CHAPTER 7

Fintech, Bigtech and Banks in India and Africa

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7.1 Introduction

The development of the fintech ecosystem has affected all economies in the world. This disruption has affected the leadership of the traditional banks as incumbents in the benefits of bigtech and niche-start-ups. If the initial take off took place in US, the move quickly spread to Europe, Japan and China (Skan et al. 2016). Nevertheless, this chapter will not deal with well-established fintech ecosystems (FE) but on the rising FE based in Africa and India.

Africa and India are well known for sharing the same challenges for their similar low average income and lack of financial inclusiveness (Beck et al. 2015; Demirgüç-Kunt et al. 2018).

Now, more interestingly, apart from their initial late maturation of their fintech ecosystem (FE), it has to be noted that these two FEs are the ones registering the higher growth in the last years at a worldwide scale (CB Insights 2020). Moreover, India and Africa share some relevant development in terms of digital payments, personal finance, alternative lending and financing (Statista 2020).

To understand the current untapped potential of fintech in Africa and in India, it is key to shed light to the previous banking context of these economies. The aim of this paper will be to show that external factors such as

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the Enron crisis in 2001, the subprime crisis and the threat of the expansion of foreign companies locally paved the way to a set of decisions in traditional retail banks be they in Africa and India that explain the high dynamism of both fintech ecosystems.

More precisely, four main insights will be developed:

1. Globally all entities did move toward Corporate Social Responsibility (CSR, further) and sustainability since 2001. Nevertheless the focus became a strategic axis for Indian banks to keep control on their domestic territory through microfinance and self-help groups (SHGs) as the threat concerning the entry of foreign banks appears. To manage this capillarity in rural areas, strong investments in IT were required.
2. In the case of African institutions, the focus on CSR from the inclusive growth did not materialize as fast as in India. On the contrary, the competitor landscape changed drastically with the leave of French and English banks prioritizing their development in Asia whereas Chinese banks did expand into the continent. Priority to external growth and the replication of the business model was given. To manage this expansion, strong investments in Mergers & Acquisitions (M&A) were required.
3. Further to the subprime crisis, the race to digitization and big data led to many innovations and open banking that favored bigtech and telcos on the first hand and innovation based on low fixed costs and therefore start-ups specialized in small vertical silos on the other hand. This dual movement at the global scale has provoked a huge disruption in the financial sector. Regional fintechs, be they in Africa and in India, tried to take advantage of these trends to get rid of the leadership of current incumbents.
4. The role of the public sector will be highlighted as well to understand the differences between the makings of these two financial ecosystems. Many initiatives took place in India whereas the role of the State was less globally less obvious despite outstanding exceptions.

To proceed, a set of definitions will be provided first as well as the magnitudes concerning the data of both financial ecosystems. Second, the insights concerning the reason why incumbent position deteriorated will be explained first through the cost of IT in India to ensure the capillarity and the cost of M&A in Africa to take advantage of the new competitive landscape. Third, the focus will be set on the new role of big tech and start-ups in the African and Indian FEs. Fourth, a brief focus on the role of the public sector will be endeavored. A synthesis will be then provided to illustrate the different FEs in Africa and India.

7.2 Definitions and Magnitudes of the Fintech Ecosystems in Africa and India in Comparison with the Global Fintech Ecosystem

In this paper, the definition that will be used for fintech is “the new technology and innovation that aims to compete with traditional financial methods in the delivery of financial services. (…) Financial technology companies consist of both start-ups and established financial and technology companies trying to replace or enhance the usage of financial services provided by existing financial companies” (EFMA, Cap Gemini & Linkedin 2017).

If the fintech sector is traditionally divided into 4 segments, this paper only considers large technology ecosystems (or bigtech), new entrants and start-ups and incumbent financial institutions as the paper dives more into the disruption around traditional banks, be they retail or wholesale. Infrastructure providers will not be taken into account here as such hence.

To gather the extent of the fintech revolution, it is fundamental to gather its dual dimension through the opening up the financial value chain (Sy 2019). In that sense, McKinsey (2016) considered that global banking revenues would grow in the next years by 300 billion USD as new opportunities. However, as shown in Table 7.1, the consultancy indicates that incumbents could lower their current fees and margins between 10% and 25% in the industrialized countries where the fintech revolution takes place first excepted within the mobile payment segment where M-PESA led the change first in 2007 in Kenya (Demirgüc- Kunt et al. 2018). The Schumpeterian revolution should impact mainly the payment, asset and wealth management and consumer finance segments at a worldwide scale with incumbents in dire straits and disruptive players being identified as GAFAM/BATX telcos and start-ups. PWC (2016)

Table 7.1 Fee and margin reduction in revolutionary digitization scenario

Fee and margin reduction in revolutionary digitization scenario
Percent

Legend: 0-3% | 3-10% | 10-20% | 20%+

		U.S.	U.K.	China	Japan	Euro-zone	Other developed	Eastern Europe	MEA	Latin America	Other EM Asia
Retail	Consumer finance	13.9	13.8	7.7	25.1	9.7	10.5	11.3	2.3	11.1	3.4
	Mortgage	2.5	5.1	1.0	4.4	3.7	3.2	1.0	0.2	1.6	0.6
	Checking deposits	1.0	1.4	0.4	1.4	0.6	0.9	0.3	0.1	0.1	0.0
	Term deposits	3.8	5.1	0.0	5.1	3.9	3.9	5.5	1.5	8.9	2.3
Corporate	Cash management	0.5	0.7	0.2	0.7	0.5	0.5	0.2	0.1	0.1	0.1
	Corporate lending	0.7	0.9	0.8	0.7	0.7	0.7	0.6	0.1	0.1	0.2
Payments	Payments	17.3	23.6	8.6	23.6	18.1	18.0	8.6	2.3	3.6	3.6
WM	Asset/wealth management	16.6	21.7	3.9	21.7	16.6	16.6	3.9	1.1	1.6	1.6

Source: McKinsey Panorama – Global Banking Pools

Source McKinsey (2016)

set up some similar forecasts shedding light that 28% of the total business of banking and payment was at risk by 2020.

In that sense, it is relevant to see the potential of fintech was analyzed in detail for all industrialized countries and China whereas the potential of India and the different countries of Africa was not systematically scrutinized by major consultancies as the following surveys indicate in the mid-2010s. In the vast majority of cases, the unique African countries to be considered were Angola, Egypt, Mauritius, Morocco, Nigeria, Togo, Egypt, Mauritius, Morocco, Nigeria, Togo, Kenya and South Africa (McKinsey 2016, 2018; Wyman 2016a,b; EFMA, Cap Gemini, & EY 2017, 2019; KPMG, NASSCOM & CII 2016–2020; PWC 2016; CB Insights 2020; Statista 2019, 2020).

Analyzing the financial ecosystems at worldwide scale, it is clear that excepted for (1) personal finance, and more specifically in robo-advisory, and (2) the quality of the services existing around the Silicon Valley and New York ecosystems (venture capitalists and private equity), China took the lead in all segments, far ahead of US and EU as Table 7.2 indicates (Statista 2020). This drastic change enabled by the quick adoption of mobile payments initially through Alipay and then Antfinancial and Tencentpay demonstrates the acceleration of the change within the financial sphere as well as the existing possibilities to create relevant financial ecosystems for the rest of emerging markets apart from China.

In that sense, if India is a worldwide power concerning ICT, and more particularly BPO, in Bangalore, Tamil Nadu and NCR region (near Delhi), the transactions within its financial ecosystems are inferior to the African ones excepted for mobile point of sales (POS) payments, as the templates indicate infra.

However, the year-on-year growth is superior in India than in Africa in the domain of digital payments, be it for mobile POS Payments and Digital Payments whereas the growth in Africa is higher in the domain of Personal Finance, Alternative Lending and Alternative Finance in terms of Transaction value (Table 7.3).

Table 7.2 Comparing African and Indian fintech ecosystems with leading FEs in the world

	China				US				Europe + Russian Federationssia			
	Transaction value (billion USD)	Growth YOY (%)	Users (millions)	Growth YOY (%)	Transaction value (billion USD)	Grow th YOY (%)	Users (millions)	Growth YOY (%)	Transaction value (billion USD)	Growth YOY (%)	Users (millions)	Growth YOY (%)
Digital payments	1929	22.80	871	4.30	1058	10.10	281	3.90	802.9	9.90	609	2.20
Mobile POS payments	793	36.50	540.8	7.50	116	33.30	31.8	9.60	48	37.30	51.7	12.00
Digital commerce	1135	14.80	871	4.30	942	7.80	280	3.90	754.7	8.50	609	2.20
Personal finance	317	73.20	56	63.20	1069	39.40	11.56	19.50	90.8	40.40	5.5	27.80
Alternative lending	265.8	19.50	0.069	14.50	33.5	3.00	1.7	2.80	8.6	−2.20	0.001	8.00
Alternative financing	8.2	25.20	0.011	25.90	1.2	−8.30	0.07	5.10	2.7	20.3	0.117	10.50

Source Statista (2020). Accessed on May 12

Table 7.3 Comparing fintech ecosystems in India and Africa

	India				Africa			
	Transaction value (billion USD)	**Growth YOY (%)**	**Users (millions)**	**Growth YOY (%)**	**Transaction value (billion USD)**	**Growth YOY (%)**	**Users (millions)**	**Growth YOY (%)**
Digital payments	81	25.30	554	7.80	96.8	15.40	416	9.10
Mobile POS payments	9.6	61.60	488	20.90	4.7	41.00	17.3	16.60
Digital commerce	71	21.60	554	7.80	92.1	14.30	415.9	9.10
Personal finance	1.5	29.20	0.25	34.60	1.7	42.60	0.53	31.90
Alternative lending	0.125	5.70	0.069	4.20	0.507	14.30	0.057	10.10
Alternative financing	0.002	1.30	0.0158	31.00	0.0033	28.90	0.0389	17.50

Source Author elaboration from Statista (2020). Accessed on May 12, 2020

If these elements may be surprising at first sight, it has to be taken into consideration that if India and Africa have similar GDP per capita (2009 USD in nominal vs. 1884 USD in nominal) (World Bank 2020), the big 5 (Nigeria, South Africa, Egypt, Algeria and Morocco) have a GDP per capita much higher and that could be similar to the major Indian metropolis i.e. Delhi, Mumbai, Bangalore, Chennai and Calcutta.

But, above all, the distinction from the regions, India and Africa, comes from the quick adoption of mobile payment in Africa instead of using traditional banking. Moreover, the level of bancarization has increased consubstantially in India from 36 to 80% in the last decade (World Bank Findex 2018). In Africa, as the penetration of mobile banking was extremely strong, it has curtailed the progression of the bancarization that went up from 23 to 48% (McKinsey 2018).

A closer highlight to the African regions will enable us to pinpoint a relevant insight in terms of the regional leading FEs. As Kenya embraced first the mobile payment, it could have been expected that it would have kept its first mover advantage. Nevertheless, it is not any longer the case with transactions that are more than twice as important for digital payments in Western Africa as in East Africa, countries such as Nigeria, Ghana, Ivory Coast and Senegal being the driving force. As the second most relevant player in Africa, it has to be noted the presence of North Africa with 3 out of the big 5 (Egypt, Algeria and Morocco). And only as fourth player within the continent is Southern Africa slightly above East Africa in terms of transaction value (Table 7.4).

Regions in Africa:
North Africa includes Algeria, Egypt, Morocco, Sudan and Tunisia
Eastern Africa includes Burundi, Ethiopia, Kenya, Madagascar, Malawi, Mozambique, Rwanda, Seychelles, Tanzania, Uganda, Zambia, Zimbabwe
Southern Africa includes Botswana, Lesotho, Mauritius, Namibia and South Africa

Table 7.4 Distinguo concerning digital payments among major African regions

Region	Transaction value (billion USD)	Growth YoY (%)	Users (millions)	Growth YoY (%)
North Africa	28.4	12.2	108.5	3.9
East Africa	14.9	16.0	79.9	6.3
Southern Africa	10.6	14.1	41.4	8.0
West Africa	34.5	17.6	164	13.5
Central Africa	7.9	19.3	22.2	16.8
Total	96.3		416	

Source: Statista (2020). Accessed on May 12, 2020

> Western Africa includes Benin, Burkina Faso, Gambia, Ghana, Guinea, Ivory Coast, Niger, Nigeria, Senegal, Sierra Leone, Togo
> Central Africa includes Angola, Cameroon, Thad, Eq. Guinea, Gabon and Republic of Congo.

As such, these elements enable us to conclude that without considering at this stage the influence of the incumbents, the benchmark of M-PESA that already took place in the mid-2000s throughout the continent has prevented Kenya to grow faster than its counterparts even though it is the 6th economy in terms of financial services within the continent. The relatively low GDP per capita in Kenya compared to the rest of the leading countries—that counts with much higher GDP per capita (50% minimum higher)—has been without any doubt an element that has prevented Kenyan companies from consolidating in mobile payment at a continental scale (Table 7.5).

The combination of the data concerning (1) expansion of the FE in Africa and (2) the current size of the major African incumbents indicates clearly that South African banks did not initially bet on mobile payments on the contrary of their continental counterparts hoping to close the gap later. Nevertheless, they have not managed to proceed. The African case implies (1) the difficulty to keep the lead as the first mover within this industry (see the Kenyan case) and (2) the necessity to jump into the new initiatives at the right momentum (see the North African + Western African cases vs. South African case).

The Indian case provides different insights as the banking landscape offers a mix of state-owned banks and Indian private banks apart from the presence of foreign banks. Among the top 10 banks, 5 are state owned (State bank of India, the biggest in India, Bank of Baroda, Canara Bank, Punjab National Bank and Bank of India) and 5 are from the private sector (HDFC Bank, ICICI, Axis Bank, Kotak Mahindra Bank and Yes Bank) (Gupta 2018, 2019). Globally speaking, in terms of assets and tier 1 capital, the Indian banks are much bigger than African banks but much smaller than Chinese banks.

Table 7.5 Origin of top 100 banks in Africa

	Number of banks within top 100 African banks	*Total assets (billion USD)*	*Tier 1 capital (billion USD)*	*Profit before tax (billion USD)*
Algeria	5	59	4	1,2
Angola	7	48	4	0.8
Egypt	14	204	15	4.6
Kenya	10	33	4.5	1.2
Mauritius	7	29	2	0.5
Morocco	9	166	9	2.5
Nigeria	14	111	11	2.9
South Africa	8	495	39	10.5
Tunisie	9	32	1	0.6
Others	15	68	25.5	1.7
Total	100	1,245	105	26.5

Source The Banker (2019)

As it will be commented later, the strong push given by the Indian government—that will be commented in Sect. 7.4—may unleash the full power of Indian financial ecosystem.

7.3 IT and M&A or How the Incumbent Position Deteriorated Respectively in India and Africa to Anticipate the New Competitive Landscape

In this section, the light is shed first on how traditional banks did not integrate fully corporate social responsibility (CSR, further) but remained focused on their traditional business model. The emergence of microcredit and further on microfinance and mobile payment could have paved the way to new solutions where the potential of inclusive growth had become a core element in the strategy of the incumbents but it was not fully used until recently.

India has been a market that has been traditionally protected even after the end of the license raj system in 1991, where strong local players were definitely protected from any newcomer. Therefore, from the 1990s, as foreign competitors entered their local markets, Indian incumbents were forced to develop overseas. Initially, the BPO became critical to recognize Indian expertise mainly with consultancies such as Infosys, TCS and Wipro in relation with the activities they set up with American banks. Moreover, some local retail banks—such as ICICI—expanded worldwide from this period. Then the subprime crisis and the attempt of foreign banks to expand into India led Indian local banks embrace a race to capillarity within India as the growth potential of India was recognized. This focus became a strategic axis for Indian banks to keep control on their domestic territory. To manage this capillarity

in rural areas, strong investments in IT were required. The result in terms of bancarization in India is patent with an increase from 36% to 80% in the last decade (World Bank Findex 2018). Moreover, the decision to favor microfinance and self-help groups among rural population and women entrepreneurs among others has favored an increase of the financial literacy within India. Many rural areas remain uncovered yet by branches as the difficulties for incumbents go much beyond this financial literacy with the average GDP per capita being at 2000 USD per capita and a still high level of illiteracy.

Despite this huge strain to offer a strong linkage of all India, foreign banks did manage to enter the local financial landscape representing 33% of all banks established in the country with already 5.5% of all assets (RBI 2019).

The move toward an increase of digital payments was all but smooth. Indeed, the demonetization reform set up by Prime Minister Narendra Modi to force Indians to adopt mobile payment in November 2016 was extremely dramatic as overnight, bills of 500 INR and 1,000 INR became worthless. This drastic reform provoked a long lasting inflexion in the growth path of India and not even the public expenditures re-boosted Indian growth. As this government implemented a tax called "Goods & Service Tax" (GST) on top of it on all products and services to lower the importance of informal economy (what might have been a good idea to strengthen fiscal income a priori), many uncertainties surged. In that sense, the all but benevolent reforms of the Indian government to force local consumers to move toward digital payments have generated a temporary reluctance to move in that direction.

As for Indian institutions, there was among the African incumbents the willingness to integrate CSR. And, as in many Western countries, the initial interest concerning CSR was after 2001 and the Enron crisis. Therefore, the focus on CSR using microcredit and later microfinance did not materialize as fast as in India. Moreover, the Enron crisis paved the way to the Sarbanes-Oxley Law, Act of 2002 that considers that CEO and CFO are necessarily aware and as such responsible for any misbehavior occurring within their company. This conception led to a much more defensive approach of CSR where the critical issue was no more to gain a new source of competitive advantage but to avoid any misbehavior and to map all possible risks to develop in house solutions to them.

In the same decade, the competitor landscape changed drastically with the leave of French and English banks prioritizing their development in Asia at the expenses of Africa. Interestingly, this move happened when Chinese banks did expand into the continent as an aftermath of the positioning of Chinese commodities and infrastructure state-owned enterprises (SOEs) locally.

So, if it is true that traditional retail banks in Africa have focused on CSR and sustainability since 2001, most of them put the scope of their activity in creating a new business model based on external growth and M&A thanks

to the opportunity provided first by the leave of French and British banks—and later by the acquisition of local banks within Africa. This opportunity enabled these companies to become regional players for the first time in their history. As a matter of example, Moroccan banks—Attijariwafa bank, BCP and BMCE—did expand like that each of them in more than ten countries. The performance of African banks in that sense is impressive as their aggregate pre-tax profits increased from 4 billion USD in 2000 to more than 20 billion USD in 2019 (Caplen 2020) thanks mainly to the incumbents of South Africa, Egypt, Morocco, Nigeria and Kenya. It is not surprising then that Africa has become the second-fastest worldwide banking market in terms of growth and profit (McKinsey 2018).

But, the opportunity of "inclusive growth" has not been fully integrated. If this concept was coined for the first time in 2000 by Kakwani and Pernia, it did become more relevant in the 2010s when local African banks were more on the search of new targets for M&A than on emerging middle class. Indeed, as the potential of internal growth is much lower compared to external growth, it explains why these new pockets of growth were not given the credentials they deserved.

7.4 Big Data, Digitization and Vertical Silos as Key Success Factors of the Bigtech and Start-Ups in the Advent of the Future Financial Landscape

The subprime crisis and the sovereign debt crisis did affect the global banking competitive landscape lowering profits and generating a set of new regulatory barriers (e.g. Basel III) to mitigate risks and avoid an uncontrolled race to profits.

As such, many banks suffered deterioration of their activity and had no other alternative than to be acquired. Therefore, even for Indian and African banks that did not have such financial muscle as their Western or Chinese counterparts, the race to M&A kept on.

But, as such, they did not pay the relevant attention to big data initially as they should on the contrary of telcos, start-ups and bigtech. First, telcos managed to use the big data and the incipient success of mobile payment in Africa. As it was already commented supra, many African players such as Orange in Ivory Coast benchmarked M-Pesa in Kenya and launched their own solution in this field. If traditionally banks get protected by the government, the fact that the launching of new licenses was a new source of income for the government, Therefore, the barrier to entry into the banking sector was over.

As the advent of mobile payment in Africa was not dependent on smartphones but on basic phones, African telcos managed to exploit and develop an excellent case of frugal innovation. Indeed, with 20% without phone, it has managed to increase mobile money account by more than 20% on an average in Sub-Saharan Africa between 2014 and 2017 (World Bank Findex 2018).

Moreover, the acquisition of smartphones has almost triplicated in Ghana and Senegal between the same period while it has increased by 150% in South Africa, Nigeria, Kenya and Tanzania (Pew Research Center 2018); what gives more opportunities to local start-ups to take off.

In the Indian case, it is the bancarization that happened first, the payments in the POS that happen later jointly with the increase of the terminals. It has to be noted that the sales of mobile phone went up from 524 to 820 million units between 2013 and 2019 (CB Insights 2020).

As such, many opportunities were raised between telcos and apps created by start-ups exploiting small vertical silos for which the last ones enjoy low fixed cost in comparison with the incumbents'. Hence, McKinsey (2018) demonstrated that if the cost to acquire a new customer is 300 USD, it is 5 USD for a digital attacker.

The potential of the Indian FE is extremely relevant as it did have a higher level of growth than the Chinese FE in terms of deal activity in the first quarter of 2020. Similarly, the deal volume in the African FE did triplicate between 2015 and 2019, being superior to the Australian FE and reaching half the South American FE (CB Insights 2020).

This dual movement at the global scale has provoked a huge disruption in the financial sector. Regional fintechs, be they in Africa and in India, tried to take advantage of these trends to get rid of the leadership of current incumbents and finally bigtech saw the opportunities. First, Chinese BATXs (Baidu, Alibaba, Tencent & Xiaomi) posited in Africa. It has happened mainly in Eastern Africa through their mobile payment system Alibaba´s Alipay and Tencent's Tencentpay. If American GAFAMs (Google Amazon, Facebook, Apple & Microsoft) did pay until recently more attention to China, it has to be said that India is given always more importance for instance in Apple, what was already the case for Google. More interestingly even, Apple has decided to replicate its own ecosystem to Africa with Apple Music being open in more than twenty countries locally from April 2020. Last but not least, a set of Japanese and Indian companies have decided to ally not let Chinese firms win the battle in Africa.

In that sense, it seems the surge from hidden success stories be they in India or in Africa will become always more complex. Indeed, India is always more monitored by many consulting studies and Africa has managed to raise an exponential new interest in the last five years concerning its financial ecosystem. Both elements confirm the new potential of both financial ecosystems.

The surge and development of both Indian and African financial ecosystems offer huge opportunities at local level. Nevertheless, there is a potential threat that newcomers in these countries hack these new opportunities directly for their benefits.

7.5 The Role of the Public Sector in the New Financial Landscape

The role of the public sector has been considered until this section as the regulation maker at international and at national levels. The current role of Indian and African leaders still remains modest in relation to the population they represent. Now the disruption within the fintech sector occurred when the States decided to deliver licenses to telcos what paves the way to an alliance between telcos and start-ups. Therefore the role of the States was critical in the recent blossoming of these ecosystems.

But the potential of the States can even go further as the Indian experience relates it. If Modi´s reform concerning the demonetization and the GST had an overall negative impact on the economic growth of India at least in the following two years of their implementation, the creation of the India Stack under the government leadership may change the global perception of the Indian ecosystem, and not only at the financial level. This system is based on 4 layers:

1. The unique identification Authority of India or Aadhaar. It is a presence-less layer and it has been used partially for the last election.
2. The Department of Electronics and Information Technology that defines the paper-less layer with digital locker and digital signature.
3. The National Payments Corporation of India that defines the cash-less layer for financial transactions. The system is compounded by a Unified Payments Interface (UPI), the Aadhaar Payment Bridge, the Aadhaar enabled payment system and the Bharat Bill of payment systems. As a matter of fact, "878 million bank accounts have been linked with Aadhaar till March 2018" and "transactions using UPI in value terms rose from INR 0.5 million to over INR 542 billion between 2016 to 2018" (KPMG, CII & NASSCOM 2018).
4. All this system is supervised and regulated by the Reserve Bank of India.

As the Indian government combines this new ecosystem with initiatives like the Government eMarketplace (GeM) for licitations and E-way Bills for procurement among others, the Indian FE has been substantially empowered by the Government activity.

Some relevant initiatives took place in Africa as well but the size of these countries has prevented them from building such robust ecosystems as in the Indian case.

7.6 Conclusion

Even though the organization of the geographic space is different, comparing Fintech in India and Africa provides a framework where the disruption takes place in a different context (see infra summary of findings). If banks in

India have managed until recently to preserve better micro sphere of activity, this phenomenon was made possible thanks to huge IT investments that enabled the capillarity to reach 80% by 2020. Nevertheless, the existence of entrepreneurial ecosystems around Bangalore, Delhi, Mumbai, Chennai and Hyderabad paved the way to deals in venture capitals that should be relevant in the upcoming years as the Modi administration has favored new margins of maneuver with the presence-less, paper-less and cash-less initiatives.

In the case of Africa, national incumbents were right to consider M&A when French & English banks left Africa for Asia as it has enabled them to become regional players. Nevertheless, as this phenomenon coincided with the digitization and the mobile payment revolution provoked by M-PESA, all telcos managed to enter mobile payments with the support of local fintech. As it was a source of new income for governments, the barriers to entry that used to protect incumbents disappeared.

As a matter of fact, in both regions, the competitive landscape has evolved in a much favorable aspect for consumers and the customer experience should be a major stake in this open banking scenario where the influence of bigtech may increase drastically in the upcoming years (Table 7.6).

Table 7.6 Summary of fintech ecosystem in Africa and India

	Africa	*India*
	Implemented mobile payment worldwide even though China is the global leader	In 2019 last quarter, Indian deals in VC in fintech were superior to Chinese ones
Similar initial background	1. A set of 54 Countries with inhabitants with low income and low digital readiness 2. Similar population (1.2 billion people) than India 3. High growth despite not top tier banks nor IT top clusters at worldwide level	A set of 33 States and UT with inhabitants with low income and low digital readiness Similar population (1.35 billion people) than Africa High growth despite not top tier banks but high skills in IT (BPO) at worldwide level
Impact of 2001 Enron crisis to embrace CSR on incumbents	1. Treble bottom line policies were set up but mainly the focus was defensive as a reference to the Sarbanes-Oxley Act	Microcredit and later microfinance—as these policies were invented in Bangladesh—endeavoured incumbents to set up CSR strategies but not core to the business
Impact of 2007 crisis + threats from foreign traditional bans expansion on incumbents	4 movements: Low impact from US crisis The leave of French and English banks gave the opportunity to African players to become regional players With the arrival of Chinese Commodities and infrastructure SOEs, the Chinese banks and BATX followed The digitization provided new opportunities for telcos. With the new licence, telcos + local start-ups entered the incumbent markets	4 movements: US markets get closed temporarily and strong impact on IT consultancies but moderate impact on incumbents Recenter on India as the initial internationalization move that occurred in 1991 forced Indian incumbent to insist more on local opportunities Threat of international players to move into India Indian incumbent answer comes from strong linkage of capillarity to empower bancarization and favor mobile payment

(continued)

Table 7.6 (continued)

	Africa	*India*
State influence > possible PPP	Mainly on the telcos licence to organize the disruption against incumbents through the alliance between telcos and startups	Strong influence of th State. Negative in terms of growth generation due to reforms that were not truly managed (demonetization and GST) but strong possibilities with the advent of Stack India layers from Aadhaar to UPI
Big tech influence	Chinese bigtech interfered as a consequence of the development of commodities and infrastructure companies Among the BATX, the presence of Alibaba and Tencent should be highlighted Apple has decided to develop its own ecosystem in 20 African countries	Limited role of BATX and GAFAM in the financial sphere However, strong influence in the telco sector with Xiaomi and to a lesser extent Oppo Willingness of Google and Apple to increase their participation locally
Role of telecommunication in fintech Disruption	The new licences are a source of income for local governments > interest of success Worldwide Disruption in mobile payment linked to M-PESA in Kenya and Tanzania Replication of M-PESA at a regional scale > end of first mover advantage in mobile payment Alliance of telcos with local fintech to disrupt the incumbents	The new licences are a source of income for local governments > nevertheless, these licences are often provided to local conglomerates. Poor impact The incumbents managed to keep up their influence developing a strong linkage throughout the country The high capillarity has prevented until now the incumbents to loose too much marketshare with telcos, bigtech and startups
Local fintech	Payment as the major silo to create an alliance with regional telcos	Payment in POS as the major source of opportunity

Source Author elaboration

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