



FinTech In Africa: A Focus on Financial Inclusion

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INDUSTRY OVERVIEW

OVERVIEW

Why Financial Inclusion?

- Globally, 1.4B still unbanked in 2021
- 1.2B have opened a mobile account since 2011, showing increasing adoption of digital tools
- **Focusing on Financial Inclusion allows us to look at benefits beyond returns:** Education, Gender Inclusion, Agriculture



Why Africa?

- \$4-6B African fintech revenue in 2020, with penetration levels of between 3-5%
- Last year, 61% of the USD \$2.7B of VC in Africa went to FinTech
- Biggest markets include Ghana, Francophone West Africa, Nigeria, and Egypt



Why Now?

- Increased smartphone ownership, declining internet costs, fast growth in personal consumption expenditure (CAGR at 4.8%)
- 39 out of 54 African countries have already drafted legislation enabling and supporting FinTech development



KEY AREAS

In my opinion, these three focus areas are ripe for disruption. These spaces have either already been growing or technical advancements will propel them forward in the upcoming years.

	PAYMENTS (1)	SAVINGS & ACCOUNT MANAGEMENT (2)	LENDING & CREDIT INNOVATION (3)
DESCRIPTION	Easier solutions to transfer money is critical for individuals, merchants and governments to provide and access funds efficiently	Digitization allows underbanked individuals to access the traditional financial system and begin to establish a monetary safety net	Alternative lending models are necessary for capital access for populations that do not meet traditional lending criteria
NOTABLE SEGMENTS	<ul style="list-style-type: none">• Text Payments• Online Merchant Acquisition• Payment Processing Infrastructure• Payment Issuing	<ul style="list-style-type: none">• Smart Accounts• Card Maintenance• Automation of Savings Allocation	<ul style="list-style-type: none">• International Transfers• Credit Innovation• Short-term Loans (using Blockchain Technology)• Micro-financing
MARKET SIZE BY 2025		\$40B	\$3.32B
CAGR		20%	6%
REASONS TO INVEST	ENORMOUS MARKET: GDP growing across the continent, with 300 million active mobile money users in the region - means payments will continue to grow over the next few years.	FOUNDATION OF FINTECH: Investing here allows us to grow the foundation of all other FinTech spaces. By growing access to digital wallets, we can then guide users to lending and payment solutions.	WAVE OF INNOVATION: While remittances have been a focus for years, digital adoption post-COVID and advances in blockchain have made this space ripe for innovation

INDUSTRY LANDSCAPE IN AFRICA

UPDATES

GROWTH







- Startups grew from 311 in 2019 to 564 in 2021, with biggest expansions in South Africa, Nigeria, Kenya, and Ghana
- VC investment in Africa grew 18.5% over the last six years, 45% attributable to FinTech

INVESTORS

FIRM	FOCUS IN AFRICA	NOTES	NOTABLE INVESTMENT
FUTURE AFRICA	Invests in over 300 high-profile founders to focus on impact in Africa	<ul style="list-style-type: none">• 10 African countries• \$10M+ capital deployed	<ul style="list-style-type: none">• Flutterwave
Y COMBINATOR	Fund and program; 2021 batch had the largest group of African startups	<ul style="list-style-type: none">• 15 African startups	<ul style="list-style-type: none">• Wave
INGRESSIVE CAPITAL	Focused on Sub-Saharan Africa with check sizes up to \$400K	<ul style="list-style-type: none">• Based in Nigeria• Have made 30 investments	<ul style="list-style-type: none">• Mono (API FinTech service)

STARTUPS

Please note, for the sake of space, I have not included incumbents. M-Pesa, for example, is a large incumbent in Kenya, enabling users to make financial transactions through mobile devices. When doing a company analysis, I would plan to review the market share that an incumbent has in the region, to understand the potential of that startup in the region.

	COMPANY	DESCRIPTION	LATEST STAGE	TOTAL FUNDING AMOUNT	NOTABLE INVESTORS
(1)	FLUTTERWAVE 	Based in SF, Flutterwave provides infrastructure for payment services.	Series D	\$474.5M	Future Africa
	OPAY 	Based in Nigeria, OPay enables users to pay bills and order food and groceries.	Series C	\$570M	3W Capital, Meituan
(2)	KUDA 	Based in Nigeria, Kuda offers free full banking services to Africans.	Series B	\$91.6M	SBI Investment
	WAVE 	“Senegal’s PayPal” - allows users to make free deposits/withdrawals at a 1% fee.	Series A	\$301.5M	Stripe
(3)	CHIPPERCASH 	Based in SF, Chippcash allows Americans to send money over text.	Series C	\$337.2M	Tribe Capital
	SYMPLIFI 	Focuses on helping users in the UK create loans and distribute them in Nigeria.	Early-Stage	\$250K	Ada Ventures

NOTABLE ACQUISITIONS

- Acquisitions have increased over the last year, especially for banks trying to dominate the FinTech space – including, but not limited to:
 - Kwara has acquired IRNET Coop Kenya
 - Nexi has acquired Nets for \$9.2B

OVERVIEW

Symplifi is run by a **diverse founder**, focused in a market that is now prime for penetration due to a **newfound trust in digital banking**, and impactful in the financial inclusion space due to its partnerships and utilization of the latest advancements in **blockchain** technology.

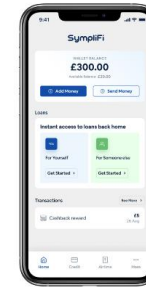
OVERVIEW:

- Developer of an online, blockchain-based **lending application** designed to provide cross-border credit
- Offers lending products and bill payments services, with **connectivity to local banks**
- Based in the UK, with local services in Nigeria. Plans include expanding into Kenya and Sub-Saharan Africa

VALUE PROPOSITION FOR CUSTOMERS:

- No fees for customers, allowing them to send and receive money freely
- Connectivity to local banks, allowing for ease of access and usability
- Uses Rapyd, an incumbent in the space, for technology infrastructure
- Risk lies with microfinance bank partners

Symplifi



FOUNDER

Maurice Iwunze

- Experience: Head of M&A and FinTech Investments at Group Baobab, with a focus in Sub-Saharan Africa
- Education: Columbia Business School

NOTABLE PARTNERSHIPS

- **Kwanza Tukule Merchants:** Partnerships allow street food vendors and kiosks (84% OF Kenyan population) to take out loans
- **Rapyd:** Infrastructure for digital wallet
- Others: Kredi Bank, UNCDF, SCBF

INVESTORS AND ACCELERATORS

- Google Black Founders Fund
- Goldman Sachs' Launch with GS
- TechStars
- Ada Ventures, Newtype Ventures
- 1to4 Foundation

FUNDING TO DATE

- Latest Round: 0.25M, Completed May 2021
- Latest Round Funders: Ada Ventures and 1to4 Foundation
- Pre-Money Valuation: 2.11M
- Post-Money Valuation: 2.36M

OPPORTUNITY AND RISKS

OPPORTUNITIES:

- There is a \$5T credit gap in developing countries. By breaking into these markets, Symplifi can obtain untapped users.
- Nigeria, compared to its peers, has the lowest financial inclusion at only 4 bank branches per person, defending the need for a digital bank enabling remittance services.
- Symplifi plans to use blockchain and banking partnerships, to enhance safety concerns and ease of use, allowing it to differentiate itself from its competition

RISKS:

- While Maurice is experienced in the space, he is a first-time founder, meaning he may not be as equipped to handle entrepreneurship.
- Because this company has only been in one market (Nigeria), and they plan to expand globally, further research is needed to understand risk in new markets.
- There is high competition in this space, and thus potential risk in market penetration.

COMPETITORS:

Global expansion will increase competition, especially in hubs like Kenya and Ghana.

- 3 Biggest Competitors:
 - M-Pesa, Wave, Opay, Chippercash

WORKS CITED

Pitchbook and **Crunchbase** for VC data, valuations, and company analyses

McKinsey:

<https://www.mckinsey.com/industries/financial-services/our-insights/fintech-in-africa-the-end-of-the-beginning>

<https://www.mckinsey.com/~media/mckinsey/industries/financial%20services/our%20insights/fintech%20in%20africa%20the%20end%20of%20the%20beginning/fintech-in-africa-the-end-of-the-beginning.pdf>

Symplifi:

- <https://www.symplifi.co>
- <https://www.maddyness.com/uk/2022/11/18/meet-simplifi-the-first-blockchain-based-credit-platform-helping-underbanked-businesses-in-emerging-markets/>

TechCrunch: <https://techcrunch.com/2021/09/06/sequoia-heritage-stripe-and-others-invest-200m-in-african-fintech-wave-at-1-7b-valuation/>

MasterCard: https://newsroom.mastercard.com/mea/files/2022/10/Mastercard-Future-of-Fintech-in-Africa_Final1.pdf

CSIS: <https://www.csis.org/analysis/african-fintech-booming-despite-challenges>

Acquisitions:

- <https://disrupt-africa.com/2023/01/16/kenyan-fintech-startup-kwara-acquires-software-company-partners-sacco-union/>
- <https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2022/02/pulse-of-fintech-h2-21.pdf>

Investors:

- <https://www.future.africa/companies#>
- <https://www.ycombinator.com/companies/wave>
- <https://ingressivecapital.com/>

Personal Experience:

Recently I went to Ghana and Senegal and was able to listen in on a FinTech panel, including Dr. Maxwell Opoku-Afari (First Deputy Governor of the Bank of Ghana), Jerry Parkes (Managing Principal of Injaro Investments Limited), Selorm Adadevoh (CEO of MTN Ghana), and Tenu Awonoor (Founder, Blu Penguin). This panel allowed me to begin understanding the FinTech landscape in Africa.