

How fintech will democratise the internet

 By [Justin McCarthy](#)

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Since the advent of the decentralised blockchain in 2009, ingeniously invented by the pseudonymous Satoshi Nakamoto, fintech has bloomed. It has also created mass confusion among consumers, bankers, investors and technologists themselves.

The potential applications of blockchain and cryptography are enormous. Like all great technology leaps, there are always three parts to the sandwich: the hypesters and the haters on opposing sides of the filling being every man trying to decode what all the conflicting and confounding noise means.



Justin McCarthy is CEO and co-founder of [projectUBU.com](#) and also a member of the Blockchain Advisory Council, Zug, Switzerland.

As an entrepreneur working with blockchain, cryptography and payment systems, I list what I believe to be the major trends in this rapidly evolving space.

1. Market saturation

As noisy and crowded as fintech appears, we are only scratching the surface of its potential. The initial players were financial services with the early advantage of banking licenses. Then came the telcos, M-Pesa proved to be an incredibly successful adoption of airtime as a currency. A decade later, M-Pesa accounts for 35% of Tanzania's GDP transacted through its channels; that equates to a staggering 1.2 trillion transactions per month.

Many telcos and startups have failed to replicate this model, mostly because the conditions under which M-Pesa boomed were unique. It is a common perception that Safaricom (now owned by Vodafone) created the product when in fact it was users who did so.

In the second phase, we're seeing multiple new versions, emerging from across the African continent, some decentralised, some not. I believe thousands of applications will emerge in the short term, each fighting for space in "democratising" payments, but only a handful will succeed long term. Wala is one to watch.

2. Market education

One of the toughest things for the industry is the educational component. Whilst trust in banks and telcos is at an all-time low, technological leaps are daunting for new adopters. Africa's young population profile presents fantastic opportunities, as tech-savvy 18-30-year-olds are the first generation to grow up in a high-tech environment. Their digital native status makes them mass adopters, particularly of any tech that distances them one step further from government and institutional controls.

3. Trust

The trust issue relates mostly to banks and telcos - both of which tend to have abysmal records in consumer service, fees, lock-in clauses and high barriers to exit. The opportunity is for small players with uniquely differentiated offerings to scale rapidly off these weaknesses – provided they offer security (critical), lower costs and greater convenience.

Mobile applications are the bedrock. Most banks have good mobile interfaces, but these are stopgap measures to retain existing clients. The mass un/underbanked don't use or trust these facilities for a variety of reasons. There's an opportunity for innovative players to break new ground here, which is happening rapidly.

4. Regulatory uncertainty

So much is happening and not happening in this space, varying greatly from market to market. South Africa is well positioned (SA Reserve Bank is one of the more advanced policy leaders in the world), but some other African markets are utterly resistant.

Regulators need to catch up quickly or face disintermediation. The democratisation of personal data and money is well underway. One of the finest books to have been authored on the subject of blockchain and Bitcoin is by Saifedean Ammous, called *The Bitcoin Standard*. This podcast is a good summary of his work and well worth the hour's listening.

5. Frictionless is the Golden Key

Frictionless is the most compelling feature in fintech. This is currently very difficult to achieve without traditional intermediaries, e.g., SnapScan and Zapper both require credit cards and are tied to traditional banks. This is where utility crypto tokens enter. There are thousands of cryptos, most offering zero differentiation. The near future will be dominated by decentralised utility tokens that offer frictionless P2P and merchant transactions that take milliseconds and cost next to

nothing if not zero transaction fees. Some will effectively become giant reward programmes.

6. The importance of philanthropy

A global surge in awareness of issues like big capital, centralised entities like government, legacy institutions and the newer giants like GAFA (Google, Apple, Facebook and Amazon), all of which are wealth concentrators, is facing a popular revolt. WeChat, China's super app is a case in point most Westerners are unaware of. For a glimpse into how Orwellian the Chinese present is, watch this video from the *New York Times*.

New business models with hard-coded wealth diffusion mechanisms will catch the attention of users the world over. Technology is re-enabling communities of common interest to trade just about anything. Bartering is making a comeback after centuries of enforced fiat currencies. Communities will adopt multiple methods of trade within self-managed ecosystems, the crypto equivalent of decentralised exchanges.

ABOUT JUSTIN MCCARTHY

Justin is a media, marketing, technology and telecoms specialist and a creativity and innovation crusader. Persuasion comes in many forms - subtlety is not his favourite and as a libertarian free speech advocate he defends the right to offend. He writes an opinionista column for Daily Maverick. Contact details: Twitter @justininza | Google+ | <https://za.linkedin.com/in/justinmccarthyza> | <http://whoswho.co.za/justin-mccarthy-1855195>
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