

Hyperconnectivity and financial inclusion: Hype vs reality in Africa

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A mobile payment solution for Africa, by Africans, is the solution that the payments scheme Bluecode Africa is bringing to businesses, merchants and consumers on the continent. At the forefront of financial inclusion, Bluecode is actively accommodating merchants from all sectors and industries enabling them to facilitate and manage their internal payment process with ease. Bluecode is convenient and works across mobile devices, making it compatible for everyday use without any customer data being release, truly making it a force to be reckoned with in the payments space.



Murray Gardiner

Sibos, the world's premier financial services event, took place in London this week. Nine thousand business leaders, decision-makers and topic experts, 600 speakers, and more than 100 fintechs present discussed the future of the financial world. Bluecode Africa, the fintech I founded, was one of them.

This year's theme is "thriving in a hyper-connected world", and, across much of the globe, this is becoming an ever more pressing challenge as access to data becomes ubiquitous, and the Internet of Things grows exponentially. According to a projection cited in the September 12 edition of *The Economist*, a trillion objects, from food packaging to cars, will contain computer chips by 2035.

It's an exciting story, but it is not the only one. The fact is that hyper-connectivity relies on infrastructure and technology that remains out of reach of many of the world's poorest citizens, even as prices have come down. This means that the disruptive innovations it brings are unevenly accessible, threatening to deepen inequality. The hyper-connected world moves on, while millions of people living below the poverty line are left behind, and the pace of financial inclusion and economic development is slower than it needs to be.

So the financial services sector in Africa finds itself in an interesting position: caught between expensive legacy card schemes, that can leverage their ubiquitous acceptance, and the looming threats from a few global Bigtech corporations with an eye on Africa, the world's biggest mobile money market and fastest growing financial services market.

Banks across the continent have spent decades investing in their customers, communities, staff and infrastructure, only to now face the prospect of disintermediation by tech powerhouses that see banks and even Africa's largest NMOs simply as friction between themselves and the African consumer. They naturally prioritise their own shareholders ambitions over the interests of African financial markets and national development goals. The disruptive costs are externalised and rationalised exposing 60 years of investment in local financial markets development to serious risk of dislocation.

What we need in order to promote meaningful financial inclusion in Africa, and the increased prosperity it promises to bring, is a system of interoperability and exchange across borders that makes it easy and affordable to make and receive payments for goods and services based on local priorities. Every micro enterprise across Africa needs the ability to be able to receive mobile payments from customers without expensive and cumbersome point-of-sale (POS) terminals, plastic cards, foreign fee-based card schemes and rules' or limitations of P2P and traditional challenges of cash.

A payments system that promotes financial inclusion should:

- Work across both smartphones and feature phones.
- Require no new overheads or POS devices.
- Be interoperable across multiple systems, platforms and devices.

- Connect seamlessly with any financial services provider anywhere in the world.
- Be a natural extension of the consumers day-to-day life experience.
- Not expose banks customer data to third parties.
- Provide a scheme owned and managed by local financial institutions on local rules.
- Be safe and secure.

This is exactly what we had in mind when we at Bluecode developed our mobile payment scheme. Instead of cards, we developed a settlements scheme that operates based on anonymous secure pre-authenticated tokens. This token is only linked to a user's bank account (or any approved scheme funding source) by the financial institution when a request is made for payment. A customer shows a numeric token using on a feature phone or a bar or QR code on a smart phone to the merchant, who scans (or captures) the token and adds the transaction value. It can also be the other way around with merchant presenting a dynamic QR code or a static QR code to the customer who adds the value.

Either way a token containing no customer information is directed to the Bluecode platform, which connects the request to the issuing bank. Only there, once inside the bank is the token linked to a customer account. The issuing bank debits the customer, and a credit authorisation is sent back across the platform to merchant's account with the acquiring bank. The customer leaves with the goods and the merchant has instant access to her funds - no customer data crosses the platform. Settlement was instant and the interbank is managed by the scheme and everyone walks away happy.

It's a payment scheme that works across both smartphones and feature phones. The SDK that requests and consumes the token resides inside the banks existing mobile offering or ECR or phone and appears as one more feature in an existing mobile relationship. Even non-bank third-party mobile apps can host the SDK and point to a bank. Importantly its the local scheme participants that set the rules, not a foreign corporate.

Bluecode mobile merchant payments can promote financial-sector development with an efficient transaction payment that will increase consumer confidence in electronic payments as an alternative to cash, while facilitating a more equitable distribution of financial services for urban, peri-urban and rural business and consumers. It can also support financial stability by mitigating settlement risk and including more financial institutions in the payments ecosystem, facilitating the smooth flow of liquidity. Ultimately, this is a practical way to increase the availability of and demand for other complementary financial products and services and other enablers of financial inclusion across Africa and the rest of the world.

According to GSMA, mobile penetration in Africa now stands at 425 million or 44% of the population. This is the fastest growth in the world, projected to reach 50% of the population by 2025. With a mobile payment scheme able to connect every one of those users to each other, financial inclusion becomes a much more meaningful. The story we will be telling at Sibos is this: that if we can change the way the world pays, we can start to change the world, for the better.

For more information, please visit: <https://bluecodeafrica.com/en/>.



ABOUT THE AUTHOR

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