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The Effects of Mobile Lending Apps on Bottom of the Pyramid Consumers in Kenya: A Case of Tala FinTech Company

By

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Abstract

Mobile lending apps have had a disruptive effect on traditional banking networks by opening up services, such as digital credit, to people who previously had no banking experience and were earning less than \$2/day. This article explores how the ease of access to credit is contributing to rampant digital credit uptake, affecting the financial health of low-income households through the accumulation of debt and the loss of future borrowing opportunities. The article identifies overborrowing and indebtedness absent regulatory framework as staid issues. The article concludes that digital credit apps are raising new challenges, necessitating a re-evaluation of the financial inclusion process and structure.

Keywords: Internet, financial inclusion, mobile banking apps, digital credit, FinTech, low-income earners, bottom of the pyramid

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Introduction

Kaffenberger and Chege (2016) question whether the proliferation of digital credit in Kenya calls for celebration or concern. At the same time, (GSMA, 2016: Francis, Blumenstock, and Robinson, 2017: and Blechman, 2016) acknowledge that mobile financial services have immensely increased access to financial services among underserved rural and low-income populations in developing countries. However, Blechman (2016) argues that availability and accessibility of mobile credit products "brings new risks to the most vulnerable financial consumer" (pp. 11-12) while Francis et al. (2017) regards it as "double-edged sword" in its eclectic nature, in presenting opportunities to borrow as much as one can in a highly unregulated space that cultivates a borrowing pandemic and lifelong indebtedness.

The controversy borders on the aspect of financial inclusion where the "outlook for FinTech's (financial technologies) in Africa remains unclear" (IFC 2017, p. 6) for some, while others argue that mobile credit is a novel product in how it functions and whom it targets; as Blechman (2016) says, "never before has credit been so available, while requiring so little effort" (p. 11). These divergent views form the basis of this article, arguing that unregulated mobile lending apps have the potential to increase widespread indebtedness among BoP (Bottom of the Pyramid) consumers, also known as low income earners.

This article seeks to examine how easy access to credit contributes to indiscriminate borrowing and its effects on the financial health of low-income households. Consequently, this study leverages on Winner's (1980) theoretical approach in order to gain a greater understanding of digital credit technology in an attempt to reveal the social outcomes of the choices which borrowers make when adopting the technology. Winner (1980) argues that technologies embody specific types of social order and work to reinforce the existing power relationships within our society.

In what follows, the article briefly discusses the emergence of FinTech startups in Kenya, focusing primarily on Tala and reviewing the effects of the digital credit apps in a broader sense. Secondly, the article looks at the interrelations between FinTech startups, consumers, and the government's interrogating power and authority in order to reveal the societal and cultural consequences of introducing lending apps such as Tala. Thirdly, the article discusses various ways in which the government could take control, at the same time giving possible directions for future research. I conclude by saying that either financial inclusion principles are faulty in themselves or borrowers are intellectually handicapped to understand its complexities. The conclusion gives direction for future research, detailing the re-evaluation of financial inclusion given the risks involved.

Statement of the Problem

There has been an over glorification of financial inclusion pegged on the proliferation of mobile lending apps in Kenya. It is assumed that now the bottom of pyramid (previously unbanked) can easily access digital credit as low as \$2. This complete shift, lucrative enough has enticed rampant borrowing behavior. Consequently, there is a high number of borrowers

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unable to repay their loans hence end up highly penalized, blacklisted by Credit Reference Bureau and locked out of future credit options.

Review of Related Literature

The emergence of FinTech startups; A case study of Tala

Before the advent of FinTech, banking signified a clear demarcation between the ‘haves’ and the ‘have-nots’. It was a preserve of the rich embodying what Winner (1980) calls “systematic social inequality” (p. 124), which can be used in ways that enhance the “power, authority and privilege of some over others” (p. 125). Further, Winner argues that technology is deliberately built to control us in a particular way where the technology becomes a way of settling an issue in a community (p. 123). In this case, the ‘have-nots’, lacking formal collateral such as bank statements and credit scores, were subjected to informal borrowing plans among peers and family, because opening a bank account was “painfully bureaucratic” (IFC 2017, p. 4). History has taught the ‘have-nots’ to accept themselves as potential equals who have failed and therefore do not rightly deserve what the ‘haves’ have (Graeber 2011).

Today, there is a complete paradigm shift in the cluster of people who were previously considered unbankable; by the unbankable, I mean those people who were too poor to afford bank accounts and accepted their social positions at the bottom of the pyramid. Donner (2015) argues that mobile money is spreading to many more markets “as an alternative or complement to scarce, expensive bank accounts” (p. 92). Blechman (2017) adds that the “rapid growth of mobile networks across developing the world and the affordability of the mobile devices has opened up a new alternative, a mobile channel for low-cost delivery of financial services” (p. 2). Mobile credit products are particularly abundant in Sub Saharan Africa, in part, because of the high level of mobile money penetrating the region, enabling mobile credit delivery (Hwang and Tellez 2016). This penetration is due to its grasp of customers' needs at the grassroots level (IFC 2017). By 2016, in Sub Saharan Africa there were 277 million registered accounts, with more than 100 million being active (GSMA 2016a). Svensson and Wamala (2012) add that mobile phones have opened up new avenues for individuals and groups to transform and improve social, human and economic situations they find themselves in (p. 7).

Since its inception in 2014, the Tala app has been downloaded over 2.7 million times, has a customer base of over one million, and has disbursed over 5.6 million loans totaling \$280 million (Macharia, 2018). Tala, the FinTech startup from Santa Monica, California, developed an Android app that gives instant credit scores to people in markets like Kenya, Tanzania, and the Philippines (Klinch, 2018). The credit score is based on daily-life data from their smartphones. Tala also acts as a digital credit lender, granting loans between \$2 and \$500 to a mobile wallet via M-Pesa instantly. Tala, being an Internet-based app, relies on the Internet for credit scoring criteria, which in most cases is based on borrower's deposit history. Hamp, Agwe, and Rispoli (2016), as quoted in Blechman (2016, p. 5), explain how the digitization of this process has been implemented in three dimensions: applicant's repayment capacity, loan disbursement, and loan repayment. In that regard, Tala leverages on the same to mine user's data—such as personal history (calls, texts), social media profiles, and GPS—aggregate it, and build customer credit profiles.

Tala entered the Kenyan market when the groundwork had been done by the world-leading mobile money transfer app, MPesa, which has been in the market since 2007. MPesa, described as one that has “received a lot of attention” (Aker and Mbiti, 2010, p. 221) in the leading edge of the mobile money revolution (GSMA, 2009) and cited as the “most well

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documented and successful example of mobile money service” (Eijkman, Kendall and Mas ,2010; Mbiti and Weil, 2016; Jack and Suri, 2011 all in Blechman (2016, p. 2). Ndemo et al (2017, p. 3) states that M-Pesa "capitalized on the fact that only 5 percent of the Kenyan population had access to bank accounts and created a solution that revolutionized citizens' financial freedom". Osiakwan (2017) argues that of the particular significance of the MPesa development is that mobile money is building an inclusive financial ecosystem that enables non-cash transactions for the bottom of the pyramid, the unbankable (p. 64). As a result, any Kenyan with an enabled handset, even in the most rural part of the country, can send or receive money from any other part of the country. Donner (2015) posits that "mobile devices can appeal to near-universal human needs and desires" (p. 59). Castells et al. (2006) adds that mobile telephony has moved from being a technology of a privilege to a mainstream technology (p. 7).

Four years after the launch of MPesa by the dominant telecom operator in Kenya, Safaricom, the market aggressively warmed up to use of mobile money, paving the way for other FinTech apps such as Tala. MPesa had over 26 million subscribers, making it the leading mobile lender in the world. That coupled with 29,703,439 mobile telephone subscriptions, strong Internet connection, and 7,738,882 million Internet subscriptions (out of which 7,655,576 million accessed Internet through their mobile phones), laid the framework for other entrants. These factors continued to deepen financial inclusion particularly for the unbanked population, facilitate ease of doing business through mobile payments and transactions, and enable the seamless transfer of money (CCK, Q4 FY11/12).

By the year 2011, MPesa had sufficiently challenged the status quo of the traditional banking model. Rising pressure and the need to remain competitive only meant one thing for the banks: they must recreate their financial model, opening it up for the low-income population, diversify their revenue streams, and start offering mobile money services; otherwise, they would lose out on the present innovations. Most banks started leveraging on the MPesa platform by creating their own apps. As a result, financial services through mobile phones opened up to low-income earners, making digital payments no longer a privilege of the licensed banks. This affirms Castells et al. (2006) argument that mobile technology is becoming an integral part of people's everyday activities, and its ubiquitous influence can be seen through the “emergence of series of ‘m’ neologisms such as m-commerce, m-learning, m-government, m-literature will continue to change the ways in which people conduct their lives” (p. 77).

But even with such an uptake, Donner (2009) claims "the actual use of the mobile Internet in our daily lives demands our attention," especially in a resource-constrained environment such as the developing world, as it will remain difficult to identify its "impacts" or how best to promote its utility (p. 2). Winner (1980) reiterates, to our accustomed way of thinking, technologies are seen as neutral tools that can be used well or poorly, for good, evil, or something in between. But we usually do not stop to inquire whether a given device might have been designed and built in such a way that it produces a set of consequences logically and temporally prior to any of its professed uses” (p. 125). It is against this background that I will proceed to the next section in order to explore the effects of mobile lending apps on bottom of the pyramid consumers.

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The Aftermath: effects of mobile lending apps on the bottom of the pyramid consumers

Acknowledging positive impacts of the mobile lending apps, (Francis et al. 2017) notes that digital credit is showing “substantial improvement compared to traditional credit” insofar as it has caused the reduction of transaction costs, possibilities for instant loan approval and disbursement, and inclusion of some part of the excluded customer based. However, due to this ease of credit access, there are negative impacts where “unsophisticated borrowers may borrow too much,” tempted to “take out loans they do not need,” ultimately failing to understand the damaging implications that follow unpaid loans and jeopardizing their future borrowing opportunities (Francis et al. 2017; Blechman 2016).

Noting that the digital credit apps have the potential to benefit consumers, (Kaffenberger and Chege, 2016; Francis et al., 2017) highlight areas of concerns that need to be mitigated: (i) lack of technical know-how to operate the complicated user interface, (ii) privacy invasion through data mining, (iii) lack of understanding on why their personal details are needed and how that determines eligibility for the loans, (iv) bias on customers with shallow digital footprints, (v) the fraudulent use of sim cards to register multiple accounts, and (vi) high-interest rates on short-term loans. The next section summarizes these regulatory concerns; there is a specific focus on four of them: ease of access, interest rates, privacy invasion, and data protection.

Ease of access

As earlier mentioned, one does not need to walk into any banking institution with formal documentation to become eligible for a loan. If anything, anyone with a phone that is active is eligible to borrow and receive the loan. The loan application is instantaneous, evaluation is automated leveraging on mobile money history and loan is processed remotely. Further, the loans are expended through existing mobile money platforms such as MPesa and converted to cash through existing agent networks without collateral (Francis et. 2017).

Data is the “common denominator” of FinTech, uniting the wide variety of technology-based start-ups in the financial services sector (Rother, Dix, and Ohlenburg, 2018). Fortunati (2017) notes how the use of machines to automate everyday life has become central to the economy and society. Evidence of machine learning today can be seen in the fact that “loans [are] being appraised and disbursed without any human intervention, within seconds and at extremely low cost” (Rother et. al 2018, p. 8). Credit profiling and scoring, in the traditional banking model, was a job of select executives dressed in suits and ties, but gears have shifted, affirming Turing’s (1950) prediction that machines will eventually compete with humans in purely all intellectual fields.

The availability of affordable data-enabled devices reduced prices in data bundles competitively priced by mobile networks, and the continued uptake of the over-the-top services has contributed to the increased access and usage of Internet services (CAK, 2017). Despite the higher use of Internet-based data, the costs for these services have not improved for the lower classes. The average cost of a smartphone is between \$100 and \$200 (GSMA 2017, p. 32), but the average monthly minimum wage is \$80 (Wakaya, 2018). GSMA (2017) argues that “for those living below \$2 per day, a \$100 handset accounts for 14% or more of annual income. A phone in the range of \$15 to \$35 would be closer to the affordability threshold for this group” (p. 32).

Although Donner (2015) notes that the worldwide boom in access to and use of a more mobile Internet has sparked 9 billion cell phones in humanity’s hands (p. 59), Aker and Mbiti (2010) say that it is especially surprising for Sub Saharan Africa, where the rate of increase for mobile phones is remarkably high when compared to the cost of mobile phones and the

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prevalence of poverty (p. 210). The McKinsey Global Institute (2016), as quoted by Francis et al. (2017), says that an estimated “80% of adults in emerging economies own a mobile phone.” That is, even though the bottom of the pyramid typically cannot afford the costs of mobile Internet-capable phones, they purchase them anyway.

The proliferation of the Internet and high smartphone uptake characterizes ready and fertile grounds for FinTech companies to market their digital credit apps toward the unbankable. With a staggering Internet penetration of 89.4%, Kenya has recently been declared the country with the second-fastest Internet speed in Africa, after Madagascar (Worldwide broadband speed league Report, 2018). Increased availability of Internet services in the country can be attributed to the deployment of fiber optic and mobile broadband infrastructure (CAK, 2016-2017 Report). Interestingly, a majority of users spend more time on apps simply because they are easy to use, even on “devices with small screens, portability and other affordances that people can interact with servers at a distance, without knowing they are on the Internet at all” (Donner 2015, p. 61).

But even with this ease of access, it’s incomprehensible to ascertain the social and economic impact digital credit has yielded, over the past five years, as revealed by a recent assessment of the market conducted by FSD Kenya (Totolo, 2018). This is admittedly ironic, given the hype around financial inclusion from increased household liquidity to small business loans (Kaffenberger and Chege 2016). Yet, not surprisingly, as Hwang and Tellez (2016) and Kaffenberger and Chege (2016) note, “digital credit loans are typically smaller amounts, short termed, significantly costlier and with higher annualized interest rates” than traditional consumer loan products offered by conventional microfinance institutions (p.3). This means that the access to credit is only access to small amounts, payable in a few days but not necessarily impactful life-changing investments.

Totolo (2018) notes that 31 percent of the six million borrowers spent their money on gambling while (Kaffenberger and Chege, 2016; Kariuki, 2018) contend that 800,000 borrowers took loans to repay other pending loans. Much ease of access inscribed to the app is leading to abuse where inconsiderate borrowing and overborrowing carries the day, signifying app capability as technology to order human activity—regardless of the app’s intention—and influencing people’s borrowing behaviors and patterns Winner (1980). In that sense, technological innovations are similar to legislative acts or political foundlings that establish a framework for public order that will endure over many generations” (Winner 1980, p. 128). The new order might see users, who are overborrowing, shut out of the system through accidental default or endure other unintended implications (Francis et al., 2017). While ease of credit access makes borrowing very straightforward, the repayment according to Rizzi, Barres and Rhyne (2017) is not. At times, these scholars have noted some borrowers selling off their assets or skipping a meal among other drastic measures just to avoid being locked out of the credit system.

Taking all things into account, I argue that there is something fundamentally wrong with the current architecture surrounding financial inclusion through the digital credit apps. There seems to be very little difference between pre-birth of digital lending apps and now; the unbankable are constantly trapped in a financial maze, walled with debt. This kind of financial paralysis resonates with Graeber’s (2011) argument that debt can also be a way of punishing winners who are not supposed to win. The position borrowers have been placed in is an attempt to escape from poverty; however, they remain chained until they are able to repay their debts to avoid the high penalties or being blacklisted by Credit Reference Bureau (CRB). That is, individuals earning less than \$2/day are given the ability and agency to borrow, but because of the lack of regulatory framework, education and transparency, they are

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then punished for not achieving unrealistic goals. The temptation to borrow and overborrow is highly appealing with marketing campaigns gimmicks but little customer education is given on repayment policies. I say that the goals are unrealistic because the loan amounts are barely enough to make any meaningful impact, with short and strict repayment timelines and steep interest rates, leaving borrowers even more handicapped than before without benefit.

Interest rate

Next, I discuss the problems inherent within the interest's rates specifically. There are over twenty FinTech companies currently "saddling borrowers with high-interest rates and leaving regulators scrambling to keep up" (Fisk 2018). Kaffenberger and Chege (2016) point out that Tala, as one of the digital credit apps, has been charging five to 10 times higher than typical microfinance in terms of Annual Percentage Rate (APR). They go on to say, "if the borrower doesn't pay a loan off on time, the loan is usually 'rolled over', and the nominal interest rate is applied to the full balance, again increasing the effective APR" (p.4).

Tala disburses loans of up to Kshs50,000 (equivalent to \$500) and charges a one-off processing fee of between five and 15 percent depending on your profile and the size of the loan that must be repaid up to in six months. If you don't repay your loan in time you are blacklisted. That means all non-performing loans (more than 90 days overdue) will be listed as provided under section 18 of the Credit Reference Bureau Regulations 2013. Loan default penalty is a restriction from qualifying for future loans (Tala Mkopo Rahisi, 2018).

Provider	Country	Year of Launch	No. of Apps Downloads	Loan Range (\$)	Nominal Interest Rate	Repayment Period (Days)
TALA	Kenya	2014	2.7million	\$5-\$500	5%-20%	30

Totolo (2018) estimates that there are over 6 million unique credit digital borrowers in Kenya. The report notes that one in every five digital borrowers had experienced a lack of transparency in fees, associated costs and a lender's ability to withdraw money from an account without consent. In a country of 50 million people, "more than 2.7 million people are listed negatively by CRB with 14% of them on blacklists for the amount less than \$2" (Kiruga, 2018). At the same time, World Bank Global Findex Survey (2017) says, "almost 80% of those living on incomes of less than \$2 a day are financially excluded". This implies that the same individuals living below the poverty line are the same ones being subjected to blacklisting, in which it costs up to \$20 and waiting a period of 21 days to clear one's name

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from the CRB. Others have pointed out the immorality of this system (Rizzi, Barres and Rhyne, 2017).

The FSD report further says that 55% of the digital borrowers are Kenyan males between the ages of 18-35, which is the same age bracket defined by the national youth policy of Kenya (2006) as the youth. The Kenya National Bureau of Statistics (2018) estimates that there are over 7 million unemployed Kenyans, while the FSD report indicates that nine in every 10 unemployed Kenyans are 35-years-old or younger (Omondi, 2018). This implies that this age bracket of unemployed people might be the ones "seeking quick financial fixes for business or to meet daily household needs" (Totolo, 2018). Therefore, the current system is putting them at a disadvantage of borrowing without regular income to either repay on time or afford the hefty penalties.

Digital credit lenders have put in place dynamic incentives and punishments to reduce moral hazard and incentivize repayment; for example, borrowers who pay their previous loans on time qualify to borrow larger amounts. The default is discouraged through automatic deduction of a pending loan from linked mobile money accounts or blacklisting with CRB (Francis et., 2017). The question then becomes why FinTech companies would target the young and poor with high interest rates. Graeber (2011) argues that "consumer debt is the lifeblood of our economy" (p. 4). Schmid (2016) stretches this argument, adding that, when people fail to pay their debt, the problem becomes systemic. That is, the "severe flaw in our financial system, uses debt as a primary medium for money" (Schmid, 2016). Ordinary people are the most affected, having "to at least pay the interest" while the system sets them up for financial failure; that often leaves them no choice but to overtly depend on borrowing to meet their daily needs. As said above, for Winner (1980), some technologies are by their very nature political and in a specific way. The manifestation, in this case, leans towards Marx's (1848) analysis of exploitation, that the modern bourgeois society has established new conditions for oppression and new forms of struggle to replace the old ones.

Modern-day exploitation is herein implied through the low-income populous buying into the digital credit apps deliberately to survive; unconsciously they adhere to the stipulated rules and take loans mangled with high-interest rates, which they are unable to repay timely in absence of regular cash flow. Through this, they end up heavily penalized and enriching the companies. Consequently, adoption of digital credit apps targeting the low-income earners unavoidably depicts the intrinsic interplay of power and authority between these three functions:

- a) *App companies*: What is in it for them?
- b) *Borrowers*: What do they stand to gain or lose?
- c) *Government*: What is the role of the government?

The app companies

Financial Times as quoted by IFC (2017) estimates \$608 million worth of venture capital funding towards Africa's FinTech industry. With this kind of investment, startups are obliged to grow their loan books as fast as possible in order to recoup the initial investment. Tala, for example, has a catchy slogan: "instant loan provider; apply anywhere anytime", which is packaged to lure borrowers but does not explicitly display warnings to them about interest rates, excessive borrowing, or failure to repay on time. According to Francis et al. (2017), given the near absence of regulation in this space, lenders have considerable scope to develop "proprietary and discriminatory pricing and lending systems" (p. 8). Though there is little understanding of what drives pricing for the digital credit, it is expected that prices would decrease as customers build positive histories, but there is little evidence of this (Rizzi, Barres

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and Rhyne, 2017). Marx's (1848) condemnation of the dangers of the free markets, where lawlessness results and where the privileged and the powerful (bourgeoisie) undermine the efforts of those relying on them for survival, has become a reality.

Rizzi et al. (2017) highlights marketing tactics such as SMS and digital marketing that surprise users with lucrative loan offers, which “coupled with ease of access might lead to take up of unnecessary and even detrimental loans” (p. 5) This kind of ambiguity and information asymmetry has rendered a number of borrowers unable to repay their loans, blacklisted by CRB or locked out of any future credit facilities. In as much as these companies give access to quick unsecured short loans, they have no regulation, increasing the risks of borrowers relying on them.

Borrowers

Presented with an opportunity to borrow as low as \$2 with zero credit history in a world that had previously locked them out of such activities, borrowers deem this opportunity as the moment to instantly unchain themselves from the realms of poverty. Admittedly, some customers may not fully comprehend what terms they are consenting and committing themselves to, and this includes unclear disclosure of the interest rates and fees as noted by Kaffenberger and Chege (2016). Rizzi et al. (2017) says:

MicroSave documented that the majority of the mobile credit providers in Kenya send users to web-based terms and conditions statement, which can be many pages long. Few mobile users access the site, much less take the time to read it. In the same project, very few users understood the implications of the nonpayment including fees, penalties, and reporting to the local credit bureau. Additionally, the Smart Campaign has encountered scenarios where pricing information was not fully conveyed because it did not include third-party charges, such as cash out fees by an MNO. Both MicroSave and CGAP have documented instances where providers only disclosed the cost of credit after completion of the purchase. This is an unequivocally harmful practice (p. 8).

That is, it seems as if the lack of adequate education about loans and credit—and the intentional secrecy within the terms and conditions—has caused the opposite effect from what was hoped. In reality, Francis et al. (2017) states that it's still an open question whether borrowers are well educated on the costs of credit and if providing more information would reduce the uptake.

Although needy, some borrowers may not understand why personal details are required and why this invasiveness is encouraged (Francis et al. 2017). In fact, Rizzi et al. (2017) wonder how much of the collected data is actually used to predict credit decisions. Borrowers' information is accessed for assessing creditworthiness through tracking and analysis of phone history, SMS activity, handset details, GPS, use of data, airtime top-up, money mobile transactions, utility payments, Wi-Fi network use, mobile phone battery levels, contact lists, and social media accounts (Francis et al. 2017; Rizzi, Barres and Rhyne 2017). Decisions on eligibility and how much one qualifies to borrow are, however, determined by algorithms that are designed for this appraising, what Andrejevic (2014) calls a “sense of powerlessness” (p. 1675) in relation to borrower's ownership and control of personal data. These decisions affect borrowing behavior and patterns through credit profiling and scoring, but at the same time they can lead to the loss of the right to privacy. Additionally, Rother et al. (2018) says that the loss of privacy is one of the risks associated with automated decision-

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making in financial services, insofar as “he or she may find it difficult to challenge any decisions taken by digital financial provider, such as denial of credit on the basis of false data used for scoring” (p. 14). As argued by Winner (1980), sometimes a new technology system requires the adoption of new politics. In this case, the need to relinquish personal data necessitates approval for a loan, so the power shifts from the rightful owner (the borrower) to the app companies. Foucault, as cited by Reid (1999), termed this form of power as one that gains access to the bodies of individuals, to their acts, attitudes, and modes of everyday lives (p. 25).

Government

There is legislative and regulatory uncertainty for mobile banking in Kenya, leaving the environment open (Porteous 2006; Kaffenberger and Chege 2016). One might expect the government not to license FinTech startups to run operations without proper implementation of regulatory framework guarding the consumer on digital credit, just like it is with the traditional banking model. There is in place an extensive regulatory framework for banks by the Central Bank of Kenya which exhibits consumer protection policies but with an inclination towards mobile money services and not the complexities presented by digital credit apps (Blechman, 2016). Policy makers need to put in place clear-cut policies addressing most of the areas of concerns arising from digital credit apps. In addition, as Blechman (2016) says, in term of ownership, we must address "which regulator or regulators are best placed to regulate consumer protection," considering there is vested interest from different quarters.

However, the conversation alters with the knowledge that mobile credit is a new phenomenon that does not fit neatly into preexisting regulatory categories (Blechman 2016, p. 4). He adds that mobile credit should not be viewed as the merely new development in banking, regulated as banks or an extension to the existing mobile money services. At the same time, he contends that the main challenge in regulating digital credit is striking a balance that promotes financial inclusion while preventing exploitation of unwary consumers. Issues arise when the government, supposedly in charge of these regulations, has not acted and instead reaped tax benefits from the current system.

Exactly why the Kenyan government and its agencies would be willing to watch without action when the bottom of the pyramid is sinking more into debt has eluded theorists and commentators. Coming back to Winner’s (1980) "inherently political technologies," we are now in a situation where man-made technologies “appear to require, or to be strongly compatible with, particular kinds of political relationships” (p. 123). This is exhibited through the complex interplay between the three functions clearly defining the risks involved while calling out the need for regulation. According to UNDP Report (2001), new technologies offer particular benefits but also pose greater risks when poor policies, inadequate regulation, and lack of transparency are not implemented in the developing world. Francis et al. (2017) states that it’s important to understand who the winners and losers are in this ecosystem. Hence, the borrower who seems caught in between the digital credit lenders and the government is most in danger. The claim that the bottom of the pyramid is getting financially included might be true, but the cost is far too high for this inclusion to be called just. And if this inclusion is not just, can it really be called inclusion?

Are the BoP financially included or excluded?

In an effort to bridge the poverty gap through financial inclusion, IFC (2017) claims that “the outlook for FinTech in Africa remains unclear” (p. 6), and, in agreement, Francis et al. (2017) says that there is “virtually no quantitative research to examine digital credit effects,” since

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most of the products are being launched into new countries only in the past several years (p.10-11). It is indisputably challenging, given the capital investment injected into this space and the theories prowl financial inclusion, that there is not yet an evaluation of the socio-economic impact of digital credit. The intrinsic ways that power and authority are floating through the borrower, FinTech and the government interactions may completely disrupt or destroy the vision, if policymakers and regulators are not made aware of both positive and negative implications. Graeber (2011) contends that debt has existed for at least five thousand years, so this is not an attempt to find who is wrong or right; rather, it is an argument calling for a re-evaluation of what is considered financial inclusion in its infancy. As argued by Winner (1980):

...by far the greatest latitude of choice exists the very first time a particular instrument, system, or technique is introduced. Because choices tend to become strongly fixed in material equipment, economic investment and social habit, the original flexibility vanishes for all practical purposes once the initial commitments are made (Winner. 1980: 127-128).

Building off Winner's argument, I am not seeking equal advocacy with no measures to ensure responsible borrowing. Instead, I wish to point out that financial inclusion is now contending myriad challenges (unregulated space, skyrocketed interest rates, hefty penalties, poorly-informed borrowers seeking quick and cheap loans, and FinTech companies seeking to make profits) and address what policies might help to reverse the negative effects wrought onto the bottom of the pyramid.

In an attempt to address these issues, Rizzi et al. (2017) have made an important contribution on the role of regulation in promoting financial inclusion through the digital credit apps. They argued that regulation has a critical role to play by putting in place better practices on each of the concerns raised. The structural re-evaluation and change so desperately needed calls upon all players to deliberately support the main driving force: financial inclusion of the BoP. The expectations of increasingly sophisticated digital credit apps and technologically upgrading consumers need to be synchronized through regulation to amputate the inefficiencies. Blechman (2016) argues that, in absence of consumer protection, mobile credit could perversely become an obstacle to financial inclusion. Furthermore, the transition from unbankable to bankable, if not well-scrutinized, could lead to its collapse. It needs to be subjected to standard banking parameters, policies and rules by the government deploying all forms of support to the poor and not to the businesses.

Conclusion

Despite FinTech's technological breakthrough in onboarding the unbankable, the process of innovating FinTech solutions to cater to the unbanked cannot ignore the dynamics around serving this populous. This study looked at socio-economic implications arising as a result of ease of access to credit. Despite looking at the number of app downloads Tala has had to date, it did not go into the specifics of borrower's profiles, borrowing frequency and patterns, borrowed loan amounts and number of borrowers penalized or blacklisted due to limitation on the data available. The study, however, did identify the uncertainties crippling adoption of the digital credit apps.

Therefore, even as we praise the financial inclusion of the low-income earners, the implications need to be understood to ascertain the exact impact on low-income earners in developing countries. This is a viable focus for future research on financial inclusion. In

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conducting such research, we can more clearly understand the complexities of FinTech solutions, serving a populous that may not have experience with any credit facilities before.

Winner (1980) argues that technology is designed to have specific cultural and political effects. This study discussed these effects on data privacy, user interface, hefty interest rates, and high penalties that are not explicitly made known to the users. Through discussing these issues in terms of Winner (1980) and with exact focus onto the Kenyan consumer market, this study also identified the need to increase customer education in simple and accessible language.

Recommendations

Before digital credit becomes deeply entrenched, we must stop and evaluate whether this increased access, absent regulation, has the potential to promote indebtedness for low-income earners who lack the financial and technical knowledge to leverage these apps to their advantage. Lastly and more importantly, the process, policies, structures, and regulations need to be streamlined before the continued release of these apps into more markets. It remains imperative to nip the negative effects while we can identify them. If there is a proven case study of the success rate of financial inclusion, then it only justifies the need to iron out the intricacies and scale up penetration of the digital credit apps.

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