

Mozambican Fintech solutions for northern region MSMEs & Individuals

This primer is intended to provide MSMEs and individual users of financial services essential knowledge about the concept of Fintechs, their benefits, risks and recommended solutions

What is a Fintech?

These are entities operating in the financial sector that have business models based on innovative technologies or (2) technologies that are applied to financial services, and which are used by traditional financial system institutions such as banks ¹

Did you know that...?

- There are 24 Fintechs in Mozambique but only 3 are licensed to operate
- About half of the adult population (6,5 million) still doesn't have access to financial services²
- Financial services' access through mobile devices grew from 4% to 22% in the period of 2014-19²
- Cellphones are the most commonly owned asset in urban (73%) and rural areas (42%)²

FINTECH SOLUTIONS FOR 6 KEY FINANCIAL NEEDS

Financial Need	Fintech Solution	Benefits	
		For Individuals	For MSMEs
1 Money transfers	iMali	Allows the user to send or receive money within the country without paying any fee or commission	
2 Payment of goods & Services	mukuru ³	Allows individuals to receive money from people located abroad to cover personal expenses. eg. groceries, school fees, medical bills, etc	
	iMali	Allows users to make in-store payments to vendors by only using a QR code issued by a smartphone without paying fees or having a bank account	Allows the merchants to (1) receive cashless payments in real time, (2) pay low transaction costs, (3) avoid POS maintenance costs
3 Savings	ROSCAS	Allows for (1) simplified financial management of savings groups of friends, family or small business owners and transfer of funds between, from and to members; and (2) improved transparency about the amounts transferred and funds lent between members	
	iMali ⁴	Allows one to save for personal purposes (e.g. self-construction, purchase of home appliances, family events, etc.) or business purposes (eg. stock acquisition) without entering into debt	
4 Investment	Pertence ⁵	Small investors, individuals or companies, can invest in companies with high growth potential under minimal investment amounts and still share the risk with other investors	
	Pertence ⁵	Allows individuals or entrepreneurs who are members of savings groups to obtain low cost and fast loans from their peers to cover cash-flow deficits in their business	
5 Funding	ROSCAS	Enables individuals with no bank account or credit history to access funding for personal expenses in a fast and affordable manner	Allows small businesses' easy access to funding without credit guarantees. The automatic bookkeeping assists in lenders' credit scoring
	MóvelCare	Allows individuals' access to insurance simply using a mobile phone with USSD and SMS. Provides life and funeral insurance with no fee other than the insurance premium	Allows greater control over costs associated with life coverage, salary protection, work accidents, and indemnization of laid-off workers during retrenchment periods

1. Banco de Portugal: <https://www.bportugal.pt/page/fintech>
 2. Fincopie (2019): https://finmark.org.za/system/documents/files/000/000/155/original/Mozambique_Survey-2020-07-311.pdf
 3. This solution is not yet available in Cabo Delgado but is planned to be available during the year once the Service Provider has expanded to the northern region
 4. The savings service of this Fintech service is expected to be made available in the second semester of 2023

Low transaction fees in money transfers and payment of expenses



Increased chance of access to credit by MSMEs as lenders can undertake credit scoring based on the records of financial transactions captured by Fintechs



Lower risk of money robbery, loss or destruction due to carrying and storage of physical money



Easier access to funding for small businesses due to faster credit verification process and lower fees and/or commissions



Saving of time and money walking long distances to bank branches or ATMs



Improved users' control over their spendings and earnings, thus improving their financial well-being and money management skills



GENERAL BENEFITS OF FINTECH SERVICES

ESSENTIAL REQUIREMENTS TO USE FINTECH SERVICES



Possess financial and digital literacy

It is important that the user has the ability to read and type on a mobile phone and/or computer



Own or borrow a mobile device

Some services only require a phone with SSD*. For App-based services, a smartphone or laptop computer is required



Have access to mobile data or telecom networks

Some Fintech services are based on smartphone apps and require access to internet. Others only need access basic telecommunication network services

RISKS OF FINTECH SERVICES

MITIGATION MEASURES

Transferring funds to undesired beneficiaries

Avoid typing in beneficiary data incorrectly and always check the data entered before completing the transaction

Abuse of trust by bad borrowers in peer-to-peer lending transactions without insurance or contractual agreements

Prior to a new member's admission, savings groups are advised to check if he/she is a good payer

Transactions carried out by other people without consent of the account's owner

Avoid sharing confidential data (e.g. access codes) with acquaintances or strangers

Invasion of user privacy and inappropriate use of confidential information⁷

Verify if the fintech service's ensure protection of consumers rights or are approved by financial authorities

Vulnerability to cyber-attacks by hackers or viruses⁷

Check if the service provider complies to cyberattack protection rules and ensure that your devices are protected from viruses

To learn more about the fintech offerings in the mozambican market visit:

Fintech.MZ - The mozambican national association of Fintechs can provide broader information on the country's fintechs. *Website: www.fintech.org.mz*

FSD Moç - An NGO that dedicates the majority of its work to financial inclusion. *Website: fsdmoc.org.mz*

Finmark Trust - Has developed major studies on Mozambique's financial inclusion. *Website: finmark.org.za*

Banco de Moçambique - The country's regulator of financial institutions and patron of the Regulatory Sandbox for Fintechs. *Website: www.bancomoc.mz*

5. The company that provides this service is currently restructuring its business model and may not have services readily available at the date of publishing

6. This benefit may not be experienced in all of the fintechs presented in the primer being it most noticeable in Peer-2-Peer lending groups and crowdfunding

7. World Bank (2022): <https://documents1.worldbank.org/curated/en/099735204212215248/pdf/P173006033b45702d09522066cbc8338dcb.pdf>