

Are African banks at last going digital?

African Banker magazine, the best-selling publication dedicated to banking and finance in Africa, and Backbase, the leading engagement banking platform, have partnered to produce the second edition of their comprehensive report about the ongoing African digital-banking revolution.



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In it they explore the major trends shaping the future of the banking industry and financial inclusion on the continent.

To understand the trends, *African Banker's* editorial team surveyed more than 100 banks through as many interviews asking about how they rank digitisation among their main priorities, their expenditure on digital development, the impact of Covid, their digital offerings for SME customers and their priorities within the digital space.

In the recent year, there has been a growing trend in the digitalisation of banking services. This is no surprise considering the cost-saving and efficiency effect induced by digital platforms.

The report shows that the pandemic has largely accelerated the shift in the banks' model as it has highlighted the many

limitations they were facing. A massive 49% of African banks reported that they had greatly increased the speed of implementation because of Covid-19. Some banks were already trying to transition from the traditional model before the pandemic, due to the emergence of new competition on the part of African fintech and pure digital players.

In this context, it is no surprise that the need to transform banking practices seems widely accepted. Almost 81% of respondents described themselves as being open to change.

There's now an overwhelming consensus over how crucial digital transformation is to the future of African banking. About 60% described it as the single most important factor and another 34% stated that it was among their top three priorities. There has also been a big change in the size of budgets allocated by banks to digital development since our last survey. A total of 39% of respondent banks now ringfence at least \$3m a year for digital transformation and innovation.



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Another challenge highlighted in this report is the lack of inclusion of African small and medium enterprises in the new digital platforms and the banking system in general. Indeed, SMEs are often afraid of the huge fees that banks usually charge. Being unable to address these potential customers represents a missed opportunity for banks, even more so in the digital era where SMEs are being lured by the new fintech players.

Fortunately, some lenders have adopted strategies to address these issues, and their efforts could be an inspiration to the industry.

Regarding challenges faced by the banking industry, the lack of a skilled workforce is viewed as the biggest threat and is cited by 46% of participants in the survey. Perhaps surprisingly, telecoms companies entering the industry to provide financial services are considered a significantly bigger threat to banks' market share than the rise of fintechs and challenger banks.

It is widely accepted that digitalisation can solve many of the structural problems that exist in access to finance in Africa, and banks still have a huge role to play to spread financial inclusion, including in the B2B segment. This is why it is essential to create an optimal legal and technological environment to carry out this crucial mission.

The full research report, accessible [here](#), offers a clear perspective on market trends, challenges, detailed analysis of the survey results and recommendations.

"We are thrilled to have partnered with IC Publications on this report which is extremely important as it depicts the promising advances made as well as the challenges ahead. The ability to personalise banking experiences is a key expectation among bank customers today, and banks have understood that.

"At Backbase, we reckon that barriers to digital banking are falling but that traditional lenders are still left behind by extremely nimble and agile fintech competitors. We are here to help financial institutions surpass their customers' expectations at every touchpoint and stay relevant in the new digital era," says Matthijs Eijpe, regional vice-president Europe, Middle East and Africa (EMEA) at Backbase.

"With demand for reliable and up-to-date information on Africa's banking and financial sectors at an all-time high, we aim to provide the necessary support to companies and individuals participating in an industry that is reshaping the future of the continent's economy.

"We are pleased to have accomplished this significant work with the help of Backbase. They have been an invaluable

source of expertise to help us decipher the transition that is taking place among African financial institutions,” says Omar Ben Yedder, Group publisher, and managing director, at IC Publications.

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