

The Economic Impact of Fintech Innovation in Somalia

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Abstract

Purpose – This study aims to explore how the Financial Technology (Fintech) industry contributed to the country's economic growth.

Design/methodology/approach to meet the research goals, the study used a mix of methods, combining both qualitative and quantitative approaches. First phase conducted detailed interviews with senior and mid-level managers from 25 financial institutions and Fintech companies of different sizes and backgrounds. In the second phase, 44 participants were selected together quantitative data, including employees from Fintech, academics, employment agencies, insurance firms, technology centers, incubators, and start-ups.

Findings – The Somali shilling is nearing extinction, and it is predicted that Somalia will become a fully cashless society in the coming years. However, financial technology (Fintech) is stepping in to fill this gap, playing an increasingly significant role in daily transactions. The rise of digital money, like EVC Plus, has brought about various platforms for contactless payments in many areas, such as business deals, buying goods and services, sending money to rural and vulnerable communities, paying army salaries, collecting government taxes, reducing corruption and supporting those affected by floods, droughts, and conflicts. Fintech in Somalia is considered a key driver for promote inclusivity and boost economic participation for all citizens.

Research limitations/implications – Since the research was conducted on Economic Impact of Fintech Innovation in Somalia, the findings may not be applicable to other service sectors.

Originality/value – This research explores how financial technology (Fintech) industry contributed to the Somalia's economic growth. The findings aim to help Somalia and other similar nations improve Financial Technology (Fintech) in their economic sectors.

Keywords: Financial Technology, Fintech, Economic, Somalia.

1.0 Background

"Fintech" is a term that combines the words "finance" and "technology." It refers to new technology and ideas that help improve the way we handle money and financial services. These innovations are transforming the financial industry, not only in developed nations but also a fragile economy like Somalia. Many people use mobile money services to send and receive payments or buy things directly from their smartphones. This makes financial transactions faster and easier. However, despite the widespread use of these services in Somalia, most people are unaware of their origins or what Fintech truly entails. Only a small group, such as investors or financial experts, have a deep understanding of this concept.

The research first gave a brief overview of how Fintech has developed over time. Then, in the next parts, the paper focused on showing how Fintech is bringing new and exciting changes to different areas including economic. Additionally, the study pointed out the key reasons behind Fintech's success and looked at how it is being used in real-life situations.

In the Early Years: Following the collapse of the Somali central government in 1991, the country encountered severe difficulties with its currency. The situation worsened significantly with the introduction of money printing machines in mid-2007 and 2008, which led to rampant and unchecked issuance of currency. The influx of devalued and counterfeit money led to businesses rejecting both new and damaged banknotes for transactions. Furthermore, the lack of a functioning banking system deprived people of a secure place to deposit their cash, increasing the risks associated with carrying or storing money at home.

To tackle these challenges, digital financial solutions became crucial. In 2009, Hormuud, a telecommunications company in Somalia, recognized this need and launched the country's first mobile money service, ZAAD, which was rebranded as EVC Plus in 2011. Mobile money is an electronic wallet service that enables users to store, send, and receive money through their mobile phones. Its secure and straightforward electronic payments have made it a popular alternative to cash, accessible on both smartphones and basic feature phones. Mobile money services have gained widespread acceptance as a safer and more convenient option compared to traditional cash transactions. EVC Plus has played a pivotal role in transforming Somalia from a cash-based economy to a cashless society.

In the Modern time: Looking towards 2025, the Fintech sector is expected to continue thriving with no signs of slowing down. This innovative service has revolutionized digital transactions, reducing the risks associated with handling physical currency. Currently, a variety of Fintech companies offer mobile money services, including EVC Plus, Jeeb, E-Dahab, ZAAD, SAHAL, MyCash, and E-basa. These services leverage SIM cards to facilitate transactions without requiring internet access. Notably, in February 2021, the Central Bank of Somalia granted Hormuud Telecom the first mobile money license.

According to the world Bank (2017), Somalia's mobile money market ranks among the most active globally, with approximately 650 million transactions totaling \$8 billion annually. This represents a significant increase from the World Bank's 2017 data, showing a growth rate of over four times, from 155 million transactions in 2017 to 650 million in 2023. Ben Romdhane et al. (2023) found compared to many African countries, Somalia is notably advanced in the adoption of mobile money services. Despite the limited publicly available data on Fintech trends, it is projected that Fintech is deeply integrated into the Somali economy. According to the World Bank (2018), over 85% of adult Somalis regularly use mobile money services.

In the Digital Age: In Somalia, millions of individuals are excluded from traditional banking and financial services. The Somali Bank Association (SBA) reports that only 15% of the population holds a bank account, with just 5% actively using these accounts. Consequently, the adoption of financial technology (Fintech) in Somalia helps to overcome barriers to online financial transactions, enhances financial literacy, and fosters greater financial inclusion. This digital shift is viewed as a crucial step toward improving inclusivity and contributing to the economy. Ben Romdhane et al. (2023) note that digital finance is emerging as a significant catalyst for economic development, offering essential services to those previously marginalized from the financial system.

The banking sector has emerged as a leader in adopting technological innovations, with approximately 80 percent of financial institutions either investing directly in or partnering with Fintech companies. In Somalia, several e-wallet services are currently available, including WAAFI, DahabPlus, Premier Wallet, T-Plus, Amana Pay, SoPay, eBase, and Yeel.

Somalia holds significant potential to leverage Fintech as a key driver for economic and social development, particularly given its appeal to Generation Z, who represent 75% of the population. Like many developing nations, Somalia's Fintech sector is poised for substantial growth. A major advantage

of Fintech lies in its capacity to support small and medium-sized enterprises (SMEs) by providing Murabaha financing at competitive rates.

While much research has focused on the role of traditional banks in economic growth, there is a noticeable gap in studies examining the impact of Fintech on Somalia's economic development. This area of research is crucial, as it could shed light on how Fintech is contributing to the country's overall economic progress.

1.1 Problem Statement

Fintech is a rapidly growing sector that significantly contributes to Somalia's economic development. However, it faces several challenges, including the absence of a comprehensive regulatory framework, insufficient infrastructure, and limited digital literacy among users. Additionally, the sector needs further investment, but many Fintech owners are not from Generation Z and are reluctant to make substantial investments. Compounding these difficulties, cybersecurity threats are prevalent both locally and globally, and the Fintech industry in Somalia requires highly skilled IT professionals, a resource that is currently scarce in the country.

Fintech institutions often lack dedicated research and development units, and when such units do exist, they are usually identified by name. Additionally, there is a significant knowledge gap in Fintech; older individuals, low-income customers, and vulnerable groups often lack digital and financial literacy and do not fully trust digital financial services. Consequently, they tend to prefer in-person transactions over online shopping. Furthermore, Somali legislation on Fintech and intellectual property rights remains undeveloped. This research aims to explore how Fintech can drive innovative transformation within the national economy.

1.2 General Objective

The objective of this study is to evaluate the potential of the Fintech industry to serve as a catalyst for national economic development.

2.0 Literature

Fintech, short for financial technology, involves applying technology to address challenges within financial services. This rapidly growing industry has become a major focus for investors. According to a global Fintech report (2017), the sector encompasses payments (84%), fund transfers (68%), personal finance (60%), personal loans (56%), traditional deposits/savings accounts (49%), insurance (38%), and wealth management services (38%). Lee and Shin (2018) highlight that financial technology is expanding swiftly and is considered a major breakthrough in the financial sector. Song (2022) contends that Fintech contributes to an eight percent boost in China's economic growth. Arora and Madan (2023) found that the transition to a cashless economy is a major driver of Fintech expansion in India. Empirical evidence indicates a consistently strong and positive correlation between the advancement of financial technologies and reductions in inflation and unemployment (Ben Romdhane et al., 2024). Various studies have explored the impact of technology on national economies. Mobile money also remains a leading driver of the United Nations Sustainable Development Goals (SDGs). Gonzalez et al. (2020) identified digitization as a key engine of economic development. Additionally, Sahay et al. (2020) have noted that countries with higher Fintech adoption typically experience greater annual GDP growth compared to those relying on traditional banking methods. Fintech advancements and digital finance have a significant and positive impact on entrepreneurship in Africa, especially during the transitional development phases of entrepreneurship (Sanga & Aziakpono, 2024). Research indicates that improvements in Fintech can initially reduce extreme poverty rates, leading to a broader decrease in overall poverty as a percentage of the population (Emara, 2022). Since the mid-2010s, numerous studies have introduced new phenomena within the Fintech ecosystem, employing various subjects and methodologies. However, most research has focused on either innovating traditional financial services or user-oriented Fintech solutions, with fewer studies addressing inter-industry analysis related to the IT and convergence sectors. This study aims to enrich existing Fintech research by exploring the potential of the Fintech industry as a sustainable innovation platform, benefiting not only the financial sector but the national economy as a whole.

2.1 Endogenous Growth Theory

This study is grounded in endogenous growth theory, which posits that technology is a crucial driver of economic growth. According to this theory, enhancing a nation's human capital fosters economic growth through the development of new technologies and more efficient production methods. Technological factors can significantly influence long-term economic growth, as technological progress often arises from innovations such as new products, processes, and markets, many of which result from economic activities. Both theory and existing literature suggest that digital inclusive finance can stimulate household consumption and contribute broadly to economic development.

3.0 Methodology

This study utilized a mixed-methods approach, combining both qualitative and quantitative techniques.

3.1 Research Design

To meet the research objectives detailed in Section 1.5, this study employed a two-stage design:

Stage 1: We conducted in-depth interviews (IDIs) with senior and middle management personnel from 25 financial institutions and Fintech companies, covering a range of backgrounds, company sizes, and years of operation.

Stage 2: We collected quantitative data from a sample of 44 respondents, including Fintech employees, academics, employment agencies, insurance companies, technology centers, incubation centers, and Fintech start-ups.

3.1.1 Sample

The study employed both purposive and simple random sampling techniques. Purposive sampling, guided by the researcher's judgment, was used to select participants (Sekeran & Bougie, 2010). The study focused on 26 institutions and included a total of 69 respondents.

3.2 Instruments and procedures

A structured questionnaire was developed to gather feedback from companies that use or provide Fintech solutions. Data collection took place from August to September 2024. The questionnaire consisted of closed-ended questions, where respondents selected from predetermined options. It was designed using a Likert scale, allowing for analysis of frequency and mean for each question. The model used for this analysis is outlined below.

ITEM	STATEMENTS	SD	D	N	A	SA
		1	2	3	4	5

With:

SD: Strongly Disagree

D: Disagree

N: Neutral

A: Agree

SA: Strongly Agree

3.3 Pilot study

A pilot study was conducted with 10% of the sample, consisting of respondents who were not included in the main study. This pilot study was used to assess the validity and reliability of the instrument, ensuring its adequacy for the main research.

3.4 Data analysis

Qualitative Analysis: After thoroughly reviewing each interview to gain a deep understanding of the respondents' attitudes, the researcher categorized the data into themes and sub-themes. This organization allowed the team to align the data with the study's baseline objectives.

Quantitative Analysis: The study employed both descriptive and inferential statistics to analyze and interpret the findings, providing a comprehensive understanding of the data.

4.0 Findings

The Fintech market in Somalia, valued billions of USD, is a significant component of the Somali economy. Research findings indicate that enhancing digital financial inclusion could substantially alleviate the economic and social challenges faced by cashless communities. The upcoming sections detail the survey's key findings, categorized into Fintech Trends, Fintech Start-ups, Fintech Job Creation, and Fintech's Economic Impact.

4.1 Qualitative Findings

In this section, we present the qualitative findings derived from our research. The data collected through interviews, and open-ended survey responses reveal a rich tapestry of insights into participant experiences, perceptions, and suggestions. The findings are summarized in Table 4.1

Table 4.1 quantitative findings

Fintech has reduced the challenges of limited access to traditional banking services for low-income families and rural communities Fintech has fostered financial inclusion for vulnerable and unbanked communities, offering them vital access to financial tools	The Fintech sector in Somalia has not received significant investment, and it is crucial for banks and other investors to prioritize funding in technology innovation, infrastructure, and human capital to drive economic growth.
Fintech has enabled that the Somali National Army troops and civil servant to be paid consistently and on time, indirectly contribute to a reduction in corruption.	Currently, there are no Fintech regulations in place; Protecting property rights and patents is crucial for Fintech entrepreneurs, therefore, it is essential for the government, particularly the cabinet and parliament, to implement and pass appropriate Fintech regulations.
Fintech enables small businesses and entrepreneurs to expand their reach and serve larger clients, eliminating concerns about geographic distance from customers and suppliers.	Fintech companies are looking to hire skilled professionals, yet there is a notable shortage of qualified Fintech talent.
Fintech facilitates faster humanitarian aid by allowing the UN, the Somali diaspora, local charities, and international donors to quickly transfer funds to those impacted by floods, droughts, and conflict	Fintech is a single point failure but trial and error is a common practice for corporate companies in Somalia; therefore, the private sectors' investment in R&D is a crucial source of technological progress.
To build a robust pool of Fintech professionals; universities should focus on producing Fintech graduates, and companies should provide internships for university students.	Current Fintech has established a platform for Somali digital currency. With the central bank aiming to create a national currency, this platform is prepared and ready for implementation.

4.2 Demographic Profile

The main goal of this study is to evaluate the potential of the Fintech sector as an economic driver for the country. To achieve this, the researchers surveyed a diverse group that included Fintech companies, start-ups, incubation centers, academics, employment agencies, private banks, insurance firms, and government ministries.

The participant group is predominantly male (84%) and mostly aged 31–40 (45%), indicating a mid-career demographic. A significant portion (34%) is over 40, while younger participants (21–30)

account for 21%. The majority hold master's degrees (58%), followed by bachelor's degree holders (34%), with only 8% having other qualifications. In terms of experience with Fintech services, 28% have 3–5 years, most participants (55%) have 6–8 years of experience, and 17% have over 8 years, indicating a mix of moderate and extensive experience within the group.

4.3 Fintech Impact in the Country

In Somalia, many sectors, including small businesses, have largely transitioned to a cashless society. While a few regions still accept Somali shillings, but, cash is rarely used for business transactions. Instead, an estimated 90% of transactions now occur in digital currencies, primarily USD. The rise of digital money, such as EVC Plus, has facilitated the emergence of various payment platforms that enable contactless transactions across a range of activities, including business dealings, payments for goods and services, remittances to rural and vulnerable communities, and providing aid to those affected by floods, droughts, and conflicts.

When asked about broader impact and contribution of Fintech to the country, both public and private officers unanimously agreed that Fintech has a positive impact on the Somali economy and shared the following insights.

- *Fintech has empowered people in rural and low-income urban areas by bridging the gap caused by limited access to traditional banking services and low financial literacy. It has fostered financial inclusion for vulnerable and unbanked communities, offering them vital access to financial tools.*
- *Fintech enables small businesses and entrepreneurs to expand their reach and serve larger clients, eliminating concerns about geographic distance from customers and suppliers.*
- *Fintech facilitates faster humanitarian aid by allowing the UN, the Somali diaspora, local charities, and international donors to quickly transfer funds to those impacted by floods, droughts, and conflict.*
- *Fintech has streamlined the government's collection of value-added tax (VAT) and other revenues, significantly reducing the need for human resources,*
- *Fintech has enabled that the Somali National Army troops and civil servant to be paid consistently and on time, indirectly contribute to a reduction in corruption.*

- *About one billion mobile money transactions, totalling more than \$10 billion, occur annually. These bulk mobile money transactions contribute to sustaining Somalia's economic cycle"*

4.3.1 Fintech Success Story

During our data collection, we had the opportunity to interview Sa'diya, a 35-year-old mother of six who manages a small business selling milk and meat. Our conversation centered around how financial technology (Fintech) has played a key role in the growth and sustainability of her business.

Sa'diya works closely with restaurants as her primary clients. "Whenever a restaurant gets a request to organize an event or party, the manager contacts me to place an order for milk and meat based on the number of attendees," she explained. This allows her to provide customized supplies for different events.

To meet these orders, Sa'diya has developed a system that relies on the support of her community. "Early in the morning or sometimes in the evening, I reach out to my female friends for a short-term loan, borrowing just enough to cover the cost of the order," she said. "They transfer the money to my mobile phone, whether I'm at home or at the business center, making the process quick and efficient."

Once she secures the funds, Sa'diya coordinates with women in the market, placing orders for the required amount of milk and meat. She uses mobile payments to send the money directly to their phones, streamlining the entire transaction process. "The women then deliver the goods directly to the restaurant, so I don't have to handle the physical distribution myself," she added, demonstrating the strong network she has built.

In the evening, after the event or party, the restaurant transfers the payment directly to her mobile phone. This timely transaction enables Sa'diya to repay the loans she took earlier in the day, all without the burden of paying interest. "The remainder is my profit, which I keep in my mobile wallet to cover household expenses, like buying food for my children and paying their school fees," she said.

What's remarkable is how seamlessly all of these transactions take place. Whether she is at home or in her business center, Sa'diya manages her business entirely through mobile technology, eliminating the need for physical cash handling. Fintech has not only empowered her to run a more efficient business but also provided her with the financial flexibility to support her family.

4.4 Fintech Trends in Somalia

The growth of Fintech in Somalia began after 2009, when telecommunication companies and private banks identified the increasing demand for digital financial services. In response, they created dedicated funds to invest in their own Fintech divisions.

Today, Somalia is home to 15 Fintech companies that offer a range of mobile money services, including semi-card solutions and mobile wallet applications. Leading players in this space include Waafi, Dahab Plus, Premier Wallet, Amana Pay, eBesa, SoPay, T-Plus, and Yeel Pay. Telecommunication companies operating semi-card services, such as EVC Plus, eDahab, Jeeb, Sahal, Zaad, eBesa, and MyCash, have also become vital to Somalia's digital financial ecosystem. The study revealed that up to one billion mobile money transactions occur annually, with approximately 70% of these transactions being conducted through EVC Plus.

The increasing dependence on mobile money services marks a notable transition towards a cashless society in Somalia. The study found that digital currency adoption has surged to 90%, placing it among the highest rates in Africa and surpassing regional peers like Kenya and Ethiopia. Additionally, Somalia's recent accession to the East African Community Market is poised to draw more Fintech startups, positioning the country as a key gateway to the region.

Fintech experienced remarkable expansion between 2009 and 2013, leading to the establishment of 42% of financial technology firms, as shown in Fig. 4.1.

Moreover, the period from 2014 to 2018 saw the formation of 25% of the establishments, while an additional 33% emerged between 2021 and 2024. In terms of geographical locations, Mogadishu is the most attractive investment destination in Somalia, and it is the headquarters of 67% of Fintech companies, whereas Hargeisa gained 25% and Garowe received 8%.

The study also found that there are about 12 million mobile money users in Somalia. Among these, market dominants are EVC plus, with close to six million users and E-dahab, with around three million

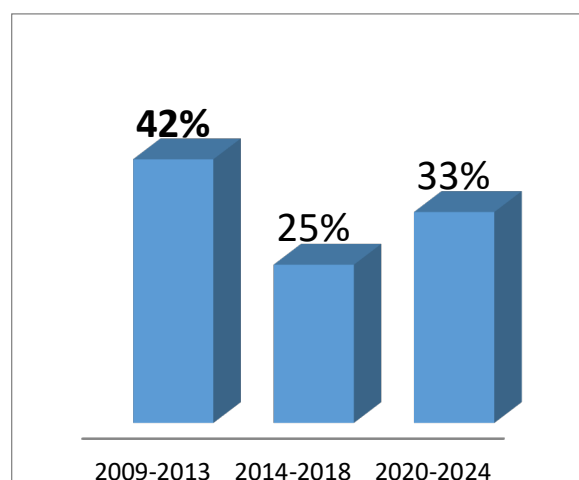


Figure4.1: Fintech Trend

users. The remaining three million are shared other mobile money providers which also boast large subscriber bases. However, EVC Plus remains the market leader.

4.4.1 Block-chain and Cryptocurrencies

Block-chain and cryptocurrency are still in their early stages in Somalia, but the technology is gaining increasing interest. Currently, cryptocurrency is primarily used for currency exchange services, both locally and internationally. Jabril (2024) estimates the cryptocurrency market in Somalia to be worth up to US\$20 million. As a potential solution for enhancing security and efficiency in financial transactions, crypto is becoming an attractive option. Given the instability of local currencies and the challenges of inflation, some entrepreneurs and tech enthusiasts are exploring cryptocurrencies as viable alternatives for international trade and investment."

4.4.2 Mobile Wallet via Apps Payment

The Somali shilling is nearing extinction, and it is predicted that Somalia will become a fully cashless society in the coming years. However, Fintech is stepping in to bridge the gap, playing an increasingly significant role in daily transactions. The number of people downloading mobile wallet apps from the App Store and Google Play is rising rapidly. For example, WAAFI has surpassed a million downloads, with expectations of continued growth in the years ahead.

Currently, there are seven contactless e-wallets available for smartphones, offering secure app-based payment services. These e-wallets allow users to deposit, withdraw, transfer money, pay bills, purchase goods and services, and perform a variety of other transactions—all through their smartphones with an internet connection. Before mobile app payments were introduced, the only payment option was USSD semi-card transactions via USSD codes (e.g., *712*xxx*\$#). However, the innovation of mobile wallets has introduced new and convenient alternatives for making transactions. We asked respondents who had access to both options to compare how often they used offline semi-card transactions versus mobile e-wallet payments. The study revealed a 60% to 40% split, indicating that the majority still prefer offline semi-card

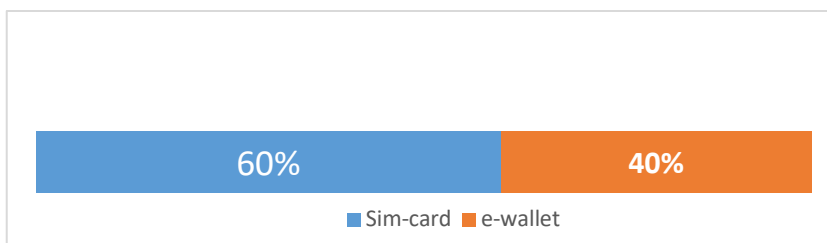


Figure 4.2: Mobile Money Split

mobile money over e-wallets, as shown in Fig. 4.2. However, during interviews, many respondents noted that e-wallets are easier to use, safer, provide the recipient's name, offer an official receipt and also favour iPhone users. The adoption of e-wallets presents a significant opportunity for individuals with technological literacy, especially those in the diaspora from Europe, the US, or Asia, who trust online payment systems. Unlike semi-card transactions, mobile wallets like WAAFI operate internationally. It is projected that e-wallets will soon surpass semi-card transactions in popularity, driven by factors such as affordable internet access, increased digital payment adoption and literacy, and growing awareness of the benefits of mobile wallets. During a key informant interview, one respondent noted, “Fintech accelerates money circulation, which in turn contributes to economic cycle.

4.4.3 Global Contribution of Somali Mobile Wallets

In addition to locally utilized mobile wallets, Somali Fintech companies also offer internationally recognized mobile money services. Notable examples include WAAFI, which is widely used in Djibouti, Paysii, an internationally accessible mobile application, and Banana Pay, Somalia becomes a growing player in the global mobile payment space.

In addition to established international branded mobile wallets, there are also rebranded Somali mobile money services that operate effectively in neighboring countries like Ethiopia. A prominent example of this is E-Bir, a mobile money platform that has seen significant contributions from Somali Fintech companies, enabling it to thrive in the Ethiopian market.

4.4.4 Advanced Features of Digital Wallets

The demand for advance wallet features has significantly increased’ basic features like depositing, withdrawing, transferring money, paying bills, and purchasing goods and services are no longer enough. We surveyed respondents to find out what additional features they have in their digital wallets. Here’s what they listed:

- Credit feature allows to borrow money up to a certain limit to purchase items or make with withdrawals.
- Multi-Platform accessibility allows you access and manage your digital wallet from your computer.
- Ability to transfer currency to multiple application wallets

- Exchange rate, currency, and cash equivalent
- Analytics on spending: Financial Statement for years.
- Recurring bills, to make payments automatically on a regular basis, such as, monthly.

By incorporating some or all of these features, Mobile wallets have expanded their service offerings, improve user experience, and create a more comprehensive financial ecosystem.

4.5 Fintech Start-Ups

Fintech start-ups are innovative companies that provide financial services using cutting-edge technology. In contrast to traditional financial institutions, these start-ups are distinguished by their creative strategies, specialized services, and tech-driven solutions. Typically, Fintech start-ups focus on specific financial services such as lending and credit, payments, cryptocurrencies, wealth management, block-chain, insurance technology, and more.

Unlike many other countries, Somalia has a relatively small number of Fintech start-ups, with research identifying up to 25 such companies, each with distinct missions. These Fintech start-ups aim to revolutionize areas such as personal finance, cryptocurrency, investment management, trading, lending, and multi-currency e-wallet exchanges. Additionally, they are contributing to job creation, particularly for young people. According to interviews with founders and top management, about 20% of Fintech professionals are employed by these start-ups.

Fintech start-ups, like other new businesses, need financial capital to launch and expand. According to founders and industry insiders interviewed, their funding often comes from personal connections, such as peers and family, rather than from financial institutions or banks. One senior manager noted, “*Forex created not to trust Fintech start-ups, and banks frequently reject our investment bid/applications.*”

However, there is a growing ecosystem of Fintech startups in Somalia, supported by incubators, accelerators, and international partnerships. Local entrepreneurs are developing innovative solutions to address the country’s unique challenges, in building a stronger digital economy.

As Fintech start-ups are relatively new, there is limited data and scientific research available. However, according to the CEOs and industry insiders interviewed, the potential economic impact of start-up transactions could reach \$30 million annually, which represents about 0.375% of Somalia’s current

GDP of \$8 billion. Additionally, respondents noted that Fintech start-ups are contributing to job creation for unemployed youth.

When asked about government support for Fintech start-ups, respondents indicated that there are no specific regulations for the sector. However, they highlighted a notable level of government acceptance and encouragement of Fintech integration within the financial ecosystem.

4.6 Somalia Potentiality to Become a Fintech Hub

Although Somalia is a war-torn country, it boasts a robust Fintech sector. Survey results reveal that many respondents and companies view Somalia as a leading Fintech innovator in East Africa. In fact, some believe that Somalia has the potential to emerge as Africa's Fintech hub.

We asked respondents and the surveyed companies to compare Somalia's current Fintech development in terms of existing platforms and infrastructure with those of neighbouring countries, such as Kenya, Ethiopia, and Djibouti. The ratings were as follows: as shown in Fig. 4.4, the study found.

- Somalia vs. Kenya: 40% vs. 60%
- Somalia vs. Ethiopia: 65% vs. 35%
- Somalia vs. Djibouti: 55% vs. 45%"

Regarding Somalia's potential to lead Fintech across the African continent, the majority of respondents are skeptical. However, a notable portion of participants' view Somalia lacking a payment switch, unlike Kenya, which has more. Nevertheless, Somalia is on par with or close to Kenya in terms of Fintech progress. The survey indicates that while Somalia has made strides, there is considerable room for growth. To establish itself as a true leader and compete effectively with other key countries on the continent, further advancements in Fintech development are necessary.

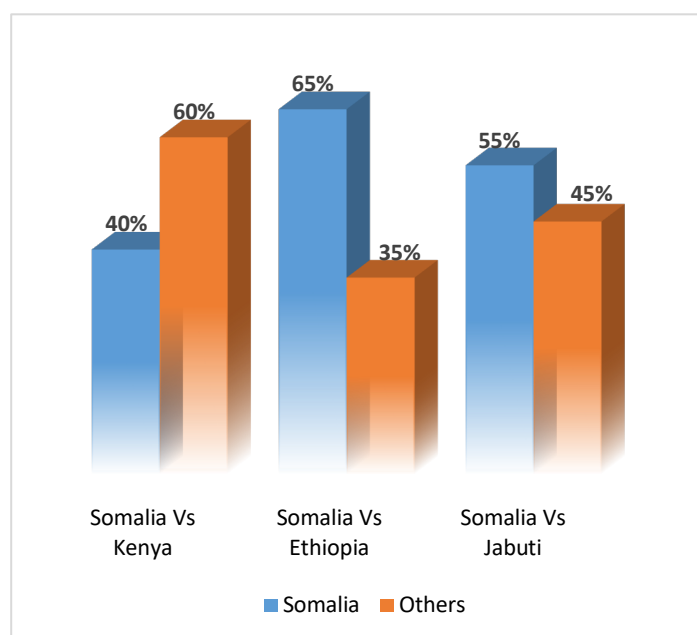


Figure 4.4: Potential Fintech Hub

4.7 Fintech Job Opportunities

The financial technology sector in Somalia is expanding rapidly and demands a diverse set of technical skills and deep knowledge of financial services. Fintech is closely tied to job creation and economic revitalization. The following sections will explore how financial digital transformation (Fintech) is influencing both the economy and the job market.

4.7.1 Labour market in the Fintech Sector

In addition to offering financial benefits to unbanked communities and supporting small businesses, the Fintech industry has significantly influenced the labour market, particularly for Somali youth. By creating new job opportunities and fostering skills development, Fintech has become a key driver of economic growth and employment. The subsequent section will delve into the various ways Fintech impacts both the employment landscape and the broader economic environment in Somalia, highlighting its role in shaping career prospects and contributing to economic advancement.

Despite many employees losing their jobs due to COVID-19 or the ongoing economic recession, there has been a noticeable increase in the availability of new Fintech positions. Fintech is not limited to IT roles; it is a multidisciplinary field that attracts a wide range of professionals, including finance experts, designers, developers, accountants, marketers, managers, and more. The demand for skilled workers in Fintech has been positively influenced by the contributions of bankers and IT professionals. Interviews conducted with various public officials, including those from the Ministry of Labour, the Ministry of Commerce, the Chamber of Commerce, and the Ministry of Technology, as well as representatives from the private sector, reveal that Fintech in Somalia has been creating job opportunities across the country over the past five years. Currently, an estimated 7,000 to 10,000 individuals are employed in the sector. Experts predict that the industry's growth will generate an additional 15% to 20% Fintech jobs between 2025 and 2027. During this period, the sector will not only fill existing vacancies but also evolve roles to support the adoption of Fintech.

Key Informant Interviews with various co-founders of Fintech start-ups reveal that "Fintech-skilled labour is better paid; thus, professionals from other industries are more likely to transition to Fintech roles." Respondents also note that Fintech vacancies posted on LinkedIn and the Somali Jobs Search Point surpass those in other sectors. Employment will be driven by the increase in financial digitization and the expansion of Fintech start-ups. Finally, Respondents emphasized that "In the long term,

Fintech has the potential to become a key solution for unemployed youth and contribute significantly to Somalia's economic development and financial inclusion for all."

4.7.2 Fintech Talent Demand in Somalia

The integration of finance and technology has generated a new demand for employment, which could positively influence the broader labour market. Survey results indicate that 80% of Fintech companies are planning to hire Fintech professionals, whereas 20% have expressed no interest in expanding their workforce. The growth of digital financial services has increased the need for skilled Fintech employees. Furthermore, Fintech firms are encountering significant internal shortages of technical expertise.

The analysis identified unfilled vacancies across various sectors within the Fintech industry. Fintech start-ups have the highest proportion of unfilled positions, with 55% reporting vacancies. Among Fintech corporates, which are generally better resourced and have dedicated Fintech teams, 43% face shortages of Fintech talent. Tech-related centers are seeking Fintech professionals in 48% of cases, while remittance services and insurance companies have unfilled vacancies at rates of 35% and 20%, respectively. Overall, the survey results indicate a high demand for Fintech talent, but a perceived scarcity of available specialists.

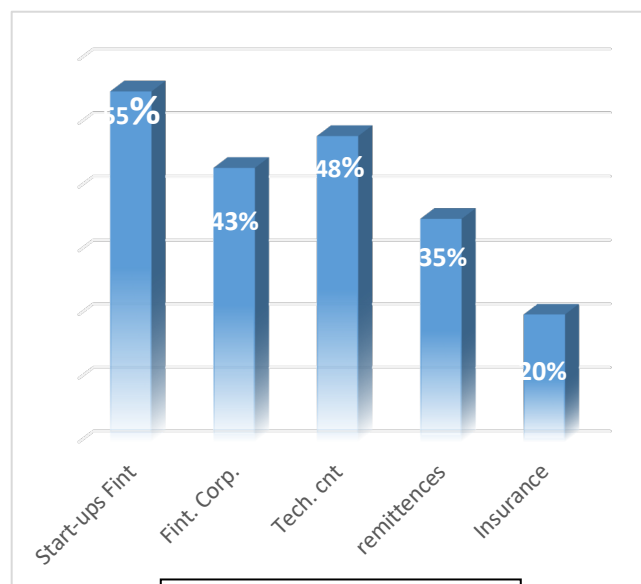


Fig.4 5. Talent Gap

Shortage Engineering Roles.

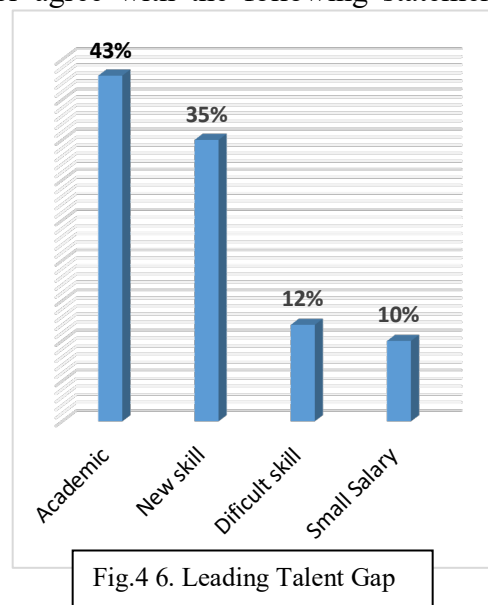
The talent shortage poses a major obstacle to scaling operations, fostering innovation, and sustaining a competitive edge. According to findings, 32% of Fintech companies identify shortage of qualified software engineers as a significant growth barrier. This is followed by challenges in hiring cybersecurity experts (26%), blockchain and digital currency specialists (19%), system architects and cloud specialists (15%), and AI/machine learning experts (8%). As a result of this skills gap, many Fintech firms are struggling to fill open positions in these critical areas.

The survey suggests that the Fintech industry will face a talent shortage over the next three years. Most participants believe that demand will surpass current levels. According to respondents' projections, the need for Fintech specialists is expected to increase by 15% to 20% over the next three years.

4.7.3 Factors Leading to Fintech Talent Gap

Various factors contribute to a Fintech talent gap in Somalia. According to the study findings, presented in Fig. 4.6, respondents either strongly agree or agree with the following statements.

“Academic institutions do not produce enough Fintech graduates.” 43% agree or strongly agree with the statement claiming Fintech talent gaps exist due to academic reasons. “Technology is rapidly changing, and the current Fintech service is new skill,” 35% of the respondents agree with the statement. “The skill is new to the industry and resulted in a talent gap” 12% agreed “The skill is difficult and not attractive to candidates”. Finally, we discovered “a difference in salary expectation between employer and Fintech talent is also a factor contributing to Fintech talent gaps.” Study found 10% agreed on this.



Worthy note: the study found that staff turnover is not an issue in the industry. Less than 5% of the companies consider the turnover rate of Fintech professionals in comparison to other professional categories. Even companies that claim a higher turnover rate of Fintech talents typically retain their Fintech professionals for an average of 4 to 5 years.

4.7.4 Increasing Local Fintech Talents

To ensure a stable workforce in Somalia's Fintech sector, maintaining a strong pool of professionals is essential. We asked executives and senior managers to propose strategies for expanding and strengthening the local Fintech talent pool. Respondents identified the following key steps as potential solutions:

- A- Academic institutions should provide more courses (short term and long-term),
- B- Fintech companies should provide internship opportunities for university students.

- C- Providing ongoing training for current employees can help bridge the skills gap internally.
- D- Joint research initiatives foster innovation by combining academic expertise with industry experience.
- E- Develop inventive technologies and solutions specifically designed to address real-world problems
- F- Cross border collaboration: “Remote working and international technology partners can provide access to a broader range of skilled professionals.”
- G- Companies should provide internal training such workshops and utilize an intranet online training platform.

Finally, Fintech is a broad subject matter covering various disciplines; therefore, to enhance and expand the availability of local Fintech professionals will not only improve the skill set of the workforce but also enhance employee retention and satisfaction, particularly impacting Fintech companies.

5. Conclusion and Recommendations

In conclusion, the financial technology (Fintech) sector in Somalia has played a transformative role in the country's economy. With its rapid growth and widespread adoption, Fintech has enabled Somalia to move towards a cashless society, driven primarily by mobile money services like EVC Plus. This shift has facilitated financial inclusion, allowing underserved and unbanked communities, particularly in rural areas, to access financial services. The sector has contributed significantly to job creation, with projections of continued growth in employment opportunities.

Despite its successes, challenges remain, including the lack of a regulatory framework, limited investment in technology infrastructure, and a shortage of skilled Fintech professionals. Addressing these challenges, particularly by improving education and training, enhancing regulatory support, and fostering innovation, will be crucial for Somalia to fully capitalize on its potential as a regional Fintech leader. As the sector continues to evolve, its contribution to Somalia's broader economic development is likely to increase, offering new opportunities for growth and inclusion in the coming years.

Recommendations

1. **Develop Regulatory Framework:** The Somali government should prioritize creating clear regulations for Fintech operations. This includes establishing policies around intellectual property, cybersecurity, and consumer protection, which are currently lacking. Regulatory clarity will encourage both local and international investments.
2. **Increase Investment in Technology and Infrastructure:** Financial institutions and private investors should prioritize investing in innovative infrastructure to facilitate the rapid growth of Fintech services. The focus should also be on human capital development; as skilled labor is essential to sustaining growth.
3. **Promote Fintech Education:** Academic institutions must introduce dedicated Fintech programs to address the talent gap. Universities should offer specialized courses and degrees in Fintech-related fields, and internships should be provided to ensure hands-on experience for students.
4. **Encourage Research and Development (R&D):** Both private companies and government entities should invest in R&D to drive innovation in Somalia's Fintech sector. This will ensure that new, locally relevant financial products and services continue to emerge.
5. **Support for Start-ups:** The government should consider establishing funds or incentives to support Fintech start-ups, which currently rely on informal funding sources. This could significantly boost innovation and job creation in the industry.
6. **Address Talent Shortage:** There is a pressing need to address the shortage of Fintech professionals, particularly in software engineering, cybersecurity, and blockchain technology. Providing ongoing professional development opportunities and facilitating cross-border collaborations will help bridge this gap.
7. **Digital Literacy Campaigns:** The lack of digital literacy is a barrier to broader adoption of Fintech services. Implementing nationwide digital literacy programs will help more people understand and trust these technologies, thus expanding the user base.
8. **Leverage Diaspora and International Expertise:** Collaboration with the Somali diaspora, as well as international Fintech experts, can provide access to both skills and capital. Remote working models and partnerships with foreign entities can also enhance knowledge sharing and development.

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