The Ecosystem of Digital Financial Services in Mozambique

Preliminary Results
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Financial Inclusion and Digital Innovations
Financial Sector Composition

The number of financial institutions grew from 418 in 2015 to 462 registered institutions in 2016.

- **Micro-credit institutions**: 380 (2016, 2015)
- **Banks**: 19 (2016, 2015)
- **Insurance**: 19 (2016, 2015)
- **Saving and credit institutions**: 12 (2016, 2015)
- **Micro-banks**: 10 (2016, 2015)
- **Capital Market Operators**: 10 (2016, 2015)
- **Credit cooperatives**: 9 (2016, 2015)
- **Mobile money operators**: 3 (2016, 2015)

The National Strategy for Financial Inclusion 2016-2022 has identified three pillars that will guide the strategy:

- Access and use of financial services;
- Strengthening of financial infrastructures;
- Consumer protection and financial education.


**Total Access Points**

Eight types of different access points were recorded nationally. Compared to 2015, there was a 31.9% increase in total access points, mainly in Mobile Money Agents and POS.

- **Bank branches**: 659 (2015), 680 (2016)
- **Bank Agents**: 0 (2015), 214 (2016)
- **Mobile Money Agents**: 17,855 (2015), 25,754 (2016)
- **ATM**: 1,576 (2015), 1,678 (2016)
- **POS**: 20,482 (2015), 25,310 (2016)
- **Insurance branches**: 123 (2015), 124 (2016)
Demographic and Geographic Access

By 2016, there was a widespread distribution of financial services through different access points, mainly through mobile money agents and POS.

**Per 100,000 adults** Total access points increased by 28% between 2015-2016.

<table>
<thead>
<tr>
<th>Access Points</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>MMO Agents</td>
<td>126</td>
<td>176</td>
</tr>
<tr>
<td>POS</td>
<td>144</td>
<td>173</td>
</tr>
<tr>
<td>ATMS</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Bank branches</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

**Per 100,000 km** Total access points increased by 32% between 2015-2016.

<table>
<thead>
<tr>
<th>Access Points</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>MMO Agents</td>
<td>223</td>
<td>322</td>
</tr>
<tr>
<td>POS</td>
<td>256</td>
<td>317</td>
</tr>
<tr>
<td>ATMS</td>
<td>20</td>
<td>21</td>
</tr>
<tr>
<td>Bank branches</td>
<td>8</td>
<td>9</td>
</tr>
</tbody>
</table>

Effective Use

Between 2012-2016, the number of accounts per 1,000 adults increased by 191. The proportion of adults that had a mobile money account was at 1% in 2012 compared to 47% in 2016.

**Evolution of number of bank accounts per 1,000 adults**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of accounts per 1,000 adults</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>169</td>
</tr>
<tr>
<td>2013</td>
<td>239</td>
</tr>
<tr>
<td>2014</td>
<td>251</td>
</tr>
<tr>
<td>2015</td>
<td>311</td>
</tr>
<tr>
<td>2016</td>
<td>360</td>
</tr>
</tbody>
</table>

Financial Inclusion is the “process of awareness, access and effective use of financial products and services offered by regulated institutions to the population as a whole, contributing to enhance their quality of life and social welfare.”

Access to Financial Services

In 2014 only 24% of the adult population had access to formal financial services. While there are no updated demand-side measures of financial inclusion supply-side measures indicate inclusion in increasing.

Financial Inclusion Index (FII)

Between 2010 to 2016, the Global FII grew by 27%. There was a decrease of 0.45 points between 2015 and 2016 in the Global FII because the country registered a higher number of districts (128 in 2015 versus 154 in 2016), but with limited access point coverage.

Mobile money accounts are expanding at a very high rate

Mobile accounts are being used to withdraw money from bank ATMs

This implies cash is still very dominant vs. electronic money.

As electronic funds do not remain in the system the impact on the monetary mass is limited.
A consolidated taxonomy for disruptive innovation in the financial services industry was designed by Monitor Deloitte for the World Economic Forum.

The taxonomy identifies 6 focus areas and 11 emerging clusters of digital trends.
The core of digital innovations in Mozambique are taking place in the payments area whilst targeted initiatives are emerging in market provisioning and deposits and lending.

### Payments
- Emerging Payment Rails
  - Crypto currency
  - P2P FX
  - Mobile money
- Cashless world
  - Integrated billing
  - Streamlined payments
  - Mobile Payments

### Market Provisioning
- Smarter Faster Machine
  - Big Data
  - Artificial intelligence/machine learning
  - Machine readable news
  - Social sentiment
- New Market Platforms
  - Market information platforms
  - Automated data collection
  - Data analytics

### Insurance
- Insurance disaggregation
  - Sharing Economy
  - Autonomous vehicles
- Digital distribution
  - Securitization & Hedge funds
- Connected Insurance
  - Internet of things
  - Advanced sensors
  - Wearable computers

### Deposits and Lending
- Shifting costumer preferences
  - Virtual technologies
  - Mobile 3.0
  - Third parties API
- Alternative lending
  - P2P Lending
  - Alternative Adjudication

### Investment Management
- Process Externalization
  - Advanced algorithms
  - Cloud computing
  - Open source IT
  - Capability sharing
- Empowered Investors
  - Social trading
  - Retail Algorithm Trading
  - Automated advice and management

### Capital Raising
- Crowdfunding
  - Virtual Exchanges & smart contracts
  - Alternative Due Diligence

Source: The Future of Financial Services How Disruptive Innovations are Reshaping the Way Financial Services are Structured, Provisioned and Consumed (2015).
Emerging Digital Innovations taking place in Mozambique

Digital technologies are being used to accelerate financial inclusion in Mozambique.

The key mechanisms identified that already being introduced in the market include mobile money, digital distribution of financial services, interoperability of bank-MNO payment systems, biometric data analytics and alternative lending adjudication systems.

1. **Mobile money** is playing a significant role in accelerating access to financial services.

2. **Integration technologies** (Application Programming Interface, APIs) have allowed interoperability between banks and between banks and MMO, as well as streamlined payments, which have proliferated digital financial services.

3. **Biometric technologies** are simplifying the compliance with KYC requirements for first movers in the consumer financial services and micro-insurance.

4. **Branchless channels like mobile, agents and kiosks** from banks and MNOs are enabling access to financial services to unbanked population.

5. **Virtual POS** are reducing transaction costs for SMEs.

6. **Automated data collection** and analysis is allowing the industry to adopt a more customer-centric approach. By knowing customer habits, players are able to tailor products and services specific to local client needs.

7. **Automated loan adjudication** provided by consumer finance institutions (unsecured lenders) is enabling access to loans for clients with little collateral.

8. **Digital distribution of insurance services** is poised to increase very low levels of insurance penetration in the country (1.58%).

Source: Year 1 Implementation Report of the National Financial Inclusion Strategy 2016-2022, Central Bank of Mozambique
Approach & Methodology
Approach

Selection of entities

- 20+ representative financial institutions were selected covering the following industry clusters: regulators (3), banking, mobile money operators, insurance, payment network and consumer finance institutions (uncollateralized lenders)

Designing questionnaire

- A questionnaire was designed adapted to the local context and included a combination of qualitative questions and self-scores for the cluster digitalization index.
- It was the base tool used throughout the data collection process.

Interviewing entities

- Based on the questionnaire, interviews were conducted with the selected entities. The questionnaire was sent to each cluster representative beforehand to allow enough preparation time.

Validation of answers

- A summary of the interview responses were compiled and sent to the entities interviewed for validation and alignment of responses.

Data analysis and reporting

- The data was and analyzed to identify common themes.
- Thereafter the presentation and report were produced
Methodology

Digital Ecosystem Index

1. Regulation – promote digital financial services?
2. Digital Innovations – your institution’s digital innovations?
3. Proximity to customers – usage, ease of adoption and accessibility of your digital platforms?
4. Technical knowhow – digital competencies in the industry and your institution?
5. Government Support – government support of digital technologies in the industry?
6. Development Partner Support – development partners’ support of digital technologies in the industry?
<table>
<thead>
<tr>
<th>Description of metric</th>
<th>No.</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Inclusion</td>
<td>1</td>
<td>How can digital financial services accelerate financial inclusion within the Mozambican context?</td>
</tr>
<tr>
<td>Country Indicators</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulation</td>
<td>2</td>
<td>How does the current regulation promote digital financial services?</td>
</tr>
<tr>
<td>Innovation Area</td>
<td>3</td>
<td>How does your institution promote the digital transformation of financial services in Mozambique? (specific examples)</td>
</tr>
<tr>
<td>Proximity to consumers</td>
<td>4</td>
<td>What is your opinion about: (i) the effective use of your digital financial services, (ii) ease of adoption of services, (iii) financial accessibility</td>
</tr>
<tr>
<td>Proximity to subject matter expertise</td>
<td>5 (a)</td>
<td>In your opinion, are there technical skills in the industry that enable the digitization of financial services?</td>
</tr>
<tr>
<td></td>
<td>5 (b)</td>
<td>In your opinion, are there technical skills in your institution that enable the digitization of financial services?</td>
</tr>
<tr>
<td>Government and donor support</td>
<td>6 (a)</td>
<td>In your opinion, to what extent does the government support digital technologies in the financial services sector?</td>
</tr>
<tr>
<td></td>
<td>6 (b)</td>
<td>In your opinion, to what extent do donors support digital technologies in the financial services sector?</td>
</tr>
<tr>
<td>Industry Characteristics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation Area</td>
<td>7</td>
<td>What are the top 5 areas of digital innovation in the financial sector that your institution has explored or is currently exploring?</td>
</tr>
<tr>
<td>Technology</td>
<td>8</td>
<td>What are the 5 underlying technologies that enable digital innovation in these areas?</td>
</tr>
<tr>
<td>Challenges</td>
<td>9</td>
<td>What are the three main challenges faced in the digital transformation of financial services from your institution's perspective?</td>
</tr>
<tr>
<td>Key Investors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Interests</td>
<td>10</td>
<td>Who are the biggest investors in digital financial services in Mozambique? (eg directly at your institution or for the industry in general)</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>In your opinion, will new investors enter the market? Why?</td>
</tr>
<tr>
<td>Success stories</td>
<td>12</td>
<td>What is the biggest success story to come out of your digital transformation experience?</td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>What are the big lessons to be learned throughout your digital transformation process?</td>
</tr>
<tr>
<td>Future</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The next 3 years</td>
<td>14</td>
<td>In your opinion, what do the next 3 years look like? (eg. potential opportunities, other issues you consider relevant)</td>
</tr>
</tbody>
</table>
Digital Ecosystem
Mozambique Ecosystem Features

**Success Stories**
M-pesa has transformed the way Mozambique moves money through its mobile money transfer system. Approximately 3 million Mozambicans use this platform as it can be accessed via a basic mobile phone. Other mobile platforms have been developed (m-Kesh and e-Mola).

**Big Investors**
Banks, MNOs, Germany (KfW), UK (DFID), Sweden, World Bank, MasterCard Foundation.

**Emerging FinTech Companies**
FSDMoç is currently developing a sandbox project to test financial solutions with the following institutions: Ekutiva solutions (Payments Gateway via http and ussd), Robobo (Payments Portal) PayTek (will develop the concept of Payment Aggregator), Zoon( Models of KYC and banking agency) and Mukuro (remittance services in a controlled regulatory environment).
Digital Ecosystem Index

**Interviewed entities scored the development status of ecosystem dimensions**

**Ecosystem Dimensions**
1. Regulation
2. Digital Innovations
3. Proximity to Customers
4. Technical Knowhow
5. Government Support
6. Development Partner support

**Industry clusters**
- Banking
- Mobile Money Operators
- Insurance
- Payment Network
- Consumer Finance Institutions
- Industry cluster score is the average of the scores for all the 6 dimensions within a specific industry cluster

**Index was calculated for each industry cluster**

**Commentary on Scores**
- Based on our knowledge of the sector and digital financial services in other countries we provided commentary on the industry self-scores
Common Themes

Digital innovations are making access to financial services more inclusive despite financial illiteracy and increasing international compliance requirements

Regulation
- Existing regulation caters to conventional financial services but is not yet adapted to digital innovations.
- In the absence of specific regulation, institutions have space to be innovative. An industry wide regulatory concern is excessive documentation required for account opening (KYC).

Development Partners’ Support
- Development partners have supported the strengthening of the financial sector and the promotion of financial inclusion
- Some donors are supporting digital financial services through investment infrastructure (payments), funding and technical assistance in mobile, micro insurance and financial illiteracy initiatives
- Active donors in this space include, UK, Sweden and Germany

Proximity to Customers
- The usage of digital financial services started at a low base but is growing at a steady pace.
- Digital innovations via mobile are generally easy to use and accessible.
- Greater network coverage and interoperability between banks and MMOs has increased consumer accessibility.
- Financial illiteracy and consumer vulnerability are challenges, but

Government Support
- The government has contributed by promoting the discussion in the industry, collaborating with development partners and institutionalising digital payment systems (e.g. payment of public sector salaries via digital platforms).

Technical Knowhow
- Technical knowhow exists to service the current financial services industry, however training and capacitation is required to accompany digital innovations.
- At an institutional level, entities use a combination of local and foreign skills as well as outsource key digital solutions (platform development).
The Ecoindustry cluster with the highest self-rating score is Payment Network (SIMO) and the lowest are Insurance and Consumer Finance.
Success Stories
- State payments
- Real Time Gross Settlement (RTGS)
- The Law on electronic money institutions
- Single payment network system (SIMO)
- Mobile Money accounts

Lessons Learned
- Mobile is an effective technology to expand financial inclusion
- Financial institutions need to improve their risk management systems.
- Need to focus also on broadening service diversification

Technologies
- Data Analytics
- APIs
- Payment Gateways
- Integration Technologies
- Cloud Computing

Innovations
- SCF and RTGS
- Law of MNOs
- Sandbox
- Single Payment Network

Challenges
- KYC
- Fintech Regulation
- Compliance with risk management regulations
Regulators
The regulators reported good levels of innovation and support from development partners

Regulation
- Biometric. Simpler KYC.
- Self-evaluation of the six indicators
- Deloitte qualitative assessment of indicator

Innovation
- Regulatory sandbox.

Proximity to Customers
- Strong expansion of digital access.
- Limited use.

Government Support
- Promotion of industry dialogue.
- Financial Inclusion Strategy.

Development Partner Support
- Acknowledgement of key support from donors.

Technical Knowhow
- Optimistic given slow development in clusters like insurance.

Observations

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Self-evaluation</th>
<th>Deloitte Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulation</td>
<td>3.3</td>
<td>Not Good</td>
</tr>
<tr>
<td>Innovation</td>
<td>3.7</td>
<td>Average</td>
</tr>
<tr>
<td>Proximity to Customers</td>
<td>3</td>
<td>Average</td>
</tr>
<tr>
<td>Government Support</td>
<td>3</td>
<td>Better than Average</td>
</tr>
<tr>
<td>Development Partner Support</td>
<td>4</td>
<td>Good</td>
</tr>
<tr>
<td>Technical Knowhow</td>
<td>3.5</td>
<td>Excellent</td>
</tr>
</tbody>
</table>

19.5/30
Innovations
All the interviewed banks have a “Conta Móvel” (USSD platform which does not require the users to have a bank account), mobile apps and internet banking. Innovations include gazebo banking (kiosks, container banks), interoperability between some of the banks and some of the mobile money operators, pre-paid bank cards by two banks, virtual POS as well as agency banking offered by some of the banks.

Success Stories
The introduction of the Conta Móvel in 2011 (Mobile Wallet) allows an individual to make financial transactions using a mobile number. It offers basic bank facilities and streamlined payments (electricity, water, TV, insurance, tuition)

Lessons Learned
Consumers’ ability to adopt new technologies should not be underestimated, despite financial illiteracy challenges. A long-term investment is needed to establish sustainable technological disruptions. Cyber-security is significant area in digital banking. It is key for banks to have and implement a digital strategy.
The industry reported that it innovation levels are “Good” but it demanded a simpler KYC process and more financial education initiatives.
Innovations
The mobile wallet itself is an innovation. The operators have introduced light KYC based on a lower threshold. Operators are currently designing alternative financial services such as credit, loans and insurance.

Success Stories
The introduction of the Conta Móvel in Mozambique (2011 by M-Kesh) is the success story as it allowed the unbanked to access financial services. This catalysed a rapid expansion of accessibility with approximately 47% of adult population having a mobile money account by 2016.

Lessons Learned
Financial education campaigns are critical. The companies emphasized customer centricity as a key point as there is a need to design solutions that meet the consumer needs. It is important to consider that what works well in one market may not work in another market.
Mobile Money Operators (MMOs)
The industry reported that it is “Excellent” in Innovation and there is “Good” Donor Support.

Cluster Scores

- **Regulation**: 2.7
  - Compliance requirements similar to banks

- **Innovation**: 4.7
  - Leading

- **Proximity to Customers**: 3.3
  - Significant ease of access, incipient mechanisms of use, transaction costs

- **Development Partner Support**: 4
  - Financial education, Technical assistance

- **Technical Knowhow**: 3
  - Adequately capacitated

Deloitte qualitative assessment of indicator

- Self-evaluation of the six indicators:
  - 1: Not Good
  - 2: Average
  - 3: Better than Average
  - 4: Good
  - 5: Excellent

**Observations**
Innovations

They specialise in having the fastest loan approval process in the market which is possible because of digital internal processes. Strategic partnerships are formed with existing market players to distribute products via mobile platforms. Digital fingerprint technology (Letshego’s Bluebox) simplifies the KYC process.

Success Stories

Bluebox (2015-2016) was an extremely innovative solution in the market. LetsGo Bluebox solution was awarded the MasterCard Fund for Rural Prosperity grant. Use of biometrics for simple KYC process will include more people, who would otherwise not qualify (lack of documentation) for this financial service.

Lessons Learned

Environment is not yet fully ready to embrace digitalisation. Multi-lingual and visual communication is critical to ensure large adoption within the communities, so it must be done in a careful way.
Consumer Financing Institutions

The industry reported that it is “Excellent” in Innovation and that Consumer Proximity and Government Support are “Average”.

Cluster Scores

- **Regulation**: 2
  - Simple KYC
- **Innovation**: 4.5
  - Leading with solutions adequate for target segments
- **Proximity to Customers**: 2
  - Banking agent strategy and new services
- **Government Support**: 1.5
  - Promoting Industry dialogue
- **Development Partner Support**: 3
  - Financial education, Financial Grants
- **Technical Knowhow**: 2.3
  - Leverage international expertise

Self-evaluation of the six indicators:

1. Not Good
2. Average
3. Better than Average
4. Good
5. Excellent

Deloitte qualitative assessment of indicator:

Observations
The SIMO switch has enabled cashless transactions. They provided a platform that encouraged interoperability between the banks, mobile wallet (Conta Móvel) and internet banking.

Integration processes can be long and challenging to enforce compliance, however there are benefits to the end user.

Interoperability between banks and reduced costs of financial services represents a great success in the history in the financial services industry.
Payment Network

The industry reported that has “Good” Innovation and Consumer Proximity and that Donor Support is “Excellent”.

Cluster Scores

Regulation
- 3
- Conducive and effective

Innovation
- 4
- Shared infrastructure, challenges to differentiate

Proximity to Customers
- 4
- Interoperability, faster payments, increased institution adoption, lower transaction costs

Government Support
- 4
- Promoting Industry dialogue

Development Partner Support
- 5
- Financial and technical support, financial education

Technical Knowhow
- 4
- Significant local expertise

Self-evaluation of the six indicators
- 1: Not Good
- 2: Average
- 3: Better than Average
- 4: Good
- 5: Excellent

Observations
Innovations

The insurers currently have websites where clients can view products and request quotes. Differentiated products currently include border kiosks, gas station insurance terminals and subscription to insurance products via mobile money operators. Future innovations within this sector include institution platform or is still at an incipient phase. Majority of development (sms subscription, USSD and mobile apps).

Lessons Learned

It is important to have the capacity to adapt to the changes that are occurring in the market and to be resilient in the face of these changes to stay ahead of competition. Consumers' ability to adopt to new technologies should not be underestimated, despite the challenge of financial literacy.

Success Stories

A success story observed in the insurance sector is Sanlam’s partnership with m-pesa to provide insurance services to over 6,000 members of the Zion Christian Church in Mozambique. They managed to access an effective distribution channel to reach clients that would otherwise not have access to this service.

Note: Emose, Impar and Austral Seguros will be contacted for the elaboration of the final report.
Insurance

The industry reported that it is “Good” in Proximity to Customers and Donor Support and “Average” in Regulation.

Cluster Scores

- Regulation: 1.5 (Incipient)
- Innovation: 3 (Forthcoming, partnerships)
- Proximity to Customers: 4.3 (Limited insurance culture)
- Government Support: 2 (Strengthening the regulator)
- Development Partner Support: 3.8 (Micro-insurance support)
- Technical Knowhow: 2.9 (Low insurance penetration)

Observations

- Self-evaluation of the six indicators:
  - Not Good
  - Average
  - Better than Average
  - Good
  - Excellent
The Future
What does the future hold?

Digital innovations are likely to accelerate financial inclusion. Mobile 3.0 innovations are most likely to proliferate and broaden financial services in Mozambique.

- Understand **how the new innovations alter the risk profile** of the industry
- Traditional mechanisms of **measuring customers’ risk profile** will **lose their efficacy** as new data sources emerge
- New digital distribution channels will allow for **scalability at an exponential rate**
- **Mobile money 3.0** - not only transactions but savings, loans, insurance and investments will boost inclusion
- **Electronic money** will bring new benefits - more clients and services, lower cost to reach customers and new market players like Fintechs, as well as new risks (e.g. KYC, AML, Cyber)
- **Alternative payment network** systems other than SIMO will emerge (QR Codes)
- **Increased Interoperability** – between mobile money operators
- The new generation of process externalization will provide an **economical access to sophisticated capabilities**, no longer dependent on banks’ ability to make heavy infrastructure investments
- Increasing use of **data analytics** will allow for better understanding of customer needs & provide better services
- **Unbundling of banking services** from niche entrants which will develop best of breed point solutions for SMEs
## What does the future hold?

### Regulators
- Conditions for simpler KYC
- Address cyber security & data protection
- Allocate banking licenses to non-conventional players: MMOs etc.
- Allow new financial services via mobile (loans, etc)
- Address risks related to new “non-traditional” institutions
- Regulation of Fintechs
- Services to informal savings pools

### MMOs
- Accelerated adoption of mobile wallets, mobile merchant apps, ordering/shopping apps
- Go-to-institution for managing customer transactions: eco-systems, mobile money
- Potentially reduced transaction fees as competition increases
- Lead customer relationship & products for newly banked segment: loans and deposits
- Partnership & digital ecosystem resulting in more complex financial services
- Increased Government transactions via digital
- Interoperability between mobile operators

### Insurance
- Increased digital sales via mobile and USSD. Partnerships with data providers in the market will facilitate building a digital ecosystem
- Connected insurance via devices & ecosystem participants

### Payment Network
- Enforce more transactions/services via the switch: banking agents, mobile & insurance
- Further Standardization & cost reduction for financial services
- Greater interoperability
- Interoperability consolidation & increased partnerships (MMOs, banking agents)

### Consumer Finance Institutions
- Increased competition
- Greater penetration through Digital solutions in rural areas.
- Proliferation in number of agents
- Diversification of services e.g. deposits

### Banking
- eBanking – richer online eco-systems
- Loose control of customers transaction experience
- Competitive offerings via data analysis
- Digital Eco-systems with agents to serve customers without expensive infrastructure
- Emerging technologies: cloud computing, QR codes for payment, payment gateway and block-chain

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The core of digital innovations in Mozambique are taking place in the payments area whilst targeted initiatives are emerging in market provisioning and deposits and lending.

Future Digital Innovations in Mozambique

Innovations currently taking place in Mozambique

Future Innovations Identified by the financial services industry in Mozambique (next 3 years)

Source: The Future of Financial Services How Disruptive Innovations are Reshaping the Way Financial Services are Structured, Provisioned and Consumed (2015).
Innovation Clusters

Focus Areas

Future Digital Innovations in Mozambique

Innovations currently taking place in Mozambique

Future Innovations Identified by the financial services industry in Mozambique (next 3 years)

Source: The Future of Financial Services How Disruptive Innovations are Reshaping the Way Financial Services are Structured, Provisioned and Consumed (2015).
Thank you

To all the institutions that participated in this study and the donors that funded it.
South Africa Landscape

Top FinTech Companies
SnapScan, RainFin, Yoco, Peach Payments, WizzPass, PriceCheck (recently acquired by NASPERS), PayU.

Big Investors
Silvertree, NASPERS, Perry Blacher (Amadeus), Barclays Seeker Fund, 4Di Group, Hasso Plattner Ventures.

Success Stories
There are numerous individual company success stories. An example is the Barclays Accelerator powered by Techstars, where the 10 companies invested in were from 9 different countries both within Africa and from the UK, US, and Lebanon.

The Future
The South African start-up community is becoming more attractive and palatable to international investors. It is expected that more foreign venture capitalists will enter the market, thereby creating greater competition with existing South African VCs and ultimately better terms for start-up founders. Both Johannesburg and Cape Town are expected to strengthen, building bridges between the two Hubs and the global and regional FinTech community.
India Landscape

Industry Features

Top FinTech Companies
PayTM, FINO, Paytech, Citrus Pay, Bill Desk
Freecharge, MobiKwik, BankBazaar, PolicyBazaar,
Capital Float, SME Corner.

Big Investors
Sequoia Capital, 500 Startups India, SAIF Partners,
Tiger Global, IDG, Accel Partners, Ascent Capital, Bain,
Basil Partners.

Success Stories
PayTM and mobile wallet/payments providers are
rapidly expanding digital payment infrastructure.

The Future
The next phase of FinTech in India will see the
emergence of new types of block chain extensions and
other distributed ledger technologies, continued
progress towards digital financial inclusion by 2020 and
developments in next-generation payments.

Enabled by the India Stack, India will also see the
emergence of non-payments FinTech companies –
alternative lenders, alternative credit scoring, and
artificial intelligence.
**Kenya Landscape**

**Top FinTech Companies**
Innova, Pesa Pal, KAPS LTD, Craft Silicon.

**Big Investors**
Savannah Fund, NEST, Centum Investment, Novastar Ventures.

**Success Stories**
M-PESA has revolutionised the way Kenya does business through its mobile money transfer system. Launched in 2007, 17 million Kenyans use M-PESA thanks to a simple text-based menu that is accessible on even the most basic mobile phone. MODE provides instant nano-credit for pre-paid mobile phone users across Africa, founded in 2010, it now has operations in 31 countries with a customer base of over 250 million.

**The Future**
The technical skills gap between Kenya and other international FinTech hubs will narrow due to continued training and development provided by programmes such as Code for Africa. With some international banking groups decreasing their presence in Africa, this will free up larger pools of talent to enter the FinTech space.
Definition of Digital Innovations in Mozambique

Payments
- **Emerging Payment Rails**
  - Mobile money: refers to financial transactions and services that can be carried out using a mobile device such as a mobile phone or tablet. These services may or may not be linked directly to a bank account.
- **Cashless world**
  - Integrated billing: includes mobile ordering and payment apps and integrated mobile shopping apps.
  - Streamlined payments: location based payments and machine-to-machine payments.
  - Mobile Payments: payments done on mobile wallets and mobile-based merchant payment solutions.

Insurance
- **Insurance disaggregation**
  - Digital distribution: distributing products and services via a digital platform.
- **Connected Insurance**
  - Internet of things: the interconnection via the Internet of computing devices embedded in everyday objects, enabling them to send and receive data.

Investment Management
- **Process Externalization**
  - Cloud computing: the practice of using a network of remote servers hosted on the Internet to store, manage, and process data, rather than a local server or a personal computer.
- **Empowered Investors**
  - Social trading: is a service that allows investors to replicate the operations of expert traders. It introduces a new way of analyzing financial data by providing a ground to compare and copy trades, techniques and strategies. Using social trading investors and traders could integrate into their investment decision-process social indicators from trading data-feeds of other traders. These social trading networks can be considered a subcategory of online social networks.
Definition of Digital Innovations in Mozambique

**Deposits and Lending**

- **Shifting costumer preferences**
  - Mobile 3.0: purchasing deposits and lending services in the digital marketplace via mobile applications disintermediating banks.
  - Third parties API: APIs are systems that software vendor program into their software to allow outside programmers to access to manipulate data. Third party API integration aims at utilising these systems to either eliminate duplicate entry data or to provide new features that the software vendors cannot provide.

- **Alternative lending**
  - P2P Lending: is a method of debt financing that enables individuals to borrow and lend money, using digital platforms, without the use of an official financial institution as an intermediary. P2P lenders solve the banking model's inefficiencies by developing online marketplaces that use complex algorithms to match borrowers with investors according to each party's specifications.
  - Alternative Adjudication: Borrowers are assessed on criteria beyond traditional credit scores, such as social data, and risk engines are reviewed more often to incorporate recent feedback.

**Market Provisioning**

- **Smarter Faster Machine**
  - Big Data: extremely large data sets that may be analysed computationally to reveal patterns, trends, and associations, especially relating to human behaviour and interactions. It allows the user to access extensive real-time data sets through specialized databases; uncover predictive insights on market movements based on correlations mapping and update and access insights in real-time through cloud-based analytics.

- **New Market Platforms**
  - Automated data collection: refers to the methods of automatically identifying objects, collecting data about them, and entering them directly into computer systems, without human involvement.
  - Data analytics: is the process of examining data sets in order to draw conclusions about the information they contain, increasingly with the aid of specialized systems and software. data analytics predominantly refers to an assortment of applications, from basic business intelligence (BI), reporting and online analytical processing (OLAP) to various forms of advanced analytics.
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