

Fintech and paratransit in Kigali, Rwanda: uniformity, gaps and speculative pilots

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Traffic stop for dignitary passage in Kigali (© Uganda High Commission, Rwanda, 2022)

Introduction

A visitor to Kigali might be struck by the ubiquity of motorcycles in the city and their near uniformity in the red vests worn by the *motaris*, the mode of payment, and the amounts paid. The backend of this uniformity consists of a wide range of features resulting from the interface between the fintech and motorcycle sectors. These aspects consist of the existing dominance of some players, gaps in tackling *motaris*' fundamental concerns, and speculative practices.

This case report unpacks these three aspects of the fintech and motorcycle interaction in Kigali: first, by showing that the uniformity is, at least in part, due to the dominance of particular players; second, by demonstrating that gaps between the sectors indicate absent features that are fundamental to the motorcycle sector; and third, contrasts these features with speculative and experimental practices.

Dominant systems, uniform platforms

The significant growth of mobile money payment systems in Rwanda has provided a base that various fintech actors have sought to leverage and profit from. While other methods of digital payment have also been on the rise, their growth has been less significant in value and in volume than mobile money payments. In the five-year period from 2016 to 2021, mobile payments quintupled in value to reach a transaction value of close to USD 10 billion in 2021 with 5.1 million active subscribers (BNR, 2021). This growth has been accompanied by the proliferation of fintech companies, with the Rwanda Fintech Association counting 31 members. In the mobile money sector, MTN MoMo has consistently been the dominant player, accounting for close to 70% of subscribers in 2020 (BNR, 2020; *The New Times*, 2021).

MTN MoMo, a subsidiary of MTN Rwandacell PLC, was established in 2021 to focus on fintech as a separate business area. MTN started operating in Rwanda in 1998 and enjoyed a monopolistic position in the mobile telephone business for 10 years, thereby establishing a legacy and status as the frontrunner in the telecommunication sector. The company has steadily grown to reach close to seven million active subscribers in 2022 and covers virtually the whole of the national territory (RURA, 2022b). MTN MoMo has leveraged the legacy and status of its parent company as well as its customer base and territorial coverage.

The dominant position of MTN MoMo is also reflected in paratransit sector payment systems, where it remains the most widely used despite the existence of rival platforms. Vuba Vuba, the biggest food delivery platform in Rwanda, offers various payment modes which include mobile money, SPENN and Vuba Wallet. It is noteworthy that MTN MoMo is the most widely used payment system on the Vuba Vuba platform. The dominance of MTN MoMo as a mode of payment is, however, most visible in the moto-taxi transport sector, which offers a multiplicity of payment methods including MTN MoMo and Airtel Money (mobile money services), SafariBus and YegoMoto Ride-Tap-Pay (card-based services), and SPENN (e-wallet).

Despite the dominance of MTN MoMo, alternative payment methods offer more added services. For instance, SafariBus, beyond being a moto-taxi payment card, can be used for public bus transport due to its interoperability with AC Group, a company that dominates the public bus transport sector with its Tap&Go cards (RURA, 2022a). SafariBus cards can also be used to electronically pay for recreational events such as music concerts and football matches, with occasional discounts. Moreover, the SafariBus card functions as a UnionPay ATM card issued by local bank, Cogebanque. SPENN not only offers cheaper transaction fees because of its ability to use blockchain technology, but also credit of approximately USD 500 on interest-free terms for the first 14 days. This loan is described by SPENN as 'the daily startup capital' that *motaris* can leverage on a short-term basis to bootstrap themselves in the event of any unplanned event that results in temporary cessation of activities. While other fintech platforms might occupy a bigger share of the paratransit sector because of their ability to use newer

technology and offer more versatile added services in the future, MTN MoMo is still dominant for the moment.

SPENN is a fintech company that operates in seven countries including Rwanda, Tanzania, and Zambia. SPENN styles itself as spearheading MoMo 2.0 using blockchain technology. SPENN Rwanda has close to 400,000 subscribers to its platform and works as a mobile banking platform in partnership with I&M Bank, a commercial bank with headquarters in Nairobi, Kenya.

SafariBus is a bus/motorcycle transport card that doubles as an ATM card. It is a product of Centrika Ltd., which has been in transport digital payment systems for a while, changing names from time to time. It started in the upcountry bus transport business in 2012 and adapted to changes in the sector. SafariBus has helped the company to break into the motorcycle business whilst integrated with other transport payment systems.

YegoMoto is another dominant player that has emerged in the moto-taxi sector. Apart from being one of the payment modes, it is also a platform in which other payment systems operate. This is due to Yego Innovision Ltd, YegoMoto's parent company, currently being the only approved provider of the Intelligent Connected Fare Meter (ICFM), a device that is fitted on all moto-taxis to calculate the journey fare. The ICFM enables YegoMoto to function as a payment aggregator for moto-taxis and, more importantly, confers on it semi-regulatory powers. YegoMoto exercises this power inasmuch as it has the discretion to select which payment platforms are hosted on its ICFM. YegoMoto allows different payment systems to be on the platform without giving precedence to its own systems.

It is the sheer dominance of MTN MoMo as a payment method and YegoMoto as an ICFM platform that explains the apparent uniformity of the *motaris* in Kigali – a uniformity that the current growth in fintech has so far perpetuated rather than disrupted.

YegoMoto is a digital payment systems aggregator. It is a product of Yego Innovision Ltd which also has YegoCabs and Yego ICFM. Yego Innovision intends to become an integrated super-app platform that offers a variety of services (Sitas et al., 2022). After a long and convoluted process of piloting the ICFM, only YegoMoto ICFM met the specifications of the Rwanda Utilities Regulatory Authority (RURA) and, as a result, is a monopoly.

Gaps, failures and fintech opportunities for motorcycle finance

Existing platforms have not been involved in tackling some of the *motaris*' fundamental concerns about financing and insuring motorcycles. The main source of finance for motorcycle acquisition is still individual investment – either by the *motaris* buying motorcycles themselves or other individuals buying motorcycles and giving them to *motaris* to operate. A rent-to-own scheme was initiated by Universal Auto, a motorcycle trade company selling Bajaj Boxer motorcycles. At its outset, the

scheme presented interesting prospects because it was premised on the idea that a *motari* would pay less than the daily amount that is usually paid to operate another individual's motorcycle, known as *versement*. At the time of writing, the daily payment was RWF 3,800, while the *versement* was around RWF 5,000.) This advantage was accompanied by the considerable benefit that ownership of the asset (motorcycle) would revert to the *motari* at the end of 18-month payment period. Furthermore, the scheme adopted a mixed approach to risks, which consisted of asking the beneficiary *motari* for a deposit of around USD 100 as a financial hedge against payment default and presenting at least three signatories vouching for the beneficiary's 'good character'. Despite its positive prospects, the scheme had to be stopped because almost one-third of *motaris* defaulted. Among the reasons given for this failure were that the *motaris* were overburdened by various taxes and fees required on a daily basis, which made regular repayments difficult. As one respondent put it: 'The *motaris* are required so many things from so many institutions and they are not helped very much.' While the causes contributing to the failure of the rent-to-own scheme are complex and involve multifaceted socio-economic factors, the use of fintech solutions, such as the ability to use a push-and-pull methodology as a smoother payment method/reminder, might have played a positive role.

Other asset finance schemes not only lack fintech integration, but are also of limited reach. Notable among these is Ampersand, an e-motorcycle company that specialises in manufacturing motorcycle batteries. Ampersand sells its e-motorcycles at wholesale value to subcontracted companies such as JALI Finance, Watu, Shell, and Bboxx, to start rent-to-own schemes. These schemes have not made huge impacts yet given that Ampersand e-motorcycles in circulation in Kigali only number 405, which is not overly consequential as over 30,000 moto-taxis operate in Kigali. Despite the competitive economy of e-motorcycles, which are estimated to be 41% more profitable than petrol motorcycles in terms of take-home revenue, petrol motorcycles still dominate.

Another notable fintech gap in the paratransit sector is motorcycle insurance. This has been a thorny issue, especially after motorcycle insurance premiums were tripled from around RWF 65,000 (USD 59) to around RWF 200,000 (USD 180) in 2021.¹ This led to a mini-strike by the *motaris* and multiple calls for the President of the Republic to provide a solution (Hakizimana, 2022). The insurance companies have so far adopted a low-tech approach to evaluate risks, considering only age and use of motorcycles to estimate insurance premiums. There has been no serious attempt to leverage, for instance, ICFM data to offer a more sophisticated and individualised fintech solution. This makes motorcycle insurance an unexploited opportunity for the growing fintech sector in Kigali.

Experimental practices and speculative pilots

Parallel to the gaps in and unexplored opportunities of fintech in the paratransit sector, the fintech sector is replete with speculative and experimental practices that take the form of logistical tweaking, speculative advertisement, and regulatory experimentation – all of which are yet to be realised.

Logistical tweaking consists of situations where no new technology is introduced but platforms expand their services by rearranging the existing setup. One instance of this is PayingTone, which plans to experiment with in-house delivery by leveraging the 250 Stores chain as delivery points instead of offering door-to-door delivery. SPENN also wants to leverage the *motaris* on its platform and offer an asset-financing solution in the future.

PayingTone is a 'buy now pay later' platform that aims to track the carbon footprint of products on its platform to raise awareness on climate change issues. The platform has close to 300 merchants with varied products including furniture, clothes, and consumables.

Speculative advertisement consists of producing a generic and speculative product to showcase a company's ability. In the Rwandan fintech sector, speculative advertisement usually consists of presenting the potential of a product to an interested party without necessarily showcasing the roadmap to achieve it. For instance, the ICFM is sometimes presented as a core to a bigger system that includes credit scoring and larger platformisation, without necessarily demonstrating the way in which it will be done. Various other payment systems also speculate on the possibility of offering their users the opportunity to invest in international companies, such as Tesla or Alibaba, without specifically charting out ways in which this would be possible.

Regulatory experimentation is being enabled through Rwanda's Regulatory Sandbox. This allows fintech platforms to apply for a relaxation of the existing regulatory framework for a period of up to two years in order to test a product in the market (BNR, 2022). Although the regulatory framework exists, test products and applicants are yet to be communicated.

¹ Exchange rate as at 3 April 2023: USD 1 = RWF 1,108 (<https://www.xe.com>)

Conclusion

In Kigali, the rapid growth of digital payments, and especially mobile money, has led to the growth of various fintech platforms wanting to leverage from the growth of digital payments and join an already robust paratransit sector. This underscores the fact that payment systems are the basis on which fintech platforms intersect with the motorcycle sector. The interaction between the paratransit and fintech sectors has resulted in the dominance of some actors, notably MTN MoMo and YegoMoto, hence the uniformity in *motaris'* clothing choice and payment methods. This interaction has brought to the fore a number of gaps in asset finance and motorcycle insurance, for which no fintech solution has been attempted despite their relatively high importance. This provides a case in point to rethink the complexity of data-enabled solutions, especially the conditions for such solutions to emerge. Finally, in Kigali, fintech platforms have engaged in various speculative and experimental projects, including regulatory experimentation, which are not dissonant with venture-capital financing frameworks.

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