



FINTECH SURVEY

*ASSESSING THE FEASIBILITY OF IMPLEMENTING FINTECH IN
NORTH MACEDONIA*

2020/2021

28 July 2021



Народна банка на Република
Северна Македонија



Objectives

Opportunities

Understand how North Macedonia could benefit from the Fintech led transformation in financial services

Risks, Challenges & Barriers

Gain insights into potential risks that Fintech can bring, as well as the challenges and barriers that innovators could face

Landscape

Understand current players in the ecosystem and uncover initiatives already under way

The Journey



FINTECH SURVEY

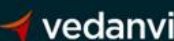
Republic of North Macedonia

ASSESSING THE FEASIBILITY OF IMPLEMENTING FINTECH IN NORTH MACEDONIA

SPONSORED BY EFSE TECHNICAL FACILITY

LED BY NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA

DELIVERED BY VEDANVI DECEMBER 2020





ГЕОЛОШКИ МУЗЕЈ НА МАКЕДОНИЈА

SURVEY APPROACH

/FINTECH ECOSYSTEM

FOR SUCCESS

DRIVERS

Government
Create and Enabling
Environment

Regulators
Open Markets to
Innovators

Incumbents
Transform, Partner &
Support

Entrepreneurs
Bring New Ideas & Break
Barriers

ENABLERS

Demand
Consumers &
Businesses Want
Change and Use
Fintech Products &
Services

Infrastructure
Technology
Providers and
Centralised
Infrastructure that
Enables Fintech

Investors
Incentivised
Investors Fuel
Innovation &
Entrepreneurship
with Capital

Accelerators
Mentoring, Guiding
& Supporting
Entrepreneurs to
Launch & Scale at
Pace

Talent
Institutions Develop
& Nurture Constant
Flow of Highly
Skilled Talent that
Drive
Transformation

/ Capture Various **PERSPECTIVES**

1

Drivers Forcing Change

Without compelling drivers forcing change, the industry has very little change of success

Drivers could be needs driven, for example financial inclusion, economic prosperity, etc

2

Assessing Environment & Ecosystem

Is the environment conducive to change?

Is there a Fintech supportive ecosystem and & what does it look like?

Government & regulator attitude to financial transformation

Digital transformation at Incumbents

3

Exploring Benefits that Fintech can bring

Fintech is not worth pursuing if they don't bring real tangible benefits

Benefits can be a catalyst to changing hearts & minds & driving initiatives

4

Examining Barriers & Challenges

Explore barriers such as
Regulation / Licensing
New risks introduced

Lack of access to infrastructure, such as payment system, bank accounts

Risks, Costs & Funding

5

Formulating Strategic Recommendations

Based on research, formulate strategic pathways (recommendations) for discussion with stakeholders.

Assess appropriateness and workability of strategies in RNM context.



SURVEY RESULTS

/RESPONDENTS to SURVEY

220 SURVEY RESPONDENTS

DRIVERS

Government

2 Respondents + 3 Interviews

Regulators

35 Respondents from 4 Regulators

Incumbents

43 Bank & 89 Non Bank Respondents

Entrepreneurs

11 Alt Finance, 7 Entrepreneurs,

ENABLERS

Demand

Consumers & Businesses Want Change and Use Fintech Products & Services

Infrastructure

9 IT Firm Respondents

Investors

Fund for Innovation & Entrepreneurship

Accelerators / Supporters

3 Accelerators, 7 Associations, 9 NGOs / 5 Other e.g. consultants

Talent

Institutions Develop & Nurture Constant Flow of Highly Skilled Talent that Drive Transformation

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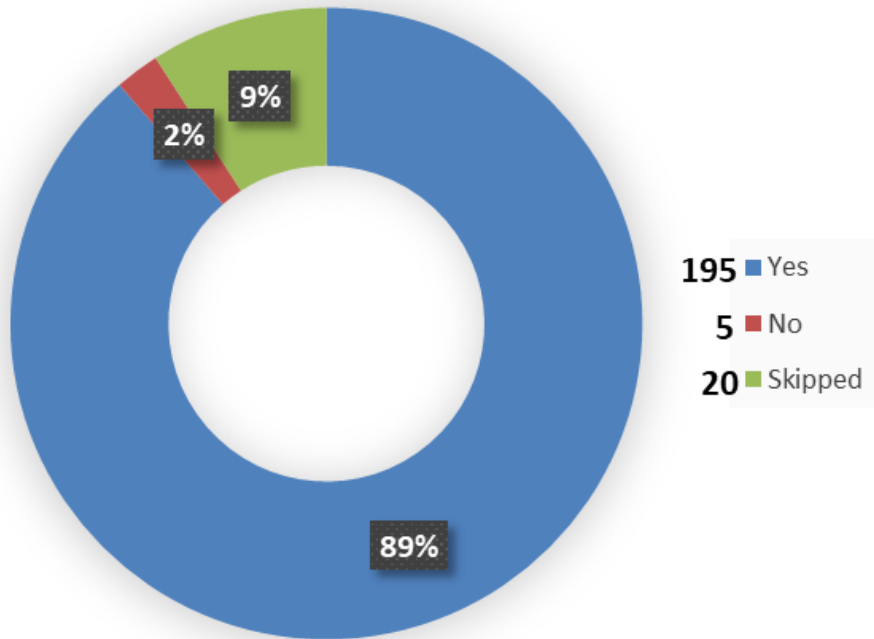
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Formulating Strategic Recommendations

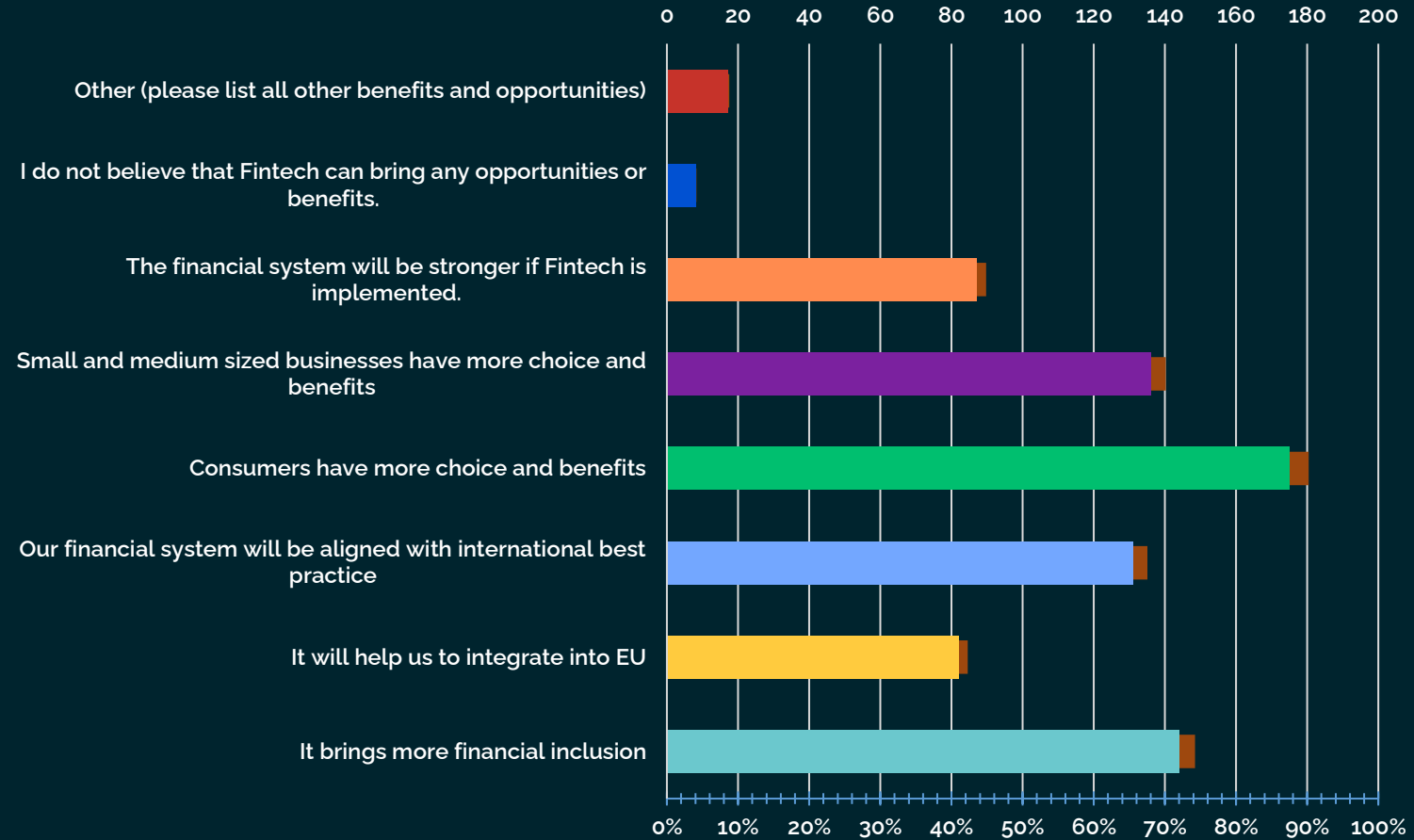
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/NEED for FINTECH



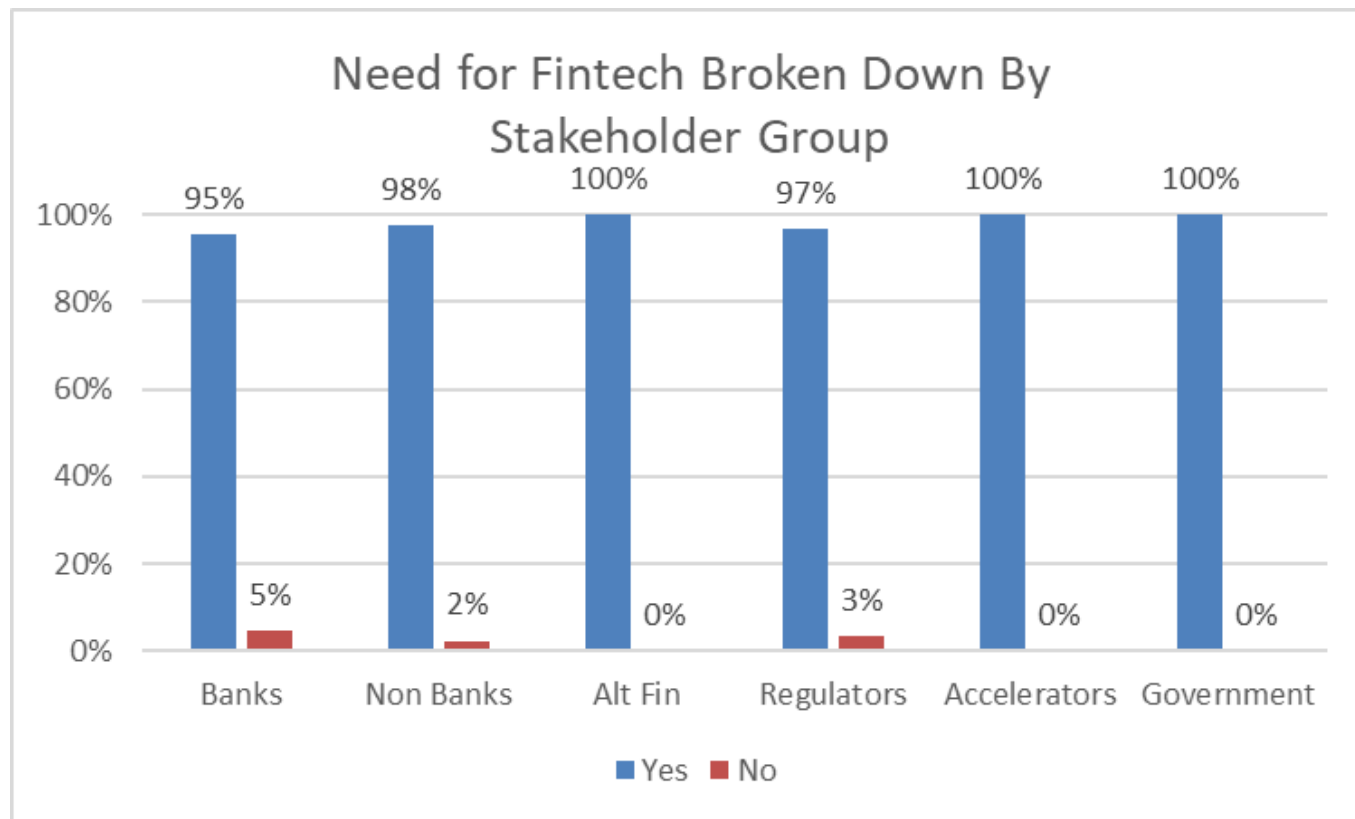
What Opportunities can Fintech Bring



/ Rationale for “No”

- Traditional players have capacity to meet customer need
- Already highly competitive space with low growth and profitability
- Market is too small
- People are not ready to adopt Fintech solutions
- Cyber risks

/ NEED for FINTECH



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North Macedonia FINTECH ECOSYSTEM

IT development/support companies

Alternative lending

RegTech



Private-owned Banks

Non-bank financial services firms

Infrastructure that supports technological innovation (Regulators and other institutions)

Incubators, Accelerators and Tech hubs supporting Entrepreneurs and Intrapreneurs

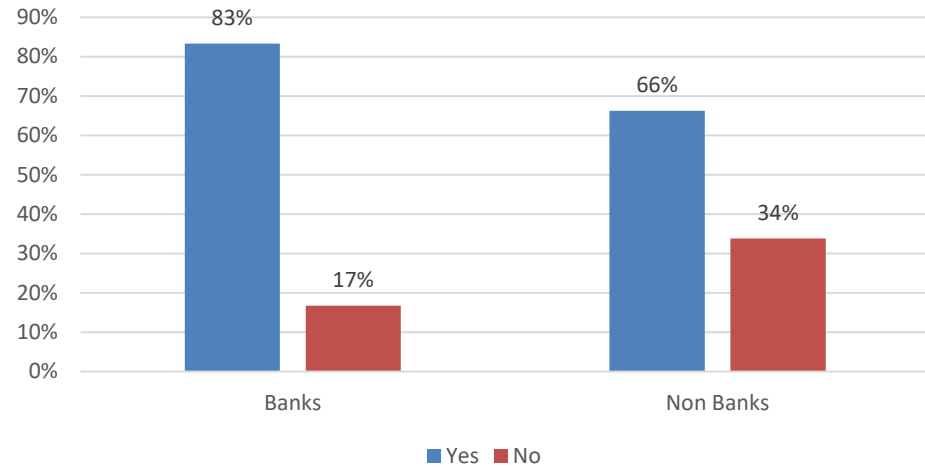


01/**TRADITIONAL** FIRMS

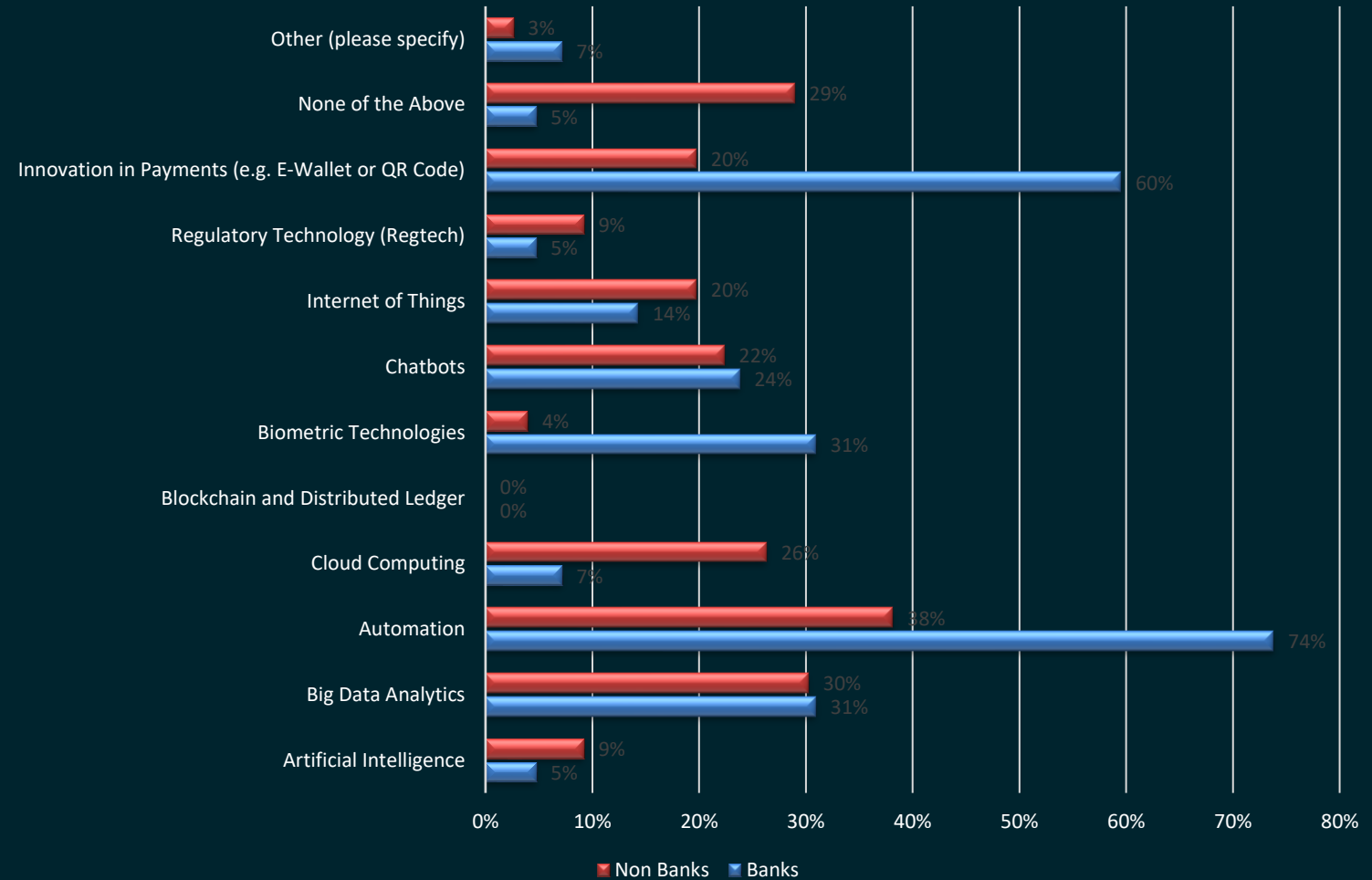
Banks and Non Banks are making progress to digitize

/DIGITAL TRANSFORMATION

Incumbants Embark on Digital Transformation

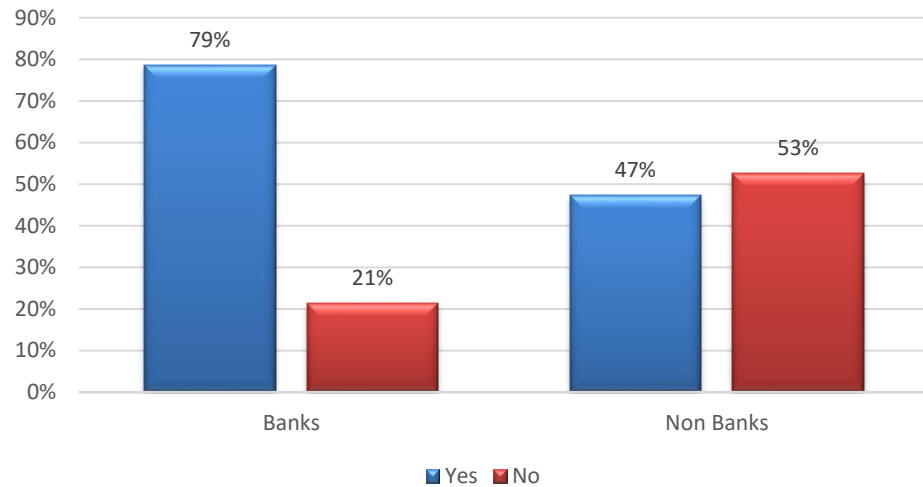


Technologies Used by Banks & Non Banks



/EXPRIMENTING with FINTECH

Bank & Non Banks Exprimenting with Fintech



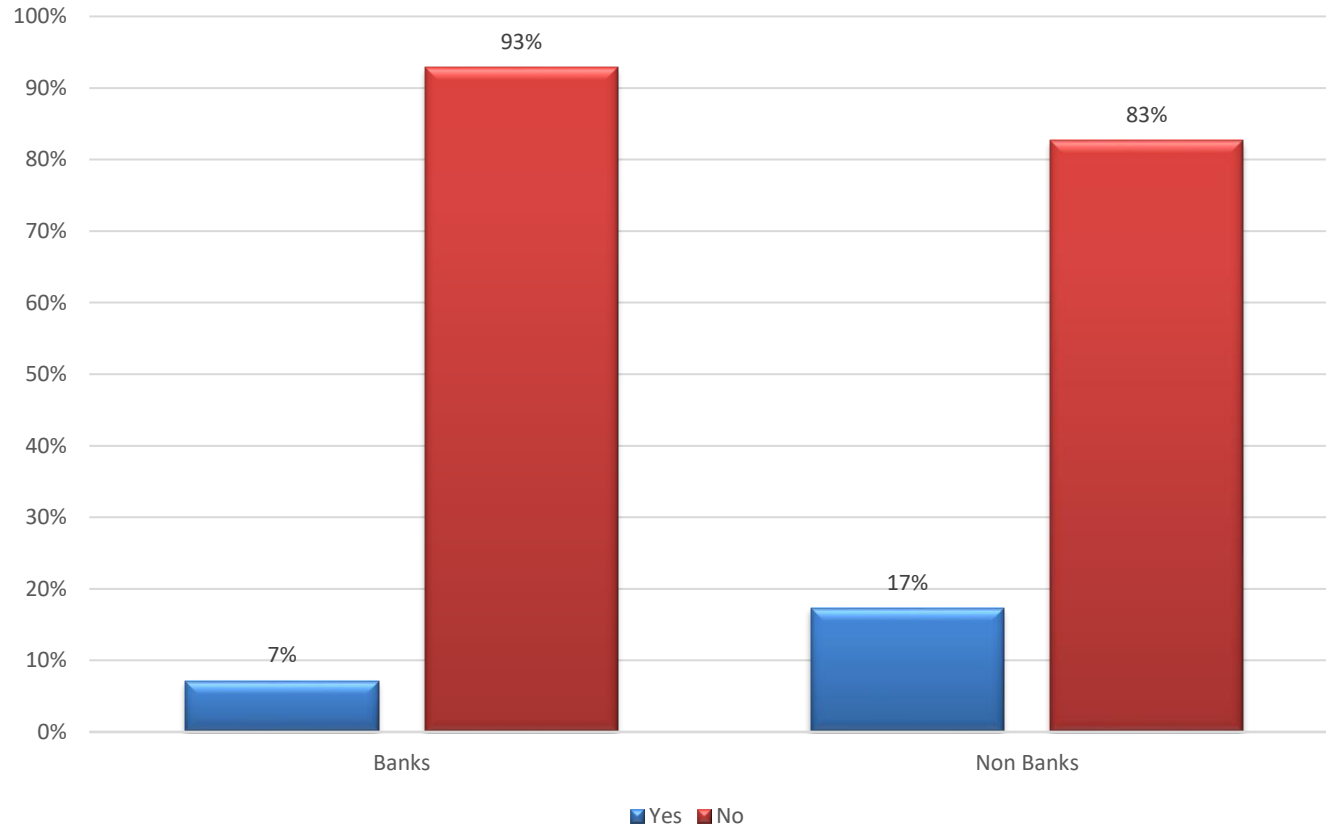
- EWallets
- Online automated loan approval
- Online sale of insurance & other products
- Credit scoring using alternate data
- Loan portfolio monitoring & analysis
- Peer to Peer payments
- Token based loans
- Sell business receivables on a platform

Innovation focusing on Operational Efficiencies & Better Customer Experience

Limited Tech driven Business Model Innovation

/LEADING DIGITAL TRANSFORMATION

Digital Transformation Department of Chief Digital Officer

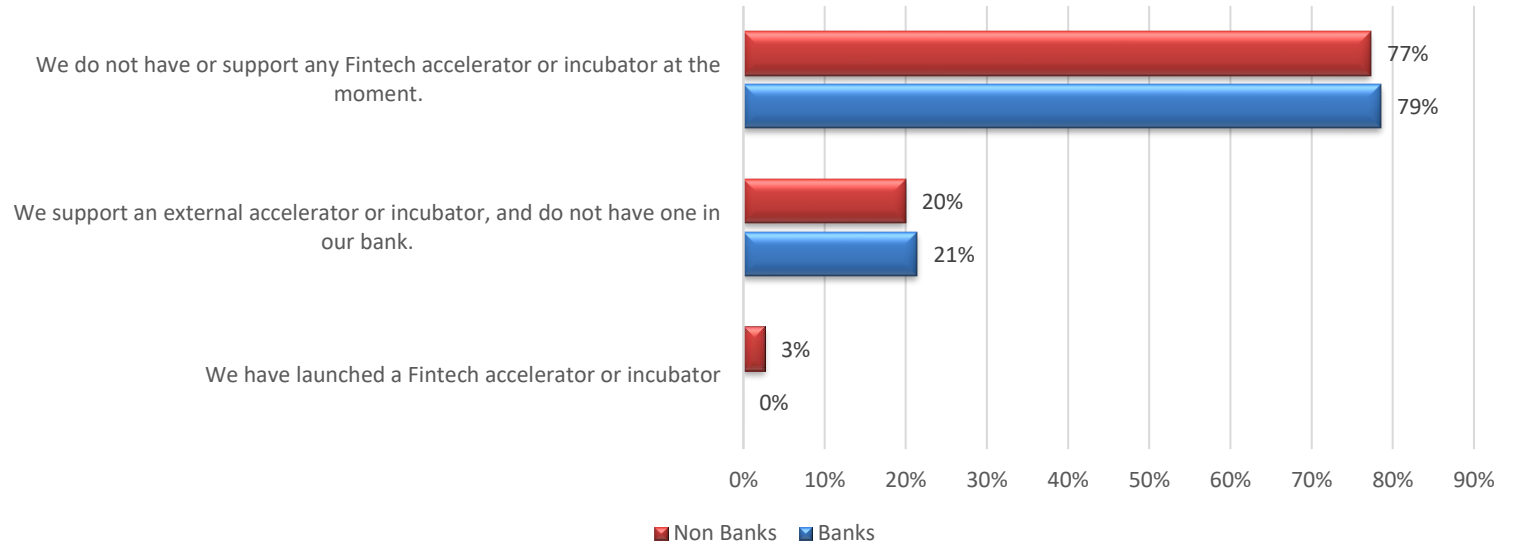


- Digital transformation is harder to implement in the absence of strong leadership
- Dedicated unit or individual brings focus and drive
- Something for Incumbents to consider

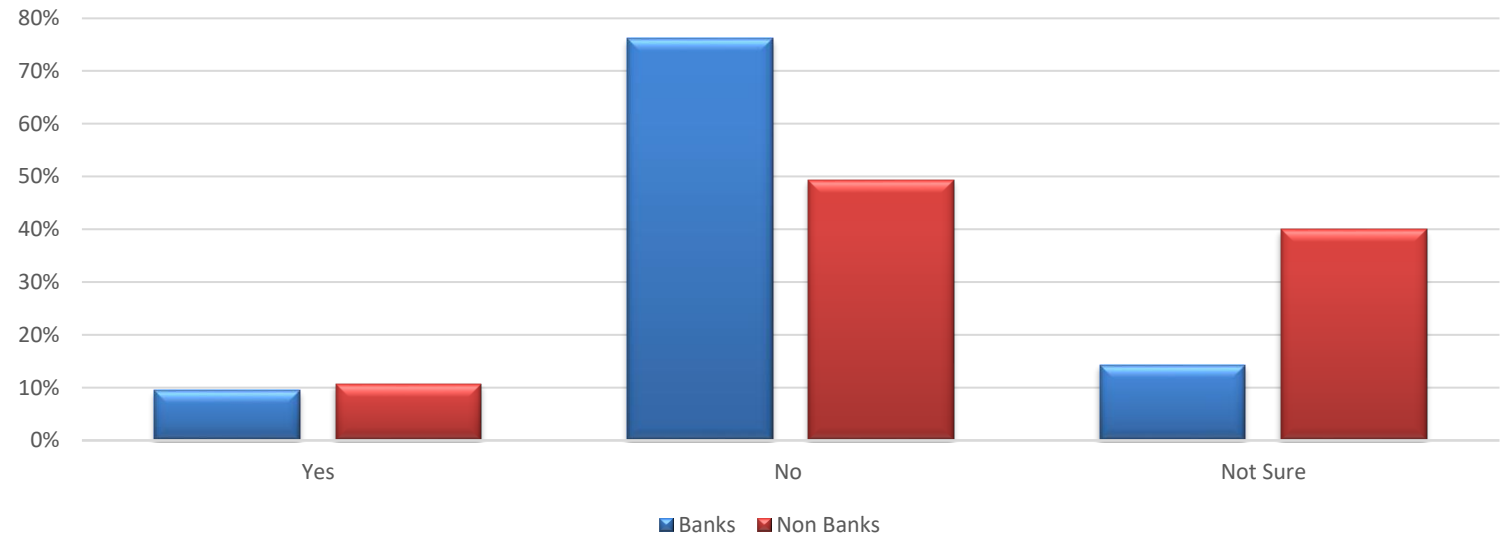
COLLABORATION with FINTECH

- Incumbents must find more opportunity to collaborate with Fintech Innovators
- Partnering & Joint Venturing brings Win | Win opportunities
- Incumbents stay abreast of latest innovation

Implementation of Fintech Accelerator or Partner with one



Acquired or JV with Fintech Venture in Last 12 mmonths



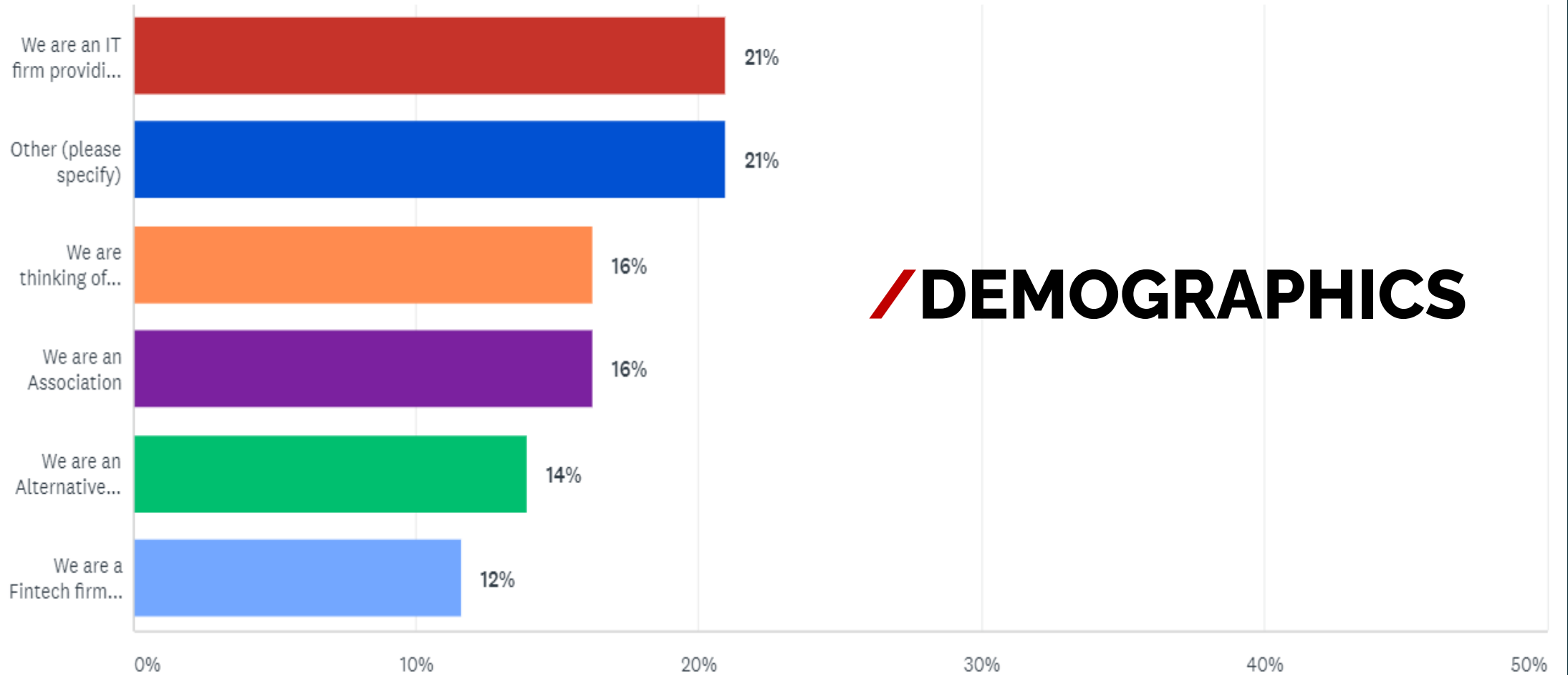


02/**ALTERNATIVE** FINANCE

**Entrepreneurial Fintech Ventures & Technology Providers See
the Opportunity**

How would you describe your firm?

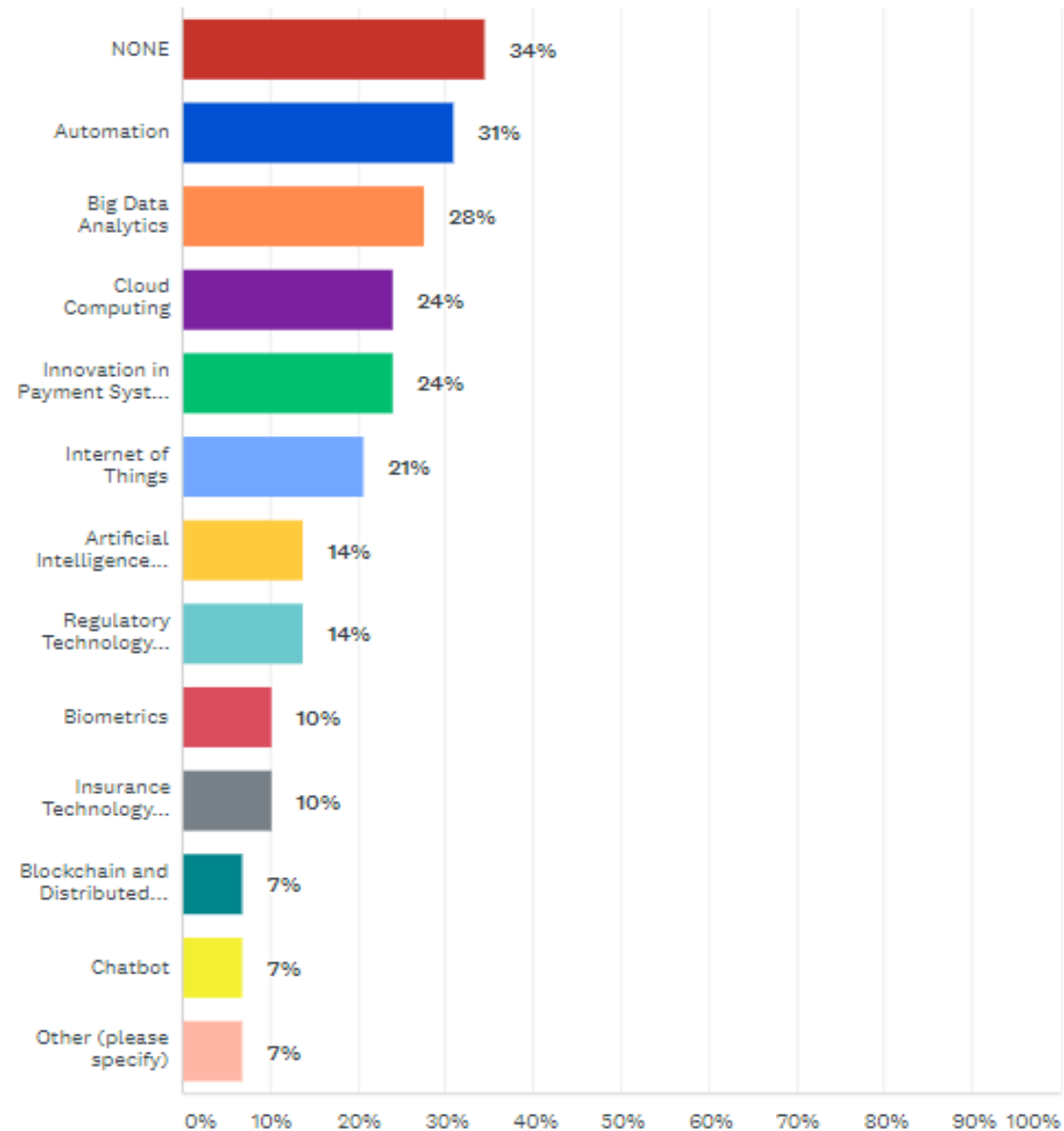
Answered: 43 Skipped: 0



/ DEMOGRAPHICS

What technologies has your organisation implemented (choose all that apply)

Answered: 29 Skipped: 14



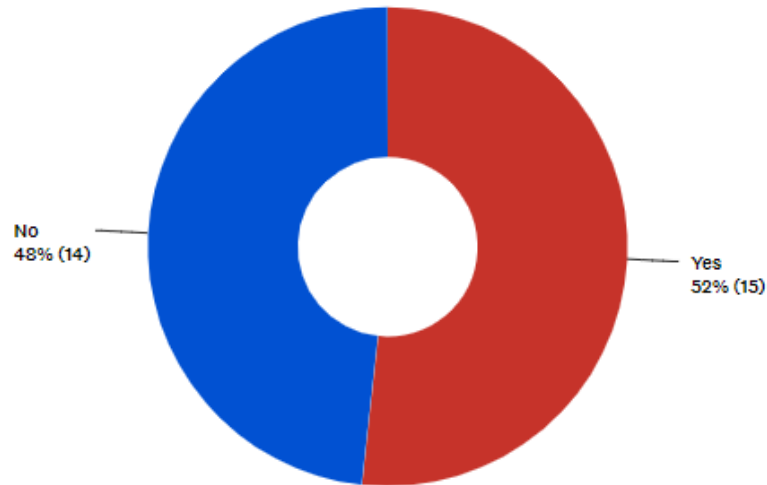
TECHNOLOGICAL PROGRESS

- Incumbents must find more opportunity to collaborate with Fintech Innovators
- Partnering & Joint Venturing brings Win | Win opportunities
- Incumbents stay abreast of latest innovation

/EXPRIMENTING with FINTECH

Is your firm currently implementing or have already put in place, so ca...

Answered: 29 Skipped: 14



- Point of Sale Mobile App
- E-Insurance
- Integrated Insurance Information Systems

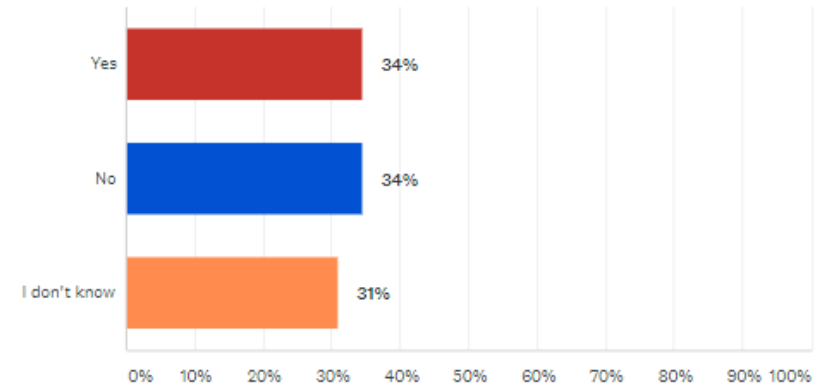
Again – no evidence of disruptive tech driven business models

/LOW LEVELS of AWARENESS

- Awareness of support available to Fintech entrepreneurs is low
- Need for greater awareness raising and coordination

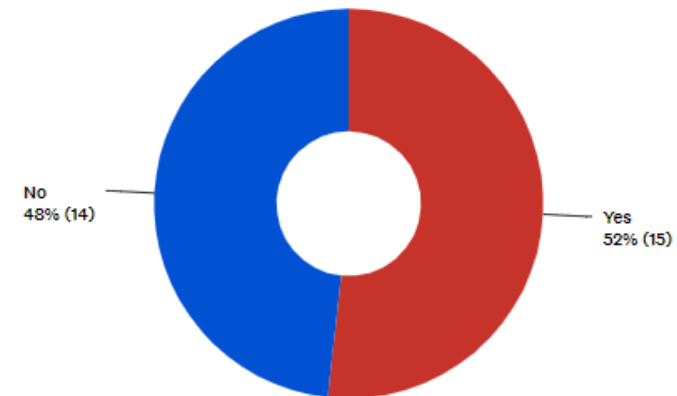
Are you aware of a Fintech Association (of some sort) existing in the Republic of North Macedonia?

Answered: 29 Skipped: 14



Are you aware that the National Bank of the Republic of North Macedonia has an Innovation Hub?

Answered: 29 Skipped: 14



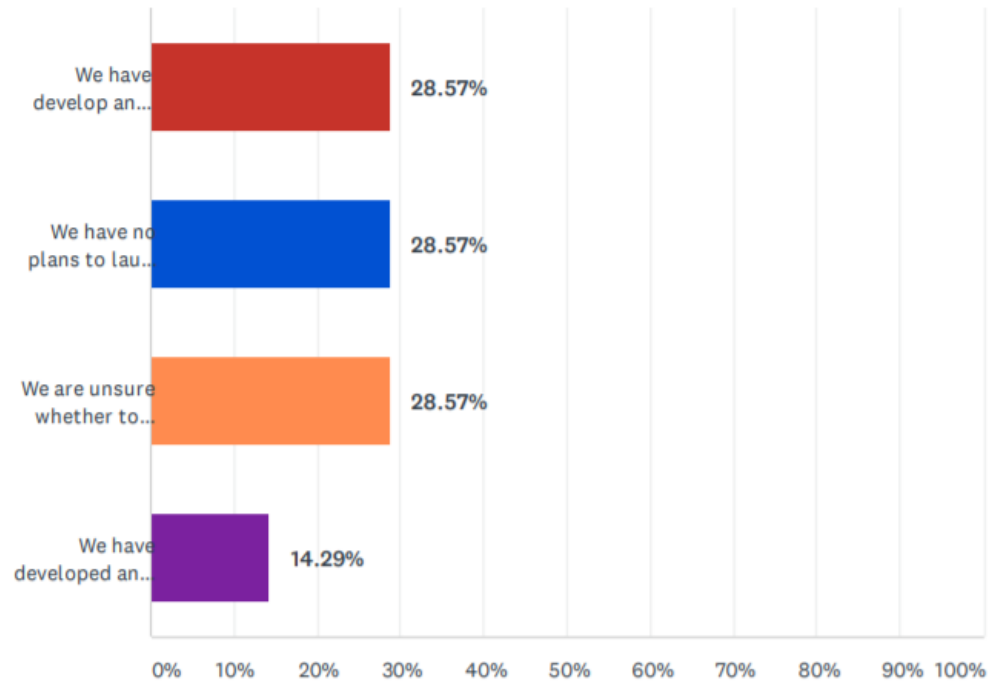


03/**ACCELERATORS,**
INVESTORS & Other

Enabling Ecosystem is Emerging but Nascent

Q20 What statement below best describes your efforts to implement an Accelerator or Incubator (or Digital Lab)

Answered: 7 Skipped: 1



ANSWER CHOICES	RESPONSES
We have develop an Accelerator / Incubator and it currently has a cohort of firms	28.57% 2
We have no plans to launch an Accelerator or Incubator	28.57% 2
We are unsure whether to launch an Accelerator or Incubator	28.57% 2
We have developed an Accelerator / Incubator, but it does not currently have any startup firms participating	14.29% 1
TOTAL	7

/ DEDICATED ACCELERATOR

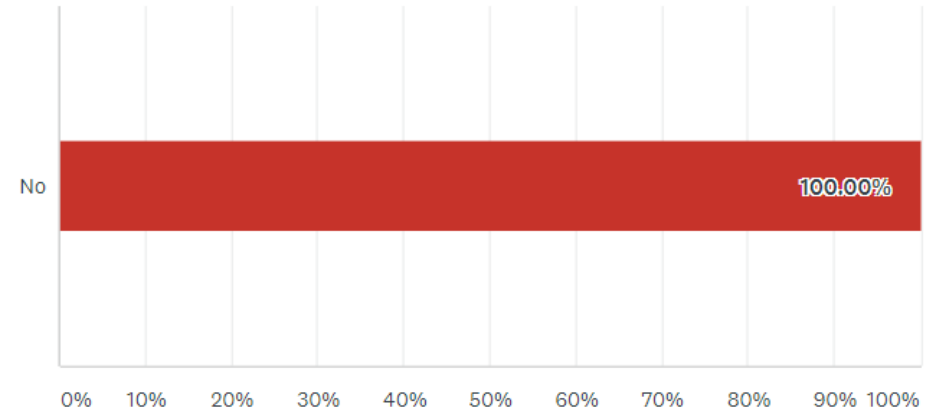
- Accelerator & Incubator landscape is well developed in RNM
- However, we could not find a dedicated Fintech Accelerator or Fintech specific programmes at existing hubs
- This may be because the Fintech is at early stage of development

No Investment in FINTECH

- No current investments in Fintech
- Investors believe Fintech firms need more financing and support before they become investible
- Vicious circle because there is a lack of Fintech Accelerators to provide that support

Do you currently invest in Fintech or any Technology firms that support the financial sector?

Answered: 7 Skipped: 1



In your view, are the current Alternative Finance and Fintech firms (you are aware of), able to scale their businesses significantly?

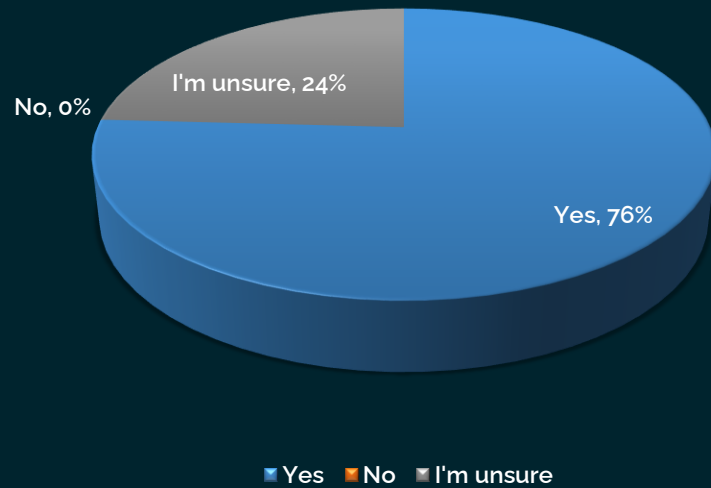
ANSWER CHOICES	RESPONSES	
No, I believe the Alternative Finance firms need a lot more funding and technical support to become sustainable and ready for scale.	57.14%	4
Yes, I believe we have strong Alternative Finance firms, but I think they will find it challenging to scale	28.57%	2
Yes, I believe we have a strong Alternative Finance firms that can scale	14.29%	1
TOTAL		7



04/**REGULATORS**
PERSEPECTIVE

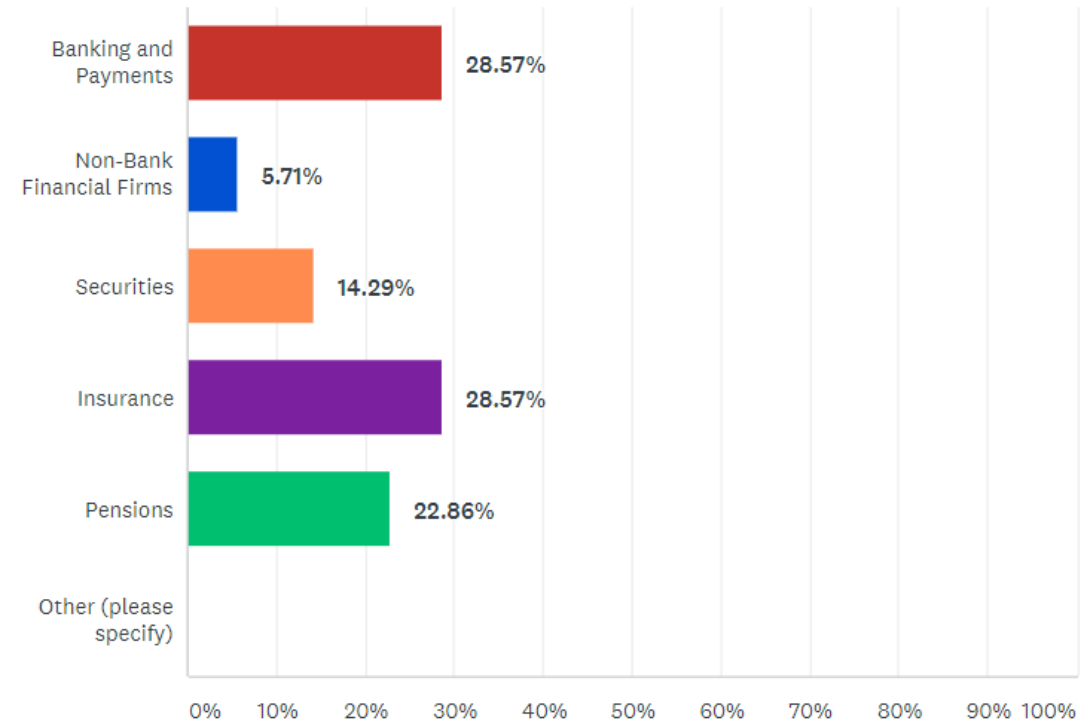
Regulators are progressive and seeking solutions to open the market to Fintech led innovation from entrepreneurs and incumbents

Should Regulators be Open to Fintech Newcomers?



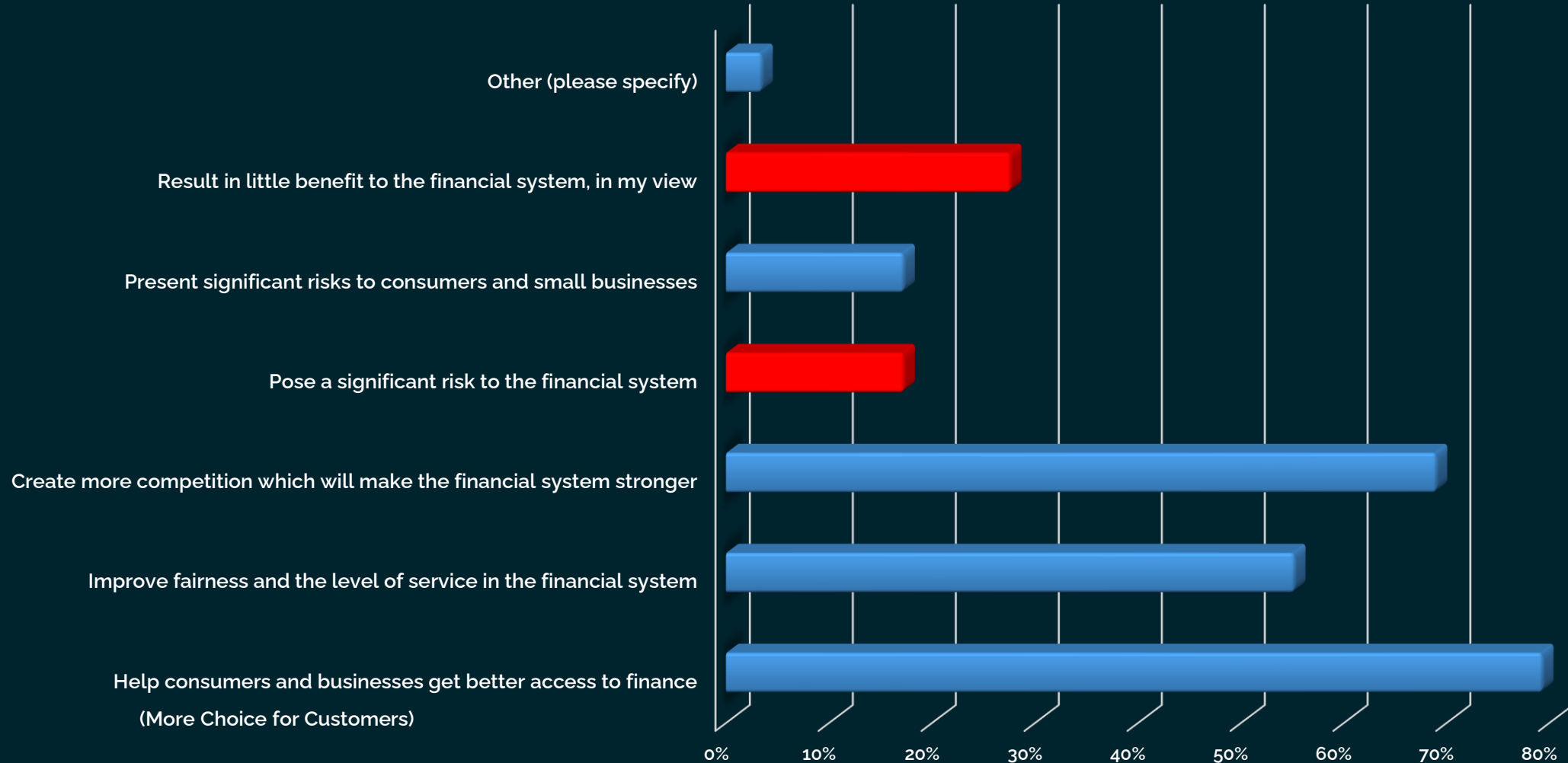
What best describes the sector that you regulate?

Answered: 35 Skipped: 0



REGULATORS see POSITIVE IMPACT of FINTECH

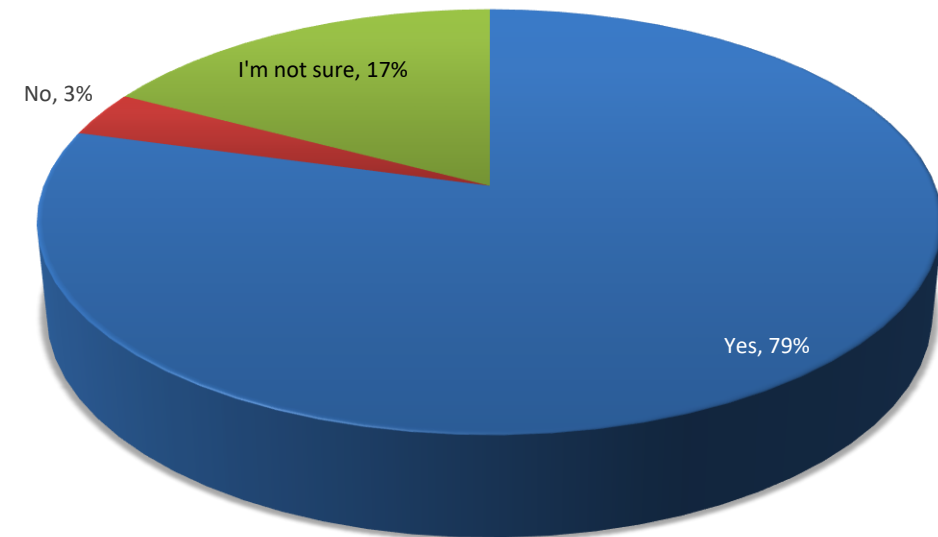
Impact of Allowing Fintech Newcomers or Innovation



/REGULATORS Support a **SANDBOX**

- However, they need legislative support to allow experimentation
- New legislation that provide legal ground for functioning of a Sandbox
- Consumers / End Users must be afforded regulatory protection while transacting during sandbox testing

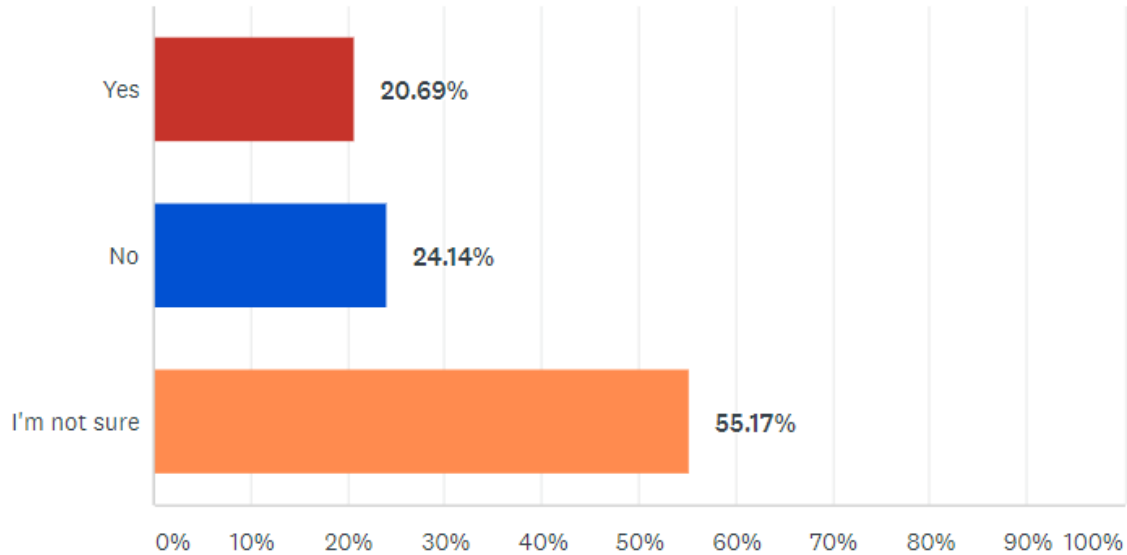
Support Developing Regulatory Sandbox?



■ Yes ■ No ■ I'm not sure

Will FINTECHs COMPLY?

Do you believe that Fintech newcomers are adequately prepared to comply with all regulatory requirements?



Yes

- North Macedonian Fintech firms will follow international firms. Who are complying
- If regulation is tailored to their needs, they will be more likely to comply

No

- Fintech firms do not fully understand regulatory requirements
- Current regulatory framework is too burdensome
- Smaller companies who may not have compliance resources
- Conflict between market traction & compliance



04/**GOVERNMENT**
PERSEPECTIVE

**Government is Ready & Able to Support the development of a
Vibrant Fintech Ecosystem**

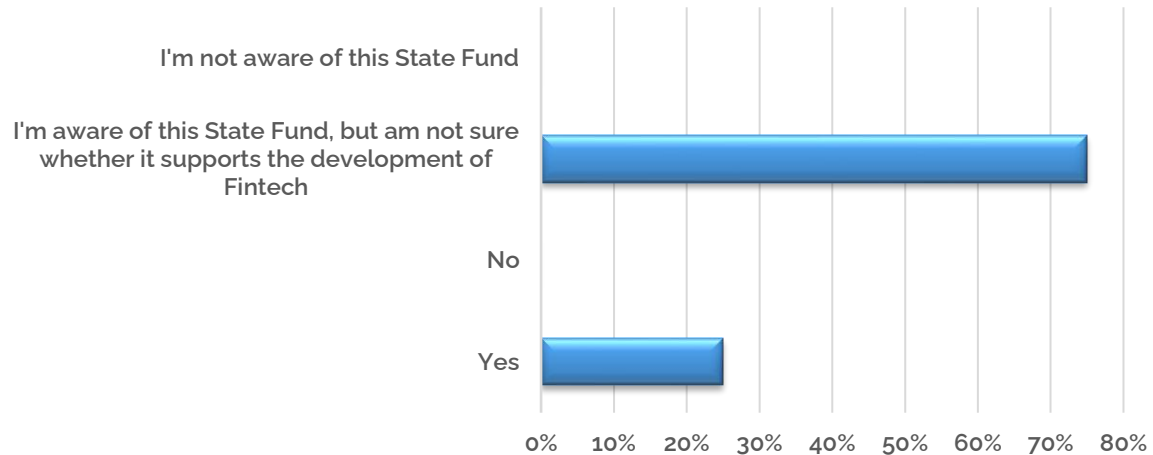
/GOVERNMENT is able to SUPPORT?



- Co-financed grants for:
 - technological development to overcome consequences of COVID
 - technological development and improved innovation
 - Professional development and internship for newly employed young people
 - Start-up and Spin Out companies
 - Commercialisation of Innovation
 - Technological extensions

/Is GOVERNMENT Specifically Supporting FINTECH?

Is the State Fund for Innovation & Tech Development Specifically Supporting Fintech Development?



- Currently – no Government led programme packages specifically to enable the development of Fintech.
- However
 - Fund of Funds based approach might allow them to provide wider support
 - Exploring Regional Innovation Fund that could enable cross border Fintech business

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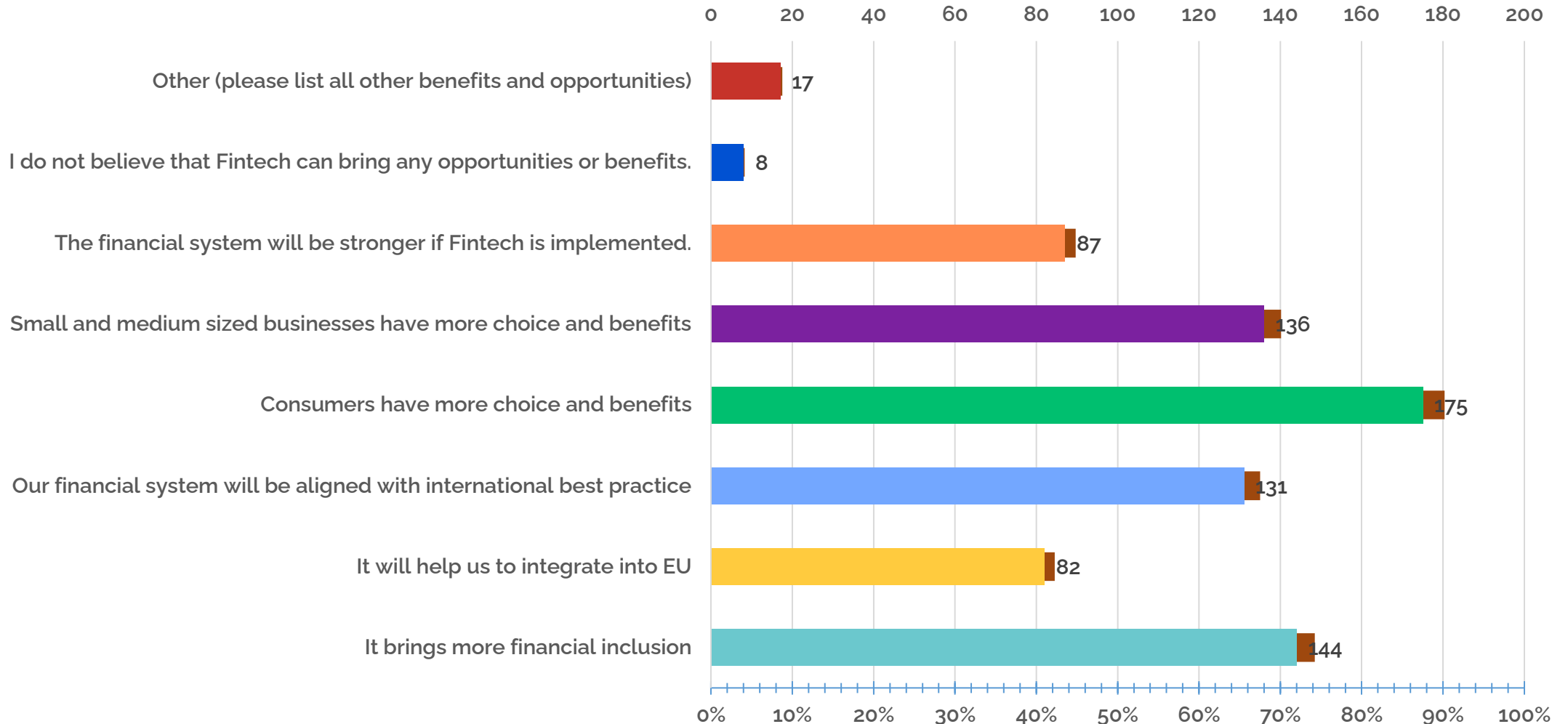
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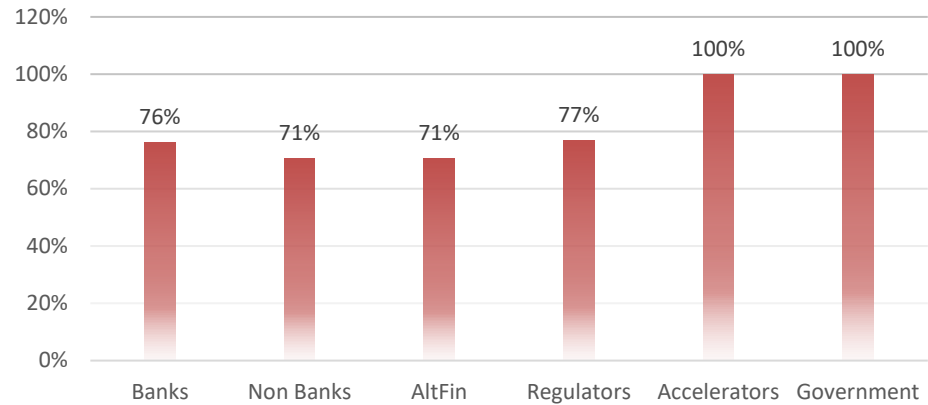
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/FINTECH OPPORTUNITIES

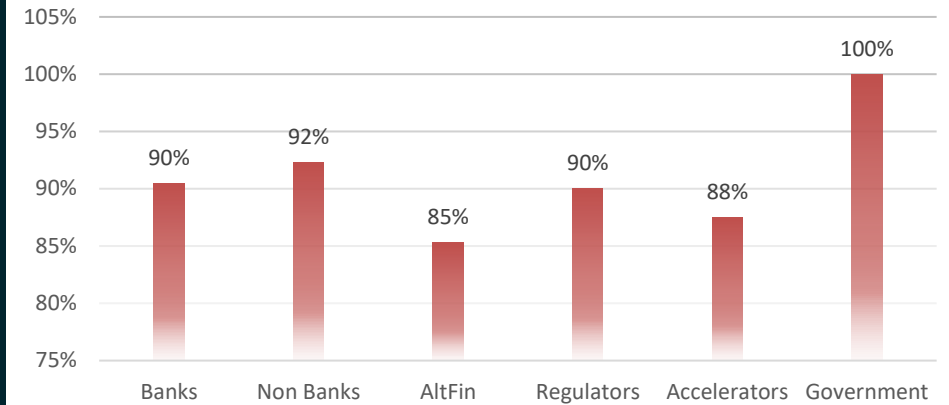
What Opportunities can Fintech Bring (Consolidated)



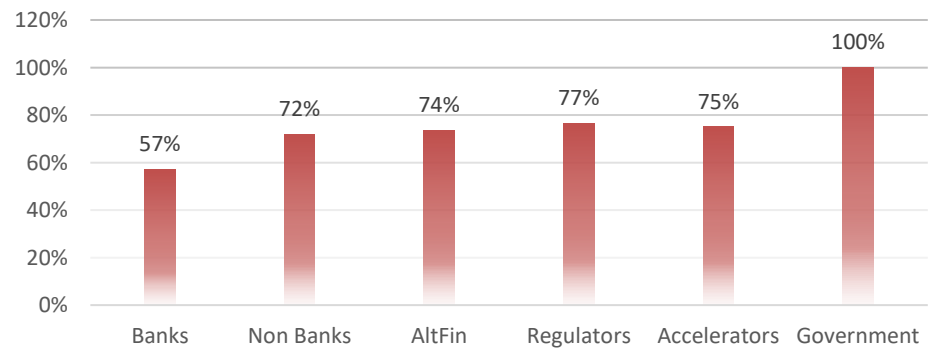
IT BRINGS MORE FINANCIAL INCLUSION



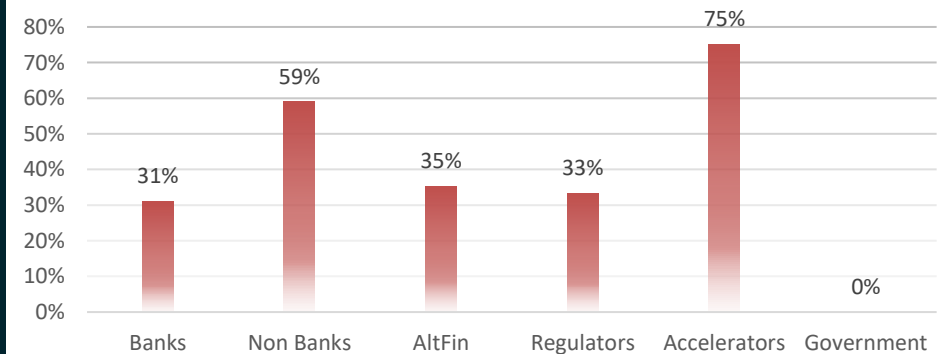
CONSUMERS HAVE MORE CHOICE AND BENEFITS



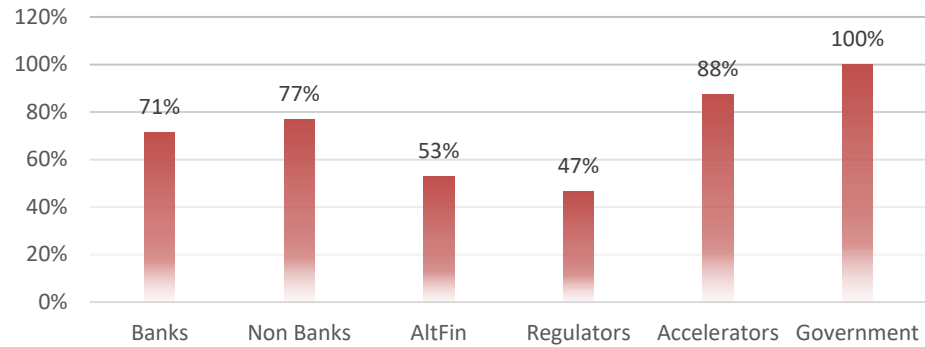
SMALL AND MEDIUM SIZED BUSINESSES HAVE MORE CHOICE AND BENEFITS



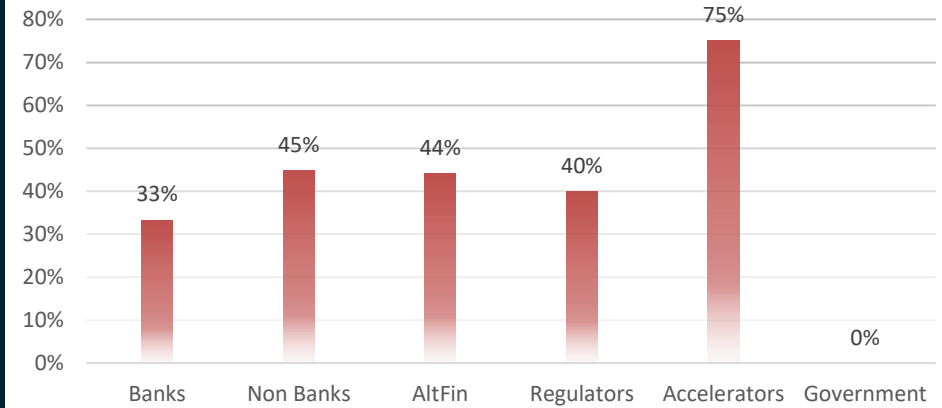
THE FINANCIAL SYSTEM WILL BE STRONGER IF FINTECH IS IMPLEMENTED.



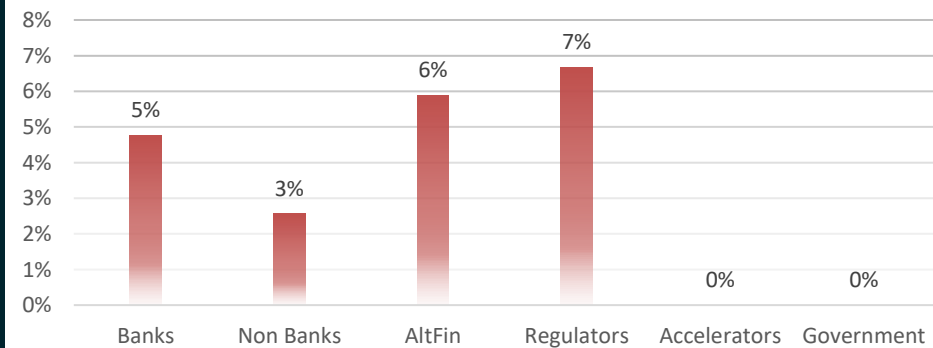
OUR FINANCIAL SYSTEM WILL BE ALIGNED WITH INTERNATIONAL BEST PRACTICE



IT WILL HELP US TO INTEGRATE INTO EU



I DO NOT BELIEVE THAT FINTECH CAN BRING ANY OPPORTUNITIES OR BENEFITS.

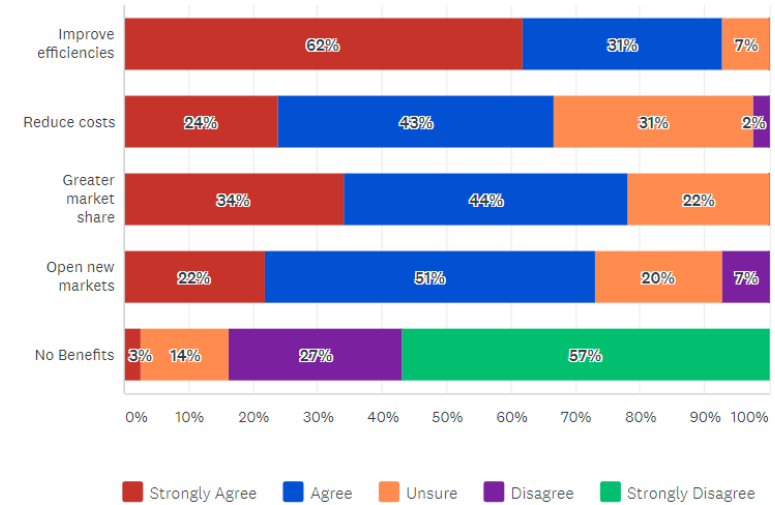


INCUMBENT see Internal OPPORTUNITIES

- Efficiency gains & cost reduction are the most attractive benefits
- Encouraging to see that incumbents realise the potential of Fintech to open new markets and this drive financial inclusion
- Small minority see little to no benefits

What benefits do you think Digital Transformation and/or Fintech can bring to your bank?

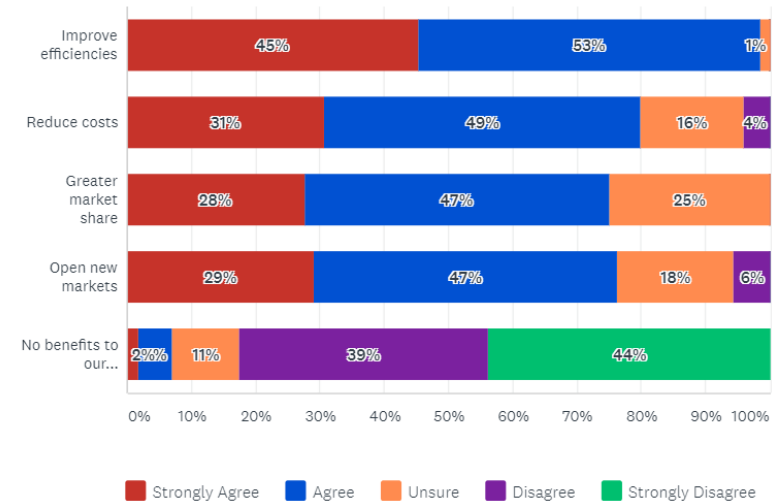
Answered: 42 Skipped: 1



BANKS

What benefits do you think Digital Transformation and/or Fintech can bring to your organisation?

Answered: 75 Skipped: 14



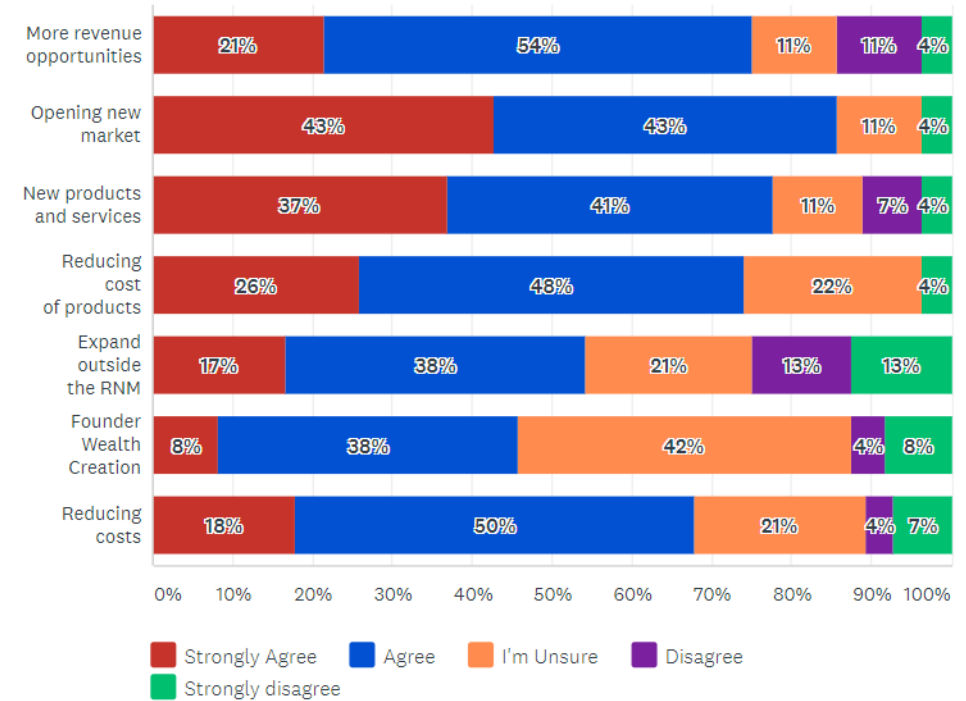
NON BANKS

ALTFIN see REVENUE OPPORTUNITIES

- Entrepreneurs will step into a market where they see revenue opportunities from new untapped markets where there is little competition
- Financial inclusion focused
- Motivated to provide new products and services not currently available
- At lower price
- Also see benefit for operational efficiencies and cost reduction – so they can pass on savings to customers

What are the biggest benefits that Fintech can bring to your organisation?

Answered: 29 Skipped: 14



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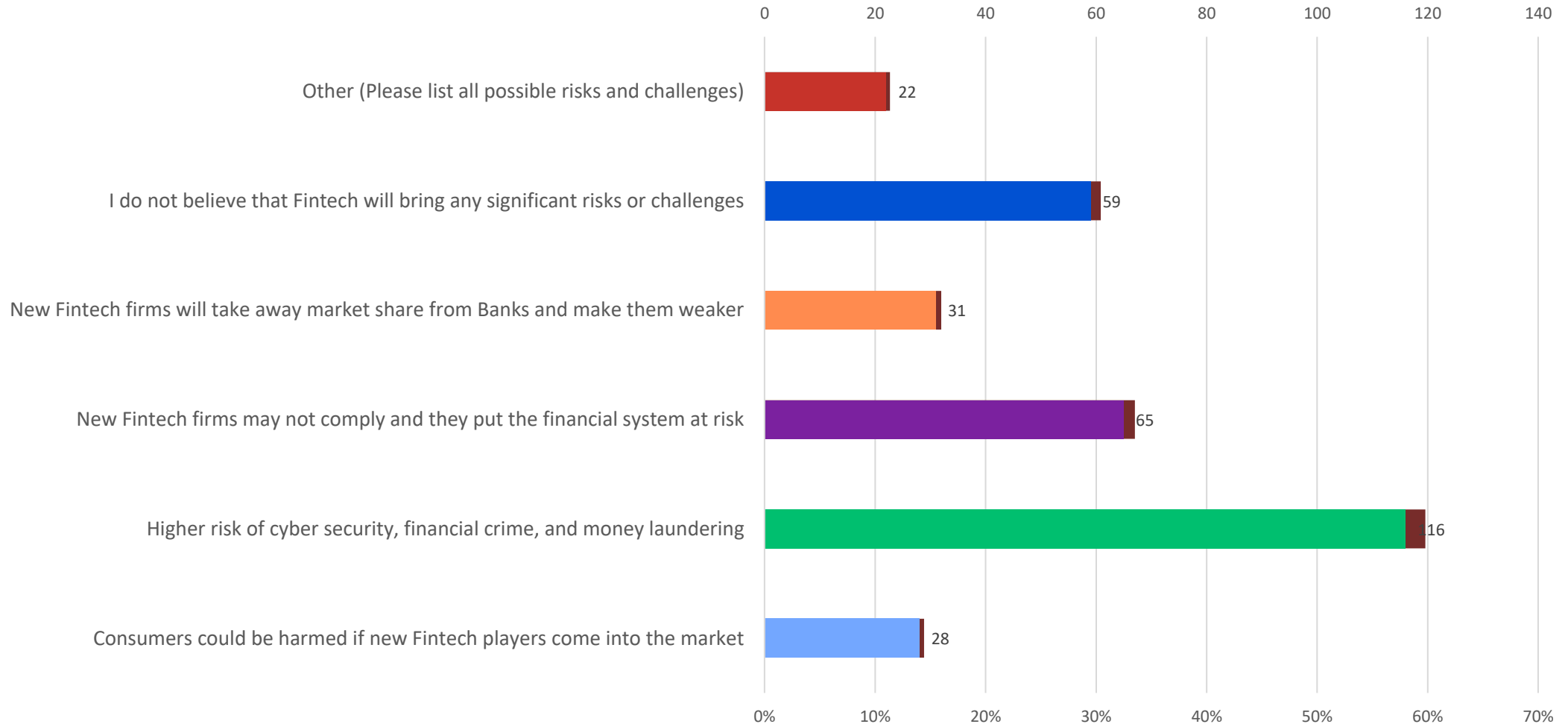
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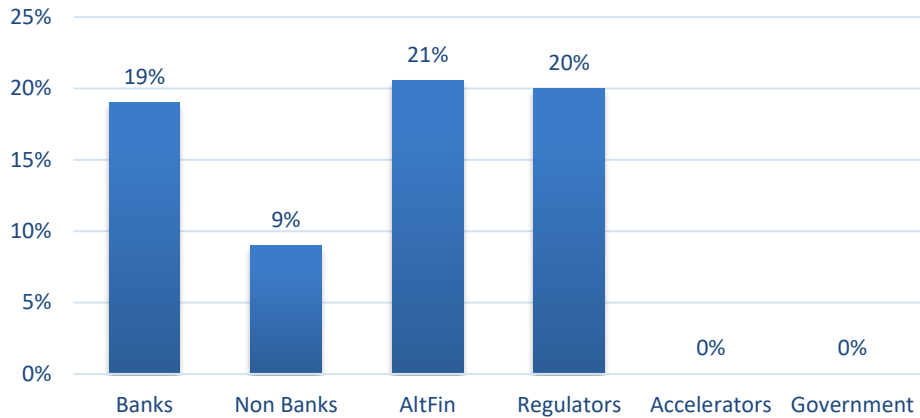
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/ RISKS & CHALLENGES of FINTECH

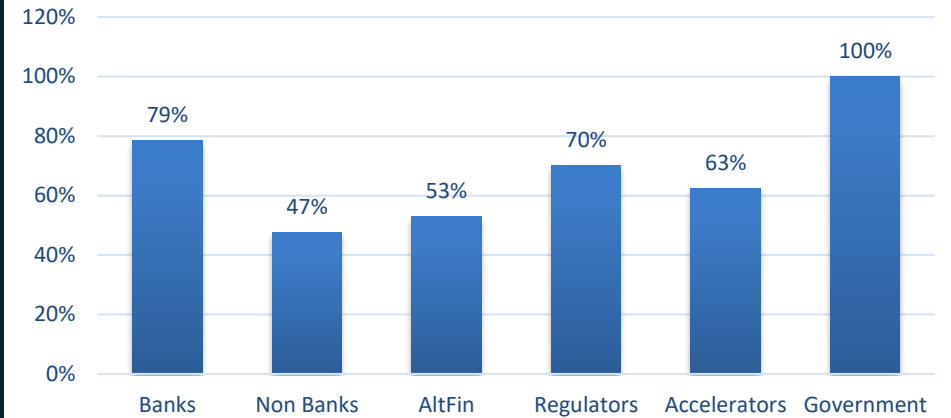
Risks and Challenges Fintech Brings (Consolidated)



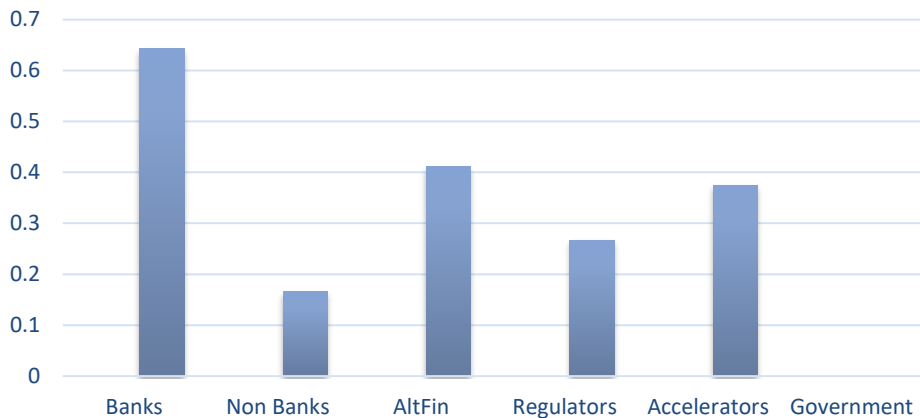
Consumers could be harmed if new Fintech players come into the market



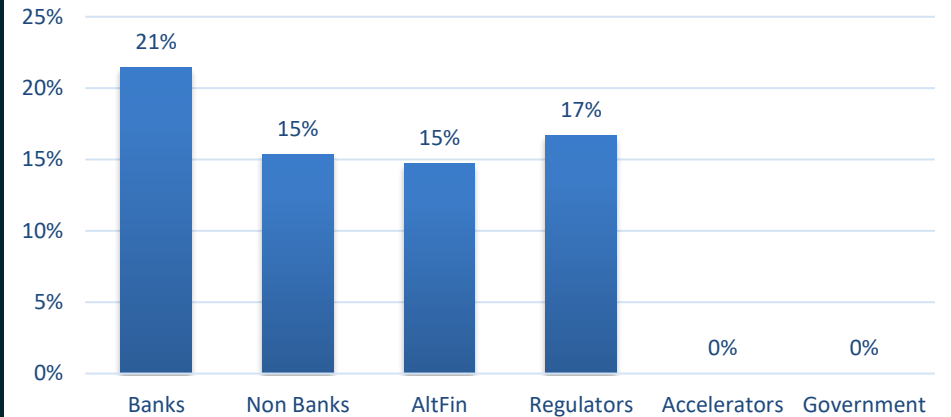
Higher risk of cyber security, financial crime, and money laundering



New Fintech firms may not comply and they put the financial system at risk



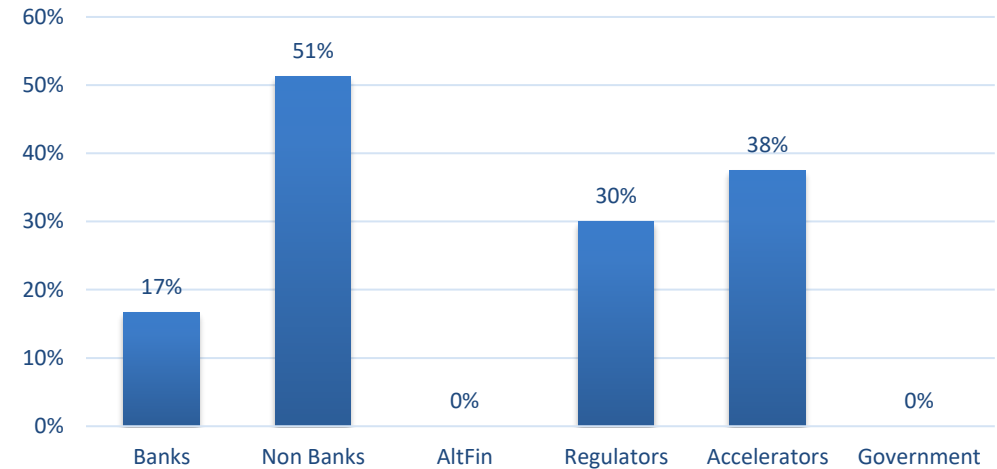
New Fintech firms will take away market share from Banks and make them weaker



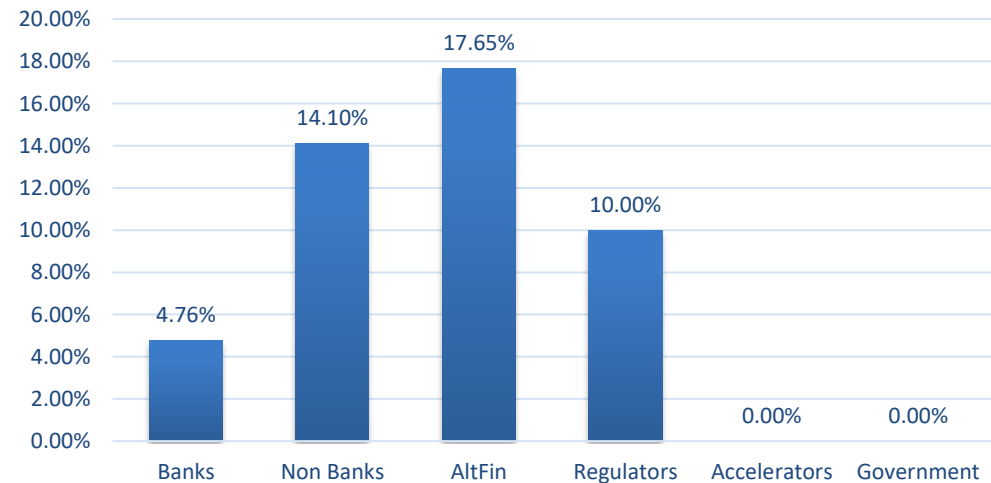
OTHER RISKS

- Cyber risks
- Privacy & Data Security
- Impersonation & ID Fraud
- Money laundering
- Lack of investment
- Lack of regulatory knowledge or capacity to monitor Fintech
- Risky cryptocurrencies could harm investors

I do not believe that Fintech will bring any significant risks or challenges



Other Risks



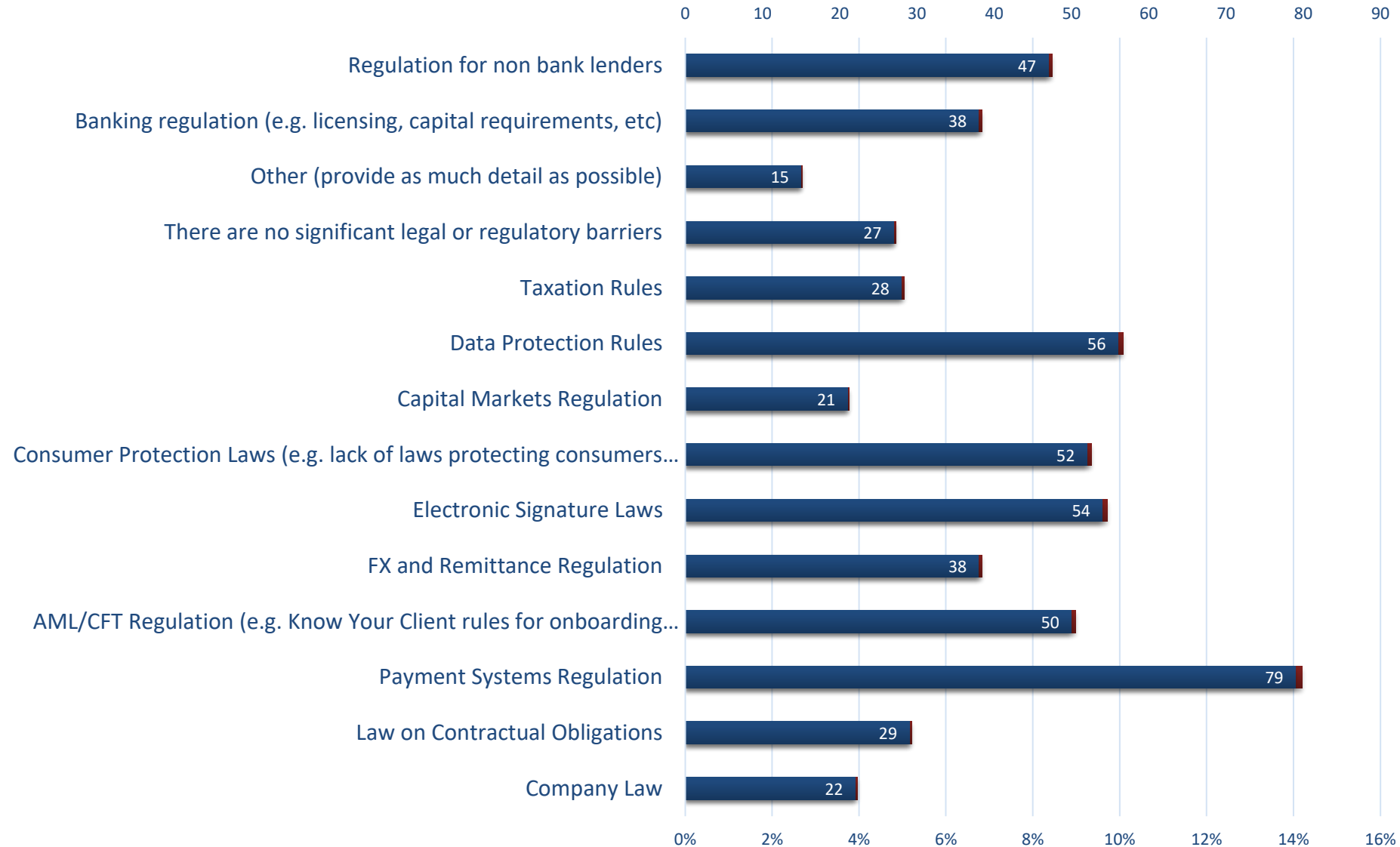


LEGAL & REGULATORY
BARRIERS

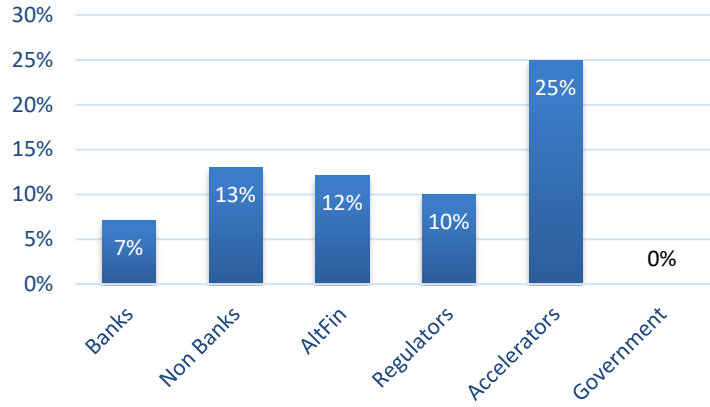
**Policymakers are aware of roadblocks to development of
Fintech**

/LEGAL & REGULATORY BARRIERS

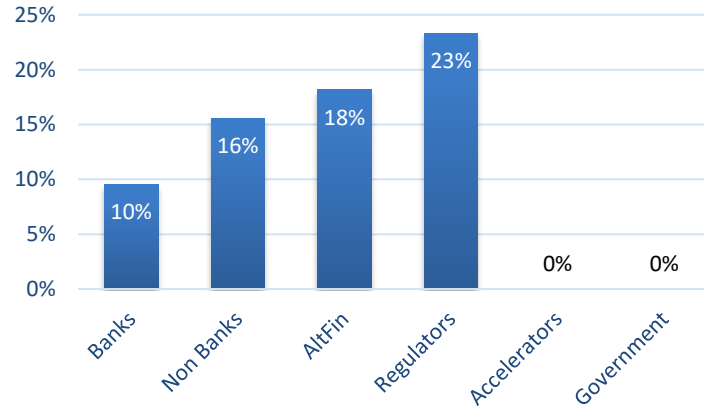
Biggest Legal & Regulatory Barriers



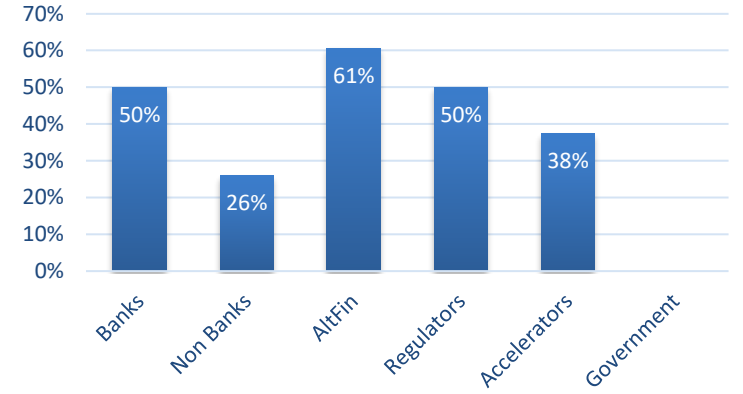
Company Law



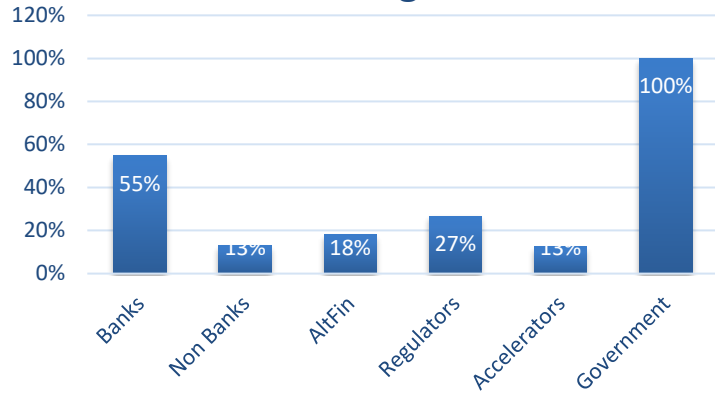
Law on Contractual Obligations



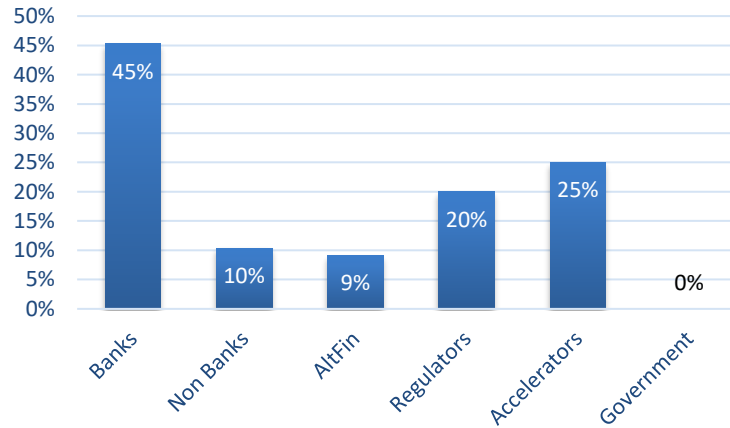
Payment Systems Regulation



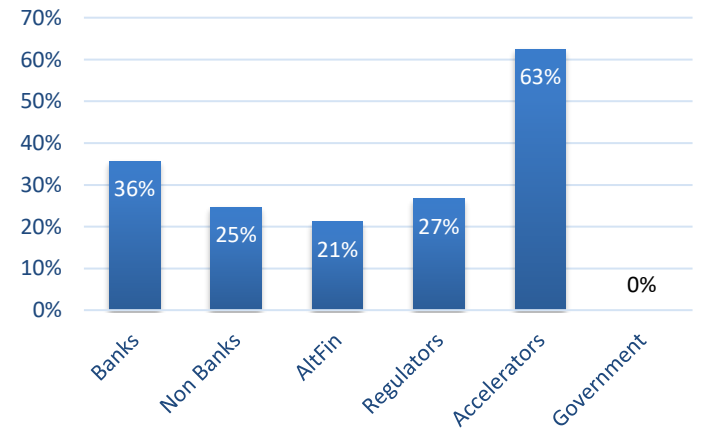
AML/CFT Regulation



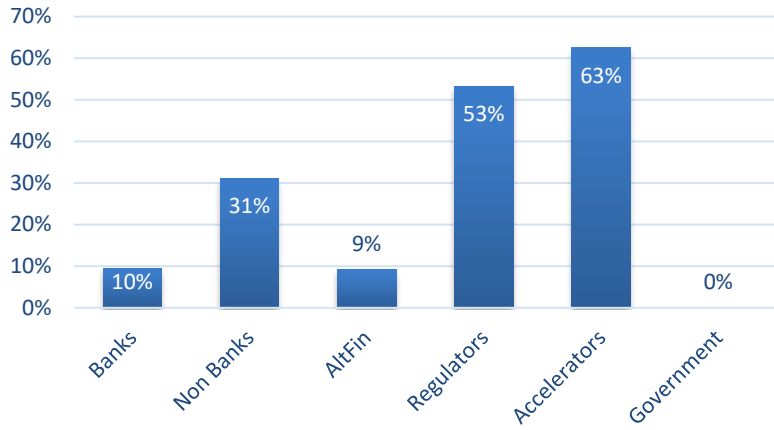
FX and Remittance Regulation



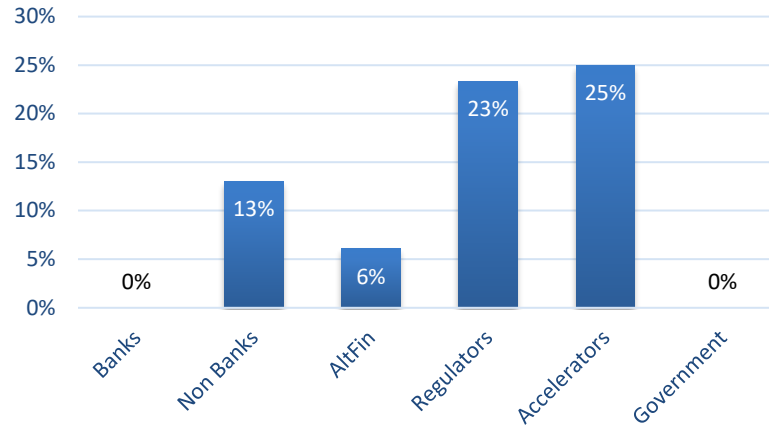
Electronic Signature Laws



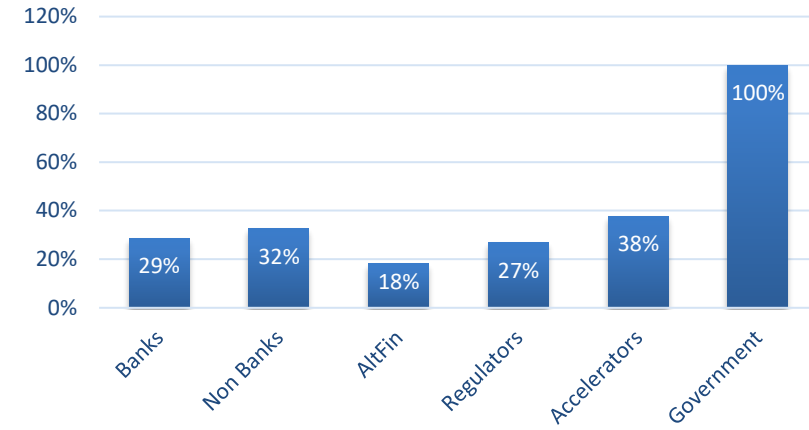
Consumer Protection Laws



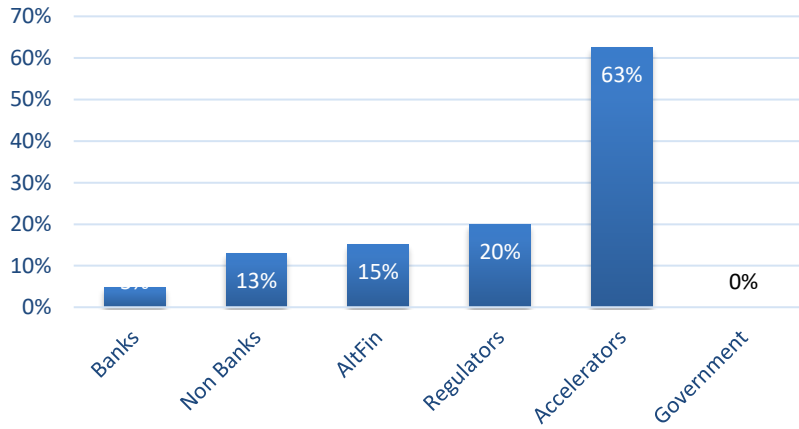
Capital Markets Regulation



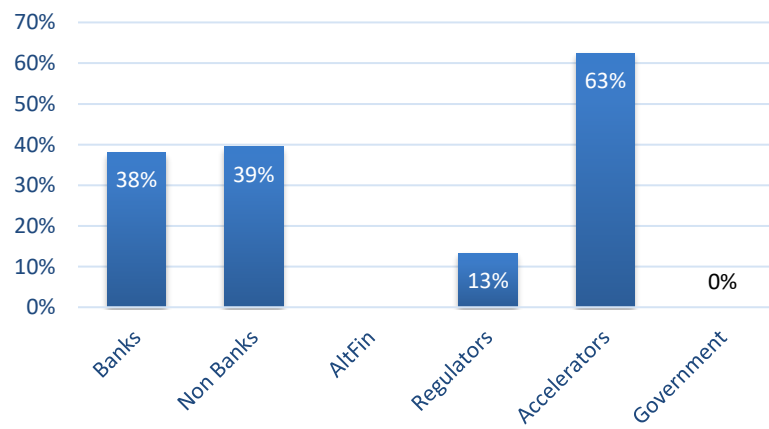
Data Protection Rules



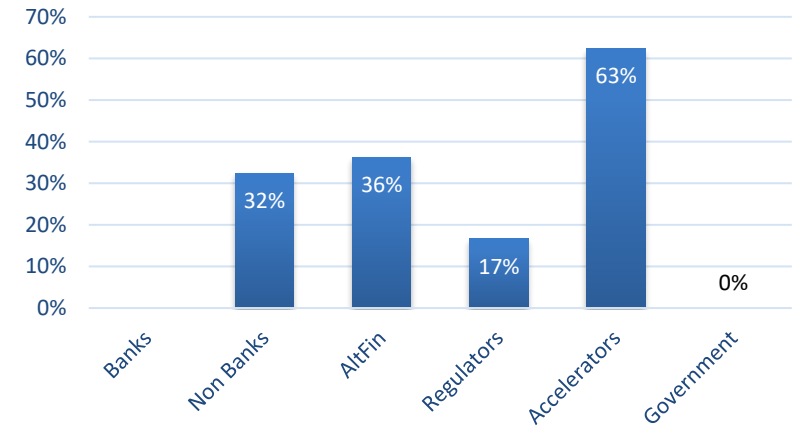
Taxation Rules



Banking regulation (e.g. licensing, capital requirements, etc)



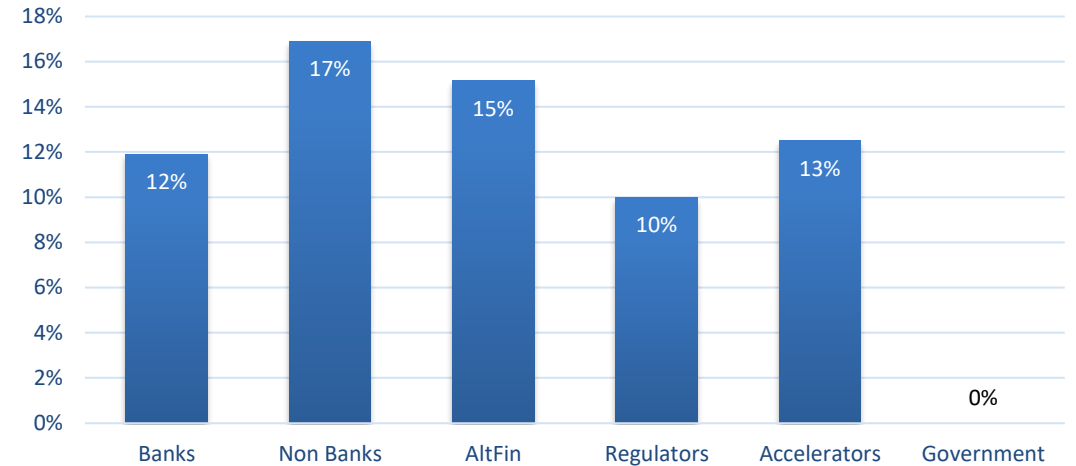
Regulation for non bank lenders



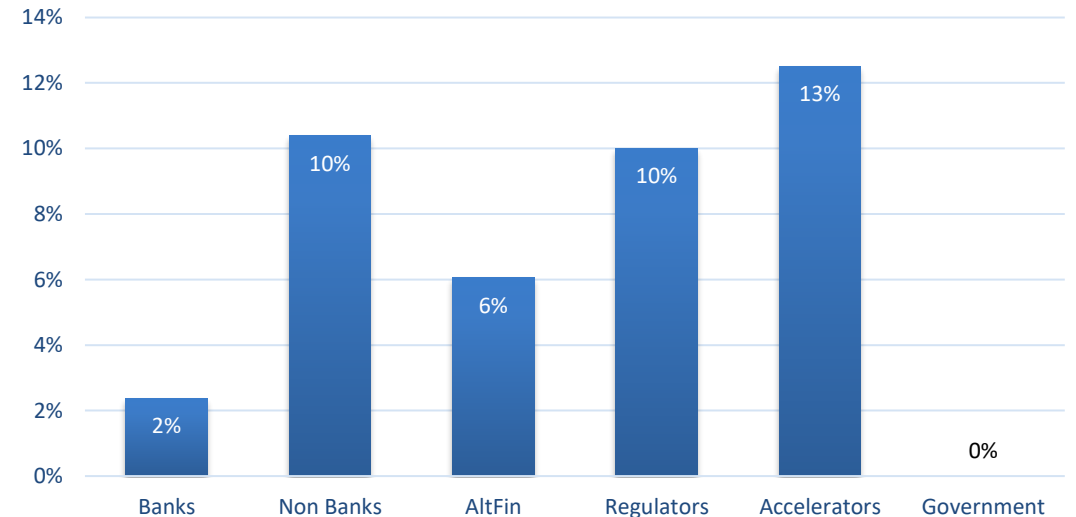
OTHER REGULATORY OBSTACLES

- Impractical & changing regulatory landscape
- Insurance Regulation (Solvency II)
- Inflexible Labour Law
- Sometimes laws can be overly protective or restrictive
- No specific legal framework for Fintech
- Overlapping regulatory requirements and supervision

There are no significant legal or regulatory barriers



Other (provide as much detail as possible)



/ Capture Various **PERSPECTIVES**

1

Drivers Forcing Change

Without compelling drivers forcing change, the industry has very little change of success

Drivers could be needs driven, for example financial inclusion, economic prosperity, etc

2

Assessing Environment & Ecosystem

Is the environment conducive to change?

Is there a Fintech supportive ecosystem and & what does it look like?

Government & regulator attitude to financial transformation

Digital transformation at Incumbents

3

Exploring Benefits that Fintech can bring

Fintech is not worth pursuing if they don't bring real tangible benefits

Benefits can be a catalyst to changing hearts & minds & driving initiatives

4

Examining Barriers & Challenges

Explore barriers such as
Regulation / Licensing
New risks introduced

Lack of access to infrastructure, such as payment system, bank accounts

Risks, Costs & Funding

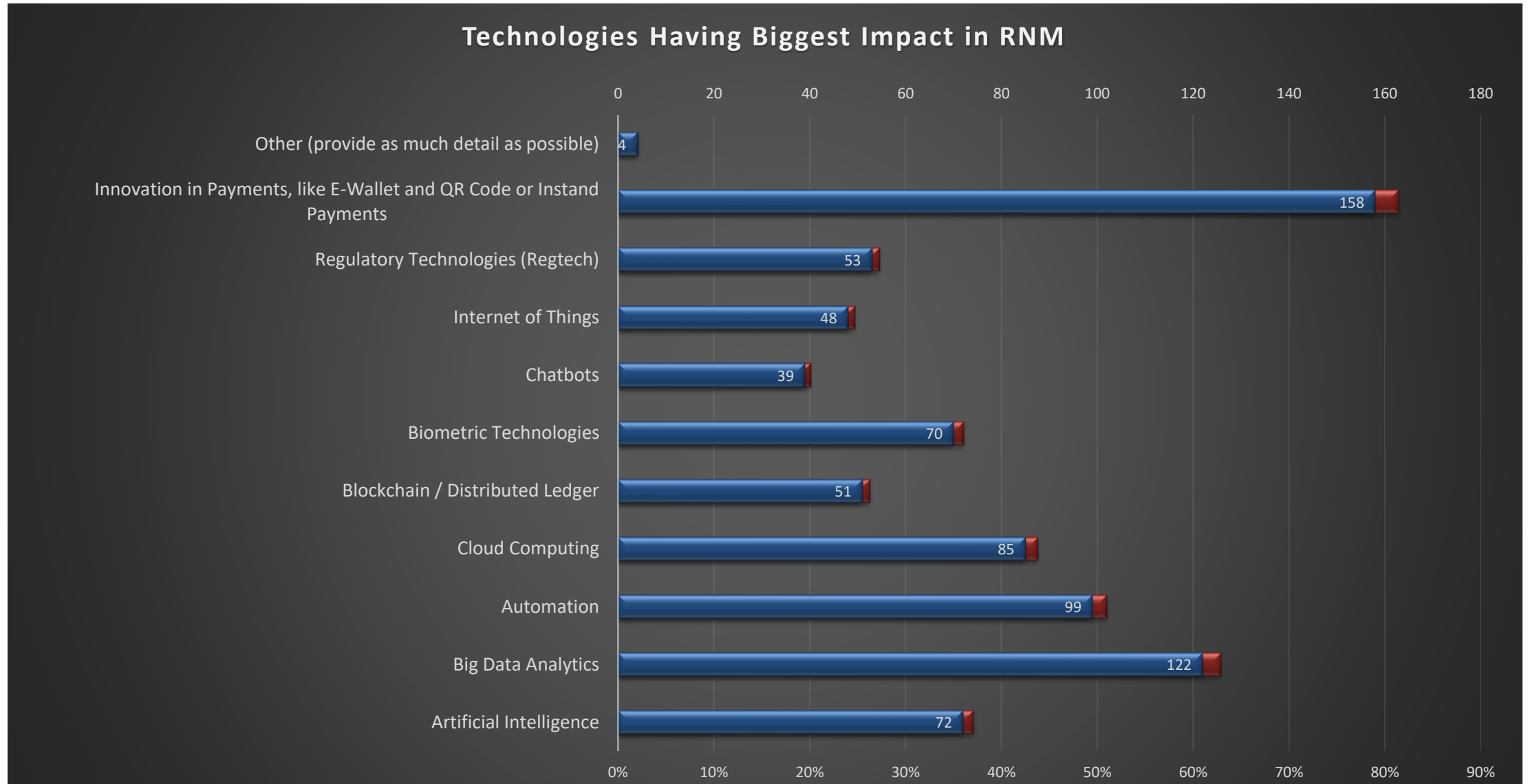
5

Formulating Strategic Recommendations

Based on research, formulate strategic pathways (recommendations) for discussion with stakeholders.

Assess appropriateness and workability of strategies in RNM context.

/IMPACTFUL TECHNOLOGIES of the FUTURE



/ Future Business Models for RNM

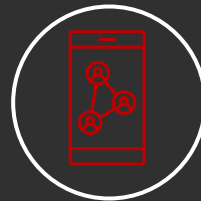
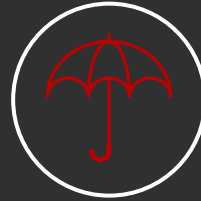
Peer to Peer Lending



Crowdfunding

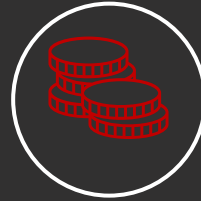


InsureTech



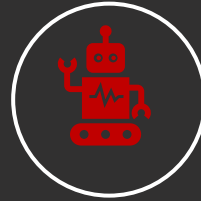
P2P Payments

Cryptocurrency



E-Wallets

Robo Advice



Innovation in Asset
Management

Reg Tech (e KYC)



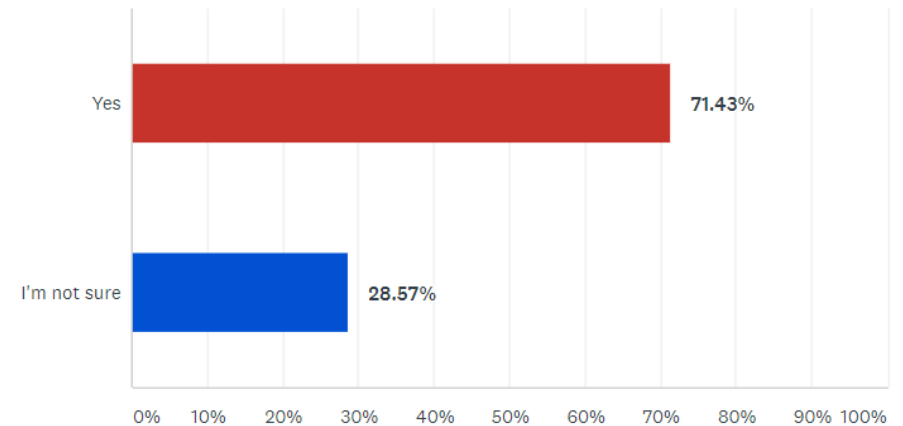
Cloud Computing

Government Support for Fintech

- Match funding
- Tax relief for investing in start-ups
- Decreased tax rate for Fintech businesses (0%)
- Government subsidized loans
- Employee benefits through grants
- Partnership with private investors
- Professional business consultancy for Fintech
- Special program / fund for Fintech Start-ups
- Proper development of strategy accepted by all stakeholder

Do you believe Government should incentivise INVESTORS to invest in Fintech ventures (For example, through income tax relief)

Answered: 7 Skipped: 1



/ Suggestions

To Develop Fintech in RNM



CREATE DEMAND FOR
FINTECH

EDUCATION
Financial literacy and
creating awareness
and trust in Fintech
solution



SUPPORTING
INNOVATION

EMPOWER
Empower
entrepreneurs and
innovators with
support / More
accelerators



COORDINATED
EFFORTS

**COMMON
PURPOSE**
Better coordination of
Fintech initiatives to
ensure a successful
outcome



REMOVING BARRIERS
to ENTRY

**CONDUCTIVE
ENVIRONMENT**
Lower Regulatory
Requirements
Regulatory Support



THANK YOU

CONTACT DETAILS
Jay.tikam@vedanvi.com
Tel: +44 203 102 6750
<https://Vedanvi.com>



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