

FinTech in sub-Saharan Africa: A Game Changer?

African Department
International Monetary Fund

2018



Outline

1

Why should SSA care about FinTech?

2

Trends

3

Opportunities

4

Policy tradeoffs

Fintech: Disruptive technologies to promote financial development/inclusion

- Financial sector is key for long-term growth and development
- However, financial inclusion is low in SSA (specially SMEs)
- FinTech: Disruptive technologies to spur financial development/inclusion

SSA: Leader in m-payments (but not only)

- SSA world leader in M-Payments. Why?
- FinTech: Beyond M-Payments (Financial market infrastructures, cross-border payments, e-money)
- FinTech: Leapfrogging technology?

Financial industry has not essentially changed in 100 years...

1900s



Financial services



2000s

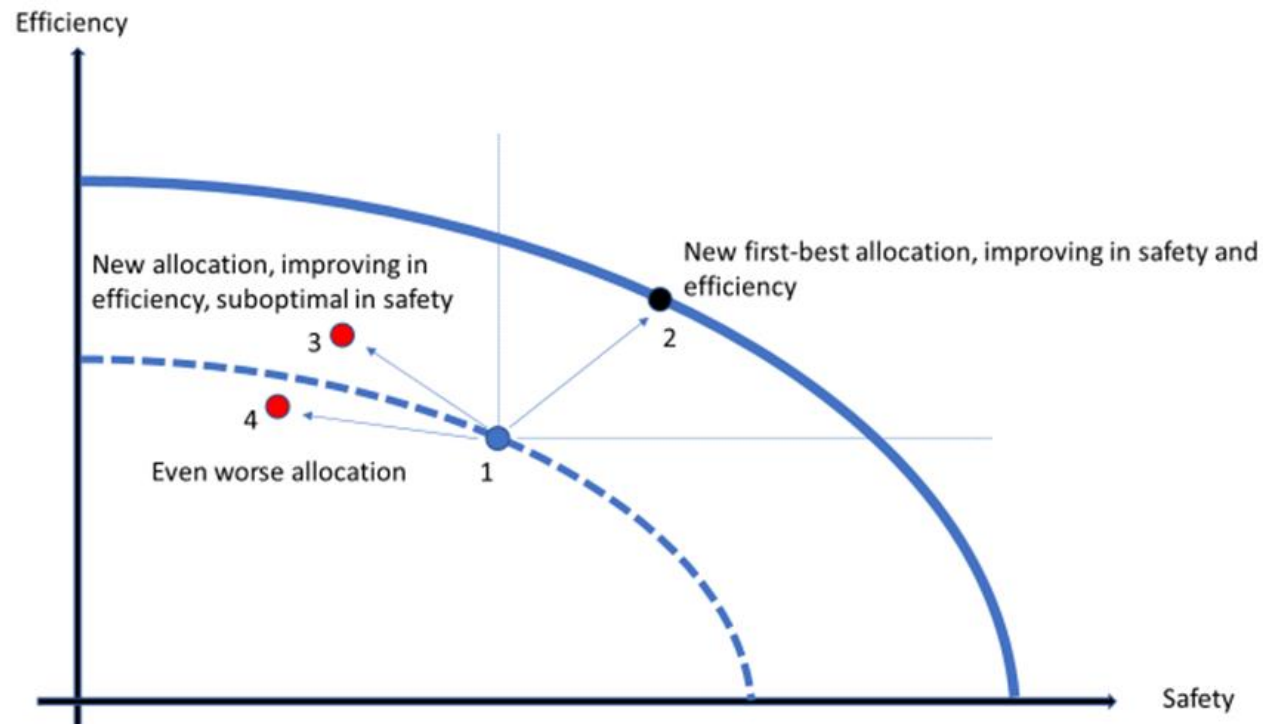


Information technologies



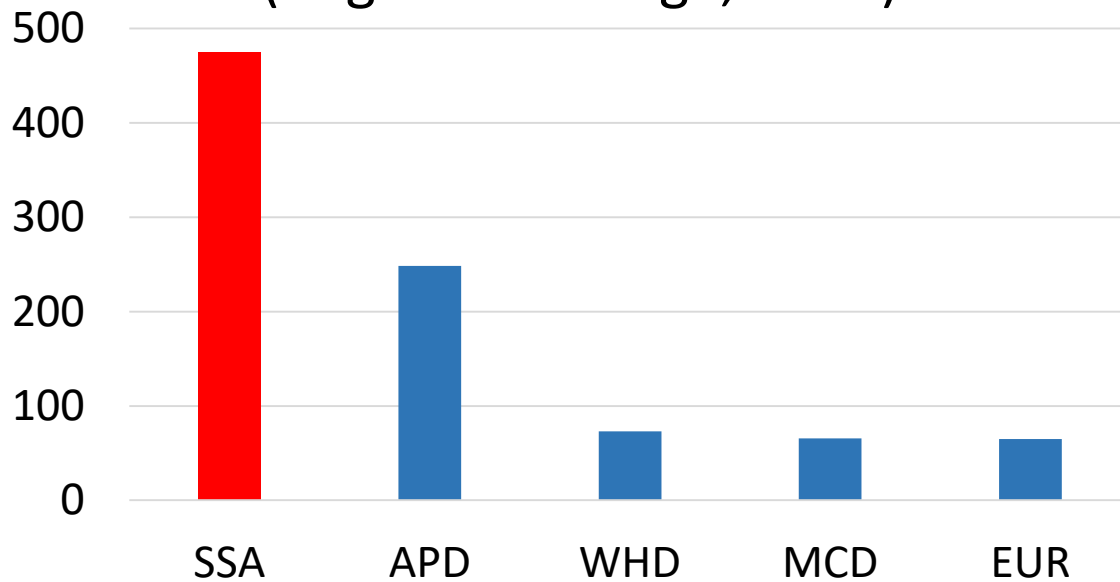
Need to balance trade-offs (safety vs efficiency)

- However, FinTech may create additional vulnerabilities in the region
- Need to balance trade-off (safety vs efficiency)

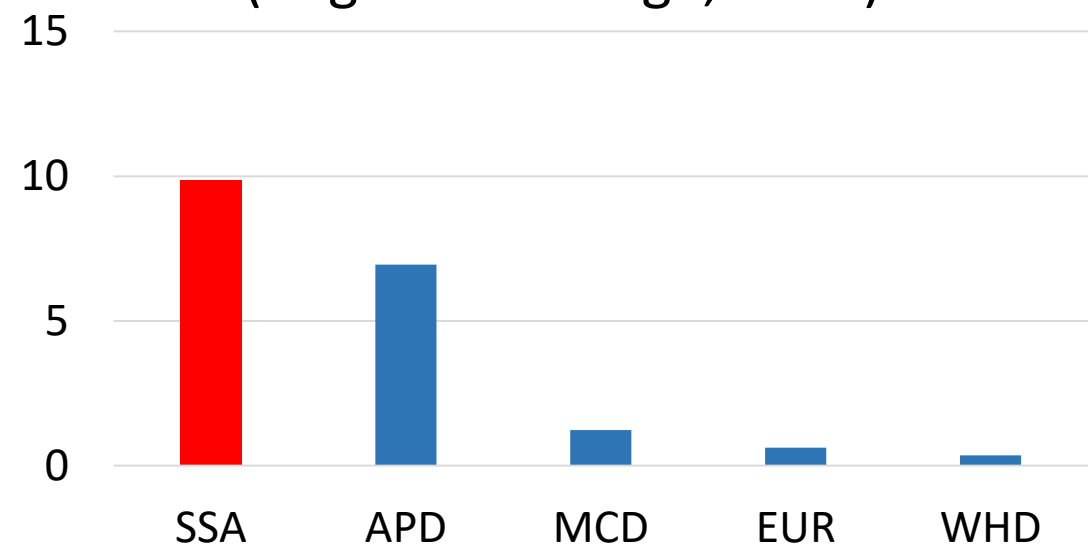


SSA is a global leader in mobile money adoption and use...

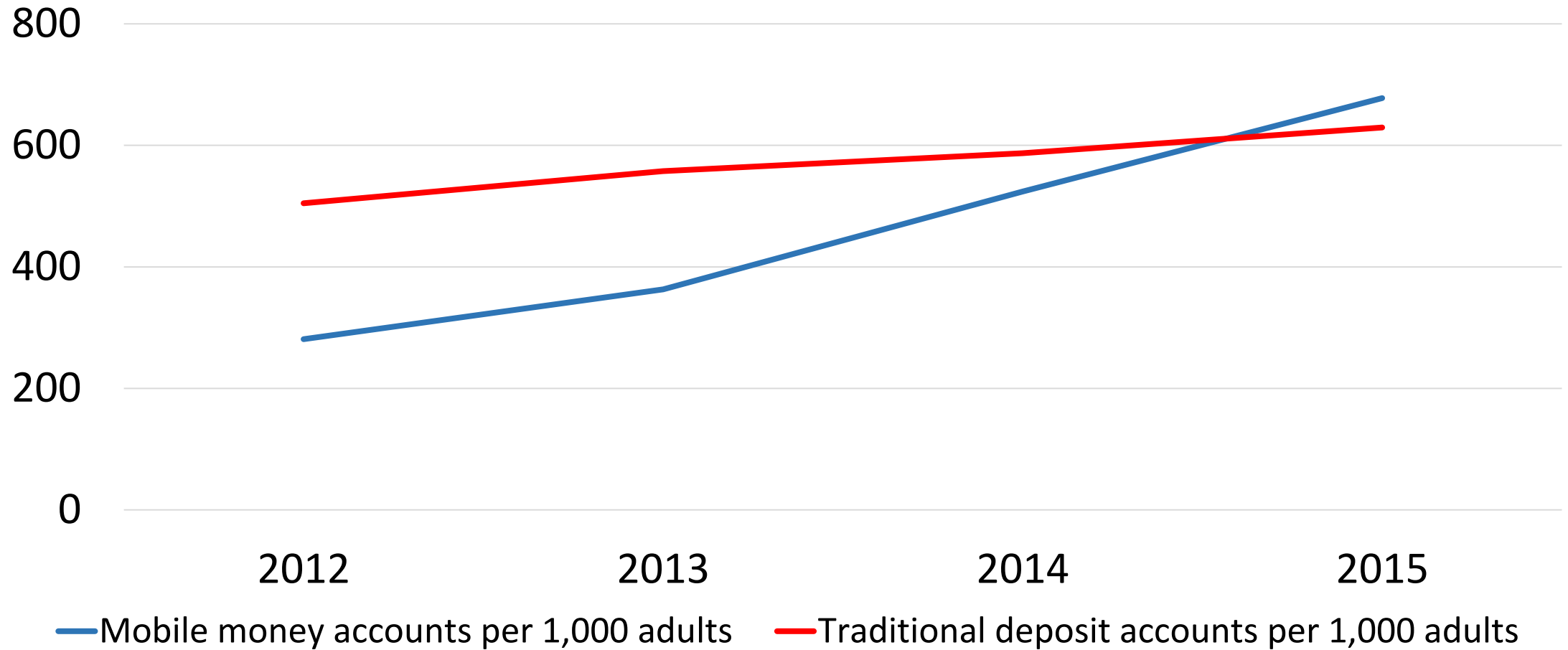
Accounts per 1,000 adults
(Regional average, 2015)



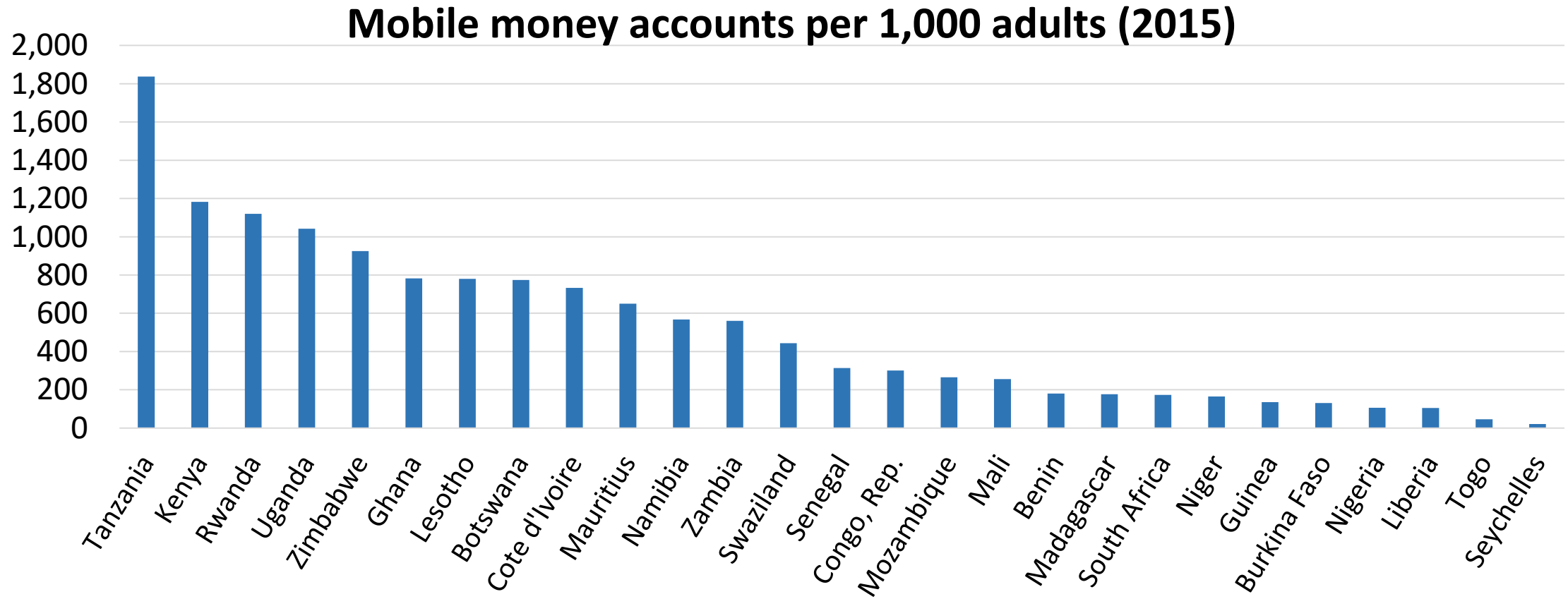
Transactions, percent of GDP
(Regional average, 2015)



Mobile money is leapfrogging traditional banking in SSA...



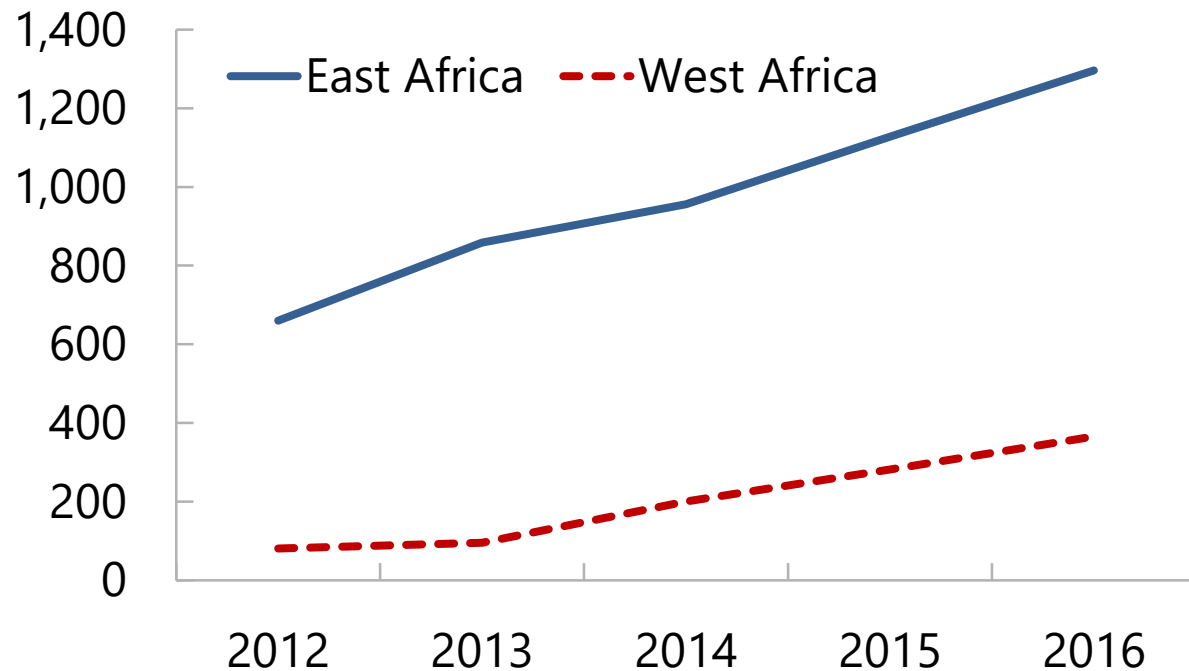
Despite the growth of mobile money in SSA, there are considerable cross-country differences...



Mobile money is more widespread in East Africa than West Africa¹...

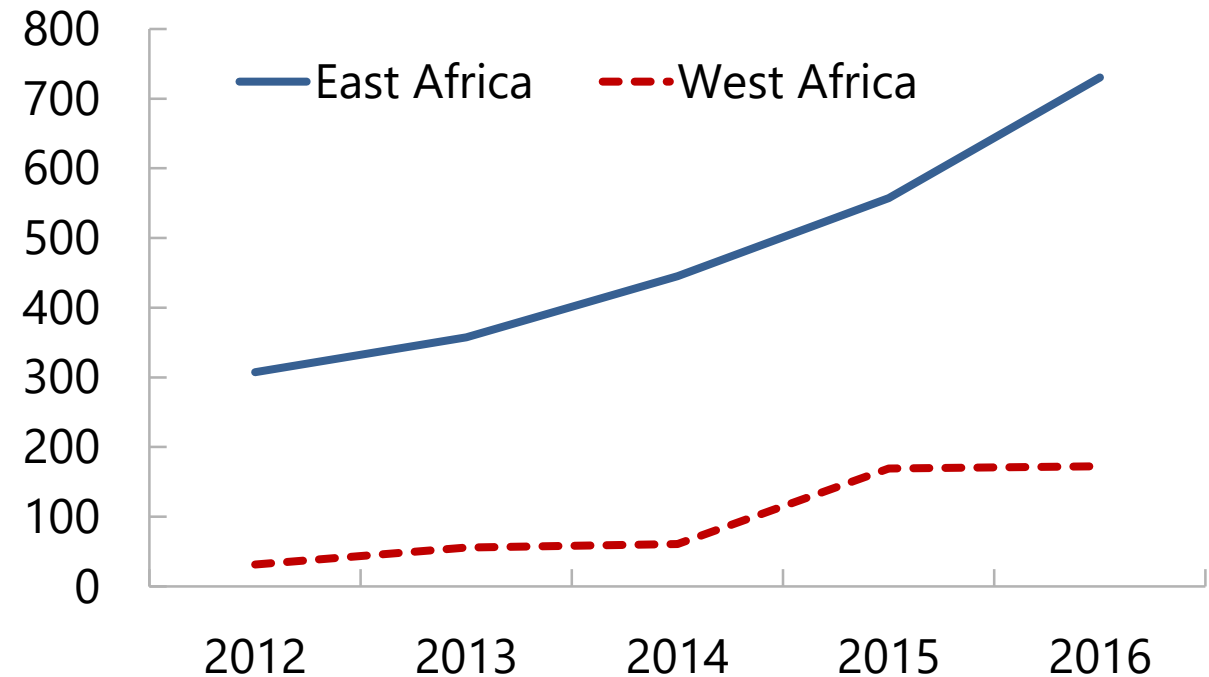
Mobile Money Accounts

(per 1,000 adults)



Mobile Money Agent Outlets

(per 100,00 adults)

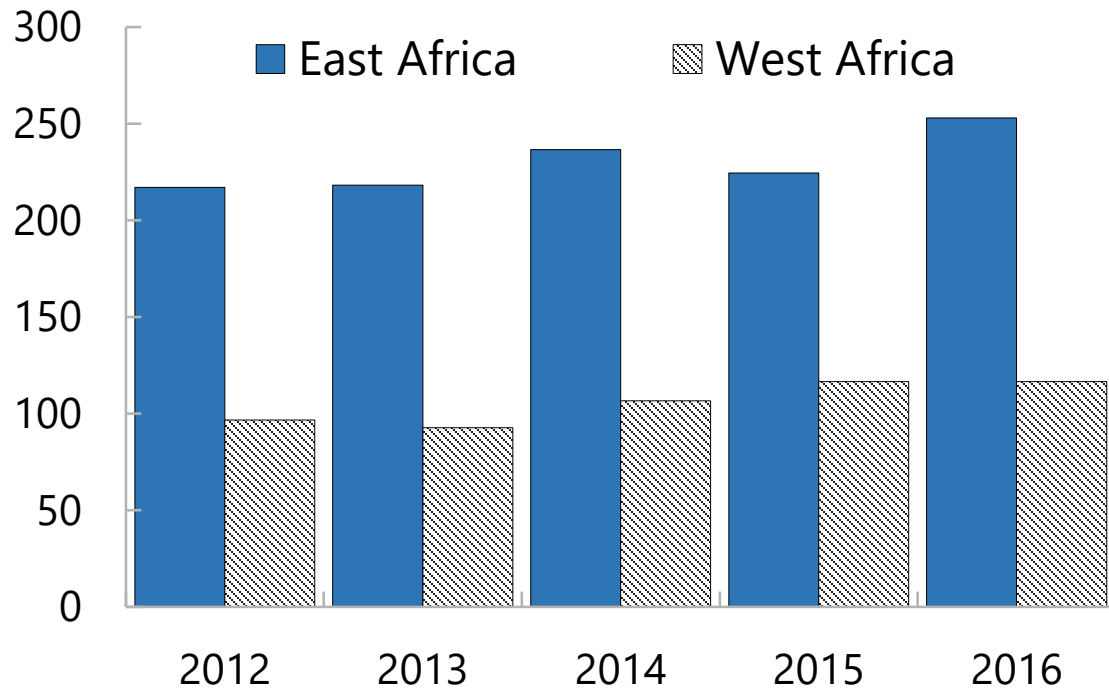


¹ East Africa includes the EAC countries except South Sudan; West Africa includes CEMAC and WAEMU countries where data are available.

...as is traditional banking...

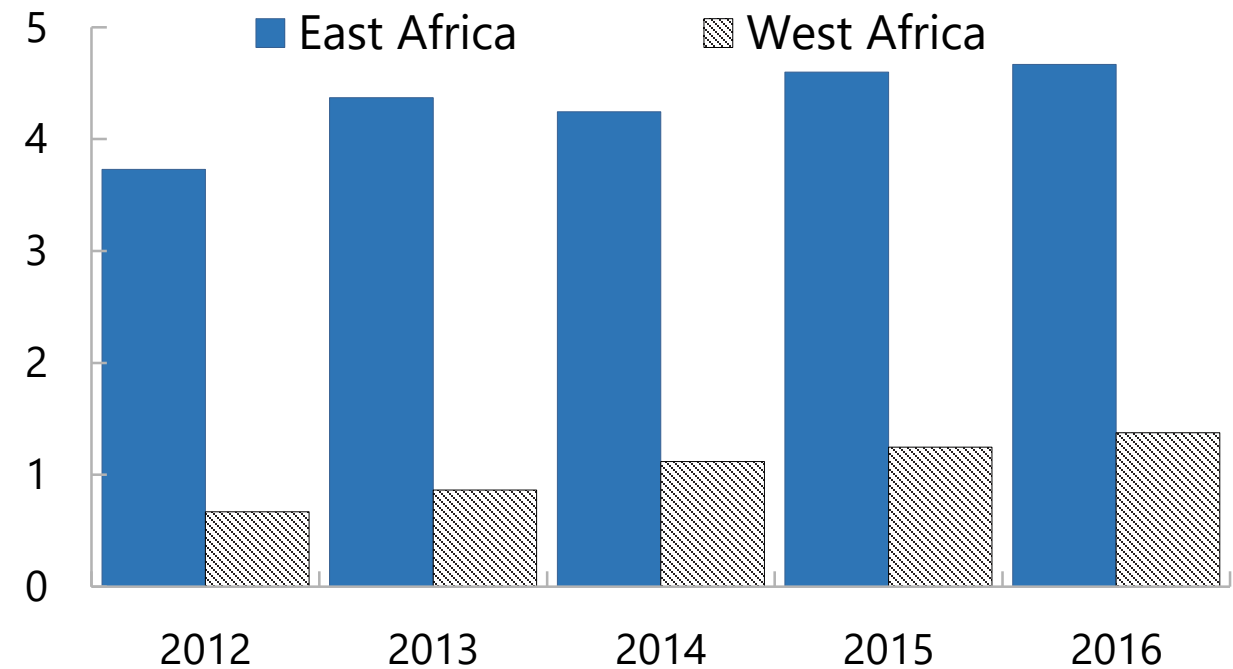
Commercial Bank Deposit Accounts

(per 1,000 adults)



ATMs

(per 1,000 sq. km)



What drives the success of mobile money in SSA and East Africa in particular?

- Adoption of mobile tech
- Competitive pricing
- Telecom market share
- Regulatory model
- ID system
- Complement or substitute?

FinTech extends well beyond mobile payments

Mobile access
and the internet

Big data and AI

Distributed
ledger
technologies

Cryptography

Lower information costs
Increase in transparency
Incentives to formalize
Contract enforcement
Greater trust

Financial inclusion

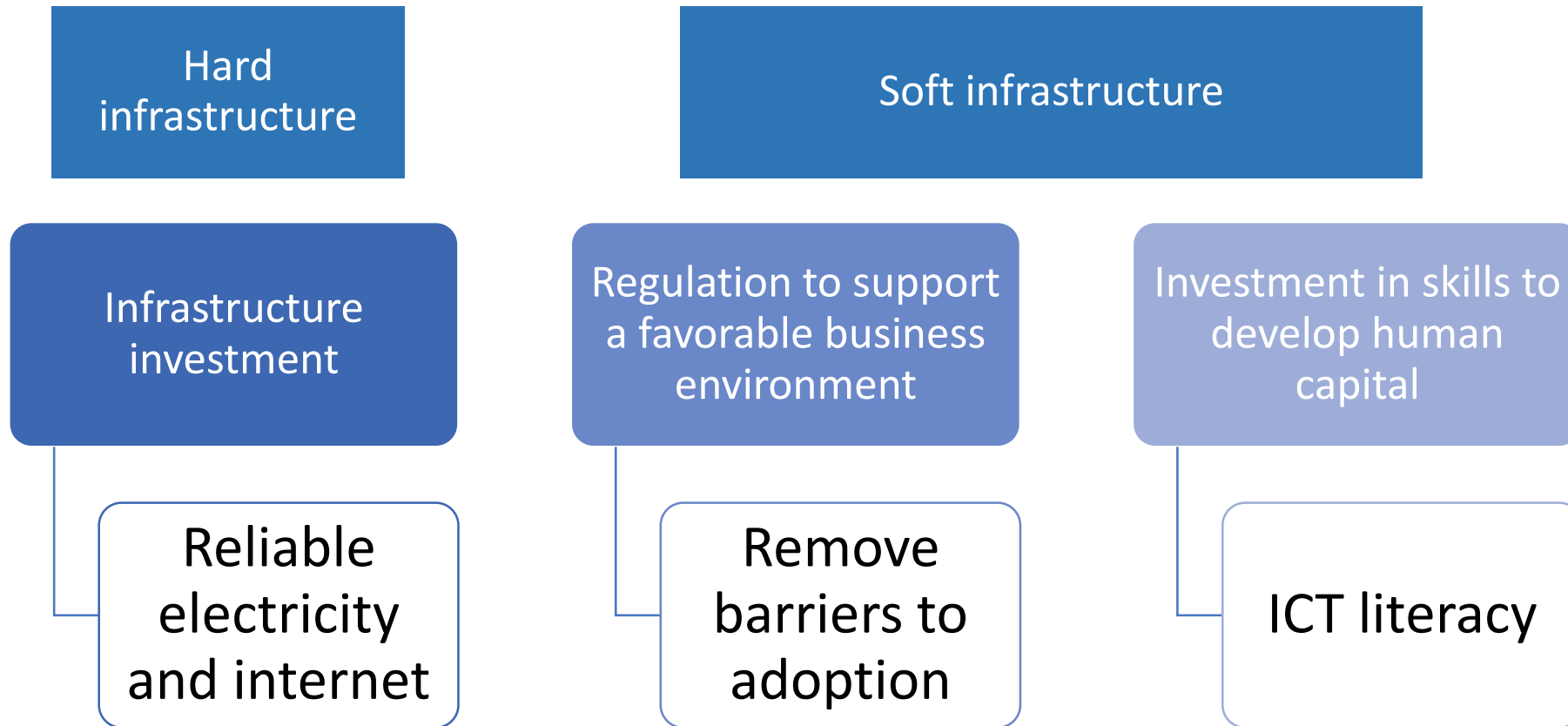
Financial deepening

Cross-border payments

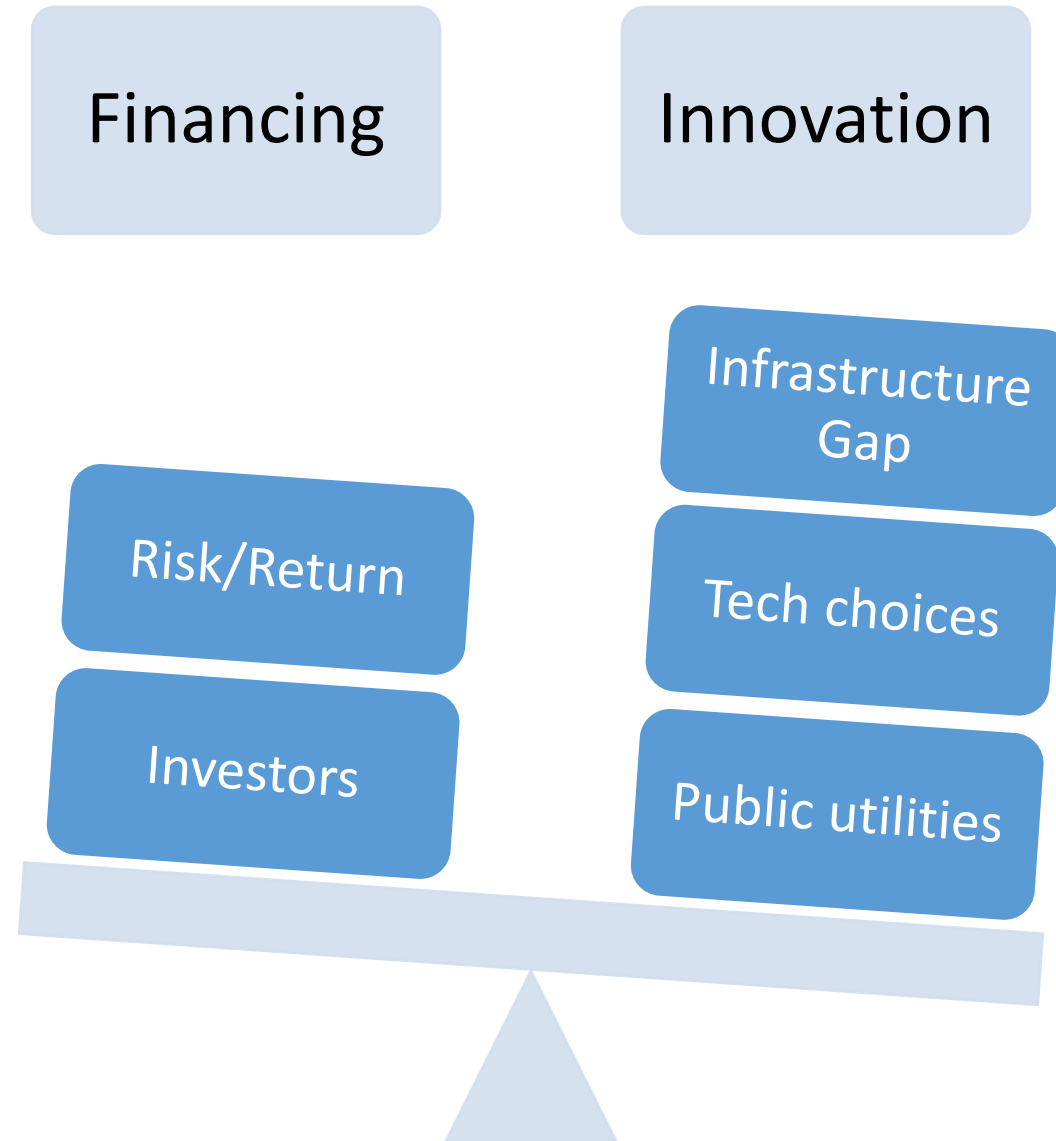
More inclusive growth

Promoting transparency
and reducing corruption

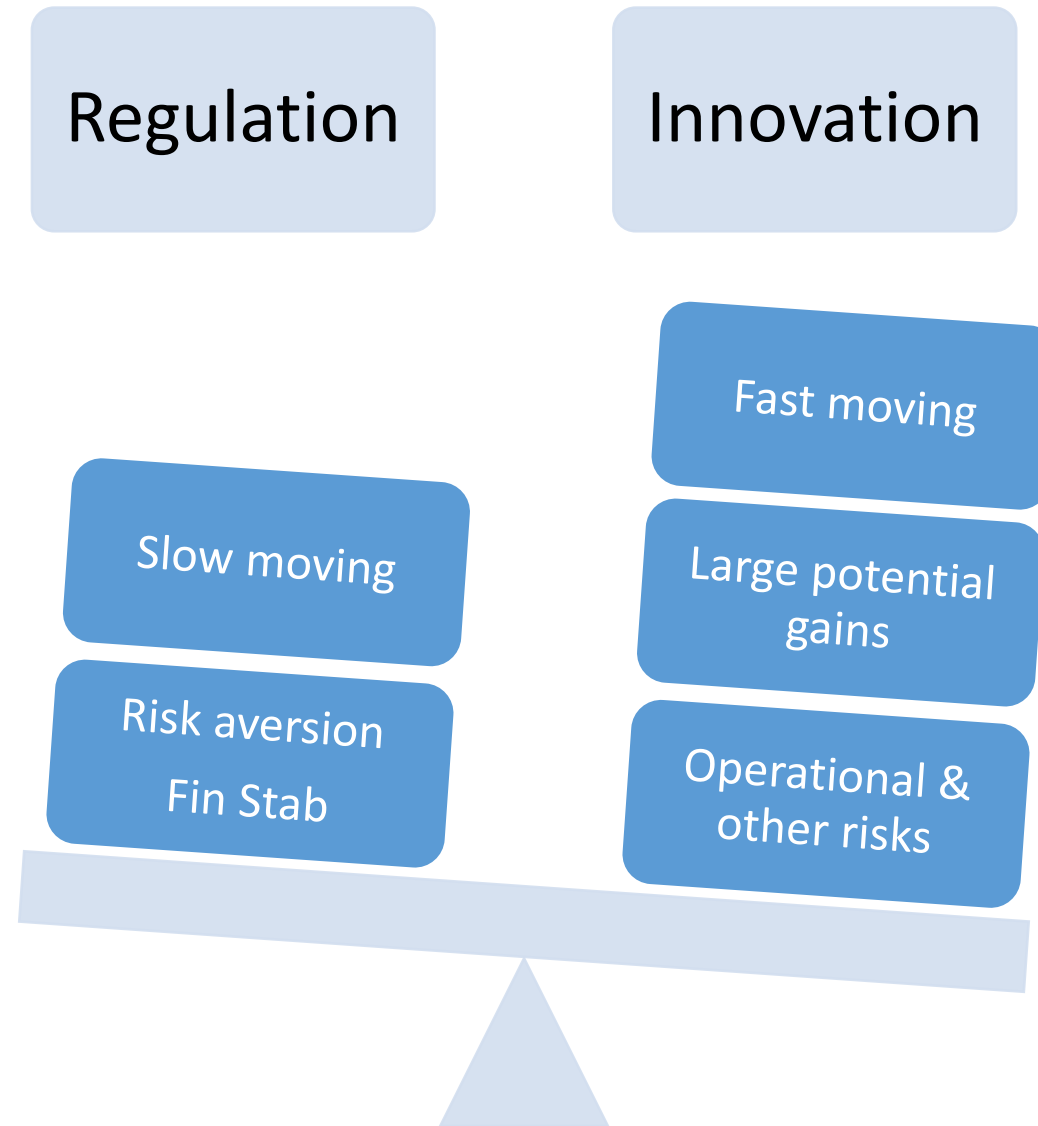
Investing in hard and soft infrastructure



Key policy tradeoffs: Hard infrastructure



Key policy tradeoffs: Soft infrastructure



3- How to realize opportunities

Providing a secure digital infrastructure

Protecting
Data

Biometrics

Improving
Identification

“User-centric
systems”

Thank you!