banks, mobile network operators, or credit card companies, with far greater resources at their disposal. Financial inclusion could represent a threat to MFIs.

"Microcredit" theory of change:

business investment
↓
increased income
↓
poverty alleviation

"Financial inclusion" theory of change:

intertemporal intermediation + interspatial/interclass intermediation
↓ ↓
better poverty management macroeconomic growth
↓ ↓
poverty alleviation

Fig. 1 Schematic theories of change (own work)

[6] MyBucks justified the "FinTech" label only with the fact that it uses algorithms to produce individual credit scores.

The 'original' microcredit theory of change and poverty alleviation boiled down to poor people using financial services to *raise their incomes* (or absorb losses, e.g. health crises or expensive existing debts), for which credit appeared the primary tool (see Fig. 1). In the quintessential microfinance story, a loan facilitated an idle, underemployed or adversely employed poor person to start or expand a business, which subsequently generated profits to grow their incomes and assets. Although this theory has gradually been watered down and modified under the weight of evidence to the contrary (Mader/Sabrow 2015), such as the widespread use of loans for consumption, and findings that microfinance does not measurably raise poor people's incomes (Bateman 2010; Duvendack et al. 2011), the stories of successfully entrepreneurial individuals have remained central to the microfinance vision, starkly encapsulated in Muhammad Yunus' credo that "all human beings are potential entrepreneurs" (Yunus 2003, 205).

By contrast, the financial inclusion theory of change is agnostic towards entrepreneurship, while it actively embraces consumptive borrowing. It hinges on two intermediations, the first of which operates at the micro level and may be termed *intertemporal intermediation* (see Fig. 1). Entrepreneurship is just one of the many reasons why, "like everyone else, poor people need and use financial services all the time" (CGAP 2001, 2), and there is no longer an assumption that poor people need to generate money for loan repayment. Instead of raising money through business or other investments, it is assumed that poor people already effectively have the money, in the form of either past or future income (Mader/Sabrow 2015). The key is now that "financial services allow people to reallocate expenditure across time [meaning that] if you don't have the ability to pay for things now, out of current income, you can pay for them out of past income or future income, or some combination of both" (Rutherford 2000, 2). This is why savings (and to some extent insurance) become more central, as they allow poor people to bundle and shift incomes and expenses (including probable future incomes and expenses) over time, in order to buy what they need, cope with shocks, and plan ahead (see Fig. 2).

While these new claims may appear more modest and more grounded in reality than earlier suggestions that any person could entrepreneurially "bootstrap" their way out of poverty, the underlying logic is nevertheless quite strained. Debt and savings are treated as functional equivalents, as Rutherford (2002, 2) makes clear: "Repaying loans depends just as much on the act of saving as does saving up. The only difference is the lump sum becomes available before, rather than after, a series of savings". The suggestion is that one can either "save up" or "save down" (borrow) to fund a purchase, and therefore poverty is not primarily a problem of lacking money but, because of financial exclusion, a problem of just not having the right money at the right place or time. The intertemporal intermediation theory of change thereby suggests that shifting money over time is key to alleviating poverty; or at least to making poverty more manageable through improving the efficiency with which poor people marshal their money. As the authors of *Portfolios of the Poor* (endorsed by reviewers as the "new bible" for combating global

poverty) put it: "Not having enough money is bad enough. Not being able to manage whatever money you have is worse" (Collins et al. 2009, 184). The mission of financial inclusion, Collins et al. therefore suggest, is to aid poor people at improving their "portfolio management":

> "With added tools, the portfolios can perform better, magnifying the value that households can squeeze out of each dollar. To do this, they need, above all, reliable access to three key services: day-to-day money management, building long-term savings, and general-purpose loans." (Collins et al. 2009, 184)

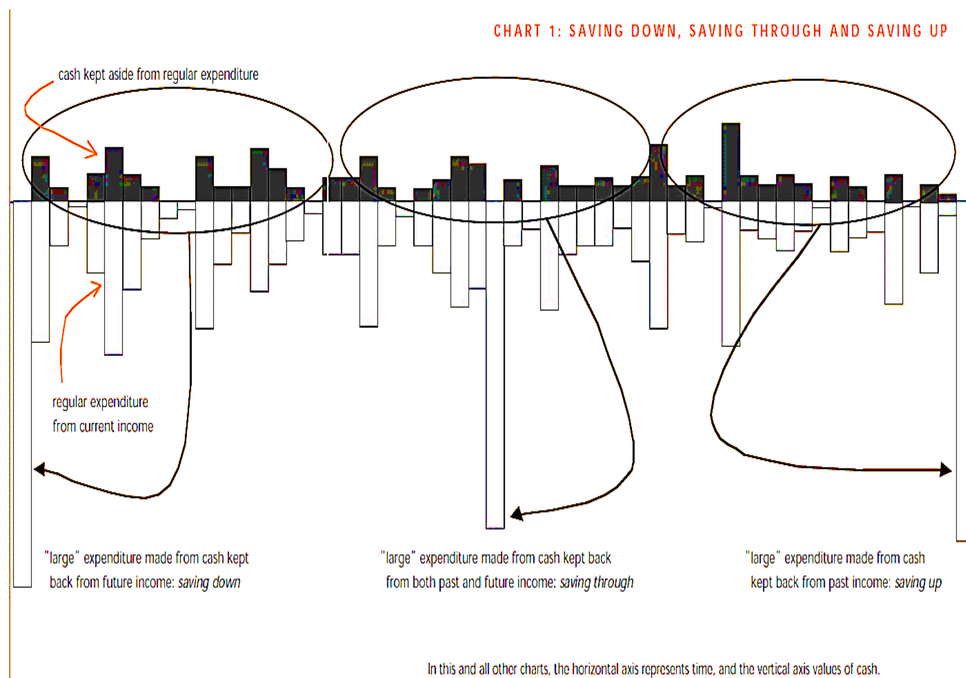

Fig. 2: intertemporal intermediation (as illustrated by Rutherford, 2000, 2-3)

The other theory of change, at the macro level, may be termed *interspatial-interclass intermediation* (compare Fig. 1). The suggestion is that the freer flow of money between different spaces and economic classes generates economic growth which leads to poverty alleviation. The 202-page World Bank *Global Financial Development Report* 2014, entitled "Financial Inclusion", extensively discusses country-level comparisons to show that financial access correlates with macroeconomic achievements (World Bank 2014). The implication is that deeper financial penetration fundamentally drives economic and social development, due to lower transaction costs and more efficient allocation of capital and risk. As the authors of CGAP's 2014 summary of *Financial Inclusion and Development: Recent Impact Evidence* put it:

> "The well-established literature suggests that under normal circumstances, the degree of financial intermediation is not only positively correlated with growth and employment, but it is generally believed to causally impact growth. The main mechanisms for doing so are generally lower transaction costs and better distribution of capital and risk across the economy." (Cull et al. 2014, 6)

Financial exclusion, therefore, apart from the direct effects on the excluded, also supposedly has the macroeconomic effect of preventing the efficient allocation of capital because some potential sources and users of capital remain disconnected from one another. Consequently, inclusion is about facilitating a more efficient flow of capital from one place to another and one class of economic actors to another. In the words of the G20 Financial Inclusion Experts Group:

> "Financial sector development drives economic growth by mobilizing savings and investing in the growth of the productive sector. The institutional infrastructure of the financial system also contributes to reducing information, contracting and transaction costs, which in turn accelerates economic growth." (ATISG 2010, 44)

In the interspatial-interclass intermediation theory, the argument is about efficiency rather than distribution, and the rationale for including everyone into formal finance is to ensure that all capital (including whatever capital the poor may have) can be mobilised and channelled through the financial system to wherever it can be used most effectively. Notably, the exponents of the theory make no firm claims about the direction in which money would flow thanks to financial inclusion, unlike in microcredit, where the presupposition was always that poor people lacked money and needed to be able to borrow more.

The intertemporal and interspatial-interclass theories of change are logically distinct, but nonetheless linked. As poor people intertemporally intermediate their money over time – by "saving up" or "saving down" –, if they do so via formal institutions, then money flows back and forth between them and other users or providers of finance, producing intertemporal-interclass intermediation. Therefore, the overall "financial inclusion theory of poverty alleviation" may be summed up as follows: poor people intermediate between their past and future incomes in order to meet their present and future needs, and *doing so alleviates their poverty*; and in the process, they provide capital for others, or they use the capital of others, and thereby facilitate a more efficient allocation of capital, which leads to *growth that alleviates their poverty*. The evident mission of financial inclusion, therefore, is to make possible these twofold gains, and where possible to connect them.

Critical questions need to be raised about the logical and empirical plausibility of this theory of change, like earlier questions about the microcredit theory of change (see Mader 2016). What counts here is to recognise how actors' and policymakers' *belief* in this new theory validates the new practices and players emerging in the poverty finance space. If financial inclusion is believed to alleviate poverty by facilitating intertemporal and interspatial/interclass intermediation, it appears as socially and economically necessary. MyBucks' takeover of the Opportunity Banks then, for instance, is apparently not a morally dubious capture of MFIs and their African clients, but one of many necessary steps towards creating better channels for intertemporal and interspatial-interclass financial intermediation in the name of the poor.

Digitalising financial inclusion

Given how the practices, players, and theories of change at work in poverty finance have been rearranged with the turn to financial inclusion, what does this mean for the form of money? In the eyes of many actors in the financial inclusion space, financial inclusion means going digital and cashless. This story begins with an irony: it was poor Kenyans, not the development donors and commercial firms who have since claimed the success as their own, who created the pioneering mobile payment system M-PESA. **[7]** It arose from an unexpected reaction by the objects of an experiment with credit in Kenya, in a partnership funded by the British Department for International Development (DFID) between Faulu (an MFI) and Safaricom (a Vodafone subsidiary). The project was set up in 2005 merely to test "a platform that would allow a customer to receive and re-pay a small loan using his or her handset. We wanted to allow the customer to make payments as conveniently and simply as they do when they buy an airtime top-up." (Hughes/Lonie 2007, 68) But the data soon showed users engaging in perplexing behaviours, and after a few months researchers had to be dispatched to understand such strange phenomena as why, "aside from the standard loan repayments for which we had designed the system" (76), the users were repaying loans for one another, using the money on SIM cards for payments between businesses, using the SIM cards effectively as "overnight safes", journeying between the project's two areas depositing cash in one place and withdrawing it in another, or buying airtime and gifting it to others. The borrowers in Nairobi and a town called Thika, it transpired, had used the system – intended merely to lower the transaction costs of credit – to effectively send money and save. Only a year later did Safaricom even recognise a commercial value in promoting it as a system for money transfers and domestic remittances, and the "official" M-PESA mobile money success story began (Hughes/Lonie 2007).

[7] With M-PESA having become an issue of Kenyan national pride, debates are waged over whether it was British aid money, British companies, or Kenyan entrepreneurs that first "invented" it (e.g. The Founder Magazine 2015). None of the official histories in fact refer to the creativity of the low-income users.

On the coattails of M-PESA's rise to fame, mobile payment systems have emerged as the grand new frontier in the financial inclusion community's collective imaginary:

> "M-PESA has prompted a rethink on the optimal sequencing of financial inclusion strategies. Where most financial inclusion models have employed "credit-led" or "savings-led" approaches, the M-PESA experience suggests that there may be a third approach – focus first on building the payment "rails" on which a broader set of financial services can ride." (Mas/Radcliffe 2011, 172)

Donor and practitioner *ennui* with credit, which is generally commonplace and even oversupplied in some locales (by 2012, global microcredit nearly rivalled global aid budgets) but also increasingly seen as morally and prudentially suspect (thanks to successive overindebtedness crises and sector collapses), is likely a contributing factor to the present digital financial inclusion hype. But more fundamentally, the imperative to go cashless has arisen from the insight that low population densities, poor physical infrastructure, and high costs of delivery are likely to make financial services via traditional ("brick and

mortar") banking models unrealistic in many parts. Poor people often live in rural areas, where no ATM or branch network is likely to reach. As the G20 financial inclusion experts group argues: "Technological innovation changes the cost and access equation – making it economically viable for financial service providers, often in partnership, to reach poor people, with a wider range of products and services" (ATISG 2010: V). According to the OECD and the "Better than Cash Alliance" (BTCA), digital payments represent "a more cost-effective, efficient, transparent and safer means of disbursing and collecting payment" (Romon/Sidhu 2014: 14), and some enthusiasts even bluntly claim that "cash is the main barrier to financial inclusion" (Mas/Radcliffe 2011, 181). The key to achieving financial inclusion therefore is sought in digital monies inscribed on plastic cards or (often preferred) SIM cards. As the *New Microfinance Handbook* sums up the change in thinking: "The technology drivers of financial inclusion will come from innovations in mobile money, biometric identity systems, smart phones, and wireless broadband Internet access" (Ledgerwood 2013, 2). Throughout the world of financial inclusion, card, not cash, is becoming king, and even the state-driven "largest financial inclusion scheme in the world", *Pradhan Mantri Jan-Dhan Yojana* (PMJDY – "Prime Minister's Money Scheme), launched in 2014 in India, focuses on "RuPay" debit cards as a gateway to bank accounts, government services and insurance (Sa-Dhan 2015, 1). **[8]**

Bill Maurer identifies this transformation within poverty finance as a fundamental shift away from banking towards "poverty payment", which has unfolded roughly since 2010. In line with the new financial inclusion theory of change, the turn toward payments, Maurer (2015, 129) says, follows "the idea that the design of digital platforms for the transfer of value, agnostic as to what value is being transited or what it is being used for, has positive spillover effects that ultimately benefit poor people". But in his analysis, the ascendant emphasis on liberating poor people from their cash connects with a much broader "troubling" of the status quo around money, ranging from the libertarian critiques of state-issued money to contrarian proposals for "sovereign" money, or the emergence of local alternative currencies and cyberpunk techno-utopian cryptocurrencies (like Bitcoin). Maurer points out that the project of untying money from its present physical forms as well as from the nation-state need neither be necessarily utopian nor dystopian, but either way raises deeper questions about the "democracy" of money, or its "publicness": "Something else is afoot here. And that something is a focus on generating revenue from the privatization of the means of value transfer" (137).

The trajectory of financial inclusion towards digital payments brings together different sets of actors with an apparent interest in putting an end to cash ("card crusaders"). A (non-exclusive) roll-call would include many large international public and private financial inclusion funding bodies (some created by digital entrepreneurs themselves, such as Bill Gates), major payment systems and credit card companies, large commercial banks, government agencies, select international organisations, telecommunication firms, some poverty finance providers (such as MFIs) willing to "go digital", and the bewildering gamut of FinTech companies. **[9]** Many of the key actors in this congregation are

[8] The connection with the Indian government's controversial decision to invalidate larger banknotes practically overnight in late 2016, and allowing only small amounts to be exchanged for new notes while larger amounts must be deposited in banks, can hardly be overlooked.

[9] PayPal, for instance, is a FinTech. PayPal is a wholly owned subsidiary of eBay.

organised in the BTCA, which is located in the United Nations Capital Development Fund, and presents itself as a "global public-private partnership" of governments, international NGOs, companies, and "resource partners" who include the Gates Foundation, Ford Foundation, Omidyar Network, **[10]** Citi Foundation, MasterCard, Visa, USAID and UNCDF **[11]**. Visitors to the BTCA home page are welcomed by imagery of a well-attired South Asian woman smiling at her smartphone, under the heading "Moving from cash to digital payments to improve people's lives" (see Fig. 3). Disavowing cash, the image insinuates, brings modernity, empowerment, and joy to the exotic and potentially poor "other".

Fig. 3: Screenshot from the Better than Cash Alliance home page **[12]**

The BTCA publishes toolkits, case studies, and reports, but closely guards information about its governance and activities (it does not even name its executives **[13]**). Only its purpose is made very clear: "to accelerate the transition from cash to digital payments globally through excellence in advocacy, knowledge and services to members". **[14]** The BTCA calls for an "ecosystems approach" to accelerate this "transition", highlighting that different players must make *concerted* efforts to bring about the common goal – just as in the vision outlined by the Colombian banker, above. In particular, the BTCA emphasises how governments must facilitate the "transition" by making regulation "proportionate" to the aim of digitalising money, and moving their payments to citizens away from cash:

> "Digitizing Government-to-Person (G2P) payments, such as pensions, social welfare benefits, and salaries is a key driver of adoption and usage of digital payments. The large quantity and scale of these payments provide access to a large number of end users, and deliver key learnings that help expand payment systems to other users." (BTCA 2015, 5)

There is no doubt that the card crusaders are a powerful collective, but this does not mean digital money will inevitably sweep aside any resistance or

[10] Omidyar Network is a self-styled "philanthropic investment firm" established by eBay founder Pierre Omidyar and his wife Pam, which has had a deep involvement in microfinance from the outset.

[11] Although it lists these organisations, the BTCA does not publicly disclose its funding sources. Presumably, the "resource partners" may be the funders. https://www.betterthancash.org/, 30 September 2016.

[12] https://www.betterthancash.org/, 30 September 2016.

[13] https://www.betterthancash.org/about/governance, 5 October 2016.

[14] https://www.betterthancash.org/about/purpose, 5 October 2016.

doubts. For all its talk of a "transition", the BTCA does not at all appear convinced that, without extensive lobbying and government intervention, the digitalisation of money and of financial inclusion will come about. Moreover, understanding innovation as an inherently political process, in which there are winners and losers from "creative destruction" (to borrow Schumpeter's terminology), it becomes clear that the digital finance trajectory pits these crusaders against others who fail to see (or believe) the promise of cashlessness, or who rely on 'older' financial inclusion models; whom we may perhaps call 'cash infidels'. As Maurer (2015, 138) points out, some African regulators have already begun to "vociferously argue with donor agencies that 'payments are a public good'", not to be privatised by digital money schemes. Digital financial inclusion could also threaten existing apparatuses to financially include the poor (and to capture value from them), such as "brick-and-mortar" microfinance operations premised on group lending and face-to-face interactions. For instance, as reported in the M-PESA case, it soon "became apparent that the service was more user-friendly for the clients than for the microfinance institution", and the MFI had major reservations about expanding the project because

> "clients no longer had the same compelling need to attend the weekly group meetings. Opinion is divided upon the value of MFI group meetings generally; Faulu was strongly in the supporters' camp and consequently found the drop off in attendance disturbing." (Hughes/Lonie 2007, 76)

Even key members of the Better-than-Cash camp have noted that enthusiasm for digital monies is not universal, and mass buy-in to systems like M-PESA has proven difficult to orchestrate in other countries. The MasterCard Foundation (2014, 5) now argues Kenyan providers "don't offer a template that is replicable across all markets. To achieve the real dream of financial inclusion, new models and partnerships will need to be established."

Finally, amid the frenetic battle cries of the card crusaders, one may almost forget to ask the simple question of whether *any* particular form of money – cash or card – plausibly would to bring any major detriment or benefit to poor people, given their lack of it; to wit, whether money's digitality or physicality even matters to those who chronically simply have too little. Moreover, the digitalisation of poor people's finances could also deprive them (and others) of any potential advantages from cash, such anonymity and ease. Too little still is known about poor people's economic lives to generalise about how different groups of poor (and less-poor) people would gain or be harmed by the financial technologies currently directed at them and how, given that they are not passive recipients or victims, they may appropriate them in unexpected (beneficial or harmful) ways (Gabor/Brooks 2016). In any case, the claims made by the likes of the BTCA and MasterCard on poor people's behalf should not be taken at face value. These card crusaders are smitten by three particular "holy grails" of digital financial inclusion, which the next and final section examines.

Card crusaders' three holy grails

1. Transaction costs

The proponents of digital financial inclusion never tire of emphasising the expensiveness of cash systems vis-à-vis digital money, and how lower transaction costs promise efficiency gains for societies. For instance, as a BTCA and Gates Foundation contribution to an *OECD Observer* issue highlights: "governments can save up to 75% with electronic payment programmes – because the costs of handling, securing and distributing cash and administering these cash programmes is so expensive." (Romon/Sidhu 2014, 13) Payment systems based on digital money, meanwhile, are suggested to be practically free (e.g. Mas/Radcliffe 2011).

Yet this is far from true. Digital monies, just like cash, depend on physical and institutional infrastructures, which include networks of agents, sales terminals, mobile network towers, data processing centres, regulatory bodies, etc., which clearly do not come for free. One key difference is that the users, rather than the system providers, could conceivably be brought to pay for the costs of the payment system. Digital monies might even bring considerable extra costs particularly for poor people. To illustrate with mobile money systems: while the costs of using cash are practically zero for a hypothetical first-time user – even an old plastic bag or a rubber band can act as a wallet –, a person who wishes to be (or has to be) "digitally financially included" must acquire a suitable handset. They must charge it regularly with electricity. They must buy airtime. Access to the system and the ability to make payments depends on the presence of relevant local infrastructure (network signal; agents who exchange physical into digital money; point of sale terminals, etc.). Transactions might require more time and effort than cash handovers. These costs alone could add up to be anything but insignificant. But even more importantly, unlike with cash, transactions on a proprietary payment infrastructure incur a fee. In the case of M-PESA, clients are charged for withdrawals as well as transfers of money to others. Fees are much higher (relatively) for the smaller money amounts which poor people move around, rising to as high proportions as 44 Kenyan Shillings (KSh), or US$ 0.43, for transfers of between 101 and 500 KSh. And even if customers are not made to directly pay a fee, then the payment-receiving business will (as with credit cards) and will mark up the price. Generally, as can be illustrated with M-PESA or PayPal, private monies have a lock-in effect, as exchanges into other forms of money incur a fee, which the service provider determines.

The real holy grail for the card crusaders here thus lies not in transaction costs *per se*, but being able to capitalise better on them, while perhaps reducing them just enough to lure and lock users in. As Maurer's (2015) analysis highlights, gaining control of the infrastructure for transferring value grants actors the power to extract value from value. To illustrate: the global revenues of the payments industry amounted to approximately $1.7 trillion in 2014, equal to a (slowly rising) share of 40 percent of total bank revenues

(McKinsey 2015). Credit card companies – which are the most established players in the beyond-cash space – earned an average 1.76% "interchange fee" charged to merchants on each transaction, in addition to any fees and interest income obtained from consumers. The interchange fees amounted to $35.5 billion in the United States in 2013 alone (Merchant 2016, 328) – hardly a "no-cost" system.

For payments companies, the global South now beckons as a vast and exciting frontier. India's population rivals that of all OECD countries taken together, and is growing faster. As books like *Portfolios of the Poor* (Collins et al. 2009) highlight, poor and low-income people do not own substantial amounts of money but they often exhibit a very rapid turnover of money. The vast informal economy, which accounts for at least 30 percent of GDP in the majority of countries worldwide – including Brazil, Mexico, and almost all of Sub-Saharan Africa (Schneider et al. 2010, 27-29) – and clearly prefers cash, shows immense revenue potential when its small transactions are aggregated. As a recent report commissioned by Visa enumerated, micro and small merchants in developing countries transact over $6.5 trillion a year, which could be tapped for an estimated $35 billion transaction fees, (Carlberg et al. 2016). Moreover, digitalising monies could allow payments companies to capture revenues from an entirely new source: governments. Welfare payments have expanded with the spread of conditional cash transfers (CCTs, increasingly "cash" only in name) as a remedy for the worst forms of poverty (Hanlon et al. 2010). As our Colombian friend suggested, above: social policy and taxpayer money, when digitalised, serves the financial industry.

2. Micro big data

The digitalisation of payments also promises vast amounts of accessible data, which has long represented a holy grail to businesses and researchers alike. Indeed, money in all its forms is always a carrier of information essential to fulfilling its functions, such as means of payment, store of value, and unit of account (Jevons' famous triad). The information-transmitting function of cash, however, remains limited, almost binary, in that it primarily records its holder's claim on value. Transactions of cash, when recorded at all, tend to leave minimal traces; they simply note that an exchange of values has occurred. But digital money transactions are, by necessity, always recorded, and the information generated may include place, time, persons, object or service exchanged, and much more. If cash represents a "point" in monetary space, digital money is a "vector", with magnitude and direction.

Maurer (2015, 130) identifies the payments industry globally as being in a transition from "a world of fees to one of data". But he remains agnostic about whether the "big data" generated by the micro transactions of the world's poor actually has significant monetary value. Given that the purchasing power of those to whom it pertains is relatively small, it may well have a diminished monetary value to marketers; which is not the same as wholly insignificant. For instance, companies seeking to extend "bottom of the pyramid"-type sales operations for consumer products might use finely aggregated data to

better target specific neighbourhoods or market segments with their products. Whether the world's poor are likely to be as bothered about issues of privacy and sale of personal data, as people in the North have traditionally been, is another question altogether.

Either way, the riches of micro-transactional data generated by digital financial inclusion also would hold more immediate value for actors in the finance sector, inasmuch as the data can be used to assess users' eligibility and profit potential for financial products, such as loans. Some service providers in developing countries already employ various non-financial data gleaned from phones, such as airtime purchases, call histories, and social network information to generate credit scores for people with no formal credit history (Almazán/Sitbon 2014). The transaction data generated by poor people promises vast quantities of even more pertinent data, allowing financial service providers to better fine-tune their services and discriminate more easily between worthier and less worthy clients. As Fourcade and Healy's (2013) work suggests, in order to disburse the "right" quantity of credit to individuals at the "right" price, financial systems depend on acutely monitoring the performances of financial responsibility by their subjects. This concern is especially pressing for a poverty finance sector shaken by recent overindebtedness crises, borrower revolts, and growing doubts about the "financial capabilities" of its borrowers (Guérin et al. 2014). Transaction data appears to hold the key to more selectively expanding the operations of inclusive financial service providers and enhance their profitability; inclusion for the "deserving poor", at the right price.

Lastly, not to be underestimated is the keen interest of the economics profession (whose members congregate at development finance institutions) to glean new riches of data about the financial lives of the poor. This is particularly salient given the behavioural turn in economics, specifically development economics, which gels with the emergent "New Behaviourism" (Harrison/Hemingway 2014) in social policy and development practice. The new behaviourist approach and the concurrent research agenda emphasises individual responsibilities and failures of poor people, and seek ways to better influence their behaviours through incentives, "nudges", conditionalities and commitment devices. Given how the data of wealthier people are generally far better-protected, and that field studies like *Portfolios of the Poor* are expensive and time-consuming, the data of masses of poor people has a strong allure. What better way to gain the data with which to indulge the behaviourist fetish for monitoring the alleged cognitive deficits and behavioural anomalies of the poor, and study the effects of small "nudges" and tweaks (Berndt/Boeckler 2016), than to design a digital eye into their wallets?

3. Governmental power

The third holy grail is the change-inducing and governmental power which digital monies promise. At a basic level, they hold the potential to expand the reach of government via more efficient and targeted welfare payments, as noted above. Advocates like the BTCA also routinely foreground that digital

monies' are more transparent and would help governments battle corruption, graft, leakage and crime (although some assessments also suggest digital financial inclusion to significantly complicate crime-fighting, especially money laundering and terrorism financing; FATF 2011). One undiscussed, but evident, concern in this connection is that governments could use the data generated not just to fight serious crimes, but also to tax or criminalise the informal sector, which would most strongly affect the poor. But the real holy grail in terms of governmental power lies in the subtler powers, sought by proponents of the New Behaviourism, to channel individual behaviour through digital surveillance and to "upgrade" the financial subject (Gabor/Brooks 2016). Their hope, as regards financial inclusion, is that financial tools might help the poor be more disciplined and make better financial decisions, allowing them in time to escape poverty; an idea encapsulated very prominently in the 2015 World Development Report (World Bank 2015), *Mind, Society and Behaviour*.

Many recent studies have disappointed with their failure to find poverty-reducing effects from microfinance, but some have proved rich in findings about small but welcome changes in clients' behaviour. For instance, commitment-based savings devices were found to help notoriously "present-biased" poor people manage their "time-inconsistent preferences" and save money, when given the chance to lock it away (Dupas/Robinson 2013). A study on the "miracle of microfinance" in India found that microcredit did not raise borrowers' incomes, but it got them to reduce spending on ostensibly frivolous "temptation goods" (Banerjee/Duflo 2015). The emerging "libertarian paternalist" **[15]** desire of policymakers and economists to help poor people make more virtuous choices seizes on these findings, but also obviates the need for sharper tools than the blunt instruments of commitment savings devices or monotonously-scheduled loans. If, as Berndt and Boeckler (2016) paraphrase the discourse, "the world's poor are poor because they tend to make the wrong decisions", would not greater power for well-intentioned guardians over their purse-strings be the key to helping them avoid "wrong" choices?

Unlike cash, digital money could be disbursed with strings attached, to "nudge", incentivise, manipulate, discipline, or otherwise guide its recipients toward the right choices. Unlike *cash* transfers, digital monies from the state and developmental agencies to citizens could even be confiscated if used "incorrectly", or may come "earmarked" only for specific purposes (like food stamps). This makes particular sense in the context of what Lena Lavinas (2013) refers to as "21st Century Welfare", which has at its heart the transfer payments that have gradually replaced public service provision with *conditional* entitlements in minimal social safety nets. **[16]** Conditionalities often include such things as levels of school attendance and completing vaccinations for children, for which monitoring may be costly and prone to subversion. While the digitalisation of benefit transfers, as advocated by the BTCA and other card crusaders, would not necessarily ease the monitoring of such choices as education or vaccinations, it offers a panoply (or *Panopticon*) of new, smaller direct and indirect indicators for "responsible" behaviour and attitudes, and

[15] As Hansen (2016) clarifies, the focus on "nudging" people is not necessarily coterminous with "libertarian paternalism", but both hinge share the notion that the subjects of social policy must be helped to take the "right" decisions in a way that makes them "perform rationally in their own self-declared interests" (Hansen 2016: 18).

[16] Cash transfers arose originally from progressive Latin American governments' experimentation in the 1990s, and have since been fully adopted by the World Bank as a core social protection policy, albeit under the condition that they be conditional.

perhaps even appropriate inflection points for better disciplining the poor, for their own good, of course.

Conclusion

We started out with our Colombian friend's call for a "crusade against cash", to frame the discussion of the turn to financial inclusion, specifically *digital* financial inclusion. We saw how financial inclusion opens the poverty finance space to new players, such as payday lenders and telecommunication firms. Financial inclusion proposes a new theory of change, whereby efficiency gains built on intertemporal and interspatial-interclass intermediation, rather than activities which raise poor people's incomes or which bring redistribution, are presumed to alleviate poverty. We saw why financial inclusion increasingly comes premised on the spread of new forms of money inscribed onto cards – SIM or plastic –, and how this pits the organised collective of "card crusaders" against the disorganised infidelity of adherence to cash. The holy grails pursued by the crusaders, we saw, are threefold: to (perhaps) reduce transaction costs while (definitely) capitalising on them by privately controlling the infrastructure for transferring value; to gain micro big data which may have market value and which can be used to *make* the financial market through greater discrimination; and to gain governmental power and extend "libertarian paternalist" control over poor people's money.

Contemporary digital financial inclusion thus represents a challenge to a certain status quo. At the start of the 20th century, as Zelizer (1997, 130) reports, "modern cash posed a serious challenge to the reform-oriented charity workers" because of fears that the poor might not make moral choices if they were free to spend money. Yet social reformers at the time ultimately concluded that poor people could only *really* learn morality if they controlled their own money and were forced to learn self-responsibility and be empowered to participate fully in society. Thus, cash lost its morally dubious status, and was "tamed" (Zelizer 1997). What an ironic turn of events it would be if cashless digital financial inclusion undid this hundred-year old "taming" of cash; if 21st century welfare instead sought the causes for poverty again in the shortcomings of the poor themselves, and imposed new forms of monetary control on them. Progress in digital financial inclusion is by no means necessarily "pro-poor"; rather, it would prove regressive and disempowering if it meant that people had to use money that *costs money* just to spend it (transaction fees) **[17]**, that generates data which is used to supervise and further discriminate among poor people (micro big data), and generates new paternalist forms of power over poor people (governmental power).

[17] Spending money costs money when the ability to transact comes only for a fee.

Where does this leave the cash infidels? Those who stand outside the faith may resist, or may repent and join the crusade. MFIs and stalwarts of "traditional" microfinance, for instance, look likely to be among the first to be lured by the promise of higher margins, cross-selling opportunities for data, lower transaction costs, and greater outreach, as microfinance is absorbed into financial inclusion. But more broadly, should we seek to protect cash? In the face of the powerful coalition that is assembling for the "crusade against

cash" and its hard moral suasion, one may well retreat into denial and infidelity. Or one may endeavour to illuminate the ambiguities, contradictions, and insecurities in the crusade – and for safety's sake, keep some cash in the back pocket. One does not have to be convinced that the BTCA and other digital money proponents are pursuing a sinister "Orwellian plan" (Durden 2015) **[18]** to see clearly that digital financial inclusion, if fulfilled, would immensely empower whoever controls the new monetary infrastructures. Cash, and public monies in general, might yet have unrecognised meanings and benefits over private digital currencies.

[18] Every article on the niche financial news site ZeroHedge is signed by the fictional *Fight Club* antagonist Tyler Durden.

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