Session 2
Financial services for the poor in Africa: Is mobile money the solution?

Presented by
Daniel Mwesigwa
CIPESA
AfriSIG 2020
November 23, 2020
What this Presentation is about

- Basic definitions of poverty and mobile money
- Trends and evolution of mobile money
- Mobile money and financial inclusion
- Infrastructures of mobile money
- Data, debts, people, and the law
- Geopolitics of mobile money
- Way forward

This Presentation is NOT about

- Bitcoin/Blockchain
- Econometrics

(although we will make references on the above)
What is Poverty?

What is Mobile Money?
### Mobile Money in sub-Saharan Africa in 2019

<table>
<thead>
<tr>
<th>Region</th>
<th>Live Services</th>
<th>Registered Accounts</th>
<th>Active Accounts</th>
<th>Transaction Volume</th>
<th>Transaction Value (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Africa</td>
<td>54</td>
<td>249m</td>
<td>102m</td>
<td>17.1bn</td>
<td>293.4bn</td>
</tr>
<tr>
<td>Central Africa</td>
<td>17</td>
<td>48m</td>
<td>20m</td>
<td>1.8bn</td>
<td>30.4bn</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>14</td>
<td>9m</td>
<td>3m</td>
<td>165m</td>
<td>2.5bn</td>
</tr>
<tr>
<td>Western Africa</td>
<td>59</td>
<td>163m</td>
<td>56m</td>
<td>4.8bn</td>
<td>130.0bn</td>
</tr>
</tbody>
</table>
**Figure 20:** Mobile money services and bank account ownership in Africa

*Source: RIA After Access Survey data, 2017*
Common Assumptions about Mobile Money

• Demographic advantage
• Massive mobile connectivity growth
• Digital is better – cashless is better?
• COVID-19 implications on physical cash
• [Add yours...]
The Revenge of the Nerds?

- Mobile money raised 1,000,000 people out of poverty (Suri & Jack, 2016)

Vs

- Mobile money did not raise *that* many people out of poverty (Bateman, Duvendack, & Loubere, 2019)
Demand side factors that affect mobile money adoption beside affordability considerations

- Accessibility
- Digital literacy
- Gender divides
- Rural-Urban divide (although rapidly closing)
Infrastructures of Mobile Money

The term of infrastructure encompasses humans, processes, procedures, tools, and technologies used to produce, use, transport, store and even destruct information (Pironti, 2006)
Infrastructures of Mobile Money

1. The infrastructure we’re talking about
2. Most of the discourses on infrastructure focus on the demand side gaps
3. The discourses often treat the infrastructure leap as a homogeneous magical bullet
4. The discourses ignore the iterative and polyphasic cycles of infrastructure development and innovation
Cycles of Mobile Money

1. Mobile Money 1.0
   • P2P/B2B – Text/USSD based

2. Mobile Money 2.0
   • APIs/SDKs [Africa’s Talking, Hover, etc.]
   • The race between banks and telcos
   • OEMs on the charge

3. Mobile Money 3.0
   • Alternative currencies [Libra? DCEP? “Afri-coin”?]
[Africa’s] Mobile Money/Fintech Ecosystem

- Telcos/MNOs
- Banks
- OEMs
- Third Parties

Source: Wiza Jalakasi – The Fight for Mobile Money 2.0
Mobile Money/Fintech Mix

• Regulatory challenges
• *Datafication* of poverty
• People as infrastructure
Regulatory Challenges

• Demand elasticity
• (Cyber)Security concerns
• Geopolitical pressures

• E.g.; Uganda mobile money tax
• Zimbabwe-Econet clashes
Fiscal Regime Effects on Mobile Money (Uganda)

• Taxes on mobile money and on digital services significantly raise costs of usage
• Evidence from across a range of countries point to negative impact on usage and on the tax base
• An increase in price via taxation and a consequent reduction in usage has a negative effect on economic growth and job creation
# Fintech: Africa vs U.S [vs Europe vs South East Asia]

<table>
<thead>
<tr>
<th>Category</th>
<th>Selected Companies</th>
<th>Funding</th>
<th>US Equivalents</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments</td>
<td>paystack</td>
<td>$11.7M</td>
<td>stripe</td>
<td>Cards are used in Nigeria and South Africa but support for mobile money is key in many other countries</td>
</tr>
<tr>
<td></td>
<td>Flutterwave</td>
<td>$20.4M</td>
<td>PayPal</td>
<td></td>
</tr>
<tr>
<td></td>
<td>cellulant</td>
<td>$54.5M</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>TALA</td>
<td>$219.4M</td>
<td>AVANT</td>
<td>Unsecured consumer loans that scrape smartphones for data to determine credit score with high interest rates</td>
</tr>
<tr>
<td></td>
<td>branch</td>
<td>$264.7M</td>
<td>PROSPER</td>
<td>Lidya among few but growing SME lenders based on receivables</td>
</tr>
<tr>
<td></td>
<td>Lidya</td>
<td>$17.2M</td>
<td>Kabbage</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$8.2M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>BIMA</td>
<td>$170.6M</td>
<td>Lemonade</td>
<td>Crop insurance is a huge use case (WorldCover &amp; Pula)</td>
</tr>
<tr>
<td></td>
<td>WorldCover</td>
<td>$6M</td>
<td></td>
<td>Insurance must be micro in nature – cheap and targeted use cases</td>
</tr>
<tr>
<td></td>
<td>PULA</td>
<td>$2M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings</td>
<td>piggyvest</td>
<td>$1.1M</td>
<td>chime</td>
<td>USD accounts to protect against currency volatility</td>
</tr>
<tr>
<td>POS</td>
<td>YOCO</td>
<td>$24M</td>
<td>Square</td>
<td>Lower rates as sales increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Cheap devices + all-day battery</td>
</tr>
</tbody>
</table>

Source: #SufficientBalance newsletter series by DFS Lab and thesubtxt
Funding landscape:
Fintech and Financial inclusion >50%

<table>
<thead>
<tr>
<th>Vertical</th>
<th>Funding (in US$ M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FinTech</td>
<td>32.6% 379</td>
</tr>
<tr>
<td>Enterprise</td>
<td>28.6% 333</td>
</tr>
<tr>
<td>Offgrid Tech</td>
<td>16.7% 194</td>
</tr>
<tr>
<td>E/M/S/Commerce</td>
<td>11.3% 131</td>
</tr>
<tr>
<td>Shared Economy</td>
<td>4.1% 47</td>
</tr>
<tr>
<td>EdTech</td>
<td>2.7% 32</td>
</tr>
<tr>
<td>Health Tech</td>
<td>1.5% 18</td>
</tr>
<tr>
<td>InsurTech</td>
<td>0.8% 9</td>
</tr>
<tr>
<td>Marketing Tech</td>
<td>0.7% 8</td>
</tr>
<tr>
<td>Connectivty</td>
<td>0.5% 6</td>
</tr>
<tr>
<td>Hardware</td>
<td>0.5% 5</td>
</tr>
</tbody>
</table>
News flash in one week in November 2019

- Interswitch sells 20% stake to Visa for $200 million
- Jumia is planning JumiaPay off-platform spin-off
- Transsion backs PalmPay with $40 million

- Also, Facebook launches payment across its platforms
- Google advances on personal banking
News flash in Q4 Africa (November 2020)

- ChipperCash closes $30 million Series B
- Stripe acquires Paystack for over $200 million
- Thunes raises $60 million Series B

- Also, Facebook launches WhatsApp Pay in India
Hot Fintech Ventures
Q4 - 2018

$195mln raised by African fintech ventures → in 2017
$300mln in funding → in 2018

Top 10 African fintech companies raised

Sub-sectors
Areas addressed by fintech ventures

Main MNOs offering Mobile Money services across Africa

#InnovationMaps

briterbridges.com
“Feeling loanly” — fancy a mobile money debt?

There’s an app for that!
Zero Balance: ‘Infrastructuring’ Digital Lending

- Over **110** credit apps in Kenya
- Today, more than **3 million** Kenyans have been negatively listed at credit reference bureaus, many for loans less than **$10**
- Last year, “how to check CRB status” was among the most-Googled questions in Kenya, between “how to be successful in life” and “how to get pregnant”
People as infrastructure
7-day rolling cash-in/out, Kenya

March–April 2020  Caribou Data • insights built on privacy

- March 13: First announced case of COVID-19 in Kenya
- March 17: Fee-free under KSh 1,000
- March 26: Curfew imposed
Source: Caribou Data † Median CICO deposit/withdrawal value and volume
Geopolitics of mobile money

1. Potential for Afro-centric mobile money or digital currencies (even if region specific)
2. China's Renminbi’s—and subsequently DCEP’s—prominence in Africa
3. Western influences in regional economic blocs (e.g. WAEMU)
China Digital Infrastructure Stack

- Apps platforms: Sina Weibo, Facebook, WhatsApp, Skype
- Operating system: Android, iOS
- 4G, 3G, 2G, Wi-Fi
- SIM card
- Mobile handset
- Telcos, ISPs
- Undersea Cable
- Loon Project, Satellite
- China, Google, Facebook
<table>
<thead>
<tr>
<th>Name</th>
<th>Creator</th>
<th>Governance</th>
<th>Total Supply</th>
<th>Backing Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCEP</td>
<td>China</td>
<td>Centralized</td>
<td>Unlimited</td>
<td>RMB</td>
</tr>
<tr>
<td>Libra</td>
<td>Facebook</td>
<td>Centralized</td>
<td>Unlimited</td>
<td>Currency Basket</td>
</tr>
<tr>
<td>Bitcoin</td>
<td>Satoshi</td>
<td>Decentralized</td>
<td>21,000,000</td>
<td>Energy</td>
</tr>
</tbody>
</table>
Huawei Mate 40

- High end phone
- Released Nov 2020
- Retail at $1,000+
- Available in NG, KE, ZA
- DCEP Wallet
- Supports offline transactions
Forces of Change

1. Political will for regional integration and harmonisation

2. Evolving & expanding demand in Africa
   - Bigger African players
   - Move to regional currencies
   - Interlinkage of regional payment systems
   - Multi-currency clearing

3. Development of financial infrastructure

4. Increasing regulatory pressure
More Specific Missing Links?

• Identity layer?
• Credit layer?
• Foreign exchange layer?
• [Add more...]
Whence we go?

Daniel Mwesigwa | e: daniel@cipesa.org | w: https://niinye.avalanch.me