

STATE OF FINTECH: AFRICA

MAY 2024

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**3i AFRICA
SUMMIT 2024**

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FinTech funding in Africa witnessed a significant decline in 2023, mirroring a global trend. Compared to 2022, FinTech deal value on the African continent dropped 45% to US\$1.0 billion (B), and the number of FinTech deals fell 54%. Despite this cooling climate, Africa's FinTech landscape is not without its bright spots. 2023 still witnessed significant deals, with established players like Halan, an Egyptian lending platform, securing US\$250 million.

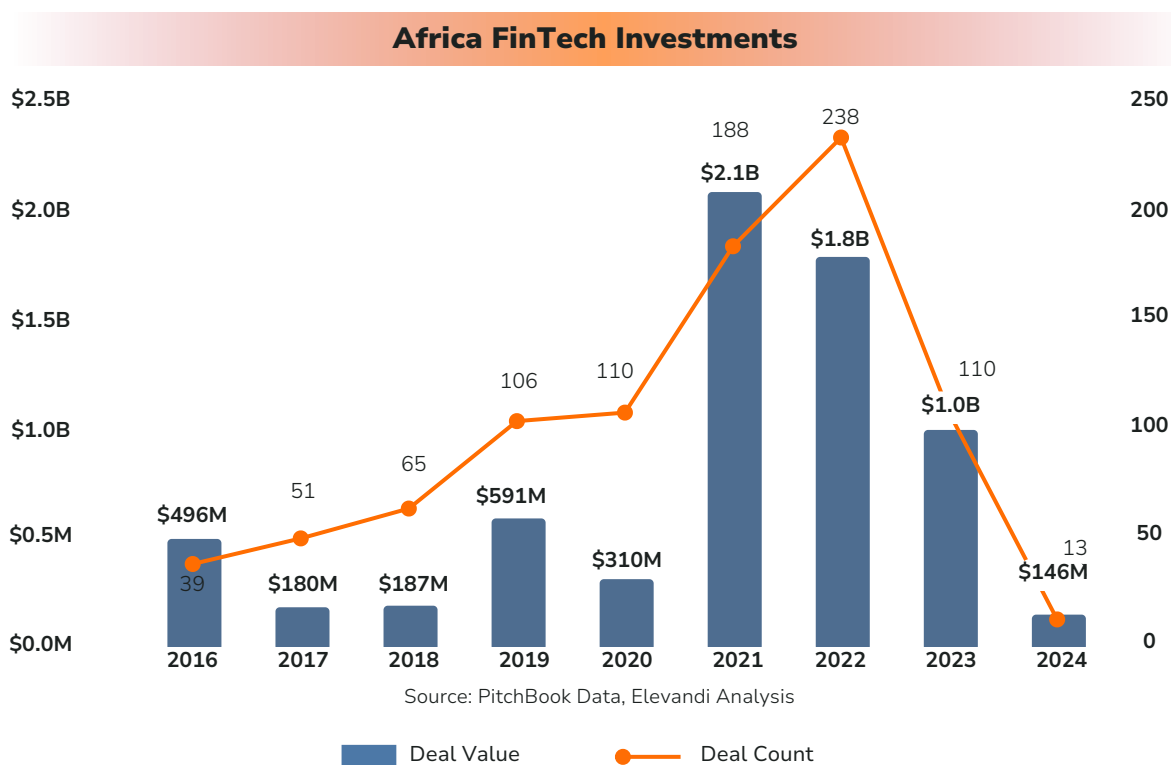
While **Africa's FinTech sector faces macro-economic headwinds, its long-term potential remains bright**. The success of African FinTech hinges on its ability to navigate this evolving landscape while capitalizing on its inherent potential for growth. This potential stems from several key factors. Africa boasts **a young and rapidly growing population**, with a median age of just 20 years. Additionally, Africa is experiencing **strong economic growth**, with a projected eleven of the world's 20 fastest-growing economies residing on the continent in 2024. Finally, **digital transformation** is rapidly sweeping across Africa, with mobile phone penetration and internet access on the rise. This creates fertile ground for FinTech solutions that can address the African continent's substantial financial inclusion gap and unlock its economic potential.

Looking ahead, several trends are worth watching. **Increased investor interest, driven by Africa's long-term growth prospects**, is expected to return. The **continued adoption of digital assets**, despite recent market turbulence, highlights their potential to solve financial challenges in Africa. Finally, the **momentum in artificial intelligence (AI) adoption** across the continent presents exciting possibilities for FinTech innovation and financial inclusion. By capitalizing on these trends and its unique strengths, Africa's FinTech sector can weather the current storm and emerge as a global leader in financial innovation.

FINTECH FUNDING IN AFRICA: AN OVERVIEW

(1) Reduction in FinTech Funding, in 2023 and Q1 2024

In 2023, Africa saw a decline in FinTech funding – US\$1.0B was raised through 110 deals vs. US\$1.8B / 239 deals in 2022 (decline of 44% and 54% respectively). The decline in FinTech investment has been global – nearly all the major FinTech markets globally showed a decline, driven by global macro-economic conditions.



2023 FinTech Funding

Deal Value (US\$ billions)			Year on Year Change
Country	2022	2023	%
United States	89.6	73.7	-18%
United Kingdom	18.1	12.6	-31%
India	6.5	3.8	-42%
Singapore	4.3	2.0	-53%
Africa	1.8	1.0	-44%
China	0.9	2.6	178%
United Arab Emirates	1.4	1.3	-8%
Hong Kong	0.9	0.8	-15%
Indonesia	1.8	0.8	-58%

Source: Pitchbook, Elevandi Analysis. Includes equity FinTech investments, excluding debt financings.

FINTECH FUNDING IN AFRICA: AN OVERVIEW

The global decline is not a surprise – during 2023 investors and operators have weathered difficult macroeconomic conditions, a high interest rate environment, (multiple) bank failures and geopolitical conflicts. Africa specific challenges have included major currency devaluations in its major tech markets (as an example Nigerian Naira depreciated 55% against the US\$ and the Kenya Shilling depreciated 20.9% in 2023¹.)

The top five largest African FinTech deals for 2023 are listed below.

The top five largest African FinTech deals for 2023

Name	Sector	US\$ m	Investors
Halan (Egypt)	Lending	250	Chimera Investment, and others
TymeBank (South Africa)	Digital Bank	77.8	Norrsken22, Blue Earth Capital and Tencent Holdings
EthSwitch (Ethiopia)	Payments	55.6	Undisclosed
M-Kopa (Kenya)	Asset Financing	55	Sumitomo Corporation, Blue Haven Initiative, AfricaGoGreen, Lightrock, Broadscale Group, Latitude, SBI Ven Capital, and others
Scroll (Seychelles)	Cryptocurrency/Blockchain	50	OKX Ventures, Gate Ventures, and Bain Capital

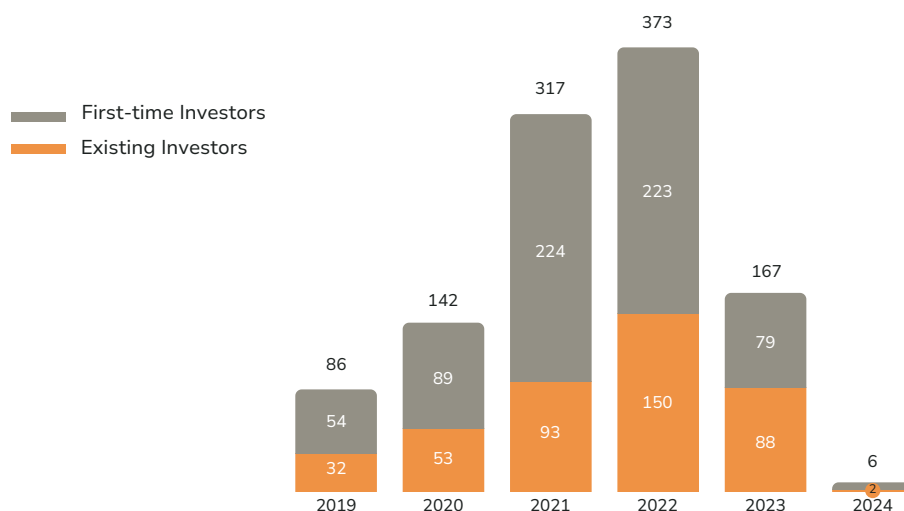
Source: CB Insights, Pitchbook

A similar decline is observed in Q1 2024, where globally, FinTech funding has declined relative to Q1 2023². **Africa attracted US\$146.9 million (m) of FinTech funding in Q1 2024, a 70% decline from Q1 2023 (US\$489.2m of funding).** The biggest transaction in Q1 2024 in Africa included Moove's US\$100m series B fund raise. Moove originated in Nigeria, and hence have been included in the analysis.

In addition, the **number of active institutional investors has also declined 55%** from a peak of 373 in 2022 to 167 in 2023. The most pronounced decline within this was the 65% drop of first-time investors from 223 to 79.

FINTECH FUNDING IN AFRICA: AN OVERVIEW

Year on Year (Y-o-Y) No. of Unique Institutional Investors in FinTech – Africa

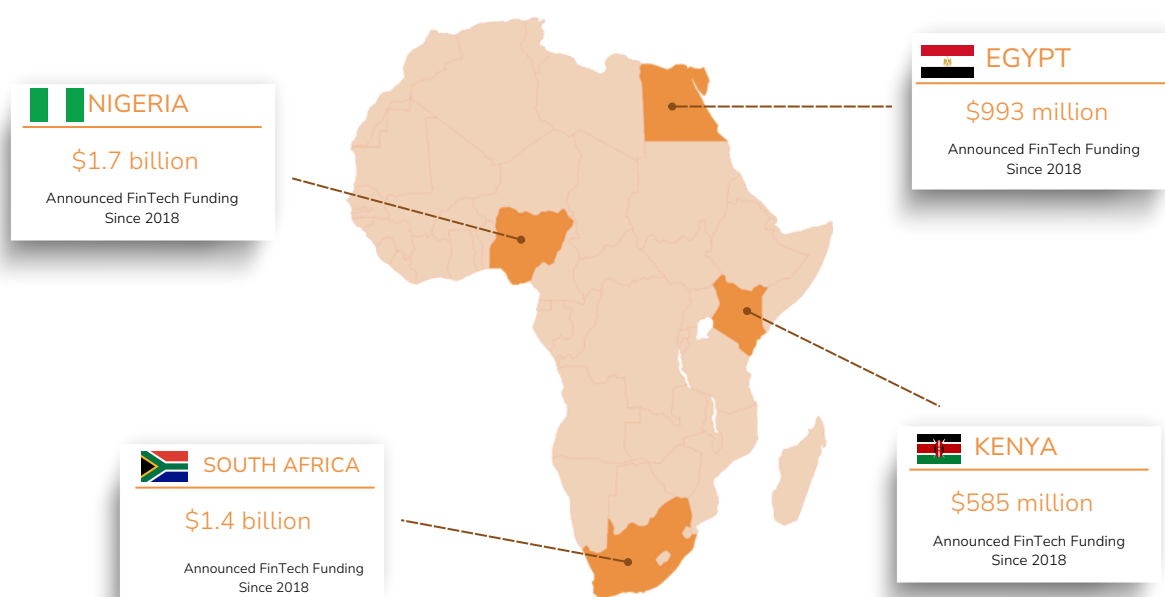


Source: FinTech Africa Feed Report, Tracxn Mar 2024 – First time investors and Existing investors calculated from available Equity Funding rounds on Tracxn Platform

(2) Nigeria, South Africa, Kenya & Egypt dominate the FinTech landscape

Nigeria, South Africa, Kenya, and Egypt with a combined population of 433 million and a GDP of US\$1.49 trillion³, collectively account for 33% of Africa's total population and 51% of its GDP. When it comes to FinTech, these countries play a disproportionate role in Africa - per a BCG study, **these four countries constitute c. 63% of all FinTech's established in Africa**⁴. Furthermore, **FinTech start-ups in these hubs attracted c. 80%+ of the African continent's total FinTech fund raises from 2018 to 2023**.

South Africa, Nigeria, Egypt & Kenya have accounted for 80% of total equity funding since 2018



Source: FinTech in Africa: A Thriving Opportunity, FT Partners 2024

FINTECH FUNDING IN AFRICA: AN OVERVIEW

(3) Reliance on foreign capital

The majority of venture capital coming into Africa i.e. c. 89% is foreign. This applies to all sectors, and over 60% of all VC funding in Africa is to FinTechs⁵.

This **reliance on foreign capital is seen across the funding stages**. 5 out of the top 10 most active investors at seed stage are from the United States, the United Kingdom, and Japan. As we analyse subsequent funding stages, all of the most active top 10 early-stage investors are foreign, with the United States accounting for six of them. Rwanda's Admaius Capital Partners is the sole African representative in the top 10 list for VC Late-stage, while South Africa's Leapfrog and Ethos Private Equity are the only African investors in Private Equity top 10 list⁶.

As an example, the top Institutional Investors in Africa over the last two years (as seen below) are primarily foreign based.

Top Institutional Investors in Africa (last two years)

	Investor Name	No. of Rounds (last two years)	Investor HQ
Seed Stage	Y-Combinator	13	US
	RaliCap	5	US
	Launch Africa	5	Mauritius
Seed Stage	IFC	3	US
	Norrsken22	3	Sweden
	Africinvest	2	France
Seed Stage	Admaius Capital	1	Rwanda
	Africinvest	1	France
	AXA Investments Managers	1	France

Source: FinTech Africa Feed Report, Tracxn Mar 2024

There has been **concerted effort by African Governments as well as global multi-laterals to provide local capital to support innovation**. The **Bank of Ghana** recently announced plans for the establishment of a **FinTech Innovation Fund** on 26 February, 2024⁷. Similarly, the **Central Bank of Egypt**, launched a **FinTech-focussed fund** (US\$150 million) in 2022⁸.

On 18 January 2024, the **United Nations Development Programme (UNDP)** launched the **“timbuktoo Africa Innovation Fund”** which aims to raise **US\$ 1 billion** to address critical gaps and work with African governments, investors, corporates, and universities, to support the wider African startup ecosystem⁹.

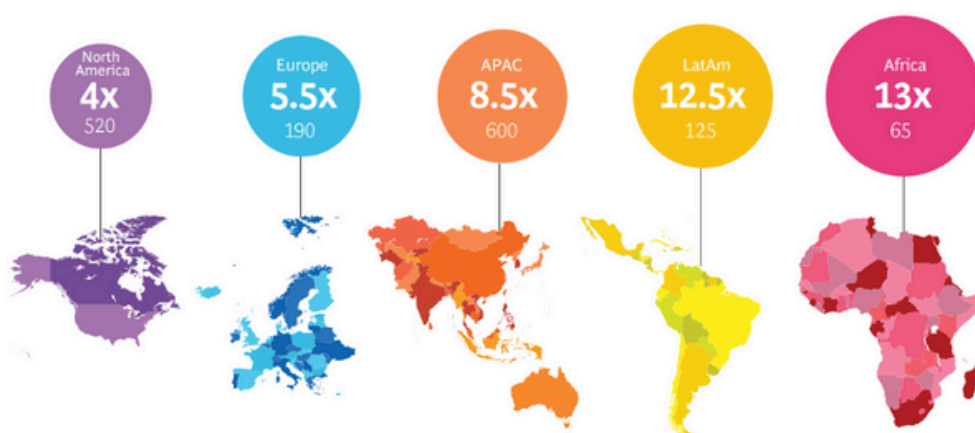
AFRICA: A FINTECH GROWTH STORY

Despite the macro-economic headwinds, and the operating and funding challenges since last year, Africa has the ideal characteristics for FinTech led growth. According to BCG analysis, **Africa will see highest growth in FinTech revenues between 2021-2030**, as seen in the chart below¹⁰.

Africa will see the highest growth in FinTech revenues between 2021-2030

Global Fintech Revenue Growth by Region, 2021 to 2030

2030 revenues (\$B)
Growth multiple (X)



Sources: Capital IQ, Pitchbook, Company's investor presentations, BCG analysis

The growth is expected to be driven by:

(1) Young, and fast-growing population

Africa has the **world's fastest-growing population (2.7% growth rate)**, and the UN expects that Africa's share of the total population will reach 40% by 2100 (vs today's 17%), implying a total of 4.3 billion people by 2100¹¹.

The **continent's median age of just 20 years old** (vs. India's 28, China's 38, and Western Europe's 44) combined with its unparalleled urban population growth (expected to double by 2050)^{12 13}, represents a sizeable generation of highly digitally savvy individuals that would constitute a key market for FinTechs.

(2) High GDP growth

Africa would account for eleven of the world's 20 fastest-growing economies in 2024, per the African Development Bank Group's latest Macroeconomic Performance and Outlook (MEO). Overall, real gross domestic product (GDP) growth for the continent is expected to average 3.8% and 4.2% in 2024 and 2025, respectively. This is higher than projected global averages of 2.9% and 3.2% for 2024 and 2025¹⁴.

AFRICA: A FINTECH GROWTH STORY

GDP Growth Forecast

Country	Projected GDP Growth (2024)
Niger	11.2%
Senegal	8.2%
Libya	7.9%
Rwanda	7.2%
Cote d'Ivoire	6.8%
Ethiopia	6.7%
Benin	6.4%
Djibouti	6.2%
Tanzania	6.1%
Togo	6.0%
Uganda	6.0%

Source: African Development Bank macroeconomic report | African Development Bank Group (afdb.org), 2024

(3) Digital transformation driving financial inclusion

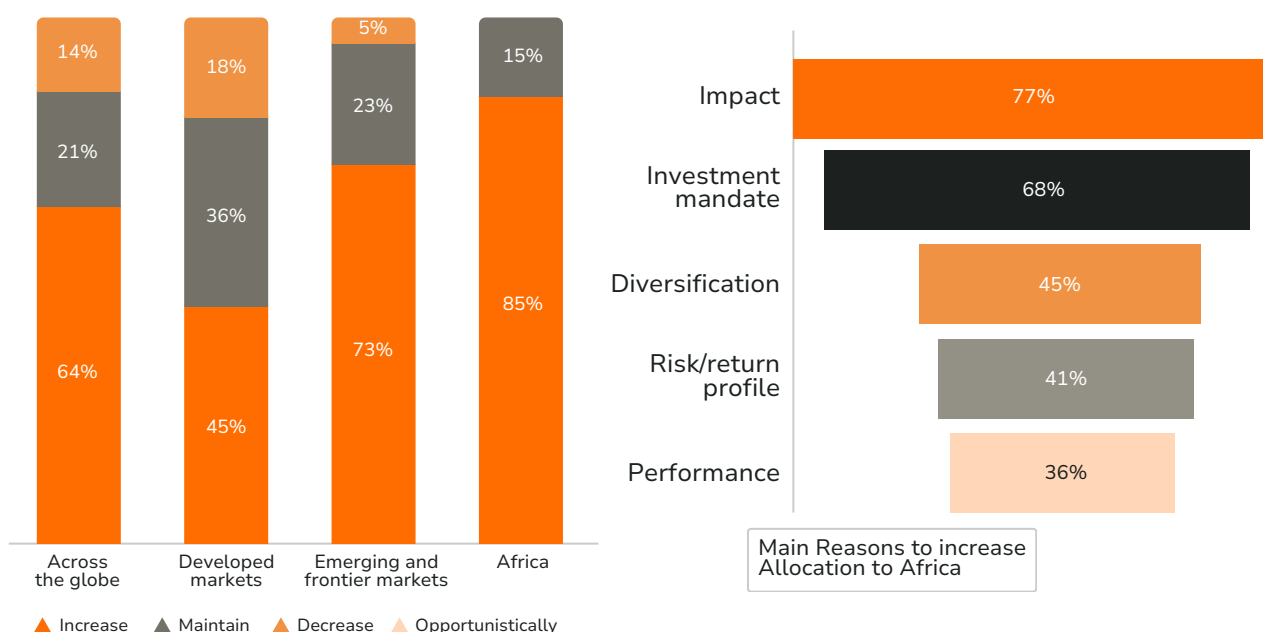
By 2030, smartphones will account for 88% of total connections in Sub-Saharan Africa, compared to the global average of 92%¹⁵. Declining internet costs, and expanded network coverage are driving digital transformation. Over the next five years, the adoption of 4G in Sub-Saharan Africa is projected to witness a significant surge, more than doubling to reach 45%. Similarly, **projections indicate that 5G is poised to contribute substantially to the Sub-Saharan Africa economy, with an anticipated impact of US\$11 billion by the year 2030**¹⁶.

57% of the Sub-Saharan Africa (SSA) population is underbanked or unbanked¹⁷, with only 40% of people over the age of 15 owning a bank account in Sub-Saharan Africa, significantly lagging behind the global average of 74% in 2021¹⁸. Cash still dominates around 90% of transactions in Africa. **If the FinTech sector can achieve similar penetration levels as seen in Kenya (a global leader in FinTech adoption), African FinTech revenues could potentially increase multiple fold**¹⁹.

(1) Increased investor interest in Africa

According to African Private Capital Association's (AVCA) 2023 Private Capital Industry Survey, 96% of global Limited Partners (LPs) with African allocations stated plans to increase or maintain their allocation within the next twelve months towards emerging markets (EM). **Africa features prominently in this EM interest, with 85% of LP participants planning to increase their allocation to African private capital over the next two years.** These LPs are driven to do so primarily by impact investing (77%) and alignment with their investment mandate (68%). Among these LPs, the majority comprise of Development Finance Institutions (45%), Pension Funds (15%), and Sovereign Wealth Funds (15%)²⁰.

AVCA LPs' Planned Allocation to Private Capital over the Next 12 Month



Source: African Private Capital Association's (AVCA) Private Capital Industry Survey, 2023

LPs hold a positive long-term outlook for private capital in Africa, with over half (52%) of respondents expecting it to be more attractive than other emerging markets in the next five years and 48% considering it more attractive than developed markets²¹. This would lead to positive investment flows into Africa, and consequently, Africa's FinTech sector.

An example of global interest in Africa is perhaps Partech's announcement of its oversubscribed final closing of its second Africa fund, Partech Africa II, at a hard cap of US\$300m+ (€280m) in February 2024 from LPs such as KfW, the German Development Bank, the European Investment Bank (EIB), the International Finance Corporation (IFC), Dubai Future District Fund (DFDF) plus its opening of a new dedicated office in Lagos²².

(2) Continued adoption of digital assets

Despite the turbulence in crypto markets year, the adoption of digital assets has continued in Africa, driven by their practical use cases. Per Chainalysis, while Africa has a relatively small overall crypto market, it has **high grassroots adoption rates, especially in countries like Nigeria, Kenya, Ghana, and South Africa**²³.

Digital assets can serve as solutions to financial challenges prevalent in Africa, e.g. high fees for cross-border transactions, limited access to traditional banking, and challenges with wealth preservation given currency fluctuations²³. Cryptocurrencies are used for cross-border transactions, trade finance by small businesses, and as a store of value against depreciating local currencies.^{23 24}, Stablecoins are seeing increased adoption for payments and treasury management.²³

As digital asset adoption grows, African governments are starting to develop regulations, with countries like Kenya, Namibia, and Mauritius proposing progressive regulatory frameworks.²³ However, most African nations are still grappling with how to regulate this emerging technology effectively.

International standards like those from the Financial Action Task Force (FATF) and the OECD are also shaping African crypto regulations, particularly around anti-money laundering and tax transparency²⁵.

(3) Momentum in artificial intelligence (AI) adoption

It is estimated that four African countries alone—**Nigeria, Ghana, Kenya, and South Africa—could see up to US\$136 billion worth of economic benefits by 2030**²⁶ if businesses there began using more AI tools.

On the continent, AI development has progressed most in South Africa, Nigeria, Egypt, Kenya, Morocco, and Ghana. As an example, in Ghana, Google opened a new office in Accra in 2022, three years after it established its first AI research lab in Ghana. The office will support the growth of the company's AI research team and other developers in the country²⁷.

The **African Union (AU) is also preparing an ambitious AI policy - African Union Artificial Intelligence (AU-AI) Continental Strategy** - that envisions an Africa-centric path for the development and regulation of this emerging technology. This AU policy draft includes recommendations for industry-specific codes, standards, regulatory sandboxes, and the establishment of national AI councils to oversee responsible deployment of AI. The heads of African governments are expected to endorse this continental AI strategy in February 2025 at the AU's annual summit in Addis Ababa, Ethiopia. Countries without existing AI policies will use this framework to develop their own strategies, while those with policies will be encouraged to align with the AU's vision²⁸.

Other initiatives include the **SMART Africa Blueprint** – which is a strategic framework crafted to steer the application and governance of AI technologies across Africa via a multi-stakeholder, pan-African approach. Spearheaded by the South African government, this initiative garnered contributions from SMART Africa member nations, civil society, academia, and the private sector. Its aims include bolstering technical expertise, eliminating entry barriers, and formulating pertinent policy frameworks for AI²⁹.

A snapshot of the AI strategy for various African countries is listed below.

Selected African countries AI strategy

- Mauritius was the first country in Africa to publish a National AI Strategy in 2018. In this strategy, the country sets out a vision for AI to become the cornerstone of its development model and help advance socio-economic growth across its key development sectors, including manufacturing, healthcare, fintech, and agriculture
- Egypt established the National Council for Artificial Intelligence in 2019 as a partnership between governmental institutions, academia, and businesses. The country then launched its national AI Strategy in 2021
- Rwanda released its National AI Policy in April 2023, providing a roadmap for how the East African nation can harness AI for sustainable development with a vision to become a global centre for AI research and innovation
- Tunisia is in the process of developing its National Artificial Intelligence Strategy working in collaboration with a broad range of public sector ministries, Smart Africa, The Future Society (TFS), and the GIZ Digital Transformation Centre
- Ghana is also working closely with Smart Africa and TFS to map out Ghana's AI policy landscape and develop the country's National Artificial Intelligence Strategy for 2023-2033
- Ethiopia is in the process of finalizing its National AI Policy, and the Ethiopian Artificial Intelligence Institute has been hosting the Pan-African Conference on Artificial Intelligence since 2022, aiming to attract both local and international stakeholders to facilitate the responsible adoption and development of AI in Africa
- Nigeria is developing a national AI strategy, led by the Ministry of Communications, Innovation and Digital Economy, to “responsibly steer the AI revolution towards achieving national goals around job creation, social inclusion, and sustainable development.”
- Zambia's SMART Zambia Institute, a division under the Office of the President mandated to implement the country's e-Government Master Plan (2018-2030), is planning to leverage the use of AI in government institutions as part of its broader digital transformation strategy

- Kenya has set up a media-related AI taskforce, which looks to create mechanisms to ensure the appropriate and ethical integration of AI in professional journalism. Although the country does not currently have a standalone AI policy or regulatory framework, its National Digital Master Plan 2022-2032 refers to AI extensively and incorporates the use of emerging technologies such as blockchain, internet of things, AI, big data, and quantum computing
- South Africa, the Presidential Commission on the Fourth Industrial Revolution has recommended the review and creation of policies and legislation to empower stakeholders around responsible AI use and to harness the potential of AI to realize benefits across various sectors.

Source: AI in Africa, Meeting the Opportunity, Microsoft May 2024

“Africa’s AI journey is gaining momentum, and this progress highlights the continent’s readiness to explore and harness the potential of AI for driving economic growth and addressing local challenges,” said Dr Adel Alsharji (COO of Presight), adding that demand for AI-related jobs will increase two-fold over the next three years. “AI could add US\$13 trillion to the global economy by 2030, while the **number of AI-related jobs in Africa alone is expected to grow by 200 percent by 2025.**”³⁰

CONCLUSION

In conclusion, while Africa's FinTech sector faces a temporary funding slowdown, its long-term prospects remain bright. The continent's young, tech-savvy population, strong economic growth, and rapid digital transformation present a compelling case for investors. Efforts to cultivate local capital sources will further strengthen the sector's resilience. As Africa FinTech matures, it will continue to capitalize on emerging trends like the resurgence of investor interest in Africa, continued digital asset adoption, and the growing momentum in AI.

- ¹Worst performing African currencies against the US dollar last year | Business Insider Africa
- ²State of Fintech Q1'24 Report - CB Insights Research
- ³FinTech in Africa, FT Partners January 2023
- ⁴Unlocking the FinTech Potential in Africa, BCG 2023
- ⁵UNDP And African Leaders Launch Timbuktoo Initiative To Unleash Africa's Startup Revolution | United Nations Development Programme
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- ¹⁰Unlocking the FinTech Potential in Africa, BCG Elevandi 2023
- ¹¹UN Estimates
- ¹²Worldometer
- ¹³OECD/SWAC (2020), Africa's Urbanisation Dynamics 2020
- ¹⁴Africa dominates list of the world's 20 fastest-growing economies in 2024—African Development Bank says in macroeconomic report | African Development Bank Group (afdb.org)
- ¹⁵The Mobile Economy: Sub-Saharan Africa, GSMA 2023
- ¹⁶The Mobile Economy: Sub-Saharan Africa, GSMA 2023
- ¹⁷World Bank Data
- ¹⁸World Bank
- ¹⁹FinTech in Africa: The end of the beginning, McKinsey Aug 2022
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- ²¹2023 African Private Capital Industry Survey, AVCA Dec 2023
- ²²Partech Africa II Fund Reaches Final Close at Hard Cap above \$300 Million, Expands Team and Portfolio (partechpartners.com)
- ²³Crypto beds down in Africa despite global scandals (african.business)
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- ²⁶Access-Partnership-AI-in-Africa-A-working-paper-Single.pdf (accesspartnership.com) Sep 2023
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- ²⁸Africa's push to regulate AI starts now | MIT Technology Review
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The views here expressed here are their own and do not necessarily reflect the views of Elevandi or its staff.