

# Stating the case for mobile money in South Africa

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29 Jul 2021

South Africa stringent banking legislation has been a significant barrier to the country's participation in Africa's massive mobile money market. However, the potential for mobile money solutions cannot be ignored, and financial institutions are partnering with start-ups to deliver innovative offerings.



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In addition, cryptocurrency is gaining steam, further driving the adoption of financial services outside the traditional realm. Mobile money has huge potential to change the lives of South African consumers, but the question remains, are traders ready to embrace this change?

## Banking anytime, anywhere

Mobile money delivers banking services like deposits, storage and transactions through mobile applications that have been designed to serve an alternative purpose. There are hundreds of such services across the world, predominantly in developing countries where financial inclusion in the traditional sense has proved challenging. Not only do mobile money solutions replace the need for both cash and traditional banking, they lower the barriers to entry for digital banking services. This has been a significant advantage in Africa.

South Africa is a world leader when it comes to banking systems, and delivers excellent technology that is well managed. However, this has come with limitations in the form of guidelines, restrictions and compliance requirements, and barriers to entry for financial inclusion. While these are essential for preventing crimes like money laundering, they have created a climate where it has been difficult for mobile money and equivalent solutions to really gain traction. The reality, though, is that mobile money solutions fill a gap in the market, and there is a lot of potential for these solutions.

## Money goes digital

According to South African legislation, if you take money deposits you are defined as a bank, for which you need a licence, and must abide by the laws of the Banking Act. Mobile wallets that take money, store it and transfer it, are therefore seen by the law as banking services. To circumvent this challenge and keep up to speed with the needs of the market, local banks have put their weight and their banking licences behind mobile money solutions, acting as sponsors and partners to develop this service offering.

Ultimately, digital money is the future, and there needs to be balance of security and protection against money laundering, with simple and easy to access services. Cryptocurrencies have thrown the issue into the spotlight, highlighting the need to simplify transactions around formal banking. There are so many different cryptocurrencies, and they offer many benefits, so traditional banking empires cannot afford to ignore them. The African market has also showcased that mobile money is feasible and beneficial, and South Africa is poised to leverage these solutions with the support of the banking environment.

## **Crypto or bust**

In a constricted economy like South Africa, the mobile banking space will no doubt see a significant increase in the crypto space. From business perspective, this could revolutionise the trading environment as well as the entire value chain. Technology providers need to look at how cryptocurrency and mobile money solutions can be incorporated into payment systems across various platforms.

While traditional banking still plays a role, this role is rapidly diminishing in the face of digital money solutions. Banking is changing, and without adapting to this change, Financial service providers (FSPs) face the real risk of becoming obsolete. Mobile money is a disruptor that sits outside of formal banking, and it is imperative to create a trading environment within which it can operate and flourish in South Africa.

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