

460 million Unbanked in Africa – the world’s opportunity

Africa – famous for its natural beauty, history, and people, is also the world’s second-largest and second-most inhabited continent. With over a billion people spread across 54 countries, the region is seeing a number of interesting developments that are modeling the retail financial services market. In spite of all these rising trends, alarming statistics by the World Bank states that as many as 66% of sub-Saharan Africans are listed as “unbanked”.

Is that an alarming situation or an opportunity in disguise? Though, the latest Global Findex report, a World Bank initiative, says that more than 2 billion of the world’s population is still away from the financial mainstream, the unbanked in Africa could be one of the biggest opportunities in fintech history.

The question remains that why is it, in spite of a technologically advanced world; there is still an unbanked population? Why is such a huge mass still deprived of the benefits of a robust economy? The reasons being manifold, the major ones that lead to an unbanked population are the trepidations of banks and financial institutions to reach these populations, mainly because they represent the lower strata of the society and do not represent a profitable market.

As per a survey conducted by Mckinsey and Company, 80% of Africa’s total adult population does not use any form of financial services. With many of the unbanked population residing in remote rural areas, the reasons for not availing financial services range from harsh terrains, geographical inaccessibility to poor infrastructure. The high cost of banking services, a dearth of suitable products, a lack of financial education and understanding, add to the inaccessibility wall for poor rural populations.

However, the financial inclusion of this section of society is now picking up momentum. Moving with times, the fintech industry has been keeping up with the latest technologies and believes that the fastest way to enhance financial inclusion is to adopt newer technologies. The marriage of the fintech platform and the technological application availability is bound to put Africa at the forefront of this industry, essentially enabling Africans to leapfrog over traditional, and soon-to-be outdated business models and technologies, such as physical credit cards.

Once again coming back to the question of how will opportunities present themselves from the unbanked masses. How will a section of the society with no access to any formal form of financial services be an opportunity creator? A large section of this unbanked population in Africa has access to a mobile phone than a bank account - Opportunity created.

As the West progresses new standards in mobile banking, earlier technologies like ATMs, online banking, and more need not be adopted for countries in Africa. Africa’s emerging economies is the ability to “leapfrog” outmoded and substandard eras of technological advancement, thereby enabling it to jump straight to a brand new era of frictionless mobile infrastructure.

In the current era, mobile payment solutions are available to those who do not have a traditional bank account. This seamless financial transaction process via mobile phones is

exactly why the opportunity for African financial technology companies is colossal. It has been estimated that by 2020, there will be over 525 million smartphones in Sub-Saharan Africa. Small merchants will have the potentials to expand their business across Africa, develop their brand, and tap into the rise of online purchases. All this using the mobile phone and fintech technologies. With this modernization, new prospects for African Fintech startups will arise at a rapid pace.

Besides, the new generation of fintech technologies will be creating a credible financial identity for the unbanked and underserved demography based on alternate data, thereby will increase the inclusion levels of previously unbanked Africans. By doing so, a considerable number of people in the African society will be able to improve their financial standing using the numerous financial tools at their disposal. Innovative payment methods will save them time and money, while unorthodox savings options will enable them to grow their net worth.
