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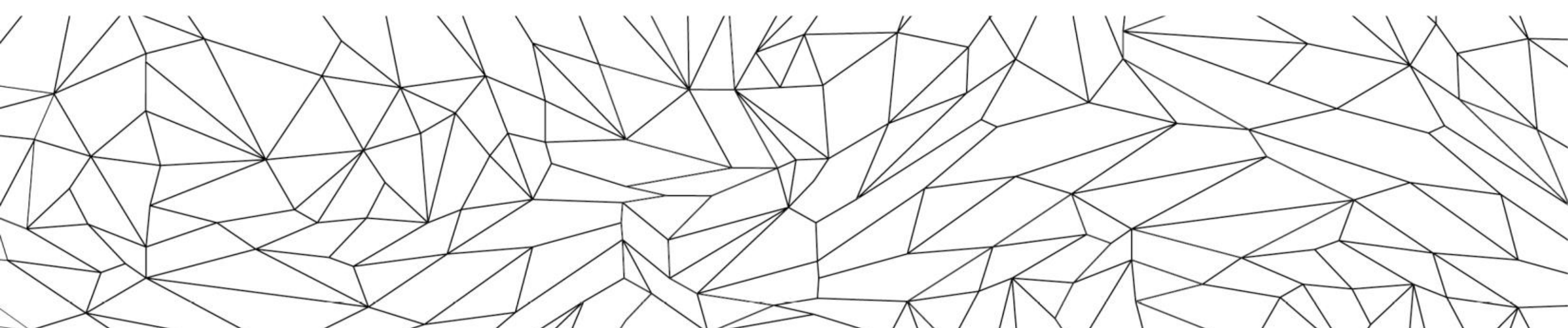

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Antonio Andreoni, Nishal Robb and Sophie van Huellen

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Department of Economics
SOAS University of London
Thornhaugh Street, Russell Square, London WC1H 0XG, UK
Phone: + 44 (0)20 7898 4730
Fax: 020 7898 4759
E-mail: economics@soas.ac.uk
http://www.soas.ac.uk/economics/

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Financialisation of Non-Financial Corporations in South Africa: An integrated framework to study variations across sectors, value chains and firms

Antonio Andreoni[1]

Nishal Robb[2]

Sophie van Huellen[3]

Abstract

Financialisation shapes the ways in which middle-income countries and their non-financial corporations integrate into global supply chains and the global financial system. This integration in turn shapes the ways in which these corporations engage with financialisation. To unpack these dynamics, we advance an integrated analytical framework to explore specific sources and processes of financialisation that emerge and operate across micro, meso and macro levels. First, we adopt different concepts of rents to unpack variegated sources of financialisation related to the firm's investment and financial activities, their value chain position, market structure, and political economy contexts. Second, we articulate financialisation processes specific to the middle-income country context through which rents are extracted. We apply our framework to three case studies of non-financial corporations in South Africa, a middle-income country undergoing premature deindustrialisation and financialisation. The selected corporations operate in different sectors and occupy different positions within their respective supply chains: Sasol in chemicals, Shoprite in retail, and MTN in Information and Communication Technology (ICT) services. Our integrated framework reveals highly heterogeneous sources and processes of financialisation which intersect at the three different levels.

Keywords: Financialisation; Non-Financial Corporations; Value Chains; Sources; Processes; Rents; Middle-income countries; South Africa.

JEL classification: D40, D20, F30, G30, L10.

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[1] Department of Economics, SOAS University of London. Russell Square, London WC1H 0XG, UK. Tel: +44 207 898 4107. Email: aa155@soas.ac.uk

[2] Centre for Competition, Regulation and Economic Development, University of Johannesburg.

[3] Global Development Institute (GDI), The University of Manchester; Department of Economics, SOAS University of London.

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1. Introduction

Financialisation as a global phenomenon has shaped the structures and hierarchies of both global value chains (GVCs) and the global financial system. As such, financialisation has shaped the ways in which middle-income countries (MICs) integrate into these systems and, in turn, the form of their integration has shaped the ways in which they engage with financialisation. While the financialisation literature has traditionally focused on high-income industrialised economies and their non-financial corporations (NFCs) (e.g., Lazonick and O'Sullivan (2000), Stockhammer (2004)), a small but rapidly growing strand of literature has emerged which explores how financialisation plays out in MICs.

This emerging literature primarily explores MIC engagement and integration from 'macroeconomic' and 'global financial subordination' perspectives. For instance, the subordinate financialisation literature focuses on hierarchies within global finance and production, and related macroeconomic instability and crises (Alami, et al. 2022, Bonizzi, Kaltenbrunner and Powell 2022). The premature financialisation literature links financialisation to premature de-industrialisation and the failure of NFCs to integrate successfully into GVCs (Whittaker 2017). The 'variegated financialisation' literature shows that financialisation materialises differently across different geographical and temporal contexts (e.g., Lapavitsas and Powell (2013); Valeeva, Klinge and Aalbers (2022)).

This paper contributes to the existing literature by proposing an integrated analytical framework that enables us to explore financialisation at the micro, meso and macro levels; that is, at the level of the firm, the level of sectoral value chains, and the context of MICs. This integrated framework identifies specific sources and processes of financialisation emerging and operating at the micro-meso-macro levels, as well as financialisation dynamics at the intersection of these three levels. We argue that the sources and processes of financialisation of non-financial corporations in MICs differ from high-income economies due to structural asymmetries along the global financial system and GVCs, as well as different types of rents. We show that in MICs these structural asymmetries and rents intersect with the domestic political economy context, characteristics of specific sectoral value chains, and a corporation's position in its value chain, in ways that can accelerate existing financialisation and value extraction processes, potentially leading to 'financialisation on steroids'.

We demonstrate our framework through three case studies of NFCs in South Africa that operate in different sectors and occupy different positions within their respective supply chains: Sasol in chemicals, Shoprite in retail, and MTN in Information and Communication Technology (ICT) services. With the development of a stock market with the second-highest level of capitalization over gross domestic product (GDP) in the world and symptoms of premature deindustrialisation and a stagnant economy, South Africa makes a particularly interesting case study.

There is a growing literature on financialisation in South Africa. Most studies have been strongly influenced by the Minerals-Energy Complex (MEC) framework

developed by Fine and Rustomjee (1996); see Ashman et al. (2012; 2013) and Karwowski (2015) for adaptations of the MEC. More recent studies of financialisation in South Africa have emerged from the subordinate financialisation literature (e.g. Isaacs and Kaltenbrunner (2018)) and from firm- and sector-focused studies (e.g. Bowman (2018), Ducastel and Anseeuw (2017)). We contribute to this rich literature by applying our framework and explicitly addressing sources and processes of financialisation, starting from a firm-level perspective and building from that in an integrated multi-level fashion.

The remainder of this paper is structured as follows. Section 2 provides a comprehensive literature review followed by our integrated analytical framework in Section 3. Section 4 first contextualises the case studies within the historical political economy context of South Africa and then applies our analytical framework to the chosen case studies. Section 5 concludes and provides an outlook for future research in South Africa and other MICs.

2. Financialisation of Non-Financial Corporations: A Multi-Level Literature Review, with a focus on MICs

The financialisation of NFCs has primarily been studied since the late 1990s in the context of 'liberal market economies' (Hall and Soskice 2001) and with specific reference to the rise of neoliberalism and spread of associated corporate governance regimes. Over the last decade, new contributions have started looking at financialisation in MICs, although mainly from a macro and global financial subordination perspective. This section reviews different strands of literature on financialisation with a particular focus on the literature that explores the MIC context.

2.1. Micro Level – Financialisation of large listed NFCs

In liberal market economies, financialisation of NFCs is associated with the neoclassical primacy of perfectly competitive markets and the allocative efficiency of financial markets. Agency theory – an extension of the neoclassical conception of the relation between firms and markets – insists that for the sake of economic efficiency, the firm should 'disgorge' its 'free' cash flow to shareholders (Alchian and Demsetz 1972, Jensen and Meckling 1976). These ideologically-laden expressions were made popular in business schools in the 1980s and crystallised in what became to be known as the 'maximising shareholder value' (MSV) ideology; for a critique see Lazonick (2014). MSV has influenced corporate strategy and resource allocation in NFCs since then, starting from the US and spreading globally.

At the core of the MSV ideology is the idea that only owners or shareholders truly take a risk, as they are never guaranteed a return on their investment. Other stakeholders in a firm—such as workers, managers, and creditors—have their interests protected by contract. For this reason, shareholders are seen as having the most compelling incentives to ensure the efficiency of the firm and the maximisation of profits. Shareholders are seen as most likely to make optimal choices about the allocation of

residual earnings left over after other stakeholders have had their claims met, and their returns ought therefore to be maximised to promote overall social efficiency.

Since the rise of MSV ideology, we have witnessed large dominant companies which had grown by retaining and reinvesting large shares of their profits moving towards a regime of 'dominate and distribute' first and, finally, to one of 'downsize and distribute'. Retaining a dominant position without sustained investments is difficult in advanced economies exposed to domestic and global competition. Under a regime of 'retain and reinvest' firms can grow significantly in their size, productive capabilities, and market shares , hence they can create significant value in the form of high-quality, innovative, low-cost products. The distribution of this value among the firm's various 'stakeholders' will depend on their relative power to appropriate portions of the gains, and to the extent to which the regulatory corporate governance regime allows for such appropriation to happen. In increasingly unregulated markets, power has shifted towards shareholders and highly profitable innovative firms have become increasingly a target for 'predatory value extraction', with stock markets the main institutional mechanisms to extract finance from firms (Lazonick and Shin 2019).

Much of the empirical literature on MSV and financialisation of NFCs is centred on the experience of specific corporations, especially in the US and the UK and in high-value added sectors (e.g. Froud, Johal, Leaver and Williams (2006) on GlaxoSmithKline, Ford and General Electric; Tulum, Andreoni and Lazonick (2022) on the pharmaceutical industry). This literature acknowledges the importance of different corporate governance and regulatory regimes as well as ownership structures to understand the ways in which financialisation processes materialize and impact economic structures.

Despite the general focus on high-income economies, some studies have focused on NFCs in MICs. For instance, Demir (2009) focuses on NFCs in Argentina, Mexico and Turkey linking macroeconomic uncertainty and declining profit margins to corporations switching from fixed capital investments to financial investments; Bowman (2018) focuses on platinum mining companies in South Africa detailing how expectations of commodity super-cycles put pressure on corporations to perform, leading to long term financial fragilities; Hecht (2014) and Sen and Dasgupta (2018) focus on corporate financialisation in China, India and Japan (as compared to France, Germany, Great Britain and the USA), both finding a negative relationship between shareholder pay-outs and investment; and Mantoan et al. (2021) focus on corporate financialisation in Brazil and how financialisation practices intensify during recessions. What is missing in these contributions is an integrated framework for understanding distinctive sources and processes of financialisation and the ways in which they interact across micro-meso-macro levels.

2.2. Meso Level – Financialisation of Sectors and Value Chains

The change of corporate strategy from 'retain and reinvest' to 'dominate and distribute' first, and 'downsize and distribute' after, has had an impact on the ways in which global lead firms organise their supply chains. Transnational corporations have always

exercised power in global markets and industries by structuring and controlling their supply chains as well as reducing competition in host countries. Historically, this has led to patterns of ‘uneven development’ (Hymer 1970) which are today accelerated and deepened by the ‘platformisation’ of GVCs (Andreoni and Roberts 2022) as well as the increasing financialisation of lead firms in the Global North. In fact, financialisation and spreading of GVCs develop hand in hand. The ‘downsize and distribute’ strategy has contributed to the global dispersion of production processes by incentivising outsourcing and offshoring of non-core activities and thereby shaping the ways in which GVCs are organised and governed, e.g., see Gibbon (2001); Palpacuer (2008); Milberg and Winkler (2009); Froud et al. (2014); Auvray and Rabinovich (2019). On the other hand, the ‘dominate and distribute’ strategy had led to increasing concentration at different lead firm segments through mergers and acquisitions, and in large dominant firms, acquisitions have replaced organic internal growth via investments in productive capabilities and innovation.

The financialisation of objectives – i.e., shareholder maximization – has shaped the organization of GVCs, but also the financialisation of ‘investments’ and ‘operations’ (Baud and Durand 2011). NFCs that increasingly trade in financial assets as part of their core business experience a financialisation of their investments. NFCs accumulating financial subsidiaries and increasingly offering financial services to their clients experience a financialisation of their operations. These developments have arguably led to a blurred line between financial and NFCs in some sectors (Burch and Lawrence 2009, Baud and Durand 2011, Keenan, Monteath and Wójcik 2022), and the financialisation of investments and operations has been extensively documented for the food sector (Salerno 2014, Baines 2017, Clapp and Isakson 2018).

The global wealth chain literature does not immediately link financialisation processes to a reorganization of production processes or corporate strategy, but instead analyses the financial activities of global lead firms more broadly. This literature tracks corporations’ wealth creation, wealth extraction, and wealth shifting via complex financial instruments for tax avoidance purposes, using the GVC concept as an analytical framework (Seabrooke and Wigan 2017, Seabrooke and Wigan 2022). Similarly, Coe et al. (2014) develop the concept of global financial networks to analysing the spatial and functional connections between transnational corporations, financial and professional business service providers, global financial centres, and offshore jurisdictions, using the global production network (GPN) concept as an analytical framework. While not financialisation processes as such, the ability of corporations to generate excess profits through leveraging international financial markets and services, supply chain positions, and jurisdictions in different locations can become a source of financialisation. This literature looks at these sources, processes and outcomes mainly from the perspective of lead firms located in the Global North; hence it overlooks the ways in which financialisation pushes corporations based in MICs to adopt corporate strategies that reduce opportunities for upgrading, as recent studies have highlighted (e.g., Quentin and Campling (2018) and van Huellen and Abubakar (2021).

2.3. Macro Level – Financialisation of MICs

Four strands of literature have highlighted, to varying degrees, financialisation processes and outcomes in low- and middle-income economy contexts: (i) the variegated financialisation literature, (ii) the premature financialisation literature, (iii) the peripheral financialisation literature, and (iv) the subordinate financialisation literature. The variegated financialisation literature establishes that financialisation processes and outcomes vary across time and different geographies. While this literature is still primarily focused on high-income economies, some authors within this research stream have explicitly focused on MICs and document considerable variation in financialisation processes and outcomes; e.g., Karwowski and Stockhammer (2017), Karwowski (2020), Bonizzi, Churchill and Guevara (2021).

The premature financialisation literature hypothesises that financialisation is linked to premature de-industrialisation in MICs via liberalisation policies that promote integration with international finance before their industrial sectors reach maturity (Whittaker 2017). A similar argument is made by Becker et al. (2010), who analyse peripheral financialisation, drawing from regulation and dependency theory. Further, Caldentey and Vernengo (2021), Oreiro et al. (2021), and Reis and de Oliveira (2021) demonstrated how in Latin American economies local elites shifted their developmental and growth strategies from production to finance, leading to premature financialisation and de-industrialisation, and financial fragilities.

Subordinate financialisation has emerged as a research agenda that evaluates how structural asymmetries in international monetary, financial and production systems impact MICs, drawing on a mix of scholarly traditions including post-Keynesian and Marxist economics, Latin American structuralist literature and dependency theory (Bonizzi, Kaltenbrunner and Powell 2022, Bonizzi, Kaltenbrunner and Powell 2020, Powell 2013). The literature argues that MICs occupy subordinate positions within these hierarchies, exposing them to macroeconomic vulnerabilities shaped by the specificities of their subordination, e.g., Bortz and Kaltenbrunner (2018); Kaltenbrunner and Painceira (2018); Oreiro et al. (2021). This subordination takes on different forms including currency hierarchies, volatile cross-border flows and resulting financial fragility, and adverse integration within global supply chains which are conceptualised as outcomes of historical path-dependent and politically-contested processes (Alami, et al. 2022).

While these four strands of literature make important contributions to unpacking how and why financialisation sources, processes and outcomes are structurally different in MICs, their analysis is focused primarily on the macro level. Hence, there exists no comprehensive framework yet that provides an analytical lens that bridges the micro-macro-meso level to better understand the financialisation of NFCs in the context of

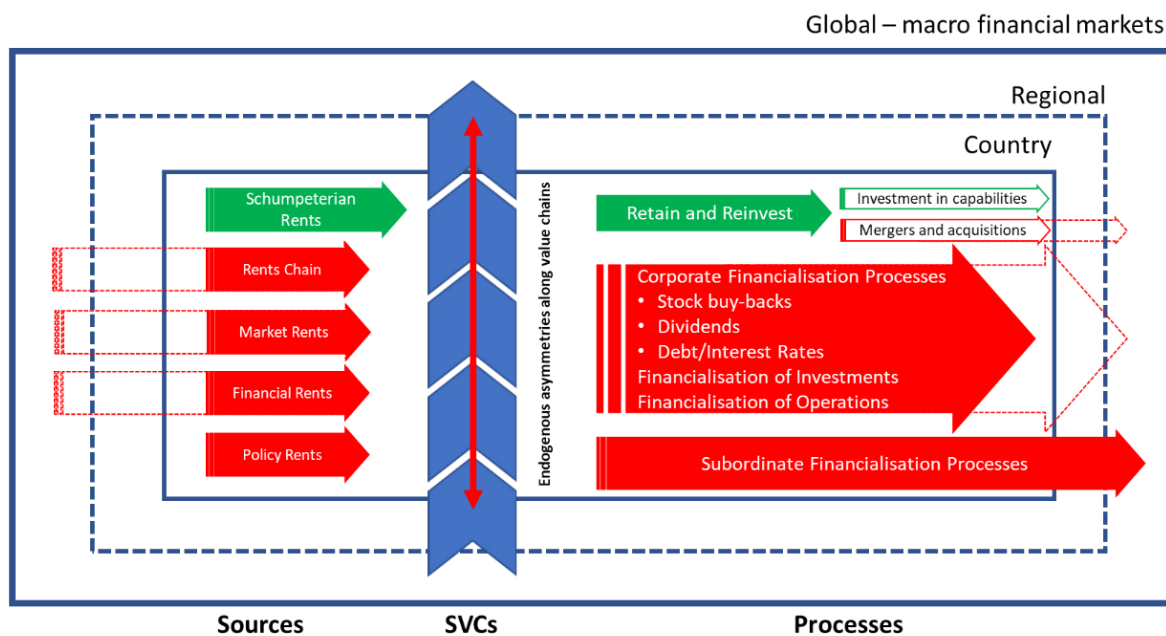
MICs.[1] We take a first step in this direction, outlining an integrated analytical framework that meets these objectives in the following section.

3. Sources, Processes and Outcomes of Corporate Financialisation in MICs: An Integrated Analytical Framework

Building on the above literature, we introduce a new integrated analytical framework which enables us to identify the unique structural conditions within which corporate financialisation manifests in MICs and evaluate how these structures impact the forms – i.e., sources and processes – and outcomes of corporate financialisation. We argue that these sources and processes differ in MICs due to structural asymmetries in the global financial system and global or regional supply chains, but also differences in the types of rents leading to specific regimes of accumulation. These differences can amplify structural weaknesses and development outcomes, such as chronic lack of productive investments, low employment creation and compressed salaries, in a vicious cycle.

Figure 1 provides a visual schematic of our analytical framework by considering three contexts of financialisation – country, regional and global – and by highlighting the different sources of financialisation for firms operating in different stages of a value chain, and the specific processes of financialisation through which resources flow through and out of firms.

Figure 1: Financialisation in the MICs Context



Source: Authors

[1] Tori and Onaran (2022) are a notable exception. However, they do not present an independent analytical framework and their hypotheses remain narrowly focused on the impact of subordinate financialisation on investment.

Financialisation of NFCs entails extraction of incomes or resources that are either generated within the firm or are in its control. The incomes and resources targeted by financialisation can have different sources. Financialisation can target value generated within the firm through processes of innovation and resulting extraordinary profits (also known as 'Schumpeterian rents'). These innovation-related rents are either reinvested by the firm or are extracted via financialisation processes institutionally enabled by global and domestic financial markets. These sources of financialisation are the main one addressed in the literature focusing on NFCs in advanced industrial economies and high-tech sectors. There are, however, other sources of financialisation that are related to the firm's specific sector and position in the GVCs (hence 'Sectoral Value Chains' – SVCs), and the related possibility of extracting value from other firms or exercising control over certain resources or assets (Milberg and Winkler 2013). NFCs can also use their power to leverage, create and divert financial resources via other institutionally-enabled mechanisms such as financial engineering and tax avoidance.

In order to capture these different sources of financialisation, we adopt here the concept of rents. While there are rival definitions of rent in economics and political economy research depending on the kind of 'normal' benchmark used – i.e. 'income in excess of competitive price' or 'income in excess of opportunity cost' (for a review see Stratford (2022)), the concept of rent is introduced here in a non-normative way to identify different types of 'incomes which are higher than would otherwise have been earned' (Khan and Jomo 2000, p.5) and which result from the firm's power in its SVC, relevant markets and political economy context.

We distinguish five different *types of rents* in our framework. These are:

(i) *Schumpeterian rents* derived from technological innovation in product and/or processes, or business model innovation conferring vertical and horizontal dominance over one or more sectoral supply chains and resulting in large market shares;

(ii) *Rents chains* related to vertical value capture power along supply chains (vertical power), specifically the possibility of a dominant firm to extract value by exercising either 'monopoly power' in downstream segments of one or more supply chains or 'monopsony power' in upstream segments; such power can be exercised by setting (and changing) prices, as well as by locking suppliers into specialised investments;

(iii) *Market rents* related to market concentration and collusion (horizontal power), specifically in those markets and countries where competition is limited by government protection of domestic markets (e.g., through trade policy) or by firms engaging in collusive practices that create barriers to entry (e.g., cartels);

(iv) *Policy rents* related to various forms of 'political income' that firms are able to capture through government-business relationships in a country's political settlement. Political income can be secured by capture of public assets and institutions, land and mineral rights, and corporate governance and other regulatory regimes, among others;

(v) *Financial rents* related to the leveraging of balance sheets through creative accounting (e.g., inflation of assets through goodwill accounts to increase collateral), leveraging positions of power over associates, and directing of funds within holding structures for financial engineering, access to cheap finance and tax avoidance (e.g. transfer pricing).

These rents are targets of financialisation, and as such are also sources of financialisation. While these sources of financialisation are not unique to the MIC context, their composition and the form they take on are shaped by country and sector-specific contexts, including the distribution of organisational power in the domestic political economy context and structural hierarchies in global money and finance.

NFCs in MICs operate in different positions within national, regional, or global SVCs. Endogenous asymmetries along value chains determine which firms capture rents and at which position of the chain. Different SVCs take on different shapes depending on whether lead-firm segment(s) are positioned upstream, downstream, or midstream. For instance, in a supplier-driven SVC, value capture materialises through suppliers' control over their distributors downstream; the red arrow in Figure 1 would point down in the direction of value capture. NFCs in MICs might integrate into existing value chains, emulating and innovating upon strategies of global lead firms; or they might establish their own value chain, applying lead firm practices in local and regional contexts. Rents in form of Schumpeterian innovation, vertical value capture, or market dominance emerge from these processes.

Political as well as financial rents are also shaped by NFCs' position within local, regional, or global sectoral value chains. NFCs occupy important positions within the domestic political economy (Hymer, 1970), be it due to their size and importance in employment creation, their relations with political elites, or because they provide strategically important services and infrastructure. This place them in positions of power that can be leveraged to shape regulatory regimes and capture public assets. Control over geographically-dispersed sectoral value chains further allows NFCs to leverage their balance sheets in different regulatory regimes, directing finance across those geographies in a way that allows the highest possible leverage of existing assets.

Via GVCs, MICs and their NFCs have also imported corporate governance regimes and financialised practices from highly-financialised economies in the Global North. It is therefore unsurprising to find that financialisation of NFCs in MICs takes on familiar forms of shareholder pay-outs: stock buy-backs, dividend payments, and debt servicing. In addition, financialisation can materialise in: (i) channelling rents into financial assets traded at international financial exchanges instead of being reinvested into capital formation and productive expansion; (ii) financial operations replacing productive operations in the core business; and (iii) financing mergers and acquisitions which become the primary strategy for growth.

However, in MICs these forms of financialisation have implications for investment and value extraction that differ from a high-income economy. Value extraction could be

within the domestic economy by a domestic financial elite. However, in MICs a substantial amount of value extraction tends to be channelled abroad by both domestic and foreign shareholders instead of being invested domestically due to their subordinate position within global finance and production, potentially feeding into premature deindustrialisation.

The subordinate position of MICs also interacts with the sources of financialisation. Cross-border financial flows into MICs are dominated by global push factors and are thus subject to volatile cycles of expansion and contraction. Leveraging balance sheets is therefore constrained as collateral against which corporations can borrow fluctuates with cross-border financial flows. As a result, NFCs in MICs tend to hold cash reserves for precautionary and speculative purposes. Further, access to cheap finance on international markets is predominantly available in US dollars, exposing corporations to potential currency mismatch between debt servicing and income streams. To compensate for this risk, corporations are forced to hold relatively low-yielding US dollar-denominated financial assets, channelling more funds abroad via financial investments. Financialisation of investments in this context is hence a result of the subordinate position of MICs within international finance.

The same subordinate financialisation dynamics shape financialisation processes. As push factors dominate, corporations are forced to create strong pull factors to attract and maintain a steady inflow of finance from international financial investors. Corporations located in MICs, regardless of the specific country context, are perceived as high-risk compared to their counterparts with headquarters in high-income economies. As a result, they must maintain financial pay-outs that match or exceed those of their 'low-risk' competitors to maintain their equity value, even in loss-making periods.

These dynamics are specific to the subordinate position of NFCs in MICs in two ways. Firstly, value is extracted alongside the same financialisation processes at play in high-income economies but this extraction is channelled primarily abroad. Secondly, existing processes of financialisation and value extraction are accelerated, potentially leading to 'financialisation on steroids'.

4. Case Studies: Corporate Financialisation in South Africa

This section provides a brief overview of the South African economy and the relevant financialisation literature to frame our three South African case studies: Sasol, Shoprite, and MTN.

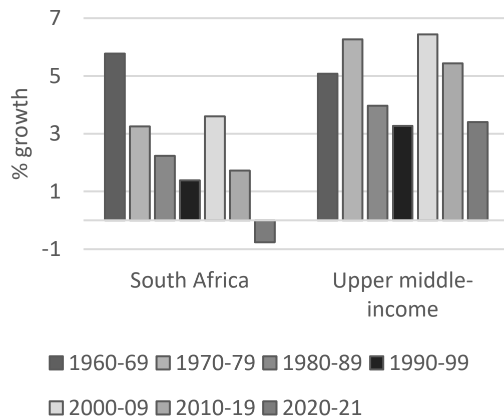
4.1 South African Context

South Africa's economy has historically been characterised by exceptionally high unemployment and inequality, driven by a combination of racially discriminatory policies during the colonial and apartheid periods and the nature of its productive structure. Having developed first around gold mining in the late 19th century and subsequently around other heavy industries, the core of its productive structure and

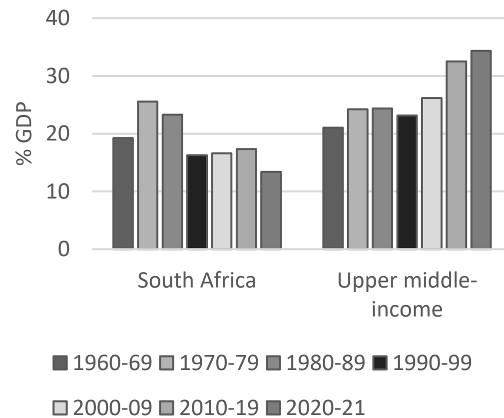
most competitive industries are highly capital- and energy-intensive (Fine and Rustomjee 1996, Bowman 2018). Almost 30 years after the end of apartheid in 1994, the combination of these factors have resulted not just in persistently high but also highly racialised joblessness and inequality, low levels of productive investment, and weak, erratic patterns of growth (Figures 2a-c).

Figure 2: South Africa economic trends vs. upper MIC benchmark

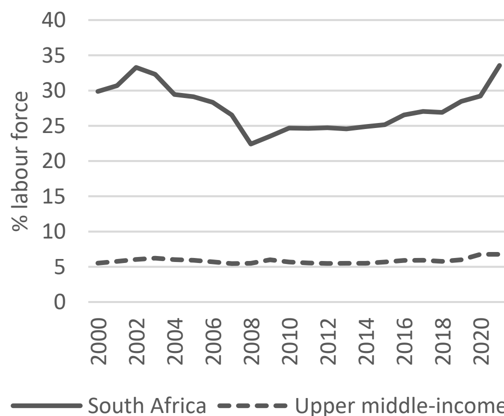
(a) Average GDP growth



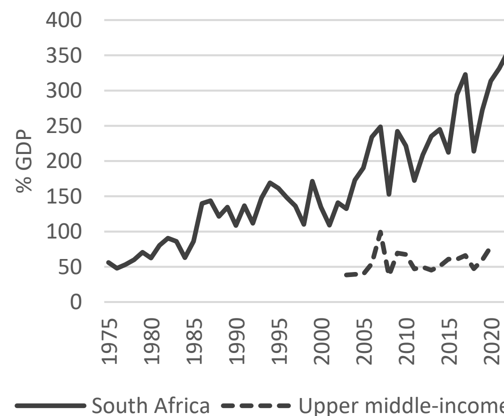
(b) Average gross fixed capital formation



(c) Unemployment



(d) Market capitalisation of listed firms

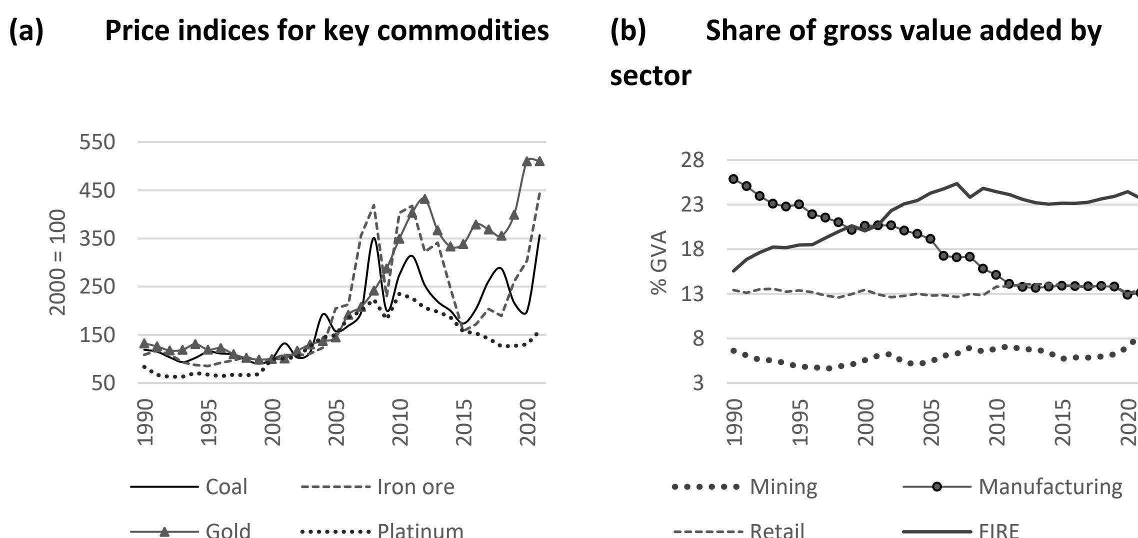


Source: World Development Indicators.

Following the democratic transition, the ruling African National Congress (ANC) has consistently maintained a conventional macroeconomic policy targeted at controlling inflation and fiscal consolidation, shedding historic commitments to more ambitious social and economic restructuring (Karwowski, Fine and Ashman 2018). This was accompanied by wide-ranging liberalization of trade and capital flows, intended to both attract foreign investment and stimulate domestic investment by subjecting large local incumbents to international competition (Andreoni, Mondliwa, et al. 2021).

This growth strategy has failed as Figures 2 and 3 illustrate. Trade and capital account liberalisation increased South Africa’s exposure to commodity price volatility in international markets, requiring government support for producers during price slumps and external shocks, while increased foreign ownership of listed firms and corporate debt increased outflows of dividends and interest payments (Andreoni, Mondliwa, et al. 2021). Combined with highly constrained industrial policies that failed to support industries in need of gradual exposure to international competition rather than shock therapy, post-apartheid liberalisation generated a restructuring from which many, especially the most labour-intensive, have still not recovered (Roberts 2008, Zalk 2017). As a result, South African exports remain undiversified and largely mineral-based, with the only sustained period of post-1994 growth and job creation – from around 2000 until the Global Financial Crisis (GFC) – driven externally by rising commodity prices (Figure 3a).

Figure 3: South Africa trends in key commodity prices (constant US$) and gross value added



Source: World Bank; South African Reserve Bank.

The South African economy had been dominated for most of its modern history by large, diversified conglomerates – the mining-finance houses – which unbundled during the transition from apartheid (Chabane, Goldstein and Roberts 2006). Due to the lack of a coherent industrial strategy this process unfolded in an unstructured manner, resulting in the loss of productive capabilities. While the unbundling process marginally deconcentrated previously highly-centralised, cross-sectoral ownership structures, it also allowed former conglomerate subsidiaries to carve up the economy along sectoral lines and entrench market dominance across key industries (Competition Commission of South Africa 2021). The weakness of the post-apartheid state in relation to a highly organised domestic capitalist class has allowed these dominant firms to maintain and expand access to various economic and policy-related rents (Roberts and Rustomjee 2010, Andreoni, Mondliwa, et al. 2021).

Generally poor economic and social development outcomes and de-industrialisation occurred alongside a rapid expansion of finance in the economy. This expansion is evident in both a high and persistently rising ratio of market capitalisation to GDP (Figure 2d) and in the large increase in the finance, insurance and real estate (FIRE) sector's share of gross value added (GVA) (Figure 3b). JSE-listed firms across sectors have maintained high levels of profitability in the post-apartheid period relative to those in other MICs, but levels of fixed investment in productive sectors have remained low dispute this (Figure 2b).

As part of the liberalisation process, exchange controls were rolled back, a number of large firms were permitted to list on overseas exchanges, capital markets deepened substantially, and the domestic banking sector became integrated with global counterparts. Corporate governance regulations gradually shifted towards an Anglo-American style (Padayachee 2013). Provisions allowing companies and their subsidiaries to repurchase shares were introduced in 1999, followed by further rounds of deregulation, resulting in a comparatively lax regulatory environment (Wesson 2015, Nyere and Wesson 2019). Unlike in most other countries, repurchases of shares do not have to be reported in real time for JSE-listed firms (Wesson, Bruwer and Hamman 2015).

Critical research on financialisation in South Africa emerges in this context, seeking to understand the relation between post-apartheid reintegration with the global economy, the increasing size and influence of the financial sector, and generally poor social and economic outcomes in the post-apartheid era. We identify three main strands of literature on financialisation in the South African context.[2]

Given the prominence of extractive sectors and their interdependence with finance, the early and dominant strand of the South African financialisation literature has focused on the "Minerals-Energy Complex" (MEC). Descriptively, the MEC refers to the core of the South African economy as "set of industrial sectors which exhibit very strong linkages with each other and relatively weaker linkages with other sectors" (Fine and Rustomjee 1996, 91).[3] Analytically, Fine and Rustomjee use the MEC framework to explain the "system of accumulation" that underpinned South Africa's 20th century industrialisation; the development of MEC core sectors as well as their relationship to the state and influence on other sectors. They argue that the historic dominance of the MEC core, and contestation between fractions of capital for control over it, prevented the emergence of a "coherent industrial policy… to promote industrial linkages", resulting in a lack of diversification (Fine and Rustomjee 1998, 697).[4]

[2] As opposed to literature on financialisation in which South Africa appears as a one of many developing economy comparators – examples include (Karwowski and Stockhammer 2017, Sovacool, et al. 2019, Lapavitsas and Soydan 2022).

[3] The "MEC core" include mining, chemicals (and related industries such as fertilisers, pesticides and explosives) synthetic fuels, iron and steel, cement and coal-fired electricity.

[4] See Bell and Farrell (1997) for a critique of this argument, and Fine and Rustomjee (1998) for the rejoinder.

In addition, the country's financial sector developed alongside mining from the late 19th century and other MEC core industries through the 20th century, with banking, insurance and investment firms integrated within large conglomerates, South Africa's equivalent of the South Korean chaebol. Through the conglomerates, financial actors were central to the MEC as system of accumulation despite their sectoral location outside of the MEC core. Mohamed (2010, 2019), Ashman et al. (2011, 2012, 2013), Isaacs (2018) and Karwowski et al. (2018) build on the MEC perspective in the aftermath of the GFC. Like Fine and Rustomjee (1996), they focus primarily on the domestic political economy, linking the continued importance of the MEC, the deregulation of financial flows, and the adoption of neoliberal economic policies by the ANC to various large-scale capital flight, deepening inequality and failure to break out of a pattern of "jobless growth" (Ashman et al., 2012: 3).

A second strand of literature applies subordinate financialisation perspectives to the South African context, drawing attention to the international dimension of financialisation and specifically to the implications of hierarchies in global finance and production for South Africa. Isaacs and Kaltenbrunner (2018) argue that South Africa's integration into global financial markets and hierarchies therein have generated "new forms of external vulnerability" that intensify financialisation. They argue that exchange rates, interest rates and property prices have come to be determined increasingly by global rather than domestic conditions, shrinking policy space and acting as a transmission channel for crisis in other parts of the world.

Where the first two strands tend to approach financialisation at macro-level, the third is distinguished by a focus on financialisation dynamics within sectors, industries and firms. Karwowski (2018) explores the financial operations and assets of South African NFCs (with Karwowski (2015) focusing on the mining sector in particular), arguing that changes in investment behaviour can be linked to real estate price inflation, increasingly debt-financed, consumption-led patterns of growth, and failure to invest in productive capabilities. Andreoni, Robb and van Huellen (2021) focuses on sector-specific processes of financialisation related to stock buy-backs and dividends distribution at the firm-level, finding different financialisation outcomes. Ducastel and Anseeuw (2017, 2018) focus on South African agriculture, specifically on how the entry of private equity firms, mutual funds and other institutional investors has driven a restructuring of the sector through the "assetisation" of farmland and the financialisation of historically dominant firms and organisations within it. Bowman (2018) studies financialisation in the platinum mining industry and provides an account of how internationalisation and integration with global financial markets exposed South African firms to pressures, from the need to match global norms regarding shareholder value maximisation and deconglomeration to intensified financial risks and distributional conflict.

4.2 Firm-Level Comparative Case Studies

We are testing our analytical framework on three case studies of South African firms that operate in different sectors and different value chain positions. These are: (i)

Sasol, a formerly state-owned upstream producer of fuels, speciality chemicals and other primary inputs that operates globally; (ii) Shoprite, a leading supermarket chain which is located downstream the food supply chain and operates regionally across the African continent; (iii) and MTN, a mobile telecommunications provider that operates mainly on the African continent but also has a foothold in the Middle East. See Table 1 for an overview of sources and processes of financialisation in the three case study firms.

4.2.1. Sources of Financialisation

Sasol, initially the South African Coal, Oil and Gas Corporation Ltd., was established in 1950 as a state-owned enterprise (SOE) and privatised during the 1980s. As an upstream producer of fuels, speciality chemicals and other primary inputs, Sasol has been part of the strategically important capital- and energy-intensive core of the South African economy, enjoying protected status as a national champion. Its profitability is tied to volatile primary commodity prices. Among the few incumbent companies in the fuel and speciality chemical sector, Sasol is the largest and oldest company and a monopolist supplier of multiple downstream value chains. Sasol is further deeply vertically integrated with its core business ranging from refining to retail. Sasol is hence able to capture substantial policy rents due to its historically protected position and engage in rent capture through horizontal dominance and vertical control over suppliers and customers.

Sasol has a global reach with subsidiaries across Africa, the Middle East, Europe, the USA, and Asia Pacific, including subsidiaries in prominent tax havens such as Isle of Man and Bermuda (Eikon, accessed in 2023). The company became listed on the New York Stock Exchange in 2003 to source cheap USD funding. Funds raised from equity are extremely small in comparison with funds raised from sales or debt. Sasol seems to leverage its balance sheet and global presence to raise financing via corporate bonds, as the expansion in capital expenditure to a series of overseas projects has been primarily debt funded.

Shoprite is a leading supermarket chain in South African and on the African continent. Listing on the JSE in 1986, it had been part of an apartheid-era conglomerate group, Pepkor, which unbundled in the late 1980s and 1990s having had interests across manufacturing, retail and real estate (Strydom, 2020). The South African retail sector is highly concentrated with only 3 chains holding 80% market share of the national grocery retail segment following series of key acquisitions. Shoprite alone holds a 33% share, operating different franchises to reach different income consumer groups. Due to its market dominance, Shoprite holds considerable power over its subsidiaries. For instance, it has instructed its subsidiaries to pay out excess cash to the parent company to settle short-term debt obligations. This is made possible because of its control over a buyer-driven value chain and oligopoly position.

Table 1. Comparative Case Studies Overview

Company Sectoral VC and Geographic Scope	**Ownership trajectory & strategic control**	**Sources of financialisation**					**Processes of Financialisation**	
		Schumpeterian Rents	**Rents Chain (vertical)**	**Market Rents (horizontal)**	**Policy Rents**	**Financial Rents**	**Firm Level**	**Subordinate Level**
Sasol Chemicals; synfuels Global	SOE → Privatised, listed → Commercial banks →IIs, AMs; increasingly overseas	Technological innovation (Patent for process converting coal to liquid fuel; large-scale producer of grey hydrogen)	Upstream (vertically integrated)	Monopolistic position as single supplier of multiple downstream VCs	Privatisation of formerly state-owned monopoly; Non-intervention; import parity pricing	Shedding "non-core" assets; US- and tax haven-based financing subsidiaries	Dividends Profit shifting	USD-denominated debt; acquisition of USD yielding assets to meet debt servicing costs.
Shoprite Super-market retail chain Sub-Saharan Africa	Apartheid-era conglomerate → Unbundled, listed → Commercial banks → IIs, AMs; increasingly overseas	Business model innovation (targeting multiple income brackets, diversified branding, strategic acquisitions and regional expansion)	Downstream (buyer-driven, tripolar VC)	Oligopolistic position / monopsonist power in specific market segments as the largest of 3 major supermarket retail chains; +30% market share.	Non-intervention; poor enforcement of labour standards, competition policy	Extraction from subsidiaries in the region to pay off debts; tax haven-based financing subsidiaries and USD loans from tax haven-based banks	Dividends Profit shifting Financialisation of operations.	USD-denominated debt; acquisition of USD yielding assets to meet debt servicing costs (financialisation of investment).
MTN ICT; mobile service provider Africa and Middle East	Listed → Commercial banks → IIs, AMs; increasingly overseas	Business model innovation (regional expansion, integration of mobile money and other financial services)	Midstream (vertically integrated)	Oligopolistic position as the largest of 2 main mobile telecoms firms; from 30% to 90% market share in different segments.	Non-intervention; poor enforcement of competition policy, exceptionally high data costs	Tax-haven based affiliates	Dividends Profit shifting Financialisation of operations	USD-denominated debt; acquisition of USD yielding assets to meet debt servicing costs (financialisation of investment).

Notes: VC – value chain; SOE – state-owned enterprise; IIs – institutional investors; AMs – asset managers

Source: Authors based on multiple sources

Shoprite's operations are capital intensive, as expansion is reliant on large investments in retail infrastructure. As for Sasol, capital investments are largely debt financed. Shoprite's geographical expansion is regional and focused on the African continent rather than global. Access to tax havens takes place through Shoprite International Ltd., registered in Mauritius together with other subsidiaries (Eikon, accessed in 2023). International money markets for USD funding are accessed through the Mauritius branches of two South African banks (ABSA and Standard Chartered Bank) and one British bank (Barclays) – allowing access to favourable borrowing conditions at low interest rates and to finance its operations outside of South Africa.

MTN operates in mobile telecommunications, mobile money, and related services, and is active across 19 countries with the bulk of its revenues generated in South Africa and Nigeria. MTN listed on the JSE in 1995 and is among its largest firms in terms of market capitalisation and revenue. Within South Africa, the industry is highly concentrated, with MTN and its two main rivals accounting for around 90% of revenues and subscribers across voice, data, and other services, maintaining a strong market power position (Competition Commission, 2021). This degree of concentration comes at significant cost to consumers and data costs remain among the highest in the world (Gillwald, Moyo and Stork 2013, Moyo and Munoriyarwa 2021).

While revenues are generated mainly on the African continent, MTN holds subsidiaries globally, with multiple subsidiaries in offshore jurisdictions such as Mauritius and Dubai (Eikon, accessed in 2023). As with the other two firms, MTN's expansion has been debt financed, whereby USD-denominated loans and bonds are sourced via tax haven-based subsidiaries, banks and other intermediaries. The extensive use of subsidiaries in these offshore jurisdictions for tax avoidance has been alleged in investigative reports by journalists McKune and Turner (2015). USD loans have been taken on by the South African parent company and subsidiaries in Nigeria, Zambia and Uganda among others. MTN has issued USD-denominated Eurobonds via a Mauritius-domiciled subsidiary; these have been listed on the Irish Stock Exchange and the Stuttgart Stock Exchange utilising a Luxembourg-based clearinghouse and underwritten by international banks including Merrill Lynch, Deutsche Bank and Citigroup. This serves to illustrate the extent and sophistication of its integration with global finance.

All three corporations occupy a lead firm position in different value chains with substantial vertical power over suppliers and horizontal power through market concentration. Despite only Sasol having a truly global reach, all three corporations make extensive use of a geographically dispersed network of subsidiaries to leverage their balance sheets, engage in regulatory arbitrage and access cheap USD funding through the extensive use of offshore jurisdictions. Each firm arrived at their dominant positions via different routes: Sasol through privatisation of a state monopoly pre-1994; Shoprite through unbundling from a historically dominant retail conglomerate; and MTN through first-mover advantage in access to critical telecommunications infrastructure.

[8] Having established these dominant positions, all three benefit from policy rents, pervasive barriers to entry and weak regulatory capabilities (Hawthorne, et al. 2016, Nair 2018, Mondliwa and Roberts 2019). While the state-owned Public Investment Corporation (PIC), which manages the Government Employees Pension Fund (GEPF) and a R2.5 trillion portfolio, holds large stakes in all three firms – 18% of Sasol, 16% of Shoprite and 22% of MTN – the South African government abstains from using its shareholdings to exercise strategic control over them.

4.2.2. Firm-Level Financialisation Processes

For Sasol, a change in leadership in 2011 has resulted in a reorientation of corporate strategy towards the 'downsize and distribute' model with divestment from non-core downstream operations and a reorientation towards international operations. While Sasol made significant investments in Southern Africa in the post-2011 period to entrenching dominance in established upstream capabilities, major investments were focused on new downstream capabilities in North America with highly uncertain returns tied to the oil price (Sasol 2014, 2015). As a result, dollar-denominated debt increased rapidly from 2012 in a period where profitability began to erode, due to first stagnating and then declining oil prices.

Shareholder pay-outs, dominated by dividends rather than share buy-backs, have been maintained almost independent of net income over the period (Figure 3a). This is linked to the Sasol's focus on debt and sales as a source of funds rather than equity, whereby distribution to financial markets including interest payments increased to 105% of net income in the last two decade from 66% previously (Figures 3d). In early November 2022 Sasol issued another round of bonds to raise USD 750 million via its USA subsidiary Sasol Financing USA. The bonds are traded at the Frankfurt stock exchange (Sasol 2022). While it is difficult to identify the exact ownership of debt and equity holdings, extraction has been channelled abroad to a significant extent, with South African beneficial ownership of Sasol shares falling from effectively 100% between 1994-2000, to a low of 53% in 2007 before returning to the 60-70% range through the 2010s to the present.

Shoprite's core business model has been to grow and maintain high domestic market share across multiple income segments and entry into new international markets through expansion and acquisitions. Due to a combination of market structure, the requirement for substantial early investments in facilities and capabilities, and "strategic barriers" related to anti-competitive strategies by dominant firms, barriers to entry in South African retail are high (Das Nair and Dube 2015). However, Shoprite has also maintained its dominant position through large and consistent investments in centralised distribution and warehousing facilities and through the integration of other businesses into its supermarkets over the years through acquisitions.

[8] MTN has also cultivated strong connections with political elites. Politically-connected board chairpersons include current President Cyril Ramaphosa (2002-2013) and former Deputy Finance Minister Mcebisi Jonas (2019-present), while former President Thabo Mbeki is chair of its international advisory board (2019-present).

These other businesses include a pharmaceutical retail and distribution chain, a leading ticketing agent and call centre business, a chain of 523 liquor stores, and a financial services counter offering personal loans, global money transfers, utilities payments, cellular data, and life and funeral insurance (Shoprite, 2020). Shoprite has also leveraged its geographic coverage and payments infrastructure to secure a new function as a distributor of social grants on behalf of the state (Shoprite 2022), a role with obvious benefits for a retailer dominant in lower-income segments of the market. Operations have therefore become both diversified and financialised. In contrast to Sasol, shareholder pay-outs as well as capital expenditures are more closely correlated with net income (Figure 3b). Shareholder pay-outs peak a year after peak net income years, demonstrating clear shareholder pressure.

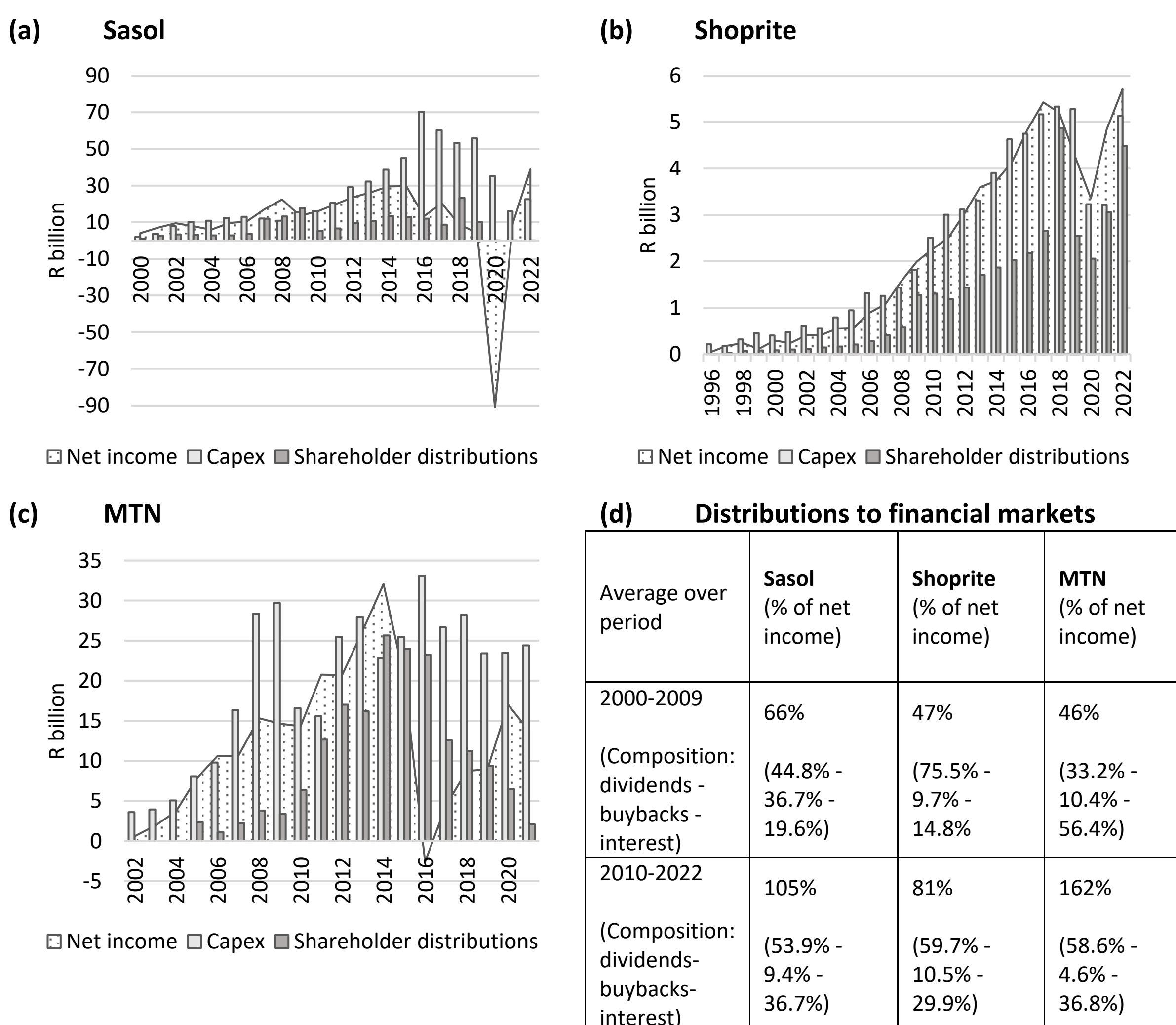
Shoprite's shareholders are predominantly South African: 62.8% South African, 17.6% USA, 5.2% UK and 14.4% other in 2022. It is noteworthy however that, prior to COVID-19 and throughout the 2010s, foreign ownership had been far higher – 49.7% in 2019 and peaking at 54.7% in 2013 – implying significant extraction of profits abroad (Shoprite annual reports). Institutional investors' share of ownership in Shoprite has exhibited a similar pattern, rising from around 40% in the early 2000s to a peak of 75.1% in 2019 before falling to 70.1% in 2022. As for Sasol, total distribution to financial markets (including interest payments on debt) as a percentage of net income have increased substantially over the last decade, reflecting the prominence of debt financing (Figure 3d). A large share of this debt has been sourced abroad and is USD denominated with interest payments likely to be channelled abroad.

MTN's core business has been in traditional mobile telecommunications; using this as a platform, it diversified rapidly into a range of financial services, starting from 2009 when it launched its Mobile Money services in Uganda and Ghana. The CEO at the time described the strategy in clear terms: "This innovative, useful and affordable tool with which to transfer money, offers customers convenience and creates "stickiness", which in turn helps limit customer churn." (MTN, 2009: 24). MTN's latest annual report records that its fintech platforms have reached 56.8 million users, with R38 billion in Mobile Money deposits, mobile financial services spanning savings and loans, insurance, banking and remittances, and overall fintech revenue growth of 31% in the last year (MTN, 2021).

Of the three cases, MTN has seen the most rapid and sustained increases in distributions to shareholders, led by dividends (Figure 3c-d). As with the previous case studies, equity issues are infrequent and very small in relation to funds raised from debt and sales. The firm's capital expenditure is allocated largely to maintenance rather than upgrading and innovation, and its expansion into new markets has been based largely on acquisitions. It is worth noting that when the firm's net incomes collapsed between 2014-2016 due to a combination of sizeable foreign exchange losses and a $1,7bn fine imposed by Nigerian authorities for failure to deregister millions of customers who had unsubscribed (Cotterill 2017), distributions to shareholders persisted at a high level.

While for Sasol and Shoprite the share of debt payments in the overall distribution to financial markets has increased, for MTN it has declined, with dividend payments dominating over the last decade. This is largely due to large debt positions accumulated in the early 2000s for the acquisition of a competitor to secure market dominance. With dividends the dominant channel for extraction of profits, the ownership of MTN shares becomes even more relevant. While comprehensive information on the location of beneficial shareholders is not readily available, it can be established that close to 50% of the MTN shares that are publicly traded are owned outside of South Africa, implying significant extraction of profits.

Figure 4: Firm-level financialisation processes



Average over period	Sasol (% of net income)	Shoprite (% of net income)	MTN (% of net income)
2000-2009 (Composition: dividends - buybacks - interest)	66% (44.8% - 36.7% - 19.6%)	47% (75.5% - 9.7% - 14.8%	46% (33.2% - 10.4% - 56.4%)
2010-2022 (Composition: dividends-buybacks-interest)	105% (53.9% - 9.4% - 36.7%)	81% (59.7% - 10.5% - 29.9%)	162% (58.6% - 4.6% - 36.8%)

Source: Company annual financial statements.

Note: Shareholder distributions consist of dividends and share buybacks (a-c); distributions to financial markets consist of dividends, share buybacks and interest payments (d).

All three companies demonstrate substantial shareholder pressure, and an increasing share of net income is distributed to shareholders and debt holders. While dividend payments have been the main disbursement mechanisms over the last decade, debt

financing meant interest payments have taken up an increasingly large share of total financial distributions, with creditors mainly based abroad. Hence, an increasing share of net income is channelled abroad.

4.2.3. Subordinate Financialisation Processes

In 2015, Sasol's US Dollar-denominated debt surpassed rand-denominated debt and exposure to exchange rate risk has been intensified by delays in the construction of dollar-generating assets (Figures 4a). As a result, a major decoupling has taken place between where Sasol generates its profits (South Africa) and where it invests these profits (US). While poor execution of large-scale projects is behind the increasing currency mismatch, the move towards US-based mega project is linked to subordinate financialisation, driven by Sasol's desire to expand into hard currency cum low interest rate markets to tap into cheap and competitive financing options.

As discussed in the previous sub-section, shareholder pay-outs in the form of dividend payments are largely detached from profitability, attesting the need to maintain attractive pull factors to satisfy international shareholders. With a high share of debt, distribution to financial markets outside of South Africa persists, even when performance and conditions are volatile. Sasol's investments abroad, partly financed by net income generated in South Africa, is hence a result of its subordinate position in the international financial hierarchy. Subordinate financialisation therefore drives extractive processes through both financial flows in form of interest payments of debt listed abroad, and investment flows in form of large capital investments to generated income in hard currency to settle foreign denominated debt obligations. To continuously attract foreign capital as either equity or debt, high shareholder and creditor pay-outs must be maintained irrespective of net income.

Shoprite reported a large-scale conversion of debt securities into shares in 2017. These securities had been issued in 2012, to institutional investors only, as a means of funding acquisitions. Until the mid- to late-2000s, Shoprite relied mainly on retained earnings to fund its aggressive expansion, reducing its exposure to fluctuations in global credit availability and making it less dependent on external funding in general (Okeahalam and Wood 2009). While available data on the composition of Shoprite's debt over the full period in Figures 4b[9] are poor, Shoprite began reporting sharp increases in dollar-denominated borrowings from 2015, at a time of loose monetary policy in the US.

From 2015 to 2018, Rand-denominated debt increased from R110m to R134m; dollar-denominated debt shot from R249 million to R6.9 billion over the same period (Shoprite 2016; 2018), prompting concern from analysts that "Shoprite has taken on dollar-denominated debt but makes its money in highly volatile currencies across the continent, and in rands at home" (Ramalepe 2019). The vulnerability generated by this

[9] The steep increase in debt between 2019 and 2020 in Figure 4 appears to have been driven by a strategic change in accounting practices relating to lease liabilities rather than reflecting new borrowings. It is beyond the scope of this paper to unpack these emerging financial engineering practices leading potentially to financial rents.

strategy can be illustrated by the proportion of interest payments to net income. From 2010-2019 interest payments averaged 10.5% of net income; in the context of the external and policy shocks experienced from the onset of the COVID-19 pandemic, these payments shot up to 68.2% of net income (Figure 3d).

Shoprite's 2018 Integrated Annual Report acknowledges exchange rate volatility and lack of hard currency income streams as high-risk concerns and details two mitigation strategies: (i) to increase investments in US treasury bills to fund its dollar denominated interest obligations (short-term, low-yield debt obligations), and (ii) to instruct its subsidiaries to disgorge "excess" cash to the parent company to settle short-term loans (Shoprite, 2018: 25). The latter strategy extracts capital from subsidiaries to repay debt, to the benefit of creditors and financial markets, and at the expense of possible expansion of capital investment domestically.

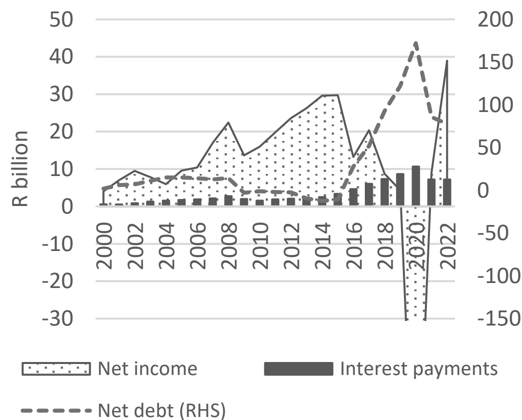
While there are recent indications that Shoprite has reduced its dollar debts significantly, such large and prolonged exposure to currency risk is concerning given that Shoprite has had no US dollar-generating assets nor plans to acquire any. As implied in Strauss (2017) and Akyuz (2021), this entails a net export of capital from South Africa to Shoprite's overseas creditor, as creditors collect a healthy return on dollars borrowed by Shoprite while Shoprite holds onto low-yielding treasuries to mitigate its exchange rate risk. The currency mismatch between debt obligations and income stream is symptomatic of subordinate financialisation. Financialisation of investments has become a remedy for this mismatch rather than a corporate financialisation process.

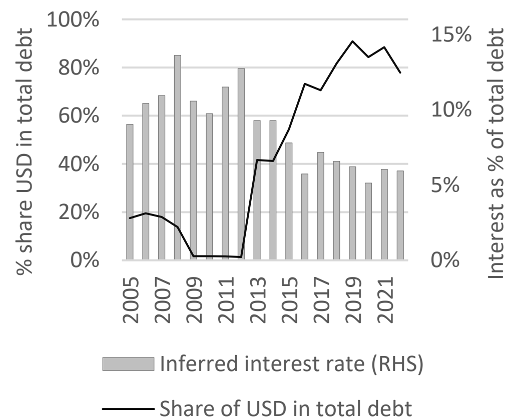
MTN's first round of rapidly escalating borrowing, from 2004-2008, was driven largely by increases in ZAR-denominated debt, raised to fund MTN's acquisition of Investcom, a Lebanese holding company whose assets included telecoms operations in 10 African countries (MTN Integrated Annual Report 2005, 2007). The second round lasted from 2012-2017, this time driven by escalating USD-denominated debt allocated to capital expenditures and increasing distributions to shareholders (Figures 4c). Although not reflected in Figure 4c, the company has also held significant amounts of naira- and CFA franc-denominated assets and liabilities as part of its policy to manage currency risk, which is to operate as much as possible in the functional currencies of the countries into which they expand (MTN, 2015). MTN also utilises a Mauritius-based investment subsidiary to hold significant amounts of USD-denominated bonds – R21.4 billion as of the firm's most recent filings.

As with Shoprite, MTN has brought its dollar-denominated debts down significantly from 2017. It is worth noting that this repayment period saw the rand depreciate significantly against the dollar from around R12/$ at the end of 2017 to over R17/$ in 2022, making foreign denominated debt increasingly costly and risky, partially offsetting the gains from low interest rate borrowing.

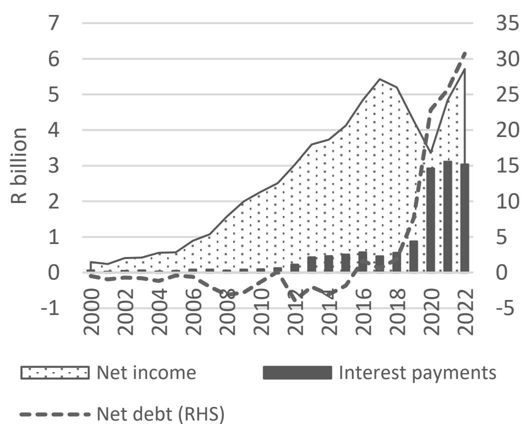
Figure 5: Subordinate-level processes

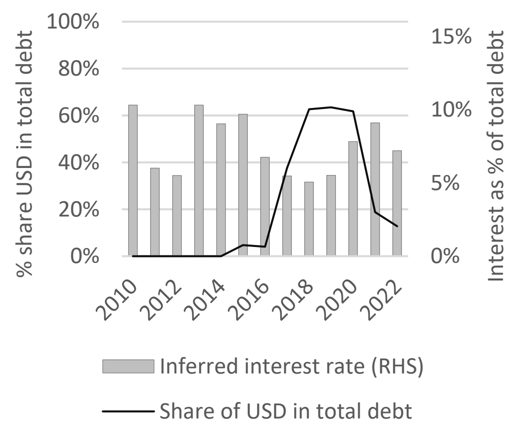
(a) Sasol



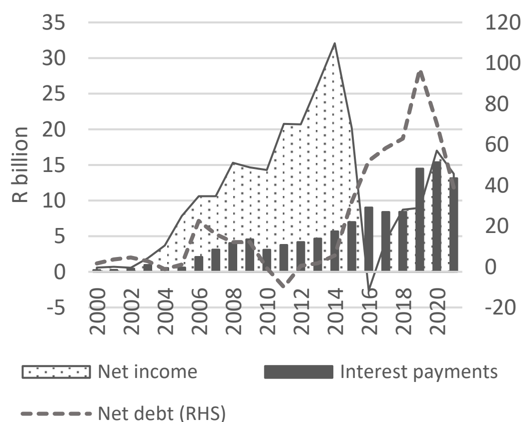


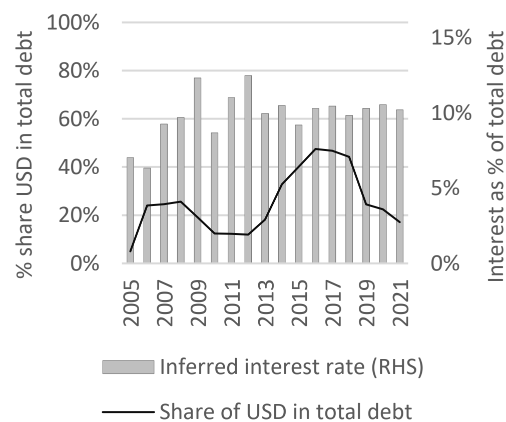
(b) Shoprite





(c) MTN





Source: Company annual financial statements.

For Sasol and Shoprite the USD denominated debt resulted in lower overall interest rate payments, inferred from interest paid as a percentage of total debt (Figure 4 right hand side). Sasol could permanently reduce its average interest rate from 12% to 6% after expanding the share of USD denominated debt in total debt. For Shoprite, the inferred interest rate reduced from 10% to 5% at the time the USD denominated debt share peaked in 2019. This observation underscores the strategic importance of

access to international capital markets to obtain cheap USD funding, as well as the vulnerability such strategy entails. A reduction in inferred interest rate in tandem with an expansion of USD denominated debt is less clearly identified for MTN, suggesting other factors (risk perception, debt structure and type, etc.) dominating.

5. Conclusions

We have observed that financialisation has shaped the structures and hierarchies of both global supply chains and the global financial system. As such, financialisation has shaped the ways in which NFCs in MICs integrate into these systems and, in turn, the form of their integration has shaped the ways in which they themselves engage with financialisation. While the existing financialisation literature unpacks these processes at the macro level, how these processes operate at the micro and meso level, is less well understood. This paper addresses this gap by developing an integrated analytical framework to explore specific *sources* and *process* of financialisation that emerge and operate at the micro-meso-macro levels and at their intersection.

We apply our integrated analytical framework to three firm-level case studies in South Africa, which operate in different SVCs: Sasol, Shoprite, and MTN. All three corporations occupy a lead firm position in different sectoral value chains with substantial vertical power over suppliers – hence the possibility of extracting rents chains – and horizontal power through market concentration – capturing market rents. Despite only Sasol having a truly global reach, all three corporations make extensive use of a geographically dispersed network of subsidiaries to leverage their balance sheets, engage in regulatory arbitrage and access cheap USD funding through the extensive use of offshore jurisdictions. Our analysis also reveals the prominence of policy rents as a source of financialisation in all three case studies and the unwillingness of the South African government to exercise strategic control despite being a large shareholder via PIC.

All three companies demonstrate substantial shareholder pressure, and an increasing share of net income is distributed to shareholders and debt holders. While dividend payments have been the main disbursement mechanisms over the last decade, debt financing meant interest payments have taken up an increasingly large share of total financial distributions. Emulating operational practices of lead firms elsewhere, MTN and Shoprite also engage in financialisation of operations, offering financial services as part of their operations. While these financialisation processes are not unique to the MICs, subordinate financialisation pressures are clearly identified in all three case studies. These play out differently, shaped by the respective value chain position and sector characteristics.

All three companies have borrowed heavily in USD to access cheap funding. However, strategies to mitigate the resulting currency risk and the mechanisms of accessing USD funding differ. Sasol has invested heavily to expand into the US market to generate hard currency income and have used their US-based subsidiaries to access

cheap funding via bond markets. This strategy requires the creation of strong pull factors in form of high dividend irrespective of net-income to continuously attract foreign capital. Shoprite and MTN, both with a regional but not global reach, have used offshore jurisdictions to access USD funding instead. As a mitigation strategy, Shoprite has invested in low-yielding US government bonds to finance interest payments. Both strategies results in a net-export of capital abroad and an acceleration of domestic financialisation processes.

The integrated analytical framework and the case studies' evidence reveal financialisation sources and processes unique to the MIC context and point to various channels though which predatory value extraction impact each sector as well as the overall economy. While in this paper we have not analysed the sector-specific and broader impact of financialisation in South Africa, the framework can be used to extend the analysis in this direction. Further research should be also done to analyse both diachronically and synchronically which sources and processes of financialisation are more dominant in MICs, how they constraint their structural transformation as well as how changes in corporate governance regimes and policies can contain predatory value extraction.

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