Book Review

The Responsibility of Mobile Money Intellectuals?

Kevin P. Donovan

Kevin P. Donovan
kevin.donovan@uct.ac.za
Fulbright Fellow
Department of Sociology
University of Cape Town
Private Bag, Rondebosch 7701
Cape Town
South Africa

David M. Roodman, ***Due Diligence: An Impertinent Inquiry into Microfinance,*** Center for Global Development, 2011, 275 pp., $7.99 (Kindle). ISBN: 1933286482

Tonny K. Omwansa & Nicholas P. Sullivan, ***Money, Real Quick: The Story of M-PESA,*** Guardian Books, 2012, 140 pp., $2.99 (Kindle). ASIN: B007FPP7NI

David Wolman, ***The End of Money: Counterfeiters, Preachers, Techies, Dreamers—And the Coming Cashless Society,*** Da Capo Press, 2012, 240 pp., $11.99 (Kindle). ISBN: 0306818833

The canonical microfinance narrative featuring small loans, growing businesses, and empowered women has, perhaps more than any other from the development industry, spread around the globe, capturing public imagination and significant investment. In contrast to repeated failures to alleviate poverty, the microfinance movement has been widely considered a development success, appealing to liberals and conservatives, alike. Yet, as David Roodman describes in his measured book, the tale of microfinance is far more complicated and troubled, with significant changes—many technological—on the horizon.

Due Diligence presents a historical overview of microfinance, making it clear that Mohammed Yunus comes from a long legacy of entrepreneurial providers of financial services to low-income populations. Although the absolute dollar amounts involved are minimal, the volatility of income among the impoverished requires them to be highly active and sophisticated financiers. The ability to manage risk, smooth consumption, and mobilize savings is essential to the poor, and the past three decades have seen an acceleration of support from the development community and, more recently, private industry. The result has been a bustling microfinance industry serving millions of people throughout the world.

Evidence justifying the millions of dollars in support, however, is curiously lacking, and Roodman's greatest contribution in this book is his dedication to assessing the impact of microfinance through a variety of lenses. The first of these approaches evaluates the central claim of many microfinance institutions: Microcredit can reliably enable the poor to escape poverty. Explaining and using the most up-to-date impact assessments, especially randomized control trials in which Roodman places considerable faith, he concludes "that there is no convincing evidence that microcredit raises incomes on average" (p. 172).

Yet Roodman feels there must be something to the fact that millions of poor people borrow small loans every year. He first turns to Amartya Sen's theory of development as freedom, probing for evidence that microfinance gives "poor people more agency" (p. 19) in their lives. But, again, he finds that an honest assessment cannot uniformly conclude that microfinance expands freedom: Debt traps and peer pressure to repay group-based loans often lead to the opposite. *Due Diligence*'s final approach to assessing the impact of microfinance is to consider "development as industry building" (p. 221). Here, Roodman is at his most supportive of microfinance. In his view the growth of microfinance *providers* as an industry in their own right qualifies as development, creating jobs and businesses in areas that desperately need them. However, given the documented paucity of benefits to customers and the recent implosions in microfinance industries from Bolivia to India, it is hard to think that this is the type of industrialization that will really drive countries sustainably forward.

The real hope for microfinance, then, seems to come from two deeply intertwined tasks: diversifying its historical focus on *credit* in favor of *savings,* and using technological advances to drive down costs and reach more customers. Early evidence suggests that enhancing the poor's ability to save—for a business, tuition, or crisis—assists them more reliably than credit, with its inherent increase in debt. But offering savings products is expensive, and banks are less able to monetize small deposits than small loans. Profitably supplying savings accounts requires that "administrative costs . . . be cut to the bone" (p. 133), and to do so the microfinance industry is turning to technology: predominantly mobile phones, but also smart cards. As indicators of possible models, Roodman points to initiatives such as Brazil's networked "correspondent banking," in which post offices and corner stores handle transactions, and to South Africa's sizeable social grant program in which millions use smart cards to receive welfare.

But the real jewel attracting microfinance to digital technology is, of course, Kenya's M-PESA, a mobile-phone payment system that Roodman says heralds a "technological revolution in microfinance" (p. 286). Like electricity or the Internet, the mobile payment system represents the kind of infrastructure that "will disrupt every field it touches" (p. 289). Mobile payments are particularly valued for their ability to lower costs and extend customer reach, promising the economies of scale necessary to diversify microfinance into savings. This faith in technological solutions to the everyday woes of the poor is also reflected in two new books, one on M-PESA specifically and the second on digital payments generally.

Money, Real Quick, by Tonny K. Omwansa of the University of Nairobi and Nicolas P. Sullivan of Tufts University, offers a brief history and survey of Kenya's now-famous M-PESA. Conceived by a British Vodafone executive and cofunded by the UK's Department for International Development, M-PESA was launched in 2007 by Kenya's dominant mobile operator, Safaricom. Originally marketed under the slogan "Send Money Home," M-PESA quickly grew to include 16 million users and diversified from the domestic remittance business (although it is still predominantly used for peer-to-peer transfers). Today, the excitement created by the arrival of this novel infrastructure has attracted a host of innovations, ranging from start-ups seeking to extend M-PESA's functionality to big banks using it to offer savings products.

The Schumpeterian buzz present in *Money, Real Quick* reaches a crescendo in *The End of Money,* a global romp through the "anti-cash crusade," to which journalist David Wolman is an earnest partisan. The book identifies much excitement and experimentation surrounding innovations that seek to displace cash as the dominant day-to-day financial medium, but so far nothing else has succeeded on the scale of M-PESA. Both *Money, Real Quick* and *The End of Money* represent part of a discursive shift from merely supporting mobile money as an option to actively denouncing cash as "the enemy of the poor." To be sure, cash has its share of disadvantages. In fact, Wolman's book depicts a world of cash as downright Hobbesian: Cash is costly to manufacture, transport, and manage; it supports criminal activity and is readily counterfeited; it gives great power to the state; and it's *filthy,* as the author constantly reminds us (despite citing evidence to the contrary from the U.S. Centers for Disease Control).

Amid the hype surrounding mobile money, it is useful to consider one of the key lessons of Roodman's microfinance research: After 30 years and millions of dollars of support, there is little in the way of reliable evidence supporting the industry's developmental claims. In contrast, there has been a veritable boom in the study of mobile money, driven by what Maurer (2011) calls "mobile money intellectuals" (p. 301), a community of scholars and practitioners from academia, business, government, and philanthropy (to which I have been an erstwhile contributor [Donovan, 2012]). Most of this work has been dedicated to actively supporting mobile money in development activities by improving understanding of its use and adoption. There has been less scholarship casting a critical eye, especially with concern for public values beyond innovation.

Technologically enabled finance certainly offers developmental benefits. Nonetheless, we cannot ignore the downside or fail to address foundational questions that challenge and advance our understanding of innovations such as microfinance and mobile money. In other words, it is not too soon to talk about the responsibility of mobile money intellectuals. The loss of anonymity that cash allows is not merely a technical issue that can be fixed with a regulatory wand, nor is the growth of privatized infrastructure. In *Money, Real Quick,* we hear from a Safaricom executive who says, "M-PESA is like oxygen to Kenyans" (Omwansa & Sullivan, 2012, p. 96), and later find that an organization is using M-PESA to receive payments for clean water. While such anecdotes could readily signify promising breakthroughs, they also raise key questions of political economy and dependence on a single private firm. Discussion of similarly pressing issues of gender equality, universal access, and unintended consequences is also missing from the texts. Of course, this review is not the place to examine, let alone answer, these key concerns, but the arrival in such quick succession of these three books does underline the role of scholars in identifying and promoting responsible application of innovations in development work. There are significant drivers—political, financial, and even emotional—behind development fads; a much smaller constituency advocates dependably for the best interests of marginalized communities. As microfinance shows, the interests of the two communities do not always align. And as transformations in financial services for the poor continue to grow, ICT4D scholars should be at the forefront of responsible skepticism in the face of widespread boosterism. ■

Acknowledgment

This material is based on work supported by the Regents of the University of California, Irvine, Institute for Money, Technology & Financial Inclusion.

References

Donovan, K. (2012). Mobile money for financial inclusion. In T. Kelly (Ed.), *Information and communication for development, 2012* (pp. 61–74). Washington, DC: World Bank.

Maurer, B. (2011). Regulation as retrospective ethnography: Mobile money and the arts of cash. *Banking and Finance Law Review, 21*(1), 299–313.