



015

JAN

2020



by Fabio Scala



The future of African Banking and the impact of mobile money

With N'Gunu Tiny, Chairman of the Emerald Group

Technology is changing the world of finance at a staggering pace and Africa is quietly leading the way in mainstream adoption. General infrastructure has been a historical deterrent to the dissemination of financial services in the continent, which made for a largely unbaked population. Today that represents a unique opportunity both businesswise and to social development.

Under the leadership of **N'Gunu Tiny**, Dubai based **Emerald Group** has been shifting from its traditional portfolio of energy and commodities investments into financial services impacting African economies in a big way. With investments including **Makeba digital wallet** and more recently **Banko Financial Group** - an Africa focused inclusive bank, Emerald is quietly becoming a player within the continent financial services, impacting the lives of a previously unbanked population and of local economies.

Tiny started up as a lawyer in the UK and dove into international business, oil & gas, mining, and banking law early in his career. His passion and domain over international economic law and business transactions saw him ascend as a Visiting Scholar at Harvard Law School. But Tiny's drive was "change", and he soon started to focus in projects making a difference in the continent.

We met N'Gunu Tiny for a conversation on how technology is changing the game and how his group is invested in making sure that the digital revolution is inclusive to all Africans - one blockchain at a time.

Fabio Scala:

Great to see you Tiny. I always enjoy our conversations and I'm very happy that we have a chance to share some of your insights with FurtherAfrica. Let's start with Emerald Group. How about you tell us a bit of the story behind the group, its portfolio and the path that led you into financial services?

N'Gunu Tiny:

Thank you Fabio, it is a real pleasure to meet you again and I am honoured to be able to share some insights into our journey and future goals. The Emerald Group was founded 10 years ago with the objective of becoming THE partner of choice for emerging markets investments. During the early stages, we essentially focused on investments in traditional sectors, such as Natural Resources. We count clients amongst the leaders in Oil & Gas sector such as BP, Eni and Total. But it quickly became apparent that moving our efforts and expertise towards the financial sector was, not only a requirement lead by the ever-changing global landscape, but also because financial services has always been a passion of mine.

We started as a merchant bank, offering consultancy, financial advice and funding services to clients such as Goldman Sachs and The Carlyle Group. We then developed our retail banking arm that is tailored to meet the requirement of today's African economic scenario, based on a low cost digital platform. And we have many more projects in the pipeline.

Financial Services are such an important and integral part of everyone's life and the advancements in recent years have been hugely beneficial to the sector and to its customers. I can't imagine a day when I am not impacted positively by Finance and Technology. As a businessman and a father, there came a time when I started looking at investment decisions from 2 angles.

The first is business. Does this company, project, entity make business sense. Investing and being a business owner comes with it a huge responsibility, you have people's lives in your hands and your decisions impact these people. Therefore, all business should be able to be profitable and get to a place quickly where they can stand in their own two feet. We see too many businesses being valued, not on ROCE (Return on Capital Employed) or multiples of income, as they should, but on funding raising rounds.

We have seen with WeWork how that model is simply not sustainably and actually highly irresponsible. The cycle has gone a little irrational and will likely adjust. These types of business only ever benefit early investors and the founders and tend to end up with later investors being burned followed by huge job cuts and a change of the entire business model. So, for me the business being able to get to a place where it can take care of itself, is an important factor.

My second barometer for investing is human impact. Does this organisation have a positive impact on society? Accompanying this and having an entrepreneurial spirit, Technology is a natural part of Emerald's journey.

Financial services and FinTech tends to fit into the areas mentioned and thus, for me it was a natural progression. In relation to Africa, it is obviously my desire to contribute personally to the continent development and growth, and today is the best time. I believe that regulations are slowly becoming more focused around creating fair competition and encouraging innovation as we have seen in the EU with PSD2 (Payment Services Directive 2) and Open banking taking shape. Costs of innovation will marry this regulatory change and created a perfect environment for the sector to shine.

Fabio Scala:

I see, these parameters to take investment decisions make a lot of sense in today's reality. Could you tell us a little bit about your views on banking and the financial companies you are invested in now?

N'Gunu Tiny:

Banking globally is changing, and I think we can look towards the West to see how the African landscape may pan out. The biggest change will be because of the advent of Open banking, API's and digitalisation. You will have digital first banks taking the lead on technology and innovation and providing either ALL of the solutions or just one. They can easily be integrated into or stacked on top of existing systems in some cases. In others, some legacy systems will need to be replaced entirely. I think the old cohort needs to not adopt technology but actually see themselves as Technology experts focused on banking.

With this in mind, we recently invested in **Makeba Inc**, a US mobile-based financial services provider, that allows remittance, peer-to-peer transactions and a digitalised payment. I truly believe that such application provides some of the answers to today's requirements, both for individuals and businesses alike, and especially for the African economy.

At a larger scale, our new venture **Banko Financial Group** will integrate all these aspects. It will be very different from other offerings. We will be a technology aggregator that focuses on providing banking solutions, not a bank that is merely technology focused. And this will cover the entire spectrum of services, from providing an efficient and secure platform for individuals, to offering micro-finance, corporate banking, private banking and even wealth management at some point of time. It's a huge, long term project, that will expand over several African countries. I am sure that Banko will be able to empower human capital and contribute to Africa's socio-economic development as a whole, and that, ultimately is my dream.

Fabio Scala:

Quite interesting investments you have there. We've spoken before about your passion about making a difference in the communities where you operate, particularly in terms of inclusion. How does fit into the equation?

N'Gunu Tiny:

Having a local presence always has a natural impact. Much like a wave, there are tangible ripple effects that seep down and across the local area. More money coming into the region that could be elsewhere. That's why we feel it is so important to have local and regional FinTech hubs, keeping the intellectual and monetary capital within the local markets which has a positive effect on communities through finance, education and training.

Most of the traditionally unbanked population in Africa is using some form of mobile financial services ... but these are unregulated and often at high costs. Either be it with Makeba's solution or with the services that Banko will be able to offer, we aim to bring them into the regulated environment where they have some kind of protection, increased access to financial services and even products such as insurance. Lower income earners are far more susceptible to economic shocks and subsequently would benefit the most from more regulated financial services. By engaging with people in their own environment, that means going into the local communities, we are able to bring them into the system, thus reducing the financial and social gap. We can have a great impact in communities, if we manage to save even a small amount of money while offering them a large amount of (legal) protection, is almost unfathomable.

So, if you consider how fast the African banking industry has grown in the past years, it's time to ask ourselves how we can provide financial products and services in more inclusive, more accessible and more affordable ways, but above all more responsibly.

Reducing the barriers to proper financial services and promoting microfinance, especially for woman, is more than just a good finance strategy is moral right, in my opinion. We need to remember that the latter are the main, and in many cases the only, source of income for the household and a better credit risk than men (and account for 70% of the world's poor, according to the International Labour Organisation)

At the end of the day, if we can help make people's lives better and be there when they need us the most, it's something to be very proud of. This is our contribution to help the continent achieve the Sustainable Development Goals inspired by the African Union Agenda 2063 – *“The Africa that we want”*.

Slowly we are moving in this direction through technological advancements and Mobile banking is one of these. Others such as biometrics and blockchain or Distributed Ledger Technology (DLT) will help compound these technological benefits. For example, we represent **GoChain** in Africa; through our products we will be able to onboard people using biometrics and mobiles in an instant, at a fraction of the costs and the same time create a regulated market to foster innovation from our youth.

This data can even feed into central government data bases and be used for things such as obtaining a Government ID and voting. All of this data can be started from a block or chain created via the mobile banking customer touch point. Banks are an integral and important part of the social economy and should be a solid founding part of the overall infrastructure; they should be able to encourage inclusion and provide a platform that support sustainable (and green) investment practices. This is paramount today.

Fabio Scala:

I share the feeling. Traditional, larger banks have to wise up and stop making excuses; in fact I've been vocal about this issue in the past. How do you see the future of African Banking? What key developments you anticipate?

N'Gunu Tiny:

Going back to a point I made earlier. Technology allows the cost of doing business to be reduced and subsequently this should be passed onto the consumer. To address the questions directly, I would like to answer from a perspective of what we would like to see and what we plan on delivering. But to quote Albert Einstein ... *'We cannot solve the problems of the future with the solutions of the past'*.

Starting with the problems and creating solutions is always an optimal way of approaching business and banking is no different. I see this happening through partnerships forged between FinTechs and traditional banks. One of the existing problems with traditional banking is the route to the consumer. Retails branches don't work and even when you have acquired a customer... traditional forms of transacting do not work. Thus, it is vital to find the right balance between physical and digital channels.

The majority of the unbanked population still use feature phones over smart phones. These are slower, less secure and more resistant to future technology. I would like to see a scenario where smartphones become part of a package of services being led by FinTechs. But we still have much work to get to that stage and additional coverage of mobile networks is currently insufficient. The solution for us is better and more affordable satellite services and providing or sourcing as many smartphones as possible, that way we can, once again, tackle the disproportion of investments between rural and urban areas.

Is this possible? Yes, I believe so, with the right technology partners.

As the future turns inevitably to Blockchain and DLT (distributed ledger), the concept of a truly open 'distributed' network such as Bitcoin will not work in every situation. Networks need to be closed for many reasons and there are now solid solutions out there, yet the traditional bank has simply ignored these.

There are huge costing savings that can be passed onto the consumer through local payment systems. So why banks have not been quicker to respond? Well this is likely as they are still stuck in that traditional mindset: 'we are a bank, not a technology company'. This is why 'disruptive' technologies are so *disruptive*.

Additional flaws with the existing DLT technology are that it is expensive to run and to verify transactions, and this has a hugely detrimental impact and effect on the environment. Our partnership with GoChain is able to solve a huge amount of these issues by creating closed Proof of Reputation networks, reducing the time and cost it subsequently takes to verify transactions and data, securing them through localised yet decentralised imputable network.

Product and development wise, I see Biometrics and AI creating some huge technology advancements specifically in RegTech (Regulation Technology). If we can bring down the cost and accelerate on-boarding and KYC to create a unique and seamless experience, then we can start taking smaller and smaller customer banks or more and more of the unbanked. Fabio, we simply cannot aspire digital and online services with offline identification. We at Emerald already have the technology to onboard an individual using a simple (smart) mobile phone and thumb print reader which also has a retinal scanner attached to it. These can be deployed in the field quickly and cost effectively.

In relation to wealth management, I see Robo advice (algorithm-driven financial planning services) taking a large part of the sector along with AI being deployed to mitigate various risks. We are in discussions with an AI firm, that can effectively deliver a fully automated data driven multi asset Quant strategy.

The way I believe industry leaders should function is to have a vision...and then go out there and work hard in finding the stakeholders that will help deliver that vision. So, answering your question, I see the future of African banking as what we choose to deliver.... And Banko, an open architecture technology platform, has been created specifically with that task in mind. In a nutshell, Banko is a technology driven financial institution ready to meet the next frontier of customer needs.

Fabio Scala:

Thank you for that, very insightful! To wrap up, can you tell us about things to come with Emerald?

N'Gunu Tiny:

Besides Banko, Emerald will continue to evaluate and invest in opportunities that helps the company live up to its fundamental principles of making social and environmental impact, while driving substantial growth, for the company, our partners and the country it is located.

Some of our other areas of focus will be around Green Investments, AI and also Investment Management. The later may see us obtaining a licence in the Far East through Singapore to build solid Investment and Trading strategies based around Dynamic models of Asset Allocation. However, our core focus will always be in Africa, in Banking and specifically within cost saving Technologies. 📍