

Enabling National Prosperity using FinTech

Presentation by

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Outline

- Introduction and Highlights
- Fintech in Nigeria: Our Context
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- The Imperatives
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Introduction and Highlights

- Technology is the key driver of CHANGE in our world today
- Underpins two transitions fueling global shifts:
 - From the age of **DISCOVERY** to the age of **IMPLEMENTATION**
 - From the age of **EXPERTISE** to the age of **DATA**
- Simple as these transitions sound, they have profound implications for the digital economy
 - Implementation is what makes technological advances meaningful
 - Harnessing the power of data is the electricity of the 21st century

Just as the 19th century entrepreneurs began applying electricity breakthrough to lightening the room, cooking food and powering industrial equipment, FinTechs leveraging data are bringing elegant technical solutions to abstract problems by embedding Digital Financial Services (DFS) deeper into the fabric of our daily lives

- While technology use in financial services is not new, the pace of innovation is having a broad and significant impact in the growth of the Digital Economy
- Amplified by the Covid 19 pandemic, FinTech has become a core component of developmental growth in many nations
- Powering affordable Digital Financial Services (DFS) to unlock businesses, healthcare, education, entertainment and access to government services
- According to the world bank, access to basic financial services such as savings, credit and insurance contributes to several Sustainable Development Goals and a positive marker of social and economic improvement

Financial Technology (FinTech) could be...

▶ Any Type of Player

- Existing Financial Service Providers
- Existing Non-Financial Service Providers
- Start-ups

▶ Playing in any part of the Value Chain

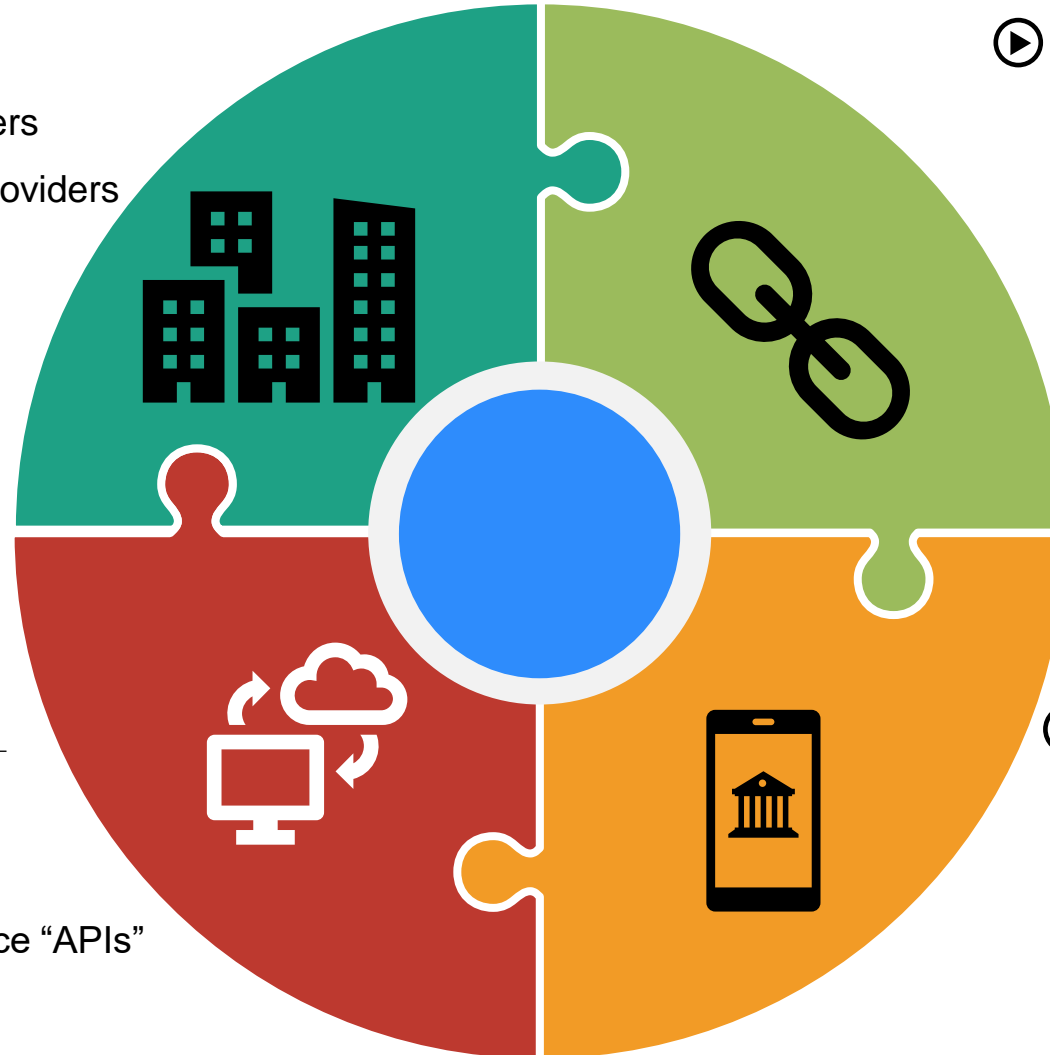
- Business-to-Business “B2B”
- Business-to-Customer “B2C”
- Customer-to-Customer “C2C”
- Infrastructure

▶ Leveraging Technology

- Block Chain
- Data Analytics
- Application Programming Interface “APIs”
- Cloud

▶ Delivering an array of financial services

- Payments & Transactions
- Accounts
- Savings & Investment
- Lending & Financing
- Life and Non-Life Insurance



There are 7 major trends shaping the global fintech space

Shift to B2B Models

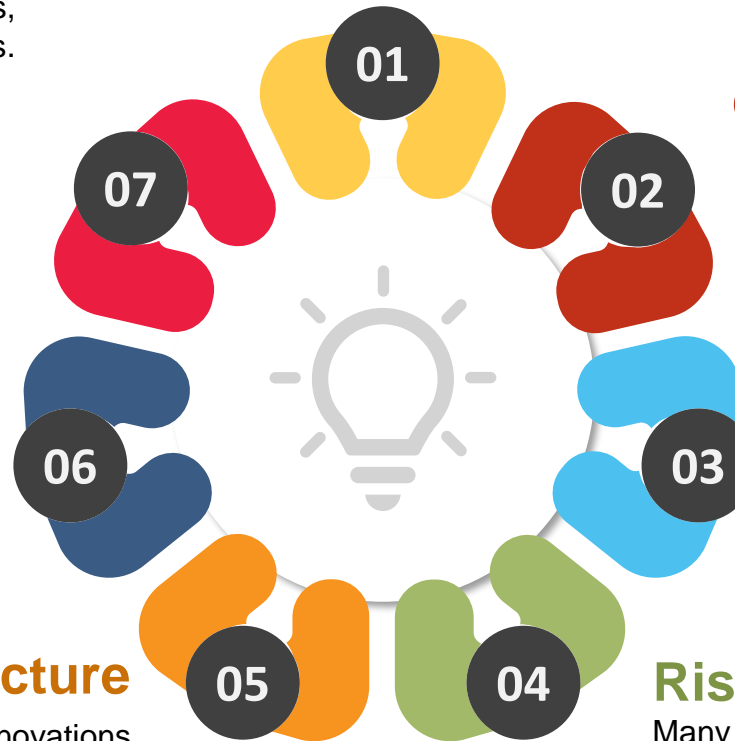
Start-ups serve more as catalysts rather than disruptors, hence the shift towards B2B and partnerships continues. B2C likely to remain attractive in emerging markets

Big Data/Advanced Analytics

FinTech players are using a broader set of use cases across the sector to successfully drive the application of advanced techniques and wave of new AI business solutions

Innovation of Payment Infrastructure

Strong performance in card transactions coupled with innovations in payment solutions and regulations are key drivers of online payments.



Increase in Funding

Fintech funding is on the rise and is expected to maintain an upward trajectory in coming years. Barring the Ant Financial deal in 2018, \$36bn was invested in 2019

Open Banking

Regulators are playing a stronger role globally to foster and shape innovation in the financial sector.

Encroachment of Big Tech Players

Big Tech players such as Amazon, Google, Facebook & Apple with large customer bases are making bold moves into financial services. Also, Google and Facebook in particular are aggressively moving into emerging markets such as India where Google Pay dominates the payment market

Rise of Super Apps

Many fintech providers globally are developing super apps and emulating the ecosystem players. Western players such as Uber are also making moves to build super-apps leveraging their core assets.



Fintechs in Nigeria: Our Context

- **Population dynamics:**
 - 200m+
 - Average age: 18.1yrs
-

- **TSA-IPPIS Savings**
 - 70k ghost workers eliminated
 - N220bn saved
-



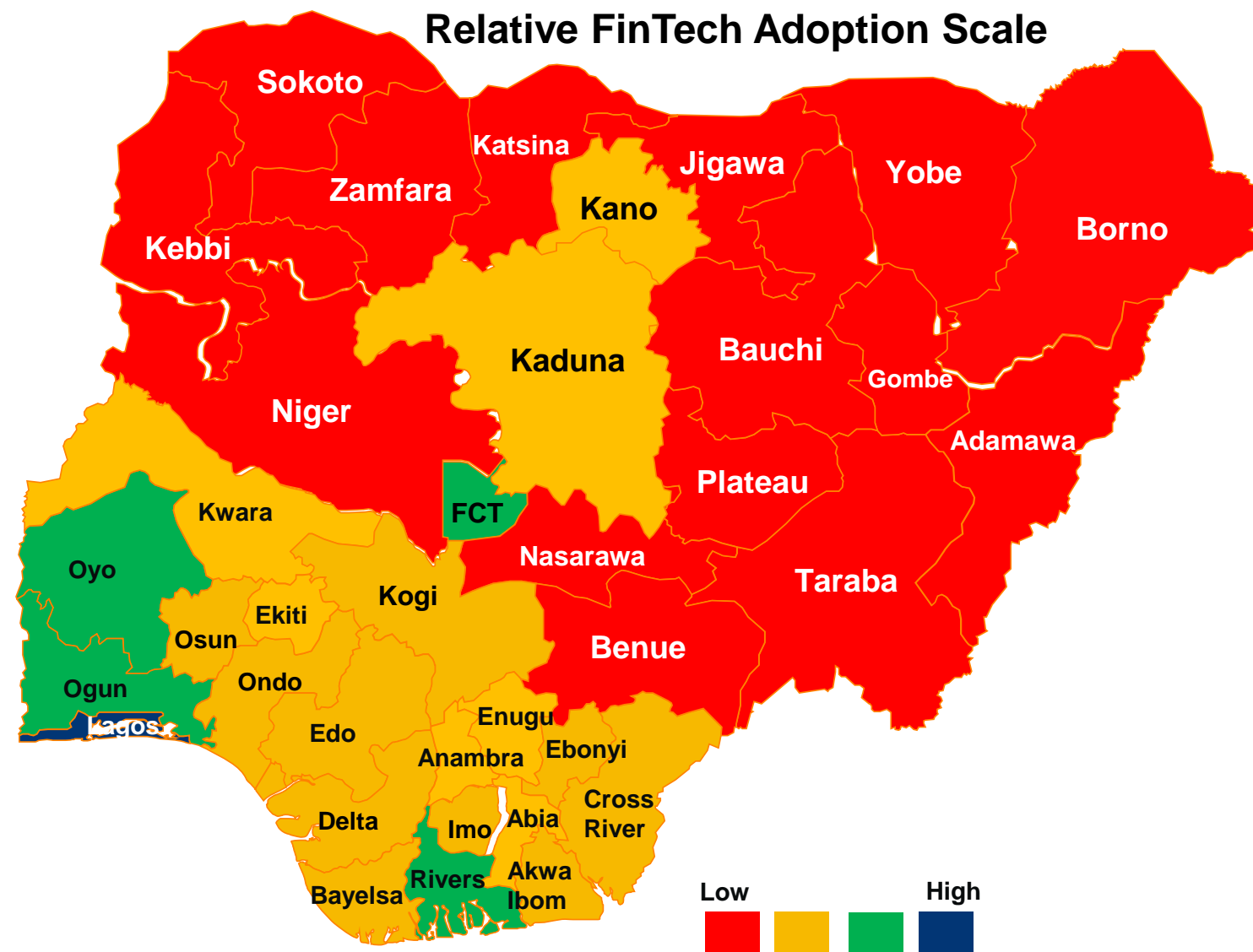
Nigeria's human capital development amongst the world's worst



90% of technology powering Nigerian economy imported



Relative FinTech Adoption Scale



\$560bn

FinTech funding in
Nigeria in 2021



39%
Payments



11%
Savings

200+

No of FinTechs in Nigeria



28%
Lending

Of top 50 FinTechs,...

22%

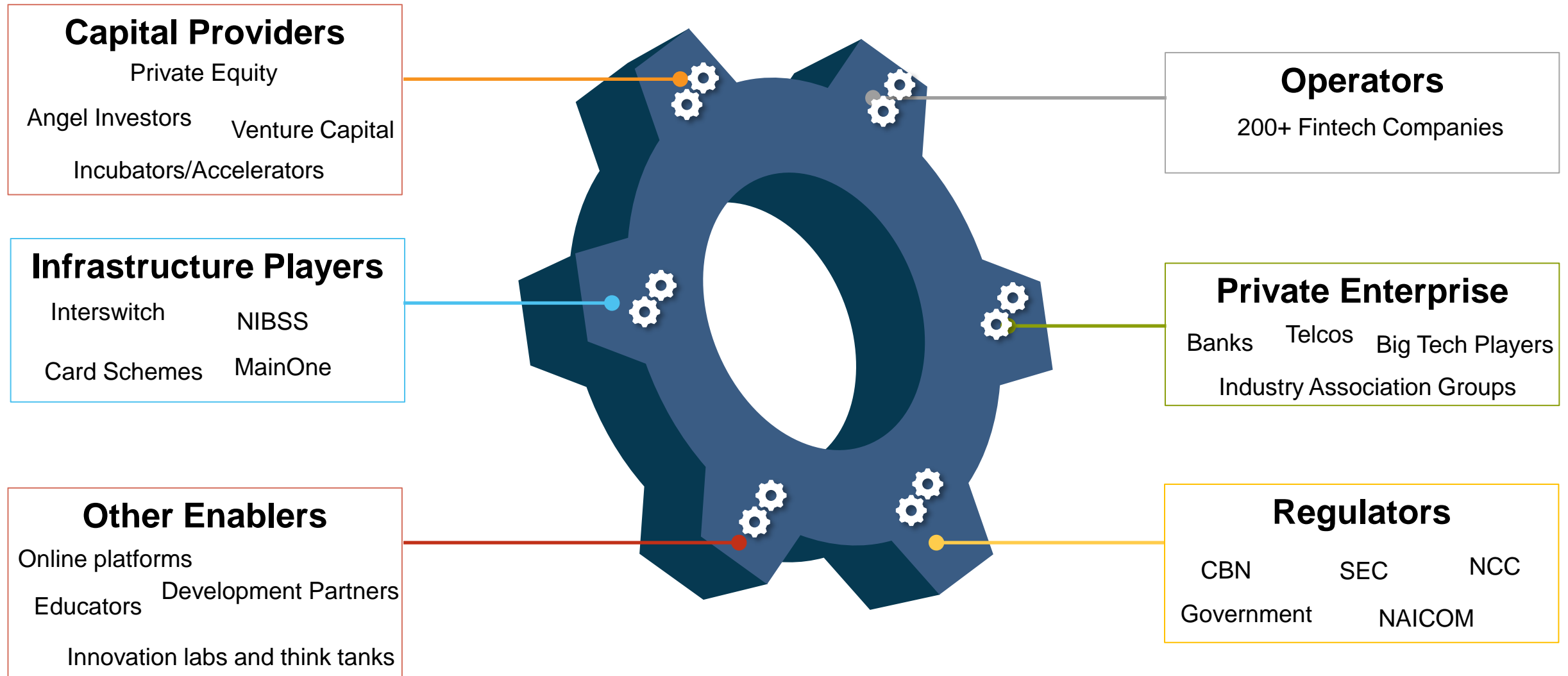
...have a female
co-founder



48%

...have women in
senior management

The Nigerian fintech space have both private and public stakeholders



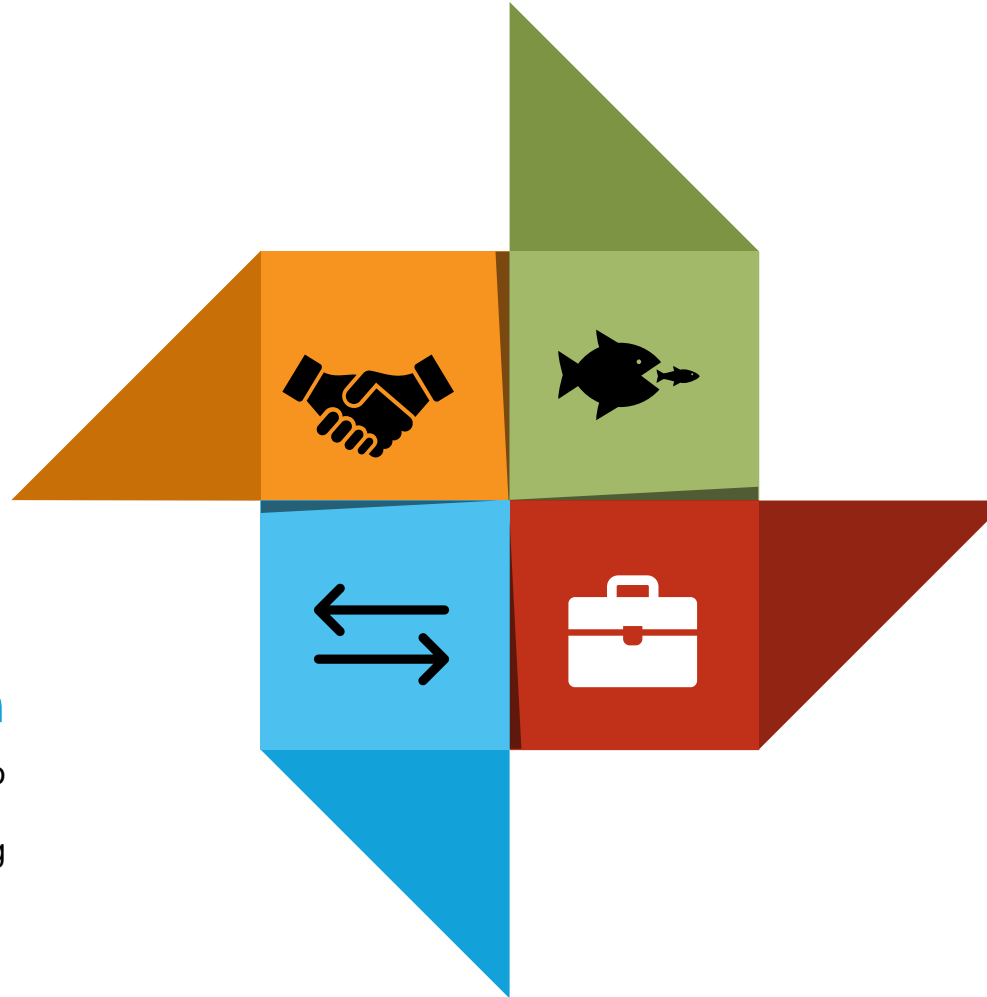
As the Nigerian financial sector is evolving, banks reposition to stay ahead of the game

Strategic Alliance

Some banks have built strategic alliance with fintechs by opening up their infrastructure for fintechs to integrate and drive innovation. For example, Access bank's Fintech Foundry (AFF) funds and accelerate the growth of Fintech startups

Reinvention

Some banks are leveraging digital technologies to change operating model and deliver new proposition to the market distinct from existing mode. E.g., Wema Bank built ALAT, the first digital bank in Nigeria



Compete

Others compete with different fintech players as well as industry peers with Fintech propositions. E.g., First Bank's FirstMonie to drive agent banking

Acquire/Merge

Other banks are acquiring/merging with FinTechs as a means to capture synergies and drive scale. E.g., some banks are making equity investments in Fintechs.

Opportunities abound in the Nigerian financial space due to existing gaps

The Nigerian financial services sector presents enormous opportunities for fintechs due to unmet financial needs. Unmet financial needs coupled with rising internet penetration provide headroom for fintech growth in Nigeria



FinTechs are not only addressing unmet demands but are also doing it along the value chain. The fintech segment appeals to investors as funding continues to grow. This will generally lead to the goal of boosting financial inclusion in Nigeria



Despite the numerous activities, carried out by fintechs, the amount of impact created by them is still a fraction of the potential. There is room for more to be done.



A concerted and collaborative effort involving the govt., CBN, other financial services regulators and other stakeholders could lay the enabling framework for propelling fintech growth in Nigeria.





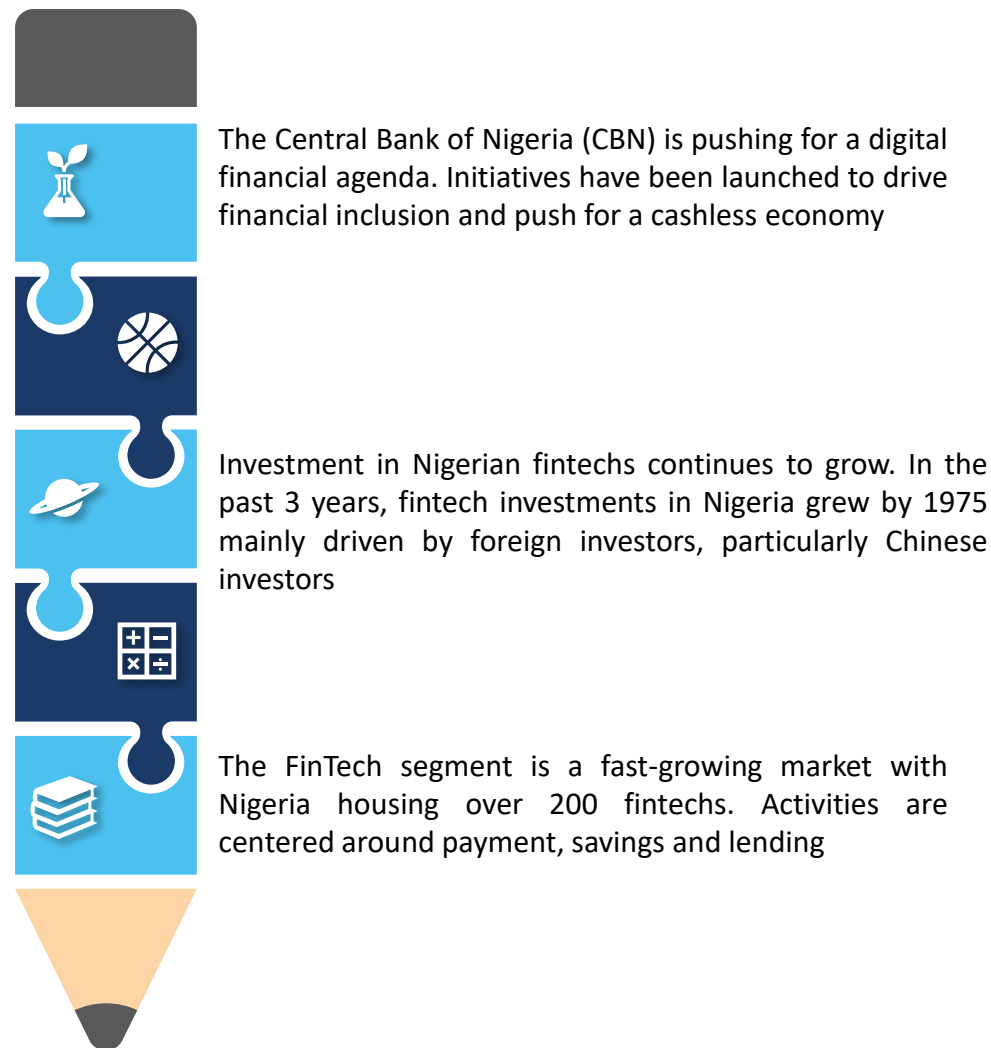
The Promise

- Development of the FinTech ecosystem has been a bright spot in the Nigerian economy
- Spurred by considerable convergence of enabling factors and improvements in foundational digital infrastructure:
 - A youthful population
 - Enabling policy framework to increase financial inclusion and cashless payments
 - Increasing broadband internet
 - Mobile data services and smartphone penetration
 - Inclusive and trusted national Digital ID with linkages with other functional systems
 - Digital payment services
- New operators and Innovative startups emerging and fulfilling unmet needs in the traditional banking sector and seizing market share
- All things being equal, these are perfect conditions for the FinTech sector to thrive

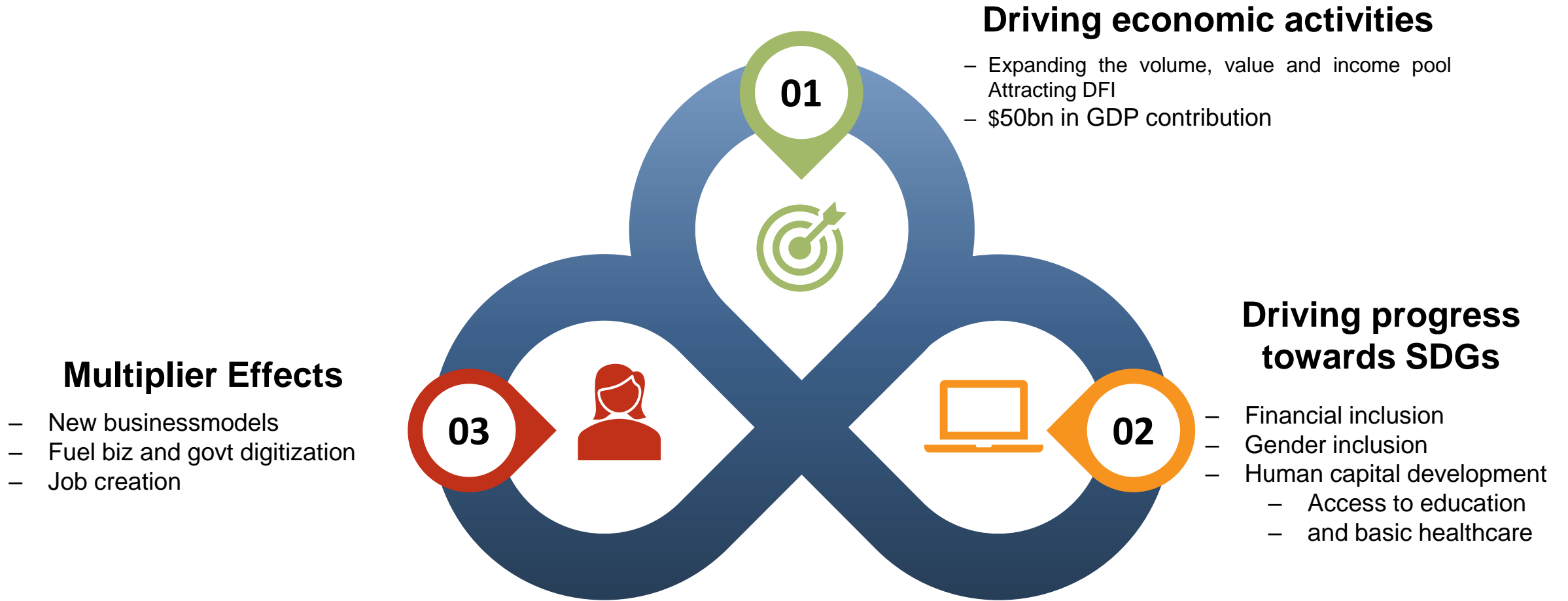
Redesigning the Nigerian Fintech Market

Foreign-backed fintechs have a pan-Africa expansion strategy, with Nigeria as their entry point. Also, Nigerian fintechs are increasingly exporting their business models to other emerging markets


Brick-and-Mortar banks are reinventing themselves in response of growing fintechs. While some banks have launched fintech solutions, through inhouse innovations, others have collaborated with FinTechs



FinTechs create impact in three broad dimensions:




In the long term (5-10 years), Fintechs have the optential to...



01

- Expansion of revenue pools by 18% - \$2bn
- Attract about \$3 bn in FDI
- Contribute to the Digital Financial Services GDP uplift of \$50bn by 2025
- Enable increased consumer consumption and MSME growth through innovation on new lending models


...Unlock economic impact



02

- Provision of financial service products to rural communities and unbanked populations
- Enable digital and financial inclusion of women
- Leverage technology to increase coverage extension through pay-per-use and lower cost solutions in education, healthcare, agriculture, etc

...Increase participation & accessibility across development goals

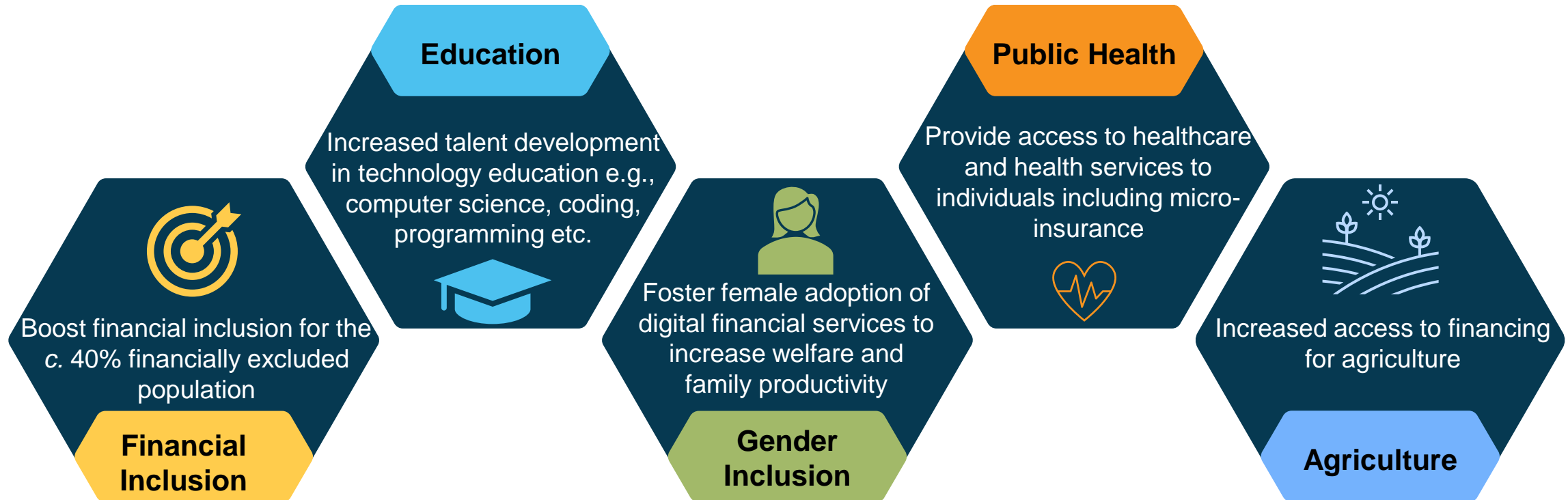


03

- Unlocking new business models beyond financial services (e.g., logistics)
- Fueling the growth of e-commerce
- Increasing job creation and Science, Technology, Engineering, and Mathematics (STEM) talent pipeline

...create a multiplier effect

FinTech penetration will boost human capital development





The Imperatives

The Imperatives

- Despite the gains and impact created by FinTechs thus far, it is only a fraction of its potential – we are still punching miserably below our weight
- To unlock new levels of productivity, innovation and economic growth through FinTech, government, regulators and key stakeholders must work together to support consistency of policies and objectives
- Reaping the full benefits of the digital economy requires a more robust set of enabling factors and massive investments in three core capitals:
 - **Human** Capital – We must prioritize investing in digital skills and knowledge to equip the army of young people with competencies for the future
 - **Built** Capital - The development of new technologies in Financial Services comes with the need to digitize the economy and improve related infrastructure
 - **Social** Capital - There is a full-on crises of public trust; social cohesion erosion is about the biggest risk we now face as a nation

What should stakeholders be doing?

Recommendations	Responsibility
Foster regulations that support innovation	CBN, NIBSS ,SEC, NAICOM, PENCOM and NCC
Create pull for digital identity e.g., BVN, NIN, Voters ID etc.	Development organizations/ Foundations CBN, Partner agencies e.g., Ministries, SANEF, NIBSS, hospitals, schools,
Develop central credit infrastructure	Credit Bureaus, Commercial Banks, Lenders, NIBSS
Accelerate the deployment of digital infrastructure	NCC, MOF, Local and State Governments, Telcos
Grow the talent pipeline	Development organizations/ Foundations, Federal, State and Local Governments, Industry players, Investors

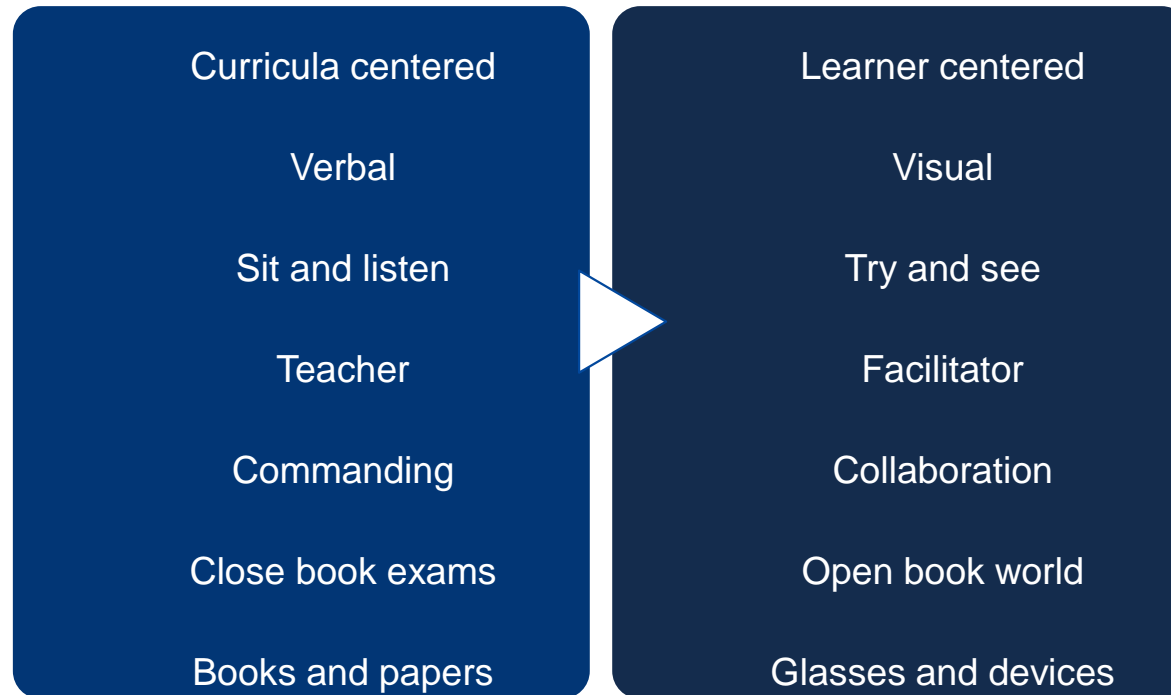


Final Thoughts

- Despite the increased activity in the FinTech sector and the positive multiplier effect in the economy, there is significant potential for massive growth
- Nigeria is a huge basket of creativity with enormous talent and amazing potentials that can be effectively tapped
- When linked to a clear and coherent concept rooted in deep understanding, FinTech can be harnessed to accelerate forward momentum
 - eg integrating the base of the pyramid and micro enterprises often excluded from mainstream financial services by addressing the disequilibrium caused by the supply-demand side barriers to financial inclusion

- Digital economy has a skill bias
- The substantial additional technical and functional expertise needed to create world class digital technology products and services does not just appear out of nowhere
- The innovations we see today rest on a solid foundation of education, inspiration, internship and mentorship
- To go far on the ladder of economic development using Fintech, across board reforms of the curricula to reflect the SFIA is necessary to improve quality and relevance and guarantee tech talent pipeline

- Education delivery models across all levels also need to adapt to align with current realities
- The pace of change may be slow but the direction is unmistakable...



Thank you



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