Chapter 14
Economic African Development in the Context of FinTech

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ABSTRACT

The purpose of this chapter is to analyze the effect of FinTech and political incertitude on economic growth through a multiple regression. Thus, the authors employ the method of generalized least square (GLS) with panel data. The sample concerns 21 African countries during (2001-2014-2017). The authors use a wide range of measures from Global Findex Database 2017, the World Bank platform, the World Bank national accounts data, and the OECD National Accounts data files base in the context of Africa. Empirical results show that FinTech is a driver of economic growth unless it is actively used in a developed digital infrastructure. In fact, the authors prove that, when financial technologies are used in both transactions (receive and made digital payment), they significantly contribute to the economic cycle. Passive use like simple consumption actions are not a significant lever for the economy. The principal contribution is to highlight that the active use of financial innovations and not passive one and the developed digital infrastructure do promote economic growth in African countries.

INTRODUCTION

Despite numerous constraints that hinder economic development, Africa does not escape to the digital revolution through technological innovations. Concerning financial and banking services, Fintech appears as an innovative start-up allowing bankers and traders rethink the model of finance and consequently economic solutions.

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Since 2010, Fintech has been presented as an important factor in improving the growth rate of African countries (Chakravorti et al., 2017). In this context, several studies have analysed the role of Fintech in the development of countries such as Nambisan (2017), Autio et al. (2017), O'Connor and Allan (2016) and Puschmann (2017). Boot (2016) and Puschmann (2017) have defined Fintech as a new type of financial service (remittances, asset management, and payment) associated with computer technology. In fact, technologies have made remarkable progress in the telecommunications, IT and audio-visual sectors. This will lead to an increasing improvement in service productivity, which meets consumer expectations. Alt et al. (2018) confirmed the obligation to stimulate the expectations of consumers who accept new technological products to seize market opportunities. As a result, these technologies appear to be an important element of economic development, particularly for emerging economies (Guzy, 2016).

In the African context, Chishti and Barberis (2016) concluded that there are more mobile money accounts than bank accounts. According to the authors, financial technology makes it possible to create a new infrastructure capable of ensuring a better inclusion of millions of people in the real economy. These results are confirmed by Claessens et al. (2018) who stated that financial technologies promote investment growth in the region by improving the efficiency of financial market infrastructure, including regulation and clearing in sub-Saharan Africa, compared to other regions of the world. In this sense, Lenzhofer et al. (2013) confirmed that citizens do not need banks only for banking services. On the other hand, they found that some customers around the world remain sceptical despite all the advantages of Fintech innovations. Triki and Faye (2013) noted that Africa is in the phase of transformation and technological and entrepreneurial revolution. These results are also confirmed with the Kanza (2016) and Ndemo and Weiss (2017) studies but are invalidated by the results of other studies, including Malecki and Moris (2007), Foster et al. (2018) and Murphy and Carmody (2015). This explains why this region lags behind Europe or Asia in terms of Internet connectivity or the amount of digital production (OECD, 2016; World Bank, 2016, Pejkovska, 2018; Bahrini, 2019 and Graham and Mann, 2018). Furthermore, Watanabe et al. (2018) found that ICTs are striving to transform themselves into a new economic model generating GDP; they assume that the Internet is a source of happiness for Internet users through its consumption, but cannot be captured by GDP data, which measures economic values. Therefore, the above-mentioned transformation of global ICT companies can be seen as a spontaneous creation not captured by GDP. Moreover, technological entrepreneurship is now the main driver of economic growth and cultural progress, which involves both the application and production of technology (Siyanbola et al. 2011, Goutam and Rishiraj, 2015, Nambisan, 2017 and Puschmann, 2017). According to Rob Nichols (2017), the success of profitable innovation is linked to customers since it is their desires and needs that must guide solutions. Therefore, FSB (2019) and European Economy (2017) point out that technology facilitates the unbundling of services offered by banks and reduces several barriers to entry into the financial market.

Similarly, recent studies have noted that mobile payments are already popular in Africa and that central banks often encourage faster systems and have found that financial technologies favor retail transactions (Philippon, 2017; Chishti and Barberis, 2016). In this sense, the European Economy (2017) found in a recent survey that one in four people have a bank account. Therefore, it has been confirmed that even a low account rate in banks has a positive and very significant effect on mobile payment systems in the African context. Furthermore, financial technologies provide an opportunity to promote the financial inclusion of low-income households and can be a catalyst for poverty eradication, business development and cost reduction. Deloitte (2019) noted that Fintech companies are characterized by stricter regulation