EIN PRESSWIRE

Is Africa the new El Dorado for payments? Interview with Jordan Graison, Limonetik

The African continent has inherited a number of state-owned organisations from the colonial period in sectors such as teleco, postal services, and banking.

Jordan Graison, Head of Global Sales at Limonetik

Limonetik logo

PARIS, FRANCE, March 24, 2020 /EINPresswire.com/ -- What is specific about the African market?
In finance, the Pan-African players starting to emerge (e.g., Afriland First Bank, Ecobank, Diamond Bank, UBA) are still young compared to established banks such as BNP, Société Générale, Standard Chartered or Citigroup, who own extensive networks across Africa.

The continent is still very cash-oriented, and bank and credit cards have never taken hold, with a few exceptions (Nigeria uses Verve); there are several reasons for this:

- A low level of banking penetration among the different populations. Most banking today is popular in regions where central banks have actively introduced banking services locally. Morocco has the highest banking penetration rate in Africa (71% according to Bank Al-Maghrib).

- It is often impossible to draw a correlation between banking penetration rates and citizens' civil status (i.e., personal information). Individuals in some of the poorer countries do not have a fixed address (due to unreliable land registries), birth certificate or identity papers. Africa is home to some 502,119 "invisible people", amounting to 50% of unidentified people worldwide, according to World Bank figures.

> So far, the e-wallet is not really suitable for online use."
>
> *Jordan Graison*

- Card schemes, such as Visa or Mastercard, have higher licensing costs than local banks, which are not even being used to the fullest. In Africa, bank cards are considered a luxury reserved for the rich.

- The presence of card schemes also implies the participation of businesses where customers can spend their money. The rate of penetration of fixed broadband and telephone services in Africa is one of the lowest in the world. According to a study by Deloitte, a professional services organisation, 66% of households in Africa are

connected to the Internet via mobile technology, 21% have fixed broadband, and 13% have no Internet service at home.
- Finally, local populations have strong links to expatriate nationals, who remain the financial provider for their families.

Transferring currency is indeed a firmly rooted practice in countries that are “recipients” of money from abroad. Money transfers account for up to 5.85% of GDP, as in Nigeria, which received USD 22 billion in 2017, according to the World Bank.

On the other hand, the rate of smartphone penetration in Africa is one of the highest in the world. This phenomenon was driven by the introduction of inexpensive, mobility-related devices. Equipment, often imported from Asia (e.g., South Korea, China, Taiwan), has actually favoured the use of e-wallets. By 2020, the number of smartphone users is expected to double, reaching 660 million, according to Deloitte. In other words, people in Africa have phones but no bank accounts.

How does Africa attract interest? Is the continent homogeneous or are there regional differences?

The dynamics differ vastly from one region to the next, depending on how countries regulate financial services.

Northwest Africa, or Greater Maghreb (Morocco, Tunisia, Algeria, Egypt), has a higher banking penetration rate than the rest of the region, and is better equipped in local payment card services. On average, banking penetration in this region is 35.5%, according to the PPRO Payment Almanac, a compendium of alternative payment methods. For instance, Morocco is following the European example by adapting its regulations to the Payment Services Directive (PSD1).

The Central African Economic and Monetary Community (CEMAC) and West African Economic and Monetary Union (UEMOA) zones have their own central bank using a currency, the CFA franc, which is pegged to the euro. This has fostered a regulatory framework favourable to digital currency and helped unify payment practices.

The former Commonwealth colonies all practice independent monetary and economic policies and have enjoyed significant investment from countries such as Kenya, Tanzania, and Rwanda in the area of telecommunications infrastructure. The first e-wallets were also introduced by Kenya and Tanzania with M-Pesa, launched in 2007.

Who are the major players shaping the payment landscape in Africa and how do we assess them?

Undeniably, telecommunications operators have done the most to shape the payment industry in Africa. On a continent as huge and disparate as Africa, setting up telecommunications networks is essential. Not least because of the widely dispersed expatriates who want to stay linked to their mother countries.

What are the preferred payment methods in Africa?

Cash and the e-wallet are the favourites without a doubt because of their strong penetration rate. Prepaid SIM cards are fed by cash in extensive distribution networks maintained by independent retailers. This cash credit can be exchanged quickly between carriers on the same mobile telephone network.

Money is more easily traceable because the telephone number is in itself proof of ID. In addition to this, the e-wallet is safe because people do not have to walk around with cash, and is a secure solution since the money, once received, cannot be reclaimed by the issuer.

What are the latest payment trends to watch in the African market?

There are two major trends in the African market: financial inclusion and interoperability. Financial inclusion requires having payment infrastructures at competitive costs available to the most financially insecure populations. Société Générale has launched Yup, based on a model close to France's Compte Nickel — a bankless bank account.

Along with interoperability comes the emergence of electronic portfolio aggregators who make it possible to purchase online services and goods. Jumia, for example, Amazon's African competitor, is deploying Jumia Pay so that customers can purchase without an e-wallet. Central banks, on the other hand, have made instant payment available through the banking network, as in Ghana where it was launched in 2018.

How will the African financial ecosystem develop in the future?

In a way, Africa is one step ahead of much of the world. A recent IMF report emphasises that electronic identification is becoming the norm, along with the e-wallet, which is already available to 100 million Africans. The challenge facing African countries is to create interoperable systems. As it stands, sending or receiving money requires an increased number of mobile lines.

Another challenge is to follow the trend of burgeoning ecommerce, which is revolutionising this part of the world.

Corinne ESTEVE DIEMUNSCH
LIMONETIK
+33 1 75 77 01 12
email us here
Visit us on social media:
Twitter
LinkedIn
