THE FINTECH SUPPLEMENT

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Forbes AFRICA

AELLA: BEYOND LENDING

AKIN JONES AND WALE AKANBI


aella
Empowering Africans through Credit.
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Beyond Lending

WHAT STARTED AS AN IDEA TO SOLVE the frequent problem of inaccessibility to credit and financial services in emerging economies, transitioned to a team of innovators working to foster financial inclusion in Africa. Formerly known as Aella Credit, Aella is now a catalyst in the fintech ecosystem, empowering payments across Africa and driving financial inclusion for both the unbanked and underbanked.

With the advent of the worldwide web introduced to all corners of the globe, Aella has extended the borders of what is possible, redefining the lending ecosystem. Aella is leveraging decentralized finance to aggregate capital, driving down lending rates to end consumers.

Aella continues to show its commitment to building a future of financing for the underbanked by using machine learning, proprietary data, and artificial intelligence to create a more pleasant customer journey for its users. Through AI-driven customer profiling, Aella has provided solutions tailored to its users' way of life by quickly giving them access to health care, financial services such as credit, and an avenue to grow wealth.

Aella is more than lending and is supporting economic growth for all Africans. So far, over 2 million people have made Aella their life partner, and they are experiencing simple and efficient financial services.

Aella's entry into the largest economy in Africa took place when the citizens were eager to rise above the challenges they faced during that period. However, a slowly declining GDP growth of 2.7%, combined with a massive drop in global oil prices in the nation of Nigeria, affected the earning power of low-income households (IMF, 2016).

In addition, increased inflation in 2015 brought an increase in the cost of goods and services, leading to a higher standard of living for most Nigerians (CBN, 2015). With oil not being the primary source of revenue, Nigerians turned to other sources of income and considered entrepreneurship as another means of survival.

However, it was difficult and almost impossible for small business owners to access quick loans in Nigeria as banks did not issue retail loans. Instead, they only specialized in corporate loans. Getting a retail loan from banks was an arduous task, and very few could meet the requirements demanded. Borrowers were asked to present collateral such as personal properties or expensive vehicles, which more than half the population could not provide.

With the introduction of Aella, co-founders Akin Jones and Wale Akanbi are simplifying access to credit and financial services for underserved consumers and micro-businesses.

'Debt as a Service' to Agents Across Africa

SOME THINGS STAY THE SAME. BUT IN TODAY'S world, banks continue to change in scope, operations, and process. However, the essential components are not accessible to many people, and without a bank, they cannot carry out official financial transactions and business activities. Additionally, various clusters in Nigeria do not have banks or other opportunities for financial support. Findex reports that 22% of adults living in developing countries say they are financially excluded because banks and other financial institutions are simply too far away (Findex, 2017). With the introduction of agency banking, this issue is being solved.

In 2013, agency banking came to prominence in Nigeria. A move sanctioned by the Central Bank of Nigeria with the sole aim of fostering financial inclusion in certain parts of the country. Financial services are provided to the public on behalf of the financial institutions through agents, especially those in rural or inaccessible areas. The agents carry point of sales devices, acting as human ATMs. This is why they are the engine blocks of the underbanked, reaching the unreachable.

In 2021, Aella launched its 'Debt As A Service' for micro-businesses and integrated over 200,000 agents in Africa. This could not be achieved without initiating strategic lending partnerships to cover more agents while empowering businesses across Africa. Through funding agents, Aella offered financial support to the often-marginalized group of people - the underbanked. Aella has positioned herself as the capital base of agents' instalments, empowering them to drive seamless payments across the region, while simultaneously growing their business and consequently, improving the quality of life in the underbanked and underserved spaces.

With more than 200,000 agents in Aella's network, from 11 of the leading agency banks signed up, the Debt As A Service model continues to gain momentum, spreading like wildfire to different zones in Nigeria. More than 89,000 loans have been disbursed since its launch in July 2021, showing Aella's ability to serve this niche market, making it one of the fastest-growing fintech segments on the continent.

Agency banking has shown a scalable way to direct this route in building credit infrastructural systems. Aella provides agents with the necessary financing to scale their business as expert lenders in this market.

Being one of the foremost micro-business lenders, Aella has continuously built empowerment-focused products. As a result, Aella's agent partners have grown their business because they have been leveraging Aella's credit infrastructure, yielding significant monthly growth since inception. This innovative partnership pairs Africa's fastest-growing sectors with stable technology to provide customer-centric solutions - giving agents the capacity to earn more. The overarching goal of these agent partnerships is to provide partners and their customers with the capital to break free of financial limitations and build for the future.

Agency banking has been a significant factor in improving financial inclusion across Africa. This is because agents power African economies and the underbanked more than any institution. They bring banking services to people's doorsteps, so anyone who needs them can easily access them. Aella's goal with agency banking is also to empower micro-agents to become the best version of themselves. Thus, build more products for them, integrate them into the ecosystem and become a credit aggregator for agents. This has been piloted with the Nigerian market with plans to scale across the African continent.

This agency banking model is powered by Aella's finance mechanism using decentralized finance, making this one-of-a-kind. Aella is occupying a niche market, continuing to explore strategic partnerships and scaling this vertically for growth.

Providing Solutions

AELLA'S SOLUTION TO EASIER FINANCIAL transactions and quick access to retail credit came in the form of a mobile app, allowing people to carry out multiple financial activities using their smartphones. The app also ensures that users can not only take out quick loans but make bill payments, invest their funds and access affordable health insurance.

The Covid-19 pandemic had various impacts on the African economy. Before the pandemic, Aella had already keyed into the certainty of a cashless society. This was something that at the time the average Nigerian would have thought impossible. The pandemic ushered in a new wave of mobile digital wallets through apps, and this allowed underserved communities in Africa access financial services.

Building financial solutions for African communities comes with specific roadblocks. One issue is the identification problem — having access to the identity of the potential customer. When there is no identity, no financial service can be provided. If identity verification is not tackled head-on, duplicity and fraud cases will remain an issue. This is still the biggest challenge in the building process for financial solutions.

An effective identity management system is critical to the development of any economy, enabling the confirmation of the identity of everyone residing in a country. This allows intelligence gathering for a robust national identity database. Before one can start building for any community, developed or undeveloped, the first thing to do is to verify the identity of its people. This helps determine who they are, what they do and if they qualify for certain services, like loans.

When Aella commenced operation, the idea of identity verification in Nigeria was not fully formed, though steps had been made towards this end. This meant that to start, they had to build moving pieces by creating the technical foundations.

Another major challenge was having to build credit histories for people. The ability to read people's spending patterns through their transactions or cell phone history is a solution in building the credit infrastructure for emerging economies. As a result, one has to find integrations, but with this, backups are needed to offer stable service to customers.

Building a comprehensive app like Aella, offering a range of financial services, including health insurance—comes with its challenges. Insurance is usually the hardest to sell because people don't subscribe to the idea of retail insurance until it's a necessity or unavoidable.

As of 2018, only about 3% of people surveyed in Nigeria had health insurance (Statista, October 2019). People with health insurance predominantly had government or employer-based coverage.

Aella's push for credit in health insurance—especially at the start of the Covid-19 pandemic—opened an opportunity for Aella to refine the way healthcare was sold to customers. Monthly plans were introduced, which helped ease people into making commitments to long term insurance. As a result, Aella has grown its insurance customer base to over 50,000 users.

Fostering Collaboration In The Financial Services Industry

FINTECH IS NOW A SUBSTANTIAL PART OF financial services. By the innovations fintech has developed, it has begun to be an indispensable avenue in financial services. Banks are adapting; building more robust digital capabilities and user databases, on the back of this synergy.

Before the advent of fintech companies in the financial sector, credit bureaus did not have holistic credit data on consumers. The regulators required the fintech companies to provide the credit history of their borrowers. Therefore, people who received loans had to share their data with credit bureaus. The credit bureaus in turn, began building a credible user database with the credit history sourced from the fintech companies. They provided the same to banks and other financial institutions that required this data to carry out credit transactions across the financial services sector. This collaboration brought about reliability on the credit bureau system and fostered compliance with the fintech companies.

On the banking end, collaboration would always play a significant role in building a sustainable relationship between the fintech companies and traditional banking players. Banks would have to maintain a synergy as neither can exist independently of the other. Fintech is the future, and to retain relevance, many traditional banks have collaborated with fintech companies to provide financial services. This union must be developed to advance the much-needed economic growth in Nigeria.

Another area for collaboration between fintech companies and traditional banks is tackling cybercrime. Cybercrime and cyber insecurity are issues for institutions as none can confidently attest to a completely foolproof security system. Therefore, both institutions help each other run security checks and balances in detecting fraudulent transactions, flagging off, and blocking fraudulent activities.

There have been examples where the security framework put in place by the traditional banks has helped the fintech companies mitigate the activities of fraudsters and con artists. This enables risk management and fraud controls. The fintech companies equally help investigate and detect fraudulent persons that may have transacted with the traditional banks. Both parties need to continue working together to build a stronger resistance to fraud and create robust cyber security systems.

Since the introduction of fintech in Africa, the Nigerian fintech space has thrived. Generating over $600m worth of investments recorded between 2014-2019, and accounting for 25% of investment in fintech across the African landscape (McKinsey report, 2020), Nigeria is enabling fintech to flourish.

However, this growth was not born entirely out of self-starters, but backed by a supportive regulatory framework that helped boost confidence in the sector. Regulation is a constantly changing tool. Many fintech companies are now acquiring microfinance bank licenses, finance house licenses, and a wide range of payment service licenses, all in a bid to comply with regulation and build customer, as well as investor confidence.

When Aella started in 2015 as the first home-grown digital lender in the market, there was a shortage of information on digital lending. When Aella began giving out her first loans, people did not know what it was about; they had no clue how the market would function as regulators, and had no defined framework to govern the activities of digital lending.

However, the narrative has changed over the years as the apex national financial regulator, the Central Bank of Nigeria (CBN), has over time created an available framework to aid the growth of Fintech in Nigeria. The CBN, particularly in the wake of the pandemic, has taken commendable steps to promote digital financial services.

Faced with the disruption in the traditional approach to financial services, the CBN eased some financial regulations by authorizing the use of registered phone numbers or bank verification numbers (BVN) in opening digital accounts. Among other concessions, the CBN also expanded the permissible activities of microfinance banks to cover services such as micro-insurance, agency banking, restructured transaction fees, transaction limits and introduced regulatory policies on cashless payments and financial inclusion. These actions continue to create an enabling environment for fintech in Nigeria to collaborate with banks and other financial institutions.

aella

Innovation for African businesses through Credit Infrastructure

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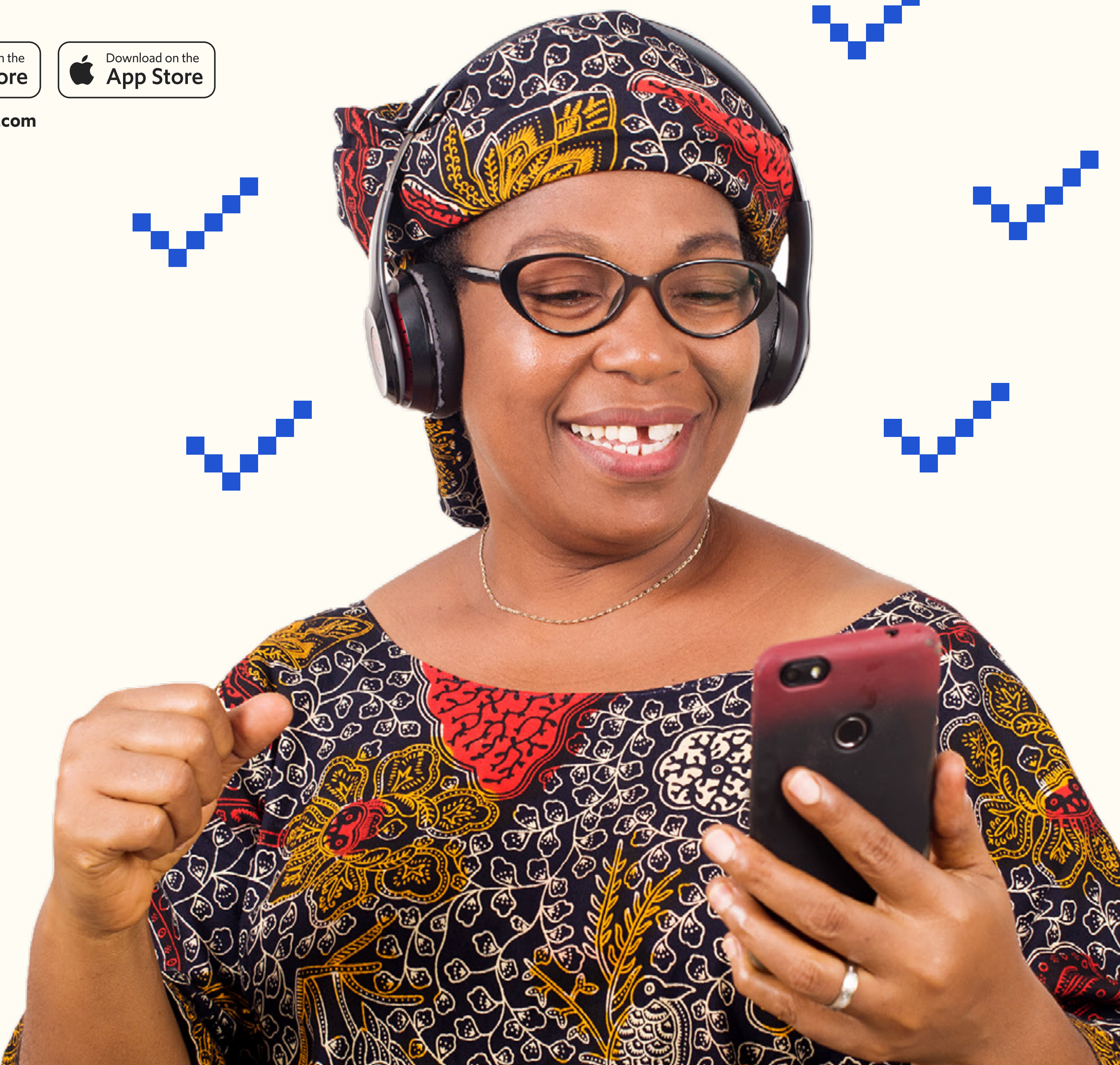


Enroute to Achieving The SDGs

THE DIVISION FOR SUSTAINABLE Development Goals (DSDG) in the United Nations Department of Economic and Social Affairs (UNDESA) has provided practical support and capacity-building for the sustainable development goals (SDGs) and their related issues. These issues include water, energy, the climate, oceans, urbanization, transport, science, and technology.

However, the world still has a long way to go to tap into this potential fully. The least developed countries need to accelerate the growth of their manufacturing sector if they are to reach the 2030 target, and scale up investment in scientific research and innovation.

Aella is also playing a role in the global stratosphere by achieving some of the SDGs to transform Africa. For example, through fostering financial inclusion, Aella has expanded the unbanked's access to financial services, increasing their economic opportunities and improving their lives. This has important effects on poverty rates in emerging economies in Africa where Aella operates. Financial technology channels adopted by Aella for financial inclusion include mobile money accounts, transaction accounts, and lending platforms for B2B and B2C.

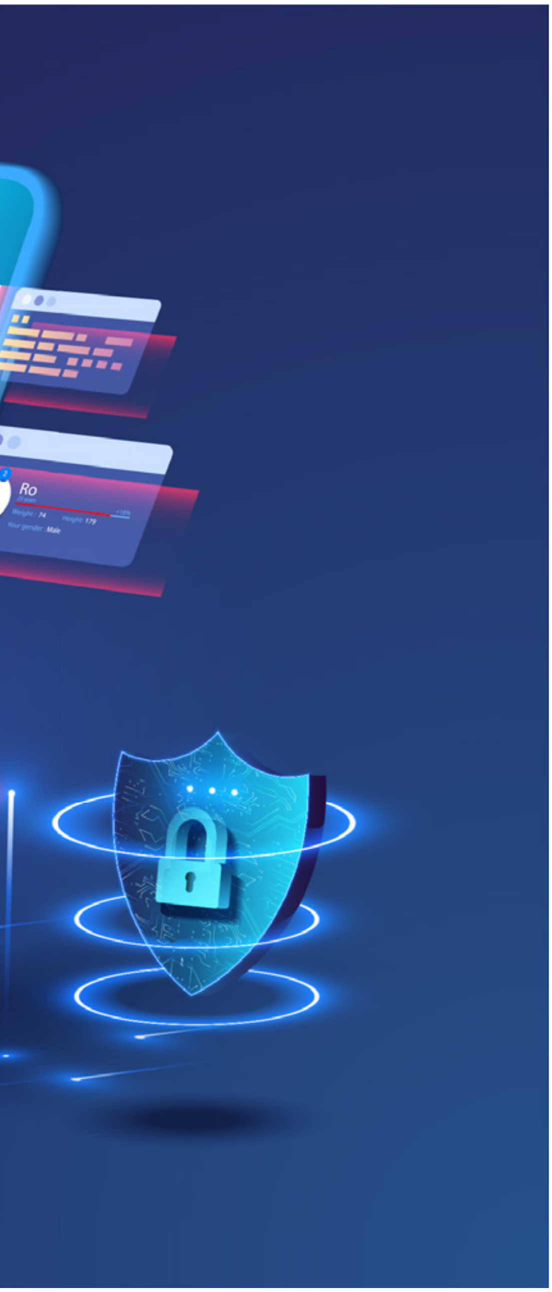
Innovation in the financial services industry has led to using digital applications instead of visiting bank branches. Normally, one would go to the bank to open accounts, access loans, and insurance. Now, digital applications achieve this through SDG Goal 9 (industry, innovation and infrastructure) in the financial sector. For example, Aella has empowered agent networks to perform banking transactions like cash in and out for people in remote areas. These agents use their mobile phones to open bank accounts, enabling financial inclusion in these regions.

The World Bank has identified financial inclusion to achieve at least seven of the 17 Sustainable Development Goals. Aella, with her credit infrastructure systems, was able to help accomplish some aspects of these goals. This includes reducing poverty and improving access to healthcare insurance, among other things. Her work also contributes towards fostering industry innovation and economic growth.

The Future of Credit

WHETHER IT'S THE government, a business, or individual, a question on your mind every time you lend money is - can the borrowers pay back?

Every lender wants to know that borrowers will pay them back. They do this by assessing credit worthiness before making a loan and monitoring the borrower afterwards. In an attempt to avoid dealing with businesses that will have difficulties fulfilling their loan obligations, the lender can resort to three different methods. To start, they look for borrowers who have a personal stake in their business. Additionally, lenders seek firms with collateral that can be seized when a loan is in default. Finally, lenders



request information on the firm's current balance sheet and its history of revenue and profits from past loans.

Unfortunately, this conventional approach to overcoming asymmetric information is less practical for new businesses with concise credit histories and little physical collateral. As a result, these potential borrowers struggle to obtain funds through standard channels. This is one reason small business lending is often subsidized, and entrepreneurs are forced to pledge their homes as collateral.

Now, solutions have emerged to help growing businesses overcome this old problem. Technology companies are using data to assess credit better, as well as gathering real-time information and improving platform advantages that force repayment terms. This is what traditional lenders have not been doing - lending to millions of growing businesses at competitive rates with meagre default rates.

The fastest-growing adoption in financial technology is coming from economies with financial systems that are below global standards. Illustrative of this, Kenya, Ghana, and Nigeria are seeing incremental innovations, with technology companies supplying financial services instead of traditional providers. However, the growth in adoption in advanced economies such as the United States and Europe is steep. Advancement in developed economies depends on a lot of factors, including the ownership of data that tech firms obtain and can exploit.

Over the past five years, the trend we have seen is the enormous growth of technology supplied credit. The bulk of the growth and the bulk of the credit—is now coming from big tech (BIS, 2020). This seems to be the case with big tech companies in China, Korea, and Japan. This trend is currently being replicated in emerging economies of the world where technology-supplied credit is an essential source of finance. Nigeria, Kenya, Ghana, and Indonesia account for a significant fraction of all credit outstanding.

Why has this lending method become so successful over the past few years? Through research, Professor Huang and researchers at the Bank for International Settlements and International Monetary Fund (IMF) draw a meaningful conclusion. A crucial finding is that unsecured big tech lending appears to be less sensitive than other types of loans, especially those used for businesses (Huang et al., 2020). This is because when bank lenders react to changes in physical collateral, big tech lenders are more reactive to variations in a firm's revenue flow. Researchers have suggested that big tech lending is less sensitive to access price fluctuations by substituting data for collateral (Gambacorta et al., 2020). This means that it can replace the need for collateral, which could weaken the transmission of financial sector shocks and monetary policy actions into the real economy.

Traditional banks are often unwilling to lend money to small firms because the cost of screening and monitoring is too high. Big tech firms have solved the problem of small firm lending by using their customers' data to develop algorithms. These reliable algorithms are used to give millions of low-cost, rapid loans. In addition, big tech firms provide payments services. This means they can see when financial conditions change and enforce repayment of a loan by taking part in revenues during the payment process. The bigger the big tech platform is, the better it screens or monitors clients' finances.

Accessible Capital For Startups Driving Financial Inclusion

IN DEVELOPING REGIONS WORLDWIDE, CAPITAL financing shortfalls remain an obstacle to socioeconomic prosperity. In Africa, limited access to financing is consistently cited as the single biggest constraint on growth by small and medium enterprises. Lack of mature financing infrastructure, informational asymmetries and their associated counterparty risks continue to hamper capital financing, with a global financing shortfall worth an estimated $5 trillion.

By leveraging digital technologies and machine learning, a new generation of Fintech startups are helping to close the gap, addressing the capital needs of the unbanked and underbanked, while using quantitative credit risk models to accurately mitigate the downside risk associated with loan default. The ability of these Fintech startups to manage and measure risk has improved significantly as the availability of borrower data points continues to increase.

Gluwa Capital indeed believes that these Fintech companies' ability to manage and measure risk has markedly improved, as they started collecting data on various startups from multiple sources on a large scale. This presents us with unique opportunities to deploy capital to select Fintech startups that are undervalued and underfunded.

By connecting mature capital markets to digital-first financial institutions in developing countries, Gluwa Capital can provide early-stage fintech with the vital financing they need to boost their growth and drive financial inclusion. Gluwa Capital can do this, while generating an annual return of 18% since its inception, secured through effective deal-sourcing and screening, followed by structured due-diligence and deal execution.

Gluwa Capital is already helping several early-stage fintech companies unlock their growth potential, with strategic investments in key disruptive technologies, focusing on microfinancing and other related financial services. Current partner companies include Jenfi, a revenue-based financing business deploying loan capital to SMEs across Southeast Asia, and Aella, who offer a raft of financial services to underbanked users across Africa with a focus on digital lending.

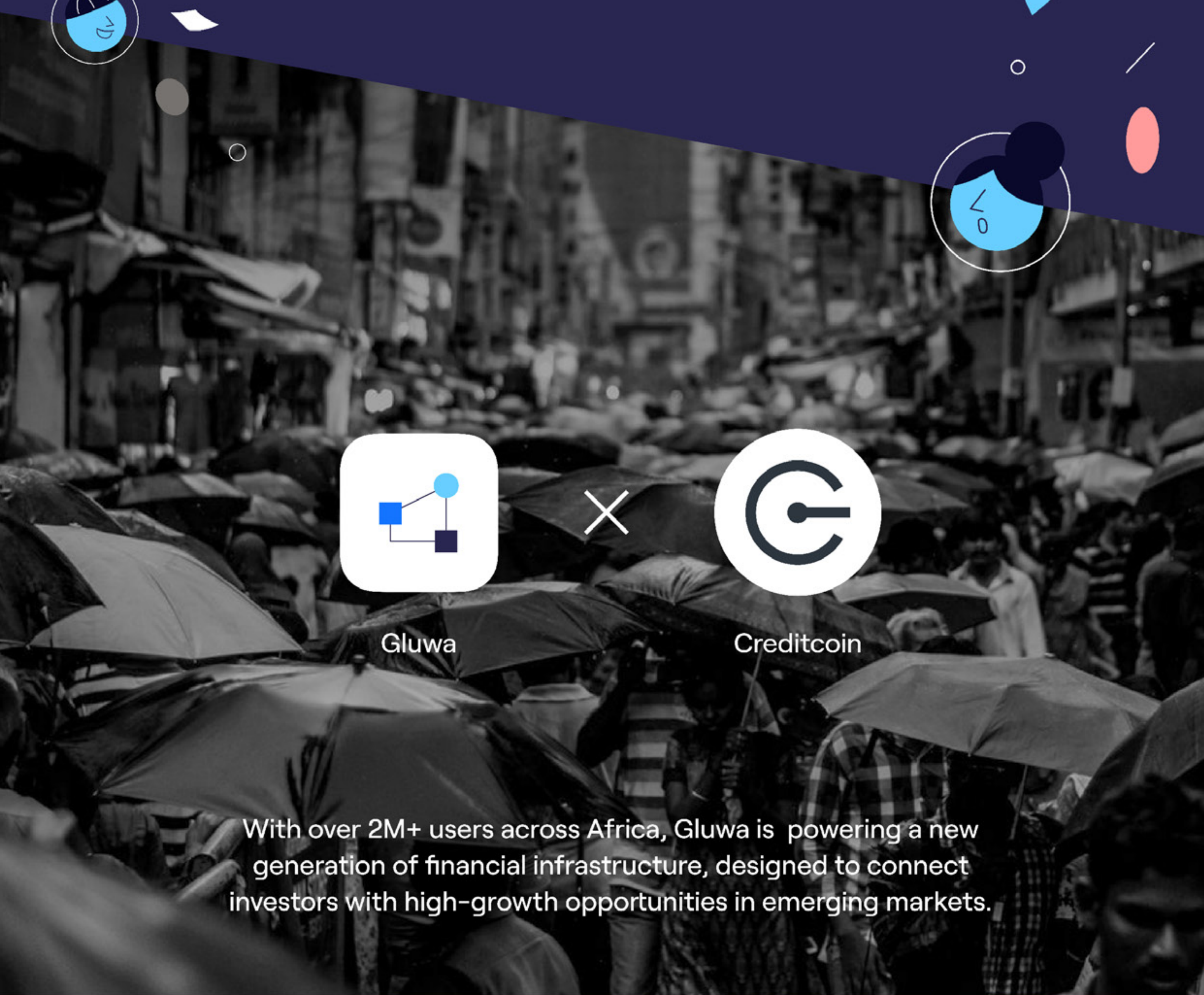
A $100m venture fund, Gluwa Capital invests in venture-backed companies striving for the financial inclusion of the unbanked and underbanked. Partners in the fund include Tae Lim Oh (CEO of Gluwa), Managing Partner, Sung Choi (ex Newton Investment Management Group), Akin Jones (Co-Founder & CEO of Aella) and Stuart Gardner (Silicon Valley Angel Investor).

Our team boasts a track record of over 80 early-stage investments, with key industry experience in fintech lending, payments technology and asset management. Gluwa Capital is perfectly situated to kickstart your early-stage growth journey with capital financing, strategic guidance and a wealth of global connections and opportunities.

The Building Blocks of Trust

Gluwa

Financial Technology for Emerging Markets



With over 2M+ users across Africa, Gluwa is powering a new generation of financial infrastructure, designed to connect investors with high-growth opportunities in emerging markets.

Credit Access:
Borrowers in Emerging Economies

MOBILE PHONES - ONCE A STATUS symbol in the 1980s - have become a universal technology that impacts every single interaction of our daily lives. With smartphone usage on the rise in developing countries like Nigeria and Kenya, millions of people use mobile banking apps. Kenya's mobile penetration grew by 11% between January 2020 and January 2021 to 59.24 million connections (Datareportal, 2021). The direct connection to the financial institutions that smartphones provide has opened a door for more customers who otherwise would not have had access to financial services.

In 2021, about 104.4 million Nigerians were internet users, meaning a mobile penetration rate of 50%, and of those 93.3% accessed the internet through a mobile phone (Datareportal, 2021). Internet access is increasing rapidly in developing countries, despite the poor service rendered by operators. With access to the internet, mobile banking apps have become one of the most convenient ways to manage their finances. With just a tap of a button on their device, users can open a bank account, access credit, pay bills - no matter where they are.

Crucially, smartphones have provided lenders with a direct means to access millions of new customers. It has also provided them with the keys needed to evaluate an individual borrower's risk profile which can be used for credit scoring. Usually, in developing countries the lack of information produces uncertainty which deters funding from lenders. However, with the data available online and via the smartphone, personalised interest rates and adequate risk analysis enable lending. Businesses can reduce their general risk exposure while also building up users' financial records through microtargeting tools.

An area of concern does remain for digital lending companies; funding and deploying cash instantly and consistently. Fortunately, Gluwa Capital has enabled borderless transactions of value and information. Companies like Aella can build trustworthiness for potential lenders by registering transactions on the decentralised financial system. It provides investors with a real-time and transparent database. Through liquidity providers of all types, any country can gauge the risk involved. Not just banks, but everyday financial players can also access information and make decisions about lending.

Gluwa plays a significant role in ensuring affordable access to unified information flow to startups and investors. In addition, it helps businesses in developing countries build secure, reliable, and accountable financial records making them eligible to get loans.

Gluwa provides an innovative financial service layer through which funds can directly be deployed to businesses like Aella. It is a platform that provides investors with the opportunity to invest into any business they see fit. Gluwa is an intermediary between access to capital and credible borrowers in emerging markets such as Africa. Sitting as a mediator, Gluwa provides access to already mined data that can be used to update its users' credit history. The opportunity equips investors or direct investment into any business they see fit.

Gluwa works with fintech companies in emerging economies, looking for funding, and established businesses looking to expand into new markets to help underserved populations. Ultimately, this system will transform how people in the developing markets secure access to financing and contribute to breaking the cycle of poverty.

With over 2M+ users across Africa, Gluwa is powering a new generation of financial infrastructure, designed to connect investors with high-growth opportunities in emerging markets.

Gluwa × Creditcoin

The Building Blocks of Trust

Financial Technology for Emerging Markets

Gluwa

Aella Products

AELLA CREDIT

This product was created to offer instant loans that transform lives. One of the ways instant loans have been able to affect lives is by covering unplanned emergency expenses. When an emergency arises, one may need funds at short notice. In such cases, the 'Get loan' on the Aella App is the best option.

Some benefits to Aella Credit:

- There is no paperwork involved in the process of getting the loans. Users can access non-collateralized loans of up to $2,000 to cushion the shock of expenses.
- There are no rollover fees. Aella makes the loans affordable for anyone. Users pay only what they owe, with no late fees attached.
- As users build their credibility with early repayments, they can get access to higher loan amounts and discounts on the app.
- Users are rewarded for early loan repayments by receiving cash back on the interest paid.

AELLA CARE

Aella Care is an online portal that allows access to highly rated, certified health insurance providers. This product was built with insight gotten from customer data. The data revealed that Aella Credit customers mainly borrowed money for health care, housing and education. Subsequently, Aella launched its health insurance marketplace for access to easy and affordable health care.

The new insurance marketplace has been designed to provide Nigerians with the opportunity to enrol in health coverage that fits their budget and needs. To cater to diverse users, Aella Care accommodates a wide range of services and maximizes pricing amidst rising health care costs. On the Aella Care platform, Nigerians can view and compare different health insurance plans, and sign up for their most preferred plan, without breaking the bank.

Some benefits of Aella Care:

- Health insurance is affordable on the Aella app. Users may purchase health insurance for themselves, their friends and family for as low as $4 monthly.
- Aella offers interest-free insurance plans that allow users to pay for their chosen plan in installments.
- The plans are highly discounted. Users who pay upfront for a one year plan get a discount on their chosen insurance plan.
- With Aella users have access to any of the healthcare providers listed in any state in Nigeria.

The goal is to create a world where everyone gets healthcare, no matter their class.

AELLA PAY

Aella Pay is the 'Buy Now, Pay Later' product that aims to help retailers increase sales.

Through a partnership with Aella Pay, various merchants can provide goods and services to consumers on credit.

Some benefits of this:

- Aella helps merchants increase customer retention rates.
- Aella drives activation for the merchants.
- Customers gain access to varying products using Aella Pay as a means of payment.
- Aella offers highly competitive and favourable interest rates to customers, which makes loan repayment easy.

AELLA WALLET

With the Aella Wallet, users can look forward to a healthy and steady stream of daily-accrued interests and watch as their money grows.

Aella Wallet is the ultimate digital wallet that helps individuals manage their finances with ease. It enables users to send money to family and friends with free peer-to-peer transfers. Most importantly, they can track their spending and income, as well as estimate future expenses daily on the app.

Empathy and Innovation

THE GUIDING PRINCIPLE FOR BUILDING products at Aella is empathy. This means Aella's staff put themselves in the shoes of customers and work through problems until they find the solutions that will work for them. There could be an easier route, but to offer the best possible options, a substantial amount of work needs to be done in understanding the needs of customers.

To build seamless, easy-to-use and efficient products for the customers, they have to be seen as humans and not numbers. These people are more than emails or numbers but real people with real problems. A popular quote says "passion is one great force that unleashes creativity, because if you're passionate about something, then you're more willing to take risks" (Yo-Yo Ma, 2016). The Aella team is passionate about making an impact in the financial ecosystem by ensuring people get a fair chance and fair fight in emerging economies.

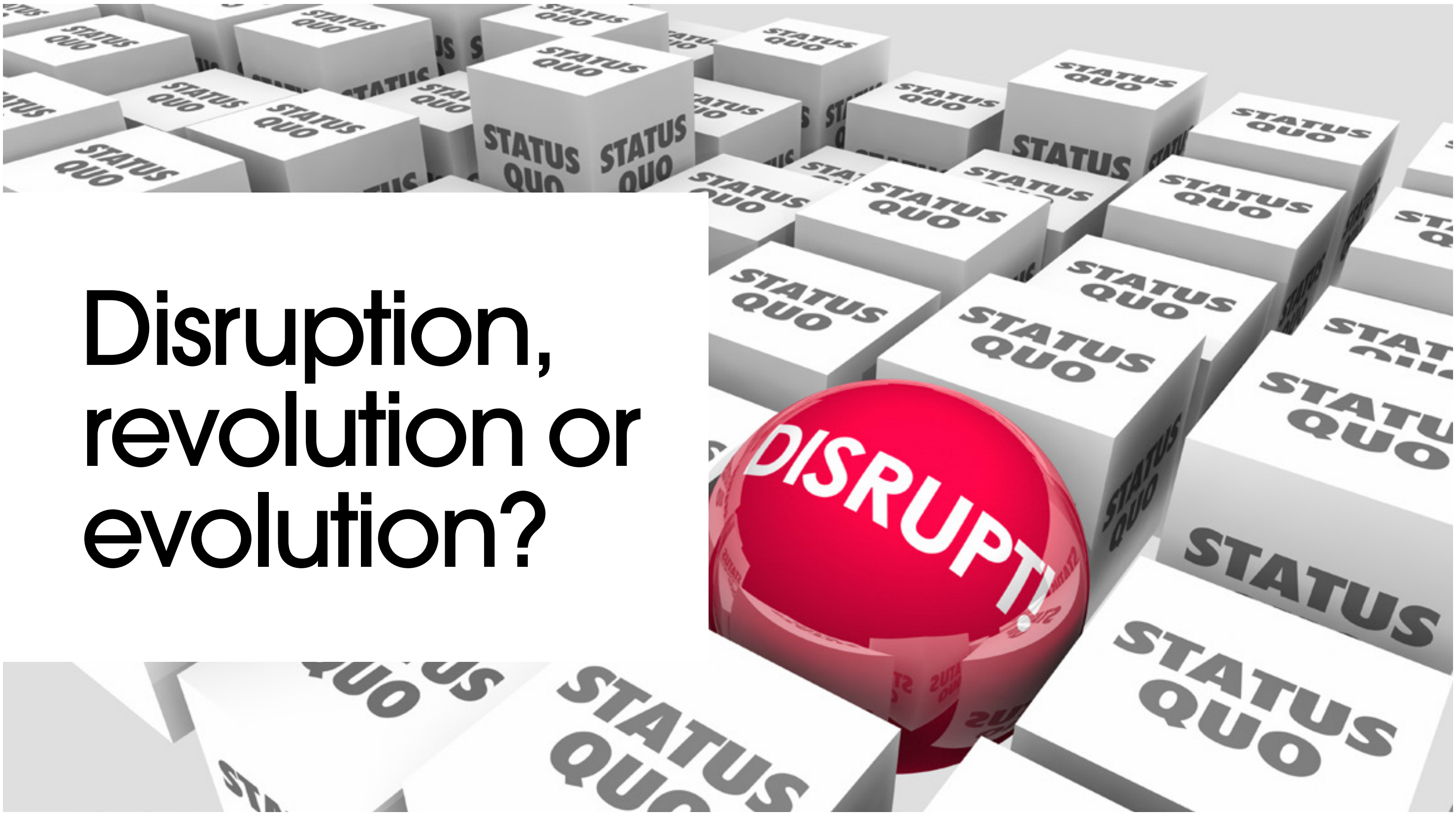
At the core of Aella's operation is a 50+ team of passionate disruptors made up of the nation's cream of the crop in engineers, technicians, creatives and designers. This team of young women and men constantly devise cutting-edge financial solutions and ensure users have the most in-depth and inclusive experience. Armed with the latest AI technology, as well as empathy, they can apply customer data and an understanding of the lifestyle of Africans to create the best user experience for consumers. With innovation and constant research, Aella has been able to develop new products and improve on existing products to ensure that the needs of every consumer are met.

NEXT STEPS

Aella's ultimate goal is built around a commitment to provide products that democratize financial services, therefore reducing poverty and driving economic progress in Africa. Aella's intent in the coming years is to ensure that every Nigerian, both banked and underbanked, has an equal chance to make informed financial decisions for themselves.

Aella intends to expand its infrastructure into the largest emerging markets in the coming years.

Aella has begun the disbursement of $700 million, by deploying daily $2,000,000 to its network of agents across Nigeria. It is poised to not only take over the Nigerian market but to spread its operations across Africa in the coming years. Aella has been way ahead of the future with its agency banking model. The future is Aella, and the future is in good hands.



Disruption, revolution or evolution?

CHANGE IS THE ONLY CONSTANT, and it is no different with technology. As technology develops and innovates, the lines between fintech companies and traditional banks will continue to blur. Fintech companies have constantly challenged the status quo and, as a result, have driven innovation in more ways than traditional banks.

At their core, traditional banks are set up to be a financial intermediary between depositors and borrowers to whom the bank lends money. In addition to the usual offerings, some traditional banks have moved to support 'open banking' in collaboration with third-party online service providers.

A central question to this issue - will the application of technological innovations disrupt financial intermediation? And the answer is absolutely. Fintech developments can be regarded as disruptive, especially if they involve some form of automated financial service. This can be seen not just as complimentary, but also as alternatives to traditional financing.

According to the *World FinTech Report 2017*, the rise of Fintech has been powered by a surge in customer expectations, venture capital funding, reduced barriers to entry, and the rate of technological advancement.

Innovations in big data analytics, artificial intelligence, digital identity, and biometrics have all come together to usher in new ways to measure credit eligibility and onboard new customers. Now, transaction accounts are offered by banks and mobile money providers as well as other non-traditional bank platforms. As a result, a more comprehensive range of players can be involved in digital financial services.

According to the 2017 National Survey of Micro Small & Medium Enterprises by the Nigeria Bureau of Statistics, 96% of Businesses in Nigeria are MSMEs. They account for 84% of employment and contribute 48% of the GDP. However, only 20% of those SMEs had access to any kind of credit-with only 5% of Nigeria's total loan portfolio was allocated to these businesses. Without access to credit, small businesses cannot attain the capital needed to unlock their business growth potential.

Will the application of technological innovation evolve financial intermediation? Only time will tell. Nevertheless, we support the evolution in tech developments that may be applied to finance. No doubt, financial systems will need to evolve quickly.

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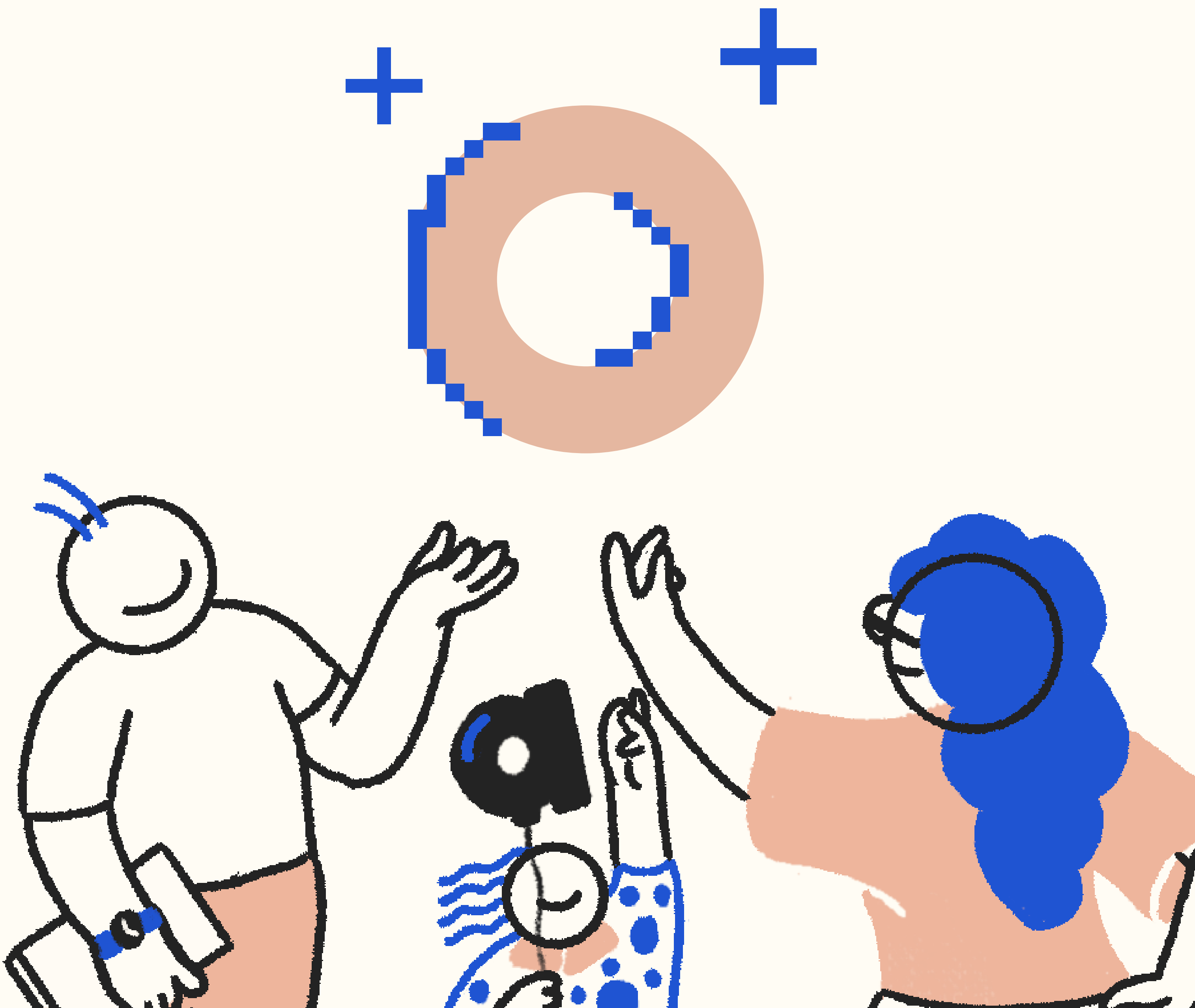

aella

Powering credit payments across Africa

A leading credit payment solutions platform with over two million active users.
We provide debt as a service infrastructure for micro businesses in Africa.

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