

DIGITAL MONEY MOVERS

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VISA AND MASTERCARD RACE FOR AFRICA'S DIGITAL PAYMENT DOMINANCE
AMID INDIGENOUS COMPETITION.

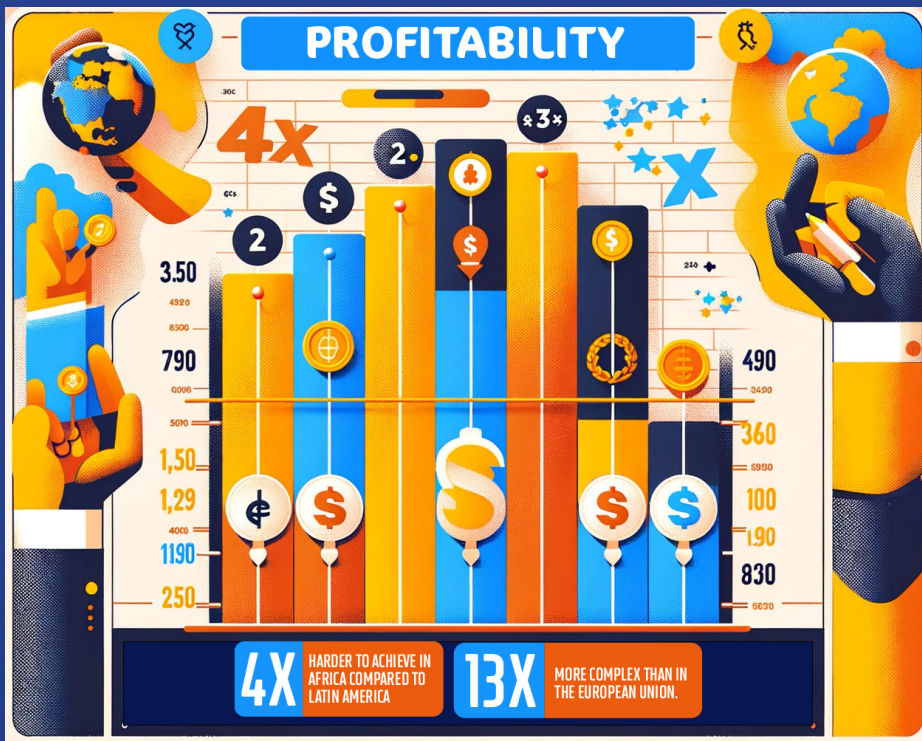


VISA



mastercard.

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Visa and Mastercard are like two heavyweight boxers duking it out for Africa's digital payment champion title. Africa's financial sector is at a pivotal juncture, marked by rapid technological advancements and a fast-growing FinTech ecosystem. As of **2022**, the African FinTech industry had expanded to over **1,000** active companies, a noteworthy increase from just **450** in **2020**. This rapid growth reflects a broader trend, with Africa poised to become FinTech's fastest-growing region by **2030**. However, the journey isn't without challenges. African FinTechs face a complex and varied regulatory environment across different countries, coupled with the challenge of building viable and profitable business models in a market characterised by lower disposable income and customer loyalty. This makes it almost four times harder to achieve profitability in Africa compared to Latin America and **13** times more complex than in the European Union. Regardless, various FinTech innovations continue to impact billions of lives. Just in **2020**, we were counting **500** million unbanked Africans. Today, we can proudly say that this number has been reduced by **150** million.

Visa and Mastercard, two global financial giants, are part of the key players at the forefront of this transformation. Each is carving a distinct path through strategic initiatives and innovations. This article aims to provide a comprehensive view of their contributions and challenges in Africa's FinTech landscape, exploring their presence and rivalry across eight key aspects. We are happy to introduce a fantastic series of Digital Money Movers that will contribute to not leaving an inclusion stone unturned.

McKinsey & Company's report on Africa's FinTech sector and the European Investment Bank's annual survey on African banks provide insights into the current state and challenges of the FinTech ecosystem in Africa. HiPipo's Include Everyone Program has been a key witness and advocate of the progress achieved so far.

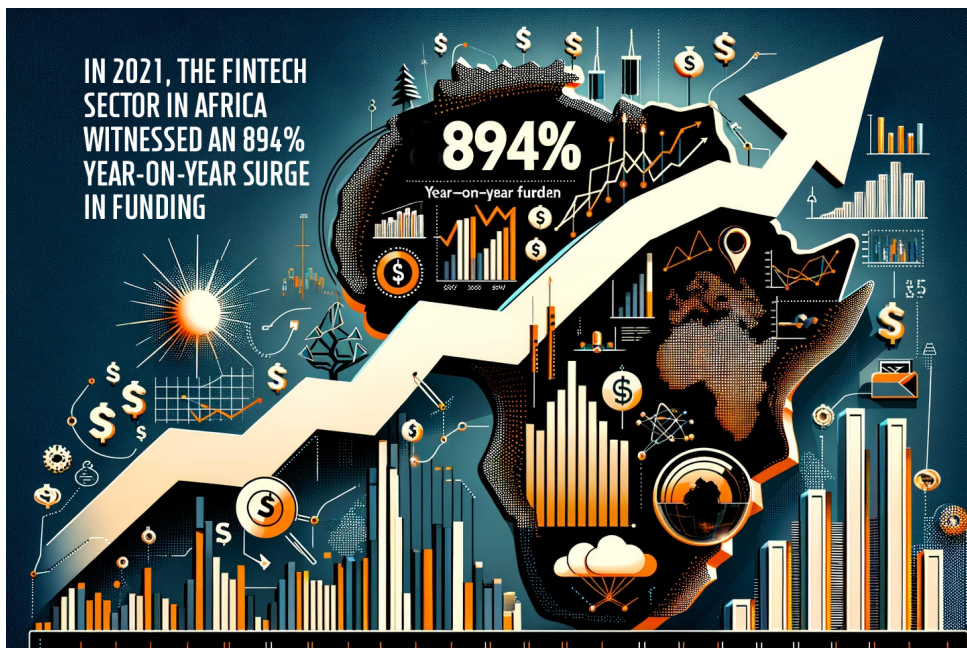
Visa and Mastercard are strategically expanding their footprint across Africa, each adopting a distinct approach tailored to the diverse needs of the continent. Visa has focused on forging strong partnerships with major banks and mobile network operators. This move aimed at integrating and streamlining digital payment solutions across various African markets. These collaborations have facilitated the introduction of innovative mobile payment technologies, particularly in regions where mobile phone usage is high but traditional banking penetration remains low. Visa's efforts aim to simplify transactions and increase accessibility, thereby appealing to a broader demographic, including the unbanked population.

On the other hand, Mastercard has been channelling its resources towards grassroots initiatives, targeting small businesses and rural communities. This approach is grounded in the belief that empowering local enterprises and providing digital financial tools can spur economic growth at the community level. Mastercard's investments and programs focus on bringing digital payment systems to these underserved areas, fostering financial inclusion, and providing unbanked access to essential financial services.

Through their respective strategies, Visa and Mastercard are vying to tap into Africa's vast potential market, comprising a significant unbanked population. By leveraging the widespread use of mobile technology, both companies are expanding their user base and contributing to the broader goal of financial inclusion in the continent. This concerted push towards integrating digital payment solutions is expected to transform the financial landscape in Africa, making financial services more accessible and convenient for millions.

Like the Bill and Melinda Gates Foundation states, Poor people don't live in a static state of poverty. The issue of poverty is unquestionably complex, characterised by a cyclical pattern where individuals transition out of poverty while others fall back into it due to social and economic pressures. The success of such a transition is reliant on the availability of practical tools for savings, payment, credit, and insurance. Such tools are pivotal in enabling poor households to capture opportunities to move out of poverty and overcome economic shocks without slipping further into poverty.

Over the years, new farming technologies, investment opportunities, and job creation have been instrumental in mitigating poverty. However, the availability of effective financial tools is no less critical. They can make a difference in the lives of the impoverished, empowering them to access opportunities, overcome economic shocks, and ultimately break free from the cycle of poverty.



In Africa, where the financial landscape is diverse and constantly evolving, strategic local partnerships are crucial for financial giants such as Mastercard and Visa. Mastercard has been expanding its digital payment networks across the continent by collaborating with African FinTech companies, including significant players like MTN and Flutterwave. Additionally, for example, Mastercard Foundation works with more than 100 partners in countries across Africa and Canada. These partnerships have been instrumental in establishing new value chains, deploying innovative technologies, and enhancing African financial services. Remarkably, in **2021**, the FinTech sector in Africa witnessed an **894%** year-on-year surge in funding, underscoring the sector's rapid growth and highlighting the vital role of partnerships in this expansion.

On the other hand, Visa has adopted a slightly different approach by forming alliances with governments and regional organisations. This strategy aims to shape favourable policies and create an environment that fosters digital finance. Visa's partnerships have mainly focused on enabling secure, cross-border transactions with various African mobile money service providers, connecting more people to its global network and promoting financial inclusion by making digital payments more accessible.

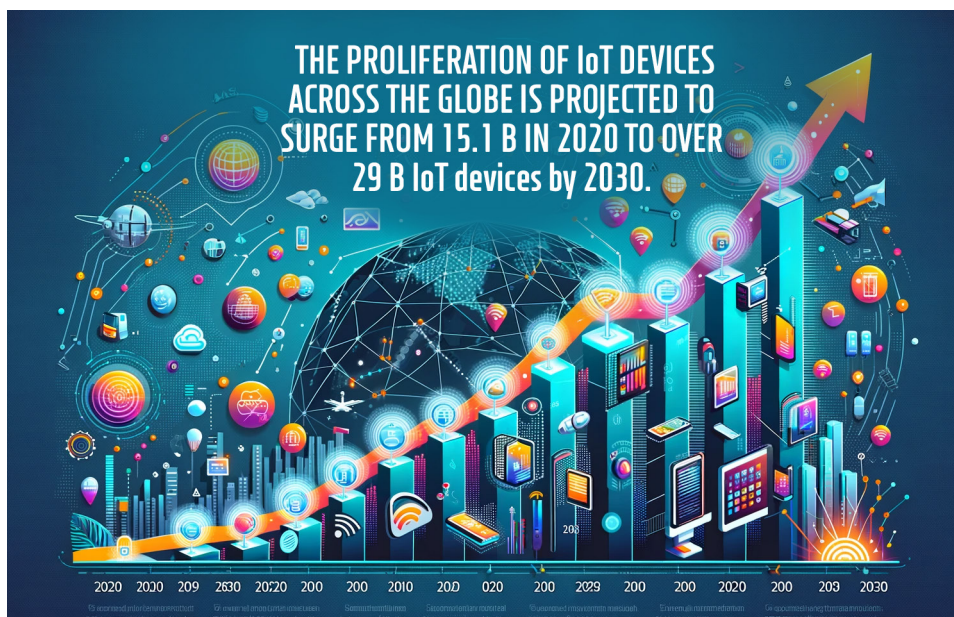


The African e-payments market, driven by initiatives from Visa, Mastercard, and other financial players, is projected to reach about **\$40 billion** by **2025**. This growth is fuelled by increased access to mobile technology, a growing middle class, and the adoption of digital payments. These strategic partnerships are, therefore, critical in advancing Africa's financial ecosystem.

For instance, The Bill and Melinda Gates Foundation supports Africa by empowering local partners with innovative ideas. They believe that African solutions are crucial to solving the continent's challenges. The Foundation collaborates with these partners, providing them with resources, technical expertise, and funding to achieve their goals. This approach has enabled the Foundation to support initiatives to accelerate financial inclusion, eradicate diseases, increase healthcare access, and enhance food security. Overall, the Foundation's strategy is aligned with its mission to improve the quality of life for individuals worldwide.

Visa and Mastercard have made substantial investments in digital transformation in Africa, with each company focusing on different aspects of the financial technology landscape. Visa has directed its efforts towards contactless payment technologies and e-commerce platforms, recognising the growing trend of online shopping in urban areas. As a result, small and medium-sized businesses (SMBs) have embraced new forms of digital technology to meet changing consumer behaviours. Approximately **82%** of SMBs have adopted these technologies, indicating a substantial adoption rate. Visa's investments encompass technology and areas such as security, fraud management, and emerging digital commerce tools.

In contrast, Mastercard has prioritised integrating digital solutions into everyday transactions, supporting mobile-based payment systems that operate even in areas with limited internet connectivity. Mastercard's approach includes partnering with Internet of Things (IoT) firms and moving payment processing software beyond traditional terminals. This shift is evident in the company's cloud-based payment platform, which seeks to transform connected devices into payment terminals. Such innovations are especially crucial in areas where traditional banking infrastructure is underdeveloped.



As per the report published by Statista, the proliferation of Internet of Things (IoT) devices across the globe is projected to witness a remarkable surge from **15.1** billion in **2020** to over **29** billion IoT devices by **2030**. The year **2030** is expected to see China possessing the highest number of IoT devices, with approximately 8 billion consumer devices. This unprecedented growth in IoT devices is set to revolutionise how consumers and businesses interact with technology. A study by Juniper Research left no room for doubt – the Asia-Pacific region is set to dominate the global IoT payments market, accounting for a whopping **42%** of the estimated US**\$935** billion value in **2024**.

Mastercard is committed to driving financial inclusion and digitisation across Africa, aligning with the region's rapid growth and hunger for innovation. The company has played a vital role in fostering the FinTech landscape, co-creating solutions and providing access to partners, expertise, technologies, markets, and customers.

The initiatives by Visa and Mastercard demonstrate their substantial investment in developing technology and adapting and tailoring their strategies to meet the unique needs of the African market. The emphasis on high-tech solutions for urban centres and accessible digital payment options for areas with limited infrastructure underlines their commitment to diverse and inclusive financial growth in Africa.

Like HiPipo, Visa and Mastercard recognise the importance of financial inclusion and have developed initiatives to achieve this goal uniquely. Visa focuses on urban populations and SMEs, offering microloans and business training to help entrepreneurs access the resources they need to succeed. With a presence in over 200 countries and territories, Visa's initiatives aim to drive economic growth and empower communities worldwide.

On the other hand, Mastercard has a more rural-centric approach to financial inclusion. They focus on farmers and small traders, providing them with digital savings and credit tools. Mastercard's financial products and services cater to the specific needs of rural populations, helping them access credit and make digital payments quickly and securely.

Both companies' initiatives are making a significant impact on communities worldwide. By promoting financial inclusion, they are helping to create a more equitable and prosperous society for all.

In Africa, several indigenous FinTech innovators are giving Visa and Mastercard a run for their money. Giants like MTN and M-Pesa, as well as startups, have a better grasp of local needs and can act more quickly. The two global FinTech companies are responding by collaborating with startups or creating solutions tailored to specific regions. M-Pesa, in particular, has significantly transformed several economies by enabling fast and cost-effective transactions, especially in areas where traditional banking services are scarce. Many small-scale traders, farmers, and entrepreneurs have benefited from transacting easily and securely, increasing productivity and growth.

M-Pesa's impact on Kenya's social welfare system is an excellent example of its positive influence. Government agencies and NGOs have partnered with M-Pesa to distribute funds such as social welfare benefits and aid to recipients' mobile wallets, ensuring efficient and transparent distribution.



According to Research CGAP and CNBC Africa, access to M-Pesa has enabled an estimated **186,000** families, or about **2%** of Kenyan households, to escape poverty. The impact has been more pronounced in female-headed households, where the impact was more than twice the average. M-Pesa's extensive agent network has enabled individuals in rural and remote areas to access financial services. Mobile money has also led to significant changes in occupational choices for users, particularly women. Around **185,000** women have moved from subsistence farming into business or sales occupations due to the accessibility of mobile money. Overall, M-Pesa's impact represents a significant shift in the economic and social fabric of the country, contributing to poverty reduction, increased financial resilience, and broader financial inclusion, especially among women and rural communities. Our friend Brenda Atieno got her first smartphone and family power source through M-Kopa, which M-Pesa powers.

Mordor Intelligence reports that Mastercard's introduction of biometric cards in Africa has had a significant impact, particularly in the government sector. For example, the South African government has reported a **20%** reduction in payouts after switching to biometric cards to distribute financial benefits, effectively reducing fraud and other inefficiencies. This move towards biometric cards is part of a broader trend in Africa towards digital transformation in various sectors, including healthcare and government services. These innovative solutions will continue driving demand for smart card technology across the continent, indicating a solid digital and biometric solutions market.

On the other hand, Visa has pledged to invest **\$1** billion in Africa over the next five years, starting from December **2022**. This investment aims to scale Visa's operations, deploy innovative technologies, and deepen collaboration with partners in various sectors, including government, financial services, FinTech, and merchants. The focus is on strengthening the payment ecosystem through innovations and technologies, supporting the digitisation of economies, and investing in upskilling talent development and capacity building. Visa is committed to advancing innovation while leveraging blockchain technology to reduce barriers in developing these products.

NOT WITHOUT OBSTACLES

The FinTech industry in Africa faces several obstacles, even for the continent's major players. The multiplicity of currencies and diverse regulatory environments across over **50** African markets are major concerns, leading to regulatory instability. These factors can make it difficult for FinTechs to expand their operations profitably across borders. Additionally, issues with Know-Your-Customer (KYC) processes and unreliable national identification and physical address systems in many African countries add to the complexity. The technology infrastructure across the continent is still underdeveloped, and talent is scarce, as many skilled individuals prefer working abroad to earn higher salaries. These challenges are compounded by data privacy and financial security concerns, crucial areas where players continue to focus their improvement efforts. However, initiatives like the HiPipo Include Everyone program advocate for an enabling environment for all.

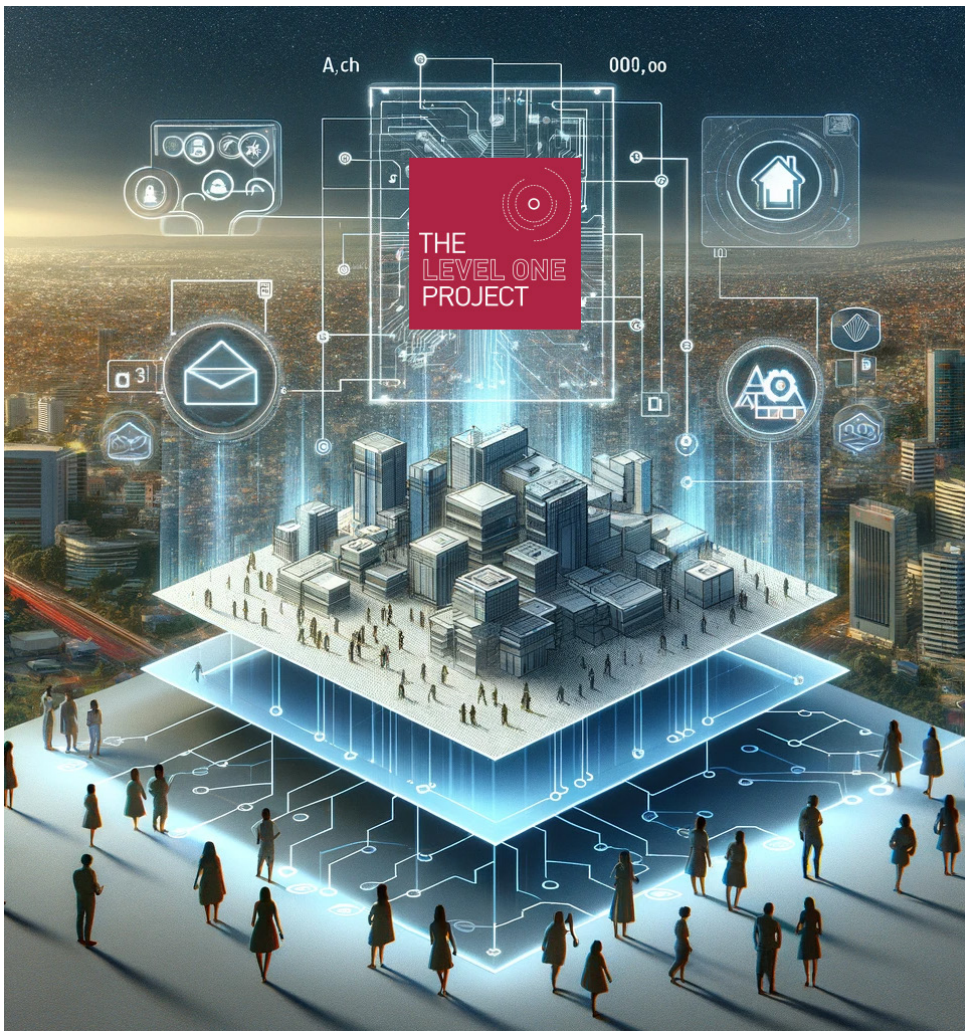
Mastercard aims to connect 1 billion people and **50** million small businesses to the digital economy by **2025**. They aim to support **25** million women entrepreneurs in this initiative. This builds on their previous success of bringing **500** million excluded individuals into the financial system through over **350** innovative programs across **80** countries. Mastercard uses technology and

partnerships to provide aid and access to businesses and communities, supporting economic and health well-being.

Visa has a free program called Practical Money Skills, designed to help people of all ages learn about personal financial management. The program is available in **45** countries and **18** languages.



The Bill and Melinda Gates Foundation works to expand access to digital financial services globally, particularly for the world's poorest people. Over the past ten years, there has been a **50%** increase in people worldwide with an account at a financial institution or through a mobile money provider, with about three-quarters of the global population now having such access. The Foundation collaborates with partners globally to align on common principles for digital financial inclusion and support policymakers in developing regulations that facilitate growth in digital financial services. Their strategy is not just about establishing specific products or distribution channels but finding innovative ways to expand access and allow markets to determine the most effective products and channels.



Their Level One Project initiative focuses on developing inclusive and interoperable digital payment systems. It aims to create blueprints like Mojaloop for a modern financial infrastructure that can efficiently handle high-volume, low-cost transactions to increase financial inclusion for people with low incomes. The project emphasises creating payment systems that are accessible, reliable, and valuable while also being cost-effective and profitable for service providers. Despite such efforts, Africa's FinTech sector is still regarded as a wild west of innovation.

The presence of financial giants such as Visa, Mastercard, and others in Africa's FinTech industry and other philanthropic initiatives clearly indicates the continent's growing importance in the global financial landscape. As these companies compete for market dominance, their efforts accelerate financial innovation and inclusion. Through navigating the intricacies of Africa's FinTech landscape, their strategies, partnerships, and innovations will play a crucial role in shaping the future of finance in the continent.

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"Digital Money Movers" is a product of HiPipo.