Symposium on Financial Inclusion

Inclusive Ecosystems of the Future

(Emcee) Roger Morier:
The last panel looked at the client journey and some of the obstacles and some of the opportunities, but also some experiences from the panelists and how they experienced that and what they are doing as services providers and the ethnographic research, as well. It gives us insights into that.

This next panel is not going to look to the past, but is going to look to the future. So, this panel is going to ask you to imagine an ecosystem, an entire ecosystem, which is dedicated to client innovation and focus on clients. Is that even possible? An entire ecosystem that's dedicated to this innovation and client centricity. Is it possible or is it science fiction? The answer to that will come with the panel, which has been put together by my colleague, Olga Morawczynski from the Mastercard Foundation, our Program Manager.

Olga Morawczynski, Program Manager, Mastercard Foundation:
Good afternoon, everyone. Welcome. As Roger mentioned, this is a panel about the future. So, we're going to look into about 2030. The bad news is, we're all 12 years older. The good news is, we still look good. And, as Roger said, "we have an entire ecosystem that's geared towards client centricity". So, I'll show you what that could possibly look like.

Over the next hour and a bit, we're going to do two things:

The first, is we're going to look at some of the broader technology and business model trends that are really shaping the world around us today. More specifically, we'll examine the rise of something we're going to call 'the super-platform', which is a powerful force shaping the evolution of digital ecosystems.

Secondly, we'll hypothesize a future. And, again, our frame for the future is 2030, in which super-platforms become entrenched in Africa and begin to affect change in markets that we work and perhaps even sit in today for financial service providers, but also for our clients.

I've enrolled a very handsome but also distinguished panel that are going to help us make sense of these trends, but also some of their implications.

I'll also be looking to all of you for feedback. And, you will be asked to react to a set of provocations that are linked to the story that I'm about to tell. And, you can also tell me just how convincing I am.

So, before we start to make the case about the rise and disruptions of these super-platforms, we need to set some parameters around what these super-platforms are and explain how they're growing.

The first distinguishing feature of super-platforms are their sheer size. So, if we look at the world's largest companies today, and this is essentially by market capitalization, over half - the ones that are in yellow - fall under the category of 'super-platforms' as we will define it here.

The fact that these super-platforms dominant this list is new. If we were to look 12 years back, since we're looking 12 years forward, only one of the companies, and that's Microsoft, was on this list. Apple and Amazon were struggling. Google has just been listed and Facebook barely existed. So, I just want to say that the rise of these companies is really, really a new phenomenon.

But apart from their sheer size, there's other important distinguishing characteristics too. These super-platforms not only leverage technology but they're born digital. They're platform-based business models meaning that they derive value from creating ecosystems, ecosystems that make possible exchange and two-way exchange, either of physical assets, as we saw with Jumia this morning or in the case Alibaba, and digital ones as we see with Facebook or Alphabet which, of course, is the parent company for Google.

What graduates these companies from just being platforms to being super ones? It's just how they grow. From the onset, these companies are setup for a type of growth that is fast, that is focused, and that is fierce. Super-platforms will enroll the actors and resources that add value to their ecosystem as a whole irrespective of superficial boundaries like business lines, like industry, and even geography. And, as a result, as we'll show you, they not only transcend but they also disrupt each and every one of these boundaries.

Now, because these companies are born digital, they're able to amass a significant amount of data on customers which they exploit with remarkable effectiveness to fuel their own growth. And by doing so, they put pressure on incumbents across a number of industries, including financial services, to digitize and they will fiercely eat into the margins of those competitors that are slow to respond.

So, to really start to bring this to life a little bit, we wanted to get under the hood of one of the super-platforms that was on the list, and that's Alibaba. Now, this is a company that's already entered this sphere of financial services and it is rocking markets in China today. We also predict, as you will see here, that it might start to effect some change in Africa.

So, Alibaba is 18 years young. It was started by a school teacher. Some of you might have heard of Jack Ma who saw a real opportunity to link Chinese sellers who have excess stock from the country's manufacturing boom to a global marketplace via e-commerce. It didn't take long for Alibaba to expand their e-commerce offering to appeal to buyers and sellers in different market niches, both domestically but also abroad.

It also didn't take long for the company to enter sectors beyond e-commerce, which is why this all looks so complicated up there. From data to logistics to ride hailing, and the list goes on and on, causing disruption throughout. But it was their entry into the financial services that really warrants our attention.

When the company launched their digital wallet, Alipay, it was not with the intention, really, to enter or disrupt financial markets or financial services but rather, to reinforce trust between the buyers and the sellers on their platform, and that's by keeping funds in an escrow account until the sale was verified by the buyer. This allowed Alibaba to move beyond cash-on-delivery and fuelled the growth of their entire ecosystem. You heard Juliet this morning saying that these guys are still doing cash-on-delivery and that cause a few challenges.

So, Alipay was eventually spun out as a separate company, which you might have also heard of called Ant Financial. And, more financial services began to be layered onto the digital wallet. Today, the company has over 520 million users in China, and has become really the *de facto* payment mechanism for an increasingly digital China. Just to say, this reinforcing strategy of growth has worked really well for Alibaba. When the company went public in 2014, they managed to raise $25 billion dollars in the biggest IPO the world has ever seen. And, it continues to grow fiercely at 50-60% every year on revenue.

The company's plans for the future are even more ambitious. Jack Ma is looking global and he's made that clear many times. He wants Alibaba to become the world's 5th largest economy, not company, economy by 2036 amassing a customer base of two billion and creating 100 million new jobs. So, just to give you a sense. I looked this up on who's going to be the largest economies by 2030. It's going to be China, U.S., India, Japan and, if Jack Ma has his way, Alibaba.

So, to make his plan real, Alibaba has recently invested $15 billion dollars in building out a global logistics network, and the same amount to testing cutting edge technologies such as drones that can help move goods to even the remotest parts of the world.

You might know where we're going with this story. But given this insatiable need for growth, we have several reasons to believe that expansion into Africa could make sense and could be next.

Most of the global market is already saturated and today's super-platforms are unlikely, and probably even unable, to assault each other's home markets. So, we probably won't see Amazon, Facebook, or Google penetrate China, although we know they've tried. And, it's probably unlikely for Alibaba to serious challenge Amazon in North America or in Europe.

So, we recognize that not all countries in Africa are equally ripe for growth, but there are some like Nigeria that could be suitable candidates. By 2030, the country will have seen an expansion of reliable and affordable data connectivity and smartphone penetration close to 70%, with a projected population of over 260 million by 2030, and a rising middle class. Nigeria could be a lucrative battleground for the world's hungriest super-platforms.

And although it's true, and we heard today, there's still some challenges with logistic networks, only 20% of Nigerians, just to give you a sense, can receive their mail at home today. We believe that by 2030 the innovations that are currently being tested in the labs of super-platforms, such as drones, coupled with innovations around global addressing systems, which Juliet mentioned this morning, will make possible what seems like science fiction today. And, that's the ability to easily move goods to even some of the most remote parts of this region. And, we believe if these super-platforms were to enter Nigeria it would be disruptive for clients.

Super-platforms will offer a type of super charged client centricity. The more these platforms grow, the more data they accumulate across product lines, the better they become at tailoring their products and services to the customer journeys that might require financial decisions. Alibaba's already offering micro loans to merchants based on sales activity on their e-commerce platform.

Super-platforms also embed financial services into a much broader repertoire of products, almost seamlessly. And, as the super-platform grows, they layer on used cases to the nth degree for financial services, constantly stimulating usage.

We also have no doubt that these super-platforms can be disruptive, especially for providers of financial services. We're already seeing disruption in China and banks are seeing massive erosions in their margins. Experts are warning that if these banks don't digitize they risk become redundant.

What might give these super-platforms a significant advantage, especially if they do enter the financial services sphere here in Africa, is their ability to cross-subsidize their product lines. We all know that offering particular types of financial services, especially to low-income clients, can be tough business. And, I think we've learned from projects like GAFIS, products like low-balance saving accounts only have a business case when offered alongside more lucrative lines of business.

The super-platforms that enter this space see finance as a means to a much bigger end. And, even if not profitable as a standalone, financial services are still considered critical as long as they can add value to the ecosystem as the whole, which they do. And, because super-platforms are able to make a loss even in the long-term, they are well-positioned to disrupt a market where margins are already tight.

So, based on the story we just told, we wanted to test some early hypotheses with you on the rise and impact of super-platforms, which we'll then hand over to our panel to comment on.

Let me take you through these. I'm still going to make a little bit of a case before voting is opened.

So, the first one.

1. **Super-platforms will be the most powerful force shaping digital ecosystems over the next 10-12 years. And they are coming to Africa soon.**

So, I just wanted to say before I open voting, what we're exploring here is not just the rise of super-platforms, it's actually how the shift to digital will play out in these markets. More importantly, who will lead that shift? And, we focused on the entry of a Chinese player, but note that some of these super-platforms are already here. They just haven't entered the space of finance, not in some of the markets that we work.

So, just to test that. Can you put your hands up if you're either on WhatsApp or Facebook? Okay. Can you put your hand up if you used it in the last 30 minutes? Can you put your hand up if you're on it right now? [*Laughter*]

So, just to say very quickly. Chris will speak to this a little bit later, but we just did a panel survey with a cold measure and we saw that 98% of people in Kenya, this was across the country, actually have one of these apps on their phones. So, these super-platforms are *here*. They are also entering the space of financial services.

Some of you might have heard that Facebook launched P2P payments in the U.K., U.S., and Philippines, and WhatsApp in India reaching 200 million users.

Are you convinced that super-platforms more than any other force will affect how digitizing happens and how digital ecosystems evolve by 2030?

I'm going to open voting. You have three options:

1. You agree, it's already happening
2. You disagree, there is no way
3. You have no idea what I'm talking about

Shall we see the results? Alright this is good. I am convincing. I told you guys. So, for the panelists, we'll put this back on, but there's already a sense that there is something bigger happening here that we do need to understand a bit better.

Can we move on to the second provocation?

2. **Providers of financial services in this new world are at a high risk of becoming redundant.**

Now, the question that I want you to think about as you answer this, will banks in Africa be able to compete with some of the fastest growing companies in the world, companies that can make losses on financial services, even in the longer-term, and companies that hold so much data on customers?

Let me open voting and see what you guys think. Alright, shall we see what we have here. Okay. There are a lot of bankers in the room [*Laughter*] so I can imagine where you sit. This is a little bit more split than the first one. So, we know they're coming but we still need to better understand how respective roles of providers will shift in markets.

3. Super-platforms will force us to rethink the paradigm of financial inclusion because financial services will inevitably fade into the background.

So, we are the Symposium on Financial Inclusion. I really want to revisit the problem that we're collectively trying to solve in this world which is very quickly changing. Although the digital wallet, as we've seen, is a critical entry point into the world of super-platforms, financial services are not the core value proposition here. In fact, the more that these platforms grow, the more finance becomes integrated into a much broader offering and the more it fades into the background. We're not saying, by any means, that super-platforms can or will solve the financial inclusion problem, but we are suggesting that they will force us, if they have not already, to revisit our paradigm for financial inclusion and redefine the problem we're trying to solve.

Do you agree? Let's open voting. Shall we see what we have. So, more than half of the room thinks we should rethink all of this, which is interesting.

So, I will have our panel weigh-in. Professor Bei, let me start with you. You're a former banker and currently run the Chinese Academy of Financial Inclusion. You know the story of Alibaba and other rising Chinese fintechs very well. Obviously, there's much more to the Chinese story than just Alibaba. And, you recently wrote a book, or numerous books, on the subject.

Can you tell us more about the market factors that supported the rapid growth of these fintechs in China?

Duoguang Bei, President, Chinese Academy of Financial Inclusion:
I think there are several factors that really drive this momentum.

1. Market demand. Since China is a huge country with a huge population so the existing banking system just covers a part of the population, a lot of people and bankers. For example, let's say the MSME, the Micro, Small, Medium Enterprises, they create 90% of jobs in the country. However, if you look at the overall loan size of the banking system only 20% of loan is distributed to these MSME. So, the financial structure is very much imbalanced. So, this is an anyone disrupter like to provide products so they can easily access this marketplace. There's a huge demand over there.

2. For this financial service provider, particularly for the fintech company, they use financial innovation. They provide technology-enabled products to customers. So,

the supply is very well equipped by technology. So, it's very much different from the old banking system.

Some other factors also drive this process, which is very important for infrastructure in China. So, the government spent a lot of money building up all those telecom systems, telecom networks, 3G, 4G, everywhere, even in the rural areas. Transportation system, distributing system are very well-developed during the past 40 years. So, all those digital financial service can be built up on this infrastructure.

There's one more thing I'd like to address is regulator's attitude towards these new things, financial innovations.

At the beginning of these companies emerging in the markets, the government took a very tolerant attitude, very active to see what will be, particularly, for the top leaders. All those top leaders are very powerful in China. They can make decisions. So, they ask all those regulators - in China there are three regulators; banking regulator, security industry regulator, and insurance regulator. And, the top leaders just asked them, 'wait until something happens'. So, there is clearly a tolerant period to let all those new companies booming very fast, about three or five years. So, this is also, I think, a very important factor to drive this booming market.

Olga Morawczynski:
Chris, you are the founder of Caribou Digital, a research agency that builds out ethical and sustainable digital economies, which sounds very easy. But, you're also one of our learning partners of the Foundation.

Under the Finance in a Digital Africa Partnership, we just launched the website if anybody's interested in having a look, you looked closely at the business model of the U.S. super-platforms like Facebook that, as we saw, are already here. Do you think that they're better positioned to disrupt African markets than the Chinese ones?

Chris Locke, Founder, Caribou Digital:
It's an interesting question. The start you gave earlier on that 98% of phones have a Facebook product on them whether it's Facebook, WhatsApp or Instagram, is driven from our company, Caribou Digital Data's tool measure. We have an app that sits on smartphones and feature phones on demographically-represented panels in countries. And, it gives us incredible insight into what people are doing on their phones. From that, we see that absolutely those products are already there. Actually, in Kenya and Nigeria, it can be up to 40% of all of the time someone is interacting with their phone is on a Facebook product, more likely WhatsApp.

And, even more alarmingly for financial service providers, we can see what WhatsApp people are using just before and just after mobile money transactions. So, in Kenya, the app most used 30 seconds before an M-Pesa transaction is WhatsApp. And the app most used 30 seconds after a transaction is WhatsApp. So, they have the attention. And, I think this is a really, really important distinction.

We see in all of our data that absolutely for most people in Sub-Saharan Africa the Internet is Facebook or WhatsApp and absolutely they have captured the attention of the users. What's interesting is we don't necessarily believe that they've captured the revenue.

We did another piece of research with the Mozilla Foundation on digital advertising in emerging markets. And, we showed that digital advertising, as a general revenue, is very tightly linked to GDP. And, even though all of Facebook's growth in subscribers has come from India, Southeast Asia, and Africa, their revenue growth is not. Their revenue growth is very largely in the U.S. and Europe. And, they're going to find it hard to drive digital advertising revenue and to turn that massive amount of attention that they own into a sustainable revenue stream to keep those subscribers as margin-positive revenue subscribers.

So, given the fact that they're going to struggle, we think, with digital advertising because the size of the revenue just isn't there for them. We think this is going to push them inexpertly towards financial services as an alternative revenue source. Again, if they are, at the moment, sitting at both sides of those mobile money transactions where people are rather reluctantly leaving WhatsApp to make a financial transaction, or a P2P transaction, and then jumping back in again, you would expect that when they start to get quite serious about these, as Google does this in India, as WhatsApp is in India, there is the potential there for them to take that revenue, as well. It's a structural change for them. Moving from a business that's 98% digital advertising revenue to one that is a serious fintech player, is big across bigger margins, gets them exposed to regulation and a whole host of things that those Silicon Valley businesses tend to be relatively allergic to.

So, it will be an interesting battle between a lot of the Chinese companies that we've just spoken about where their revenue streams tend to be more transactional and they have a better experience driving revenues from low-income users to either Silicon Valley companies who absolutely captured the attention, but may structurally be incapable of turning that into a sustainable revenue stream.

Olga Morawczynski:
I'll ask you later about how some of these bigger players might enter these markets. That was interesting.

Amolo, you've been in the financial inclusion space for a while and through your advisory role, currently at Bankable Frontiers Associates, you have worked with a wide array of players in the region from banks, fintechs, donors. You really have a nice view of what's going on here.

Your tenure in the industry has allowed you to see hype emerge. Let me tell you, we love hype in this industry around certain things and also dissipate around a number of topics. What's your take on all of this, this whole super-platform story? Is this something that really warrants our attention and, maybe, investment?

Amolo Ng'weno, East Africa Regional Director, BFA:
As we all saw when we put up our hand, the super-platform is already here. Let's have a show of hands of people who use Jumia? There is actually fewer than I expected. But, I think the African super-platforms are starting to emerge.

This time maybe, probably the hype is real, but the challenge is to distinguish what's noise and what's signal? Because there's a lot of worries about super-platforms coming in and getting rid of the traditional financial sector. It seems to be unlikely because of the regulation that Professor Bei mentioned, the local cultural knowledge that the local institutions have.

But at the same time, I think it's a true challenge to the business model, the customer relationship and it's a gateway to opportunity. You have all these people already on Facebook, on WhatsApp and potentially on those new platforms. And, you want to be the person connecting those two WhatsApp sessions rather than waiting for somebody else, including Facebook themselves, to do it.

So, I think it's a huge opportunity. I think that this time, the hype is real. And, I think if we come back in 2030, most people are going to be getting almost all of their services through one of those platforms. But, whether those platforms are the provider or not and who's actually going to win in this game, I think that's the part that we have to distinguish.

Olga Morawczynski:
You're saying they could be a channel for a bank?

Amolo Ng'weno:
Might be, yes.

Olga Morawczynski:
Nadeem, through Anthemis, you have a pretty diversified portfolio of what you call "digitally native companies". You told me they weren't fintech, so you can speak more to that in Africa and globally. You also have an advisory arm that helps banks better position themselves in this big shift to digital. In case any one of you is interested, you know who to call.

What is different about this emerging class of fintechs playing in the financial services space? And, do you think these global players are in a good position to really start to disrupt markets here in Africa?

Nadeem Shaikh, Founder & Chief Executive Officer, Anthemis Group:
When we first started Anthemis about eight years ago, there was no such thing called, 'fintech'. It was called, 'financial services'. And, we thought there was a big disruption coming. We said, 'how do we get involved and think about this broadly?" For us, it was really a vision of trying to redefine the world through the lens of financial services. And, for us, it was a movement. So, that gives you a little background of why when we started investing in start-ups, which we were not carrying at the time. So, our first investment went to a company called Climate Corp, which

launched the whole unbundling of insurance companies idea, and that's when 'embetterment' was before there was such a thing as 'global advisory', 'simple' before there was something called 'neo-banking'.

And so, there was really a push to say, what are the disruptive models out there? How do you work with large financial institutions to help them understand this space? Really, as importantly, there was a case for how do you think about the policy, infrastructure regulatory environments around finance services because all those things have to come together? So, it wasn't a case of a start-up, 5,000-10,000 people and suddenly we're going to change the world. To change the world in finance services, we have to think about all those dimensions and that's what we try to do at Anthemis.

I think there is a couple of areas from Anthemis' point of view when we think about where we are, what's happening out there, how we evaluate business models. So, there is clearly a disruption going on in business models. When we think about fintech, a lot of people think about payments, lending as a quite narrow definition of fintech. Fintech is everything finance services, right. We think about retail banking, we're taking out capital markets, wealth management, asset management, payments. You notice one of the categories, kind of thinking about blockchain infrastructure, insurance. These are all a part of what we think about financial services and now think about as fintech businesses.

There is a big disruption going on around the organizational model, which is around thinking about the unbundling of the vertical hierarchy of financial institutions. So, how do you think about the balance sheet, where's the distribution, who's going to own the product, where's the consumer? That's quite important to think about this.

There is a concept of the digitally native consumer, which is passé already. It's really the digitally fluent consumer, regardless of age, creed, culture, background, education. Almost everyone is using financial services in a very different way. They are really taking on the digital side of it. So, it doesn't matter if they are an 80-year-old or a 20-year-old. This concept that this is only something that the young ones do is completely erroneous.

And then, the final piece of this which is important is about economics. The tech part we take for granted. Who cares? It's the entry stake. It's about the fintech part. And, if a business is not scalable, need not apply. So, what are the economics? Some of these models look at social data, technology, and putting those models together. The cost points of these businesses now is 10 x lower than what a traditional financial institution is doing, and that's what we're trying to figure out.

So, when we think about the thesis out there, there is an additional point of convergence going on in Africa, which is not really something that is as prevalent in the rest of the world, the rest of the word meaning the western world and North America, for example. Convergence between financial services, insurance, health, even clean tech. We've seen a lot of convergence of all of them merging. When a consumer is asking for a very different kind of product set then we’ve traditionally provided, so the idea is to find the shop to businesses, which we can scale; those are the important things. So, this is about how we can put the ecosystem together to make it work. That's the way we think about this.

Olga Morawczynski:
Can I ask that we put the voting back up? So, if I remember correctly, most of us agreed that super-platforms will be the most powerful force. We still need to debate a little bit about which super-platforms.

Professor Bei, let me ask you: we know Jack Ma was here in July, he visited Kenya and Rwanda. Do you really think that some of these larger Chinese companies do have their sights set here on Africa, African markets? And if they do, how might they start to enter these markets?

Duoguang Bei:
It's true. More and more Chinese people are getting to understand and know more about Africa. Some people come to China and persuade a Chinese company of going to Africa like the CEO of World Bank just a couple of months ago. He visited Ant Financial and asked them to go to Africa. And, the World Bank would fully support their business here in Africa. That means, Africa is a huge potential market.

However, based on my observations of the super-platforms, they start their business in Asia, or Europe, or even the United States. Africa may be the last one. Why? The distance may be one issue. Most of the Chinese people are not so familiar with the Africa market. However, everybody know that this is a potential market. So, they have what is called, the international strategy where they want to expand their business.

The other thing I would say for the Chinese companies to come to Africa country, they would definitely think about how to localize their business. Just like we have experience in China 30 years ago, 40 years ago, we attracted all those multinationals to come to China. After 30 or 40 years, we find out all successful companies are local companies, joint ventures. Not too many multinational companies have success in China. So, all these Chinese people know this history. They have, kind of, the experience. They know how to access the African country.

Olga Morawczynski:
Why wouldn't Jack Ma just come in and buy out Jumia, which is already local?

Duoguang Bei:
So, I think most likely they would do some investments with a local co-party to share investment, that's the best way. The other way is to establish a joint venture with local partners.

Olga Morawczynski:
Chris, I have to ask you this because you used to be with GSMA.

Do you think MNOs are ripe for acquisition by these super-platforms? Now, Ant Financial did buyout Mynt, which is the parent company for GCash, which, as many of you know, is one of the first mobile money companies in the world. Is this a good entry strategy? We also know Airtel is divesting in most of their markets. I think they're in about 15 markets. I mean, they already have the logistics networks, they have the financial license. Isn't that a great entry point into Africa which is obviously much broader with quite diverse markets?

Chris Locke:
I think they would be more likely to partner and they're certainly trying to partner rather than acquire. You take onboard an incredible amount of CapEX and regulatory pain in buying a mobile operator. And, I think probably what's more likely is that we'll try and push the mobile operators down to a position where they are just bit pipes offering the cheapest possible Internet to people so that they can then make their money through advertising or financial services. There are certain things that Facebook is doing, in particular, that shows how this strategy is playing out for them.

Facebook has a project called Telecom Infra Project, TIP. And, what TIP is doing is turning an entire part of the hardware stack of being a mobile operator, a lot of your customer management and network management hardware, and turning it into an open-sourced software as a way of basically taking an entire level of business value and CapEx out from mobile operators in the hope that it just crushes down the role of mobile operators to being a relatively cheap, dumb internet player. And, that feels like more of a sensible strategy for the Silicon Valley companies.

Acquisition of Jumia is, I think, an interesting discussion to have, as well. Because, effectively, when you look at the potential entry strategies for the super-platforms, it's acquire, provide the rails, or compete. When you look at where WhatsApp revenue streams go, do they become a marketing and payment channel that allows Jumia to grow? And do those super-platforms become a platform that you can build a local business on? Do they acquire the local business? You've got to remember Jumia's parent company is AIG. It used to be called, 'Rocket Internet'. And, in the first dot-com phase in Europe, I remember Rocket Internet's strategy was very simple. They built clones in Europe of American e-commerce businesses and waited to get bought. So, they build an Amazon claim and an e-Bay claim and sat there and waited for it to be acquired.

Are they expecting that a similar thing will happen in Africa, and actually, a big Silicon Valley firm will come and buy Jumia, or will they go directly and just compete? I kind of think the latter strategy is probably more likely because what's happened since the first phase of dot-com growth and acquisitions is the big super-platforms have kind of calcified. They find it really hard to move out of one global business model and position, and it makes it very hard for them to acquire or manage businesses that are structurally different from their core position. We saw this with Uber in China in its partnership with DD for various reasons didn't work and they backed out.

It feels to me like they would rather kind of try and impose their existing business model forcibly on those markets and try to make them work the way they understand at a global level, rather than get into the nitty-gritty of trying to run a more local business on its own terms.

Olga Morawczynski:
So, Nadeem, I know you agree with that, I'm not sure how many, 20%, that don't think that super-platforms will be the most powerful force. So, you must tell us why. Let's hear the voice of the minority.

Nadeem Shaikh:
So, those people with me - 20%. This is a hypothesis, right. It's not saying that super-platforms are not important and do not have an impact. I look at it from a financial services lens point of view. And so, my answer, my interjection is from there.

If you are running a Google, Amazon and Facebook and your economics are what they are and you run high-margin businesses with highly leveraged businesses, why would you want to ever get into a low-margin business for financial services? It just doesn't make sense. And so, when people talk about this fear factor and, somehow, they want to come in, OK, how that is possible?

Secondly, there is something called regulation. If Google starts using its data to suddenly sell insurance then Google cannot use all of this data for its advertising business. Suddenly, there's restrictions, that's what financial institutions have, restrictions everywhere. So, if Google starts doing that, that impacts 90% of their revenue.

Thirdly, it's about talent. And so, it's like saying Citibank is going to become Apple or Apple is going to become Citibank. It's that same absurd statement, in my mind. It's like they have no understanding of financial services, products, compliance, regulatory environments, consumers from that perspective - very different.

Also, financial services has always, always been a local, local thing. Otherwise, why not Citibank or JP Morgan or FirstRand or Ecobank, why have they not dominated the world, as we know, because they were giants in financial services? Why are there thousands of banks, thousands of insurance companies? In Ghana, look at how many banks and insurance companies they have. It's a small country.

So, I think this is a little bit where we have to understand that financial services is very, very different from general e-commerce platforms. It's a very different story. I think there is a really deep understanding you need to have about the consumer, and the consumer is local and the consumer is convergence. So, it's the first time the consumer is leading the charge ever in any technology evolution to date. It's the first time the consumer is leading the charge. So, I think that's a pretty important factor.

I think the organizational model I eluded to, the unbundling of the organizational model, it represents a completely new opportunity set for us, thinking about it, so it's kind of shaping. So, who has the balance sheet? Who has the manufacturing? Who has the products? Who's with the customer? Who owns the customer? Those are all the things up for grabs, which also gives us a lot of impetus and kind of new models emerging.

There is also this new ecosystem, an ecosystem which is almost a new world order being created. The ecosystem is local, it's global, it's start-ups, it's financial institutions, it's regulators, it's academia; they're all playing in to create a very, very different kind of product proposition that we have not seen before.

So, I think those are the kinds of things where financial services is a complicated business. And, just someone coming into it and kind of amass and in 20 years time or less than 20 years time, 13 years time, is going to takeover, not possible in my view.

Olga Morawczynski:
I'd like to hear from others in the room that voted no. So, can I ask maybe somebody who doesn't agree that super-platforms will be the most powerful force? Just give us a little bit more insight as to why. You've all changed your minds since we voted, that's fine too. OK - Antonique.

Antonique Koning, CGAP:
Well, I must start by saying Olga, you're pretty convincing. So, you at least gained that.

I don't disagree necessarily that they will play an important role. So, I felt the choices, the three choices, were actually rather difficult. My question really is about the customers. So, while I'm making my plea, I also want to ask a question to the panel.

I'm actually really wondering what the end benefit of customers overall is? And, you made a compelling point about the data and these super-platforms will have it all. And so, they can tailor and customize, great. But, I'm wondering at what cost?

And, I'm kind of suspecting, as our last speaker said, that there might be some obstacles along the way for these companies. The question that comes to my mind is: what are we actually doing with the monopolistic nature of some of these super-platforms? Some of the research shows that these companies are amongst the companies that have the highest profit margins and compared to more traditional companies, their margins are way, way higher. So, with that, combined with the monopolistic nature, I'm just wondering what's in for the customer at the end? At what cost are these super-platforms overtaking the world? And, I imagine that some parts of our democracy and economies and maybe regulation will put a stop to that somewhere, whether it's to protect customers or whether it's actually stopping disruption and be bad for customers after all. I don't know. But, that's where I have my questions.

Chris Locke:
I'll have a stab at answering that or at least agreeing violently with it.

We have huge concerns in our research around platform power. We are looking at companies that are globally monopolistic. We are looking at companies that don't pay taxes. I was very pleased that in the first year of Caribou Digital, I paid more tax than Facebook did in the U.K. as a company, and very often have next to no ground operations. So, they're not creating jobs, they're not paying taxes, but they are making a huge amount of money. They look more like digital extractive industries than necessarily platforms, and this is an increasing challenge for regulators that we're seeing in the news every single day, not just around taxation, but obviously around media bias and politics and democracy.

We talk about what potentially could halt the kind of global expansion of the super-platforms. Ultimately, it might be regulators. A regulator is kind of like the end-level boss of your global expansion plans. It's a very hard boss to fight. We saw Microsoft get distracted massively by a battle of regulators. We've seen Google distracted, increasingly distracted. And, we're seeing it starting to happen with Facebook. So, regulation does end up being something unless you are as, Nadeem, says, in an area where you're constantly regulated by telecoms or finance. If it's not part and parcel of your business, and you suddenly have it imposed upon you, it can utterly put the brakes on where you're going and what your growth is.

Nadeem Shaikh:
I think the power is going to go to the consumer if you play it out in 10-15 years. I think it will be described as a power sitting with a platform. It's going to go back there because the technology and the access to the technology - blockchain is an example of it. It's going to allow the consumers to control the data and be able to release the data, how they choose to release the data, and to which provider of service they wish to release the data. You're already seeing it in Europe with the data app coming through and having to disclose the data they have so the consumer can decide, that's already happening.

And so, if you play it out, the power will be there. Actually, the disruption, I think, will happen with the middle folks, the Googles of the world that, at the moment, are kind of using advertising to allow the products to connect to consumer. I think the power is going to shift to the consumer and they will decide who they want to be connected to. That's my view.

Amolo Ng'weno:
I really disagree with you there. I recently read, 'if somebody is giving you something for free, then you're the product, you're not the customer'. And, they're feeding all of us to their true customer who is the advertiser. I think the incentives are all setup in these platforms where you give them more and more and more, and you have less and less control. And, the network affects where *everybody else* is also on the platform and so are all of your suppliers and all your banks, which we're encouraging and hoping for the whole ecosystem.

You're on it or you're off it. Even if you're off it, if all of YOU are on it, then everything about me is known to everyone anyway. So, I think we've already completely lost control of our data. And, one of the challenges will be that was mentioned in question #3 here is, 'what is financial inclusion? What are we going to become?' I think this is one of the core issues, is whatever the industry becomes, the platforms become. It has to deliver value for customers and sometimes it's not. It's not inherent in the system that that's what it's going to do and maybe that's going to be a challenge for all of us in the future.

Nadeem Shaikh:
Absolutely. I think the demographics already pointing differently. Already Facebook in the ethnographic survey around this stuff, a lot of the teenagers, 6-17 down are no longer on Facebook. They describe Facebook as the old-persons tool. They already looking for different platforms. So, the idea that we have that these platforms are where the power is, people are saying, "no. Actually, I want to have a private life. I want to shut down everything. I want to go into more secure environments where we can share stuff". So, I think that trend is already there because people are tired of the excess of some of these platforms we're doing right now.

Chris Locke:
Even though they're on different platforms, those platforms are still mimicking Facebook's relationship with personal data. So, they might be willfully not reading the Ts and Cs of yet another platform and ticking their personal data away. The business model is still the same. We will take your attention and we will monetize it and you're not going to be that cognizant of the way that process is.

And, I think somewhere between the two of you is potentially the answer, which is I would love it to happen, but I think we're never going to see a moment when consumers awake to the power of their personal data fully and really take back control. And, blockchain and distributed networks can enable that, but I think people don't care as much as we would like them to about their own data privacy. I can see nations doing it for good and bad, and I can see data sovereignty becoming an issue. Looking at your nation's population’s data as a national asset and making sure that you do get taxes and revenue from it, from those people who extract it.

Olga Morawczynski:
So, we'll have super-platform passports in the future is what you're saying?

Let's move on to the second question as I think this is really relevant to a lot of the people in the room.

Just to remind you:

2. Providers of financial services are at a high risk of becoming redundant.

So, this is a little bit more split. Nadeem, I'm going to turn it to you because you have an advisory arm, as I was saying before, that basically advises banks how they should navigate this new world. What advice do you give the banks to really stay relevant here?

Nadeem Shaikh:
So, where we start from is the financial services future has never been brighter. So, there is real opportunities available to the financial institutions that are aware of it and not everyone will. In reality, financial services is not that people would die tomorrow and some Ecobank disappears. I'm just picking out Ecobank. If they don't get it, they will rust away, they will decay overtime.

And so, what we're trying to teach them is, this is a completely different culture about how to build businesses, it's a completely different mindset. It's a new set of toolkits that you have to think about that's available to you. And then, you also have to get used to the idea that what you have been brought up thinking that you're good at, you're not good at. You're not good at product. You are not good at product. Every current account, chequing account, mortgage, credit card looks *exactly* the same. There is no differentiation. So, you could not be good at product.

So, where the opportunity is in two sets of opportunity. (1) There are lots of folks who are at the front-end engaging with the consumer and you provide your balance sheet and your trust in brand in the background, kind of the rails, the regulatory rails. You say, 'okay. You have the consumer, but we'll support you'.

Also, the other way around, where you have a brand, you have a balance sheet, you have a trust, you have distribution, you have customers, which a lot of start-ups don't by the way. How do you then take those products and seamlessly provide it through your networks, your distribution, whatever that is? That's the opportunity.

And so, we have examples of folks doing both, where they are kind of taking advantage of the fact that they have the rails and the regulatory rails and kind of the compliance rails and stuff in the background, but also flipping the other way around where they can make money. So, that's the opportunity.

You have to get comfortable whether you are good at certain things or bad at certain things. What you're good at is you have a balance sheet. You're good at compliance and understanding your risk, understanding your consumer. You build this over hundreds of years. And so, it's how do you match that? You cannot get to a light bulb by lighting a thousand candles. So, what we say to them is, 'you cannot keep doing the same thing better. You have to rethink the business model from the ground up'.

That doesn't mean that every person in the room is redundant. Actually, quite to the contrary. What we're seeing now in the evolution of aa financial services, a fintech, we had early-stage 2010-2014 up to that point, a lot of young entrepreneurs coming in and disrupting businesses. This is no longer the case. Now, we are in the heart of financial services, in the heart of the middle office, the back office, capital markets, insurance plays; these are senior executives coming in with lots of expertise working with a new business model, working with a new toolkit to create this new paradigm and that's the opportunity set. That's what I tell the banks: 'It's not a sprint, it's a 10-15-20-year play, but if you don't start thinking about it now, you'll decay'.

Olga Morawczynski:
Professor Bei, are banks becoming redundant in China? How are we seeing the roles shift within the context of this broader digitization?

Duoguang Bei:

This is a good issue that people are discussing in China, as well. However, I'm not so pessimistic for the future of the banking system.

Number one, all those banks actually spend a lot of money on technology. ICBC they are the number 1 e-commerce platform because they have a hundred million customers. Their customer base is huge. So, they increased their technology level that to the market demand.

Number two, which Is very important: we mentioned the super-platform, e-commerce, all those fintech companies. Actually, they're business, particularly for the financial business, is based on the banking system like Alipay. You need to have a bank account first and then you can do Alipay. And, even for those online P2P companies, online trading company, they need to have banking system support, like where they get these lending funds to their customer. The bank will provide the lending funds for this fintech company. So, I would consider this is also an ecosystem. Bank supports all those fintech companies.

So, finally, this fintech company finds out if they have no off-line on-site business relationship with their clients, actually they cannot do what they expect, particularly in rural areas. It's still very difficult for this e-commerce space, the companies like Alibaba. Jack Ma is ambitious to do, to copy the e-commerce from the urban area to the rural areas.

It's called the Thousand Village Plan or something. He wants to spend 10 billion Chinese yuan to invest in this network, to do the same thing in the B2C e-trading. However, so far, it's rather two or three years have passed, it looks now not successful. Why? It's a rural area. You need to establish a new distribution system, logistics. And, you will find out it's very difficult to maintain agents in the system. Management costs increase sharply.

So finally, they decided they needed to do some cooperation with the banking system. So now all those big BATJ in China (Baidu, Alibaba, Tencent, and JD), they all are married with one big bank, like ICBC, CCBA, ABC. I would look at it as a kind of trend. The bank will cooperate with these new disrupters.

Olga Morawczynski:
So, two good votes for banks. I’m going to ask the crowd if anyone thinks banks will become redundant?

Isabel Barres:
One thing that's interesting in this debate is I feel it's very much focused on the providers. Will we be redundant? What's going through my mind is, 'why do we care?' Do we care because we fear that we're going to become redundant, or do we care because we think that clients are going to be served, not going to be served as well by these other players? So, I'd love to hear from the panel.

Let's assume that we are right and that those are coming and are going to play a big role in offering financial services. Then, is that automatically a bad thing? And, if it is, if there is some clearly negative aspects for the clients? And, maybe to build off of what Antonique was saying, then, is there something we can do as an industry, to counter that? And what should that be? What should we be doing in maybe partnering with them to continue to be client-centric?

Amolo Ng'weno:
I think that's the core question that's facing all of us. If we think, and we do think, that there'll be at least some disruption from these platforms. And, right now, it seems they're possibly good at payments. We don't know yet what that impact, the bigger impact, on the whole ecosystem of payments is going to be. The question for those of us in financial inclusion, we did not get into this so that people can have an account, as has been mentioned earlier today. We got into it because we think finance drives many, many, many different, or at least enables, many, many different things in the economy.

And, in our own personal and household life, that's what all of you, the financial institutions, have grown up to deliver and provide. And if the platforms drive people out of financial intermediation as activity in the economy, I think it will be harmful both for the individual and for society at a broader level. So, the challenge is to remain relevant. And the challenge for us, as financial inclusion, is to make sure that those aspects that are life-improving are enriched and reinforced and delivered. And if the delivery mechanism is through those platforms, that it's available through that.

So, I think there's a big risk that we kind of go completely off the rails and engage in a much shallower level of financial activity, which is potentially broader but that does not deliver on the thing that we've all been promising as a financial inclusion industry. The important role that banks play in our economy could potentially be reduced and that would only be harmful.

Chris Locke:
The phrase we're using in the Partnership for Finance in a Digital Africa, with the Mastercard Foundation and the many learning partners in the room, is not 'financial inclusion', but 'meaningful financial inclusion', which stems from Jonathan Donner, our Senior Researcher. His book, 'After Access' by MIT Press, talks about meaningful use of the Internet. There is not digital inclusion. You don't have the Internet or don't have the Internet. There's a whole world of gradation between those around how much the Internet actually empowers you, gives you agency, and gives you the ability to participate in a digital economy or not. So, 'meaningful inclusion, 'meaningful use' becomes a really critical term when we look at whether these super-platforms are actually empowering consumers.

Facebook is a client-centric company. Facebook is a relentlessly client-centric company to the point where actually it's focus on the needs of the users supersedes the needs of the broader society. It will very happily feed you a newsfeed that only shows you what you want to see and not care if democracy and the forces, say, around it collapses.

So, I don't think client centricity is an issue when you look at super-platforms, but I think understanding the agency empower, the individuals within those platforms have, and defining what meaningful use means, whether it's financial inclusion, digital inclusion or whatever kind of inclusion we're looking at in the digital space, becomes the thing we're really wanting to look at, wanting to define.

Nadeem Shaikh:
When I walk around this start-up space and boardrooms with their folks and executives, this terminology, 'customer-focused', 'client centricity', never comes up. Never ever comes up. I never hear the term. I only hear the term in big organizations and financial institutions. Like, really? What were you doing before if you're now customer-focused?

The other piece of this is I think the definition of 'financial inclusion' (and you'll probably never invite me back now) is passé already. It's based on the old economic model, which was basically a bank to provide a retail account to someone. It needs a cost base of $200 in the U.S., $200-$400 dollars is what it takes in the U.S., and you can apply the same number in any country, in Europe, 200 euros, that sort of thing. Now, some of these new entrants are doing it for 10 euros, that's their cost base. So, Monese, a start-up operating for the underbanked, unbanked in the U.K. has as high as three million customers that they see as very profitable customers. And, they're saying, "great. All the banks can compete for all the profitable ones they think are profitable, we'll go after these unbanked who are completely profitable customers". This is not a charitable thing, this is not a financial inclusion thing. This is because we can provide them a service which they need in the way they need it in a very custom method which is completely going to change the model.

JUMO out of South Africa and operating in East Africa, West Africa, is providing lending to what were considered unbanked, underbanked. Banks have been trying for it for a very long time, to put all the infrastructure in place. Some of the more successful ones had 100,000 customers after six years of trying. JUMO has six million customers after a year. So, that definition that we are grappling with based on the old models that we have grown up with. And, I think the business model available to us now to address the issue is completely different and that's one of the things to think about.

Olga Morawczynski:
I was struck by the fact that there is a majority voting that we need to kind of rethink how we're defining.

So, let me finish on this question. If it's no longer access, usage and stimulating usage. I mean, if this is no longer the problem we're trying to solve in financial inclusion, then what should we be trying to solve for in the context of this new world?

Amolo Ng'weno:
I think I'll pick up on Chris' word, 'meaningful'. We've had some of those discussions in the prior groups, why are we interested in the customer? It's so that we can get them something meaningful in terms of improvements in their lives. And, I think that challenge is not smaller. If anything, it's greater with the super-platforms coming on and the fact that we have to throw

away some good number of the things we already know because the world is different. I think that challenge is at least as large and possibly growing. And we, as a community, the providers, the supporters, the donors, really focusing in on the word, 'meaningful' is going to be where we need to go.

Olga Morawczynski:
Is it meaningful financial inclusion or meaningful inclusion?

Amolo Ng'weno:
I think that finance permeates everything but we are tool-less financial and that's the tool we've chosen. We could be in some other world. But, I think financial inclusion retains its importance, but making it meaningful is what the challenge is going to be because some of those access parameters, which we've all been working so hard on for so many years, are rapidly disappearing.

Chris Locke:
There's an African financial super-platform we haven't mentioned on this panel. And, in the same way you asked how many people use Jumia? I'm tempted to say; how many people have used SportPesa?

On our app when we look at what people are doing on their phones, 30% of non-airtime top-up transactions on M-Pesa are gambling. When you look at dollars, it goes up even more.

So, Dave Kim, who's in the room, sponsored some really good research by Mozilla Foundation, and the Digital Skills Observatory in Kenya, they really took this head-on. They said, "when we look at the broader array of different products that people use in the digital space, of which gambling is one, how can we turn those into things that drive meaningful financial usage?" It sounds bizarre, but it's an interesting idea.

Create gambling products that allow people to save and put some of their winnings in a Las Vegas account and things. As well as focusing on 'meaningful', we have to have this really broad sense of what a financial product is, which comes back to your original thesis. This is not those absolutely boring same-old, same-old banking products. They're actually financial products in the digital world, they're a broad array of things from e-commerce and P2P payments over here, to gambling over here, and people's experience of them were absolutely set across that continuum.

Nadeem Shaikh:
We're doing work with Momentum Group of South Africa around 'financial wellness'. And, that's a term, I think, that's maybe more relevant. 'Financial inclusion' always meant more of a banking payments kind of infrastructure. What we're finding now as the conversion of the consumer is going on, is there is a need for physical, digital, and emotional wellness which is all tied into financial services. And so, that definition is very, very important.

So, a lot of the products that we're putting out there, and thinking about, and creating handle those three dimensions. The dimension of financial inclusion, just giving access to someone to a bank account, is not enough if they don't know how to handle the pressures of debt and credit and all that kind of stuff, right?. It used to be separate conversations because we were not able to answer them in a cohesive way. Now, the models are there to enhance that in a holistic way and that's already here. It's already happening. We have business after business that we're investing in. There are nine business that are the financial wellness focus on, that we have, and it's happening globally. So, I think that's where, as practitioners in this space, thinking in this space, we really need to look at that and kind of think about a very different paradigm then we used to.

Olga Morawczynski:
Unfortunately, we do have to end, so I'll just say one more thing before we go.

There is a paper coming out that was co-authored between Bankable Frontier Associates, David Porteous and myself, probably in the next month or so, should this panel whet your appetite to learn a little bit more about this topic.

And, I do want to thank our panelists for a great discussion and also the audience for being involved as well. I think that's it, so thank you, everyone. [*Applause*]