Why telcos are the new banks in Africa’s mobile revolution

By Robert van Breukelen

27 Mar 2024

Across Africa, mobile phones aren't just for talking – they're lifelines. With a staggering portion of the population unbanked, mobile operators are stepping in, transforming phones into wallets and reshaping the continent's financial landscape.

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A 2022 report estimated that just over half of Africa's population remained unbanked. The same report found that banks across the continent are investing in digital transformation projects, with the development of mobile money services the top priority among banks surveyed.

But it is arguable that telcos are in the inside lane when it comes to developing tailored financial services products to suit a mobile-first consumer than their banking counterparts.

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20 Mar 2024

Take the example of mobile money, which represents a significant growth opportunity for telcos. In 2022, the 'https://www.statista.com/topics/6770/mobile-money-in-africa/#topicOverview">value of mobile money transactions in sub-Saharan Africa reached $832bn, with an estimated 390 million mobile money accounts in East Africa alone.

Banks also find it far more difficult to move into the telco space. Conversely, telcos more easily move into traditional banking, as can be evidenced by the ongoing telco gold rush for financial services.

Mobile money kickstarts telco financial services

This gold rush started with the incredible success of M-Pesa. Launched in Kenya by Vodafone and Safaricom in 2007, M-Pesa quickly grew to become the most successful mobile financial service in the developing world, registering 17 million accounts in Kenya alone by 2012.

M-Pesa enables unbanked customers to deposit and withdraw money, transfer funds to other users, and conduct a range of additional transactions such as airtime purchases and bill payments.

The service grew in popularity in part due to inefficiencies with Kenya's banking sector at the time, which made it difficult and costly for citizens to access banking services and make payments or transfers.

Today, telcos across the continent are leveraging their large user bases, strong brand awareness, consumer data insights and visibility over customer behaviour to introduce a range of innovative payment, remittance, insurance and other financial services.

However, this gold rush for diversified revenue is not without peril.

Challenges and risks abound

The financial services sector is highly regulated, and while the sector lagged in maturity, regulators are now catching up to the needs of a modern financial ecosystem.

A telco offering loans, for example, will need to consider several regulatory requirements ranging from credit scoring to risk analysis and legislation restricting the flow of funds across borders.

For a continent so reliant on remittances, this additional regulatory oversight can hamper adoption of new financial services and undermine telco profitability.

For African telcos seeking to unlock new revenue streams with the introduction of financial services, the answer lies in leveraging expertise and infrastructure developed by specialist providers that keep pace with regulatory requirements while refining user experiences and back-end operational efficiencies.

Leveraging tech providers’ expertise

For example, telcos using connected point-of-sale system can quickly and easily enable new financial services offerings through a single integration at the point of sale.

To encourage adoption of new financial services innovations, telcos can incentivise dealers to promote specific products - an insurance product or loan offer, for example - with consumers able to immediately register and start using the product with the POS acting as the enabling platform.

And as new regulations emerge, the provider can implement the necessary changes that are implemented across the telco’s customer-facing dealer networks, ensuring customers can enjoy the convenience of mobile financial services while helping telcos maintain regulatory compliance.

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