

Banking on Africa: Opportunities for Fintech Development in Southern and Eastern Africa

Background

Technological progress fosters innovative tools to benefit populations of low & middle-income countries. Disruptive technologies may contribute to leapfrog physical or institutional barriers for the use of essential infrastructure or services. In this context, financial technology (Fintech) shows great potential in contributing to fighting poverty and to boosting the individual and national economic development. On the one hand, formerly unbanked individuals are empowered through access to alternative financial systems that allow for transactions, savings and investments. On the other hand, Fintech instruments foster the formalization of the national economy and assist governments in collecting taxes and in enhancing regulation.

However, countries differ in their absorption capacity for technological innovations and there are obstacles to Fintech solutions depending on the state of development. China, for example, successfully absorbed Fintech innovations to combat poverty and foster the digital transition. Conversely, in the Southern and Eastern African context, obstacles, such as unequal internet access or underdeveloped telecommunications hardware, slow down the digital transformation.

Objectives

The Emerging Markets Sustainability Dialogues (EMSD) Challenge Fund supports the project “Banking in Africa - Opportunities for Fintech Development in Southern and Eastern Africa” as a multidisciplinary collaboration between research and business actors. For this purpose, the Human Science Research Council (HSRC) BRICS research centre in South Africa, the Zhejiang University Centre for Internet Finance and Innovation (CIFII) and the LianLian Pay Ltd. from China jointly perform this research project. The main objective is to identify enabling and constraining factors for Fintech innovations in Southern and Eastern Africa and hence to guide policy makers in promoting digital and financial inclusion. Thereby, the successful Chinese digital trajectory serves as inspiration for public policies translated into the African context.

Additionally, capital emerging from the Chinese Fintech ecosystem is looking for investment opportunities. Matching the business case Southern & Eastern Africa with the Chinese investors may contribute to attracting Foreign Direct Investments for the Fintech industry and to pushing regional development.

Research Plan

The research project is divided into three phases.

- The first phase consists of a desk research to identify major trends in the Fintech with special reference to Southern/Eastern Africa, China and other low/middle income countries. The objective is to assess key advancements, enabling factors or obstacles and identify possible catalysts for bridging the digital divide and enhancing fast-track digital adoption in Southern & Eastern Africa.
- Engaging experts from the banking, telecommunications and policy sector by survey will validate the constructed working hypotheses from the desk research for the selected countries of South Africa, Botswana, Kenya and Tanzania. In parallel, prospective Chinese investors will be identified and interviewed to gauge concerns and requirements for investment.
- In a third phase, seminars in Cape Town and Hangzhou aim at engaging the informants with the findings of the study and improve the proposed recommendations. Furthermore, the seminars afford potential investors an opportunity to meet with policy makers and key stakeholders in respective industries.

Project partners

[HSRC - BRICS Research Centre](#)

The BRICS Research Centre (BRC), located in Pretoria, South Africa, is a research unit within the Human Sciences Research Council (HSRC), dedicated to conducting, coordinating, and facilitating multidisciplinary BRICS-related policy research, ensuring that such research contributes towards policies for immediate, concrete impact on the strategic economic, social and geo-political policies of the country.

One of the research pillars of the HSRC is to promote greater cooperation and information sharing with others on the African continent. In this spirit, the HSRC's Africa Institute of South Africa has developed a strong network of research partners across the African continent, with a focus on sustainable development, cohesive and sustainable communities and sustainable resource management.

[Zhejiang University – Centre for Internet Finance and Innovation \(“CIFI”\)](#)

CIFI is a research centre affiliated to Zhejiang University Academy of Internet Finance, based in Hangzhou in China, with a focus on issues including innovation and entrepreneurial finance, Internet finance and capital market, supply chain finance, business model innovation. CIFI is home to a wide range of highly innovative Internet companies, financial institutions and internet finance companies and is dedicated to building up the nation's most extensive communication platform for scholars and professionals in the area of Internet finance.

[LianLian Pay](#)

Founded in 2003, LianLian Yintong Electronic Payment Co., Ltd (LianLian Pay) is the fourth largest non-banking third-party payment service provider in China, headquartered in Hangzhou. LianLian cross-border payment now supports settlement of 19 currencies and enjoys direct connection and comprehensive service from all the major domestic banks. In 2015, LianLian Pay became one of the first partners of China (Hangzhou) Cross-border E-commerce Comprehensive Pilot Area (the first national-level cross-border e-commerce pilot zone approved by China's State Council

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