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Sophia's choice: Debt, social welfare, and racial finance capitalism

Erin Torkelson
University of the Western Cape, South Africa

Abstract

In this article, I examine normative assumptions about cash transfers as public goods and the lived experience of cash transfers as private debts. Policy makers and social scientists often assume cash transfers are apolitical, value-neutral monetary instruments, which improve upon inappropriate, top-down, universalizing development projects. Instead, I show how cash transfers introduce their own universals, by imagining liberal sovereign subjects, who use credit and financial markets to manage their own financial and developmental needs. I argue that this narrative elides the deep historical and geographical production of racial difference through credit and debt in South Africa's Western Cape farmlands. I call this phenomenon racial finance capitalism. First, I trace how coloured people have been racialized as debtors for the benefit of capital accumulation across generations. Then, I explore how the contemporary spatial and temporal realities of cash transfer distribution continue to racialize grantees as debtors and dispossess them of their social entitlements. Finally, I demonstrate how grantees draw upon transgenerational experiences of debt to challenge the continued social reproduction of themselves as debtors. Some South African social grantees demand recognition that they are, and have been, net creditors to the nation.

Keywords

Debt, cash transfer, South Africa, social welfare, racial finance capitalism

In February 2017, Sophia Daniels[1] attended a workshop led by a social justice organization[2] in the Western Cape farmlands. With her baby on her hip, Sophia explained how her children had not received their cash transfers in four months. Every night, after begging a few slices of bread from her neighbours, she considered a hellish home-economics

Corresponding author:
Erin Torkelson, Department of Geography, Environmental Studies and Tourism, University of the Western Cape, Robert Sobukwe Road, Bellville, Cape Town 7535, South Africa.
Email: etorkelson@uwc.ac.za

equation: should she split the bread between her three older children (8, 13, 16 years), or eat a slice herself to breastfeed her baby (6 months)? As the months wore on, Sophia diverted her resources to her older children and her milk dried up. Her baby's weight dropped from 11 to 8 kg and the clinic nurse threatened to take her children into care (Torkelson, 2017).

Sophia's choice was necessary because of unjust debts accrued on her social grant. Employed in a fruit processing plant, she was forced to take unpaid leave while pregnant. Around the same time, her home burned down and she gave birth at a women's shelter. The blaze destroyed her identity documents, preventing her from registering her son's birth and applying for his grant. Struggling to support four children on three grants (R1080/$78 per month), Sophia borrowed money from two cash lenders, using these loans to rent a wooden shack to live in. Her creditors automatically debited her bank account, seizing her entire grant in loan repayments for four months (Torkelson, 2017). She now had a home, but no way to feed those housed inside.

Sophia's family metabolized the contradictions of the financialization of South Africa's cash transfer program.[3] The largest in the developing world by GDP ($11 billion/year), South Africa's social grants support 18 million citizens (33% of the population), 85% of whom are black and coloured women (StatsSA, 2018, 2011).[4] Grants are means-tested, unconditional and targeted towards the caregivers of children, elderly and disabled people. From 2011 to 2018, the South African Social Security Agency (SASSA), contracted a multinational corporation, Cash Paymaster Services (CPS), a subsidiary of Net1 UEPS Technologies (Net1), to distribute grants, privatizing one of the most important public services in the country. Development experts lauded this public–private partnership as heralding a future of more equitable distribution through financial inclusion (e.g. IFC, 2016). Yet, while grantees gained small monthly incomes, Net1 gained monopoly control over the personal data and bank accounts of 18 million people, using this advantage to aggressively market loans. Grantees typically borrowed money for immediate needs (food, clothing, rent) and not for developmental purposes (small businesses). Their debts were only repayable through the regularity and security of the next month's social grant payment, not earnings on an investment. These loans were nearly risk-free for Net1, who controlled the cash flow from the National Treasury to grantee accounts, and deducted loan repayments *before* transferring money to recipients (Torkelson, 2020).[5] Many grantees disputed these deductions, but Net1 offered limited customer service and accountability.[6]

South Africa's social grant program aligns with contemporary development orthodoxy oriented toward (just) *giving money to the poor* (Hulme et al., 2012). This common-sense narrative (c.f. Ferguson, 2015; Hulme et al., 2012) suggests that cash transfers are preferable to large-scale development projects, which are expensive, top-heavy and inattentive to local contexts. Cash transfers are imagined to side step such universalizing initiatives through the value-neutral distribution of money; and recipients are imagined to use this money to choose their own financial and developmental priorities (Collins et al., 2009). Such analyses obfuscate how cash transfers introduce new universals appropriate to a global economy driven by finance capital. Scholars and policy makers claim that cash transfers should be bundled with financial products and credit to make the most of their cash transfer payments (Clemence and MacLellan, 2017; Collins et al., 2009). As such, grantees are simultaneously excluded from the formal economy (as workers), and 'included' in the financial economy (as debtors). Neither apolitical nor innocent, such boosterism fails to consider the deep histories of the production of difference through debt and finance capital.

In this article, I offer an abbreviated racial history of debt in South Africa's Western Cape farmlands. Following Malini Ranganathan (2019), I develop the term *racial finance capitalism*[7] to show how finance capital has long been part of the way South Africans have

been racialized. I build on Cedric Robinson's (2000) [1983] insight that all capitalism is 'racial capitalism'. According to Robin Kelley (2017), Robinson drew the term racial capitalism from his engagement with South African scholarship of the 1970s (c.f. Legassick, 1974; Magubane, 1979; Wolpe, 1972). While South Africans sought to understand the particularities of the apartheid economy, Robinson took a longer historical view, arguing that European feudal societies, out of which capitalism developed, were *already* racialized. Capitalism worked through pre-existing racial hierarchies because accumulation – i.e. capitalism's *rasion d'être* – depended upon the maintenance of inequalities (Melamed, 2015). His centuries-spanning analysis demonstrated how capitalism requires racism to justify the exposure of some social groups to unequal life chances and premature death (Gilmore, 2007). This happens through the obviously racist structures of slavery, colonialism and mass incarceration, but also through supposedly 'de-racialized' or 'colourblind' social programs, where human life continues to be differentially valued to meet the needs of state capitalist orders (Gilmore, 2007). Since the subprime mortgage crisis of 2008, Global North scholars have increasingly attended to the role of racism in financialization (c.f. Chakravartty and Da Silva, 2012; Kish and Leroy, 2015; Wyly et al., 2009). In the Global South, far less has been written about racism and financialization, concentrating more on poverty and gender (c.f. Elyachar, 2005; Karim, 2011; Roy, 2010).

Thinking with the historical geographies of the Western Cape, I demonstrate how finance capitalism racialized South Africans to disqualify them as 'owners' of property and 'managers' of income, allowing their possessions to be targeted for expropriation across time. This was true in the labour-scarce economies of colonialism and apartheid, and continues to be true under conditions of high unemployment today. While black and coloured people were barred from formal credit under apartheid,[8] democracy brought the expansion of lending to all workers, particular those in the public service sector, who had regular, secure government incomes (James, 2014). However, South Africa's 30% unemployment dramatically limited formal credit markets that only targeted workers – until Net1 began lending money to grantees, who also had regular, secure government incomes. As Ruth Wilson Gilmore (2007) argues when economic crises produce 'surpluses' – of land, labour, finance or state capacity – capital works to transform these idled resources into profits. In this case, black and coloured women were effectively excluded from the labour market but included in the financial market via the cash transfer program. Funded by the state, Net1 turned social grantees into a lucrative and risk-free market to absorb surplus capital in the form of credit. Though Net1 describes itself as a sophisticated financial technology company, their profits from credit were *not* based on high-tech algorithms or machine learning (c.f. Amoore, 2009; Noble 2018), but were relatively simple and old-fashioned. Net1 capitalized on existing inequalities embedded within South African geographies. Most poor South Africans still live in apartheid's racially defined enclaves in close proximity to one another. Net1 used its proprietary access to data about social grantees to target them for loans, and collected their debts automatically through their grant payment monopoly. The mobility differential between grantees and creditors allowed Net1 to appear to be delivering a product appropriate to the people it was meant to serve.[9] Instead, Net1 exploited South Africa's sedimented racial geographies to 'predate' (Taylor, 2019) upon the social grant incomes of black and coloured women.[10]

Contrary to understandings of debt as divisive and individualizing, recent analyses have focused on the shared experience of debt as a basis for collective organizing (Appel et al., 2019; Graeber, 2012; Harney and Moten, 2013). Sophia and other grantees used the multivalent meanings of debt – as an economic, political, social and generational concept – to creatively theorize about their ongoing vulnerability to racial financial capitalism.

When speaking of Net1, they wove complex narratives that transcended linear time and space, recalling the multiple forms of debt they and their ancestors suffered.[11] Referencing this trans-generational repetition of debt, grantees challenged the reproduction of racial financial capitalism through the social welfare program. They countered that they were not debtors, but net creditors to the nation, through centuries of stolen land, labour and lifeways. In this way, debt became a terrain of struggle over who owes what and to whom. My interlocutors did not only think about debt as a racially constituted harm (McKittrick, 2011), but also invoked debt's multivalent meanings to challenge its reproduction. Not enough has been written about the lived experience of debt (as called for by Gabor and Brooks, 2017). As such, I focus on racial financial capital and the subject-making power of trans-generational indebtedness.

This article is based on three years of ethnographic research into debt and social grants alongside the Black Sash, a 65-year-old social justice organization. Between 2011 and 2018, the Black Sash documented thousands of cases of structural financial abuse, and I documented over 200. While I could make this argument with many stories, I have chosen to focus on two: Sophia and her neighbour Joseph. In February 2017, Sophia, Joseph and I travelled with Esley Philander (Black Sash Communications Manager), Erna Curry (radio journalist) and Johann Abrahams and Clinton Daniels (documentary film-makers) to examine how the welfare system produced debt. We worked with Sophia and Joseph to create an archive of evidence – call centre records, bank statements, receipts and contracts – to fight back against their indebtedness. We made a documentary for the South African Broadcasting Company's (SABC) *Cutting Edge* that was viewed by over 1 million people (Black Sash et al., 2018). This article considers the off-camera moments that did not fit our 22-minute report.

Racialization through debt in the Western Cape farmlands

During the formation of apartheid, the racial classification of 'coloured' was institutionalized through the Population Registration Act [No 30 of 1950], which specified the terms of descent for 'White', 'Native' and 'Coloured' people (with 'Indian' as a subset of 'Coloured'). After the Second World War, apartheid planners did not defend the biological essences of scientific racism (Dubow, 1995), and rather 'made' race as a political, economic and legal construct to justify white minority rule (Posel, 2001). People racialized as 'coloured' were never homogenous and included descendants of the indigenous Khoi nations; enslaved people from Indonesia, India, Mozambique and Madagascar; and indentured workers from India and China. To contain (and deny) the diversity of this category, colouredness was defined by white anxieties over miscegenation in colonial South Africa (Adhikari, 2005; Erasmus, 2001). Characterizing coloured people as *only* the children of 'mixed' relationships erased their historical claims to both Indigeneity and surviving slavery (Adhikari, 2005; Erasmus, 2001). Since apartheid's racial hierarchy positioned coloured people between 'white' and 'black', they also benefitted from anti-black racism, particularly the violent removal of black families from the Western Cape to their so-called Eastern Cape 'homelands'. Colonialism and apartheid transformed coloured people into the 'rightful' inhabitants of the Western Cape first in practice and later in law. The Coloured Labour Preference Policy [1955] sought to build a 'coloured nation' in the Western Cape through the forcible exclusion of black people from housing and employment. In the post-apartheid era, South Africans' daily lives are still divided by apartheid's racial project, and my interlocutors used the categories of black, coloured and white to speak about experiences of racism.

After meeting Sophia in Ceres, the Black Sash and I invited her to drive the 100 km to the nearest Net1 office to investigate where her grant money had gone. As we travelled, the Western Cape's agrarian political economy came into sharp relief in the glaring-hot sunshine. On the road, some workers huddled together on battered trucks, as labour brokers shuttled them between orchards. On the roadside, ladders descended from trees and leaves rustled, as other workers picked ripe fruit in triple-digit heat. During this journey, it became clear that one of the ways South Africans had been racialized was through debt. Whereas Deborah James and Dinah Rajak (2014) have argued debt was central to labour discipline, I build on their analysis to demonstrate how debt was also a key part of South Africa's racial project. Sophia spoke of how debt had long been part of the racialization of coloured people: she said to me: 'people like you' (white academic) go to work and bring home money, while 'people like me' (coloured farmworker) go to work and bring home debt. Elaborating the 'moral power of money' (Wilkis, 2017), the struggle over labour, for Sophia, was not only about a wage, but critically to *whom* that wage belonged. As a coloured woman, she never felt she was a 'free' worker because she was always indebted to her employer.

Sophia centred debt in the founding narrative of political economy, tweaking Marx's (1990 [1867]) theory of 'so-called primitive accumulation'. Marx described the ironic double-freedom in Europe's transition from feudalism to capitalism: 'freed' from their bondage to land, peasants-cum-workers were 'free' to sell their labour on the market. Yet, even this so-called freedom did not hold in South Africa. From the arrival of the Dutch East India Company, European settlers struggled to transform indigenous Khoi populations into workers, who resisted their efforts. This labour 'crisis' was resolved by the dispossession of Khoi land and lifeways, and the importation of enslaved people from across the Indian Ocean. With the abolition of slavery in the Cape Colony (1834), Parliamentary Hearings and Colonial Commissions[12] bemoaned the so-called labour question, asking what new system of oppression could compel people to sell their labour to white industry and agriculture? Formerly enslaved people were not 'free' to sell their labour on the market, but 'apprenticed' to their former owners for at least four years. Slave owners justified this apprenticeship period through the civilizational discourse of 'cultivating the skills' of their workers for a modernizing economy. The costs of ending slavery, of a juridical transformation from property to personhood, were not sought from the Empire,[13] but extracted from freed workers as an ongoing debt of labour.[14]

After centuries of dispossession by European conquest, Indigenous Khoi people were likewise compelled to join freed men and women as labourers on farms. Farmers used racist legislation and debt to conscript the labour of coloured people at extremely low wages. With the discovery of diamonds (1859) and gold (1886), coloured workers could get jobs on the mines, railways or harbours for triple the pay of farms (Scully, 1987). However, the Masters and Servants Act [No 15 of 1856] ensured coloured people could not move freely around the country to take up these better opportunities (Ross, 1983). By criminalizing coloured people for leaving Cape farms, employers had leverage over their workers. They exchanged lodging on their property for waged labour during peak seasons, demanding 84% of wages in housing debts (Scully, 1987). They also paid 'advances' at the end of harvest season, guaranteeing that coloured workers would have to repay their debts with labour the following year (Scully, 1987). The temporality of labour remuneration transformed workers into perpetual debtors: while farmers paid workers after their labour was consumed, workers had to pay farmers for their housing and subsistence upfront. Farmers benefitted doubly from the primary exploitation of productive capital and what Marx (1991 [1984]) called the 'secondary exploitation' of finance capital. Farmers captured the surplus value produced by

workers, and then captured the interest on debts that workers contracted to secure subsistence.

Perversely, farm owners made these relationships of debt appear benevolent. Paralleling Lugard's (2013 [1925]) 'dual mandate', Afrikaans-speaking farmers built their cultural identity upon the cultivation of land and the custodianship of people in South Africa (du Toit, 1993). To be a farmer was not only to own a farm, but to establish relations of 'understanding', a euphemism for dominance by white authority, between 'Master' and 'Servant'. This 'understanding' was rooted in racist notions that coloured workers were lower down a Morgan-esque (2019 [1877]) civilizational hierarchy. They were deemed childlike, unable to care for themselves, and in need of protection. Farmers characterized their provision of room and board to their workers not as debts, but civilizational 'gifts', showing them how to live 'properly'. Farm paternalism used Christian morality to disguise the inherent violence of such Maussian 'gifts' and the obligations of unfree labour placed on coloured workers in return. The racializing project of South African farms inverted the violence of debt and claimed it as care.

Today, the South African economy has a surplus not a scarcity of labour. From the nineteenth century, South Africa's economy was predicated upon a concentrated system of mineral and energy exploitation by white, mostly English-speaking capital. Much of the rest of the South African economy – like agriculture, transportation and finance – was developed to support these sectors to the detriment of a broader program of industrialization (Fine and Rustomjee, 1996). The end of apartheid and the integration of South Africa into the neoliberal global economy in 1994 stimulated a period of 'jobless' growth. Mines and farms laid off thousands of permanent workers, only to hire back a fraction of them on casual contracts. South Africa's official unemployment rate has grown since democracy and is now upwards of 30% (StatsSA, 2018). While debt is no longer necessary to compel labour at low wages, it has a vital new role in social, political and financial life.

Sophia drove this point home. Hearing an ambulance siren, she grabbed my arm and said: 'They're going to the farms'. Sophia's 16-year-old son, Ardiel, was working on a farm bringing in the harvest. Under the merciless summer sun, Ardiel had twice collapsed from heat stroke and high blood pressure. Two months earlier, the ambulance had been for him and now Sophia panicked at the sound of sirens. Sophia enlivened Marx's (1990 [1871]) description of the 'surplus value' created by workers in excess of what they are paid: 'They make money off him. They break his body and he sees little money'. Ardiel worked for a middle man who sold his labour to different farms in the area. This labour broker assumed the functions previously undertaken by farmers for their workers: providing room and board as debts that are put 'on book' (recorded) throughout the month. Upon payment by the farmer, the labour broker would deduct his commission and his workers' debts before distributing their wages.

Farmworkers like Ardiel exchanged paternalistic labour relations for 'free' but precarious casual employment with labour brokers. While coloured workers were purportedly freed from peonage by white farmers, they now are subject to violent patron–client relations with labour brokers. Sophia holds herself responsible that Ardiel labours under such debts. When Sophia's grant was taken in loan repayments, Ardiel 'hopped a lorry' and ran away to the farms. She recalls: 'He told me, "mommy, you can't borrow from this one and that one."' Ardiel's labour was incorporated within an ongoing, though ever-changing, racial financial capitalist system. Because of the deep ties between race, labor and debt, he could not earn enough money to assist his mother. These multi-generational

stories of unfree labour reveal how debt is constantly reformulated to racialize, dispossess and devalue coloured workers, who never receive an unencumbered wage.

Racial finance capital and social grant debt

Though the social welfare system is a socially protective response to the devastations of unemployment, it also enables the ongoing racialization of black and coloured people through debt. Apartheid had two major welfare programs: old-age pensions and family maintenance grants that were paid at racially differentiated rates. To shore up waning apartheid power in the 1980s, old-age pensions were slowly equalized between black, coloured and white people. The democratic government inherited this relatively equal pension system, retaining it mostly unchanged. Family maintenance grants were a different matter. Under apartheid, maintenance grants were paid at racially differentiated rates to white and coloured mothers and excluded black mothers altogether. Over time, other state subsidies ensured white mothers no longer needed these grants, and by the democratic transition, they were almost exclusively provided to coloured women. The post-apartheid state scrapped these obviously racialized family maintenance grants and replaced them with purportedly 'non-racial' child support grants. Yet, just as black people were included in this program – and constituted the majority of it – payment rates were diminished to a fraction of apartheid's maintenance grants, lower than the lower bound poverty line. Cited as a lack of affordability by the state, this amounted to an aggressive devaluation of black and coloured women's care work.

Compounding this exploitation, the government excluded working-aged unemployed adults from social protection. Grants are allocated to *individuals* – caretakers of children, elderly and disabled people – but often comprise the only income available for *households* and *families*. The government only provides grants for 'deserving' individuals on the basis of their 'legitimate' exclusion from the workforce. Structurally unemployed 18–59 year olds are deemed undeserving of social support. Working precariously, if at all, unemployed adults survive by living with their grant recipient mothers or grandmothers. By excluding 18–59 year olds, the government forces black and coloured women to use their individual entitlements to provide family care and drives them to money lenders to cover household essentials.

Previously, the only loans available to grant recipients came from community savings schemes, neighbours and loan sharks. Yet, from 2012, a new type of lending was made possible by the grant system. SASSA contracted CPS, a subsidiary of Net1, to pay grants. Under this contract, Net1 registered all recipients, collected their biometric information, and opened 10.5 million[15] bank accounts for them *en masse*. With 10.5 million exclusive clients, Net1 created subsidiaries specializing in financial products targeting this market. Claiming to be 'including' people previously excluded from finance capital, Net1 effected a major financial coup: instead of grants providing monetary assistance to poor households, loans extracted value from people whose only asset was their monthly social entitlement. As with the labour relations described above, grant recipients were represented as risky and inadequate financial subjects and deprived of control over their grants. Because of this misrepresentation of risk, Net1 conscripted grantees to high-interest credit *and*, through their proprietary distribution system, ensured they were systemically prevented from defaulting (Torkelson, 2020).

Net1's grant payment racialized grantees through their digital and physical banking spaces, and the way these articulated with one another. This is illustrated most vividly through Sophia's experience. Sophia had heard about a car that visited her village monthly

to give loans. She joined dozens of queueing applicants and met Sizwe, a Net1 consultant with an aluminium briefcase. This was the same familiar briefcase – housing a computer, card reader, fingerprint scanner and receipt printer – that CPS consultants used to pay social grants. Sophia stressed how this briefcase made her feel that she was borrowing money from SASSA or a company SASSA endorsed. Instead of being stationed on a table at an official paypoint, the briefcase was positioned on the trunk of a vehicle. Sophia stressed the mobility of Net1 (and its briefcase) compared to her own: 'They come to us. They set up their machines from the boot (trunk) of the car. But, we cannot go to them'. While she was still emplaced by the 'sedentarist metaphysics' (Malkki, 1992) of apartheid and could rarely afford to leave her village, Net1 used mobile infrastructure financed by the state to transcend these restrictive spatialities. Grants were distributed at the start of each month, after which Net1 consultants travelled around like old-fashioned door-to-door salespeople, showing up where grant recipients live to offer loans.

While Sizwe and his briefcase were seen as trustworthy because of their association with SASSA, Sophia had no such credibility. Sizwe told her that her thumb must 'pass the test'. Only a biometric signature could be trusted to prove that she was part of the community of social grantees as yet unencumbered by debt. Both Net1 and the South African government wanted to attach biometric security to social welfare payment because grantees were imagined to be financially illiterate at best and artful fraudsters at worst. For example, one Parliamentarian stressed that social grantees needed biometrics because the elderly could not remember their PIN numbers.[16] A bolder Parliamentarian stated a baby could be 'recycled if we don't do one-to-many checks'. Statements of this type presume grantees are potential scammers: i.e. mothers who register the same child twice or children who fail to register their parents' deaths to receive more money (Donovan, 2015). To combat such abuses, the government and Net1 agreed that grantees must offer 'proof of life' – materialized as their fingerprints – every month. Despite the hype, Net1's technology only does *one-to-one* checks to verify identity, not *one-to-many* checks to prevent multiple registrations. Though technologically inadequate for the government's stated purpose, Net1 claimed its biometrics excluded criminals and assisted grannies while saving the government millions. In fact, most of this savings came from the registration process itself, which was inaccessible to some former grantees (Donovan, 2015).[17] By marking people as 'risky' or 'criminal' actors, Net1 was authorized to develop a system of credit that reduced grantee control over their own money.

The biometric system helped Net1 sell loans and other financial products (like insurance, electricity and airtime) without informed consent. Sophia told me that, although she only asked Sizwe for a loan, she was compelled to open another bank account with EasyPay and a funeral plan with Smartlife (both Net1 subsidiaries). She did so by repeatedly putting her thumb on the biometric scanner, unwittingly consenting to three transactions. Only after registering for these spurious products was her R1000 loan approved, repayable in six R220 instalments. Sizwe did not tell her about the Terms and Conditions of her new EasyPay account. She was only told to 'use this green card' (EasyPay card) instead of the 'white card' (SASSA card) from now on. She did not know that her social grant would be transferred to this account each month or that this account was outside SASSA's purview, exclusively within Net1's private domain. She also did not know that the EasyPay account would allow her creditors to be paid *before* she was. While Sophia's grant was only transferred onto her EasyPay card when she offered 'proof of life' on the first of each month, her creditors were paid temporally prior to the arrival of money in her account. This could happen because the National Treasury transferred billions of rands to Net1 for grant payment a week before Net1 transferred money to recipients.

Net1 did not just allow its subsidiaries early and automatic payment from grantee accounts, but other microlenders as well. Even with this loan, Sophia still did not have enough money to care for her family. She needed clothes for her older children and diapers for her baby. Sophia visited XY Money Loans, a dubious payday lender with a hastily printed canvas sign, situated in a large shop partitioned by plywood. Loan applicants queued on one side of the partition, and lenders peered through four small holes on the other. A sign advertising loans for 'SASSA card-holders' misleadingly suggested their affiliation to SASSA. To apply for a loan, Sophia had to have an EasyPay or a SASSA card to access credit because Net1 ensured early repayment. Sophia took a small loan from XY Money Loans (R256 payable in two R256 instalments). The stated interest was 50% per month, but XY Money Loans took over R3000 from her account across four months. Net1 did not flag this illegal activity, allowing XY Money Loans to repeatedly make fraudulent deductions. Sophia had no control over how these funds moved through her account.

Similarly, Net1 asked Sophia's neighbour Joseph to use his home as a venue for product sales. They knocked on his door and asked him to gather his friends who 'needed help'. The phrase 'needed help' offended Joseph because what he got from Net1 was not help but debt. He was angry that the Net1 consultants characterized themselves as aid workers providing assistance to social grantees. Joseph said he was initially wary of Net1 and questioned their motives: 'They said they are legal otherwise they wouldn't have access to the machines to activate the cards. They told me they are from SASSA'. Again, the briefcases conveyed the appearance of government authenticity, so he gathered about 15–20 people at his home to get the 'help' Net1 offered. He explained: 'They showed me the green card [EasyPay], took my fingerprints and I got my card. It took 20 minutes. My sons also got the green cards. They needed shoes and clothes and the house rent was also expensive'. Joseph's two adult sons both receive disability grants: one of his sons has cerebral palsy and the other had a stroke while working on a farm. Joseph is their legal guardian and felt pressured by Net1 consultants to accept debt on their behalf.

A long-time agricultural worker, Joseph compared the 'help' he received from the farm owner to that of the social grant system. For most of his life, Joseph lived on a farm and grew his own food. He now works at the grocery store Spar, though he should be retired. He said, '[The manager of] Spar asked me to come work [there] because they needed someone. I needed a job. I was struggling. In the old days, I could go to Fanie (farm-owner) and say "give me a few potatoes." Now I have to buy potatoes. Before I could say "Fanie, give me an apple," now I must buy it. Everything that I want, I have to pay for. I have to lend money to pay for it. I can't ask SASSA for a potato or an apple'. For Joseph, the paternalism of farm labour meant that owners often treated workers as part of the household. Whilst a system of deeply unequal obligation, workers could ask for assistance in times of need. Joseph remembers the intimacy of this relationship, not fondly, but as a notable contrast to Net1. He compared Net1's digitized debts with the paternalistic debts on the farm, which though exploitative, were negotiable and personal, not automatic and anonymous. Once Joseph had applied for a loan and insurance policy, there were 'extras' deducted from his grant every month without explanation. He too had little control over how his money moved through his account.

When Sophia and Joseph applied for loans, they made repayments from income earned through social welfare, not wage labour. This confounds Marxist interpretations of credit as a claim on future labour, typically referring to economically productive work (Harvey, 2006 [1982]). Grantees did not borrow on the basis of future waged labour (or past waged labour, as in the case of contributory pensions), but on future social reproductive labour valourized by the government through the grant system. Because Sophia and Joseph used their loans to

pay for things that should be provided by the national social protection framework – food, rent, healthcare – there was no way for them to repay their debts through income earned on an investment or asset. Whilst this is a popular myth of poverty finance, during three years of research, I only met one person who started a business with a loan secured by a social grant income. Everyone else repaid their debts by borrowing more or consuming less the following month. Sophia and Joseph metabolized their loan repayments in future months, as the very social entitlements intended to support life disappeared to repay debts.[18]

Marked as 'risky' financial subjects, these racialized and gendered grantees became a sure bet for lenders. The grant formed a promise between the citizen and the government, generating a surety that was as reliable as permanent employment. Net1's proprietary technologies and physical access to grant holders allowed them to aggressively market their products. Net1 built a biometric system where consent for credit could be achieved with a grantee's thumbprint. Net1 controlled all the necessary information on grantees, and knew when a temporary grant lapsed or when a child turned 18. Net1 knew how grantees spent their money, and if they had any other liabilities on their accounts. Net1 also controlled the entire grant payment stream from the National Treasury to grantee bank accounts: they distributed social grants, offered loans on social grants and recouped payments from social grants – all before so-called beneficiaries could access their money. There was no oversight from the National Treasury or the Reserve Bank because this occurred as a series of proprietary internal transactions within Net1 and its subsidiaries. Reformulating the racial finance capitalism of previous eras, grantees could not default on their loans by choice or mistake because they had incomplete control over their money. The only risk of non-payment occurred in death, when the state would stop paying a grant to a beneficiary.

The multivalence of debt

Much work on debt sees it as an individualizing force because of the shame associated with owing money, but movements like Occupy, Strike Debt and Jubilee have focused on the collective experience of indebtedness (Graeber, 2012). Similarly, Sophia and Joseph used the multivalent meanings of debt to challenge their ongoing vulnerability to racial financial capitalism. Sophia asserted: 'Our money should be ours, but they take it like it's theirs'. The juxtaposition of the possessive pronouns 'ours' and 'theirs' focused attention on ownership of the grant. Sophia felt the grant should be 'hers', but her creditors made it 'theirs' instead. Credit, under the tyranny of capitalism, creates debts in the present which mandate repayments in the future. Her creditors used financial technologies to present certain 'truths' – measured in interest rates and fees – to demonstrate that Sophia owed them money. Her debts allowed her creditors to position themselves as the rightful owners of her social grant. But, Sophia rejected this claim, positioning herself as a net creditor to the nation, owed a debt for the labour, land and life she and her forbears rendered to white farmers. Sophia challenged the morality and directionality of her debts, claiming that new debts could not be attached to money meant to alleviate the poverty and inequality cultivated under centuries of white minority rule. Sophia's understanding of debt was manifold – economic, political, moral, social and generational – allowing her to make claims for social justice, by drawing attention to the dynamics of racial financial capitalism.

Joseph, too, tied his social grant debts to his personal history of dispossession on three previous occasions. His first dispossession was before he was even born on a farm near Ceres. His parents and their parents had their land stolen and were indebted farmworkers beholden to a white farm owner. From the time he was a child, he too had to work for the white farmer in repayment of his parent's debts. He got married 'on the farm', had children

'on the farm', and raised his family 'on the farm'. Despite having lived there all his life, his second dispossession occurred in the early days of democracy, when he was evicted from the farm and forced to build a shack in a neighbouring village. Many farmworkers were dispossessed during this period because owners feared post-apartheid laws would give their workers tenure security on what they perceived to be 'their' property (du Toit and Ally, 2003). His third dispossession came when Joseph was selected to be part of an agricultural 'empowerment' project. He was one of the only farmers in his area given a small plot under a Department of Agriculture program to diversify land ownership. He threw everything he had into that plot to make it successful but a politically connected stand-over man stole the money intended as Joseph's start-up capital. Joseph tried to borrow money to get the farm going, but ultimately the land was taken away because he had not developed it in accordance with the program rules.

Joseph understood the financialization of social welfare as his fourth dispossession. He reflected, 'I think if I had my own farm, things would go better. But that money never came to me. And now again, they taking it from me. Nothing comes to me as it should come. It comes only halfway and goes into a dead end'. Joseph expressed how, as a coloured person, he has never had control over money designated for him, which only ever comes 'halfway'. Instead of retiring, Joseph works a part-time job at the supermarket packing the produce that he used to grow. Joseph linked his experience of dispossession to accumulation, and specifically white (and increasingly black) capitalists in South Africa, who consolidate their wealth through stolen labour, land and financial assets. The thefts Joseph endured did not end with the transition to democracy but continue to buttress a vastly unequal society today.

Given their familiarity with being made into debtors, Sophia and Joseph both attempted to contact Net1 to find out why they were not receiving their money. Although Net1 supposedly 'banked' the unbanked poor, they did not offer the same kind of support as traditional financial services. Net1 only had 144 permanent locations throughout South Africa. Given this limited infrastructure, Net1's 'mobile solutions' were meant to be accessible and appropriate for grantees. Technological boosters assume everyone has a mobile phone (Aker and Mbiti, 2010), but many people in the farmlands use a SIM card in a neighbour's device. When Sophia and Joseph called Net1, they could not get 'help' because they ran out of airtime, forgot answers security questions or failed to connect with an Afrikaans-speaking consultant. Technologies meant to make banking accessible from anywhere instead made it inaccessible from everywhere.

Failing to use Net1's mobile infrastructure, Sophia's only option was to wait until Sizwe arrived two weeks later. Net1's monthly visits structured time in her village as many people needed loans and those who had them often had questions. Sophia went to Sizwe and demanded to see her bank statement. In October, Sizwe said he could only print out the last few transactions on a partial receipt. He would have to request a comprehensive statement from the head office and deliver it the following month. In November, Sophia's account was drained again and she returned to Sizwe. 'He forgot. He never brought that statement. He said he'll bring it *next* time'. In December, the same happened again. 'Sizwe asks me, "why do you need the statement? You won't be able to read it anyway. You're a *farmworker*."' Sizwe told her to stop 'being clever' and to stop 'making a scene'. Sizwe never recorded these interactions, so there was no proof Sophia asked for a bank statement for three months. Instead, she told me: each month, 'I start arguing with him again, like it's the first time'.

The racial paternalism of this encounter worked alongside the digital and physical limitations of Net1. She tried but failed to use Net1's 'mobile solutions' to seek recourse because she did not have access to a phone. This reinforced racial hierarchies, where

technologies are used to mark 'civilizational' distance between people. Her personal interactions with Sizwe encoded histories of Western Cape slavery and exploitative labour relations always resulting in debt. Capitalizing on apartheid's racist spatial order, Net1 moved around the country, consulting with clients from the trunk of a car; but Sophia stayed in her village, awaiting his visit. Net1 was meant to appear accessible, returning to each village like clockwork; but its consultants barred grantees from seeking recourse. Sophia's persistence upset Net1's self-narrative of a humanitarian tech company, and Sizwe resorted to paternalistic tropes to bind Sophia to 'her place' and discipline her behaviour.

Roadtrip recourse

Sophia and Joseph turned to a local social justice organization for assistance – that is how the Black Sash, the film-makers and I met them in Ceres. They wanted to find out what was happening in their bank accounts and take part in our film. Sophia rode with me and Joseph with the film-makers as we caravanned to Net1's nearest office. When we arrived, we went in separately so as not to arouse suspicion. Net1 was a large, open room that looked like a high school cafeteria hosting a career fair. There was a long table across the front of the room and smaller ones on the sides, draped in banners from EasyPay, Moneyline and Smartlife. Sophia went to a consultant and requested a bank statement. She was instructed to take a seat and wait for someone from 'the back'. We noticed the space was larger than it appeared, with a door and a one-way mirror along the front wall. We learned that the front room was available for public processes, such as opening new accounts and accepting new products, while the back room was reserved for private processes, like dealing with complaints and managing anything unsavoury. The designation of one section as public and another as private imposed a spatial ordering of power within the office and on the movements of clients and consultants. Some kinds of knowledge were rendered permissible in some spaces and some were not. Sophia had to be excluded from the public operations of the business for the problems to be continually hidden.

Once in 'the back', we met Anthea, a young coloured consultant, seated in a storage space surrounded by stacks of aluminium briefcases. Sophia explained her inability to get a bank statement and complained of the treatment she received from Sizwe. Anthea looked at us knowingly, and said: 'Ohhhh. Sizwe. I've heard about him'. Anthea's tone transformed Sizwe into a rogue, excising him from the 'normal' functioning of the business. One of the goals of accounting has been to create systems that cannot be altered by individuals, making all employees seem interchangeable and capable of conveying institutional authority (Poovey, 1998). But, such goals are never fully realizeds (Poovey, 1998). In this case, Anthea alluded to the hierarchy among Net1 workers. Travelling consultants were far from the supervision of the main branches, so there was no way to oversee their behaviour. Sizwe's retention with Net1 depended on his ability to meet monthly sales targets. Net1 used Sizwe to ensure clients were conscripted into debt, and used his role as a 'fieldworker' to give them plausible deniability for predatory practices.

Initially, Anthea told us she could not print Sophia's bank statement because the person with the computer login details had gone home. While we continued to sit in her office, Anthea made several phone calls and finally printed the statement. She looked at the paper, highlighted transactions in pink, and explained her version of events. She told us that Sophia went to the wrong lender: 'This XY is not good. We see them all the time'. She pointed to her highlighting: in October, XY Money Loans made seven different debit orders; in November, three; and in December, five. Eleven of the debit orders were for the exact same amount of money (R256), which Anthea called a 'red flag'. She concluded

that these deductions were fraudulent. Sophia asked if EasyPay could stop or refund these transactions. Anthea shook her head. According to Net1, Sophia must report fraud within 40 days for the transactions to be refunded. Sophia protested that she *did* report the fraud, through Sizwe, but there was no proof. Anthea told Sophia to get her contract from XY Loans, open an investigation with the police, and bring these documents to this office for a refund.

Although Anthea had concluded the deductions were not Net1's fault, she was holding the statement tightly. A bank statement gives the illusion of transparency, a list of simple equations that seem objective and true. But Anthea was concerned about the potential power of this ledger, and what we might deduce from its contents. She controlled how we read it with her highlighting, drawing our attention to XY Money Loans. She attempted to make Net1's profits on the XY loan invisible (overdraft charges, EFT reversals and insufficient funds requests). She also attempted to distract us from the hundreds of rand Moneyline and Smartlife (both Net1 subsidiaries) deducted every month from Sophia's account as well. Anthea claimed Net1 was much better than lenders like XY Money Loans, yet Net1 enabled deductions by all lenders without protection for Sophia. A technologically savvy corporate system is not necessarily better than a loan shark, if it facilitates thefts by loan sharks. Because Sophia was unable to report this fraud properly, due to Net1's own deficient system, there would be no recourse. This bank statement did not 'help' Sophia, but papered over deep inequalities, experiences and knowledges.

Whilst with Anthea, we tried to ensure Sophia would receive her full grant the next month. We asked if we could pay off her loan and cancel her EasyPay card – but, we were not able to do so, despite Net1's Terms and Conditions saying otherwise. For the loan, we asked Anthea how much Sophia still owed. Anthea made several more phone calls to the person with the 'right' computer access and told us Sophia owed R660. We were not able to pay this amount at the Net1 branch because they would not handle cash, but at another bank around the corner (which we did). Anthea warned Sophia's loan would not stop immediately, since there was no real-time reconciliation on their computer system. No one had ever paid early before, so there was no process for it. Anthea said Sophia should not close her EasyPay card; otherwise, she would not get reimbursed. Money would be deducted this month, as the payroll had already been loaded into the system, and the repayments would only stop next month. Anthea wrote down Sophia's details, promising to follow-up. This call never came.

Afterward, Sophia and I learned that Anthea had behaved similarly with Joseph. But, instead of diverting attention to XY Money Loans, she told him One Life Insurance was deducting most of his money. There were several policies coming off his account every month, for which Net1 claimed no responsibility. Joseph adamantly refused that he contracted these policies. When we phoned One Life to inquire, the consultant told Joseph that his son, Elton Daniels, signed him up for the policies. Joseph explained that while he had sons, neither was named Elton, and neither could sign contracts on his behalf. One Life, of course, could not take his word for it, and needed police affidavits swearing to their disabilities, before they would agree to cancel the policies. That would take a separate 100 km trip.

After visiting Net1, we went to XY Money Loans and tried a different tactic. Sophia went into the shop alone, while the film crew waited outside. Through the windows, we watched her argue with a teller for 10 minutes, getting nowhere. Then, the film-makers moved their cameras closer, filming the interaction through the doorway. Suddenly, a manager appeared, consulted Sophia's bank statements and returned with cash. Sophia came out of XY Money Loans brandishing over R3000 – the entire amount deducted. I asked how she

felt. '*Gatvol!* (Fed up!) It was the cameras'. She asked if it would always take a film crew to sort out debts levied on the poor? At the end of this experience, Sophia was not grateful for getting her money back. She was angry. Net1 tried to monopolize moral righteousness, but Sophia introduced her own moralizing discourse. The work of financializing a social grant became a terrain of struggle, where very different notions of debt and debtors come into being.

This is related to James Ferguson's (2015) analysis about a new politics of distribution emerging around social grants in Southern Africa. He argued that the vast majority of Southern Africans are structurally unemployed and have been 'cut out of the distributive deal' of wage labour (p. 38). Rather than proposing productive-centric policies like job creation, Ferguson suggested that more radical forms of distribution, de-linked from labour, could provide a way of 'cut[ting people] back in' (p. 38). A universal grant, instead of stigmatizing poor recipients, might enable new forms of demands, where all people present in South Africa might claim a portion of the national wealth. Whilst this is an interesting argument, South African grants are not universal, and the claims being made on the ground are somewhat different than Ferguson describes. Ferguson does not adequately explore questions of economic power and historical disadvantage in his analysis. He argues that more equitable distribution can be achieved through a broad, cross-class consensus and an effective tax system: i.e. national budgets can be rejigged to provide more substantial social protection. But, in this equation, extant power structures could remain intact, and racial finance capital could continue to profit from an even more generous redistribution program. The poor have, of course, always been targets of financial abuse, but the conjunctural moment of low unemployment and aggressive growth in financial markets, makes them particularly vulnerable to predatory debts.

Contrastingly, my interlocutors were adamant that given the long *durée* of racial financial capitalism in South Africa, universal basic income was both necessary for survival and insufficient to affect repair. For Sophia and Joseph, their demands were not only about changing the national budget to demand a redistribution of wealth, but to force a national reckoning with racial financial capitalism. Like Best and Hartman (2005), who insightfully elaborate the difference between reparation and repair, my interlocutors' demands suggested that though they needed social grants, that money was vastly inadequate and could never repair what was broken over centuries. Sophia and Joseph recognized how the spatiality and temporality of the Net1 grant payment system foisted debt onto grantees and, they recognized how Net1's profits depended on the re-formulation and re-institutionalization of racial injustice. In response, they narrated their multi-generational conscription by racial finance capital to debt, even as the theft of their land and labour served as a net credit to a series of racist nation-building products. Sophia and Joseph's critiques suggest that as long as this system of racial financial capitalism stays intact, the grant itself, or any other redistribution program, has the potential to become another indebting and dispossessing force. Redistribution that does not challenge structures of power can continue to give with one hand and take with another. While South Africa's social grants are rightful and deserved, they are also partial and cannot fulfil Sophia and Joseph's desire for repair.

Conclusion: Gallant's rebels

In this article, I traced a racial history of debt in the Western Cape farmlands. Developing the term racial finance capitalism, I showed how coloured South Africans have continually been deemed unfit financial actors unable to 'own' their land, labour or wages. As the South African economy has de-industrialized and de-agrarianized since the 1970s, finance capital

has been one of the only growth sectors. With high unemployment, the security of social welfare payments allowed recipients to be brought into punitive credit markets and predated upon by *formal* loan sharks. Black and coloured women, excluded from the labour market, were revalued and exploited by finance capital through their receipt of a social wage. Net1 converted these social entitlements from the state into lucrative gains for creditors through the temporalities and spatialities of a vastly unequal grant distribution system.

Grantees did not passively accept this debt, but contested it. These contestations did not take the 'typical' form of South African protest – boisterous *toyi-toying* (protesting) on the street – but rather conversations at community meetings, in loan queues and over bank statements. Recipients offered trans-generational critiques of indebtedness, explaining how debt has been attached to particular racialized people in South Africa across time. In so doing, they refused the ongoing reproduction of coloured and black people as debtors, recalling the ways they have financed the nation. Recognizing themselves as creditors, Sophia and Joseph challenged the financialization of the very program meant to offer slight relief from abject poverty. The Black Sash witnessed these stories and fought three lawsuits against Net1 alongside social grantees. In 2018, this advocacy work led to a significant change in the way grants are paid, bringing distribution back under public control through the Post Office. Whilst this has not been without challenges, over 70% of grantees now have bank accounts that do not allow exploitative automated deductions. Even so, as Sophia and Joseph would add, this sort of program is essential for survival, but will always fall short of repairing the injustices of the past.

Inspired by my interlocutors' trans-generational analyses, I will end with a reflection from one of the film-makers, Johan Abrahams. After a long day of filming, he asked: 'the Gallant Rebellion happened here. You heard of it?' He recalled how in 1825, an uprising occurred just up the road. Gallant van der Caab led enslaved and free workers in a revolt against a white farmer, who denied them independence. Johann stressed that, like their debt, Sophia and Joseph's resistance had a trans-generational history too. Whilst currently constrained by South Africa's liberal politics, their desire for more significant forms of repair, beyond the grant program, might someday be transformative.

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ORCID iD

Erin Torkelson https://orcid.org/0000-0002-2345-6487

Notes

1. All names have been changed.
2. Activists fighting for labour protections started the Witzenberg Rural Development Centre during apartheid.
3. Lavinas (2018) called a similar phenomenon in Brazil the 'collateralization' of social policy.
4. I calculated this statistic from StatsSA (2018) data.
5. James (2014) describes how courts granted garnishee orders for creditors to automatically deduct repayments from salaried workers. In this case, Net1 did not need to apply for court orders because they controlled the cash flow between the National Treasury and grantee accounts – and could deduct repayments at will.
6. About 25% of grantees had deductions on their accounts (Black Sash, 2016).
7. This term came from a 2018 AAG session of the same name.
8. With the exception of furniture purchases on high-interest instalment plans.
9. See Harker 2017 on spatial topographies of debt.
10. In Torkelson 2020, I focus on the digital geographies of distribution.
11. This resonates with Christina Sharpe's (2016) concept of 'wake work', and the reverberations of slavery under the 'contemporary conditions of spatial, legal, psychic and material dimensions of Black non/being'.
12. See the Transvaal Labour Commission (1891).
13. Britain offered compensation to former South African slave owners, but most could not afford the journey to the Empire to apply.
14. Saidiya Hartman (1997) has made a similar argument in the United States.
15. While there are 18 million grant beneficiaries, there are only 10.5 million recipients because some people receive multiple grants, e.g. mothers who care for two children.
16. Portfolio Committee for Social Development, 30 November 2016.
17. During the Net1 registration process, many people did not re-register for their grants. There is no way of knowing whether this decline resulted from false grantees fearing being caught or rightful grantees unable to access the system. In neither case did biometric technologies save money.
18. While I focus on coloured people here, Net1 targeted black people too.

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Erin Torkelson is a Wenner-Gren Hunt postdoctoral fellow and an Andrew W. Mellon postdoctoral fellow in Geography at the University of the Western Cape in South Africa. Her research explores the collision between normative assumptions about cash transfers as public goods and the lived experience of cash transfers as private debts.

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Collateral damages: Cash transfer and debt transfer in South Africa

Erin Torkelson

University of California, Berkeley, United States

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ABSTRACT

Over the past decade, two development programs–cash transfer and financial inclusion–were bundled in global development discourse. Despite differences in their purported objectives, cash transfers are increasingly delivered via financial inclusion infrastructures and technologies. One important yet under-appreciated consequence of this bundling is the possible transference of credit and debt to cash transfer recipients. In this paper, I explore how the South African cash transfer program incorporated recipients into a highly coercive and monopolistic financial system predicated on proprietary technologies. The proliferation of such technologies enabled cash grants to be transformed into collateral for credit and encumbered by debts to private companies. Specialized payment technologies encouraged recipients to accept loans and ensured that they could not default, making cash transfer a site of nearly risk-free profit. My work is informed by over two years of ethnographic fieldwork, hundreds of qualitative interviews, and archival data from the South African Parliament and Constitutional Court. My study finds that while grant payment technologies promise to mitigate the contradictions between providing cash transfers for basic needs and offering profitable financial products, in practice, they can worsen indebtedness. By focusing on the materiality of financial inclusion technologies, I demonstrate how the efficacy of cash transfer programs can be undermined, when debts as well as grants are passed on to recipients.

Over the past two decades, cash transfer programs have proliferated as a commonsense strategy for poverty alleviation. Cash transfer is based on the notion that people need money to provide for their needs – needs that they know best (Hulme, Hanlon, & Barrientos, 2012). Around the world, governments and nongovernmental organizations (NGOs) provide regular payments to poor and vulnerable people, who choose how to allocate these resources. One under-appreciated consequence of cash transfer is that the regularity and security of payments generates a form of surety, which can be used to transform social entitlements into collateral for credit. Financial technology firms, contracted to implement cash transfer payment systems, can both distribute social entitlements and sell financial products and services alongside them. They can build digital distribution systems that reallocate risk between lenders and debtors: where they control financial flows and deduct loan repayments early and automatically before cash is transferred to recipients. With limited risk, lenders face almost no prohibition against issuing burdensome and irresponsible loans. In this way, cash transfer payment systems can subordinate the goals of poverty alleviation to the expansion of the financial sector. Between 2012 and 2018, this is exactly what happened in South Africa. The power-laden, techno-financial arrangements of a government-sponsored cash transfer program (locally referred to as the social grant program) eliminated nearly all risk on loans issued to grant recipients.

South Africa's social grant system evolved in step with a global effort to bundle cash transfer payments with so-called "financial inclusion" initiatives. While cash transfer promotes "just giving money to the poor" (Hulme et al., 2012), "financial inclusion" promotes giving money to the poor through biometrically-secured bank accounts and in conjunction with a suite of other financial products (such as savings, loans, payments and insurance). Despite these differences, mainstream development agencies and new development actors (banks, mobile phone companies, technology firms, MasterCard/Visa, think thanks) have advocated for cash transfer recipients to manage their social assistance payments with the help of financial products and services (Clemence & MacLellan, 2017; Bold, Porteous, & Rotman, 2011; Porteous, 2006). A significant consequence of this shift from "cash" transfer to digital transfer is the availability of credit.

Scholars have shown how social policy has been reconfigured to generate financial assets for investors, in Brazil (Lavinas, 2018), Mexico (Soederberg, 2014), and the United States (Cooper, 2017). They demonstrate how the commodification of social programs

E-mail address: etorkelson@berkeley.edu

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and public services leads to the conscription of individuals and households into regimes of credit. Theorizing from South Africa, I follow this work to illustrate how relations of power work in and through technologies of "financially inclusive" cash transfer to promote credit with minimal risk for lenders. To this end, I begin with a review of development literature to explain how cash transfer programs became discursively and practically linked to financial inclusion principles. Second, I use the example of South Africa to describe how a private corporation, Net1 UEPS Technologies (Net1), incorporated grantees into a segregated and monopolistic financial system. Third, I clarify how Net1's technologies worked to commodify social grants, making them available as collateral for low-risk credit. Fourth, I demonstrate that Net1 did not only lower the risk for itself, but transformed the low-income lending sector as well. Net1 often contends that their products are cheaper, more accessible and more appropriate for their target market of social grantees. However, it is important to move beyond a comparison of this sort to understand how Net1's digital payment technologies facilitated a shift across the formal (and to a lesser extent the informal) credit market, decreasing the burden of risk for creditors throughout the sector. Under Net1's banking system, grantees could not default, miss a payment, or renegotiate the terms of their loans, making these debts feel more onerous. In mid-2018, the Constitutional Court directed the South African Social Security Agency (SASSA) to reform the social grant program. I conclude this article by demonstrating how, despite these changes, complications around indebtedness persist.

With one of the largest and most comprehensive cash transfer programs in the world, South Africa is an ideal place to consider this emergent phenomenon. According to the World Bank (2016), South Africa (3.3%) outstrips India (1.5%) and Brazil (1.4%) in social assistance spending as a percentage of GDP due to its robust cash transfer program.[1] South Africa provides non-contributory, unconditional, means-tested monthly stipends for 17.6 million people (30.8% of the population),[2] including children under 18 (R400/$26.67), adults over 60 (R1690/$112.67) and people with disabilities (R1690/$112.67).[3] And yet, to say South Africa *provides* these grants is a misstatement: while the program is government-funded, the material provision of grants was outsourced to a global financial technology firm. In 2012, the South African Social Security Agency (SASSA) contracted Cash Paymaster Services (CPS) to distribute grants nationwide.[4] CPS embarked on an enrollment drive, collecting personal information for around 17 million beneficiaries and opening bank accounts for 10 million recipients (Vally, 2016).[5] Their parent company, Net1 UEPS Technologies (Net1), listed on the Johannesburg and NASDAQ stock exchanges, used subsidiaries to sell financial inclusion products to grantees, including loans (Moneyline), insurance (Smartlife), utilities (uManje Mobile), and payments (EasyPay).

As a monopoly service provider, Net1 had unrestricted access to South African grantees both in person and via their electronic data. Net1 was well positioned to make grant payments, sell financial products, and extract repayments for these products without bearing any risk. There was no possibility for grantees to default on their debts because repayments no longer depended on consumer behavior. As loan repayments to Net1 whittled away the promised value of social entitlements, grantees turned to other formal and informal lenders, many of whom were also repaid early and automatically through this same financial system. Net1 reaped significant profits from social grant payment through their government contract and their sale of financial inclusion products. In fact, between 2015 and 2017, Net1 made more money from their financial inclusion products than from the distribution of social grants (Chart 1).

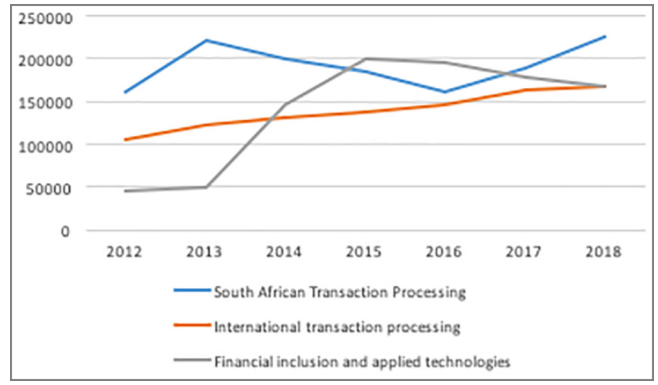

Chart. 1. Net1 Profits in '000 Dollars (Kotzé, 2018; Belamant, 2016). The lines represent the three segments of Net1's business as reported in their Annual Reports. "South African transaction processing" and "Financial inclusion and applied technologies" are based in South Africa; while "International transaction processing" is based in South Korea, Hong Kong and the European Union (Kotzé, 2018). South African transaction processing consists of the welfare benefit distribution service, ATM infrastructure, and transaction processing for retailers utilities and banks. Financial inclusion and applied technologies consists of short-term loans, bank accounts, prepaid products, life insurance, and the sale of hardware and software (*ibid.* p. F-67–68).

While it is difficult to estimate the cost to grantees – in part, because this information is controlled by Net1 – there are some useful proxies. The Black Sash, a leading South African social security NGO, conducted a survey between October and November 2016. Enumerators surveyed grantees at seven SASSA pay points in three provinces, in rural and urban areas. Out of 1591 grantees surveyed, 25.5% answered "yes" to the question: "was any money deducted from your grant without your consent?"[6] The most common non-consensual deductions included loans, insurance, and utility payments. In the urban township of Khayelitsha, 40 km from central Cape Town, around 50% of grantees said they experienced non-consensual deductions. After a public outcry, Net1 commissioned a report by auditing firm, KPMG (2017), to defend their lending practices. KPMG[7] found that between March 2016 and February 2017 grantee bank accounts were subject to 15.5 million debit orders, over half of which (53.4%) were deducted by two Net1 companies: Moneyline (loans) and Smartlife (insurance) (p. 11–12). This report, however, excluded over two million grantees with EasyPay bank accounts[8] and many more grantees with uManje Mobile utility deductions (both Net1 products). Though difficult to specify exactly, the problem of deductions is significant (Chart 2).

This is not just a problem for South Africa. Powerful development actors, such as the Group of Twenty (G20), are calling for

[1] World Bank Open Data: https://data.worldbank.org/.

[2] 43.8% of all households receive at least one grant (Stats SA 2017).

[3] There are several other grant categories, like war veterans, but these are by far the largest.

[4] At the time, this was the second largest government contract ever issued after the Strategic Defense Package, which was a R30 billion (US $4.8 billion) purchase of weapons in 1999.

[5] While there are 17.6 million beneficiaries, there are only 10 million recipients, because some recipients receive grants for multiple beneficiaries, e.g. mothers with multiple children.

[6] Complete survey data available at the Black Sash website: https://cbm.blacksash.org.za/survey-types/sassa-paypoint-citizen.

[7] This report begins with this caveat: the auditors "do not express any assurance" on the reports' contents (KPMG, 2017).

[8] From 2015, Net1 encouraged SASSA grantees to transition to a second bank account controlled entirely by them, called EasyPay. By the time of this survey, 2 million grantees had transitioned. I found that most people transitioned to the EasyPay account in order to get a Moneyline loan. Therefore, one would expect a much higher percentage of EasyPay account holders to have consensual and non-consensual deductions.

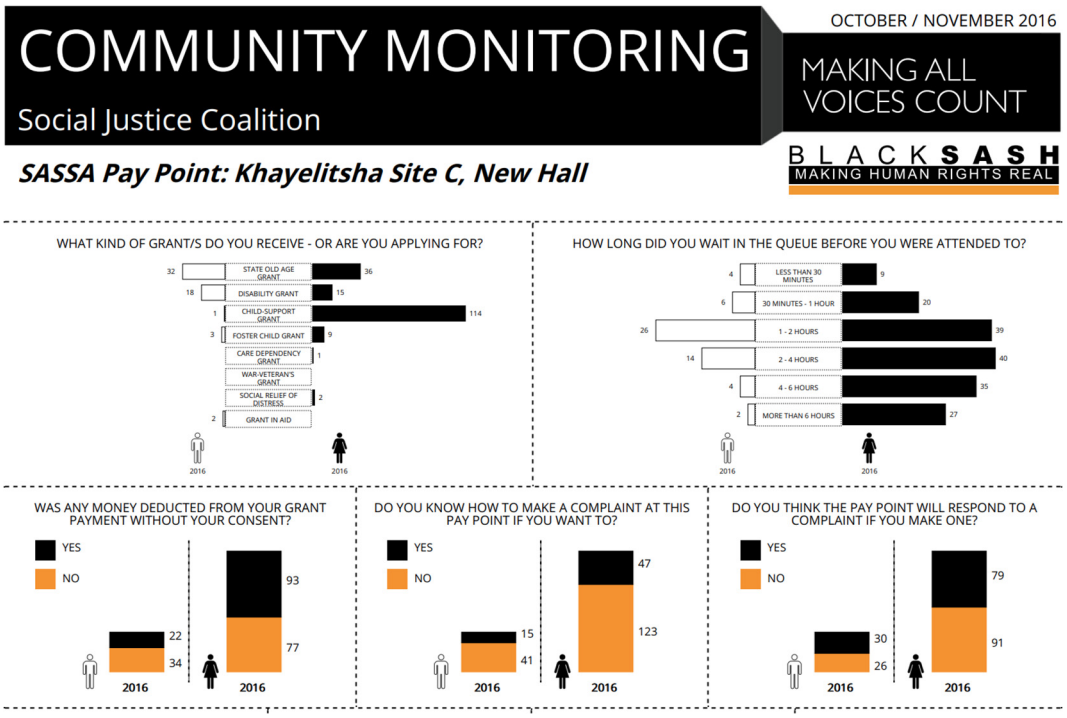

Chart. 2. SASSA Pay Point: Khayelitsha Site C, New Hall (Black Sash, 2016). Poster created by the Black Sash based on a survey conducted by the Social Justice Coalition at a SASSA Pay Point in Khayelitsha between October and November 2016. Over 50% of participants said they had money deducted from their grants without their consent.

the bundling of cash transfer programs with financial inclusion products worldwide. Likewise, the international donor community has funded several major reports written by financial inclusion think tanks to elaborate the rationale for such bundling (Clemence & MacLellan, 2017; CGAP, 2011a, 2011b, 2011c, 2011d; GPFI, 2010), and Silicon Valley investors have rushed to fund universal basic income trials because of the financial inclusion potential (see McCullough, 2019). Additionally, the International Finance Corporation (IFC) invested $107 million to support Net1's expansion into African countries with "limited banking infrastructure and financial services" (IFC, 2016, p. 1). While South Africa's cash transfer program might seem extreme, the model could expand worldwide.

This research is based on 28 months of fieldwork between 2015 and 2018. In partnership with a community-based organization (CBO) in Khayelitsha, I conducted over 100 interviews with grantees about their household financial practices. In association with the Black Sash, I assisted over 40 grantees seek recourse for non-consensual deductions. I also participated in the Black Sash's enumerations at pay points to understand the extent and impact of credit and debt, and attended Parliamentary inquiries and Constitutional Court proceedings to explore the possibilities of regulation.[9]

1. Financially inclusive cash transfer

Before describing South Africa's grant payment infrastructure, I will explore the ways financial inclusion technologies and products were materially and discursively linked to cash transfer programs. In the wake of the Asian financial crisis, mainstream development agencies surveyed the damage of free market capitalism and, in a move Polanyi (2001)/1944) would recognize, began to promote redistributive forms of social protection to curtail its worst effects (Hickey & Seekings, 2017). Building upon efforts in the global South (*Oportunidades* in Mexico, *Bolsa Familia* in Brazil), international development agencies promoted non-contributory donor and tax-funded cash transfer programs for old age pensioners and poor families with children (Garcia & Moore, 2012; WB, 2001; ILO, 2000). Cash transfer programs spread very quickly around the world. There are now two decades worth of nuanced studies showing how and under what circumstances cash transfers can improve childhood nutrition (Augero, Carter, & Woolard, 2006; Gertler, 2004; Leroy, Ruel, & Verhofstadt, 2009), reduce child labor (Barrientos, 2012; Soares, Ribas, & Osório, 2010; de Janvry, Finan, Sadoulet, & Vakis, 2006), and advance educational outcomes (Barrera-Osorio, Bertrand, Linden, & Perez-Calle, 2011; Duryea & Arends-Kuenning, 2003). There is also significant work on the effectiveness of cash transfers around the world, including in countries with limited government capacity (Seekings, 2017). Much of the consensus around cash transfers as simple, affordable and adaptable to a wide range of contexts is underpinned by a subtle technological optimism. As one popular book describes, "new computer and electronic communications systems" are vital to making distribution possible (Hulme et al., 2012, p. 145).

Enter financial inclusion. Financial inclusion is a recent development effort that encourages banks and financial technology firms to design these "computer and electronic communications systems" to connect poor people with financial markets. Only a decade after the Asian market collapse and the rise of social protection programs, the 2008 global financial crisis produced a different response. The economy had just been undermined by agents of high-risk financial products, marketing subprime mortgages to unqualified buyers and hedging against them (Chakravartty & Da Silva, 2012). Though subprime mortgages were themselves a financial inclusion product, the global response to the crisis, authored by the G20, was not to curtail the effects of

[9] I published a series of articles in *GroundUp* on how the technological apparatuses of grant payment gave a private company a competitive advantage in the low-income financial sector (Torkelson 2017a, 2017b, 2017c). I also researched and co-wrote a 24-minute segment for an investigative journalism program, *Cutting* Edge, which aired on national television (Black Sash, 2018b). My research on indebtedness was used by the Black Sash in their social grant protection campaigns, and in evidence to the Panel of Experts appointed by the Constitutional Court.

financialization, but to expand its reach. In 2009, the G20 leaders at the Pittsburgh Summit produced a statement on the need to "stabilize" (G20, 2009, p. 1) the global economy and a plan for including "the most vulnerable" (p. 15) in financial markets worldwide. One year later, at the Toronto Summit, the G20 promulgated a set of principles to "spur innovation for financial inclusion" while safeguarding "financial stability" and "protecting consumers" (GPFI, 2010, p. 1). This was a moment of definition: although the G20 proposed financial access as a moral advance – for equity and inclusion – the expansion of finance to the poor was contained within their broad strategy to rebuild the global economy.

Financial inclusion could not be spontaneously enacted without being combined with existing development initiatives. Cash transfer was an ideal partner. While cash transfer programs needed technologies to deliver money to program recipients, financial inclusion programs needed new markets for their technologies and product offerings. Despite different theoretical underpinnings, numerous reports make the association between financial inclusion and cash transfers seem obvious. Bankable Frontier Associates (BFA) published a *Scoping Report on the Payment of Social Transfers through the Financial System* (Porteous, 2006); the Consultative Group to Assist the Poor (CGAP) published *Social Cash Transfers and Financial Inclusion* (Bold et al., 2011); and the Department for International Development (DFID) published *Designing and Implementing Financially Inclusive Programs* (Porteous, 2009). These repetitively titled reports, along with global exchanges, working groups and donor funding, advocated the techno-financial delivery of cash transfers. By techno-financial I mean the development of technological platforms and products that claim to "disrupt" more traditional banking services for the "unbanked."[10] According to a study of 212 cash transfer programs (Clemence & MacLellan, 2017), 20% are now bundled with at least one financial product.[11]

The need for financial inclusion was, perhaps, most persuasively argued in the *Portfolios of the Poor* (2009), wherein four researchers interviewed 250 families from South Africa, India and Bangladesh every two weeks for a year about the "minute details" of their financial transactions (Collins, Morduch, Rutherford, & Ruthven, 2009, p. 4). Over the past decade, the *Portfolios* project has expanded to ten countries in the global North and South. The *Portfolios* was innovative because it moved "financial inclusion" beyond its historical focus on credit by turning critiques of microfinance on their head. Microfinance was under fire because borrowers were using loans for consumption and very marginal businesses (Bateman & Chang, 2012), failing to increase their capital and leading to over-indebtedness. The *Portfolios* authors, particularly Rutherford, suggested that instead of critiquing the way poor people actually use credit, development professionals should learn from them. He argued that, through their financial practices, people demonstrated that they needed a broad range of techno-financial products – particularly savings, credit, payments and insurance – to more effectively manage their money (Collins et al., 2009; also see Morduch, 2017).

This research produced a temporal rationale about how and why poor people required particular sorts of techno-financial instruments to overcome poverty.[12] The *Portfolios* authors argued that savings and credit products would enable people to reallocate their income and expenditure across time to respond to crises. During their interviews, the *Portfolios* authors tracked all instances when poor households did not spend their income in one lump sum. Such moments were used as evidence that their interview participants were sophisticated financial managers, saving their money and planning for their futures (Mader, 2018). Their problems did not just stem from a lack of money, but a lack of money at critical times. Poor people have "not just low, but also irregular and unpredictable" incomes (Collins et al., 2009, p. 16). Temporality, not poverty, was seen as a common problem across participants and countries (Mader, 2018). Picking up on this justification, the Global Partnership for Financial Inclusion (GPFI) argues that financial services provide people "with capacity to increase or stabilize their income, build assets and have much greater resilience to economic shocks" (2010, p. 1).

While the *Portfolios* project demonstrated why poor people needed access to financial products, other reports elaborated who should deliver these technologies. Banks, financial institutions, and technology companies emerged as key, for-profit delivery agents of financial products. The Consultancy Group to Assist the Poor (CGAP), for example, structured a series of reports around the question: how can "financial institutions offer financially inclusive services to recipients on a profitable basis?" (Bold et al., 2011; CGAP, 2011a, 2011b, 2011c, 2011d). However, in attempting to make the "business case," CGAP revealed that it is quite expensive to deliver decent services to low income clients, living in remote areas without existing public infrastructure. CGAP subtly suggested that profitability for the private sector required governments to subsidize investments in infrastructure and generate clients in the form of cash transfer recipients. The World Bank Development Research Group (WBDRG) suggested that governments should shift cash transfer payments to electronic form, creating "a foundation upon which the private sector [...] can build" (2014, p. 3). Reports like these change the focus of cash transfer programs from poverty alleviation to the state-subsidized development of a general retail payment system (e.g. Bold et al., 2011, p. 22).

Likewise, financial inclusion experts advocated that governments ease protective regulations in order for private contractors to profit. Financial inclusion claims to use technology to overcome structural and geographical obstacles to banking, but only once governments create an "enabling environment" (GPFI, 2010, p. 1). Instead of fulfilling the standard expectations of banking service–i.e. document-intensive enrollment procedures, accessible physical infrastructure, and adequately trained employees–financial inclusion proffers low-cost services like "mobile money" or "branchless banking" as alternatives. As GPFI (2010) says, changes in legislation "provide the right conditions for innovation to thrive" (p. 1). Yet, the language of "innovation" can excuse the delivery of substandard or inappropriate service to a population unaccustomed to banking. Such reports reveal that cash transfer recipients can only be made into a profitable customer base if they are excluded from normal banking arrangements.

Once cash transfer programs are associated with private service providers, recipients themselves become key to subsidizing grant delivery through credit. As far back as 2006, David Porteous, of Bankable Frontier Associates, recommended that one way to recover costs was for corporations to sell financial products to cash transfer recipients, particularly credit. At the time, Porteous was cautious about this suggestion and offered an ominous caveat: "The regular cash flow of grant recipients may also make them

[10] The rise of techno-finance in development is part of a broader turn toward "little development devices and humanitarian goods" (Collier et al., 2018) geared toward individuals rather than grand public projects. Critiques of post-WWII capital-intensive industrialization and modernization projects have paved the way for smaller-scale interventions. Such devices are no longer directed toward *the* "public" or *the* "nation," but the social capital and developmental savvy of individual users (*ibid.*). Silicon Valley donors and application designers claim to avoid the top-down imposition of development projects as well as the corruption of local solutions or "bottom-up" safety nets.

[11] The number 212 comes from every cash transfer program listed in two reports: *World Bank State of Social Safety Nets* (2015) and *ODI Cash Transfers: What does the Evidence Say* (2016).

[12] See Roy (2010) for a good critique on the development of financial subjects.

an attractive target for lenders who may use irresponsible marketing techniques to lead to unsustainable indebtedness" (2006, p 23). Porteous' prescient comment elaborated how cash transfers could be profitably linked to credit and how their very purpose could be undermined through these very links. Even so, many development actors continue to suggest that cash transfer programs can be subsidized by recipients through lending (CGAP, 2011; GPFI, 2010).

Financial inclusion has enabled techno-financial firms to bring new consumers into credit markets through cash transfers (Mader, 2018; Lavinas, 2018). Credit has long been used to absorb surplus liquidity and delay the potential for crises in capitalism (Harvey, 2006/1982). Historically, under industrial capitalism, when workers did not earn enough to purchase what they produced and demand declined, financial innovation permitted them to buy products on credit. More recently, financial capitalism is ascendant and capital accumulation in the global economy increasingly relies on profits from finance, not production (Epstein, 2005; Krippner, 2011). Under financial capitalism, there are increasing concerns over changes to the labor market via automation and rising unemployment or casual and precarious employment. Previously, unemployed people were typically unable to access credit through the formal market. Financial innovation around cash transfer, however, allows grant recipients to become a viable, low-risk credit market. Through cash transfer programs, credit can be attached to reliable state entitlements rather than waged labor or peer pressure (as per microfinance).

Since 2012, and the inception of the Net1 contract, South Africa has broadly followed these prescriptions for bundling cash transfer and financial inclusion. The social grant income opened up a new market for formal creditors to tap into. Under apartheid, most Black South Africans were disqualified from formal credit markets on the basis of race (James, 2014). Since democracy, politicians and bankers alike asserted that improved access to financial services can benefit those previously excluded (e.g. Manuel, 2011; Nation Credit Act 2005). Against a history of racialized financial exclusion, financial inclusion appeared as potentially reparative. As a result, the consumer credit sector rapidly expanded, marketing loans to a growing middle-class Black population in stable government jobs (*ibid.*). Before long, South Africa had one of the largest household debt-to-GDP ratios in the world (36%), and 50% of people were indebted (25 million). But there was a real limit to the number of loans that could be issued to a small (and shrinking) workforce. Official unemployment in South Africa stands upwards of 25% and unofficial unemployment is around 40%. More people receive social grants than formal wages (Institute of Race Relations, 2017). Net1 made social grant recipients accessible to creditors, in a way they had not been previously.

This is not to say that South African grantees were previously excluded from all forms of credit. In fact, earlier studies documented informal lenders, waiting near payment queues to offer credit and recoup payments (James, 2014). Informal lending in South Africa tends to refer to *mashonisas* (loan sharks), who face significant risk of non-payment and are known for mitigating their risk through abusive practices, such as keeping clients' grant cards and charging very high interest (James, 2014). Indeed, while some *mashonisas* are certainly brutal, others are far less so, differing considerably in their lending practices due to their size and their relationship with borrowers (James, Torkelson, & Neves, 2019). Some *mashonisas* even offer fairer and less restrictive terms, and allow for the negotiation of payment plans and interest rate caps (*ibid.*). Net1 captured borrowers who could previously only access informal credit. Cash transfer offered a perfect opportunity to create new markets for finance capital, in a largely uncompetitive space of low risk, inadequate regulation and rampant experimentation.[13]

2. Making a parallel banking system

Net1 describes itself as a provider of "financial inclusion services such as microloans, insurance, mobile transacting and prepaid utilities to our cardholder base" (Net1, n.d.). The benefits of financial inclusion products seem self-evident – no one would argue that exclusion is preferable. Yet, to see inclusion and exclusion as a binary fails to capture the range of problems people experience (Hickey & Du Toit, 2013). Financial inclusion advocates see exclusion from markets as the primary problem faced by poor people, and yet, financial inclusion programs can produce exclusions themselves. Net1's social grant payment system introduced a type of financial inclusion that did not bring people into existing financial markets, but created a segregated financial system, exclusively for grantees. In this section, I will describe how the power-laden techno-financial infrastructure of grant payment separated grantees into a monopolistic banking environment, outside of the national financial system.

In 2012, the South African Social Security Agency (SASSA) contracted CPS, a subsidiary of Net1, for five years to pay grants nationally.[14] Before 2012, the payment of social grants had been a provincial function, conducted by three different companies (one of which was Net1) governed by separate contracts in nine provinces. After 2012, SASSA sought to institute a national standard and streamline grant payment under one contractor. CPS was chosen in a bidding process that was later ruled invalid by the Constitutional Court. The Department of Social Development (DSD) had long aspired to build a national biometric database for grant payment (c.f. 1997 White Paper on Social Welfare), and the call for tenders indicated that it was "preferential" for contractors to have biometric capabilities. Just days before proposals were due, the word "preferential" was changed to "mandatory," ensuring that there was only one bidder who could be awarded this contract, CPS (Torkelson, 2017a). Rival bidder, AllPay (a subsidiary of ABSA, a large South African bank), brought this last minute change before the Constitutional Court, which ruled that the tender process was uncompetitive and invalid (Froneman, 2013). Because of the importance of social grants to the nation, the Court suspended its declaration to ensure people were paid.

These tender irregularities suggest that CPS was SASSA's preferred bidder, due to their history as a provincial service provider. CPS delivered cash transfer payments in rural areas on behalf of South Africa's social security administration since the 1980s (while owned by First National Bank, another large South African bank), and continued after it was purchased by Net1 in the 1990s (Breckenridge, 2014). Perhaps because of this intimacy, SASSA failed to involve either the National Treasury or the Reserve Bank in the design of the new national grant payment system. Then CEO of SASSA, Virginia Petersen, effectively contracted CPS and approved their grant payment system, without consulting other relevant departments. Pravin Gordhan, the former Minister of Finance, underscored the jurisdictional difficulties in a 2017 presentation to Parliament. Gordhan clarified that the Minister of Social Development pays social grants, while the Minister of Finance ensures that resources are available to make payments and that legislation is in place to contract service providers. Gordhan stressed that the role of the National Treasury is not to intervene in departmental processes, but offer oversight and advice upon request. CPS and Net1 designed a parallel banking system

[13] See Kish and Leroy (2015) for their argument about racial finance capital in the US.

[14] The contract was subsequently extended for a sixth year.

with only the approval of SASSA – a government agency which arguably did not have the capacity to oversee the development of banking infrastructure.[15]

The Net1 payment system combined several technologies that they developed (or acquired) to pay grants in rural areas outside of the National Payment System (NPS). These technologies had material effects on recipients – effects that went largely unnoticed for the first few years of the contract. Net1's techno-financial infrastructure was made up of bank accounts, smart cards, biometric identification, and geographic access. With regards to the first, Net1 did not partner with one of South Africa's "big five" banks.[16] Instead, Net1 chose Grindrod Limited, a shipping company with a small specialized bank for high-income clients. Lacking the capacity to quickly absorb 10 million new clients, Grindrod commissioned Net1 to design their IT system for social grant payment. Essentially, completing a circular organogram, Grindrod became a subcontractor of Net1; and Net1, a subcontractor of Grindrod. Net1 consultants automatically opened Grindrod bank accounts for every grantee during enrollment. This happened *en masse* and did not result from 10 million people, acting as individuals, knowingly entering into private contracts with banking institutions of their choosing. In principle, grantees could be paid into personal accounts with other banks if they filed declarations with SASSA. In practice, very few people knew this was an option, and only about 40,000 ever did so (0.4% of grantees). Grindrod, therefore, was never the equivalent of an independent commercial bank but a monopoly service provider. Through this partnership, Grindrod's banking business grew significantly: it became the second largest bank in South Africa by number of accounts, and its profits increased from R18.6 m/$1.3 m in 2012 before grant payment to R57m/$4.1 m in 2013 after grant payment.

Second, while Net1 needed Grindrod's banking license, Net1 did not actually need its banking system. Grants were paid to smart cards that Net1 CEO, Serge Belamant, developed in the 1990s (Breckenridge, 2019). Initially commissioned for Nedbank, the Universal Electronic Payment System (UEPS) was designed for a rural client base to use in an offline environment (*ibid.*). While many of South Africa's largest banks initially adopted UEPS, they later abandoned it for the globally operable Europay MasterCard Visa (EMV) payment technology. Despite this setback, the UEPS smart card system had all the capabilities needed to pay social grants: it was an independent blockchain system separate from South Africa's main banking infrastructure that worked where online service was limited. UEPS smart cards are small computers with operating software, data processing and memory (*ibid.*). Information about each grantee and each transaction was stored on these smart cards. CPS agents brought mobile card-readers into townships and villages to make grant payments, and contracted grocery store chains to use their card-readers as well. When a grantee slotted their smart card into a card reader, both the card and card reader made an encrypted record of the transaction, even in an offline environment. Once the smart card or card-reader interacted with an online environment, the entire transaction record was uploaded and recorded.[17]

Every subsidiary within the Net1 group – including those that sell insurance (Smartlife) and credit (Moneyline) – had the same card-reader necessary to "read" smart cards. When grantees put their cards into card-readers and placed their thumbs on biometric scanners, their entire banking history became accessible. As Roelof Goosen, a former National Treasury official told me, "it's all on the chip, everything can be read off the chip."[18] This information storage enabled the smart card itself to serve as a very comprehensive credit check for Moneyline (Breckenridge, 2019). From the smart card, Net1 could access a complete picture of a grantees spending habits and other liabilities. This technological intimacy enabled Net1's subsidiaries to sell financial products to a vulnerable population in a (mostly) non-competitive environment. The National Credit Regulator (NCR) requires lenders to ask borrowers for their bank statements (three months), proof of income, proof of address, and identification. Net1 subsidiaries could access all this information through the smart card and biometric fingerprint.

Third, SASSA's desire for biometric identification justified the creation of a separate banking system for grantees. South Africa already had a biometric standard for Home Affairs and was intending to develop a biometric standard for the banking sector. The big five banks were hesitant because of the cost of replacing their existing infrastructure with biometrically-enabled infrastructure. While a fingerprint is simply an impression of a biological pattern of ridges, an algorithm turns that impression into something calculable. There is no single algorithm by which a fingerprint comes to be recognized as a biometric signature (Breckenridge, 2014). Net1 developed a biometric standard that could only be "read" by their own proprietary hardware and software. By default, Net1's smart cards were secured with a biometric fingerprint, not a PIN number (although a PIN could be activated). This meant that Net1 smart cards could only be used in Net1 devices as no other bank had access to their proprietary security infrastructure. The National Treasury had to allow retailers, like grocery stores, to have two card readers at till points: Net1's biometric machine and their bank's PIN-based machine. If grantees used their smart card in an ABSA machine with a PIN, their transactions would be settled between ABSA and Grindrod through the National Payment System (NPS). But, when grantees used their card in a Net1 machine with biometrics, their transactions would be settled outside the National Payment System on the smart card itself. As the only financial institution in the country with this exemption, Net1 converted a significant percentage of transactions that should have been settled between banks – using the NPS – into transactions settled within their own infrastructure. This made settlement cheaper for Net1 and invisible to South Africa's banking oversight bodies. According to a presentation in Parliament by Tim Masela, the South African Reserve Bank Head, an exemption was granted because SASSA and CPS had opted to use a biometric standard in advance of the other major South African banks.[19]

Another major consequence of the biometric infrastructure was that Net1 could quickly and efficiently achieve "consent" for the sale of financial products from grantees. There is a specific gesture grantees repeat when discussing their interactions with card readers: they position their left hand in a loose fist with their thumb outstretched, while their right hand guides their left thumb toward an imaginary machine. This gesture illustrates how consultants "assist" grantees, who are unfamiliar with the pressure or time needed for a reading. Consultants preside over this action authoritatively, melding their hands with the recipient to ensure consent. As one pensioner from Ceres said to me: "All I did was put my finger there, nothing was signed. I can't read, I didn't have any school. I can't read or write, and I don't understand sometimes what people say." The same action was used to withdraw social grant money and purchase airtime, electricity, loans and insurance. Grantees often insisted that they were instructed to put their finger on the scanner multiple times without knowing why. The standard of informed consent was undermined by the ease of Net1's biometric system, particularly for a less financially literate population. Net1's

[15] This has led to speculation of corruption by the Minister of Social Development.

[16] ABSA, Nedbank, Standard Bank, FNB, and Capitec.

[17] Belamant is credited with inventing this blockchain payment technology – a technology that underpins contemporary cryptocurrencies (Gist, 2018).

[18] Interview, Roelof Goosen, Durbanville, 12 May 2017.

[19] Presentation: South African Reserve Bank Head, Parliament, Cape Town, 1 March 2017. https://pmg.org.za/committee-meeting/24075/

subsidiaries could sell financial products in a way that was fast, efficient and made it appear grantees were exercising financial choice.

Fourth, Net1's geographical knowledge of recipients, derived from the practice of paying social grants every month, was invaluable for their business. Each month, Net1 and CPS agents drove to 10,000 pay points around the country with large silver briefcases, containing their grant payment systems. They set up their machines and paid social grants on the first few days of each month. Given the temporalities of grant payment, Net1's business was cyclical: the early part of the month was busy, after which their responsibilities tapered off. Still funded by the government contract, they had all the technologies and vehicles needed to spend the rest of the month selling other products where grantees were concentrated. Net1 established formal premises in larger towns, from which consultants could drive to more rural areas, marketing products from their cars. The same staff employed through the government contract were repurposed for Net1's other businesses. When I was sitting in a SASSA office in Port Elizabeth, one beneficiary drove this point home. She pointed to a CPS consultant and said, "That one. See that one? In the rainbow pants? She was at KwaNobuhle this morning."[20] The consultant spent her morning at a semi-permanent shack in front of a house in KwaNobuthle township selling loans and insurance policies, and her afternoon at the municipal SASSA offices fielding questions and complaints. The distinction between public and private service provision was eroded as Net1 provided a specialized service to the government that subsidized their profit-driven spin-offs.

Net1's control over bank accounts, smart cards, card readers, account histories, and biometric consent as well as their geographical knowledge of grantees allowed them to create a parallel banking infrastructure. Net1 marketed and sold financial products in a non-competitive environment highly subsidized by a government contract and further subsidized by grantees themselves. Many grant recipients had not previously had bank accounts or financial experience and had no way of understanding the hidden implications of this distribution regime. Other grant recipients did not know what information was controlled by Net1, or what conditions they were consenting to with their biometric fingerprints. This is not to say that cash transfer recipients are simply the dupes of Net1. Rather, grantees were effectively conscripted into Net1's monopolistic distribution system and had limited ability to access alternative banking services. South Africa's grant system shows how social relations of power work in and through technologies to produce consequential effects.

3. Transforming grants into collateral for credit

The contradictions of this parallel techno-financial regime come into sharp relief, when considering the effects on social grantees. Grants can be transformed into collateral for credit because of the imprimatur of the South African state. Old age pensions were expanded toward the end of apartheid, and child support grants were introduced in the early years of democracy. While many other social programs have fallen short of targets (housing, land redistribution), and other essential services have been privatized (water, electricity), the social grant program represents the government's largest and most consistent poverty alleviation strategy. Although there has been some criticism about grants encouraging dependency (described in Ferguson, 2015; Barchiesi, 2011; Taylor, 2002), the program has been steadily expanded since democracy to benefit more people.[21] Social grants form part of every State of the Nation Address and every National Budget Speech.[22] Additionally, in 2012, the Constitutional Court and National Treasury went to great lengths to ensure grant payment continued despite irregularities in the tender procedure. The centrality of grants to the South African nation generates a form of surety – a firm promise from the government to regularly pay monthly entitlements. Social grants can serve as security for so-called "unsecured" short-term credit.

Moreover, the government grant program both provides the security for credit, and makes credit necessary. There is a key paradox in South Africa's social welfare system: while grants are designated for *individuals* outside of the economy – caretakers of children, the elderly, and people with disabilities – they often comprise the only income available for *households* and *families*. Designated categories of grants are provided for certain "deserving" individuals on the basis of their presumed exclusion from the workforce. Yet, 40% of working aged adults are unemployed, and deemed undeserving of social support through the grant program. Working-aged unemployed adults have little choice but to congregate around their mothers or grandmothers who are entitled to social grant benefits (StatsSA, 2017). In providing grants to those deemed "legitimately" unemployed, but neglecting those who are not, the government effectively expects grant recipients to care for additional family members on an individual social entitlement. One of the only ways to extend the grant for household consumption and emergencies is through credit.

Because of this, Net1 did not market loans to the low-income sector generally, but to grantees specifically. As early as 2008, in their financial statements, Net1 described the difference between their two moneylending businesses: a "traditional" one (accessible to everyone) and a specialized one (accessible only to grantees: Moneyline). Net1 revealed that their "traditional" micro-lending business was unprofitable due to the high default rate, but their specialized business was a boon for the company. "We consider [social grant-based] lending less risky than traditional microfinance loans because the grants are distributed to these lenders by us" (as cited in McKune, 2017). Here, Net1 drew attention to their ownership of the entire grant distribution process, from the South African Reserve Bank to beneficiary bank accounts. This occurred as follows: grant money moved in a lump sum from one National Treasury (NT) account to one Department of Social Development (DSD) account and then to nine provincial SASSA accounts (all of which were held at the South African Reserve Bank). SASSA, then, transferred this money to nine CPS/Net1 accounts (at Nedbank), and then to nine CPS/Net1 accounts (at Grindrod Bank) about a week before grant payments were made (Gordhan, 2017). Grindrod and Net1 earned interest on R12.6 billion (almost $1 billion) (*ibid.*), before dividing up this money into individual grantee accounts on smart cards. Net1 could reconcile most grantee debts internally, without going through the National Payment System. Net1's "specialized" microfinance business was more profitable than its "traditional" one because of its ability to garnish repayments through its control of social grant flows.

Net1's control over financial flows limited possibilities for beneficiaries to default. Through their UEPS system, Net1 could "apply an automatic debit against any incoming funds to the card in respect of the premium amount" (Net1, n.d.). According to SASSA, money was only supposed to be moved from the provincial CPS/Net1 account to individual accounts, when beneficiaries offered "proof of life," i.e. their biometric fingerprint. Once grantees

[20] Interview: ILDA advice office client, Port Elizabeth, 28 June 2017.

[21] The only time grant amounts have gone down was when the Family Maintenance grant, an apartheid relic given to white and coloured families, was replaced with the non-racially restrictive Child Support grant. While more people were provided for under this grant, the amount given to each recipient was much less.

[22] Mbeki 2002–2007, Zuma 2010–2017, Ramaphosa 2018.

scanned their thumbs, all debits were processed as their grants were transferred into their accounts.[23] Receipts showed a series of deductions coming off at the exact time as grantees laid their thumbprints on the scanners. The overall result was that recipients were unable to choose whether or not to pay (or delay) their debts through, for example, "push" notifications. Grantees could not elect to have these deductions occur later in the month on a day of their choosing. Likewise, there was no protective threshold under which deductions stopped. Cash transfers could be whittled away to nothing, even less than nothing, as grantee accounts could run negative balances. Any of these possibilities, though empowering to the grantee, would have introduced more risk for the lender.

Since the government guaranteed the grants, and Net1 controlled the repayment process, there was virtually no risk that these debts would go unpaid. Given that Net1 collected and stored beneficiary data, they knew when grantees would receive their money and when their grants might cease. They knew what day temporary grants would expire and when children would age out at 18. They knew if the grantee had taken other loans, or had other debits coming off their accounts. The only remaining risk, for Net1, was the risk of death, or the incertitude of biological life itself. Of its "traditional" moneylender, Net1 reported: "Despite the fact that we attempt to reduce credit risk by employing credit profiling techniques, the rate of default on loans has been high due to the high credit risk of these borrowers" (as cited in McKune, 2017). No such difficulty collecting payments was experienced with Moneyline, due to their monopoly over infrastructure and information. Indeed, one Net1 insider, revealed that Moneyline's default rate was close to zero, bragging that it was "the lowest in the entire microfinance industry" (*ibid.*).

And yet, even though the risk of non-payment was close to zero, interest rates on social grant-based credit were significant. Serge Belamant, the founder and former CEO of Net1, often asserted that his products were the cheapest available: "To me, we've been able to reduce costs and without a shadow of a doubt, our loans are probably 1/3rd of the price of any other lender in the country, 1/3rd of the cost" (in Hogg, 2016). Indeed, there is some truth to this. Net1's interest rates were 0% per month, but the costs of credit were hidden in service fees of around 5.33% per month (on R1000, six month loan). This was within the law: the National Credit Act (NCA) allows interest rates of 5% per month on "short-term credit" (under 6 months), as well as initiation fees up to 15% of the value of the loan, and service fees of R50 per month. Short-term credit has the highest allowable interest rate (up to 60% per annum) of any category of credit under the NCA. Even unsecured credit, another category of credit under the NCA, has a lower allowable interest rate of only 27.7% per annum. In this context, Net1's effective interest rate (service fees plus interest) amounted to 32% over six months for R1000 loan (or 64% per annum). Given Net1's vastly reduced risk, credit linked to social grants should not have been priced at the same rate as other forms of short-term credit or even unsecured credit. It should, perhaps, have been priced in line with forms of "secured" credit, like mortgage payments.

This begs the question of how Net1 compared to the rest of the low-income lending market. Net1 is not the only lender benefiting from early and automatic deductions. All other formal lenders are paid in roughly the same way. This is because Net1's infrastructure provides a platform for other formal financial providers targeting grantees. As such, many registered credit providers made the Net1 bank account a precondition of lending to grant recipients, as stated clearly on signs in their windows. Additionally, I met several informal lenders, i.e. *mashonisas*, who told me that they had recently formalized their operations to take advantage of Net1's payment platform. Net1's payment system included a perverse incentive that led to over-indebtedness for many borrowers. Lenders could give grantees more loans than could be repaid each month through their grant incomes. Such lenders would get paid some months, and would have their charges reversed in other months. Yet, even if a loan extended beyond the normal contract term, it would eventually be paid off through the regularity of the grant. Meanwhile, for every processed payment or bounced transaction, Net1 and Grindrod took a fee from the recipient, profiting from reckless lending without screening for abuses. The Black Sash collected dozens of bank statements from grantees where monthly debit orders far surpassed income (Torkelson, 2018). The question of whether or not Net1 is better than the rest of the low-income lending market becomes moot: Net1's banking system lowered the risk for all formal (and even some informal) lenders and provided the platform for creditors to reach grantees.

From the perspective of grantees, borrowing money became more necessary than it had been before. Some people felt that Net1 used the sale of products like airtime and electricity to generate a need for borrowing. Grantees showed me long receipts with R100 deducted in R5 increments for airtime, and R200 deducted in R50 increments for electricity. Many people did not know how these debts were contracted: people without phones had airtime deductions for unknown numbers, pensioners in residential care facilities had electricity deductions for homes they never occupied (Black Sash, 2016; Torkelson, 2017a). This was a massive problem, with over 78% of all complaints to SASSA being about utility deductions (SASSA, 2018). There is no consensus regarding how so many people were registered for deductions without their consent. But, once registered, grantees struggled to end these automated debits, and instead, were told by Net1 consultants to borrow money from Moneyline. One grantee in Khayelitsha suggested intent: "First they steal are our money, then we are forced to beg them for a loan."[24] Other people stressed that after borrowing from Moneyline, they had to visit additional lenders to get through the month. A grantee from Delft explained: "I borrow from Moneyline. I borrow from the Chinese.[25] I go to the people who sell meat. They put extra [interest] on the meat. When I buy the *neckies* [chicken necks], they get it for R15 and they ask for you R25. Before SASSA [the social grant], I did not know this credit thing."[26] Net1's credit-linked cash transfer program should not be seen as a panacea for previously exploitative informal credit arrangements. Instead, their payment platform reveals how the formal and informal are entangled.

Additionally, over the course of their contract, Net1 created another product geared toward grantees: the EasyPay account. This second account gave Net1 even more control over grantee banking beyond SASSA's purview. Net1 innovated this service for two reasons: first, the Minister of Social Development, Bathabile Dlamini, attempted to amend the Social Assistance Act to stop debit orders on the previous account; and second, Net1 wanted to ensure that they had continued access to grantees' bank accounts when their government contract ended. Net1 essentially designed EasyPay to

[23] I have been told by two people from the Banking Association of South Africa that these payments are not processed as Early Debit Orders (EDOs) through the National Payment System (NPS), and seem to be processed internally on smart card accounts before or as beneficiaries are being paid. If these debits were processed as EDO's there would be certain codes from the NPS on each statement, which are conspicuously absent.

[24] Interview: Grantee, Khayelitsha, 2 October 2016.

[25] Many of the lending businesses in poor communities come from old Afrikaans agricultural capital (James, 2014) or new Chinese migrant capital. Recent Chinese migrants (separate from an older Chinese South African population) have set up a network of shops and money-lenders throughout South Africa, in even remote villages. The racializing language of "the Chinese" is used to refer to a certain type of payday lender that gives loans, and recoups the entire loan plus 25% interest the following month. It is worth noting, not all lenders practicing this business model are Chinese, nor are all Chinese lenders practicing this business model.

[26] Interview: Grantee, Delft, 28 July 2018.

move beneficiaries into a separate virtual domain, beyond SASSA's reach. Net1 aggressively marketed EasyPay through misrepresentation: some people were told that the EasyPay card was the "new SASSA card"; others that credit was "not allowed on the old SASSA card"; still others that EasyPay was the cheapest, safest bank account "for life" (Black Sash, 2016). Over 2 million grantees (20%) opened EasyPay accounts without filing the necessary declaration with SASSA. Grantees "consented" with their fingerprint, moving themselves out of the SASSA banking environment into a private arrangement with EasyPay. One SASSA official in Port Elizabeth, explained it this way: "When beneficiaries sign up for the green card [EasyPay card], they just disappear from our computer. We can't see them on our system anymore. We don't know where they go. And we can't help them when they come here crying."[27] This switch happened behind SASSA's back. Grantees were removed from SASSA's database and moved into a separate domain controlled by Net1.

One whistle-blower told the Black Sash that Net1 forced him to sell EasyPay cards by setting high monthly sales targets.[28] He said that employees would have to sell upwards of 300 cards per month in order to not be penalized by the company. He also explained that the only way to get grantees to take these cards was to make them a precondition for Moneyline loans. Consultants had to work fast to achieve their targets, and rarely explained the process to grant recipients (Black Sash, 2018b). As one grantee from Khayelitsha told me, "I go there [to Net1] by the train station for a loan, but I come back with a card and [insurance] policy. I don't want these things."[29]

Finally, for grantees recourse was almost impossible. With the original Net1 account, beneficiaries could go to SASSA and fill out a form to dispute their deductions. These were processed slowly, if at all, and while some people got their deductions stopped, few were reimbursed (Panel of Experts, 2018). With the EasyPay account, however, recourse became even more difficult because grantees were not allowed to use the SASSA mechanism. They had to visit one of only 144 Net1 branches or 4 Grindrod banks in the country. One grantee in a rural area explained to me how EasyPay consultants drove to her village every month: "you can take a loan from the boot [trunk] of the car. You get the card. You get the loan. But if something goes wrong, there's no help." She went to the consultant every month for three months to ask for a bank statement. Each time, he would "forget" her bank statement and she would have to wait for him to return the following month.[30] Likewise, the Net1 call center was not free for grantees, who reported long wait times and very expensive phone calls.[31] When their calls were answered, consultants often did not speak their home languages and they waited again for consultants who could. If grantees requested bank statements over the phone, they would need access to an email address, computer and printer, which are rarely accessible in poor communities. Since most of Net1's infrastructure relied on digital access, they did not offer recourse that was accessible to grantees.

Net1 built a technological system through which the social grant given to the poor for poverty alleviation was made available as collateral for credit. This type of control over the entire grant payment stream reverberates with earlier processes of monopolistic capital accumulation under colonialism and apartheid, a company town-type capitalism. There are strong legacies of monopoly corporations, particularly mines or farms, where one company controls everything a worker needs to survive: paying salaries, selling products, extending credit, and collecting repayments (James, 2014; Scully, 1987). Net1 essentially occupied the same monopolistic position in a digital space: paying grants, selling products, extending credit and collecting repayments. People effectively used their future social grant payments for present needs through credit, diminishing the value of their grant in upcoming months, and causing further consumption crises. The grant meant to be given to the most vulnerable people for basic needs was transferred instead to a private corporation through the repayment of debts.

4. Conclusion

After a massive public outcry, Net1's contract ended in September 2018. For over a year, SASSA had resisted designing a new grant payment regime, and the press speculated that the (then) Minister of Social Development had a corrupt relationship with Net1. The Black Sash, Corruption Watch, and Freedom Under Law initiated multiple lawsuits to force a change to the grant payment system. The Constitutional Court appointed a Panel of Experts to compel SASSA to implement a new system and ruled the former Minister of Social Development should be held financially responsible for her negligence. Additionally, the Supreme Court of Appeals decided that grantee accounts should be protected from deductions, and the Parliamentary Standing Committee on Public Accounts investigated R1 billion of "unlawful, fruitless and wasteful expenditure" by SASSA. These regulatory actions led to the roll-out of a new grant payment system. Instead of a monopoly service provider, grantees can now choose to be paid through the Post Office (70%), commercial banks (20%) or EasyPay (10%). While loans are still allowed on commercial bank accounts and EasyPay, the Post Office accounts are ring-fenced to prevent deductions.

This should offer some hope for grantees, but debt remains implicit in this new system (James et al., 2019). There has been confusion around the implementation of this new payment regime and recipients have not been given enough information to make informed decisions about their options (Black Sash, 2018a). Simultaneously, SASSA decommissioned around 80% of all physical paypoints around the country. Recipients in remote areas now have to travel long distances to access their grants at the Post Office, grocery stores, or commercial banks. They often find the Post Office to be out of money, and instead use ATMs that charge fees or retailers that require purchases. This had the unintended effect of enabling Net1 to keep just under 1 million people on their EasyPay card. Net1 consultants told grantees that, with the EasyPay card, they could access their grants in the same places and on the same days as before. Old debts followed grantees to commercial bank accounts and EasyPay accounts, and there has been no debt jubilee to forgive ill-gotten debts.

In this paper, I have shown how cash transfer programs can lead to indebtedness. In South Africa, the importance of the grant to the post-apartheid nation mades it very reliable, and this reliability made it available to be transformed into collateral for credit. Social grants, which are provided for basic needs, were converted into disadvantageous and inappropriate financial products and services. Within this power-laden techno-financial system, there was no ability to default, as Net1 exerted near total control over social grant payments. Many grantees failed to receive the value of their state entitlements and were forced to seek out additional loans from formal and informal lenders. Each additional debt solved a consumption crisis in the present, but made it more difficult for grantees to provide for their families in the future, thereby undermining the gains cash transfers are meant to introduce. Because South African social grants are targeted toward people outside of the economy – the elderly, children, people with disabilities –

[27] Interview: SASSA official, Port Elizabeth, 28 June 2017.
[28] The whistle-blower appeared in a documentary for *Cutting Edge*. The documentary can be viewed here: https://www.youtube.com/watch?v=Qa97QSi8F80&t=185s.
[29] Interview: Grantee, Khayelitsha, 2 October 2016.
[30] Interview: Grantee, Ceres, 21 February 2017.
[31] Interview: Grantee, Limehill, 29 August 2017.

loans were taken against future grant income, not future labor or other entrepreneurial income. In other global contexts, cash transfer payments are meant to be developmental, directed toward investment in productive enterprise. More work needs to be done to assess the effects of credit on those recipients.

Given the global optimism about cash transfer programs in general, and financially-inclusive cash transfer programs in particular, there is a need to explore the potential consequences of such programs more closely. It is, of course, possible to see the South African situation as both unfortunate and exceptional. But, development actors are pushing for the combination of cash transfer with financial inclusion worldwide, which could produce unintended consequences similar to those experienced in South Africa. Net1's financially-inclusive cash transfer exacerbated the vulnerability of grantees – and weakened their resilience in the face of emergencies or consumption crises – the very problems social grants were meant to fix. South African social grantees became a terrain of struggle: simultaneously supported by a state-sponsored social assistance program, and undermined by a private regime of credit in the service of global poverty alleviation goals.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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