

FINTECH AFRICA

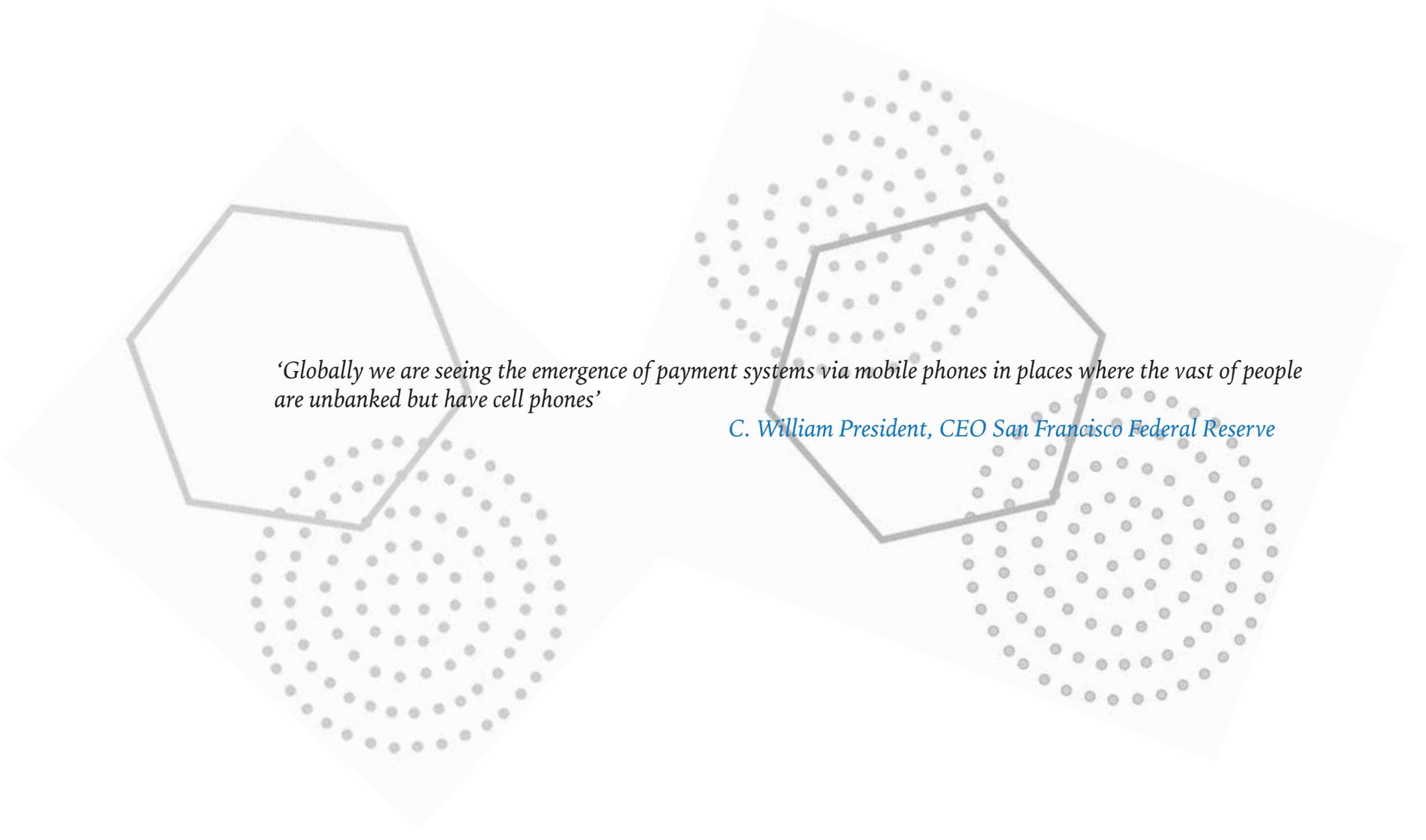




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Fintech Africa report will unpack the innovations and start ups catering to developing financial digital services for low income earners and small businesses. The report will look at the following...

- Digital banking leaders
- Branchless banking
- Online banking services
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- Investment



'Globally we are seeing the emergence of payment systems via mobile phones in places where the vast of people are unbanked but have cell phones'

C. William President, CEO San Francisco Federal Reserve

Introduction

The World Bank group has set a target to achieve universal financial access (UFA) by 2020. The aim is to ensure adults everywhere have access to a transactional account to store, send and receive payments. Currently 34% of the African adult population has some form of banking.

The drive to provide financial service to an estimated 60% of unbanked Africans has led to a growth of fintech mobile innovations that are providing banking solutions in Africa. In line with these innovations, is the international interest in technology focused on solving social issues in Africa. Disrupt Africa found that there has been an 84% increase of fintech start-ups in the African continent. Fintech start-ups in Africa have raised \$93 million in capital since June 2017.

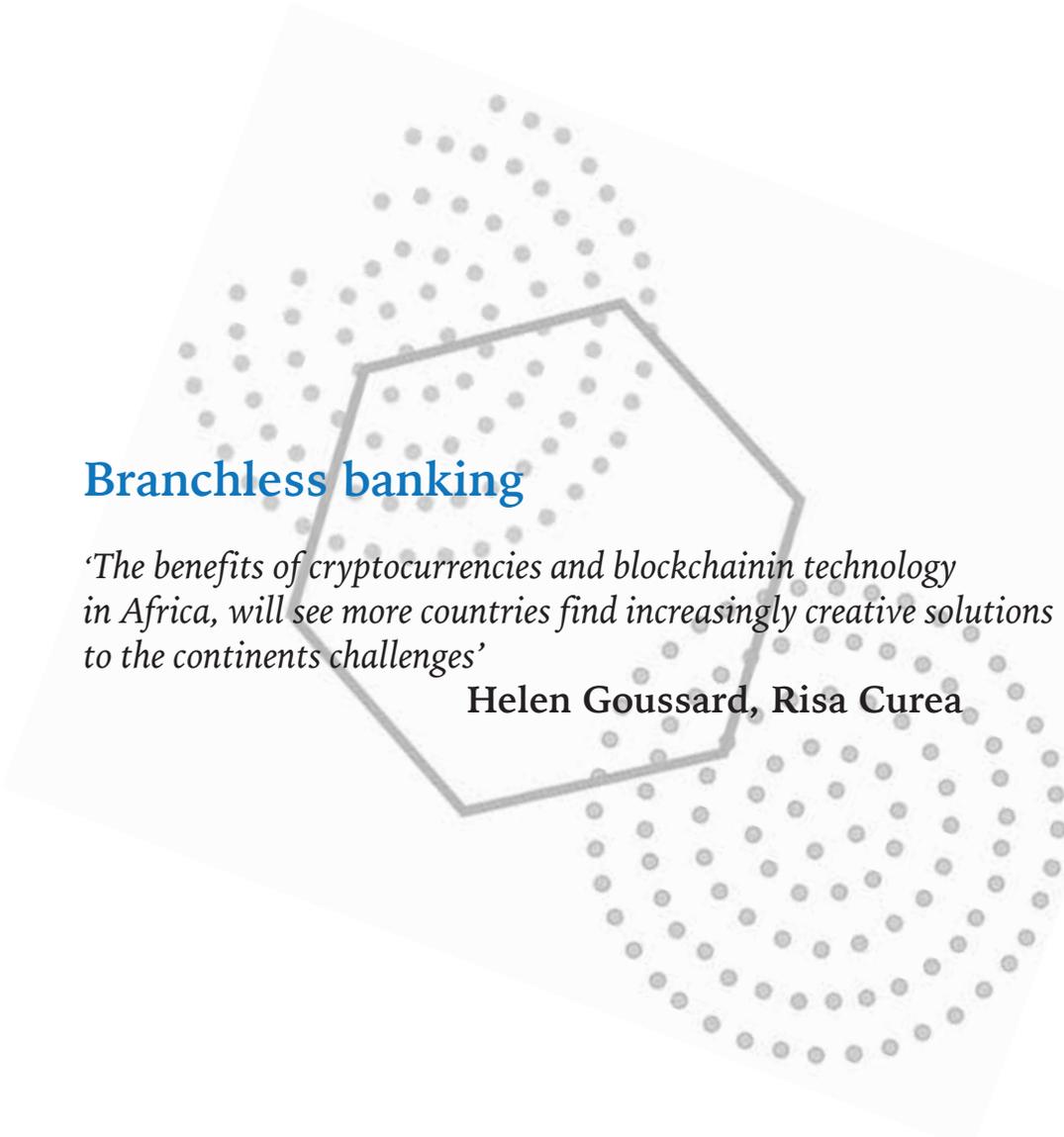


In this aspect fintech start-ups are providing accessible options to saving money, transaction of money and digital book keeping for small- medium businesses and the vast unbanked African demographic. The African fintech sector has gained much attraction from international investment mainly through financial support and skills development. Netherlands bank FMO and Miami based fintech, digital transformation strategist Above & Beyond have collaborated on a project titled Fin Forward. The incubation space encourages fintech companies, financial institutions, money mobile providers in Africa to interact, share ideas and test out concepts within the provided spaces. The aim of Fin Forward is to push the digitisation of the financial sector in Africa.

Digital banking leaders

West and East Africa have seen a bulge in start-ups catering to the unbanked population. The success of MPesa, has seen 31% of Kenyans use the platform. Nigeria is currently leading in the next layer of digital banking in Africa. Banks such as ALAT, a fully digital branchless bank that simply connects with customers online via mobile phones. Online banks have provided consumers with the 24/7 access to their banking services, at the same time online banking services are faced with the challenge of a demographic that has trust issues with regards to digital banking. However some African countries are seeing progress in consumer's mind set. Tanzania have been able to gradually cater to the unbanked demographic with impactful success. The country's ninth edition of the Tanzania Economic Update 2017, highlights that 62% of citizens in rural Tanzania have access to some form of digital financial service, as compared to the 8.5% inclusion in previous years.





Branchless banking

'The benefits of cryptocurrencies and blockchain technology in Africa, will see more countries find increasingly creative solutions to the continent's challenges'

Helen Goussard, Risa Curea



Fintech start-ups are bridging the lack of access to banking, by bringing the bank to consumers. With an estimated 122 million Africans turning 18 by 2020, we see a different approach to interacting with the future economically active consumers. The African bank is taking note of this and turning their focus to digital transformation that will reach the unbanked demographic and the younger connected generation. The African Bank plans on closing 12 of its 42 branches to move most of its services to digital platforms.

Banking in Africa is becoming more connected and branchless, fintech start-ups are not focused on the cosmetic brick-mortar approach to draw in consumers. Instead start-ups are providing instant access to financial services for consumers anywhere at any time.

The success of Suntrust Bank, an online Nigerian bank launched in 2015 had a turnover of \$656,262 in its first year of operation. This highlights the potential of branchless banking sector in Africa. This is further seen with the Nigerian online bank Liyda. The bank provides credit to small companies ranging from US\$500- 1500. The bank uses credit scoring technology to gauge consumer's credit worthiness.

Monetas uses cryptocurrency technology that enables consumers to perform various forms of financial and legal transactions globally. Founded by South African Johann Gevers, Monetas was launched in Tunisia. The company partnered with Tunisian post office, the Poste Tunisienne which offers its clients access to instant, secure and affordable digital merchant transactions. In 2015 Tunisia launched their digital currency eDinar digital through the Monetas platform. Senegal has since followed suite with the launch of a digital currency in 2017.

Online Banking Services

Aside from start – ups creating fully functional digital banks, companies are breaking down financial services provided by banks and providing isolated services.

Weebi is a Senegalese product created to assist business owners with digital book keeping for merchants. Somtau is another Senegalese online service interface designed for consumers who cannot read. The app uses icons and voice commands to assist consumers in their interaction.

‘It allows people in the informal sector to manage their work more effectively and provides the user with an estimation on income, revenue and clients’

Ted Boulou – Founder

Kiakia is a Nigerian platform that assists with direct peer to peer and small medium enterprise loans, making such services obtainable and accessible to unbanked Nigerians. The online platform uses credit scoring and risk management algorithm for consumers with no credit history. The application process is done online and takes less than 15 minutes for members.



Digital Pay

Virtual payments systems continue to be one of the leading disruptions within the financial sector. With countries such as Nigeria leading in the investment of cryptocurrency in Africa there will be continuous growth and necessity of virtual money as seen with the financial crisis in Zimbabwe.

Fintech Africa will still see new platforms that make payments from consumer to businesses simpler and safer. Tangible money may soon become an afterthought in purchasing as more start-ups create apps that make virtual payments more accessible to people without bank cards. Many start-ups link their purchasing apps with the ability to send and receive money. The success of Mpesa in various African countries has set a precedent in challenging the status quo of tangible money and the consideration of the unbanked demographic.



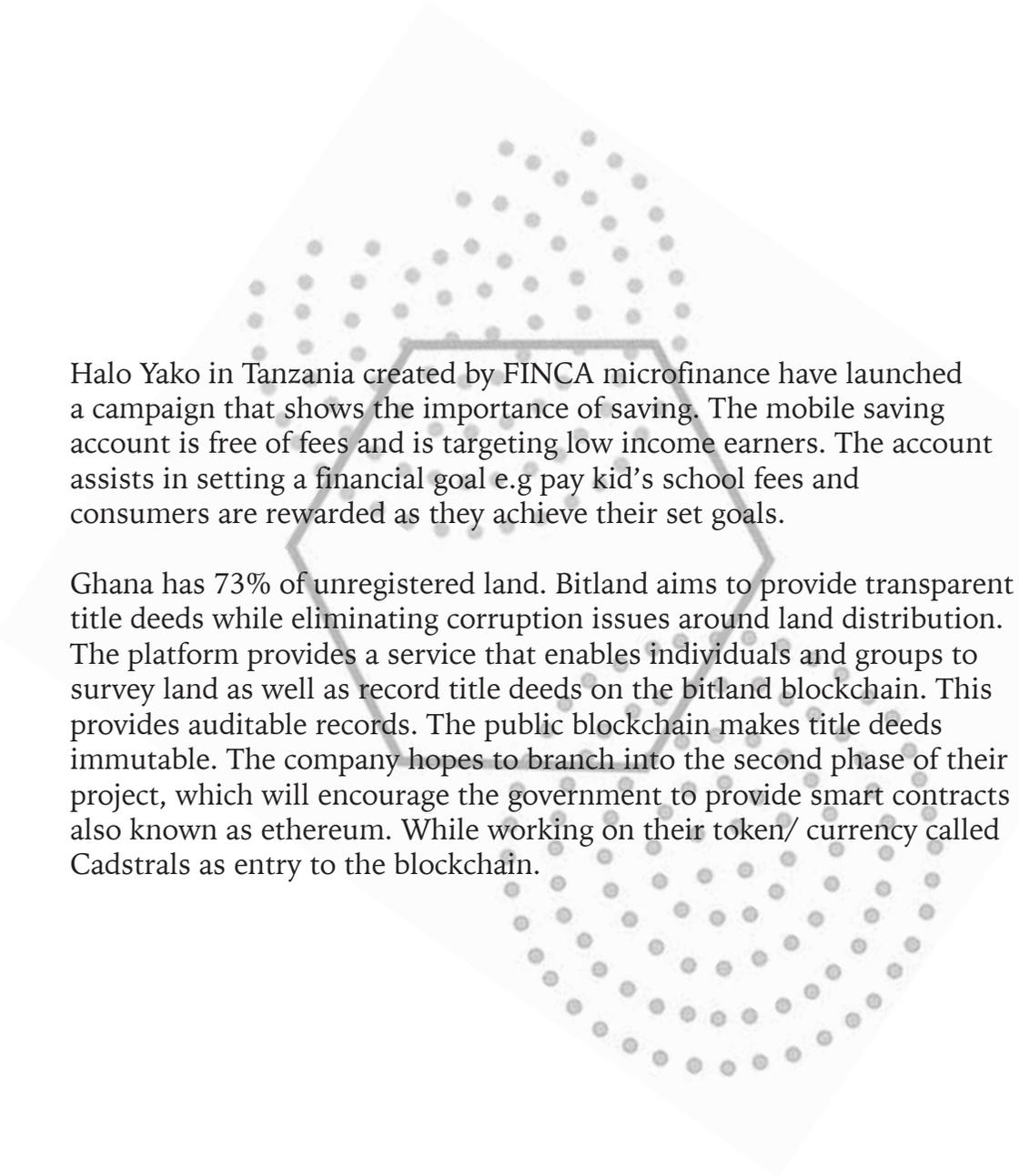
Currently active in Malawi and Zambia, Zoono allows for unbanked consumers to send money cross country via mobile. Companies such as Paga, a Nigerian mobile app allows consumers to send, receive, pay bills and purchase online through their account accessed on their phones. The company also provides assistance in securing of loans and health insurance with their 11 000 agents.

Bit Pesa is an online platform that converts digital currency such as bitcoin into local African currencies. The platform is currently available in Nigeria, Tanzania, Uganda and the DRC. Bit Pesa aims to provide small business owners with an alternative payment option for their international investors.

Investment

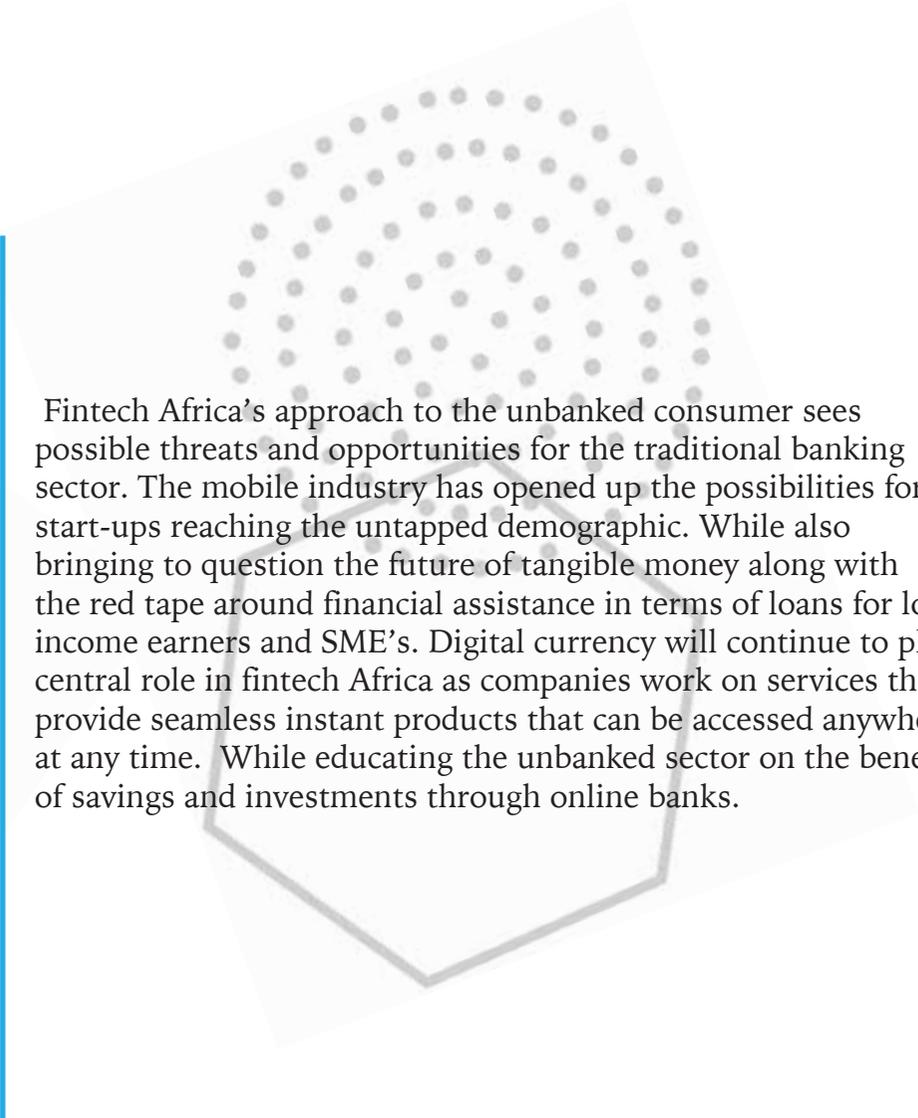
With a high number of unbanked adults in Africa, the concept of saving and investment is not widely practiced. Global Findex stated that 58% of mobile account holders in developing countries use their accounts to make or send electronic payments. While 39% also use their accounts to save. Companies are creating additional services that enable saving money while educating consumers in various areas on the importance of saving.





Halo Yako in Tanzania created by FINCA microfinance have launched a campaign that shows the importance of saving. The mobile saving account is free of fees and is targeting low income earners. The account assists in setting a financial goal e.g pay kid's school fees and consumers are rewarded as they achieve their set goals.

Ghana has 73% of unregistered land. Bitland aims to provide transparent title deeds while eliminating corruption issues around land distribution. The platform provides a service that enables individuals and groups to survey land as well as record title deeds on the bitland blockchain. This provides auditable records. The public blockchain makes title deeds immutable. The company hopes to branch into the second phase of their project, which will encourage the government to provide smart contracts also known as ethereum. While working on their token/ currency called Cadstrals as entry to the blockchain.



Fintech Africa's approach to the unbanked consumer sees possible threats and opportunities for the traditional banking sector. The mobile industry has opened up the possibilities for start-ups reaching the untapped demographic. While also bringing to question the future of tangible money along with the red tape around financial assistance in terms of loans for lower income earners and SME's. Digital currency will continue to play a central role in fintech Africa as companies work on services that provide seamless instant products that can be accessed anywhere at any time. While educating the unbanked sector on the benefits of savings and investments through online banks.

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