



AERC BIANNUAL PLENARY SESSION DECEMBER 2024

The Financial Technology (FinTech) Revolution in Africa

CONCEPT NOTE

AFRICAN ECONOMIC RESEARCH CONSORTIUM

Webinar Link: [AERC 61st Biannual Plenary Session](#)

1. Introduction

The financial technologies (FinTech) revolution is in full swing globally (Murinde, Rizopoulos, and Zachariadis, 2022). However, it is not an exaggeration to argue that the spark of the latest wave of the FinTech revolution was ignited right here in Kenya, with the MPESA financial innovation for mobile money (Njoroge and Murinde, 2022). An interesting aspect of this argument is the seemingly reversed direction of the waterfalls, where financial innovation has originated in Africa and subsequently spawned financial systems globally, rather than the other way around. As the most basic type of FinTech, mobile money innovation has been significant for many African nations since it has offered a vital route to digital financial inclusion (Thugge, Murinde and Mudida, forthcoming).

Indeed, the African continent is witnessing a transformative wave in FinTech that is reshaping the landscape of financial services and driving economic inclusion at an unprecedented pace. Fueled by a convergence of factors such as increasing internet penetration, growing mobile phone usage, and a burgeoning young population, Africa has emerged as a hotbed for FinTech (Kanga et al., 2021; Kouame & Kedir, 2020). FinTech is not only revolutionizing traditional banking and finance but also creating new opportunities for entrepreneurship, investment, and socioeconomic development across the continent (Kedir & Kouame, 2022). In addition, the transformational drive is driving significant improvements in customer experience through seamless, user-friendly interfaces and personalized financial solutions.

From mobile money platforms that provide banking services to the unbanked, to peer-to-peer lending

platforms that facilitate access to credit for small businesses, African FinTech startups are pioneering solutions tailored to the unique needs and challenges of the region. Moreover, advancements in artificial intelligence, blockchain technology, big data analytics, and digital payment systems are driving further disruption and innovation in areas such as insurance, remittances, and wealth management. As governments and regulatory authorities increasingly recognize the potential of FinTech to foster financial inclusion and stimulate economic growth, the regulatory environment is evolving to support and promote innovation while safeguarding consumer interests and financial stability. In this dynamic FinTech ecosystem, collaboration between FinTech startups, traditional financial institutions, and policymakers is crucial to harnessing the full potential of FinTech to drive inclusive and sustainable development across Africa (Demir et al., 2020).

However, some serious challenges persist. The diffusion of FinTech is slow in many parts of Africa (Kanga, et al., 2021). Internet penetration is low in the continent compared to other parts of the world. Energy and electricity infrastructures are woefully inadequate, with significant portions of the continent without regular access to electricity. FinTech development is therefore limited, despite the rapid rise in mobile phone ownership. Mobile applications bring security threats, and in environments where data protection laws are weak, trust in FinTech can be undermined. This will be a challenge for consumers as well as service providers. Trust issues in financial institutions can pose significant challenges. There are also some policy challenges where the introduction of levies, duties and other distortionary fiscal instruments can amplify the overall transaction costs and are not incentive-compatible for innovation.

2. The 61st AERC Biannual Plenary Session

The AERC 61st Biannual Plenary is themed, ‘The FinTech Revolution in Africa’. It is useful to point out that the AERC Biannual Plenary Sessions are the most respected and highly regarded events, which have continued to attract world class development economists and experts on African economies over the last three decades. Indeed, the insights presented in this 61st plenary session offer fresh perspectives and define new frontiers of research that respond to the pressing needs of policy makers, specifically with respect to the FinTech revolution in Africa.

Hence, this year the plenary session brings together world-leading scholars, policymakers, and practitioners in the fields of FinTech and financial services to share insights on the shifting global

economic and financial trends and how to build resilience for future shocks, with special focus on Africa. Ongoing research and preliminary findings will be debated and contested, highlighting new methodological advances in economics and finance and exploring solutions for restoring global financial stability and economic sustainability. The keynotes, research papers and panel discussion will provide opportunities for researchers to engage with policymakers, private sector practitioners, and non-governmental organizations (NGOs) to chart further research, identify emerging issues, and continue generating new findings and disseminating knowledge and experiences related to how FinTech is shaping developments in the global financial system and the world economy.

3. Some Key Issues

In this concept note, we examine several questions/issues under some relevant sub-themes.

Regulatory Frameworks

How do regulatory frameworks impact the growth and adoption of FinTech solutions in Africa? Discussions can highlight any challenges and opportunities posed by regulatory environments and how they influence innovation and investment.

Artificial Intelligence (AI). Machine Learning and Big Data Analytics

We explore the role of AI in transforming financial services in Africa. How can AI-powered solutions enhance efficiency, reduce costs, and expand access to financial services, while also addressing concerns such as data privacy and algorithmic bias?

Central Bank Digital Currencies (CBDCs)

What do we know about the emergence of CBDCs in Africa and their potential implications for financial inclusion, monetary policy, and the broader economy (Ozili, 2023)? We can examine ongoing initiatives and pilot projects, as well as challenges related to infrastructure, interoperability, and user adoption.

Climate Risk and FinTech

We aim to analyze the intersection of FinTech and climate resilience in Africa. Particularly, we explore questions such as: How can FinTech innovations facilitate sustainable finance, improve risk assessment and management, and support the transition to a low-carbon economy? Considerations should focus on the role of digital platforms, data analytics, and innovative financial products in addressing climate-related challenges.

Under climate finance and FinTech, we explore how FinTech is reshaping the landscape of climate finance in Africa. How are digital platforms, blockchain technology, and data analytics facilitating the mobilization of capital for climate-resilient infrastructure, renewable energy projects, and sustainable agriculture? It is relevant to highlight the role of FinTech in improving access to finance for smallholder

farmers, clean energy entrepreneurs, and other stakeholders in the green economy. Furthermore, we can examine specific FinTech solutions that are addressing climate-related challenges, such as crowdfunding platforms; digital payment systems; data-driven risk assessment; green bonds and sustainable investment platforms (i.e. connecting investors with opportunities to finance green projects through innovative financial instruments, such as green bonds or impact investment funds).

FinTech, Start-ups and Private Sector Development

Highlight the vibrant FinTech startup ecosystem in Africa and its contributions to economic growth, job creation, and innovation. What are the notable success stories, emerging trends, and key enablers such as access to funding, talent, and supportive regulatory environments? What are the challenges faced by FinTech startups, including competition, scalability, and navigating regulatory complexities?

4. Expectations

By addressing the above sub-themes comprehensively, we can provide valuable insights into the multifaceted nature of the FinTech revolution in Africa and its implications for stakeholders across sectors. The panel discussions will set the stage for frontier research by leading academics generating evidence on opportunities, risks, and challenges associated with the FinTech revolution in Africa.

The papers will be published as Working Paper Series of AERC as well as a special issue of the Journal of African Economies in the fall of 2024. Through this practice, the AERC hopes to inspire young African researchers by exposing them to emerging topical and policy-relevant issues on themes and learning from senior academics as they exposit challenging and intractable development problems.

References

- Demir, A., Pesqué-Cela, V., Altunbas, Y., & Murinde, V. (2020). FinTech, financial inclusion and income inequality: a quantile regression approach. *The European Journal of Finance*, 28(1), 86–107.
- Kanga, D., Oughton, C., Harris, L., & Murinde, V. (2021). The diffusion of FinTech, financial inclusion and income per capita. *The European Journal of Finance*, 28(1), 108–136. <https://doi.org/10.1080/1351847X.2021.1945646>.
- Kedir, A. and E. Kouame (2022) FinTech and Entrepreneurship in Burkina Faso and Cameroon, *Journal of Cultural Economy*. <https://doi.org/10.1080/17530350.2022.2041463>.
- Kouame, E. and Kedir, A. (2020) Disruptive Financial Technology (FinTech) and Entrepreneurship in Burkina Faso. In: K. Hanson, K. Puplampu and P. Arthur, eds. *Development in Africa: leveraging disruptive technologies, innovation and the private sector*. London: Taylor and Francis.
- Murinde, V., Rizopoulos, E., & Zachariadis, M. (2022). The impact of the FinTech revolution on the future of banking: Opportunities and risks, *International Review of Financial Analysis*, Volume 81, 102103, <https://doi.org/10.1016/j.irfa.2022.102103>.
- Ozili, Peterson K. (2023) "Central bank digital currency research around the World: a review of literature." *Journal of Money Laundering Control*, 26.2: 215-226.
- Thugge, K., Murinde, V., & Mudida, R. (forthcoming). *The Financial Inclusion Revolution in Kenya: Beyond the Quest for Access*.