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## The Power of Micro-Transactions

Nick Hughes – on how digital money can unlock powerful new business models

Few can doubt that digital technology is a powerful enabler when used well. However, an obsession with digital scale for scale's sake is a mistake, driven in part by the venture capitalist culture of 'get big and profit will come'. In emerging economies, the 'scale population' simply does not have the disposable income from which to draw profit. Rather, we must use technology to create new economic wealth by either helping someone make money or save money: *market-creating innovation* (Christensen *et al.*, 2019). Critically, we also still need humans in value chains to mitigate the friction of low digital literacy. Boots-on-the-ground are still required (Wheeler Fintech and Scale Team, 2021)! These brief comments draw on my experiences in leading teams in M-PESA and M-KOPA that have designed, deployed and scaled relevant digital propositions.

There are currently over 2 billion registered mobile wallets worldwide, excluding crypto accounts (GSMA, 2025). We didn't have this term in 2007, but M-PESA is now a stable coin – an electronic creation of digital currency tethered hard to fiat money in a bank. With our launch slogan of '*send money home*', M-PESA set the model for distributed financial services and has been shown positively to impact those below the poverty limit letting them earn micro-income in the informal economy or providing a means to get cash quickly from friends and relatives in an emergency situation.

Sending a phone-based micro transaction quickly, safely, and from anywhere to anywhere at relatively low cost drives liquidity in a world where even today, the majority of people are unbanked

or under-banked. The next phase of development will see digital payments linked to real-time economic output data. The use-cases are multiple, with the following being just a few: clean energy from distributed solar; earnings from tiny retail outlets unlocking working capital; and the lock-up of carbon into biochar rewarding buyers and sellers in the carbon markets. These all have economic activity that we can capture (irrefutably) in data and therefore link directly to a digital payment (reward or incentive models work).

We use the term Activity-Based-Finance. This means *activity data linked to e-money*: the data provide proof-of-work that economic value has been created at a micro scale; and micro-payments reward that effort. Exciting new business opportunities lie ahead. Perhaps even an alternative to expensive interest bearing credit? Surely this is a better, more equitable way to drive economic growth?

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