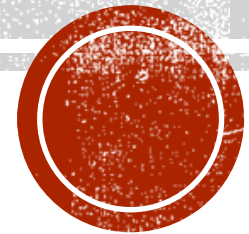


FINTECH DEVELOPMENT IN NAMIBIA

Challenges and Opportunities

Hylton J Villet

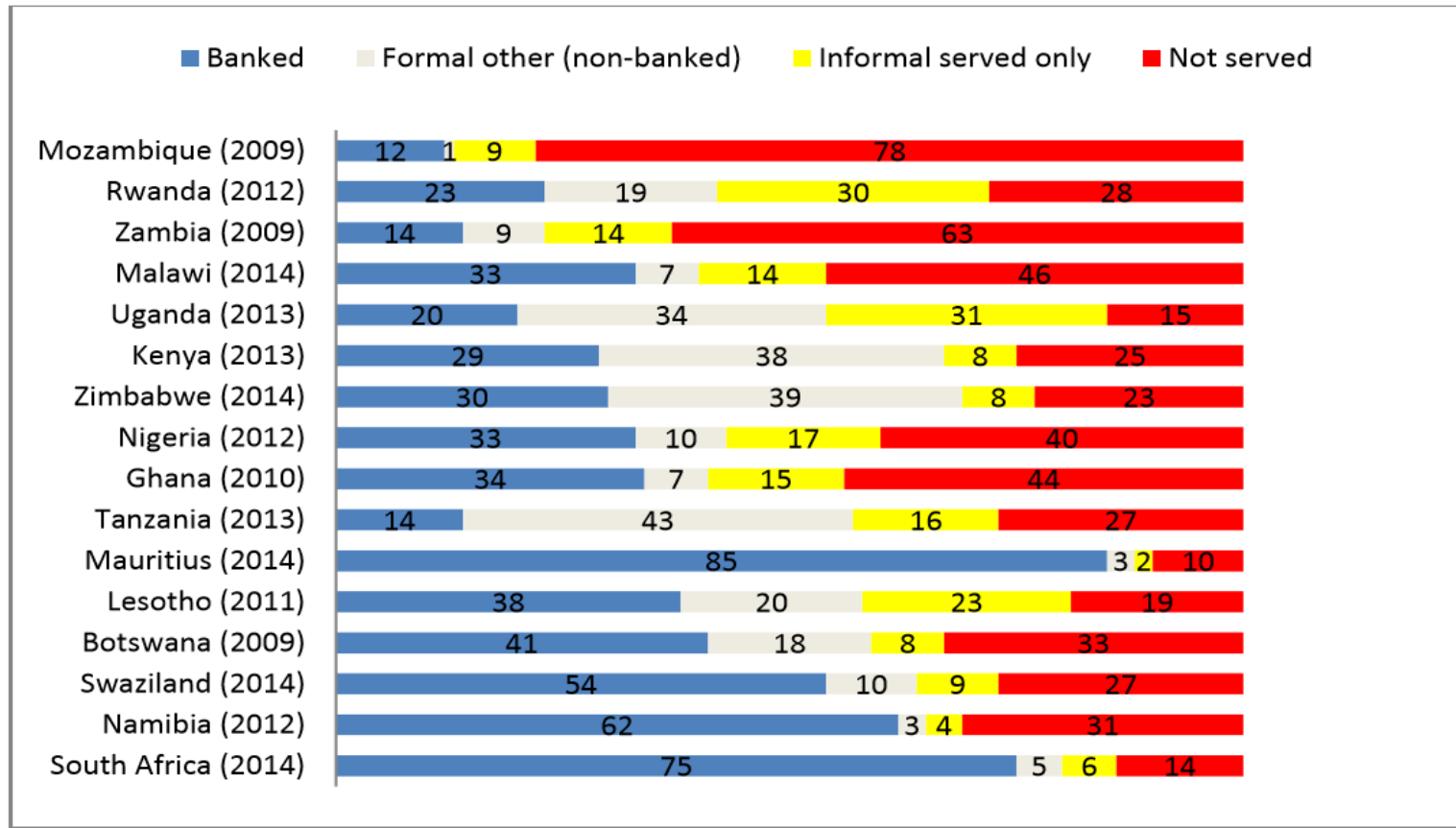


FINANCIAL SERVICES — A SNAPSHOT

- Namibia has the second largest financial system in Southern Africa
- The financial sector is comprised of 5 commercial banks, 1 microfinance bank, and 1 branchless Ebank.
- The 4 main commercial banks (3 South African and 1 Namibian) hold more than 95% of assets and deposits.
- “Namibia Financial Sector Strategy 2011-2021: Towards Achieving Vision 2030” was developed by the Government to address the weaknesses of the financial sector



NAMIBIA RANKS THIRD (AFTER MAURITIUS AND SOUTH AFRICA) AMONG AFRICAN COUNTRIES ON THE LEVEL OF FINANCIAL INCLUSION AND BANKED INDIVIDUALS.

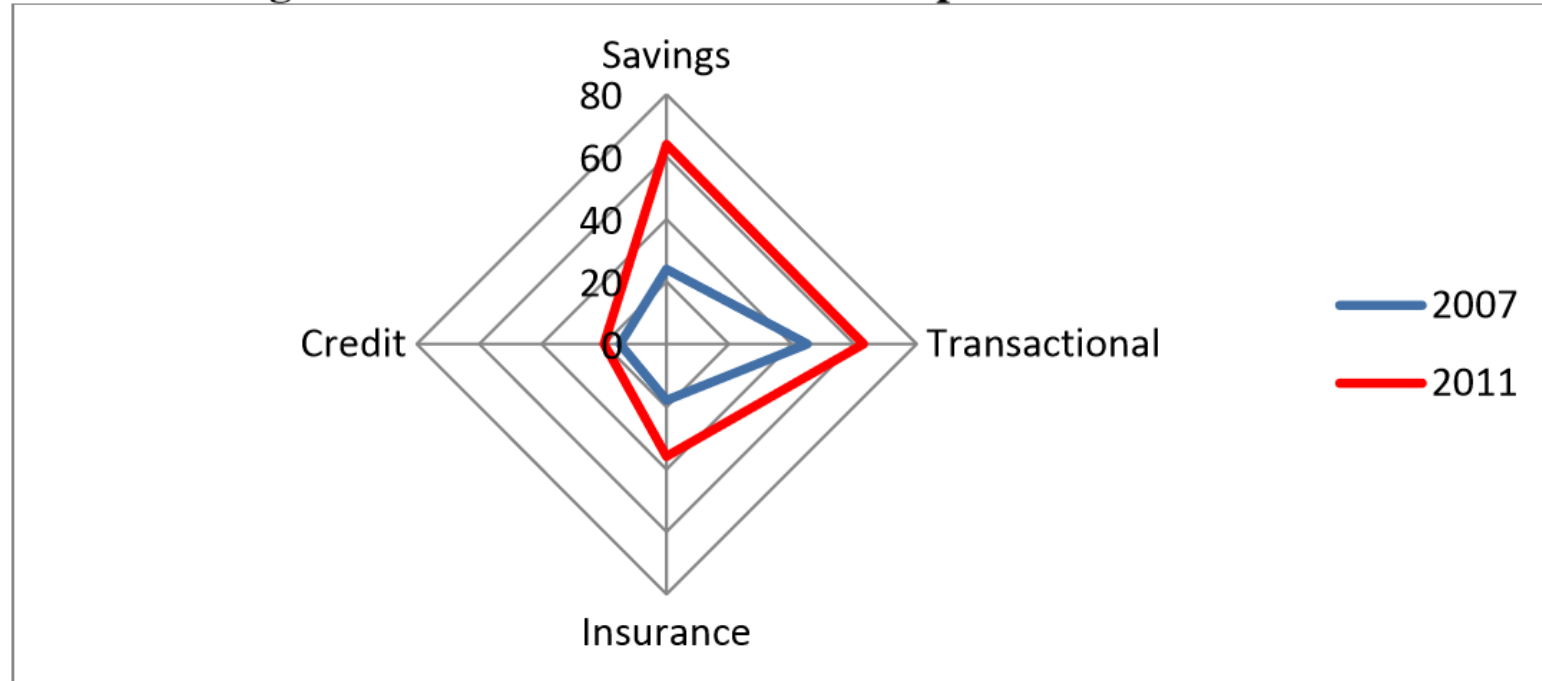


Source: FinScope most recent consumer survey



INCREASED FINANCIAL INCLUSION HAS BEEN DRIVEN BY GREATER USAGE OF TRANSACTIONAL AND SAVINGS PRODUCTS.

Figure 3: Use of different financial products: 2007-2011



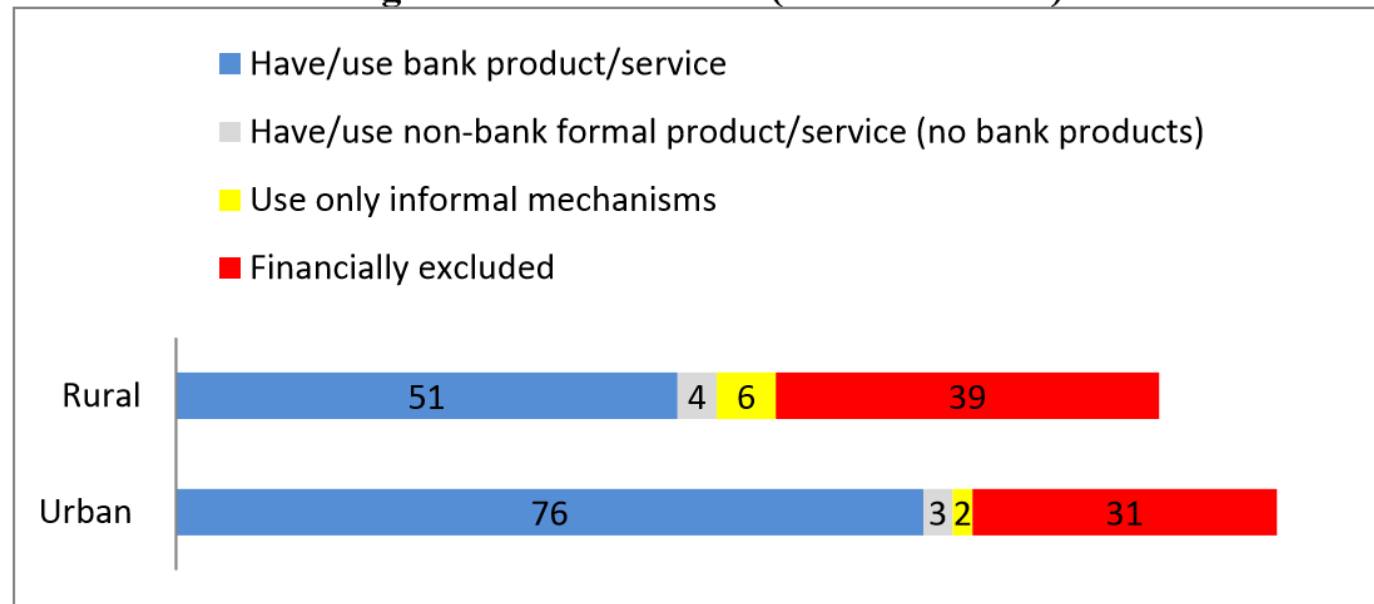
Source: Namibia FinScope Consumer Survey



IS THIS PICTURE TOO GOOD TO BE TRUE?

- given the large size of the country, higher financial exclusion, and lower access to banks in rural areas.

Figure 5: Access strand (urban vs. rural)



Source: FinScope Consumer Survey Namibia 2011

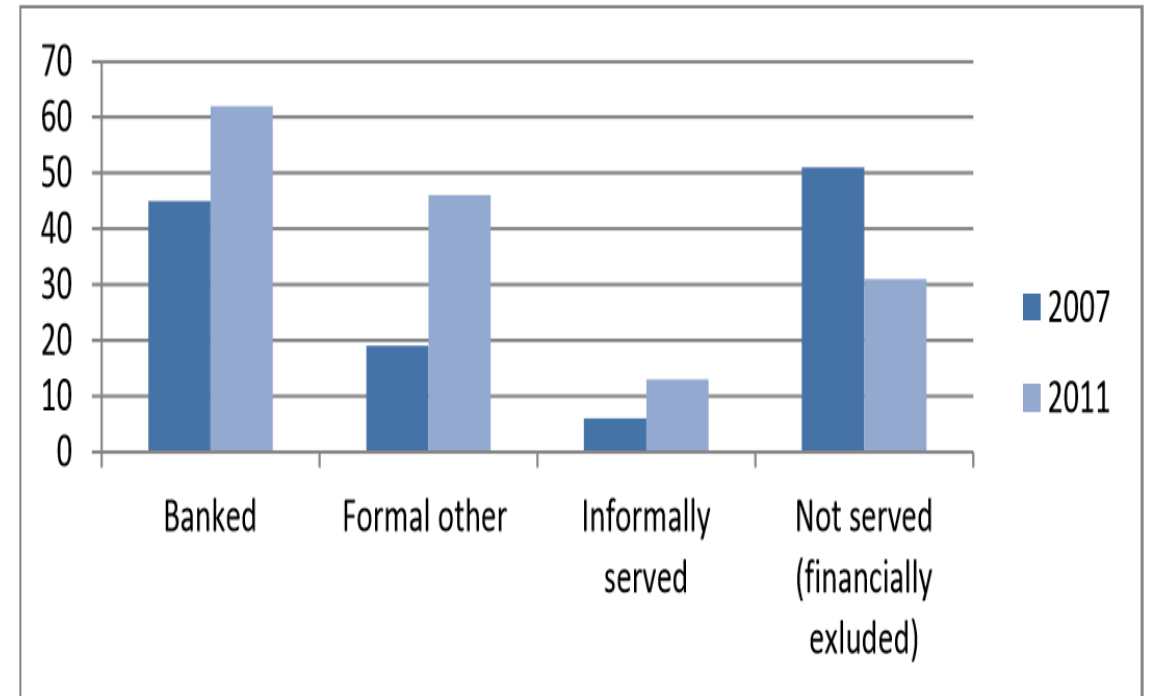


WHY UNBANKED?

- 38% currently unbanked
- Barriers to banking:
 - Not enough money to save (56%)
 - Not able to maintain minimum balance (26%)
 - High bank charges (15%)
 - Lack of proximity to Banks (14%)
 - 1/3 of rural Namibia travel between 1 and 3 hrs to a Bank.
 - Not having required documents to open an account (11%)

(Finscope 2012)

Figure 1: Financial inclusion/exclusion in 2007 and 2011 (percentage of adults)



Source: Namibia FinScope Consumer Survey



SO WHAT ARE BANKS DOING?

- The banks' most profitable part of the value chain is fee-based products (e.g., investment advice and payments), around 60% of bank's profits.
- Special low fee accounts --- clients get hit on transaction fees

Table 1: Access Points in Namibia

Year	Bank branches	Indicators per 10,000 adults	ATMs	Indicators per 10,000 adults	POS	Indicators per 10,000 adults
2012	101	0.74	782	5.70	4966	36.20
2013	105	0.76	826	5.94	6092	43.81

Source: Bank of Namibia

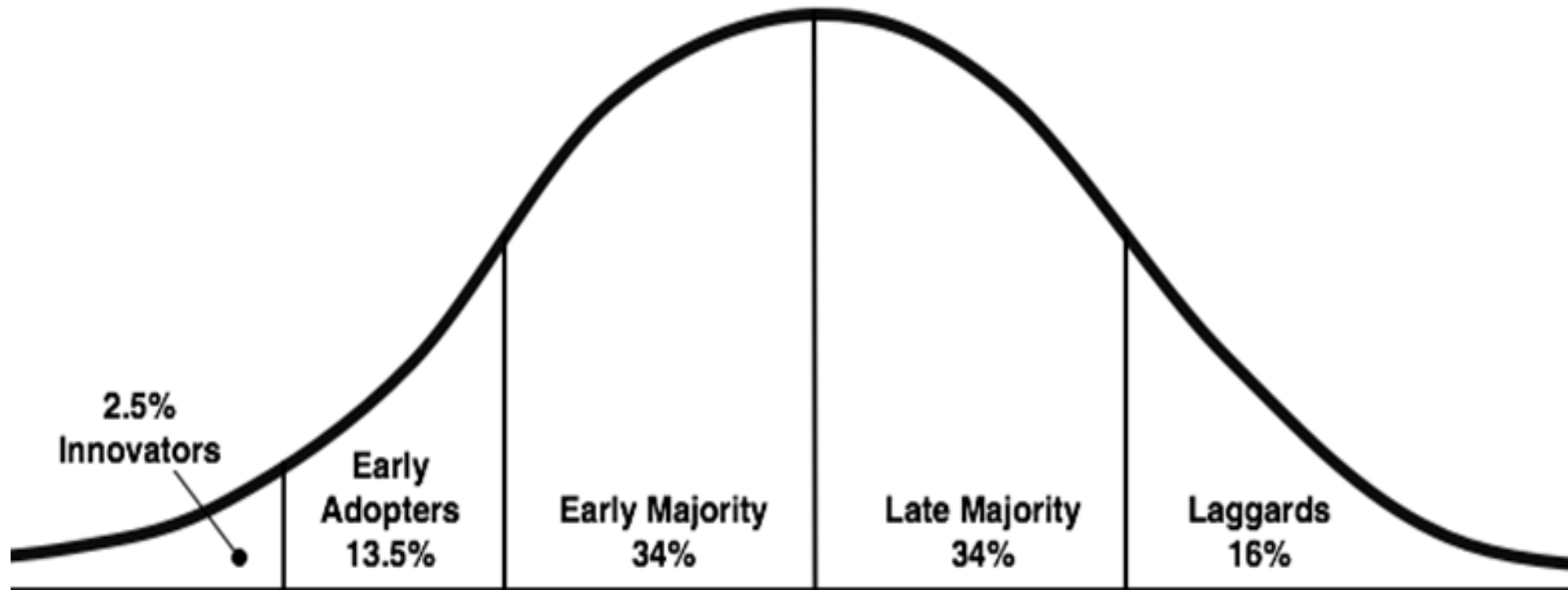


IS THERE A ROLE FOR FINTECH'S TO PLAY

- Finance has traditionally been about trust
- Trust now shifted to machines and technology
- Will future investors/users/ trust FinTech platforms to the degree that previous generations have trusted traditional banks? – the question of **adoption**.
- What about Regulations?
- What about access?



ADOPTION OF FINTECH



Source: Everett Rogers, Diffusion of innovations model



REGULATIONS?

- Bank of Namibia have adopted policies to liberalise to allow for fintech companies
- Multiple payment service directives for non-bank organisations
- Compliance and guarantees, although less, strains fintech start ups
- Similar compliance requirements as banks
- Interoperability a challenge.
- Critical mass remains a challenge.
- Big Four not willing to collaborate – regulator cannot compel them



AND ACCESS?

Various statistics (Latest data available: 2017)

Fixed-telephone subscriptions per 100 inhabitants	7.6
Mobile-cellular subscriptions per 100 inhabitants	104.5
Fixed (wired)-broadband subscriptions per 100 inhabitants	1.7
Mobile-broadband subscriptions per 100 inhabitants	59.3
Households with a computer (%)	20
Households with Internet access at home (%)	29.5
Individuals using the Internet (%)	31



WHAT NEXT?

- Regulatory review – further liberalisation
- Barriers to entry of fintechs must be addressed by Regulator.
- Encouraging banks to work with local start-ups
- Focus must be on those in remote and rural Namibia
- Diffusion strategies must be deployed to accelerate adoption
- Innovative ways of accelerating access to be adopted (TVWS and Digital Dividend)
- Consider Fintech and the SDG's





Q & A

