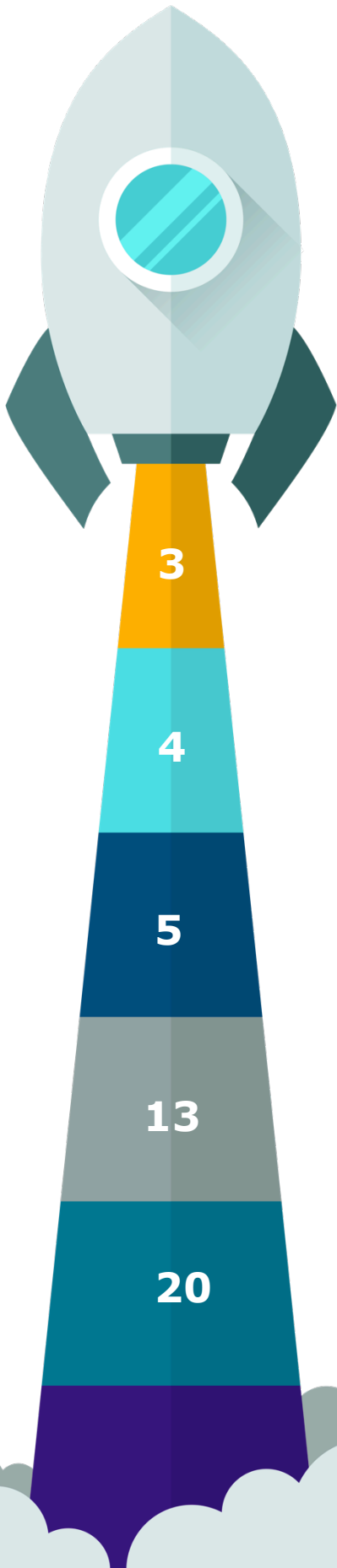




# FINTECH FORWARD LOOK 2018

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# GLOSSARY

<b>Agritech</b>	Agriculture Technology
<b>CBN</b>	Central Bank of Nigeria
<b>EU</b>	European Union
<b>FinAgritech</b>	Financial Agriculture Technology
<b>Fintech</b>	Financial Technology
<b>NDIC</b>	Nigeria Deposit Insurance Corporation
<b>P2P</b>	Peer-2-Peer
<b>POS</b>	Point of Sale
<b>PFM</b>	Personal Finance Management
<b>SEC</b>	Securities and Exchange Commission
<b>SMEs</b>	Small and Medium Enterprises



# INTRODUCTION

## Welcome to the Olaniwun Ajayi Fintech Forward Look, 2018

We have put together this Report as a forward look into what we expect to see in the Fintech space in 2018. This is of course against the backdrop of the rapid expansion of the Nigerian Fintech space in 2017.

In terms of some key highlights, according to Disrupt Africa, 45 Fintech start-ups on the continent received one-third of the total African venture capital funding last year<sup>1</sup>. Similarly, two Nigerian Fintech companies; Flutterwave and Riby, were named amongst the 50 best emerging Fintech companies in the world in the Annual Fintech 100 report compiled by KPMG and H2 Ventures<sup>2</sup>. In 2017, Nigeria had about 56 non-bank led Fintech companies providing financial services ranging from mobile payments, crowdfunding, personal finance management to mention but a few.

This Report on the one hand considers some of the underlying themes responsible for the continued deepening of the Fintech space in Nigeria. In doing so, we also mention some of our expectations and potential growth areas we see in the industry in 2018.

As a special feature and based on the unusual upward trajectory of some emerging Fintech companies in Nigeria, we have run an independent feature on a number of Fintech companies to look out for in 2018. These companies cut across the lending, personal finance and agritech spaces.

We hope that you find it a good read. Please do not hesitate to contact us if you have any queries.



**Damilola Salawu**  
Managing Associate  
February 2018

1. *The Disrupt Africa Tech Start-ups Funding Report 2017 indicated that 45 out of 159 companies that received funding in 2017 were Fintech companies*  
2. *2017 Fintech 100 <https://assets.kpmg.com/content/dam/kpmg/de/pdf/Themen/2017/h2-fintech-innovators-2017.pdf>*



# KEY TRENDS IN THE INDUSTRY

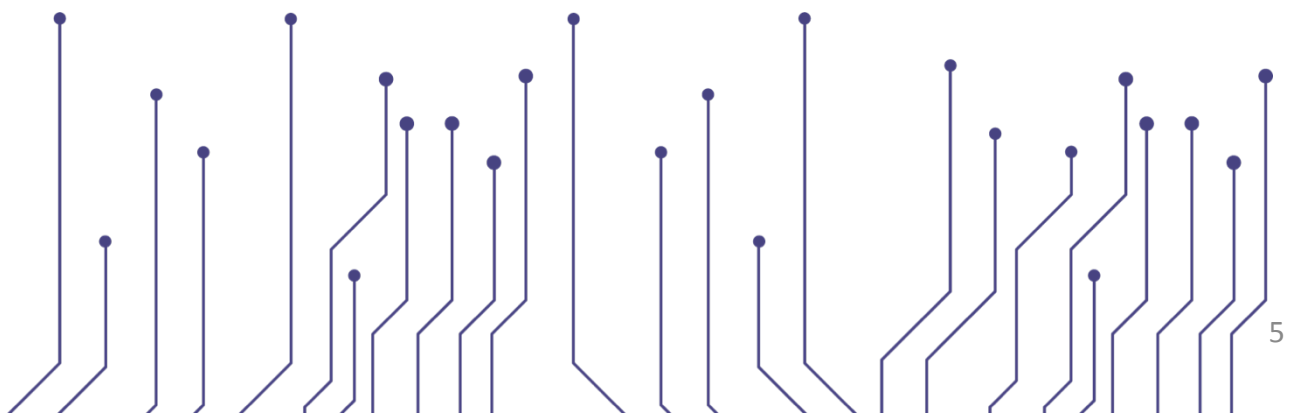


## ADOPTION AND GROWTH OF MOBILE WALLETS AND VIRTUAL CARDS:

Judging by the interest expressed by clients in respect of the CBN issued guidelines regulating stored value accounts, we expect the adoption of virtual cards to be on the rise. The use of virtual cards will offer users seamless service, a better customer experience and enhanced security. In recent times, some banks have added mobile wallets to their current suite of services on their online banking platforms. Accordingly, we expect that there will be more collaboration between third-party technical service providers, merchants, vendors (across several industry segments) and banks. This should lead the banks to offer incentives to their customers to boost the use of mobile wallets.

A background image showing a close-up of a person's hands holding and interacting with a smartphone. The person is wearing a blue shirt. The image is partially obscured by a dark blue diagonal overlay.

**“ banks have added  
mobile wallets on  
their various online  
banking platforms ”**



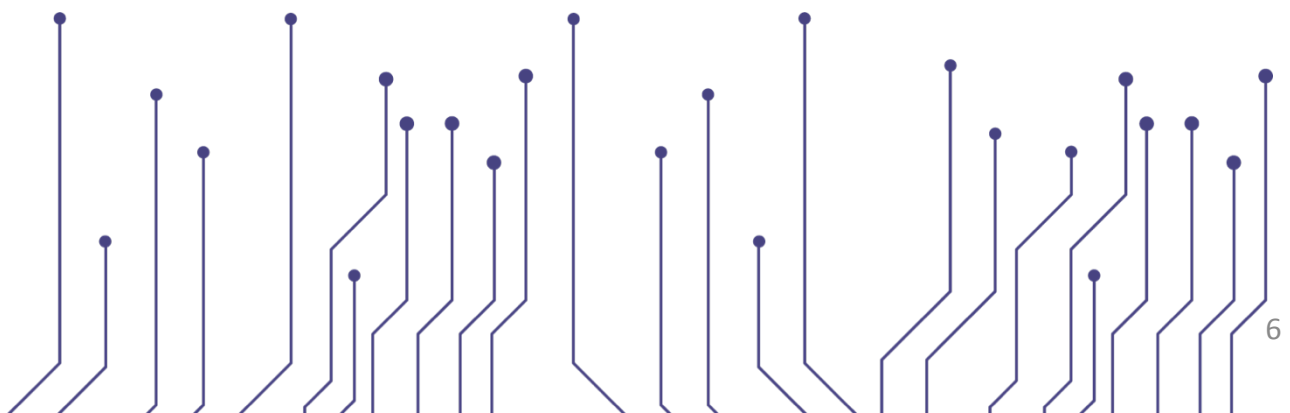
# KEY TRENDS IN THE INDUSTRY

## CROWDFUNDING:

In 2016, SEC placed a ban on equity crowdfunding given the lack of clear rules and enabling provision in extant law, although it excluded from this ban donation crowd funding. It was noted by the Crowdfunding Hub at the time that the ban was hampering the organic growth of crowdfunding in Nigeria. At the moment however, there are a number of start-ups and companies in Nigeria that offer crowdinvesting and crowdfunding products, albeit, operating under a totally different nomenclature. Agritech companies in particular are leveraging on crowdinvesting services for the purpose of generating investment in farm produce, taking advantage of the public's interest in the sector.

However, the SEC has continued to look at other jurisdictions with a view to developing a framework that will allow crowdfunding thrive in Nigeria. Hopefully, 2018 may witness the proper regulation of crowdfunding by the relevant regulatory bodies which will subsequently birth many opportunities for meaningful financial partnerships and the further deepening of the Fintech space in Nigeria.

“  
**2018 may  
witness the  
proper  
regulation of  
crowdfunding**”



# KEY TRENDS IN THE INDUSTRY

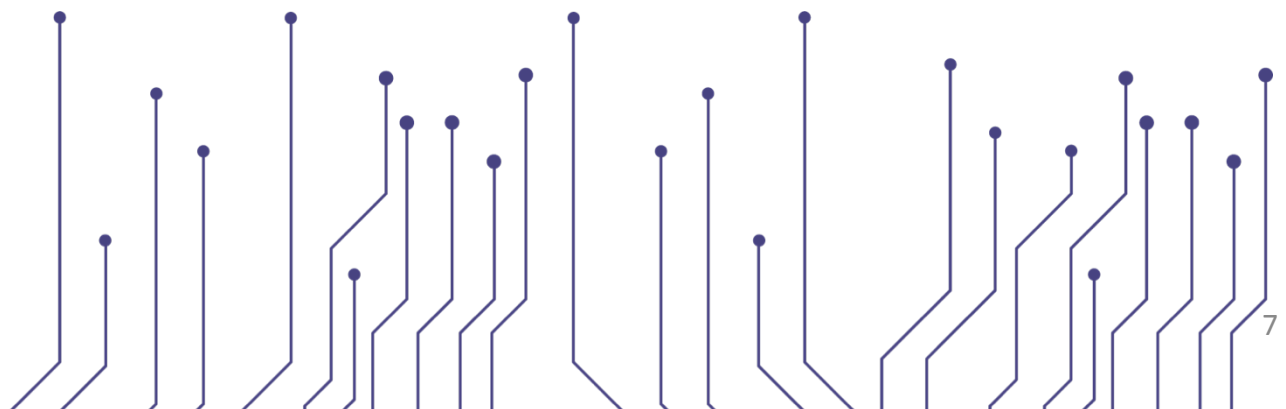


**We envisage that this will increase the competition for market share with the banks.**



## PEER-TO-PEER (P2P) TRANSACTIONS:

We recognize that most of the traditional banks in Nigeria have P2P Platforms, and the mobile payment sector in Nigeria is mostly dominated by bank-led service providers with saturated focus on payments services. We expect to see the growth of P2P lending platforms driven by non-bank led Fintech companies in 2018. We envisage that these non-bank led P2P lending platforms will dominate the provision of consumer loans. Expectedly, this will engender more financial inclusion products/services for the unbanked.





# KEY TRENDS IN THE INDUSTRY

## CYBERSECURITY:

Cybersecurity has moved to the top of the agenda as people increasingly depend on electronic and internet-based transactions. The Federal government took a first step by passing the Cybercrimes (Prohibition, Prevention, etc.) Act, 2015 which mainly provides for offences like cyberbullying, cyberstalking and racist & xenophobic offences. However, Fintech transactions go beyond the provisions of the Cybercrimes Act and this limits the relevance of the law to protecting users of Fintech services.

We recognize that the CBN, as the main regulator of Nigeria's financial services sector has a number of guidelines in place to regulate the activities of operators and customers in the Fintech sector. We hope to see more regulations from the relevant authorities on cybersecurity, tailored specifically to protect commercial transactions originated on the platforms of Fintech operators.



“

**We hope to see more regulations from the relevant authorities”**

”



# KEY TRENDS IN THE INDUSTRY

## DATA PROTECTION:

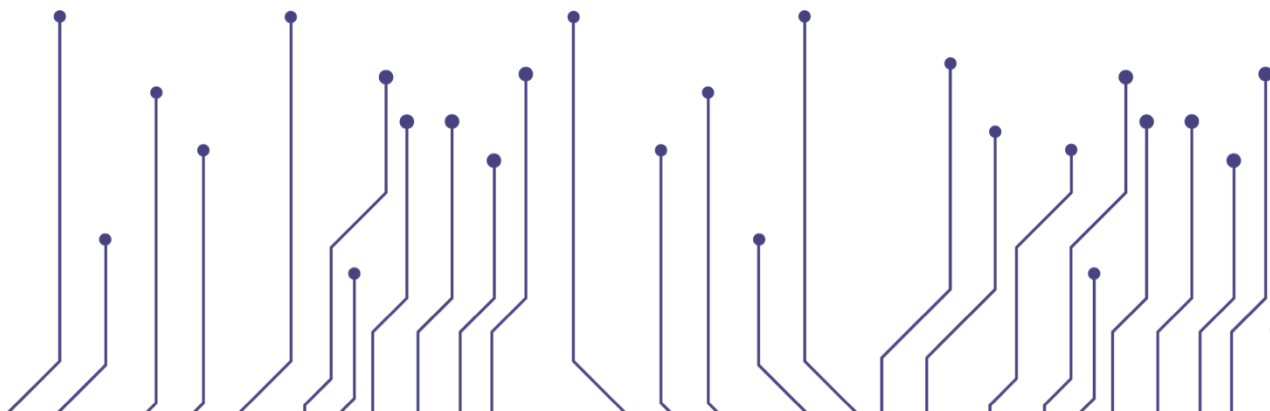
Fintech thrives and survives on data, and expectedly, most Fintech business models rely on data- the gathering, collection and synthetization of data. Given the importance of data, putting in place a robust legislative framework around the acquisition and utilization of data is overdue. There already is a right to privacy provided in Section 37 of the 1999 Constitution, which guarantees the protection of the privacy and data of the citizens. However, this is insufficient, and the continued absence of a data protection regime will stifle the growth of investment in Fintech and the adoption of other sophisticated technologies in the country.

As innovation is interwoven with Fintech and the ever changing landscape, a traditional regulatory approach to data protection may not be effective. Although, we recognize that the country has taken recent steps to regulate data protection in connection with some specific activities, (e.g. the Credit Reporting Act, 2017 which seeks to create and protect a database of parties involved in credit transactions), we however hope to see an enactment of a holistic and robust regulation on data protection (like the EU Data Protection Directive 'Directive 95/46/EC' - adopted by the EU to protect the privacy and protection of all personal data about EU citizens collected for public and commercial use).

“

**The continued absence of a data protection regime will stifle the growth of investment in Fintech and the adoption of other sophisticated technologies**

”



# KEY TRENDS IN THE INDUSTRY

“ We expect more investments and partnerships focused on technological infrastructure development ”



## INFRASTRUCTURE DEVELOPMENT:

As with many areas of the Nigerian economy, there still remains a gap between the infrastructure needs of Fintech companies and what is currently available. Beyond the general stressors (such as the lack of steady power), the hi-tech nature of Fintech businesses require a wide range of infrastructure that was not historically available. However, in recent times, with the development of the telecommunications sector, we have seen Fintech companies leveraging and improving on existing communications infrastructure. Companies have begun taking steps to put in place critical infrastructure, and we hope that this trend of private provision of infrastructure will continue, particularly as much of the licensing instruments make it an express obligation of licencees.

One area where we can see noticeable development is in the building of data centres. It appears the country's growth in digital economy and rising demand for data is boosting investor confidence and prompting stakeholders to identify opportunities focused on the provision of telecommunication and broadband infrastructure that support the growth of Fintech and related industries. We expect more investments and partnerships focused on technological infrastructure development. For instance, a new data centre (funded by MDXi, a subsidiary of MainOne) is under construction in Lekki, Lagos, Nigeria.



# KEY TRENDS IN THE INDUSTRY

## INCREASING REGULATION OF CRYPTOCURRENCY:

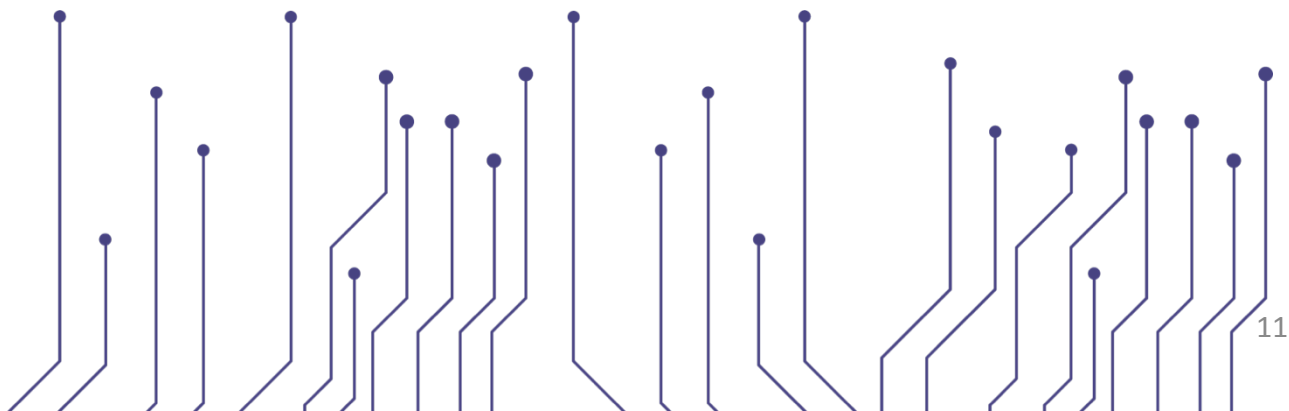
Cryptocurrency remains one of the most disruptive phenomena across the world, despite widespread regulatory concerns. The CBN through its circular released to financial institutions directed financial institutions in Nigeria not to use, hold, trade and/or transact in anyway in virtual currencies pending substantive regulation or decision by the CBN. Recently, the CBN published a follow-up Press Release restating its earlier position that virtual currencies are not legal tenders in Nigeria.

The SEC also advised the public to exercise caution with investments in digital currencies. Similarly the NDIC very recently released a special notice on digital currencies, warning them about the possible financial, operational, legal and security related risks they can be exposed to by dealing or trading digital currencies.

The position of the regulators nonetheless, cryptocurrency is being mined and transacted by Nigerians. We expect that in the absence of any clear regulatory framework or guidelines on the use of cryptocurrency, the status quo in relation to cryptocurrency in Nigeria will persist.



“**cryptocurrency is gradually becoming a popular phenomenon in Nigeria**”

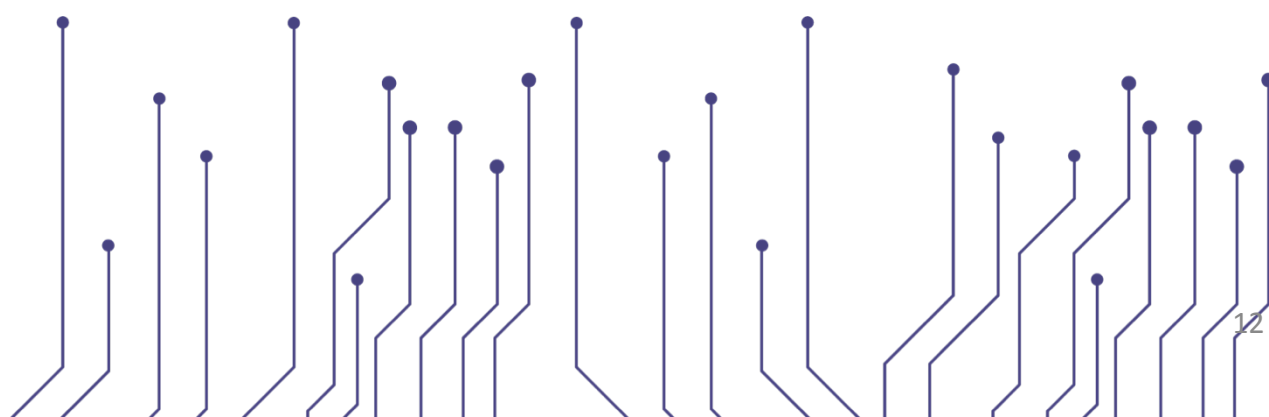


# KEY TRENDS IN THE INDUSTRY



## WEALTH INVESTMENT MANAGEMENT (INTRODUCTION OF ROBO-ADVISORS):

Wealth advisers are leveraging Fintech to provide and improve Personal Finance Management (PFM) services. For example, the use of Robo-advisor, a software which relies on algorithms, allows Fintech companies to provide digital financial advice. The idea behind robo-advisory is that financial advice should not necessarily require human intervention. At the moment, PFM companies in Nigeria rely on individuals (who act as intermediaries) to make investment decisions, even though for some Fintech companies in the lending space, e.g. Lidya, algorithms are used to determine with sufficient accuracy the credit worthiness of potential borrowers. As things continue to unfold, we expect that 2018 may see the growth of Robo-advising companies. In Nigeria however, appropriate regulations are necessary to regulate and enable this emerging technology.



# OUR FINTECH FEATURE FOR 2018

Our Fintech Feature for 2018 highlights emerging Fintech start-ups to watch out for in 2018.



**Lidya**



**VoguePay**



**Riby**



**Piggybank**



**Farmcrowdy**



**One-Fi**



# OUR FINTECH FEATURE FOR 2018



**Lidya** is a leading Fintech company that serves the funding needs of Nigerian SMEs by providing small business loans and working capital. Through its online platform and credit scoring algorithms, it grants loans to eligible businesses within 48 hours. It also provides digital financial management services to registered users and helps them track invoices, deliver updates about their loans, etc. At the moment, there are about 80,000 businesses signed up on Lidya and sometime last year, the company raised seed funding to expand its operations. The start-up is backed by international and local investors like Accion Venture Lab and Newid Capital. In 2018, we expect to see the company grow and roll out new product offerings.





# OUR FINTECH FEATURE FOR 2018



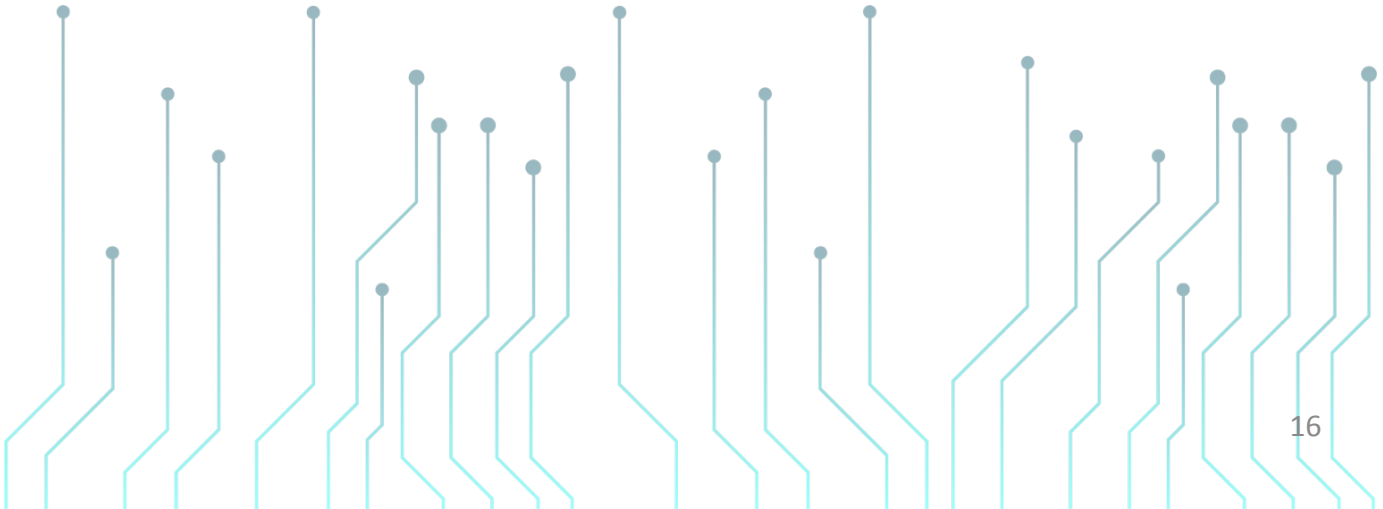
**VoguePay** is a secure payment processor and e-commerce service founded in Nigeria in 2012. It offers personal digital wallets and business payments accounts to users worldwide, it allows individuals to send and receive payments from other VoguePay accounts, similar to PayPal, and businesses can sign up with VoguePay to receive and process online payments from customers through a website or by email. Sometime in January 2018, VoguePay launched a new platform (VoguePay 3.0) that simplifies the way businesses can send and receive payments from local and international customers, allowing merchants to accept payment in dollars, euros, rands, cedis, naira and bitcoin payments. This is a major development given the platform only supported Naira transactions in the past. The uniqueness of VoguePay also comes with its internal management strategy. To date, it is a fast growing West African Fintech company that supports more than 60,000 merchants across North Americas, Europe, Asia and Africa.

**VoguePay**  
SECURE PAYMENT PROCESSOR

# OUR FINTECH FEATURE FOR 2018

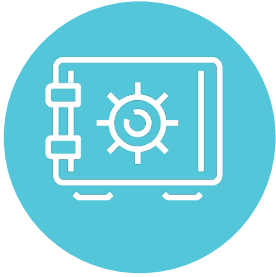


**Riby** assists cooperatives, company groups, employees, individuals, associations and financial development institutions in managing their financial activities. It provides a platform for users to save, borrow and invest. The business offering is divided into four modules to wit; Riby for Co-operatives; Riby Amplified (for banks); Riby Peerlending; and Riby Savers App (for members). The company plans to leverage co-operatives to reach the un-banked in Nigeria. According to Techpoint, in 2017, Riby had acquired 400,000 customers and processed transactions worth over ₦5 billion. More recently, it made it to the final round of the 2018 #1776Challenge Global Cup Finals. Similarly, Riby reported on its Twitter account (@Ribyfinance) on 6 February, 2018 that it had recorded 1 million+ users on its co-operative banking and we expect to see an increase in this number in 2018.





# OUR FINTECH FEATURE FOR 2018

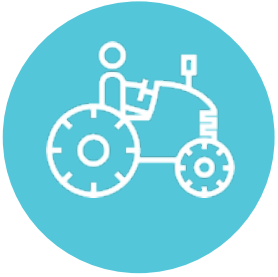


**Piggybank** is a leading Nigerian Fintech company that helps Nigerians derive financial value from saving. It has redefined saving in Nigeria by giving incentives to its users. Its uniqueness lies in its flexibility in allowing the users select different saving modes, timelines and values of saving; and ultimately, it also gives reward for saving, in form of interest. To encourage saving culture in Nigerians, it penalizes users that fail to meet their saving goals. Piggybank received some major investments in 2017 and we expect its growth as a result of financial backing, strategic partnership, effective management and increase in user base.



# piggybank.ng

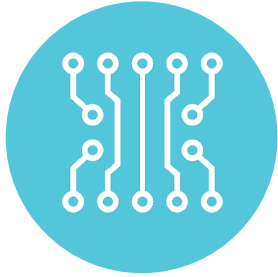
# OUR FINTECH FEATURE FOR 2018



**Farmcrowdy** is Nigeria's first digital agriculture platform that helps Nigerian farmers through crowdfunding and mentorship. The business model connects farmers to individual investors (who are also called sponsors), who invest in farm cycles with the promise of interest on the sponsors' investments. Late last year, the "FinAgriTech" start-up completed its raise of seed funding to the tune of \$1 million from international and local investors. Farmcrowdy at the moment has presence in 8 of the 36 states in Nigeria within a year of its launch. About 2000 farmers are listed on their platform, there are about 2000 sponsors and it plans to expand to 18 states in Nigeria in 2018 and to also grow the number of farmers to 4000. Farmcrowdy was the only African start-up chosen for the 2017 cohort of Techstars Atlanta; this will further deepen their growth, management capabilities and funding opportunities.



# OUR FINTECH FEATURE FOR 2018



**Onefi** (One Finance and Investment Limited) provides short-term consumer loans to credit-worthy individuals with limited access to finance through its signature product Paylater. The company provides unsecured loans to salaried workers, payroll loans for public and private sector employees and POS loans in collaboration with select retail partners. According to the company's profile on F6s, within 4 months of the app launch in May 2016, the mobile app was downloaded by over 100,000 users, with 93,000 loans applications processed. More recently, Ecobank announced One-fi as one of the finalists in the Ecobank Fintech challenge, this marked the induction of One-fi into the Ecobank Fintech Fellowship. We hope to see the continued growth of the startup in 2018 because of the strategic partnership and more subscription by users.





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