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# FinTech and Financial Inclusionin West Africa: Nigeria's SMEs Market.

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**ABSTRACT:** Micro, small and medium-sized enterprises (MSMEs or SMEs) are most of West Africa's greatest employers, the backbone of economic activity within the region with the potential to accelerate economic growth but handicapped with access to capital. This gap has been grasped by FinTech companies to provide needed capital for SMEs to grow and sustain businesses. However, there are many challenges distinct to the African region that has reduced the rates of financial inclusion within the formal and informal sectors expected to be accelerated by FinTech companies. The Nigerian SME market has been attractive for foreign investments over the years and still poses the great potential to keep the region at the top of the world. Other African countries are not exempted from this and as such, they need to explore the impact of FinTech companies on financial inclusion in both the formal and informal sectors of the biggest commercial cities in Nigeria, the challenges faced by them, and how their strategies to achieve a higher financial inclusion percentage may be deterred.With qualitative methodology, the research niched on three unicorn status FinTech companies in West Africa- Flutterwave, Interswitch, and Paystack.

**KEYWORDS:**FinTech, Financial Inclusion, Nigeria, SMEs, West Africa.

## I. INTRODUCTION

Globally, FinTech has modernized the provision of financial services. FinTech companies have made these services extremely competitive, pushing traditional commercial banks out of the loan market and illuminated the business of venture capitalism (some through blockchain technology, crowdfunding, etc.) that were formally high risk, especially in Africa. Amidst the lack of a centralized database, unnumbered house addresses and so much more, tracking borrowers have been semi-solved through BVN (bank verification numbers) issued to account holders through commercial banksbythe Central Bank of Nigeria (CBN).This invariably means those without BVN may not have access to capital from FinTech services. In Nigeria, similar to commercial banks, FinTechservices are provided through the internet, applications, business funding, mobile phones, and other electronic devicessuch asmoney transfers, insurance, payments, and deposits[1]. Additionally, these companies have employed traditional African savings methods including the thrift plan techniques that attract little or no interest on loans[2]. The seamless and convenient nature of these services has not only made them attractive (because it eliminates the physical presence of the customer or accountholder) but has thrived in emerging economies of Africa including Nigeria, Ghana, Algeria, Rwanda, Kenya, Egypt, andMorocco. Although not all FinTech companies in Nigeria are venture capitalists, their dynamic delivery approach to meeting the financial needs of businesses across the country has penetrated Nigeria's SME market and skyrocketed the financial inclusion ratessimultaneously. FinTech services in the last five years have been said to be plausibly enhanced by Artificial Intelligence (AI)[3] where efficiency boost and speed at minimal cost is the goal[4]. However, thehuman

[1]Humby, K. (2020). Scaling in Africa: motives, modes and challenges of internationalization within the inclusive FinTech industry. Generic: University of Twente (student Thesis), 1-3.

[2]Olatunji, T. (2020, December). Advancing the Cause of FinTech in Nigeria through Regulation. The Gravitas Review of Business & Property Law, 11(4), 19.

[3]These include chatbots, software robots and automated processes.

[4]MarutiTechlabs. (2021). How can Artificial Intelligence help FinTech companies? Ahmedabad, Gujarat,India. Retrieved September 22, 2021 from https://marutitech.com/how-can-artificial-intelligence-help-FinTech-companies/

Connection may be lost (and yet to be fully adaptable), it is hoped to be regained with AI'scontinuous trend in online presence and advancing human intelligence beyond the human mind (Ibid). Similarly, it is proposed to separate intelligence from knowledge at full capacity while having the ability to meet the needs of customers at personal scalesachievable throughFinTech companies and escalate the numbers of financially included persons in Africa.At this time, FinTech in Nigeria has successfully increased financial inclusion through specifically targeting SMEs (and MSMEs) to increase their ability to access capital at agreed charge rates (unilateral control of these rates by the CBN)[5]. This is collaborative with data[6] showing that Nigeria harbors at least 45-50% of Africa's SME market; over a 200million people, a high workforce percentage that provides a profitable (but risky) venture for investors all over the world.Regardless of the successes recorded, financial exclusion of adults especially within the northwest and northeast of Nigeria have been recorded with high numbers not being able to assess banking services within reach[7]. Despite having the highest youth population, AI's ability to illuminate the frontiers of new financial technology (including financial inclusion) in a country like Nigeria may be marred by peculiar African challenges such as low education, rural development, infrastructural and structural deficiencies, unavailable centralized databases, etc.

**Significance of Research:** The FinTech revolution can exponentially enhance global financial inclusion and internationalization of SMEs, particularly in the informal sector. It is no gainsaying that the informal sector in African economies is a huge contributor to their GDPs and as such, the need to explore the impact of this revolution cannot be overemphasized. The Nigerian economy after being declared an emerging economy in 2020 by IMF (International Monetary Fund)[8]has relative African problems of insecurity, corruption, economic imbalance, and income inequality which FinTech companies can demote by providing capital, business consulting and risk management services that enable low-income earners earn more and increase the circular flow of income and reduce poverty cycle. However, the SME market may have been impenetrable because of the existing distrust in the financial system[9], peculiar customer habits, security breaches, and low transparency.Therefore,the financial inclusion of the informal sector can be enhanced by the government or policy stakeholders in Nigeria (and Africa) by creating values and eliminating the problem factors aforementioned.

As an exploratory study, this study would extensively add to literature within the subject of discourse and assist FinTech companies to internalize their strategies for financial inclusion in both the formal and informal sector. Also, recommendations from the study would provide insight suitable for policy regulators and key stakeholders in Nigeria and other parts of Africa that can spur economic growth and development. Therefore, this study would provide answers to the following questions: To what extent has FinTech impacted SMEs in Nigeria? What peculiar African challenges are faced by FinTech companies? Have FinTech companies contributed to financial inclusion in the informal sector? What collaborative strategies are put in place by the government and FinTech companiesto increase the financial inclusion of SMEs (both formal and informal sector)?

**Research Methodology:**To provide answers to the research questions, the research design is qualitative. Qualitative research design enables the researcher to acquire original content, provide unique insight and avoid reliance on predetermined assumptions. This study adopted primaryand secondary data. The primary data were retrieved from executives of unicorn statusFinTech companies in West Africa: 'Paystack, Flutterwave, and Interswitch'[10] through semi-structured interviews. This data instrument provides scalability, anonymity, practicability, and ease of collection via digital platforms (recorded videos or telephone conversations). The interviews would be an additional research instrument to data retrieved from newspapers, recent and relevant

[5]CBN (2020). The Central Bank pf Nigeria, Statistical Bulletin, Volume 31, December, 2020

[6]PWC(2020). PwC's MSME Survey 2020- Building to Last (Nigeria's Report). PWC, KPMG, Nigeria. Abuja, Lagos, Port Harcourt: PWC, Nigeria. From https://www.pwc.com/ng/en/assets/pdf/pwc-msme-survey-2020-final.pdf

[7] Wayne, T., Soetan, T., Bajepade G., &Mogaji, E. (2020). Technologies for Financial Inclusion in Nigeria. Research Agenda Working Papers., 4, 40-56.

[8]Miller, D. (2020, May 18). *Ashmoregroup.com.* From http://www.ashmoregroup.com/

[9]Saleh, R. I. (2021, Aug). Nigerian Customer Habits. Journal of Accounting & Economic Review, 1-3.

[10]Akerele, L. (2020, April 18). Nigeria's Response on its Financial Policies & Strategies: FinTech, The New Normal. Abuja, FCT, Nigeria. Retrieved August 18, 2021 from Nairametrics.com: https://nairametrics.com/2021/04/14/foreign-trade-nigeria-french-trade-drops-to-2-3-billion-in-2020/

Publications as well as reports from multilateral organizations like the World Bank, UN, and AFDB (African Development Bank).

**Review of Literature :** Many works of literature have argued that the sole purpose of FinTech companies in Africa is to increase financial inclusion through profitable routes especially withthe incessantpopularity of venture capital investmentsacross the continent[11].Thus, FinTech has contributed to financial inclusion as well as the overall economic growth of countries in Africa(Nigeria, Ghana, Gambia, and Kenya)[12].Focusing on digital transformation and financial inclusion in Nigeria[13], the study highlighted the use of FinTech as an essential instrument geared towards increasing financial inclusion in the country. It particularly niches on how this meets at least seven out of seventeen SDGs (Sustainable Development Goals) collaborated by multilateral organizations around the world (United Nations, World Bank, etc.). Financial technology as described by the study not only niches on its use as a means of accepting and utilizing seamless technology for financial products and services but also an industry in its capacity that enables these services[14] engineered through "dynamic and innovative delivery" (ibid) possible.

Furthermore, the study[13] described financial inclusion similar to the World Bank's definition as a medium that universally enables persons to access financial services (and products) through existing and non-existing internet platforms that essentially satisfies a need. Although it emphasizeshow much FinTech has penetrated the Nigerian financial infrastructure and SME niche to be better nationally and internationally, it also redefines the obstacles of the increasing population as a deterrent to achieving high financial inclusion as evident in other Asian countries[15]. [13]The study undoubtedly argued that FinTech provides easily accessible networks, delivery, data, and services that foster economic development but also accentuates the need for Nigeria's financial infrastructures from regulatory authorities to the end of the FinTech chain to be restructured better to accommodate the essentials of this advancement in the shortest time possible. With the National Inclusion Financial Strategy launched by the CBN in 2012, optimistic financial inclusion rates of access to savings, credits, payment services, insurance, and pension in 2020[16] have not been met but are expected to be achievable by the end of 2021. The effect of FinTech on financial inclusion cannot be eliminated especially in EMEs (emerging markets and economies) in West Africa. [13]The study also showed that a small percentage of 19% in rural areas are financially included in Nigeria possibly due to increased broadbands and network coverages.

In another study, examining the effect of international and domestic remittances on financial inclusion in Ghana[17], the study with the use of force entry methodology concluded that domestic remittances had a higher influence(than international remittances) on the level of financial inclusion rates recorded in Ghana. Additionally, the study argued that although international remittances are very prevalent in Africa, sighting the World Bank's Report of 2014, about two hundred million migrants each representing families across the continent leave their birth countries to other countries for better living standards. Thus, their friends and families become beneficiaries of their labor benefits/wages (Ibid). These wages are then circled for the creation of business ventures, household responsibilities, construction of homes, etc.Furthermore, the study[17] specifically identified theoretically and empirically that these funds do not necessarily influence the opening of bank accounts or access to loans from banks or FinTech companies by consumers but also have the potential to encourage financial inclusion in the long run (Ibid). With the use of domestic remittances, micro and macro-level players can contribute to economic development through mobile (internet) applications incountries like

[11]Chetty, I. (2021, April 6). Venture Burn. Retrieved from ventureburn.co:https://ventureburn.com/2021/04/nigerian-FinTech-launches-feature-to-empower-smes-in-region/

[12]Guven, M., & Karlen, R. (2020). *Supporting Africa's urban informal sector: Coordinated policies with social protection at the core* . Nairobi: The World Bank Open Knowledge. Retrieved from https://openknowledge.worldbank.org/bitstream/handle/10986/36584/Social-Protection-for-the-Informal-Economy-Operational-Lessons-for-Developing-Countries-in-Africa-and-Beyond.pdf?sequence=1

[13]Omisakin, A. (2021). Digital Transformation and Financial Inclusion in Nigeria. *DLA Piper*, 1-13.

[14]Such as "blockchain, mobile payments and savings, peer-to-peer lending platforms, crowdfunding" etc.

[15]China, Japan, Taiwan and South Korea

[16]Youla, T. M. (2021). Financial Technology, Any Deterrents in Africa? *AJPA*, *2*(2), 2-11. Fromwww.ajpa.articles/documentaries_1021/

[17]Gatsi, J. G. (2020). Effects of International and Internal Remittances on Financial Inclusion in Ghana. ARMG, 4(3), 109-123. Doi:http://doi.org/10.21272/fmir.4(3).109-123.2020

Rwanda, Kenya, Ghana, and Tanzania who have recorded high usage and high financial inclusion despite internet fluctuations and network coverage challenges (also evident in Nigeria).Although the study contributed to the literature by examining financial inclusion through remittances from loan acquisition, bank account opening, and loan grants, it could only determine its empirical results from the number of households that were already financially inclusive. Therefore, negates the extent to which financial inclusivity could heighten or less the rates to which households in Ghana may be potentially inclusive in the long run.Another study[18]also revealed that FinTech companies have massively contributed to the growth of SMEs in Africa with the largest revenues generated by Nigeria, Ghana (and Kenya). Arguably, these companies have naturally increased financial inclusion but have not been able to expand the SME market due to financial, regulatory, and socio-economic challenges. The study reviewed over 50 published articles and redirected that despite large shares of growing SMEs especially within the manufacturing and agricultural sector, FinTech's opportunities are limited to only internet-savvy clientele who may be less visible in these sectors (Ibid). In emerging economies, however, several attempts have been made to understand the extent to which FinTech companies through venture capitalism have been able to deter economic underdevelopment. It is no gainsaying that raising capital[6] is one of the major issues faced by SMEs in Africa, however, this financial gap has been tagged as high risk by FinTech companies in this continent also struggling to survive amidst the harsh conditions of pandemics and unstable regulatory policies issued by the government to retain monopolistic power of the country's economic stability[19]. The bigger players of the venture capitalist market in emerging economies like Brazil, China, and India have accelerated their SME market growth in 2020 but with other smaller players with higher potential by 2025 (Ghana, Uganda, and Egypt)[16]. In addition, the study[18] concluded that venture capital is undoubtedly a catalyst for job opportunities, SME revenue, and profit stability (for FinTech companies), but is only evident in venture-capital-backed businesses. It recommended that the policy regulators niche conducive business environments for the providers and recipients of venture capital to be accessible and tolerable to speed drive economic growth, especially the SME markets in Africa.

**Financial Inclusion in Nigeria through FinTechCompanies:**A significant milestone in Nigeria's technology industry in the last decade has represented a reformed entrepreneurship culture that has metamorphosed how millions of the Nigerian people (entrepreneurs and others) can employ technology to meet their financial needs in the new digital era[20]. This is true based on World Bank findings of 2019 that there are over 106 million adult Nigerians (ages 15-64).59million are aged 18-64out of which 73% (43million) are unbanked[21]. Many studies have argued that their reasons range from distances between home and bank locations, low income to documentation unavailability (formal identity cards and address verification). This presented an opportunity for FinTech companies to penetrate the market, raise capital and create wealth while simultaneously attracting the unbanked population.

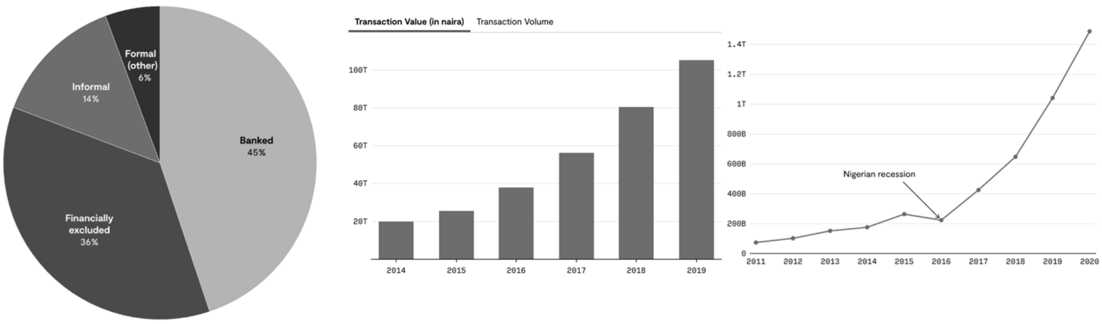


***Figure 1-*** *Graphical Data of Financial Inclusion, EFT Payments & Total Deposits (value)*
*Source: Statistica (2021); EFInA (2021); FMT (2021)*

[18]Kato, A. (2021). A Literature Review of Venture Capital Financing and Growth of SMES In Emerging Economies and An Agenda for Future Research. *Academy of Entrepreneurship Journal, 27*(1), 1-17.

[19] PartechAfrica, T. (2020). *2019 Africa-Tech Venture Capital Report.* Cape Town/Lagos/Accra/Nairobi: Partech Partners 2020.

[20]Hayworth, C., Melzer, I., &Colli, C. (2020). Digital Financial Services Measurement Framework- Clients-Served Approach for Digital Usage. FinMark Trust Research Hub-Insight2 Impact, 1-45.

[21]EFInA. (2021, November 04). Enhancing Financial Innovation and Access: Access to Financial Services in Nigeria 2020 survey. Access to Financial Services in Nigeria 2020 survey. Lagos, Abuja, FCT, Nigeria: National Bureau of Statistics; EFInA. Retrieved January 6th, 2021, from http://www.a2f.ng/

Fig. 1 above depicts the percentage of financially included and excluded adults (includes ages 15-64)[20] in the country, a niche for the present digital era to erect a bastion that can permanently sustain the country's economic growth indices. The bar chart shows the growth of EFT (electronic fund transfer) payments in value and volume since 2014 (a fivefold surge).Some authors[31] believe this has been attributed to FinTech's contributions through services of unicorns like Flutterwave and Pay Stack who received massive US investments in 2019 and 2020 (U.S Stripe paid over $200 million to acquire Paystack in October 2020, and Tiger Global valued Flutterwave at over $1 billion in March 2021)[21]. The persistent increase shows the higher use of digital means of payment i.e., cashless transactions. The line chart shows the increase in Nigerians' total deposits in savings and investments, especially startups.[22]The year 2020 recorded $3.6billion despite the hard-hit of recession in 2016 (Ibid). FinTech has made it possible for Nigerians to invest their surplus funds in worthy investments within and outside the country through equities, investments (e.g., agrotech[23]), and foreign currency savings. This is evident in fig. 1 from ₦223billion ($541.7million) to ₦1.4trillion ($3.4billion) in 2014 and 2020 respectively[20].

It is no gainsaying that FinTech companies increase financial inclusion through SMEs by investing with private equity or venture capital options repayable at agreeable rates which may or may not be at a disadvantage especially with prevailing factors mentioned previously. Some of these companies are Nigerian/African-owned (while others are foreign-owned) but are targeted towards reassuring their business diligence, profitability strategies, and economic contributions to Nigeria. Many of these companies also do not have physical offices like commercial banks but have a stringent yet efficient online presence that solves all customers'inquiries and issues, transactions, and concerns. The seamless appearance of FinTech companies in the SME market reflects the unique level of where the world is headed, amid the pandemic and how much the digital transformation of financial services meeting needs has come to stay.

The percentage of people in Nigeria who have access to financial services has grown from 56.8% in 2016 to 63.2 percent in 2018 and a projected 80 percent for 2020[24] (with an undetermined percentage from the informal sector). Financial institutions and FinTech companies within the African context have realized the need to ensure the affordability of financial products and services[25]especially to attract the informal sector. Nigeria's informal sector is estimated to be 65% of the economic size, the major source of employment (across Africa accounting for 70 percent of employment and backbone of economic activity in Sub-Saharan Africa; 62 percent in North Africa)[26], many of which are SMEs and yet excluded (no financial inclusion) in the economy. Although governments of the world have instituted several policies to include the informal sector (to the formal sector), policy responses to the informal sector by some African governments focus on disciplinary and regulatory measures to force formalization or remove vendors from the city, while others focus on releasing the informal sector's untapped entrepreneurial potential[27] that helps elevate poverty and balance income (this is in line with UN's sustainable development goals agenda of 2015).

**Nigeria's SMEs Market:** SMEs (small and medium enterprises) account for 96 percent of businesses, 84 percent of employment, and contributes around 49 percent of Nigeria's GDP[28]. This means over 50% of all industrial employment and virtually all of the manufacturing sector in terms of the number of businesses with a total population of around 17.4 million are under the SME category (micro, small and medium enterprises (MSME) population is around 45million)[29] (Ibid).

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[22] FMT(2021). Evidence of Deposits in Nigerian Financial System. Atlanta: Fin Mark Trust Inc.

[23]Agrotech is the use of innovative digital technology to raise capital usually through crowdfunding that increases the yield, efficiency and profitability of farm produce sold to larger markets and merchants

[24] CBN. (2019). Central Bank of Nigeria Bulletin 2019, volume 30. Abuja: CBN.

[25]Akerele, L. (2020, April). The Conversation. Retrieved from https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwjMsICvwqbxAhUixoUKHRWjAuEQFjANegQIFxAD&url=https%3A%2F%2Ftheconversation.com%2Fnigeria-is-making-progress-with-financial-inclusion-heres-how-160947&usg=AOvVaw1jfQwaXW

[26]UNECOSOC. (2018). United Nations Economic Commission for Africa. United Nations.

[27] Akinola, O. (2020). Electronic Banking business in Sub-Saharan Africa: Socio-Economic impact and theactivities of FinTech Ecosystems. HHL Graduate School of Management, 3.

[28] PWC. (2021). Assessing current market conditions and business growth prospects: Nigeria SME Survey. Lagos: PriceWaterHouseCoopers. Retrieved from https://www.pwc.com/ng/en/events/nigeria-sme-survey.html

[29]Velluet, Q. (2021, January). The African Report. Retrieved from https://www.theafricareport.com/65100/covid19-supporting-africas-micro-businesses-to-help-them-survive/

Regardless of SMEs' major contribution to the Nigerian economy, obstacles to their growth and development continue to exist[4]. This is inclusive of uncompetitive salary levels, high inflation (double-digit) that deters savings, increasing poverty levels, and high financial illiteracy amongst the populace[30].The informal[31] sector of many African countries (including Nigeria) thrives and drives their economies with little or no remittances made to their tax authorities or through proper channels that can trace the origin and end of legal transactions[32]. SMEs in Nigeria have been choked with the country's unavailable amenities of electricity, water, and good roads that have frustrated and slashed their profits and smooth operations. Additionally, uproar legislations and taxes have contributed to many legal (and prospective) SMEs shutting down abruptly.

Nigeria inhabits 50% of Africa's SME market despite having only 18% of Africa's GDP and population[33]. According to data[21] between 2018-2021, many foreign investments have penetrated the country raising "FinTech investments by 197%" (Ibid) and accelerated capital investments in worthy startupsthat have shown great potential and high profitability. Albeit these companies were majorly founded by Nigerians, success stories of these companies include that of Pay Stack, Piggyvest, and Flutterwave. These companies have demonstrated that the FinTech penetration in the Nigerian SME market regardless of the challenges can produce great results[34].

| Fintech Companies Nigeria | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | A | Service Components | PMMDB | Loans | SIC | ESI | Cryptocurrency | InsurTech |
| | | Current Capacity | 38% | 23% | 15% | 13% | 8% | 3% |
| | B | Impact on MSME (estimate %) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| | | 45.1 million Business Owners | 15.35% | 19.57% | 35.60% | 28.48% | 44.50% | 57% |
| | | GDP Contributions | 11.40% | 11.90% | 16.50% | 37.50% | 40.18% | 49.80% |
| | C | Dominating sectors | Trading (Retail & Wholesale) | Agriculture | Other Services | Manufacturing | Hospitality/ Food services | |
| | | As at 2021 | 42% | 21% | 13% | 9% | 6% | |
| | D | Enablers (4) | Venture capital & Private equity | Associations and Facilitators | Accelerators and Incubators | Regulators | | |

***Figure 2****-FinTech Companies' Contributions (Nigeria).*

*Source: EFInA (2021); PWC Nigeria's Report (2020); EFInA (2020);FinTechNGR (2021); NBS (2020); CBN (2021) *Where PMMDB- Payments, Mobile Money and Digital Banking; SIC- Savings, Investment and Crowdfunding; ESI- Enterprise Services & Infrastructure.*
**45 million business owners are MSMEs- micro small and medium enterprises defined as businesses with less than 300 employees or less than ₦300million turnover (Oyeyinran, 2020).*
**Regulators- National Information Technology Development Agency (NITDA), Central Bank of Nigeria (CBN), Federal Ministry of Finance (FMF), FinTechNGR (FinTech Nigeria), etc.*

The rich prospects of Nigeria's SME market are yet to be fully utilized by the country's macroeconomic policies and the environment through its designated institutions compared to other developing and developed countries of the world. This is evident in Nigeria's data[35] presented in September 2021 showing the massiveness of the country's SME/MSME market size (96%- Nigeria compared to 53% the United States and 65% in Europe) and its contribution to GDP.This is collaborative with fig.2, showing the degree to which FinTech has penetrated the

[30]Kola-Oyeneyin, T., Kuyoro, M., Anthony, A., & Olanrewaju, T. (2021). *The Future of FinTech in Nigeria's Banking Today- 2021: The Year End and New 2022.* Atlanta, United States: McKinsey & Company.
[31]Informal sector-sometimes known as the "shadow economy," which benefits from flexibility and cheap operating costs, making them more competitive than official sectors and often imped the growth of formal recycling markets.
[32] Elumelu, A. F. (2020). Nigeria's SME Market: The Flexibility of E-commerce Today. Academic Research of Business & Technology, 1-11. doi:10.1073/0022-3514.45.2.537
[33]EFInA. (2020). FinTech Landscape and Impact Assessment Study 2020. Retrieved September 1, 2021 from https://efina.org.ng/our-work/research/access/pdf
[34]Monteiro, L. (2021, August 12). FinTech Start-ups to Watch Out for in Nigeria. Atlanta, United States: IBM Intelligence- Global FinTech Prospective. Retrieved January 5th, 2022 from https://ibsintelligence.com/ibsi-news/3-promising-FinTech-start-ups-to-watch-out-for-in-nigeria/
[35]Osinbanjo, Y. (2021). Securing Our Future, The Fierce Urgency of Now. *27th Nigerian Economic Summit (NES)* (pp. 1-56). Abuja: Nigerian Economic Summit Group.https://nesgroup.org/27/

Market, effected economic changes, and eased the financial needs of SMEs across the country. Although deterred by existing challenges and conditioned environment further caused by COVID19[27], an opportunity with the youth population, and increasing digital penetration (smartphones, cashless transactions, and regulatory policy bumps); FinTech companies had strategized their efforts to gain a profitable stance in Nigeria. Archetypes of the existing digital financial solutions have been developed to match up the growth pace similar to SME markets likeIndia, Indonesia, and China (such as Grab, PayTM, PhonePe, Google Pay, etc.)[36]. Furthermore, fig.2 also shows that despite the appealing methods of market penetration and financial services offered by FinTech companies, out of 200 registered FinTech companies, only 38%, 23%, 15%, 13% 8% and 3% provide the services components as shown above. The value propositions of these service components are made available through numerous online channels and commercial banks' collaborations.45million MSME owners are utilizing each service component for their businesses[37].The dominating sectors where FinTech services are most used are also depicted above.

The evidence[5] and existence of FinTech's impact shows great progress on the Nigerian SME market but data shows that the biggest obstacle to SME owners is access to capital[30]. However, many FinTech companies have acknowledged the fact that the unavailability of reliable and traceable data of beneficiaries (especially MSMEs who make up 96% of 45.1million businesses with ownership structures of 73%-sole proprietorship, 14% private liabilities, 13% partnership, 5%faith-based, 3%-cooperatives and 1% others)[38]as well as lack of collateral are the main obstacles to their ability to access capital[23].Nigeria's current ability to be at par with other developing and developed economies around the world as recorded by World Bank's Global FinTech in 2021[39] shows that the uproar of recent regulations within the country may still advance its response with FinTech and its innovations generally. Although a study[40] disagrees with the current state of mismatching regulations and argues that the inconsistent and slothful pace of the country's response to global market changes through technological advancements may mar the country's ability to compete globally on many financial aspects particularly its macroeconomic policies that have shut out many foreign exchange investors, consistent devaluation of the Naira, high transportation costs (resulting from crude importation), dollarization of transactions and border closures. Furthermore, arguments about "Africapitalism" are raised in the study, exemplifying the need to niche the combination of growth strategies with inclusiveness, technology, digitalization, and a wider width for private equity to be more pronounced amongst entrepreneurs (Ibid). Therefore, the good tidings of the SME market at its current state must be maintained or improved with collaborations of key stakeholders across the country since it inhabits an accelerating catalyst that can boost the economic growth of the country inclusively. This can only be achieved with consistent, reliable channels and a conducive environment for FinTech companies to operate on non-intrusive but regulated terms within their niche.

## II. DISCUSSION

This study's primary data (interview) revealed three major findings. First, FinTech companies have impacted SMEs in Nigeria with the majority focusing on lending, capital investments, financial literacy, and seamless cross-border payments. Although each of these transactions is still dependent on the banked population i.e., those with accounts deposited with commercial banks, Interswitch for example created several money agents stalls across Nigeria to serve as 'banks at home' niched around inaccessible areas by traditional commercial

[36]McKinsey. (2021). The Untapped Potentials of Nigeria's SME Market. McKinsey Group: McKinsey Global Banking Pools, 1-107. These Archetypes include: digital banks (NuBank, Revolut), niche focused players (within localized geographical areas that center on credits/payments, B2B niche markets and specific product niches) and group investors (orchestrators) including angel investors and other large venture capitalists.

[37]FMF. (2021, September). Federal Ministry of Finance, Budget and National Planning Quarterly. Federal Ministry of Finance, Budget and National Planning Bulletin (Periodical), pp. 11-19.

[38]The WorldBank Report. (2021). Global FinTech-Enabling Regulations Database. Paris, Paris, France. Retrieved January 7th, 2022, from https://www.worldbank.org/en/topic/FinTech/brief/global-FinTech-enabling-regulations-database

[39]World Bank. (2021, December 11). Global World Bank Fintech Enabling Regulations Data Engine. D.C, Washington, United States. Retrieved Feb 01, 2022, from https://www.worldbank.org/en/topic/fintech/brief/global-fintech-enabling-regulations-database

[40]Amaeshi, K. (2020). Africapitalism: The New Normal, The Way Forward. Tony Elumelu Foundation (Research & Publication), 2(1), 1-102.

banks. Interswitch and Flutterwave have independently been able to foster payments for the unbanked for utility bills, money transfers to accounts using mobile numbers, which eliminates to a large extent the use of bank accounts.Thus, cashless monies are exchanged and withdrawn with an automated teller machine (ATM), point of sale stalls, or USSD (unstructured supplementary service data) codes. It is impossible to track exactly in figures how much each of these companies have contributed but their business histories made the public show their efforts to enhance financial inclusion especially from the 'unbanked population'. Slowly but steady as the representatives of these companies had explained, the unbanked is a target that would mutually benefit the recipient and service provider. The availability of products and services also distinctly translated to localdialects by both Paystack and Interswitch is bided advantage. They have both been able to attract the grassrootsbut deterred by the current distrust in the financial system, business risk (propelled by insecurity and inflation), credit risk (aided by income inequality and unstable government policies).

Secondly, the representatives (appendix) mentioned inflation, political instability, poverty, imbalanced education, access to finance, income inequality, sustainable agriculture, border violence, and religion as challenges peculiar to Africa. Each representative summarized that poverty and insecurity at this time are challenges that have affected their clients, especially within the agricultural sector. Income equality begets poverty and ultimately depletes economic stability, increases inflation, and financial crisis at both household and economic levels. Many of these are environmental, yet uncontrollable factors that some of the representatives believe have cringed their customer base and reduced profits for their businesses but the innovativeness of the services provided has also been an advantage that seems to simmer the effect of these challenges. These challenges are at the peak for the informal sector according to the Paystack representative because these businesses do not usually have insurance covers, investment portfolios as fall overs,or stable saving measures that may stock up for 'doom business days.'

Thirdly, collaborative strategies by both the government and FinTech companies have been ongoing as mentioned by the interviewees but they all agree that more can be done. For example, Interswitch has partnered severally with the Bank of Agriculture Nigeria, Agricultural Development Bank Nigeria, Access Bank Lending, etc. Similarly, Flutterwave with the FGN (Federal Government of Nigeria) schemes on loan disbursements, insurance covers, and grants have been adopted in several states across the country. Albeit these efforts are visible, feasible, and somewhat sustainable, the challenges faced for their long-term effect within their sectors may be short-lived. So much more can be done with a government fully engrossed with facilitating the balance of wealth of people especially at the grassroots when there is a blueprint of what the private and public stakeholders can do to sustainably increase the long-term effect of FinTech's services in various sectors if the challenging factors mentioned were to be tackled (in both the formal and informal sectors).

## III. CONCLUSION & RECOMMENDATIONS

FinTech is here to stay regardless of incessant challenges- controllable or uncontrollable. The discussion above matches the researcher's expectations but has further revealed the gap needed to be closed with collaborative efforts and the peculiar African challenges are not only from uncontrollable environmental factors but also from controllable factors including timely strategies that fit all sectors across the SME market uniquely. The Nigerian SME market is yet to grasp the benefit of this industry at its capacity to internationalize the services or products offered by this sector. Nigeria is still a country heavily dependent on oil and imports but with a high youth population, an internet-savvy attitude that can redirect the feasibility of the present challenges for good especially financial inclusion and economic growth.As aforementioned, this potential may be hinged yet possible with strategic and timely policies, collaborative efforts with real-time services from FinTech companies appealing to the current unbanked niche to rebalance the circular flow of income in the SME market across all sectors. Therefore, collaborative efforts of these companies with the government to boost other sectors are extremely stretchable and can fasten the economic growth, improve currency exchanges and add value to Naira.

There were limitations to this study. Firstly, the topic focused on Fintech and financial inclusion in West Africa-Nigeria and an overview of other African countries. Further research could be extended to niche other African countries and possibly a comparison of other recently upgraded statuses of developing to developed countries may be explored. For example, Nigeria and Rwanda, Ghana and Seychelles, etc. Secondly, only three unicorn status Fintech companies were understudied. More of these companies across the region may be explored against leading FinTech companies like Transfer Wise, BigPay, E-transact, etc. Finally, interviews and text analysis were used for this study. Additional research may use longitudinal or survey responses that cover more FinTech companies in Nigeria or anywhere else for in-depth analysis.

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## APPENDIX

**Interview Questions**

1. We both understand you have signed a non-disclosure agreement to keep your identity, could you please state your hierarchy at your organization?
2. How long have you worked at your organization?
3. As a staff at your organization, do you believe that its impact on the Nigerian SME market has had consequences on its modus operandi and capital investments today?
4. What method or strategy did you think was unique at your organization that enabled its penetration in the SME or MSME sector today?
5. Has your organization considered the Nigerian informal sector? If yes, why?
6. Can you illustrate what has been done so far by your organization to increase the financial inclusion rate from the informal sector?
7. Do you agree that the government has a huge role to play in facilitating and accelerating the financial inclusion of the informal sector?
8. Do you believe the FGN has been collaborative enough to foster speedy development of the SME sector? If yes or no, what do you think can be done better?
9. What are the challenges peculiar to Africa and how has this impacted business in your organization?
10. Studies have shown that there are several challenges faced by SMEs in the country. Can you confidently affiliate this to the peculiar challenges faced in Africa?