RETHINK FINTECH

Crisis as an opportunity – Africa & South Africa

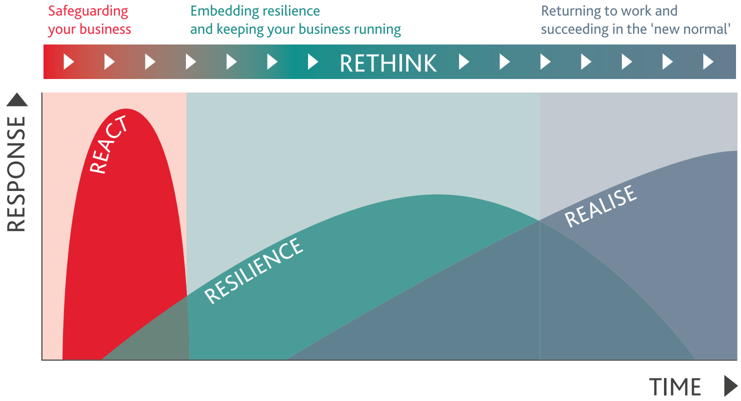
November 2020

INDEX PAGE

INTRODUCTION

The African market has a small, yet flourishing Fintech industry, particularly around digital transformation in the financial services space. Fintechs have accelerated in digital banking, mobile money, digital wallets and payment innovations, where emerging technologies are driving this innovation and initiating new growth opportunities.

The COVID-19 pandemic turned the world in turmoil within a few weeks. Across the African Fintech landscape, COVID-19 has affected many Fintechs resulting in business closure, especially the smaller start-ups. However, some start-up Fintechs have embarked on mergers and acquisitions to determine where they can potentially be acquired or attract additional funding. For those Fintechs who received funding pre-COVID-19, they have been able to continue to operate per normal and believe post COVID-19, additional funding will resume. These Fintechs see COVID-19 as bringing opportunity and that it will encourage digitalisation going forward.



Fintechs need to RETHINK their approach underpinned by the COVID-19 pandemic. Fintechs who react to the COVID-19 pandemic by innovating and building solutions to the current gaps within the financial services sector, resulting in them safeguarding their business, building resilience and adjusting to the “new normal”, will thrive in the market for many years to come.

In this report, we give a detailed report of the Fintech landscape in Africa, we have analysed an array of challenges and opportunities facing the African Fintech ecosystem, as well as how Fintechs can adopt our BDO RETHINK model to overcome the COVID-19 pandemic.

NEVELLAN MOODLEY,
Partner Financial Services Technology, South Africa

SECTOR OVERVIEW

Mohanad Khaled,
Managing Partner,
BDO Egypt

> *Egypt had been a leader in developing countries to be well prepared with a sound banking sector, technology infrastructure, and educational efforts, that allowed a prompt turnaround and speedy introduction of Fintech products, which in turn facilitated a game changer in the Egyptians' day-to-day transacting and purchasing habits, with the numbers increasing in, those possessing plastic money, online buying, e-payment solutions, and internet banking.*

Fintech is progressing in all continents, and Africa is no exception. An increasing curiosity in African Fintech has been seen over the past couple of months. Although there is nothing that theoretically keeps African Fintech back, there are a range of variables that may impede the region from achieving its full potential in servicing the millions of people who remain unbanked within financial services.

The masses are using technology as a source of capital management and investments in numerous parts of the world including Africa. While Fintech in Africa is still small, it's growing at a rapid pace. Fintech in Africa and South Africa generated its roots around 2007 and there has been a rapid increase in its use over the past five years. 2016 was a revolutionary year for Fintech in Africa and there were a range of developments on the continent that were aimed to mitigate the issues of financial exclusion at the time.

Kenneth Makanga, *Partner, BDO East Africa (Uganda)*

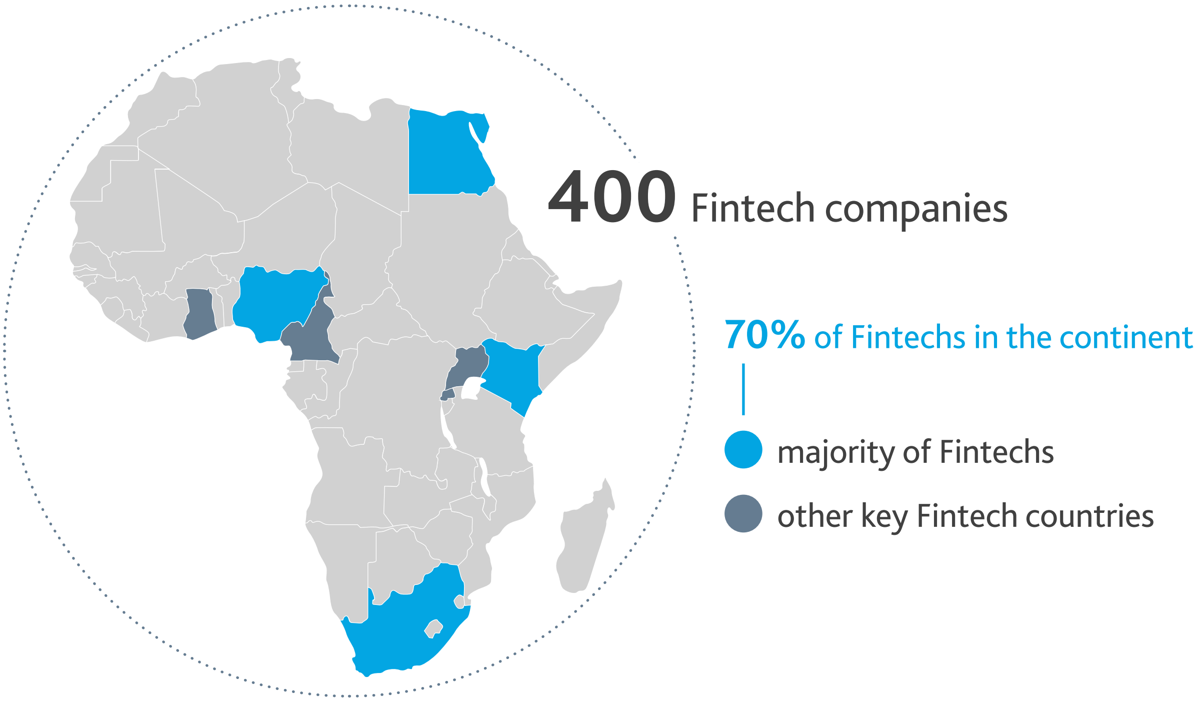
> *With BDO's support and fuelled further by the positive impact of Covid-19, Fintech in Uganda has greatly addressed the banking sector's biggest challenge of accessing the largely rural population (75.6% in 2019), towards increasing financial inclusion through innovation services like mobile banking, mobile recharge solutions, money transfers and other financial solutions.*

The majority of Fintechs reside in four countries, with Egypt, Kenya, Nigeria and South Africa being home to 70% of Fintechs in the continent. The countries that follow behind them are Ghana, Uganda, Cameroon and Rwanda, amongst others.

Recently, there has been a rise in the number of Fintechs in Africa. Currently, 400 Fintech companies are active in Africa out of which 80% are established from homes.

In March 2018, the Financial Sector Conduct Authority (FSCA) registered 10,139 category IFSPs, out of which only 0.2% were Fintech. Another factor is that internet penetration in South Africa was 46% in 2015 and 52% in 2017. It is rising gradually but not as fast as it should be. Overall, Africa is not transforming slowly, however it could be much faster.

Fintechs in Africa



AFRICA

The legislative / regulatory climate in Africa is among the least conducive for business industry in the world. Excessive corporation legislation, complex authorisation processes and opaque tax appraisal laws are listed as the main regulatory issues for companies.

A major problem facing the Fintech industry is regulation - or its absence.

The problem with Africa's regulatory environment is that the laws, regulations and licence regimes that already exist were meant for the traditional financial services and therefore, they are not fit and applicable for Fintech companies as well as their products and services. Although existing regulation gives some security and legislative advice to customers and market players, it may not sufficiently resolve legal concerns that could emerge from Fintech goods, such as crowdfunding, blockchain technologies, cryptocurrency, and robo-advisers.

Current regulatory systems are flexible enough to theoretically cover new platforms, however offer a strong ground for fraud and cyber crime to reach the widening spectrum of financial services and goods. The study finds that guidance is required about how the Financial Advice and Intermediary Act (FAIS) relates to the Fintech market.

In addition to recommending a regulatory sandbox to "facilitate the required dialogue between market participants and regulators to establish regulatory actions which strike the right balance between promoting innovation and mitigating new risks," Aluko & Oyebode, Nigeria's largest full-service law firm, propose a different approach: a self-regulatory organisation (SRO), but note that it is unlikely that Nigerian regulators will follow it.

Where a SRO strategy to Fintech policy is implemented, there is a possibility that the rules may be flawed and benefit Fintech businesses rather than their customers and peers. As this legislation would be crafted by key market players with a good knowledge of the relevant goods and the related threats, they would be best structured to devise effective regulations covering concerns such as encryption, data privacy and customer safety.

SOUTH AFRICA

The South African Banking Risk Information Center (Sabric) reported that credit card fraud had risen by 18%, with Card Not Present crime accounted for 80% of all nation financial frauds. Mobile banking is opening up new possibilities for savvy financial fraud to take control, specifically now that data is seen as the "new money". This year, M-Pesa was victim of a large-scale scam and, as a consequence, Safaricom's majority shareholder introduced an intelligence strategy against scam.

For more information read the detailed report by Sabric on annual crime stats here.

South African regulators including the South African Reserve Bank (SARB) have launched the Intergovernmental Fintech Working Group (IFWG) to assist Fintechs with a regulatory sandbox. This sandbox allows them to experiment with new technologies in a safe environment where regulation boundaries can be tested. It also allows the SARB to get insights into the new technologies and solutions that are being looked at in order to get a view around how regulations should be developed and/or changed to cater for the new fintech market. This collaboration between regulators and Fintechs represents South Africa's commitment to accelerating Fintech to allow Africans to solve African problems.

The SARB also received the "Best Distributed Ledger Initiative" award from the "Central Banking Publications" at a gala dinner in Singapore. The global award was received for "Project Khokha" which was a distributed ledger that enabled interbank settlement solution and represents how South Africa is developing first in world banking solutions.

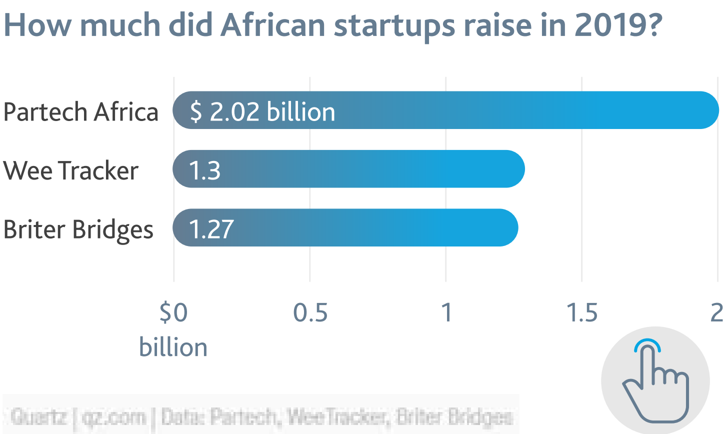
The big ticket investment trend in African Fintech firms shows no signs of slowing.

Cellulant, a virtual payment processing firm active in 10 African countries, raised $47.5 million in its Series C round – one of the highest by a venture-funded firm based solely in Africa. It too was led by The Rise Fund, an influence investment firm managed by the US-based private equity company TPG Expansion, with support from Endeavor Catalyst, Satya Capital, and Velocity Capital & Development Africa. After its establishment in Nigeria and Kenya in 2004, Cellulant has spread into other African countries and about 12% of mobile users in Africa can make purchases using their products. Its presence is down to collaborations with more than 90 banks across the region and many mobile payment networks. After the funding the organisation says it will extend to two more countries. The agreement is the first investment Boost Fund has made in Africa since last October's $2 billion increase. Andra AP-fonden, the Swedish retirement fund, and the Washington State Investment Board are among the backers of the fund. It also names rock artist Bono on its team, as well as billionaire Richard Branson. The Cellulant fund is the latest recognition of the important role played by African Fintech firms in trying to bridge the continent's critical payments and inequalities in financial inclusion. The business has gained traction over the past three years and has been the most lucrative on the continent for investors.

As communities of African technologies have evolved in the past decade, growing demand from developers has seen them grab millions of dollars in financing. Annual funding reports give insight into the state of play with respect to investment in the environment, but these studies frequently draw varying results in search of the same results. Until now, for last year, three papers based on African entrepreneurship reported different investment numbers. Partech Ventures, WeeTracker and Briter Bridges all record a total of more than $1 billion in financing. The main developments are largely the same: the domination of Nigeria and Kenya, the ongoing growth of Fintech and the advent of the Chinese are central topics for the African aggregate industry. However, the disparity in overall financing lies in a variation in the study teams' methods.

For example, in its papers, Partech Africa contains publicly unknown transactions, while WeeTracker only covers unidentified rounds in terms of the amount of transactions and not their worth.

"Some of the overall amount of the financing depends on how you identify a start-up in the study. [T]he amount also depends on what we include in the details," said WeeTracker co-founder Nayantara Jha. *"The figures will still differ if the meanings change,"* she informs Quartz.



Tidjane Dème, general partner at Partech Africa, a pan-African venture fund, says one way to achieve greater transparency in the financing process is to build a community where investment reports become much more straightforward.

"Our economies will require far more investment money, but stakeholders require data to understand where the demand is — and data may be difficult to get through," he says. *"In the end, greater transparency helps the whole sector."*

1. Branch

(Nigeria)

Branch co-founders **Matt Flannery** and **Daniel Jung** developed a platform for testing the creditworthiness of Africans. To do this, a Branch team-built machine learning algorithm analyses various data obtained from consumer devices - geolocation, call and text logs, phone numbers, handset information - and some conventional banking records, such as repay history. More than 3 million users have used the service, and they have earned over $350 million in loans. So far the organisation itself has raised nearly $260 million in capital.

2. Tala

(Kenya, Tanzania)

Tala is a genuinely multinational business. It is based in Santa Monica, California but has been developing its goods and services for the Kenyan market from the very beginning. Currently it also works in the Philippines, Mexico, Tanzania and India. The dynamic Indian entrepreneur **Shivani Siroya**, who has strong experience in consultancy and wealth management, created Tala. The business uses data on cell phones and behavioural data to provide fast loans. Anyone having an Android smart phone will apply for a Tala loan. Funding sources for the business vary from $10 to $500 and the minimum is $100. To date, Tala has leveraged $109.4 million in financing.

3. Cellulant

(Uganda, Ghana, Kenya, Rwanda, Zambia, Botswana, Nigeria, Malawi, Tanzania, Mozambique, Zimbabwe)

Cellulant started as a musical ringtone company that helped artists gain a slice of the money music-lovers spent to get access to their favorite tracks. Now the business is all about fees. It has developed two easy-to-pay applications and an intelligent-contracting, payment, and marketplace network focused on crypto-currency for unbanked farmers in rural Africa. The firm says its goal is to digitise the continent's amount of capital. Cellulant's CEO, **Ken Njoroge**, was named by EY as the young businessman of the year in 2018. The organisation was collecting funds of $54.5 million.

[1] Top 10 Fintech Companies in Africa to Watch in 2020 and beyond, Tatiana Shveikus, February 2020.

4. Jumo

JUMO

(Ghana, Kenya, Tanzania, Uganda, Zambia. To come: Côte d'Ivoire, Nigeria)

Jumo has an aggressive target of offering financial services to Africa's 1.7 billion population who have so far been removed from access to finance or have been underserved by conventional banking firms. It is a B2B organisation that developed a scalable and integrated infrastructure focused on an architecture based on micro-services. Jumo helps develop predictive analysis solutions and models for suppliers of financial services, mobile network carriers and other organisations that construct behavioral data sets.

The business was co-founded by **Andrew Watkins-Ball**, an alumnus of **Salomon Brothers**. So far, Jumo appears to have generated more than $1 billion in loans and generated $91.7 million in financing.

5. Paga

paga
your cash, anywhere, anytime

(Nigeria)

One of Africa's best chances of economic development is the construction of a robust electronic payment system. Paga does just that. The business, founded by **Tayo Oviosu** in Nigeria, allows its customers to send and receive money digitally. Users will pool money in one location from both their credit cards and bank accounts - the Paga wallet.

The Nigerian Fintech has more than 12.8 million customers represented by more than 20,000 employees. The agents will receive a fee for each payment their clients carry out. So far, Paga has raised funds of $34.7 million.

6. Fawry

Fawry

(Egypt)

Fawry is the largest Egyptian electronic payment network. Co-funded by IBM alumnus **Ashraf Sabry**, the organisation has developed a wide range of payment systems which merge online and offline channels.

Consumers may use Fawry's app to buy products from e-commerce firms but may also withdraw their money from ATMs, pay at conventional retail stores or use the digital payment for online and peer-to-peer transactions. Customers can use the facilities of Fawry at more than 100,000 places across Egypt. The firm currently has over 20 million clients and manages 2.1 million purchases a day. Fawry's so far raised over $100 million in donations.

7. OneFi

(Nigeria)

Usage is growing in Africa right now and OneFi aims to promote the growth by offering a forum for fast small loans and other financial services to consumers. Their Carbon App is an easy, mobile portal for instant loans, deposits, bills, savings, and credit reports. It was designed to help fund unavoidable expenses or the immediate cash needs of unbanked or underserved Nigerian consumers. It's focused primarily on the supermarket market.

OneFi was the very first African Fintech to earn a credit ranking from a foreign financial institution, co-founded by **Chijioke Dozie**. The business was awarded a double B credit score from Global Credit Rating Company, the largest credit rating organisation in Africa, in December 2018. Until now, OneFi has succeeded to get $10.8 million in financing.

8. Yoco

(South Africa)

Yoco is a B2B company targeting small and medium sized companies in Africa. Their main product is a mobile connected tool which enables smaller businesses to acknowledge card payments. In addition, Yoco provides other programmers that help retail African SMEs grow their companies - POS tech applications, a market-focused CRM platform, as well as numerous funding opportunities.

Yoco is a B2B organisation targeting small and medium-sized companies. The organisation was established by **Katlego Maphai** - an entrepreneur with a history in consultancy and a Rocket Internet alumnus. Until now, Yoco has earned funding of $23 million.

9. Zoona

(Zambia)

Zoona is focused on giving African entrepreneurs a sympathetic ear. The business supplies small and medium companies with three primary items: First is called Money Transfers. It's a free, peer-to-peer transactions and payments network. The second is named Sunga and in an electronic bag, it is a way to save money. Zoona's last but not least essential commodity is called Bulk Payments. African entrepreneurs can arrange salaries for up to 500 employees, even jobs without even a bank account, using this tool. **Canadian Mike Quinn** created Zoona but mainly focuses on the African markets. The project has thus far generated $20 million in support.

10. MyBucks

MyBucks

(Sub-Saharan Africa, 11 countries)

MyBucks is a digital bank that has begun activities in South Africa and is now operating in 11 African, Luxembourg and Australian markets. The group, founded in 2011 by **Dave van Niekerk**, has so far developed several brands. GetBucks is by far the most popular of all MyBucks brands, as well as the African Wonga.com.

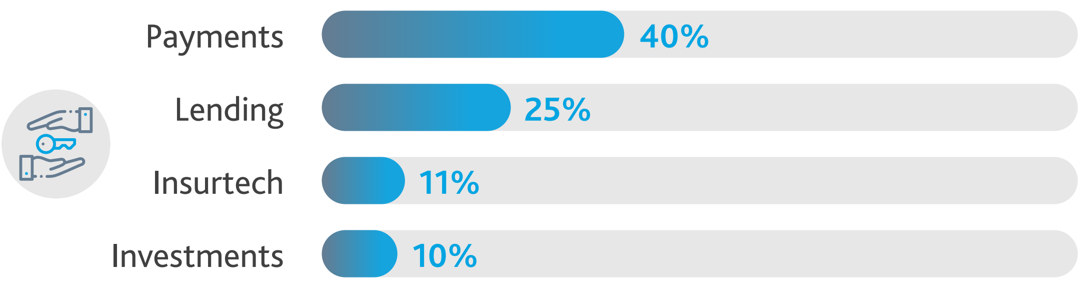
Besides getting fast and clear loans, consumers of GetBucks may even get direct funding for the purchase of different mobile devices and commercial crypto-currencies. Certain MyBucks items include GetSure (mobile insurance company), Investment Fund (mobile fund for SMEs and citizens in need of academic financing), Equal Go Finance (GetBucks' Australian version), and MyBucks Zambia (microfinance institution). MyBucks is listed on the stock market in Frankfurt.

SUBSECTOR OUTLOOK

The U.K. and the United States watched African Fintechs unleash frictionless, mobile and powerful technologies which made payments as simple as sending a text message. One of the best example of Fintech is M-Pesa: its performance in Kenya contributed to the sale of 40% of the country's GDP through the company just six years after the network entered the marketplace.

Payments make up the majority of Fintech activity in Africa, with Fintech scoping in Africa reporting 40% of the Fintech solutions were in the payments industry. This is followed by 25% focused on Lending, 11% on Insurtech and 10% on Investments. Until recently, Fintechs have had minimial involvement in Bitcoin, Agritech, Proptech and the e-market.

Fintech key activities in Africa



Blockchain, Bitcoin and Crypto are rarely found in Africa, it can be said that there is an absence of Fintech in most of the subsectors of financial services. Regtech, Personal finance, Mortgage and Capital markets are mostly done in traditional ways. Kenyan banks protested against the mobile money market for improved regulation but to no avail, and the Fintech sector became an enabler for the unbanked due to the enhanced convenience that came with the advent of digital platforms.

On the other hand, Lending, Insurance, Payments and Billings are making good use of Fintech. Besides that, previously inaccessible facilities such as loans and insurance were made available in places where the creation of actual bank branches may have been too costly. MoneyGram was recognised as a reliable money transfer provider in Nigeria since there were initiatives for tougher regulations in Kenya, after the Central Bank altered the policies of how money transfer companies are offering their facilities. However, we can say that nearly half of the subsectors of financial services are not making use of Fintech in Africa.

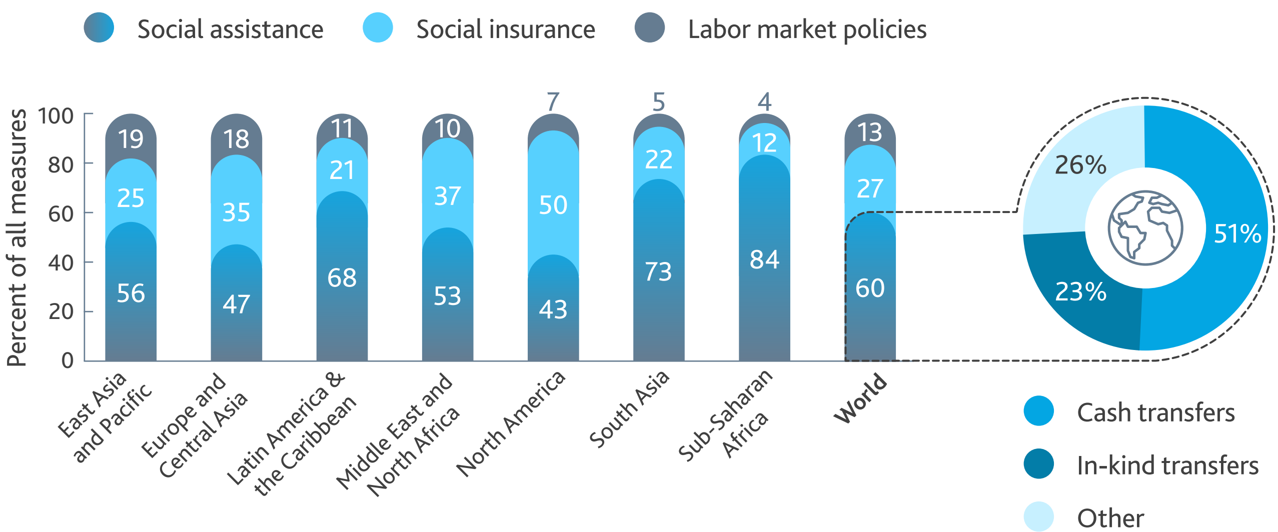
After the 1990s restructuring of the financial sector in Africa, economic growth in Sub-Saharan Africa has indeed been centered on the greater access to financial services. Quite recently, the advent of digital financial products has sparked further development in the sector; conventional financial institutions have evolved to offer more comprehensive services and technologies such as mobile money. In addition, multinational insurers like Allianz have decided to grow rapidly in markets in Sub-Saharan Africa due to the increasing customer class opportunity, high youth level, and expanded infrastructure investments by both domestic and international groups. Despite this, as the international financial industry is looking to grow into an under-tapped marketplace and Africans are becoming increasingly sophisticated with their funds and investments, the bulk of the population of Sub-Saharan Africa is still unbanked and uninsured.

IMPACT OF COVID-19 ON THE FINTECH ECONOMY

Amidst COVID-19, African nations long supported by conventional banks are facing a major digital financial revolution. The step – initially often used to monitor virus spread – may place Africa as a regional pioneer in digital finance, boosting the digital economy. As per the GSMA report entitled "State of the Industry – Report on Mobile Money 2019", 50 million new accounts were opened in Sub-Saharan Africa and implementations of mobile money were made live in 95 countries. Africa had reported more than 1 billion mobile money accounts in 2019, and 57% of digital payment values surpassed cash-in / out levels. According to that study, in 2008 mobile money emerged in Sub-Saharan Africa, and in recent years it is seeing a substantial rise.

According to Reuters, African policy makers have concentrated on restricting cash as a reaction to the COVID-19 outbreak. Mobile banking has been introduced in Ghana, Kenya, Tunisia's Central Bank and the West African Economic and Monetary Union (WAEMU). A study released by the International Monetary Fund (IMF) suggested that, in two weeks, Togo, a tiny West African country, has been able to deliver financial assistance to 500,000 citizens using cell phones. "The Banque Centrale des États de l'Afrique de l'Ouest (BCEAO)" agreed on 02 April 2020 to enable financial transactions through online platforms. M-Pesa, founded by Vodafone Group PLC in 2007 and Safaricom dominated the Kenyan market. Moreover, more than 37 million individuals throughout seven African countries are using the device, according to The State. This tool helped Kenya to place itself as the highest mobile rates with access to mobile money services by 60% of the population. A large number of mobile-money transactions are made via SMS, as most Kenyans do not even have Internet-enabled devices.

Countries' responses to COVID-19. Cash transfers are at the core of government measures supporting households during the pandemic.
(Number of measures announced, planned and / or implemented by region)



Source: Ugo Gentilini ed al. (2020)

On 18 March 2020, the Bank of Ghana Monetary Policy Committee's press release says,

> *"The Bank of Ghana has agreed with banks and mobile money operators on measures to facilitate more efficient payments and promote digital forms of payments for the next three months."*

MSF Africa, a portal for transferring cash to Africa's mobile wallets, protects 200 million receivers of mobile money throughout all global networks.

The East African-based Fintech Firm Beyonic, launched in Uganda in 2013, was purchased by MSF Africa in late June 2020. Companies operating in Ghana, Uganda, Tanzania, Kenya, and Rwanda take advantage of Beyonic's online payment service company. According to Quartz Africa, Dare Okoudjou, founder and CEO of MSF Africa, said

> *"Fintech has constructed a collection of nodes since its inception in 2009, enabling compatibility among 200 million mobile money wallets all over various channels in 34 markets in Africa."*

Africa has a high amount of unbanked people in the world according to The World Bank Global Findex 2017. The McKinsey study, however, predicted that by 2020, over 50% of African continent citizens would gain access to financial services.

Tim Aman,
Global Fintech Leader

> *The unbanked and underbanked regions around the world are making significant headway in the uptake of Fintech to solve everyday banking issues, such as payments, billings and lending - and Africa is no different. While currently the social demand is outpacing the regulatory environment; it's expected that the lucrativeness of foreign investment, the creation of jobs, along with societal pressure will incentivise government to improve regulatory conditions and minimise fraud.*

Feizal Jownally,
Partner (Head of IT Consulting),
BDO Mauritius

> *Enjoying a healthy mobile phone penetration of 150% and Internet penetration of nearly 70%, Mauritius came out on top of the African list of countries in the UNCTAD's B2C e-commerce Index 2019. Mauritius has seen a proliferation of e-commerce solutions as the economy enforced one of the most stringent COVID-19 lockdowns globally, seeing all retail outlets completely closed for two weeks and forcing digital platforms to come to the rescue like never before. While existing e-commerce platforms and online payments have seen a spurt in usage in the face of the pandemic, new and innovative platforms that provide a virtual front to diverse SME retail outlets have also emerged in response to the pressing need. The recent launch of P2P Lending Rules 2020 by the regulator represents a further building block in the country's Fintech agenda.*

> *"Fintech is rapidly transforming the very essence of global financial services,"* says Dominique Collett, Rand Merchant Investment Holdings' top investment manager and AlphaCode's leader.

Although foreign investors are rather skeptical about putting money into South Africa at the moment, she says there will be enough competitive local players to fund projects – with deals definitely beginning to come in.

> *"Here at AlphaCode, we spend a lot of time researching and thinking about how technology, social media and a transforming consumer base is enabling new business models and changing the financial services landscape."*

AlphaCode is the incubation, growth, and acquisition programme of Rand Merchant Investment Holdings (RMI), which finds, associates, and expands early-stage financial service projects. Collett is making some forecasts for the financial sector for 2020 based on what its AlphaCode team has learned through its representatives internationally and locally.

SME Banking

Whereas in 2019 consumer online banks like TymeBank and Discovery Bank were introduced, in 2020 the emphasis is on the SME industry. Regarding Capitec's R3.56 billion acquisition of Mercantie Bank earlier this year, Capitec Bank has shown that it sees the SME and entrepreneurship sectors as offering major opportunities for expansion. With the introduction of the First Company Zero accounts, FNB has already reacted to the flood of new SME banks. Built for digital-savvy single owners, this platform offers businesses with zero-rated transaction payments, which features unlimited free card swipes. Mobile point of sale (mPOS) companies such as Yoco and iKhokha are now making more SME industry inroads – with more than 100,000 smaller companies now part of their payments system.

Bitcoin

This year Bitcoin will rise in popularity, with Bitcoin's best use cases being offered in the emerging sector. Usually such a nation will have political uncertainty, a competitive economy, strong currency rates, and costly money transactions – all places that crypto-currencies will cause major disruption. With this in view, 2020 will return attention to the open exchange of money that was rife when Bitcoin initially emerged. The main change nowadays is that the focus is fixed on Africa. We are following Centbee – which introduced the remittance solution Minute Money recently. This utilises Bitcoin SV to make transboundary transfers faster and more convenient to benefit families. With its reboot in Malaysia and further expansion into other African nations, Luno has started to consolidate its position as a leading emerging economy crypto-currency network.

Shared Finances

Stokvels became an important part of education in South Africa. Stokvels, a group of citizens who act as a critical saving scheme, highlight the importance of how we connect to each other when it comes to finances. Insurers such as Sanlam partner with South Africa's National Stokvel Association (NSASA) to sell their core commercial banking goods. The shared resources will see good growth next year, in line with this idea. Iemas Sinancial Services is a group-buying organisation that leverages the collective bargaining power of its tens of thousands of Employees. It works, undoubtedly, as a co-op negotiating good deals on behalf of union clients. That may provide anything from a department store discount to more competitive insurance options. In addition, the Kin app is designed to log and get paid for shared expenses. If people are staying together in apartments or a pair of friends are taking a trip abroad; Kin helps participants to track mutual financial targets and spending – like money WhatsApp. This safe interface handles all the core elements of the payment transaction and is sure to prompt a range of conversations on the popular money in 2020.

Insurance

There will also be another main theme involving smarter policies. Discovery and OUTsurance use data to offer higher paid incentives for safe driving behavior. This strategy targets drivers under the age of 25 who have had to deal with charged pricing. Today, if those participants are driving correctly, the telemetry data will be used to boost and measure their rates more equally.

Another Insurtech Lumkani, in collaboration with Hollard are implementing inexpensive fire cover shack insurance. They use a sensor network of detection systems, aimed at solving the threat of fires in informal settlements and townships. Furthermore, Sensor Networks is partnering with Sanlam, Nedbank and Basic Bank to offer consumers smart insurance by pushing this a step forward. This makes use of smart sensors in people's homes to provide an early fault-and-fraud monitoring mechanism that facilitates automatic fault reporting and fast collaboration of inspection and technical repair teams.

Due to COVID-19 and the lack of travel done by South Africans, Discovery has introduced a 25% discount on premiums for vehicle insurance for vehicles that cover less than 250 kilometres in a calendar month.

Proptech

The proptech market is one major region to watch in 2020. For starters, Jamii is developing a scheme of compensation for tenants where landlords can help promote their behavior. HouseMe offers a tech-enabled portal to handle rent easier. What Leadhome does for the land sales market, it does for rentals. Yet Leadhome has been pivoting and launching a leasing business. Innovators are able to wake up to the reality that the regional real estate industry is deeply competitive and that technologies will boost and motivate it. When home prices are down and customers cannot afford to pay big fees to brokers in a sellers' market. It is here where proptechs tend to rule. IsiDuli is coming onto the list recently. This is township market AirBnB. It provides township dwellers the capacity to create income from their property by providing funding to construct a rentable backyard space.

Alternative Fintech partnerships

We have seen a configurable bank account for software developers introduced by Root and Investec. This effectively lets developers programmatically manage their resources, create their own characteristics, and connect securely with other service providers. Partnered with Lulalend and Vodacom to create VodaLend. Built to provide financing to SMEs in three steps through a digital portal; small enterprises may apply for grants of up to R1.5 million over 12 months. Retailers are now likely to start moving back into the market for financial services. Shoprite is looking at a range of projects in financial services while Pick n Pay has collaborated with TymeBank. There is no question that many merchants understand that they cannot deliver these types of services directly and recognise Fintech experts for whom they should collaborate.

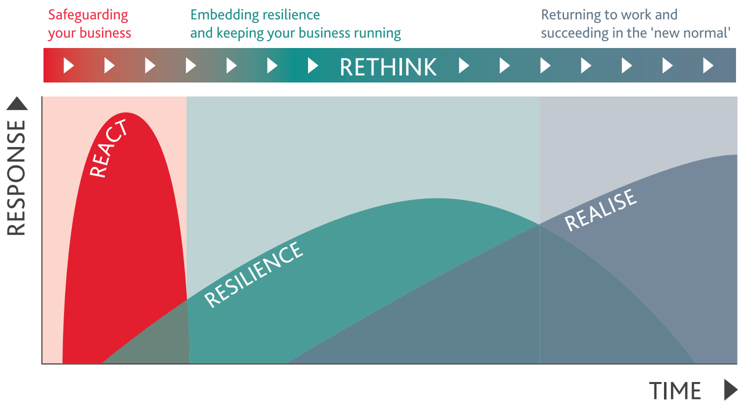
Nevellan Moodley,
Partner Financial Services Technology, South Africa

“As the leader for the Fintech sector in South Africa, this is one of my roles that brings a lot of purpose to me as Fintech represents a way for South Africans and Africans to solve the problems of Africans through the use of technology. Without the legacy that plagues first world countries, Fintech represents one of the greatest opportunities for African entrepreneurs, corporates and individuals. Africa needs solutions created by Africans.”

The biggest appeal of Africa is that it expanded and is in its active peak, with an expectation that it should swell in jobs; whereas the wealthier areas – such as America, Europe and China – have slowed. Furthermore, the continent is evolving, and is home to approximately 40% of the population globally. While skills are in short supply, they are becoming more available. According to the McKinsey Global Center, the research arm of the consultancy group, just 32% of Africans had secondary or tertiary education in 2002 but would have 48% by 2020. Software is a global enabler for this. Software versatility is synonymous with Africa.In Sub-Saharan Africa, digital financial platforms lead to financial growth and financial inclusion. The rapid expansion of systems such as M-Pesa in Kenya and other countries has helped to cut transaction costs and promote personal transfers, thus leading to the growth of financial intermediation. With less cash available for purchases, more economic agents will transmit and track signals from the stock system, leading to the closing distance between financial inclusion and wealth formation.

BDO RETHINK- ASSISTING FINTECH COMPANIES DURING AND AFTER THE CRISIS

The COVID-19 crisis has continuously affected businesses in different ways and at different times. BDO has developed the RETHINK model as a practical guide to help companies assess potential risks and issues. RETHINK is a BDO global framework encouraging a broad rethink around original business models and commercial assumptions and re-evaluating the future.



The model can be used as a starting point for assessing a situation and formulating responses through each phase- REACT, RESILIENCE, REALISE. The three stages can be considered separately to help organisations manage their business priorities and address the issues they are facing in the 'here and now'- or as part of an overarching roadmap to help manage the COVID-19 impact over the medium-to-long term. It can be used to manage business priorities, address issues and leverage thinking, acting as an extra dimension for strategic level consideration and discussion, regardless of where in the cycle an organisation sits, or the measures that are already taken. It provides a practical approach through which BDO partners can work with our clients to assess the issues they are likely to face throughout the COVID-19 pandemic and help them to recover and optimise operations in the short to medium term, to achieve some form of normality. Rethink model or framework is navigating the new reality: it is accepted that the world will change as a consequence of COVID-19 and businesses need to imagine this 'new reality' as early as possible-and rethink how they will be positioned in it.

Safeguarding business is critical for Fintechs, who must consider belt-tightening and cost-saving measures into the medium term and seek out relevant stimulus and grants. REACT deals with the emergency in which an organisation responds to the initial impact of the COVID-19 crisis, by minimising the catastrophic effects on its business operations, employee safety, supply chain and ongoing financial viability. Immediate crisis management actions are required to ensure employees are safe and healthy, capital is adequate and suppliers and customers are closely connected with the business.

RESILIENCE is anticipating and responding to the financial pressure by maintaining business operations during 'Lockdown' disruption using techniques that allow people, processes and information systems to adapt to changing patterns. The ability to alter operations in the face of changing business conditions, preserving the continuity of the provision of critical functions to a company's customers.

The new reality, REALISE, applies the learning from key react and resilience activities and continuing to adapt. Successfully adapting to new business models and the ways of working needed to address essential and obligatory political, economic, socio-cultural and technological changes. This includes the plan for the longer term which includes an area for transformation are clear and adaptation is underway and business is meeting or exceeding market expectations.

BDO SOUTH AFRICA'S SERVICES FOR FINTECH COMPANIES

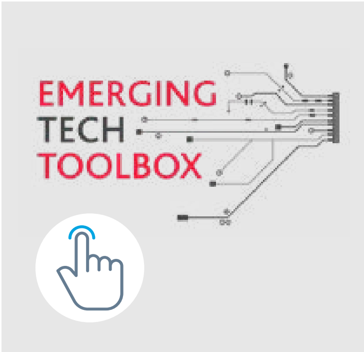
BDO seeks to lead in our markets through the delivery of exceptional client service and robust advice to challenges. We do so by leveraging the extensive experience of BDO's Professional Services team and by constantly looking for ways to invest in our people, encouraging innovation and promoting new ideas.

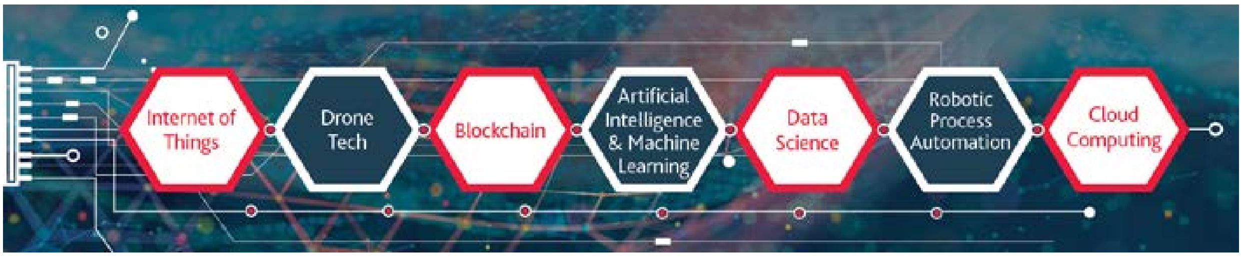
BDO South Africa have developed a digital COVID-19 risk assessment to assist organisations in REACTING to crisis, building RESILIENCE as well as REALISING the future benefits based on your current decision making.

As part of helping our clients react, we assist them with scanning the African market for fintech transactions which can assist them with achieving their strategic objectives. We advise them from identification through to deal conclusion.

We also perform audit and review services for up and coming Fintechs along with a range of services from financial statement preparation as well as statutory and tax compliance.

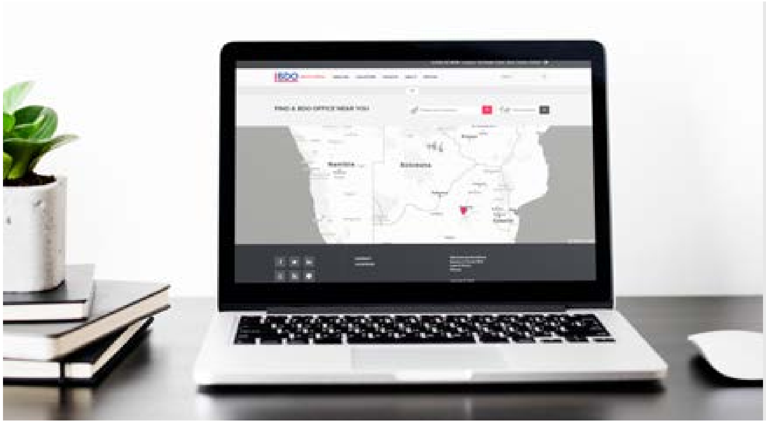
In addition, BDO South Africa's team of Fintech specialists assist our clients with operational, financial and technological matters. We have partnered with Fintech companies within South Africa who specialise in emerging technologies. We work very closely with our Fintech ecosystem to guide them through the COVID-19 pandemic; build relevant solutions using emerging technology to streamline business process and automate our audit process; we have built an Emerging Technology Toolbox (ETT) which contains propriety risk management frameworks around the various emerging technologies. We offer a day-long course where we provide those charged with governance with training on the latest emerging technology trends and their associated risks and have recently trained a large South African regulator on the impacts of emerging technology risks on the financial services sector.



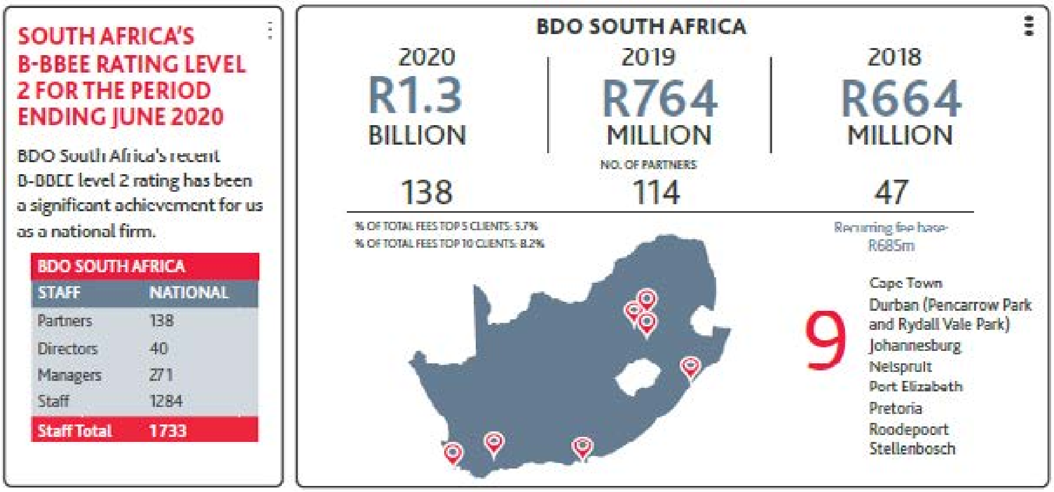


ABOUT BDO IN SOUTH AFRICA

BDO is a leading provider of professional services of all sizes across all major business sectors. Our team delivers a comprehensive range of assurance, accounting, tax and advisory services, complemented by a deep industry knowledge gained from nearly 100 years working within local communities.



For more information about BDO South Africa's services, visit www.bdo.co.za



OUR FINANCIAL SERVICES TEAM

BDO South Africa has a team of Fintech experts assisting Fintech companies and our clients with navigating through the COVID-19 pandemic. Our BDO Financial Services team has over 130 professionals across the country providing a range of audit, regulatory and advisory engagements with more than 700 years worth of financial services experience covering banking, asset management, insurance and funds. Contact our team to hear more about our services and how we can assist you.

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