MNEs and Grand Challenges: the case of Vodafone and M-PESA in Kenya.

Gianluigi Giorgioni

ABSTRACT

The key idea for this paper is to inject some (hard) reality into the debates on whether and how MNEs can contribute at tackling grand challenges (GCs). First, the calls that MNEs are uniquely placed to provide solutions should be very rigorously assessed, both at the theoretical and empirical level. Second, the paper will offer an alternative reading to the reasons for the lack of a positive impact provided in the literature that have predominantly centred on the presence of institutional voids in host countries and issues with the formulation of the grand challenge itself, in this case the UN SDGs.

The paper will then proceed to unpack an extremely prominent case – the investment by Vodafone in M-PESA in Kenya – that can shed a lot of light on what, how and to what extent MNEs can contribute.

Keywords: M-money; Kenya; M-PESA; financial inclusion;

JEL Classifications: F23 Multinational Firms; International Business; O55 Africa;

Dr. Gianluigi Giorgioni
Lecturer in Economics and Finance
The Management School
University of Liverpool
Chatham Street, L69 7ZH
Liverpool, UK
Tel: +44 (0) 151 7950560
Email: G.Giorgioni@liverpool.ac.uk

INTRODUCTION

The key idea for this paper is to inject some (hard) reality into the debates on how MNEs can contribute at tackling grand challenges (GCs). The initial prompt for this paper was to contribute to the debate on how MNEs could contribute at tackling grand challenges (GCs).

However, it became very clear from the onset that even the concept of grand challenges required some careful attention, although, to be able to focus on what really mattered, in this paper, it was decided that achieving the UN Sustainable Development Goals (SDGs) would constitute the grand challenge.

Very briefly, according to George et al (2016) and Fernhaber, S.A. and Zou, H., (2022) the concept of GC begins with the efforts of Dr. David Hilbert, a German mathematician who, in 1900, at the International Congress of Mathematicians in Paris, listed a set of 23 problems that were collectively termed as "grand challenges".

Since that time, the concept has been hardly been used presumably because other more pressing issues needed tackling. However, in more recent times the term GCs has resurfaced linked to calls by foundations, governments, academies, and multilateral agencies to engender collaborative responses to address highly complex and significant social, environmental, and/or economic issues. CGs incidentally are used as a synonym of Societal Grand Challenges (SGCs)) is that they are, both, global in their reach as they extend beyond national, economic, or societal borders (Buckley et al., 2017, p. 1052).

A good example of a set of GCs is offered by the 17 SDGs (accompanied by 169 targets, and 232 unique indicators set at country level) outlined by the United Nations in 2015 and adopted by 193 countries with a view to achieving them by 2030.

On the one hand, it must be openly acknowledged that hardly any complex organisation, starting with universities themselves, have really managed to provide practical, credible and workable solutions. From this perspective, it should not be a surprise that MNEs are not an exception.

On the other hand, however, the calls that MNEs are uniquely placed to provide solutions should be very rigorously assessed, both at the theoretical and empirical level.

The paper will re-assess the literature on the topic and critically evaluate the examples offered as evidence that MNEs are uniquely positioned. It then will proceed to unpack an extremely prominent case – the investment by Vodafone in M-PESA in Kenya – that can shed a lot of light on what, how and why MNEs can contribute.

Grand Challenges

Seelos, et al (2023) offers a useful overview of the current state of the literature in GCs, although in figure 3 on page 257 they clearly show that “climate change” and “environmental degradation”, “poverty”, “health” and “inequality” and “development goals” are by far the most central issues referred in conceptual articles published by management scholars when they consider topics for GC research. Effectively, they could be summarised by the UN SDGs.

Moreover, drawing from the relevant literature, Seelos, et al (2023) argue that CGs are complex, uncertain, and evaluative, or what is commonly referred to as wicked problems. The very concept of wicked problems is hard to define, almost by definition, as it suggests that these problems may be symptomatic of other problems, and have multiple explanations (and solutions) and attempt to tackle one problem can unveil new problems. To think that MNEs are well placed to solve these issues is a very interesting notion.

GCs also come with the attached debate on whether they require innovative and new solutions or old solutions may suffice. In the opinion of the author(s) of this paper this debate is not entirely useful as a blend of opening "old topics" [re-tooling existing technologies or using them differently] or "opening new vistas" [innovation] will be required.

Moreover, as observed by Voegtlin et al (2022) responsible innovation (RI) that evaluates innovations for their potential harmful consequences, on one hand, and their potential positive contribution to societal challenges, on the other, may be needed.

In any case, as Voegtlin et al (2022) state, tackling GCs is destined for cross-disciplinary research/action and for thinking beyond established boundaries, a useful admonition that impermeable intellectual disciplines should bear in mind.

The key idea in support of thinking that MNEs are uniquely placed to tackle Grand Challenges is that they are, both, global in their reach as they extend beyond national, economic, or societal borders (Buckley et al., 2017, p. 1052). Even from a very simple analysis it is pretty clear that the parallel is not very strong, if not entirely spurious, as most of the reach of MNEs is within very clearly demarked geo-political areas

In terms of IB as a discipline, it is imperative that it (re-)discovered its origins that go well beyond the mere study of multinational enterprises, and even in the realms of the latter, IB must encompass all forms and most importantly the history.

Moreover, as observed by Kunisch et al (2023), the scholarly interest across different disciplines (typically in isolation and in parallel) in addressing societal problems may quickly encounter the issue of having any progress stalling on purely theoretical and incremental empirical research.

A further issue, succinctly encapsulated by Van Tulder, R., Rodrigues, S.B., Mirza, H. and Sexsmith, K., (2021) among others, is the tendency to "blame the challenge".

For instance, they claim on page 2 that

" ….the SDGs do not have the force of international law. To ensure their adoption, they were designed as voluntary targets, falling into an institutional void in which sanctions and enforcement mechanisms are absent. "

Please notice the use of the concept of "institutional void". An attentive reader will argue that the authors use this rhetorical ruse to reinforce the potential for a role by MNEs.

Van Tulder, R., Rodrigues, S.B., Mirza, H. and Sexsmith, K., 2021 page 3

"…In this context, MNEs can 'step up' as important, powerful players for providing momentum to the agenda and getting it done. Secondly, MNEs can provide strong leadership in the implementation process, given the depth of their managerial capacity and global outreach"

But the message is, nonetheless, clear. MNEs are there to fix and rectify "institutional voids".

Montiel et al (2022, page 1000):

"We provide a prescriptive framework to help reduce the criticism that the SDGs are too abstract and numerous to elicit focused actions by firms ,,,,, [however it is] unclear how international business research can contribute to the SDGs, as they are designed as country-level goals for governments to achieve, not as firm-level goals."

A simple thought experiment that governments have not single-handedly created those challenges either should really help settle the issue.

Some of the examples provided in the literature, in particular by Montiel et al (2022) are far from reassuring. Without going too much into the specific of the examples (the curious reader may access the paper by Montiel et al (2022)) most examples are extremely closely related to the main commercial interests of the MNEs in terms of the product and services they offer (Marketing) or any advances to be made in future in terms of studies (R&D) or in terms of the wellbeing and productivity of their employees (HR). It is very difficult to be impressed by actions that MNEs should probably take any way or by the double counting of initiatives that are being taken. The overwhelming majority of the information about the initiatives is taken from the websites of the MNEs, a practice that one would hope should not be validated by editors and peer-reviewers.

To reinforce the message that the main business (as usual) of MNEs should not be (adversely) affected, a channel that has attracted a lot of attention in terms of the impact of MNEs and SDGs, is through their externalities. For instance, externalities are mentioned not fewer than 134 times (!!) in Montiel et al (2022).

It might be worthwhile reminding that externalities are in general "unintended and unintentional technological spillovers" that MNEs aim to minimise in the case of positive externalities despite their potential positive impact on the host country.

Incidentally, Havranek and Irsova (2011; 2012) and Irsova and Havranek (2013)), in papers that do not seem to have generated any interest whatsoever in IB, despite the fact that they were published in excellent journals in Economics and Development, have provided evidence, by means of meta- analyses that the impact of these spillovers were, in fact, rather negligible, if existent at all. The meta-analyses found that estimated horizontal spillovers (like labour turnover effect due to employee mobility, demonstration effect and competitive imitation) are typically economically irrelevant, while vertical spillovers (the relationship of the MNE with either its local suppliers [up stream] and/or local distributors [downstream]) did have some, albeit limited, positive effect on the productivity of the local suppliers.

The focus on externalities in recent papers appears to indicate that all the other aspects of the role played by MNEs appear to have been, somehow, settled.

These "micro" impacts need to be complemented by a more macro approach that includes, creation of employment (net of the displacement of jobs in domestic firms), increases in government revenue (net of any concessions offered by the host government like tax holidays and subsidies as well as net of any attempt to re-route profits to lower taxation jurisdictions), and creation or increases in exports and export capability of domestic firms through improvements in the network of transport and communication and the actual FDI flows as a source of external capital to help solve problems of current account deficits (net of outflows of earnings in the guise of dividends and the repayment of any loans).

Narula and Pineli (2019) could be a suggested reading for a recent contribution to the contributions of FDI upon both micro- and macro-economic development.

For the sake of completeness, MNEs can also engage in deliberate, direct transfers of technology and/or managerial know-how, but normally these are negotiated as parts of policies or deals, typically at country level, like allowing foreign companies only to join joint-ventures with domestic companies.

Montiel (2022, page 1000) also argue that:

"multinationals' internal investments in host-country subsidiaries to improve their competitiveness contribute to addressing externalities in host-country communities, while external investments in host communities to solve underdevelopment generate competitiveness externalities in host-country subsidiaries."

The humble understanding of this sentence is that "Investment", which should be equal to injection of fresh capital plus internal loans plus retained earnings should be spent in equipment, machinery, facilities or some intangible items such as patents or licenses to boost the commercial competitiveness of the subsidiary.

However, at a later stage, Montiel et al (2022, page 1003) considerably mud the waters when they state, without any explanation, that:

"On the one hand, internal investments are those made by the host-country subsidiary in primary stakeholders, i.e., stakeholders that have an explicit contractual relationship with the firm, like employees, suppliers, and distributors. [it is not clear at all why other forms of investment like in technology, infrastructure, software are excluded]

We propose [*in the original*] that these internal investments generate direct benefits for the multinational and have the potential to indirectly strengthen positive externalities [why indirectly?] or to reduce negative externalities in host-country communities, thus contributing to the SDG agenda.

On the other hand, multinational external investments are those implemented in the host-country communities targeting secondary stakeholders, i.e., stakeholders that lack an explicit contractual relationship with the firm, such as local communities, the public at large, and interest groups; these investments are commonly made in collaboration with governments, non-governmental organizations, and transnational institutions.

These external investments are designed to address externalities and directly contribute to the host-country SDG agenda as well as indirectly benefit multinationals….. These corporate

social responsibility investments are usually separate from the activities of the company and managed independently from the firm's operations. In some cases, they are funded from the budget of the firm's foundation rather than from the general budget, since they are conceived as charitable contributions rather than investments…."

In other words, these external investments are not central to the strategy of the MNEs and consequently are more likely than not, to be of a significantly smaller magnitude.

Not quite a generous and noble spirit.

van der Straaten, K., Narula, R. and Giuliani, E., (2023) state that SDGs consider the reduction of inequality as a goal in its own right, as well as an important pre-condition to achieve most of the other SDGs.

MNEs located in developed countries may strategically relocate low-skilled and low wage manufacturing and service jobs to lower-wage developing economies, leaving behind primarily high-skilled and high wage professional service and management jobs, and low-skilled location-bound jobs.

Therefore, these strategies may be an important cause of "within-country" income inequality, although they may contribute to the reduction of average income inequalities "between countries".

Incidentally, these trends may mask subtler effects for instance on vulnerable and marginalized groups, both in developed and developing countries.

A bad habit in the literature is to blame "institutional voids" in host countries (and in the SDGs themselves) as the reason for lack of impact, with particular attention to the lack of appropriate rules and regulations and the lack of effectiveness in their full implementation.

Even in a paper like Van Tulder, R., Rodrigues, S.B., Mirza, H. and Sexsmith, K., 2021 that manage to provide a somehow more honest, realistic, evidence -based assessment of the actual situation when they observe that the role of MNEs with regards to the SDGs still remains a largely unfulfilled promise and opportunity, there is still the need to blame "institutional voids"

In their own words Van Tunder et al (2021) page 4 state that:

"This underachievement applies to all actors in the system [system???], but for MNEs, the main reasons include factors such as authorities' lack of sanctioning power, market failures and weak system for enforcing corporate disclosure by companies of their environmental, social and governance performance……. …..More broadly, weak absorptive capacity in some developing countries, a limited assessment of social and environmental impact risks, and a relative absence of incentives for stakeholder engagement and effective impact monitoring play an additional role."

Although, again, Van Tulder, R., Rodrigues, S.B., Mirza, H. and Sexsmith, K., 2021 page 14 admit that:

"The theoretical debate on global governance relates to the effect of the 'global governance gap' or the various forms of 'institutional voids' in which MNEs, in particular, can abuse or use their power to support a 'race to the bottom' or 'race to the top'."

To sum up, the literature so far appears to focus on a narrow range of micro, un-intentional, and possibly peripheral, actions by MNEs and appears to blame for the clear under-achievements BOTH the host countries with their own "institutional voids" and the grand challenge (i.e. the UN SDGs) itself for the lack of incisivity.

The last section of the paper, before the conclusions, will examine in some detail a real case – M-PESA by Vodafone in partnership with Safaricom – with the support of actual, audited, documents like the financial statements and accounts and not the websites of the companies.

Example M-PESA Vodafone

M-PESA was introduced simultaneously by Safaricom in Kenya and Vodacom in Tanzania in 2007. Both companies are part-owned by Vodafone; M stands for mobile; PESA is Swahili for money. More recently Vodafone and Safaricom have tried to replicate the investment in Ethiopia.

SAFARICOM LTD was formed in 1997 and in May 2000, Vodafone group Plc acquired a stake (£1 million) and management responsibility for the company match-funded by the Department for International Development (DfID) (an interested reader may access for further details the paper, in particular section 4, by Ahmad, A.H., Green, C. and Jiang, F. (2020) that is being summarised in this section).

The partnership between United Kingdom's Department for International Development (DFID) (in particular within the remit of the Financial Deepening Challenge Fund) and Vodafone should provide some inspiration about the role of governments, the role of overseas development assistance (ODA or foreign aid) and the potential for different governance structures, in this case a private-public (i.e. governmental) partnership.

It is probably useful to emphasise that the initial aim of the project was to set up a platform to deliver microcredit. However, it became quite clear from the outset that there was demand for a different product, M-Money (mobile money), or more precisely for the transfer of money. Effectively M-PESA allows users to deposit cash with an agent into their own registered customer's account and withdraw or safely transfer funds via secure SMS (text) messages.

One reason for the success and appeal of M-PESA was that it did not require any form of special identification, apart from a national ID card, widely available in Kenya. Furthermore, there was no need to have a bank account or indeed a minimum balance in the M-PESA account.

For the sake of clarity, the difference between mobile money (M-money) and mobile banking (M-banking) is that M-money is run by mobile network operators (MNOs) like Safaricom and consists of transactions conducted using mobile phone networks by accessing customers' stored funds maintained by the MNOs

Crucially, the regulatory framework is based on the company law of the host country and a telecoms regulator.

M-banking refers to the use of the mobile phone to access (on-line) banking services. It is run by banks or other financial institutions and allows customers access to their bank accounts using mobile technology. M-banking is regulated under the existing bank regulatory regime.

In general, the main benefits of M-money are in its impact on financial inclusion, its increase in the speed and reduction of the cost of payments and its enhanced security by reducing the transport of cash.

M-PESA has attracted by a lot of attention in academic circles allowing scholars to loosen the reliance on corporate websites for information and analyses.

The interested reader may access the following papers: Bateman, M., Duvendack, M. and Loubere, N., (2019) provides a somewhat more critical assessment of the impact of M-PESA (as an example of fintech) on financial inclusion and other social aspects.

The paper was written especially in response to the more enthusiastic evaluation of the impact of M-PESA by Suri, T. and Jack, W., (2016). The latter authors have also published further papers on the same topic such as Jack, W. and Suri, T., (2014) and Suri, T., Bharadwaj, P. and Jack, W., (2021).

A very recent paper by Rouse, M., Batiz-Lazo, B. and Carbo-Valverde, S., (2023) emphasised the role played by the Kenyan government in setting up and supporting M-PESA.

In table 1 there is a list of UN SDGs that may have been affected by M-PESA. It must be stressed that this should be read as an attempt to visualise the potential impact.

Table 1. Mapping of impact of activities of M-PESA on UN SDGs in the context of Kenya as identified in relevant academic literature

<table>
<tr><td colspan="2">Goal 1. End poverty in all its forms everywhere</td></tr>
<tr><td>1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than $1.25 a day</td><td rowspan="2">Goal 1 targets are mentioned by Suri and Jack (2016) when they assert that access to the Kenyan mobile money system M-PESA increased per capita consumption levels and lifted 194,000 households, or 2% of Kenyan households, out of poverty, in particular in female-headed households.</td></tr>
<tr><td>1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions</td></tr>
<tr><td>1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, <u>including microfinance</u></td><td>Suri, T., Bharadwaj, P. and Jack, W., (2021) also mention M-Shwari in Kenya (Goal 1.4) as a means of accessing credit

Bateman, M., Duvendack, M. and Loubere, N., (2019) provide a more critical assessment of the lending practices and the impact on financial inclusion.</td></tr>
<tr><td colspan="2">Goal 5. Achieve gender equality and empower all women and girls</td></tr>
<tr><td>5.b Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women</td><td>M-PESA and Safaricom is deemed by Suri and Jack (2016) as enabling the achievement of Goal 5.</td></tr>
</table>

<table>
<tr><td colspan="2">Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</td></tr>
<tr><td>8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries</td><td rowspan="4">According to the various papers by Suri and Jack M-PESA has led to increased financial resilience and saving—and labor market outcomes, such as occupational choice, especially for women, who moved out of agriculture and into business. Mobile money has therefore increased the efficiency of the allocation of consumption over time while allowing a more efficient allocation of labor, resulting in a meaningful reduction of poverty in Kenya</td></tr>
<tr><td>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</td></tr>
<tr><td>8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead</td></tr>
<tr><td>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</td></tr>
<tr><td>8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all</td><td>Joint-venture and collaborations with local banks as mentioned by financial accounts</td></tr>
<tr><td colspan="2">Goal 10. Reduce inequality within and among countries</td></tr>
<tr><td>10.1 By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average</td><td rowspan="3">M-PESA increased per capita consumption levels and lifted 194,000 households, or 2% of Kenyan households, out of poverty. The impacts, which are more pronounced for female-headed households, appear to be driven by changes in financial behavior—in particular, increased financial resilience and saving—and labor market outcomes, such as occupational choice, especially for women, who moved out of agriculture and into business. Mobile money has therefore increased the efficiency of the allocation of consumption over time while allowing a more efficient allocation of labor, resulting in a meaningful reduction of poverty in Kenya (Suri and Jack (2016))</td></tr>
<tr><td>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</td></tr>
<tr><td>10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard</td></tr>
<tr><td>10.c By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent</td><td>Cost of remitting is lower than any other alternative formal way (see table 1c on page 197 of Jack, W. and Suri, T., (2014))</td></tr>
</table>

Note: elaboration by authors based on UN SDG and articles by Bateman, M., Duvendack, M. and Loubere, N., (2019), Suri, T. and Jack, W., (2016), Jack, W. and Suri, T., (2014) and Suri, T., Bharadwaj, P. and Jack, W., (2021).

According to Bateman, M., Duvendack, M. and Loubere, N., (2019), the easier access to loans for individuals, through partner companies within the Safaricom group, like M-Shwari can also be interpreted as an increase in indebtedness, with some evidence that the loans may have been used for on-line betting (gambling), effectively trapping some individuals in a spiral of ever-increasing debt.

Furthermore, Mobile network operators (MNOs) can also benefit from the fact that in countries with a paucity of fixed infrastructure like roads, railways and most importantly, fixed telephone lines, they may face less competition in the phone market from incumbent fixed line operators lowering the cost of entry.

Of course, the above is tightly linked to the concept of technological *leapfrogging*, whereby countries do not transition through early technological stages and move directly to high tech solutions.

However, the combination of lower competition in the phone market from incumbent fixed line operators and a strong network effect may lead to strong monopolistic positions leading to high profitability (Safaricom does control a large share of the market). From a developmental point of view, the further destination of those profits is important as they may not be re-invested locally, but sent abroad as dividends for shareholders.

A further claim regarding the contribution to spreading financial inclusion and the role of finance in enhancing wealth creation within a country focuses on the location of the agents.

If the agents were evenly spread over the territory of a country, or more concentrated in the poorer areas of the country, the claim of spreading financial inclusion would be quite powerful. However, if the agents "self-selected" their location, instead, by concentrating in specific areas that also turned out to be the most urbanised and the richest of a country, then the claim of spreading financial inclusion would be less powerful.

M-PESA agents appear to be more concentrated in wealthier urban areas where there are more opportunities to obtain large client numbers and wealthier clients, the combination of which is more likely to generate higher financial returns.

It is not access to M-PESA agents that explains (causes) wealth creation, but the presence of wealthier clients that explains (causes) the higher density of M-PESA agents

The next section will utilise the financial statements of Vodafone PLC and Safaricom as the source of information. It is reasonable to argue that unlike company websites, financial statements are official documents, audited, that should provide objective information about the companies to investors and regulators alike.

From the Financial statement of Vodafone 2023 one would learn that Safaricom is an "associate" company in which Vodafone had a 39.9% percentage incorporation or shareholding in 2023. For information, alternative forms are identified as Joint arrangements either as joint operations or joint ventures. As it is common practice, a full list of all of the subsidiaries, joint arrangements and associated undertakings is provided in Note 31 on pages 201-208

In the words of the Financial Statement:

“An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but where the Group does not have control or joint control over those policies.

At the date of acquisition, any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognised as goodwill.

The goodwill is included within the carrying amount of the investment.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the same equity method of accounting used for joint ventures”

The following paragraph provide some evidence on the economic value of the associate, its profitability and the amount of the dividend distributed to Vodafone by Safaricom (Vodafone (2023) Note 12. Investments in associates and joint arrangements (continued) sub-heading “Associates” page 163):

At 31March 2023, the fair value of the [Vodafone] Group’s interest in Safaricom PLC was KES 290 billion (€2,012 million) (2022: KES 546 billion (€4,270 million)) based on the closing quoted share price on the Nairobi Stock Exchange. The Group also holds two non-voting shares.

However, the profits in 2023 were equal to € 195 million and € 217 million in 2022. During the year ended 31 March 2023, the Group received dividends included in the consolidated statement of cash flows from Safaricom PLC of €250 million (2022: €170million, 2021: €171 million).

Table 2 reports the activities of some related entities as reported in the financial statement 2023 by Safaricom PLC.

	Description of activities
Fuliza	In partnership with two commercial banks in Kenya, NCBA and KCB Bank, the Group operates Overdraft (OD) facility dubbed “Fuliza”, a product that enables customers to access unsecured line of credit by overdrawing on M-PESA to cover short-term cash-flow shortfalls subject to an applicable pre-determined limit. Fuliza is available to all M-PESA customers, however the awarding of limits will depend on the customer’s credit scoring and how long they have been using M-PESA. Customers who ‘opt in’ on Fuliza are charged a one-off access fee and daily maintenance fees on unpaid loan amounts based on a pre-determined matrix Fuliza is underwritten by the two banks, NCBA and KCB Bank.

KCB M-PESA	KCB M-PESA is a savings and loan service in partnership with KCB Bank (a tier 1 Kenyan bank) that enables M-PESA customers to save as little as Kenyan Shilling (KShs) 1, and access credit from KShs 1,000. The KCB M-PESA loan account is a micro-credit product which gives customers access to loans for an emergency or to fund a project or an enterprise.
M-Shwari	M-Shwari is a micro-lending/savings product in partnership with NCBA (a tier 1 Kenyan Bank). The M-Shwari Loan Account is a micro-credit product which allows customers to borrow money or to complement their savings towards an investment or enterprise. The M-Shwari Deposit Account is a micro-savings product which allows customers to securely store their money for a specific purpose or for unexpected events.

Source: Financial Statements 2023 Safaricom, Table iv Lending value and revenue trends on page 19

Table 3 reports some financial values in terms of the activities of Fuliza, KCB M-PESA and M-Shwari. Fuliza is certainly much larger than the other two entities both in terms of revenues and number of customers. However, it appears to be significantly more prudent in the lending practice (an average of US$ 3) than the other two entities (USD 50 for KCB M-PESA and USD 80 for M-Shwari).

However, the repayment versus Disbursal rates are very close to full repayment and similar for Fuliza and KCB M-PESA at 95.7% and 95.5% respectively, while only over half of the borrowers appear to be able to repay the loans provided by M-Shwari (56.5%) providing some support to the concerns raised by Bateman et al (2019).

Table 3 Lending value and revenue trends (Safaricom PLC)

	Fuliza	KCB M-PESA	M-Shwari
Revenue (KShs Bn)	5.4 (USD 54 million)	0.6 (USD 6 million)	2.1 (USD 21 million)
Repayment vs Disbursal rate	95.7%	95.5%	56.5%
Value of disbursements (KShs Bn)	701.5	42.2	91.5
Number of customers (millions)	8.1	3.7	5.3
Revenue over value of disbursement (%)	5.4/701.5 = 0.7%	0.6/42.2 = 1.42%	2.1/91.5 = 2.3%
Average loan (KShs)	298 (USD 3)	4,993 (USD 50)	7,793 (USD 80)

Source: Financial Statements 2023 Safaricom, Table iv Lending value and revenue trends on page 19
Notes: GDP per capita of Kenya in 2022 ~ USD 2,000; population 50 million

DISCUSSION AND CONCLUSIONS

The key idea for this paper was to inject some (hard) reality into the debates on whether and how MNEs can contribute at tackling grand challenges (GCs), but also to investigate a real example of an intervention by an MNE that could provide useful insights.

The first point is to encourage International Business as a discipline, although this admonition could easily be extended to other germane areas, to considerably loosen the restrictions, and the silent compliance, imposed through epistemic "virtues" and to considerably loosen the restrictions imposed by the quasi-mercantilist policy of discouraging "imports" of citations from other discipline.

This should be a matter of "good" practice across the board, but it becomes an urgent matter as GCs need an inter-disciplinarily approach.

A cautious liberalisation of the trade of citations would quickly bring to the fore that, although IB does have something to contribute, other disciplines matter too.

Furthermore, a more open approach should provide strong evidence to question the assertion that MNEs are uniquely placed to provide solutions to GCs, typically based on the premises that MNEs are global.

On a more "empirical" level the case studies provided in the literature are far from convincing, while the evidence provided in adjacent disciplines is simply ignored.

Also ignored are some more critical assessments of the true objectives, and most importantly, the actual impacts and actions of MNEs, positive and negatives as they may be (see for instance the timely paper by Cuervo-Cazurra, A., Dieleman, M., Hirsch, P., Rodrigues, S.B. and Zyglidopoulos, S., (2021) on multinational mis-behaving).

IB would equally benefit from moving away from a worship of a sort of "metaphysically notional entities" (MNEs) towards a more realistic acceptance that actual, "bones and flesh" multiNational enterprises (MNEs) are (have been and will always be) profit-oriented organisations operating within very shifting boundaries heavily influenced by commercial opportunities and threats, but also influenced by creative finance and laws. Therefore, a reality check should be provided by the historical roots (all the way back to colonial times), real purpose (i.e. profit motive), governance structure (joint-stock holding company with limited liability) and boundaries of MNEs indeed dictated by the evolution in technology, but also by accounting and financial innovations (for instance Offshore Financial Centers (OFCs)).

Whether this legal and governance structure is particularly, or especially, conducive to tackle grand challenges is open to debate.

Second, the analysis of the literature has shown that IB appears to be excessively preoccupied with issues like rectifying "institutional voids" in host countries. The concept of "institutional voids" should be more carefully utilised. Most definitely, it should not offer an easy scapegoat for justifying an absence of positive impact by MNEs.

Third, the concept of "grand challenge" itself may create more issues than it solves. Its historical origins are not helpful at all because solving complex mathematical puzzles, as absorbing and challenging as they might have been, is not a useful parallel. In fact, like chess, it may actually offer an avenue for some form of escapism from issues that are seriously controversial at the social and political level.

Incidentally, the literature is silent on whether the original GCs have been solved and on the actual identity of the "solvers"….

Fourth, one of the solutions suggested in the literature appear to focus on "externalities". It is worth reminding that "externalities" are unplanned, unwanted, undesired consequences of the actions by MNEs. Not necessarily the noblest of intentions. But also, by the same token, not the most reliable form of action.

Last, but not least, IB should also escalate efforts in mapping example interventions by MNEs (whether "successful" or not) to proper academic contributions, inclusive of balanced perspectives from the many sides of the argument. Relying on unfiltered company's material like websites cannot be considered as appropriate evidence.

The example provided in this paper– the investment by Vodafone in M-PESA in Kenya – hopefully has shed some light on the nuances, shadows, contradictions and trade-offs encountered by interventions by MNEs in general, especially in the context of a developing country as well as offering a tangible solution to overcome the five limitations listed above.

In the opinion of the author(s) of this paper, the arguments are supported by a body of knowledge drawn from a (broader) variety of disciplinary sources, some rather "distant" from the core IB, possibly alleviating the first limitation of a "quasi-mercantilist" policy applied to "imported" citations. Again, in the opinion of the author(s) of this paper, the use of financial statements, an admittedly more widespread practice in disciplines such as accounting and finance, could be considered as an attempt to loosen some of what might be regarded as current epistemic "virtues" in IB, and in JIBS in particular, although a quick search through the archives of JIBS will show that accounting and finance were quite prominent in the 1970s issues.

A further contribution of this paper, and the case study provided by M-PESA, is to offer a more realistic view of the actual consequences of MNE's interventions as identified in the literature focused on M-PESA.

This paper, and the case study in it, did not involve any specific instance of "institutional void bashing". Surely, Vodafone and Safaricom operated in a context where infrastructure was not particularly developed, with all the opportunities, but also the risks that this would entail. This paper also offered a voice for those who emphasise a role for institutions like governments, whether located in developing countries such as Kenya or in UK, in the form of overseas development assistance.

The "grand challenge" used in this paper was the framework provided by the UN SDGs. A rather practical, potentially impactful, but possibly controversial list of objectives. It is probably appropriate to emphasise at this stage that the UN itself is a supra-national body that

derives its own very authority from national states. Therefore it could be possible to argue that any "institutional void", at UN level, could be rectified by national states and their own governments, parliaments, and, ultimately, in several cases, electorates. Equally, it could be argued that national governments may find it rather difficult to tackle challenges that are effectively borderless, both geographically, but also historically, by their own very nature.

It should be probably be mentioned here that Vodafone/Safaricom had similar ventures in Tanzania and Ethiopia with somewhat different outcomes than in Kenya. Therefore, a "one-size-fit-all" approach may not be appropriate.

In the opinion of the author(s) of this paper, an important contribution is to have eschewed the very idea of "leveraging externalities" as the main focus of action, although it cannot be excluded a priori that externalities were created by the M-PESA project.

Finally, the paper was based on audited and official documents and not literature offered by either Vodafone or Safaricom on their own websites. But most importantly by a rather large body of academic literature offering a broad range of perspectives.

The author(s) of this paper are conscious of the fact that not every single investment in developing countries by multinational companies may be scrutinised and researched as intensively as the M-PESA. However, as a partial solution, efforts could be expended in mainstream IB journals to equalise the (careers) incentives faced by authors when they contemplate the choice between working towards a "theory" paper or an "empirical" one.

Not to mention the (careers) incentives faced by authors when they contemplate the choice between situating their own research in data-rich contexts that stand greater chances of becoming benchmarks to be emulated, or situating their own research in data-poor, institutional voids ridden contexts that could be perceived as unhelpful deviations from the norm.

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