



ENTREPRENEURS

SA should focus on sustainable criteria to grow fintech

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The profile of the start-up Jonga ("to watch") in Business Day signalled the promise the digital revolution holds in the remake of SA as a sustainable economy (Criminals, watch out: here comes Jonga, January 14).

It illustrates the ability of digital and financial technologies to leapfrog historical barriers and provide solutions to daily challenges foremost on the minds of South Africans.

Interest in fintech is growing fast worldwide. Accenture has reported that global investment in fintech increased from \$930m in 2008 to more than \$22bn in 2015. KPMG's Pulse of Fintech reports that by mid-2018 annual funding hit \$57.9bn.

In a country in which new banks are entering the market, fintech brings the prospect of improved experiences of existing customers, improved engagement of new customers, and software-supported analysis of customer creditworthiness.

The mobile-first approach of Capitec bank has been well rewarded. In addition, online commerce and payment systems facilitated by telecoms companies offer rural citizens access to finance digitally without having bank accounts.

In insurance, new innovation possibilities involve satellite data, advanced modelling to improve risk identification, and more targeted ways of serving customers. Examples can take the form of using drones for underwriting purposes and inspecting sites via unmanned aerial vehicles, as well as the use of drones to do medical deliveries, as done by Zipline International in rural areas throughout Africa.

Fintech-supported insurance can involve traditional risk pooling, such as the roll-out of weather index-based insurance for farmers as developed by CelsiusPro.

The UN Inquiry and Sustainable Digital Finance Alliance has developed a framework to conceptualise the relationship between digital applications and sustainable finance. It defined four levels of impact, which can be used to assess the contribution of fintech:

It unlocks innovation for sustainable development: new business models, such as sharing models (for example, vehicle pooling) and product-as-service systems (equipment leasing).

It releases new sources of finance platforms that engage citizens in crowdfunding and trading that match start-ups with investors and that open new markets (trade in clean electricity and carbon credits).

It offers a wide range of more sustainable choices: online support and more

personalised services can promote resource-efficient consumption and production, as well as improved health.

It provides improved systems and data for more sustainable financial decision-making: greater accessibility of data, including project pipelines and impact assessments, for financial decision-makers.

Emerging fintech hubs and their market players can use this framework to ensure fintech is developed to its full potential.

In recent years, various studies have ranked global urban fintech hubs. As far as emerging markets are concerned, Cape Town appears promising, with the latest Global Fintech Survey by the Institute for Financial Services in Switzerland putting the city in 27th place. The Global Fintech Hubs Report by Deloitte rated both Johannesburg and Cape Town as conducive environments, alongside Jakarta, Sao Paulo and Mexico City.

THE EXPERIENCE WITH DISTRIBUTED ENERGY SYSTEMS ILLUSTRATES THE POTENTIAL THAT LIES IN BOTH WEALTHIER AND POOR COMMUNITIES

Can SA establish itself as a recognised fintech development hub? Fintech hubs worldwide show weakness in optimally rolling out innovations due to the failure to integrate sustainability criteria upfront in business model development. This is where SA entrepreneurs can differentiate themselves.

The experience with distributed energy systems illustrates the potential that lies in both wealthier and poor communities. This includes urban home owners trading in clean energy (for example Lumenaza in Germany) and rural citizens leasing solar equipment (for example M-Kopa in Kenya).

When the Explore Data Science Academy was set up in SA recently, one of its first objectives was to contract interns and challenge them to address the water shortage problem in Cape Town. This showed the potential that exists to employ digital and fintech in addressing key developmental problems. The same path is explored by the IYO Foundation and Sun Exchange in developing blockchain for social impact and climate action.

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