June 2025

Reimagining Digital Banking for SMEs

Insights from Global Trends and Africa’s Emerging Landscape

A Whitesight report

Supported By

Content

Purpose of the Report

The purpose of this report is to explore the global evolution of digital SME banking, assess the emergence of adjacent value-added tools, and highlight successful models shaping the space. It aims to draw parallels between developed and emerging market dynamics — where digital disruption is still in early stages — and demonstrate how new models can fundamentally reshape SME financial access and growth trajectories.

Executive Summary

Reimagining SME Banking Models for Africa’s Entrepreneur Economy

The SME finance gap remains structurally underserved.

Despite contributing over 90% of employment and half of global GDP, SMEs remain excluded from formal financial rails—especially in Africa. With over 60% of African SMEs unbanked or underbanked, the region represents a high-potential frontier for digital-first, workflow-native banking models.

A new generation of SME banks is emerging globally.

SME-focused digital banks are diverging from traditional corporate and retail templates, instead embedding banking into business operations—from cash flow analytics to invoice financing. Models like Qonto, Aspire, and Mercury are showing the viability of financial stacks built specifically for SMEs from the ground-up.

Adjacent players are shaping the next wave of SME banking.

Beyond digital banks, vertical SaaS specialists and financial services providers are embedding financial tools into operational workflows—whether through spend controls, embedded credit, or reconciliation tools—positioning themselves as financial hubs for SMEs.

Africa’s leapfrog potential is grounded in demographics and digital behavior.

Over 60% of Africa’s population is under 25, with $700B in mobile money volumes annually and 150M+ SMEs across the continent. The ecosystem is increasingly digital-native but still underserved, opening a wide whitespace for new models.

The African SME banking race is rebundling finance and operations.

Across Africa, fintechs are consolidating disjointed services like payments, credit, invoicing, and embedded payroll into integrated platforms, reducing fragmentation for SMEs. Players like Zazu are evolving into full-stack SME operating systems, enabling real-time business finance, embedded workflows, and cross-border scalability

2

Introduction

The new SME bank stack

The Underserved Reality of SME Finance

Small and Medium Enterprises (SMEs) sit at the center of global economic activity, comprising over 90% of businesses, 70% of total employment, and 50% of global GDP. Yet despite their economic weight, SMEs have often sat in an institutional blind spot — ***too small to be treated like corporate clients, too complex for retail frameworks.*** The result is a massive and persistent financing gap: $5.7T annually for formal MSMEs, swelling to $8T when informal enterprises are included. In emerging markets alone, 70% of MSMEs remain underfinanced, lacking access to credit, working capital, or growth support.

This has created a widespread misfit between SME needs and what formal financial services offer — from rigid product design to limited support during key lifecycle moments like cash flow crunches, seasonal demand cycles, or regional expansion. Moreover, as digital transformation reshapes financial services, SMEs are actively shifting behaviors. According to IDC, over 90% of SMBs increased their reliance on technology during the pandemic, marking a decisive turn toward digital tools. For these firms, going digital is essential for survival. This shift is paving the way for purpose-built digital banking solutions tailored to SME workflows, growth stages, and sectoral realities.

The Gaps in Traditional Offerings

Despite the growing recognition of SMEs as a critical engine of economic development, traditional institutions have struggled to translate this awareness into meaningful service delivery. At the core of the problem is the reality that most SMEs are data-thin and don't maintain robust financial statements, but often have real-time transaction flows through POS systems, eCommerce platforms, or mobile wallets. Traditional banks, however, rely on formal credit histories and collateral-backed lending—requirements that instantly disqualify large swaths of SMEs from financial access.

At the same time, according to a 2024 IBM survey, banks face significant internal roadblocks to improving service: 53% cite lack of modularity in core banking systems and 52% highlight inadequate API standards for data exchange as barriers to evolving SME offerings. What this translates to on the ground is generic product offerings, poor digital experiences, manual onboarding processes, and limited relationship management — with SMEs rarely receiving services tailored to their growth stage, sector, or cash cycle needs. As alternative players enter the space with digitally native, data-driven models, the traditional banking sector risks being left behind in serving one of the most critical and fast-changing segments of the global economy.

Enablers Shaping the SME Finance Opportunity Today

The SME banking opportunity is being driven by shifts in both demand and supply dynamics:

- On the demand side, SMEs are rapidly digitizing—accelerated by the pandemic—and operate across marketplaces, e-commerce platforms, and mobile-first channels. This behavioral shift has reset expectations: SMEs now demand fully digital, seamless, and omnichannel engagement with their financial providers. "Banking basics" like fast onboarding, real-time credit decisions, and low-cost transactions are now non-negotiables for SME retention and relevance. SMEs are also pushing for smarter, more personalized credit engagement. Notably, they are increasingly willing to share operational data to receive tailored products and strategic guidance—seeking a trusted financial partner embedded into their broader business lifecycle.

- On the supply side, legacy institutions are under growing pressure to reshape delivery architectures to meet the SME moment. Fintechs and Big Tech entrants are redefining expectations with agile, platform-native offerings—prompting traditional players to rethink how they build and deliver SME value. Digital onboarding, instant payments, credit analytics, and embedded value-added services are now competitive prerequisites. At the same time, regulators and governments globally are stepping in to accelerate SME inclusion, with initiatives like Singapore's MAS Digital Acceleration Grant supporting SME digitalization via partner FIs, and Saudi Arabia establishing a dedicated SME Bank (Monsha'at) in 2022 to catalyze financing and advisory services.

Emergence of Diverse SME-Focused Banking Models

A new generation of SME banking models is emerging in response to long standing service gaps and rising SME expectations. First, **digital banks** (licensed) and **neobanks** (operating via sponsor banks and BaaS rails) **built specifically for SMEs** are offering tailored services—from multi-user accounts to real-time cash flow insights. Second, **SaaS specialists**—originating from vertical functions like bookkeeping, invoicing, and commerce—are embedding banking features (e.g., payments, lending) at the point of business activity, monetizing their data advantage. Third, **Financial Services Providers**, including lenders, retail digital banks, and even digital subsidiaries of incumbents, are expanding into the SME space, layering SME banking tools onto existing infrastructure. This wave marks a shift towards embedded, intelligence-led platforms, with each archetype carving distinct paths to capture SME share-of-wallet and lifetime value.

Global Landscape of SME-Focused Digital Banks

zazu

SME-focused neobank
North One (US) | novo (US) | truly financial (US)
Aion (US) | MERCURY (US) | lili (US)

SME-focused digital bank
Grasshopper (US)

SME-focused neobank
tide (UK) | Greengage (UK)

SME-focused digital bank
Allica Bank (UK)

SME-focused neobank
HOLVI (Finland) | Kontist (Germany) | Qonto (France)
FINOM (Netherlands) | JUNI (Sweden) | tot. (Italy) | SHINE (France)

SME-focused digital bank
kompasbank (Denmark)

SME-focused neobank
Relay (Canada) | venn (Canada)

SME-focused neobank
ZIKZUK (India) | Vanghee (India)
open (India) | aspire (Singapore)
Statrys (Hong Kong) | upbanx (Indonesia)

SME-focused digital bank
ANEXT BANK (Singapore)

SME-focused neobank
cora (Brazil) | Nave Bank (Puerto Rico)
contbank (Brazil) | Plurall (Colombia)

SME-focused neobank
brass (Nigeria) | stryve (Egypt)
prospa (Nigeria) | numero (Nigeria)
Julaya (Côte d'Ivoire) | zazu (South Africa)

SME-focused digital bank
Wio (UAE)

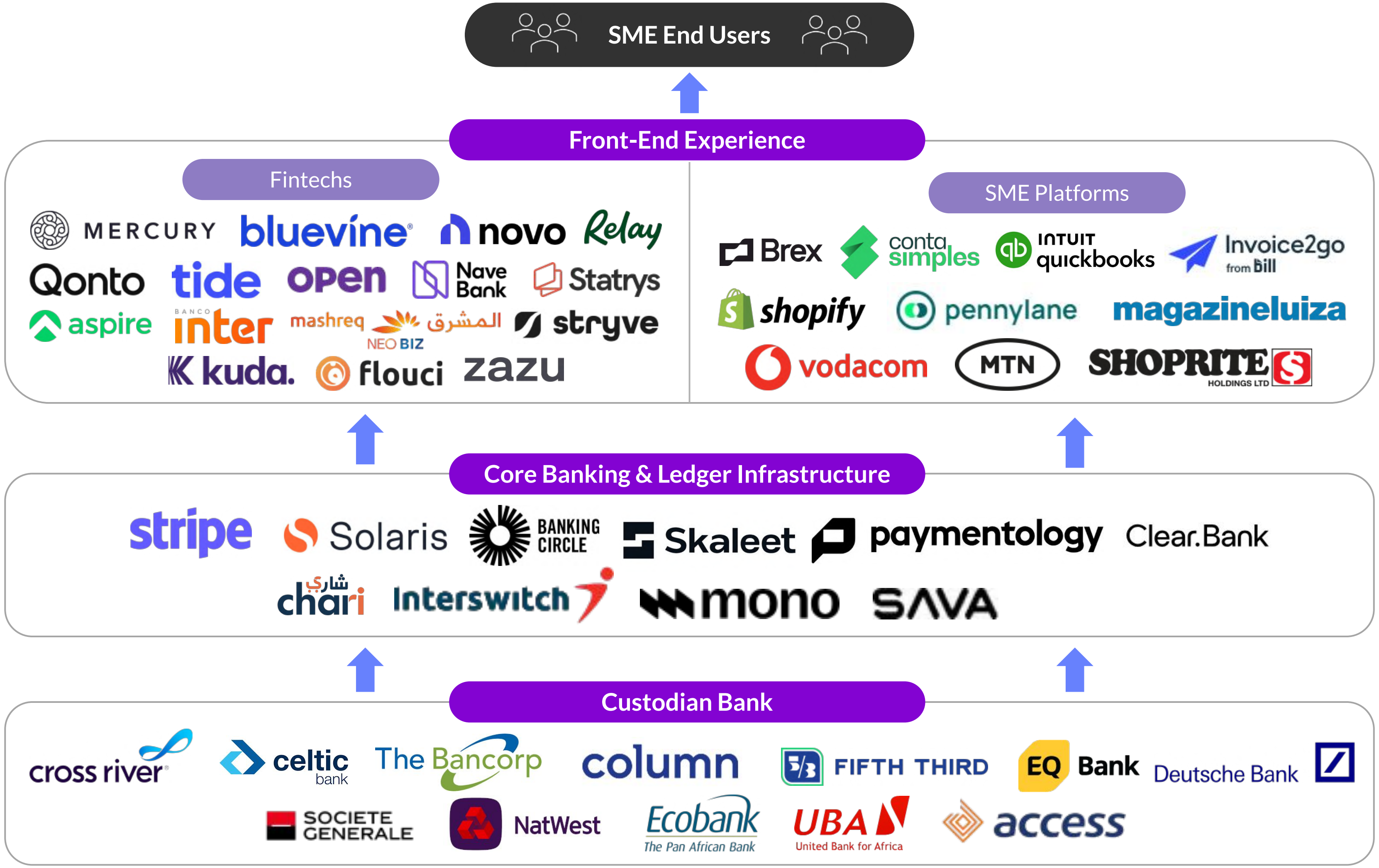
SME-focused neobank
emerge (New Zealand)

SME-focused digital bank
judobank (Australia)
Avenue Bank (Australia)

*This is an indicative and non-exhaustive list.
**Greengage is not a bank, and it does not conduct regulated banking activity or accept deposits under UK law.

WHITESIGHT

Unbundling the SME Neobank Value Chain



SME neobanks operate on a modular stack, decoupling compliance, infrastructure, and user experience layers. Custodian banks anchor regulation and liquidity; infrastructure providers power transaction flows; and the front-end experience layer - consisting of the fintech apps and SME platforms - own customer engagement. Each layer plays a distinct, specialized role — enabling agile, scalable SME banking without holding full licenses.

4.3

Points of View

On Building for Emerging Markets like Africa

Julaya

"We chose to launch Julaya in the WAEMU region because of the widespread adoption of mobile money services, strong mobile phone penetration, and the regulatory momentum favoring financial inclusion across Francophone West Africa."

Mathias Léopoldie
CEO & Co-founder, **Julaya**

Skaleet

"In emerging markets, there is a strong mobile-first culture, but limited connectivity and infrastructure require features that go beyond smartphone apps. Channels such as USSD and agency banking are essential for reaching customers, especially in rural areas where access to smartphones or digital literacy cannot be assumed."

Whitney Morgan
VP of Marketing, **Skaleet**

zazu

Digital Banking Readiness in Africa

Tracking Policy, Infrastructure, and Innovation Across Leading Markets

Criteria	🇲🇦 Morocco	🇹🇳 Tunisia	🇪🇬 Egypt	🇰🇪 Kenya	🌍 WAEMU	🇳🇬 Nigeria	🇿🇦 South Africa
Digital KYC Framework	🟠 Remote e-KYC allowed by Bank Al-Maghrib - Biometric/AI verification emerging - Only **6%** of adults use mobile wallets (2022)	✅ **E-Houwiya digital ID** launched in **2022** - Legally valid for full KYC - Linked to public e-services	✅ **e-KYC tested in sandbox** since **2019** - Digital onboarding for mobile wallets live - Transactions grew from **88B** → **268B EGP** (2020–21)	🟠 **Digital Credit Providers** Regs issued **March 2022** - KYC must be enforced for all providers - Biometric SIM and ID integrations growing	🟠 No unified KYC rules - Fragmented by member country (e.g. Senegal, Côte d'Ivoire) - BCEAO exploring regional digital ID	✅ e-KYC enabled via National ID & **Mobile ID app** - Used by fintechs and banks alike - Identity verification digitized by **2021**	✅ e-KYC standard practice - Biometric checks used by banks - Regulated by **FICA and FSCA**
Open Finance Framework	🟠 Open banking **project initiated** by Central Bank - Supported by World Bank - No mandatory data-sharing yet	🟣 **"Tunisie Digitale"** platform launched in **2020** - Early moves in account integration, not full framework	🟠 Open banking **framework under development** - Focus on data privacy & consumer protection - CBE consultations ongoing	🟠 **Outlined in CBK's 2021–2025** vision doc - Strategy includes APIs & data-sharing policies	🟣 No regulatory mandate - **2024 BCEAO update** emphasizes transparency but no enforced open access	✅ **CBN issued framework in 2021**. Full launch approved for August 2025 - Mandatory API registry by licensed institutions.	🟠 Influenced by **EU PSD2** - Consultation papers released by SARB (2022) - No binding regulation yet
Digital Payments Infrastructure	🟠 **19+ payment providers** - Wallet adoption low but growing - Only **34%** of small merchants aware of digital payments	🟠 QR code payment rollout supported by **BCT** - Central switch integration ongoing - Fintechs leveraging open APIs	✅ Mobile wallets processed **268B EGP** in 2021 (up from 88B) - 25M+ e-wallet users - Interbank transfers and mobile top-up common	✅ M-Pesa dominates market - **119% mobile penetration** (2023) - Peer-to-peer, utility, credit services all integrated	🟠 **STAR-UEMOA RTGS system live** - Varies across members: Orange Money, MTN, Moov active	✅ **eNaira launched in 2021** - Contactless & QR widespread - Full mobile payment regulation stack (PSV2025)	✅ **SARB Digital Payments Roadmap (2020)** - Bank–fintech interconnectivity supported - Card & EFT networks highly interoperable
Regulatory Sandbox Initiatives	🟣 No official sandbox yet - Regulator allows **pilots through waivers** - Fintech ecosystem backed by World Bank/FSD Africa	✅ **BCT launched sandbox in 2020** - Open to local fintechs with innovation use cases - Includes e-KYC, remittances	✅ **CBE sandbox live since 2019** - Focused on mobile wallets & e-KYC - 3 cohorts completed	✅ CBK sandbox launched **2019** - Supports payments, lending, KYC, insurtech - 6–12 month sandbox cycles	🟣 BCEAO supports **innovation through general policy** - No formal sandbox program exists	✅ CBN sandbox launched under **Fintech Strategy 2021** - Supports payments, lending, savings, KYC pilots	✅ Joint sandbox by **SARB & FSCA** live since 2021 - Covers 6–12 month supervised pilots
Digital Banking Models	🟠 No digital bank license yet - Models under commercial banks: **CIH Pay, inwi money** - Agent networks growing	🟠 **Flouci** offers mobile-first ID + banking onboarding - Working under fintech regulation	✅ **Misr Digital Innovation** received digital bank license in 2024 - Launching "onebank" in Q4 2024	✅ **M-Shwari, EazzyBanking** fully mobile - Telco partnerships for lending, savings	🟠 Orange Bank Africa expanding in Côte d'Ivoire - Models integrated into telco wallets	✅ Licensed digital banks: **Kuda, Carbon, VBank** - Lending, PFM, savings in one app	✅ Full-stack digital banks like **TymeBank**, **Bank Zero**, **Discovery Bank** - Cloud-based core banking
Example Digital Banks	***CIH Pay, inwi money***	***Flouci***	***onebank (Misr Digital)***	***M-Shwari, EazzyBanking***	***Orange Bank Africa, Moov Money***	***Kuda, Carbon, VBank***	***TymeBank, Discovery Bank, Bank Zero***

✅ **Active** (Regulations in place, licenses granted, sandbox live) 🟠 **Under Implementation** (Governance defined, regulations being drafted or piloted) 🟣 **Initial Considerations** (No formal regulations, early-stage guidelines or consultation papers exist)

WHITESIGHT

5.13

South Africa - The Ideal Launchpad

Why South Africa is the next frontier for SME banking

South Africa Market Readiness

South Africa represents a convergence of infrastructure maturity, digital adoption, and policy progressiveness in the African fintech landscape. As the continent's most active and sophisticated fintech ecosystem, it captures 40% of all fintech revenue in Africa and leads with the highest digital banking penetration. What sets the market apart is the rise of digital-native consumers, 80% mobile banking adoption, and increasing regulatory facilitation, creating a fertile environment for SME-focused digital banking innovation. The region's strength is reinforced by a fintech-friendly stance from government bodies and a growing presence of API infrastructure players like **Stitch** and **Mono**. With 97% of payments still processed in cash and over 60% of bookkeeping managed manually, the country is primed for digital-first challengers to leapfrog legacy gaps at scale.

40% of Africa's fintech revenue - most sophisticated fintech ecosystem

80% mobile banking adoption

14% CAGR for card and digital wallet - highest digital banking penetration

SME Opportunity in South Africa

South Africa's economy is structurally intertwined with SMEs — 98% of all businesses fall under this category, contributing 60% of private sector employment. The market sees 450K new SME registrations each year — more than France, Germany, and Nigeria combined — signaling a robust pipeline of early-stage businesses. Importantly, 92% of South African SMEs are expected to sell online in the next five years, reflecting a digitally ambitious and commerce-driven mindset. And yet, the infrastructure available to support these businesses remains deeply fragmented: 70% still use personal accounts to run business operations, 60%+ manage books on pen and paper, and 97% of payments are cash-based. The sector's high engagement in tech and B2B services further signals the urgency and appetite for tailored digital financial tools. For digital banking models like Zazu, this presents a timely opportunity to build embedded, intelligent solutions that meet the operational depth SMEs demand.

450K new SMEs generated annually

98% of all businesses fall under the SME category

92% of SMEs will sell online in the next 5 years

Over 30% of SA's economy driven by tech and B2B services - highest in Africa

This report has been authored by **WhiteSight** and is supported by **Zazu.**

For any questions or comments, please write to **hello@whitesight.net**

WHITESIGHT

WhiteSight is a fintech research firm with a design-oriented and data intensive approach to research. WhiteSight brings unique and actionable intelligence to drive strategic growth and innovation agenda for its clients.

www.whitesight.net @whitesight_ @whitesight

zazu

Zazu provides African founders and SMEs with a powerful bank account, combined with invoicing, bookkeeping and cash flow tools - making banking feel less like an obstacle and more a catalyst for growth.

www.get-zazu.com @get-zazu