RegTech AFRICA

Showcasing Excellence In Regulatory Innovations

Magazine

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Imperatives of effective regulation for the Financial System Strategy

Mohammed D. Suleyman

(Director, FSS - Central Bank of Nigeria)

Summer Edition

Editor's Note

The Summer issue of the RegTech Africa magazine is here!

This edition provides insights on key developments shaping the future of digital financial regulations.

Digital inclusion is economic inclusion, with innovative regulation as a major driver. Having access to affordable digital tools and technology is no longer a nice to have; it is essential for economic and social growth. Without them, we risk leaving behind the very same communities that technology has the potential to equalize and empower.

Our digital future is one where human progress is transformed by innovation.
Welcome to the future!

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Best Wishes,

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Imperatives of effective regulation for the Financial System Strategy

Special interview with Mohammed D. Suleyman

Q: Nigeria's Payments System is adjudged to be very dynamic and arguably the most matured in Sub-Saharan Africa. The proactive role of its robust regulatory frameworks has also been given credit for these achievements. What key market and infrastructure strategies are at the forefront of this campaign?

The key infrastructure responsible for the development of the Nigerian Payment system could be attributed to the existence of a Payment System roadmap at the onset, called Payment System Vision 20:2020. The payment system vision 20:2020 was designed as a component of the FSS2020 Strategy with the vision of making the Nigerian payment system nationally utilized and internationally recognized, which had clear expectations and deliverable with good governance framework. The diligent pursuit to the attainment of this vision coupled with strong institutional supports from implementing institutions like the Central Bank of Nigeria is what has led to the development in the payment system.

The strategy adopted to attain the above vision included: Identification of critical Working Groups like the Payment Infrastructure Coordinating Committee (PICC) that drives the implementation of the strategy through various active working groups like RTGS, Cheque and ACH Payment, Cards, Mobile Payments & Securities working groups and the establishment of a Central Clearing and Switching system which established the Nigerian Interbank Securities Systems; Development of key market infrastructure on Government supplies like GIFMIS, Government payments and settlements like the Treasury Single Accounts (TSA), Salary infrastructure like the IPPIS, Securities and Settlements Systems (S4) for government securities and Real Time Gross Settlement (RTGS) for inter-bank funds transfer, 3rd party funds transfer and settlement for net clearing, Cheque Truncation System to improve payments, introduction of Bank Verification Number, (BVN) as a unique identifier for Bank customers and several other infrastructures to support the payment system; and The introduction of regulatory frameworks to support market development and innovation such as the Regulatory Sandbox, Payment Services Banks, Mobile Payments, use of USSD Codes, etc.

Q: The overlapping challenges of low financial literacy levels, the depth of the informal sector and financial exclusion are threats to financial system stability. What strategies are being adopted by the CBN to promote financial literacy and consumer awareness of financial products and services in Nigeria?

Financial literacy is a key focus area of the FSS2020 blueprint, and is considered critical for financial system stability from the perspective of consumer protection and consumer trust and confidence.

Through the centralized platform of the Financial Inclusion Secretariat in the Central Bank of Nigeria, several initiatives are being undertaken to attain National financial inclusion targets through: Development and implementation of Initiatives of the 4 Working Groups as follows: The Products Working Group - to address financial inclusion product challenges; The Channel Working Group - to address financial inclusion channels challenges; The Financial Literacy Working Group - to address financial literacy issues; and The Special Interventions Working Group - to address issues related to disadvantaged groups such as women, youth and peoples living with special needs.

Working directly with agencies of Government like the Federal Ministry of Finance and other regulatory agencies who are members of the various Working Groups both at the Federal and at the State level like Financial Inclusion State Steering Committee (FISSCO). The FSS2020 Secretariat supported the creation of an umbrella MSME women association (FEDWIM) to enable the group access financial supports/interventions across the financial system; The development of B2CM Initiative of the Secretariat to cluster MSMEs around their respective value chains take advantage of shared services and operational

efficiency and The design and development of a customized SME Financial reporting platform to promote reporting and governance amongst SMEs for the achievement of the financial inclusion goals.

***Q:** The Covid-19 pandemic has amplified fault lines of global economic and financial inequality. This was revealed in the varying degrees different people were impacted by the pandemic. The crisis however, also presented an opportunity to accelerate the adoption of digital financial services in the global and Nigerian economy. What is your critical assessment of the impact of the pandemic on accelerating the attainment of the Financial System Strategy 2020 goals?*

The pandemic has undoubtedly slowed down the planned implementation of some critical initiatives of the Secretariat across the financial system. Specifically, the Secretariat had in-house programs being driven by the implementing institutions which would have further deepened the financial market. However, the introduction of measures to curtail the spread of the pandemic appeared to have adversely affected the collaborative and coordinating role of the Secretariat.

The pandemic also provided an opportunity to be creative in addressing the challenges brought about as a result of minimized physical interactions by increased adoption of technology solutions. Accordingly, the Secretariat moved most of its collaborative sessions such as the quarterly sector forums online including the Financial Markets, Pension, Insurance, MSMEs, and the Mortgage Sector Fora.

At the industry level, meetings of the Financial System Regulatory Coordinating Committee (FSRCC), Capital Market Committee (CMC) and other engagements with stakeholders in the financial system are done leveraging technology.

Additionally, the adoption of collaborative digital solutions has also provided opportunity for increased stakeholder participation as the issue of limited physical space was eliminated. Similarly, the financial cost of organizing such events was greatly reduced in the form of elimination of the costs of transportation, refreshments and associated logistics.

In addition, there was an increase in the volume of online payments, especially during the lock down, as most transactions and settlements were done using online channels like the USSD, and Online payment platforms of financial institutions. That has tested the resilience of our payment systems infrastructure across the industry. Most financial institutions have upgraded their facilities and made their alternative payments channels more effective and efficient.

***Q:** People, Systems and Processes are the key financial system enablers required to achieve the desired outcomes. What are the imperatives of innovative regulation for the Financial System Strategy?*

It is important that you have mentioned people, systems and processes as critical enablers for achieving the desired outcomes. These enablers help in balancing the structure and efficiency of the Financial system. Most programs fail or face challenges once there is no balance across the people, system, and process.

The People also known as talent operate within the system and processes. The Financial system recognizes the important role of people that was why we clearly noted in our strategy, the need to promote Human Capital Development. Innovatively, we believe the kind of talent we attract within the financial system is what will create the kind of innovation that we aspire. We have been able to develop a framework for minimum competency framework for the financial system. We want to attract the best, but we must set a minimum requirement to be fulfilled before people are engaged.

On the Systems and processes for innovative regulation, we believe technology and good laws will allow the system to be effective. People are things we see, but systems and processes are what

the people efficient. A good regulation, or law is the life blood that drives any ideology. That is why the Secretariat identified quick win bills to help address gaps in the financial system.

The FSS2020 has found it imperative to pursue some of the bills to Ensure Justice Sector reforms for speedy transparent and easy resolution of disputes within the financial system, pursue an effective Financial Consumer Protection Framework in the financial system, Ensure the convergence of incidence of legislation and regulation in the Financial Services Sector, Ensure the creation of an appropriate Legal framework for the International Financial Centre: The Ensure the promulgation of non-existing laws and modernization of laws to enhance efficiency of Nigeria's Legal system, and Ensure easy affordable and less time-consuming procedures for perfection of property transfers and mortgages etc.

The Covid-19 pandemic has amplified fault lines of global economic and financial inequality. This was revealed in the varying degrees different people were

Some of the regulations being pursued to achieve the desired regulatory innovations include: Nigeria Financial Ombudsman Bill, The Nigerian International Financial Centre (NIFC) Bill, Mortgage Foreclosure Model Bill by the 36 states including FCT, Securitization and Asset Backed Security, Factoring and Receivables Financing Bill, etc.

Q: The Financial System Strategy has the potential to unlock significant benefits for Nigeria's digital economy and society, but with a caveat that positive results could be achieved through collaborative action. With specific reference to greater collaboration between the regulators, how would you assess the coordination of the inter-regulatory frameworks and actions towards achieving the broader objectives?

Collaboration is a key pillar in achieving inter agency coordination. This interagency coordination is premised on the gains of having an interconnected financial system whose systemic risk has the potential of impacting negatively on the financial system.

About

MD Suleyman
Director, Financial System Strategy (FSS), Central Bank of Nigeria.
The Financial System Strategy (FSS) is an initiative of the Federal Government of Nigeria aimed at developing a coherent and internally consistent blueprint to develop Nigeria's financial system to help achieve its vision to become a major international financial centre and one of the 20 largest economies in the world by the year 2020 with a view to becoming the safest and most diversified financial system among emerging markets that supports the Nigerian real economy. He previously served as the General Counsel of Nigeria Sovereign Investment Authority (NSIA).

***Note: Retired June 2021**

The Advance of AML SupTech and RegTech in Africa

The Financial Stability Board, an international body that monitors and makes recommendations about the global financial system and reports regularly to the G20, acknowledged the benefits of SupTech and RegTech in their report of October 2020:
"For authorities, the use of SupTech could improve oversight, surveillance and analytical capabilities, and generate real time indicators of risk (. . .). For regulated institutions, the use of RegTech could improve compliance outcomes, enhance risk management capabilities and generate new insights."

SupTech is short for Supervisory Technology. It refers to technologies that are specifically intended for use by Regulators to add value to their activities, for example during a Thematic Review, whereas RegTech (or Regulatory Technology) is designed for use by financial institutions (FIs).

The innovation of the Thematic Review was born in Africa in 2014 when the idea of using established anti-money laundering (AML) technology for supervisory and regulatory inspection purposes came about.

From this moment, the use of RegTech repurposed as SupTech became an integral component of an AML Thematic Review. AML Analytics were the pioneering drive behind this, using their existing sanction screening system testing technology as SupTech.

SupTech is all about the use of technologies to improve efficiency through automation. It is about streamlining workflows and introducing new capabilities to simplify complex processes. By digitising data and leveraging the power of computer algorithms to run checks, SupTech can greatly enrich a Regulator's core AML processes.

Imagine a Regulator being able to view live sanction screening system data on high-level dashboards for all its regulated entities. This revolutionises the way that Regulators and FIs interact allowing for continuous, real-time monitoring and reporting of system efficiency and effectiveness for on-the-spot risk assessment.

SupTech developed by **AML Analytics** has been used in multiple Thematic Reviews around the globe. It enables a Regulator to see the sanction screening system results of an entire market on a single screen, allowing target performance benchmarks for regulated entities to be set.

The most valuable SupTech solutions are agile and flexible, intuitive and simple in their functionality. SupTech brings with it the new challenges and infrastructures of cloud computing and Application Programming Interfaces (APIs) which allow for the easy collection, storage and analysis of large data sets, such as during a Thematic Review.

SupTech and RegTech have been seen from the outset as essential for the fight against financial crime. With the global AML solutions market set to reach $5.5 billion by 2027 according to work carried out by Research and Markets, innovative AML technologies do indeed have a vital role to play as the pace of SupTech development gathers momentum.

Ultimately, this will drive an increase in AML performance and reduce risk as Regulators will be able to identify emerging and prevalent risks in their market more easily.

The future of SupTech is certain amid a rapid global uptake and will surely become a strategic priority for all Regulators in Africa to assist with their supervisory AML activities, thus securing the stability and financial integrity of countries in Africa.

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DRIVING ECO-CENTRIC INNOVATION AND EFFICIENCY IN HOUSING DEVELOPMENT: MEETING NIGERIA'S GREEN HOUSING NEEDS

BY JOFAME INTEGRATED LIMITED

Africa's population is expected to double over the next 25 years. With Africa's housing presently insufficient and expensive, not meeting the soaring demand, the continent faces a housing crisis. Today, 56 percent of Africa's urban population lives in informal settlements as a result of natural disasters and the significant lack of affordable housing.

Housing development is most critical and desirable but it has the undesirable potential to exacerbate socio-economic and environmental conditions. According to the United Nations Environment Programme and the International Energy Agency, housing is responsible for 35 per cent of global energy consumption and 15 per cent of greenhouse gas emissions. It is a "catch 22" situation: the more we try to close the housing gap, the more we are likely to deplete natural resources and damage the environment.

As Nigeria strives to reduce the yawning gap in her infrastructure needs she faces severe challenges in all facets. Supplying sufficient electricity has proved to be a daunting challenge.It is estimated that Nigeria has been losing an estimated N2 Billion in daily loss of production over the last 15 years due to poor power supply. Meanwhile, an increasing population combined with prostrate infrastructure and the effects of climate change have led to severe water shortages.

Nigeria's housing sector faces challenges arising from complex land titling systems, a lack of available mortgage finance and the country's macro-economic and political instability coupled with very fragile security. With a large and rising population, the country has a deficit of more than 20 million housing units for a population of 200 million people.

Nigeria's housing sector faces challenges arising from complex land titling systems, a lack of available mortgage finance and the country's macro-economic and political instability coupled with very fragile security. With a large and rising population, the country has a deficit of more than 20 million housing units for a population of 200 million people.

Lagos, like many other cities in Nigeria, is growing rapidly. The demand for housing near Lagos is growing by around 20% per annum. One only has to look at the development in the Lekki axis to confirm this.

As Nigeria accelerates efforts in housing development, a purpose built eco-centric approach can spur low-carbon economic growth and create skilled jobs. This can indeed be replicated in other African countries for decades to come.

Eco-Centric housing development presents a unique opportunity for real estate developers who are eager to capitalize on the growing economy but fear the impact of resource shortages. Resource-efficient buildings that conserve energy and water are the solution to the threat posed by climate change and sundry environmental challenges facing the world.

Against this backdrop, Jofame Integrated Limited, an indigenous real estate development company, is on a unique mission to drive Eco-centric Housing Development in Nigeria and across Africa through efficient technology and green priority based innovative designs. Leveraging on the huge success of the fully developed and delivered Royal Palm Villa , Sangotedo, Jofame Integrated Limited is set to partner the IFC EDGE Green Buildings Market Transformation Program on a pathway to commence the internationally recognized innovative green-building EDGE Certification program.

In furtherance of its commitment to reshape housing development standards in Nigeria through sustainable practices, Jofame Integrated is preparing for the official launch of 'Royal Palm Villa, Ibeju-Lekki , . a resort based residential estate which comprises of a mini golf course, theme park, Ice skating Rink, an artificial lake , serviced plots, quality homes and several other sporting and recreational facilities. Strategically located right along the Lekki Expressway, in the serene neighbourhood of the fast sprawling Ibeju-Lekki area of Lagos state, the development will add to the country's overall housing stock

When completed, the Royal Palm Villa, Ibeju Lekki (Resort+Residential) project will deliver access to housing to over 500 families
"We are trying to lead by example, to improve the lives of Nigerians with simple, sustainable housing. We are trying to tackle large, complex problems with simplified solutions, one home at a time. We design, engineer, and build homes that are simply efficient in several ways with so much focus on green energy.

They combat climate change in a natural and ground-breaking way", said Mr. Gideon MfonAbasi, CEO Jofame Integrated Limited.
On completion of the rigorous certification exercise, Jofame Integrated Limited would be enlisted into the elite club of globally recognized organizations committed to sustainability initiative, aligning strategies and operations with universal principles on human rights, labour, environment, and anti-corruption.

A strategic approach towards green housing could well be the "***silver bullet***" to address the triple bottom line for sustainable development in Nigeria. With the sheer size of the Nigerian market and economy, Nigeria should lead the world in environmental sustainability, affordable green housing, green mortgages and leases, green facility management and achievement of its Millennium Development Goals.

Infrastructure to be delivered includes:

- road complete with covered drainage
- 24 hours power with dedicated transformer
- Electrical underground armoured cabling
- Street lights
- 24 hours security
- Fire fighting system
- Central Water System, Boreholes, Treatment plant & Overhead tank
- Central Sewage System & Sewage Treatment plant
- Several parks & Gardens
- Children play Area
- Rich landscape & Trees

Key defining features of the estate:

9 Hole Golf Course, Theme Park, Artificial Lake, Ice Skating Rink, Club House, Basketball Courts, Tennis Courts & Swimming Pools,

RPV

Royal Palm Villa

...satisfaction guaranteed

For more information call:
08025184146, 08035535484, 09097706466.
or email: info@royalpalmvilla.com.ng | www.royalpalmvilla.com.ng

Jofame Integrated Ltd.
Project Developer

Jofame Integrated Limited 2, Royal Palm Villa Drive,
Off Cardinal Olubunmi Okogie Road, Sangotedo, Lekki Expressway, Lagos.
Project Location: Royal Palm Villa, KM 54 Lekki Epe Expressway
(Near Pan Atlantic University) Ibeju Lekki, Lagos.

You deserve to own a home in Royal Palm Villa, Ibeju Lekki. Make your choice now!

Aspire Plus

A true fine piece, it stands to please. From tiles to ceiling, its beauty is revealing. There's much to desire and it's all in ASPIRE.

Aspire Plus: Five rooms to enjoy, a pent to glare. It's a 5 bedroom duplex with Pent floor + Maid's room. Price: ₦89.5M

Delight

Take a gaze at this building and you will soon realize that there's more than meets the eye and it's all to your DELIGHT.

This is well-structured and classy 5 bedroom duplex + 1 Maid's room. A steal in every sense of the word. Price: ₦79.5M.

Aspire

A true fine piece, it stands to please.
There's much to desire and it's all in ASPIRE.
It's a 4 bedroom duplex + Maid's room. Price: ₦72.5M.

Admire

A touch of class, from floor to glass. The finishing is smooth, as detailed as Sapphire. This one is for you and it's yours to ADMIRE.

A combination of style and elegance summed up in this 4 bedroom semi-detached duplex + maid's room. Price: ₦64.5M

Excite

A smart choice, it's one with poise. Each curve and fitting is smooth and precise. Your home is our business and it's our job to EXCITE.

This is a lovely, compact and yet elaborate 4 bedroom terrace duplex + Maid's room. Price: ₦53.5M
It also comes in 3 bedroom + Maid's room. Price: ₦45.5M

Fantasy

Built like a dream, it towers like a beam. Walls and colours come together in harmony. The result is a beauty unimagined like FANTASY.

This is stylish and sturdy 3 bedroom luxury apartment + Maid's room. Price: ₦39.5M

Sunrise

Made to bedazzle, it rises like a spectacle. The setting is lively, the details are tidy. Good living is all yours and it's seen at SUNRISE.

A towering beauty and elegantly finished 2 bedroom Price: ₦29.5M

Sunrise

Made to bedazzle, it rises like a spectacle. The setting is lively, the details are tidy. Good living is all yours and it's seen at SUNRISE.

A towering beauty and elegantly finished 1 bedroom Price: ₦22.5M

Residential plots @ ₦35,000/sqm. Commercial plots @ ₦65,000/sqm.
For more information call: 08025184146, 08035535484, 09097706466.
Project Location: Royal Palm Villa, KM 54 Lekki Epe Expressway
(Near Pan Atlantic University) Ibeju Lekki, Lagos.

The rise of RegTech in digital telecom and finance ecosystems

JAMES GABRIEL CLAUDE // CEO AT GLOBAL VOICE GROUP

The increasing digitization of financial transactions – which was accelerated by the COVID-19 pandemic – and the resulting rise in cybercrime and fraudulent activities have led to an ever-increasing demand for compliance in both the telecom and financial services sectors, especially in developing countries, for example in Africa. This demand for new regulations comes from the public as well as the governments and makes regulating these sectors all the more complex. It therefore necessitated the creation of a robust and appropriate regulatory framework. Such a task falls to the respective regulator of the sectors concerned. The purpose of this framework is to harness, control and protect the telecom and digital financial ecosystems. Once it has been created, the regulator is further tasked with ensuring its enforcement.

And what better way to regulate technology-driven sectors like the telecommunications or financial services than technology itself? In Africa, many telecom and financial services regulators do not have the necessary technological tools to independently assess the performance and compliance of their respective sector, and thus still have to rely on the operators' declarations for information. As a result, their ability to meet their sector management and consumer protection mandate is limited. The African telecom sector has been growing steadily, due to an important smartphone penetration, the development of 4G and 5G technologies and the popularity of mobile money services. Without employing technological assistance, regulators and operators are likely to encounter situations where revenue leakage and network fraud become major concerns for them.

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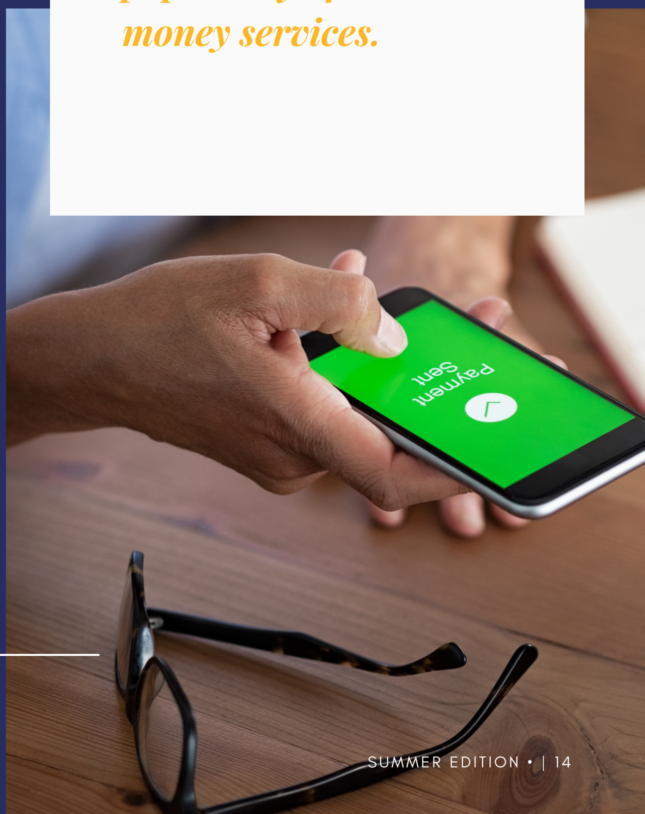
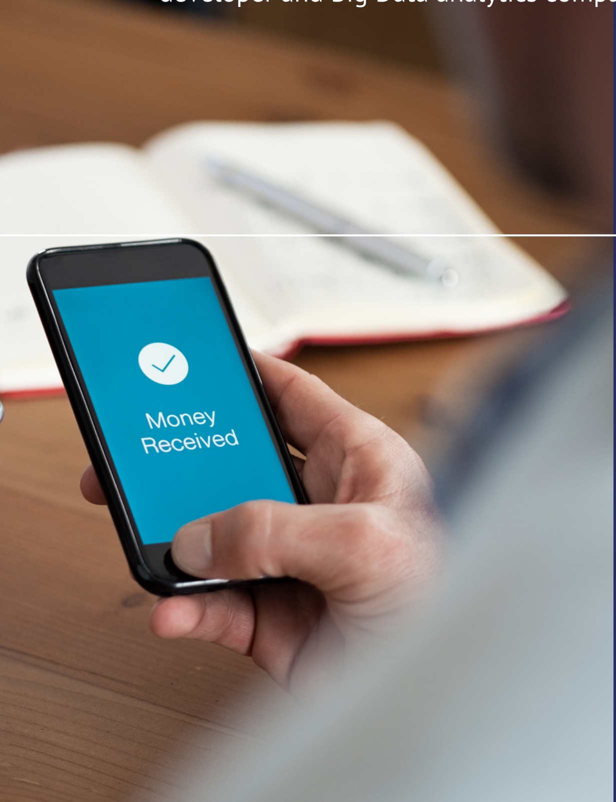


This is how Regulatory Technology (RegTech) came into being, with the purpose of facilitating compliance for businesses and governments alike. RegTech allows regulators to enforce compliance in a systematic, data-driven manner and is taking over the regulatory landscape by storm. According to a recent report published by Allied Market Research and covering the 2020-2027 period, the size of the global RegTech market was valued at $5.46 billion in 2019. This report also states that the market is expected to reach $28.33 billion by 2027, growing at a CAGR of 22.3% over the period under review. If we add to the findings of this report the World Bank's statement about the capacity of a robust regulatory framework to boost GDP growth by more than 2% annually, we can glimpse a promising future for RegTech companies.

RegTech helps governments, regulatory authorities and companies in their efforts to ensure compliance and combat fraud in the telecom and financial services sectors. In Africa, the increasing demand for this type of technology has given rise to a number of startups that strive to meet this demand through continuous innovation. Several African countries have already implemented, or are in the process of implementing, digital systems that aim to monitor national and international telecommunications traffic, with a view to supporting revenue assurance, combating network fraud and cybercrime, as well as enforcing billing integrity.

Among these systems are Global Voice Group's flagship product suites, Visio and FIN X. Global Voice Group (GVG) is a leading regulatory technology developer and Big Data analytics company.



Its contribution to the RegTech landscape is twofold: not only does it design and develop digital RegTech solutions for governments and regulatory authorities, it also supports up-and-coming African startups through the investment fund it created in 2020.

The Visio Suite was primarily designed to effectively support all aspects of telecom regulation, while FIN X uses a cutting-edge digital approach to the growing issue of digital transactions compliance.

Visio Suite enables telecom and financial authorities to obtain reliable and accurate data directly from the relevant sectors, thus providing them with the means to successfully address critical challenges such as revenue assurance, regulatory monitoring and compliance in both the telecom and mobile Internet ecosystems.

As for the FIN X platform, its digital platforms provide governments, banking authorities and financial intelligence units with full metrics and actionable information regarding mobile money and remittances. These two platforms process and analyze 8 billion transactions on a daily basis, which gives the authorities the means to tackle problems such as telephone fraud, money laundering and terrorism financing.

In the light of the above, it is easy to see why RegTech is on the rise in the telecom and financial services sectors. According to PricewaterhouseCoopers, the adoption of RegTech is likely to continue to accelerate, with a marked interest for financial crime surveillance, consumer compliance and enterprise risk management. However, in addition to the benefits it brings in terms of efficiency, productivity and reactivity, RegTech enables governments and regulatory authorities to create socioeconomic opportunities for their respective country and population, by taking away the need to focus on administrative loads.

About

Founded in 1998, GVG is a world-class provider of ICT and RegTech solutions whose main offices are situated in Spain and South Africa. Through Big Data analytics, GVG helps governments and authorities make a success of their digital transformation and efficiently promote compliance and true inclusiveness in the digital ecosystems. GVG monitors, collects and analyses the data originating from crucial economic sectors, and transforms them into actionable information, thus ensuring that the decision-making process is based on reliable data.

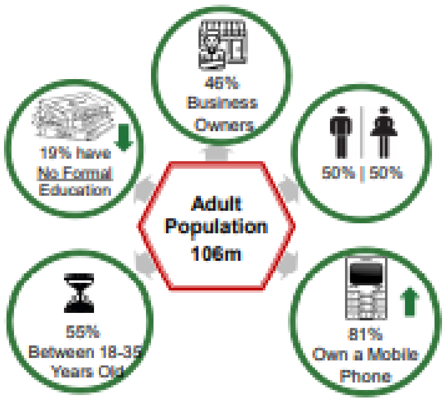
Key Highlights of EFInA Access to Financial Services in Nigeria 2020 Survey

Nigeria's high rural, female, youth, and dependent adult population has implications for financial inclusion

The Nigerian adult population (18 years and above) is 106 million

Of this adult population:

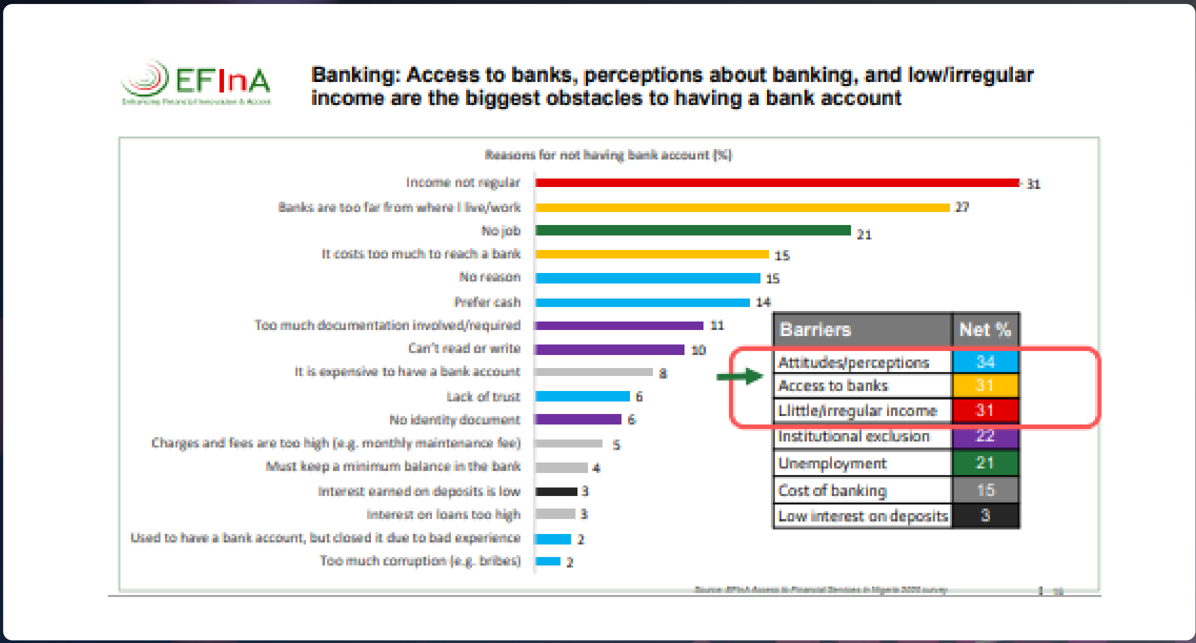
- About two thirds (70m) live in rural areas
- 59m (55%) are 35 years and younger
- 20m adults (19%) have no formal education
- 4.9 average household size
- 1.6 average income earners per household

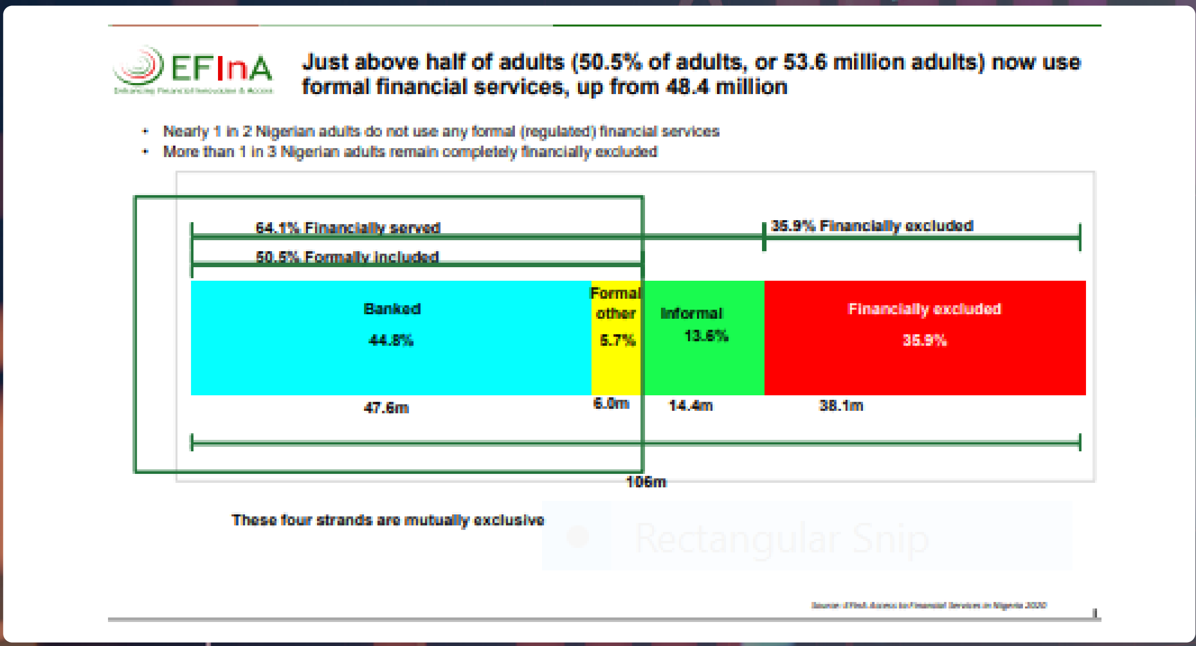


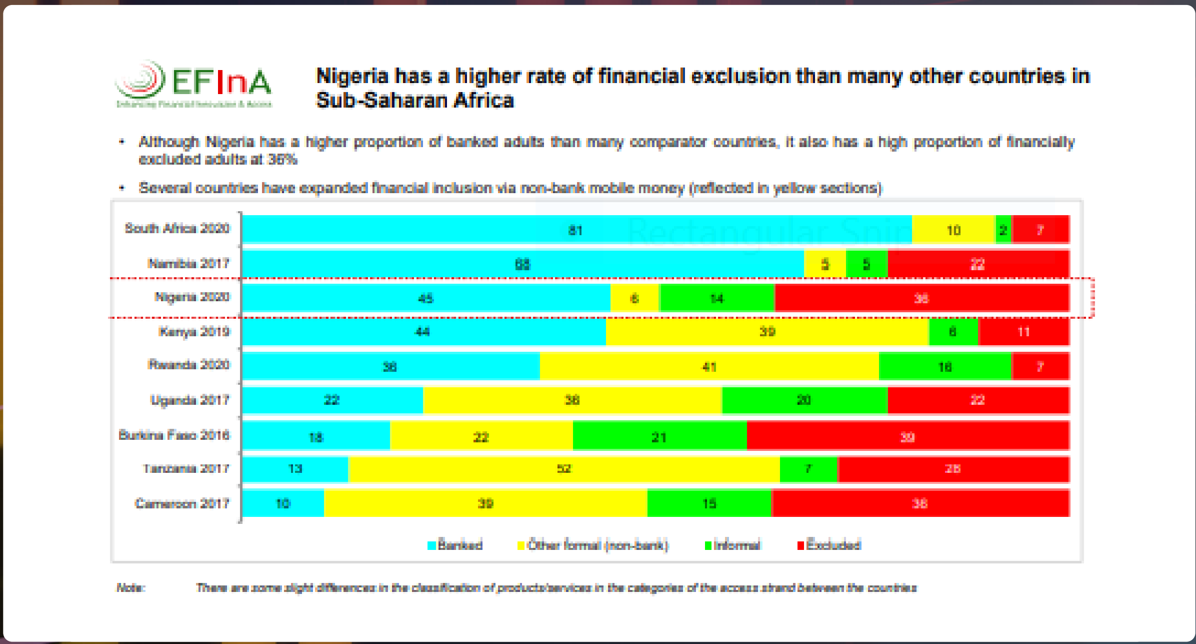
Bank growth is driven by use of digital financial services, savings, remittances, and agents

	2016 (Total population 96 million)	2018 (Total population 100 million)	2020 (Total population 106 million)	% DIFF (2018-2020)
Banked population	**38%**	**40%**	**45%**	**+5%**
Remittances	24%	22%	25%	+3%
Savings account	28%	21%	27%	+6%
Payments	12%	16%	29%	+13%
Receive income	8%	10%	12%	+2%
Loan with a bank	3%	1%	2%	+1%
Banking agents	3%	3%	19%	+16%

SOURCE: EFINA







SOURCE: EFINA

While overall financial inclusion continues to grow incrementally, progress has been too slow to meet National Financial Inclusion Strategy targets

* The NFIS target is: *Reduce financial exclusion rate of adults to 20% by 2020*

	Focus Areas	Target by 2020	Status as at 2010	2012	2014	2016	2018	2020	Variance to 2020 Target
% of Total Adult Population	Payments	70%	22%	20%	24%	38%	40%	45%	-25%
	Savings	60%	24%	25%	32%	36%	24%	32%	-28%
	Credit	40%	2%	2%	3%	3%	2%	3%	-37%
	Insurance	40%	1%	3%	1%	2%	2%	2%	-38%
	Pension	40%	5%	2%	5%	7%	8%	7%	-33%
	Formally served	70%	36.3%	43.0%	48.6%	48.6%	48.6%	50.5%	-19.5%
	Financial Exclusion	20%	46.3%	39.7%	39.5%	41.6%	36.8%	35.9%	-15.9%

DEFINITION OF INDICATORS

Payments: % of adult population that has a transaction account with a regulated financial institution and/or has made an electronic payment through a regulated financial institution in the last 12 months

Savings: % of adult population that has a savings-related product at a regulated financial institution and/or has saved through a regulated financial institution in the last 12 months

Credit: % of adult population that has had a credit product through a regulated financial institution in the last 12 months

Insurance: % of adult population that is covered by a regulated insurance policy

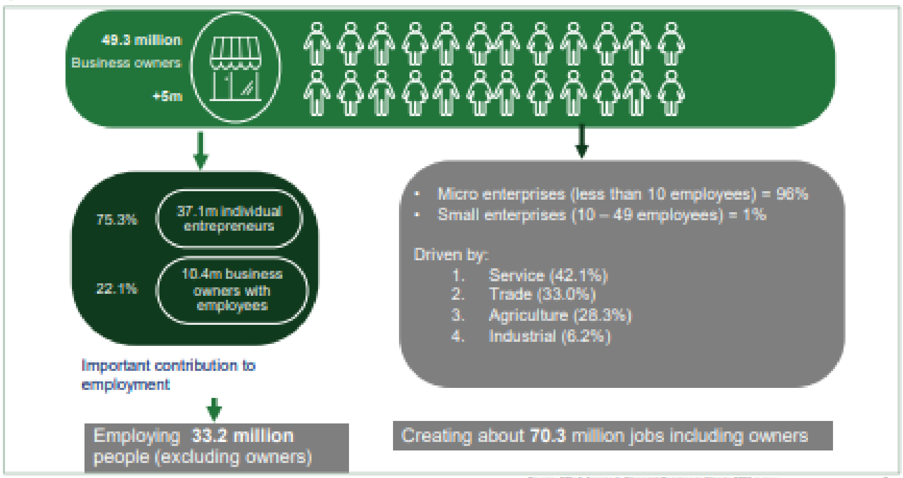
Pension: % of adult population that is contributing to a regulated pension scheme or receiving a pension through a regulated pension scheme

Source: EFInA Access to Financial Services in Nigeria 2020 survey

Key Findings

- Despite challenging economic circumstances, financial inclusion continued to grow incrementally, with more than half of Nigerian adults using formal (regulated) financial services for the first time
- However, at the current rate of progress, the National Financial Inclusion Strategy targets for 2020 will not be met until around 2030
- Stubborn access gaps have persisted since 2008 for the most excluded groups: women, Northern Nigerians, Nigerians in rural areas, and youth
- The main barriers to financial inclusion remain institutional exclusion, affordability, access, and low awareness
- In 2020, we saw faster growth in banking, use of financial service agents, and use of digital financial services
- Use of informal financial services also grew, with many Nigerians continuing to use a combination of formal and informal financial services to meet their needs
- Only about 1 in 4 Nigerian adults are considered financially healthy (27%), while 39% are coping and 34% are financially vulnerable
- Growth in digital financial services, agent networks, and mobile phone ownership (now at 81%) highlights the opportunity to drive faster financial inclusion growth through digital financial services such as mobile money

Economic challenges and retrenchments could have resulted in more micro business owners, mainly within the service sector



Source: EFInA Access to Financial Services in Nigeria 2020 survey

Diversity & Inclusion:

An innovative regulatory compliance imperative

BY: LORRAINE K. MASINDE

The other day as I began my research on the subject topic, I came across someone saying that it's about time the whole world stops preaching about diversity and inclusion and starts actually DOING specific things to ensure that we achieve global diversity and inclusion. This led me to wonder whether there are any global standard measurable scientific-backed or fact-backed matrices that we can specifically use to calculate the level of diversity and inclusion in the tech industry and specifically in the RegTech space.

Is diversity itself too 'diverse' to measure and weigh from a success perspective?

Below are my various perspectives on the issue of diversity and inclusion in the regtech space:

A Diversity and Inclusion Gender Perspective:

According to a 2018 report from the National Center for Women & Information Technology, 57% of the U.S. workforce is made up of women, but only 26 percent of technology-related positions are held by women. In another separate report, it is confirmed that "female participation in the RegTech industry has grown over the last few years, with women now accounting for up to 35 per cent of the RegTech workforce, but there is more to do – especially when it comes to women moving into leadership roles."

I hold the unpopular view that generally, either gender should not have unfair advantage when it comes to sharing the pie or accessing resources, but they need to be empowered enough so that they can compete on the same level. In this regard, the question we should be asking ourselves is what we can do specifically to increase participation of women in the innovative regulatory compliance industry. Should we have female-specific boot camps and accelerator programs?

A Diversity and Inclusion Gender Perspective:

One of the key measures of inclusion is access. The importance of an enabling environment and the habits that create it cannot be overstated. There is a huge opportunity for the RegTech industry to grow economically and physically by increasing its diverse workforce regionally.

This can only be achieved if there is a fair competitive field. An entrepreneur with a startup idea in Africa should be able to access the same resources to learn and grow as one in Silicon Valley. In a report by the Catalyst Fund on the State of Fintech in emerging markets, FinTech investment has increased across emerging markets over the last five years, totaling $23B across regions.

However, funding by region is unequal. The number of pre-seed and seed deals is increasing, but the average size of these deals also varies across regions. Region also impacts the startup ecosystem in the sense of building sustainable high-growth companies in developing countries. A report by the GreenTec Africa Foundation, indicates that the Africa's startup failure rate stands at 54.2% as compared to 67% and 90% in the US and India ecosystems respectively. Which begs the question, are developing country ideas, products and services inferior or is there a bigger problem?

A Diversity and Inclusion Race, Ethnicity, Discrimination and Socio-Economic Status Perspective

It was once said "Put a variety of world views into one room and you will come out the other side with better ideas." Tech giants such as Facebook, Google and Microsoft are currently working together and providing a global perspective on diversity and inclusion through policy formulation and choice of projects they get involved in. This has fostered productivity and creativity and is an initiative startups should pick up on too. It has also reduced fear, improved performance, had a global impact and boosted their brand reputation. Sadly, more needs to be done because despite all these good initiatives we are still experiencing workplace discrimination (unfair hire practices), harassment, disability and race/color discrimination. Access to knowledge and tools by citizens of countries with a lower socio-economic status has also been an ongoing challenge.

According to a 2018 report from the National Center for Women & Information Technology, 57% of the U.S. workforce is made up of women, but only 26 percent of technology-related positions are held by women. In another separate report, it is confirmed that "female participation in the RegTech industry has grown over the last few years, with women now accounting for up to 35 per cent of the RegTech workforce

Realistic Initiatives

Simply put, my imperative on diversity and inclusion in the innovative regulatory compliance space is:

1. We need Standard Global Matrices to measure diversity and inclusion;
2. We need accountability for international approaches instead of tokenism in regtech; and
3. We need to bridge the knowledge gap in order to start truly reaping from the benefits of diversity and inclusion.

About

Lorraine K. Masinde
Title: Founder/Senior Compliance Consultant
Company: Regtech Compliance

Why a platform business model is key to digital transformation in emerging markets

Platform business models are key to thriving in emerging markets as they create operational efficiencies, foster innovation, and encourage go-to-market excellence. According to Clayton Hayward, CEO of Ukheshe Technologies, a leading fintech enablement partner, the platform economy opens up a whole new world of opportunities for solution driven businesses.

Having evolved over the years, today's platform economy has led to a new breed of digitally driven, disruptive business models. The most distinctive characteristic of this new model is the ability to expand into new markets by simply making the platform available within new territories.

Ukheshe's own journey began in 2018 as a SMME focused digital banking platform, established to address financial inclusion. Millions of people in South Africa, and billions in developing markets globally are underserved by the mainstream financial services sector, making it ripe for new technologies and solutions that upend traditional business models.

Latin America, Africa and South East Asia will continue to grow and drive innovation into the fintech sector simply due to the scale of the opportunities in these markets. Having unique insight into the challenges of financial inclusion, it became clear that Ukheshe could make a far more substantial impact as a digital-first fintech enablement partner.

By forming strategic partnerships with banks, telcos, and other financial services providers, we enable these organisations to become more agile and quickly pursue financial inclusion for their customers with tailor made payment solutions.

While disruption and rapid change are inevitable and should be encouraged, the platform business model also lends itself to an environment in which the real benefits of strategic cooperation, rather than outright competition simply for its own sake, can be realised as well. This is a promising outlook for emerging economies, where the need for solutions to real-world pain points in various sectors such as health, agriculture, and financial services, among others.

Embracing a platform business model that drives digital transformation has allowed Ukheshe to develop a solid value proposition as a market leading fintech enablement partner. Rather than compete with major institutions, traditional banks and telcos who may not have the time and resources to build their own fully integrated SaaS platforms, Ukheshe has responded with fully integrated solutions that fast tracks financial inclusion for them.

The need for development in key sectors presents a myriad of exciting opportunities for astute business leaders, both foreign and domestic, to launch and expand their operations in developing markets in Asia, Latin America, Central and Eastern Europe, the Middle East, and Africa. These are regions where growth is rapidly shifting from industrialisation to technology-fuelled digital transformation.

Ukheshe's own aptitude for bringing innovative payment technologies to traditional issuers and acquirers while enabling major organisations to solve numerous legacy payment challenges speaks for itself as the companyexpands its operations in new markets across the globe.

Financial services play an important role in promoting economic growth and reducing poverty and social inequality at thegrassroots level. In this exciting and dynamic environment that the most sustainable and competitive companies are those that come up with the business models and technology to fit local needs.

By forming strategic partnerships with banks, telcos, and other financial services providers, we enable these organisations to become more agile

About

Cayton Hayward, // CEO Ukheshe Technologies

CEO of Ukheshe Technologies, a leading fintech enablement partner, the platform economy opens up a whole new world of opportunities for solution driven businesses.

Value is all about turning aspirations to reality through lifestyle enabling solutions – The valU advantage.

The ValU advantage

valU is an innovative FinTech platform providing consumer finance to enable on-the-go purchase power and connectivity to a wide network of 3,000+ retail and online stores. valU is an industry leader offering a one-of-a-kind experience in bridging the gap between customers' purchasing power and their aspired lifestyle. valU allows customers to seamlessly and instantly purchase, whether in-store or online, their desired products and services on flexible payment plans from 6 to 60 months.

Through its innovative, fully-automated, and one-of-a-kind rule engine, valU is the first mobile app to offer the fastest credit assessment and approval process with minimal documentation to provide instant limits to customers that they can use to make purchases instantly. valU's unique rule engine allows it to offer the easiest and fastest onboarding and transaction process to customers, which enables them to activate their accounts, use the mobile application and conclude their transaction in a few minutes.

In addition to valU's revolutionary rule engine, valU has also introduced other technologically innovative products to the market including the first electronic gift card in Egypt, namely To-U, which allows valU and non-valU customers to transfer gift card balances to others enabling them to pick the gifts of their choice. This is in addition to introducing the first digital cashback solution in Egypt, which acts as a promotional tool for valU.

Additionally, valU has launched Waqty, which is the first and sole online payment method in Egypt to provide instant transactional approval without any documents, booth visits, or even waiting time required. Acting as a new onboarding channel for valU, Waqty gives access to a new breed of customers in order to grow valU's base by serving even the population who cannot get access to financing elsewhere. Waqty was also introduced to substitute cards by avoiding the unfavorable situations that occur when paying using cards, which includes insufficient card balances, full blocking of the transaction amount, or even cards powered by banks, which do not offer installment services.

valU also invested in making the customer experience on valU app more engaging to our customers, which was achieved by partnering with Insider Mobile in order to have personalized and customized communication to its customer base dedicated to target specific segments based on different factors. Launching its new mobile app powered by Insider's AI technology, valU is now able to send customized push notifications/in-app pop-ups to users based on their different characteristics and profiles.

Finally, valU has launched its own online platform, Shop'IT, which provides valU customers with more convenience by ordering from their favorite stores, even stores who do not have e-commerce websites, while slicing their payments on flexible payment plans up to 60 months. Not only that, but Shop'IT also offers exclusive prices and bundles for valU customers providing extra value-added feature when shopping on the website. Complementing the mobile app and website, Shop'IT launch goes in line with valU's aim to be an available and accepted payment method in-store and online almost everywhere serving a wide range of customers.

About

MOHAMED EL-SHABRAWY // CEO valU

Mohamed comes with 19+ years of commercial business experience, mostly in financial institutions with focus on business and products development for mass segments. He is the as CEO of valU, Egypt.

Game Changers

Special Interview with: Stephan Wolf, CEO, Global Legal Entity Identifier Foundation (GLEIF)

What are Legal Entity Identifiers (LEI) all about?

Legal Entity Identifiers (LEIs) are all about enabling the identities of legally registered organizations to be verified quickly and efficiently by anyone, anywhere.

The LEI itself is a 20-character, alpha-numeric code based on the ISO 17442 standard. It uniquely identifies legal entities that engage in transactions, helping to create greater transparency in the marketplace.

What is the role of the Global LEI Foundation (GLEIF)? And what problem is it trying to solve?

The Global Legal Identifier Foundation (GLEIF) was established in 2014 to help regulators worldwide identify parties in transactions across markets, products and regions. Today, GLEIF is a non-for-profit organization with a broader vision: Each business worldwide should have only one global identity.

What has been the growth trend and adoption of the LEI especially in Africa and other emerging markets?

LEI adoption in emerging economies has accelerated in recent years. In 2020, China and India, for example, were the top two countries for LEI growth, increasing by 182% and 45.6% respectively.

Currently, the LEI is mandated in certain capital market transactions in Nigeria and South Africa. Awareness and appetite to take up the LEI are both on rise in Africa, with adoption up 40% over the last two years.

How can innovative regulations be leveraged to accelerate the adoption process?

Having the LEI mandated in regulation will enable innovative technologies and digital processes to help the financial sector extend its common language across a wide range of use-cases.

The Reserve Bank of India, for example, is the first financial body globally to mandate the LEI for beneficiary and originator information in the payment messages of large value transactions.

Why is the LEI important to Africa's economic growth?

African financial institutions face several obstacles to increasing trade finance, principally in transparency in business relations. It is vital to establish a trusted, globally recognized system for entity identity to facilitate financial inclusion.

The Global LEI System gives potential business partners of SMEs easy access to the organization's key data. Once registered, the SME's reference data is recognized universally, available as open data, and distributed electronically free of charge.

Using the LEI to identify legal entities in cross-border trade could significantly reduce both cost and effort in data reconciliation.

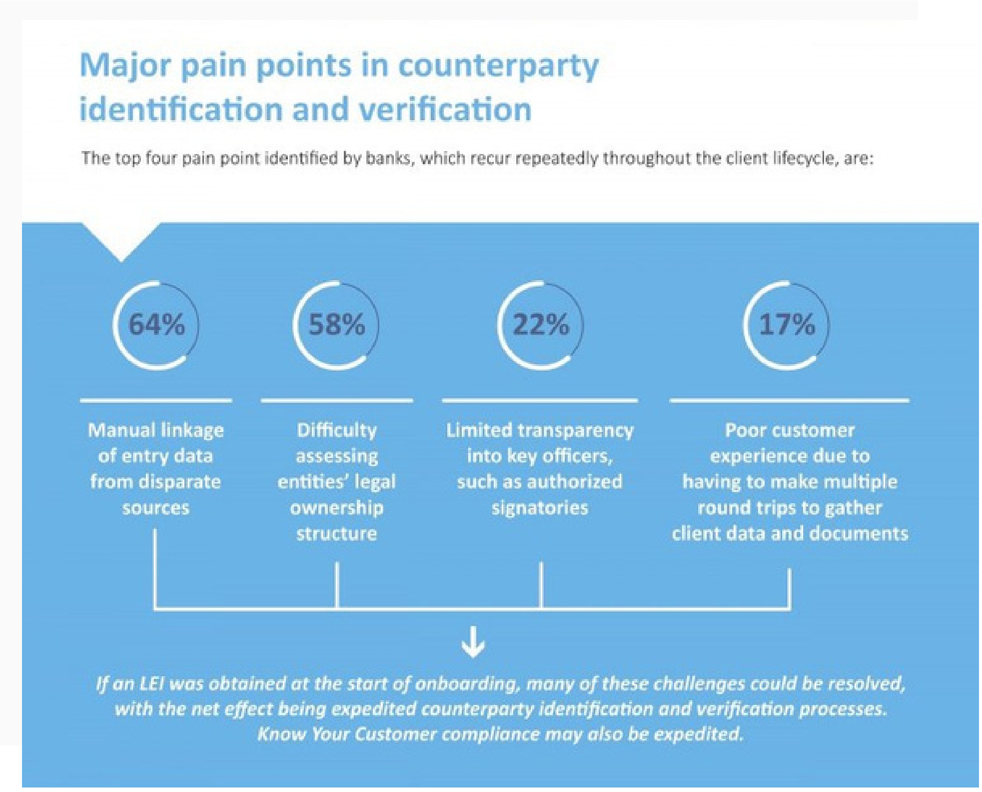
How Can Financial Institutions unlock the value of the LEI?

GLEIF recently launched the Validation Agent role, which helps to realise the LEI's full potential. It allows financial institutions to leverage existing onboarding processes to obtain an LEI for their customers.

Doing so delivers a variety of cost, efficiency and customer experience benefits by simplifying the issuance process and enabling digital innovation.

What is the transformative role of LEI in enhancing bank customers' onboarding process?

A research report, produced for GLEIF by Loudhouse, found that financial institutions use around four different identifiers during onboarding. This leads to inconsistent information, draining resources and inhibiting transparency due to the lack of a standardized approach to legal entity verification.



The LEI overcomes this problem. A recent report by McKinsey highlighted that financial institutions using the LEI can shorten time-to-revenue by up to seven days by enabling faster onboarding, improve client retention via a better customer experience.

What are the long-term strategic plans for GLEIF?

GLEIF is extending the Global LEI System to create a fully digitized and cryptographically verifiable LEI (vLEI) capable of enabling instant and automated identity verification between parties. This will enable organizations to use non-repudiable identification data pertaining to their legal status, ownership structure and authorized representatives in a huge number of digital activities.

About

Stephan Wolf is the CEO of the Global Legal Entity Identifier Foundation (GLEIF). Between January 2017 and June 2020, Mr. Wolf was Co-convener of the International Organization for Standardization Technical Committee 68 FinTech Technical Advisory Group (ISO TC 68 FinTech TAG). In January 2017, Mr. Wolf was named one of the Top 100 Leaders in Identity by One World Identity.

He has extensive experience in establishing data operations and global implementation strategy. He has led the advancement of key business and product development strategies throughout his career.

Mr. Wolf co-founded IS Innovative Software GmbH in 1989 and served first as its managing director. He was later named spokesman of the executive board of its successor IS.Teledata AG. This company ultimately became part of Interactive Data Corporation where Mr. Wolf held the role of CTO.

Joining the Gaps across Africa: Accelerating Digital Financial Services in Unusual Times

Year 2019 marked a watershed year for commerce across Africa, as the African Continental Free Trade Agreement (AfCFTA) entered into force on May 30, 2019 and became operational on July 7 of the same year. This was greeted with a lot of optimism across the continent, considering the huge implications of the pact for intra-continental trade.

The buoyancy suddenly took a hit, with the outbreak of the COVID-19 pandemic in 2020. However, despite the initial setback occasioned by the disease, AfCFTA finally took off on January 1, 2021, as trading between countries on the continent commenced on that date.

If there is one factor that is integral to the success of the Agreement, it is the availability of multiple payment options for the exchange of goods and services among countries. Bearing in mind that the continent does not use a single currency, it was crucial to device settlement alternatives that would be acceptable to all countries, without having to use the US dollar as the unit of exchange.

Afreximbank, through the Pan-African Payment and Settlement System (PAPSS), a centralised payment and settlement infrastructure for intra-African trade and commerce payments, is trying to address this challenge of payment. The innovative strength of African fintech companies will certainly play an essential role to accelerate this laudable effort.

A leading fintech company in Africa that is poised to deliver value on the continent and take advantage of intra-African trade is Accelerex Holdings Group. Staying true to its mantra of simplifying everyday life across Africa through innovation, the company has a bouquet of unique digital payment products and solutions that bring businesses closer to their goals.

One of the cardinal products of its subsidiary, Accelerex, helping to connect the payment gaps across Africa is Rexpay, an online payment gateway that helps online merchants receive payments in a fast, convenient and secure manner. The product has proven very critical to online sellers who use social media as their preferred sales channel. With Rexpay, their customers can pay via card, account, USSD or QR. They can also receive single and bulk payments without any additional API integration.

For businesses selling their products across the African continent, Rexpay accepts payments from international cards.

This takes away any limitation that could have arisen from payments between two countries, thereby facilitating the ultimate objective of AfCFTA.

Accelerex Holdings also caters to the needs of the financially excluded through its agent banking subsidiary, Accelerex Network Limited (ANL). With close to 20,000 agents across Nigeria, ANL is fast-tracking the Central Bank of Nigeria's goal to achieve 95% financial inclusion by 2024.

The company's effort is being complemented by Accelerex Agent Network Platform (ANP), a unique platform that facilitates the effective management of agent banking businesses.

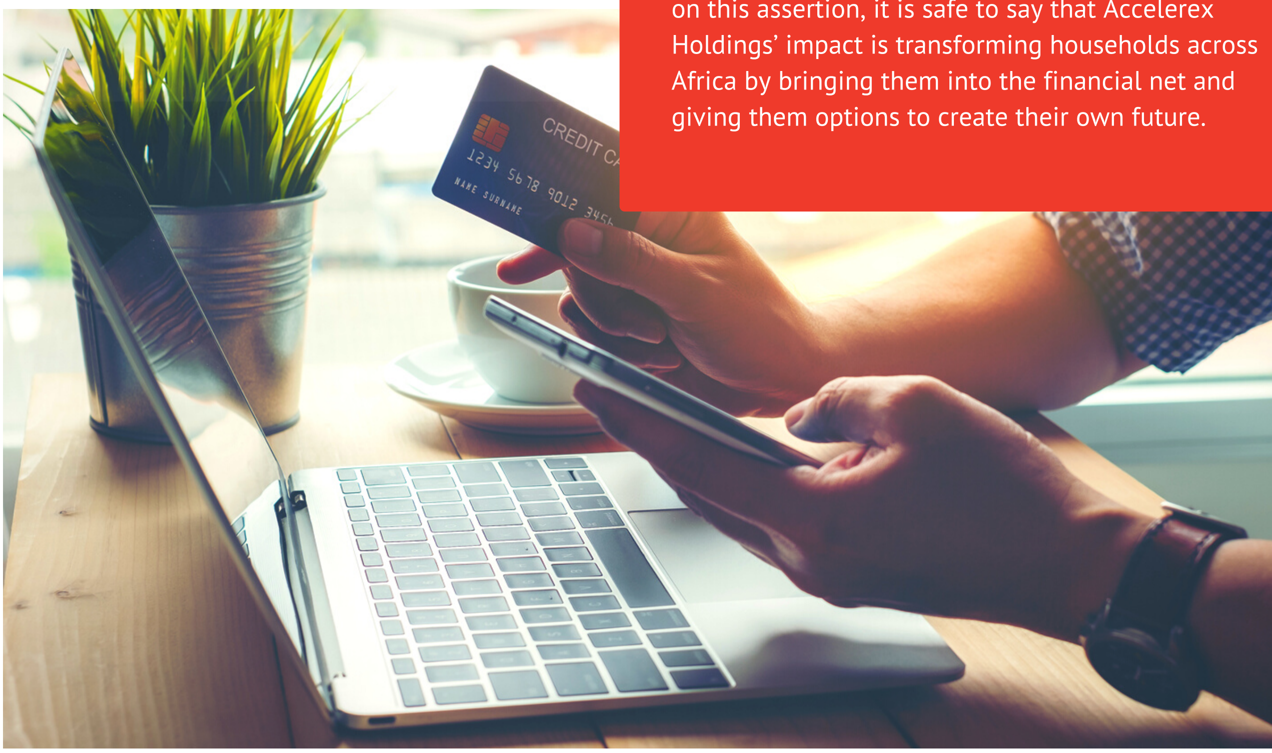
About

Accelerex Holdings Group is the leading provider of innovative products that drive financial inclusion and empowers businesses in Africa by facilitating secure and creative digital payments and financial solutions. With offices in Nigeria, Ghana and Kenya, the group simplifies everyday life across Africa with the bespoke e-payment solutions it delivers to businesses and consumers. Its complementary agent banking and microfinance subsidiaries propel financial inclusion on the continent and gives business owners control over their operations. Accelerex Holdings provides different business verticals the support and payment tools they need to succeed, by offering products and services that are strategic to the 21st century marketplace.

It integrates with different payment channels such as PoS, Mobile App and USSD simultaneously to perform financial operations including pool account operation, cash withdrawals, cash deposits, fund transfers, account opening, bill payments and other related financial services.

As part of Accelerex Holdings' strategies to fast track AfCFTA, it is expanding its footprints across Africa, with operations currently in Ghana and Kenya. It has set machinery in motion to spread to more African countries in the next one year, thereby placing it in a better standing to provide these services on a continental level.

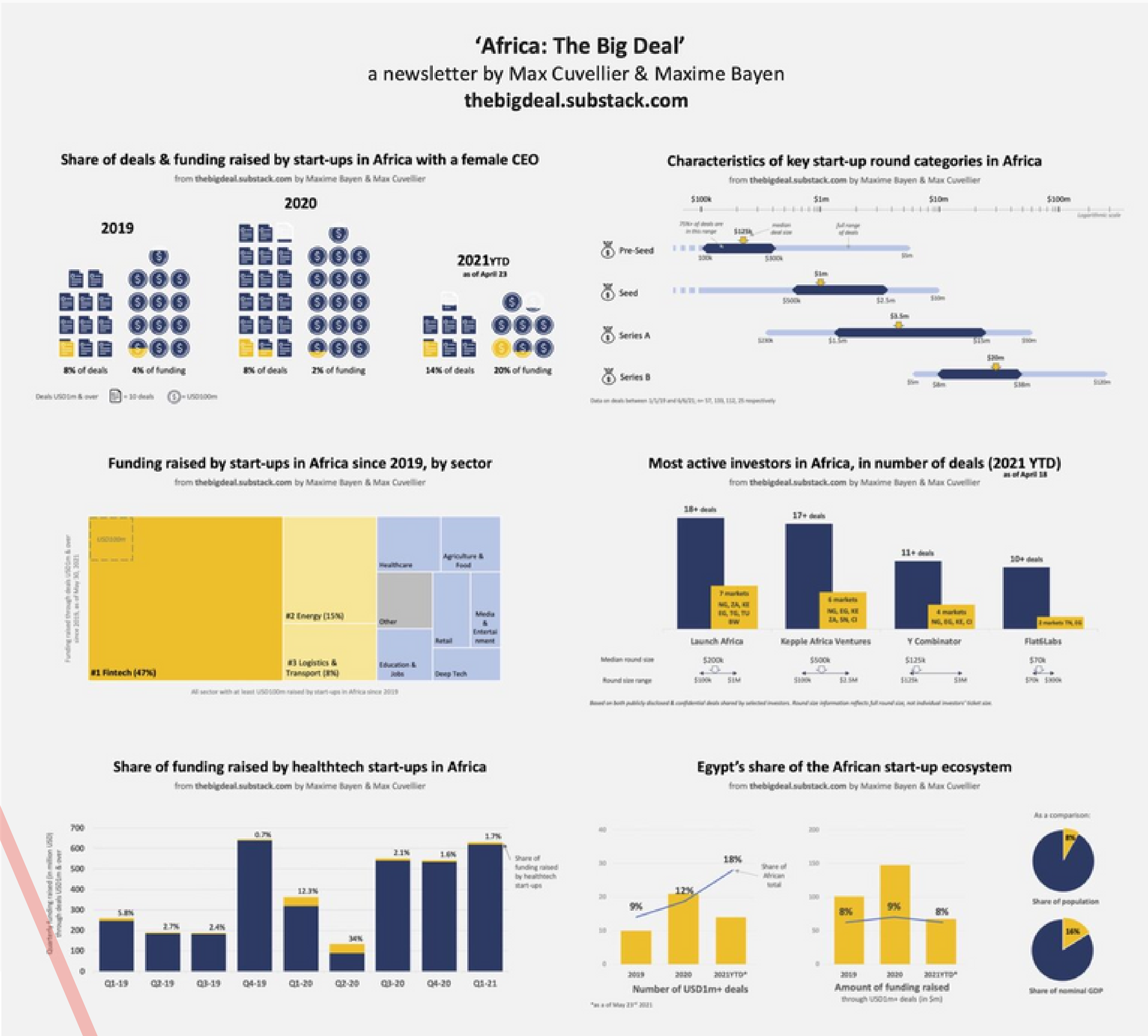
According to a 2014 publication by Mastercard, "bringing basic financial services to the financially excluded and underserved is clearly an obvious commercial opportunity, but more importantly, it's a meaningful opportunity for society as well." Based on this assertion, it is safe to say that Accelerex Holdings' impact is transforming households across Africa by bringing them into the financial net and giving them options to create their own future.



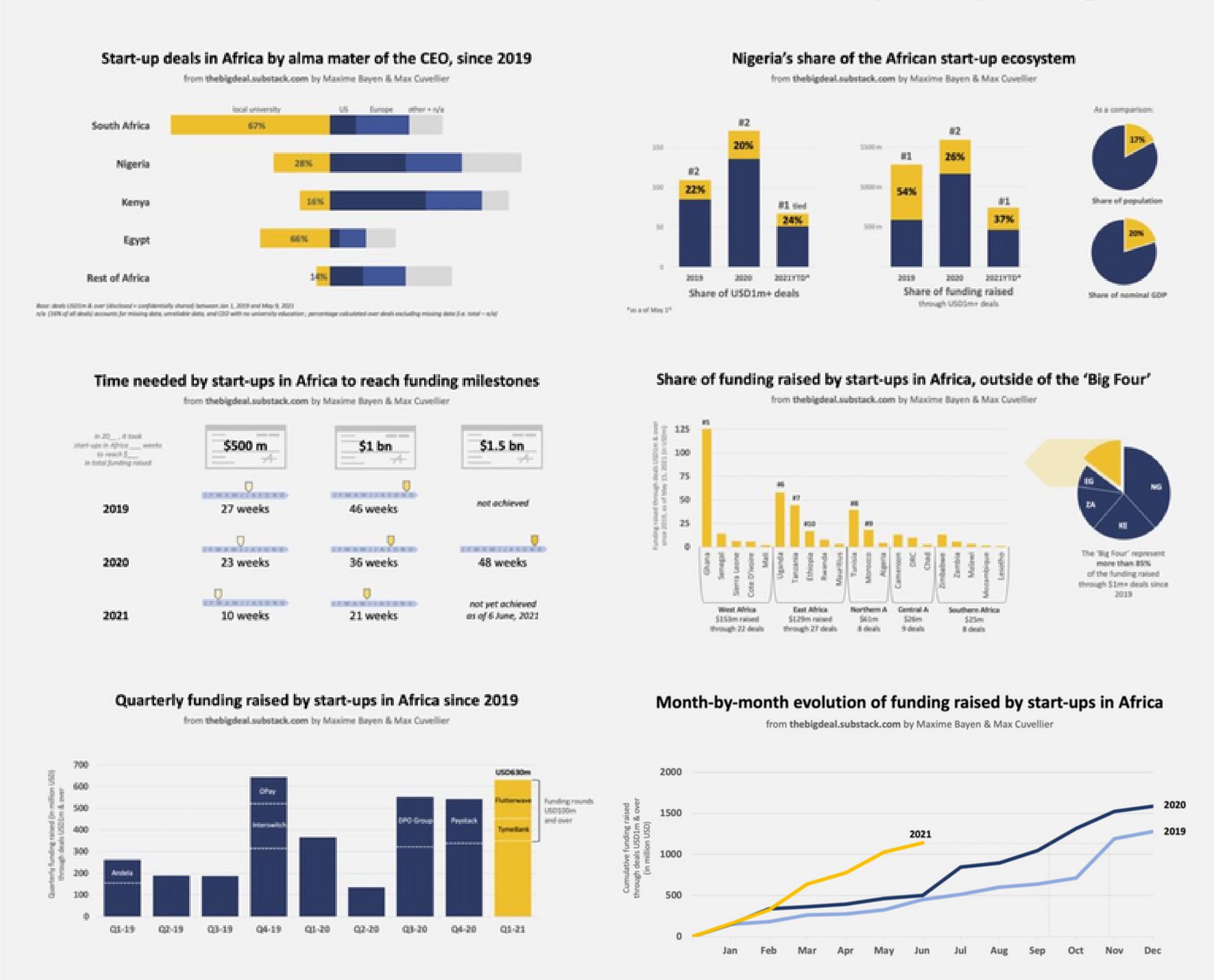
H1(2021)

Investment & Deal landscape

- Who are the most active investors in #Africa?
- How big is the typical Series A round?
- How much harder is it for a female CEO to raise?
- What sectors attract the most funding beyond #fintech?
- Which country could eventually outrank #Nigeria?



Source: the bigdeal.substack.com


Start-up deals in Africa by alma mater of the CEO, since 2019
from thebigdeal.substack.com by Maxime Bayen & Max Cuvellier
South Africa
Nigeria
Kenya
Egypt
Rest of Africa
Nigeria's share of the African start-up ecosystem
from thebigdeal.substack.com by Maxime Bayen & Max Cuvellier
Share of USD1m+ deals
Share of funding raised
Share of population
Share of nominal GDP
Time needed by start-ups in Africa to reach funding milestones
from thebigdeal.substack.com by Maxime Bayen & Max Cuvellier
$500 m
$1 bn
$1.5 bn
2019
27 weeks
46 weeks
not achieved
2020
23 weeks
36 weeks
48 weeks
2021
10 weeks
21 weeks
not yet achieved as of 6 June, 2021
Share of funding raised by start-ups in Africa, outside of the 'Big Four'
from thebigdeal.substack.com by Maxime Bayen & Max Cuvellier
Quarterly funding raised by start-ups in Africa since 2019
from thebigdeal.substack.com by Maxime Bayen & Max Cuvellier
Month-by-month evolution of funding raised by start-ups in Africa
from thebigdeal.substack.com by Maxime Bayen & Max Cuvellier
2021
2020
2019
Jan
Feb
Mar
Apr
May
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Jul
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Nov
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AFRICA BANK 4.0 SUMMIT 4
July 28 & 29' 2021
100% Virtual Event | East Africa
14:00hrs till 18:00hrs East Africa Time (+03:00 GMT)
Organised by
BII WORLD
Engage • Enlighten • Empower
Media Partner
RegTech AFRICA®
Showcasing Excellence In Regulatory Innovations
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www.africabanksummit.com

A bird eye view on the future of microfinance institution in Nigeria

In the advent of technology in Nigeria, technological innovation and the need to create wealth ensured the penetration of technoprenueurs. Technopreneurs had made several efforts in innovating the financial industry through compatible financially enabled devices such as mobile phones, laptops etc.

In the wake of mobile phones and with its permeated usage among the tech-savvy middle-aged individuals, mobile banking innovation has ensured financial institutions in Nigeria, most especially Microfinance Banks (MFBs) penetrate a new aspect of its consumer spectrum thus, fulfilling the National Financial Inclusion Strategy (NFIS) which aims at ensuring 80 percent of bankable adults have access to financial services.

Microfinance banks are financial service banks geared towards providing micro-credit for individuals, small-scale businesses and organizations. It is aimed at the economically active poor and unbanked persons.

The Microfinance Policy, Regulatory and Supervisory Framework for Nigeria 2005 established MFBs as a means of formalizing Microfinance institutions (MFIs) to promote financial discipline and sustainability, while also providing access to financial services to the unbanked population.

The need to reposition and strengthen Microfinance banks towards improved performance through technological innovation made it apparent for the Central Bank of Nigeria (CBN) to release a Guideline for the Regulation and Supervision of Micro Finance Banks in Nigeria 2020.

n the wake of mobile phones and with its permeated usage among the tech-savvy middle-aged individuals, mobile banking innovation has ensured financial institutions in Nigeria, most especially Microfinance Banks (MFBs) penetrate a new aspect of its consumer spectrum thus, fulfilling the National Financial Inclusion Strategy

In recent times, MFBs are marred with several limitations preventing them from achieving the objective in the CBN's guideline, some of which includes lack of investment portfolio, over-regulation and stifling actions. Interestingly, the CBN guideline which provides for registration of tier 1 and tier 2 MFBs restricts their branches to be within the same vicinity or contiguous local government area.

The implication is MFBs will not reach a wider consumer spectrum as opposed to commercial banks hence depriving unbanked adults the provision of financial services. Furthermore, the intention of the NFIS will be defeated as it goes into the nitty-gritty of establishing MFBs as such; micro-credit, savings and loans for small-scale enterprises are exempted from reaching rural Nigeria.

With recent development in the tech space, persons in rural areas use smartphones and social media as a result, they are well aware of the global technological growth.

This population of middle-aged tech-savvy individuals can operate banking apps when taught, as well as possess ATM Cards; this is due to its affordability and usability. MFBs innovation through digital banking apps can be used as a getaway to reaching unbanked areas of the economy hence creating an inclusive regime for rural Nigeria thereby skyrocketing the bankable adult with access to financial services.

Although it is worthy to note that MFBs can operate card schemes as it was neither stated in its permissible and non-permissible activity hence, it is presumed and of the interest of the economy if they operate both virtual and physical card schemes like other financial institutions capable of issuance and processing of debit cards.

Conclusively, there is a large legal environment for Fintech in MFBs as it drives an inclusive and innovative perspective for banks hence, ensuring they key into emerging trends while reaching a wider consumer spectrum.

This expounds the limited capacity of Microfinance banks in line with section 3.0 of the CBN Guideline for MFBs. It is worthy to note that some MFBs e.g. Kuda MFB, V MFB, etc. had provided Fintech inclusion in their banking operation hence, leveraging the consumer spectrum of rural Nigeria without necessarily creating a banking branch.

About

Emmanuel C. Onele // LL. B, BL. Associate, PISTIS PARTNERS LLP. He is very enthusiastic about technological innovation and corporate finance. He can be reached via email on oneleemmanuel85@gmail.com.

Digital Propositions for SMEs:

The imperative for a sustainable structured ecosystem approach

Edwin M Byaruhanga is a Senior Advisor (Africa) at Simon Kucher and Partners, a strategy and marketing consulting firm headquartered in Bonn, Germany. His interests focus on Digital Financial Services and Sustainable Finance and include Digitalization, SME Finance, Agricultural Finance and Strategy.

INTRODUCTION

Generically Small and Medium Enterprises can be defined as a business (privately owned and profit-oriented), firm (public or non-profit oriented) or company organized with more than one person that combines resources for the production and supply of goods and services.

Internationally there are various definitions of SMEs. Definitions by multilateral institutions such as the World Bank and European Union. According to the World Bank, SMEs represent 90% of businesses, more than 50% of employment worldwide and contribute up to 40% of national income in emerging economies. (https://www.worldbank.org/en/topic/smefinance)

UNDERSTANDING SME NEEDS AND IMPACT OF THE PANDEMIC ON SMES

Traditionally the main challenges of SMEs have been; accessing finance, access to markets, however, we now have to take into account the effect of the pandemic across the sector. The effects differ across firms and locations.

SMEs in low-income economies are the largest source of employment and delivery of services therefore disruptions to this segment have had major social and welfare implications for the poor, rural and urban rural populations.

Closure, delayed cash payments, worker exposure to health risks and restricted client engagement have emerged as major constraints during the pandemic. This has led to reduced demand and sales affecting daily sales revenues, the life line of SMEs.

Addressing these constraints will certainly require applying a range of approaches however digitizing SMEs provides us with some solutions to these constraints. We must consider other foundational blocks that are key to building a sustainable ecosystem concerning the digitization of SMEs.

Components of a sustainable ecosystem

POLICY AND REGULATION

Governments play an important role in influencing balanced ecosystems for SMEs. As the authors, implementers of policy and regulation, Governments can enable environments that foster access to finance, specialized tax regimes, spread entrepreneur culture and SME business protection.

Effective competition policies for digital services providers can lower the affordability of internet and digital tools increasing internet adoption and usage for SMEs.

In addition, the Government response to the pandemic impact on SMEs must contain policies that target SMEs with the highest impact because their growth would undoubtedly lead to job creation and economic growth.

BUILDING SME DIGITAL CAPACITY AND SKILLS

It is important to note that SME financial, Digital Literacy and entrepreneur skill levels are low across the market. Building SME skills and capacity through SME capacity building tools is essential. Setting up expert advisory groups to help SMEs improve financial, Digital Literacy, gender aggregated data
based support, entrepreneur skills as well as advising SMEs on how to weather macroeconomic and political changes can be some important intervention methods. This content can be delivered through digital platforms at a relatively low cost of development capital.

TECHNOLOGY AND INFRASTRUCTURE

Internet access is an essential tool for SME businesses to flourish in today's rapidly changing modern economy. Internet access can increase SME productivity, access to markets, service delivery and be a medium for delivering capacity building training.

According to the International Telecommunications Union, internet penetration in Africa was at 29% in 2018, the lowest in comparison to other continents. (North America 88%, Western Europe 84%, Middle East 60%).(A call for infrastructure sharing in Africa, Funke Opeke, https://news.itu.int/a-call-for-infrastructure-sharing-in-africa/)To increase internet access information and technology players will have to share network infrastructure and services.

Notably, electricity is also a key constraint to internet access for SMEs amongst others such as the high cost of internet services driven by ineffective competition policies. We should not forget the affordability of digital tools with access to the internet remains an obstacle to digitizing SMEs, driving product adoption and usage.

FINANCE AND CAPITAL

According to the World Bank Group, Access to finance is a major constraint to SME growth. It estimates that 65 million SME firms (40 %) of formal SMEs in developing countries face a financing gap of $ 5.2 trillion every year.
(https://www.worldbank.org/en/topic/smefinance)
SMEs traditionally source their finance from private funds, cash from family and friends to run their businesses.

SUPPORT

Support to SMEs is a vital component of building a sustainable structured ecosystem. SME growth requires delivery of the right kind of support interventions to SMEs however it is imperative to categorize them correctly. This helps identify the right support beneficiaries for tailored support services creating sustainable productivity and tangible impact.

Defining eligibility criterion of SMEs criteria to receive support interventions such as: -Access to credit lines, Business Development services, matching grants, Specialized tax regimes, SME Management, Access to product markets, Incubator programs, Digital Literacy and entrepreneur training is paramount. Segmentation, evaluation and research mechanisms have to be applied to deliver precise support. Effective Support efforts should be geared towards the long term sustainability of SME productivity.

Conclusively about half of formal SMEs don't have formal access to finance. Unlocking affordable sources of finance and improving access to SME finance are therefore key components of building a sustainable ecosystem for SMEs.Creating SME lines of credit, innovative e-lending platforms, Crowdfunding, insurance and supply chain financing products while improving credit infrastructure is a cornerstone for a sustainable SME ecosystem.

EXTERNAL ENVIRONMENT

Political, Social and economic instability greatly affects SME growth and performance. These create particularly difficult environments for SMEs to thrive. Some of the effects of external environment instability are: - high interest rates due to increased rates of borrowing for SMEs, difficulty in raising equity, lack of market access, unfavourable trade terms due to international sanctions and reduced SME competiveness due to high cost of imported goods.
Therefore, we must create a conducive external environment for SMEs to thrive by creating stable long term political, social and economic environments.

CREATING DIGITAL PROPOSITIONS FOR SMES

After considering the above mentioned layered components for a sustainable structured ecosystem, we can now delve into creating Digital Propositions for SMEs. Understanding SME needs and the role of other key ecosystem components is important in creating customer centric Digital propositions for SMEs. Digital Product innovation should address SME needs and offer comprehensive services to SMEs.

Digital product innovations should not only include financial products but also non-financial products especially technical assistance to SMEs where required. Considerations for Gender based research, product design should be made in creating Digital propositions for SMEs. SMEs require simple products with fast turnaround times particularly for insurance and credit. Effective product design requires human centred a design approach and a skilled workforce to understand, co-create products with SMEs.
Continoius development of digitally innovative will ease the impact of the pandemic on SMEs and improve their business operations.

About

Edwin M Byaruhanga is a Senior Advisor (Africa) at Simon Kucher and Partners, a strategy and marketing consulting firm headquartered in Bonn, Germany. His interests focus on Digital Financial Services and Sustainable Finance and include Digitalization, SME Finance, Agricultural Finance and Strategy.

The Evolution of Digital Finance in Zambia

By: David Cracknell and Betty Wilkinson

The evolution of digital financial services (DFS) in Zambia is in the early stages but has huge potential. This article considers digital finance evolution using a series of five Generations as developmental steps which overlap at the margins. Later Generation development is possible without earlier Generations being achieved, but it is likely to be significantly more difficult. The Generations are provided with methods of tracking growth and the current status of each in Zambia. Policy suggestions are provided to enable progress among and between the five Generations.

Generation 1: Channels – Mobile Money and Agent Banking

First generation access is characterised by basic services for large numbers of individuals. Product features include person-to-person (P2P) transfers, cash in and cash out (CICO), and bill payment. Success and growth factors that are in place or developing include onboarding of new customers ; a widespread network of mobile network operator (MNO) -based agents with functional interoperability; financial education; digital identity and electronic know your customer (eKYC); deep understanding of agent banking strategy; countrywide cell signal coverage; addressing liquidity management constraints; and volume and value drivers.

Progress is varied, with need for more DFS product innovation and both agent banking and banking fintech/software development. At this point we are watching the digital identity project start-up and rollout with eKYC, growth in banks and nonbanks operating agent banking and extending networks and launch of bigger volume and value drivers including social cash transfers. The government through Smart Zambia Institute is already engaging with the Farmer Input Supply Programme and related weather index insurance, but much more is needed. Data to monitor in these areas include transactional and geolocation information on mobile money, agent banking, and market milestones.

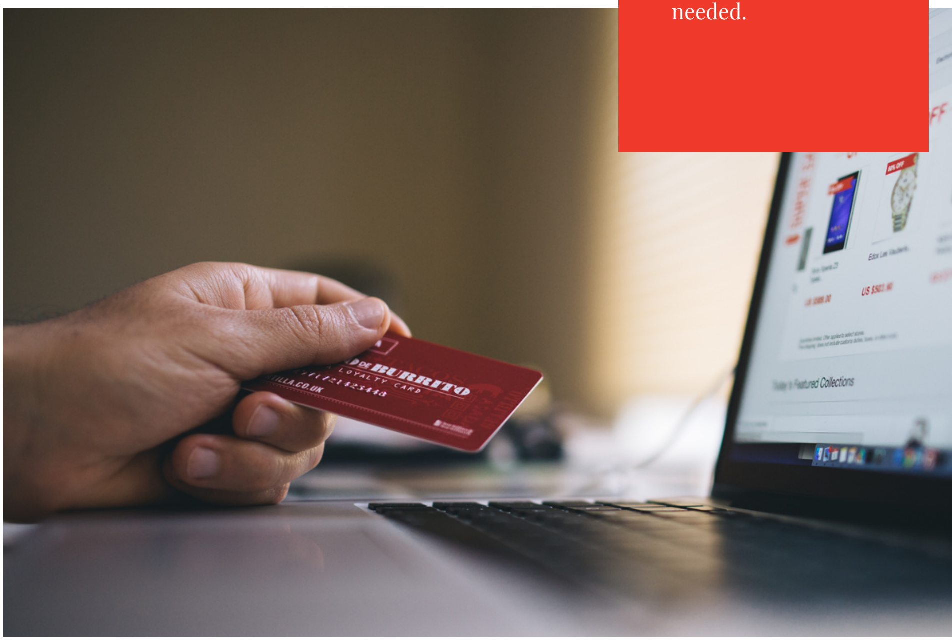
Policy implications include continued focus on digital identity and eKYC, along with the framework, access, and pricing. In addition, despite a lot of recent work on a new financial education strategy and expansion of various financial education systems, Finscope 2020 showed very low levels of financial education and of financial health, with marked differences from the higher levels found in FSD Zambia's work.. More work needs to be done to make financial literacy more consistent and easier to use across varying client groups.

How can the policies and strategies of larger financial institutions be informed so that they can best take advantage of the opportunities of first-generation digital finance? FSD Zambia has already significantly contributed to the knowledge base of DFS in Zambia, so it would appear in part to be the application of knowledge which is lacking.

Generation 2: Extending the use case – Nano credit and merchant services.

Nano credit: Nano credit is being provided by Airtel, MTN and a few third-party providers, with the first two powered by Jumo, a South Africa nano lender with operations in a growing number of African and now Asian countries. Success and growth factors include credit reference bureau integration and monitoring for suspicious activity, increasing market size and volumes, and evolving policy and regulatory framework anticipating financial conduct, and developing more complex data analytics.

The key item will be appropriate regulation and guidelines on nano credit. Monitoring will provide the quickest insight into industry performance and emerging issues. The key indicators will be quantum of nano credit disbursed, repayment rates, defaulters, multiple borrowing, and comparable costs of loans.



Currently while there are nano credit providers, the market is still developing on the supply side. Its important that the policy and regulatory framework for nano-credit is developed, to avoid widespread default and negative listing. In Kenya, a recent policy announcement limits access to the credit information system to ethical providers only.

Scaling up nano credit is likely to have policy implications relating to credit reporting, responsible conduct and fraud. Appropriate policies may need to be developed that not only encourage industry growth but also support appropriate conduct.

Merchant payments: Provided mainly through MNOs and point of sale-based transactions, merchant payments increases are highly indicative of digital finance growth. Where these payments are made through MNO channels, it is indicative of the extension of payment services to a wider range of Zambians. The growth in MNO merchant channels through pay-bills and till numbers stimulates adoption and the development of payment-based use cases. Success factors include the emergence of merchant facilitators, appropriate pricing, and wallet integration into the banking system. Tracking is important for market expansion, including access strand analysis of payments, bank links in push and pull to MNO wallets, growth in local merchant numbers and transactions volume and value, and evolution in the ecosystem by entity types, payment mechanisms, and interaction with government

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Merchant services are developing in Zambia. MTN has developed MoMo Pay and has facilitated transactions through Kazang. Airtel have Airtel Merchants. In some cases, QR codes are being used. Data from GSMA suggests that MoMo Pay in other markets has increased the volume and value of payments – as it is easier to use than P2P payments, fast and convenient.

Generation 3: The emergence of fintech and use cases

As Generation 3 emerges much of the population will regularly use digital financial services, largely through their mobile phone. Agent banking and mobile money provide relatively easy cash-in and cash-out throughout the country, with fewer islands of illiquidity. Finscope 2020 suggests that CICO may be leapfrogged to direct transactions between wallet holders.

A widespread use of payment systems and merchant payments means that increasingly Zambians can choose how to pay. Many customers and common mechanisms including merchant payments facilitates the growth of fintech. In the third Generation there is a rapid growth of related fintech use cases. The principal driver remains financial services.

There is likely to be the adoption of fintech facilitated use cases in association with financial institutions. Success factors will include a large, viable fintech market with the skills and experience to launch and operate it; development and deepening of the support infrastructure, incubators, accelerators, and labs; and the development and deepening of the funding infrastructure. Monitoring will be required for trends in the ecosystem as a whole (potentially through a fintech association); e-commerce data on firms, volume and value; fintech firm volume and types; growth in PayGo activities; and growth in the gig economy.

We look for national and international fintech investment; Zambian fintech across borders; fintech partnerships with financial sector firms; and emergent insurance, investing, and crowdfunding. Zambia is at the very early stage of the third-generation development, with emergent fintechs and their incubators such as Bongo Hive, Paygo in solar, and work to engage them in new areas such as insurance. However, it is unlikely that there will be significant expansion before there has been much greater success in the first and second Generations of services.

Supportive policy is required at this stage from the financial sector regulators as there is significant diversification in models. This is the stage where the sandbox will be required, and there will need to be further changes in the regulatory framework. Bank of Zambia has established a sandbox system, but it may be needed in other regulators to diversify the market.

Generation 4: The emergence of fintech-enabled 'real world' services.

Fintech enabled 'real world' services are those that relate to meeting real human needs beyond pure finance, such as into the Sustainable Development Goals.

Financial services are embedded in the delivery of other services and are largely invisible.

This includes the provision of loans to facilitate payment, or payment against other digital services rendered, such as MHealth, MEnergy, MInsurance, MHousing, EdTech, and AgTech. At this stage annual monitoring on the state of the industry in real world cases will be important, along with case studies of specific areas such as MEnergy.

This Generation is starting in Zambia and will require periodic monitoring as the sector develops to ensure appropriate policies are developed. Supportive policy can include incubators, accelerators and labs which are themed on developing real world services. Funding rounds can be developed – along the lines of the MasterCard Fund for Rural Prosperity's work in Kenya. However, earlier DFS generations would be required to be significantly fulfilled to ensure there is a sufficient market for these services.

Generation 5: Fintech as a national asset

In Generation 5 to come, fintech is recognised as a national asset due to its contribution to the development of the financial sector and to development more widely. Policies specifically developed to encourage this sector Generation could include the following steps.

- Education policies to encourage – STEM education and data analytics.
- Favourable work permits to encourage skilled workers to migrate to Zambia.
- Policies to encourage investment in Zambian financial technology.
- Favourable tax policies to encourage the expansion of the sector.
- Policies to encourage financial sector partnerships, accelerators, incubators and labs.

Authors

David Cracknell

David Cracknell advises governments, regulators, donors, commercial banks, microfinance institutions, and mobile network operators on agency, digital strategy, policy and regulations and digital products. He brings 25 years of experience in financial services, from 25 countries in Asia and Africa. David lives in Kenya, he worked on the pilot test of M-Pesa and supported the early growth of Equity Bank, which has become one of Africa's strongest and most digital banking groups. He has advised on numerous institutional strategies for agency banking, trained on digital transformation for the IFC in Asia, studied innovation labs for UNCDF, and worked on policy and regulatory frameworks. He specialises in deposit mobilisation.

David continues to learn, all the time, from those who have more specific expertise and from applying his knowledge in different contexts and countries. He blogs regularly on the evolution of financial services and financial technology.

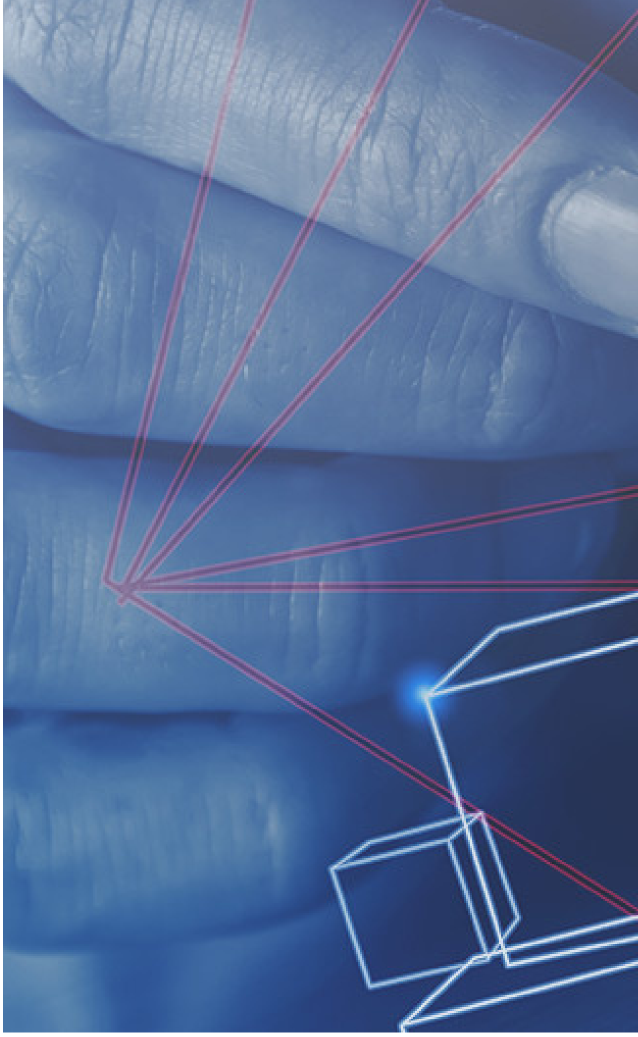
FIRST PRINCIPLES CONSULTING

Ms. Wilkinson

Ms. Wilkinson is an innovative leader in public policy, financial markets, gender, poverty and inclusive growth. She has worked and resided long-term for over thirty years managing high-performance national and multinational teams in over 30 countries in Africa, Asia, and the Pacific, Ms. Wilkinson has enabled policy reform, advocacy, and field project success serving millions of low-income households. She engages and speaks regularly with Ministers, central bank Governors, and global leaders of all kinds, using a participatory, inclusive style to produce sustainable results.

In the last five years she has negotiated a successful public-private partnership in weather-based crop microinsurance for over 1 million smallholder farmers; enabled Covid-19 research and economic impact results for women, rural families, smallholder farmers, and microenterprises; supported national biometric identity rollout; created multi-regulatory approaches to mobile money and fintechs; engaged in national digitisation of agricultural subsidies and school fees; and enabled financial education in the national curriculum.

fsd Zambia
Expanding Financial Inclusion



Modern Central Bank Sandbox

Transforming and Transitioning Financial Market Infrastructure

EMBRACING A SANDBOX APPROACH

Global acceptance of financial market innovation, including the much-debated Digital Currency-Based Financial Market Infrastructure, moved one step closer to reality in January with three positive strategic actions.

The Bank for International Settlements (BIS) and six of the world's largest banks officially announced the global conversation on the merits of promoting a digital central bank currency. Following a positive BIS press release, the debate of such a transformational shift is much less on the "if", and more on the "How".

The Working Group's unstated mandate is to promote harmonization of new financial innovation although more formally its focus will be on Central Bank Digital Currency.

As with other significant game changing global based regulatory and oversight strategies, starting with the 1988 Basel Accord, developing a global framework is premised on overcoming domestic and international political and economic hurdles.

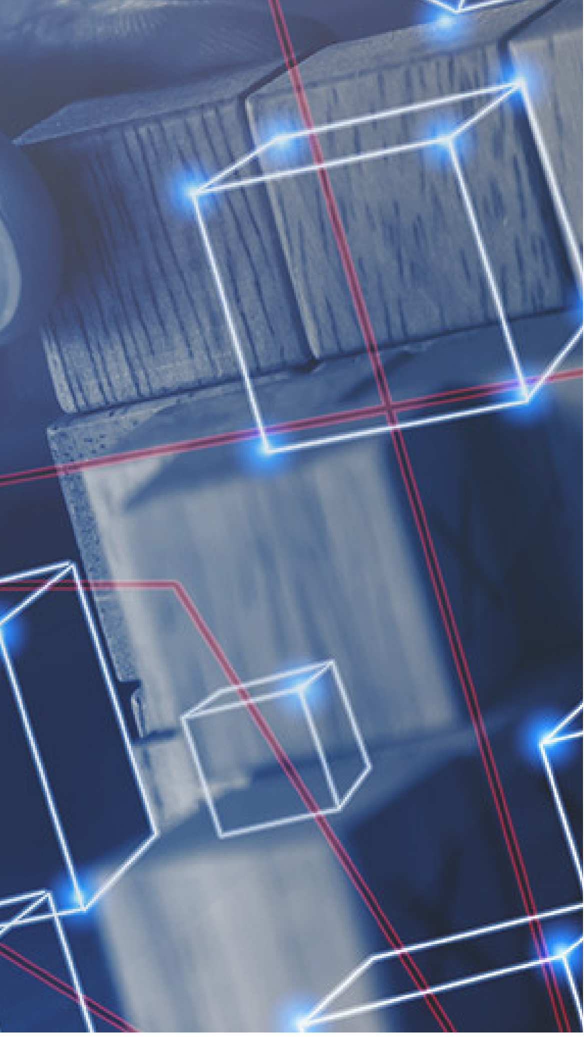
This approach has proven to leave many developing and emerging countries behind in the innovation cycles, yet there's clear consensus those economies stand to benefit the most from such transformation.

INNOVATION AND RISK MITIGATION

The 2020 World Economic Forum Insight Report in their forty-five country review, notes that central banks and related policymakers must confidently evaluate whether CBDC is appropriate for their economy.

Central Banks in proceeding, must embrace an abundance of caution. CBDC, as a digitized version of sovereign currency markets, continues to represent a liability of, the country's monetary authority. The challenge for policy makers is to innovate, while minimizing potential risks to the domestic and global financial system.

Nonetheless, advocates for CBDCs must push for a model built for broad innovation from the private sector. New opportunities are expected across various market segments such as Digital Cash Wallets, Cross Border Trade and MSME Payments not only at domestic and regional levels, but internationally as well.



particular attention to those financially excluded. The fulfillment of those policy objectives results in economic and social benefits.
In other words, the systems that facilitate the movement of money from one party to another – regardless of the purpose of the movement – is part of the "financial market infrastructure", and as such, innovation in those systems take tremendous coordination, resources and strategy, yet is inevitable.

Innovation must consider money movements, digital or cash through interlinked and integrated pathways. Money movements, from one party to another, or between countries and regions – regardless of (legal) purpose – comprises domestic, regional, and often global "financial market infrastructure".

As markets transition with the impact, tremendous coordination among processes, legal framework, resources and strategies among various stakeholders is required.

As the owners and regulators of those system, Central Banks need a framework that understand the need to be diligent, but yet supportive of new fintech solutions.

Particularly, to help demystify the links between innovative or transitional technology, 'SandBox' solutions provide a useful template to test the implications of technological solutions on both domestic and regional micro and macroeconomic trends.

GATEWAY TO TECHNOLOGY IMPROVEMENTS – TRAVERSING FINANCIAL MARKET INFRASTRUCTURE

Understanding the relationship between Central Banks and domestic as well as regional financial market infrastructure also known as FMI, is critical to its successful transformation. Creating process mapping of these linked gateways and identifying gaps potentially leading to money flow disintermediation creates is requisite to proceeding. "FMI" as defined by the International Monetary Fund follows:

Financial infrastructure comprises all institutions, rules, and standards of all the systems which enable financial intermediation. Payment systems constitute a prominent component of financial infrastructure. They facilitate the discharge of financial obligations and the safe transfer of funds across distances, institutions and retail customers, supporting the stability of the financial system. For governments and central banks, both strengthening the security and reliability of the national payments system and fostering the use of efficient payment instruments are important public policy goals. Public authorities have at their disposal policy tools in order to provide a legally sound environment for the private sector to provide a wide range of affordable payment instruments, products and services to individuals and merchants as well as paying

The Sandbox Approach: Strategic and Open Innovation

NORMALIZING REGULATORY TRANSFORMATION

The 1988 Basel Committee and its predecessor levied the idea of minimum capital requirements and harmonization of banks regulatory framework. Initially new regulation was rolled out gradually with Basel I and later Basel II.

In 2020 as Basel III becomes the new standard countries from both advanced and transitional economies, thought leaders and practitioners both in and outside of central banks, must create new pathways to embrace innovation leaps in financial services – attempting to understand both intended and unintended consequences of new approaches.

Before subjecting a country's financial services sector to extensive fintech/technology driven change across the whole financial services sector, many Central Banks have opted for a moderated and controlled approach.

Increasingly many emerging markets throughout Africa, have introduced a "Sandbox Approach" as a functional lever to promote regulatory approvals and maximize the benefits of integrating new 'fintech' technology.
There's more that can be done.

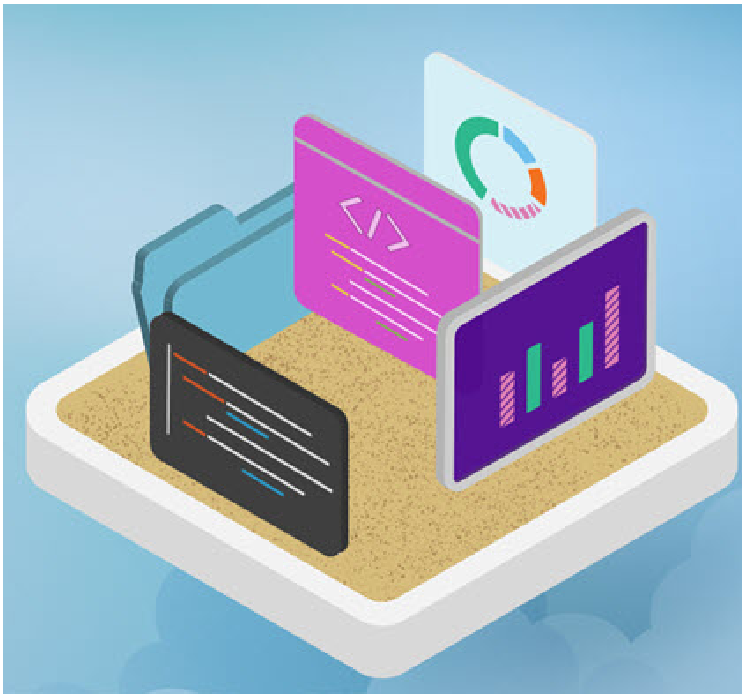
A REGULATOR'S GATEWAY TO INNOVATION

Reg-Tech or applying technology to address foundational Central Bank issues, is emerging as a new win-win opportunity. Central Banks can get to leverage fintech solutions and partner with new comers in order to be more effective at its mandate. Moreover, the IT operating model currently deployed by Central Banks is centralized, costly, complex, siloed and for many, coming to the end of its lifecycle.

Central Banks, as many commercial banks have done, can work with new comers for Reg-Tech, Sup-Tech and Fin-Tech solutions that are innovative and agile in the product development. Tapping into the ecosystem tech and service providers can also help them shift to modern IT provisioning models that are more flexible and scalable (Software as A Service), while being secure and still privately governed. This changes the cost structure, ability to scale as the need arises, and increases the interoperability to other systems.

LEVERAGE INNOVATION TO IMPROVE GOVERNANCE

Transformation versus disruption is a key part of this strategy. Mauritius, Hong Kong, Malaysia, Ghana, Philippines Tunisia, among other emerging and transitional economies have observed the path forged by the Monetary Authority of Singapore in taking steps to introduce and integrate new technology via a Sandbox Approach
That also turns out to be an opportunity for Central Banks to consider the analyses and reviews done in collaboration with fintechs/innovators as a factor to adjust regulations that promote new solutions to address challenges. Expecting market and policy changes should be a primary objective in establishing a Sandbox Solution.

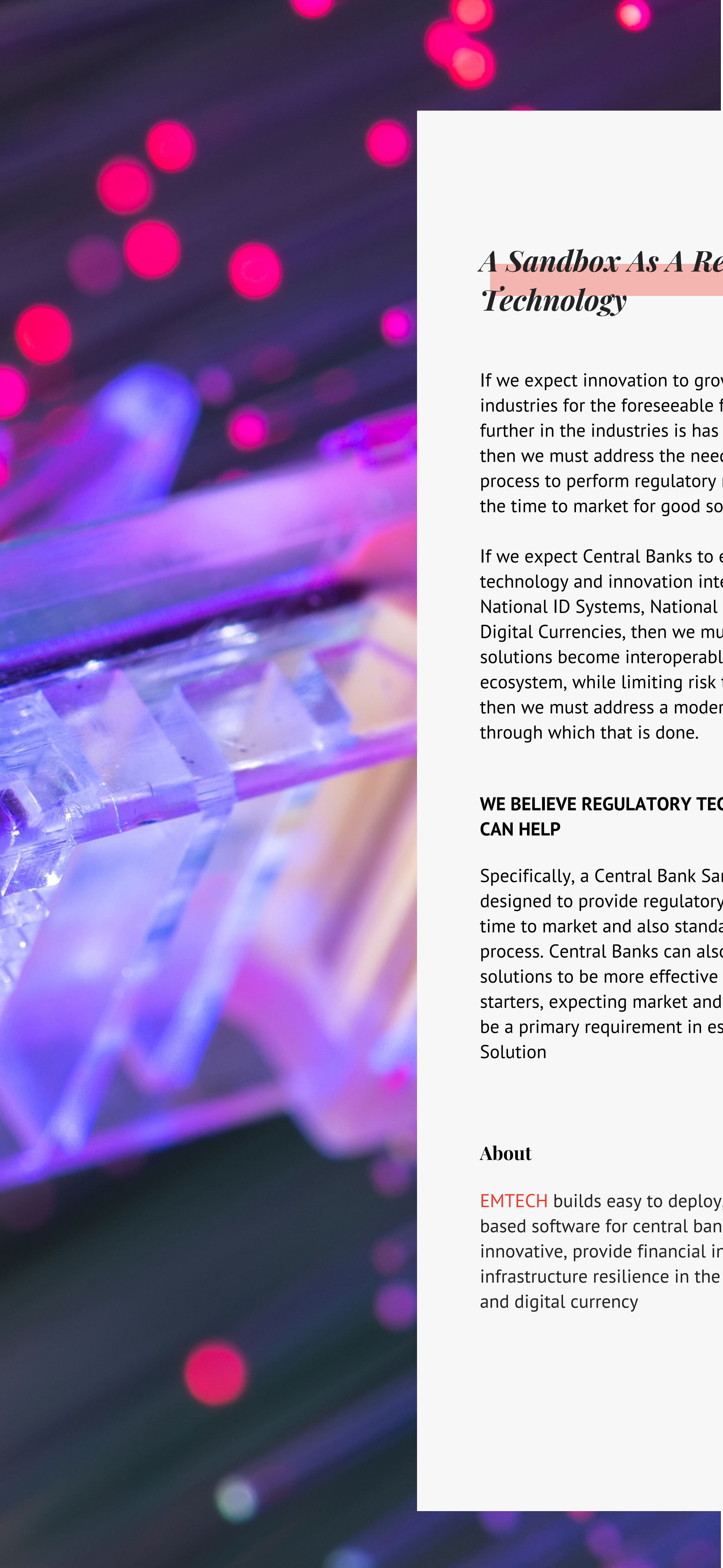


DOMESTIC SANDBOX... WITH REGIONAL HARMONIZATION

Fintech solutions being built are increasingly cross border by design given the migration of families, cultural integration and increasing cross border trade. See Flutterwave and Paystack as two prime examples of the cross-border nature of solutions investing heavily in fintech solutions.

We see 2 key benefits to aligning the domestic regulatory requirement with a regional regulatory review process:
Attracting new solutions to countries that might not be attractive on their own
Standardizing the review process across multiple countries without overriding a county's requirements

A regional approach to a Sandbox should harmonize, not override member countries' regulatory requirements. The current manual and email approach to Sandbox makes this almost impossible... but it's not.



A Sandbox As A Regulatory Technology

If we expect innovation to grow and transform more industries for the foreseeable future, and proliferate further in the industries is has already transformed, then we must address the need for an efficient process to perform regulatory reviews and accelerate the time to market for good solutions.

If we expect Central Banks to embrace modern technology and innovation internally, i.e. Introducing National ID Systems, National Payments Systems and Digital Currencies, then we must address how those solutions become interoperable and open to a broad ecosystem, while limiting risk to market stability, then we must address a modern infrastructure through which that is done.

WE BELIEVE REGULATORY TECHNOLOGY CAN HELP

Specifically, a Central Bank Sandbox Platform can be designed to provide regulatory clarity, accelerate time to market and also standardize the review process. Central Banks can also tap into such solutions to be more effective in governance. For starters, expecting market and policy changes should be a primary requirement in establishing a Sandbox Solution

About

EMTECH builds easy to deploy, highly secure, cloud-based software for central banks to become more innovative, provide financial inclusion and build infrastructure resilience in the era of open banking and digital currency

Events

International Conferences

Sudan Fintech Summit - 2021

Sudan Fintech Summit is the definitive meeting place facilitating multi-stakeholder dialogue with power packed networking opportunities among C-Level executives, leading Industry experts, decision makers, policy makers and government officials from across the value chain to foster collaboration, discuss current challenges, business opportunities, develop market strategies, share knowledge, and identify solutions aimed at shaping the future of fintech.

Date // 18-19 August 2021.

Register

Africa Tech Summit - Nairobi

Africa Tech Summit Nairobi connects tech leaders from the African ecosystem and international players under one roof. Network with key stakeholders including tech corporates, mobile operators, fintechs, DeFi & crypto ventures, investors, leading start-ups, regulators and industry stakeholders driving business and investment forward.

Date // 23 & 24 February 2022.

Register

Africa Tech Summit London

Africa Tech Summit London, the leading event series focused on African tech and investment across the continent, will once again provide unrivalled insight, exclusive networking and business opportunities for tech leaders and investors at the fifth edition of Africa Tech Summit London at the London Stock Exchange. 5th Edition

Date // 8th December 2021

Register

Seamless Africa 2021 Summit

The payments, banking and financial services sectors are undergoing an unprecedented period of disruption and change. In an ever-evolving reality, collaboaration is the key to survival.
Seamless Africa brings together the entire financial ecosystem to discuss, debate and evaluate the future of the industry.

Date // 2nd November 2021.

Register

2ND Annual Banking Innovation Africa Forum

The 2nd Annual Banking Innovation Africa Forum is a unique conference that is put together annually to bring experts, professionals and enthusiasts in the banking, financial service and insurance industry across Africa and beyond, to share on the new innovations disrupting the industry across the world, also considering some challenges and trends in the industry that would enhance the banking operation in Africa...

Date // 7th - 8th September, 2021

Register

4TH AFRICA BANK 4.0 SUMMIT – EAST AFRICA

Gathering the crème-le-da-crème of East Africa's Fintech sector to address solutions around transforming the region's digital financial services roadmap, the 4th Africa Bank 4.0 Summit will focus on reshaping priorities for financial services providers and how can they capitalize on new technology to enhance customer engagement, bring more value-added services to their customers, through an array of opportunities in collaboration with partners who have easy access to your customer, and partners who can improve your technology to retain a volatile customer base.

Date // 28 & 29 JULY 2021

Register

5TH AFRICA BANK 4.0 SUMMIT–WEST AFRICA

With the emergence of Neo banks in the region, the gap between the banked and unbanked segment in the region is further narrowing through their efforts. Neo banks are challenging your mainstream banks with the exceptional customer support services and turnaround time in service delivery.

Date // 25 & 26 August 2021.

Register

Finnovex South Africa 2021

Finnovex offers you the perfect platform to showcase your solution to your target market and meet and network with senior-level decision-makers who are leading the way in the industry We specialise in providing business development, marketing and sales solutions that are tailored specifically deliver on your business objectives.

Date // 7th - 8th September, 2021

Register

Finnovex Southern Africa

About

Exibex Organises the 2nd Annual Edition of Finnovex Southern Africa and 7th Edition from the Finnovex Global Series to examine how technology is Changing the Delivery of Banking and Financial Services.

As it is imperative to invest in a digital future and develop new technological solutions in data, advanced analytics, digital and new delivery platform. It is also important that fintechs and banks collaborate to support businesses and aid people to remain safe, healthy, productive, and connected in the face of COVID-19 and beyond.

The Summit starts from the 27-28 July 2021 and it will host CXOs, Senior Vice Presidents, Vice Presidents, Directors, and Heads of departments from Banking and FI industry involved in: Mobile Banking; Digital Transformation; Digital Banking; Blockchain; Cyber & Cloud Security; Islamic Banking; Fintech; Strategy & Operations; Retail Banking; R&D Innovation; Risk & compliance Management; Product Development; Cryptocurrency; Customer Experience; IT; Big Data Analytics; Open Banking (API) and Innovation.

The event, being organised by Exibex will be held virtually. Finnovex Southern Africa is a part of the Finnovex Global Series.

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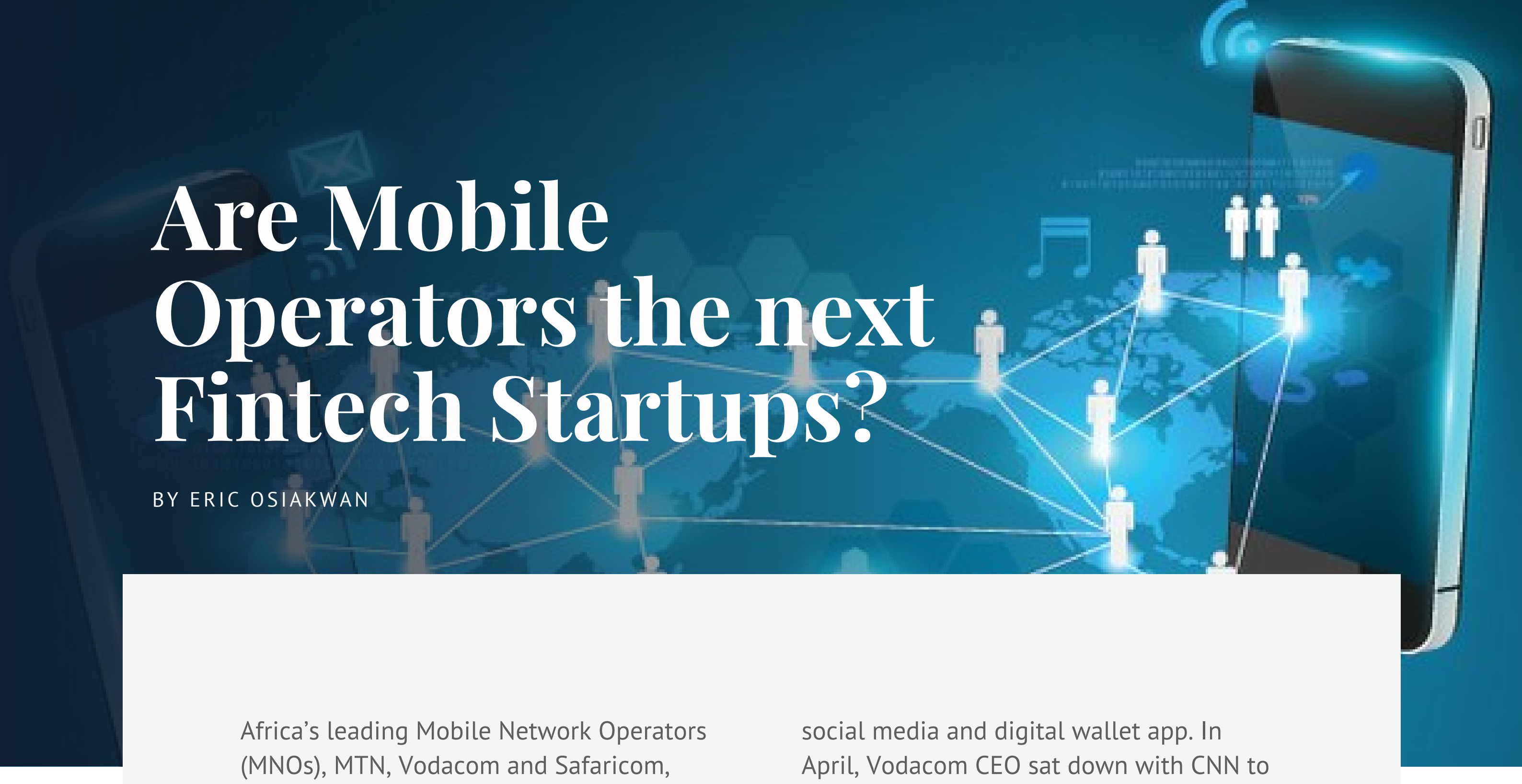


Are Mobile Operators the next Fintech Startups?

BY ERIC OSIAKWAN

Africa's leading Mobile Network Operators (MNOs), MTN, Vodacom and Safaricom, have recently made bold plans to venture into the increasingly dynamic world of fintech. On 23rd June 2021, Safaricom launched its super app, which creates an ecosystem of mini apps from the network operator as well as third party apps that feed off the super app. A month prior to this development, Safaricom, the leading MNO in Kenya announced plans to release an Application Protocol Interface (API) for the super app to enable third-party app developers to build more products and services on top of the super app. This means the super app is going to be an app store that consolidates the reach of Safaricom.

In May, MTN also announced plans to become a tech platform to rival the likes of Apple and WeChat as part of their Ambition 2025 which is currently being implemented. MTN, Africa's leading telecom operator, is developing its Ayoba messaging platform into a super app that would include its Mobile Money (MoMo) application and video and music streaming services, largely inspired by the international success of WeChat, a powerful multi-purpose messaging, social media and digital wallet app. In April, Vodacom CEO sat down with CNN to discuss plans for building a super app in South Africa in partnership with Alipay.

The new service will be integrated with Vodapay to create a financial services super app that will let users pay utility bills, transfer money and get connected with online merchants and suppliers. Although the partnership with Alipay was announced last year during the pandemic to bring the much-needed digital services to consumers under lockdown, it has taken almost a year for them to bring the service to life. This suggests that becoming a fintech startup is easier said than done.

In March, Liquid Telecom with operations in different African countries rebranded to Liquid Intelligent Technologies to show that it is now a one-stop-shop technology group.

Very soon, the company would also launch a super app to allow consumers to access all its services through one platform. Although Orange, another MNO with operations in 18 African countries has not announced a super app,

> Today, all major MNOs have MoMo operations, which has become their new cash cow to the detriment of the banks.

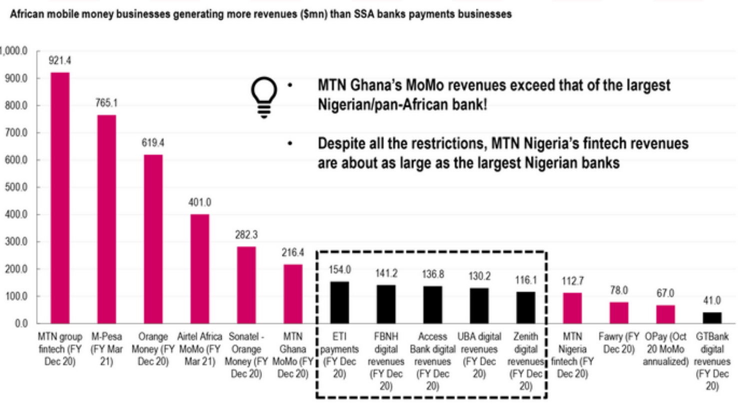
the company's launching of Orange Bank Africa last year, in addition to their already existing Orange Money service, seems to play into the super app narrative. Airtel Africa has also not announced a super app although they had stella performances last year in the MoMo and data business.

Super apps act as a single point of entry for multiple consumer functions. The model emerged in Asia and allows a user to access a range of services — banking, ride-hailing, communication, hiring, trades, people, etc — all from within one app. Back in 2019, Cellulant from Kenya, a leading African fintech firm, also announced plans to launch a super app called Tingg. Super apps are trending not only in Africa. There is a global race to create the next super app that would rival the likes of WeChat, which has a billion users and now estimated to offer more than one million mini programs created by third parties. The other main player is Ant Group's Alipay, which also has more than one billion users and offers 120,000 mini apps by third parties.

WeChat, owned by Tencent, the most valuable publicly-traded company in China, began making inroads in Africa in 2013 via South Africa's Nasper, an early strategic investor in WeChat's parent company. WeChat's foray into Africa failed, with the company quietly exiting in 2017. Given that WeChat's partnership with Nasper did not guarantee success, time would tell whether Alipay's partnership with Vodacom would be successful. In 1994, Naspers, Koos Bekker and other partners launched MTN, which is currently Africa's largest MNO. Major MNOs are all eager to become nimble fintech startups to compete with the agile young tech ventures, which begs the question, can old dogs learn new tricks? The answer could be yes because the MNOs have led the innovation in MoMo dating back to 2007, when Safaricom ushered in M-Pesa, a pioneering MoMo app into the Kenyan market, leading to a remarkable digital payment and mobile banking revolution across the entire African continent.

Today, all major MNOs have MoMo operations, which has become their new cash cow to the detriment of the banks. In some markets such as East Africa, the MNOs, including Safaricom, are operating "banking services" directly competing with traditional banks. In Nigeria, this has not been the case until the 3rd quarter of 2020, when the Central Bank of Nigeria (CBN) issued final approval to Glo, 9Mobile and Unified Payment subsidiaries to operate as Payment Service Banks (PSBs). In parts of West Africa, the banks, including Fidelity Ghana and Ecobank Ghana, managed to lobby the regulators to "force" the MNOs to work with them to deliver those banking type services. Back in East Africa, the question has been asked, "Is M-PESA transforming into a bank" with the launch of its super app?

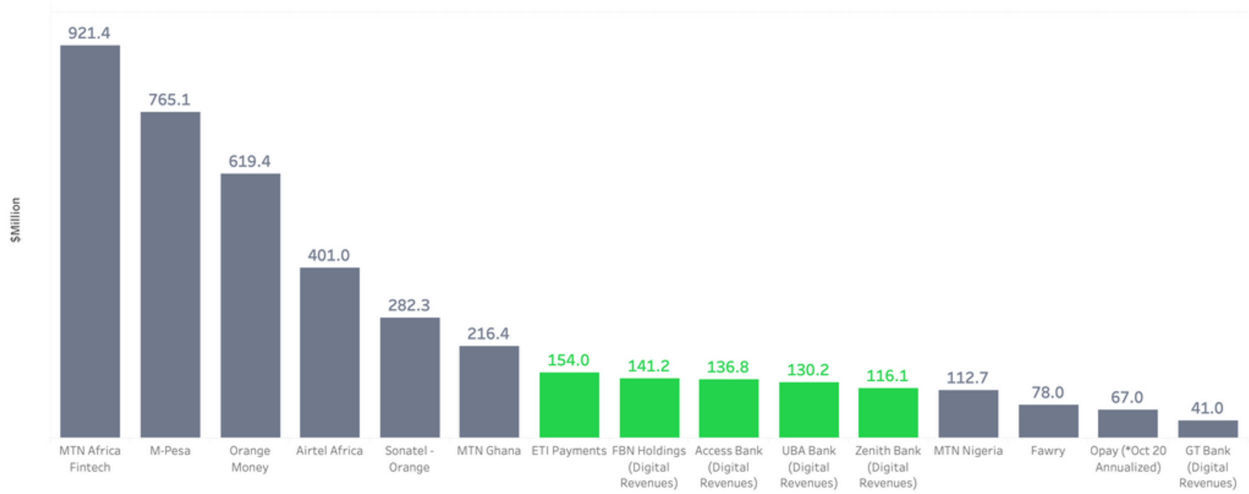
This question has led regulators and public policy makers in some countries to require the MNOs to separate their MoMo operations (classified as fintech) from their mainstream voice business. In some markets, the companies are also required to make some ownership of their fintech ventures available to the public through listing on the local stock exchange, just as they are mandated to list their voice businesses. In Kenya, there is a bill before parliament requiring the separation of M-PESA from Safaricom as a standalone fintech business.



The MoMo operations of the MNOs made the most significant returns under the pandemic because majority of transactions were done through their networks. Nigeria recorded $428B worth of e-transactions in 2020, 42% higher than in 2019. In Ghana, MoMo transactions outstripped cheques by $40B in the first quarter of 2021. This sent shock waves to the Ghanaian banking sector such that the banks are now forging collaborations as they fear for their future. In other news, Ghana is edging towards a state-backed digital currency to mitigate against the volatility of unregulated digital currencies, such as bitcoin (BTC). The value of M-Pesa transactions in Kenya grew by 32.9% year-on-year to $82B in 2020, whilst the volume of M-Pesa transactions grew by 14.9%, to 5.12 billion transactions. Orange's MoMo service also saw an 18.9% increase in active users to total 19.6M customers by the end of June 2020.

In Kenya, MoMo payment rate represents 87% of the country's GDP; in Ghana the figure is 82%. These are the highest ratios in the world after China where mobile transfers represent 125% of GDP (this includes person-to-person transactions not included in GDP calculations).

MNOs lead banks in digital payment revenues in 2020.



On the contrary, South Africa where Vodacom and MTN reside, have not seen that much success with mobile money mainly because that country has a solidly entrenched banking system, with 70% of adults having a transaction account. Earlier attempts by both operators to introduce MoMo in South Africa failed but in February 2020, MTN relaunched its MoMo service with UBank and in December 2020, with the mobile telecom giant claiming 2 million new customers. Vodacom's new Alipay app is their second attempt to carve out a fintech niche in South Africa, whilst Discovery Bank and Tyme Bank have launched exclusive digital offerings without the telcos. Things are clearly playing out quite differently in Southern Africa. Given that the MNOs are in a fist fight with the banks with regards to fintech, would the banks also seek to become innovative mobile startups now that the MNOs are becoming fintech startups?

About

Eric Osiakwan // Managing Partner of Chanzo Capital is an Entrepreneur and Investor with 15 years of ICT industry leadership across Africa and the world. He has worked in 32 African countries setting up ISPs, ISPAs, IXPs and high-tech startups.

Driving change in Transactional Banking through Innovation and Digital Technology

Banks in Africa are at the epicentre of this change. Technological evolution and social changes have a deeper and more direct effect on the financial industry than on most other sectors, for its basic raw materials are information and money. And money, in turn, can dematerialise and transform into accounting entries—in other words, into data that can be stored, processed, and transmitted in real time and at costs so low that they are on the verge of disappearing altogether.

This has brought about the need for innovations or better put disruptive innovations, which refers to the use of technology and other enhanced strategic operations to significantly affect the way the banking and financial institutions functions and carry out its operations.

With the fastest-growing consumer base for digital finance, Africa is gearing up to become a major hub for banking innovation. You can take advantage of this by joining key stakeholders in conversations that could shape the trajectory of the banking and financial services sector in Africa.

Come September, we've got a fantastic line-up of speakers, over 10 hours of networking time. Join us today and hear from BFSI experts as well as those involved in developing digital banking projects.

The 2nd Annual Banking Innovation Africa Virtual 2021 is gearing up to provide attendees with seminal insights for successful operations within a digitally shifted transactional banking landscape. The forum will offer the ideal space for networking with industry players; senior managers, decision-makers, and practitioners operating in the industries and making the most of banking technologies.

Date // 7th - 8th September, 2021

Venue // VIrtual

Would you rather sit and watch this revolution sweep you off your feet? Or be a part of this great Change?

Register

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For Exhibiting Enquiries and Sponsorship Opportunities please contact

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