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EDITOR'S Note



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Africa is home to 1.4 billion people.

Nearly 1 in 5 people on the planet live here, in Africa.

57% of Africans still don't have a bank account or mobile wallets. It is one of the last frontiers for fintech entrepreneurs. It is a virgin land, a frontier market for the adventurous looking to become the market leader. Many credit the rise of fintech as the great enabler reaching the unbanked in Africa, where traditional banks with brick-and-mortar business models simply couldn't reach. Many say the opportunity is still huge.

In 2020, Stripe, one of the world's largest privately held fintech unicorns, acquired PayStack, Nigeria's very own payments company. That deal, along with a steady stream of fintech unicorn births from the likes of Interswitch, Opay and Flutterwave (from Nigeria), Fawry (from Egypt) and Wave Mobile (Senegal), has drawn attention of investors and globally-minded fintech companies alike.

Nigeria, South Africa and Egypt make up nearly half (46%) of the entire continent's GDP. That means half of Africa's wealth sits between these three markets. It is not surprising then, to find out that the vast majority of fintechs getting funded are based in and focus on one or more of these markets. Kenya and Ghana are also vying to round out the Top 5 fintech nations in Africa. In 2020, Africa's total financial services market revenue totalled US \$150 billion. By 2025, it's expected to reach over US \$230 billion. No matter how you cut it, that's no small pie.

Nigeria is the continent's most populous nation in Africa, with 213 million inhabitants today. By the end of the century in 2100, Nigeria is forecasted to be the 2nd most populous country in the world, overtaking China, and on the heels of India. Fintechs across the country are reaching youth and students, who have never had a bank account to their name – opting instead for a mobile wallet.

Deal sizes in Africa are substantially smaller, with much larger upsides than most other markets. Seed cheque sizes in the top three markets average between \$3M to \$10M. Granted, the risk of Africa being a frontier market, still vaguely regulated at best, may dissuade some investors for now. But the continent is too big and too promising to ignore. There is incredible smart phone and internet adoption, and a burgeoning youthful population that is keen to leap-frog traditional banking systems for the convenient fintech approach.

On top of all that, there is a real need for these financial services in the continent. Not just for individuals, but for micro and SME entrepreneurs which are the businesses and business owners that the continent is built on. More than 70% of Africa's GDP is created by SMEs, but more than half of these business owners require funding that they cannot access or apply for, because they are unbanked, without any credit history. There is a real opportunity here to do some good, while expanding financial services to the hundreds of millions of unbanked Africans on the continent.

Once you're done reading this report, you may well conclude that the future of fintech, might well be in Africa.

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Sahir Berry Founder & CEO of NowNow

Financial Inclusion, as defined by the World Bank, means that ALL individuals and businesses have affordable access to financial products and services in order to build better futures. Financial inclusion has also been identified as an enabler for 7 of the 17 UN Sustainable Development Goals to reduce extreme poverty and boost shared prosperity. Despite fintech and mobile banking making significant strides to close the financial inclusion gap in the past decade, there is still great work to be done especially in my home continent of Africa.

I am just one of 1.4 billion people that call Africa home. It's easy to forget sometimes that a population equivalent to that of China inhabits the Mother Continent. However, 57% of this burgeoning African population does not have any access to a bank or mobile money account. That's hundreds of millions of unbanked Africans that also have no access to loans, investments or savings instruments, because they have no credit history.

The story is not that much better in Nigeria, Africa's largest and fastest growing economy. A recent KPMG study found that 1 in 3 Nigerian adults are completely financially excluded. There are over 40 SMEs and microbusinesses registered in the country, but there are only 2 million POS machines in circulation in the country. You do the math.



Access to the right financial tools could make the difference between surviving and thriving. Nowhere in the world is the potential impact of fintech greater, than here in Africa.

At NowNow, we're committed to providing SMEs and microentrepreneurs with the access to formal financial products that they so desperately need, such as payment acceptance tools, loans, and insurance. If 70% of the continent's economy is built off the backs of these micro-business owners and SME entrepreneurs, why shouldn't the African financial ecosystem cater to their needs? The challenge is equal to the size of the opportunity. But I'm extremely optimistic that Africa will get the global attention that it deserves, the international capital that is required and the top global talent to continue this momentum of improving the lives and communities across the continent, through the adoption of fintech.

There are many reasons for this optimism, but I'm primarily inspired by Africa's youth. Africa has the youngest population in the world. 70% of sub-Saharan Africa is under the age of 30. This means that much of Africa's young population is digitally native, having grown up in a digital age where there was increasing access to smart phones and cheaper and faster internet. The opportunity for mass fintech adoption has never been more ripe.

I want to personally thank Lucidity insights, Entrepreneur Magazine, and all the participants in this special report for shining the light on the African fintech ecosystem and the impact it is having across the continent. It takes a village to address financial inclusion, and I honor each and every one of us doing our part.

Very truly yours,

Sahir Berry, Founder & CEO, NowNow

THE POWER OF FINTER NAFRICA

Africa has 1.4 billion people living on the continent, or 18% of the world's population. Today, 90% of transactions in Africa use cash. It is also estimated that approximately 57% of Africans do not hold any kind of bank account, including mobile wallets. The opportunity, particularly for Fintechs, is massive.

Fintech isn't just about convenience and delivering a smarter, cost-effective solution to consumers here like in the rest of the world; instead, inherent to the market realities in Africa, Fintech presents an opportunity to reach hundreds of millions of unbanked and underserved people. Fintechs have the opportunity to achieve mass financial inclusion and take steps towards lifting another billion people out of poverty in the next decade, if they do the job that traditional banks have been unable to do.



That Will Help Explain the Fintech Opportunity and Challenge in Africa



01 Amazing Potential for Scalability

Africa has 1.4 billion people living on the continent, across 54 countries. That means 18% of the world population lives in Africa. Nigeria, Ethiopia and Egypt are the most populous countries on the continent with 213 million, 120 million and 109 million inhabitants, respectively. Botswana is home to the smallest population on the Continent, with just 2.6 million inhabitants.



AFRICA POPULATION BY COUNTRY (2021)

Source: World Bank

02 Three Leading Markets Are Africa's Market Makers

Three out of 54 Countries in Africa, Nigeria, South Africa and Egypt, account for 46% of the entire Continent's GDP. Nigeria, Africa's wealthiest economy is the 31st largest economy in the world in 2021, with an economy that is slightly smaller than Austria's. That means, if you're a fintech founder in Africa, you are looking at Nigeria, South Africa and Egypt to give you access to over 440 million consumers, and 46% of the continent's wealth.



Top 25 Wealthiest Economies in Africa 2021 (millions USD)

Nigeria South Africa Egypt					46%
Algeria	1	63,044			
Morocco	142	2,866			
Ethiopia	111,271				
Kenya	110,347				
Ghana	77,594				
Cote d'Ivoire	70,043				
Tanzania	67,841				
Angola	67,404				
D. R. of Congo	55,351				
Tunisia	46,687				
Cameroon	45,338				
Libya	42,818				
Uganda	40,530				
Sudan	34,326				
Zimbabwe	28,371				
Senegal	27,625				
Zambia	22,148				
Gabon	20,217				
Burkina Faso	19,738				
Mali	19,141				
Botswana	17,615				
Benin	17,145				
	0 100,000 20	0,000 300,000	400,000	500,000	

GDP of Rest of Africa 2021 (millions USD)

Guinea Mozambique Niger Madagascar Congo, Rep. Malawi Namibia Equatorial Guinea South Sudan Chad Mauritus Rwanda Mauritus Rwanda Mauritania Togo Somalia Eswatini Sierra Leone Liberia Djibouti Burundi Central African Rep. Lesotho Eritrea The Gambia Cabo Verde Guinea-Bissau Seychelles Comoros Sao Tome and Principe	4 3 3, 2, 2, 2, 2, 2, 2, 2, 0 1,9 163 1453 1290 0,526	9 5 6 3	77
	0	100,000	200,000

Source: World Bank

13 Africa Is Diverse, With ±2000 Languages Spoken Across the Continent

Eleven key markets in Africa, contribute 70% of Africa's GDP, and operate under 5 official languages between them, but for mass adoption to be considered, it's important to realize there are nearly 2,000 unique languages spoken across the African continent, and at least 75 languages with more than 1 million native speakers. Nigeria alone is home to 500 different languages, which poses unique challenges for mass adoption of fintech and other product solutions in the country. Egypt on the other hand, is predominantly Arabic-speaking, which allows for easier product management and scalability.



11 KEY MARKETS IN AFRICA CONTRIBUTE ABOUT 70% OF CONTINENT'S GDP

Source: World Bank Data, Lucidity Insights Research

Notes: GDP for 2022 are provided by the IMF, and are largely still estimates. Languages (##) denotes number of languages spoken in the country, and the written languages are the most dominant or official languages

14 Literacy Rates Among Greatest Challenge to Achieving Scalability

One of the toughest challenges facing fintechs and banks trying to make a dent in financial inclusion is literacy rates across Africa. We're not talking just about financial literacy here, but general literacy. South Africa having the highest literacy rate in Africa (94.4% of South Africans 15 years and older are literate) is just one of the likely reasons why the country was the first among African nations to develop a tech and fintech ecosystem. 72% of Egyptians are considered literate, while only 62% of Nigerians are considered literate. The following chart maps out the literacy rates of the top 10 wealthiest nations in Africa, which ranges from 94.4% to 51.5%. The country with the lowest literacy rate on the continent is Burkina Faso, where only 36.9% of the population aged 15 years and over is considered literate.



LITERACY RATES ACROSS TOP 10 MARKETS IN AFRICA

Source: Lucidity Insights Research & Analysis, using UNESCO Institute of Statistics Data



15 Low Internet Penetration Rates Still Shrink the Total Addressable Market

The below chart illustrates the internet penetration rates of the 20 wealthiest markets in Africa, and only 4 countries – Morocco, Egypt, South Africa and Tunisia – have achieved higher rates of internet penetration than the world average (>62.5%). Only half of Nigeria's 213 million population has access to the internet, immediately removing them from current fintech's reach. This is why many international development organizations, including the IFC, are investing in infrastructure players, that can make internet accessible to all. It is imperative, in order to reach the unbanked and underserved in rural communities across Africa. The lowest internet penetration rate on the continent is Eritrea, where only 1% of the population has access to internet due to strong governmental restrictions.



INTERNET PENETRATION RATES OF THE TOP 20 MARKETS IN AFRICA (%)

Source: Data reportal as of February 2022 Below world average internet penetration (62.5%)

16 What Smartphone Penetration Means & Doesn't Mean In Africa

Smartphones are essential for accessing digital financial services, such as mobile banking apps and mobile money platforms. A challenge to smartphone penetration data in Africa, is the fact that many individuals who might possess a smartphone in Africa, may possess a smartphone without the financial means to procure a data subscription for internet connectivity on the phone, making the smartphone useless in being a financial inclusion enabler. For this reason, a country like Tanzania may have 86% smartphone penetration rates, but only a 25% internet penetration rate. In rural areas, instead of smartphone adoption, most have older feature phones, which don't have the capacity to run applications on it. With the above-mentioned data limitations in mind, the top 20 wealthiest countries in Africa are doing relatively well with smartphone penetration rates, with 15 out of 20 of these countries being above the world average of 67.1%. According to the GSMA, Nigeria tops Africa's smartphone connections with 163 million subscribers. South Africa has 107 million subscribers, while Egypt has 102 million subscribers.



SMARTPHONE PENETRATION RATES OF THE TOP 20 MARKETS IN AFRICA (%)

17 Sub-Saharan Africa Constitutes >64% Of Total Global Mobile Money

Half of all registered and active mobile money accounts in the world are based in Africa. In 2020. more than 27 billion transactions and US \$490 billion was processed in Sub-Saharan Africa. The World Bank argues that mobile money can help to reduce poverty by increasing access to financial services and reducing transaction costs for low-income households. They also argue that mobile money has the potential to facilitate financial inclusion particularly for women, who often face barriers to accessing formal financial services.

MOBILE MONEY GROWTH IN 2020 BY REGION



Source: GSMA, Lucidity Insights Analysis

Proportion of Global Mobile Money Growth attributed to Sub Saharan Africa

1B Africa's Fintech Ecosystem Is Small and Growing

In Q4 2022, Africa constituted 4.4% of global Fintech venture capital deal flow, and 1.9% of total global fintech fundraising. In those 3 months, the continent's startups attracted over \$200M, 1/3rd less than that raised by Canadian Fintechs; though that value was raised across nearly double the number of Canadian startups in the same time period. That means lower ticket sizes and likely earlier stage startups in Africa are attracting funding today.



19 Low Deal Sizes, but Growing Fast

Africa continues to have the lowest deal-size across the world for Fintech Investments but has shown the fastest growth since 2018 – with average cheque sizes growing from \$500,000 in 2018 to a high of US \$1.6 Million in 2021.



MEDIAN FINTECH DEAL SIZES, BY REGION (Q3 2022)



10 Over 800 African Scale-Ups Have Raised \$1 Million or More; 34% Are Fintechs



There are thousands of startups across the African continent, with over 800 scale-ups. Scaleups are startups that have successfully raised over US \$1 Million in funding and publicly disclosed these figures. >34%, or over 270 of those 800+ scaleups are Fintech players. Nigeria, South Africa and Egypt are collectively home to 60% of all scaleups across the African continent, and 62% of all the fintechs in Africa.

NO. OF SCALEUPS IN AFRICA VS NO. OF FINTECH SCALEUPS GEOGRAPHIC BREAKDOWN (2022)



Source: Lucidity Insights Research & Analysis, using Crunchbase Data

Note: Scaleups are startups that have publicly disclosed a fundraising round of US \$1 Million or more

SPOTLIGHT | IFC

IFC ON FOSTERING FINANCIAL INCLUSION VIA FINTECH INVESTMENTS IN AFRICA

Written by: Erika Masako Welch

IFC, or the International Finance Corporation, is a member of the World Bank Group that focuses on promoting private sector development in emerging and developing markets. IFC provides financing, advisory services, and technical assistance to businesses in emerging markets, to help them grow and create jobs, with a particular focus on supporting sustainable and inclusive growth.

Over the past 25 years, IFC has invested more than US \$67 Billion into African businesses and financial institutions, and IFC's current portfolio exceeds US \$13 Billion. IFC has also been playing a critical role in developing the fintech ecosystem in Africa, with the aim of promoting financial inclusion on the continent. IFC began investing in fintech in Africa in 2008, when the institution funded South Africa's Wizzit – the first mobile wallet provider that was independent of a telecommunications player, that focused on the underserved and unbanked population.

Today, IFC's fintech portfolio in Africa spans investments in over 60 companies, spanning a range of subsectors such as digital payments, digital lending, capital markets and insurance. IFC believes fintech can play a major role in achieving financial inclusion, because fintech has the potential to lower costs, while increasing speed and accessibility, allowing for more tailored financial services that can scale.

I sit down to speak with Kareem Abdel Aziz, the Global Lead of Digital Payments investments at IFC to speak about his take on Fintech in Africa, and where the world is at on the journey towards financial inclusion. Kareem provides some context on the role that IFC plays in the African fintech ecosystem. "Though we have a sustainable development and a sustainable impact mission," he says, "we remain very commercially-minded. It is our belief that investments which make a sound financial return, are also helping to drive sustainable economic growth in the wider economy."

"Today, we generally try and make later-stage, Series B+ direct investments, and are also supportive of early-stage growth by investing in earlystage funds, like Algebra Ventures and Disruptech Ventures in Egypt and pan African funds like Partech."

"How we differ from traditional VCs and institutional banks, is that our capital can be a bit more patient." As a balance sheet investor, with no liquidation requirements, Kareem tells me that he finds that IFCs capital injections into startups allow founders a bit more breathing room to set-up the robust operational foundations needed before scaling aggressively. "We also have a mandate to help develop and capitalize under-served markets and sectors, which means we



International Finance Corporation WORLD BANK GROUP are often the first major global investors in frontier markets." To that effect, IFC launched a \$225 million platform last year to strengthen venture capital ecosystems in Africa, Middle East, Central Asia, and Pakistan, and invest in early-stage companies there. In 2021, these regions collectively received less than 2% of \$643 billion of global venture capital funding. In addition, IFC has funded the likes of mobile payments player Wave, as well as digital payment platform, Fawry in Egypt. IFC is often the only international investor on African startups' cap tables when they first invest, and takes pride in shepherding in other institutional and strategic investors into future funding rounds.

"Most global investors

understandably come-in a bit blind to the macroeconomic, regulatory and implementation risks to deals in Africa, and that's where I think IFC can be a great partner." Kareem explains that IFC does all of that upfront assessment and due diligence on the ground, including thorough IDD checks on all the founders they back. "Startups we back are strongly vetted, because we are making higher-risk bets in frontier markets that inherently have more risk baked into them."

Not only does it sound like IFC brings a big rubber stamp of approval onto the fintechs they back, but with it, access to and introductions to strategic international investors. Having a presence in over 100 countries worldwide, IFC also brings with it the resources of the World Bank and its research and development arms, that can help their startups make headway towards regional and global expansions. "I think something else that makes IFC unique as an investor, is our ability to provide access to a broad range of investment products to our startups, from equity investments all the way up to debt-financing," says Kareem. "IFC has the ability to work with local banks and help structure these deals, where local players may not have ever executed such deals in the past."

Fintech Investments for Financial Inclusion

According to the World Bank, over the past decade from 2011-2020, 1.2 billion previously unbanked adults gained access to financial services for the first time, and the global unbanked population fell by 35%; this was primarily boosted by the increase in mobile money accounts. While more than 1.7 billion adults, equivalent to 22% of the world population, remain unbanked globally, fintech is helping make financial services more accessible to an increasing number of people.



GROWTH OF MOBILE MONEY ACCOUNT 2014 VS 2021

SPOTLIGHT | IFC



Over the past decade, 1.2 billion previously unbanked adults gained access to financial services, primarily boosted by the increase in mobile money accounts

In recent years, IFC has been investing in various fintech startups, as well as infrastructure players in telecommunications and banking. IFC provides them with the necessary support to grow their businesses and expand their reach, with the ultimate aim of promoting financial inclusion. Here are just some recent examples of IFC investments in Africa, to paint a picture of the breadth of their involvement:

LIQUID I. Investing in Infrastructure to Achieve Accessible Internet for All.

In 2020, IFC announced an \$100 million investment in Liquid Telecom, a leading pan-African telecommunications company that provides independent data, voice and IP solutions to eastern, central and southern Africa. The investment was aimed at supporting Liquid Telecom's efforts to expand access to affordable and reliable internet and cloud services across the continent, particularly in underserved and rural areas.



2. Investing in Financial Institutions Supporting SME Financing.

In 2019, IFC invested \$200 million in the **Commercial International Bank (CIB)**, one of Egypt's largest private sector banks. The investment was part of a broader effort by IFC to support Egypt's financial sector and promote inclusive growth in the country. IFC's investment in CIB was earmarked to help the bank expand its lending to small and medium-sized enterprises (SMEs) and support the growth of Egypt's private sector. SME financing is important, as the World Bank estimates that SMEs account for 90% of businesses patronized by the African population, and seven out of 10 jobs are created by SMEs on the continent.

3. Fintech Investments.

IFC has been a key investor in Africa's fintech space, having invested in many of the most prominent fintech startups the continent has produced thus far, including but not limited to the following:





SPOTLIGHT | IFC

YEAR OF FIRST INVESTMENT	STARTUP	HQ Country	FINTECH VERTICAL	TOTAL IFC INVESTMENT TO DATE (USD)
Since 2008	Wizzit	South Africa	Mobile Wallets	\$2 million
Since 2010	Interswitch	Nigeria	Payments Processing	\$10 million
Since 2011	Zoona Zoona	Zambia	Mobile Money Transfer	\$6 million
Since 2012	Sawry Fawry	Egypt	Digital Payments	\$7 million
Since 2020	adumo Adumo	South Africa	Digital Payments	\$15 million
Since 2015	Branch International	Pan Africa	Digital Lending	\$3 million
Since 2019	∳lula Lulalend	South Africa	MSME Lending	\$6 million
Since 2021	🖞 Wave	Senegal	Mobile-Money Operator	\$43 million
Since 2020	terrapay Terrapay	Pan Africa	Remittances Infrastructure	\$21 million
Since 2023	Naked Insurance	South Africa	Digital Insurance	\$10 million
Since 2017	Network International	Pan Africa	Payment Processing	\$30 million

A SAMPLE OF THE IFC'S FINTECH INVESTMENTS IN AFRICA

The fintech sector in Africa has been growing rapidly, with innovative solutions being developed to address the financial inclusion gap on the continent. According to a report by Disrupt Africa, there were over 400 fintech startups in Africa as of 2020, with total funding of over \$1.3 billion. As of 2022, Lucidity Insights research has identified over 270 fintech "scaleups", which are defined as startups that have each raised a minimum of US \$1 million. IFC has been at the forefront of fintech in this region, providing funding and support to some of the most promising fintech startups in Africa.

IFC is also working with fintech startups to develop solutions that address the unique challenges of the African market. For example, IFC is supporting startups that are developing solutions for small and medium-sized enterprises (SMEs) in Africa, which often struggle to access financing through traditional channels. IFC is also supporting startups that are developing solutions for the informal sector, which comprises a significant portion of the African workforce.

In addition to its work with startups, IFC is also supporting the development of the fintech ecosystem in Africa through its partnerships with financial institutions and regulators. IFC is working with banks and other financial institutions to develop digital banking solutions that can reach underserved populations in Africa. They also work with regulators to develop policies and regulations that can support the growth of the fintech sector in Africa, while ensuring that consumer protection and financial stability are maintained. Despite the significant progress that has been made in developing the fintech ecosystem in Africa, there are still many challenges that need to be addressed. One of the main challenges is the lack of infrastructure and access to reliable internet connectivity in many parts of the continent. There is also a lack of trust and awareness of digital financial services among many Africans, and of those that are aware of financial services and want to trust it – many of them lack the necessary documentation such as a national ID card or proof of address to set-up bank accounts.

Despite these challenges, there is significant potential for the fintech sector to drive inclusive growth and financial inclusion in Africa. According to a report by the McKinsey Global Institute, digital finance could add \$3.7 trillion to the GDP of emerging economies by 2025, and generate 95 million new jobs worldwide. By continuing to support the development



of the fintech ecosystem in Africa, IFC is helping to unlock this potential and create new opportunities for millions of Africans.

The Next Decade of Fintech in Africa

"We are going to increasingly see fintechs that are going to offer a customized solution for customized and niche population segments, like farmers," says Kareem. Fintechs are inherently more nimble and cost-effective compared to financial institutions which are often hampered by legacy technologies and legacy business models. Therefore, fintechs are still better positioned than institutional banks to reach the unbanked. Kareem adds, "the old paradigm in financial inclusion was banks needed to educate the underserved communities about finance. The new paradigm in

financial inclusion will require financial institutions, most likely fintechs, to educate themselves about their target customers and how they can seamless integrate into their lives. It's these types of customer-obsessed fintechs that are building really interesting startups today that have real stickiness."

One example provided was Mozara3, an Egyptian fintech solution serving rural farmers. Mozara3 goes out to small plot farmers, evaluates the land and assesses the quality of the produce. They then aggregate all of this produce from multiple farms, and sell wholesale or directly to big retailers. They provide the farmers with working capital financing to buy seed, fertilizer and equipment, and manage the entire sale. "Currently Mozara3 is still in the early stages," Kareem notes, "so we're just providing technical support at the moment. But we think this is a very promising startup in the very early days of development."

Kareem comments on the fintech investments being made over the last decade being defined as financial inclusion focused, and the future being more about systems building and integration. "We're really in a pivotal point in history, where for the first-time in human history, financial services is morphing from a vertical sector, to becoming an omnipresent horizontally integrated solution that will become an underlying infrastructure across every sector imaginable."

Kareem continues, "The last decade was defined in bridging the access gap in financial services, the next decade will be defined in integrating financial services into day to day economic transactions."

SPOTLIGHT | IFC

As for the current venture capital winter and the impact on fundraising for African fintechs, Kareem stated, "unfortunately, the US still has major influence around the world due to the US dollar being the de-facto reserve currency. So that means that every time the Fed raises interest rates, it strengthens the US dollar, and weakens many emerging market currencies."

When I ask him what this means for the next 24 months, he says, "it means there may be vulnerabilities in markets like Nigeria, Turkey, Egypt and Pakistan. As VC funds tend to raise capital in US dollars, there will be pressure on VCs to hedge foreign currency risk by going and investing in markets where foreign currency is more stable, or have no choice but lower valuations."

That said, Kareem reassures that there is a lot of dry capital in many war chests abound. The expectation is that this dry powder will be provided to fund current market leaders, to help them consolidate their market leadership position through acquisitions over the next year or two.

"Downturns are very healthy and welcome," says Kareem. "They help us flush out the less sustainable business models, startups and investors, which is good for the entire ecosystem as a whole."



"I think something else that makes IFC unique as an investor, is our ability to provide access to a broad range of investment products to our startups, from equity investments all the way up to debt-financing. IFC has the ability to work with local banks and help structure these deals, where local players may not have ever executed such deals in the past."

Kareem Aziz Global Head, Digital Payments, IFC





SPOTLIGHT | MASTERCARD

MASTERCARD'S ROLE IN FOSTERING FINTECH IN AFRICA





We sit down with Mastercard's Division President for Sub-Saharan Africa. Mark has been leading the charge on Mastercard's strategic focus on innovation and financial inclusion on the sub-continent for the past 12 years. "During my time at Mastercard, I've seen the company evolve into becoming a technology company, selling services rather than simply products, and broadening engagements beyond banks to governments, retailers, telcos and fintechs." Mark continues, "the last 5 years in particular have seen Mastercard broadening our offering beyond the card rails to other rails such as account to account, remittances and crypto."

Plugging 1 billion people into the digital economy

Mark tells me that the big hairy problem in Africa remains cash and digitizing ecosystems to solve for this. Africa's fintech landscape is accelerating at an extraordinary speed to bring more people into the digital economy. He says, "at Mastercard, we are helping to fuel this acceleration by co-creating solutions and offering access to our partners, expertise, technologies, markets and customers so fintech start-ups can build, launch and grow. From our best-inclass APIs and data assets to our trusted ecosystem of partners, Mastercard provides the services and tools fintech innovators need to iterate at each stage of their journey, transform bold ideas, and achieve scale at pace to bring more people into the digital economy."

Inclusion is critical for economic growth on the African continent, and Mastercard sees fintech companies as the disruptors who are committed to change the status quo. Over the past decade, Sub-Saharan Africa has made remarkable progress in financial account ownership and usage, driven primarily by mobile money. Account ownership more than doubled from 23% in 2011 to 55% in 2021. Today, all 11 African economies that have more adults in possession of a mobile money account than a financial institution account are in the Sub-Saharan African region.

Despite this massive growth, Mark is quick to say that there is still lots more to do in terms of closing the financial inclusion gender gap, and driving wider access to financial services and products with increased value for users. The World Bank's Findex 2021 shows that Sub-Saharan Africa is still among the bottom three regions globally in terms of actual account ownership and usage.

"Fintech companies have the potential to be the torchbearers for financial inclusion in Africa," says Mark. "especially when it comes to the connection of small businesses into the financial ecosystem, given that SMEs employ the vast majority of Africans." Given adoption and usage of mobile services in Africa, there is an opportunity for the expansion of mobile banking and the continued integration of innovation behind ecommerce, micro-loans, bill payments and remittances.

"At Mastercard, we are curating a global network of innovators to support a more inclusive, sustainable digital economy, aligned to our mission to connect one billion people to the digital economy by 2025."

Mark explains that everyone thrives when fintech companies have access to the technology they need to reach scale and democratize finances. Currently, Mastercard works with fintechs in many African countries to power innovation and deliver seamless experiences that enable a more financially inclusive future for all.

"As the trusted technology provider of choice that connects fintechs to their customers, we can iterate with fintechs at each stage, transform together and achieve scale at pace. We know that fintech companies are contributing to the rapid digital transformation that makes consumers' lives more convenient, simpler, and rewarding. And as an experiencecentric company, we're supporting this creative disruption." Mark continues, "the result is a superior digital experience which drives greater consumer choice and wider financial inclusion for people across Africa."

Mastercard's formal commitment to financial inclusion can be traced back to 2015, but it was in 2020 when the company expanded their original goal with a commitment to connect one billion people to the digital economy by 2025. Through their technology and partnerships, Mastercard also aims to empower 50 million SMEs with the digital tools and insights they need to succeed, with a direct focus on reaching 25 million women entrepreneurs. "We're on track to achieve this," Mark explains, "having activated over 350 innovative programs across 80 countries, and hundreds of partnerships with fintech innovators, mobile network operators, financial institutions and governments."

Mastercard's Fintech Programs

Mastercard also collaborates with fintech companies via their **Mastercard Engage program**, a free global program that identifies qualified technology partners to help build and deploy solutions for fintech companies, making it quicker and easier to work together.

Mastercard is employing a Developer First mindset. That means setting out to provide a best-in-class developer platform, ensuring all APIs are published to a high standard for easy integration into partner solutions, and enabling more consumer choice. "We're facilitating interoperability

"Today, 11 Sub-Saharan African economies have more adults in possession of mobile money accounts than financial institution accounts."

between our products and rails in a way that is inclusive, sustainable, and digital – providing one point of connectivity for multiple applications," Mark explains. **Mastercard Fintech Express** is another program designed for both established fintechs wanting a direct license from Mastercard, as well as fintechs with the ambition to innovate through collaborating with ready-to-go Mastercard Engage partners. The program is split into three cord modules: Access, Build, and Connect. Tech-savvy startups can be connected with traditional players such as banks. It also supports digital payment innovators by making it simple to collaborate with Mastercard and its partners to launch new products, add payment solutions, embed fraud tools, access consulting services, and innovate through collaboration.

Finally, there is also the **Mastercard Start Path program**, where Mastercard engages with later-stage start-ups that are looking to scale and raise capital. The 6-month startup engagement program is designed to provide value to the participating start-ups, supporting their growth for scale. The program also is designed to help identify collaborative commercial opportunities between Mastercard and the start-ups in the program. Over the past five years,

SPOTLIGHT | MASTERCARD

Mastercard has engaged with 12 African fintech startups who have been selected for the Mastercard Start Path in sectors varying from agritech and transport, to education and healthcare. Here are just a few examples of the Mastercard Start Path participants from Africa:



NetPlusDotCom[®] NetPlus has worked with Mastercard to introduce a secure e-commerce solution that removes the need for consumers to carry cash for online purchases.

From Card Company to Technology Company

Today, Mastercard's logo is visible in many places: on mobile feeds, electronic checkout screens, in merchant windows – and yes, also on physical and virtual payment cards. But Mastercard I not merely a card company. They are adamant that they are a technology company first, and Mark tells me that this technology is fueling commerce in many different places and spaces, in multiple ways, through various channels and for many different stakeholders.

"We are using our technology to push forward innovation across all digital payment rails, enabling people and organizations to send and receive money – how, where and when they choose. Our multi-rail strategy keeps us on track to provide solutions that are seamless, affordable, safe, secure and simple to use."

The way Mastercard sees it – it's all about how value is moved in many different ways; from cards being used in shops, phones being tapped, e-commerce buttons being clicked, QR codes being scanned, and USSD codes

"Mastercard is on a mission to connect one billion people to the digital economy by 2025."



being sent. Technology is also helping merchants to understand their business and marketplace better, to tailor-make offerings for customers and to stay cybersecure.

Cybersecurity in Africa

Cybercrime remains a key challenge for businesses all around the world, and also in Africa. For example, the Nigerian Communications Commission reckons that Nigeria loses an estimated US \$500 million yearly due to cybercrime. SMEs are a huge target for cybercriminals as they typically do not have the resources to defend themselves or act accordingly once they have been breached. Mastercard is countering attacks of cybercriminals by using technologies such as biometrics, tokenization and AI - and they are sharing these best practices with their partners, while also learning from others. This process helps Mastercard instill trust, and to protect people's data in the growing digital economy.

"To help SMEs reduce the risk of cyberattacks, Mastercard has partnered with NowNow, a Nigerian digital payments startup, to bring the Mastercard Trust Centre to local SMEs. NowNow also supports SMEs with regular web application penetration tests to ensure that applications are not vulnerable to any cyber threats," Mark says. "It is currently available in Nigeria and Angola and is expanding into several other markets soon."

The Mastercard Trust Centre is also another digital resource to help SMEs to defend their critical assets, business, and reputation by providing online access to trusted cybersecurity research, curated education, resources and tools from Mastercard and trusted



external resources. Recognizing that each business has unique needs, the Mastercard Trust Centre provides a tailor-made approach, whether they are entrepreneurs starting to learn about cybersecurity or business owners expanding their knowledge or mastering cybersecurity.

Investing in Africa

Investing in Africa is an opportunity to not only provide the much-needed solutions to local people and businesses but also to empower marginalized communities, create social cohesion and build strong economies that contribute towards the prosperity of Africans. Every market has its own challenges and its own opportunities.

Mastercard's approach to investment occurs through the lens of how it aligns with the companies overall corporate strategy. Mastercard analyzes market trends against their corporate strategy pillars to define clear product and market strategies. On this, Mark says, "our strategy-led approach means Mastercard will make investments

"The Nigerian Communications Commission reckons that Nigeria loses an estimated US \$500 million yearly due to cybercrime. SMEs are a huge target for cybercriminals as they typically do not have the resources to defend themselves."

SPOTLIGHT | MASTERCARD

to enable our product or distribution strategy, to support partners in the fintech and payment ecosystem that are driving penetration of e-commerce or creating financial inclusion and enabling an ecosystem that is vibrant and safe for all consumers and businesses."

Mark also explains that Mastercard selectively invest in companies either when they have engaged with the company and identified ways in which Mastercard and their partner can jointly bring innovation at scale to Mastercard's customers. He also explains that the diversity of sectors that fintech covers is also growing, from cryptocurrency, NFTs and open banking to data intelligence, B2B and identity solutions. This will further widen interest in funding solutions for new use cases. Financial innovation has seen many fintech success stories across the spectrum of peer-to-peer lending, highfrequency trading, big data and robotics. "The focus on user-led experiences and customer expectations remains front and center," says Mark. "the greatest fintech innovations are those that eliminate pain points and reduce friction, bringing effortless convenience to our fingertips. Development in infrastructure is important and the deployment of 5G in markets like South Africa, Nigeria, Kenya and Botswana – though still in its infancy – bodes well for the continent's future fintech progress."

As the fintech sector continues to evolves, it seems Mastercard will remain focused on being agile and able to adapt, move fast and successfully deliver for their customers. Their focus remains on accelerating time to market and deepening engagement with fintech customers and partners through their core programs like Engage, Fintech Express, and Start Path, as well as new product development and innovation.

"The greatest fintech innovations are those that eliminate pain points and reduce friction, bringing effortless convenience to our fingertips. Development in infrastructure is important and the deployment of 5G in markets like South Africa, Nigeria, Kenya and Botswana – though still in its infancy – bodes well for the continent's future fintech progress."

Mark Elliott Division President, Sub-Saharan Africa, Mastercard





THE DRIVERS BARRIERS OF FINTECH IN AFRICA

The adoption of fintech in Africa is driven by several factors, including high levels of mobile phone penetration, the growing demand for digital financial services, and the need to expand financial inclusion and reach the world's unbanked and underserved populations. Fintech companies are leveraging mobile technology to deliver innovative financial services and products that are more accessible, convenient and affordable to a broader population. However, there are also several barriers to fintech adoption in Africa including low literacy rates, and even lower levels of financial literacy. Africa also lacks adequate infrastructure to provide reliable internet connectivity to the masses, on a continent where reliable electricity is not guaranteed. Couple all that with an opaque regulatory environment, and the challenges are many both for fintech adoption as well as the growth of a healthy and robust fintech ecosystem.





THE NEXT FRONTIER

Africa is the next major frontier for the global economy and will see its population nearly double from 1.4 billion today to 2.5 billion by 2050.

The GSMA estimated that sub-Saharan Africa was home to nearly 550 million mobile money accounts in 2021, with over 160 million of these accounts being active on a regular basis. The World Bank credits mobile money and similar fintech solutions in helping to pull out millions of Africans out of poverty in the past decade. The opportunity is greater still. Like everywhere else on the planet, Covid19 has only accelerated this wave of digitization, and mobile payments across the continent are soaring. Here are some of the unique drivers and challenges for fintech adoption in Africa.
THE DRIVERS FOR FINTECH IN AFRICA

1. High Mobile Phone Adoption & Penetration:

Africa has one of the highest mobile phone penetration rates in the world, with over 80% of the population owning a mobile phone. This provides a strong foundation for the growth of fintech, particularly mobile-based financial services such as mobile money and mobile banking. In fact, Sub-Saharan Africa is the global leader in mobile money adoption, with over 400 million registered mobile money accounts.

2. The Financial Inclusion Opportunity:

Despite significant progress in recent years, a large proportion of the African population remains unbanked and underserved by formal financial institutions. Fintech has the potential to bridge this gap, providing affordable and accessible financial services to previously excluded populations. The sheer size of the fintech opportunity in Africa is so large, that carving out a few percent through a fintech solution could mean big business."

3. Growing Demand for Digital Payments:

As Africa's economies continue to develop, there is a growing demand for digital payment solutions that are convenient, secure and affordable. Fintech is well-positioned to meet this demand, offering a range of digital payment solutions that are tailored to the needs of African consumers and businesses. Over the past decade, sub-Saharan Africa showed the greatest growth in bank account ownership and usage, over any other region in the world. In 2021, it was found that 55% of Africans owned a bank account of some type, and 50% made or received a digital payment in the past year.



Growth in account ownership by region (2011-2021)





Source: 2021 Global Findex

Account ownership (2021)



Source: 2021 Global Findex

Account usage (2021)



Source: 2021 Global Findex

4. Fintechs, show me the money!

Fintech is attracting significant investments in Africa, with VC funding for African startups heating up. In 2019, fintech startups in Africa raised over US \$1.35 billion. In 2022, the top 10 funded fintechs across the continent raised just under US \$850 million between them; and Fintechs in Nigeria, Egypt and South Africa raised \$761 million in total in 2022. Over the past 5 years, the top 4 fintech markets in Africa, namely Nigeria, South Africa, Egypt and Kenya raised over US \$3.03 billion collectively.





Source: Lucidity Insights Research & Analysis using Crunchbase data

5. Pockets of Supportive Regulatory Environments.

While regulatory challenges remain a barrier to fintech growth in some African countries, many governments are taking steps to create a more supportive regulatory environment for fintech. For example, several countries have introduced sandboxes and other regulatory frameworks that provide a more flexible and collaborative approach to fintech regulation, while also ensuring consumer protection and financial stability.



CHALLENGES & BARRIERS

Though there are many driving forces at work to propel the fintech ecosystem forward across the African continent, there still remains many barriers and systemic challenges to mass adoption of fintech and the successful achievement of financial inclusion.

1. Where's the Infrastructure?

One of the main challenges is the lack of infrastructure and access to reliable internet connectivity in many parts of the continent. Despite strong mobile phone penetration, many of these mobile phone owners do not have steady enough incomes to afford data subscriptions. Thus, investments to expand mobile broadband connectivity across the continent has managed to cover 83% of the population, but only 40% of Africa's population is actually subscribed to the internet. In fact, Sub-Saharan Africa is the only region in the world where mobile broadband coverage continues to outpace mobile usage; ; as a result, the usage gap has been widening over the years.

Furthermore, the International Telecommunications Union (ITU) conducted a study in 2020 to determine how many global households had access to the internet or to a household computer. 23% of Sub-Saharan African household respondents had access to internet, and only 12% had access to a computer at home. 13% of sub-Saharan Africans claimed to be using a computer on a regular basis, which states the importance of owning a computer at home.



EVOLUTION OF MOBILE INTERNET CONNECTIVITY IN SUB-SAHARAN AFRICA

PERCENTAGE OF INDIVIDUALS USING THE INTERNET, 2022



Source: Lucidity Insights Research, ITU data



HOUSEHOLDS WITH A COMPUTER AND INTERNET ACCESS (%), 2020*



Source: Lucidity Insights Research, ITU data Note(*): 2020 or latest available data was used

2. Black Outs

Further complicating Africa's attempt at reliable internet connectivity is electricity power outages and the lack of reliability of Africa's electrical grid. According to the world bank, over 600 million people in Sub-Saharan Africa do not have access to reliable electricity: the EIA found in a 2019 study that 80% of those without access to electricity in Africa lived in rural areas. For those that do have access to electricity, power outages can be common; some countries experience an average of 15 days of power outages per month! It is not uncommon for areas in even the more developed markets like South Africa and Ghana to experience power outages for several hours each day. In 2021, companies in sub-Saharan Africa averaged 8.8 power outages per month, according to the World Bank. South African companies averaged 7.7 power outages per month in 2020. Nigerian companies averaged a whopping 32.8 power outages in a month back in 2014.

3. Unaffordable Internet

Despite broadband coverage existing for many Africans, it is a challenge of affordability. The ITU posits that the average cost of mobile broadband in Africa is equivalent to 7.1% of the average monthly salary, which is significantly higher than the global 2.9%. The Alliance for Affordable Internet (A4AI) reports that in some African countries, the cost of 1GB of mobile data can be equivalent to more than 10% of the average monthly income, and the cost of fixed broadband in Sub-Saharan Africa was more than 50% of the average monthly income - making it an unaffordable luxury for many people.

4. To Trust or Not to Trust

Another challenge is the lack of trust and awareness of digital financial services among many Africans. In a 2019 survey conducted by Pew Research Centre, 70% of adults surveyed across 10 African countries said that they believed that mobile money and other digital financial services were not secure, and 78% of them said they were concerned with unauthorized access to their personal data. Another GeoPoll study in 2019 found that over half of all respondents in East Africa had experienced fraud or scams related to digital financial services.

Many fintech startups and financial institutions are attempting to develop solutions that can address these challenges, such as developing user-friendly interfaces, enhanced cybersecurity protocols, and providing financial education to underserved populations, but this comes at a highcost, often with little to no financial returns - as many of these potential users in Africa lack the knowledge and skills to use digital financial services effectively. It is this exact same reason, many banks are closing brick-andmortar branches in rural areas, stating costs are unjustified - but this leaves entire communities without access to formal banking services.

5. Paperwork Woes

Should Africans have access to the internet, be able to afford the internet, have reliable electricity and trust digital financial services enough to get an account, many Africans also lack the necessary documentation, such as a national ID card or proof of address to access formal financial services. Fintech startups are developing innovative solutions to address this challenge, such as using biometric data to verify the identities of potential customers. However, these solutions require significant investment in digital infrastructure and collaboration between public and private sector stakeholders.

6. What Regulations?

Another sore spot for fintechs in the African startup ecosystem is the opaqueness of the regulatory

markets. Many countries lack clear and comprehensive regulatory frameworks for fintechs, which can cause unease amongst investors and hinder development of new fintech solutions. Central banks are generally slow to react, preferring to operate in a "business as usual" way, serving their handful of long-running institutional banking stakeholders instead of trying to determine how to serve fintechs as well. Many of these institutional banks that the Central Bank governs are also not happy about fintechs coming to 'eat their lunch'. Many incumbent banks perceive fintechs to be a disruptive force that should be heavily monitored and regulated by the Central Bank, if allowed to operate at all. Central Banks, on the other hand, largely don't know where to begin in regulating fintechs. If any fintech regulations are released by Central Banks across Africa, much of it is vague and hard to enforce. With hundreds of fintechs popping up each year, Central Banks seem ill equipped to deal with the sheer scale of the regulatory challenge.

7. Interoperability

Last but not least, another challenge is the lack of interoperability between different digital financial service providers. For those that do use digital financial services, many Africans are forced to use multiple digital financial services that often operate in silos, making it difficult to transfer money or access credit across different platforms. Addressing this challenge will require the development of common standards and infrastructure for digital financial services, as well as collaboration between different service providers.

Despite all these challenges facing fintechs and fintech adoption in Africa, more and more Africans are getting online and making digital payments. In 2014, only 27% of sub-Saharan Africans made a digital payment in the previous year. By 2021, that rate had doubled to 50%, outpacing both the MENA region and South Asia's digital payments adoption rates.



MADE OR RECEIVED DIGITAL PAYMENTS IN THE PAST YEAR (% AGE 15+)

Source: Lucidity Insights Research, World Bank Global Findex Database



SPOTLIGHT | PROVIDUS BANK

PROVIDUS BANK : THE BANK SUPPORTING FINTECHS IN NIGERIA

PROVIDUSBANK



Large incumbent banks in Nigeria are understandably concerned about the potential impact of the disruptive business models that fintechs bring to the banking ecosystem. Fintechs are closer to customers, understand customers changing preferences, and solve specific customer problems better than incumbents. Fintechs can be viewed as a wasplike threat, and there are various approaches being adopted by the big banks to address them. Some of the big banks are ignoring fintechs altogether and still focusing on their business as usual; others are trying to stamp out local fintechs by building their own in-house fintech subsidiary. And then, other banks meet somewhere in between, launching their own banking products that meet some of the needs that fintech products are meeting.

We speak to Walter Akpani, Managing Director and CEO at Providus Bank, which has taken on the unique approach of collaborating with fintechs to gain market share. Founded in 2016, Providus Bank has positioned itself as a digital-first institution, with a focus on providing innovative financial services that meet the needs of modern consumers.

On Providus Bank's approach, Walter elaborates, "We provide banking-as-a-service platforms supported by APIs. In choosing this approach, we are clear about the role of a bank in the ecosystem and what the role of fintechs are, and we have found a way to collaborate and compete – a bit of co-opetition with fintechs in a mutually beneficial partnership." Walter says that this approach keeps Providus Bank in the forefront of innovation in the Nigerian banking industry, and benefits them as they are considered the "go-to-bank" for entrepreneurs looking to build their fintech business in Nigeria.

Providus Bank has a long list of powerful Nigerian fintech companies banking with them, including Piggyvest, Flutterwave, Teamapt, NowNow, and Paystack. Walter provides us with a few examples of these co-opetitors and how they work together.



Piggyvest, one of Nigeria's prominent online savings platform, partnered with Providus Bank to fulfil their operational needs. Piggvest requires digital solutions to serve its retail customer base which subscribe to Piggyvest's savings products, because the fintech has no physical presence, like bank branches. Walter explains, "we provided a collection solution via API to Piggyvest that allows them to receive savings deposits easily and reliably, from their customers. The ease of making and receiving payments by their customers supported their growth strategy and helped Piggyvest scale up.

When NowNow launched their Agent Banking product in 2018, Providus Bank was there to help them start and scale up this business. "Providus provided POS terminals, settlement services, and we sponsored NowNow for the issuance of debit cards that are attached to the wallets of their customers." Walter continues, "we also provide BIN ranging services that allow fintechs to issue cards to their customers within a short period of time." NowNow have raised over US \$13 million in funding, and are currently fundraising their Series A.





Providus also supported Paystack to scale up through Providus' MPGS (Mastercard Payments Gateway Services) for web payments services by being the sponsor bank. The fintech had raised US \$10.4 million, prior to being acquired by Stripe in 2020 for over US \$200 Million.



SPOTLIGHT | PROVIDUS BANK

Providus Bank has also provided disbursement services via API to many other fintechs including fintech unicorn, Flutterwave, and TeamApt. TeamApt has raised over US \$85 million, after closing its Series B in Q3 2022.

When I ask Walter what his take on fintechs are, and their current role in the Nigerian banking ecosystem, he says "it is our view that Fintechs have come to stay as significant players in the financial services ecosystem. They solve real problems that incumbents are too slow to address, and they are quick at responding to customers' changing preferences. They are also well-funded. However, I also think most fintech founders are technology-focused and would do even better to build teams around them for improved corporate governance and regulatory compliance."

I ask Walter if Providus Bank have to be discerning with regards to which Fintechs they partner with. He responds, "if they've built a solution, we give every fintech an opportunity to build their dream. We don't spend much time trying to evaluate the viability of the solution."

Another key aspect of Providus Bank's approach to fintech is its emphasis on innovation. The bank has made a point of seeking out and partnering with fintech startup that are working on cutting-edge technologies and solutions. This has allowed Providus Bank to stay at the forefront of the industry, offering customers access to the latest financial services and technologies.

Walter elaborates on their innovation philosophy, "where

we feel that there is an opportunity for an innovative solution and there is no fintech currently close to building this solution, we usually build in-house or co-create with a fintech that feels there is an opportunity in that space."

Providus Bank has also been proactive in developing its own proprietary fintech solutions. In 2019, the bank launched its own digital lending platform called Quick Credit. The platform allows customers to apply for loans of up to N2 million (\$5,500 USD) without the need for collateral or a guarantor. The loan application is entirely digital with customers able to apply and receive a decision within minutes.

Of course, Providus Bank also walks the talk by ensuring that it too leverages technology to create a seamless and convenient banking experience for its customers. The bank has invested heavily in its mobile banking platform, which allows customers to perform a range of transactions from basic account management to more complex financial services – all from the comfort of their smartphones. The mobile banking app is designed to be user-friendly, with a simple and intuitive interface that makes it easy for customers to access the services that they need.

The Bank also participates in financial literacy programs organized by the Central Bank of Nigeria, where Providus Bank goes to schools to teach pupils about personal finance. "We also make a significant contribution to financial inclusion by providing digital channels – like POS terminals to fintechs that have enabled them to make progress towards reaching the unbanked population. The point-of-sale (POS) terminals is pivotal to agency banking in Nigeria.



"It is our view that Fintechs have come to stay as significant players in the financial services ecosystem. They solve real problems that incumbents are too slow to address, and they are quick at responding to customers' changing preferences."

Walter Akpani MD & CEO of Providus Bank



SPOTLIGHT | OLAYINKA DAVID-WEST

OLAYINKA DAVID-WEST: ACHIEVING FINANCIAL INCLUSION WILL REQUIRE A NEW KIND OF CUSTOMER-OBSESSED FINTECH

Written by: Erika Masako Welch



Olayinka (Yinka) David-West is a professor of Information Systems with a particular focus on the IT and financial services industries, as well as the Associate Dean of the Lagos Business School (LBS), Nigeria's leading business school. She also leads the Sustainable and Inclusive Digital Financial Services (SIDFS) initiative, a research and advocacy initiative dedicated to enhancing financial inclusion in Nigeria. Yinka sits on various fintech boards, advising them on how best to reach the underserved and unbanked populations.

When I sit down with her, I'm prepared to drink from the fire-hose she's about to offer me. Her background and personal work experience that spans digital transformation within institutional banks, to fiscal and monetary banking policy, her passion for financial inclusion as well as her breadth of experience with local and regional fintechs, means that there's a 360 degree birds-eye view of the Nigerian and greater African fintech ecosystems on offer; and she doesn't disappoint.

She recounted a talk she gave to a room full of CEO's of all of the largest incumbent banks in Sub-Saharan Africa back in 2018, presenting various business models for institutional banks to consider embracing to adopt and collaborate with fintechs within their own businesses. She laughed as she recalled one CEO question her at the end with, "So are you saying that fintechs are coming to eat our lunch?"

While many African bank CEOs were somewhat sceptical 5 years ago, today, it seems many bankers, more often than not, have this perception of fintechs being a type of adversary. This is why there are limited examples of successful partnerships and collaborations between the Big Banks and the big Fintechs.

"Most of the Big Banks have opted to go the "Internal DIY" route," says Yinka, where the Banks are attempting to build their own fintech division, and sometimes even spawn fintech start-ups managed under their respective Bank's holding companies. "It's too early in the evolution of fintechs to know if Bank's will acquire any of them in the future, but so far there have been limited M&A bolt on attempts," she says.

The last decade has had a major focus on financial inclusion, getting the undocumented and the unbanked into the formal banking system. As much as banks wish to do this. their brickand-mortar "build-a-branch to serve the community" model is too costly to be successful. More often than not, Big Bank CEO's have a story to tell about building a branch in a rural community, and then having to shut it down because it was too costly to keep operational. "The Central Bank has tried to limit closing of branches in low-income neighbourhoods, but it's hard to ask a business to keep an unprofitable part of its business running," says Yinka.

Most rural communities are illiterate; and thus are inevitably financially illiterate as well. Add to that, the fact that there are over 500 languages spoken in Nigeria, which make staffing rural branches challenging and sometimes downright ineffective. To make financial inclusion even more challenging, in 2014, Nigeria's Central Bank mandated that all Banks must provide a unique 11-digit Bank Verification Number (BVN) for each individual banking customer. Today, for a BVN to be issued, the individual applying for the bank account must provide their National Identification Number (NIN) to link it. In theory, if every person above the age of 16 out of the 213 million Nigerians living in the country had a NIN, this could be a beautiful system that helps build

systemic integrity by cracking-down on fraud, enhancing data privacy and security. The newest functionality embedded into the NIN also includes the ability for the ID card to double as a payments card – which could be a gamechanger.

Unfortunately, adoption of both BVN and NIN has been slow. As of December 2021, the Central Bank of Nigeria reported that the total number of bank accounts linked to a BVN was just over 49.2 million, out of a total 104.6 million accounts; this means more than half of active bank accounts in the country are not linked to a BVN. As for National Identity Numbers, only 92 million Nigerians (43% of the population) have a registered NIN as of December 2022. This, in effect, means that more than 50 million Nigerian's above the age of 16 cannot get access to a bank account, without getting a NIN first. Suddenly, financial inclusion starts to become more and more complex, as now it involves biometric scanning and additional application procedures for all unbanked Nigerians.

And where does the Central Banks fit in, I wonder? Yinka sighs. Regulations is a whole other bag of tricks, it seems. "The truth is, I think most Central Banks in Africa are still figuring out how to adapt effectively to the new financial landscape," she says. "Five to ten years ago, Central Banks were catering to 50 banks in their jurisdiction. Today, Central Banks must serve an additional 1000 fintechs in their backyard. The ecosystem is moving so fast, it's hard to keep up."

As I took this all in, it reinforced a message I kept hearing discussion after discussion with key players in the SubSaharan African fintech eco-system. That message was that change is hard and slow, even when the disruptive fintechs were moving fast. The truth is, the Big Banks in Africa are content with business-as-usual, catering to Corporates and their wealthy clients across the continent. And why shouldn't they be? They really aren't incentivized or built in a manner that would allow them to onboard the unbanked population very well.

In fact, most big Banks weren't even serving the SME or micro-business customer today, let alone the rural farmer. "There are very few banks offering SME loans and other financial services to SMEs or micro-businesses, because it is difficult to assess the risk of those loans," Yinka explains.

Of course, this is where Fintechs can carve out a niche for themselves, Yinka explains. It's the ultimate entrepreneur's dream: there are unmet customer demands in the market, and



SPOTLIGHT | OLAYINKA DAVID-WEST

no entity meeting those needs. There are fintech opportunities everywhere, it seems. But she's also critical about their progress. "Fintechs often get applauded for coming in to save the day and assisting in getting previously unbanked members of society onto some form of financial system," she says. "But, they could be doing so much more."

Though fintechs do seem to have significantly lower capital requirements, greater agility in developing and rolling out products, and greater ability to scale – compared to incumbent banks – there is still one major problem, as I see it: fintechs need to make money too.

It is likely for this reason that many African Fintechs have largely focused more on agent banking, providing fintech solutions to small merchants and store owners, before going after the rural retail customer segment. Going after the rural villager is a costly affair, and the customer acquisition cost must come from somewhere.

When I pose this to Yinka, she argues that too many of the Fintechs in Africa are trying to be the "be-all-end-all" Super App of Fintechs, when instead, they could just be focused on a very specific and targeted customer segment, and serving them with precision.

"Who are onboarding women?" she asks. "Show me a fintech that will cater specifically to the rural farmer or a merchant trader or a bus driver, and I'll show you a fintech that will not only do well, but truly do some good."

She further adds that what Africa's fintech ecosystem needs at this time are specialized startups that are experts on one component or one financial product. "Instead of every fintech trying to build the entire solution across the entire financial services value chain," she says, "we need fintechs that are building a handful of products or components, and looking to collaborate with other fintechs to go-to-market."

She explains that important "components" of a fintech don't just refer to a customer-oriented product offering, but could be a SaaS sold to all fintechs. It could be the component that every fintech needs – such as a customer complaint resolution system, or a bolt-on for effective transfers, for example.

"We've got a long way yet to go," Yinka says. "But we are getting there."



"Who are onboarding women? Show me a fintech that will cater specifically to the rural farmer, or a merchant trader, or a bus driver, and I'll show you a fintech that will not only do well, but truly do some good."

Olayinka David-West Associate Dean of Lagos Business School, Inclusive Finance Advocate



FITEGRANGEN DOMESTICAL STREET

Fintech is the dominant sub-sector in Africa's technology sector, both in terms of the number of startups and scaleups formed, as well as the amount of investment raised. According to a report by Disrupt Africa, fintech accounted for 31.4% of all African tech startups in 2020, making it the largest sector by far. Lucidity Insights research found that in 2020, that number is largely unchanged amongst scaleups – with 30% of all African scaleups who have fundraised over US \$1 million, representing the fintech industry. The dominance is expected to continue, with the potential for fintech to drive financial inclusion and economic growth across the continent.

A SPECIAL REPORT / THE FUTURE OF FINTECH IN AFRICA

GGRAPHS THAT YOU NEED THAT YOU NEED ABOUT THE FINTECH MARKET LANDSCAPE IN AFRICA

Nigeria is the dominant fintech market in Africa.

When looking at the Top 5 ranking markets in terms of Fintech startup activity (by value of VC funds raised) for the past 5 years, we see Nigeria consistently on top. Nigeria with its 213 million population, 60 million unbanked population, and its \$440 billion GDP economy that is Africa's largest economy – roughly equivalent to the economy of Austria, is the dominant fintech market in Africa.

The top 4 markets for Fintech fundraising are Nigeria, Egypt, South Africa and Kenya, with Nigeria dominating in 2022, raising 44% more than 2nd place Egypt. Egypt, South Africa and Kenya are fighting a relatively tight race for 2nd, 3rd and 4th place, while 5th place Ghana is starting to close the gap, but is still considered a laggard having fundraised 341% less than 4th place Kenya. That said, in comparison to 2018, the growth over the past 5 years has been substantial. The data shows that the gap between 1st place Nigeria and the rest of the top 5 countries continues to close year after year, while all countries show fundraising growth. This means that more African markets are joining in the Fintech Ecosystem and raising capital.



RANKING MOVEMENT WITHIN TOP 5 FINTECH MARKETS, BY VALUE RAISED (2018 TO 2022)

Source: Lucidity Insights Research & Analysis, using Crunchbase data

%)% denotes the gap between each ranking position from #1 down to rank #5.

12 Fintech funding constitutes a significant portion of the VC funding going into Africa.

For Nigeria, the largest and fastest growing tech and fintech market in Africa, 67% of all VC funding in the past 5 years went to Fintech startups. Nearly half (45%) of all VC funding in the past 5 years in South Africa went to Fintechs, and in Egypt, it is just over 1/3rd. Egypt had the most number of VC deals inked in the past 5 years, though only 12% of these were inked with fintechs. This tells us that Egyptian fintechs have the largest funding rounds.



TOP 4 AFRICAN MARKETS BY OVERALL FUNDING VS FINTECH FUNDING OVER THE PAST 5 YEARS

Source: Lucidity Insights Research & Analysis

Portion of Funding & Deals going to Fintechs Total VC Funding & Deals (2018-2022)

13 Nigeria, South Africa and Egypt dominate Fintech in Africa, but each tell a different story.

Nigeria dominates in both the number of startup deals getting inked as well as the amount of funding raised. Nigeria's fintech fundraising has grown by 39% on average, year on year, across the past 5 years. The trend is upwards, though Nigeria tends to have large years, followed by a decline in fundraising, only to break records again and repeat the yo-yo effect.

Though South African fintechs have raised more capital than Egyptian fintechs over the past 5 years, Egyptian fintechs raised more capital in 2022, and have grown 139% CAGR since 2018. In contrast, South Africa has only grown fundraising 45% on average across the same time period. If trends continue, Egypt could well cement its 2nd place positioning over South Africa in 2023.



VOLUME AND VALUE OF FINTECH DEALS IN THE TOP 3 MARKETS IN AFRICA

≽ South Africa

Source: Lucidity Insights Research & Analysis, using Crunchbase data

14 Fintech Deal Sizes have grown across the board over the past 5 years.

In the top 3 markets, average Seed cheque sizes have grown the most and are largest in Egypt, reaching \$10.5M. The average seed cheque size for Nigerian startups in 2022 was less than half of an Egytian seed, at \$4.5 million. Average Early Stage cheques are highest in Nigeria, at \$90 million. Though both Egypt and Nigeria is home to fintech unicorns, only South Africa has started to see enough maturity to write late stage fintech cheques in 2022, which averaged \$100M.



AVERAGE FINTECH DEAL SIZES BY GROWTH STAGE IN TOP 3 AFRICAN MARKETS (MILLIONS USD)

15 Just getting started: Seed & Early Stage Fintech Investments Dominate.

Seed and Early stage investments make up 72% of total fintech funds raised in 2022, and 86% of all deals inked in 2022 were with seed and early-stage fintech startups.



FUNDING BREAKDOWN BY TYPE-VOLUME & VALUE

Source: Lucidity Insights Research & Analysis using Crunchbase Data Note: "Others" refers to debt funding or uncategorized funding rounds



16 Payments and Wallets are the fastest growing products in Africa.

Financial Services revenues in Africa are expected to grow by 10% per year until 2025, with payments and wallets being the fastest growing products.



¹Financial-services stream that can be targeted by fintech, not current market size of fintechs. ²Small and medium-size enteprises



SPOTLIGHT | AFRICA'S UNICORNS

THE FINTECHS DOMINATING AFRICA'S UNICORN LIST

The Land of Zebras and Unicorns?

Africa may not be the first place that comes to mind when you think of unicorns, but believe it or not, the continent is home to some pretty impressive startups that have reached billiondollar valuations. And what's more, a significant chunk of these unicorns are fintechs, indicating the growing importance of financial technology in Africa's economic landscape.

A unicorn is a privately-held company that has a valuation of over US \$1 billion. These are rare creatures indeed, and in Africa, they are even rarer. However, in recent years, the number of African unicorns has been growing steadily, and fintechs are leading the pack. Here are some of Africa's most prominent fintechs, in chronological order of their birth into unicorndom.

Rise of the Fintech Unicorn in Africa

Globally there were 307 fintech unicorns as of Q3 2022, of which 6 can be considered African.



FINTECH UNICORNS IN AFRICA (UNTIL FEBRUARY 2023)

	Country	Company Name	Year Est.	SubSector of Fintech (ie. Digital Payments, BNPL, Wealthech, etc)	Growth Stage of Startup	Total Funding amount (USD Mi∎ions)	Year Dec l ared a Unicorn	Website
	Nigeria	Interswitch	2002	Digital Payments	Private Equity	\$320.5 M	2019	www.interswitchgroup.com
-	Egypt	🖋 Fawry Fawry	2008	Digital Payments	POed	\$122 M	2020	www fawry com
	Nigeria	Рогоу Орау	2018	Digital Payments	Series C	\$570 M	2021	www.opayweb.com
•	Senegal	🖞 🛛 Wave Mobile	2018	Digital Payments	Series A	\$301,5 M	2021	www.wave.com
	Nigeria / USA	父 Flutterwave	2016	Digital Payments	Series D	\$474 5 M	2021	www.flutterwave.com
	USA / Uganda / Ghana	⊕ Chipper MoneyChipper Cash	2018	Cross - Border Payments	Series C	\$337.2 M	2022	www.chippercash.com
	Soonicorns							
2	South Africa	JUM <mark>O</mark> JUMO	2015	Digital Payments	Series C	\$175 M	?	www.jumo.world

Source: Lucidity Insights Research and Analysis



Another Fintech unicorn on the African scene is **Interswitch**, one of the oldest fintech 'startups' on the continent. Interswitch was first formed in 2001 by Techinvest Limited, Accenture and a consortium of seven Nigerian banks to address the need for a nationwide electronic funds transfer, transaction processing and switching entity in the country. Today, this Nigerian company is one of the largest integrated payment processing companies in Africa. Interswitch has raised a total of \$320.5 million between several Venture, Corporate and Private Equity rounds. The company was valued at US \$1 billion after Visa made a \$200 million investment in 2019. They've gone on to raise an additional \$100 million PE round in May 2022. Of the unicorn valuation, Mitchell Elegbe, Founder and Group Managing Director said, "from inception, we wanted to attain unicorn status because that benchmark is strong for brand equity in Africa. It helps to attract top talent and investors. But our focus has always been about building a long-term sustainable business." It seems he's in it for the long-haul, considering his tenure at Interswitch has already spanned two decades.

Of course, Nigeria is not the only African country with fintech unicorns. Fawry is Egypt's largest e-payment platform serving the banked and unbanked population. Established in 2008, Fawry's primary services include enabling electronic bill payments, mobile top-ups and provisions for millions of Egyptian users. Other digital services also include e-ticketing, cable TV, and a variety of other services. The idea came to Fawry's founder, Ashraf Sabry, when he realized how unproductive Egyptians were having to pay monthly bills by visiting various institutions in-person – having to pay your rent, cable, internet, electric and water bill, mobile phone, gas, and many other bills by physically driving around the city to make payment. He conceptualized a "one-stop-shop" digital bill payments system that could remove these two to three burdensome days every month off the average Egyptian. Within 6 months of its first product launch in 2010, over 400,000 customers had used its service. By 2018, Fawry had processed over 600 million transactions with a total value of over US \$1.1 billion, and profits of over US \$5 million. According to the World Bank, 30% of Egypt's population, or roughly 33 million Egyptians, is unbanked or financially disenfranchised. Products like Fawry support many of these cash-only users to get access to additional financial services. The Egyptian fintech IPOed in 2019 and was over-subscribed 30x over. Prior to IPOing, the company raised funds through multiple Private Equity rounds totalling \$122 million. In August 2020, just over one year after going public, Fawry officially became Egypt's first tech unicorn when its market capitalization hit US \$1.07 billion.





OPay is a Nigerian-based fintech platform, established in 2018, that offers a range of services from mobile payments, ride-hailing and food delivery. The startup became one of Africa's most valuable fintech startups and officially became a unicorn in 2019, following a US \$120 million Series B funding round led by Asian investors such as Sequoia China, Source Code Capital, and Softbank Ventures Asia. To date, OPay have raised an astounding US \$570 million, making it the single most funded startup in Africa's history. OPay is currently valued at over US \$2 billion. The company has grown rapidly, launching across tier 2 Nigerian cities as well as additional African countries, including Kenya and Ghana. OPay's founding team is unique in that it is diverse with very targeted expertise; Yahui Zhou is a Chinese techpreneur with significant software engineering experience which he put to good use when he founded Opera Software in Norway, prior to founding OPay.

SPOTLIGHT | AFRICA'S UNICORNS



Wave went from a spinoff from Asia and Africa-focused cheap remittance company, Sendwave in 2017, to a mobile money service provider valued at US \$1.7 billion in four short years. The unicorn status was awarded to Wave after it raised its US \$200 million Series A round in September 2021, led by payments giant Stripe, Sequoia Heritage, Founders Fund and Ribbit Capital. This \$200 million was the largest Series A fundraising round in Africa to date, and helps raise the company's total fundraising to US \$301.5 million, with 15 investors on their cap table. The Senegalese startup is the first fintech unicorn out of francophone Africa, and its no surprise – as a 2020 GSMA report suggested that Senegal was one of Africa's fastest-growing mobile money markets. The company is also present in Côte d'Ivoire, and is considering potential expansions into Uganda and Mali.

One of the most notable African unicorns is **Flutterwave**, a Nigerian fintech startup established in 2016, that provides payment solutions for businesses and individuals. Flutterwave's payment gateway has become ubiquitous in Nigeria and is expanding rapidly throughout Africa. The company is known for its pan-Africa focus and developer friendly API. Flutterwave also has invested in advanced fraud detection algorithms and has formed partnerships with a range of global companies including PayPal, Alipay and Worldpay. Flutterwave has raised over US \$474 million, of which over-half (\$250 million) was raised in their latest February 2022 Series D round. The startup also has a whopping 50 investors in its cap table, which is not an uncommon occurrence for African startups, for whom capital can be hard er to come-by. The company officially became a unicorn in March 2021, following a successful Series C funding round.





Though **Chipper Cash** is headquartered in San Francisco, its operations are primarily focused on Africa. The fintech company was also founded in 2018 by two African Entrepreneurs, Ham Serunjogi from Uganda and Maijid Moujaled from Ghana, which is also why it is widely considered an African unicorn. The company focuses on creating a cross-border mobile payments platform that makes it easier for people in Africa to transact with each other and the rest of the world; having met working in Silicon Valley, the two founders decided to address the challenges they personally faced when trying to send money to friends and family in Africa. Sub-Saharan Africa is one of the most expensive regions to send money globally, which is why Chipper Cash's play is to offer 'best prices' and facilitate money movement between Africa and the USA. The U.S. is roughly responsible for 30% of the international remittances to sub-Saharan Africa. In 2021, Chipper Cash was crowned a Unicorn, and in November 2022, the company received a US \$2 billion valuation when it raised a US \$150 million extension on its Series C funding round. After Chipper Cash raised its first \$100 million Series C round, Serunjogi called his company "the most valuable private start-up in Africa." To date, the company has raised a total of US \$337.2 million in 7 rounds of funding; the startup has over 25 investors on its cap table.

HONORABLE

JENTIO

JUM

South Africa's JUMO is another notable example, though it is undetermined whether JUMO has officially reached unicorn status just yet; but it's safe to assume that JUMO is a 'soonicorn'. Founded in 2015, JUMO offers digital financial services to entrepreneurs and small businesses in emerging markets. The company's AI powered intelligent platform enables banks to reach millions of new customers with credit and savings products, which is a critical need in Africa - where there is great hopes that fintech can bridge the large financial inclusion gap. JUMO is focused on making it easier for capital providers to reach new customers at affordable prices, while making predictable returns - and the platform itself provides a full range of infrastructure and services that banks need in order to operate, from core banking to underwriting, KYC and fraud detection services. JUMO has raised over US \$175 million, with the last venture round of \$120 million being raised in November 2021. By the end of 2021, JUMO's platform has been used to make 120 million loans, totalling US \$3.5 billion to more than 18 million people and small businesses in Ghana, Uganda, Kenya, Tanzania, Zambia, Côte d'Ivoire and Pakistan. Based on the number of eMoney subscribers on JUMO's platforms, it has been estimated that JUMO's annual lending volume could grow to \$40 billion, following successful launches in Nigeria, Benin and Cameroon. JUMO is considered a soonicorn, though following a US \$52 million funding round led by Goldman Sachs in March 2019, the investment bank publicly declared that JUMO would become Africa's next unicorn. As of 2022, the Hurun Research Institute's Global Gazelle Index still lists JUMO as a 'Gazelle', which is defined as a start-up founded in the 2000's worth over \$500 million, but not yet at unicorn status.



Many have said that Stripe's acquisition of Nigeria's payments start-up **Paystack** in 2020 was the turning point for African fintech. The deal was reportedly worth US \$200 million, and it drove significant attention towards start-up investment and acquisition opportunities in Africa, especially when low interest rates pushed investors to search for higher-yielding investments. Almost predicting the future, many referred to Paystack as "the Stripe of Africa" before being acquired. When acquired, Paystack had approximately 60,000 customers, including small businesses, larger corporates, fintechs, educational institutions and online betting companies. Paystack is now operating independently, owned by Stripe. It is estimated that they are likely valued at over US \$1 billion today.

Many More Soonicorns to Come

There are many other potential unicorns grazing in Gazelle laden savannas at the moment. Kuda Bank, Nigeria's digital bank was valued at \$500 million in 2021. Paystack is estimated to be worth somewhere in the ballpark of \$1 billion today, but was acquired for \$200 million by Stripe in 2020. Nigeria's lending platform Lidya, African credit financing player Aella Credit, South Africa's Lulalend and Yoco, as well as Egypt's Paymob, Khazna, and MoneyFellows are all also vying to reach unicorn status.



SPOTLIGHT | MOOVE.IO

FINANCIAL INCLUSION FOR MOBILITY ENTREPRENEURS



Ladi Delano and Jide Oduns Co-Founders of Moove

1 Billion

The world has come a long way in the last decade. It's hard to imagine for many of us, a world where mobility platforms such as Uber, Lyft, Grab, Didi Chuxing and Careem did not exist. There are over 1.1 billion gig workers globally and half are denied access to financial services1 and are invisible to credit.

Ride-hailing apps have been expanding rapidly across Africa, including Nigeria, Egypt, Ghana, Tanzania, Uganda, Côte d'Ivoire and Kenya. In many of these countries, the arrival of ride-hailing apps is transforming urban transportation systems and providing new employment opportunities as well as providing increased access to transportation for underserved and remote communities. According to the ILO, transportation accounts for roughly 8% of total employment in Africa. That means that nearly 1 in 10 jobs involve driving a taxi, a shuttle bus, a lorry or a vehicle of some kind. In May 2022, Uber announced that it achieved a significant milestone by completing 1 billion rides across all of its African markets since entering 2013. The mobility start-up also said it had created over 6 million economic opportunities in over 50 cities across sub-Saharan Africa. And that doesn't include over 80,000 uber drivers in Cairo (Egypt), let alone the thousands of drivers spread out across North Africa. It's an impressive milestone, to be sure, but it leads to another question, which is, "How much of a socio-economic impact are these ride-hailing apps having on the African mobility entrepreneur?" The answer is quite complex.

Car Ownership

Car ownership is important for several reasons, as it can influence various aspects of society, the economy and individuals' lives. Owning a car can greatly enhance personal mobility and provide better access to essential services, such as healthcare, education and employment opportunities. In many areas with limited or unreliable public transportation, having a car can be crucial for maintaining a higher quality of life. Car ownership can also be an indicator of a country's economic development and purchasing power of its citizens. Higher car ownership rates correspond to higher levels of income, as many people can afford to purchase and maintain a vehicle. Car ownership also happens to be a requirement to work for ride-hailing apps, meaning that many people around the world do not have access to mobility entrepreneurship.

Car ownership is markedly lowest in Africa, compared to the rest of the world. According to the World Bank, the global average car ownership rate is estimated to be 190 passenger cars per 1,000 people. South Africa has the highest car ownership rates in Africa with ± 170 passenger cars per 1,000 people in 2020 but is still lower than the global average. Egypt's rate is ± 50 passenger cars per 1,000 people, while Nigeria only has roughly ± 35 passenger cars per 1,000 people as of 2020. In comparison, the United States has ± 838 passenger cars per 1,000 people, and China has approximately ± 200 passenger cars per 1,000 people.





Source: World Bank, Lucidity Insights Research & Analysis

Fintech Solutions for Mobility Entrepreneurs

Poverty and low incomes in Africa make car ownership unattainable for large segments of the population. Access to financing options like loans or leasing is limited in Africa, making it difficult for people to afford a car, even if they have the means to pay for it over time. Two British-born Nigerian entrepreneurs, Ladi Delano and Jide Odunsi hope to solve this problem with Moove, a startup they co-founded together.

Moove offers a digital platform where users and entrepreneurs in the transport sector have access to loan options for the purchase of vehicles. Ladi Delano and Jide Odunsi are serial entrepreneurs, having first launched Grace Lake Partners together, a Venture Studio in Nigeria employing over 200 staff across its portfolio companies, prior to launching Moove. Ladi completed his Master's degrees at both the University of Oxford and the London School of Economics and Political

Science. Jide, a former investment banker at Goldman Sachs, also brings academic pedigree with an MBA from MIT and a Masters at the University of Oxford. According to Ladi, he and Jide have been friends for over 20 years. We sit down with the two co-founders and co-CEOs to discuss their latest venture established in 2020.

Ladi speaks to the challenge Moove is attempting to solve. "Moove was born out of the urgent need to solve the problem of mobility entrepreneurs in Lagos who, despite working for years, still didn't own their cars due to a lack of access to credit. We subsequently discovered that this problem was faced by millions of other mobility entrepreneurs around the world, preventing them from moving up the socioeconomic pyramid." Moove's mission is to financially empower every mobility entrepreneur in the world by welcoming them into the global financial system using Moove's proprietary credit scoring products and fintech platform.

SPOTLIGHT | MOOVE.IO

Jide further explains that the company provides financial services and sustainable employment opportunities to mobility entrepreneurs who are often underserved by traditional financial institutions due to the absence of historical data. "Moove's alternative credit-scoring technology and revenuebased financing model leverage the future productivity of mobility entrepreneurs to provide them with access to credit and other financial services." Moove's expansion beyond Africa shows the power of creating sustainable employment opportunities through democratising access to financial services for mobility workers globally. By leveraging the future productivity of mobility entrepreneurs, Moove is able to provide financing to those who would otherwise be unable to access it."

The Moove technology is embedded in ride-hailing and other mobility marketplaces, allowing Moove to access and use mobility entrepreneurs' proprietary performance and revenue analytics to underwrite loans. Moove leverages its unique access to customer productivity, earnings and spending data to build credit models that allow them to assess the risk profiles of these loan customers, who would otherwise be ineligible for traditional financial services. The fintech platform product, including the Moove App and Wallet, allows customers to check their plan and vehicle details, send and receive payments, and keep track of their performance KPIs.

Moove's customers have the opportunity to choose between two product options when they join Moove. The first is Drive to Own (DTO), which allows customers to own a new vehicle in 30, 36 or 48 months, using a percentage of their weekly revenues to make payment instalments. Alternatively, the Flexi Rental scheme allows customers to pay a weekly fee to have short-term access to a new car to drive on one of our partner mobility marketplaces. Customers are set KPIs with weekly remittances and the vehicle remains in their possession for the full duration of the product agreement.

With a global vision in mind, Moove now has operations across 3 continents: Africa, Asia and Europe. They have operations in Nigeria, Ghana, South Africa, Kenya, Uganda, Egypt, India, United Arab Emirates and the United Kingdom. The Co-founders explain that the company considers a number of strategic decision-making factors when expanding its geographic reach. A major factor is the regulatory environment of each potential market. Jide explains, "Moove works closely with local regulators to ensure that it is operating within the legal frameworks of each market, and can provide its services to customers without any issues." They also explain that another important factor is market demand for Moove's services, while also considering the availability of partnerships and resources in each market, as well as any



"We think Moove's success demonstrates that there is still tremendous potential for growth and investment on the continent."

Jide Odunsi Co-Founder and CEO at Moove



potential logistical challenges that may arise during expansion factors.

Raising capital has been integral to their expansion ambitions. Commenting on this, Ladi says that raising capital for a venture in Africa is no small feat. "Despite the continent's immense potential, it remains largely underfunded and underrepresented in the world of venture capital. At Moove, we were able to secure our Series A funding from a mix of local and international investors who saw the potential of our innovative mobility fintech solution. Moove has also raised additional debt financing from banks and other financial institutions, allowing the company to continue to expand its operations and serve more customers."

Jide adds, "We think Moove's success demonstrates that there is still tremendous potential for growth and investment on the continent." Ladi adds, "International investors should certainly be looking beyond traditional startup hotspots like Silicon Valley and exploring the diverse and rapidly-evolving startup ecosystems in Africa and other emerging markets. Not only can they find exciting new investment opportunities, but they can also contribute to the development and growth of these ecosystems, creating a positive impact for both investors and the local communities"

Operationally, they both agree that their biggest challenge to date has been scalability of their technology infrastructure to support their growing customer base. Ladi explains, "we started in Lagos with 76 cars. We're now in nine countries, 13 markets (cities), and are still scaling. Today, Moove products touch the lives of over 25,000 customers with over 20 million trips completed in Moovefinanced vehicles." The company has global partnerships with Uber, Careem, SWVL, LORI, and Glovo across 6 vehicle classes of CNG Cars, ICE cars, Electric cars, bikes, trucks and buses. They have also grown revenues by nearly 8X since 2021.

"This also re-establishes the fact that there's nobody else at our scale in this space," says Jide. "We're solving a realworld problem and making a positive impact in the lives of our customers. Moove is focused on the human impact of the business, rather than just the numbers on a spreadsheet. For me, that is the bottom line."

They also say that building a global, diverse team that can effectively navigate the complexities of operating in different markets around the world has been another challenge. They say that Moove has made a concerted effort to hire talent from a variety of backgrounds and cultures, recognizing the value of diverse perspectives in driving innovation and growth. However, they also stress that building and managing a global team requires

SPOTLIGHT | MOOVE.IO

effective communication, cultural sensitivity and a willingness to adapt to different working styles and norms. Today, Moove has grown to employ over 400 employees.

Moove also focuses on promoting sustainability, inclusivity and gender equality. It is targeting to have a minimum of 50% female customers and a minimum of 60% of Moove's financed vehicles to be electric or hybrid vehicles. Moove expects to achieve 30% CNG and Electric vehicles across their global fleet by the end of 2023, halfway to their 60% target. This is set to deliver over 30,000 metric tonnes of CO2 emission reductions per year, which is equivalent to the amount of CO2 captured by 1.5 million trees.

As for the future, Moove is looking for further expansion in 2023 – both geographically and in product development. They are proud of the fact that Moove, an African-born startup, has found a solution to a global problem – and they think this demonstrates the potential for African startups to create an impact beyond the continent. "Good ideas can come from anywhere," Ladi says with a smile. "And there's no doubt that Africa has tremendous untapped potential when it comes to startups and innovation."





"International investors should certainly be looking beyond traditional startup hotspots like Silicon Valley and exploring the diverse and rapidlyevolving startup ecosystems in Africa and other emerging markets. Not only can they find exciting new investment opportunities, but they can also contribute to the development and growth of these ecosystems, creating a positive impact for both investors and the local communities"

Ladi Delano Co-Founder and CEO at Moove



SPOTLIGHT | NOWNOW



NOWNOW REIMAGINING FINTECH IN AFRICA

Written by: Erika Masako Welch



From left to right: Leigh Flounders (Chief Commercial Officer), Sahir Berry (Co-Founder & CEO), Mahesh Nair (Co-Founder & COO), Matt Francis (Chief Strategy & Investment Officer)

As I sit down to interview Sahir Berry and Mahesh Nair, co-founders of Nigerian fintech startup, NowNow, I find myself both intrigued and simultaneously not at all surprised at this pairing. Sahir is tall, charming and consistently well-dressed; he makes small-talk easily and carries a quiet confidence, which allows him to share his vision for their startup with equal parts passion and measured control.

Mahesh, in comparison, is a man of few words, but when he speaks – it is something worth noting. He often has a stitched brow, as if he's solving multiple problems in his head simultaneously, while quietly tapping away into his phone coordinating with his various teams sitting in Lagos, Delhi and Dubai. I get the impression that he is keen to just roll-up his sleeves and be left alone to get the job done.

When I ask Sahir what got him interested to become the founder of NowNow, a fintech startup born out of Nigeria, he pauses thoughtfully before answering. "It's quite simple, really," he starts. "There's little to no job creation in Nigeria and much of Africa as a whole. The only way for people to survive has been to become microbusiness owners themselves. Despite Africa's economy being built on the backs of these micro-entrepreneurs, few of them have access to financial products to run their business." He continues, "There was a clear opportunity to create a solid fintech product and commercially-viable company, while providing real impact to these people's lives which would in-turn bolster Africa's economy as a whole."

He's not wrong. It is estimated that up to 80% of jobs in Africa are created by small businesses, and 70% of the continent's GDP is driven by MSMEs as well. Yet, more than half (51%) of them cannot access funding that they desperately need in order to sustain and grow their businesses. In Nigeria alone, it is estimated that there are over 41 million micro, small and medium-sized businesses. If more than 21 million small businesses don't have access to loans in Nigeria alone, that has potential to be big business if NowNow can crack the code.

Courting CoFounders

I find myself asking Mahesh and Sahir where they met. "We've known each other professionally for years," says Sahir. "In fact, truth be told, I spent months convincing Mahesh to join me on this mission. We were both passionate about the payments space and could talk for hours about what opportunities existed in Nigeria. With Mahesh's background, I knew he was someone I needed."

Mahesh spent years working with telecom players dealing with service marketing for Mobile Money and other businesses in India, before he moved to work in Nigeria. "Telecommunications is an industry that is very close to my heart," Mahesh says. "It's an everchanging industry, and clearly the frontrunner in large-scale technological applications. Mobile money was a major part of my responsibilities in that sector, and the transition to Fintech was quite natural for me."

When I ask Mahesh what he had to ponder before joining Sahir, he replies, "the idea excited me from the very beginning, the pro's were obvious, but I had to consider all the facts. What kept me up most nights was thinking about how sceptical people still were of banking in Nigeria. There were many stories of people putting money in Nigerian banks in the 1980's to the 2000's, and they simply didn't get their money back. Cash is king in Nigeria, and I had to consider if this was the right time to go all-in to build a fintech in this market."

This consumer scepticism explains why 57% of Africans today still have no bank or mobile money account, which also means the majority of Africans have no credit history and no access to personal loans. In Nigeria, for example, there are only 4 Bank branches and 17 ATMs for every 100,000 people. Comparatively, in Egypt, that number more than doubles to 8.8 bank branches per 100,000 people. In the United Arab Emirates and the United States, its 23.7 and 28.5 bank branches per 100,000 people, respectively. But the tides seem to be changing, as today's young African population is keen to get themselves digital bank accounts.

"It is estimated that up to 80% of jobs in Africa are created by small businesses, and 70% of the continent's GDP is driven by MSMEs as well. Yet, more than half (51%) of these small businesses cannot access funding that they desperately need in order to sustain and grow their businesses."



SPOTLIGHT | NOWNOW

With Sahir and Mahesh formally joining hands in 2018, NowNow launched to meet the specific needs of two underbanked customer segments: the SME owner, and the underbanked individual. NowNow empowers SMEs to grow their businesses through a suite of payment processing and business management tools. NowNow also has expanded to provide business loans, as well as remittance and insurance solutions.

Business-in-a-Box for small business owners

"Meeting the needs of the SMEs is critical on a macroeconomic level," Sahir explains. "SMEs and microbusinesses are enormous drivers of economic growth across Africa – but the majority lack access to the tools and financial services they need to thrive."

For small businesses, NowNow provides a "Business-in-a-Box" solution that allows offline businesses to bring themselves online through enhanced payment processing, ERP and digital storefronts. "For the Business-in-a-Box approach to merchants, we give them a digital identity," says Mahesh. "The app has all the ERP tools to do inventory management, categorization, with digital payment acceptance through android POS, softPOS technology, QR codes and payment links which can be sent to customers through social media."

NowNow's softPOS technology allows Business-in-a-Box merchants to use their mobile phone as a POS system

NOWNOW'S CUSTOMER GROWTH

using NFC technology. This allows merchants to use their digital catalogue through their digital storefront, and ultimately paves the way for NowNow to eventually become a sort of Shopify for Nigeria's MSME merchants.

As of Q1 2023, NowNow had over 60,000 merchants onboarded, and were onboarding 5000 new merchants every week. They expect to have a merchant consumer base of over 200,000 by the end of the year. "Latest estimates put less than 2 million POS systems operational in Nigeria today, across more than 40 million SMEs. That means there are more than 38 million MSME's that could be potential NowNow customers in Nigeria alone," Sahir explains.

This Business-in-a-Box offering to





NOWNOW'S ANNUAL GMV & UNIQUE NUMBER OF TRANSACTIONS

SMEs is so compelling, NowNow has begun to export it and offer it as a white label product to various banks, particularly in markets it has no interest in operating directly in themselves. In Abu Dhabi, for example, NowNow has provided one of the leading National Banks with this Fintech-as-a-Service, that the Bank can offer to the 300,000+ SMEs operating in the UAE without an operating POS system or ERP tools. "NowNow provides the full solution, and the Bank gets to roll it out at a fraction of the cost because it is plug-and-play", says Mahesh.

Banking for the Unbanked

To the underbanked individual, NowNow increases financial inclusion by enabling access to digital bank accounts and debit cards through their Digital Bank. They primarily aim to bring offline consumers online through their growing network of local agents. NowNow's Digital Bank is a consumer banking app that empowers individuals to take control of their financial lives by providing a suite of financial services that starts with the digital wallet which allows remittances and peer to peer transfers, as well as tap & pay transactions. The digital banking app also allows customers to pay and manage bills, buy airtime, and apply for personal insurance or personal loans.

In 2022, NowNow facilitated over 75 million unique transactions across their SME and consumer platform, equating to nearly US \$3 billion in transaction volume. NowNow says their consumer application still has over 3000 downloads a day, but the company's key focus for 2023 will be to build out their SME business. In January 2023, NowNow was facilitating 120,000 daily merchant transactions, and was tracking 160% MoM growth.

"After we got licensed by the Central Bank of Nigeria in February 2018, the first product we launched was consumer banking," Sahir explains. "But we quickly understood that we needed to launch an Agent Banking product to establish a network of banking agents across our markets to guarantee ease, access and seamless transactions."

"The truth is," Sahir continues, "if we had the capital and the resources, we would focus on both the consumer and merchant businesses in equal measure, but we have to be realistic. Consumer products are still a very expensive endeavour. Customer loyalty is minimal in the markets we operate in." Consumer apps, specifically when focused on reaching the unbanked and

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Rank	STARTUP	Year Established	Sector	Growth Stage	Money Raised (USD)	Website
1	Interswitch interswitch	2002	Fintech	Private Equity	110 M	https://www.interswitchgroup.com/
2	mœve Moove	2020	Vehicle financing	Series A	65 M	https://www.moove.io/
3	name and the second sec	2015	Fintech	Series B	50 M	http://www.teamapt.com.com/
4	Reliance Health	2016	Insurtech	Series B	40 M	https://www.getreliancehealth.com/
5	bambook Bamboo	2019	Fintech	undeclared	32 M (17+15)	https://investbamboo.com/
6	vendease Vendease	2020	E- commerce	Series A	30 M	https://www.vendease.com/
7	MAX	2015	Transport/Logistics	undeclared	24 M	https://www.max.ng/
8	Sabi Sabi Am	2020	E-commerce	undeclared	20 M	https://sabi.am/
9	CP Credpal	2018	Fintech	undeclared	15 M	https://www.credpal.com/
10	Nownow	2015	Fintech	Seed	13 M	https://nownow.ng/

TOP 10 MOST FUNDED STARTUPS IN NIGERIA IN 2022

Source: Crunchbase Data, Lucidity Insights Research & Analysis

largely illiterate population in rural areas requires investment in skits, not billboards. The cost of customer acquisition and retention is immense, while switching costs for those customers is incredibly low, requiring a simple app download and a 10 minute set-up time.

Mahesh also notes that once Fintechs have the agent banking network in place, there is a real opportunity to transition their agents into merchants that could more easily become adopters of NowNow's small business fintech solutions. "This is where we see things going," says Mahesh.

Thank God We Didn't Get Funded

Speaking to Matthew Francis, NowNow's Chief Strategy and Investment Officer, he explains how the first four years of the business was a bootstrapped operation with capital provided by the founders. "NowNow didn't raise any outside capital until July 2022, when we fundraised a US \$13 million seed round," says Matthew.

"It wasn't for a lack of trying," Sahir says with a wry smile. "We did try and fundraise in 2019, but we were trying to fundraise sitting in Nigeria, having video calls with investors on the other side of the world." Sahir explains that it was also around this time that a few African fintechs established headquarters in California to be closer to investors. "I've learned that African startups can't afford to fundraise sitting behind computer screens in Africa. We have to get up and take flights and shake-hands in person." That's exactly why he and Mahesh are spending more time in the air traveling across Europe, the US, Asia and the Middle East, as they begin their tour to raise their Series A.

Sahir piques my interest when he tells

me that NowNow not getting funded in 2019 was the biggest blessing for the young company. "How so?" I ask.

"How many startups do you see now that got funded during the pandemic, and couldn't spend their budgets fast enough in the name of growth? And now, as the capital dries up, there are start-ups all over the world in a world of trouble because they can't recall how to operate profit-focused businesses."

Matthew adds, "NowNow runs a tight ship, having scrutinized how to get the best ROI for every dollar the company spent over the last five years. We certainly have the profit-focused mentality, and we know that we can weather some tough storms."

With macroeconomic headwinds shrinking venture capital pools, "it's not going to be easy," says Sahir about fundraising in the current climate. "But we are optimistic. A few months ago we were beginning conversations with investors in the US, but there has been a clear shift and a lot more interest coming from investors in places like London, Singapore and Dubai these days."

The Fintech Future with NowNow

NowNow is hoping that their Series A will help them extend their reach in their active markets, namely Nigeria and Angola. But before NowNow focuses on pan-African expansion, it is looking to add a few new product streams, including BNPL payments functionality, QuickCash options and Micro Loans into NowNow's Digital Bank.

"With our unique credit data, we believe we are well-placed to better assess the risk of our users, enabling us to underwrite loans for our largely underbanked customers," Sahir continues, "It's a huge opportunity for us, because the most recent data from 2018 estimates that only 11% of Africa's population has recorded credit data and scores."

It certainly begs the question, who is serving the other 89% of the African population? Even more interesting perhaps, is that NowNow, unlike many other BNPL players, sees the BNPL opportunity to be even greater between Merchant-to-Merchant payments, versus the more readily available Consumer-to-Merchant BNPL offerings.

"Managing working capital within small businesses are challenging. If we can offer MSME owners an opportunity to pay for their inventory in installments, it could be a game-changer," says Mahesh. At the end of 2022, NowNow's Digital Bank played host to US "Often, the only way for people to survive in Africa is to become SME entrepreneurs themselves. But these SME owners have no access to financial products to run their business. It's clear that there is a massive opportunity to create solid fintech products for these small business owners in Africa."

Sahir Berry Cofounder & CEO at NowNow



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\$2.7 billion worth of merchandise (GMV) being sold on the platform.

Future financing is ear-marked for integrating Artificial Intelligence and Machine Learning (ML) capabilities into NowNow's tech stack to help the company sift through reams of data. NowNow wants to become smarter by using algorithms to upsell and crosssell based off of an ever-improving algorithm. The company hopes its' ML capabilities will begin to improve and speed up its microloan underwriting assessments, over time as well.

Growing Pains

When I ask Sahir and Mahesh what has been the most challenging aspects of building the business in the past five years, they both agree that finding and building the right team and building a cohesive culture across offices and teams in Lagos, Delhi and Dubai was harder than expected. Mahesh reflects, "we're happy to be where we are today, after a few years of growing pains - we finally have a strong team that works well together across our geographies."

NowNow grew significantly in 2022, from a global team of 100 at the beginning of 2022 to a team of well over 400 by the end of Ql 2023. A work exchange program between staff in India and Nigeria are also helping to build cross-cultural understanding and providing a unique work experience for those staff that want to take advantage of it.

"We also learned early on that the only way to scale the business was to build the NowNow platform in-house," says Sahir. "It really has been a herculean effort building the platform from the ground-up, but we're happy we made the decision. Today, we own our entire tech IP, and we've created a best-inclass technology platform that has been operating at scale for several years."

Growing Room to Play

When I ask about the fierce competition that seems to be brewing across Nigeria in the fintech space, Sahir looks unfazed. He agrees that one day there will be a need for some level of consolidation amongst fintechs soon, but assures that there is also still significant room for multiple giants to be raised, before any definitive consolidations take place. He also reminds me that by 2050, Nigeria's population is expected to balloon to



400 million people. The UN also says that Nigeria is one of eight countries that will account for more than half of the world's population growth between now and 2050. It's numbers like these that shows investors that Nigeria alone is the future's high-consumer-growth market.

"We see more and more investors getting excited about the fintech opportunity in Africa," says Matt. "Ultimately, we think the African fintech opportunity is too big to ignore, and hopefully with the backing we have from players like Mastercard, it not only helps to validate our business, but also attracts more international awareness."

In 2023, NowNow was issued Mastercard's trust centre certification, which indicates that NowNow is a fintech that has been thoroughly vetted by Mastercard, and that NowNow's technology is safe and trustworthy, protected against cybersecurity attacks. "It was a rigorous process, and we're proud to get the rubber stamp from Mastercard, especially as the only African Fintech going through the process," says Leigh Flounders, NowNow's Chief Commercial Officer.

"We have much larger plans for the future," says Sahir. One day, he imagines someone walking up to any merchant anywhere in Africa, and asking to buy a bottle of water and pay through the NowNow Digital Banking app. "But there are only so many days in a year," Sahir says with a smile.

"Managing working capital within small businesses are challenging. If we can offer MSME owners an opportunity to pay for their inventory in installments, it could be a gamechanger."

Mahesh Nair Co-founder & COO at NowNow

What Others are Saying About NowNow

"NowNow has a locally relevant business model that is agile and focused on delivering value to SMEs, which in turn are vital for economic growth and strong communities. Because NowNow is focused on inclusion, it's success is also tied to "the greater good". It has been wonderful to see NowNow thrive during the Mastercard Start Path program which offered mentorship, operational support, commercial engagement and network reach."

Mark Elliott Division President, Sub-Saharan Africa, Mastercard



"In my opinion, NowNow have clarity about their approach to render financial services as a fintech aggregator, by making financial transactions faster, easier, and acceptable to their clients. We, at Providus Bank, have watched NowNow start with Agency banking, deploying devices through their agents' networks, and creating a mobile money wallet with combo debit cards that enable financial activities. They are currently pushing the frontiers with payment services through e-commerce card acceptance and its Green lotto gaming business. NowNow works perfectly with the incumbents by creating an ecosystem that promotes financial inclusion for its target clients."

Walter Akpani Managing Director, Providus Bank "I sit on NowNow's Board of Directors because NowNow is not trying to be all things to all men. On the retail-side, they are focusing on students, for example, and I can appreciate that customized approach."

Yinka David-West Associate Dean of Lagos Business School & Board Member



A SPECIAL REPORT / THE FUTURE OF FINTECH IN AFRICA



FUTURE FINTECH TRENDS

73 / LUCIDITYINSIGHTS.COM / 2023

Inflation & the VC Winter Will Hit Emerging Market Startups

Inflation around the world, but particularly in the US, will continue to impact the entire world. Unfortunately, when the US is hurting, the pain spreads out across the world. When we ask the question 'why is that?', it primarily boils down to the fact that the US Dollar is still the de facto reserve currency worldwide. This means that Central Banks around the world are predominantly holding US Dollars as their reserve asset.

The US dollar has become the dominant global reserve currency due to several factors, including the size and stability of the US economy, the depth and liquidity of the US financial markets, and the status of the US Dollar as the world's most widely used currency for international trade and transactions. In addition, many commodities such as oil and gold, are priced in US dollars, further increasing demand for the currency as a medium of exchange.

This also means that when the US is facing major inflationary pressures, such as what we have been seeing over the past year, and decides to continue increasing interest rates to bolster the US dollar, it simultaneously weakens emerging market currencies. We learned from the IFC's Kareem Aziz, that this leaves many emerging markets vulnerable, and likely negatively affects emerging markets disproportionately. "Unfortunately, until the US gets a hold of inflation, the continued increase in interest rates will lead to vulnerabilities in markets like Nigeria, Turkey, Egypt and Pakistan." He added, "This will also add pressure onto the global Venture Capital ecosystem, as VCs tend to hold US dollars in their funds. What that means is that VCs may hedge foreign currency risks, by only investing in more stable foreign markets where the currency is pegged to the US dollar and the country's macroeconomics are sound."

While start-ups around the world who are trying to fundraise are all feeling the effects of this Venture Capital winter, it is likely that start-ups outside of the US will have an even harder time attracting capital for exactly the aforementioned reasons. According to CB Insights, Ql 2023 saw funding drop by 30% Quarter-over-Quarter, compared to Q4 2022. African start-ups were hit 2nd hardest, next to Latin American start-ups, and on-par with Asian funding results.



FED RATE HIKES 2022-2023

FOMC Meeting date	Rate Change (bps)	Federal Funds Rate
March 22, 2023	+25	5.00% to 5.25%
March 2, 2023	+25	4.75% to 5.00%
Feb 1, 2023	+25	4.50% to 4.75%
Dec 14, 2022	+50	4.25% to 4.50%
Nov 2, 2022	+75	3.75% to 4.00%
Sept 21, 2022	+75	3.00% to 3.25%
July 27, 2022	+75	2.25% to 2.50%
June 16, 2022	+60	1.50% to 1.75%
May 5, 2022	+50	0.75% to 1.00%
March 17, 2022	+25	0.25% to 0.50%

Source: Lucidity Insights Research



Source: CB Insights

12 A Time for Consolidation

Inflation around the world, but Warren Buffet is famous for saying, "A rising tide floats all boats. Only when the tide goes out do you discover who's been swimming naked." As the buzz word amongst VC and investor circles replaces "growth" with "profitability," it seems there will be a number of fintechs and other start-ups caught with their pants down.

Startups that had poor financial management will face hard-times into 2023 and 2024, and only the fit will survive. The rest will fall to the wayside. As capital continues to dry-up further in 2023, investors have echoed that they believe that the left-over dry powder will be consolidated and given to the top 1 or 2 market leaders across each sector and market. That capital is expected to be in large sums, meant to support the market leader cement their leadership position by going on an inorganic growth spree through a series of acquisitions. The question that lingers is, are you a fintech that's about to be eaten, or about to do the eating?

More Tailored & Integrated Solutions for the Unbanked

The last decade saw 1 billion individuals go from the unbanked population to plugged into the financial system. This next decade will continue that trend, but will require more than mobile money and generic fintechs to continue reaching the unbanked still left out on the fringe.

The problem that stakeholders have voiced with regards to the current state of Fintechs in Africa, is that many of them are often trying to educate farmers on financial literacy, when it should be the other way around. Fintech founders and their teams should be educating themselves on the farmer and his needs, so that fintechs can design a solution that seamlessly embeds itself into the farmers life to make it easier and more convenient.

There will be more fintechs that are tailor-made for a specific customer profiles such as the rural farmer, the local bus driver, or for rural women. We will start seeing fintechs that are deeply invested in solving specific problems for very unique use cases that affect their customer. This will bring a new level of customer obsession to the fintech space in Africa in the coming years.

GPay

CONCLUSION

Nearly 1 in 5 people on the planet live here, in Africa. Nearly 6 out of every 10 Africans don't have a bank account or mobile wallets.

More than 70% of the African continent's GDP is built on the backs of entrepreneurs, SMEs and micro-businesses, but the vast majority of these business-owners would be considered unbanked. The opportunity cannot be understated, not only for fintechs to meet a growing consumer demand, but for fintech to support the faster development of entire African economies.

Fintech and mobile money has done a great job onboarding hundreds of millions of Africans onto some form of formal banking system over the past decade, but the work is only getting started. With a total financial services market revenue pie of \$230 billion by 2025, there are hundreds of new fintech companies sprouting across the continent each year. In addition, these forecasts don't even consider the truly marginalised, unbanked in rural Africa.

But now is the time. Africa has one of the highest mobile phone penetration rates in the world, with over 80% of the population owning a mobile phone. Sub-Saharan Africa is the global leader in mobile money adoption, with over 400 million registered mobile money accounts. Account ownership is dramatically rising, with Sub-Saharan Africa showing the fastest CAGR over all other regions across the world, growing on average at 139% YOY.

In 2022, more than one-third of all scale-ups in Africa, were determined to be fintech startups. Scale-ups are considered any start-up that has raised US \$1 million or more. It was found that there were over 270 fintech scale-ups in Africa, as of the end of 2022.

Nigeria, South Africa and Egypt make up nearly half (46%) of the entire continent's

economy. In the last five years alone, from 2018-2022, fintech start-ups across Nigeria, South Africa and Egypt collectively raised over US \$2.71 billion dollars across 476 deals, and both number of deals inked each year as well as average deal sizes across growth stages are growing.

All signs point towards growth, but operators are not without challenges. The greatest issue cited by many African fintech advocates is Africans' general mistrust of any financial system. Scams are prominent, and with digital and financial literacy being major hinderances, consumer fintech may take longer to reach the truly unbanked. There is also the issue of unaffordable internet and poverty. There are many Africans with mobile phones in their pocket, without any data. Blackouts and electricity outages also mean that there are significant portions of Africa's population that does not have a regular means to charge their phones. Regulations and inefficient paperwork and application requirements are also an entirely additional hurdle. And once one does make it through all of those challenges to setup their digital wallet, there is another issue of interoperability. It is quite difficult to operate between multiple digital financial service providers.

That said, there are countless innovative fintech players out there, solving real issues for real customers and businesses. Out of the 7 unicorns crowned in Africa thus far, all but one are fintechs in the digital payments space. There are even several examples of Africanborn fintech startups that have figured out such a unique fintech solution, that they are expanding globally.

The future of fintech growth and innovation could well be in Africa in the not too distant future.



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THE FUTURE OF FINTECH IN AFRICA

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