

2022 Fintech in Africa Report

How should Banks position themselves in the current Fintech revolution:
follow or lead innovation?





2022 Fintech in Africa Report

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Overview

This report examines the latest developments in the Fintech sector in Africa. It covers the newest investment and financing rounds across Fintech verticals, regions, and transaction types while uncovering investors' and founders' rationales, opportunities, and challenges.

The report specifically deep dives into how payments have evolved given regional circumstances, trends, and drivers. The latter paved the road for financial inclusion in Africa by giving access to financial services to millions of unbanked Africans.

The report further elaborates on the latest developments in the Lending and Banking Tech space which will also play a significant role in fostering an ecosystem of financial inclusion across the African continent in the future.

By constructing a database of active fintechs in the region, the report identifies top Fintech verticals and countries.

To assess the factors behind FinTech success, a scoring model covering five pillars – regulation, demand, talent, capital and feeling of community – is designed and applied to the most active fintech markets in Africa.

The scoring model also served as the basis to explore the opportunities and challenges of a special case of interest – the Mozambique's FinTech ecosystem – for which we provide recommendations for future development.

KEYWORDS: Fintech, Africa, Financial Inclusion, Payments, Mobile Payments, Digital Payments, Mobile Wallets, Payment Networks, Neobanking, Digital Lending, Venture Capital

Executive summary

FINTECH IS DRIVING FINANCIAL INCLUSION

- **Africa's Fintech ecosystem is heating up.** Fueled by increasing foreign direct investments, Fintech is becoming the technological enabler of Africa's economy, allowing Africa's nations to leapfrog the more traditional infrastructure. This is driven by the limited banking infrastructure, increasing mobile proliferation, a large unbanked and relatively young population, and increased mobile proliferation
- **Africa's unbanked population with a low density of bank branch networks offers a vast market opportunity for Fintechs to thrive in.** The underserved population requires digital solutions to bridge the existing gap. The region highly depends on Fintechs to build a reliable and sustainable payment and banking system.
- **Africa's young but low-income population is open to new digital and mobile banking ways.** Low-cost and scalable solutions are needed to serve an underserved market. Offerings that are low-cost and mobile-focused have a high chance of adoption by the African population.
- **The mobile-based digital infrastructure has slowly given foreign investors more comfort to set foot into the African Fintech space.** Startups are increasingly reaching critical scale, and Pan-African platforms are being established. This has pathed the way for enormous Fintech innovation within the region. As the Africa-Asia payments corridor expands, Asian investors seek to acquire significant stakes within the ecosystem.
- **Nonetheless, the highly-fragmented regulatory environment presents a barrier for Fintechs to expand fully.** Regulators are in demand to promote a better environment to enable financial inclusion across the continent. Innovation and talent are the feeding ground for driving financial inclusion. Aspiring African entrepreneurs such as Ladi Delano, Co-Founder of Moove, envision "to convert the myriad of problems that we have on the continent into an economy of opportunity" and to unlock Africa's full potential.

Executive summary

DIGITAL PAYMENT TECH IS BRINGING FINANCIAL SERVICES TO THE UNBANKED

- **Mobile network operators (MNOs) have driven the trend of mobile-based payments in Africa.** Development Fintechs have followed onto enabling phone-based digital payments within and across African countries slowly moving away from cash as the mean
- **Payment platforms offering digital wallets and mobile transactions have given the unbanked African population access to digital financial services.** This has allowed Africans to send and receive money faster and more efficiently. Especially driven by the Covid-19 pandemic, contactless merchant payments have greater acceptance and importance. Migrants are also increasingly given better opportunities to send money across continents enabled by payment innovators.
- **As the sector is currently developing, a vast amount of innovation is found within sub-verticals of the payments space itself.** Each vertical is fostering the environment of improving the digital payment system and expanding the path of financial inclusion in regards to new regions but also through better services and more efficient payment mechanisms.

LENDING AND BANKING TECH IS FUELING AFRICA'S ECONOMY

- **Africans continue to face difficulties in accessing credit-based services.** The digital credit market is still underdeveloped but evolving. Given the rise of payment platforms, providers are increasingly eyeing the opportunity of cross-selling credit products to their wallet users. The use of alternative data in the credit scoring process could change significantly.
- **Lending products for individuals and businesses is an essential driver of financial inclusion,** but the fragmented regulatory environment remains a significant challenge for the sector. Yet, the lending space is still in its early days in Africa, with a large innovation opportunity ahead.

Executive summary

FINTECH DATABASE: VERTICAL ANALYSIS AND COUNTRY PROFILES

- **To assess the evolution of the FinTech phenomena in the region and identify the opportunities and potential challenges for the development of the FinTech sector, we constructed a database of 432 fintech companies based in or operating in Sub-Saharan Africa (SSA).** By leveraging on recent data and market activity, the report provides up-to-date conclusions on the current state and trends governing SSA's FinTech landscape – which startups are fuelling ecosystem growth, where they are based and what kind of services they offer.
- **Levels of FinTech development are still largely different within SSA verticals and countries.** The main results indicate that fintech in SSA is mostly driven by Payments & Transfers companies (variants of M-Pesa's business model) both in terms of funding and number of companies. Moreover, three FinTech Hubs – Nigeria, South Africa and Kenya – stand out as market leaders, both based on the number of operating companies and the amount of investment attracted. To enable other countries to replicate this success, an analysis of the main factors supporting FinTech development in these countries was conducted.

FINTECH ECOSYSTEM SCORING MODEL

- While the high projected growth of SSA's young population and the widespread cell phone availability have been often pointed out as key fundamentals for the expansion of FinTech services, other factors – such as innovation-friendly regulation, internet penetration, support from local players and access to talent and capital – can be critical to fuel fintech growth, as seen by the different levels of adoption of M-Pesa. To provide a comprehensive view on the factors enabling FinTech development in each Hub, **a scoring model was designed, assessing the attractiveness of a FinTech ecosystem across five pillars – regulation, demand, talent, capital and feeling of community.**

Executive summary

FINTECH IN MOZAMBIQUE

- **Despite being relatively recent, FinTech activity in Mozambique has been expanding.** In a country where 79% of the adult population is unbanked and the penetration of mobile money services is increasing, the potential for FinTech adoption is significant. Indeed, regardless of its early stage of economic development, Mozambique is seeing the rise of innovative FinTech solutions adjusted to the needs of its still largely rural and underbanked population.
- **Mozambique's FinTech ecosystem was chosen as a case study leveraging on the opportunity to collaborate with local players.** Specifically, surveys were conducted amongst local members of FinTech.Mz – the country's association of FinTech companies - to better assess the key barriers preventing their growth. In addition, interviews were conducted with FinTech startups, professors of the Computing and IT courses of the country's largest university, Universidade Eduardo Mondlane, and the Executive Director of FSD Moçambique, a market facilitator that supports key financial sector stakeholders.
- **Although Mozambique has developed key financial and regulatory innovations, some challenges can still limit FinTech growth.** Overly restrictive regulations, lack of consumer trust and limited funding opportunities were highlighted as the main limitations by the different stakeholders.
- **By leveraging on the identified best practices of FinTech leaders in SSA, we provide actionable recommendations to policymakers, entrepreneurs, investors and associations looking to engage with the FinTech sector in Mozambique.** The results of this analysis can be further applied to similar countries looking to develop their FinTech ecosystem.



“

We begin to change the world when we stimulate long-term prosperity using technology. Now is our moment to change the world and to change our reality by using technology to convert the myriad of problems that we have on the continent into an economy of opportunity.

”

Ladi Delano, Co-Founder & CEO at Moove Africa

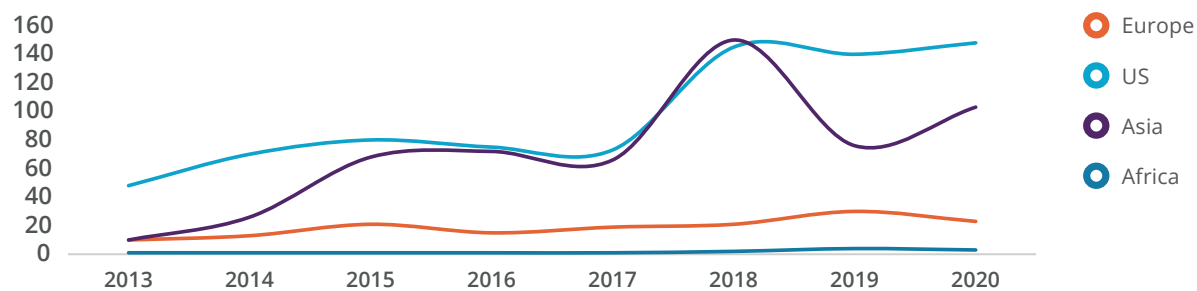
Africa's Fintech Landscape

CHAPTER I

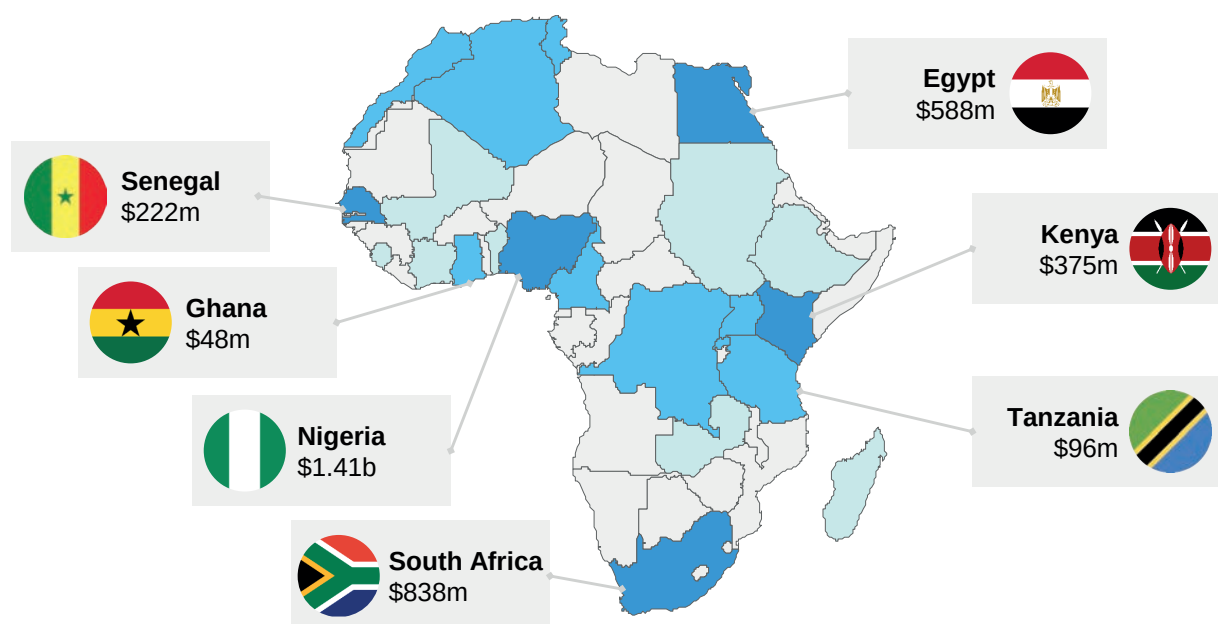
INTRODUCTION TO AFRICA'S STARTUP ECOSYSTEM

KEY DEVELOPMENTS IN AFRICA'S STARTUP ECOSYSTEM

- Startup funding in the African continent remains significantly below other regions in the world. The African continent is characterized by fragmented low-income regions where regulations vary from country to country, different political regimes and regional instability prevails. Most African countries have their national currencies, and central banks pursue other objectives, so startup costs for new businesses are high. All require an individual strategy to operate successfully. This has led to under-investments in Africa due to complex factors that increase costs and uncertainty.
- One of the critical factors hindering financial inclusion is its highly unbanked population. Lacking infrastructure investments is restricting banks from expanding into rural regions. This means that the high set-up costs for banks make it unattractive to serve the general low-income population. In 2021, approximately 60% of Sub-Saharan Africa's adult population remains unbanked, according to recent World Bank findings. Nevertheless, conditions have improved as this has decreased from about 80% in 2012. Hence, there is still a significant gap to fill in terms of financial inclusion.
- The unbanked population and the financial services sector have opened up a significant gap for FinTech investments targeting the underserved population. This constitutes a significant growth opportunity as digital financial services are essential to improve economic growth in this region of the world.
- In comparison, mobile phone penetration is relatively high across the continent. According to GSMA, mobile phone penetration amounted to 46% in 2020 in Sub-Saharan Africa (based on unique mobile subscribers). As the penetration of mobile phones across the region increased, the first transactions via mobile networks arose. As a consequence, MNOs started to introduce mobile money wallets, showing massive impact across the continent and on financial inclusion.



Graph 1: comparison of global startup funding (in \$b)

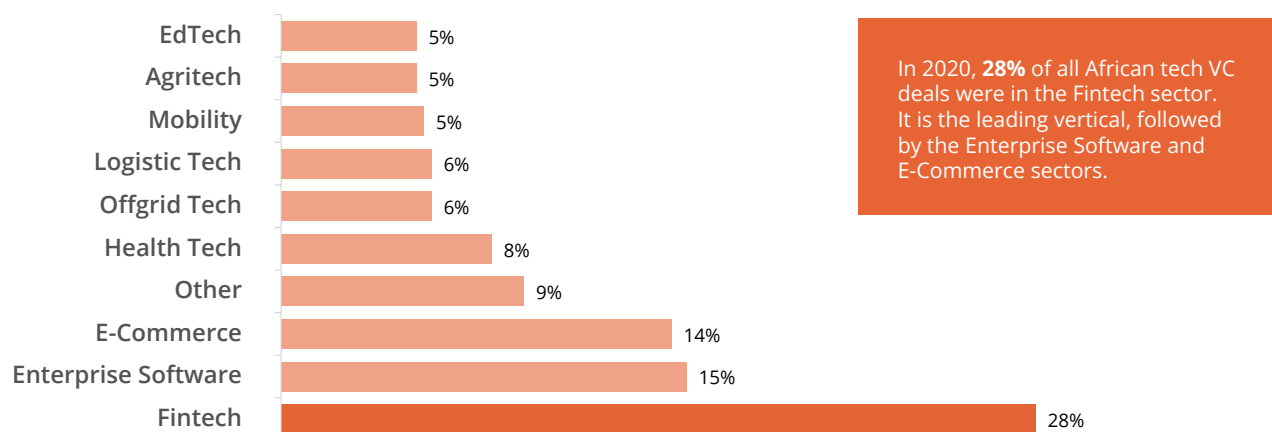


Graph 2: Africa's startup raised more than \$4b in 2021 (in \$b)

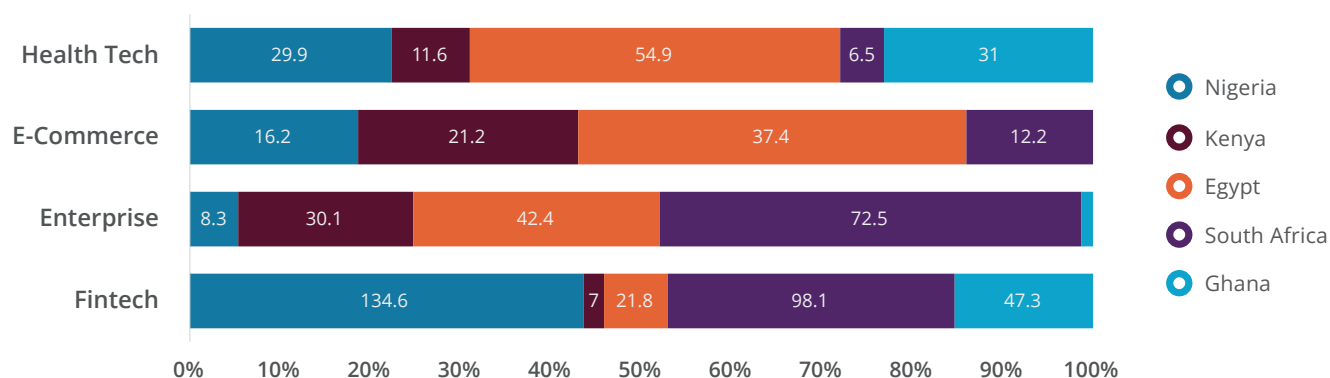
FINTECH AS STRONGEST STARTUP VERTICAL

FINTECH ATTRACTED THE MOST VC INVESTMENTS BY FAR IN AFRICA

- In 2020, Fintechs attracted the most VC investments by far in Africa. 28% of all VC deals across Africa can be traced back to the Fintech sector, followed by the Enterprise Tech sector with 15% of all African VC funding in 2020 and the aspiring E-Commerce sector with 14%, as shown in Graph 3.
- Ultimately, investors are trying to address the fundamental issue shaping Africa's economic region – a massively unbanked population. Driven by mobile phone penetration, mobile money and digital transactions represent the most significant opportunity currently in the market. This is followed by other digital financial services, including digital lending and insurance. Consequently, the Fintech space presently holds the most prominent opportunity within the African market and enables all other sectors. It drives financial inclusion by giving the African population access to financial services.
- It should be expected that other verticals will gain momentum and attract more funding at a point of broader financial inclusion and maturity across Fintech platforms. However, this should not be expected too soon as the current digital infrastructures that first-generation Fintechs in Africa built up are still showing inefficiencies. Many new rising Fintechs are currently building on top of newly created payment networks. Hence, many innovations can still be expected within the FinTech space before other verticals overtake it.
- Looking at the 2020 equity funding for startups in the Fintech sector, it becomes apparent that Nigeria, Africa's largest economy, is attracting the most funding in the Fintech space currently as it has attracted US\$135m in equity funding, as shown in Graph 4. This can be related to its economic size and the fact that investors now see the most potential in the region for Fintechs to grow. Further, investors' appetite shows that Nigerian Fintech startups can foster increasingly well in the regulated financial services ecosystem, which proves that the region's Fintech platforms are ready to scale.



Graph 3: Africa's top active verticals in 2020 (in deal count)



Graph 4: equity-funding by country in top verticals (in \$m, in %)

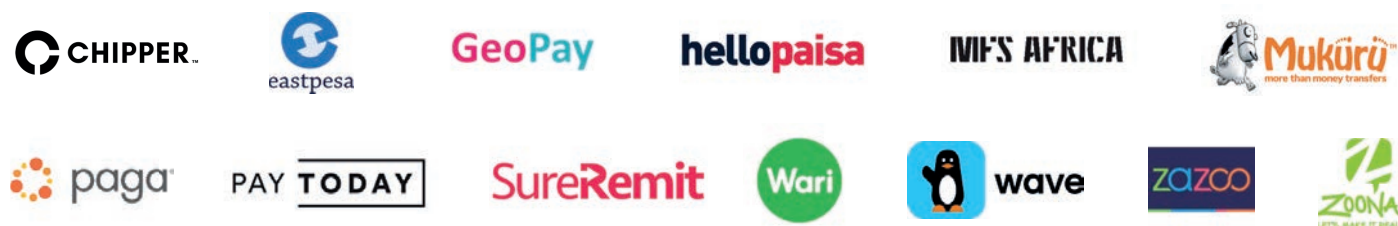
MAPPING THE INCREASINGLY DIVERSIFYING ECOSYSTEM

Digital Payments

ONLINE / MOBILE PAYMENTS / DIGITAL WALLETS



MONEY TRANSFER / FX



PAYMENT PROCESSING / POINT-OF-SALE / GATEWAYS



KYC / AML



CARD-BASED PRODUCTS / PRE-PAID



Sources: Crunchbase (2021), FT Partners (2019), Interviews (2021), Pitchbook (2021), Proprietary database (2021)

Note: The ecosystem map is non-exhaustive. Our analysis comprises Fintechs (incl. Insurtechs) with key business activity focusing on Africa.

Lending & Banking Tech

ONLINE / MOBILE PAYMENTS / DIGITAL WALLETS



CREDIT MARKETPLACES

NEOBANKS



InsurTech

ONLINE AGENCIES / BROKER / SALES / COMPARISON



ONLINE AGENCIES / BROKER / SALES / COMPARISON



Sources: Crunchbase (2021), FT Partners (2019), Interviews (2021), Pitchbook (2021), Proprietary database (2021)

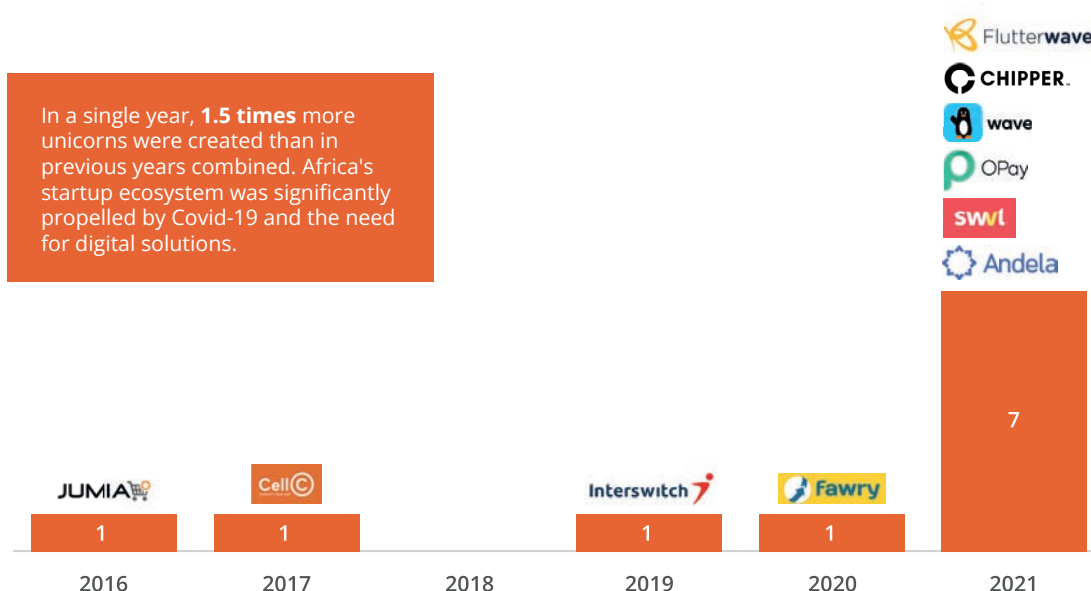
Note: The ecosystem map is non-exhaustive. Our analysis comprises Fintechs (incl. Insurtechs) with key business activity focusing on Africa.

AFRICA'S UNICORN CLUB IS GROWING FASTER THAN EVER BEFORE

2021 – THE YEAR OF UNICORNS

- In 2021, six new unicorns emerged: Chipper Cash, Flutterwave, Opay, Wave Mobile Money, Andela, and Swvl. In total, the African ecosystem counts ten unicorns. In comparison, Europe created more than 300 unicorns since 1990.
- In the African ecosystem, there is an increasing number of potential future unicorns. Based on our analysis, we consider JUMO, Branch, teamapt, MFS Africa, and MNT Investment as the next African unicorns.
- 60% of the ten African unicorns are Fintech startups. Out of the six new unicorns, four provide payment and money transfer services. Overall, digital payment companies dominate Africa's unicorn club. This manifests the conviction of investors and the importance of such solutions concerning financial inclusion.

In a single year, **1.5 times** more unicorns were created than in previous years combined. Africa's startup ecosystem was significantly propelled by Covid-19 and the need for digital solutions.



Graph 5: evolution of unicorns per year

AFRICA'S NEW FINTECH UNICORNS IN 2021



Name: Chipper Cash

Headquarter: San Francisco, US

Foundation: 2017

Total Raised: \$300.60m

Latest Deal Type: Series C

"Chipper Cash is a financial services company providing a software application platform that enables free cross-border mobile money transfers in Africa that are as simple as sending a text message."



Name: Flutterwave

Headquarter: San Francisco, US

Foundation: 2016

Total Raised: \$229.36m

Latest Deal Type: Series C

"Flutterwave offers payment services that allow global merchants and payment service providers to deliver secure and seamless payment solutions to their customers by streamlining the exchange of funds."



Name: OPay

Headquarter: Lagos, Nigeria

Foundation: 2018

Total Raised: \$570.00

Latest Deal Type: Series C

"OPay is developing a mobile payment service and consumer platform that allows users to send and receive money, pay bills and order food. It is a one-stop mobile platform that enables users to do more with their money by offering smart financial services."



Name: Wave Mobile Money

Headquarter: Dakar, Senegal

Foundation: 2018

Total Raised: \$247.64m

Latest Deal Type: Series A

"Wave Mobile Money offers an app-based financial solution for saving, transferring and lending money. On a continent where less than 10% of the population has a bank account, Wave is building the first modern financial network - with no account fees, instantly available and accepted everywhere!"

FRAGMENTED AND LAGGING REGULATIONS

FRAGMENTED AND LAGGING REGULATIONS AS CHALLENGES FOR FINTECHS

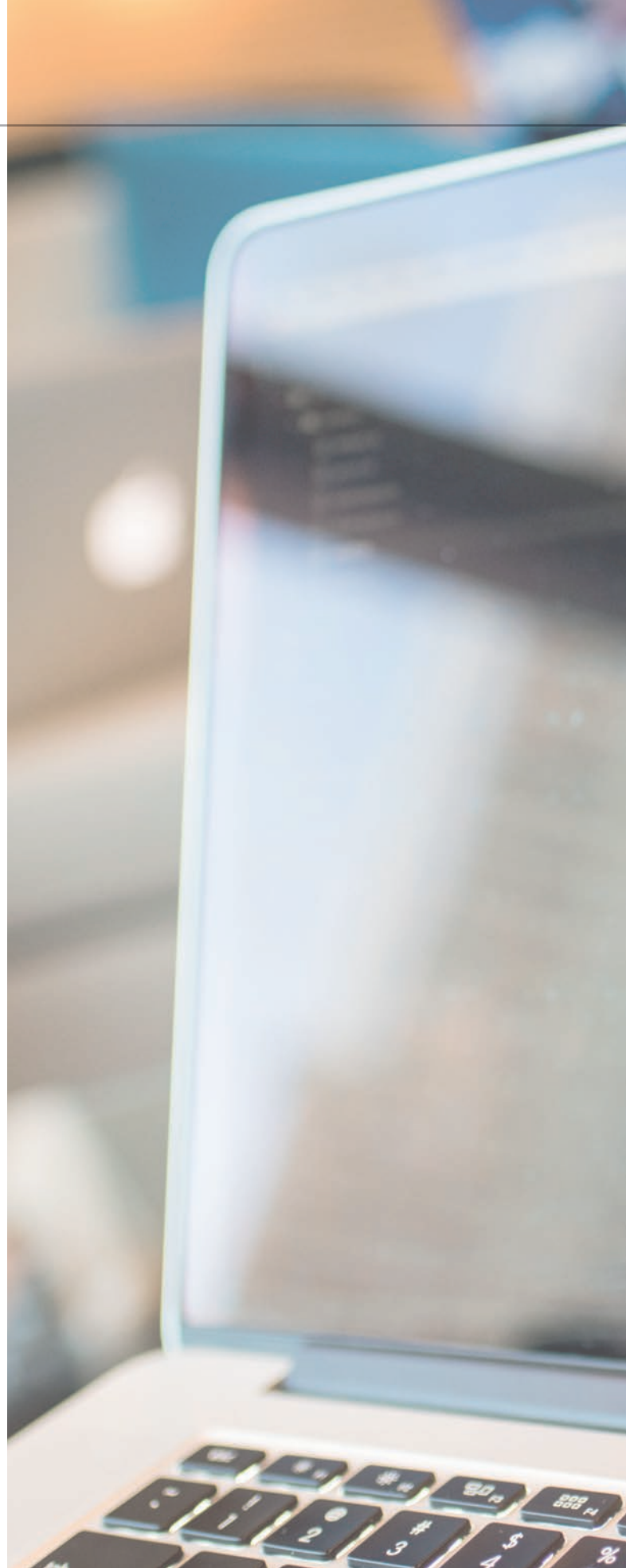
- Regional regulations limit Fintech solutions to be rolled out across African states. Regulations are defined country by country and can be described as primarily ad-hoc. While most countries lag behind technological developments, regulators are encouraged to develop solutions for sectors ranging from mobile money to cryptocurrencies. These cover the integration within the regional economic system and requirements by each regional central bank.
- This has led to the establishment of different Fintech approaches as circumstances to reach target populations are different. Business models vary widely from country to country, further hindering functionality between markets as the underlying Fintech networks are built on other systems.

REGULATORY ENVIRONMENT IN KENYA AND NIGERIA

- Kenya epitomizes the openness to mobile money that has fuelled financial inclusion through fintech over the past decade. The country started with a "wait and see" strategy, not rejecting but watching the development of M-Pesa, the most successful African mobile money platform launched in 2000. 14 years after its inception, Safaricom, the mobile operator that controls M-Pesa, was directed by the National Payment System Regulations to open up its network for different platforms. Today, the country has built an ecosystem that supports the interoperability of mobile money networks and is now significantly dependent on the economics of mobile payments. Further, it has allowed the establishment of sandboxing regimes for cryptocurrency applications.
- In comparison, regulations in Nigeria are still limiting the use of mobile money, which goes back to complications within its licensing process in 2011. This has a significant impact on the country's approach towards Fintech. Today, the government has no unified approach to Fintech regulation, including regulatory processes and regulatory authorities. Further, the system inherits high capital requirements for Fintechs and challenges relating to licensing.

NEED FOR MORE ADVANCED AND CENTRALIZED REGULATORY FRAMEWORKS

- The African Fintech ecosystem requires more advanced and centralized regulatory regimes addressing the Fintech Development. Regulatory frameworks need to be unified to remove regulatory barriers for Fintech Startups.
- The technological advancements require a sound regulatory framework to protect end-users as the unbanked population predominantly uses digital solutions for payments, credit, and insurance products. Fintech platforms are increasingly harnessing data to customize products and target new markets. Hence, privacy concerns remain a critical aspect where regulators need act proactively and put appropriate data security measures in place.
- Additionally, regulators need to accelerate their digital identity verification efforts as physical KYC is often still a requirement. This presents a barrier to markets as KYC remains an important step in onboarding new customers onto Fintech platforms. Therefore, improving identity verification regulations to allow digital KYC would increasingly foster financial inclusion in a regulated environment.



PERSPECTIVES ON AFRICA'S FRAGMENTED REGULATORY ENVIRONMENT

STARTUP PERSPECTIVE

There are many challenges when scaling across the various markets. Besides the legal aspect, we can also not forget the cultural side. Even if you're talking just in English, African markets are very different and unique in their sense. So, it's a very cluttered market in general.

Benedikt Kramer, awamo

For us, as innovative credit collector like BFree, it's getting better because all digital lenders have been unregulated. When you give out secured lending without collateral, you drive the market crazy as the amount of non-performing loans will increase. There are cases where people get into massive debt cycles and even debt crises. Regulations will increase the standards, incentivizing lenders to outsource their lacking credit management to players like Bfree.

Mohammed Al-Salafi, BFree

We are talking about an environment where regulation in itself is a problem. In Africa, there is an environment with so many pieces of regulation that contradict one another that come from different agencies, ministries, and other powerful institutions. The problem you face in terms of irregularities is that there is no clear regulatory direction in Africa. Everything contradicts everything. So, the ability to regulate in Africa is to understand as much as you can. And you should play it safe and make sure that you are as compliant as possible whatever you do.

Jide Odunsi, Moove

INCUMBENTS PERSPECTIVE



The word regulation is often connotated with a negative touch, but in my view, it shouldn't be like this. When we look at microinsurance, regulators can work together with emerging microinsurance service providers to stimulate further trust in the products and help consumers better understand those products.

It is the chance for regulators and insurers to team up and increase insurance awareness and literacy. Unfortunately, you sometimes have contradictory regulations. So, we wish different stakeholders are coming closer together to develop a coherent regulatory environment on the microinsurance side to support the industry. In our inclusive insurance partnership with BIMA and GIZ, we formulated legal regulation frameworks to promote regulatory adjustments to enable new mobile solutions. On the other side, there is the second part of regulations. It is about how you attract capital from private investors. But it's great to see that there is more and more capital inflow.

Finally, there is the third part of regulations as you have the development finance institutions. There is still a lack of development finance institutions investing in such operations in a very focused manner. All in all, I think we would encourage a stakeholder dialogue between all of us to come up with a joint approach to promote a stimulating regulatory environment.

Nhi Huynh, Allianz X

INVESTOR PERSPECTIVE

It is very, very fragmented. This is especially true for us as a pan-African fund. We see significant differences. Some countries like Tunisia and Senegal even have their laws for startups. So, their politicians have been quick to adapt to support startups. Still, other countries struggled more, like Egypt, Nigeria, the Central Bank of Nigeria, and others. Still, we see that startups are blocked, but once these countries and governments see the value, they deploy them quickly once they see the opportunity. Being Sudanese myself, I've spent some time in Sudan lobbying, trying to make founder-friendly policies. Once they start seeing the opportunities, I am confident they will embrace them.

Mohamed Karar, Africa Launch Ventures

The first step is the free trade agreement. These discussions have been happening for a long time, and it is working well in Francophone West Africa. So interestingly, Francophone West Africa has a single central bank with its single currency. Hence, the movement of goods across borders is becoming much more accessible. We started seeing the internal movement of capital in a much more productive and powerful way. At the moment, we see a lot of foreign direct investment. However, we see very localized investment, where people invest in a particular region or country. Here, the regulators are in demand to work together to connect the functions across borders.

Surabhi Nimkar, GreenHouse Capital

What are the characteristics and drivers of the african regulatory environment? What problems and challenges are being faced?

Africa's regulatory environment is highly fragmented. Contradictions are perceived as a common problem. The lack of clear regulatory direction and international barriers hinder growth companies from expanding across Africa. At the same time, companies such as Bfree can benefit from these unpleasant market conditions. Nonetheless, the call for a more uniform regulatory environment is becoming apparent. Investors are hoping for the Free trade agreements and their potential impact on the movement of goods and capital across borders.

Yet, investors and incumbents are calling for more dialogues between different stakeholders. Governments are demanded to provide a Fintech-friendly environment where innovative companies can prosper and drive further financial inclusion and economic integration. The lagging regulations limit further growth and Africa's potential.

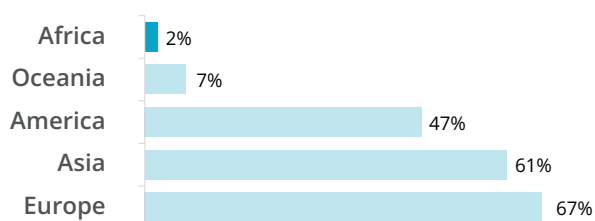
UNLOCKING POTENTIAL THROUGH THE AFRICAN FREE TRADE AREA AGREEMENT

WHAT IS THE AFRICAN CONTINENTAL FREE TRADE AREA AGREEMENT ABOUT?

- The AfCFTA agreement is a joint initiative of 55 member states of the African Union with the objective of creating a single pan-continental market for goods and services and easing the movement of capital.
- The African Union (AU) ratified the AfCFTA agreement in 2018. Until now, all member states except Eritrea have duly signed the deal. By uniting almost 1.3bn people across 54 African countries, the AfCFTA turns into the biggest free trade area in the world. In addition to the AfCFTA, several other agreements exist in Africa, including the Economic Community of West African States, Common Market for Eastern and Southern Africa, and the East African Community.

CREATING A CONTINENT-WIDE MARKET TO PROMOTE CROSS-BORDER TRADE

- The agreement aims to lower tariffs between member countries, introduce regulatory measures, and facilitate cross-border payments to boost continental trade significantly.
- The full AfCFTA implementation would inevitably transform and stimulate the African market. The World Bank views the AfCFTA as a tremendous opportunity for the African continent to raise 30 million people out of extreme poverty and augment the incomes of 68 million people currently living on less than \$5.50 a day. The World Bank estimates that the trade facilitation measures will generate \$292bn of the \$450bn in potential revenue gains.



Intra-African trade is still negligible. From 2015 to 2017, it accounted for only **2%** of the total African trade, compared to 67% in Europe.

Graph 6: intra-regional trade as a percentage of total trade (2015-2017)

POSITIVE IMPACT ON THE AFRICA'S FINTECH ECOSYSTEM

- Payment providers and digital lenders are well-positioned to use the enabling measures to facilitate cross-border transactions, provide better access to credit products and accelerate their growth.
- Expanding across Africa will be easier than before. Fintech companies are not tied to their regional market as international entry barriers become smaller. While entrepreneurs can capture a much larger market, competition will likely increase. The latter can lead to increased M&A activity.
- Payment technology can take Africa's intra-regional trade to the next level. Therefore, innovation and favorable regulatory policies are critical to rendering the flow of capital across Africa efficiently, seamlessly and instantaneously. As such, the African Export and Import Bank is planning to establish a single payment and settlement platform to solve the problem of currency convertibility.
- Finally, all the abovementioned effects will increase investor appetite. The AfCFTA will spur foreign direct investments. International investors will bring more and more capital into the African market to fill the investment gap, stimulating competition to build the next unicorn. Yet, foreign investors like Tiger Global are challenged to build local expertise. Inclusive partnerships are becoming crucial.

DESPITE POSITIVE EFFECTS, AFRICA WILL REMAIN FRAGMENTED

- The AfCFTA holds tremendous opportunities for Africa's Fintech ecosystem. Fintech companies can become central drivers in establishing the largest free trade area. The harmonization of the regulatory environment is a crucial building block in the maturation process of the ecosystem. The increasing investor appetite and scalability across Africa will have a lasting positive impact on the ecosystem.
- However, the AfCFTA will not solve all problems. The cultural and business environment will remain very fragmented across Africa. Furthermore, inadequate productive capacities, low levels of human capital, and internal trade barriers are still barriers to trade-led economic growth and regional economic integration. Ultimately, it is up to all stakeholders to use the AfCFTA to upgrade their economies and move closer to financial inclusion.

SPOTLIGHT ON AFRICA'S MICROINSURANCE MARKET

KEY DEVELOPMENT & TRENDS – AFRICA'S INSURTECH MARKET IS HEATING UP

- Africa represents a major market opportunity for insurtechs using data analytics to improve underwriting efficiency and the economic viability of microinsurance services. Africa's growing mobile penetration and mobile payments ecosystem are fertile ground for delivering data necessary to better underwrite policies in previously unviable markets for larger incumbents.
- However, according to a McKinsey study, the penetration rate of the African insurance market stands at 3%. This figure even drops to 1.12% if South Africa is factored out. Many African consumers are still unaware of a wide range of insurance products, which will be an obstacle to the growth of the insurance rate in Africa in the near future. In addition, while incomes are growing, many remain volatile, making it difficult for low-income consumers to pay premiums.
- Following the Fintech boom, Insurtech is also heating up in Africa. In January 2021, Kenyan insurtech Pula, specializing in digital and agricultural insurance to cover millions of smallholder farmers across Africa, closed a \$6m Series A financing round. In July 2021, the South African Insurtech Pineapple raised \$5.4m in Series A funding to expand its footprint in the car insurance space. Other Insurtechs such as Alphadirect in Botswana, Casava in Nigeria, Curacel in Nigeria, Lami in Kenya, and Oko in Mali have also raised seed funds for further expansion.
- About 80% of South African insurance premiums are attributable to life insurance, compared with about one-third in Kenya and Nigeria and about two-thirds in Egypt. In the non-life segment, auto, property, and health insurance represent the majority of premiums in all African markets.
- As the African middle class grows, insurable assets will likely increase, representing a significant opportunity for property insurers. Concurrently, peer-to-peer insurance has also made modest progress in sub-Saharan Africa. Likewise, crop insurance products' increasing availability and affordability will likely lead to a significant uptick in insurance penetration.

Africa accounts only for **1.2%** of the global insurance premiums. South Africa accounts for 70.6% of the total African GWP, with an insurance penetration of 12.4%, exceeding even the average penetration of developed countries.



Graph 7: gross written premium (in \$b) and insurance penetration (in %, 2018)

KEY DEVELOPMENT & TRENDS – AFRICA'S INSURTECH MARKET IS HEATING UP



MOBILE-DELIVERED INSURANCE AND HEALTH SERVICES FOR UNDERSERVED CONSUMERS

SPOTLIGHT ON THE LEADING DIGITAL MICROINSURER



- BIMA was founded in 2010 by Gustaf Agartson. The company is based in Stockholm, Sweden, though it was initially launched in Ghana in 2011. Founder Gustav Agartson envisioned transforming the traditional insurance industry and offering affordable insurance to underserved customers.
- In total, BIMA raised \$144.2m from investors including Allianz X, Leapfrog Investments, and CreditEase Fintech Investment Fund.
- BIMA offers over 40 microinsurance and mobile health products via partnerships with MNOs, MFIs, banks, and insurance companies. The company's offerings are all concluded via mobile, while the network of around 3 500 agents supports sales and customer education. In their nine markets across Asia & Africa, BIMA has 25 million active users, whereby ~228,000 new customers are onboarded every month.

BIMA PRODUCTS

- 1 Mobile-delivered insurance: Fully managed, plug-and-play solutions for MNOs, leveraging the reach of mobile operators and helping them better serve subscribers.
- 2 Direct-To-Consumer Insurance: Offers affordable insurance products – primarily health and life – directly to consumers, allowing them to pay premiums using their mobile money accounts and manage claims through WhatsApp
- 3 Mobile Health Services: On-demand telehealth services, providing unlimited consultations with qualified doctors via mobile devices to customers who may otherwise have to travel long distances to access medical services

PUBLIC-PRIVATE PARTNERSHIP TO ADVANCE FINANCIAL INCLUSION COLLECTIVELY

- Ensuring good healthcare and well-being is a fundamental right representing the third out of the 17 Sustainable Development Goals. Yet marginalized communities often cannot afford conventional health services, leaving large groups without access to the local health system. Allianz X, GIZ, and BIMA have therefore established the Inclusive Insurance Alliance partnership.
- Furthermore, the partnership articulates legal frameworks geared towards fostering adaptations for the provision of new mobile solutions. Doing so enables all stakeholders to offer more viable products and reduce the threshold for access to these products.
- The partnership puts a strong emphasis on the development of new products and services for underserved communities. Through shared learning and best practices, this will be achieved. It is an example of an inclusive partnership with aligned missions, strategies, core values, and activities to achieve the primary goal of driving social impact.

INCLUSIVE INSURANCE ALLIANCE BETWEEN BIMA, ALLIANZ X, AND GIZ

BIMA has a broad client base and contributes its expertise in providing mobile solutions to emerging consumers. The underserved clients can interact with BIMA representatives in the shops, receiving advice on insurance and healthcare offerings.

As insurance underwriter of the partnership, Allianz adds expertise on low-income insurance solutions based on its experience serving more than 46m new consumers.

GIZ, Germany's international development agency, brings in its local expert and NGO network to accelerate the partnership's effectiveness and ease access to microinsurance.



ALLIANZ – ACCESSING CONSUMERS IN EMERGING MARKETS

INCUMBENT & INVESTOR PERSPECTIVE: ALLIANZ X



INVESTOR PROFILE – ALLIANZ X

Headquarter: Munich, Germany

Foundation: 2013

Investment Focus: Digital growth companies along the insurance value chain with strategic relevance for Allianz



INTERVIEW PARTNER

Nhi Huynh

Investment Manager at Allianz X

- Allianz X is the digital investment unit of the Allianz Group, investing in digital growth companies that are part of insurance-related ecosystems with their dedicated \$1bn fund. Currently, Allianz X counts more than 23 direct investment across five continents and provide the interface between portfolio companies and the digital ecosystem within Allianz Group. Their portfolio comprises N26, Pie Insurance, Purpose Financial, Stripe, WeLab, Gojek, Bima, and SafeBoda.
- Why is Africa relevant for Allianz? In May 2021, Allianz announced the completion of the previously signed agreement to acquire a 66% stake in the Jubilee General Insurance company in Kenya. With recent acquisitions in leading African markets like Nigeria, Kenya, and Uganda, the transactions reflect Allianz's long-term commitment to Africa. Allianz aims to become the leading insurer in critical African markets.
- Being one of the largest financial services companies, Allianz is genuinely committed to supporting innovative companies in the SME space to promote sustainability goals as part of their essential ESG strategy. Back in December 2017, Allianz X became BIMA's largest strategic shareholder where Allianz X invested \$96.6 million. It shows their belief in the African market. It further displays the strategic importance for incumbents to partner up with innovative startups. For Allianz, those investments are highly relevant for accessing emerging consumers.
- As Investment Manager, Nhi Huynh is responsible for InsurTech and emerging market investments. In this regard, he serves on the boards of BIMA and SafeBoda.

Source: Interview with Nhi Huynh on 08/11/21

Note: Uganda-based SafeBoda is Africa's market leader in 2-wheel call services and offers a consumer platform that is revolutionizing transport, payments, and on-demand services in Africa's cities.

"THERE IS ONE OVERARCHING THEME: ACCESS TO CONSUMERS IN EMERGING MARKETS"

What are the sectors and verticals you are mainly focusing on in emerging markets?

"Compared to mature markets, our investments in emerging markets focus more on mobility and healthcare topics. This is due to the different urgency in customer needs in the region. Overall, our portfolio companies are active in digital health and inclusive insurance solutions such as Halodoc and BIMA, mobility and on-demand services such as Gojek and SafeBoda, and Fintech & Insurtech solutions such as Stripe, Pie Insurance, and Simpleurance."

What drove the investments into BIMA and, in particular, into SafeBoda?

"For both companies, there is one overarching theme: access to consumers in emerging markets. Allianz aims to expand in Africa to support the growing number of emerging consumers with digital products and services by establishing partnerships with insurtechs, MNOs, and mobility platforms. As a leading on-demand transportation service provider in East Africa, SafeBoda provides multiple benefits to emerging consumers, drivers, and passengers, especially financial and on-demand services. SafeBoda has substantial growth potential and has the power to transform transportation, logistics, and payment services with its regional presence and capabilities. It is similar to why we invested in Gojek, now called GoTo, in South-East Asia. So, it is about financial inclusion. It is about efficiency improvements, better mobility, and on-demand services."

What is exciting about BIMA?

"BIMA is the leading digital microinsurance & health services company that utilizes mobile technology to serve underserved, low-income consumers in Africa and Asia. While servicing customers living on less than USD 10 per day, BIMA delivers affordable insurance and healthcare products to those consumers with limited or restricted access to these crucial products. In my view, BIMA is a great success story. As of today, they have 25+ million users in 9 countries. 75% of their customers are first-time insurance users. They even expanded into telemedicine services. Following our initial investment in 2017 and the start of our collaboration with German development agency GIZ to develop the next generation of mobile insurance products in 2019, we have reaffirmed our commitment to BIMA and the emerging consumer segment by making a follow-on investment in BIMA in 2020. I've been working on microinsurance topics for the past ten years, and the primary problem remains transaction costs. And this is the most exciting thing about BIMA for me. BIMA can increase access to financial services while reducing transaction costs for people to get it. The collaboration between BIMA and MNOs & other partners plays a crucial role in doing so."

PERSPECTIVES ON THE ROLE OF INCUMBENTS & MNOS IN DRIVING FINANCIAL INCLUSION

STARTUP PERSPECTIVE

"MNOs are a successful but also necessary tool to reach people to make payments more accessible and safer. There needs to be more interconnectivity across MNOs but also across countries. And I think that there are multiple opportunities left open. A lot of capital went into payments. MNOs and incumbents play a vital role and are essential for achieving interoperability and causing domino effects across countries."

Benedikt Kramer, awamo

"Incumbents are not agile, and they lack fast execution. They have legacy solutions. When we work with digital lenders or Fintechs, we're able to integrate with them faster, whether it's data APIs, communication, or faster decision-making. So, for example, to employ a digital lender, we can do it in less than one week. Banks are very slow in communication. Onboarding a bank can take up to six months. So, the sales cycle is longer and data sharing becomes very difficult with banks. But we see a lot of banks are like rolling out digital products. They have different teams to launch those. For example, Equity Bank in Kenya has an "Eazzy Loan" product. Incumbents are starting new products with new teams. We can still see the difference, but they are trying to catch up with many things."

Mohammed Al-Salafi, BFree

INCUMBENTS PERSPECTIVE

"From our incumbent's perspective, there are three main pillars: First, pushing forward innovation to address specific needs and consumption patterns. Second, promoting inclusion by addressing financial literacy. Third, providing trust and fairness in everything. We do ensure that we consistently deliver customer value. So, this is how we do it. How this translates into practice can be seen in the case of our public-private partnership together with BIMA and the German development agency GIZ. It's a great lever to bring unique stakeholders together to innovate and protect even more new consumers. Allianz can leverage its unique capabilities to promote financial inclusion and build inclusive growth across Africa with our worldwide distribution network, substantial brand value, and technical excellence."

Nhi Huynh, Allianz X

"MNOs provide a broad customer base, displaying a great sales channel for insurance companies. On the other hand, MNOs can increase loyalty when offering insurance services. However, nowadays, I would even go beyond MNOs. You have direct-to-consumer businesses and companies directly connected to mobile wallets. In my view, the dependency on MNOs has decreased over time, especially in Asia. It is still relatively high on the African continent compared to Asia. But with more international investors in Africa, Fintech can deploy more capital to build a more independent business model."

Nhi Huynh, Allianz X

INVESTOR PERSPECTIVE

"Traditional banks have pivoted slightly over time to productize their services. Besides the bank, there are also telecommunication companies that partner up with traditional banks and emerging Fintechs. Both banks and MNOs started to ease up and establish partnerships. Instead of taking the risk of spending so much money on product development, incumbents prefer to outsource product development and work with innovative startups. Some even invest in those companies and take equity."

Mohamed Karar, Africa Launch Ventures

"I think that they play a couple of roles. First, they have massive, captured audiences. So, a lot of people still prefer traditional players. And so, I think being able to use that as a distribution rail for new companies is powerful. Second, banks need to start changing how they feel about using and leveraging Fintech to remain competitive and continue to serve their customers in a much more modernized, tech-focused way. And so that means that, even from an internal perspective, they need to think about cultural change within the organization. They can learn a lot from financial Fintech companies, significantly as they can move faster and iterate. The relationship between incumbents and Fintech companies is a bit more of a bilateral partnership. Both parties can provide different things to each other."

Surabhi Nimkar, GreenHouse Capital

What is the role of traditional financial institutions and mobile network operators in driving financial inclusion?

Incumbents are challenged by emerging Fintech startups and their legacy infrastructure. At the same time, incumbents benefit from their large, loyal customer base. While most Fintech players outperform incumbents in speed-to-market and innovativeness, incumbents are encouraged to promote financial inclusion. In our view, traditional banks are not being eradicated, but rather the financial services industry is being upgraded.

The interplay between established banks, Fintechs, and regulators opens tremendous opportunities to start serving the unbanked population. The evolution has just started and will continue to accelerate beyond 2021. The example of the public-private partnership between Allianz, BIMA, and GIZ demonstrates how a successful interplay can be translated into practice. Innovation, financial inclusion, and trust play an essential role here.

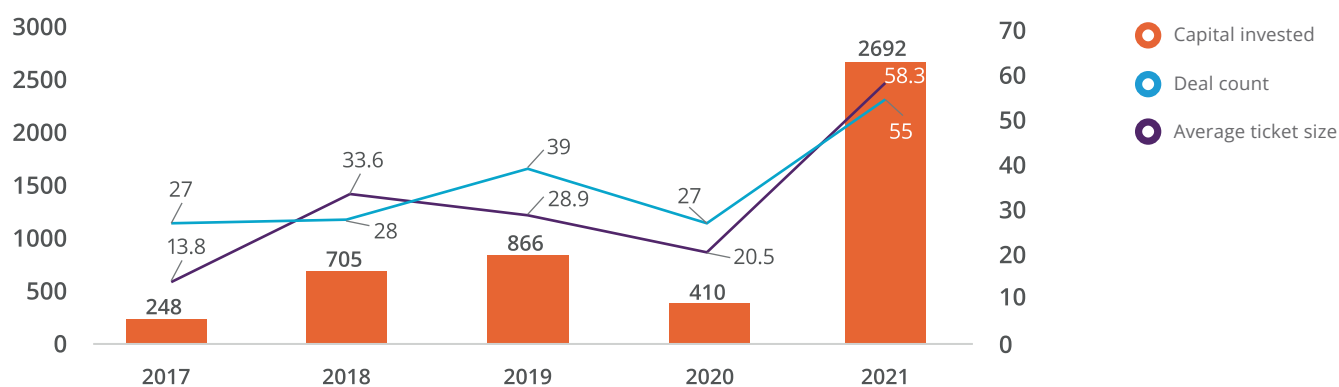
Financing Activity & Investor Perspectives

CHAPTER II

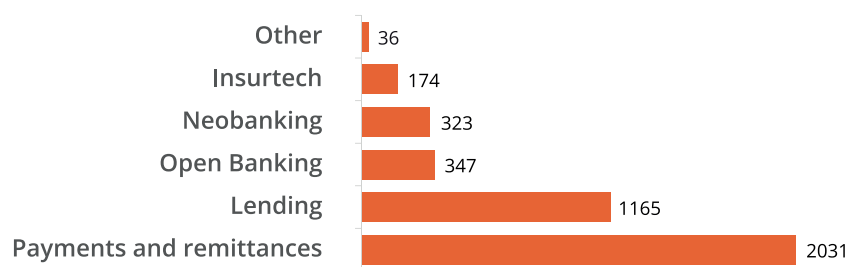
UNPRECEDENTED GROWTH IN VENTURE CAPITAL FINANCING ACTIVITY

KEY DEVELOPMENT & TRENDS – AFRICA'S INSURTECH MARKET IS HEATING UP

- Africa's Fintech sector is witnessing unprecedented growth in VC deals, driven by a rising amount of foreign investors hoping to join an ecosystem ready for innovation. Based on our analysis, VC deal count of Africa's Top 50 Fintechs has increased from 27 tracked deals in 2017 to 55 closed deals in 2021. The underlying market trends, a largely youthful, digitally savvy population, and growing mobile usage drive growth. In 2021, more than \$2.6b venture capital was invested in Africa's Top 50 Fintechs, an increase by 211% compared to 2019.
- This is also supported by the general growth in capital invested and the number of deals over the last year. While the market took a hit during Covid related uncertainties, 2021 shows the potential and the momentum of Fintechs in Africa. Companies are slowly reaching critical size while expanding and improving their networks. Investors are increasingly gaining confidence in the sustainability of business models in the market and their upside potentials.
- Fintech deal sizes by funding stage are also generally below what is observable in other markets in the world. This can be related to the fact that revenue potential is still lower due to a lower-income population. Additionally, startups have regional focuses, which decreases their total addressable market. Their funding needs are also not as high as in other parts of the world due to lower set-up costs in the region. Nevertheless, recent funding rounds are increasing funding-round size, especially in 2021. This is a positive sign for the ecosystem as international investors gain trust and an appetite for African deals.
- Looking at the different Fintech verticals, it is observable that payments and remittances have been the most dominant while lending is becoming increasingly important and exciting for investors. Startups in the lending and credit space have been developing more and more platforms connecting with the existing mobile money network. These fintechs are attempting to cooperate with mobile operators to offer digital credit products, taking advantage of the mobile and digitally-driven ecosystem.



Graph 8: VC investment & deals of the top 50 FinTechs in Africa (in \$M)



Almost **50%** of the total capital invested in Africa's Top 50 Fintech companies went into the payments and remittances sector.

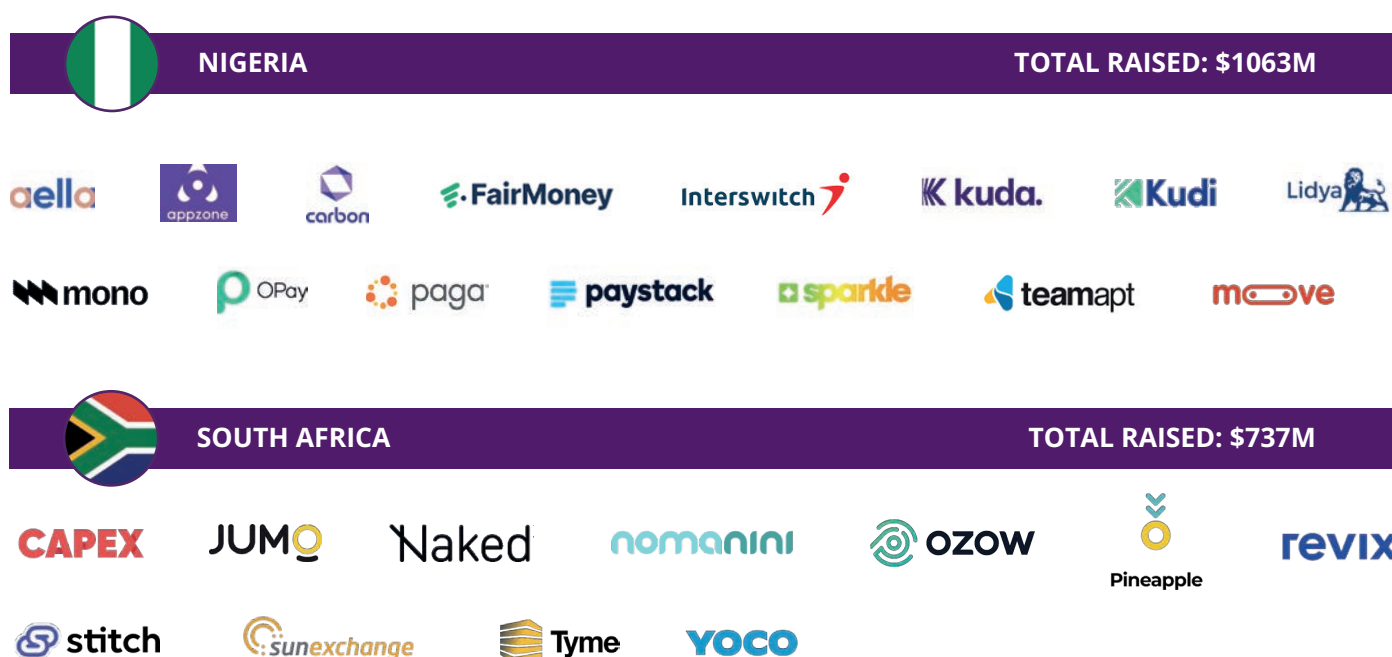
Graph 9: total equity funding of Africa's top 50 Fintechs by segment (in \$M)

UNPRECEDENTED GROWTH IN VENTURE CAPITAL FINANCING ACTIVITY

KEY HIGHLIGHTS – AFRICA'S TOP 50 FINTECHS



OVERVIEW – SEGMENTATION BASED ON HEADQUARTER LOCATION



Sources: Pitchbook (2021), Proprietary database (2021)

Note: The selection of Africa's Top 50 Fintechs was based on total received funding. Fintechs with HQs outside of Africa were only considered when they have an African origin and a clear business focus on Africa.



EGYPT

TOTAL RAISED: \$199M

capiter.



paymob

mnt | Halan

telda



KENYA

TOTAL RAISED: \$317M

branch

Cellulant

ymba



REST OF AFRICA

TOTAL RAISED: \$251M

diool



TUGENDE



Zeepdy



UNITED STATES

TOTAL RAISED: \$1266M

Chipper

dash.

Flutterwave

Pngme

sendwave

TALA



EUROPE

TOTAL RAISED: \$243M



MyBucks

PULA

IN 2021, FINANCING ROUNDS ARE CONTINUOUSLY GROWING

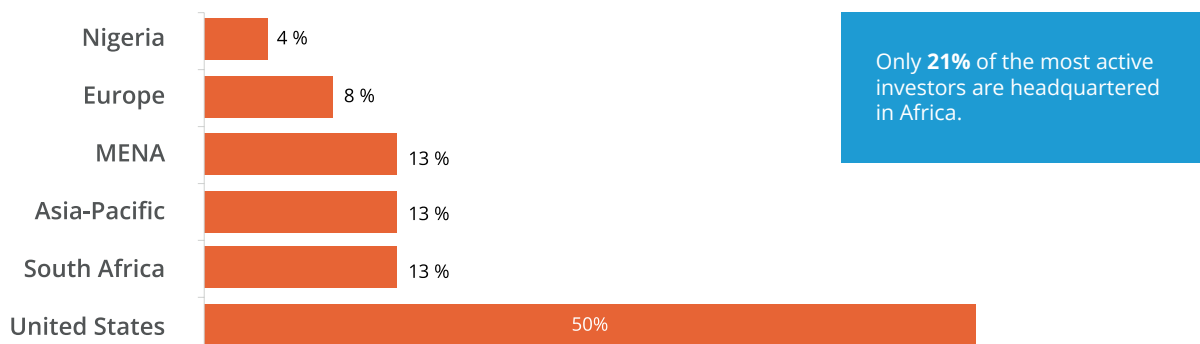
DATE	COMPANY	DESCRIPTION	SECTOR	AMOUNT	SELECTED INVESTORS	COUNTRY
07.12 2021	 TymeBank	Company: TymeBank is a cloud-based emerging neobank based in South Africa. The company provides bank accounts free of charge/with low monthly fees using onboarding networks as e.g. physical kiosks. Transaction: This investment will be used to bolster TymeBank's growth and drive its commercial expansion across the country.	Neobank	\$180m	Apis Partners, CDC Group, JG Summit Holdings, Tencent	
17.11 2021	 OZOW	Company: Ozow is an instant EFT (electronic funds transfer) payment service in South Africa that allows customers to make secure online payments directly into the bank. Ozow is creating automated bank-to-bank payment solutions. Transaction: Funds are used to expand the team from 100 to 250, including hiring employees in its new European office. A portion of the funds will also be directed at mergers and acquisitions and pan-African expansion to four countries.	Digital payments gateway	\$48m	Tencent, Endeavor	
10.11 2021	 MFS Africa	Company: MFS Africa is one of the largest payment networks on the African continent facilitating domestic and cross-border payments using mobile money schemes. Transaction: The existing and new investor base is supporting the company as it is growing organically and inorganically through several acquisitions.	Mobile money services	\$100m	AfricInvest, goodwill, Lunpartners, CommerzVentures, Allan Gray, endeavor, Equator Capital Partners	

DATE	COMPANY	DESCRIPTION	SECTOR	AMOUNT	SELECTED INVESTORS	COUNTRY
08.11 2021	 JUMO	Company: JUMO is the leading Banking-as-a-Service platform that uses AI to power financial services in emerging markets. JUMO offers core products around savings, credit, as well as financial service infrastructure. Transaction: Investment proceeds are used for the expansion into Nigeria and Cameroon. JUMO will use the investment to improve and increase the number of financial products it offers to SMEs. The company was valued at \$400m.	Banking-as-a-service	\$120m	Fidelity, Visa, Kingsway	
07.09 2021	 wave	Company: Wave Mobile Money is an app-based payment platform to transfer money also offering savings and lending products. The company has built a network of agents for cash-services. Transaction: Wave will use the funds to deepen its presence in Senegal and Ivory Coast and grow its team. Wave will also expand into other markets like Uganda. The company was valued at \$1.7bn.	Mobile money services	\$200m	Founders Fund, Ribbit Capital, Sequoia Heritage, Stripe	
23.08 2021	 OPay	Company: OPay has built a mobile payment platform for Nigerians to transfer money and pay bills. The platform offers smart financial services for daily mobile money usage by using network of agents to reach the unbanked population. Transaction: OPay plans to use funds to expand internationally as well as improve its financial service offerings. The company was valued at \$2bn	Mobile money services	\$400m	SoftBank, Sequoia Capital, Redpoint, Source Code Capital	
02.08.	 kuda.	Company: Kuda is a licensed digital bank that offers free full-service banking services to Africans. The challenger bank offers mobile-based, individualized, and cost-efficient banking services built on new API-based infrastructure. Transaction: Kuda will use the funds to strengthen its services in Nigeria and prepare its launch into more continents. The company was valued at \$500m.	Neobank	\$55m	Target Global, Valar Ventures	

DATE	COMPANY	DESCRIPTION	SECTOR	AMOUNT	SELECTED INVESTORS	COUNTRY
08.11 2021	 YOCO	Company: Yoco is a point-of-sale payments provider targeting small enterprises in Africa. The company's platform offers access to offline payments among merchants in the country. Transaction: Yoco is planning to use its funds to increase its operations across its offices in Cape Town and Amsterdam within the next year and hire new experienced industry executives.	Point-of-sale payment provider	\$83m	Dragoneer Investment Group, Breyer Capital, HOF Capital, ...	
07.09 2021	 CHIPPER	Company: Chipper Cash offers a payment platform for free cross-border mobile money transfers in Africa. Instant payments are mobile based and can be executed via text message. Transaction: The funds are used for international expansion, operational expansion, and new product integrations.	Mobile money services	\$100m	SVB Capital	
23.08 2021	 Flutterwave	Company: Flutterwave offers a global merchant payment infrastructure platform helping companies build payment applications on its API infrastructure. Transaction: Flutterwave plans to use the funds to accelerate customer acquisition. The company is further planning on improving its existing product offerings. The company was valued at \$1bn+.	Merchant payment infrastructure	\$170m	Avenir, Tiger Global	

FOREIGN INVESTORS DOMINATING AFRICA'S INVESTOR LANDSCAPE

AFRICA'S MOST ACTIVE FINTECH INVESTORS



Graph 10: country origin of the most active VC investors

M&A ACTIVITY ON THE RISE – TIME FOR CONSOLIDATION?

- M&A has proven to be a successful strategic initiative to expand African payment networks across the continent. Platform providers like MFS Africa can integrate new regions and new product/customer segments by consolidating vertically and horizontally. To do this, strategic operators need to have a considerable size to scale their platform inorganically and have the financial resources to acquire leading regional players.
- M&A has also shown to be a successful strategic measure for international payment giants like Stripe to enter the African Fintech ecosystem. The rise of regional champions with country-focused business models gives prominent international players increasing opportunities to acquire growing African innovators. Large strategic players are seeing more and more exciting opportunities within the African Fintech space as regional players are starting to reach a critical scale.
- Further, it can be observed that international players use M&A not only to enter or strengthen its African market presence but take advantage of an emerging market tailored Fintech offering developed in Africa and apply the African proven best-practice and technology in other markets within Asia or Latin America. This has been shown in the case of WorldRemit

SELECTED M&A DEALS

DATE	TARGET	ACQUIRER	DEAL SIZE	RATIONALE
22/10/21			n.a.	Increase product offering in Nigeria through Baxi's strong agent-network
15/10/20			\$200m	Strengthen Stripe's positioning within the African market especially Nigeria
25/08/20			\$500m	Expand service offering into new markets and strengthen positioning in Africa
29/06/20			n.a.	Deepen and strengthen MFS Africa's SME payment network
05/08/20			n.a.	Deepen Mukuru's African footprint while expanding its reach into urban centres and rural areas in Malawi

Sources: Crunchbase (2021), Interviews (2021), Pitchbook (2021), Proprietary database (2021), Technext (2021), WorldRemit (2020)

AFRICA LAUNCH – ONE OF THE MOST ACTIVE INVESTORS PIONEERING FRONTIER MARKETS

INVESTOR PERSPECTIVE: AFRICA LAUNCH VENTURES



INVESTOR PROFILE – AFRICA LAUNCH

Headquarter: Cape Town, South Africa

Foundation: 2020

Investment Focus: Sector-agnostic, early-stage opportunities in the B2B and B2B2C space across Africa



INTERVIEW PARTNER

Mohamed Karar

Venture Partner at Launch Africa

- Africa Launch Ventures is a pan-African, sector-agnostic VC investor. Being active in 15 different countries, they are among Africa's most active investment funds. In some countries, they are the very first VC investor in the entire country's history. Their portfolio comprises Fintech companies such as Bfree, Boya, Cauri Money, cebux, FinAccess, kalpay, Kashat, Kuda, and Kwara.
- Compared to other investors, Africa Launch Venture stands out for its unique positioning and belief in frontier markets. While the larger African markets such as Egypt, Kenya, Nigeria, and South Africa are fiercely contested, Mohamed Karar highlights that there is often only one startup serving one sub-market in frontier markets. As a result, these startups can benefit from explosive growth and very explosive traction. One example is Wave, "a unicorn that came out of Senegal, whereas no one thought about Senegal before."
- Regarded for their pioneer work in frontier markets, Africa Launch drives forward financial inclusion in countries like Mohamed Karar's home country Sudan by stimulating the domestic ecosystem.
- Yet Africa Launch Ventures is sector-agnostic, the overall portfolio composition shows a concentration of Fintech companies, as well as post-pandemic EdTech and HealthTech. Within the Fintech sector, Venture Partner Mohamed Karar observes a lot of gained traction in the payment and microcredit sector and niche products. While many Fintechs face problems attaining banking licenses, more and more Fintechs tend to move towards the B2B space, serving traditional banks with customized products such as automated identity processes.

"WE DIVERSIFY GEOGRAPHICALLY AND TO PIONEERING MARKETS"

How do you see the potential and challenges of emerging credit solutions and microlending in general?

"I mean, it is all about data. If you are doing microlending, you have to feed the algorithm with a lot of data to build client profiles. In the beginning, this was very challenging and increased default rates. But as time goes, the default rates get smaller and smaller. I would assume that credit scores have become more and more complex for the future. Multiple alternative parameters will be used when analyzing a potential borrower. Tala is an example of a company that builds up its data points based on social media and other sources to create its credit scoring system."

Where do you see the African Fintech ecosystem in 2030? Do you have any wishes?

"I have no idea where it is going, and I think this is a great thing. I don't want to expect where it goes. I hope for something so disruptive that I couldn't have even imagined. I think that's precisely the way that we are heading right now. Everyone is talking about how Africa is going to leapfrog. We, in Africa, shouldn't focus too much on the evolution of the American and European ecosystem and their existing solutions. We should create solutions that can skip certain stages of development. So, by definition, that's something that we are all unaware of. I hope that I am part of it when the African ecosystem makes it there."

As a Pan-African VC investor, you are actively searching for the next Kuda Bank or Tala of tomorrow. How do you find the unicorns of tomorrow, and how do you mitigate risks?

"As a Pan-African fund, we diversify geographically and to pioneering markets that other investors oversee. We are very active. On the one hand, you would be fine if you had made 2221 investments that all failed, but you had invested into the Nigerian neobank Kuda Bank. On the other hand, there is an increased risk of intensive competition in the western, more developed markets. In Africa, things are different. A lot of threats come from geopolitical risk. Our secret sauce to de-risk our investment portfolio from geopolitical risks is to diversify as much as possible. This is why we became the most active African investors in geographies. Most other investors have made investments in a maximum of seven countries. Africa Launch Ventures invested in 15 different African countries, and we will probably end up at 18 countries by the end of the year. So, our strategy is to mitigate risk by expanding geographically to the greatest extent possible."

GREENHOUSE – SUPPORTING THE NEXT WAVE OF PAN-AFRICAN TECHNOLOGY COMPANIES

INVESTOR PERSPECTIVE: GREENHOUSE CAPITAL



INVESTOR PROFILE – GREENHOUSE PARTNER

Headquarter: Lagos, Nigeria

Foundation: 2016

Investment Focus: Early-stage opportunities in the Fintech space across Africa & MENA



INTERVIEW PARTNER

Surabhi Nimkar

Principal at GreenHouse Capital

- GreenHouse Capital is an early-stage investor focused mainly on Africa and MENA countries, with a strong thesis on Fintech investments. By portfolio size, GreenHouse Capital is Africa's largest Fintech investment fund. Their portfolio comprises Appzone, Bfree, CredPal, eSettlement, Flutterwave, Riby, Superfluid Labs, Tanda, and Wallets Africa.
- GreenHouse Capital's central mission is to empower outstanding individuals to contribute to the creation of economic prosperity. Fostering financial inclusion, banking the unbanked, providing digital platforms for SMEs, and moving away from the cash economy are key drivers of their investment thesis. To promote financial inclusion, GreenHouse Capital launched GreenHouse Lab, the leading pan-African Tech Accelerator for female-led or female-focused startups.
- While mobile-based money transfers kick-started Africa's Fintech ecosystem Surabhi Nimkar observes similar trends like Mohammed Karar from Africa Launch Ventures: eKYC, digital onboarding, open banking, and embedded finance.
- Particularly, Surabhi Nimkar is excited about niche products and embedded finance solutions where financial services products are created and embedded in non-core financial services businesses. These products often facilitate access to financial products for previously underserved individuals by serving captured communities. Examples are Helium Health or digital banks that focus on youth with integrated parental controls built-in.
- Overall, it becomes evident that financial inclusion is taken seriously by the leading Fintech investors.

"THE MAIN DIFFERENCES ARE CULTURE, REGULATION, AND DIGITAL SAVVINESS"

What are the challenges for Fintechs when expanding to Africa?

"Foreign Fintech companies sometimes forget that the continent is not a homogenous, single market. There's a lot of fragmentation. There is a lot of change across the regulatory systems across each country. So I think companies coming from outside really need to understand the cultural and regulatory environment in which they are operating. When companies are thinking about entering the Nigerian market, in many cases it can be easier to acquire existing Fintech solutions than to try to set up operations themselves. If they choose the latter, they need to make sure they have teams on the ground that can leverage that cultural understanding to a great extent to distribute their products."

Given your background in investing in MENA and Africa, where do you see the significant differences between both markets?

"The main differences are culture, regulation, and digital savviness. In Africa, you have 56 countries. In the MENA region, you have the GCC region. The regulatory environments are fundamentally different. Overall, the combination of digital savviness, the regulatory systems, and cultural aspects makes both regions very diverse and highly fragmented. I doubt that we will see a one-winner-takes-it-all market. We may see multiple smaller unicorn-type solutions in each region. So, there will be one dominant company in North Africa, one in Francophone Africa, and so on. But I think that there's a lot of room for consolidation around the region as well."

Where do you see Fintech in Africa in 2030?

"It's such a big question. I would say that we benefit from a lack of legacy systems infrastructure. So, I see that we're going to see models that come out of the continent that is so unique that many developed markets will be looking towards and getting inspiration from [...] Also, I am sure we will have an Amazon for Africa where embedded financial services are very prevalent. But that will happen from day one because it's something that's retrofitted. Most companies, even if they're non-financial services, are moving towards embedded services. So, you look at companies like Helium Health, where they started to digitize health records. From the beginning, they embedded financial services, such as insurance products and payment solutions to pay for pharmaceutical products and your surgical visit. All of these things were in the application from day one. These things will allow a lot more leapfrog about the continent. Another area where we see incredible growth is within the blockchain and cryptocurrency space. We already see people using crypto for remittances, and I think we're going to be seeing more and more of these things."

CONCLUSION – AFRICA'S FINTECH SECTOR IS GROWING FASTER THAN EVER

INVESTOR SENTIMENT POINTS TOWARDS ACCELERATING GROWTH

- 2021 has shown a tremendous increase in financing activities and an uplift in valuations across the continent within the African Fintech space. A sign that Fintechs are increasingly gaining traction, and investors are becoming more and more comfortable investing in Fintech innovators in Africa. Uncertainties, regulatory hurdles, and fragmented markets have kept investments out of the continent in the past. However, this appears to be changing in the Fintech space driven by digital adaption (also due to Covid-19), the evolving African Continental Free Trade Area, and the emergence of an increasing amount of successful business models.
- For the Fintech sector, it is observable that the payment and remittances segment still attracts the most funding. This includes extending mobile money services and integrating different regional networks within the payment systems. However, an increasing investing overlap into other segments like credit, lending, and insurance should be expected shortly. Currently, there are already entrepreneurs and investors focusing on this. However, the upselling opportunity from general mobile money services should open up more opportunities in this space, leading to bigger financing rounds over the next 12-24 months in the region.
- It can be observed that different regional regulatory jurisdictions and fragmented markets give space for numerous payment platforms to reach scale. This was confirmed by Stefan Tirtey and Jonas Wenke from CommerzVentures, a European Fintech investor participating in the latest \$100m financing round of MFS Africa. Both state that this is not a winner-takes-it-all market by describing the mobile money and cross-border remittances platform MFS Africa is building. MFS Africa's bolt-on acquisition strategy is used to strengthen the company's regional presence, with Baxi in Nigeria, for example. But the market opportunity in Africa is immense, and CommerzVentures expects several platforms to dominate as there are more than enough inefficiencies to be solved across different countries.

NEW TECHNOLOGIES AND DIFFERENT CONSOLIDATION STRATEGIES ARE SHAPING THE MARKET

- In the future, platforms will be using different growth strategies to scale in the market. Typical buy-and-build strategies are imaginable, but platforms need to be highly selective in choosing the right niche and regional champion.
- Technology developments are also expected to drive Fintech financing and acquisitions shortly. The integration of, for example, blockchain technologies within settlement systems will be an essential driver if inefficiencies within the respective technologies can be overcome.
- It can be expected that Fintechs will further challenge operators of mobile money services and business models like the one of Wave, which hit a \$1.7bn valuation in 2021, will thrive. Therefore, the current state of financing on the African continent is just beginning, and both the payments space and adjacent sectors are giving room for further growth.

LENDING & BANKING TECH IS GAINING TRACTION FOSTERING FINANCIAL INCLUSION

- While payment platforms are reaching scale, digital credit platforms are still underdeveloped. The ecosystem is expected to further push into alternative data for credit scoring processes, embedded finance, buy-now-pay-later solutions, among others. Additionally, digital lenders are increasingly diversifying their product offerings and evolving into digital banks offering payment services, implying a re-bundling of financial services.
- Challenges digital lenders still need to address are a proven credit scoring model given a target population with mostly no credit history and how to manage non-performing loans and collection processes. These present pain-points which investors are currently observing to find proven models that fit the African financial services ecosystem.
- As digital lending and banking tech remains an essential part of financial inclusion driving digital financial services in Africa, there is a huge opportunity in the market. The sector has not reached the growth phase of payments and remittances. However, it is to be closely watched to gain traction.

How Digital Payment Tech is Bringing Financial Services to the Unbanked

CHAPTER III

THE ESTABLISHMENT OF PAYMENTS IN AFRICA

INTRODUCTION

- Africa's payments sector has been deeply shaped by the adoption of mobile phones, internet and digital merchant payments. Africa's patchy banking industry led to a generally unbanked population which has unlocked growth for mobile money transactions and mobile money wallets. Fintech payment platforms have been increasingly taking advantage of this development to bring payment and basic financial services to the underserved African population and foster financial inclusion.
- Mobile phone and smartphone adoption has enabled the African unbanked population to transact cash-less with phone-billing alternatives, mobile wallets and other mobile driven cash alternatives. Today, offerings are still limited and fragmented markets are shaped by inefficiencies including high transactional costs as well as inoperability between platforms, providers and countries which gives payments-focused Fintech companies room to grow.
- Established payment platforms are increasingly expanding within the value chain to improve their payment services, ranging from intraregional payments and bill payments to cross-border payments with most of them fully mobile operable. Other platforms within the space are also increasingly reaching scale providing merchant payment products or payment infrastructures for new Fintechs establishing.

TARGET	SUB-SAHARAN AFRICA	WORLD
Registered mobile money accounts	548m	1.2bn
Active mobile money accounts	159m	300m
Transaction volume	27.4bn	41.4bn
Transaction value (US\$)	490bn	767bn

COVID-19 IMPACT

- Throughout the pandemic the mobile money industry's four biggest players affirmed the social importance of mobile money transactions for billions of people on the African continent. These players include Orange (France), MTN (South Africa), Vodafone (Britain) and Airtel Africa (which is controlled by India's Bhart Airtel). This is a reminder of the industry's commercial fragility as it highly depends on these mobile network operators giving people access to digital payments.
- Driven by COVID-19, mobile money transaction volumes have increased by 23% to \$490bn in 2020 (greater than the GDP of Nigeria, the region's biggest economy). Nevertheless, the boom of mobile money transactions has failed to translate into successful revenue conversion by operators. Revenues for mobile money operators fell by 24% alone in Q1 2020 according to GSMA. This came as a result of government bodies pressuring providers to reduce fees on transactions to cushion the economic blow of lockdowns.
- Restrictions on movement and increased wariness of handling physical cash helped increase Sub-Saharan mobile money transactions and the adoption of other digital payment solutions. As adoption increases customers are looking for the cheapest and most-user friendly platforms. This is how emerging Fintech platforms are able to challenge existing payment providers.

Mobile money customers and transaction volume globally vs SSA

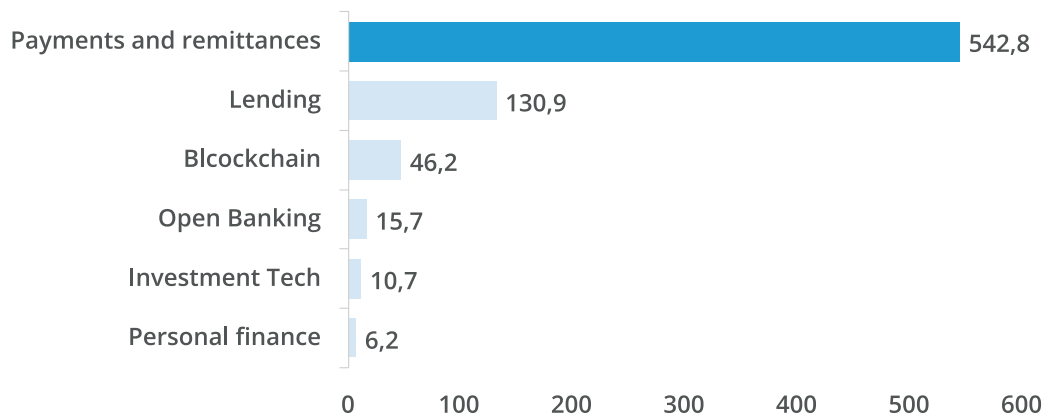
- African mobile money customers make up over 50% of globally registered mobile money accounts.
- African mobile money customers make up over 50% of globally registered mobile money accounts.

THE AFRICAN PAYMENTS STARTUP ECOSYSTEM

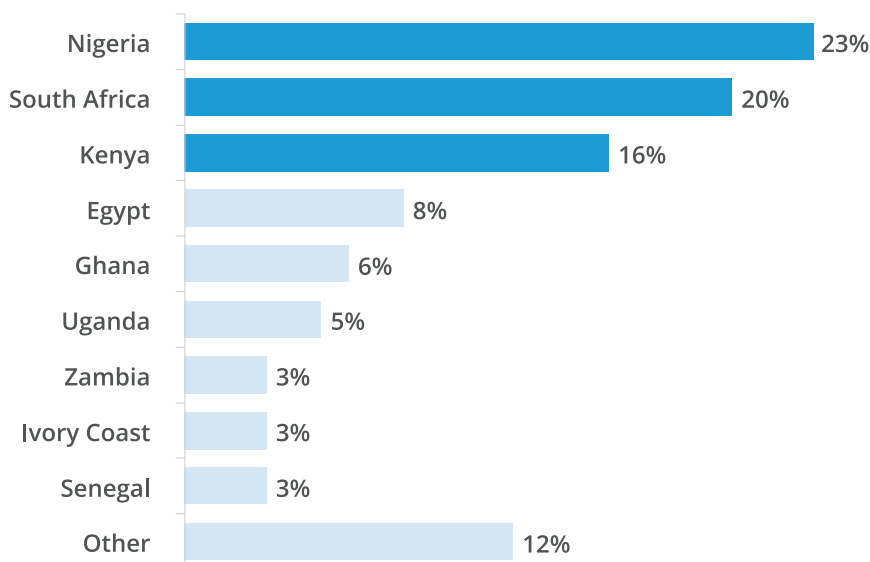
AFRICAN PAYMENTS STARTUPS CONTINUE TO DRIVE INNOVATION IN THE FINTECH SPACE

- Mobile transactions were the foundation on which payments companies started to serve the underbanked African population. Today, half of the 1.2bn mobile money wallets in the world are found within Africa and African Fintech valuations are soaring: M-Pesa \$7-10bn, MTN's mobile money business \$5bn, Airtel's mobile money business around \$3bn.
- The most dominant segments within the African Fintech space remain to be payments and remittances. Entrepreneurs are continuously targeting the pain points that are hindering cost-efficient and convenient payments across the continent as well as the movement of money in and out of the continent.
- In 2021, payments and remittances accounted for 36% of Fintech ventures in Africa, up from 34% in 2019. The Fintech industry keeps moving people increasingly towards digital payments. The ultimate goal is to reduce the cost of services through linking additional services on P2P transactions to deepen financial resilience.
- A statistic of MFS Africa tracked 206 startups active in the payments space in 2020. This shows a growth of 24% from 166 startups in 2019 and year-on-year growth of 18% from 125 companies in 2017.
- Nigeria overtook South Africa in 2021 as the key market for payments. The country is home to 48 ventures accounting for 23% of the country's Fintech ventures. In South Africa, 42 payments startups were tracked in 2021, which makes up 20% of the local Fintech ventures active in the country.
- Covid-19 has increased the need for strong digital capabilities within the payments sector. Restrictions on movement and less personal interactions has increased the demand for newer, safer, more innovative digital, cashless and contactless payment solutions.

- Fragmented markets, different payment networks and a large number of payment players active in the space still show that there are several inefficiencies to be solved. Especially in the cross-border payments sector high fees and a very heterogeneous playing field shows that there is still much space for improvement.
- Banks and mobile network operators have built a digital payment infrastructure over the last 10 years on which today's payment startups are building upon. Today's Fintechs are on their way to challenge the existing incumbents by being more customer-oriented and by integrating different networks into more centralized platforms.



Graph 11: African FinTech equity funding by segment (2015-2021) in \$M



Graph 12: payments and remittances startups in Africa by country

THE AFRICAN FINTECH PAYMENTS LANDSCAPE

ONLINE / MOBILE PAYMENTS / DIGITAL WALLETS

- Fintechs within this sector mainly focus on mobile transactions across their platforms.
- Regionally built payment networks are important for these Fintechs to scale.
- Platform providers are steadily increasing their networks to strengthen their market presence, in-/+organically.
- Due to high fragmentation of the market, many different players are emerging and able to hold ground.
- Fintechs from this space are challenging mobile network operators (MNOs).



MONEY TRANSFER / FX

- There is a current need for migrant communities to transfer money efficiently across Africa or to Africa.
- Fees to transfer money to Africa can be as high as 22%.
- Fintechs within this sector are challenging existing global money transfer operators (MTOs) which include: Western Union, Moneygram, WorldRemit, Azimo, ...



PAYMENT PROCESSING / POINT-OF-SALE / GATEWAYS

- Fintechs within this sector offer platforms to access online and offline payments among merchants, payment service providers, organisations and individuals.
- These platforms provide payment infrastructures across Africa and globally.



KYC / AML

- Fintechs within this sector are building upon existing payment platform providers. They integrate as additional settlement layer to enable and improve the identification process for payment users.
- This constitutes still a huge gap in the market which is underserved. As payment users do not all have the same identification documents these Fintechs enable payment platforms to stay conform with regulations.



CARD-BASED PRODUCTS / PRE-PAID

- Fintechs within this segment provide virtual or physical cards to retail customers but also to digital banks, mobile wallets, transfer providers and telcos.
- This enables Africans to buy online, import goods or even start businesses. Mastercard and Visa support these card-providers to offer credit cards.



THE ROLE OF MNOS IN AFRICA'S PAYMENTS ECOSYSTEM

THE BUSINESS MODEL OF MOBILE NETWORK OPERATORS (MNOS)

- Mobile network operators have taken the lead in Africa to provide basic payment services offering mobile network subscribers to carry an electronic wallet on their phone to pay bills and transfer funds including through text messaging.
- MNOS receive commissions on transfers and withdrawals and pay commissions to agents which provide cash-in and cash-out services to customers. This requires MNOS to run digital payments processing platforms and to build out physical agent networks for cash services that fund the payments system.
- MNOS in Africa include: MTN, Airtel, Vodafone, Safaricom, Orange, among others.

COMPETITIVE ADVANTAGE OF MNOS

- MNOS are best positioned to reach the unbanked population with financial services on the African continent. They have a cost advantage over typical banks which incur bank and ATM network costs which need to be dense to ensure good service. Additionally, MNOS are well positioned to market their mobile money products to their existing clients who use general pre-paid phone services.
- These factors enabled fast scaling over the last years, but they are still largely benefitting from its network effects today. The network effect has created a strong barrier to entry which other alternative payment systems have to overcome.
- Consequently, mobile carriers dominate payments in Africa today. They have led the surge in mobile payments which has led to less utilization of card-based payments. Millions of Africans who still do not own a bank account are now managing their finances through mobile based offerings which has deeply shaped the payments space and fostered financial inclusion.

REGULATIONS AROUND MNOs AS OPPORTUNITY FOR FINTECH PLATFORMS TO SCALE

- Most countries allow MNOs to operate under a simple payment service provider license. With these licenses MNOs can open their own mobile money accounts. Only for savings and loans products they would have to partner up with a bank or financial institution.
- However, not in all cases. In Nigeria or Mozambique, for example, MNOs are not allowed to open mobile money accounts. Only banks and licensed corporations receive permission. Hence, Nigeria, Africa's largest economy, has one of the lowest mobile money adoption on the continent. This regulatory environment has given rise to several Fintech companies, as for example Paga, targeting the need of digital financial services but in an environment where typical MNOs were unable to scale.



Sources: AfricInvest (2016), FT Partners (2019), International Finance Corporation (2019), Interviews (2021)

MOBILE MONEY SERVICES

ATTRACTIVE BUSINESS SEGMENT

- Mobile money services remain highly attractive commercially as fees charged by providers are among the highest in the world with about 2% of total transaction value. Annual revenues can reach US\$29 per active registered user according to a McKinsey study.
- Regulatory jurisdictions, however, determine whether MNOs are permitted to tap into the market. Kenya, therefore, has the highest mobile money adoption rate in SSA due its favouring law. In comparison, Nigeria has the lowest due to a ban for MNOs to operate mobile wallets.

AGENT NETWORKS REMAIN A CRUCIAL INTERMEDIARY

- Agents are an important component of digital financial services implementations of mobile money. Agents provide cash-in and cash out services and act as the face of the digital financial services providers to users. Agent involvement includes all aspects that relate to customers, products and user experience.
- It is observable that the agent network remains the weak physical block in the digital value chain and shows a physical network dependency for mobile payment operators. If an agent network appears weak the entire payments venture could be at risk.

MOBILE MONEY PROVIDERS

1 MNO-based:

Under this category the MNO covers the telecommunication network, holds responsibility for payments issuing and processing and runs its own physical agent network. A bank holds the deposits for the MNO. Players include: M-Pesa, MTN, Orange Money and Tigo Money.

2 MNO-based partnership:

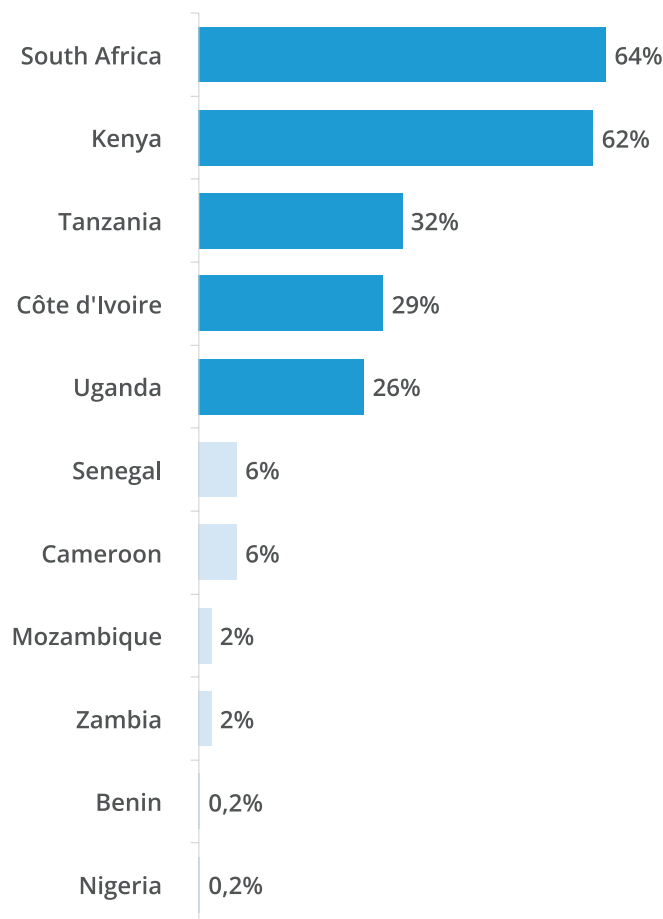
Following this model, the MNO offers payments service to its users while a bank supports by offering adjacent products to complement to payment platform with for example consumer loans. Players include: M-Shwari and Safaricom.

4 Fintech solutions:

This category covers all emerging Fintech platforms that are challenging MNOs. These platforms operate as fully integrated payment companies enabling users to transfer money via their phones and make purchases online on e-commerce websites. Players include: Paga, MFS Africa, among others.

3 Bank-based partnership with MNOs:

Under this model, the bank takes advantage of its agent networks to provide cash services and its payments processing capabilities while partnering up with an MNO for the telecommunication network to offer mobile money services. An example of this is Equitel which runs a partnership between Equity Bank and Airtel in Kenya.



Graph 13: active mobile money users/adult population

REMITTANCES TO AND IN SUB-SAHARAN AFRICA

REMITTANCES TO SSA SHOWING RESILIENCE DESPITE COVID-19 CRISIS

- Remittances to Sub-Saharan Africa are regaining momentum. African countries were hit significantly by the Covid-19 pandemic. Nevertheless, remittance inflows to Sub-Saharan Africa are expected to grow by 6.2% to \$45 billion in 2021, from the pandemic-affected year of 2020 and by 5.5% in 2022 to \$48 billion. This is mainly driven by remittances of African migrant-workers despite worsening economic conditions.
- Nigeria continues to show the highest remittance inflows into Sub-Saharan Africa due its enormous migrant base of estimated 800,000 people concentrated within the United States (47%) and the United Kingdom (28%). Kenya also stands out, the country's remittance inflows increased by 15% from 2015 to 2021 on a year-on-year basis with 19% over the last year.

MIGRATION TRENDS

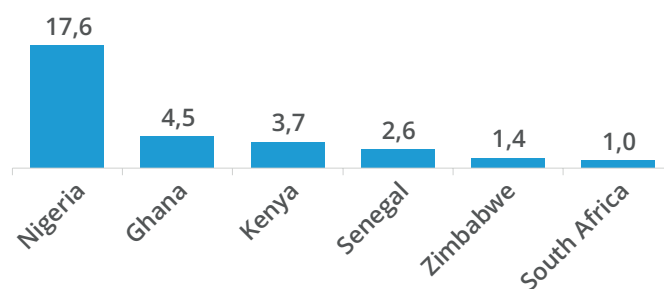
- Migration of African nationals to key migration countries is increasing despite tightening immigration legislation by the United States and the EU. In the US for example, the African-born population increased by 52% to above 2 million migrants while the foreign-born population only grew by 12% from 2010 to 2018. Reasons for migration included military conflicts, but also economic reasons have been motivating highly skilled workers and students from countries like Nigeria, Kenya or South Africa to migrate. In Europe, flow of migrants is mainly driven by asylum applicants. From 2010 to 2018 over 1 million Africans have been seeking asylum in European countries.

REMITTANCE FEES

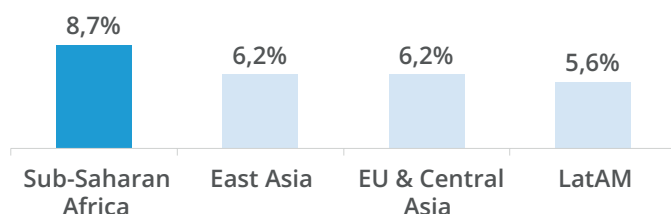
- Sub-Saharan Africa constitutes one of the most expensive regions to send remittances to. Costs for sending remittances in the region were on average 8.7% in the first quarter of 2021 compared to 8.9% in the first quarter of 2020.
- Intraregional remittance costs are found to be even higher for some remittance corridors which can reach as high as 23% (Tanzania to Uganda). This has a significant effect as migration within Africa represents more than 70 percent of all international migration in the region. The high fees can be related back to small transfer amounts and the usage of black-market exchange rates.

THE OPPORTUNITY

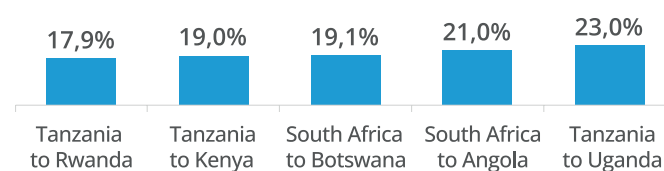
- The resilience of Africa's remittance market driven by continuous migration within and out of the continent and the inefficiencies across international payment corridors presents a large opportunity for Fintechs today. Payment innovators have the chance to tap into a profitable market, enable efficient cross-border payments and challenge today's incumbents, as for example Western Union.



Graph 14: top remittance recipients in ssa in 2021 (\$BN, 2021E)



Graph 15: % cost to send \$200 internationally (receiving regions) - Q2 2021



Graph XVI: five most expensive remittance corridors

REMITTANCE SYSTEMS IN AFRICA

REGIONAL PAYMENT SYSTEMS ARE DETERMINING THE EFFICIENCY OF INTERNATIONAL PAYMENT MECHANISMS

- Cross-border payments in Sub-Saharan Africa are dominated by correspondent banking relationships. Fragmented national payment systems are hindering economic integration in the region and open trade among African states.
- For regulators, the improvement of intraregional remittances is inevitable. National payment systems would need to be reformed into intraregional agreements to enable efficient payment mechanisms. Common initiatives are in place, nevertheless, regulators are progressing slowly hindering the establishment of efficient international payment rails in Africa.
- Currently, there are regional payments systems under development by African authorities to set up cross-border payment infrastructures. These are aimed at improving payment flows between participating countries. The initiatives include:
 - SADC Real-Time Gross Settlement System (SADC RTGS), West Africa Economic and Monetary Union (WAEMU), East Africa Payment System (EAPS), The Economic and Monetary Community of Central Africa (CEMAC), Regional Payment and Settlement System (REPPS), Regional SADC Clearing House (RACH).

INEFFICIENT INTRAREGIONAL PAYMENT RAILS OPEN THE OPPORTUNITY FOR FINTECHS TO INNOVATE

- Today, African payment corridors are missing effective regulatory frameworks to enable efficient international payment mechanisms in Africa. This has opened-up the opportunity for Fintechs to target the space since there is clearly a demand for efficient cross-border remittances driven by African migrants and international trade.
- Payment platforms like MFS Africa, Mukuru or Paga are targeting the space by setting up individual API based mobile payment platforms consolidating payment value chains and expanding payment networks to increase their reach. This approach has been showing success, however, there is still room for improvement. Industry-led interoperability initiatives could potentially support the alignment of payment corridors across platforms and improve international remittances even further.

INEFFICIENT INTRAREGIONAL PAYMENT RAILS OPEN THE OPPORTUNITY FOR FINTECHS TO INNOVATE

hellopaisa

MFS AFRICA



 paga

SureRemit

Wari



KYC/AML A CHALLENGE BUT ENABLER FOR PAYMENTS

OVERVIEW

- In nearly all countries, payment platforms and mobile money providers are required to comply with regulations put in place to counter money laundering and terrorist financing, as well as other forms of wrongful finance practices such as tax avoidance. KYC (“Know Your Customer”) is the requirement whereby a company needs to verify the identity of its clients and further assess any potential risks of illegal actions.
- Today, Fintechs are pursuing innovative approaches to conduct customer identification and verification. Innovators can enable payment platform providers to attract new customers especially migrants and from lower-income regions while staying in-line with regulatory requirements.



CHALLENGES

Regardless of the growth and establishment of payment platforms, KYC requirements are hindering payment platform providers to expand across Africa.

● **Slow regulators:**

Slow acting authorities on KYC/AML regulations inhibit the development of payment networks across markets in Africa. Regulators must act in line with fastmoving markets and technological developments. Regular information exchanges between industry experts and respective authorities could improve this issue which is currently presenting a barrier for Fintechs to scale.

● **Overlapping regulations:**

In many African countries, mobile services and financial services underly different regulatory jurisdictions. This creates inefficiencies due to separate KYC requirements which need to be met by payment platform providers.

● **Duplicate KYC onboarding systems:**

Africans that would like to transfer money within a country or across borders need to use different payment providers for different use-cases. These providers often require separate KYC processes which has created the need for faster and more efficient KYC onboarding solutions.

● **Lack of strong national ID systems:**

A high number of Africans lack an official ID and many concurrently lack a financial account. Identification documents highly differ among African migrants which increases the difficulty for proper KYC for cross-border payments. Different providers have different requirements which ultimately leads to unfair treatment regarding payment offerings and represent a barrier for payment platform providers.

THE OPPORTUNITY

- When implemented efficiently and effectively, KYC procedures reduce compliance costs for payment providers. This can increase the profitability of low-income clients and improve the attractiveness to target underserved markets. Additionally, customer experience can be enhanced due to faster account registrations and better mobile access. This opens a great market opportunity for Fintechs focusing on innovative KYC solutions and pushing companies to become more efficient in this regard.

TECHNOLOGY TRENDS FOR PAYMENTS

RETAIL PAYMENTS

I APIs and QR codes are expected to improve and find wider application to enable more convenient and cleaner payment processes.

Driven by the need of contactless payments during the pandemic, payment platforms are increasingly improving their offerings through both technologies. This ultimately enables more user-friendly, faster and cost-effective merchant payments.

II Payment providers are increasingly taking advantage of harnessing the payments data their platforms are gathering from users.

Customers are increasingly onboarded onto single payment platforms to conveniently make all day-to-day transactions from one place. This payments data gives payment providers the opportunity to address new client segments and customize products.

III More stringent customer authentication could be expected to be put in place by regulators in the near future.

Third-party apps are currently using APIs initiating payments against existing bank and prepaid accounts held with different providers. Due to third-party providers not handling customer funds there is a greater need for banks to prove respective customer authentication by giving access to bank accounts to initiate the transaction.

IV Further expansion of tokenization is currently driven by global payment card providers and is a parallel trend to open APIs. This technology integrates payment card identification in smartphones to initiate payments and is driven by users looking to for contactless payments with merchants. A trend finding increasing popularity during the pandemic. It is used by third-party mobile applications to make payments through Samsung Pay and Apple Pay which are linked to payment card accounts.

LARGE-VALUE PAYMENTS

I Technologies involved within large-value payments are aiming at increased consolidated structures to improve payment mechanisms, enable real-time settlement of transactions and expand the international network of payment corridors. Mobile based technologies which have mostly been used for lower-value and higher-volume transactions in the past are now increasingly finding application in larger-value transactions. However, KYC and liquidity aspects are the main challenges for providers enabling larger-value transaction features.

II Besides existing mobile based technologies, the distribution of computing technologies for large-value payments is being explored in several countries. Many of these include the usage of distributed ledger technology (DLT). The main challenges currently include major changes to current payment ecosystems which would impact users, participants and markets. Consequently, the market appears more hesitant to widely apply blockchain payment systems. Regulators are also observing the technology more critically especially in regard to crypto currencies.



CASE STUDY: MFS AFRICA

MFS AFRICA

BUSINESS MODEL

- MFS Africa was founded in 2009. The company is running a payment network on the African continent facilitating domestic and cross-border payments using mobile money schemes. MFS Africa was able to set foot into the market through the inefficiencies within a close loop mobile money system which restricts the utility of these payment systems. The company is addressing the problem of interoperability of payment systems within African countries, as well as between countries.
- The company has established a single platform serving banks, money transfer operators, mobile money operators, global card / payment networks, and Fintech platforms / PSPs to access a broad range of mobile wallets across Africa for money transfer, merchant payments and airtime use cases. Today, MFS Africa is active in more than 30 countries, connects 340m+ mobile wallets and covers 600+ cross-border payment corridors.
- By entering into a strategic partnership with Visa, MFS Africa was able to enter the pre-paid cards segment. It allows the company's clients to send money transfers via Visa Direct rails and create virtual Visa cards linked to mobile wallet accounts to make payments.
- **"Key competitive advantages of MFS Africa is the breadth of its network, coverage of licences and the volume of mobile money wallets it has. This is of course enabled by a world class team, board and advisors."**

Dhanyal Davidson

Associate Partner, Goodwell Investors

YEAR	SIZE	ROUND	INVESTORS
2021	\$100m	Series C	AfricInvest, Goodwell Investments, LUN Partners, CommerzVentures, ...
2019	\$20.6m	Series B	LUN Partners, Goodwell Investments, Equator, ...
2015	\$2.8m	Series A	SSAT, Safika Holdings, FMH
2011	\$0.6m	Seed	FMH

Sources: Company website (2021), Crunchbase (2021), Interviews (2021)

Interviews included: Fintech investors Dhanyal Davidson (Associate Partner) at Goodwell Investors, Stefan Tirtey (Managing Partner) & Jonas Wenke (Senior Associate) at CommerzVentures

M&A / INVESTMENTS / OUTLOOK

- In 2021 MFS Africa acquired Baxi, one of Nigeria's leading super-agent networks. Agents are a key piece in the mobile payment network as they enable cash-in-cash-out and serve as a point for remittances as well as other services. Therefore, this acquisition marked an important expansion milestone for the company's payment network.
- There is further potential to acquire players with licenses which MFS Africa does not yet have as well as services which build on top of MFS Africa's API. In 2020, MFS Africa acquired Beyonic, a payments provider for SMEs and Fintechs across Africa. Beyonic can now use the MFS Africa network to deploy its services.
- Given MFS Africa's last \$100m financing round in 2021, the payments company is now focused on growth and expansion. Proceeds are mainly invested into the growth of its staff to build out its platform.
- Additionally, through its venture vehicle MFS Africa Frontiers the company is focused on financial inclusion. Recent investments include: Julaya and Maviance.



Jonas Wenke
Fintech investor



“MFS Africa is well equipped with a world class management team which has both deep local and international payments expertise to strengthen its position as leading mobile money hub on the African continent and to confront the ongoing challenge of cross-border payments.”

CASE STUDY: PAGA



BUSINESS MODEL

- Paga was founded in 2009 with the purpose to enable simple access and use of mobile money for Africans. Today, the company is the leading mobile money operator in Nigeria where it has over 18 million unique users.
- The company runs a payments and financial services platform focusing on helping both consumers and sellers pay, get paid, and access financial services. Paga has built a telecom agnostic platform, solving the problem of inoperability across mobile service providers.
- Paga enables consumers to access and use money through a neighbourhood store (agents) or via their mobile phone (smartphone or feature phone). The company also enables sellers to sell more efficiently and access financing. Additionally, Paga opens its APIs to third-party partners to enable possibilities for other Fintechs to offer innovative solutions.
- The company is a licensed mobile money operator, international transfer operator and has also obtained a banking license. For its user verification, Paga runs a three tier KYC structure on its platform conform with Nigerian Fintech regulations. Name and phone number suffice for verification of small transactions done by most users. For larger transactions senders must provide more detailed ID verification. Especially markets in the Western nations typically require more identification. The Nigerian BVN (Bank Verification Number) is for example used to receive remittances internationally.

YEAR	SIZE	ROUND	INVESTORS
2018	\$10m	Series B	Global Innovation Fund, Omidyar Network, Goodwell Investments, Unreasonable Capital, Adlevo Capital
2015	\$15m	Series B	Adlevo Capital, Acumen, Goodwell Investments, Omidyar Network
2012	\$9m	Series A	Adlevo Capital, Capricorn Investment Group, Goodwell Investments, Omidyar Network

OUTLOOK & EXPANSION PLANS

- As the leading mobile money operator in Nigeria, Paga's growth ambitions today are focused on both expansion within Nigeria and to new African regions. The next country the company is planning to expand to is Ethiopia. Paga has already obtained regulatory approval within the second most populated African country. Furthermore, a bank partner is helping the company rolling out its payment services across the region. Additional expansion is planned in both North and West Africa.
- Moreover, Paga is constantly expanding its payment ecosystem and network. This has opened the opportunity for the company to integrate lending products on its platform. This gives users access to new financial products which is the next logical step for the company as it continuous to grow.
- Another growth channel for the company constitutes the API integration of new Fintech providers. Paga has built the infrastructure to address many financial needs. Other financial innovators are now enabled using the Paga wallet to transact on their platform.



Jay Alabraba
Director & Co-Founder



“Our agents are higher service agents and a place for customers to get educated. Agent networks will stay essential to on and off ramp cash for our users since cash will remain a central mean of payment in Nigeria.”

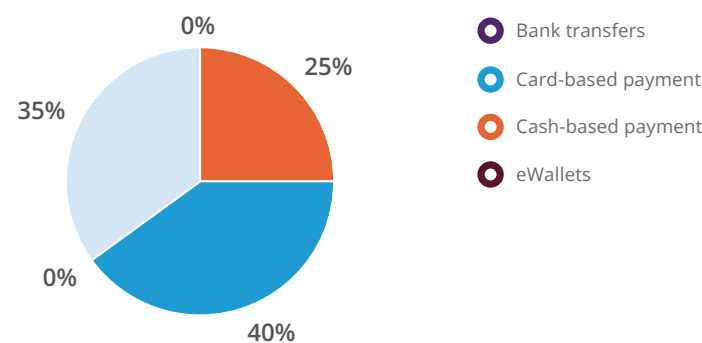
KENYA: SPOTLIGHT ON THE REGIONAL PAYMENTS MARKET



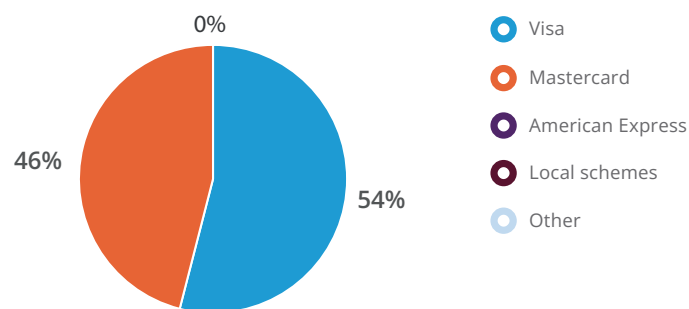
A MOBILE MONEY LEADER

- Kenya is the African country with the most successful adoption of mobile wallets and its banking sector is also relatively advanced. The Kenyan government has greatly committed in the past to financial inclusion and innovation which has played a major role in the growth of its payments sector. It has allowed MNOs to roll-out mobile money schemes and to set-up partnerships with banks to enable more accessible financial services.
- The country is home to mobile money's greatest success story: M-Pesa. The company enables clients to use their SIM cards as a digital bank account and transfer money via SMS or make payments. It also allows customers to cash-in and cash-out funds through their phones. Today, the company is the leading mobile payments operator in the country owning 81% of mobile money accounts, followed by Equitel which owns 19%.
- To foster Fintech innovation, the country has launched a regulatory sandbox. Under this program Fintech companies are able to test new applications within the field of robo-advisory or blockchain technology. The company can operate this testing environment for one year before applying for regulatory approval.

	KENYA	SSA	WORLD
Population (million)	53.8	1,136	7,817
GDP (\$US bn)	99.3	1,661	85,534
GDP per capita (\$US)	2,039	1,462	10,949
Banked population	56%	43%	67%
Credit card penetration	6%	5%	19%
Mobile internet penetration	40%	28%	62%
Unique mobile subscribers	43%	46%	70%
Online population (million)	21.5	318	4,811



Graph 16: Retail payment type breakdown¹



Graph 17: Card scheme breakdown

Online / Mobile Payments / Digital Wallets



Merchant Acquiring / Processing



¹ Based on eCommerce payments
Sources: FT Partners (2019), Interviews (2021), GSMA (2020b), PPRO (2020) , Statista (2017 & 2020), The World Bank (2017)

NIGERIA: SPOTLIGHT ON THE REGIONAL PAYMENTS MARKET

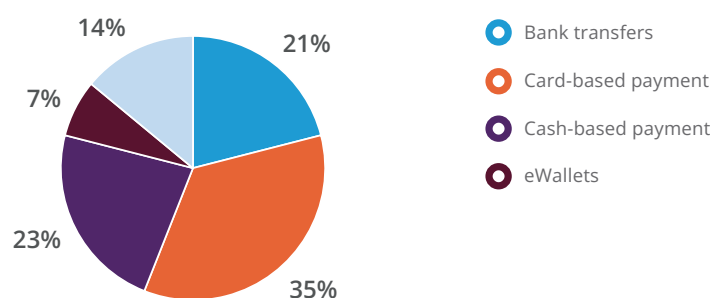


AFRICA'S LARGEST ECONOMY WITH SPACE FOR MORE INNOVATION IN PAYMENTS

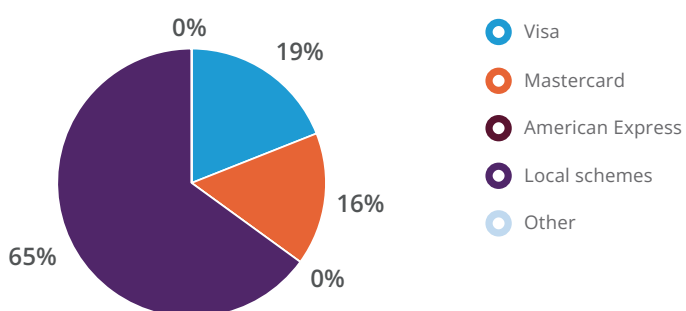
- Despite being the largest economy in Africa the country has the lowest mobile money adoption on the continent. In Nigeria MNOs are not allowed to open mobile money accounts. Only banks and licensed corporations receive permission. Further challenges for the payments space include the country's limited communication network as well as its stringent Fintech regulations.
- Nevertheless, the country has remarkably young population with an online population of over 100m people which are willing to use digital platforms and who receive increasing access.
- Nigeria also stands out as it has the highest remittance inflows in the region due to its large migrant population abroad. Therefore, cross-border payment companies are also increasingly tapping into this market opportunity.
- In order to set foot into the regional payments ecosystem in Nigeria payment platforms heavily rely on super agent networks as well as card-based solutions. Leading players include Interswitch with its Verve Card Network, OPay, Paga, MFS Africa, among others.

YEAR	NIGERIA	SSA	WORLD
Population (million)	206.1	1,136	7,817
GDP (\$US bn)	429.4	1,661	85,534
GDP per capita (\$US)	2,083	1,462	10,949
Banked population	39%	43%	67%

YEAR	NIGERIA	SSA	WORLD
Credit card penetration	3%	5%	19%
Mobile internet penetration	50%	28%	62%
Unique mobile subscribers	51%	46%	70%
Online population (million)	103.1	318	4,811



Graph 18: retail payment type breakdown¹



Graph 19: Card scheme breakdown

Online / Mobile Payments / Digital Wallets



Merchant Acquiring / Processing



Money Transfer / FX



Card-Based Products / Pre-Paid



¹ Based on eCommerce payments
Sources: FT Partners (2019), GSMA (2020b), Interviews (2021), McKinsey (2021), PPRO (2020), Statista (2017 & 2020), The World Bank (2017)

SOUTH AFRICA: SPOTLIGHT ON THE REGIONAL PAYMENTS MARKET



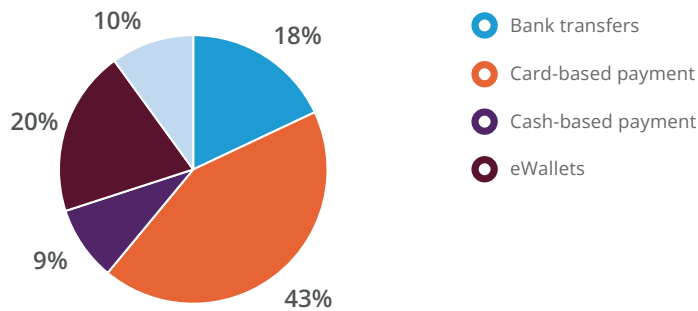
A MORE ESTABLISHED DIGITAL INFRASTRUCTURE OPENING DOORS FOR NEW PAYMENT SOLUTIONS

- South Africa is the most advanced African country in regard to financial services. Its smartphone and credit card penetration is the highest in the region. The country has registered the most bank accounts in Africa and its financial services infrastructure is well established in comparison to other African countries.
- Consequently, the market is shaped by different payment providers e.g. Ozow or Yoco, and payment networks as for example MFS Africa. The more established digital infrastructure increases the attractiveness for foreign investors as recent funding rounds by international investors have shown.
- However, the country still heavily relies on cash as means of payment and its population lacks access to lending and savings products. Given its high internet and smartphone penetration South Africa offers a great opportunity for Fintechs to bring innovation to the market and to address inefficiencies.
- eCommerce is increasingly gaining importance for payments companies in South Africa. This growing demand for convenient payment solutions is driven by the country's increasing penetration of smartphones and its sizable banked population.

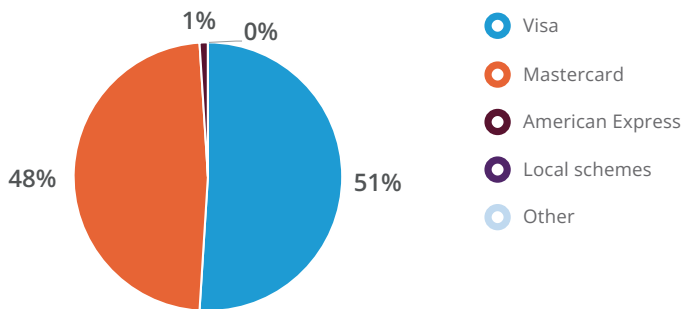
YEAR	SOUTH AFRICA	SSA	WORLD
Population (million)	59.3	1,136	7,817
GDP (\$US bn)	302.1	1,661	85,534
GDP per capita (\$US)	5,067	1,462	10,949
Banked population	69%	43%	67%

YEAR	SOUTH AFRICA	SSA	WORLD
Credit card penetration	9%	5%	19%
Mobile internet penetration	64%	28%	62%
Unique mobile subscribers	76%	46%	70%
Online population (million)	38.0	318	4,811

How Digital Payment Tech is Bringing Financial Services to the Unbanked



Graph 20: retail payment type breakdown¹



Graph 21: Card scheme breakdown

Online / Mobile Payments / Digital Wallets



Merchant Acquiring / Processing



Money Transfer / FX



KYC / AML



¹ Based on eCommerce payments
Sources: FT Partners (2019), GSMA (2020b), Interviews (2021), PPRO (2020), Statista (2017 & 2020), The World Bank (2017)

OUTLOOK & TRENDS

AFRICAN PAYMENT PLATFORMS ARE EXPECTED TO FURTHER EXPAND ACROSS THE REGION

- The payment ecosystem in Africa has put mobile wallets in the focus of payment networks. Mobile penetration is continuously driving growth through further integration of digital and mobile payments in regions underserved by traditional financial services. This has evolved in regions like Kenya primarily driven by MNOs like M-Pesa or in Nigeria by Fintech platforms like Paga.
- Today, there are still many underserved countries where payment innovators have the opportunity to expand to. The main economic regions have seen the most significant growth and development as companies and investors saw the biggest potential there. As ecosystems are evolving and platforms are scaling, Africa's digital payment innovators are now able to apply best practices across new less lucrative regions. Regional banks are increasingly showing interest in partnering up with Fintech platforms to offer entrance to new markets. This is best seen in the case of Paga where an Ethiopian banking partner today is enabling a launch of Paga's payment platform in Ethiopia.

THE ECOSYSTEM HAS SPACE FOR SEVERAL PLATFORM PROVIDERS

- Payment innovators are approaching markets from different perspectives given the regulatory jurisdiction they have to adhere to. This ultimately shapes each market dynamic separately. This is proof that the market is large enough and its fragmented nature gives enough space for different payment platforms to evolve and scale. Therefore, it can be expected that several payment platforms will keep expanding by continuously integrating new payment layers to solve network inefficiencies and bring digital payments to the African population.
- Payments have been a huge driver for financial inclusion as it has brought digital financial services to millions of unbanked Africans. A trend which is still ongoing and far from completed given the still high concentration of unbanked Africans across the continent. Consequently, the remaining market potential bears the need for further payment players to emerge as the market is still developing.

MIGRATION DRIVES FOCUS ON INTERNATIONAL REMITTANCES AND IDENTIFICATION CHALLENGES

- Migration within and outside of Africa remains a driver impacting payment identification systems. Current challenges include different KYC requirements while operating across different markets. Platforms are increasingly becoming more customer oriented and friendly as Fintechs are slowly overtaking traditional remittance players. This raises the need for innovators enabling smooth and cost-efficient onboarding and payment systems.

THE USE-CASE OF BLOCKCHAIN IS STILL OUT OF REACH

- New technologies like decentralized ledger technologies still seem to be too inefficient to structurally change the market environment. Market sentiment confirms the appetite and interest for better and improved payment system technologies. However, the required changes within digital infrastructure appears to be a barrier for the technology to find wide application so far across African payment platforms.
- Furthermore, most African regulators remain highly bearish and sceptic when it comes to crypto currencies including stable coins. Therefore, many of the leading payment networks in Africa are not focusing on integrating blockchain technology within its payment ecosystems yet given the regulatory push-back in many countries.

Sector Deep Dive: How Lending & Banking Tech Drives Financial Inclusion Across Africa

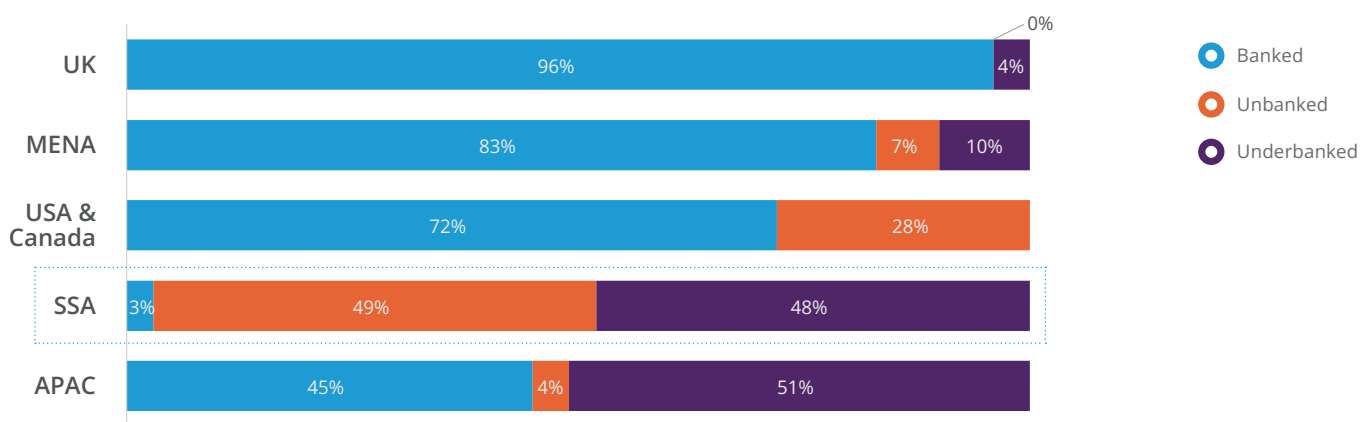
CHAPTER IV

INTRODUCTION – UNBANKED POPULATION AS A BREEDING GROUND

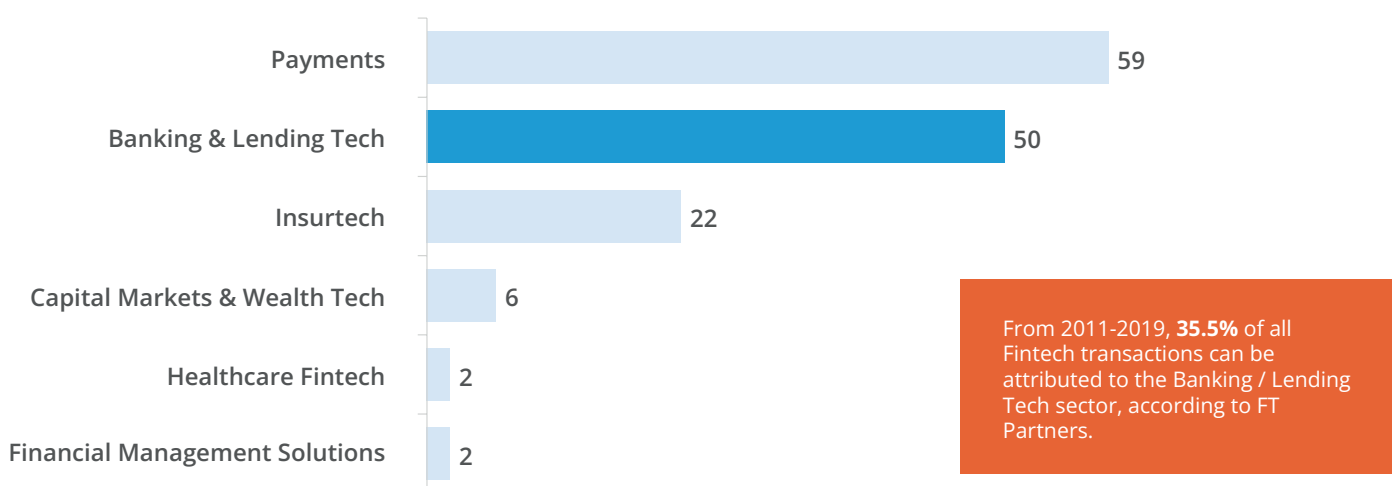
INTRODUCTION

- Financial technologies in lending and credit financing have continued to increase over the past years as Africans continue to face difficulties in accessing credit-based services.
- These barriers are often due to either the lack of relevant local product offerings or the lack of data available regarding the credit scoring system on which credit-based services are based. Large parts of the population living in rural areas with relatively poor transport infrastructure have thus been excluded from the traditional financial system.
- In the four largest African markets alone, there are 230m unbanked people, equivalent to 70% of the US population. With 123m unbanked residents, Nigeria is one of the countries with the most unbanked people globally. The low-income level and relatively unattractive unit costs for banks lead to little incentive for banks to increase their branch density.
- The limited banking infrastructure is particularly noticeable compared to the US: While Sub-Saharan Africa has only 4.5 bank branches per 100,000 inhabitants, the US has seven times more. Account ownership is at only 40% in Nigeria, compared to 82% in Kenya and 69% in South Africa. Egypt even undercuts Nigeria's negative record with account ownership of 33%. Although Kenya's account ownership appears relatively high, this is deceptive. Only 68% of those accounts are with financial institutions.
- Finally, more technology-enabled solutions are entering the market to give the unbanked and underbanked segments of the population access to financial services. As the table on the right shows, the potential of digital lending platforms serving these segments is vast and impressive.
- The Banking & Lending Tech sector is the second largest sub-sector within Africa's fintech ecosystem. Even though this sector was initially in the shadow of the payment sector, it grew rapidly and impressively. According to Disrupt Africa's 'Finnovating for Africa 2021' report, there are 134 lending and financing startups in 2021, experiencing an increase of 42.6% over the last two years.

Sector Deep Dive: How Lending & Banking Tech Drives Financial Inclusion Across Africa



Graph 22: banking status of borrowers from digital lending platforms



Graph 23: total transactions by sector (2011-2019))

Sources: Disrupt Africa (2021), FT Partners (2019), Kariuki (2021a), The World Bank (2021), Ziegler et al. (2021)

Notes: An unbanked person does not have a checking or savings account with an insured institution. An underbanked person has one but has regularly used alternative financial services in the past 12 months.

INFORMAL BANKING SECTOR STIMULATING THE DIGITAL CREDIT PROLIFERATION

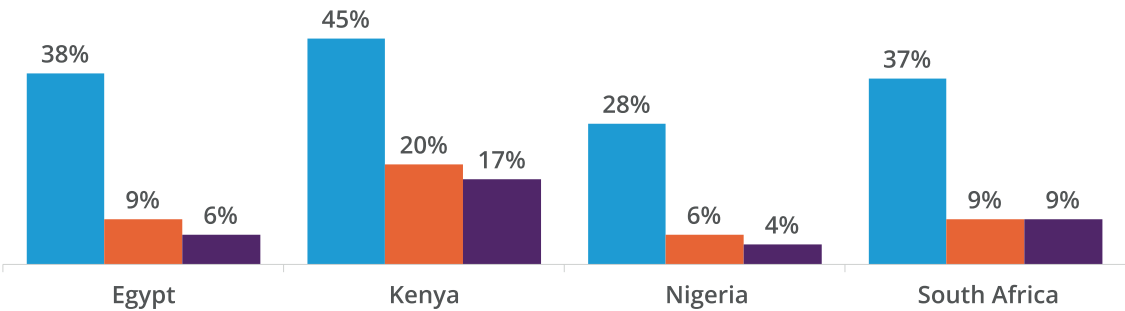
INFORMAL SECTOR CONTRIBUTING 55% TO THE GDP OF SUB-SAHARAN AFRICA

Africa’s economy is marked by private informal employment, non-wage employment, and informal savings and credit. According to the African Development Bank Group, the informal sector comprises approximately 55 % of the sub-Saharan African GDP and 80 % of the labor force.

The informal banking sector is marked by the popularity of ROSCAs, informal loans, and SACCOs:

1. Rotating saving and credit associations (ROSCAs) are groups of people who meet regularly and deposit a fixed amount of money into a pool. One group member takes the entire collection according to a set schedule at each meeting. ROSCAs are also called Sou-sous in West Africa, Chama in East Africa, or Xitiques in Mozambique.
2. Informal loans include borrowing from family and friends, kiosks, MFIs, and other private lenders outside the banking sector.
3. Savings and credit cooperatives (SACCOs) offer their members savings and credit products otherwise inaccessible to many.

- Family & Friends
- Saving Club
- Financial Institution



Graph 24: what are the main sources for borrowing?

EVOLUTION OF DIGITAL CREDIT PRODUCTS

- Back in 2015, the Groupe Spéciale Mobile Association (GSMA) defined digital credit as “a credit service available on basic mobile devices, and allows customers to borrow an unsecured loan and repay within a specific timeframe via mobile money.”
- The origins and evolution of the digital lending ecosystem can be traced back to the launch of M-Shwari in Kenya in 2012. M-Shwari is a blended savings and credit product launched as a collaboration between the Commercial Bank of Africa (CBA) and mobile operator Safaricom.
- The M-Shwari account is provided by the CBA and offers micro-savings and credit facilities to the millions of customers of the M-Pesa mobile phone provider. M-Shwari benefits from a vast database of M-Pesa transactions, data, and airtime usage, amongst others.. Such data is, in turn, utilized to run a credit assessment to ensure that M-Pesa customers can also attain microcredit. More than 50% of M-Shwari accounts were held by the consumer without bank account ownership.
- MNOs in other countries have also responded. In 2014, the MNO Vodacom launched M-Pawa in Tanzania, Airtel launched Timiza in Tanzania, and MTN launched Mjara in Ghana. In 2015, Airtel launched Eazzy Loans in Kenya. M-Pesa launched KCB M-Pesa, another digital credit product in partnership with Safaricom and Kenya Commercial Bank, attracting more than 10 million customers.
- The advent of M-Pesa as the payment layer of the Kenyan financial system, the maturation of digital financial customer information, and finally, the emergence of the credit bureau model in 2013 was substantially needed to catalyze digital lending in Kenya. Driven by MNOs, Africa has seen a wave of new digital credit offerings. Non-bank financial institutions have also entered the market. Today's leading providers, Tala and Branch, were established in Kenya in 2014 and 2015.
- Overall, the proliferation of digital credit has contributed significantly to the development of financial inclusion, expanding financial services beyond digital payments with the promise of reaching the underserved population.

EMERGING FINTECH PLAYERS IN THE LENDING SPACE

VARIOUS FORMS OF DIGITAL LENDING

- 1 Platform-as-a-Service (PaaS) providers** offer credit scoring and matching services as white label solutions and partnerships with banks and MNOs.

Example: One of the leading white label solutions providers in the lending space is Jumo, a South African banking technology provider that enables banks to offer loans and savings products via mobile devices and USSD shortcodes. Jumo partners with MNOs (e.g., Airtel), domestic banks (e.g., Ecobank), and technology companies to offer financial services to entrepreneurs with limited credit histories or prior account ownership. By using behavioral data from mobile usage, Jumo creates financial identities for customers and connects them with financial products. Today, more than 18 million people and small businesses benefited from more than 100m individual loans. By maintaining a cost of risk at 4%, they could disburse \$3b in funds since inception in 2015.

- 3 On-balance sheet lenders** make loans on their books and finance them directly using debt or equity. Licensed banks can use customer deposits in this case.

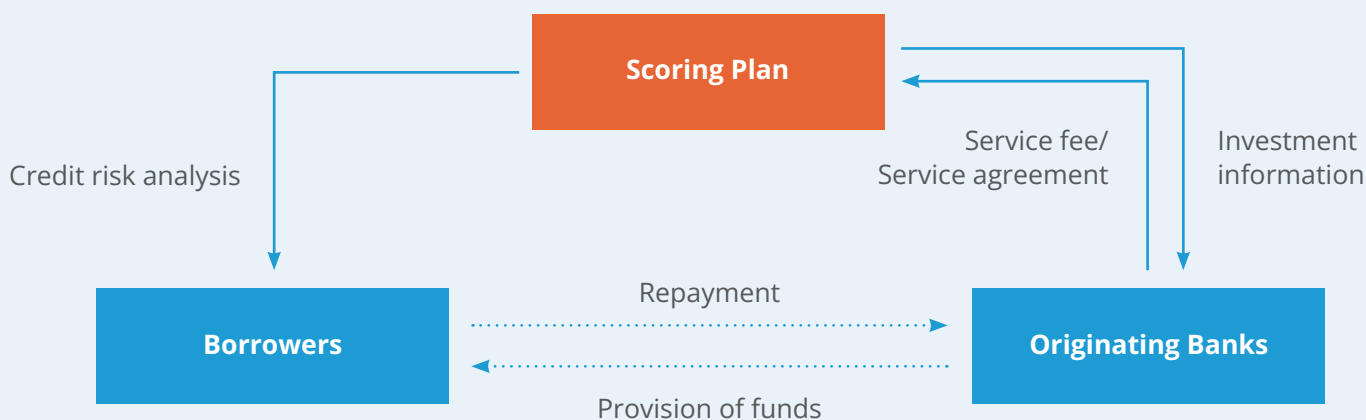
Example: One emerging direct lender is Tala, a provider of mobile financial services, using cell phones and behavioral data to provide loans to underserved customers. 85% of the customers get credit in less than 10 minutes.

- 2 Platform lenders** provide intermediation services between loan claimants and lenders, whether institutional investors (i.e., "marketplace lending") or individuals ("person-to-person, P2P")

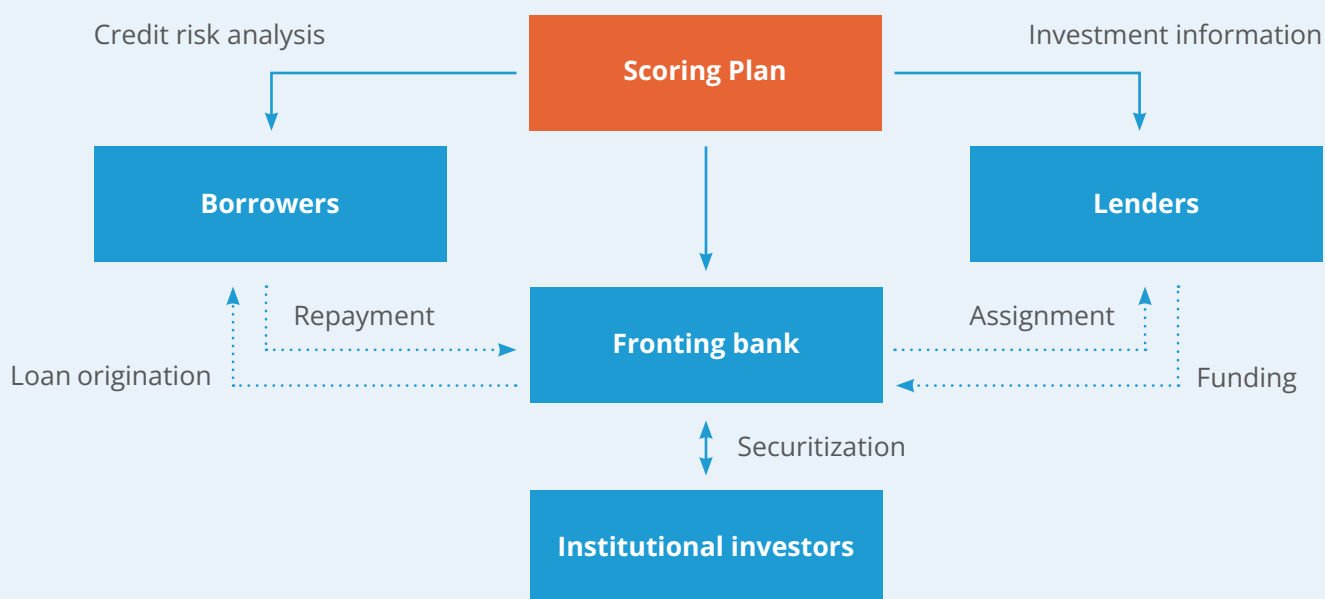
Example: The Nigerian fintech Kiakia is a marketplace for credit scoring and matching lenders with borrowers in real-time by leveraging machine learning, big data, digital forensics, and social collateral.

- 4 Ecosystem providers** gather data points from existing customers, such as merchants on e-commerce platforms or payment platform users, and exploit the data to determine the potential customer's creditworthiness. Examples include big tech companies such as Alibaba, Amazon, and PayPal.

PLATFORM-AS-A-SERVICE (PaaS)



PLATFORM LENDING



Graph 25: Platform-as-a-Service business vs. Platform Lending models

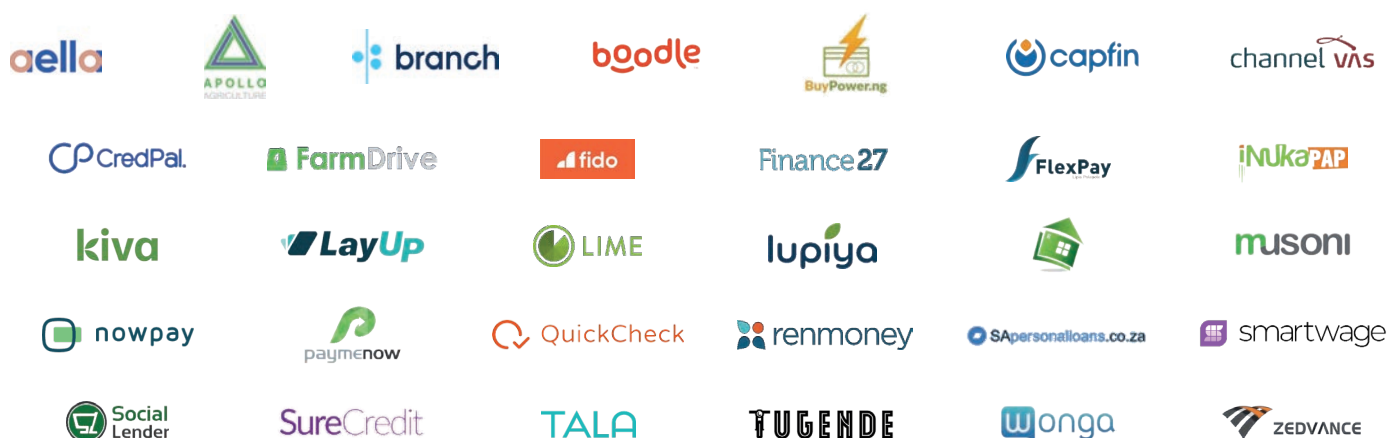
Flow of funds
 Flow of information

MAPPING THE DIGITAL LENDING ECOSYSTEM

GENERAL OVERVIEW

- According to Disrupt Africa's 'Finnovating for Africa 2021' report, there are 134 lending and financing startups in 2021, accounting for 23.3% of the continent's Fintech companies. This represents an increase of 42.6% over the last two years and 44.6% in the previous four years.
- Nigeria accounted for 36 Startups, a 50% increase from 2019. South Africa contributed 32 companies, a 28% increase from 25 Startups in 2019 and 22 in 2017.
- Kenya has 27 startups (28% increase since 2019), and Egypt recorded a 200% increase with nine companies.
- Overall, the alternative finance volume in Sub-Saharan Africa amounts to \$1.2b, experiencing a 10% growth from 2019.
- The ecosystem can be clustered in consumer lending, SME lending, marketplaces & alternative lending as well as infrastructure services (incl. white-label and API lending platforms)

CONSUMER LENDING



Sector Deep Dive: How Lending & Banking Tech Drives Financial Inclusion Across Africa

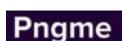
SME LENDING



MARKETPLACE / ALTERN. LENDING



INFRASTRUCTURE SERVICES



BFREE – AUTOMATING THE COLLECTION PROCESS FOR DIGITAL LENDERS

STARTUP SPOTLIGHT: BFREE



INVESTOR PROFILE – BFREE

Headquarter: Lagos, Nigeria

Foundation: 2016

Investment Focus: Early-stage
opportunities in the Fintech space
across Africa & MENA



INTERVIEW PARTNER

Surabhi Nimkar

Principal at GreenHouse Capital

- BFree provides credit collection services to Fintechs in digital lending, pay-as-you-go, and buy-now-pay-later space. While digital lending is not yet regulated and the non-performing loan levels are above-average, lenders give out unsecured loans and demand efficient credit collection processes.
- Expansion Manager Mohammed Al-Salafi criticizes these centers as “they are not user-friendly because they serve the lender at the end of the day and do not care about the borrower as a customer. There is no strategy for targeting people and understanding why they default. In most cases, the collection scares people and threatens them”.
- Bfree manifests that the ecosystem matures as previous employees and executives of leading Fintechs to recognize problems and develop tailored B2B solutions based on their previous Fintech experience. Hence, it is not surprising that they raised a seed round seven months upon inception from Beta Ventures, GreenHouse Capital, and Africa Launch Ventures.
- Prior BFree, the three co-founders experienced the pressing problem of effectively collecting debt when working for the Nigerian challenger bank FairMoney, which offers instant loans. Lenders often require expensive in-house teams focusing on credit management, a fundamentally different operation. As a result, they tend to outsource that to call centers and contact centers.
- Mohammed Al-Salafi even goes further and refers to financial exclusion caused by digital lenders, “because when you as debt collector push people to give back their loans, and you don’t have the money and take another loan to pay back their loan.” Debt cycles become a threat for borrowers.

**"50% OF THE BORROWERS ARE WILLING TO PAY
BUT UNABLE TO PAY"**

What is Bfree's unique approach in collecting debt more effectively?

"With BFree, we do it differently. We try to see the borrower as our customer. We are more user-friendly, customer-oriented, and more efficient. By leveraging automated solutions, we're trying to understand the situation. With the help of machine learning algorithms, we build user cases to understand borrowers better. We operate like AI tools to follow up on people and whether they promise to pay or not. BFree is scalable due to our automation system. We can take extensive portfolios with significantly fewer people. So, our scalability allows more lenders to lend more and better collect data."

Where do you see the role of Fintech and BFree in driving financial inclusion?

"With the help of technology, we can address the problems many people face. We realize that more than 50% of the borrowers are willing to pay but unable to pay. Based on our algorithms, we can understand which people can pay and which are willing to pay. According to each profile or user segment, we can deliver different solutions for those who are either unable to pay or can pay but are not willing to pay. We have, for example, a self-servicing platform. We try to show people how they can pay back and its benefits. In that course, we try to learn from that to develop more targeted solutions. You might then be able to get discounts on your loans in the future. This is one of the ways where we think that we can make a positive impact in the industry. Furthermore, we positively impact lenders as they can do more lending simultaneously. They are less affected by the risk of default. Digital lending is still relatively new in the market, and we changed people's mindsets that debt collection is essential."

As Interim Country Manager of Kenya, where do you see the main differences to Nigeria?

"Nigeria is relatively new in the market compared to Kenya. When looking at total VC funding, it picked up in 2017. Kenya seems most advanced as it is a bit more mature, probably associated with its strong footprint in the payment sector. It was the first country where lenders started to experiment. The mentality is slightly different as there is a negative perception of debt collection. People tend to switch off their phones and not respond because they think they get hurt. So that's a bit more challenging for us to move into a space with such a bad reputation. It is slightly different in Nigeria as it's relatively new and emerging. So, we see differences in terms of debt collection and ethical practices. Another difference might be the foreign price level, as the cost of living in Kenya is slightly higher. We pay our employees three times more in Kenya, which affects our unit economics, business model, and profitability. But at the same time, it's interesting because this is driving us more towards further automation. Finally, of course, there is a cultural difference between both countries."

MOOVE – MAKING CAR OWNERSHIP ACCESSIBLE VIA CREDIT

STARTUP SPOTLIGHT: MOOVE



INVESTOR PROFILE – MOOVE

Headquarter: Lagos, Nigeria

Foundation: 2019

Description: Africa's first mobility fintech that provides vehicle financing to mobility entrepreneurs



INTERVIEW PARTNER

Ladi Delano & Jide Odunsi
Co-Founders of Moove

- The Nigerian Founder Ladi Delano & Jide Odunsi, educated at MIT, Oxford University, and London School of Economics, is driven by the mission to provide revenue-based auto-finance to ride-hailing drivers and enable individuals to „ride out of that base of the pyramid and out of poverty.
- Moove's value proposition is based on three pillars: underwriting, monitoring, and servicing.
- Moove shows how Fintech is more and more targeting other startup verticals, such as mobility, by providing embedded services and leveraging alternate data points. Thereby, partnerships are key.
- Monitoring: For a bank, it is difficult to monitor how the credit is spent. In the case of productive assets such as vehicles, Moove leverages its technology to track the vehicle and the driver: Is the vehicle generating revenue or not? Is the likelihood of loan repayment high?
- In August 2021, the mobility fintech company raised \$23m in their Series A financing round from Global VC, SpeedInvest, and Left Lane Capital.
- Underwriting: Moove uses the alternate data source to price the credit risk. Moreover, they leverage their close relationship with Uber, giving them access to more than 200 data points to the Uber database. The data provide insights concerning the driver's performance, reputation, ratings, and productivity.
- Servicing: In contrast to banks, we control the payment flows and generate revenues. Moove benefits from its partnership with Uber. As a result, Moove receives the revenues generated by the driver directly from the Uber driver.

**"LIMITATIONS DRIVE OUR AMBITION TO SUPPORT
THE BASE OF THE PYRAMID IN AFRICA"**

Where do you see the role of Fintech and Moove in driving financial inclusion?

"We begin to change the world when we stimulate long-term prosperity using technology. Now is our moment to change the world and to change our reality by using technology to convert the myriad of problems that we have on the continent into an economy of opportunity. I also call African entrepreneurs: focus on building Startups that address structural fundamental societal challenges that we have - because we as Africans: if we make today, we can change our tomorrow. And there's something relatively powerful that comes into my mind. A good idea can come from anywhere, and this includes Africa [...] At Moove, we are solving the problem of financing by being better off with our revenue-based technology. We provide auto finance to ride-hailing drivers across the continent. And this is extremely powerful because the base of the pyramid doesn't have a ceiling that stops people from coming out of poverty. It's just that the floor is so sticky that they're stuck in poverty. And what we do at Moove is that we help right hailing drivers access financing, provide a living for themselves, and allow them to ride out of that base of the pyramid and out of poverty."

What are the big issues when it comes to lending in Nigeria based on your personal experience?

"You will probably associate the macro-economic dynamics with high inflation rates and high-interest rates when thinking about Nigeria. Both of those two factors have been instrumental, amongst other things, in limiting the amount of risk that banks are taking to provide credit to everybody. These limitations drive our ambition to support the base of the pyramid in Africa with subprime lending. A bank can either lend to a driver or lend directly to the government. Our government bond rates are as high as 18%. Banks are not incentivized to lend to the retail market. Suppose they can sit there and deploy deposits into government bonds while benefiting from 18-20% interest rates. That's what banks do and creates a culture of lack of risk-taking. So, risk aversion is the first significant component. The other big element is the infrastructure around the economy that allows banks to provide credit in the same way as they can in more developed markets. With Moove, we lend to Uber drivers, for instance. If they turn up at a bank to request an auto finance loan, they mostly get rejected as they face difficulties getting information about the person. So, there is a big problem with identity information. Simple background checks and KYC processes are not possible. No infrastructure provides these services in Nigeria. This is different in more developed countries like where you can request that information from the credit bureau. For banks, it is tough to differentiate between different people. The bank is likely to approach that the person who needs the loan the most is the least able to obtain the loan. Adverse selection is happening."

SYMPLIFI – ELIMINATING THE NEED FOR MONEY TRANSFER BY OFFERING CREDIT ACCESS

STARTUP SPOTLIGHT: SYMPLIFI

STARTUP PROFILE – SYMPLIFI

SympliFi

Headquarter: London, England

Foundation: 2019

Description: First of its kind Fintech solution providing an alternative to the \$560bn global remittance market



INTERVIEW PARTNER

Maurice Iwunze

Co-Founder & CEO at SympliFi

- SympliFi eliminates the need for money transfers by offering credit access. The UK-based company provides affordable, effective, and empowering ways to help respective communities back home. Immigrants are targeted that are living outside of their home country. They send over \$500 bn in money transfers back to their home country every year. For a lot of use cases, the money is sent home to support people back in their home community and to help with short-term cash needs.
- How does it work? The money normally sent to family members is kept in a digital SympliFi wallet. The family can use it as collateral to instantly access lower-interest lines of credit from a local bank while interest is earned on the deposit. Instead of money transfer, the deposit holder can make money and help the African family access credit independently and build a precious credit history.
- What drives these financial requests is that their family members back home can not access basic credit products to satisfy their credit needs. As a result, they depend on their family living abroad to fill this credit gap with costly money transfers. SympliFi solves the underlying credit problem and enables people to help their families back home to access credit instead of sending money. Co-Founder Maurice Iwunze is convinced that SympliFi solves a bigger problem: "How can we eliminate the need for people like me to send money constantly so that I can keep more money?"
- Next to Bfree, SympliFi is another aspiring early-stage company to follow. Maurice Iwunze is another great example of a US-educated entrepreneur with African roots who is inimitably committed to innovating and developing his home continent.

**“DEPENDENCY CONTINUES TO EXCLUDE THE
BENEFICIARIES ”**

**What are the biggest challenges
that you face as Co-founder of a
Fintech company?**

“We are the first ones trying to solve the problem of eliminating the need for money transfer. Being the first one can be challenging as operating cross-border in a regulated ecosystem involves multiple stakeholders in different jurisdictions. We had to get significant commitments from key stakeholders. We had to get buy-in from our bank partners that we were partnering with to issue the loans. We also had to familiarise them with the second digital collateral in the offshore cloud. So, we had to do the difficult pioneer work to get all these different pieces in place to provide a seamless and efficient experience for everybody along the value chain and provide the comfort and risk management needed to ensure a sustainable model.”

**Where do you see the role of
Fintech and SympliFi in driving
financial inclusion?**

“It's not a coincidence that countries that received the largest amounts of remittances have the lowest levels of credit penetration, simply because people have access to credit that depends on their family members living abroad, used as their bank. The problem, however, is that this dependency continues to exclude beneficiaries in developing countries from accessing formal financial services and building a credit history. So, what we as SympliFi do, we break that dependency, and we enable people in developing countries to be able to start accessing affordable credit on their own and building a credit history with the help of their family members abroad.”

**What are the main trends you see
in the credit and digital lending
space in Africa?**

“There's a lot of interesting things happening around alternative data sets – for example, being able to capture alternative pieces of data to do unsecured lending. A lot of developing countries don't have this robust data infrastructure to be able to provide data-driven credit bureaus. So, they have to start. They have to depend on alternative pieces of data to make credit decisions. I think that that's a really interesting space and it's going to continue to evolve. Furthermore, there are other interesting opportunities around what digital wallet enables. Digital wallets are enabling the delivery of digital financial services products in a way that hasn't been feasible before through traditional banks and traditional bank accounts. And then the question is going to be, what interesting products and solutions can you stop building on top of those digital wallets or to distribute into those digital wallets? And we envision SympliFi being a key player and driver of that digital wallet ecosystem.”

KEY TRENDS DRIVING THE DIGITAL LENDING SPACE

Credit Scoring based on Non-traditional Data

Credit scoring plays an integral role in economic growth by broadening access to credit products, lowering the lending price, and mitigating the frequency of defaults. African countries often do not have a solid data infrastructure to run credit bureau, and lenders cannot manage risk based on the credit history of potential borrowers. Therefore, lenders rely on alternate data sources such as social media and mobile behaviour, or GPS data to evaluate creditworthiness. Examples such as Moove show that alternative data sets are crucial to facilitate access to financial services.

Embedded Finance

Embedded finance is one of the central drivers of the ecosystem. Digital financial services are becoming more and more embedded along the value chain of various services. When we talk about embedded financial services, we refer to two types of companies: Platforms that offer financial products alongside their core offering and API-based enablers that plug into existing businesses and enable these partners to provide financial services to their customers. Buy-now-pay-later options at e-commerce checkouts are just one use case. Helium Health and Moove are compelling examples of embedded finance.

Partnerships with Traditional Banks and Mnos

The ecosystem is still strongly driven by MNOs. The launch of M-Shwari in 2012, which resulted from a collaboration between Safaricom and the Commercial Bank of Africa, is considered the beginning of the digital credit ecosystem. Incumbents still play a significant role. By establishing digital banks as subsidiaries, traditional banks strive to remain competitive in a highly dynamic environment. Especially given the fragmented regulatory environment, all stakeholders must cooperate to assert their interests collectively.

Adverse Selection & Non-performing Loans

With digital lending, adverse selection occurs, as the most desperate customers tend to take out digital loans in particular. Customers with a healthy income level typically already have overdrafts or credit cards available within the financial system. So, digital lender will end up attracting the worse customers. As a result, African countries have high non-performing loan ratios, like Kenya with 11.7%. This is why companies like BFree are critical to automate the collection process and to make it more efficient.

Open Banking On The Rise

Following the great success stories of Plaid and Tink, the Open Banking trend is spilling over to the African continent. As banks lack robust distribution channels and infrastructure to reach populations outside urban areas, more and more financial services providers are turning to infrastructure-as-a-service solutions. Jumo, Stitch, Mono, AppZone, OnePipe, or Okra are aspiring infrastructure services providers. This development has been spurred on by regulatory intervention. For example, in 2020, the Central Bank of Kenya declared Open Infrastructure as the most important strategic goal in its four-year strategy.

Blockchain & Cryptocurrencies

The further development of cryptocurrencies and the impact of decentralized finance will be critical issues of the following decades. Nigeria has already launched its first digital currency, called eNaira. The digital currency aimed to drive economic activity with low-interest rates and transaction rates. As the eNaira wallet is available to anyone who owns a digital device, the Central Bank of Nigeria aims to achieve its target of 95% financial inclusion by 2024. The potential of cryptocurrencies is immense. Companies like SympliFi are already exploring the potential of decentralized finance and crypto-wallets.



Sources: Central Bank Of Nigeria (2019), Interviews (2021), Kariuki (2021c), The World Bank (2021)

BEYOND LENDING – AFRICAN NEOBANKS TARGETING FIRST-TIME BANKING CLIENTS

KEY DEVELOPMENT & TRENDS

- In the past decade, several exponentially growing neobanks have transformed into unicorns (e.g., N26, Tinkoff, and SoFi) and decacorns (e.g., Revolut, Chime, and Nubank). In recent years, the neobanking craze has also gripped the African continent.
- The interference of high mobile penetration and a large unbanked or underbanked population has led to neobanks maturing considerably. While today's neobanks often focused on either lending or payments initially, a wide product range is offered nowadays.
- The capital invested in 2021 exceeds the sum of 2020 by more than ten times. Out of the ten neobanks, seven are from Nigeria and a single each from Egypt, Kenya, and South Africa.
- However, considering African neobanks in a global context shows that Africa still trails other continents in terms of the level neobanking sophistication. In fact, less than 7% of the world's largest neobanks are focused on Africa. African neobanks mainly attract first-time banking clients, while neobanks in more developed countries focus on converting traditional banking clients into digital-only clients.
- Finally, it can be observed that the big Fintech players, such as Chipper Cash or OPay, are increasingly diversifying their product offering to create a super app with a tendency to position themselves as a neobank in the long term.

Sector Deep Dive: How Lending & Banking Tech Drives Financial Inclusion Across Africa

KUDA & TYME BANK – THE NEXT UNICORNS?

- With more than 1.5m and 3.5m customers, respectively, Kuda in Nigeria and TymeBank in South Africa are the largest neobanks in Africa. Both neobanks have gained momentum in recent funding rounds. In February 2021, Tyme Bank raised \$109m from new investors and expects to break even in 2022. In August 2021, Kuda raised \$55m at a \$500m valuation.
- While Kuda's onboarding is digital-only, TymeBank offers its customers a hybrid "high-tech, high-touch" approach. 85% of its customers are onboarded offline through a partner network of kiosks. Each month, Tyme Bank onboards 100k customers online and offline.

AFRICA'S NEOBANKING ECOSYSTEM

	CAMEROON	 PaySika
	EGYPT	 
	KENYA	
	NIGERIA	          
	SOUTH AFRICA	   
	UGANDA	



Sector Deep Dive: How Lending & Banking Tech Drives Financial Inclusion Across Africa

>60

Deals

>120

Investors

\$485.6M

Capital Invested

81.3%

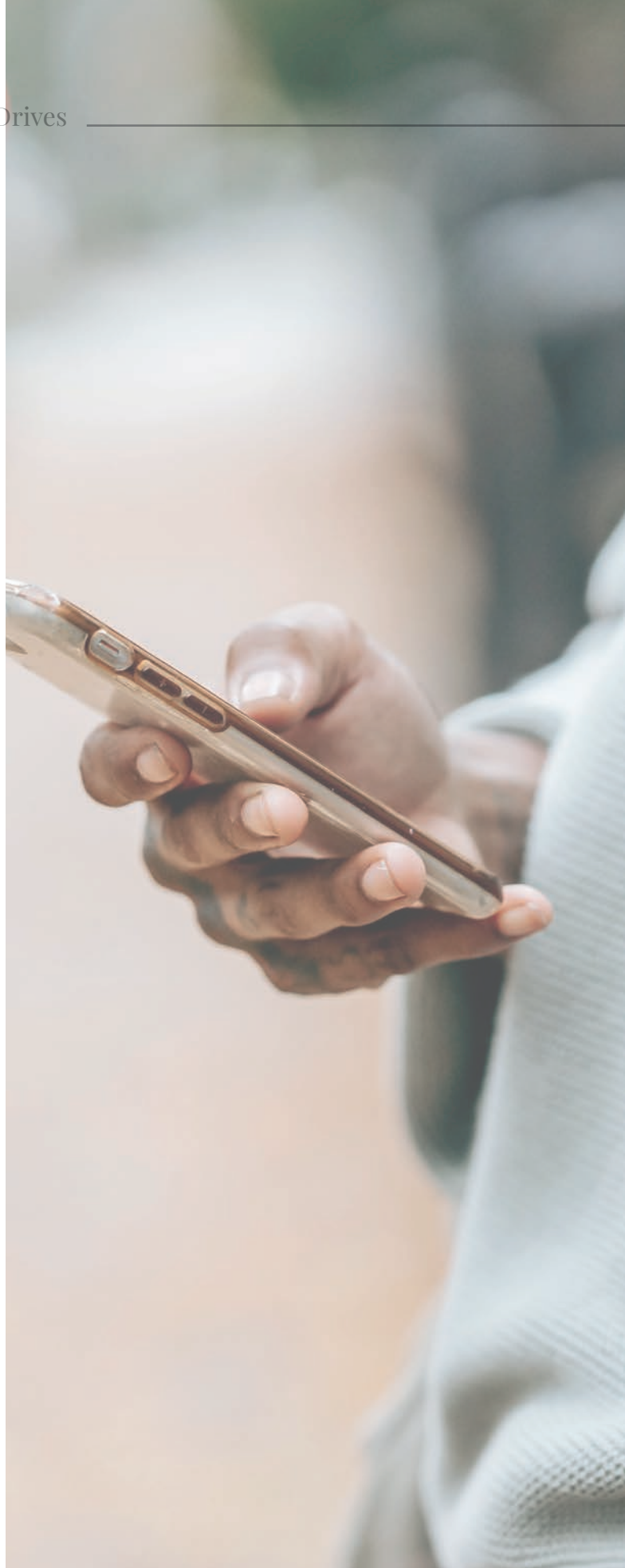
of total invested capital
only in '21

\$3.7M

Ticket size in '21 (Median)

\$150M

Largest deal (teamapt)



Sources: Crunchbase (2021), Digest Africa (2021), Kaur (2021), Kariuki (2021c), Kene-Okafor (2021), Lunden (2021), Pitchbook (2021), Proprietary database (2021), Starling (2021); Notes: The ecosystem map is non-exhaustive. Neobanks are digital challenger banks that are independent from traditional financial institutions and that offer comprehensive mobile banking services (including payment, account, and credit products).

TRADITIONAL BANKS BEING CHALLENGED BY EMERGING NEOBANKS

FROM COMPETITION TO OPPORTUNITY?

- After Latin America, Africa is the second most profitable banking market in the world, offering an average return on equity of 14.9% in 2020. Yet the established banks feel threatened by disruption and are trying to innovate quickly or acquire fintech companies.
- Traditional banks are increasingly challenged by the rising competition from emerging Fintech players. As a reaction, banks can generally decide between four strategic options: First, they can set up their digital subsidiaries and compete against Fintechs. Second, they can acquire Fintechs. Third, they can invest in Fintechs and explore the space as a minority investor. Fourth, they can enter strategic partnerships with Fintechs to leverage the expertise of both companies.

FROM COMPETITION TO OPPORTUNITY?

- To keep pace with technological advances, traditional banks are increasingly setting up digital subsidiaries. These are separate from the more extensive conventional banks and are characterized by their modular, streamlined end-to-end customer experience.
- In 2018, Natixis Algeria, a subsidiary of the second largest French banking group BPCE, launched Banxy, the first mobile bank in Algeria. Banxy's success was quickly visible. The app was downloaded over 100,000 times in 6 months. While Natixis was present in 28 states, Banxy Bank also reached rural areas and gained customers in 48 of the 58 states.
- In 2021, the digital bank VULTe was launched by Nigeria's premier retail bank, Polaris Bank. The CEO remarks that this represents a milestone in becoming a strong and digitally focused retail brand. In particular, the rapidly changing needs of the financial services industry and the technology-driven prospect of its business have accelerated this process.
- In 2021, the Mauritanian Bank for International Trade (BMCI) established a partnership with the "next-generation core banking system" Skaleet (formerly TagPay). By forming the digital bank Masrvi, BMCI aims to provide value-added, digital services and promote financial inclusion.

DIGITAL BANKS AND THEIR ASSOCIATED BANKING GROUP



CONCLUSION

- Even though all these players compete with other Fintech players, there are many opportunities. The symbiosis between the innovativeness of new, emerging Fintech solutions and the long-standing experience and leverage of existing assets of established financial services providers holds tremendous opportunities.
- However, Surabhi Nimkar from the Fintech-focused VC investor Greenhouse Capital emphasizes the importance of separated DNAs when traditional banks are setting up digital banks as subsidiaries: “The challenge is that traditional banks need to ensure that their DNA is separated from the DNA of the digital bank. It comes back to moving very fast, accessing young talent, and fostering an experimental environment. This digital DNA must change fundamentally for these digital banks to remain competitive, especially if large incumbents sponsor them.”
- The cases of Masrvi and Banxy show the potential of this symbiosis. Masrvi and Banxy result from partnerships between established banks setting up digital subsidiaries by collaborating with banking-as-a-service Fintech players like Skaleet and Fidor Solutions.

SPOTLIGHT ON MICROCREDIT – A TOOL TO INCREASE ACCESS TO FINANCIAL SERVICES?

WHAT IS A MICROCREDIT?

- Microcredit is a form of lending, usually in the form of small loans without collateral, provided to non-traditional borrowers, including the rural poor or underdeveloped communities. The concept behind microcredit was developed in the 1970s and 1980s. It can be traced back to the economist and founder of the Grameen Bank, Dr. Muhammad Yunus.
- In 1983, he opened the Grameen Bank in Bangladesh, initially lending \$27 with zero interest to a group of women who made bamboo stools. The loan enabled the group to sustain their business, escape the debt cycle, and repay later. The Grameen concept is based on the idea of providing financial support to skilled people with an entrepreneurial mindset from poorer and unprivileged areas that have limited access to financial services.
- Today, Grameen Bank has 9.41 million members, 97% women, and 2568 branches serving more than 80,000 villages. Last year, Grameen Bank extended \$380m in 3.6m loans. The average loan size stands at a little over \$100.
- After establishing the Grameen Bank, many microfinance institutions (MFIs) emerged, receiving public and private funding to alleviate poverty. Even global banks like Credit Suisse, Deutsche Bank, and Citi Bank entered the market. Over time, MFIs diversified their product offerings, introduced new loan products, and took advantage of mobile banking.

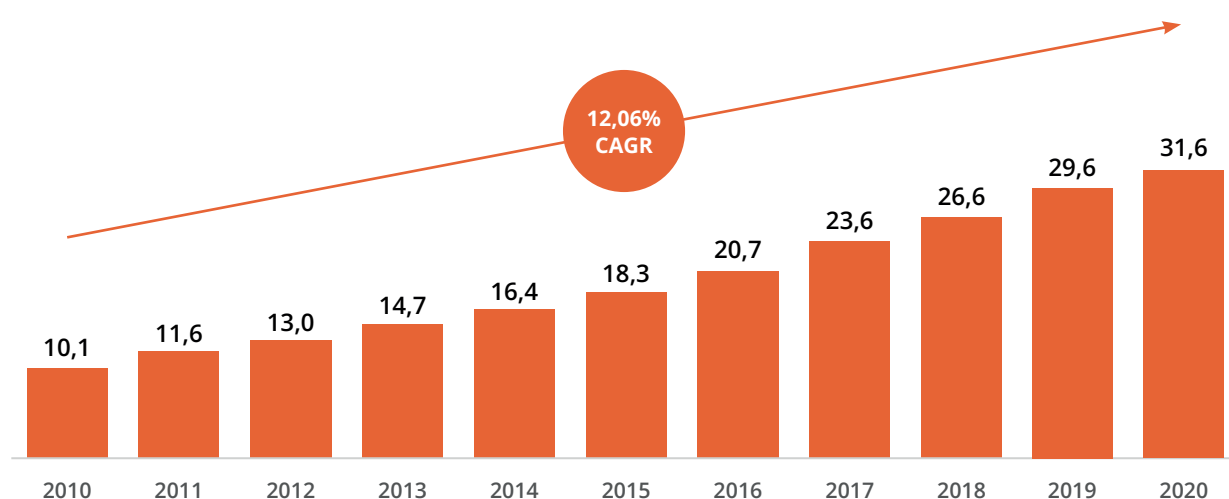


Dr. Mohammed Yunus
Founder of Grameen
Bank

“My vision for the future? Two things: to make credit a human right so that each individual human being will have the opportunity to take loans and implement his or her ideas so that self-exploration becomes possible. And second: that it will lead to a world where nobody has to suffer from poverty – a world completely free from poverty.”

WHAT ARE THE DRIVERS BEHIND MICROCREDIT?

- Generally, collateral hinders poor and underprivileged people from taking out loans. As a rule, lenders demand higher collateral, given a higher risk of loan default. As a result, poorer population groups are increasingly excluded, and the wealthy population group's loans are mainly taken out.
- Lending to poor people often involves higher additional costs. It is more challenging to screen borrowers, collect information, and monitor them. Consequently, higher interest rates are charged.
- The multiplier effect of self-nourishing high-interest rates becomes evident. The higher the interest rate, the greater the incentive not to repay the loan. Accordingly, the due diligence of those borrowers is more important, increasing the cost of these loans. Thus begins a never-ending cycle in which exclusion leads to further exclusion.
- All three drivers lead low-income people without access to MFIs borrowing much less or borrowing at extremely high-interest rates. Borrowing money from families and acquaintances remains the only alternative.



Graph 26: Grameen Bank - cumulative disbursement of microloans (2010-2020, in \$B)

EMERGING BUSINESS MODELS IN THE DIGITAL MICROLENDING SECTOR

SPOTLIGHT ON TALA – MICROLOANS FOR UNDERSERVED PEOPLE WITH NO CREDIT HISTORY

- When Shivani Siroya researched the impact of microcredit in Africa for the United Nations Population Fund, she noticed that many people lack immediate access to credit, despite their creditworthiness.
- Shivani Siroya concluded that the financial system in emerging markets was substantially unresponsive to the needs of underserved people. Therefore, in 2011, she decided to leave her banking job and founded Tala with the vision of offering smart, new business loans to underserved people with no financial identity.
- Shivani Siroya explained: “We would give credit to someone we know or that we live next to. But most of us are probably not going to lend to a stranger unless we know a little something about them. Financial institutions don’t know us on a personal level, but they do have a way of trusting us, and that’s through our credit scores [...] But there are 2.5 billion people around the world that don’t have a credit score [...] So we wanted to find a way to build trust and to open up financial access.”
- Shivani Siroya launched Tala’s first mobile application offering credit and collateral-free loans to Kenyan consumers three years later. Since launching in Kenya and expanding to Mexico, the Philippines, and India, Tala disbursed over \$2.7 billion in microloans, ranging from \$10 to \$500 to more than six million customers. Each day, 12,000 new users sign up to access credit.
- Like its competitor Branch, Tala is gradually evolving into a digital bank with multiple product offerings. Challenged by the pandemic, Tala has learned that customers need diversified financial products. In addition to account management, Tala now offers an expanded range of personalized credit options with longer-term maturities.
- Recently, Tala raised a \$145m Series E funding round led by US-based AI lending platform company Upstart to drive its new financial account launch and fuel geographic and product expansion, including crypto offerings. With the latest investment, Tala has received more than \$350m and is moving ever closer to unicorn status, given a valuation of around \$800m.

MAIN MODELS OF DIGITAL MICROLENDING

BANK + MNO	BANK + MNO	BANK + MNO	BANK + MNO
Bank Provision of consumer data Electronic wallet & agent network as distribution channel	NBFI Provision of consumer data Electronic wallet & agent network as distribution channel	Bank Subscription and loans made by the bank NBFI Provision of credit scoring services	Startup Scoring Assessment Underwriting of Loans made by the startup
MNO Provision of consumer data Electronic wallet & agent network as distribution channel	MNO Provision of consumer data Electronic wallet & agent network as distribution channel	MNO Provision of consumer data Electronic wallet & agent network as distribution channel	MNO Provision of consumer data Electronic wallet & agent network as distribution channel

DIGITAL MICROLENDING ECOSYSTEM - SELECTED KEY PLAYERS

AWAMO – BECOMING THE FINANCIAL PLATFORM FOR THE FUTURE MIDDLE CLASS?

STARTUP SPOTLIGHT: AWAMO



STARTUP PROFILE – AWAMO

Headquarter: Kampala, Uganda

Foundation: 2015

Description: cloud-based biometric banking platform created to completely digitize MFIs and SACCOs in SSA



INTERVIEW PARTNER

Benedikt Kramer

Co-Founder & CEO at Awamo

- While over 650m consumers in sub-Saharan Africa reside in rural areas and have no access to basic financial products & services, existing service providers lack efficient distribution channels to tap into the rural consumer space. Moreover, those providers even follow inefficient, manual business processes and missing sector standardization.
- Awamo's digital banking platform creates reach by digitizing MFIs and serving more than 300 institutions with more than 450,000 end customers. Awamo's e-wallet integrates the entire payment process (e.g., M-Pesa, Airtel Money, and MTN Mobile Money).
- Awamo's mission is to become the financial platform for Africa's future middle class by promoting financial inclusion and the development of local micro-economies. It is therefore not surprising why the organization "Inclusive Fintech 50" named awamo as one of the 50 most promising early-stage startups promoting financial inclusion and resilience.
- With its software-as-a-service solution awamo® 360, the company promises to fully digitize MFIs and SACCOs with maximum convenience.
- Awamo leverages outreach through distribution via platform partners. MFIs become points of sale by relying on their trusted existing client relationships. The digital banking platform enables cross-selling of integrated partner products.
- Digitizing services is no longer an option for MFIs, but a footrace they must compete to stay relevant in fast-evolving markets. For MFIs, Awamo is the answer to the quest for digitalization.

“WORKING ON THE ROOTS IN RURAL AREAS”

How did the business model evolve?

The initial idea dates back to 2011. The idea was to start a credit bureau business focusing on these informal financial institutions in Sub-Saharan Africa. This was driven by the fact that many of these MFI's don't have any information on their customers. After that, I started working for a private equity fund, made some connections in Sub-Saharan Africa, and came back with the idea in 2013. When I moved to Uganda and started research on the topic, I quickly realized that the problem is that you have these financial institutions that are entirely paper-based. You walk into a microfinance institution, and you have two cubic meter piles of paper on the ground, which is their archives [...] And to make it a viable business, you needed to help them digitize their processes before applying data analytics. That's why we started awamo, which evolved as a core banking system tailored to the needs of these financial institutions.

Where do you see the most significant limitation of microcredit?

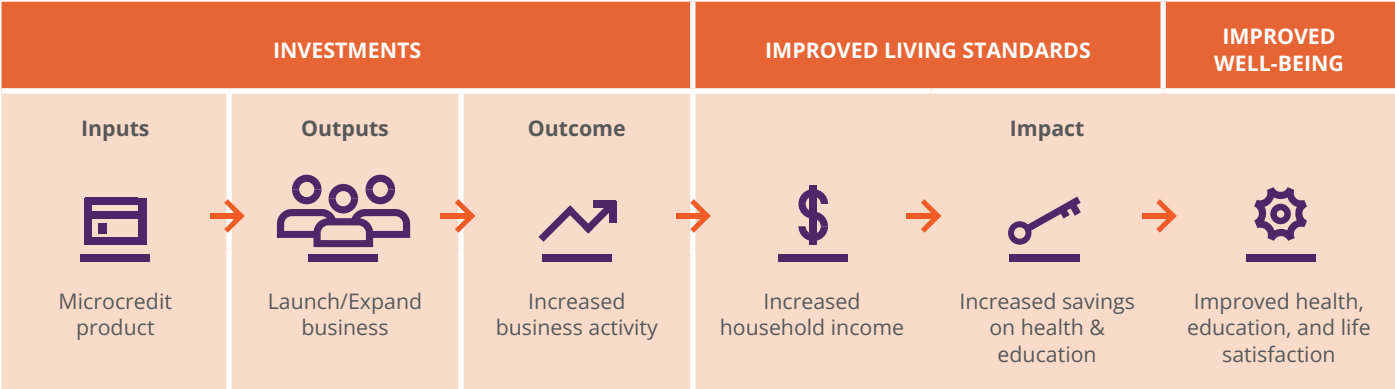
So, I think that the micro debt trap is specifically an issue for these very short-term lenders and high-frequency loans. I think those are a big issue because they don't help anyone. If I can access five bucks for a day from my smartphone, what do I need this money for? [...] those kinds of business transactions that don't have any positive long-term effects. I fully agree that microloans are not a one size fits all solution for every problem. They don't have such a significant impact as the people might have thought in the late 90s or early 2000s when Muhammad Yunus got the Nobel Peace Prize. However, I firmly believe that microloans are an essential tool to get money into rural communities. And again, my definition of a microloan is that someone receives 100 to 200 bucks to grow their business. It can be a farmer who is now able to afford the seeds and fertilizer for the season. This can make a real economic impact.

Where do you see your role and the role of microcredit in general in driving forward financial inclusion?

I think we are very much bottom-up. We work on the roots in rural areas where financial inclusion is a vast topic. The majority of people simply don't have access to banks. All their banking services are based on the informal microfinance sector or even getting loans from their peers. I think we're really at the forefront of financial inclusion when it comes to that. Microcredit is a tool to increase financial services access. But if I'm talking about microcredit, I mean small-sized loans that are still long-term with a duration of more than three months. I highly disregard the short-term lending markets where I get five bucks for a day, or I can access loans via smartphone that have a maximum duration of a week or something similar. Short-term credit is highly critical and rather disfavor to financial inclusion.

IS MICROCREDIT DRIVING FINANCIAL INCLUSION?

A THEORY OF CHANGE FOR MICROCREDIT



MICROCREDIT ENCOUNTERS SEVERAL LIMITATIONS DESPITE MANY OPPORTUNITIES

- As microcredit contracts usually involve a borrower group, each group member is responsible for the repayment of the others. This creates forced supervision, which may deter many potential borrowers. Likewise, collective responsibility can be abused to harm competitors. Consequently, MFIs are exposed to increased risk.
- Repayments are usually made in conjunction with the group in clearly defined periods so that the individual must bow to the collective. This, in turn, can lead to problems for borrowers with delayed cash inflows. Therefore, microcredit often lacks flexibility.
- Micro-debt traps have emerged. Borrowers without regular income are often forced to repay the loans in total, which leads them to take out alternative loans and new microcredits. The situation of the borrowers deteriorates.
- The initially benevolent purpose of the concept is gradually being undermined: many profit-driven international players have entered the microcredit business, causing new market dynamics. Moreover, the increased business activities may intensify competition for SMEs and limit sustainable growth.

Sources: Banerjee and Duflo (2011), Banerjee et al. (2019), Burke et al. (2018), Crepon et al. (2015), Cull and Morduch (2017), MIT Poverty Lab (2018), Mobarak and Dimble (2019)

IS MICROCREDIT DRIVING FINANCIAL INCLUSION?

ARE MICROCREDITS DRIVING FINANCIAL INCLUSION? AN ACADEMIC PERSPECTIVE

- In academic research, whether microcredit alleviates poverty is debated controversially. Crepon et al. (2014) show in their study conducted in Morocco that the impact of microcredit in regions with confined access to microcredit is minimal and confirms the findings of previous studies. Even though microcredit has positive effects on income from self-employment by boosting investment assets and profits, these effects are offset by the decline in revenue from casual labor. Thus, no overall gain in income or consumption was measured. The study's findings rule out a consumption increase of more than 10% among borrowers two years after the roll-out.
- Banerjee et al. (2019) indicate that short-term access to microcredit can indeed be a way out of the poverty trap for talented but less affluent entrepreneurs. Burke et al. (2018) show in a field experiment in Kenya, contrary to other studies, microcredit can improve farming enterprises' profitability. Timely provision of credit facilitates farmers to buy at lower prices and sell at higher prices, thereby lifting agricultural yields and generating significantly higher returns on investment.
- Overall, research has shown how microcredit can help entrepreneurs generate higher profits from self-employment activities (with some heterogeneity) and then use this growth to buy even more assets and create more self-employment income. Yet this growth does not translate into higher income levels and consumption due to balancing effects. Ultimately, the use of funds is a decisive success factor.



**Prof. Ahmed Mushfiq
Mobarak**
Professor at Yale
University

“The problem here is not a lack of microcredit programs or their execution but rather something in the model itself. This leads us to ask: Can we modify or extend certain aspects of the microfinance model to achieve better outcomes for recipients? [...] There are likely many more employees than entrepreneurs in the world. Microcredit has the potential to improve these people’s lives as well.”

CONCLUSION – FROM UNBUNDLING TO RE-BUNDLING

AFRICA'S LENDING & BANKING TECH ECOSYSTEM HAS ENTERED A NEW LEVEL IN 2021

- Digital credit market is still underdeveloped but evolving. M-Shwari laid the foundation for the ecosystem in 2012 and, nine years later, has attracted more capital than ever before. In 2021, the ecosystem is driven by multiple trends: embedded finance, buy-now-pay-later solutions, non-traditional data collected via Big Data, cryptocurrencies, decentralized finance, and many others.
- The race for the “super app” is now on after Fintech companies focused on unbundling financial services and creating more customer-centric products in the past decade. Digital lending companies diversify their product offerings and evolve progressively into digital banks offering payment services, savings accounts, and credit products. The trend of re-bundling financial services is becoming evident.
- The market will experience consolidation, even if it is not a one-winner-takes-it-all market. Foreign investors will continue to increase their activity on the African continent. In the end, the Fintech companies that can attract the most capital for expansion will win.
- Fragmented regulatory environment remains a significant challenge. It remains to be seen whether new regulatory measures such as the Africa Free Trade Area Agreement will fulfill their potential and how powerful the impact in the Lending & Banking Tech sector will be.
- The use of alternative data in the credit scoring process could change significantly. Large parts of the underserved population now have access to digital credit even though they have no credit history. Tala and Branch are two great success stories and demand microfinance providers to take further progressive steps in embracing digital finance. However, long-term success will depend on how digital lenders can manage non-performing loans and handle the collection. Emerging Fintechs such as BFree promise to help and represent emerging B2B niche solutions.
- Lending & Banking Tech ecosystem evolves and matures. Companies like awamo, SympliFi, Moove, Tala, M-Shwari, and BFree further demonstrate how Fintech solutions actively drive financial inclusion. It will be exciting to see whether 2022 will surpass the record year of 2021.

INTERVIEW PERSPECTIVES

Transition from unbundling to bundling services

"You will see a lot of lenders raising more and more money. This is especially true if the strategy is to expand vertically and integrate different value chains. Tala is a great example. They try to introduce more and more diverse products, such as savings and other products. So, there's a lot of bundling happening. Moreover, an increasing number of solutions are mainly serving small businesses and low-income consumers. This is happening a lot right now in the credit space. But, of course, there's a lot of banks to also compete with Fintechs. They're rolling out different products, and it is interesting to see how they get to work together. There will undoubtedly be many practical products for consumers to put on and integrate into their lives. Overall, we see the trends of embedded finance and the transition from unbundling to bundling several services. The latter will end in a race to become the super app."

Mohammed Al-Salafi
BFree

Cryptocurrencies & Decentralized Finance will play a transformational role

"Cryptocurrencies play a transformational role and it even goes beyond Crypto. It is also about decentralized finance. The way we see it is that we're digitizing collateral. And there's now a common currency that you can trade across borders in a borderless way. The end recipient of the funds has a digital, multi-currency wallet. Then, the question arises whether you really need the bank? Do you need to be limited to a bank in that specific country? It is a massive opportunity to leverage those parameters in place of digital collateral or digital common current currency, and digital wallets. Can we enable anyone in the world to be a bank and to lend to anyone else in the world? When you start broadening the options for capital providers beyond borders, there is massive potential as seen in the example of the USD stable coin. I'm happy to lend USD to someone in Tanzania and Nigeria, the Philippines, Mexico, etc. at a much lower interest rate than what they would get if they tried to get a similar loan in their country. That's the next big step."

Maurice Iwunze
SympliFi

Government-backed digital currencies are on the rise

"Digital currency that governments back are on the rise. One example is Nigeria's eNaira, Africa's first digital currency. These things will become much more of a role. We don't necessarily have an economy built as much on fiat as we would in other economies."

Surabhi Nimkar
GreenHouse Capital

Fintech Database: Vertical Analysis and Country Profiles

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CHAPTER V

INTRODUCTION

To assess the evolution of FinTech phenomena in the Sub-Saharan African region and identify the opportunities and potential challenges for the development of the FinTech sector, a database of 432 Fintech companies based in or operating in SSA was constructed. Our findings suggest that levels of FinTech development are still largely different within SSA verticals and countries. The main results indicate that fintech in SSA is mostly driven by Payments & Transfers companies (variants of M-Pesa's business model) both in terms of funding and number of companies.

Moreover, three FinTech Hubs – Nigeria, South Africa and Kenya – stand out as market leaders, both based on the number of operating companies and the amount of investment attracted. To enable other countries to replicate this success, an analysis of the main factors supporting FinTech development in these countries was conducted.



DATABASE METHODOLOGY

This section focuses on a quantitative analysis of the SSA FinTech ecosystem, which is based on a list of 432 companies and more than 15 parameters for each of the companies collected. Most of the data was extracted from Crunchbase, initially by filtering it to Sub-Saharan African based companies, classified as FinTech or Insurtech by the platform. From this database, a case-by-case approach was applied to define which of them met the criteria to be further considered as an active fintech startup, resulting in a total of 364 companies.

Financial technology companies include any business that brings innovation to the financial sector through tech-enabled solutions, which generally come as a challenger to the traditional banking system. Actually, to answer the rapid changes in the banking industry, some incumbents are starting to integrate a fintech component to their services, which in this report will not be considered as a fintech startup. Even if it fulfils the fintech requirement, any product or service that is run by a bank, insurer or any kind of established corporation should not be accounted for as it does not classify as a startup company.

Companies with over 1000 employees and founded before the year 2000 were also excluded for the same reason. Plus, company selection was not restricted to Sub-Saharan African headquartered fintechs. Instead, the database also considers internationally headquartered firms which currently hold active operations in SSA countries. Furthermore, the criteria used to define if the fintech startups in the sample were currently active was based on whether they presented an operational website or not – companies without one were considered to be closed.

For each of the companies that passed through all the criteria, specific data was collected from the Crunchbase platform, according to a list of relevant parameters for the subsequent analysis. These variables went from the founding dates to the funding amount collected, as well as specifics of each funding round, namely the dates, type of investor, name of the investor, etc.

Finally, by applying a case-by-case approach to each of the companies considered, the fintechs were associated with one of the nine categories that were defined for the purpose of this report, depending on the nature of its core business.

1. Payments & Transfers startups

Payments & Transfers startups in SSA have primarily emerged to facilitate money transfers. The high costs and risks associated with transferring money in cash led the population to rapidly adopt the fintech alternatives, which allowed them to send remittances to their peers using mobile money. Progressively, businesses within this vertical started to integrate payment solutions, offering individuals new ways to pay their bills, together with an improved customer experience in accessing their finances (Digital Wallets). These include online and offline payments, as well as point-of-sale (POS) solutions, which allow small and medium enterprises to accept payments through different channels.

3. Digital Banking

Digital Banking includes all startups that offer banking services exclusively online and lack a physical branch of any kind. The services operated by these companies typically replicate the ones offered by a traditional bank, usually at a lower cost and with higher transparency. In general, digital banks offer savings accounts and wealth management tools along with credit solutions. Increasingly, more companies are providing digital infrastructure for banking services to third parties ("Banking as a Service").

5. Business Administration

Business Administration companies provide other businesses with a variety of solutions that help them to optimize operations. The services offered by this kind of startups go from facilitating invoicing processes to payroll and tax management through the use of online platforms.

2. Lending & Marketplaces

Lending & Marketplaces fintechs provide borrowing solutions to consumers through online platforms. Inside the SSA financial system, these alternative credit solutions are usually targeted to individuals who are not eligible for traditional credit applications, so most companies also care for assessing a borrower's credit worthiness using alternative data. This framework considers consumer and SME credit providers, Peer-to-Peer (P2P) lending and crowdfunding platforms.

4. InsurTech

InsurTech comprises all firms related to the Insurance field, in order to cover the inefficiencies of the industry. In the case of SSA, most companies facilitate access to insurance, by providing tools for individuals to compare prices and choose the most adequate alternative. Nonetheless, other startups are actually operating as insurers and challenging the traditional sector by integrating tech-enabled tools in the definition of each client's premiums, thus offering a more efficient product.

6. Blockchain & Cryptocurrency

Blockchain & Cryptocurrency includes two main concepts: Blockchain Technology and Cryptocurrency. The first one contemplates companies that provide solutions for the financial industry by leveraging on decentralized data storing systems (DLT). In SSA, blockchain companies focus on the improvement of the payment infrastructure, on identity verification and security of property rights. Regarding the latter, Cryptocurrency refers to new means of exchange that make use of blockchain technology. As for this vertical, companies that provide crypto-based transfers, access to these markets and exchange mechanisms will also be considered.

7. Personal Finance

Personal Finance fintechs, also known as Personal Finance Management tools (PFMs), are platforms that provide managing and monitoring assistance to individuals' personal wealth, as their financial accounts, bills and credit. Within the African ecosystem, these kinds of tools and services motivate individuals to set personal financial goals, while teaching them how to better govern their finances.

9. InvestTech

InvestTech startups relate to online platforms that provide access to trading solutions for a vast pool of investors, which go beyond high net worth individuals, allowing for more individuals to invest in local and global capital markets. Most of these companies include advisory and portfolio management services that leverage on technology to boost margins.

8. RegTech

RegTech considers companies related to the supervisory sector. Within this vertical one should consider companies that can potentially increase the transparency of other companies' operations as well as their protection, complying with the regulatory guidelines of the financial industry. Furthermore, within the African FinTech environment, most RegTech companies focus on services related to risk management, identity management, Know Your Customer (KYC) / Anti-Money Laundering (AML) and transaction monitoring.

LIMITATIONS

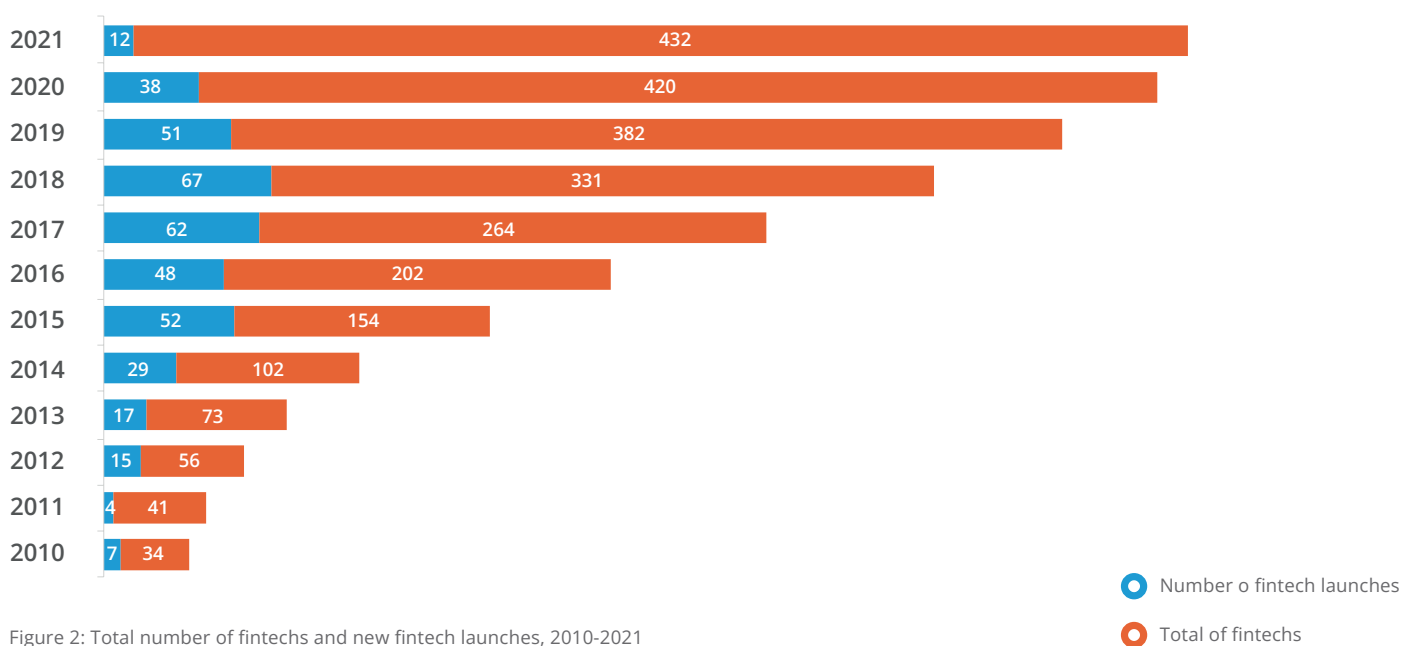
- 🕒 **Gaps on FinTechs Included:** The database was based on Crunchbase's data, which comes from multiple sources, being dependent on voluntary disclosure.
- 🕒 **Time lapses:** A certain fintech creation or funding round may be registered in Crunchbase a period of time later than when it actually occurred. Thus, the number of operating fintechs or funding rounds a past year can potentially increase over time.
- 🕒 **Time boundedness:** Several of the insights mentioned contained an evolutive dimension. As time passes these become increasingly less accurate. Plus, some dimensions such as Regulation may suffer abrupt and non anticipated changes. Plus, the data relative to 2021 corresponds only up to November.

SSA'S FINTECH LANDSCAPE: GENERAL OVERVIEW

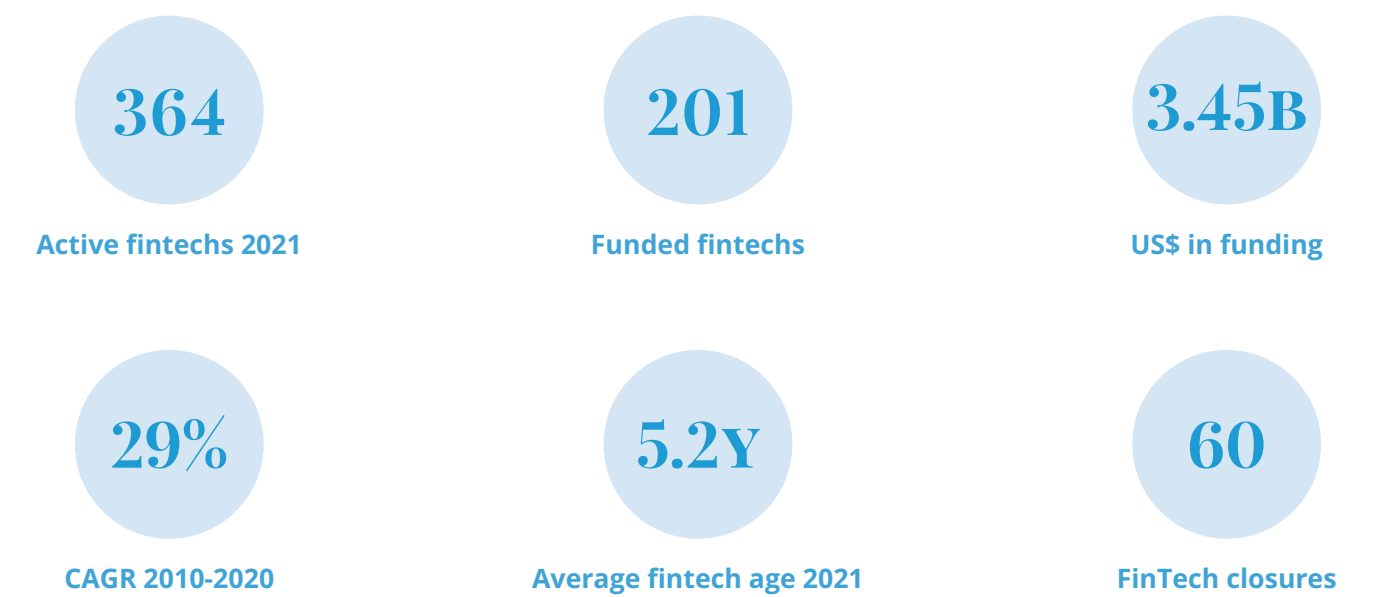
The FinTech landscape in SSA comprises 364 active fintechs and has attracted more than 3.45 billion dollars in funding from 201 companies since 2000. Following a 29% Compounded Average Growth Rate (CAGR) in the number of fintechs over the past 10 years, SSA's FinTech ecosystem seems to be maturing. After peaking in 2018, with 67 new fintechs, the number of new fintech launches has been decreasing (Figure 2). So far, only 12 fintech launches have been recorded in 2021. Note that the Covid-19 impact is also likely to have aggravated this trend, resulting in a significant drop in startup creation in 2020.

As the market consolidates, existing companies are also becoming more established: the average startup in our sample has been operating for more than 5 years. This has resulted in an increased offer of more robust and diversified FinTech solutions, spanning across multiple categories.

While a fintech boom has been experienced in the past few years (2015-2018), the number of startup closures has also increased. These years of FinTech growth in SSA saw the rise of many fintech companies offering relatively similar solutions, particularly in the Payments & Transfers space. While that has led to many success cases, it has also been reflected in the number of closures. In fact, 16% of the initially considered fintechs are no longer active. This proportion is even higher for companies created between 2016 and 2017. As the space become mores crowded and market leaders start to emerge, barriers to entry are increasing. Progressively, new startups are shifting their focus to unexplored FinTech areas and markets, with increasing opportunities for financial inclusion in the region.



SSA FINTECH LANDSCAPE IN NUMBERS, 2000-2021



Source: Own database

SSA'S FINTECH LANDSCAPE: FUNDING EVOLUTION

- The amount of funding attracted in SSA's FinTech ecosystem is reaching all-time records (Figure 3). 44% of fintechs in our sample have secured some form of formal investment, with 70% of these having attracted funding in the past three years. This number is likely to increase as investors keep on reinforcing their presence in this growing market.
- The impact of the Covid-19 pandemic in investor's activity led to a decrease in 2020's funding, following a striking growth in 2019. While the number of deals was not severely affected, there was a 50% drop in funding amounts. This was mainly due to a big fall in average ticket sizes (-90%), as investors became more wary of allocating their funds to riskier, international investments.
- Funding amounts have since peaked in 2021, showing signs of a successful recovery of the sector. Total funding has largely surpassed 2019 values, with average ticket sizes reaching US\$26.1 million, a 125% increase from 2019. In fact, the reported \$US1.9 billion funding are close to matching the collective amount raised by fintech startups over the past decade, as global investment in FinTech continues to rise (KPMG 2021).
- The biggest five rounds of the year alone account for more than half of the total capital raised (Table 1). As a result, 2021 saw the rise of three new SSA FinTech 'unicorns' – payment companies Opay, Wave and Flutterwave – following the steps of Nigeria's payments processor Interswitch, which was the first to achieve the status in 2019.
- Mergers and Acquisitions (M&A) activity in SSA is also rising. In 2021, payments companies Mangwe, Wayawaya and Digiduka were acquired, following five acquisitions in the previous year – most notably the \$US200 million acquisition of Nigeria's Paystack by US-based fintech Stripe. Interestingly, most acquisitions are being driven by SSA-based fintechs seeking to scale, supporting the market consolidation trend.

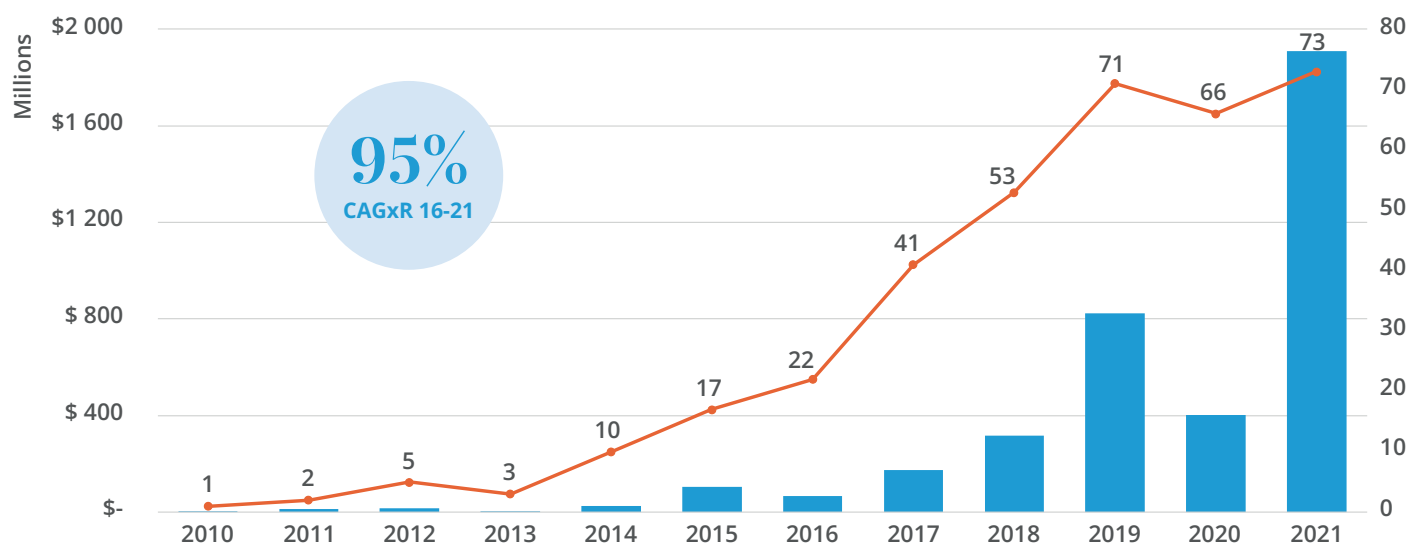


Figure 3: FinTech Investment in SSA, 2010-2021

● Funding amount
● N° of funding rounds

COMPANY	YEAR	HQ	FUNDING TYPE	MONEY RAISED (US\$ million)	MAIN INVESTORS
 OPay	2018	Nigeria	Series C	400	Softbank Vision Fund, Sequoia Capital, 3W Capital
 wave	2018	Senegal	Series A	200	Stripe, Sequoia Heritage, Founders Fund
 Flutterwave	2016	International	Series C	170	Avenir Growth Capital, Tiger Global Management
 Chipper	2018	International	Series C	150	FTX
 TALA	2011	International	Series E	145	Upstart, IVP, Revoluton Growth, Lowercase Capital

VERTICAL ANALYSIS

GENERAL OVERVIEW

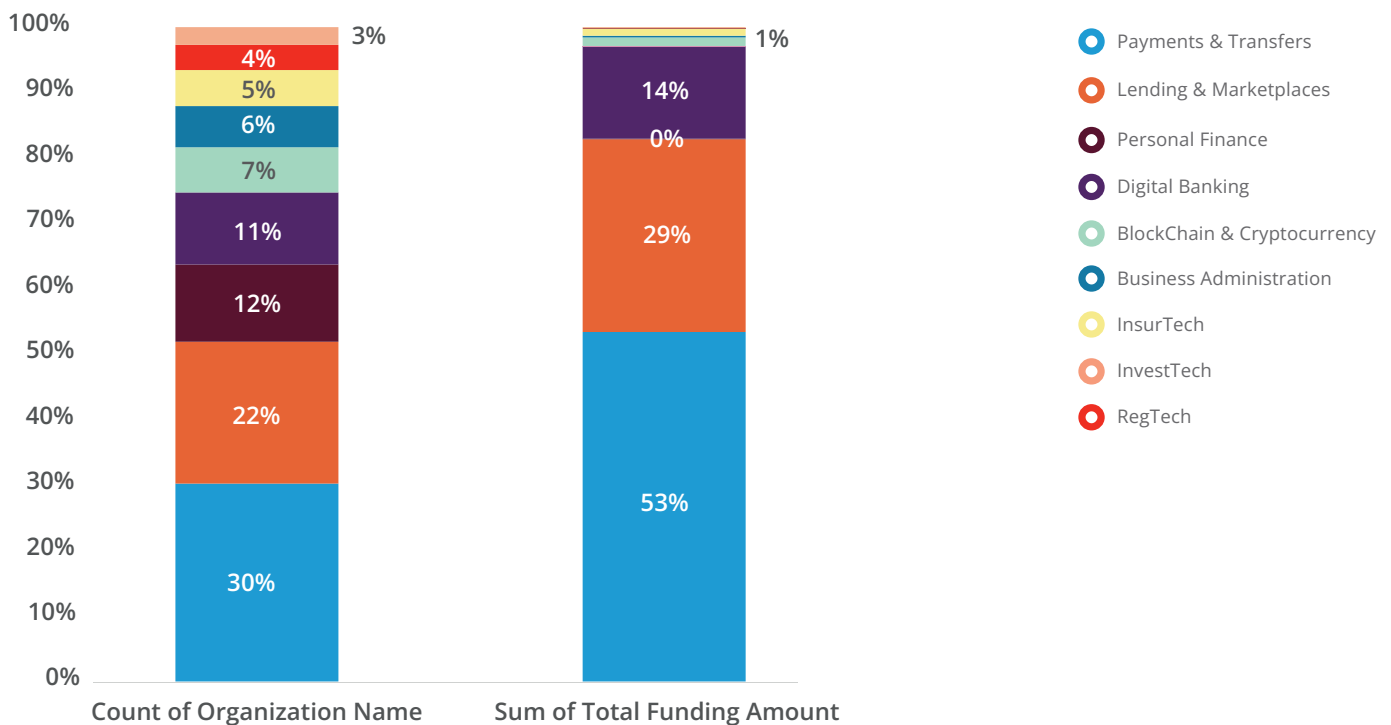


Figure 4: Number of companies and total funding amount collected (2000-2021)

- When looking at the overall data sample, one can identify 3 top FinTech verticals in the SSA space, both in terms of size and in funding amount. These categories are:

1) Payments & Transfers

2) Lending & Marketplaces

3) Digital Banking

- From the 364 active fintech companies in the sample, 30% belong to the Payments & Transfers category, immediately followed by Lending & Marketplaces (22%). The third place is nearly shared between Personal Finance with 12% and Digital Banking with 11%. As for the other 26%, the market seems to be quite diversified among the remaining sectors, with RegTech and InvestTech somewhat behind with 3% and 4% of total companies, respectively.

PAYMENTS & TRANSFERS

- The Payments & Transfers sector alone is responsible for more than 50% of the total funding. As the first vertical to emerge in SSA, the companies operating in this space are seen as more mature, attracting later stage investors willing to invest in concepts that have already proven its worth. Plus, it is more likely that these businesses become profitable, because the high acceptance of the population for payments and transfers solutions offers a higher potential for scalability and an overall larger customer base, thus generating higher revenue. Albeit at a lower scale, Lending & Marketplaces and Digital Banking have started to attract more funding than the other categories, accumulating 43% of the remaining total funding amount. However, there is little information on revenues and profits, limiting the scope of the analysis.
- All other companies may be considered as part of emerging sectors. Entrepreneurs realized the need of the population for other services, as insurance or savings alternatives, while others tried to replicate trends that worked in more developed markets, as cryptocurrency. Over time, the market is diversifying away from the Payments & Transfers initial dominance towards other new and innovative fintech categories. However, the data in Figure 4 shows that most of these categories come down to 0% to 2% relative to total funding, revealing that investors might still be wary of getting involved in non-established FinTech areas.
- The Payments & Transfers vertical represents most of the SSA's fintech space, both in terms of size (number of companies) and amounts of funding. Companies within this vertical have been developed to tackle the need of the population to make secure, fast, and efficient transfers among them, solving for the inefficiencies left by incumbents. Most of these transfer solutions implied that people exchange physical money into mobile money in order to make transfers and ultimately, process payments through their mobile devices. The Kenyan M-Pesa's huge success has encouraged entrepreneurs to create similar solutions across the continent.
- As of 2021, Payments and Transfers companies account for 30% of the active fintech startups, with 110 businesses operating. However, this percentage of the total number of companies constitutes a record low for the vertical, indicating that the market is diversifying towards other segments. Figure 5 shows that the proportion of Payments & Transfers new fintechs relative to the total number of fintech launches per year has been persistently decreasing in the past 5 years, except for 2021. One possible reason for the number of new companies to decrease throughout the years is the increase in competition, which leads to higher barriers to entry, thus indicating the market is becoming more saturated.

At the same time, the already established companies in this vertical have space to scale up and expand their businesses, thus attracting higher levels of funding throughout time, totalling more than US\$2 billion. Indeed, the diversification towards new segments is more visible in the number of fintechs than in funding amounts. As these businesses are still in their infancy, it is natural for the investment trends to react more slowly to innovation, while investors wait for them to mature and prove their value. Plus, as the companies in the Payments & Transfers space are becoming larger and expanding their businesses internationally, investment rounds tend to increase in value, thus accounting for a higher proportion of total funding in subsequent years.

Within this vertical, the top three success cases in terms of funding include Opay (29% of total funding in Payments & Transfers), Chipper Cash (15%) and Flutterwave (12%). The first two are digital wallets, particularly focused on bill payments, quick and easy money transfers. The latter, on the other hand, mainly offers merchant services, guaranteeing that businesses are able to access payments from any customer and various payment channels.

110

Active companies

30%

Of the SSA's FinTech space

53%

Of Total funding amount

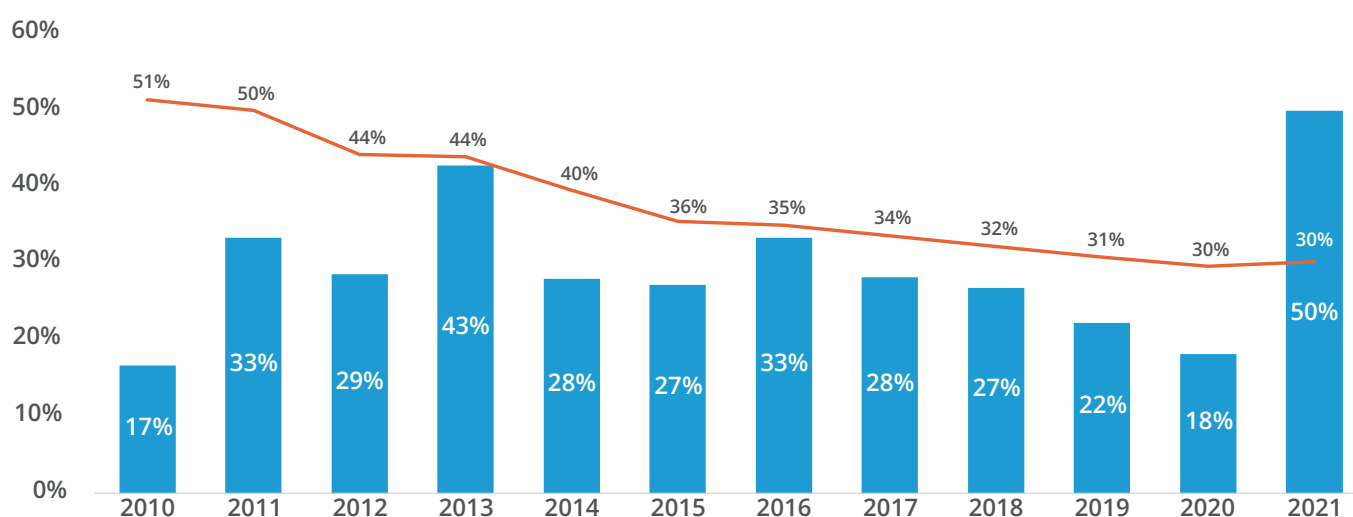


Figure 5: Percentage of Payments & Transfers companies relative to total number of companies and number of new fintechs , 2010-2021.

● % of new Fintechs

● % of total Fintechs

LENDING & MARKETPLACES

79

Active companies

22%

Of the SSA's FinTech space

29%

Of Total funding amount

- Following the success of Payments & Transfers in SSA, other businesses saw an opportunity to meet the needs of a largely underbanked population. As a result, Lending & Marketplaces solutions started emerging to provide fast, unsecured, short-term loans to individuals and SMEs by relying on alternative data, like mobile phone usage and mobile transactions, to assess their creditworthiness.
- As of 2021, this category counts with 79 active fintechs, representing 22% of SSA's FinTech space. The number of active companies grew steadily from 2010 to 2015 – on average, more than 50% per year – taking up some of the space previously dominated by Payments & Transfers. Though growth in fintech launches has slowed down in the past three years (31%), in line with the overall market, the high gap in credit access in SSA is likely to keep on fuelling growth for incumbents and the surge of local players in less developed FinTech markets.
- The growth potential of this space has been reflected in the investment attracted. Since 2013, lending companies raised more than \$US1.1 billion in funding and represent 29% of total investment in SSA's FinTech. However, much of this funding is still concentrated in international companies with proven business cases. International players Tala (31% of total funding) and Branch (24%) and Kenya-based Lendable (13%) are the top three fintechs with the highest amounts of funding. It is expected that more local players will be able to access funding in the future, as investors and customers increase their confidence in the business model.

DIGITAL BANKING

41

Active companies

11%

Of the SSA's FinTech space

14%

Of Total funding amount

- While much of the initial activity in SSA's FinTech space came from companies offering niche services, such as transfers or loans, fintech companies seem to be diversifying their product offerings. Increasingly, more startups are being created with the purpose of becoming fully digital banks, by integrating saving solutions, money transfers and credit, or providing banking infrastructures through their platforms ("Banking as a Service"). As a result, Digital Banking has emerged as a rising phenomena in SSA's FinTech landscape.
- Investors have been receptive of this business model, which has gained popularity in more developed FinTech markets. Since 2014, 25 Digital Banking fintechs have secured more than \$US666 million in funding. Its biggest success cases include banking platform provider Jumo (41% of funding) and digital banks TymeBank (32%) and Kuda (17%).
- In 2021, this category counts with 41 active companies, representing 11% of companies in SSA's Fintech space. However, this number has been growing at a fast pace over the past three years (43%), driving much of the growth in overall FinTech count.
- As customers increase the adoption of "one stop-shop" solutions, it is expected that traditional players in other verticals, such as Payments & Transfers and Lending, continue to diversify their product offering and start expanding into this space. However, competition from incumbents, technological infrastructure requirements and stricter regulations are still challenges for the development of this vertical.

PERSONAL FINANCE

43

Active companies

12%

Of the SSA's FinTech space

54%

Growth in n° of active
fintechs 2019-2021

- Tapping into SSA's unbanked population, Personal Finance has grown as an instrument to ease the practice of savings and managing money. SSA's PF product range include solutions such as savings plans or other savings alternatives, credit and wealth management or products towards financial literacy. The launch of these solutions has helped and empowered a share of the population to better manage their financial reality, considering long-term financial plans.
- In 2021, the Personal Finance category counts with 43 active companies, corresponding to 12% of total FinTech companies. This sector has more than doubled the number of companies operating since 2016 - on average, there were 6 new fintech launches per year. Indeed, personal finance solutions have only started to grow substantially after 2015. As a still growing segment, Personal Finance has shown one of the largest growth rates in the number of fintech companies in the past 3 years (54%), highly above the 32% of the overall SSA FinTech market.
- Personal Finance is only responsible for less than 1% of total SSA FinTech funding. A possible reason behind this modest percentage is the fact that Personal Finance fintechs are oriented by financial inclusion, rather than pure financial returns. Cowrywise (47.6% of total PF funding), TopCheck (17%) and Wala (17%) can be found as the top three Personal Finance fintechs with the highest level of funding.

INSURTECH

20

Active companies

6%

Of the SSA's FinTech space

11%

Growth in n° of active
fintechs 2019-2021

- The phenomenon of InsurTech was introduced in SSA as a response to the low insurance penetration — the highest penetration rate accounts for only 17% of the population (South Africa). Despite the rise of household income over the last 5 years, insurance is not considered as an essential product to a large share of the African population. All in all, startups have introduced more relatable and tech-based products that are aligned with the continent's reality — such as the high mobile phone penetration or the high percentage of agricultural activity.
- The InsurTech space is composed by 20 active fintechs and adds up to 6% of SSA total number of fintechs. From 2004 to 2015, the launch of InsurTech companies exhibited a positive growth rate, reaching its peak in 2015 (with the launch of 5 fintechs). Since reaching its maximum point, annual growth rates have declined. Furthermore, the launch of InsurTech companies was more present in more developed and mature markets, namely South Africa (holding 65% of total Insurtech companies). This phenomenon is usually explained by a comparatively higher level of disposable income and financial literacy, thus a higher willingness to purchase insurance.
- InsurTech corresponds to 1.02% of total SSA FinTech funding, where Naked Insurance (37% of InsurTech funding), Pineapple (23%) and Inclusivity Solutions (14%) can be found as the main drivers behind this flow of funding. As investors seek scalability, the cultural barrier of low insurance adoption could be considered as a potential reason behind the low investment "appetite" for InsurTech.

BLOCKCHAIN & CRYPTOCURRENCY

25

Active companies

7%

Of the SSA's FinTech space

39%

Growth in n° of active
fintechs 2019-2021

- The use of cryptocurrencies in SSA is increasing, as digital currencies are providing a cheaper, faster and more secure channel for remittances, payments or investments. This enables individuals and businesses to deal with the high costs of international and intra-region transfers and the risks of currency devaluation. As a result, Blockchain & Cryptocurrency solutions are increasingly being incorporated into other verticals, such as Payments & Transfers and InvestTech.
- This category represents 7% of the fintech count in SSA, with 25 businesses actively operating. Although it ranks 5th in number of companies, this is the most recent phenomena in SSA. In fact, the first registered company in the sample – Kenyan BitPesa – was only launched in 2013. From 2017 onwards, the number of fintech launches boomed, in line with global trends - leading to an 8x increase in 5 years. Despite an above average growth in the number of active fintechs (39%) over the past 3 years, the high volatility of the sector, lack of proper regulation and high energy requirements still constitute barriers to its growth.
- In line with the global crypto phenomena, Blockchain & Cryptocurrency fintechs are attracting more investment in the region. Since 2015, this vertical has secured a total of \$US52.3 million in funding. Crypto exchanges BitPesa (48% of total funding), CoinFLEX (22%) and VALR (9%) are the top three fintechs with the highest amounts of funding. The relevance of this vertical in SSA's FinTech space is likely to increase as its scope is expanded to include other uses, such as ID verification and property rights.

INVESTTECH

14

Active companies

4%

Of the SSA's FinTech space

56%

Growth in n° of active
fintechs 2019-2021

- InvestTech companies try to facilitate investing in African and global stock markets. These platforms, which ease the way for people to invest their money are growing by providing everyday investors with access to the financial markets. The recent growth in household income, paired with the lack of traditional investment options has opened the doors for InvestTech fintechs, particularly among the young population.
- InvestTech companies account for 4% of the SSA fintech market, with a total of 21 active companies in 2021. The sector has been growing steadily throughout the years, with an average of 2 to 3 company launches being registered per year. Despite being one of the smallest fintech spaces in SSA, InvestTech has shown a 56% growth rate in the number of active companies over the previous 3 years, the highest one among all FinTech verticals.
- Bamboo, a digital investment platform that provides real-time access to buy, hold or sell stocks, is the company with higher funding amounts (84% of InvestTech fundings), followed by ProsperiProp (11%).
- In essence, despite the existing opportunities for InvestTech fintechs, the existent regulatory barriers, reduced internet penetration and limited financial literacy, amongst others, can still hinder the vertical's level of investment attractiveness.

BUSINESS ADMINISTRATION

23

Active companies

6%

Of the SSA's FinTech space

44%

Growth in n° of active
fintechs 2019-2021

- Business Administration fintechs aim at facilitating a company's management process. This becomes particularly valuable to SMES, which lack the resources or knowledge to perform tasks such as accounting, liquidity handling, customer data analysis, amongst others. In SSA, 80% of the jobs are provided by SMEs (CSIS 2021), hence highlighting the relevance of this fintech vertical to the region.
- In 2021, there are 23 companies in the Business Administration space, corresponding to 6% of the overall FinTech space. While between 2010 and 2014 only 2 fintechs from this vertical were launched, the number of companies has been increasing progressively over the past 6 years. In fact, there has been 44% growth in the number of companies over the last 3 years, one of the biggest drivers of growth in SSA's FinTech count.
- The recent growth of this vertical may be partially associated to the maturing Payment & Transfers solutions. In a way, as payments and transfers needs become satisfied, other business management challenges began to be tackled. Ultimately, raising expectations regarding the attraction of larger amounts of funding by fintechs in this vertical. The Kenyan based MarketForce is the fintech with the largest amount of funds raised, corresponding to 30% of the vertical's total funding. The company focuses on providing a robust framework for measuring and improving performance, customer experience, and financial KPI's.

REGTECH

10

Active companies

3%

Of the SSA's FinTech space

11%

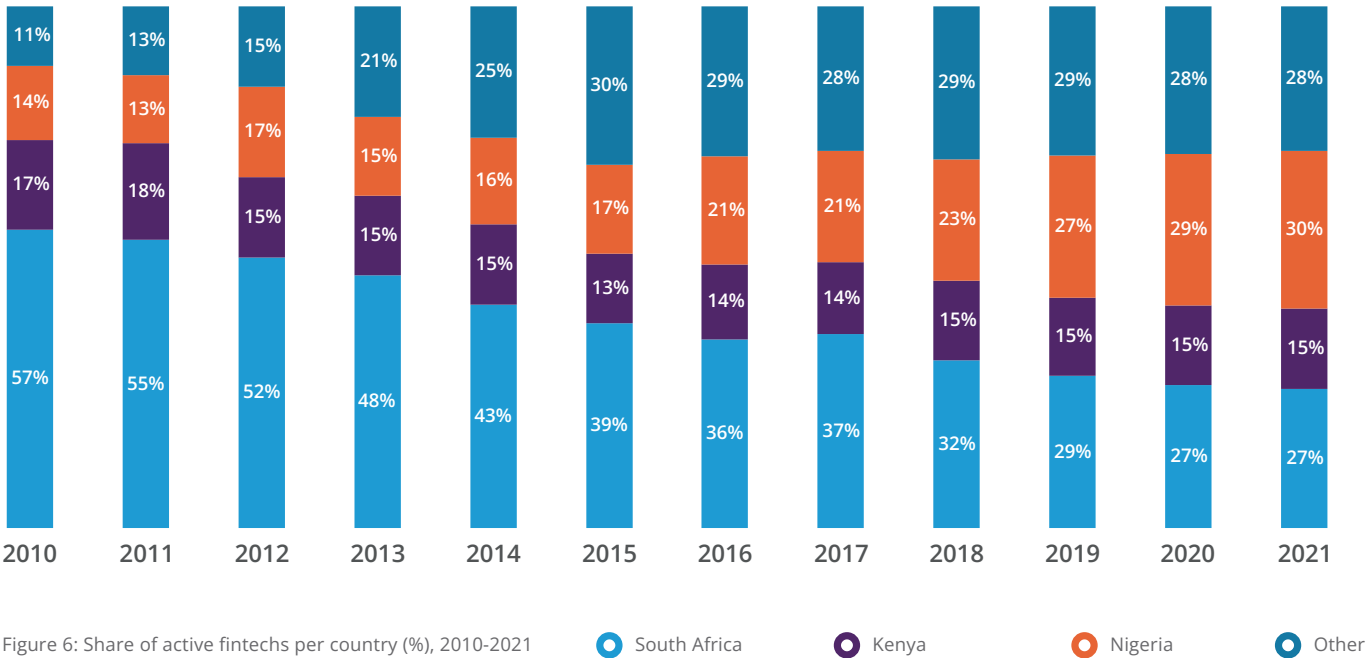
**Growth in n° of active
fintechs 2019-2021**

- RegTech fintechs aim at facilitating a company's interaction with regulatory requirements, making it less expensive and time consuming. They also focus on the improvement of an enterprise's level of digital security. Essentially, providing services related to risk management, identity management, KYC or AML.
- RegTech is the smallest SSA fintech vertical, with only 10 active companies and a modest share of 3% of the total number of fintechs. Still, there are two trends that positively affect the future relevance of RegTech in this FinTech landscape.
- The first is the rising number of regulatory requirements, which are expected to accompany the growth of Fintech. Increasingly KYC and AML solutions are being used by Digital Banks and lending solutions. This is particularly important as companies expand their operations to more than one country, especially telecom and payment providers. The second is the adoption of RegTech solutions by many institutional bodies, as these can also benefit from RegTech as they also face compliance supervision which entails costs.
- Within the SSA region, the Nigerian based i.Sec is the most prominent RegTech focused fintech, having secured 90% of the total funding attributed to this vertical. Essentially, the company provides identity management and access authorization services to banking institutions.

COUNTRY ANALYSIS

NIGERIA, SOUTH AFRICA AND KENYA AS MAIN FINTECH HUBS

- Much of the growth in SSA's FinTech ecosystem has been driven by the activity in three major Hubs: Nigeria, South Africa and Kenya. These countries account for 72% of the total number of active fintechs and represent more than 58% of the total funding captured, making them impressive success cases in the region. The factors that dictate their success will be explored in detail throughout this report.
- Though South Africa dominated the space until 2019, Nigeria has since taken the spot as the region's major Hub. For the past three years, the country has given room to more than half of the new fintech launches, followed distantly by Kenya (16%) and South Africa (10%). This trend is also reflected in the age of fintech companies: the average South African fintech has been operating for more than 7 years, in comparison with 5 in Kenya and less than 4 in Nigeria, showcasing the different maturities of these markets.



Source: Own database

Nigeria’s growing importance in SSA’s FinTech landscape is also reflected in the amount of funding attracted. As of 2021, Nigeria represents 30% of active fintechs and has been responsible for a proportional share of funding flows in the region. Despite accounting for a close number of companies, South African fintechs have contributed to less than 20% of funding. Similarly, Kenya, with 15% of active fintechs, accounts for only 7% of funding flows. The gap between fintech presence and the amount of investment attracted by each country is mostly explained by the presence of international players in the region, which will be further explored in greater detail.

TOTAL OVERALL FUNDING (%)

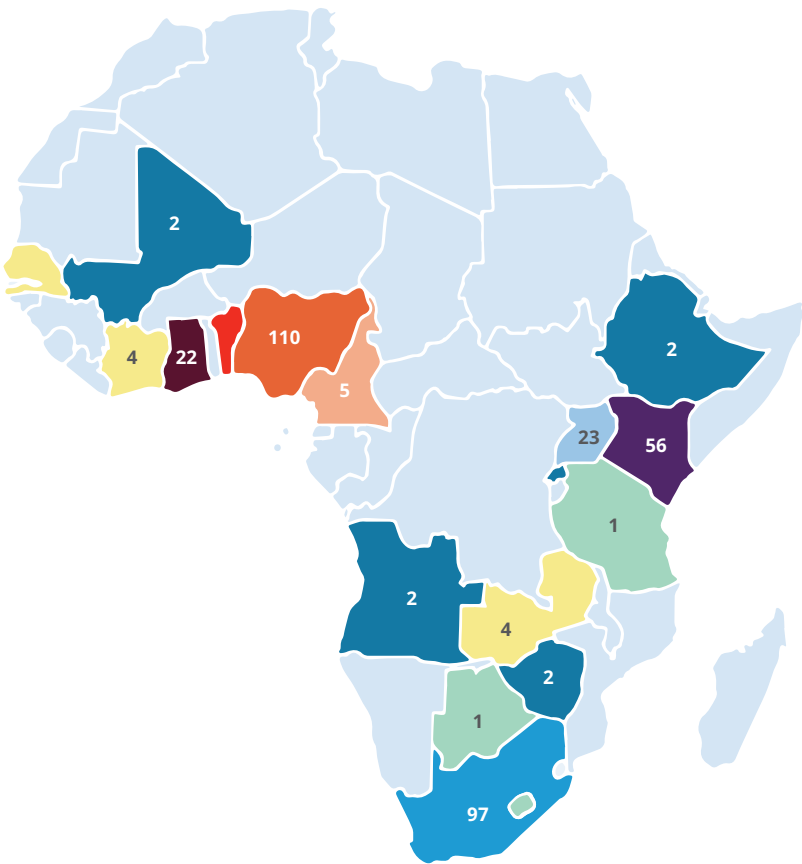
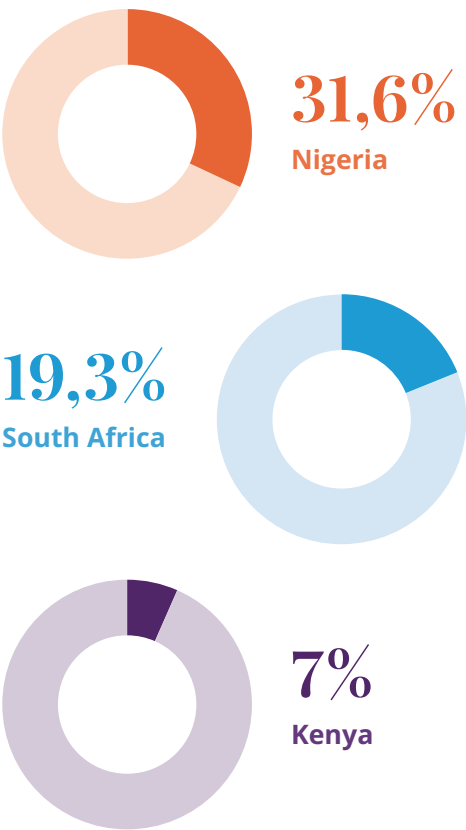


Figure 7: Number of active fintechs in SSA, 2021

A CLOSER LOOK INTO NIGERIA

Nigeria is the largest country in SSA in terms of population, accounting for 206 million people in 2020. As of 2021, Nigeria is home for 111 fintechs, having as its pioneer the company Interswitch — an integrated digital payment platform.



Vertical Distribution

If considering a segmentation of these fintechs by verticals, the sector of Payments & Transfers accounts for 29% (32 fintechs) of the total number of companies, followed by Lending & Marketplaces (20%) and Personal Finance (16%), as illustrated in Figure 8. The rise of Personal Finance within the Nigerian market was linked to the national economic recession in 2016, where the national currency, the Naira, devaluated against the USD. As a response to the low interest rates provided by traditional banks, Nigerians turned into the fintech-based technologies to better save their money and potentially invest, leading to the launch and rise of platforms such as Cowrywise or EvolveCredit.

Funding Analysis

Regarding its magnitude of investments, Nigeria has attracted an amount of 1.21 billion dollars of funding as of 2021, corresponding to the country with the highest total funding in SSA. However, a noticeable difference is perceived in the level of funding within its diverse range of verticals. Once again, the vertical Payments & Transfers remains in #1, accounting for nearly 80% of total funding, followed by Digital Banking and Lending & Marketplaces, respectively. This rise of funding within the vertical of Payments & Transfers was highly fuelled by the outstanding number of Nigeria's FinTech unicorns, namely Opay (47% of total funding) and Interswitch (17%), representing 2/4 SSA FinTech unicorns³.

¹ GDP per capita as of 2020, directly retrieved from Statista; ² Exchange rate as of January 2021, directly retrieved from Statista

³ Despite being based outside of Nigeria, Flutterwave can also be considered as a Nigerian fintech

SPOTLIGHT ON INTERSWITCH



Interswitch is not only Nigeria's pioneer fintech, but it also has become one of the very few companies to be considered an African fintech unicorn. As a digital payment and e-commerce provider, Interswitch has grown in significant scale over nearly two decades, achieving metrics such as:

1) a valuation of 1 billion dollars in its last round of funding or

2) 90% market share of all electronic transaction in Nigeria.

The company has been able to support this vast growth through a successful set of payment and financial service offerings. Its range of products is clustered across three major segments:

- 1) Transaction processing and enablement;
- 2) Card Network (Verve) and
- 3) Consumer Financial Services (Quickteller).

As its next step towards international expansion, the company has considered going public through an initial public offering (IPO), since 2016. Given this potential IPO, the company is expected to raise fresh financing through a lower cost of capital, comparatively to its cost of financing if it were to stay private.

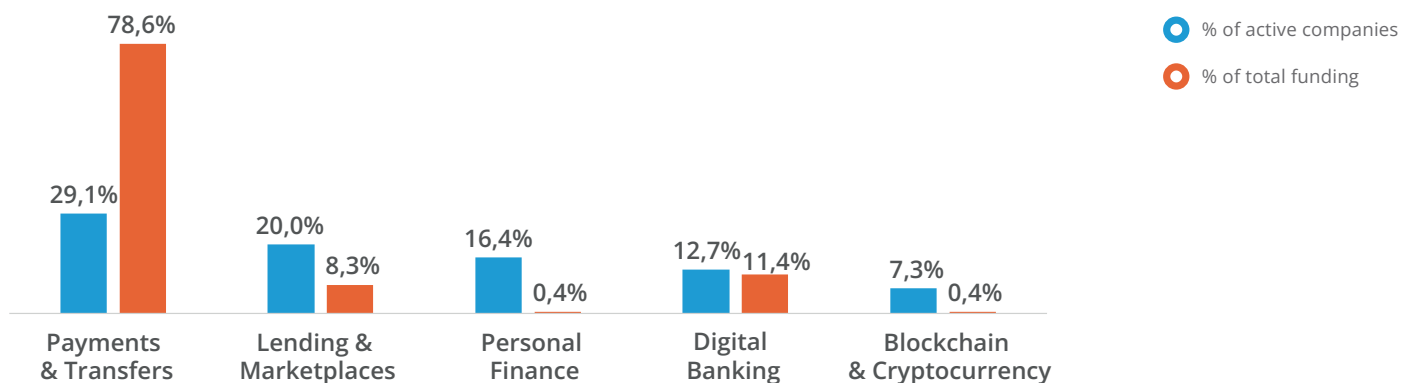


Figure 8: Nigeria's distribution of number of companies and total funding per vertical (Top 5)

A CLOSER LOOK INTO SOUTH AFRICA

South Africa remains the most developed economy when compared to its Sub-Saharan peers, accounting for the largest GDP per capita and lowest poverty rate. Due to its comparatively high degree of development, South Africa was the first established FinTech hub, launching its first fintech company in 2000. This hub is currently composed by a total of 97 FinTech companies.



Vertical Distribution

When looking at South Africa's vertical distribution, there is a large presence of the Payments & Transfers vertical, accounting for nearly 30% of total companies. The second largest verticals are Lending & Marketplaces and InsurTech (13% each). Furthermore, the South African pool of fintechs experiences a high presence of emerging verticals comparatively to the remaining hubs, as South Africa contains the highest number of InsurTech, Business Administration and InvestTech companies across SSA. All in all, the activity in these emerging spaces can be largely traced to this market's maturity.

Funding Analysis

Funding wise, South Africa captures a grand total of US\$ 667 million. Within this value, the single sector of Digital Banking represents approximately 60% of total funding, followed by Payments & Transfers (22%) and Lending & Marketplaces (12%). Furthermore, JUMO and TymeBank, the two largest Digital Banking platforms across SSA, are the main drivers behind this outstanding percentage of funding (51% of total). As South Africa's digital and financial infrastructure present a relatively higher development, investors might show a higher attraction to this market when investing in Digital Banking solutions — given that this infrastructure can better support the activity of these more "complete" platforms, when compared to other SSA markets.

¹ GDP per capita as of 2020, directly retrieved from Statista

² Exchange rate as of January 2021, directly retrieved from Statista

SPOTLIGHT ON JUMO



JUMO is one of the largest growing fintechs in SSA, catching significant attention from players in the market with its latest \$55M funding round, from Goldman Sachs. Since its founding in 2015, JUMO has provided a Platform-as-a-Service (PaaS) for partner banks (B2B), enabling them to offer loans and mobile savings to individuals and SMEs that have limited or no access to essential financial services. Overall, the company has achieved large cross-border operations, establishing itself in Kenya, Uganda, Tanzania, Rwanda, Ghana, Zambia and the United Kingdom, with additional future expansion plans in Asia.

The company has been able to sustain this vast expansion based on the singularity of its service, more specifically, its platform capabilities. Its platform utilizes behavioral data from mobile usage to create financial identities for consumers, linking them to specific financial products³. All in all, by observing the successful case of JUMO, we can witness the possible scalability of Sub-Saharan fintechs beyond the borders of the African ecosystem.

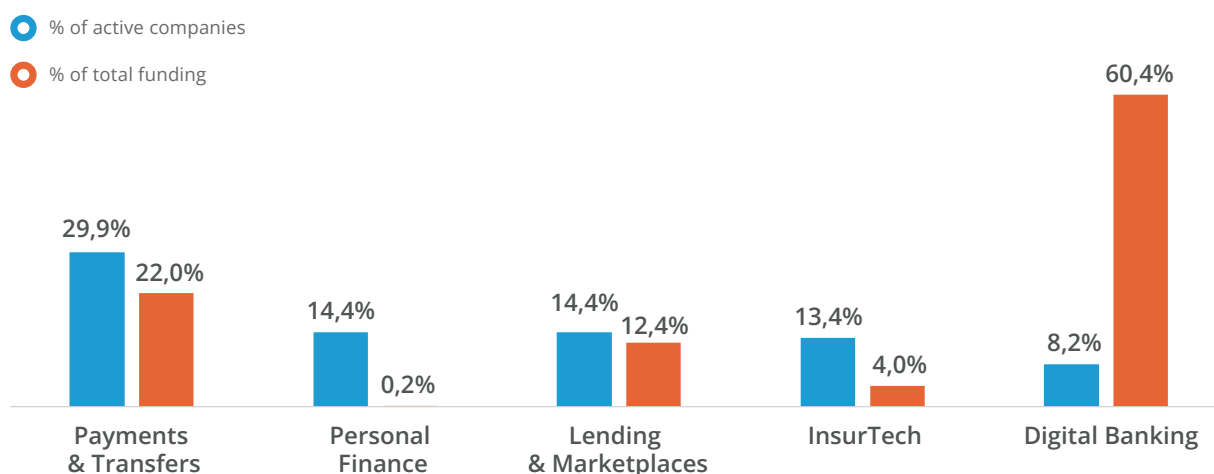


Figure 9: South Africa's distribution of number of companies and total funding per vertical (Top 5)

A CLOSER LOOK INTO KENYA

With one of the fastest growing digital economies, Kenya has been established among one of the world's leaders in mobile money penetration and the most successful adopter of mobile wallets (FT Partners 2019). Within its 40.9 million population, Kenya is home for 56 fintech companies since 2004.



Vertical Distribution

When compared to the three main SSA hubs, Kenya is the only market that is not led by the Payments & Transfers when considering the number of fintechs. In contrast, Lending & Marketplaces presents the highest number of active companies, with a corresponding percentage of 32% of total number of national fintechs, followed by Payments & Transfers (29%). A wide gap is found between the second and third largest verticals regarding the number of fintechs. Digital Banking, Personal Finance and Business Administration share the third place (9% each, as illustrated in Figure 10). The rise of the number of companies within the Kenyan Lending & Marketplaces is highly linked to the increasing demand for alternative mobile and digital lending solutions, as many individuals with capital needs were not satisfied by formal lenders (FSD Kenya 2017).

Funding Analysis

A total value of \$US238 million was raised by Kenyan fintechs as of 2021. Furthermore, the largest share of funding was led by the Lending & Marketplaces vertical, which captured over 50% of all investment. The sector of Payments was left in #2, accounting for an overall of 32%. Remaining verticals such as Blockchain and Cryptocurrency or InsurTech accounted for less than 10% each. The main contributor to Kenyan funding was Lendable, a Lending & Marketplaces fintech, which accounts for more than 60% of total Kenya's funding (achieving funding rounds as large as \$140M).

¹ GDP per capita as of 2020, directly retrieved from Statista

² Exchange rate as of January 2021, directly retrieved from Statista

SPOTLIGHT ON CELLULANT



Since 2004 Cellulant enables users to make and receive payments using a single digital platform. This program provides an integrated financial ecosystem of consumers, retailers, banks, mobile network operators and governments. This integrated financial ecosystem was achieved through a large input of product development. In its founding years, Cellulant was composed by Mula, a secure payment method for people and businesses. In 2015, the company expanded its product offering creating the venture Tingg, an integrated hub of digital services that empower commerce within ecosystems.

Finally, Agrikore, a blockchain based smart contracting and payments system, was introduced in 2017 to ensure that all agents in the agricultural sector could do business in a trusted and transparent environment. Cellulant raised approximately \$47.5M in a Series C funding round in 2018, further helping its Pan-African expansion.

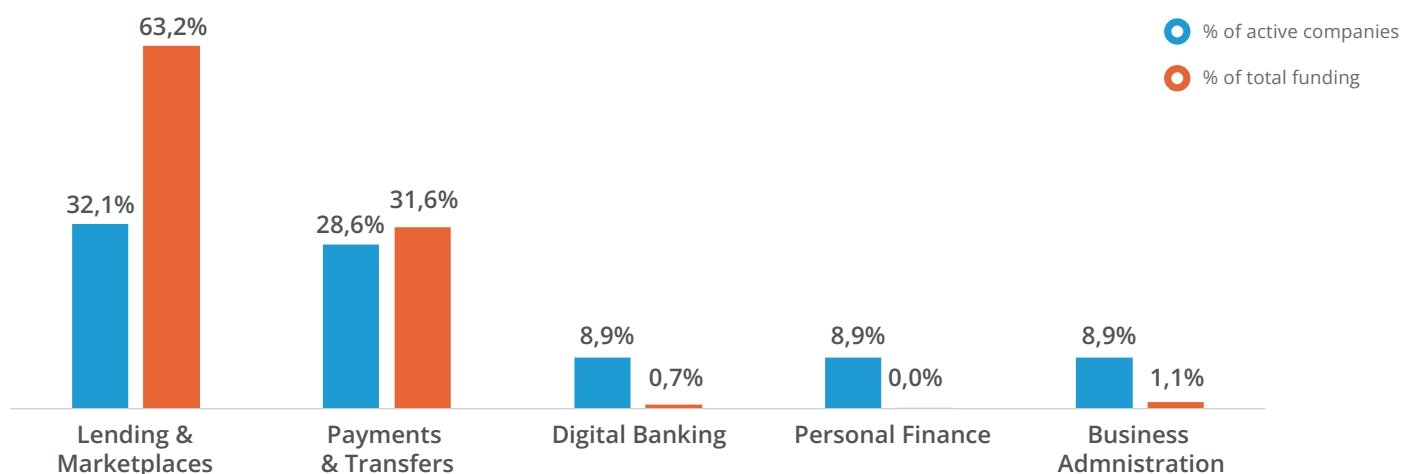


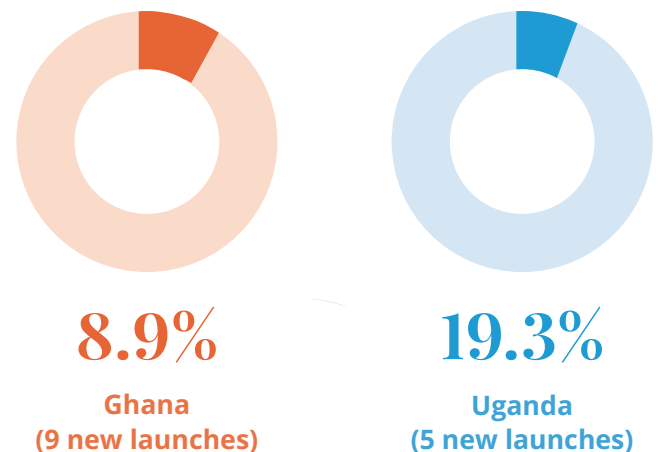
Figure 10: Kenya's distribution of number of companies and total funding per vertical (Top 5)

OTHER PLAYERS ARE GAINING SHARE IN THE MARKET**Other Rising Countries**

The share of active fintechs originated outside of the three major countries increased considerably throughout the earlier Fintech years, remaining stable at around 30% since 2015. Much of the growth from other players has been driven by increased FinTech activity in two countries: Ghana and Uganda. Together, these countries represent 45 active fintechs (12% of SSA's total). As well-known FinTech Hubs start to mature, these ecosystems have the opportunity to expand and reinforce their presence in the region. Despite the positive outlook, these countries have yet to attract significant funding rounds, which can pose some challenges for their future growth.

FinTech launches 2019–2021

Other success cases have also been emerging from relatively smaller FinTech ecosystems, such as Seychelles, Mauritius, Cameroon, Cote d'Ivoire, Rwanda, Senegal, Zambia or Zimbabwe. Though their contribution to overall SSA funding is still minimal in most cases, these countries are likely to expand their relevance as more success cases emerge. Interestingly, Senegal's Wave \$US 200 million Series A in 2021, the biggest ever recorded in SSA, turned it into the fourth country with the highest amount of FinTech investment in SSA, right after Kenya.

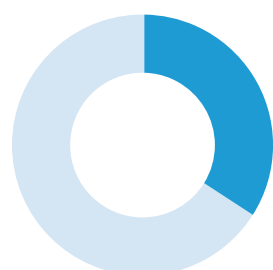


International Players

As previously mentioned, the gap between the number of companies in SSA's FinTech ecosystem and the amount of funding attracted can be explained by the presence of international players. These are companies that operate mainly in SSA's countries, but have their headquarters located elsewhere. Most of the players identified (80%) originate from the US, with the remaining being from the UK and the EU, and tend to have African members in their founding team.

International companies are responsible for 34% of all funding flows, more than any individual country, despite accounting for less than 3% of active fintechs.

This success can be attributed to the proximity of international investors. Admittedly, all companies considered have attracted international funding. This has also been reflected in larger ticket sizes, with international fintechs securing an average funding of \$US27.3 million, five times more than local companies (Table 2).



34.3%

Overall funding

COMPANY	YEAR	HQ	PRIMARY MARKET	TOTAL FUNDING (US\$ MILLION)
 TALA	2011	US	Kenya	349.4
 Chipper	2018	US	Various	302.2
 branch	2015	US	Kenya	274.3
 Flutterwave	2016	US	Nigeria	234.7

Table 2: Top 4 international companies operating in SSA, by total funding

Fintech Ecosystem Scoring Model

CHAPTER VI

COUNTRY ANALYSIS

SCORING MODEL

- While the high projected growth of SSA's young population and the widespread cell phone availability have been often pointed out as key fundamentals for the expansion of FinTech services, other factors – such as innovation-friendly regulation, internet penetration, support from local players and access to talent and capital – can be critical to fuel fintech growth, as seen by the different levels of adoption of M-Pesa. To provide a comprehensive view on the factors enabling FinTech development in each Hub, we propose a novel FinTech ecosystem scoring model.
- Any FinTech ecosystem is driven by a set of pillars that influence its overall strength and evolution. In the case of Sub-Saharan Africa FinTech, we consider that this ecosystem includes the following pillars: Regulation, Demand, Feeling of Community, Talent and Capital. Each individual pillar will be explained in further detail and analysed in the following section ("Pillar Analysis"). Furthermore, Figure 11 illustrates the relationship between different pillars and corresponding stakeholders.
- In order to better understand the development of each hub, an analysis was conducted looking at each individual pillar and corresponding dimensions (what we considered as "ecosystem framework"). By providing a score from 1 to 5 (being 1 the least favourable and 5 the most favourable), this scoring model tries to recognize the indicators that drive the largest positive impact within each hub. All in all, this framework and scoring model can be valuable from a learning perspective, as growing FinTech companies and markets can observe the best practices being applied within each pillar based on the reality of the SSA landscape.

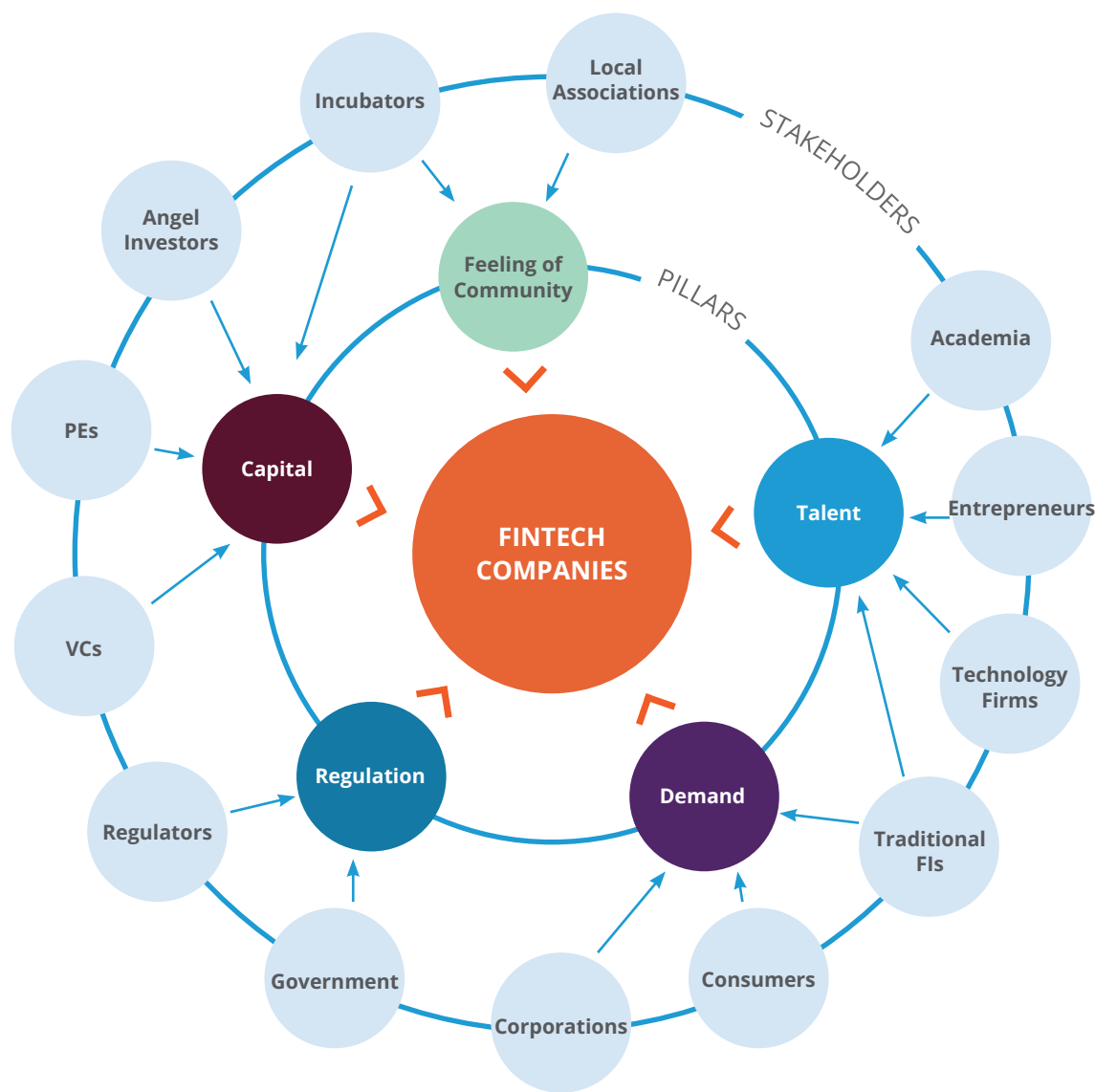


Figure 11: Relationship between stakeholders and pillars inside the FinTech ecosystem

PILLAR ANALYSIS: REGULATION

- The fast growth experienced within SSA's FinTech landscape has created challenges for regulators across the region, which are struggling to keep up with the fast pace of innovation. The absence of specific "FinTech laws" in most countries requires multiple regulators to continuously adapt existent frameworks, often resulting in unclear and overlapping rules for FinTech businesses (Afriwise 2021).
- High compliance requirements also represent a major regulatory burden for SSA fintechs. On the one hand, the costs and time needed to attain a license constitute high entry barriers in the space. On the other, regulators have been rolling out KYC and AML rules, with high penalties for non-compliance.
- Conflicting and fragmented national regimes have made it difficult for companies to expand cross-border operations, mainly in the payments space. This has led to a surge in calls for regulatory convergence across the continent (Africa Forum 2021). The African Continental Free Trade Area Agreement (ACFTA), which came into force in 2021, is expected to drive regulatory alignment between 54 African countries.
- Despite this, we have been witnessing a rise in pro-innovation regulation in the SSA FinTech ecosystem, through the widespread adoption of innovation facilitators. Considering this, four dimensions were selected to assess the strength of this pillar: (i) Robustness, (ii) Fragmentation, (iii) Compliance requirements and (iv) Innovation support.

- To properly score each dimension, comparable indicators were chosen (Table 3). A favorable regulatory ecosystem is thus characterized as having high robustness, low fragmentation, suitable compliance requirements and support of innovation. Overall, it should balance the need to ensure stability and protect consumers with the desire to support innovation and promote financial inclusion, through a proportional assessment of the risks represented by fintech businesses.

DIMENSIONS	INDICATORS
Robustness	Incomplete / lack of clear regulation
	Sudden changes in regulation
Fragmentation	N° of regulating entities
Compliance requirements	Costs of attaining a license
	Time to attain a license
	Complexity of KYC/AML rules
Innovation Support	N° of innovation facilitators

Table 3: Regulation scoring framework

CLOSER LOOK INTO INNOVATION FACILITATORS ¹	
Regulatory Sandboxes	Regulatory sandboxes have been adopted by regulators globally to provide innovators with a controlled environment to test out new financial products and services, usually under alleviated regulatory restrictions. This concept has taken the interest of regulators in SSA, with more than eight sandboxes having been established in the region to date.
Innovation Offices	Innovation offices act as central contact points to answer questions and offer guidance to companies, helping them navigate regulatory requirements.
Innovation Accelerators	Regulatory/innovation accelerators are responsible for enabling partnerships between fintech firms and regulators, helping companies understand the policymaker's needs and support them in gaining understanding of emerging technologies.

¹ According to World Bank definitions (2020)

1. NIGERIA



Robustness

Though Nigeria's regulatory ecosystem is still not robust, the rise of diversified fintech solutions has forced regulators to expand their scope. In 2021, regulatory frameworks were issued for equity crowdfunding and open banking, two unregulated areas. Regardless, sudden changes in regulation still represent a major hurdle for Nigerian fintechs. The recent ban on crypto assets by the Central Bank of Nigeria (CBN) or the Securities Exchange Commission (SEC) decision to forbid the offer of foreign stocks to Nigerian investors are examples of regulatory instability.

Fragmentation

Nigeria's ecosystem is particularly fragmented, lacking a unified approach to regulation. Besides the CBN and the SEC, the two main regulatory entities, there are nine other regulators¹. This often results in a regulatory overlap, as the mandates of each entity are not properly defined. In fact, the crypto ban by the CBN came after the SEC announced that it was already working on a regulatory framework and a sandbox for cryptocurrencies.

Compliance requirements

Both the cost and time associated with the licensing process are considered challenges for Nigeria's fintechs. This is often aggravated by the fragmentation of the system, as companies can be required to attain multiple licenses to operate. Though KYC/AML rules have not represented a big barrier to fintechs, compliance with data protection and cybersecurity rules has been considered costly. To mitigate these risks, the CBN has announced the introduction of a 4-tier licensing model enabling fintechs to enter the market with lighter conditions.

Innovation support

Despite the challenges still faced, Nigeria's regulators have been supportive of innovation. In 2019, the FSI2 launched an industry sandbox with the support of the CBN. Following its success, the latter decided to launch its own regulatory sandbox in 2021 and the SEC has announced the roll out of the Regulatory Incubation Program for companies in the capital markets. Additionally, both the SEC and the Nigeria Deposit Insurance Corporation (NDIC) have set up innovation Offices.

¹ These include the NDIC, NAICOM, FCCPC, NCC, NITDA, NOTAP, Corporate Affairs Commission, FRC and NIBSS in Nigeria and the SARB, Prudential Authority (PA), FSCA, NCR, FIC, PASA, FSO and FSIC in South Africa; ² Financial Services Innovators

2. SOUTH AFRICA



Robustness

Being one of the first movers in the FinTech space in SSA, South Africa's regulatory ecosystem started developing early on. Nonetheless, there are generally no FinTech-specific laws in place, forcing regulators to encompass fintech activities within existent frameworks. This often results in lack of clarity for fintech firms, which find themselves unaware of which laws they need to comply with. For instance, while equity crowdfunding and P2P lending may fall under 6 different jurisdictions, there is no specific regulations for these areas. Likewise, crypto assets remain an unregulated area, though a regulatory framework covering this category is being developed.

Fragmentation

The existence of multiple regulators has resulted in a fragmented regulatory ecosystem. The creation of the Intergovernmental FinTech Working Group (IFWG), in 2016, has managed to alleviate some of these problems. The IFWG brings together the seven South African regulatory bodies² and works as a "one-stop shop" to engage with fintech firms.

Compliance requirements

Costs of attaining a license are not considered to be overly impeditive to the activity of fintech businesses, neither are KYC/AML rules in place. On the contrary, the time required to attain a license stands out as one of the biggest regulatory hurdles of South African firms, more than in the remaining Hubs.

Innovation support

In 2020, the IFWG set up an Innovation Hub to assist innovators through three different avenues: a Regulatory Guidance Unit, aimed at providing answers to regulatory enquiries, an Innovation Accelerator, responsible for organizing workshops, hackathons and other policy-driven initiatives and a Regulatory Sandbox, which has since then welcomed its first cohort of 8 innovators, including crypto-based transfer solutions, crowdfunding platforms, InsurTechs and even an incumbent bank.

¹ These include the NDIC, NAICOM, FCCPC, NCC, NITDA, NOTAP, Corporate Affair Commission, FRC and NIBSS in Nigeria and the SARB, Prudential Authority (PA), FSCA, NCR, FIC, PASA, FSOB and FSIC in South Africa; ² Financial Services Innovators

3. KENYA



Robustness

Since the launch of M-Pesa, in 2007, Kenya has followed a “test and learn” approach to FinTech regulation. The Central Bank of Kenya’s (CBK) issuance of a “letter of no objection” to Safaricom to develop the mobile money service is an example of this. In fact, specific payments frameworks were only introduced in the country four years later. While this strategy ensures that fintech firms are not subject to overly restrictive requirements, it can also be seen as granting less protection, resulting in a less robust regulatory ecosystem. Admittedly, the lack of formal fintech frameworks has led to regulatory gaps. Although not prohibited, the areas of digital credit, cryptocurrencies, equity crowdfunding and P2P lending remain unregulated.

Fragmentation

Besides the CBK and the Competition Authority of Kenya (CAK), there are four other regulatory entities¹. The nature of Kenya’s regulatory approach, which is institution rather than activity-based, poses concern for several fintech categories, whose legal “umbrella” is not properly defined. Nonetheless, attempts of consolidation have taken place with the 2018 Financial Markets Conduct Bill, which proposed the establishment of a regulator to oversee fintech activities.

Compliance requirements

Though the costs of attaining a license are generally not impeditive for firms, the time it takes to get it is still a constraint for Kenyan fintech business. On the other hand, existent KYC/AML rules are not seen as challenge.

Innovation support

Kenyan regulators have also led the way in promoting innovation initiatives. In 2019, the Capital Markets Authority (CMA) launched a Regulatory Sandbox, which has since received 24 applications from various innovation areas, including crowdfunding, blockchain-based platforms and robot advisors. Additionally, the Insurance Regulatory Authority (IRA) has launched a regulatory sandbox (“Bimabox”) focused on insurance innovations and an Innovation Accelerator (“BimaLab”) to promote collaboration on insurance products and services.

¹ These include the Communications Authority of Kenya (CA), CMA, IRA and Retirement Benefits Authority in Kenya

OVERALL ASSESSMENT

DIMENSIONS	INDICATORS	NIGERIA	SOUTH AFRICA	KENYA
Robustness	Incomplete / lack of clear regulation	3	2	2
	Sudden changes in regulation	3	5	4
	Score	3.0	3.5	3.0
Fragmentation	N° of regulating entities	2	3.5	4
	Score	2.0	3.5	4.0
Compliance requirements	Costs of attaining a license	3	5	4
	Time to attain a license	3	2	4
	Complexity of KYC/AML rules	5	5	4
	Score	3.7	4.0	4.0
Innovation Support	N° of innovation facilitators	5	4	4
	Score	5.0	4.0	4.0
TOTAL SCORE		3.4	3.8	3.8

Table 4: Regulation scores per country

METHODOLOGY FOR INDICATORS	
Source	To perform a quantitative evaluation of the Robustness and Compliance requirements indicators, data from the 2021 Africa FinTech Radar was used. This joint initiative from Findexable and UK Tech for Growth surveyed 200 fintechs to identify areas that presented biggest regulatory burdens. Updated information on regulatory entities and innovation facilitators was collected by the Catalyst Fund.
Score	Based on the data available, numeric intervals were defined for each indicator, which were later converted to a scale of 1 to 5. Given that the data matched the qualitative assessment, there was no need to adjust scores. The score of each dimension represents a weighted average of each indicator's score. Similarly, the final score corresponds to a weighted average of each dimension, as all dimensions were considered equally important. ²

² A detailed description of the survey's results and the criteria used for scoring can be found in Appendix 2-3.

PILLAR ANALYSIS: DEMAND

In every market the demand plays a structural role, and the FinTech market is no exception. Currently, the demand for FinTech services in SSA can be thought of a combination of two different perspectives: potential demand and existent demand.

Potential Demand corresponds to a fintech whose business model is based on SSA's lack of financial inclusion and reflects an earlier stage of such landscape, with M-pesa replicating this perspective. Within such perception, a fintech will typically look for isolated populations with willingness and capacity to absorb FinTech services. The following indicators measure these two conditions:

a) Rural Population b) Bank Agencies per 100 000 citizens¹	Population Isolation
c) Phone Penetration d) Young Population in 2030 e) Internet Access	Willingness/Capacity of absorption

Existent Demand corresponds to a fintech that aims at providing services to citizens already financially included and reflects a more mature stage of the SSA FinTech Landscape. Within such perspective, a fintech will typically look for signs of FinTech services adoption. The following indicators measure such adoption:

a) Population that made Digital Payments in the last year	→	Payments
b) Sent/Received Remittances through a mobile phone	→	Remittances
c) Mobile Money account	→	Digital Wallet
d) Borrowed from a financial institution/used a credit card	→	Lending

¹The interval range for each indicator, the SSA countries used as benchmark and the performance of each country per indicator can be found in Annex 4, 5 and 6 respectively

DIMENSIONS	INDICATORS
Potential Demand	Rural Population
	Bank Agencies per 100 000 citizens
	Phone Penetration
	Young Population in 2030
	Internet Access
Existent Demand	Made Digital Payments
	Sent/Received Remittances Digitally
	Mobile Money Account
	Borrowed from a financial institution/used a credit card

Table 5: Demand scoring framework

METHODOLOGY FOR INDICATORS	
Source	The indicators mentioned, and their values were extracted from the Global Financial Inclusion Databank by the World Bank, from the most recent year available. The indicators relative to the Existent Demand were available in percentage of total population, having then been multiplied by the total population of the relative year.
Benchmark	The indicators were also extracted from the remaining SSA countries, to act as a benchmark. Based on that data, different intervals were defined for each indicator, with each interval having a score associated.
Perspective Relevance	Although two different perspectives were identified, given SSA still fragile levels of financial inclusion, potential demand was deemed more relevant when attributing a score – equivalent to a 75% weight on the overall demand score.

1. NIGERIA



Potential Demand

Nigeria is indisputably the country with the strongest potential demand for FinTech services in SSA. In fact, it achieves the highest score on current rural population, expected young population and internet access, thus ensuring willingness and capacity of absorption of the services. Also, it has the largest amount of mobile phone penetration and a low level of bank agencies per 100 000 inhabitants, hence exhibiting a high degree of population isolation, ultimately scoring 4.75/5 from this perspective.

Existent Demand

This demand perspective contrasts with the previous one, which leads to a worse performance compared with Kenya and South Africa. The demand for digital wallet and borrowing services are the lowest, leading to a score of 1.75/5 and bringing the overall score down to 4.

2. SOUTH AFRICA¹



Potential Demand

South Africa exhibits low levels of population isolation as its rural population is reduced and comparatively has more bank agencies per 100 000 citizens, thus negatively impacting this demand perspective. However, the country displays a medium degree of willingness/capacity of absorption of fintech services due to medium phone penetration, high expected young population and the high level of internet access, ultimately scoring 2.5/5 from this perspective.

Existent Demand

This perspective achieves the same score as the previous one - 2.5/5 - with medium demand for both payments and lending services, and low demand for remittances and digital wallet services. This results in an overall score of 3/5. South Africa ends up having a more mature demand than Nigeria but less relative to Kenya.

¹ Despite these two countries have less than half of Nigeria's population they still surpass it in various indicators in absolute number, hence support an evaluation of those indicators from an absolute value perspective.

3. KENYA¹



Potential Demand

Kenya represents a medium level of demand regarding willingness/capacity of fintech services (3.25/5), which can be justified by the fact that its FinTech landscape has become more mature. Regarding the level of isolation, the impact of its rural population on the demand is medium, however the lack of bank agencies strongly contributes to such demand, setting a score of 3.25/5.

Existent Demand

Kenya's ecosystem fares particularly well in this dimension, 5/5. In every demand indicator, the country achieves the highest score possible. Thus, illustrating how its FinTech Landscape has matured, which can be attributed to the success of M-Pesa, ultimately increasing the overall score to 3.5/5.

OVERALL ASSESSMENT

DIMENSIONS	INDICATORS	NIGERIA	SOUTH AFRICA	KENYA
Potential Demand	Rural Population	5	1	2
	Bank Agencies per 100 000 citizens	4	2	5
	Phone Penetration	5	3	2
	Young Population in 2030	5	4	4
	Internet Access	5	4	1
	Score	4.75	2.5	3.25
Existent Demand	Made Digital Payments	2	3	5
	Sent/Received Remittances Digitally	3	2	5
	Mobile Money Account	1	2	5
	Borrowed from a FI/used a credit card	1	3	5
	Score	1.75	2.5	5
TOTAL SCORE		4	3	3.5

Table 6: Demand scores per country

¹ Despite these two countries have less than half of Nigeria's population they still surpass it in various indicators in absolute number, hence support an evaluation of those indicators from an absolute value perspective.

PILLAR ANALYSIS: TALENT

- The African fintech market growth is compromised by the lack of talent, specifically related to the required technological skills and resources. The demand for talented people is increasing by day, especially for competencies in specific areas such as data science, software engineering and business development (Findexable 2021).
- Naturally, the pool of talent that has the potential to contribute to the development of the fintech sector depends on the number of tech-related universities and programs, and of course, on its quality. In fact, the continent still presents an underdeveloped education system. Among the main essential people for the fintech sector development, research conducted by Findexabe shows that the matter of qualified employees is more concerning regarding Data Scientists than in other categories, being Software Engineers the more favourable area.
- The limited traditional job opportunities can generate a more creative entrepreneurial environment where young people try to reach and develop new and innovative solutions. Nonetheless, there are major barriers in finding the right skill to further develop and scale-up fintech businesses.
- To better score this pillar across the three previous hubs, the quantity and quality of talent were considered as main dimensions.

From a quantity standpoint the main indicators considered include:
 1. Number of relevant programs
 2. Capacity to retain local talent and attract foreign talent
As for the quality dimension, it is assessed by observing the following:
 1. Quality of Data Scientists
 2. Quality of Computer Science Universities

DIMENSIONS	INDICATORS
Quantity	Number of Relevant Programs ¹
	Capacity to retain local and attract foreign talent ²
Quality	Quality of Data Scientists ³
	Quality of Computer Science Universities ⁴

Table 7: Talent scoring framework

METHODOLOGY FOR INDICATORS	
Score	The methodology for the score of the number of relevant courses and the capacity to retain local and attract foreign talent was similar. The first step was to identify the SSA country with the highest level for each indicator, attributing it a score of 5. Then, the score of each hub was defined as proportion between its indicator value and the maximum value.
Quality of Data Scientists	The 2021 Findexable report presents a survey conducted to domestic fintechs in each hub to classify the pool of data scientists. The percentage of fintechs in each hub that classified it as weak is used to determine the score – the lower the percentage, the higher the hub will score in this indicator.
Quality of Computer Science Universities	The 2021 top-30 ranked universities are based in 11 different countries. To each country, the respective number of universities included in the top-30 was associated. Then, the larger the number, the better the score for this indicator.

¹ (Free Apply 2021) ²(World Bank Data 2017) ³(Findexable 2021) ⁴(Scimago Institutions Ranking 2021)

1. NIGERIA



- Overall, Nigeria represents the second position in the Talent pillar among the three hubs. Its main strength is related to quantity, specifically to the number of relevant programs in the country. In fact, it is the country in SSA that offers the highest amount of courses in Computer Science, Technology, Finance & Banking, IT, and Programming, with a total number of 304 programs. For this reason, the hub presents the highest score for the quantity of talent.
- Regarding quality, Nigeria's pool of talent scores relatively low. The main reason why is that according to Findexable (2021), 58% of fintechs classified data scientists in the country as of weak quality - more than half of the surveyed fintechs is not satisfied with available data scientists. On top of this, most computer science universities in Nigeria rank below the SSA's top 30 – there are limited universities of top quality in Nigeria, especially when compared to South Africa.

2. SOUTH AFRICA



- South Africa is the hub that scores the highest relatively to its talent pool. This is mainly a result of the quality of computer science universities – leader in SSA's top 30 ranking. Moreover, it is the country in which the lowest share of domestic fintechs considered the country's data scientists talent pool weak. For these reasons, the country is able to reach the highest score in terms of quality.
- As for quantity, although it presents a lower score relative to the other hubs, South Africa is still the second country in SSA with the largest number of fintech-related programs, with a total of 224. Moreover, the country compares to Nigeria in its capacity to retain and attract talent, but it is below Kenya. Due to its international exposure, it is likely that the country has a higher ability to attract foreign talent, but more difficulties in retaining local one.

3. KENYA



- Generally speaking, Kenya classifies as the hub with the lowest overall score relative to talent. This result is mainly driven by the relative lower quality of the available pool of talent, which is mostly negatively affected by the quality of data scientists - 70% of its domestic fintechs classify the country's data scientists as having a weak quality. Simultaneously, SSA's top 30 universities include a lower amount of Kenyan schools than South African ones, as in the case of Nigeria.
- Where quantity is concerned, although the offer of fintech-related programs is lower than in the other hubs, the country leads in its capacity to retain local and attract foreign talent.

OVERALL ASSESSMENT

DIMENSIONS	INDICATORS	NIGERIA	SOUTH AFRICA	KENYA
Quantity	Number of Relevant Programs	5	3.75	3.5
	Capacity to retain local and attract foreign talent	3.5	3.5	4
	Score	4.25	3.6	3.75
Quality	Quality of Data Scientists	2,5	3.5	2
	Quality of Computer Science Universities	3	5	3
	Score	2.75	4.25	2.5
TOTAL SCORE		3.5	4	3

Table 8: Talent scores per country

PILLAR ANALYSIS: CAPITAL

- When analyzing any FinTech market, a share of its growth and strength must be traced back to investment flows. For that reason, this model will contemplate the capital ecosystem, evaluating the following dimensions:
 - a) Access to Capital
 - b) Investment Attractiveness
- Within the dimension of the *access to capital*, the indicators presented in Table 9 were observed based on historical data. Overall, we considered the trend of these indicators as an illustration of the market's connection to investors — meaning that a stronger investment network (better access to capital) will take place as more deals are driven to the market. In addition, as this network expands beyond domestic capital communities, fintech companies will be able to connect to a larger pool of investors, thus enhancing its access to financial resources.
- Moreover, it is important to consider that the capital ecosystem is directly affected by the presented pillars, meaning that a favorable capital ecosystem is normally accompanied by a positive juncture of regulation, demand, talent and feeling of community.
- Consistently, a fintech market with large access to capital, joined by attractive investment opportunities, will naturally have a higher number of companies being able to secure financial resources.
- Furthermore, within the dimension of the *investment attractiveness*, this scoring model considers that an attractive market could be derived from:
 - 1) a sufficient market size
 - 2) diversification in investment choices (regarding stage of development), and
 - 3) long-term prospects of growth from national businesses (for example, international expansion).

DIMENSIONS	INDICATORS
Access to Capital	Number of Funding Rounds since 2011
	Average growth rate of funding rounds over the last 3 years
	Percentage of International Investors
Investment Attractiveness	Number of FinTech companies
	Average growth rate of the creation of FinTech companies over the last 5 years
	Percentage of companies that achieved cross-boarder operations
	Percentage of companies in late stages of funding

Table 9: Capital scoring framework

CLOSER LOOK INTO INVESTMENT ATTRACTIVENESS	
Market Size	Within the conducted research, it was found that a country may attract more FDI if it has a sufficient and growing market size (Dunning 1998). Consistently, a market with a growing number of companies will naturally have more opportunities to attract funding rounds, in absolute terms.
Development Stage	As the stage of development plays a large role in the decision-making process of VC and PE firms (Gompers 2016), the percentage of “mature” businesses ¹ from a diversification point of view was considered. A relatively high percentage of mature business along with a growing market, provides investors with a larger pool of investment opportunities regardless of their investment focus.
International Expansion	The trend of international fintechs ² was considered as a metric of potential scalability of businesses. As companies continue to have the long-term prospect of growing internationally, more capital will be required — potentially increasing investment opportunities.

¹ The term mature businesses consider all fintechs in mid-late rounds of funding, including PE and Acquisitions.

² This model consider all fintech companies with cross-border operations as “international fintechs”

1. NIGERIA



○ Access to Capital

Nigeria presents the most favorable investment network based on the evaluated data, achieving the highest score in the 3 indicators. As of 2021, Nigeria presents a grand total of 181 funding rounds and 170 investors, placing the highest values in all SSA markets. With an average of 1.06 investors per funding round and an upward trend of the annual number of rounds (with 55% growth rate over the last 3 years), one would expect that Nigeria's investment network would continue to provide a favorable access to capital to its fintech companies. In addition, this network presents 72% presence of international investors from 23 different nationalities. Following the trend of this metric, the network is expected to further expand beyond domestic capital communities over the next years.

○ Investment Attractiveness

Nigeria is composed by a total number of 110 fintech companies with an average growth rate of 26%, achieving what one believes to be a sufficient market size within the SSA outline. As the fastest growing market in SSA, one could observe that 88% of funded companies since 2011 are still in early stages of development, while only 12% were considered in mid-late stages. From a diversification perspective, a value of 12% was scored within the lower side of the range, as investors with a late-stage focus would be provided with a relatively small universe of companies (7 fintechs). Nonetheless, it is important to consider that as the market continues to grow, more companies will continue to develop, thus expanding the pool of mature businesses. Finally, Nigeria exhibits the lowest percentage of companies with cross-border operations (9%). While some of these companies grew across more than two countries attracting large rounds of funding (e.g., Paystack), it is expected that this comparatively low number of success cases would not stimulate as much interest from investors as other factors (e.g., market size).

2. SOUTH AFRICA



Access to Capital

The South African fintech market presents a grand total of 134 funding rounds since 2011, placing second within the top three countries with the highest percentage of SSA's rounds (37%). Despite a more stabilized average growth rate of rounds, South Africa exhibits one of the largest and most established investors network, showcasing above-average values for ticket size (\$6.9M) and average investors per funding round (1.32 investors). Furthermore, South Africa comprises 74% of international investors. Even though SA presents a comparatively lower growth rate of international investors coming to the market, this metric should not be considered as strictly negative. This value is a result of the growth of national investors and the consolidation of this domestic capital network. Overall, based on this consolidated network, this model foresees a favorable access to capital.

Investment Attractiveness

South Africa was the pioneer regarding fintech creation, presenting the most mature market in SSA. Based on this fact, one can observe a steadier average growth rate of companies (13%), when compared to the previous hubs. As mentioned, currently the country accounts for the second largest market size within the SSA outline. Consistent with its maturity, South Africa demonstrates the most elevated percentage of funded companies in mid-late stages of development (22%), providing a grand total of 14 fintechs. This percentage is considered within the highest interval of this scoring range, as investors with a late-stage focus contemplate the largest universe of mature businesses across SSA. Moreover, companies with cross-border operations, such as JUMO or Adumo, account for 11% of the number of fintechs, taking the second place of the largest group of international companies. Overall, South Africa's main factors of investment attractiveness are its sufficient market size and corresponding market maturity.



3. KENYA



○ Access to Capital

Despite having a smaller number of investors and funding rounds when compared to the remaining hubs (grand total of 74 investors and 74 funding rounds), this market has exhibited a strong annual growth rate of funding over the last 3 years (40%). As expected by the upward trend of funded companies, this model foresees that Kenya would continue to provide a favorable access to capital through a growing investment network. Overall, the presence of international investors constitutes 85% of totality, accounting for 16 different nationalities. Within our scoring range, this percentage was considered as a favorable factor to Kenya's access to financial resources, as fintech companies can connect to a vaster pool of investors when compared to the universe of domestic capital communities.

○ Investment Attractiveness

Regarding Kenya's investment attractiveness, one could observe that this market differentiated itself by having the highest percentage of companies with cross-border operations (25%). Taking the case of Cellulant or DPO, these fintechs were able to support its pan-African growth through big international investments. As this number of success cases continues to expand within the Kenyan fintech scenario, we would expect that more interest from international investors would be driven to the market. Regarding market size, Kenya presents a smallest number of companies when compared to remaining hubs, with an average growth rate of 18%. Despite having a lower magnitude of companies — similarly to the number of funding rounds — this model still considers this market as having a sufficient size when compared to the SAA average. Finally, as a growing market, Kenya comprises 86% of funded companies in early stages of development, while only 14% in mid-late stages. For similar reason as for the Nigerian market (diversification standpoint), we have scored this percentage within the lower side of the range.

OVERALL ASSESSMENT

DIMENSIONS	INDICATORS	NIGERIA	SOUTH AFRICA	KENYA
Access	Number of Funding Rounds since 2011	5	5	4
	Average growth rate of funded companies over the last 5 years	5	3	4
	Percentage of International Investors	5	4	4
	Score	5.0	4.0	4.0
Attractiveness	Number of FinTech companies	5	5	4
	Historical average growth rate of the number of FinTech companies (last 5 years)	5	2	3
	Number of companies that achieved cross-boarder operations	3	4	5
	Percentage of companies in late stages of funding (maturity)	3	5	4
	Score	4.0	4.0	4.0
TOTAL SCORE		4.5	4.0	4.0

Table 10: Capital scores per country

METHODOLOGY FOR INDICATORS	
Source	Indicators were based on the historical information retrieved from our constituted data base, focusing on fintech's general activities, funding rounds and corresponding date, and investors and corresponding nationalities.
Score	Each indicator was scored through a scale of 1 to 5 based on the lowest and highest observed values. The overall score for each dimension was calculated by an equal average of all indicators. Consequently, as this model values both dimensions equally, the pillar's overall score was also considered as the equal average of the dimensions.

PILLAR ANALYSIS: FEELING OF COMMUNITY

- The FinTech ecosystem onboards a group of key players whose interactions with each other will influence the overall strength of the system. These players include startups, regulators, incumbents, accelerators/incubators, consumers, academia, and investors. As part of the same community, the way these stakeholders connect to each other must be attended as a pillar of the local fintech ecosystem, which is defined as “Feeling of community”.
- Overall, this pillar is assessed by observing how the local fintech associations in each hub promote the fintech phenomena and the entrepreneurs’ relationships with the remaining players. These organizations typically bring members together by organizing events, challenges, networking sessions on a regular basis, enabling the community to grow their relations. Such events may go from pitch sessions for investors, regulatory discussions, challenges for incubators, etc.
- Moreover, it is also to consider that local associations make the bridge with larger, global associations, whose mission is to expand this feeling of community across and beyond Africa, thus transforming the local ecosystems into an African consolidated one. That is the case of the African FinTech Network, which was created in Lagos (Nigeria) in 2018, with the purpose of turning the African fintech space more robust, while encouraging countries to coordinate activities and partner with each other. Its ultimate goal is to “Connect Africa and the global community for open dialogue, to build synergies and creation of various opportunities in fintech” ¹. AFN currently counts with 32 member countries, including all the three hubs being analyzed.
- All above considered, this pillar should be scored according to the strength of each of three dimensions:
 - a) Local associations
 - b) Industry events
 - c) Incubators/Accelerators.

¹ (Africa Fintech Network s.d)

Strong Community



Due to its nature, these dimensions must be classified in a qualitative way, relatively to both the scope and impact of each of these factors.

1. NIGERIA



Local Associations

Besides being a founding member of the African FinTech Network, Nigeria is a pioneer in creating a local fintech association, which currently counts with 247 members. The FinTech Association of Nigeria (2017) maintains a stable partnership with the Central Bank of Nigeria (CBN) and it has been responsible for much of the development in the Nigerian regulatory system towards a fintech-friendly environment. Additionally, it has been carrying out several initiatives for students, introducing new technologies and thus preparing them for the future of the fintech phenomena. The association has been distinguished as the number 1 success story in Africa by the African FinTech Network.

Industry Events

The most established event in Nigeria is the Nigeria FinTech Week, which held its 5th edition this year (2021), hosting close to 1 million people from 80 different countries, allowing startups to pitch their businesses to most of the stakeholders in the industry. This is one of the biggest fintech events in Africa, contributing to the growth of the space and positively impacting the ecosystem by bringing to the table the elements for successful collaboration between stakeholders. Of the same nature, the Lagos FinTech Week has also been impactful for the ecosystem, as well as The FinTech and Blockchain Summit.

Incubators/Accelerators

Nigeria has a very strong network of incubators and accelerators that have been driving growth in the fintech community. Among these, one should highlight the Co-Creation Hub, founded in 2010, which provides tech entrepreneurs with the ingredients to grow their businesses in a sustainable way, through their pre-incubation and incubation programs. Other big names in this space include the 440.ng, Leadpath Nigeria and Starpreneurs.

2. SOUTH AFRICA



Local Associations

Although being a member country of the African FinTech Network, there is no evidence of an active South African local association as in the previous hubs. A website for this association was not found, which is generally one of the main gateways for fintech startups to get in touch with the rest of the community and find upcoming events that may be of their interest. One should also mention the Africa Women In FinTech & Payment, which empowers women to integrate the fintech and payments world, though this is an association of a more restrict nature. For this reason, SA should not be considered as much of a success case when it comes to strong associations which support the relationships of the fintech startups with the rest of the community.

Industry Events

One of the main industry events is the South African Innovation Summit, which counted with the participation of 600 companies, 1340 entrepreneurs and 150 investors in the last edition of 2021. Moreover, the country held editions of the Egypt-based Seamless Africa and the Finnovation South Africa in 2019.

Incubators/Accelerators

The main incubators in the South African FinTech Ecosystem include Cape Innovation & Technology Initiative, Alpha Code, and Rand Merchant Investment Holdings, which usually helps startups in seed stage by providing them with services that may go from office spaces to mentorship, in exchange for a relevant portion of the companies' equity. Plus, the South African fintech startups can count with several accelerator programs, as is the case of The Founders Institute, Grindstone, SW7, etc. Most of these programs are designed for startups in a later stage than what incubators usually do. Overall, South Africa counts with a sound network of incubators and accelerators.

3. KENYA



Local Associations

It is less clear than in the case of Nigeria that FinTech Association of Kenya has been driving growth and success for the fintech space, as it seems to have a less active role in supporting startups with their main difficulties. As of 2021, a new association - Association of FinTechs in Kenya - was created, aiming at the same purpose as the latter, possibly indicating there was still a need for a stronger presence of a stable and impactful association. Nonetheless, although this space is more fragmented, Kenyan alternative lenders have the support of The Digital Lenders Association of Kenya, founded in 2019 by 11 members which has been growing for the past few years.

Industry Events

The capital of Kenya, Nairobi, has served the stage for Seamless East Africa events for the past few editions, where the future of payments, banking and fintech as a whole has been brought to discussion by regulators, major banks, and fintech startups. This event is one of Africa's most important fintech events. Besides, Kenyan startups count with the Kenyan Innovation Week and the African Tech Summit Nairobi, which hold several conferences and webinars, as well as smaller, more local pre-events of the same nature. Overall, the Kenyan fintech ecosystem is boosted by these events, which is reflected in its success as an African hub.

Incubators/Accelerators

Much of the growth in the Kenyan FinTech ecosystem has also been supported by several incubator and accelerator programs which allowed entrepreneurs to overcome the environment's challenges. The top incubators in Kenya are the Catalyst Fund, SC Ventures, Mastercard Financial Inclusion Lab and the Nairobi-based NaiLab, among an extensive list of more than 20 available programs. So, it is no wonder that the Kenyan fintech space has been growing at such a fast pace.

OVERALL ASSESSMENT

DIMENSIONS	INDICATORS	NIGERIA	SOUTH AFRICA	KENYA
Local Associations	Scope	5	2	4
	Impact	5	2	3
	Score	5.0	2.0	3.5
Industry Events	Scope	4	3	5
	Impact	5	4	4
	Score	4.5	3.5	4.5
Incubators/Accelerators	Scope	4	4	5
	Impact	4	5	5
	Score	4.0	4.5	4
TOTAL SCORE		4.5	3.3	4.0

Table 11: Feeling of community scores per country

METHODOLOGY FOR INDICATORS

Source	Most of the information used to score each dimension according to its scope and impact was taken from the local associations' and incubators' websites, as well as from The Global FinTech Index 2020, from Findexable.
Score	The scoring of each dimension depended on two indicators: scope and impact. The first indicator was classified according to the number of associations, events, or incubators, balanced with the number of members or participants it may have today or in the past. Secondly, impact was measured according to the achievements of each dimension, be it in terms of growth, successful programs or events (number of guests).

Fintech in Mozambique

CHAPTER VII

GENERAL OVERVIEW

- Among the Portuguese-speaking African countries, Mozambique has been a pioneer of innovation in driving financial inclusion, although it still lags behind most SSA countries. However, there have been several developments in most recent years, creating opportunities for fintech solutions to cover the inefficiencies of the traditional financial sector – 46% of the Mozambican population is financially excluded¹. Overall, FinTech in Mozambique is still considered as a relatively recent concept, which still presents a series of barriers to development.
- Following our analysis of the three largest SSA FinTech hubs, this section of the report will focus on the Mozambican FinTech ecosystem. Particularly, a similar framework will be applied – focusing on the pillars of regulation, demand, talent, capital and feeling of community. By leveraging on the best practices of top SSA FinTech hubs and assessing the current state of Mozambique's FinTech ecosystem, this section aims to provide actionable recommendations on how to support FinTech development in the country. The following conclusions should be relevant for Mozambican regulators, financial institutions, entrepreneurs, associations and potential investors looking to engage with Mozambique's FinTech market.
- To conduct this analysis, we had the opportunity to engage with several member companies of the FinTech Association of Mozambique (FinTech.MZ) – a local association responsible for providing support to fintech startups ² -, as well as with the responsible professors of the Computing and IT courses at "Universidade de Engenharia de Moçambique" (UEM). From the meetings and interviews conducted, we were able to collect relevant data that enabled us to understand the main opportunities and challenges for the success of fintech in Mozambique. The interactions with these parties will be discussed throughout this section. Additionally, a survey was conducted among FinTech companies to assess the key challenges for the development of their business. The results will be presented in the next section.

¹ Information retrieved from FinScope Mozambique 2019; ² The scope of FinTech.MZ will be explained in more detail in the next section of the report; ³ While this list may not include all existent FinTechs in Mozambique, it reflects the best efforts of FinTech.Mz in mapping the local FinTech activity.

MOZAMBIQUE



Mozambique’s FinTech ecosystem comprises 22 active fintechs, based on the current members of FinTech.Mz. A detailed description of each active fintech can be found in the Appendix 13.

The FinTech sector is largely dominated by Payments & Transfers solutions, reflecting the earlier stages of market development. However, new FinTech categories are starting to arise. Given the low levels of financial inclusion and access to traditional financial services, particularly among rural population, Personal Finance solutions like SOMA and ROSCAS have been gaining popularity. Generally, these solutions try to leverage digital tools to expand the more traditional practice of saving groups. Other emerging fintechs include Tabech, which provides mobile-based funerary insurances, Pertence, a crowdfunding platform or Papersoft, an eKYC platform. A general profile of Mozambican FinTech companies will be provided in the next section.

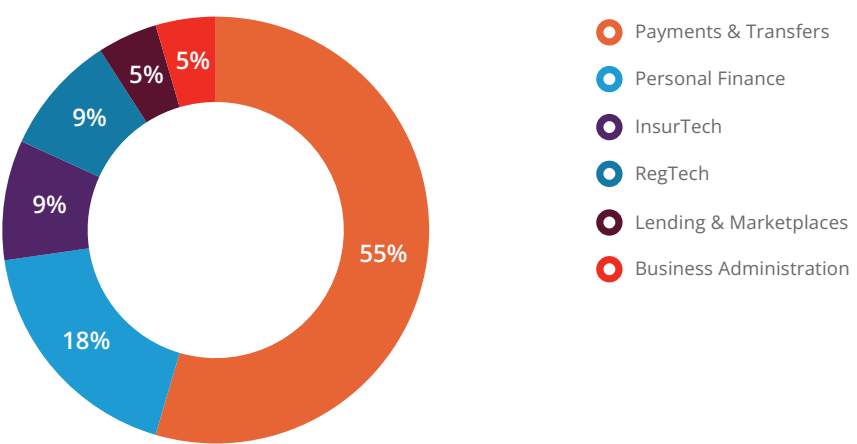


Figure 12: Mozambican fintechs distribution per vertical, (%)

Source: Own analysis

PROFILE OF SURVEYED COMPANIES

SURVEY'S METHODOLOGY

This survey was conducted from October to November 2021. Sent to a total of 25 FinTech companies (total number of members of the FinTech.MZ association), a number of 9 responses were obtained. Questions regarding companies' general activities and operations were considered, as well as the respondent's opinion regarding the five pillar considered in the previous Ecosystem Framework.

In the following section a general description of the surveyed companies will be presented.

HEADQUARTERS' LOCATION & CROSS-BORDER OPERATIONS

Amongst surveyed fintechs, 100% of companies are based in Mozambique's capital, Maputo. Furthermore, 30% of companies were able to scale its operations internationally, namely to South Africa, Nigeria, Malaysia and Democratic Republic of Congo, while 70% maintained strictly national business activities — as presented in Figure 13.

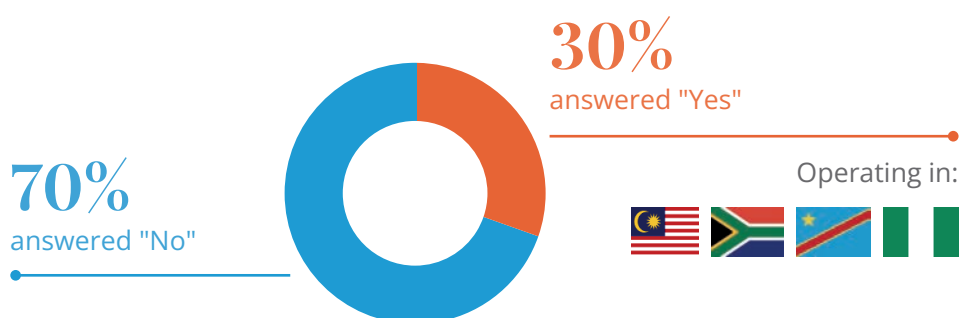


Figure 13: Does your company operate outside Mozambique?

STAGE OF DEVELOPMENT

22.2% of respondents claim to be in the “Pilot/Product Development” Stage, while 55.5% are in an “Early-Stage” and 22.2% in a “Growing Business Stage”. From the criteria considered in the scoring model, 100% of respondents would fall under the categorization of “seed” or “early-stage”, and 0% under “mid-late stages”.

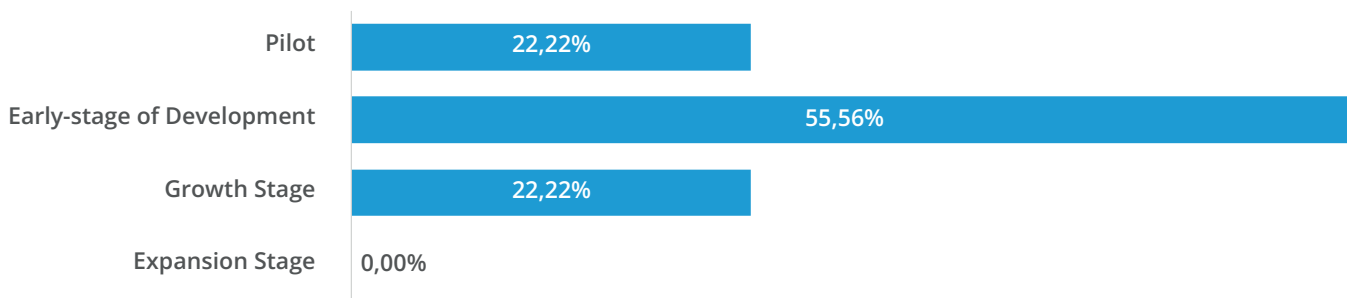


Figure 14: Does your company operate outside Mozambique?

CONSUMERS

As observed in Figure 15, 35.3% of fintechs provide services to SMEs and 23.5% to other companies. FinTechs that are exclusively B2C account for 17.65% of total companies, while Public Entities and TFI each capture 11.76% of surveyed demand.

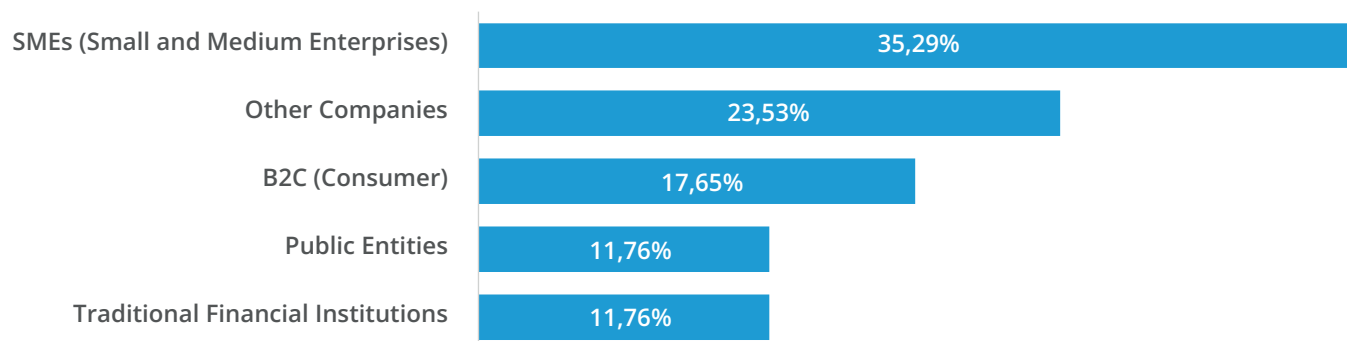


Figure 15: Who are your company's main consumers?

GENERAL PROFILE OF MOZAMBIQUE'S FINTECH COMPANIES

REVENUES & PROFIT

All in all, from a revenue/profit analysis, data exhibited that 33% of companies do not generate revenue, with the majority (55%) generating less than \$US500K per year (Figure 16). Moreover, only 22% of companies with revenues can generate any profit (Figure 17).

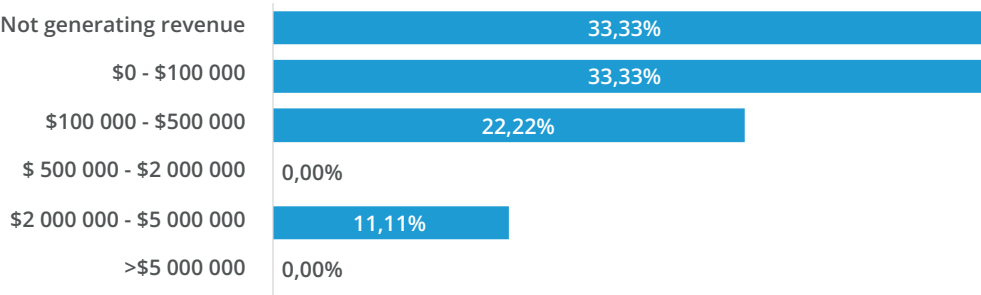


Figure 16: What is your volume of annual revenues? (USD)

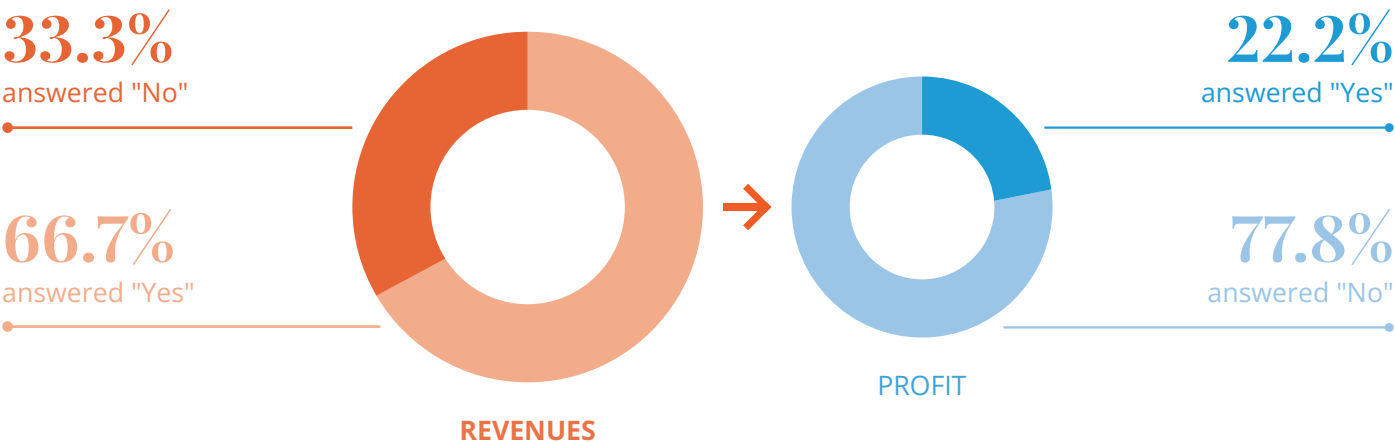


Figure 17: From the chosen level of revenue, has your company been able to generate profit?

INTERNATIONAL EXPANSION

Survey results demonstrated that 78% of total fintechs plan to expand (or further expand) internationally over the near future. The main expansionary targets remain within the PALOP (Portuguese Speaking African Countries), such as Angola or Cabo Verde. Plans to operate in South East Asia were also identified.

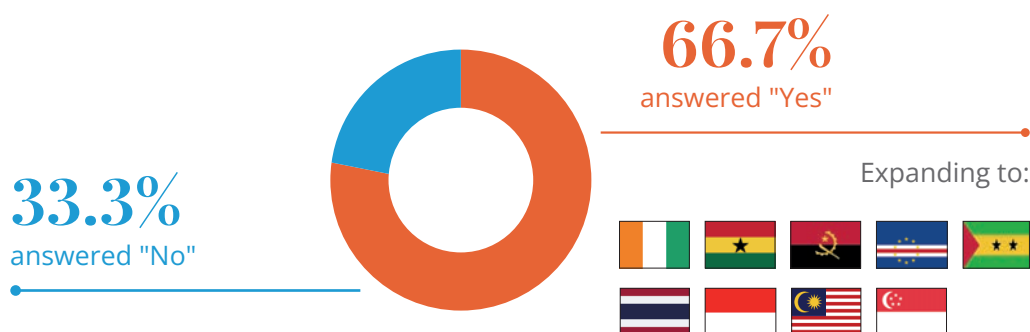


Figure 18: Do you have plans of international expansions in the future? If yes, to where?

MZ'S FINTECHS GENERAL PROFILE

When looking at the overall results, one could observe that an average profile of a Mozambican FinTech company could be characterized by the following factors:

- Location**
Maputo, Mozambique
- Cross Border Operations**
Only national operations
- Number of Employees**
8.2 (average)
- Revenues and Profits**
Average revenue of 265K USD. No profit.
- International Expansion**
Yes, with plans to expand to a PALOP nation

REGULATION

Robustness

Mozambique's fintech regulatory ecosystem is still in its infancy. Like most countries in SSA, it lacks specific fintech regulations, while existing regulation is tailored towards conventional financial services. As a result, there are several regulatory gaps, and key areas, such as Insurtech, still have no adequate legal instruments regulating them. Accordingly, 78% of respondents identified "Incomplete / lack of clear regulation" as one of their top three regulatory barriers (Figure 19). However, progresses are being made on this dimension. A Decree on Payment Service Providers has been approved by the Council of Ministers, enabling fintech companies in the payments space to be licensed and operate autonomously, in an integrated and interoperable way. Though frameworks are still limited to payments solutions, more regulation is expected to be developed. Moreover, Mozambique's regulatory ecosystem appears to be relatively stable, with none of the respondents identifying sudden changes of regulation as one of their main regulatory barriers.

89%

of surveyed fintechs classify inadequate regulation as having a very negative impact on the development of their business.

Fragmentation

Fragmentation of the regulatory framework was not considered to be a key barrier for fintechs operating in Mozambique, with only 11% respondents placing it within their three biggest regulatory hurdles. The FinTech regulatory landscape is mainly regulated by three entities: the Bank of Mozambique (BM), the Insurance Institute of Mozambique and the National Communications Institute of Mozambique.

Compliance requirements (1/2)

License requirements constitute a key barrier for fintechs operating in Mozambique, with 56% of the respondents placing the costs of attaining a license as one of their top three regulatory barriers, followed by the time needed to attain it (44%). In fact, there is still no fintech company with a permanent license operating in Mozambique. Only 11% of the respondents operate under a temporary license, with added restrictions, while 44% did not apply or are still waiting for approval (Figure 20).

SURVEY RESULTS

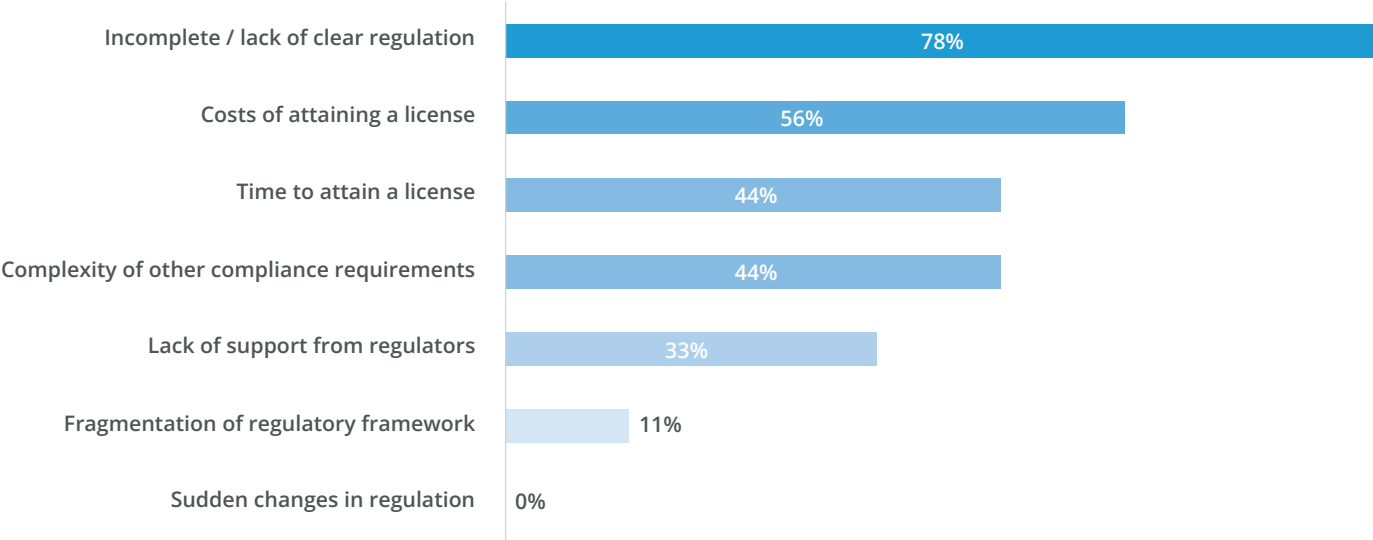


Figure 19: What are the top three regulatory barriers that negatively impact your business the most?



Figure 20: In which stage of the licensing process are you?

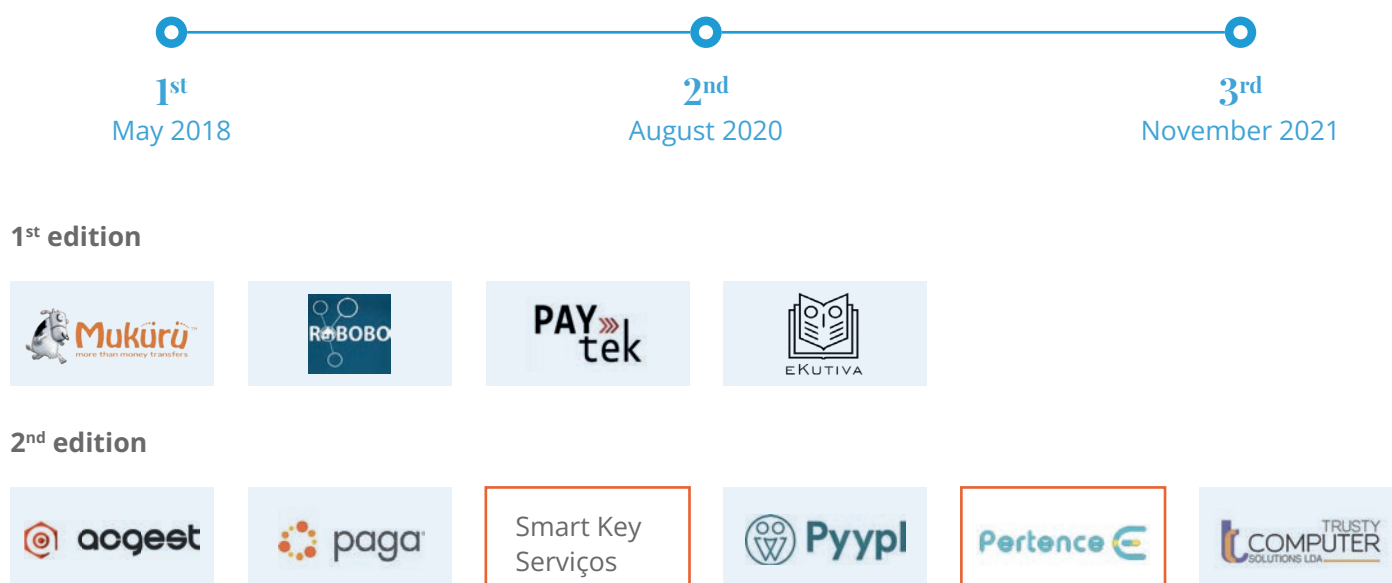
Compliance requirements (2/2)

The complexity of other compliance requirements (including KYC/AML rules, data protection or cybersecurity) also has a negative impact on the development of fintechs in the country, with 44% of respondents identifying it as one of their top 3 regulatory barriers. More specifically, data protection requirements are a pain point for many companies. There is still no legal instrument that enables transactions to be carried out from Mozambique to other countries¹, effectively limiting their use for international transfers. Similarly, no data from Mozambican citizens can be stored outside of the country, which restricts the possibilities for cross-border expansion. Infrastructure requirements have also raised concerns among fintechs, as companies are required to build their own infrastructure to attain a license, which is not always feasible for smaller startups. Despite limited rules on KYC/AML, Mozambique's National Strategy for Financial Inclusion has set the definition of a tiered KYC regime as a top priority.

Innovation support

Though Mozambique's fintech ecosystem is still nascent, the country has been one of the first movers in the promotion of innovation facilitators. In May 2018, the BM launched its first Regulatory Sandbox, in partnership with the Financial Sector Deepening Mozambique (FSDMoç). For the first cohort, five companies were selected, out of more than 20 candidates, and four completed the testing process: Mukuru, a fund remittance company and account aggregators Robobo, Paytek and Ekutiva. A second edition of the Regulatory Sandbox is already in place, including the presence of a new cohort of 6 fintechs, ranging from payments (Paga or Pyypl Group) to crowdfunding (Pertence) and RegTech solutions (ACGEST). A third edition has since started in November 2021. On top of this, BM has also promoted an innovation hub² that brings together fintechs, regulators, providers and other specialists to discuss possible regulatory frameworks. Despite these initiatives, 33% of respondents have pointed to the lack of support from regulators as one of their top regulatory barriers.

CLOSER LOOK INTO THE SANDBOX COHORTS



Testing process concluded

¹Based on interviews to fintechs included in FinTechs Report.mz, FSDMoç (2020)

² While this has been referred to as an Innovation Hub, it fits better into the Regulatory Accelerator criteria presented in the previous framework

DEMAND

● Potential Demand¹

From this perspective, Mozambique has a lower score than the other three hubs, as one would expect. Relatively to the hubs, excluding the reduced number of bank branches per 100 000 citizens, Mozambique exhibits weaker fundamentals supporting a potential demand for FinTech services - namely a lower number of rural population, expected young population, phone penetration and level of internet access.

● Existent Demand¹

From this perspective, Mozambique only achieves a higher score compared only to one hub, namely Nigeria. Thus, implying that the first has more mature demand relative to the second. This conclusion is motivated by the fact that the Mozambican demand for both digital wallet and lending services outpaces the one of Nigeria.

- Trusting FinTech solutions and a minimum level of financial literacy are, to some extent, necessary conditions to adopt FinTech services. However, the supply of these services can be more easily adapted to the lack of digital literacy. FinTech services which do not require internet access are an example of such adoption. Nevertheless, this can strongly limit innovation and usability of FinTech services. Hence, digital literacy should remain a priority to promote the demand for such services.

57%

of surveyed fintechs classify low demand for FinTech services as having a somewhat negative impact on the development of their business.

- Demand from Surveyed FinTechs Perspective: The three main challenges which are currently affecting the demand for fintech services are the lack of trust on fintech provided solutions (56%), limited financial literacy (44%) and limited digital literacy (33%) (Figure 21).

¹The indicators for the application of these methodology to Mozambique's case can be found in Appendix 2.

MOZAMBIQUE INDICATOR'S PERFORMANCE²

20M Rural Population	4 Banks per 100 000 citizens	14M Phone Penetration	9M Made Digital Payments Last Year	12M Expected Young Population
11M Mobile Money Accounts	3M Borrowed from a FI or used a credit card	6M Sent/Received Remittances Digitally	5M Internet Access	

SURVEY RESULTS

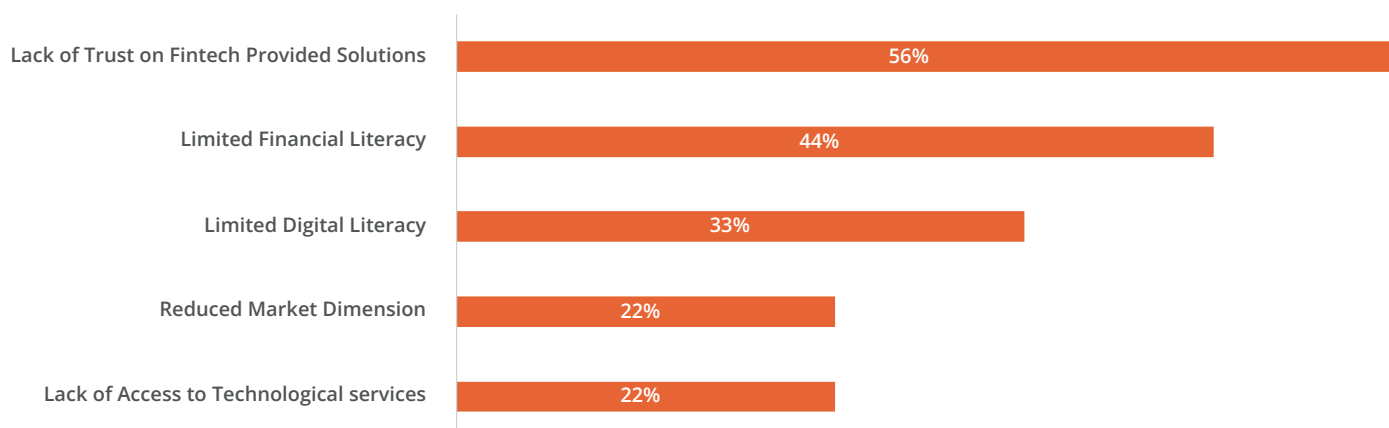


Figure 21: Challenges affecting the demand for FinTech services

²Some of these indicators are the most recent available, namely Internet Access, Mobile Money Accounts and Phone Penetration. The remaining are from the World Bank 2017 database.
Source: World Bank (2017) ; Digital Portal Mozambique ; Bank of Mozambique

As mentioned, the three main challenges faced by the demand for FinTech services in Mozambique are the lack of trust on fintech solutions, reduced financial literacy and reduced digital literacy. Several initiatives have been taken to tackle these challenges. Below, some examples of those initiatives are described



Lack of Trust in FinTech Solutions

The lack of trust in fintech solutions is partially driven by a reduced financial and digital literacy. In fact, citizens with a lower financial and digital knowledge are prone to fall victim to frauds, thus frequently avoiding fintech solutions despite their potential benefit. Relative to traditional financial institutions, by nature, fintechs lack the institutional weight or brand recognition. To promote trust despite the lack of financial or digital literacy, several mechanisms have been used. For instance, actively presenting existent partnerships with traditional financial institutions. Moreover, marketing campaigns sharing the stories of those benefited by fintech solutions can also enhance the acceptance of these services.

Mozambique Leaf Tobacco's (MLT) case is an example on how private initiative can contribute to higher levels of financial literacy, thus contributing to a stronger demand for FinTech services. Its tobacco growing fields are set in rural and isolated areas, employing a large number of people who do not have access to banking facilities, making them eligible to FinTech services. However, the employees' lack of financial literacy prevents them from realizing its potential demand. In 2014, the company introduced a program of financial literacy. This course reached 75 000 people and led to the deposit of 13 000 dollars in accounts that remain active (Universal Leaf Mozambique 2015). Moreover, MLT is looking at extending its financial literacy courses to include E-wallet services, thus further reinforcing the FinTech demand.



Financial Literacy



Digital Literacy

Tablet Comunitário is a member of the FinTech MZ association whose mission is to "promote digital inclusion to all rural communities" of Mozambique. Since its inception in 2015, it is estimated to have helped educating more than 1 million Mozambican citizens. It does so through a vehicle equipped with several solar powered large LCD screens, which share important messages with the communities, based on a gamification approach. Ultimately, this vehicle exposes isolated communities to a digital interaction, thus contributing to higher levels of digital literacy while instructing themes such as health and even financial literacy.

TALENT

Generally, Mozambican fintechs have difficulties accessing talent. In fact, only 13% of surveyed fintechs claim not experiencing talent shortages.

Quantity

The fact that Mozambican talent opts for more established companies is pointed as the biggest challenge faced by fintechs when it comes to attracting human capital (as identified by 47% of respondents). This can be attributed to the fact that potential employees perceive more established companies as being capable of providing larger job security.

- Potentially, the lack of access to Mozambican talent could be compensated by attracting foreign talent. However, that is not the case. As pointed by the surveyed companies, Mozambique is not attractive to foreign talent. Besides cultural and linguistic barriers, the reasons preventing foreign talent to come to Mozambique consist mainly of poor health care, infrastructure limitations (Maputo Reallocation Solutions 2020).

67%

of surveyed fintechs classify lack of talent as having a somewhat negative impact on the development of their business.

Quality

Following informal interviews, it was stated by most Mozambican fintechs that the country's educational system does not fully provide its students with the necessary skills. However, only 13% of surveyed fintechs have identified this as a barrier to access talent. Compared to the limitations of attracting foreign talent, improving the quality of educational programs is easier to achieve. To understand the current status of these programs, an interview with two academic members of Eduardo Mondlane University (UEM), Mozambique's highest ranked university for computer science in the Scimago Institutions Ranking 2021, will be presented.

¹The indicators for the application of these methodology to Mozambique's case can be found in Appendix 2.

SURVEY RESULTS

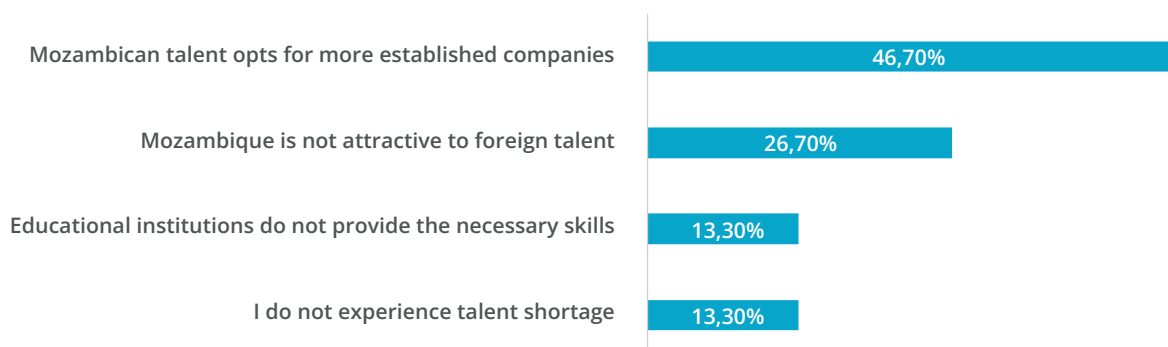


Figure 22: What are the main barriers to access talent?

MOZAMBIKAN UNIVERSITIES WITH TECHNOLOGIC-RELATED COURSES



Universidade Eduardo Mondlane



ISCTEM



Universidade Católica de Moçambique



Universidade Zambeze



Universidade Lúrio



Instituto Superior Politécnico de Tete

Lúcia Ginger is a professor and director the UEM's engineering school and Carlos Cumbana is the school's director of the computer science program. Below, the most prominent topics discussed regarding the role of Mozambican universities in providing talent for the FinTech ecosystem are presented.

MAIN TAKEAWAYS	DESCRIPTION
UEM graduates are mostly employed in established sectors	Despite not keeping a record of the student's labour placement, Carlos pointed that most students usually start working in established sectors such as banking, utilities, large industries (such as the oil industry).
The university is taking efforts to update the curriculum to meet market needs	"The courses are designed with the needs of the labor market in mind. The university makes occasional revisions in order to fit in the courses the technologies that are being developed". The university recognizes that currently they are not a newly designed course. Still, the faculty has been careful, as far possible, to bring students up to date.
The computer science program tries to expose students to FinTech through practical projects, but there is still no courses on FinTech	"The university has encouraged students to include mechanisms for implementing financial inclusion in their projects. E.g.: When students develop some application for payment services, they are encouraged to work with mechanisms that can be within the reach of a larger part of the population. Currently there is a lack of content directly targeting FinTech."
There are still no formal mechanisms to connect students with the labour market, however Steps have been taken in this direction	There are ongoing processes for formal internships, but official regulations by the university are still in production. Students are free to request a credential from the university to present to the employers and these have contacted the university to request students for internships. However, there is no formal mechanism for bringing students and employers together, only initiatives like careers fairs, end up being the exception to this lack of formal mechanisms."

CAPITAL

Access to Capital

When looking at this dimension within the Mozambican FinTech scenario, a different view must be applied relative to the aforementioned Capital model. Given that 100% of Mozambican fintechs are within very early development stages, the access to traditional investors (Venture Capitalists or Private Equity Funds) is conditioned — the “truth is risk appetite for early-stage funding remain a challenge for Mozambican fintechs” (Matteo Rizzi’s² interview to the FSDMo in 2020). Based on this fact, Mozambican fintechs should consider other funding alternatives, such as private or public grants. Despite 23% of surveyed companies being funded through this type of capital, 69% still rely on own funds or family and friends to support their organizations.

This large percentage of personal capital is highly driven by the “lack of a developed investment network” and the corresponding “struggle when finding investors with an aligned vision”, as 36% of respondents pointed to these two factors as the main barriers to access capital. Other factors, such as the lack of knowledge regarding funding alternatives also seem to further hamper these fintechs’ funding. Overall, this low level of investment is not due to a lack of “eagerness” for funding, as 89% of respondents stated having plans to raise external funding in the next two years. In conclusion, Mozambican fintechs present high needs of external funding, however there are large barriers when it comes to finding and realising suitable funding options — such as private grants.

56%

of surveyed fintechs classified lack of access to capital as having a very negative impact on the development of their business.

Investment Attractiveness

In addition to these low attraction for early-stage, there is still needs for developing the skills that increase the quality and the preparation of the entrepreneurs³, illustrated by 9% of respondents pointing to the lack of organized financial statements when trying to raise funds.

^{1, 3} and ⁴ Citation directly retrieved from FinTechs Report.MZ, FSDMo, 2020

² Matteo Rizzi is the co-founder of Inntribe and is considered one of the “40 most influential fintech executives in Europe” by Financial News.

SURVEY RESULTS

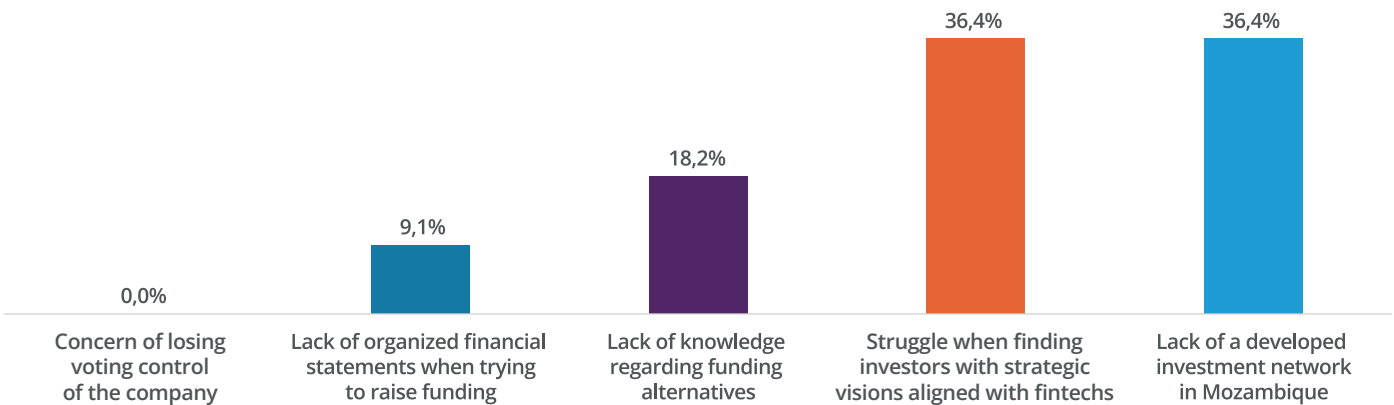


Figure 23: What are the three main barriers when considering your access to capital?

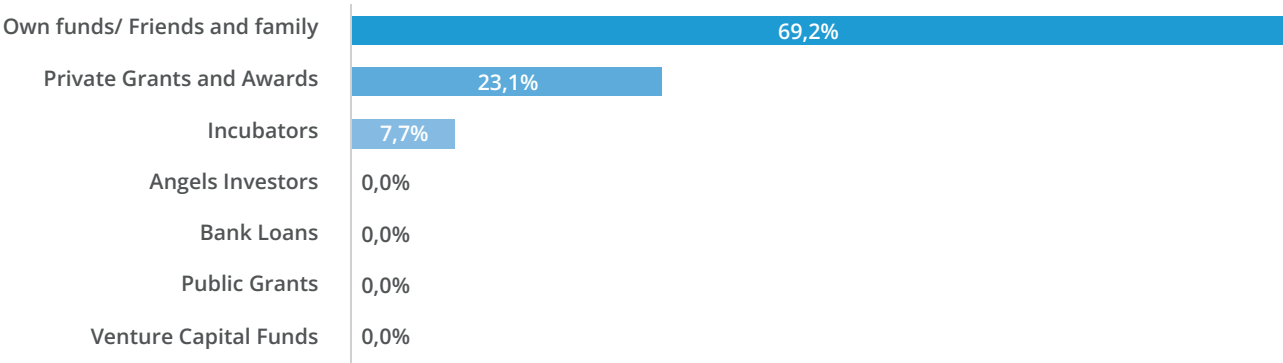


Figure 24: What is your company's main source of funding?

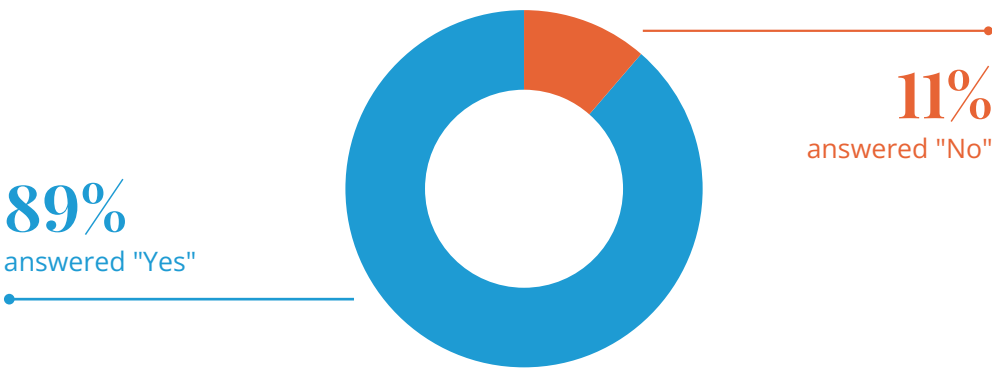


Figure 25: Does your company plan to raise external funding in the next two years?

FEELING OF COMMUNITY

Local Associations

The FinTech Association of Mozambique (FINTECH.MZ) was recently launched in 2019 and it has been a major milestone for the country's fintech ecosystem so far. Having started with 12 founding members, the association currently counts with around 20 member companies and collaborates with FSDMoç and Digital Frontiers Institute (DFI) in the development of their upcoming initiatives. Plus, Mozambique is already a member country of the African FinTech Network, which is one of the biggest achievements of its local association since launch. Nonetheless, it is somewhat inactive on the continent level, meaning that it does not participate in the major international industry events and discussions – something that its member companies pointed out as highly valuable for the success of their business (Figure 26). Having financial inclusion in Mozambique as an ultimate goal, the association intends to bring the community players together (from national to global ones) for the development of their local businesses. The first step would be to dynamically support the fintech sector in approaching the regulatory challenges – still the biggest drawback in the Mozambican environment.

Industry Events

The FinTech Week has served as a launching gateway for the FinTech Association of Mozambique, bringing the member companies together with national and international key players of the fintech environment. In its last edition, it counted with the participation of CPLP countries, which turned it into a success. This initiative is to occur every year which would be essential to keep this dynamism for the next few years. On the other hand, small initiatives like Hackatons, MozTech, and business challenges have an extremely important role in promoting the fintech phenomenon in the long-term, although they count with the participation of a small number of companies at each time. In fact, fintechs do not classify these events as having such an impact on their business, as they have a more short-run oriented vision (Figure 26).

68%

of surveyed fintechs classified a weak relationship with the ecosystem as having some negative impact on the development of their business.

SURVEY RESULTS

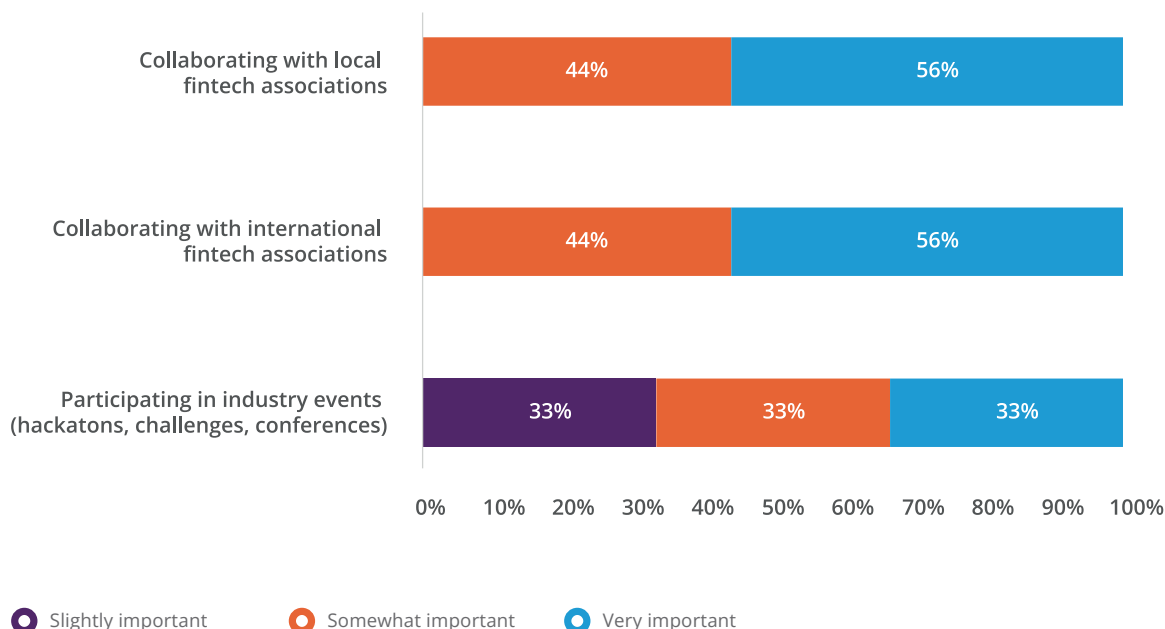


Figure 26: How do you evaluate the importance of the following initiatives for the success of your business?

Survey results indicate that fintech companies highly value the interaction with local and international associations – 56% of surveyed fintechs classify it as having high importance to both these factors. Indeed, most of these fintech companies have been collaborating with FinTech.MZ to develop and scale-up their businesses. Ultimately, Mozambique’s fintech environment in itself presents lots of barriers for product implementation, so it is critical that fintechs leverage on the community to learn their best practices. As mentioned, the main issue is still the lack of engagement with the international players, which should be a responsibility of FinTech.MZ, rather than from the companies themselves. Actually, FinTech.MZ should become more active in the long-term.

INCUBATORS/ACCELERATORS

There are 4 main incubator programs in Mozambique:

- 1** Supported by the Bank of Mozambique and FSDMoç, the **Regulatory Sandbox** allows Mozambican startups to work together as part of an innovative hub, where they are invited to share their best ideas and practices. This program allows fintechs to adjust their products within the regulatory framework. However, the impact of this incubator over the success of the fintech companies is very hard to measure as it depends on acquiring a license at the end of the program. The conducted survey indicates that 3 out of 9 companies already participated in the program but none has acquired a permanent license since then.
- 2** Founded in 2010, **IdeiaLab** focuses on accelerating the growth of SMEs by encouraging innovation. The company's main role is to educate young entrepreneurs with the skills to bring innovation into the market, while fostering financial inclusion in Mozambique.
- 3** **Orange Corners** has several initiatives in different countries. Launched in 2017 by IdeiaLab in Mozambique, it aims to help graduates to develop their businesses from an early stage. Until 2020, 66 graduates participated in the program, which involves business training and resources provision. The company is confident that 76% of those businesses is still in place, which are encouraging results for the program.¹
- 4** **Standard Bank** incubator emerged in 2017 and it has carried out several successful programs since then – the most successful one in collaboration with IdeiaLab. The bank intends to help entrepreneurs in building their capacities, as well as to understand where the real market opportunities lie. Plus, while recognizing that it may be hard for small businesses to comply with the requirements of a bank loan, the bank tries to provide alternative funding sources to allow for a higher flexibility.

All in all, although most companies are familiarized with the available programs, none has ever participated in one besides the regulatory sandbox, which could serve as a preparation for the latter, as most have difficulties in getting in the program (Figure 27)

¹Information was retrieved from FinTechs.MZ Report, by FSDMoç, 2020.

SURVEY RESULTS

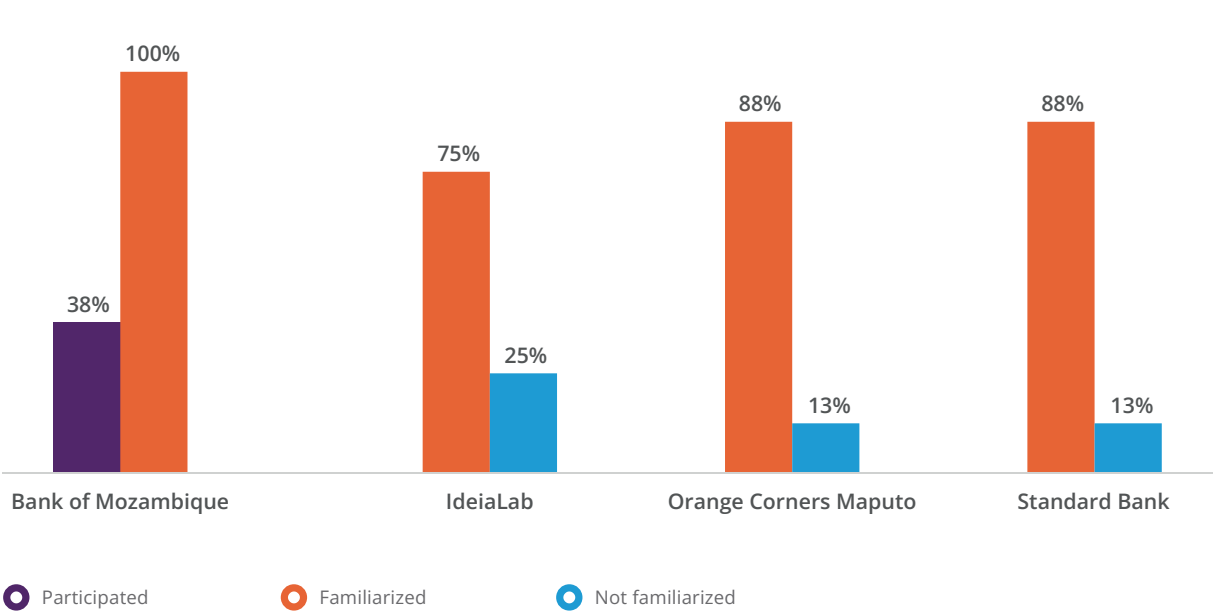


Figure 27: Are you familiarized with the existence and/or have participated in any of the following incubation programs?

FSD (Financial Sector Deepening) is an international association which has been driving economic prosperity across Africa. As part of it, FSDMoç promotes the development of the Mozambican financial sector, ultimately aiming at giving excluded people access to basic financial services. Of course, it has been contributing very positively for the progress and growth of the fintech space so far, by participating in the most relevant discussions on the topic and supporting FinTech.MZ in achieving its main goals. Actually, most of the achievements made by now (the regulatory sandbox as an example) have been carried out together with FSDMoç.

ECOSYSTEM STRENGTHS AND CHALLENGES

OVERVIEW

While Mozambique's FinTech Ecosystem is taking its first steps, several factors – such as the promotion of innovation facilitators and strong presence of local associations - highlight the potential for the development of FinTech in the country. Still, key challenges still remain. An underdeveloped regulatory framework, the low levels of trust and financial/digital literacy and the limited access to talent and funding opportunities still hinder the growth of Mozambique's FinTech ecosystem.

The next section will provide actionable recommendations to tackle some of these challenges. These recommendations are targeted at different actors of the ecosystem, including fintechs, FinTech.Mz, FSDMoç, regulators, universities and the private sector. Although different levels of feasibility were identified, these recommendations should be effective in partially mitigating some of the current challenges.





ECOSYSTEM STRENGTHS

1. **Regulatory sandboxes** and accelerators have been used to promote the introduction of FinTech solutions in the market;
2. **The introduction of a specific law for fintechs in the Payments space** has provided fintech companies with more regulatory coverage and possibility to operate in the market with less restrictions;
3. **The existent penetration of some FinTech services**, namely mobile money, creates a considerable market for FinTech adoption.
4. **Current initiatives to include the FinTech topics** in university's curriculums.
5. **The creation of FinTech.MZ** has been driving substantial results for the community on a country level – specifically, through the FinTech Week and collaborations with FSDMoç, fintech companies are able to connect with a larger base of stakeholders.



MAIN CHALLENGES

1. Despite the adoption of innovation-friendly policies, **the lack of appropriate and clear legal frameworks** still hinders the development of FinTech companies. High costs/ time to attain a license, other compliance requirements and lack of regulatory support were also identified as regulatory barriers.
2. The current **lack of trust on FinTech provided services**.
3. **Low levels of financial literacy** which compromise the demand for FinTech services.
4. **Low levels of digital literacy** which compromise the demand for FinTech services.
5. Despite efforts, the **academic curriculums are still not adapted to the needs of FinTech**.
6. **Lack of official mechanisms** to connect students with fintech companies.
7. Mozambican fintechs' **unawareness of funding alternatives** that are more appropriate to their current stages of development or operating scenario.
8. FinTech entrepreneurs need to develop stronger preparation skills to engage with potential investors
9. FinTech.MZ shows **little presence in the international community**.
10. There is **limited adoption of incubator/ accelerator's alternatives** to the Regulatory Sandbox.

FINAL RECOMMENDATIONS

PILLAR	CHALLENGE	RECOMMENDATION	DESCRIPTION
REGULATION	Lack of clear regulation/ regulatory support	① Set up a regulatory repository	Innovation Offices have been used by main Hubs to help innovators navigate through regulatory requirements. By creating a user-friendly, online repository, Mozambican entrepreneurs could access relevant regulation and frequently asked questions split by regulatory topic or submit enquiries to regulators. This office could be set in partnership with FSDMoç to offer support to innovators beyond the Sandbox.
	High compliance requirements / unregulated areas	② Introduce a tiered licensing regime for unregulated fintechs	The Central Bank of Nigeria has introduced a tiered licensing regime for fintechs, with South Africa following suit. Given the high costs and stringent licensing requirements identified by fintechs, Mozambican regulators could expand on their Payments' law and develop a risk-based licensing framework covering unregulated fintech areas, with the goal of reducing barriers for new market entrants.
DEMAND	Low trust on fintech provided solutions	③ Create a best practice book to promote trust in FinTech provided solutions	As mentioned, some mechanisms have been used by different fintechs to promote trust in FinTech solutions. For instance, actively presenting existent partnerships with traditional financial institutions. To further develop the trust level, a best practices book for these mechanisms based on fintech's individual experience could be created under FinTech.MZ coordination and later distributed amongst other fintechs.
	Lack of digital and financial literacy	④ Engage with large employers to promote financial/digital literacy teaching programs	Like MLT, many companies operating in the primary sector and in rural areas end up employing many citizens with low levels of digital and financial literacy. Thus, similarly to what MLT has done, teaching programs can be introduced to raise these two types of literacy. These programs could be developed and taught by fintechs and based on the respective use of the fintech's services.

PILLAR	CHALLENGE	RECOMMENDATION	DESCRIPTION
TALENT	Academic curriculums are still not adapted to the needs of fintechs	⑤ Further develop the integration of FinTech related topics in universities	This can be done by introducing short-term courses focused on fintech related skills (Eg; applied data analysis, blockchain technologies), which can both be integrated in the curriculum's program or expanded to interested parties (former students, industry professionals). Ultimately, these initiatives can be introduced without compromising pre-existent programs.
	Lack of official mechanisms to connect students with fintech companies	⑥ Establish partnerships between universities and fintechs to promote internship programs	Potentially, these partnerships could be developed with the aid of organizations such as Fintech.Mz. Through this program students would acquire a strong contact with the Fintech sector and the fintechs could improve their access to talent.
CAPITAL	Unawareness of funding alternatives	⑦ Create a mapping of available funding options (list of suitable grants and investors)	The introduction of the mapping of suitable grants and investors (that are aligned with these fintechs' development stages and limited profits) potentially provided by FSD. Moç would largely improve Mozambique's investment network. This list would specially focus on private grants, including names such as FSD Africa or UNICEF VC, governmental grants and impact driven investors, as MZ fintechs walk towards financial inclusion.
	Need for a higher preparation of entrepreneurs	⑧ Create workshops towards a better preparation of entrepreneurs	As grant applications or investment pitches can be considered as a timely and challenging process, workshops towards the training and familiarization with these procedures could be conducted by associations such as FSD.Moç. Workshops could be specialized in concepts such as "how to fill in applications" or to "how to maintain your financial statements organized".

PILLAR	CHALLENGE	RECOMMENDATION	DESCRIPTION
FEELING OF COMMUNITY	Lack of international presence	9 Focus on expanding the community internationally, both on a continent level and CPLP (Community of Portuguese Language Countries).	As a member of the African FinTech Network, FinTech.MZ should leverage on the opportunity to engage with a larger network of companies and investors. This would allow member companies to participate in the major industry events and learn the best practices on a continent level. For a more global perspective, Mozambique should invite its CPLP peers to participate in its future events and discussions - namely Brazil, Portugal, and Cape Verde.
	Limited participation in private incubator programs	10 Promote fintechs' participation in incubator and/or accelerator programs prior to regulatory sandbox.	It would be interesting to see regulators engage with some of the incubator private initiatives to promote the rejected candidates for their programs. Incubators should thus create a network that could work as graduation steps until getting into the regulatory sandbox.

IMPLEMENTATION FRAMEWORK

Based on the feasibility and time needed to implement the previous recommendations, an implementation framework was designed. It divides recommendations into those that could be implemented easily by local players like FinTech.Mz and FSDMoç ("quick-wins"), those that require engaging with external partners like private sector companies, banks, universities or regulators ("Medium-Term") and those that require a more active change to be implemented by regulators, universities or other international agents ("Long-Term strategies").

Quick-wins

3 7 8 10



Medium-Term

1 4 5 9



Long-Term strategies

2 6

The Viability of Digital Savings Groups – with an Application to the Case of Mozambique

CHAPTER VIII

EXECUTIVE SUMMARY

OBJECTIVE

This chapter aims to provide a brief understanding of the investment viability of the concept of Digital Savings Group (DSGs) in Africa. As SG models (e.g., Care's VSLA) were spread by Savings Groups Supporting Organizations (SGSOs) as a means for financial inclusion, this study tried to understand the benefits behind the digitalization movement of these models. Additionally, based on the fact that DSG platforms exhibit a high financial reliance on SGSOs, an additional objective of this study was to understand the main reasons why investors are skeptical about investing in this technology. All in all, FinTech innovators, as well as other agents in the market, can find this research useful for identifying the potential concerns from investors and potential next steps towards a further development of the DSGs' economic model.

METHODOLOGY

In order to better understand the concept Digital Savings Groups (DSGs), a data base was built based on 12 active DSG technologies. Based on the available information of this group of platforms, this analysis provides an overview of the concept of DSG, comprising some of the main benefits brought to its users, a general cost structure and a brief description of existing external funding. Based on this knowledge, this study proceeds to focus on the case of SOMA, serving as an illustration of the revenue/cost aspects behind DSGs' management. Lastly, an interview was conducted to a top investor within African FinTech with the intention of assessing: What is the reason behind the low engagement of private investors with the concept of DSGs?

KEY FINDINGS

The concept of digitizing Savings Groups have demonstrated its viability from a financial inclusion standpoint. Through DSGs, users were able to experience a more efficient and trustworthy allocation of their savings, through improvements on record-keeping, access to credit beyond SGs' pots or the calculation of profit. Furthermore, the introduction of the concept helped SGSOs and DSG providers, as the case of SOMA, to reduce operating cost per member and expand their SGs' scope of reach — thus boosting the financial inclusion of unbanked communities. In contrast, DSGs' investment viability from an investor's perspective is still to be proven.

From a VC Investment standpoint, the main reason behind the low engagement from these investors was identified as the unproven DSG investment sustainability when it comes to required returns. As VCs normally require "30% annual return over 7 years", DSG platforms would have to exponentially increase their SG base in order to be considered an attractive business. Other factors, such as the cultural barrier of Non-African investors as well as barriers to the digitalization of SG's transactions were also identified as VC concern for investing in the concept. All in all, Impact Investment strategies would present a more suitable fit for DSGs providers when compared to pure return seeking investors. Nonetheless, this suitable fit would only be considered by these funds if DSG's impact potential was found alongside financial gains.

FURTHER RESEARCH

As many DSG platform providers focus on data dissemination as a means for financial inclusion, an appealing follow-up research would be studying the perspective of traditional banking institutions on the concept of DSGs. Furthermore, in order to better understand the scope of financial impact of DSGs, a long-term study of qualitative impact data would also constitute a valuable research for the concept of Digital Savings Groups.

AGENDA

REPORT STRUCTURE

Introduction	Page 10		
	An Introduction to Savings Groups		
Digital Savings Groups (DSGs)	Page 10	Page 10	Page 10
	What are Digital Savings Groups?	Main Benefits of DSGs	Cost Structure and Funding of DSGs
An illustration of a DSG: The Case of SOMA	Page 10	Page 10	
	What is SOMA?	SOMA's Business Model	
An Investor's Perspective	Page 12	Page 12	
	Venture Capital (VC) Perspective	Impact Investment Perspective	
Conclusion and Final Recommendations	Page 15		
Appendix and Bibliography	Page 12	Page 12	
	Appendix	References and Bibliography	

INTRODUCTION

AN INTRODUCTION TO SAVINGS GROUPS (SGS)

- When looking at the African financial landscape, a large share of total activities remains within the informal sector. While the rise of Microfinance institutions (MFIs) has been substantial to reach the near poor and small businesses (SMBs), there is evidence that a large share of informal workers — especially in more remote areas — have little or no access to traditional financial services (Figure 1) (Panetta, 2010). As a response to this picture, Savings Groups (SGs), based on the tradition of Rotating Savings and Credit Associations (ROSCAs), have taken the place to support the cash flow needs of local communities.
- Historically, the tradition of ROSCAs was present in Africa before the introduction of money into its economies, where the means of payment consisted in material resources — namely rice, bronze rings, or cowries (Bouman, 1995). Currently, a ROSCA can take many different names across the continent (such as merry-go-rounds, xitiques, tontines, esesu, etc.), and it constitutes a contract between a small group of members. The members of the association, meaning the parties to the contract, agree to contribute to a pool of money with an agreed amount at fixed intervals of time (e.g., weekly, monthly, etc.). At the end of these intervals, one member is entitled to borrow the money raised by the group — commonly known as the “pot”. Overall, the contract is only “terminated” once every member had the turn to receive the “pot”.
- Today, in many communities, ROSCAs have developed into the concept of SGs, considering the rise of new economic concepts. In addition to the original operations of a ROSCA, SGs incorporate interest¹ in the loans provided to its members, with an overall objective of sharing the profits at the end of the cycle. SG models, normally backed by supporting organizations, also consider the training of agents that empower and spread the initial contact between villages and the model’s methodology — empowering the financial literacy of this group of agents.

¹ The implemented interest rates are on average 5% depending on the observed country, which remains to a more favourable rate when compared to the average provided by traditional financial institutions (information retrieved from the Savings Groups Map, an online mapping tool produced by the SEEP Network).

- Over the last decade, SGs have proven to be a popular phenomenon within African nations, as a higher number of communities adopted the model and exhibited high retention and survival rates (Panetta, 2010). Going beyond the financial impact of shared profits or financial returns, SGs have improved the livelihood of many households across the continent. As members are connected to affordable sources of capital, based on the reality of their community (social capital), the model has strengthened the feeling of collective action and mutual aid. Considering this astonishing adoption, many development advocates (such as NGOs) have shown interest in expanding SGs as a mean for providing financial services to the poor and “hard to reach.”

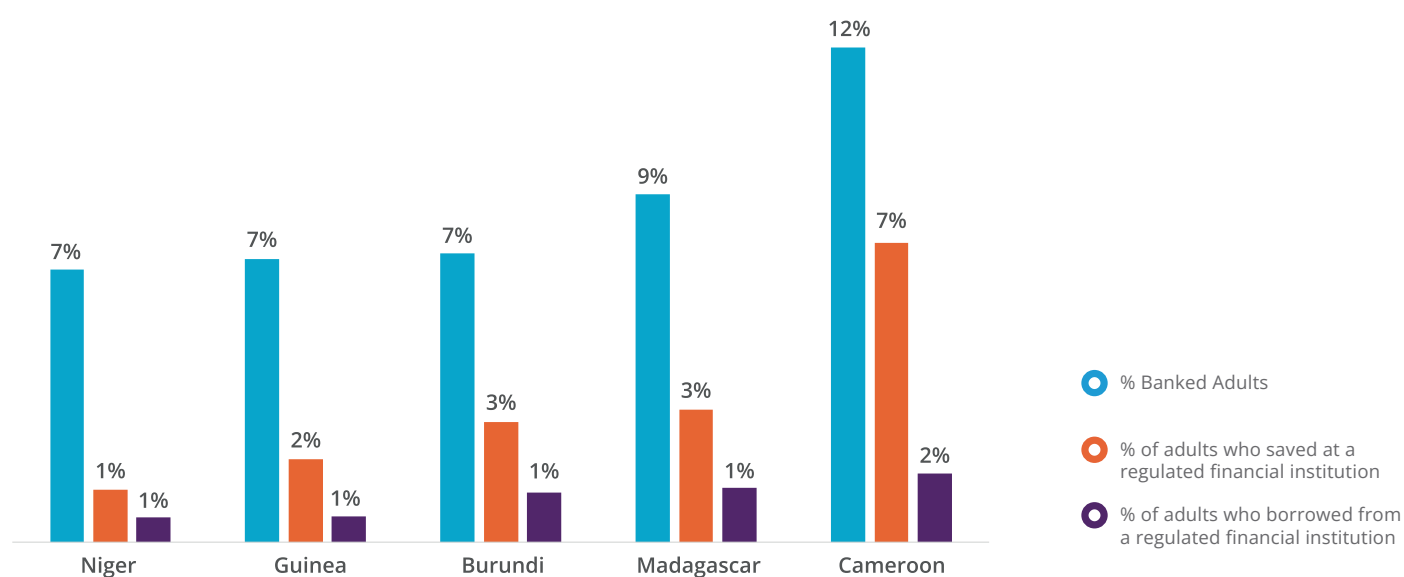


Figure 1: Top 5 African countries with the lowest % of adults who own a bank account, saved or borrowed from a traditional/regulated financial institution

Despite the positive value brought to many communities, a series of concerns have been raised regarding the long-term sustainability of these groups. Financial legitimacy as well as the isolation of these communities from national financial markets were two rising concerns when analyzing the viability of the model. In addition, in some cases, SGs have presented flaws regarding its core operations — namely struggles related to satisfying specific member's needs, such as access to large or long-term credit (Stanhele, 2020). As a response to these concerns, platforms such as Chomoka or SAVE have been introduced into the market as an instrument to digitize these models, under the concept of Digital Savings Groups (DSGs).



Figure 2: Illustration of a meeting of a Mozambican Savings Group, based on the traditional Xitique

RESEARCH TOPIC

- This study aims to provide a brief understanding of the investment viability of the concept of Digital Savings Group in Africa. In order to better understand the concept itself, a data base was built based on 12 active DSG technologies¹. In light of the available information of this group of platforms, this analysis provides an overview of the concept of DSG (including some of the best practices, costs and existing external funding). Based on this knowledge, this study proceeds to focus on the case of SOMA, serving as an illustration of the functioning and business model behind these platforms. Lastly, an interview was conducted to a top investor within African FDI (Matteo Rizzi), with the intention of assessing the main research question: Are DSGs a viable investment for private-sector investors? What is the reason behind the low engagement of these players with the expansion of this concept?
- All in all, leveraging on the opportunity to engage with Matteo Rizzi, this study presents a summary of the main reasons why investors are skeptical about investing in this technology. Fintech innovators, as well as other agents in the market, can find this study useful for identifying the potential concerns from investors and next steps towards a further development of DSGs' business models.



Figure 3: Illustration of a Savings Group meeting through a DSG platform

Figure 3 - Source: Dan Church Aid ²

¹ All platforms' names and descriptions of data base can be found in Appendix 1

WHAT ARE DIGITAL SAVINGS GROUPS?

DEFINITION OF DIGITAL SAVINGS GROUPS

According to SEEP Network¹ Digital Savings Groups (DSGs) are the “technological systems that digitalize the operations of savings groups, namely group records, procedures, and transactions”.

- As of 2020, at least 2 billion adults were financially excluded². Over the last decade, this contractual value has been brought down by 2% with the support SGs (Stanhele, 2020). However, evidence showed that the adoption of SGs models, such as Care’s VSLA, was highly linked to the need of training for village agents, as previously mentioned. Consequently, this need turned into a high economic burden (cost) to Savings Groups Supporting organizations (SGSOs), leading to little incentives for other market agents to join this “expansionary movement”.
- The digitalization of the practice of SGs was introduced as a means to improve the cost efficiency of these operations. As a digital solution, DSGs’ most favorable aspect is its potential scale. With the help of these platforms, SGSOs can reach and keep contact with a larger scope of groups in real time, without the need of going to these remote and hard to reach locations. With such improvement in scale and cost efficiency, SGSOs hope to bring new incentives and improve their engagement with private market agents.

¹ SEEP Network is U.S. based NGOs pioneered new strategies for enterprise development and microcredit, seeking to promote economic opportunities for the world’s poor (information retrieved from SEEP Network website <https://seepnetwork.org/>).

² Value retrieved from Global Findex Data, World Bank.

-  This section further analyses the best practice (main benefits) behind the use of DSGs platforms and a brief description of the common costs and existing external funding. In addition, a special mention of one platform that has led the way in improving the DSG experience is considered within some appointed benefits. Overall, this part of the analysis was based on a previously mentioned data base (all companies can be found in Appendix 1) as well as on studies provided by the SEEP Network³ on the concept of SG.

Some examples of existing technology for Digital Savings Groups include:



AKF's Digital Savings Groups



BezoMoney



Chomoka
(Powered by Care)



DreamSave (Powered by DreamStart Labs)



EcoCash Savings Club
(Powered by Cassova)



GWIZA



MaTontine



Maximus Global



Trusted Lending Circles
(Powered by We Trust)



SAVE
(Powered by Exuus)

³ All studies can be found in Bibliography.

MAIN BENEFITS OF DSGs

1. BETTER ACCESS TO CREDIT

As mentioned previously, the point of differentiation of SGs remains in the flexibility of a borrowing structure that is internal to local communities. Loan assessments is based on social norms, understanding the isolated context or informal assets of group members. However, a considerable drawback to this model is the limit or seasonality of the capital raised by the group. In some cases, members demand a larger amount of credit when compared to the amount provided the group. By introducing a digital record of procedures, DSGs platforms are able to provide a connection between isolated groups and banking partners. A clear example of this practice is the platform Save.



THE CASE OF SAVE

SAVE's members are given the option to deposit a share of their savings against a line of credit (LOC) provided by the platform's banking partner. In this lending structure, the group is charged by a banking partner with a 2% monthly rate (on a declining basis) to have access to the group's LOC, while individual members are charged with a 5-10% monthly rate whenever is their time to borrow (Stanhele, 2020). With this difference in cost and charged rates, SAVE groups are able to access a larger source of credit (through a LOC) and provide higher loans whenever requested by members, while still presenting more favorable lending terms when compared to formal financial institutions.

2. PROFIT ALLOCATION

Taking the development of SGs (when compared to the traditional ROSCAs), many groups have adopted more flexible terms regarding contributions' amount and periodicity. In this context, members that are able to contribute with a higher share of savings will earn a proportionally higher share of the overall profits at the end of the cycle. As a consequence of these new terms, the calculation and record keeping of profits became a more difficult task to be maintained on paper. By having a DSG, groups will be able to keep track of their records and profit allocation, taking the complexity and burden away from a specific group member. In addition, as profit allocation is made through the platform with transparency made available to users, members are ensured that each individual will earn a fair and accurate share of the profits. An optimum illustration of DSGs' profit allocation is the platform Dream Save.



THE CASE OF DREAMSAVE

DreamSave's platform includes an innovative feature regarding the monitorization and display of profit allocation. This feature showcases the user's share of profits at real times as well as projections of the group's level of savings at the liquidation date (as shown in Figure 4). Through this display of progress, evidence from Dream Save's users have shown that incentives to raise their savings rate has been observed in many groups. The display of profit helps users to illustrate or materialize the level of capital resources that they will have in the X time (time away from the liquidation date) and how their decisions affect the progress towards their end-of-cycle goals.

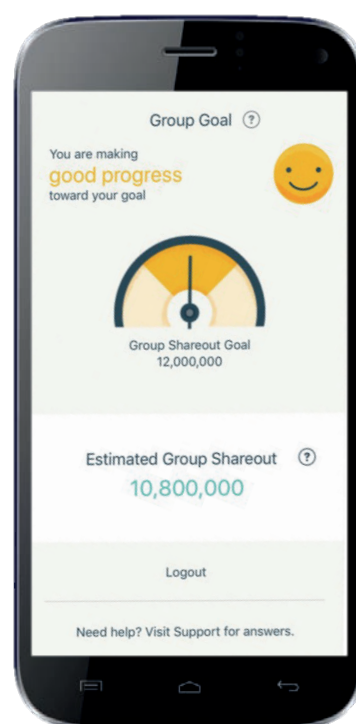


Figure 4: Illustration of Dream Save's real time progress tracker¹

¹ Image directly retrieved from DreamSave's official website: <https://www.dreamstartlabs.com/dreamsave.html>

3. TIME VALUE OF MONEY

In SGs where more flexible terms are applied to the time and periodicity of contributions, Time Value of Money has been raised as a concern among platform developers. As SGs' users have the incentive of saving at a higher rate through a proportional allocation of profit, contributions made at earlier stages of the savings cycle should also, in theoretical terms, be allocated with a higher compensation — as members would “forgo” a part of their savings over a longer period. In the cases where paper records are still applied, evidence has shown that groups might need to treat all contributions equally when allocating profit, regardless of the time when the contribution was made (Stanhele, 2020). As a response, a favorable characteristic of these digital platforms is the incorporation of time value of money into their profit allocation mechanisms. With the introduction of this automation, there is no room for members to take “advantage” of later-stage deposits. If the concept of time value of money is rightly explained to user groups and members, these same individuals would be motivated to save earlier stages of the cycle, thus supporting a higher development of the fund (having a higher level of capital whenever larger needs are demanded by members).

4. HIGHER ACCURACY OF RECORD-KEEPING

Many SGs still practice long processes of accounting and recording after each meeting or even after an individual deposit or withdrawal. In a single group meeting, depending on the agreed terms, transactions can include as much as: loan disbursements and repayments, interest calculations, profit allocation or even contributions to other funds that the group may manage. These processes fall in the hands of an individual or small group of members, where in some cases financial and economic training is required. Based on this fact, many SGs consider the accuracy of record keeping and potential mistrust as two of their main concerns, as the number of complex transactions increase as the cycle matures (Stanhele, 2020). By applying a digital recordkeeping, the scope of error and the time spent in the accounting process is reduced exponentially, thus providing a reassurance of security to user groups. One example of this record-keeping methodology is the platform Chomoka, powered by NGO Care International.



CHOMOKA

THE CASE OF SAVE

Chomoka enables pre-existing SGs to join their services mid-cycle, meaning that groups can maintain the savings terms that better suit their reality. Members have the opportunity to receive notifications regarding transactions made in and out of the fund in their personal devices as well as keeping track of past records at any time. Personal cell phones or internet connection are not required for the functioning of the platform, as the server can be used with a single Android offline device per group.

5. FORMAL FINANCIAL INCLUSION THROUGH DATA GATHERING

DSGs' reach of financial inclusion goes beyond the model's core operations. Through the digitalization of users' transaction history, platform providers can gather data and create a link between the unbanked population and formal financial services. For the first time, millions of individuals in African nations can consider having a credit risk profile that is accepted by banks. In addition, based on these access and gathering of data, many platforms/companies could eventually evolve into a commercial operation, outstanding the scope of social impact. As some private players would be willing to pay to access the information retrieved from DSGs, one could expect a higher incentive and drive for these private sector players (traditional banks) to join or invest in the concept.



COST STRUCTURE AND FUNDING OF DSGs

OPERATING COSTS OF A DSG

● Village Agents

Over the expansion of SGs, NGOs have invested in the training of village agents as a source of propagation of the model. In the case of DSGs, in more remote and rural areas where technological and economical literacy is extremely low, the need of training towards the functioning of the platforms and the collection of KYC information has become central to DSGs' business model. In addition, implementers have staff-related costs regarding the supervision of the trained village agents. Many platforms have substantially decreased these costs (specially supervision-wise) with the reduction of agents' scope of error and training through online and digital tutorials (e.g. AKF's Savings Groups). Nonetheless, this is still considered the largest cost burden of these platforms.

● Customer Service

In order to secure the consumer protection in the cases where users rely on the platform to access their funds, a direct channel between service providers and users needs to be established. As a response, call center support has been considered as an effective means of communication. However, averaging that the cost per call would remain at \$0.5 and a call center technician would be able to handle 10,000 calls on an annual basis (Stanhele, 2020), the cost of equipment, staff and of the call itself would fall as a cost onto the solution providers or SGSOs themselves.

● Maintenance

Cloud storage and engineering support towards the maintenance of the solution also remain as costs to DSGs providers — despite their relatively small share of total costs.

FUNDING OF DSGs

Support from “backer” Organizations

Through the course of this research, one could observe the large dependence of SGOs in the expansion and operations of DSGs. 43% of observed platforms are directly backed by an NGO (more specifically Aga Khan Foundation, Care International, DreamStart Labs, Pact and We Trust), meaning that these DSG technologies were developed and still operate under the name of these organizations.

By having the main goal of financial inclusion and social impact, these NGOs cover the previously mentioned costs as well as other potential expenditures through grants and donations from funding partners and donors. In the case of the mentioned international NGOs, funding partners include institutions such as the European Commission of Humanitarian Office (ECHO), United Nations Development Program (UNDP) or the World Bank (WB). As for the remaining 57%, meaning “independent” platforms, one could also observe the presence of SGOs through the practice of partnerships (selected by platforms founders and team). Furthermore, a common name found within these partnerships is the Mastercard Foundation.

Existing External Funding

From the public information available on Crunchbase, only one of the observed platforms, BezoMoney, was able to retain an equity investment from external private entities. This total funding was attained through:

- 1. A first Seed Round in 2019 in the amount of 100K USD, invested by the incubator Meltwater Entrepreneurial School of Technology (MEST);**
- 2. A second Seed Round in 2021 in the amount of 200K USD, invested by Good Soil VC (a UK based VC fund).**



THE CASE OF SOMA

WHAT IS SOMA?

In order to analyse the viability and potential engagement of the private sector with the concept of Digital Saving Groups, the following section studies the case of the Mozambican company SOMA. By analysing the operations, revenue and cost structure of this specific DSG, this analysis hopes to exemplify the functioning of these platforms.



SOMA (Savings Organized by Mobile Application) consists of data platform created to train and manage Savings Groups in the rural areas of Mozambique.

- SOMA was launched in 2017 by UX Information Technology, Mozambican FinTech company, in partnership with Aga Khan Foundation (AKF). One of the main goals of this platform is reducing the training costs of “Village Agents”, ultimately reducing the overall cost per user. To achieve this goal, SOMA is implemented as a “virtual enterprise”, including very few permanent staff and no fixed offices. By employing smartphones and tablets as its major source of coordination and data gathering, this platform has been able to reach rural communities across 40,000 km² in the Cabo Delgado Province (SOMA website) — as illustrated in Figure 6.
- The implementation of SGs through SOMA’s platform is divided in three different phases, as illustrated in Figure 5 and further explained on the next pages. In regards of the primary phase, SOMA presents a differentiation point from some of the mentioned platforms: the use of animated videos as a tool for the training of village agents (named as “Community Trainers” within SOMA’s business model). Through this practice, SOMA is able to avoid costly personal workshops, thus the numerous visits to these remote areas.

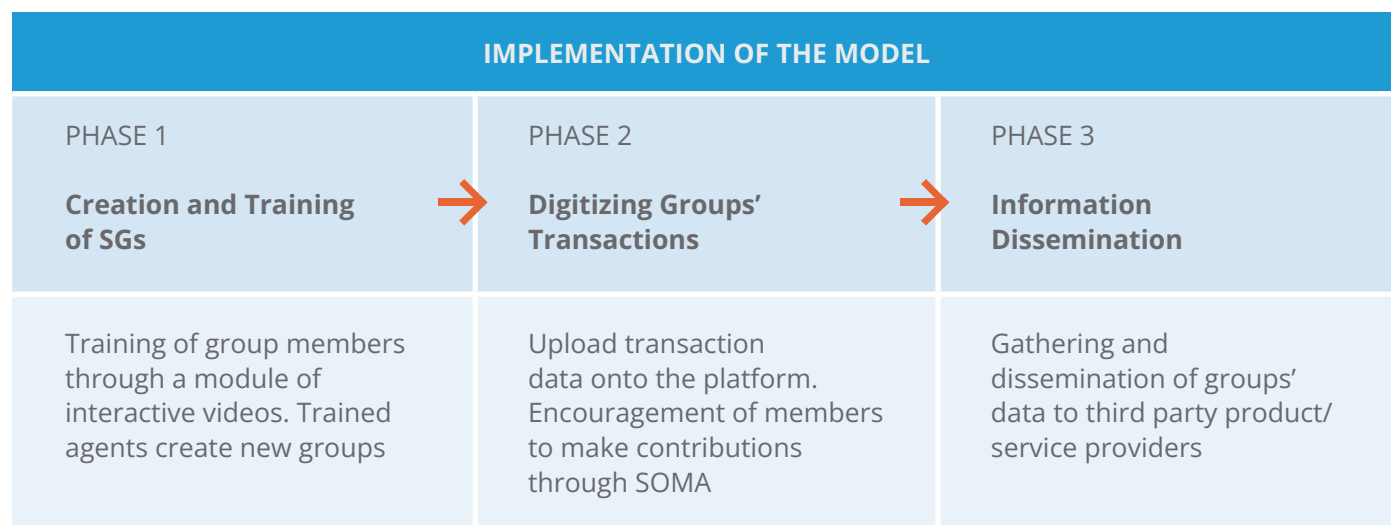


Figure 5: Implementation of SOMA's model in new or existing savings groups

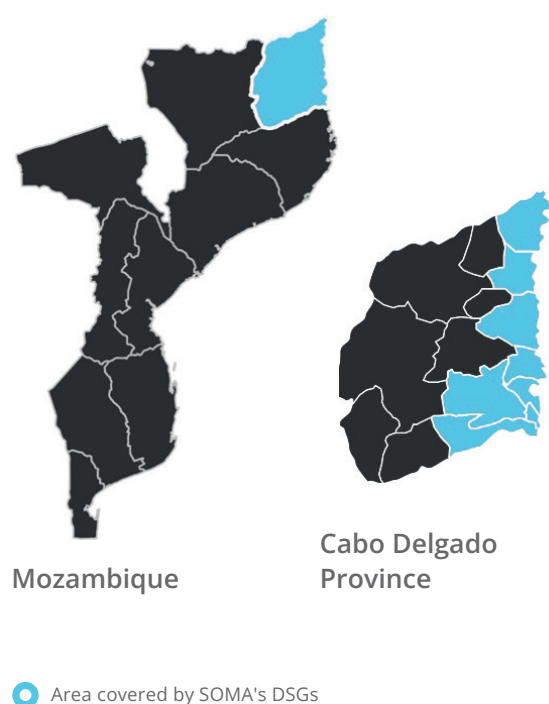


Figure 6: Geographical coverage of SOMA's DSGs

357 Saving Groups	6,729 Group Members
\$789 Average Savings per Group	\$42 Average Savings per Member
\$281,642 Total Saved	19 Members Average Group Size

Figure 7: SOMA's KPIs as of 2020

SOMA'S BUSINESS MODEL

PHASE 1: CREATION AND TRAINING OF SAVINGS GROUPS

Operations

SOMA's video-based training packages use simple animations that are visually recognizable to SOMA's target audience — Mozambique's rural population. In order to make these packages available to SGs, SOMA applies a tiered operational structure of management (Figure 7). The project employs one Project Manager that oversees the performance of eight Master Trainers (MTs). MTs are tasked with using the video package to train 25 savings groups' promoters, known as Community Trainers (CTs). CTs, equipped with a smartphone and a solar charger, go on to identify, approach, train and support SGs within their local communities. Based on the level of importance of these agents, CTs receive symbolic "commission" that is proportional to the number of newly created groups. With smartphones CTs can use the video package to educate SGs about the requirements and operational processes associated with their groups.

Finally, at the end of the tier process, SOMA reaches general group members who can access the group records and make transactions via USSD messages (Coelho, 2017). In addition to the creation of its own groups, SOMA serves as a training and managing platform to existing SGSOs, who use the platform as a supporting tool to their field staff. Through SOMA's technology, SGSOs can collect real-time data and use the platform as a digital base for members' details and transactions, addressing group issues whenever needed.

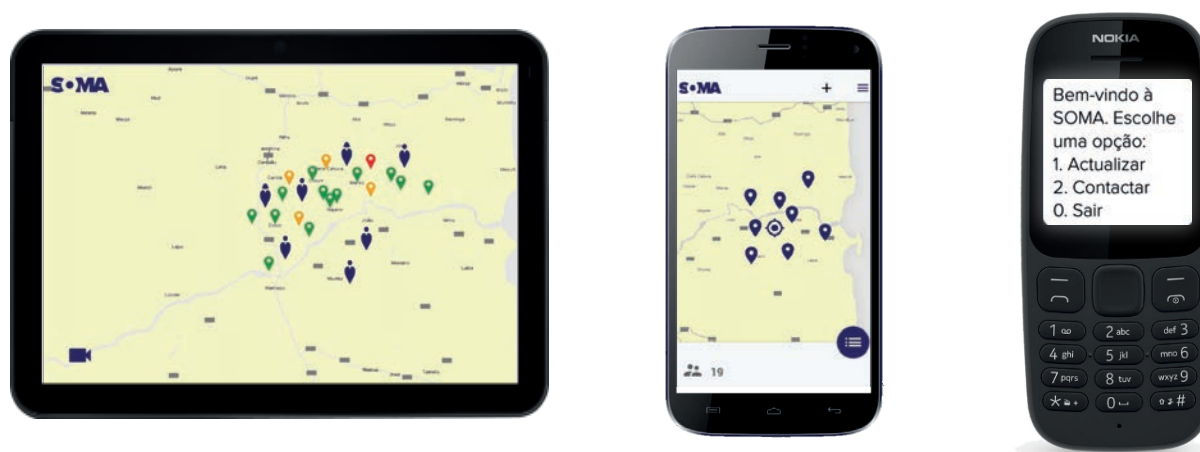


Figure 7: Illustration of MT's, CT's and Group Members SOMA Dashboard

Revenues

The revenues from this phase’s operations are generated through the sale of the right of use of the video-based training package and management platform to other SGSOs, where payments flows are made through a periodic subscription. In addition, some annual maintenance fees are also expected to be charged as well as specific enhancements to the platform upon SGSOs’ request.

OPEX

The main costs of this phase are related to training itself: the salaries paid for platform’s engineers (for date analysis and maintenance), commissions for CTs, and the training required for potential new MT.

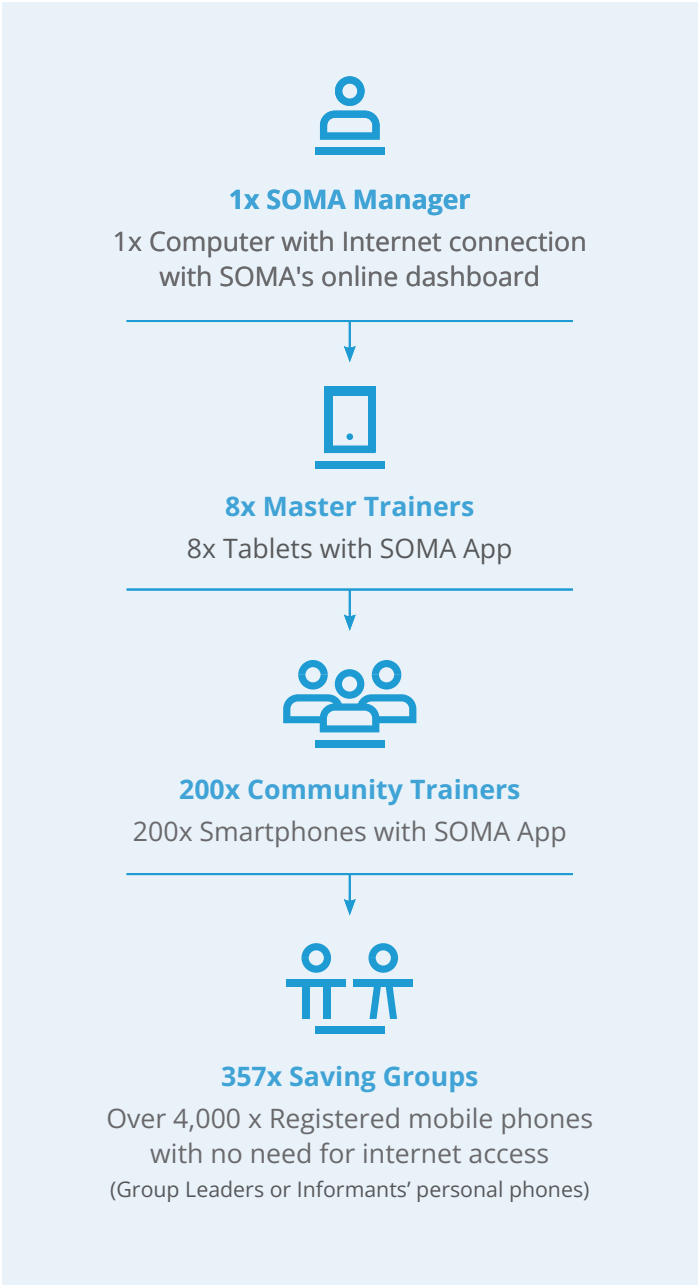


Figure 7: Organizational Structure of SOMA

PHASE 2: DIGITIZING GROUPS' TRANSACTIONS

Operations

SOMA's users have the option and are encouraged to make contributions to the fund and withdrawal of their loans via USSD or SMS, with no need for internet connection. In order to formalize this feature, SOMA built a module on top of the previously mentioned structure to provide formal financial services. This process was achieved through a partnership with a Financial Service Provider (FSP), where the previously mentioned CTs would push for the digitalization of these transactions, pivoting the functioning of this feature during first group meetings. The digitalization of these transactions are the base for data gathering, robust monitoring and data driven-decision in regards to SGSO.

Revenues

The revenue stream from this phase is divided into two sources: 1) Fee paid from FSP, based on the volume/value of transactions; 2) Fees paid from SG members on a transaction basis. As an expansion of FSP's portfolio to savings groups, SOMA provides an easy tool for customer acquisition in remote locations where there is a large lack of credible data, pulling SOMA's member closer to financial formal financial services. The model believes that FSP partner would have a large incentive to continue to pay this fee as the number of groups created continue to grow.

OPEX

Given the nature of these operations, this digitalization process is subject to a shared revenues agreement. Based on this fact, the main operating costs are fees paid to FSP given the use and access to its services (Figure X).

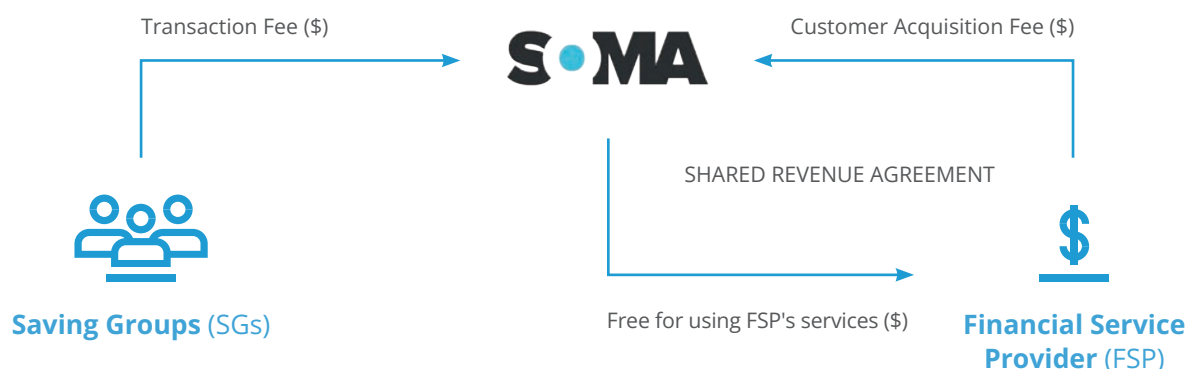


Figure 7: Revenue and OPEX flows of SOMA's Digitalization of SG's transactions

PHASE 3: INFORMATION DISSEMINATIONS

Operations

The last phase of implementation remains the gathering of data and the potential “commercial circulation”. As part of a plan to incentivize the private sector engagement with SGs, SOMA provides commercially-relevant data — namely approximate geographic location, overall aggregate savings levels or mobile numbers — which can be used appropriately for customer profiling, hence customer acquisition. This information is then utilized for advertisement through SMS, regarding products such as agri-inputs, consumer durables or welfare messages including those related to health, education, etc.

OPEX

Given that a share of the SOMA's operational SGs are backed by other SGSOs, SOMA incurs the operational costs of a royalty for the dissemination of data of these specific groups.

Revenues

This phase of the process remains SOMA's most commercial feature yet. As groups' general and transaction information are disseminated to third-party service/products providers, these institutions are bound to pay a subscription fee on a user basis, meaning that service providers would pay 1\$ to access the data of one user.

CONCLUSIONS FOR THE STUDY CASE OF SOMA

Overall, SOMA remains the only platform that provides the digitalization of SGs' transactions in Mozambique. The process of training and creation of groups has reduced the Mozambican average cost per member from 40-60 USD to a successful value of 20 USD. From a social impact perspective, the introduction of training has highly benefited the digital and financial literacy of engaged CTs.

Nonetheless, this study could perceive that the SOMA's sources of revenues (the previously mentioned fees) are somehow small when compared to the initial investment and current OPEX incurred within its operations.

WHY NOT INVEST IN DIGITAL SAVINGS GROUPS?

Following a conducted research on the topic of Digital Savings Groups and a study on the specific case of SOMA, this section proceeds to analyse the gathered information from an investor's perspective. With the main objective of understanding the reason behind the low engagement of the private sector in DSG, an interview was conducted to Matteo Rizzi, a VC investor with a vast knowledge of the African context.

Leveraging on Matteo's experience with Omidyar Network (an impact-driven fund), this interview tries to identify the viability of DSGs from the perspective of two different investment strategies:

1. **Venture Capital**
2. **Impact Investment**

In order to better understand the difference between these two concepts, a brief definition can be found below:

INTERVIEWEE'S PROFILE

Matteo Rizzi is the Investment Director of BLOC Smart Africa fund, with a focus on Tech4Impact investment in Africa. With over 20 years of experience in technology and financial services, Matteo has also assumed the role of FinTech investor and Venture Partner with different global VC funds over time — such as Omidyar Network, Société General Ventures, Bamboo Capital Partners or NEVA FinTech Ventures. In 2015, he also created and co-founded FinTech Stage, currently rebranded to FTS Group. FTS Group is a platform where investors and innovators can come together with the objective of developing and expanding the FinTech phenomenon. Furthermore, Matteo Rizzi was nominated by Financial News as "40 most influential FinTech executives in Europe" for three years in a row. (Matteo Rizzi Website¹)

DEFINITION OF VENTURE CAPITAL (VC)

Venture Capital Investments are a form of financing start-ups or SMBs which investors believe to have a sustainable investment return over the long-run. Through the provision of funding and managerial expertise, VC investors require a return equivalent to "25% to 30% over the life-time of the investment" (Zider, 1998), given its higher level of risk when compared to investment strategies focused on later stages of development.

DEFINITION OF IMPACT INVESTMENT

Impact Investments are those that target specific social, financial or environmental objectives together with prospects of financial return, measuring the attainment of both. According to the Social Impact Investment Taskforce², from a financial return perspective, these investors on average require 13% of return on their initial investment.

¹ Information from "Interviewee's profile" was directly retrieved from Matteo Rizzi's personal website: <https://matteorizzi.com/about/>

VENTURE CAPITAL PERSPECTIVE

When asked the question: What are the main reasons why Venture Capital have not yet shown a large interest in investing in Digital Savings Groups technology? Matteo Rizzi presented his personal opinion stating three main reasons:

A more detailed explanation of these reasons can be found in the following page.

1

High requirements of ROI and barriers to international expansion

2

User's mindset gap regarding digital transaction in SGs

3

Cultural barrier of non-African investors



MORE DETAILS ON THE VENTURE CAPITAL (VC) PERSPECTIVE

1 HIGH REQUIREMENTS OF ROI AND BARRIERS TO INTERNATIONAL EXPANSION

The main reason behind the low engagement from pure return-seeking players is the unproven DSG investment viability when it comes to required returns. Furthermore, Matteo presents the opinion that “in order to be considered an attractive business for VCs, DSG platforms have to operate in more than one country or, at least, should be deeply integrated into a country’s financial system”. Despite largely improving the scalability of SG models, as presented previously in this study, DSG’s achieved scale does not seem to fulfil the financial prerequisites of VCs.

When looking at the potential revenue generated per DSG, assuming average groups are composed by 20-25 members and loans do not surpass \$1,000, Matteo points out that a very large number of DSGs have to be active in order to achieve a “30% of annual return over 7 years”. When presented the case of SOMA, this investor pointed once again to the insight presented above, meaning that SOMA would need to enlarge its scope of SGs, potentially tapping into cross-border targets and operations.

However, this investor’s knowledge about the concept refers to a barrier to international expansion: “SGs adaptations vary from country to country, region to region or even from village to village. Evidence has shown that these platforms tend to operate nationally, having 1-2 organizations per country”. Our sample data confirmed Matteo’s opinion on international expansion, as illustrated in the figure below. The 4 platforms that stated in their website operating internationally correspond to the DSGs that belong or are directly backed by international NGOs (Dream Start Labs, Care, We Trust and Pact), taking as an advantage their international structure.



Figure 8: Total number of DSG platforms operating internationally and nationally

2 PERCEIVED MINDSET GAP REGARDING DIGITAL TRANSACTION IN SGS

In Matteo's opinion, there is a large mindset roadblock regarding the digitalization of SG's transactions, such as weekly/ monthly contributions to the fund as well as the withdrawal of user's loans. This roadblock is highly linked to the transaction fees charged by platforms. As most DSGs operate in remote and undeveloped areas, the target population can have a very low level of daily income. Given this economic scenario, users might exhibit a lower willingness to spend a share of his/her disposable income in transaction fees — when there is a high propensity to carry out SG's monetary exchanges in cash.

From a financial perspective, this study could observe a large presence of transaction fees across DSG platforms¹, as percentage of their overall revenues count upon these upper mentioned fees — taking the case of SOMA (phase 2 of implementation) as an example.

3 CULTURAL BARRIERS OF NON-AFRICAN INVESTORS

The cultural differences between international investors, namely investors from developed countries, can institute a barrier when it comes to funding “unfamiliar” concepts. This is the case for community lending through the practice of Digital Savings Groups. According to Matteo, “investors might have a hard time understanding the system of community lending, driving them to opt or prioritize products that are more familiar and scalable to developed economies”. As non-African agents are less attracted to DSGs, the pool of potential investors can be largely reduced.

Furthermore, data on DSG current funding corroborates with this investor's perspective. The UK-based VC, Good Soil, shows some familiarity with the African lending/savings scenario, having previously invested in Zeepay, a Ghanaian Digital Banking platform, and Zuberi, a Ghanaian Savings and Payments Platform.

¹ Identifies platforms that stated in their website the charge of transaction fees to its members can be found in Appendix 2.

ARE IMPACT INVESTORS A MORE SUITABLE OPTION FOR DSGs?

IMPACT INVESTMENT PERSPECTIVE

From an Impact Investment perspective, Matteo pointed to the fact that Impact Investors would indeed be a more suitable investment strategy for the concept of DSG, as these agents consider a “Double Dip Strategy, meaning the measure of impact and profit”. However, a main barrier is presented when analysing the engagement of Impact Investors and the expansion of DSGs:

1 By definition, agents within Impact-driven Strategies also require adequate investments returns

By presenting his professional experience, Matteo explained that funds, such as Flourish Ventures and Bamboo Capital, are not only guided by the thrive of “making the world a better place”, but also by investment strategies. These requirements to meet certain return and profit margins are not only driven by the funds themselves, but by institutions or individuals that invest through these funds. Matteo presented the practical example of his fund to support the previous insight:

"Every year, governmental institutions, such as the German government, have large sums of money (€2,000M in the case of Germany) to invest in Africa. These institutions invest partially through vehicles such as my fund (BLOC Smart Africa Fund). With this, we consider a distinction between two types of LP:

1 These government institutions, that will only recover their initial investment;

and

2 Other organizations or private entities, such as the WB, that require the compliance with returns and profit targets, despite having lower targets when compared to Venture Capitals."

Furthermore, Matteo described that the requirements of financial gains have led some impact investors to opt for grants instead of committing to equity investments — when considering “small” start-ups like SOMA. This funding is considered as “patient capital”. Despite presenting itself as a favourable investment alternative for DSG providers, the interviewee stated that the practice of “patient capital” has been carried out by Flourish Ventures and very few other agents.

Impact Investment Funds mentioned through the course of the interview



BAMBOO
CAPITAL PARTNERS



Through the course of this research, DSG providers mentioned collecting individuals data as a potential attraction point for private-sector players. In light of this fact, the following additional question was made:

“Do you think that the gathering of personal and transaction data could pivot these platforms into commercial operations? Would it mean thus attracting a higher interest from investors?”

Looking at the case of SOMA, where marketing and sales strategies are applied with the information of phone numbers and transaction data, Matteo stated that “this, as a stand-alone product, would not be attractive. However, this could constitute a viable business if data were somehow applied to AI or other technological intelligences. If this product is branded as AI complement that can be employed towards consumer profiling, other private players, such as banking institutions, would be highly motivated to engage with this AI complementary product. Furthermore, from this investor’s perspective, the potential returns of this additional operations would have to be analysed before taking any investment decisions.”

¹ Patient Capital “refers to long-term investment, where investors are prepared to wait a considerable amount of time (3-5 years in some sectors, 10-15 years in others) before seeing any financial returns. For this reason, fund managers implementing a patient capital strategy will maintain their investments even if they’re seeing short-term losses for the fund.” (Wilson, 2021)

CONCLUSION AND FINAL RECOMMENDATIONS

CONCLUSION

The concept of digitizing Savings Groups have demonstrated its viability from a financial inclusion standpoint. Through DSGs, users were able to experience a more efficient and trustworthy allocation of their savings, through improvements on record-keeping, access to credit beyond SGs' pots or the calculation of profit. Furthermore, the introduction of the concept helped SGSOs and DSG providers, as the case of SOMA, to reduce operating costs per member and expand their SGs' scope of reach — thus boosting the financial inclusion of unbanked communities. However, DSGs' investment viability from an investor's perspective is still to be proven. Impact Investment strategies would present a more suitable fit for DSGs providers when compared to pure return seeking investors. Nonetheless, such more suitable fit would only be considered by these type of investors if DSG's impact potential was found alongside financial gains.

FINAL RECOMMENDATIONS

1. DSG providers could target impact investment funds implementing Patient Capital or Sustainable Development Goals (SDGs) aligned strategies:

As impact measurements regarding DSG's improvement on user's livelihood can be better assessed in the long-term, Patient Capital strategies would constitute a very suitable option for DSGs — specifically grants from Flourish Ventures or governmental institutions (e.g., German government). As the number of players employing this strategy can be reduced, this study would also recommend targeting impact investors with SDG investment strategies, such as Allianz Global Investors. As the concept of DSGs collaborates with some of UN's SDGs, namely goal number 8 (Decent work and economic growth), 10 (Reduce inequality) and 17 (Partnerships for the goals), platform providers could "leverage" on this impact as a potential investment attraction.

2. If external funding is needed, a good starting point for DSG providers would be a) improving revenues streams and cost efficiency and b) focusing on data profiling as a means for financial inclusion:

As a large focus point of the interview was given around the importance of financial returns to investors, current or new DSG providers could try focus on data gathering part of their business model as a method for expanding their revenues sources and as this stream could be considered as an attractive product for consumer profiling and AI, the scope of digital and financial inclusion could be largely expanded.

3. Further research regarding the perspective of traditional banking institutions on the concept of DSGs:

As many platform providers focus on data dissemination as a means for financial inclusion, an appealing follow-up research would be studying these instructions' requirement or interest when engaging with the concept.

LIMITATIONS TO THIS STUDY

- Few available information of DSG platforms:

The main limitations of this study regard the scope of DSG platforms considered in the resulting data base. As this data was set up on research of the existing platforms and online information, many websites presented different levels of relevant information. Overall, to reduce the possible scope of error, a cross-check was conducted with DSG additional available information provided by the SEEP Network and the Mango Tree¹.

- Lack of access to financial information when analysing the DSG investment viability:

As this study did not have access to the financial performance of these platforms, the conducted interview was based on the illustration of SOMA's business model and the interviewee's knowledge on the concept.

¹ The Mango Tree is "home to the most comprehensive resource library on Savings Groups, upcoming industry events, latest news, and discussions on stakeholder priorities and emerging areas of interest." Information retrieved from Mango Tree Website.

APPENDIX

APPENDIX 1: DSG TECHNOLOGIES CONSIDERED IN THE RESULTING DSG DATABASE



AKF'S DIGITAL SAVINGS GROUPS

Based in: US

Operating in: Tanzania

Site: <https://www.akdn.org/our-agencies/aga-khan-foundation/akf-digital-savings-groups-dsg>



BEZO MONEY

Based in: Ghana

Operating in: Ghana

Site: <https://bezomoney.com/products.html>



CHOMOKA (POWERED BY CARE INTERNATIONAL)

Based in: International

Operating in: Côte D'ivore, Ghana, Uganda, Rwanda, Tanzania

Site: <https://chomoka.care.org/>



DREAM SAVE (POWERED BY DREAM START LABS)

Based in: US

Operating in: Kenya, Eswatini, Vietnam, Paraguay, Benin, and Bangladesh

Site: <https://www.dreamstartlabs.com/dreamsave.html>



ECOCASH SAVINGS CLUBS

Based in: Zimbabwe

Operating in: Zimbabwe

Site: <https://www.ecocash.co.zw/about/products/ecocashsave/ecocashsave-club>



ESHTAKI

Based in: India

Operating in: India

Site: <https://eshakti.yesbooks.in/Aboutus.aspx>



GWIZA

Based in: Rwanda

Operating in: Rwanda

Site: <https://gwiza.rw/>

The Viability of Digital Savings Groups – with an Application to the Case of Mozambique



KHUSA APP

Based in: Tanzania
Operating in: Tanzania
Site: <https://angledimension.com/khusa>



M-KOBA

Based in: Tanzania
Operating in: Tanzania
Site: <https://vodacom.co.tz/mkoba>



MAXIMUS SUSU

Based in: Ghana
Operating in: Ghana
Site: <https://maximus.global/>



MYWORTH (POWERED BY PACT)

Based in: Tanzania
Operating in: International
Site: <https://gwiza.rw/>



SAVE (POWERED BY EXXUS AND DREAM START LABS)

Based in: Rwanda
Operating in: Rwanda
Site: <https://getsave.io/>



TRUSTED LENDING CIRCLES (POWERED BY WETRUST)

Based in: US
Operating in: Internationally across Africa, South Africa and Asia
Site: <https://tlc.wetrust.io/>

APPENDIX 2: NAME OF THE OBSERVED PLATFORMS CHARGING TRANSACTION FEES

Boresha Maia Digital Savings Platform

Chomoka

EcoCash Savings Clubs

Maximus

SAVE

Trusted Lending Circles

SOMA

A New Digital Savings Alternative for the Unbanked in Mozambique

CHAPTER IX

EXECUTIVE SUMMARY

OBJECTIVE

This chapter aims to explore the potential of introducing a new digital savings-led microfinance product in Mozambique – Plano – which is currently at the concept development stage. The main objectives are to identify the key strengths and weaknesses of the product, as well as to understand the viability of its implementation process. Lastly, as the report was developed with (and for) the Mozambican company UX Information Technologies, it aims to provide an assessment of the product and a description of the key areas in which it should be improved.

METHODOLOGY

In order to assess the main strengths and weaknesses of Plano, a deep dive on the Mozambican context is carried out, in order to understand its economic reality and potential impact of implementing the product. Then, the main features of the product, and a description of how the service would work is described, to assess the dynamics involved and potential results. Furthermore, an investment readiness framework is provided, which classifies Plano according to five dimensions – Management Team, Product Potential, Product Readiness, Go To Market Strategy and Market Landscape – leaving UX (product developer) with a tool for tailoring the service to improve its performance in each of the five dimensions.

KEY FINDINGS

The main finding of this report shows that Plano has a strong potential for contributing towards financial inclusion in Mozambique. As a platform that is to be accessed only through mobile phones (no smartphone required), the ever increasing mobile phone penetration in the country increases its chances for success. Plus, it allows the population to raise funds from their peers (from their family to their employees) in a fast, low cost, efficient way, but most of all, tailored to each person's needs, in terms of amount and date. Overall, the partners involved qualify as an excellent management team, with a strong product potential. Nonetheless, it is mentioned throughout this report that there is little information on some major details of the business plan, which lowers Plano's score for product readiness.

FURTHER RESEARCH

Further research for this project could imply testing out the product closer to the customers. It would be interesting to field test the product by creating focus groups and interview customers, to understand whether or not they would adopt the service. Generally speaking, the low score in product readiness could be improved by carrying out this type of testing, especially because it would help to clear out some of the major areas to better detail the business model. Plus, to test the future scalability of the service, one should try to interview investors, who could also give guidance on how to implement the product.

INTRODUCTION: MOZAMBIQUE'S GENERAL CONTEXT

- Mozambique is one of the largest informal economies in Sub-Saharan Africa – 70% of the population does not hold a formal bank account (World Bank 2017). This reality is mainly attributed to the fact that 63% of the population still lives in rural areas (World Bank 2020), resulting in an unmet demand for traditional financial services.
- A study conducted by the World Bank (2017) indicates that insufficient funds is one of the main reasons for adults not holding a bank account (Table 1). Another main reason relates to the fact that the whole Mozambican financial infrastructure is still underdeveloped, meaning that most people live too far away from physical financial branches. Plus, it is also pointed out that people lack the necessary documentation to participate in the formal economy, thus indicating that banks cannot access this portion of the population's credit worthiness.
- Solving for these issues, communities have built traditions of borrowing and lending little amounts of money among small groups of people. Indeed, there is evidence that in 2017 22% of adults borrowing money resorted to family and friends, while only 11% borrowed from formal sources. Although these informal mechanisms do not compare to formal services, they prove that the population is prone to accept and engage in financial activities. Subsequently, leveraging on this sense of community, fintech tools have been emerging as entrepreneurs realize that incumbents are failing in assessing the population's financial needs.

1. Source: World Bank, 2020.
2. Source: World Bank, 2017.

RESEARCH TOPIC

The Mozambican context leaves space for fintech initiatives that may tackle the population’s main challenges in saving and accessing credit. This report aims to explore a new proposal to develop a savings-led microfinance service led by UX Information Technologies and DreamStart Labs, to be implemented in Mozambique by 2022. In collaboration with Tiago Borges Coelho (founder of UX), the main characteristics and benefits of the product are presented and a potential course of action is discussed.

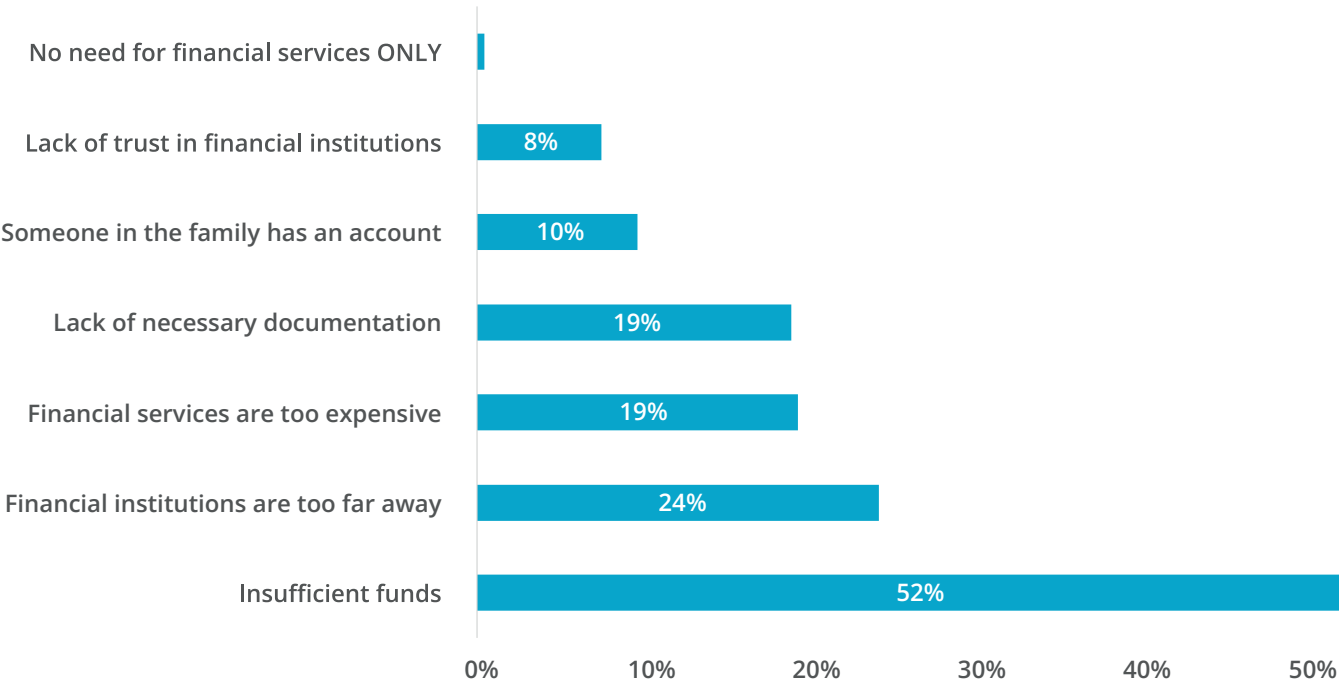


Table 1: Main reasons for adults not having a bank account (% 15+), by World Bank (2017)

1. Source: World Bank, 2020.
2. Source: World Bank, 2017.

INTRODUCTION: SAVINGS GROUPS

GENERAL CONTEXT

LAND OF OPPORTUNITIES – AN INTRODUCTION TO SAVINGS GROUPS

- Within the Mozambican reality, there is a huge potential for exploring the informal areas of the economy while bringing digital solutions for the activities the non-formal communities already practice among them. In the long-term, these tools will bring the unbanked population closer to traditional financial services while providing them with savings alternatives that bypass the main barriers people face in accessing banking services.
- Specifically, there is a historical tradition in Africa which is now supported by major NGOs – savings groups (SGs). Within this framework, individuals must contribute to a pool of funds which will then be attributed to another member of the group once the period ends – the withdrawal schedule among individuals is made on a rotation basis or upon emergency. NGOs contribute to this tradition by spending time and money training a member to manage the group's savings, which comes at a very high cost. Recognizing the potential for improvement in this area, businesses across Africa, and specifically, in Mozambique, have implemented a digital service which leverages on technology to solve some of the traditional SGs major problems. Consequently, the concept has evolved to Digital Savings Groups (DSGs), whose ultimate goal is to gather information on savers that can later be provided to traditional financial institutions, thus facilitating each individual's future access to bank loans.

1. Source: World Bank, 2020.
2. Source: World Bank, 2017.

THE CASE OF SOMA



SOMA is a Mozambican initiative led by UX Information technologies which aims to lower the costs of establishing SGs by integrating digital tools in this process, especially through mobile phones. With its virtual programs, SOMA has been able to lower the training per member by more than 50% (from \$60 to \$20), which has made the creation of SGs much more sustainable for NGOs and development institutions, while turning it more attractive for the private sector as it brings people closer to formal financial services.

Nonetheless, SOMA is still behind its projected target, not only in terms of training cost per member but also in the actual number of SGs formed. Plus, there are still some major drawbacks in the general savings groups business model, leaving room for other alternatives that may complement SOMA's final objective of impacting the financial excluded people's lives.

Major flaws users face with DSGs

**Having to find
or join a group**

**Low flexibility:
date and amount**

**Having to save
to be eligible
for a loan**

Note: Flaws will be further be explained in the next section.

WHAT IS PLANO?

Following the SGs rationale, Plano is an initiative (still at concept development) which aims to integrate an individual component to the community angle of the already existing SGs, solving some of its major issues. The main reason why it differs from a general savings group is that it gives users the opportunity to raise money for a specific purpose. In fact, it would combine the benefits of an individual approach with the ones of relying on a community to raise funds.

SAVINGS GROUPS	PLANO
In order to apply for a loan, individuals must be part of a group already, or join one in case they don't.	With Plano, any individual is eligible as a user. It allows people to resort to a wide network of friends, family, work colleagues, or anyone of their choice, without being part of a particular group.
In SGs, participants must wait until their turn to withdraw funds from the community pool, having to pay interest in case of an early withdrawal. Plus, the potential loan is pre-determined by the community's savings amounts.	Alternatively, users can set a specific target date and amount they want to raise. It might even be the case that someone wants to raise a lower amount by a closer date than what is pre-defined in SGs.
As part of belonging to an SG, it is implied that someone has to pre-qualify as a saver in order to withdraw their funds at the end of the period.	In the case of Plano, anyone can participate either as a borrower or a lender, even without having participated in a savings plan ever before.

PLANO'S BRIEF DESCRIPTION

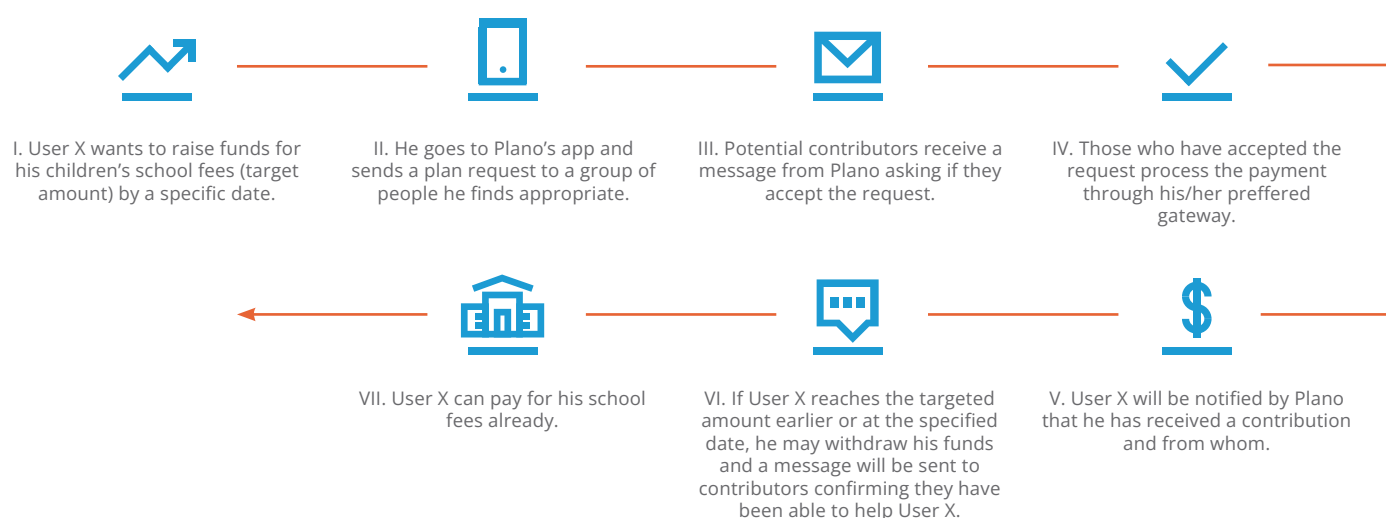
- In general, Plano intends to contribute to financial inclusion in Mozambique, by servicing a platform that allows the population to digitally borrow and save money, on a peer-to-peer basis. In this case, by peer-to-peer one means that an individual can ask a specific friend or familiar for a loan, by leveraging on the sense of community that is characteristic of Mozambique's rural population, but not necessarily from someone within its SG.
- In order to become a user of this service, one should have a clear objective for raising that money and the date by which he/she wishes to do so. Contributors will then decide whether they want to lend the money and how much. Designed mainly to be a mobile service, money transfers would be executed through SMS and USSD codes. Widely used in Africa, these services connect user's mobile phones with another service or network in real time. Ideally, the platform should allow contributors to choose their preferred payment channel (mobile wallets, banks and ATMs), by partnering with a payment service provider that can process the transaction and transfer the money into a bank and to a national switch.
- Each plan (pool of funds raised by each user) would then be allocated to a "Plano pocket" in the bank as a deposit and then returned to users depending on their ability to collect the targeted amounts – a practical example of how the platform will work will be presented in the next section.

1. Source: World Bank, 2020.
2. Source: World Bank, 2017.

PRODUCT AND CUSTOMER EXPERIENCE

As a practical example, suppose a certain user wants to raise funds for his children's school fees. He may go to the Plano platform and post a request to a number of friends or to anyone he may find appropriate, where he should clearly state the purpose of the money raised, as well as a target amount and date by which he should have the full amount collected. Those contacts would then receive a message from Plano with this information, as well as with a short code that sends them to the pocket of the borrower, with all the information they need to process the payment if they wish to do so.

If the user reaches his goal before or at the targeted date, he may withdraw his money and lenders receive a message confirming that he did so. If he does not, he may extend the target date. On the other hand, if he intends to withdraw earlier, that is to say, without reaching the full amount requested, then contributors will be asked via message whether they accept the withdrawal or if they rather be reimbursed by the platform (excluding the fee that was already paid to Plano, which will be further explained in greater detail).



PLANO'S MAIN FEATURES

- 1. **Control / transparency** – users can easily track the funds lent and borrowed through the platform's balance menus – prototype in figure 1. Note that the prototype is adapted to a smartphone but the service is available for every person that has access to a simpler feature phone. Plus, both users and contributors get notified via message of the key steps in the funding process, which includes the request message made by the user, as well as whether or not the user was able to reach his goal, alongside with withdrawal options.
- 2. **Integrated payment gateway** – by partnering with a Mozambican payment aggregator in Mozambique, Plano will allow users to make their payments through multiple channels (Bank, ATM, Digital wallets, etc.).
- 3. **Ability to mobilise quick funding through the usage of a social network.** Users will invite their peers to participate in their plans, creating a network effect between users and contributors as they build coalition to support each other's plans.
- 4. **Mobile platform** – the main focus is USSD and SMS driven menus on feature phones but desktop and smartphone designs may be developed as a side option.

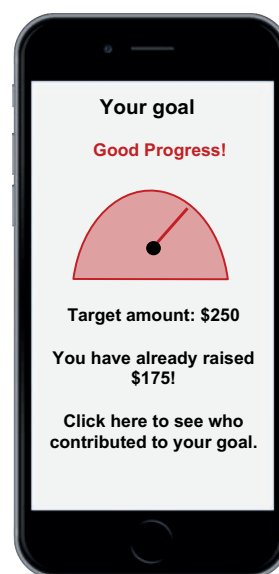
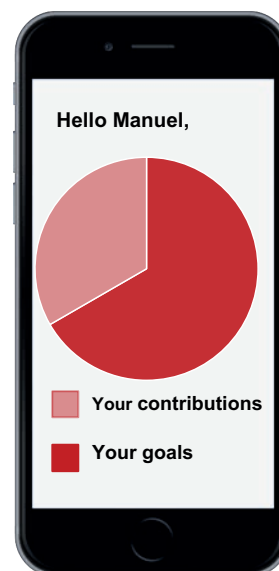


Figure 1: Plano's main menu (on the left) and Goal page (on the right) on a smartphone.

FLOW OF MONEY

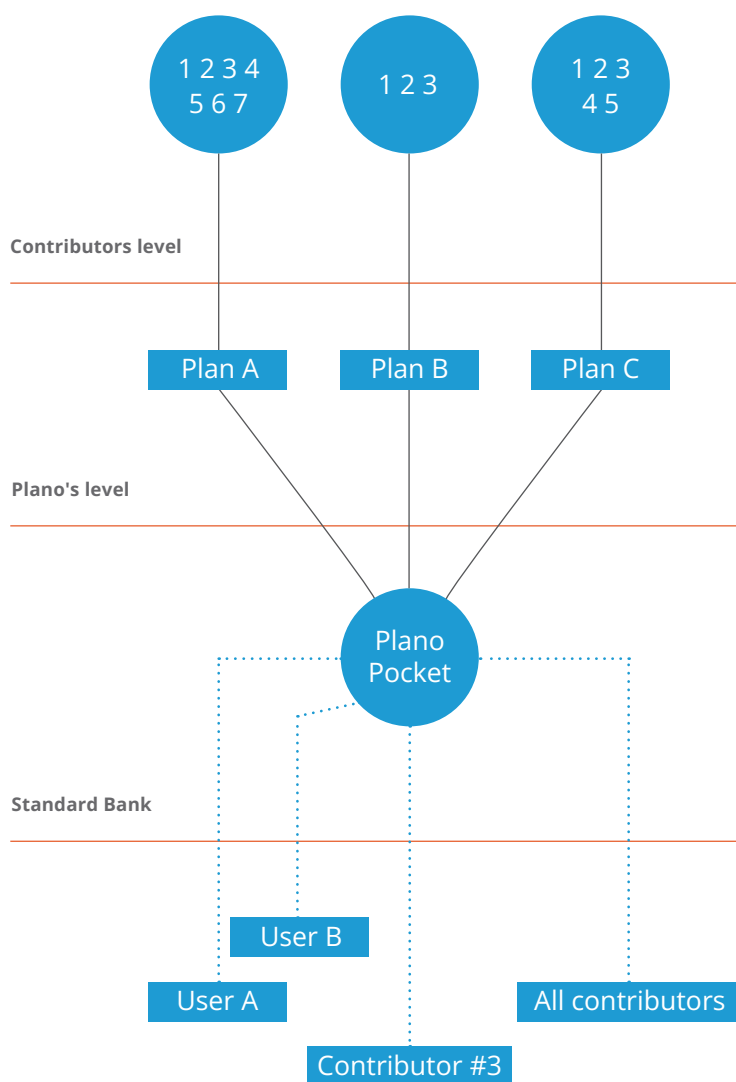


Figure 2: Plano's flow of money from the moment of the request until the user or contributors withdraw their money.

At this stage, each individual contributor will choose whether or not to participate in a user's plan. Contributors may decide to make the payment transaction using M-Pesa, ATM, Bank references, etc, which will then be assigned to the user's plan. From each contribution made, Plano will charge a 1% commission as a user fee.

As Plano has no legal capacity for holding the funds, each contribution will be directly stored at a bank account that represents all Plano's plans (potentially at the Mozambican private bank Standard Bank).

The money allocated to each Plan (A, B and C in Figure 2) will be stored at a "Plano pocket" in a bank account. Any time a Plan is fulfilled or to be returned to contributors, the money will flow out of the bank account, but Plano will keep a share of the return on liquidity that pocket is generating to the bank.

Suppose that:
 Plan A is achieved successfully. User A will receive the total amount of funds.
 User B wants to withdraw earlier and all contributors except #3 accept it. He will receive the funds from #1 and #2, while contributor #3 will be given back his money less the user fee that was charged by Plano.
 User C fails to achieve his goal, and removes his Plano request. All money will be sent back to contributors, except for the commission given to Plano.

WHY IS IT DIFFERENT?

SOCIAL IMPACT

- 1** Compel people to plan ahead their futures. The usage of Plano's platform implies that the user has a short term specific goal to attain through the funds he/she wants to raise. So, there is an intent, a budget and a timeline in raising funds, rather than waiting to receive a generalised amount of savings.
- 2** Speed up the process of borrowing for users. In general, by extending the community to a wider network, and by integrating several payment channels in the platform, it becomes easier and faster for people to achieve their goals. Speeding up this process is truly valuable, as it may allow people to achieve something they would not otherwise do if they had to wait. The ability to raise emergency funds before expiry date is crucial and not yet a reality for most people in Mozambique.
- 3** Create a network of trustworthy borrowers and lenders which goes beyond communities composed of neighbors and family. When a user is able to collect the whole pocket of funds he requested, he is able to see through Plano's platform who contributed for his plan. Of course, users will feel compelled to participate in future plans of their contributors. So, one can be simultaneously helping other users and at the same time launch a new plan. The platform sets a limit of 3 plans at the same time to avoid flooding.
- 4** Gather information on each user which can later be used by banks to assess their credit worthiness and give them access to higher credit amounts. Ultimately, Plano aims at financial inclusion.

ECONOMIC IMPACT

- 1** Beyond financial services, Plano may provide a strong economic opportunity. There is a high chance that the user's short-term specific goals are related to the development of small businesses on a community level. As an example, if a user wants to acquire a bike because he just found a new job that is far away from his home, and Plano allows him to do so, then it is contributing to job creation. This might happen with someone who wants to start his own business. Overall, by incentivizing people to make plans and helping them to achieve their goals, there is a higher chance for people to accomplish their personal objectives and in the long-term, contribute for economic development.

FORECASTED USER GROWTH

KEY DRIVERS

Plano's market potential is based on the number of users the platform will be able to attain in the long term. Aiming at contributing to financial inclusion through peer-to-peer lending, the platform targets the informal sector as these individuals are more likely to engage in such activity than the people who already hold a bank account and have access to formal credit. Plus, potential users must necessarily have an active mobile phone subscription and they must be at working age to be considered eligible for using the service.

The main indicators to be considered include¹:

- Working age population (current plus compounded annual growth rate for the past 10 years [CAGR])**
- Total population (current plus CAGR)**
- Cellular subscribers (current plus CAGR)**
- Cellular penetration**
- Population employed (both in non-formal and formal sector)**

Based on this information, projections indicate that Plano will be able to achieve nearly 540 thousand users by 2026, growing at a 7,35% rate thereafter (based on the annual growth of cellular subscribers).

Number of users

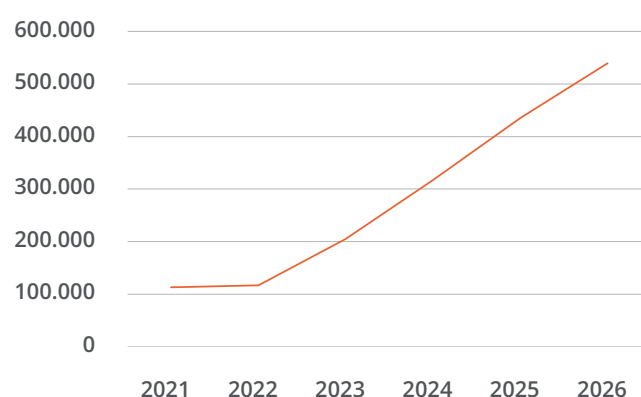


Table 2: Forecasted User Growth from 2021-2026. (Projections made by UX and DreamStart Labs).

Traction (%)	Year 2 GR	Year 3 GR
1,00%	70,00%	50,00%
Year 4 GR	Year 5 GR	Year 6 and beyond GR
33,00%	20,00%	7,35%

Note: Find more detail on this in Appendix.

¹ The values for indicators are presented in Table X in Appendix.

REVENUE AND COST STRUCTURES

As previously stated, projections indicate that the platform will be able to capture more than 500 000 users in 5 years. Assuming that each user will make at least 3 plans per year and that the average plan is of at least \$100, then Plano will mobilize more than \$150 million in community capital by the year of 2024.



MAIN REVENUE STREAMS

- A. User fee that is charged for each contribution made into a user’s plan. So, Plano will take 1% of the total amount collected by a certain user. It is relevant to mention that unsuccessful plans will be charged as well.
- B. Plano will charge the partner bank (yet to be defined) with a share of the return on liquidity that will be deposited in Plano’s bank account. In fact, projections indicate that by 2024, the platform will bring more than \$150 million into a bank account, which would otherwise remain within the informal sector, thus motivating private banks to engage with such initiative.

MAIN COSTS

- A. Firstly, marketing and promotion, which ideally will be declining over time as the network effect will call for new users instead. The main source of promotion will be through the usage of radio and outdoor billboards, in order to build credibility and raise awareness of the platform, which are estimated to cost between \$50 and \$100 thousand.
- B. Platform maintenance – although the technology stack to launch the product is already in place (provided by UX), the company will have to periodically adjust or improve the platform upon customer need.
- C. Personnel costs – as the service starts to grow either nationally or internationally, more people will be employed to carry out and control the business.

LIMITATIONS

It is worth noting that there is still limited information on the revenue sources and main costs of carrying out the project. Estimations on user growth give a larger picture of potential revenues, but there are major details to be discussed among partners which are not yet defined.

PARTNERSHIP MODEL

Plano is being developed mainly by UX Information Technologies (Mozambique), in collaboration with a major partner - DreamStart Labs (Internationally headquartered). Both companies will have a different contribution to Plano's implementation.



UX Information Technologies is a Mozambican company, which has also been driving financial inclusion in the country through some of its most successful products, as is the case of emprego, biscate, and the previously mentioned DSG, SOMA. Unlike DreamSave, this company has a lot of local expertise, as all of its businesses have not only been built, but are also currently established in Mozambique.

As for its contribution to Plano, UX would be providing the technology stack, which is already in place and may be developed into a beta version in approximately two months. Moreover, as it is Mozambique-based, UX provides the knowledge of the local market, partners, and infrastructure. Within that context, UX has an already established relationship with the Standard Bank, which is essential for the business to become effective. Finally, as a large share of the Mozambican population still uses feature phones rather than smartphones, the expertise in dealing with SMS and USSD services, which UX holds by using it in its other products, will be crucial for the product implementation.



DreamStart Labs is the company behind DreamSave, which is one of the most successful Digital Savings Groups' app in Africa, and it has active operations throughout Asia and South America as well. The company has already won several awards, having been recognized as one of the Inclusive Fintech 50 for being part of the 50 fintech startups that has driven financial inclusion for more than 3 billions of individuals in emerging economies. Plus, it has been awarded with the "Fast Company World Changing Award" and "Vodafone Innovation Award", as it classifies as one of the most innovative technologies to bring solutions for the major challenges of the underserved world (DreamStart Labs s.d.).

Within Plano, DreamStart Labs would provide credibility in the first place as it is recognized for its high-level technology and success in past initiatives. Plus, its experience across several African markets would be of an utmost relevance for expanding the business internationally and attract sponsors, as well as it would facilitate the relationships with banks in other markets. Finally, the company will have an essential role in product development as it may provide world-class technology.

INTERNATIONAL STRATEGY

- Plano constitutes a response to an opportunity in the Mozambican market, which if proven successful, offers a much larger opportunity to expand the service to many other countries, mainly across Africa. The proposal addresses the main challenges to the growth of the Savings Groups market which is common to Mozambique and most African communities. The current state of the savings groups market shows a naturally limited speed of growth and overall size due to the inactivity of the groups once established and the reliance on third parties to promote, train and launch them. So, if Plano is able to prove its value in Mozambique, tackling this main barriers to the growth of savings, an international expansion would be deployed, with the belief that this worldwide market is significant in its own right.
- The project is planned to be implemented in Mozambique in 2022. If the current projections are met and there is a high acceptance of the product on behalf of the Mozambican population, the objective would be to introduce Plano in three other countries, potentially South Africa, Zambia, Kenya or Tanzania. The possible course of action is subject to the choice of commercial partners, which is to be carried out especially by DreamStart Labs. Indeed, the company's DreamSave product is present in these markets, except for South Africa, speeding up the process of internationalization and increasing the chances of success.

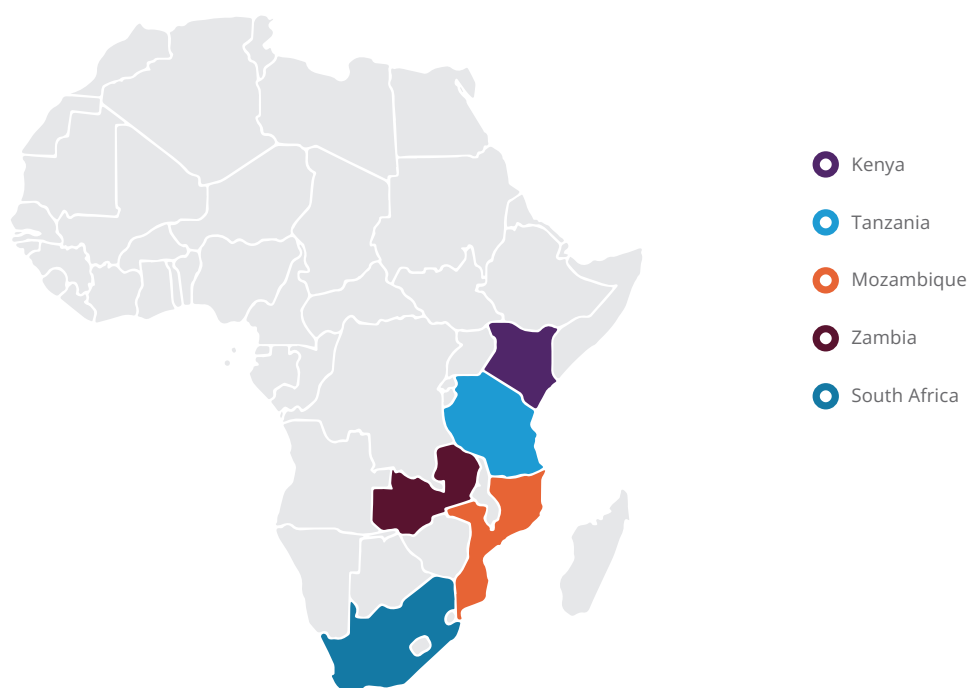


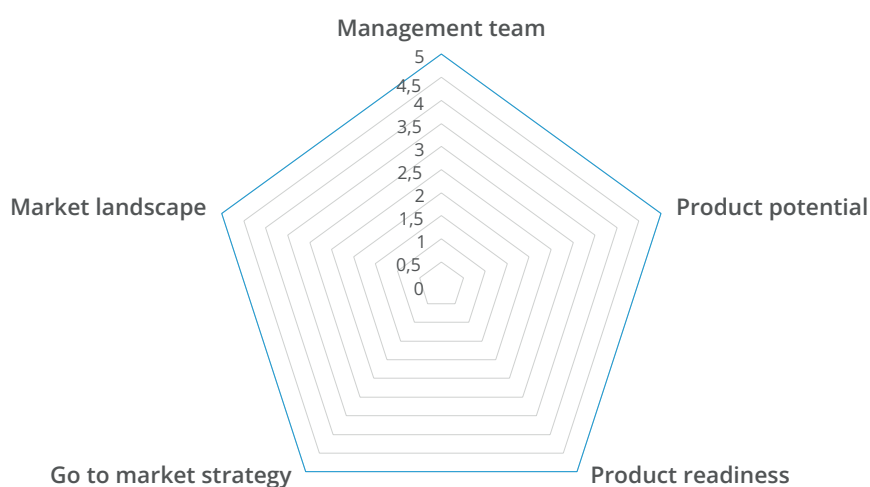
Figure 3: Potential markets where Plano will be operating in by 2024

INVESTMENT READINESS FRAMEWORK

The investment readiness framework allows to observe the main characteristics of Plano relative to its investment potential. Although the platform is still in concept development stage, this framework provides a vision for what the partners should be focused on while further developing the concept and strategy. Below is an explanation of what this framework accounts for in each dimension. Application to the case of Plano will be further explored.

- **MANAGEMENT TEAM:** This dimension comprises the quality of the team that is leading the project relative to its past achievements and experiences. It relates to the team's potential to carry out the project with success depending on its skills and vision.
- **PRODUCT POTENTIAL:** Product potential refers to the extent to which the product is in fact innovative and different from what has been done already. Overall, it evaluates the key strenghts of the product.
- **PRODUCT READINESS:** Product readiness relates to the stage of development of the product. That is, the viability of the proposed solution considering the tests that have been done on the product. This may include technology development, established partnerships, interviews conducted, etc.
- **GO TO MARKET STRATEGY:** This dimension evaluates the current business plan and projections relative to the revenues and costs of the project, as well as whether it has already defined objectives planned ahead.
- **MARKET LANDSCAPE:** It evaluates the true potential of the market segments being targeted and the proposed approach to each one relative to its value propositions.

- 0 – not applicable
- 1 – not ready
- 2 – not clear enough
- 3 – need to improve
- 4 – prepared
- 5 – very Prepared



THE CASE OF PLANO

MANAGEMENT TEAM (5)

Tiago Coelho (UX Information Technologies) has a deep understanding of the Mozambican reality, from field know-how to operational processes. He runs pioneer initiatives in Mozambique which have become very successful and worthy of several awards on a continent level. At the same time, DreamStart Labs is managed by a large team which have built several successful businesses in Silicon Valley with world-class technology. Overall, the team holds a vast experience in other African markets, whose contacts are of utmost value for a potential international expansion.

PRODUCT READINESS (1)

Plano is still at a very early stage of concept development. It is overall positive for the product's launch that the technological stack is already developed and ready to deploy. However, much of the details of the business plan are yet to be defined, which limits the accuracy of the current projections. The partners are currently seeking to close deals with both the partner bank and the payment aggregator, which are essential for the platform to be developed and launched, and which will define some major details of the business model, including relatively to the revenue and cost structures.

MARKET LANDSCAPE (2)

On the one hand, if the project runs successfully, the Mozambican market presents a huge opportunity as there is very low competition in this space. The business should complement other alternatives and not necessarily substitute them, while offering a whole new perspective to the community savings alternatives. On the other hand, adoption curves in Mozambique are somewhat flat, which means that there is a slightly high probability of a slow adoption of the product.

PRODUCT POTENTIAL (4)

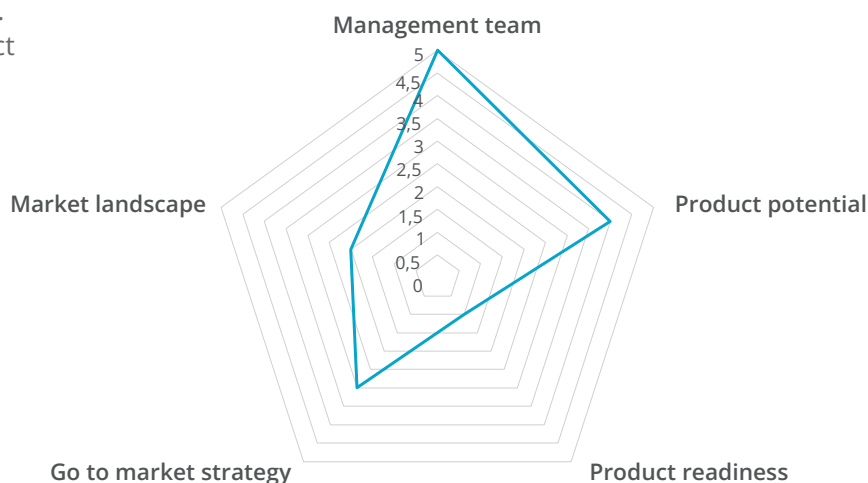
Generally speaking, Plano is designed specifically for the Mozambican reality and it fits the needs of the sector being targeted (informal sector). Mobile penetration in Mozambique is ever increasing which should also not be a constraint for the employment of the business. It is nonetheless a fact that this business model has not yet been tested in other markets, which raises the uncertainty over the product's acceptance on behalf of users.

GO TO MARKET STRATEGY (3)

UX Information Technologies maintains stable relationships with key players in Mozambique to carry out and promote the project's solutions – payment aggregator, Standard Bank. The marketing and promotion strategy is not yet completely defined but it would mainly rely on radio and outdoor billboards, aside from the natural network effect that will result from word-of-mouth.

Plano's main strengths are related to its management team and product potential. However, it still scores very low on product readiness.

- 0 – not applicable
- 1 – not ready
- 2 – not clear enough
- 3 – need to improve
- 4 – prepared
- 5 – very Prepared



NEXT STEPS

- Overall, Plano's next steps of the implementation process will help the partners to define the more specific details of the business plan. These steps include:
Finding a banking partner: the Standard Bank of Mozambique seems to be the best suitable option. It is one of the major private banks in Mozambique that is committed to support the growth of the fintech phenomena.

- Besides having an incubator program at the national level, which intends to help and promote fintechs, the Standard Bank is willing to become a business partner of initiatives such as Plano, as stated by Sasha Vieira, head of SB incubator.¹

Finding a Mobile Network Operator (MNO): the partners have already scheduled a future discussion with Vodacom, the leader payment service provider in Africa, which will help Plano set up the USSD codes that are necessary for people to use the service – make payments to contribute to someone's plan.

Finding a headline sponsor: Vodacom has funded the marketing and promotion of UX's awarded product Biscate in the past. The partners are confident that it is in the interest of the business partners to contribute for Plano's success. And the truth is that both the SB and Vodacom's expertise and credibility will boost the growth and adoption of the service.

RECOMMENDATIONS

This report has focused on presenting the business model and implementation process of this new Mozambican initiative. Nonetheless, it would be interesting to test the viability of the concept in itself and understand the extent to which people would adopt the service, which would require field testing. Moreover, further research on this topic could involve approaching investors to test their expert opinion about the viability and potential scalability of this type of business.

¹ Source: Fintechs.MZ Report, 2020.

Assessing the Implementation of Crowdfunding Models in Sub- saharan Africa: Lessons for Mozambique

CHAPTER X

EXECUTIVE SUMMARY

OBJECTIVE

This chapter provides an overview of the domestic crowdfunding market in Sub-Saharan Africa (SSA), with a practical focus on the Mozambican market. Particularly, it identifies the SSA countries with higher crowdfunding activity and the most adopted crowdfunding models. It goes on to explore the dynamics of each model and the overall attractiveness of SSA's crowdfunding ecosystem. This analysis served as the basis for an in-depth study of the Mozambican market. Specifically, the study assesses the feasibility of implementing a crowdfunding model in Mozambique, by evaluating the addressable market for local platforms, from the perspective of both Micro, Small and Medium Enterprises (MSMEs) and investors. Based on these results, recommendations on possible implementation models are provided to new entrants in the Mozambican crowdfunding market.

METHODOLOGY

To provide a clear picture of SSA's domestic crowdfunding market, a database of 46 active crowdfunding platforms was constructed. Data was retrieved from the platform "CrunchBase", and platforms were further categorized according to three crowdfunding models: debt, equity and non-investment. The resulting database was used to identify market trends and specific use cases. To assess the attractiveness of SSA's crowdfunding ecosystem, the framework developed in the main report was applied, based on the evaluation of four main pillars - regulation, demand, talent and feeling of community. To estimate the size of Mozambique's addressable market, publicly available data was used. Further recommendations follow from the conclusions of the previous analysis and interviews conducted with local crowdfunding platform Pertence.

EXECUTIVE SUMMARY

RESULTS

SSA's domestic crowdfunding activity is concentrated in key geographies, with South Africa dominating the regional market. While most platforms still rely on non-investment activities, the adoption of debt models has been increasing, despite challenges related with their implementation, such as impeditive regulation, high interest rate environments and lack of liquidity. The surge of alternative "agri-crowdfunding" models has been able to mitigate some of these limitations. Despite the potential to tackle the funding gap faced by small businesses in SSA, the crowdfunding ecosystem faces some challenges, namely underdeveloped regulatory frameworks, low access to talent and barriers to investor participation. Similarly, the lack of funding alternatives for MSMEs makes Mozambique an attractive market for the implementation of crowdfunding solutions. However, the small size and liquidity constraints of the local investor base constitute barriers to its growth. To overcome these limitations, Mozambican platforms could try to target foreign investors, explore revenue-sharing schemes and provide recurring investment options with low investment cycles, by establishing partnerships with local agricultural businesses.

FURTHER RESEARCH

Given the dynamic nature of SSA's crowdfunding market, the present analysis could be updated in the future to identify new market developments. Further research could also be conducted to support the introduction of a crowdfunding model in Mozambique. Particularly, interviews and pilot tests should be held among potential users to assess their willingness to adopt crowdfunding solutions and identify the funding models more suitable to the needs of different investors and entrepreneurs. This analysis could be further expanded to other SSA markets with similar characteristics.

INTRODUCTION

- The crowdfunding phenomena: Crowdfunding refers to the practice of raising money from groups, typically through an online or mobile-based platform. While this concept is not new, the phenomena has gained traction globally over the past decade. Amidst the 2008-2009 financial crisis, platforms such as IndieGoGo, Kickstarter and GoFundMe started emerging in the United States as a way of providing alternative sources of financing to businesses and individuals. In 2020, a total of \$US113.26 billion were raised through crowdfunding platforms (Ziegler et al. 2021).
- Crowdfunding in SSA: The crowdfunding market in Sub-Saharan Africa (SSA) is still in its earlier stages of development. In 2020, a record \$US1.2 billion funds were raised through crowdfunding platforms in the region, which accounted for less than 1% of global volumes (Ziegler et al. 2021). While the space has been experiencing significant growth, much of this can be attributed to the increased presence of foreign platforms. In fact, the biggest majority (97%) of SSA crowdfunding funds reported were raised through platforms based outside of the region. These platforms typically fund projects directed towards SSA countries, mostly through donations and microfinance loans, though investment opportunities are not usually targeted at local investors.

Despite the nascent stage of the sector, the potential of crowdfunding to drive financial inclusion in SSA countries could be significant. According to the World Bank (2017), less than 5% of adults in SSA have borrowed to start, operate or expand their business, in comparison with 25% in high-income countries. Similarly, less than 12% have saved at a financial institution, with limited alternatives to generate returns on their savings. Crowdfunding models provide new sources of financing to individuals and Micro, Small & Medium Enterprises (MSMEs), by matching fund seekers with those with savings to invest, thus attempting to reduce the gap left by traditional finance. Although the lack of appropriate regulation, lower internet penetration and low levels of financial literacy remain a challenge for the adoption of crowdfunding in SSA, the recent surge in new platforms has shown promising signs for the future of this sector.

RESEARCH TOPIC

- This study aims to provide an overview of the domestic crowdfunding market in Sub-Saharan Africa. While recent reports have been developed on the topic (Ziegler et al. 2017, 2021), they tend to cover all platforms operating in the region, regardless of whether they are based in SSA. As a result, there is little available information on crowdfunding activity for SSA businesses and by SSA investors.
- To achieve this, a database of 46 active platforms based in and operating in SSA was constructed. By leveraging this sample, the different dynamics of SSA's domestic crowdfunding market were explored. Particularly, the report looks into the SSA countries with higher crowdfunding activity and the most adopted crowdfunding models. It goes on to provide an overview of each model, to better assess their adoption potential and the challenges related with their implementation.
- Based on these results, an evaluation of the attractiveness of SSA's crowdfunding ecosystem was performed, following the framework pillars defined on the main report: regulation, demand, talent and feeling of community. By identifying the key barriers for the development of crowdfunding, this analysis could be of use to crowdfunding platforms, entrepreneurs, investors, policymakers and associations interested in engaging with the crowdfunding sector.
- The understanding of SSA's domestic crowdfunding activity served as the basis for an in-depth analysis of the Mozambican market. Specifically, the study assesses the feasibility of implementing a crowdfunding model in Mozambique, by evaluating the addressable market for local platforms, from the perspective of both MSMEs and investors. The results are used to identify the biggest opportunities and risks faced by new entrants in Mozambique's market, as well to provide recommendations on the best implementation strategies. The resulting analysis could be expanded to other SSA markets with similar characteristics, thus opening the discussion to the potential of crowdfunding businesses to scale and drive financial inclusion in the region.

METHODOLOGY

To get a clear picture of SSA's domestic crowdfunding market, a database of active crowdfunding platforms was constructed. Following a similar methodology to the main analysis, data was extracted from Crunchbase, initially filtering it to include SSA based companies, classified as "Crowdfunding". From the resulting database, a case-by-case approach was followed to define if the observations could be considered active crowdfunding platforms.

Specifically, platforms were considered inactive if they had:

- (i) a non-working website,
- (ii) no projects funded or
- (iii) no available funding opportunities for the past 12 months.

This resulted in a final sample of 46 platforms, which were categorized according to the defined criteria (see box below). From there on, data for other parameters considered (e.g. funded sectors, number of funded projects, total funding, average funding size) was collected through an analysis of the projects included in each platform's website.

CROWDFUNDING TAXONOMY

Generally-speaking, crowdfunding models can be divided into three big groups, depending on the type of return sought:

1. Debt-based¹

Individuals or institutional funders provide a loan to (i) businesses, in Peer-to-Peer (P2P) business lending, or (ii) individual borrowers, in P2P consumer lending.

2. Equity-based

Individuals or institutional funders purchase (i) equity issued by a company, in Equity crowdfunding, (ii) equity in a property investment, in Real Estate crowdfunding or (iii) a share in future profits or royalties of a business, in Revenue/profit sharing models.

3. Non-investment

Backers do not seek a monetary return for their contribution. These models can be (i) Reward-based, in which backers provide funds to individuals, projects or companies in exchange for non-financial rewards, such as goods or services or (ii) Donations-based, in which donors provide funding to individuals, projects or companies without any expectation of financial or non-financial rewards.

¹ For the purpose of this analysis, balance sheet lending, whereby the platform funds the loan from its own balance sheet and assumes the credit risk, was not considered as a crowdfunding model.

LIMITATIONS

The resulting database may not represent all active crowdfunding platforms in SSA. To mitigate this risk, a cross-check with other reports and online searches was performed, and missing platforms that met the criteria were added accordingly. Similarly, not all websites presented complete information on the projects funded, which limited the possibility of exploring aggregated results for the market.

Moreover, the defined framework was based on existent crowdfunding taxonomy models (Ziegler et al. 2017, 2021) to provide a comprehensive overview of the SSA domestic market. Since it was adapted to fit the specificities of this market, the framework may not include all existing crowdfunding categories.

KEY SSA FINDINGS

1. SSA's domestic crowdfunding ecosystem comprises 46 active platforms across 11 countries, with the big majority (65%) having been founded in the past 5 years.
2. Most of the existing crowdfunding platforms are based in the top three Fintech hubs (67%) – South Africa, Nigeria and Kenya. However, other countries, such as Mauritius, have been experiencing an increased crowdfunding presence.
3. Most platforms are still based on non-investment activities (46%). Nonetheless, debt models are expanding fast, while equity activity is only starting to emerge.
4. The implementation of debt and equity crowdfunding comes with associated challenges, including impeditive regulation, high ticket sizes and lack of liquidity. To avoid some of these risks and build market trust, less developed crowdfunding markets have been using non-investment models to enter the market.
5. Innovative crowdfunding models focusing on local needs, such as agri-crowdfunding, have been gaining popularity across SSA.
6. Despite the potential to tackle the finance gap faced by MSMEs in SSA, the crowdfunding ecosystem faces some challenges, such as underdeveloped regulatory frameworks, low access to talent and barriers to investor participation.

CROWDFUNDING IN SSA

GENERAL OVERVIEW

SAMPLE OVERVIEW

SSA's domestic crowdfunding market comprises 46 active platforms across 11 countries. Since 2016, the number of crowdfunding platforms has been growing at an impressive rate (24% Compounded Annual Growth Rate 2016-2021). While the number of new recorded launches peaked around 2018, the future of these platforms is likely to dictate much of the success of SSA's crowdfunding market. In fact, a considerable portion of the platforms founded since 2010 is no longer active. With an increasing number of success cases and a more supportive business environment, the domestic crowdfunding market in SSA is showing a promising outlook.

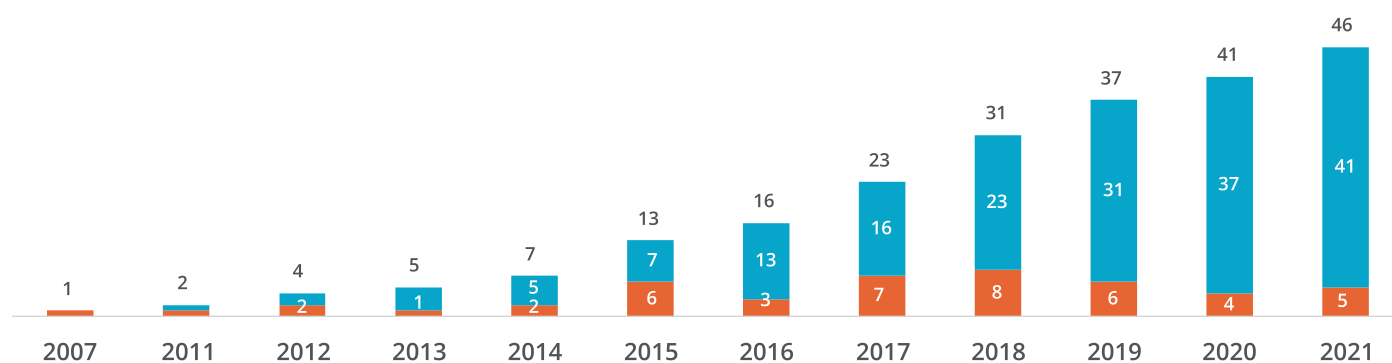


Figure 1: Evolution of domestic active crowdfunding platforms in SSA, 2007-2021

● Existent active platforms
● New platforms

COUNTRY DISTRIBUTION

SSA's crowdfunding market is still highly concentrated in key geographies. South Africa dominates the regional market, accounting for more than a third of all platforms identified. However, Nigeria's market has been growing recently, in line with the country's overall Fintech outlook. It currently counts with 9 identified platforms, followed by Kenya, a country with an older crowdfunding tradition, with 6. Other countries have started to establish themselves as relevant players in the crowdfunding market. That is the case of Mauritius, which has seen the creation of 4 crowdfunding platforms within the past 5 years. Platforms from other countries, namely Ghana, Uganda, Cameroon, Angola, Democratic Republic of Congo, Ethiopia and Mozambique are also represented.

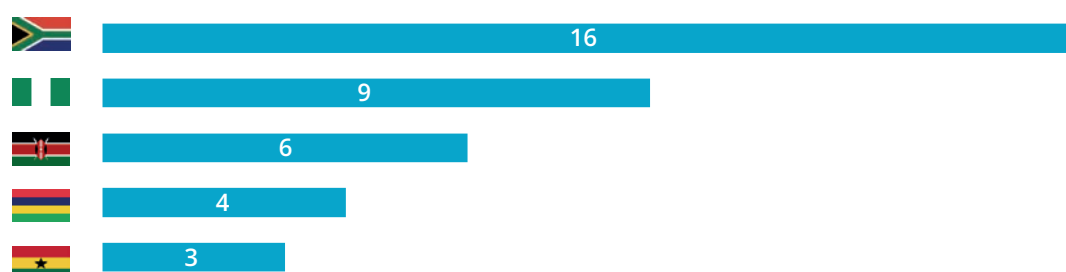


Figure 2: Number of active crowdfunding platforms in top 5 SSA countries

MODEL DISTRIBUTION

Non-investment models are predominant within SSA, accounting for 46% of all platforms identified. Most of these platforms have been in the market for a longer period, with an average age of nearly 5 years, and have higher values of reported funding. Debt models, however, have been reinforcing their presence in the market, already accounting for 37% of identified platforms, followed by equity, with 8 identified platforms. Though SSA's model distribution has been converging to the one observed in more developed crowdfunding markets (Ziegler et al. 2021), the predominance of non-investment models still seems to reflect different stages of market development.

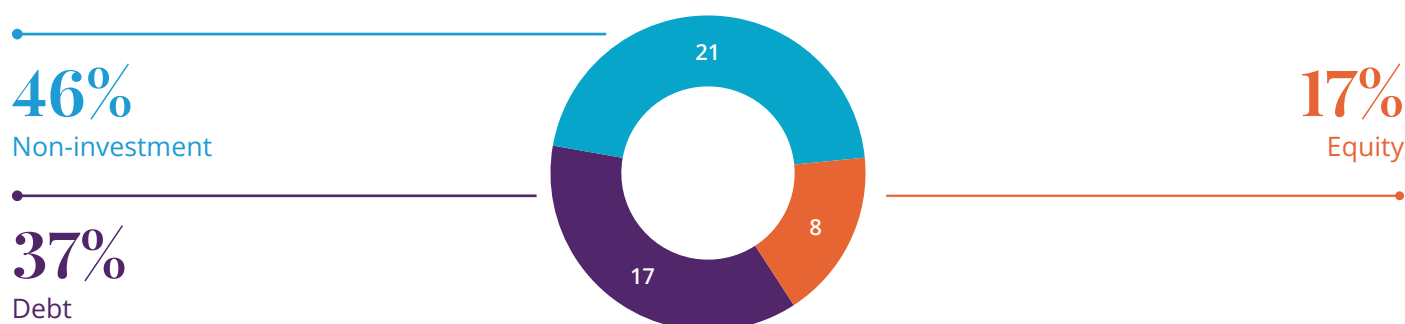


Figure 3: Active crowdfunding platforms by crowdfunding model (%)

Source: Own database

MODEL ANALYSIS

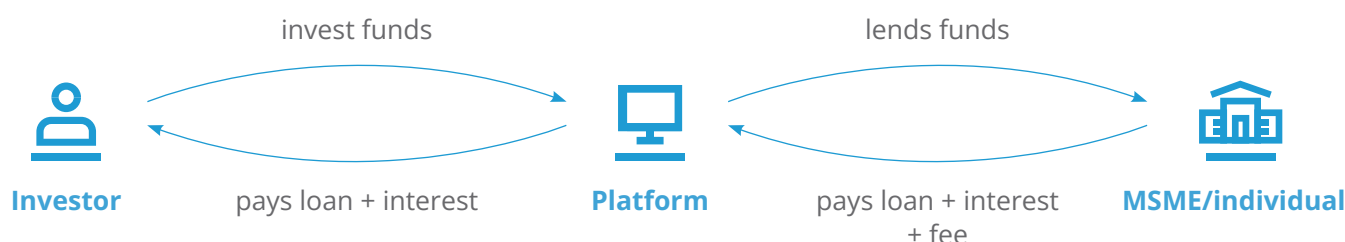
MODEL OVERVIEW

In this section, the dynamics of existent crowdfunding models in SSA will be explored, to assess what is currently being done and the challenges associated with the implementation of the top three models: debt, equity and non-investment.

DEBT MODEL

The adoption of traditional P2P lending models has recently been rising in SSA, particularly focused on increasing access to credit for MSMEs that are underserved by traditional financial institutions. However, the implementation of this crowdfunding model still comes with a share of challenges, including:

- 1. Impeditive regulation:** debt-based crowdfunding lacks appropriate regulation in many jurisdictions;
- 2. Interest rate environment:** high average lending rates¹ make it costly for MSMEs to finance themselves through debt in several countries. While crowdfunding business models tend to rely on alternative data to assess credit scores and offer competitive rates, the costs can still be impeditive for smaller businesses with no credit history and limited data availability;
- 3. Illiquid investments:** Platforms tend to offer projects with longer investment horizons (> 18 months). While this is done to ensure the borrower has enough liquidity in place before reimbursing lenders, it presents an added risk to investors. To mitigate this risk, local platforms, such as Nigeria's Kiakia, have been implementing progressive loan tenures. The platform restricts loans to 30 days for first time borrowers and increases loan tenures up to 18 months based on credit scores.



¹ Average lending rate in SSA in 2020 was 15.26%, based on countries with available data (World Bank 2020).

THE CASE OF FUNDKISS



Founded in 2016, Fundkiss is a leading P2P lending platform in Mauritius. To date, it has channelled more than \$US2.2 million in 186 unsecured loans to SMEs². Current loan offers include:

- i. **Micro-finance:** to bridge immediate cash-flow (CF) needs;
- ii. **Working capital:** to cover daily operating expenses and other CF gaps;
- iii. **Supply chain:** to fund the purchase of raw materials and/or finished goods;
- iv. **Business expansion:** to finance CAPEX and project finance.

TOP SECTORS	AVERAGE N° INVESTORS / PROJECT	AVERAGE FUNDING / INVESTOR (\$US)	AVERAGE INTEREST RATE (P.A)	AVERAGE DURATION (MONTHS)
Manufacturing	28	615	12.8%	17
Food	25	754	12.5%	17
Logistics	45	771	12.0%	9
TOTAL	21	531	12.6%	18

Table 1: Fundkiss investment metrics, by top 3 most funded sectors (based on last 50 projects)

Top sectors: Top funded sectors include manufacturing (31%), food and beverages (15%) and logistics (13%). Compared to overall metrics, top sectors have a higher number of investors per project and funding per investor, making them more attractive to the platform and investors alike.

Returns: The average interest rate offered (12.6%) is 5 p.p higher than the average bank lending rate in the country³ and 11 p.p higher than average deposit rates, reinforcing the riskier nature and attractive returns of these projects.

Average duration: Top funded sectors have lower than average investment horizons (18 months), reflecting investors' preference for more liquid investments.

² Source: Company's website; ³ Average lending and deposit rates in Mauritius in 2020 were 7.2% and 1.7%, respectively (World Bank 2020).

EQUITY MODEL

Compared to debt-based crowdfunding, equity models are still underdeveloped in SSA. Some reasons behind the slower penetration of this model include:

- 1. Stricter regulatory requirements:** due to the riskier nature of equity campaigns, this model is still prohibited in many jurisdictions;
- 2. High ticket sizes:** the higher ticket sizes associated with equity investments are not always suitable for smaller scale businesses and local investors with less funds;
- 3. Illiquid investments:** particularly true for equity investments with no set horizon and exit strategy. Market innovations are being implemented by platforms, such as Uprise. Africa, to mitigate this risk. The company has established a joint venture with ZAR-X, South Africa's stock exchange, to enable crowdfunded companies to list their shares and investors to sell their participations (see box below).

THE CASE OF UPRISE.AFRICA



Founded in 2017, Uprise.Africa is South Africa's first equity platform, enabling investors to invest in local startups from US\$70¹. It has only successfully funded two projects to date, including the \$US222k capital raise for beer manufacturer Drifter Brewing Company. This involved a \$US943 average funding per investor, considerable above the ticket on debt investments, and a much larger pool of investors, making it a hard to replicate model in less developed crowdfunding markets.

235

No. of Investors

\$943

Average funding/investor

12%

Equity Stake

¹ Source: Company's website

NON-INVESTMENT MODEL

- Non-investment models were the first to emerge in SSA, driven by the activity of internationally based platforms that started operating in the region in the early 2000s. Since then, successful domestic platforms, such as South Africa's Back a Buddy (2007) and Kenya's M-Changa (2012) have scaled across SSA.
- The region counts with some popular reward models, such as South Africa's Jumpstarter (2011) and Thundafund (2013), used mainly to fund artistic projects and test out new products. However, this model has failed to gather adoption among other countries, possibly due to less developed e-commerce ecosystems (Ziegler et al. 2017). As a result, most non-investment activity is concentrated in donations.
- Donations' platforms are used to support personal campaigns and charitable causes. These include campaigns to fund medical treatments, academic studies or community projects, among others. In comparison with other models, donations-based platforms are characterized by significantly lower ticket sizes. Angola's donation platform Deya, for instance, has an average funding of \$US26 per investor. Even in more developed markets, such as Kenya, this value is around \$US57. Increasingly, less developed crowdfunding markets have been using this model to enter the crowdfunding space, without being subject to regulatory hurdles (see box below).

THE CASE OF FUNDRAISING AFRICA



Launched in 2021, FundRaising Africa is a Ghana based donations platform, backed by the United Nations Developing Fund (UNCDF)¹. To overcome the absence of a banking license, the platform partnered with financial institutions to offer loans to campaigns' beneficiaries. Specifically, donations collected through the platform will be used as an initial contribution for a loan application within their network of partner banks, microfinance institutions and other financial providers. Despite the limited scope of donations crowdfunding in addressing the MSME finance gap, more market innovations are likely to benefit from the added flexibility of this model.

AGRI-CROWDFUNDING

- The term “agri-crowdfunding” has been used to refer to the application of crowdfunding services to the agricultural sector. On the one hand, the sector represents more than half of total employment in the region (World Bank 2020). On the other, smallholder farmers are particularly vulnerable to disruptions in the value chain, with most lacking access to insurance or credit in traditional institutions (Atuahene-Gima and Amuzu 2019). As a result, new crowdfunding solutions started emerging in SSA, with the goal of providing finance and market access to farmers.
- Agri-crowdfunding accounts for 30% of investment-based platforms, with presence in South Africa, Nigeria and Ghana. The identified platforms tend to follow one of two models:
 - 1. Debt:** the most common agri-crowdfunding model, in which investors act as sponsors to a farm or livestock and get their initial investment plus a predefined return at the end of the harvest period.
 - 2. Equity:** investors become owners of the asset and sell it back to farmers (“the asset manager”) at the end of the harvest period (“buyback option”), getting a profit from the sale.
- Regardless of the model adopted, these projects tend to share two characteristics:
 - iii. Fixed investment options:** the implementation of fixed projects split in tranches reduces investment risk while building credibility for the platform. Similarly, this strategy enables platforms to reduce cost related with due diligence and the sourcing of new projects.
 - iv. Shorter investment horizons:** since they follow the duration of the harvesting period, projects tend to have a shorter horizon with frequent returns, providing more liquidity to investors.

THE CASE OF FARMCROWDY



Founded in 2016, Farmcrowdy is Nigeria's first agri-crowdfunding platform, designed to bridge the gap between small-scale farmers and investors. Since its launch, the platform has provided funding to over 11,000 rural farmers, increasing their income by 80%¹. Farmcrowdy operates through a four-agent model, including farmers, the investors (sponsors), off-takers and insurance companies.

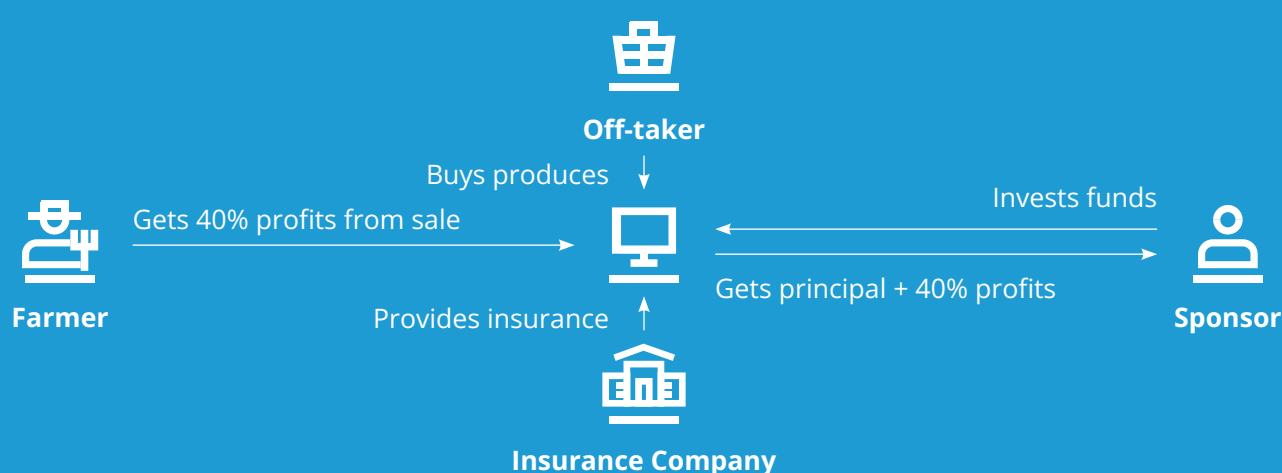


Figure 5: Illustrative example of Farmcrowdy's business model

Farmers: Before making a project available, Farmcrowdy engages with farmers. The platform targets small-holder farmers in rural areas, which typically have 1-3 ha of farmland and account for 90% of the country's production. To reach them, the platform relies on local partnerships with co-operatives and farm associations.

Sponsors: investors can sponsor a selection of available farms, such as poultry maize, cassava, rice or tomato. Returns range from 6% to 25% and sponsors are engaged for the duration of the cycle (3-10 months). Funds invested are used by the platform to procure seeds and fertilizer for planting and harvesting.

Off-takers: these are companies that agree to purchase the farm produce after harvest, typically at a pre-determined price. The profits from this sale are then split between the farmer (40%), the sponsor (40%) and the platform (20%).

Insurance company: provides insurance to farmers and sponsors against risks related to death of birds and crops damage, enhancing trust in the model.

² Source: Company's website

ECOSYSTEM ATTRACTIVENESS

To assess the overall attractiveness of SSA's crowdfunding ecosystem and identify some of its growth barriers, an evaluation of four identified ecosystem pillars will be conducted: regulation, demand, talent and feeling of community. This analysis is based on the framework adopted to evaluate the strength of SSA's Fintech ecosystem and can therefore be adapted to fit any particular segment of this space¹.

REGULATION	Due to the recent nature of this activity, crowdfunding regulations are still lacking in most SSA countries. After banning equity crowdfunding in 2016, Nigeria became the first country to adopt a regulation for investment-based crowdfunding in 2021, followed by Mauritius. The approved law includes provisions on investors' protection, such as a 10% cap on investable income or a limit on funds that can be raised by MSMEs (SEC 2021). Other countries, such as Kenya, have been testing crowdfunding solutions through their sandbox programs and are starting to develop their own regulatory frameworks. While South Africa, the region's market leader, has no crowdfunding regime in place, platforms need to comply with existent regulation that governs credit and investment activities and can also apply to the sandbox (ACfA 2021). Regulators across SSA have also been rolling out KYC/AML and consumer protection rules, to reduce the risk of fraud and build market trust.	MSMEs: MSMEs account for more than 80% of all businesses in SSA. However, an estimated 51% of MSMEs are partially or fully credit constrained (IFC 2019). Borrowers are often too small in scale and lack credit history, leading to stringent collateral requirements and large interest premiums (Runde et al. 2021). At the same time, alternative financing sources for smaller scale businesses are generally underdeveloped. As a result, most businesses still depend on personal funds and the support of their social networks or to access funding. Investors: Underdeveloped financial markets also prevent individuals from getting returns on their savings. In fact, only 12% of adults in SSA have saved at a financial institution (World Bank 2017), with most resorting to community-based saving groups to channel their savings. By relying on social networks, crowdfunding tries to digitalize and expand this practice. Despite its potential, several challenges, such as lack of trust, low financial literacy and low internet penetration can still hinder the adoption of crowdfunding solutions.	DEMAND

CROWDFUNDING

FEELING OF COMMUNITY	Founded in 2015 by a consortium of crowdfunding platforms, the African Crowdfunding Association (ACfA) has been a key driver for the development of SSA's crowdfunding ecosystem. The industry association is responsible for engaging with regulators to develop a harmonized regulatory framework for crowdfunding, as well as providing industry data and research and promoting industry events. Since it was founded, it has been able to build a strong membership base, counting with 36 members, including domestic and international crowdfunding platforms³.	Due to the recent nature of crowdfunding, there is still a limited number of professionals in the market. In fact, even larger platforms have few permanent staff. The skillset needed to grow crowdfunding businesses is also quite broad. Not only are software engineering and UI/UX skills required to develop platforms, but there is also need for talent specialized in financial analysis, business development and marketing to perform project due diligence and risk assessments, attract investors, establish partnerships and build project pipelines. Given the low maturity of these businesses, with many still struggling to reach profitability, attracting qualified talent can be a challenge (Cracknell 2021).	TALENT

¹ Although the initial framework also included the access to capital as a key pillar, that analysis will be undertaken in a separate workstream and was therefore left out of this report; ² Given the larger share of crowdfunding target at MSMEs (rather than individuals), they will be the focus of this analysis. ³ Source: ACfA's website

OVERALL ASSESSMENT

SSA's crowdfunding ecosystem has an overall positive outlook (see Table 2). This is mostly driven by the high financing gap faced by MSMEs, which can be partially addressed through crowdfunding services, and a strong support from the ACfA. However, some challenges remain. While 2021 witnessed the launch of the first crowdfunding regulatory frameworks, most countries still have no regulation to support the development of these models. Similarly, access to talent is limited, due to the recent nature of these platforms.

To increase investor adoption, education on crowdfunding services needs to be conducted by platforms. Given the low awareness of the segment and lack of financial literacy, paired with poor internet penetration (according to the World Bank, only 29% of individuals in SSA are internet users), low investor participation is a considerable risk. To access a wider pool of entrepreneurs and investors, platforms can adapt their operations to meet the local needs. Pezesha, a Kenya-based P2P lending platform, has leveraged on the high mobile phone penetration in the region to offer loans via SMS. Similarly, Kenya's donation platform M-Changa enables backers to fund campaigns through their mobile phone, integrating mobile money as a payment method. Crowdfunding services have also been identified as a cost-effective way to channel remittance inflows. In fact, fees charged by crowdfunding platforms are typically smaller than the average cost of sending remittances (Ziegler et al. 2017). This could be leveraged to attract international investors willing to support local businesses despite their higher risk levels, thus expanding the potential investor base.

Pillar	Evaluation	Evaluation Trend	Overview
Regulation	Low	↑	Most crowdfunding activity in SSA remains unregulated. However, some developments are emerging as new frameworks with added regulatory flexibility are adopted by regulators;
Demand	Medium	↗	The gap left by traditional finance makes crowdfunding an attractive market for MSMEs. However, key challenges can limit its widespread adoption, particularly by investors.
Talent	Low	↗	The low maturity of the sector makes access to talent challenging, with few platforms being able to scale. It is expected that access to talent improves as more success cases emerge.
Feeling of Community	High	↓	The ACfA has been vital to engage with crowdfunding platforms and regulators. As the sector grows and more platforms join, the association might be able to expand its influence in the region.

Table 2: Summary of SSA's crowdfunding ecosystem pillars

FINANCIAL INCLUSION POTENTIAL

While much of the initial crowdfunding activity in Sub-Saharan Africa was based on donations, the ecosystem is increasingly being occupied by more developed debt and, to a smaller extent, equity-based platforms. Despite the potential of investment-based crowdfunding to boost MSMEs' access to financial markets, there are still some limitations on the ability of these models to promote financial inclusion in the region. When looking to widen market access to MSMEs, these platforms need to consider the high risks carried by smaller-scale enterprises, which often provide limited information on their financials and business plans, ending up reflected in higher capital costs. Similarly, the nature and risk associated with investment-based platforms make them more suitable to individuals with higher levels of financial literacy, which tend to own bank accounts and be more financially included in the first place (Jenik, Lyman and Nava 2017). Further research could be undertaken to quantify the potential of crowdfunding for financial inclusion and identify how to better adapt crowdfunding practices to reach a wider market.



THE CASE OF MOZAMBIQUE: IMPLEMENTATION OF A CROWDFUNDING MODEL

CROWDFUNDING IN MOZAMBIQUE

The crowdfunding sector in Mozambique is still taking its first steps. Although no specific crowdfunding regulation has been adopted, a successful sandbox testing period has allowed the country's first crowdfunding platform, Pertence, to get an approval to operate in the market in 2021.

While some studies have been conducted to assess the feasibility of introducing crowdfunding services in different SSA markets (e.g Kenya and South Africa (Vries 2019), Zambia (Kukula Capital 2019)) there is still no identified research on the prospects of the Mozambican market for the adoption of crowdfunding services. Therefore, this section will analyze the potential and challenges faced by investment-based crowdfunding platforms trying to enter the Mozambican market. Specifically, it will focus on assessing the addressable market, from the perspective of both crowdfunding beneficiaries and investors, while providing recommendations on the most suitable business models and other best practices to be adopted by new entrants. The conclusions of this analysis stem from market research and interviews conducted with Pertence.

RESEARCH LIMITATIONS

Although this study proposes to assess the viability of implementing a crowdfunding model in Mozambique, it is only able to provide a high-level view on the market. Particularly, to get a better sense of entrepreneurs and investors' willingness to adopt crowdfunding solutions, interviews and pilot tests should be conducted among potential users. These could be used to identify the funding models more suitable to the needs of different entrepreneurs, as well as to provide information on the level of risk, expected returns and ticket sizes sought by potential investors. Moreover, the present analysis does not explore the profitability potential of new entrants in the crowdfunding market. As it focuses on assessing the addressable market and identifying implementation strategies, it does not cover financial projections, namely expected market share, revenues or cost structure of new crowdfunding businesses.

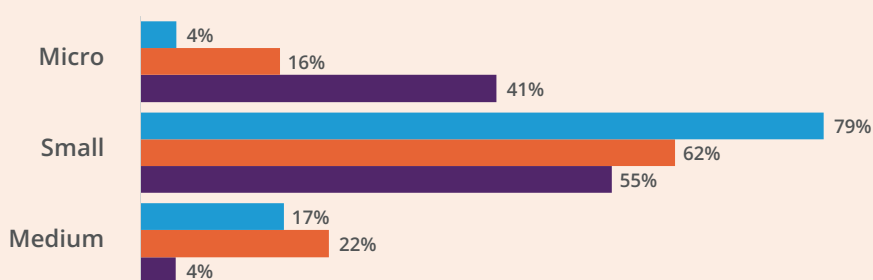
MOZAMBIQUE'S BUSINESS LANDSCAPE

Mozambique's business landscape is dominated by the presence of MSMEs, which account for 98% of the nearly 50 thousand registered businesses (INE 2017). However, it is important to note that this value only represents a small portion of Mozambique's business activity, as an estimated 80% of businesses are still informal. In total, more than 4.9 million MSMEs are estimated to operate in Mozambique, comprising 4.5 million owners and 85 thousand employees (Finscope 2012)¹. According to INE, registered businesses in Mozambique are categorized according to the following criteria:

Category	N° employees	Max. annual turnover (\$US)	Total count
Micro	<4	18,800	20,312
Small	5-49	230,300	27,426
Medium	50-100	469,529	1,996
Large	>100	—	1,503

Table 3: Criteria for company categorization, INE (2017)

Given the predominance of informality in the micro segment, most of the registered companies in Mozambique are considered small. As a result, these are the businesses creating more jobs and generating more revenue among MSMEs.



● % of total turnover
 ● % of total employment
 ● % of total companies

Figure 6: Share of turnover, employment and company count by company type (%)

3.2B
Total turnover

270K
Workers

49.7K
Businesses

Source: INE (2017)

¹ Given the requirements needed to access crowdfunding platforms, the remaining analysis will focus on registered MSMEs in Mozambique.

MOZAMBIQUE'S BUSINESS LANDSCAPE

A big proportion of the registered MSMEs operate in wholesale and retail trade activities (60%), with a larger share of small companies, as most micro-retailers tend to operate in the informal sector. Other businesses activities include accommodation and food services (9%) and manufacturing industries (7%). It is important to note that, despite being the main economic activity in Mozambique, the agricultural sector represents a smaller proportion of registered MSMEs, as most of the country's agricultural production is still concentrated on subsistence smallholder farming.

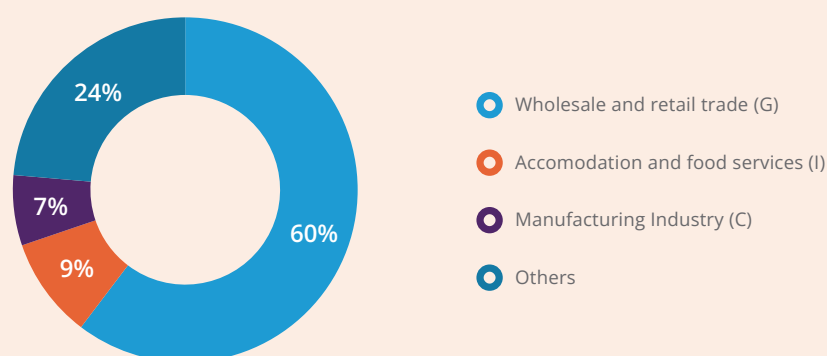


Figure 7: Share of MSMEs by activity sector (%)

Increasingly, MSMEs play a key role in the development of Mozambique's economy. By providing these businesses with the funding needed to scale, crowdfunding services could help boost employment and business opportunities in the country. It is therefore important to assess the existing financing gaps faced by MSMEs in Mozambique and how crowdfunding can be used to better serve their needs.

THE FINANCING GAP

- Demand for crowdfunding services is dependent on the funding opportunities available for businesses in Mozambique. However, an estimated 66% of MSMEs are partially or fully credit constrained (IFC 2015), more than the average for SSA. This is particularly true for micro and small enterprises. Data suggests that approximately 100% of medium companies are able to access some form of credit. This value drops to less than 20% in the case of small registered companies (FSDMoç 2015).
- On the one hand, access to formal financial institutions is limited. Though there are currently 19 commercial banks, 9 micro-banks and 9 credit unions operating in the country, the use of credit is still low. In this regard, the high costs of credit in a highly concentrated market make up for a challenging business environment. The average bank lending rate was 18.7% p.a. in 2021 (Bank of Mozambique 2021), with more than 75% of market activity being concentrated in three major banks (BCI, BIM and Standard Bank, with 28%, 27% and 18% of market share, respectively).
- Despite unattractive market conditions, few alternatives have been established to provide credit adjusted to the needs of MSMEs. While governmental funds have been allocated to stimulate the development of micro-credit operations, they still face significant challenges, such as unattractive business cases and limited reach (IPEME 2020). Similarly, the smaller size and little information availability of most MSMEs prevents them from accessing formal equity investments. Consequently, there seems to be an opportunity for crowdfunding to fill the existent funding gap, particularly in the small business segment.

ADDRESSABLE MSME MARKET

Compared to medium businesses, small and micro companies face much higher funding constraints, making them suitable targets for crowdfunding activities. Moreover, small businesses are more likely to have viable business plans and scaling ability, presenting reduced risks for platforms. While medium-sized businesses are better served by commercial banks, alternative offers can also be provided to this segment.



¹ Source: IFC, 2015

Increasingly, adults in Mozambique are saving more, mostly through informal channels. In 2019, 45% of adults had engaged in some form of savings, which represents a 10 p.p increase from 2014 (Finscope 2019). However, only 7% of adults have saved money through formal devices, with limited returns¹. This number has been decreasing as other informal saving mechanisms, such as saving groups (27%) and at-home savings (32%) gain relevance. As a result, few Mozambicans are effectively channeling their funds to generate adequate returns. While limited financial awareness may hinder investment practices in the country, there seems to be a lack of alternative solutions designed to help Mozambicans grow their idle funds and plan for the future.

TARGET INVESTOR

Studies conducted show that the average profile of a crowdfunding investor in more developed markets is a young male with higher education, mostly driven by higher expected returns (Daskalakis and Yue 2017). In Zambia, a similar analysis identifies the potential of the young professionals' segment to uptake crowdfunding activities (Kukula Capital 2019). While 25% of investors only look to returns, most want to support the local MSME environment when investing in crowdfunding. The majority (85%) also looks for investments with shorter maturities (6-12 months) and frequent reporting on the project's progress.

THE YOUNG PROFESSIONAL:



- 24-37 years old
- Tertiary education
- Tertiary education
- Middle/high income
- Private sector/self-employed

¹ Average deposit interest rate was 6.8%, representing a 12.7 p.p interest rate spread (World Bank 2020). Also note that high inflation levels recorded in the country (6.18%, World Bank 2020) can affect the attractiveness of these returns.

INVESTOR'S PROFILE

Age

In Mozambique, the youth segment comprises the majority of the population (Finscope 2019). This segment has seen an increased access to other formal (non-bank) services, as young users are generally more adaptable to the uptake of new technologies and financial innovations. Moreover, young people are more likely to start building up saving as they undergo the transition to their professional lives. These factors make young professionals (24-37) a suitable target to invest in crowdfunding. However, there is a risk that individuals in the lower range still face liquidity constraints. Crowdfunding platforms should therefore adjust their offerings to meet the maturity needs of this target (usually within the 6-12 months range).

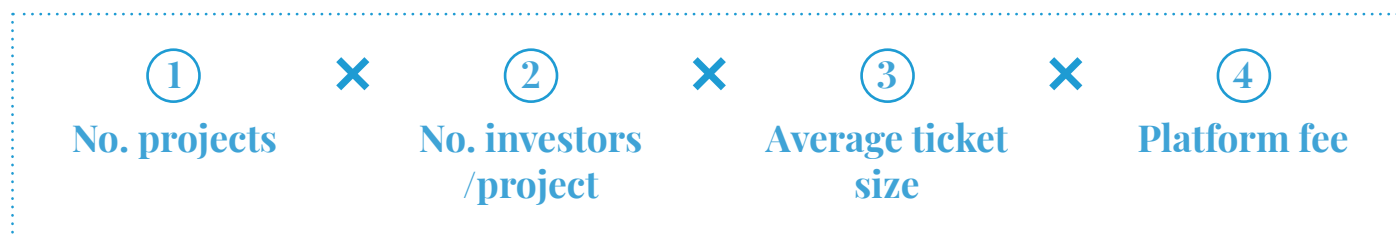
Education

Education levels play a key role in the propensity to invest in crowdfunding platforms. Adults with higher levels of education are more likely to be financially included, formally employed and earn higher incomes, factors necessary to engage in crowdfunding. In fact, 86% of adults with tertiary education are banked, four times more than the average citizen (Finscope 2019). Given the risk associated with investing in crowdfunding activities, high levels of financial literacy are needed to ensure consumer protection. The size of this market is still relatively small in Mozambique, with only 3% of adults in urban areas having completed tertiary education. Note that, although the pool of possible investors does not have to be limited to this target, they are more likely to be the early adopters of crowdfunding investment services and will therefore be considered as the addressable market.

ADDRESSABLE MARKET



CROWDFUNDING REVENUE DRIVERS



Driver	Evaluation	Opportunities	Risks
① No. projects	Medium/ High	• High availability of MSMEs; • Low access to traditional credit; • Lack of alternative financing options.	• Lack of projects that meet risk and information requirements; • Mismatch between the investment conditions attractive to businesses and investors/platforms.
② No. investors/ project	Medium	• Limited returns in saving deposits; • Lack of other return-generating alternatives; • Growing adoption of non-traditional financial services of target segment.	• Relatively small size of current addressable market; • Barriers to adoption of crowdfunding services;
③ Average ticket size	Low	• Targeting foreign investors with higher investable funds.	• Comparably low investable funds of domestic target; • Liquidity constraints of target segment; • Lack of higher ticket projects.

Table 4: Overview of risks and opportunities in crowdfunding value drivers



ASSESSING THE BUSINESS CASE

The potential attractiveness of a crowdfunding business in Mozambique was analysed based on its value drivers, namely: n° of projects, n° investors/project and average ticket size per investor. While the platform fee corresponds to the way platforms monetize projects, there is little data available on standard fees across the sector, so this component was not covered in the analysis.

Overall, the availability of projects makes up for the attractiveness of the business. However, there is a risk that a high number of MSMEs seeking funding will not translate into feasible projects that can meet investment requirements.

On the other hand, the number of investors and average ticket sizes may represent challenges to the Mozambican crowdfunding market. The addressable market is limited and investors have few funds available to invest, often with liquidity constraints. To mitigate this limitation, platforms could explore the possibility of also serving international investors, as discussed next.

MODEL ANALYSIS

Debt

- High interest rate environment in Mozambique makes this model less feasible for MSMEs seeking funding, particularly riskier micro and small businesses;
- Long repayment periods (>1 year) typically sought by businesses do not match the liquidity constraints of target segment

Equity

- Low availability of funds to invest in high ticket size deals;
- Illiquid investments not suited for the target segment;
- Low availability of businesses with significant size for traditional equity offerings.



POSSIBLE STRATEGIES¹

1 Explore other equity-like offerings to mitigate high interest rate barriers:

The use of revenue-sharing models has been increasing in SSA. By enabling investors to receive a portion of revenues up to a specified return, small businesses can be less constrained by fixed payment schedules, while providing more liquidity to investors at a smaller investment size.

2 Look for recurring projects with low investment cycles:

By offering projects with recurring financing cycles, platforms can start showcasing reliable results while building the trust of investors and meeting their liquidity requirements. Here, the offering of agri-crowdfunding projects could be a suitable strategy (see box on “Agri-crowdfunding model”).

¹ Note that the implementation of these suggestions is contingent on approval from Mozambique's regulators.

● Agri-crowdfunding model

The majority of Mozambique's working force (70%) makes a living out of agriculture, particularly in rural areas (Finscope 2019). Although only 2% produce exclusively for selling, an increasing amount (44%) consumes and sells part of their produce, with the great majority (54%) still producing for consumption. With small farmland sizes (< 2ha) and little access to financial services and markets, farmers could benefit from the implementation of an agri-crowdfunding model, whilst providing shorter investment horizons to attract investors. However, the implementation of this model can be time-consuming and expensive for platforms starting out. On the one hand, there is a need to establish partnerships with local players to source and conduct due diligence on farms, which are often not registered. Additionally, platforms would need to engage with buyers for the produce to mitigate selling risks. To test out this model and mitigate potential risks, platforms could start by establishing a partnership with established agriculture companies with recurring buyers, enabling investors to finance individual plots of land. This would ensure project availability at limited risks and costs for the platform.

● Foreign investors

The low availability of funds to invest in higher ticket sizes in Mozambique's market represents a challenge to crowdfunding platforms. Leveraging on the high migrant and tertiary student stock in countries such as South Africa, Portugal and the United Kingdom, local crowdfunding platforms can target individuals with higher income looking to support the local MSME ecosystem. In fact, an analysis of international platforms funding projects in Mozambique shows that the majority are based on donation activity and lack projects that support local business with attractive returns. In this regard, associated currency exchange risks that can prevent investor adoption should be tackled by the platform.

IDENTIFIED BEST PRACTICES

- 1 Invest in recurring relationships:**
relying on more established businesses that can provide recurring projects can be key to establish trust in the platform and achieve scale. An analysis of comparable platforms shows that a significant proportion of projects are from recurring entrepreneurs¹ and these are able to achieve higher funding rates. Platforms should seek opportunities to also engage with larger scale businesses that are better known to the public and can benefit from recurring funding at a higher ticket.
- 2 Establish partnerships with other financial players:**
to build trust in crowdfunding models, platforms are increasingly partnering with financial institutions to provide guarantees to certain companies, decreasing the associated investment risk. Partnering with financial players can be crucial to promote the development of the crowdfunding model and expand market participation.
- 3 Test out different crowdfunding models:**
while most of the identified crowdfunding platforms tend to focus on one crowdfunding model, 'hybrid platforms', allowing for different types of financing, have been surging. Though debt investments might not be suited for every business, they are likely to be the preferred choice for businesses with stable cash flows. Given the lack of data availability and little market validation, it could be interesting to test out different financing options adjusted to the needs of each business. Following best practices from similar markets, such as Angola, the introduction of donations-based activity could be used to get Mozambican users engaged with the crowdfunding concept.

FINAL CONCLUSIONS

1. Following the success of crowdfunding platforms in other SSA countries, Mozambique is seeing a rise in crowdfunding activity. However, there is little market research supporting the implementation of crowdfunding models in the country.
2. Mozambique's business landscape is dominated by the presence of MSMEs. Despite their growing economic relevance, these companies have difficulty accessing funds. The existent financing gap makes it an attractive market for the implementation of crowdfunding.
3. Adults in Mozambique have few available options to get attractive returns on their savings. Young professionals with higher education are the suitable target to engage in crowdfunding, given their technological savyness and the higher risk and ticket sizes associated with these investments. Nonetheless, this potential market is still relatively small in Mozambique, and crowdfunding offers need to be adjusted to the liquidity constraints of this target.
4. Overall, the availability of projects drives the attractiveness of the crowdfunding market in Mozambique. However, the low number of investors and average ticket sizes can be a challenge for platforms. Making projects available to foreign investors can help mitigate some of these limitations.
5. The implementation of debt models can be challenging due to a high interest rate environment and long investment horizons, while traditional equity offers are less suited to smaller companies and investment sizes. To overcome this, platforms could explore other equity-like offerings, such as revenue-sharing schemes. Moreover, they could provide recurring investment options with low investment cycles to attract the target segment, by establishing partnerships with agricultural businesses.

¹ For instance, in Fundkiss, Mauritius' P2P lending platform, approximately 21% of projects are from entrepreneurs that were successfully funded before. This value jumps to 30% when considering top funded sectors.

ANNEX

ANNEX 1 – LIST OF SAMPLED SSA CROWDFUNDING PLATFORMS (1/2)

PLATFORM NAME	COUNTRY	FOUNDED YEAR	CROWDFUNDING MODEL
Africa Crowdfunding	Cameroon	2020	Debt
AgriBusiness Corner	South Africa	2019	Debt
AgriSeed Capital	South Africa	2020	Debt
Back a Buddy	South Africa	2007	Donations
Bursary Network	South Africa	2015	Donations
Candystick	South Africa	2014	Donations
Crowdfrika	Ghana	2015	Rewards
Crowdfund.mu	Mauritius	2020	Donations
Crowdpop Home	South Africa	2019	Equity
Donate - ng	Nigeria	2015	Donations
FarmCrowdy	Nigeria	2016	Debt
Feenix	South Africa	2017	Donations
FinClub	Mauritius	2018	Debt
Fint	Nigeria	2017	Debt
Fundkiss	Mauritius	2016	Debt
Fundraising Africa	Ghana	2021	Donations
Go Global	South Africa	2019	Debt
Guanxi Invest	Cameroon	2017	Equity
Impertimus Education	Kenya	2019	Donations
Jadek Farm	Nigeria	2021	Equity
Jumpstarter	South Africa	2011	Rewards
Kiakia	Nigeria	2021	Debt
Kwidex	Ghana	2018	Debt
Live Stock Wealth	South Africa	2015	Equity
M-Changa	Kenya	2012	Donations
NaijaFund	Nigeria	2015	Donations

ANNEX 1 – LIST OF SAMPLED SSA CROWDFUNDING PLATFORMS (2/2)

PLATFORM NAME	COUNTRY	FOUNDED YEAR	CROWDFUNDING MODEL
Pertence	Mozambique	2021	Debt
Pesa pata	Kenya	2018	Debt
Pezesha	Kenya	2016	Debt
Quickraiz	Nigeria	2018	Donations
RainFin	South Africa	2012	Debt
RealSmart	Mauritius	2021	Equity
Seek4Fund	Nigeria	2018	Donations
Tawakul	South Africa	2018	Donations
The People's Fund	South Africa	2017	Equity
The Sun Exchange	South Africa	2015	Equity
Thrive Agric	Nigeria	2017	Debt
Thundafund	South Africa	2013	Rewards
Ubapesa	Kenya	2018	Debt
Uprise.Africa	South Africa	2017	Equity
Wayhoty	Kenya	2018	Debt

How Can a Peer-to-peer Lending Fintech Serve Mozambican Investors? The Case of *Pertence*

CHAPTER XI

PERTENCE

PROFILE



- Pertence is a Mozambican FinTech that operates the country's first crowdfunding platform. The platform seeks to connect Mozambican SMEs and entrepreneurs with national and international investors. The platform acts as a marketplace where individuals can list their projects that need funding, so that other individuals can invest in them. Pertence aims to position itself as the most modern and innovative crowdfunding company in Mozambique, targeting young people in particular.
- Pertence participated in the incubation contest launched in 2020 by the Bank of Mozambique, aiming to bring innovative solutions to the financial market. From 2020 to 2021, Pertence was working on its Crowdfunding platform that only came to fruition in 2021, with the first project being the Honey Cycle, the project this paper will focus on. During this time, Pertence worked with the Bank of Mozambique having monthly meetings about the activities that were developed. The Bank of Mozambique gave Pertence the space and helped them with the legislation of the area. The money invested during this phase came from the founders of the company. In November of 2021, the company passed the testing phase of the Bank of Mozambique and received its certificate.
- Pertence's vision is to be the leading financial institution chosen by all Mozambican SMEs to obtain financing. Pertence's mission is to provide an accessible and innovative financing mechanism, aimed at a more dynamic Mozambican financial sector. Thus, the main objectives of Pertence are: to promote the participation of Mozambicans in investment projects, to provide an accessible and secure financing platform ABC, to support access to and use of financial services, to create a new and modern financing mechanism and to promote financial inclusion.

CLIENT DEMOGRAPHICS OBJECTIVES



Reach the population between 24 and 34 years of age



Expand to Maputo, Nampula, Beira or Tete



Reach the population with post-graduate education, working in the private sector or self-employed, single or engaged/unmarried and with children up to 4 years old

Quick note: Regarding the last client demographic objectives, these are the potential backers, meaning, the potential helpers and supporters of the project.

Pertence has already done some research and arrived at some important figures: of the total number of registered businesses in Mozambique, which is 98,8% SMEs contributing 28% of Mozambican GDP. SMEs account for 44% of private investment in the country. 39.3% of this investment comes from micro and small enterprises.

Among the leading banks in Mozambique, (presented in Figure 1)¹, the lending rate per year, considering the volume of deposits, averages 18.65%. This value is the prime rate of the Mozambican financial system. The average interest rate on deposits is 2.60%. The Central Bank discount rate is 10.25%. Mozambique is a country where the cost of capital is very high. The interest rate (without spread) is 18%, with spread it can easily reach 20-30 %.

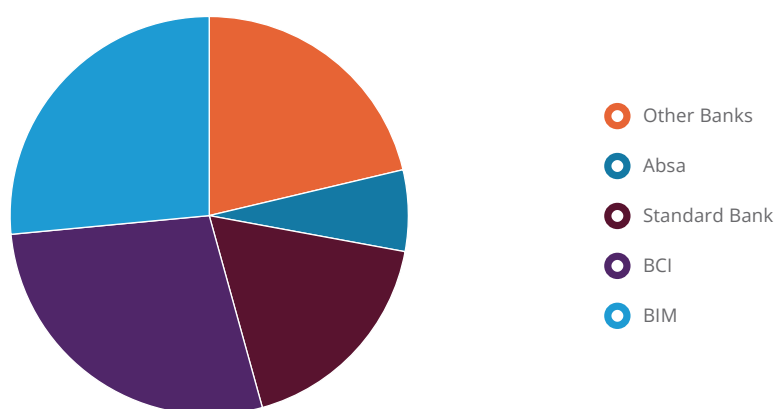


Figure 1: Leading banks in Mozambique

¹ Information was retrieved from the African Business, 2021



There are 3 types of collective financing that Pertence wants to focus on. The first is collective financing by loan, where investors can buy bonds from the companies that list their projects and make loans to individual project owners. The second type is equity crowdfunding, where investors can buy shares issued by the companies trying to raise capital. This investment option will include a buyback option for certain listed projects. Third, collective grant funding. The platform will host social projects that seek to promote a specific cause. This type of projects do not aim to make a profit or generate a return.

In terms of desired impact, Pertence introduced its KPI, which stands for Key Performance Indicator. These allow companies, organizations or individuals to measure what progress has been made over time and whether everything is on track to achieve the company's goals. These are extremely useful for evaluating overall performance and setting goals. Pertence's objectives are to provide a reliable platform, with security and risk management requirements that prevent misuse of the platform; to provide a new and modern financing mechanism, to encourage Mozambicans to participate in investment projects and boost national investment. Finally, Pertence's objective is to increase the credibility of entrepreneurs and the associated investor confidence.

HOW DOES IT WORK?

The way it works is very simple. First, Pertence develops the crowdfunding platform. Then, entrepreneurs sign up on the platform to register projects that need funding. Pertence approves the project (due diligence/risk assessment/compliance with the prevention and combating of money laundering and terrorism financing act).

Then the entrepreneurs present the project on the platform. Investors evaluate the projects and invest in the ones they are interested in. Pertence collects the funds and allocates them to the selected projects. The entrepreneurs deploy the funds they received. And finally, Pertence monitors the use of the invested funds.

CROWDFUNDING

DESCRIPTION

- It is well known that investing in emerging markets can be challenging. Investing in emerging markets in Africa can be even more challenging. Crowdfunding is a form of collective financing in which an idea, project, initiative or business can receive multiple small packages of money from various investors or donors, over the internet, to enable the implementation of a goal.
- Crowdfunding as it is known today is presented on online platforms. The first official crowdfunding platform, the website Indiegogo¹, was founded in 2007 and focused on independent filmmaking. However, it was not until the website Kickstarter, in 2009, that crowdfunding became the model we know today, with projects from various fields, and even consumer-focused projects having their place. The platforms gained greater notoriety and popularity in 2008 when several people donated small amounts of money to then-candidate Barack Obama presidential campaign², totaling \$272 million. It's worth noting that the idea of crowdfunding dates back at least as far as 1713, when Pope Alexander enlisted the support of 750 investors to complete and manuscript the translating of Homer's Iliad from Greek into English. Globally, crowdfunding platforms were valued at \$84 billion in 2018, and this is expected to reach \$114 billion by 2021.
- There are 4 types of crowdfunding³: equity/share in capital stock; debt/loan; reward and donation.
 1. **Equity/participation** in capital stock is when investors provide funds to a company and receive a portion of them in the form of equity or convertible debt that can be converted into equity in the invested company in the future.
 2. **Loan** is the granting of loans or the underwriting of tranches of loans for the benefit of consumers or businesses, usually start-ups or small and medium enterprises.
 3. **Reward** means purchasing in advance or reserving, at a special discount the product or service for the production of which the financing is granted.
 4. **Donation** is the making of contributions with the aim of receiving symbolic consideration.

¹ Information was retrieved from Indiegogo website; ² Information was retrieved from ObamaWhiteHouse archives, 2016; ³ Information was retrieved from Business News Daily, 2021.

- Crowdfunding in Africa is a snapshot in time. The outbreak of Covid-19 led to lower agricultural productivity, increased trade tensions, unbalanced supply chains, fewer jobs and also regulatory uncertainty. And that is where it gets interesting. While many will wait for international help, there are brave startups that will take the risk and step in. The only question is, where will these startups get their capital? When traditional financial instruments are out of reach, crowdfunding is the answer.
- With this in mind, it is important to look at who is regulating crowdfunding in Africa. There are countries that are already taking steps to implement financial inclusion to create a safe ecosystem. However, African crowdfunding regulations are still difficult and confusing despite the African Crowdfunding Association (ACfA), a self-regulatory organization, increasing transparency and promoting industry best practices in Africa.

As it is already known, the crowdfunding environment is getting bigger and better. However, launching a crowdfunding company, especially a startup, comes with some obstacles⁴. These include the fact that it must endure temporary regulatory uncertainty and develop a sustainable monetization strategy. On the other hand, the initial investment in crowdfunding for more established companies may change depending on the level of engagement in the market.



⁴ Information was retrieved from Forbes, 2019.

PERTENCE'S PROJECT

HONEY CICLE

- Developed by Mathária Empreendimentos, Lda. and financed by the collective financing platform Pertence, Lda. The honey cycle project aims to produce honey on organic fields where other crops such as moringa are already grown. Mathária Empreendimentos, Lda is a Mozambican company operating in the agro-processing industry, based in the province of Nampula, district of Ribáue and in the administrative district of Iapala.
- In Mozambique, honey production is of very low quality, as most beekeepers use traditional methods to harvest honey which affects the quality of the product. In addition, there are few companies in the country that can guarantee the quality, packaging (bottling and labelling) and brand of the product. For this reason, the local formal market is dominated by imports, while much of the local production reaches only the informal market channels.
- Mathária brings to the market a solution to overcome the difficulties of the market, trying to boost the production of beekeepers in the municipality where it is located, while bringing to the market a national product of excellence quality for commercialization. With this Project, the company aims not only to increase the income of the people directly involved in production, mostly women, but also to improve the environment in this region through the pollination function of bees.

MARKET VALUATION

- As healthier eating becomes the new norm, industries like food and beverage are promoting products with greater health benefits. Honey is one such product, as it contains vitamins, minerals, calcium and antioxidants - natural medicinal properties that can boost consumers' immune systems and metabolism, as well as reduce high blood pressure and diabetes.
- In Mozambique, about 70% of the honey market is held by informal beekeepers. The product proposed in this project is considered organic because the production process is 100% free of chemicals used by the company, mainly because there is a lack of resources to process the honey better.
- The formal market in Mozambique consists of very few local brands. The largest identified competitor is 'Mozambique Honey Company (MCH) which competes with imported honey brands on the shelves of local supermarket such as SPAR, ShopRite and others. Domestic honey production is estimated at 38,068,000.00 MT / year, with an annual production of 614,000 KG. In addition, the total retail market in Mozambique is estimated at about \$800,000.00.

TYPE OF MARKET	PRODUCTION	PRICE (MT/kg)	MARKET VALUE (MT)	MATHARIA PRODUCTION CAPACITY	MARKET SHARE	MATHARIA MARKET VALUE
WHOLESALE MARKET	614000	70,00	429800	1500	0,244%	105000
RETAIL MARKET	284200	70,00	1289400	1500	0,814%	1050000

Table 1: Computations regarding Wholesale Market and Retail Market

STRATEGIC POSITIONING

- The average price¹ of honey in the Mozambican market is 370.72 MT. This price includes domestic and foreign brands available on the shelves of major outlets in Mozambique's cities for products ranging from 365 g per piece to 500 g per piece. Mathária intends to offer its product in two different units, one with 250 g at a price of 310.00 MT and one with 500 g at a price of 585.00 MT.
- The main aspects that make the product competitive in the market are: price, quality, health benefits, packaging, etc. Since it is an oligopoly market, any price below the equilibrium price is subject to inelastic demand.
- Mathária will use the packaging of the product as a competitive point and differentiate its product from the competition by using differentiated packaging. The company will use glass jars that are clearly differentiated from competitor's products that are packaged in plastic. The use of plastic is associated with practicality, ease of use, quick consumer goods for everyday tasks and for non special occasions. The use of glass, on the other hand, is more likely to be thought of as a high-end, durable and higher quality product, a reliable and durable product. Using glass as a primary material also appeals to consumers who (as mentioned above) are moving towards the Green Economy, consumers who want to consume healthier and more ethical products consequently reducing their carbon footprint and improving their health.
- Mathária will adopt the premium pricing strategy and offer its product at a price above the competitor's offering. The company intends to position its offer in a specific niche of the Mozambican market, which has greater purchasing power and is more driven by a conscious brand. However, it is important to note that the commercial honey market in Mozambique is quite small compared to the national population. Assuming that the demographics of the target market are concentrated in the urban areas (Greater Maputo, Beira, Nampula, Tete, etc.), which represents around 37% of the total population², the market will focus in almost 12,000,000 people³. Looking at the current market structure, it can be seen that the honey market in Mozambique is an oligopoly, led by Mozambique Honey Company, Gourmet and other foreign producers.
- It is important to note that these consumers fall into a special niche in Mozambique, as a full transition to the Green Economy is very costly and excludes many Mozambicans from full participation in the economy due to high operating costs. Therefore, Mathária would only offer its product in outlets that cater exclusively to the aforementioned niche market so that the company can maximize its sales. These outlets are supermarkets such as Lokal, Woolworth, Spar Premier and DiViNo, which are not part of Mathária distribution channel. If Mathária is not able to access the right outlets, there is a possibility that the company will not achieve the desired sales forecast, which could jeopardize the company's ability to meet its obligations to investors due to a lack of liquidity.

¹ Information retrieved from Pertence's analysts; ² Information retrieved from The World Bank Data, 2020; ³ Information retrieved from World Meter, 2021.

STRATEGIC POSITIONING

FINANCIAL PROJECTIONS

- The company will use the value of the initial investment made to purchase the equipment necessary to start production and will produce in subsequent periods, bearing the fixed costs of wages, rent, water, energy and other inputs necessary for production, with the prospect that the profits generated by marketing the product in the first three years will be used entirely to remunerate the investor.
- Since the company bears all the costs associated with production itself, there is a risk that the company's liquidity will be jeopardised, since funds from other sources of income could be used to cover these expenses, leading to a collapse in the company's finances.
- Mathária's projections indicate that the company intends to market all of its production during the year, which is overly optimistic for the domestic market and could jeopardise the company's expected liquidity. In order to achieve the desired level of sales, the company will need to invest in marketing and advertising for the product, which could exceed the reported projections and thus impact the company's costs. However, the company claims to have secured marketing channels that can guarantee the entire production flow.

FINANCIAL RISK ASSESSMENT

- Made in two different ways: 1) assessment of two risk indicators, namely the level of liquidity the company has to meet its short-term obligations (short-term liquidity ratio) and its long-term obligations (financial leverage ratio), and the break-even level (to determine the level of the margin of safety); 2) assessment of the type of investment offered and how it compares to similar investments in the Mozambican market.
- The company's current liquidity ratio¹ for years 2 and 3 averages 2.46, which is higher than normal parameters (1.5 to 2), meaning that it is able to meet its short-term obligations. The gearing ratio² (for years 2 and 3 will be 1.50 and 0.32 respectively), which is within the parameters that specify that 1/3 of the company's capital should be financed by equity. However, the results presented here are based on the following two assumptions: the company will be able to sell all its production during the year and the honey price is not volatile. These two ratios were reached using the data in appendix.
- To ensure that the above ratio is met, the margin of safety for the Project must be determined. The break-even point can be interpreted as the point at which the company can cover all its costs and obligations to its investors. The honey produced by the company is packaged and sold in two different offerings (500 g and 250 g packs). The production projections indicate that the company needs to sell at least 13.5% of the total product to cover its operating costs³. This represents 41kg of the total 750kg that the company expects to produce per year. This means that out of the 750 bottles (5.5% of stock), 41 bottles of 500 g should be sold and out of the 1500 bottles (5.4% of stock), 81 bottles of 250 g should be sold. This analysis shows that the company will be able to meet its short-term commitments even if it can sell only 50% of its total supply.

^{1,2} Information retrieved from Pertence's balance sheet, presented in appendix 1; ³ Information retrieved from Pertence's analysts.

RETURN ON INVESTMENT

Pertence reserves the right to set a rate of return, called the interest rate, that is appropriate to the risk to which the investor is exposed. In this way, after three years, Pertence's investors, will not only receive back all their capital, but will also receive interest on the capital at a rate ranging from 20% to 22,6% per annum during those three years, the first year being a grace period for capital and interest, meaning there is a shortage of both in the first year. Repayment of principal plus interest is therefore made quarterly from the second year onwards.

The remuneration offered for this investment is in line with the market, taking into account the existing investment options, since the market offers an average rate of 2,9% per annum on traditional investments (term deposits with financial institutions) for the same amount of capital and the same investment period, which is justified by the security of the repayment of the principal. Other investment alternatives with a similar level of risk to those presented here, such as the purchase of commercial paper and corporate bonds issued by companies, listed on the Mozambique Stock Exchange, offer an average return of around 19%.

PERIODS	PRINCIPAL	INTEREST	PRINCIPAL + INTEREST	
T1	68750,00	46750,00	115500,00	YEAR 2
T2	68750,00	46750,00	115500,00	
T3	68750,00	46750,00	115500,00	
T4	68750,00	46750,00	115500,00	
T5	68750,00	46750,00	115500,00	YEAR 3
T6	68750,00	46750,00	115500,00	
T7	68750,00	46750,00	115500,00	
T8	68750,00	46750,00	115500,00	

Table 2: Principal and Interest on Year 2 and Year 3.

Quick note: the values of the principal (68 750 MT) come from the 550 000 MT divided by the 8 installments, which is the 2 years in quarterly installments. Also, the remuneration is 22.6% (per quarter), totaling approximately 68% in the third year. Since there is a one year grace period, the 68% were divided in two years, representing only 34% per year, and 8.5% per quarter.

These numbers keep always constant since there is a fixed repayment on the initial capital. There are other options for arising based on equity and asset however, Pertence decided to operate with this fixed value.

VALUATION OVERVIEW

Valuation methods		Scenario
CASH FLOW	→	In the first year (year of capital shortage) the company will have its cash flow mostly composed of financing and investment, since this is the time when the company will borrow and invest the capital. In the subsequent years the company will have higher operating cash flow, as the investment will start to pay off, and negative financing flows, meaning the repayment of the loan plus the promised interest.
SALES GROWTH	→	Three scenarios can be identified, the optimistic which is the one expected by Matharia, where they aim to sell the honey at a price above the market, the normal which is in case the honey only comes out at the market price, and the pessimistic below the market price. The compound sales growths for the three scenarios are as shown in the figure beside. The project being viable only for the optimistic and normal scenarios.
COMPANY RESULTS	→	The company will only have sales from the second year onwards, growing at a constant rate of 5% per annum from 2023 onwards. The gross return on sales will be above 70% for the three forecasted years, and the net return on sales will average 33%. This demonstrates that the company will be profitable for the three forecasted years.
PROFIT MARGIN	→	The company presents positive results for the three forecasted years. A reduction in the company's profitability is expected mainly for 2023, due to the payment of the loan installments, which is expected to be higher for that year.

CAVEATS

The investment proposed here is subject to various risks, related to the nature of the business, the market structure, government regulation, and other risks indicated below. The following risks were perceived:

- **Market risk:** the project will be implemented in a market where the awareness about the importance of honey consumption is still low, which can somehow compromise the absorption of the product expected from the market and with this the company may not obtain the level of sales initially expected.
- **Competition risk:** the product to be produced has substitution options in the market at a lower cost than the price targeted for commercialization, which can somehow compromise the adherence that is expected from the market.
- **Default risk:** the investor is subject to the risk that any lender faces, the risk of default on loans granted and its ability to perform in the event of the company's inability to repay the capital invested.
- **Additional financing needs:** with this financing, the company intends to secure at least 36 months of operation to raise the necessary funds to repay the investors. However, additional funding may be required if revenue growth is less than anticipated. Also, if the company has problems achieving its key performance indicators, it may be difficult to obtain other financing.

This type of investment is highly speculative and involves significant risk. Therefore, it should not be made by investors who cannot afford to lose their entire investment.

- **Liquidity risk:** investments made through Pertence's platform are generally illiquid. This means that once people have invested their money, it may be difficult to exit the investment and get it back at a time that is most convenient for them, as there is no secondary market for their investments.

By making an investment through Pertence's platform, people recognize that they are making a long-term investment, so they will have no control over the day-to-day decisions they make regarding a particular investment.

- **Execution risk:** the company may not be successful in executing its business plan due to a variety of unforeseen factors. This is because business plans are necessarily based on a number of assumptions, some of which may not materialize as originally anticipated. Such factors include, but are not limited to, unforeseen challenges in research and development, unforeseen delays in obtaining important partnerships such as manufacturing, distribution and marketing partners, and delays in obtaining sales.

In the next slide a small SWOT analysis will be presented in order to identify the areas of Pertence's business that are performing well. These areas are Pertence's critical success factors and they give Pertence's business its competitive advantage. It is an effective business tool that is used to strategize for short-term and long-term decisions.

SWOT ANALYSIS

STRENGTHS	• Pertence is composed by a young and dynamic team, which can produce higher-quality results and solve problems faster; • Pertence has the possibility of being the first entity to test crowdfunding in Mozambique, allowing Pertence to have first-mover advantages by being first to market in this area; • Pertence's team has immense knowledge of the Mozambican market and context, which results in better customer service; • Pertence's platform is in the final stage (development), which can already be implemented and as mentioned during this paper, can work with other companies and projects; • Some contacts were already made to test the platform.	• Pertence has the Sandbox support¹, which allows Pertence to monitor the financial sustainability and minimize its risk, allows the company to mitigate and adapt to the regulatory burden that innovative projects have to bear and attracts international entrepreneurship and investment; • There are limited funding mechanisms for MSMEs and start-ups; • Increased economic visibility of the country - arising from several resources with high commercial value: agricultural resources, minerals, and others.	OPPORTUNITIES
WEAKNESSES	• Pertence's team has weak experience in crowdfunding; • Pertence's platform is still in the phase of raising the necessary funds to implement the project's operational plan. As mentioned, Pertence only has one available Project, having others in mind but they are only in early stages.	• The COVID-19 pandemic², which has increased awareness around the need for financial reserves, driving customer and investor traction toward savings-based Fintechs; • Mozambique has high levels of corruption/money laundering. Mozambique is the country in the world where there is the greatest possibility of money laundering and terrorist financing³; • Mozambique has a low level of national investment, which means that the country itself has a less productive economy, lower living standards and a lack of competitiveness.	THREATS

¹ Information retrieved from Finnovating, 2020; ² Information retrieved from MicroSave Consulting, 2021; ³ Information retrieved from Privacy Shield Framework

NEXT STEPS

Pertence wants to diversify its portfolio, focusing more on fixed agri-crowdfunding projects and change its target investor group.

- To meet the challenge of feeding a growing world facing scarce food production resources, climate variability and massive urbanization trends, it is necessary to link more capital to agricultural projects. An emerging financing trend that can significantly broaden the base of the investment pyramid in the agricultural sector is crowdfunding.
- Through crowdfunding, sponsors of agricultural projects can reach large numbers of individual investors directly, expand a project's capital structure, and experiment with more creative investment terms. When a farmer gets an investment, the whole community around him/her gets better food.
- While crowdfunding has great potential, both agricultural companies and investors considering this funding option should not lose sight of the fundamental considerations that apply to other forms of investments. These include the relationship between the business and an investor, investment risk and return, and the need to match capital investment and repayment cycles with the underlying business realities of a particular project.
- When talking about financing agricultural activities, it is important to understand what kind of farmers and cooperatives it is referring to. Even though most of the economic activity in this sector is subsistence farming, this is not the focus of this funding. It is also necessary to identify who these farmers are, in what regions they are located, how big are their farms and what investments do they make in agricultural activity.

It is becoming increasingly difficult to get bank loans so many farmers are looking for alternatives. One of them is the online crowdfunding.

At the moment, Pertence is working to introduce a fixed farming project, but it is still in a very early stage, so there so it is not possible to make an analysis of other projects that will come in the future.



Image 1: Pertence's front page website
Caption: "Invest in your dreams"

CONCLUDING REMARKS

The aim of this paper was to deepen the knowledge obtained about the fintech world, by working closely with a company that wanted to venture into this area. It is a fact that Pertence is recent and the team has a lot to learn, but with the analysis made of the Honey Cicle project it is concluded that it presents a competent team that has all the right to aspire to become a great crowdfunding platform. Furthermore, this first project is certainly the right step towards achieving the company's goal and mission, allowing it to have good prospects for the future.

However, it is never too much to be open to new suggestions. Some of the actions that Pertence could consider in future projects would be:

1. Implement an automated project evaluation system and segregate projects according to credit risk (for debt).
2. Include projects with a shorter payback period, preferably 6 months.
3. Implement equity based and asset based projects (agriculture projects), in order to ensure greater investor participation in projects and reduce funding costs for beneficiaries.

1. Not that the automated system is only for debt, but the credit risk will be for debt instruments for the time being. Maybe later on with the implementation of equity projects Pertence can include it as well.
2. The projects can last more or less than 6 months, such as 3 months or 1 year, however, the 6 months is more an average that Pertence prefers to achieve, and due to the nature of the projects Pertence has seen so far, those projects only allow at least 6 months. The important thing is to attract more investors by increasing liquidity.
3. When speaking about investor's participation, it is said in a way of a more active participation, since they would become partners or owners of some asset, which will also be more convincing to investors, along with the reinvestment option which will guarantee a greater retention of investors. There is also the possibility to tokenize these assets for better transferability ensuring greater liquidity, as well as the possibility that one day the shares can be sold on secondary markets.

As mentioned previously, the return rate of this Project is very high, this is due to the high credit risk of the beneficiaries. In Mozambique the prime rate without spread is at 18%. Most of the companies that place projects do not have a guarantee and are MSME's. Therefore, an asset based project, where the investor owns an asset but agrees to the exploitation by the beneficiary in exchange for a remuneration, is less risky and therefore less expensive. So much like Equity where the beneficiary has no obligation to pre-define fixed rate payments, but rather dividends based on their results.

Who is Behind Fintech Funding? An Application to the Case of Mozambican *Pertence*

CHAPTER XII

EXECUTIVE SUMMARY

OBJECTIVE

This chapter aims at providing a description of who is behind the funding of fintechs based in Sub-Saharan Africa. Namely, what are the most relevant investor categories and where do they come from and how do they position themselves in the funding process. For instance, do they invest more frequently, do they invest higher amounts, or both. Moreover, it details the different types of funding used. Lastly, based on the insights retrieved, it will suggest several potential investors to a Mozambican fintech, *Pertence*, based on its defined criterion.

METHODOLOGY

To achieve the above-mentioned objectives, a database was created. It includes the name of 433 investor entities which have participated in funding rounds of fintechs based in Sub-Saharan Africa, their respective investor category and their country of origin. The participation of the investor entities ranges between 2010 and 2021. Potentially, this database can become a useful resource for every Sub-Saharan Fintech looking to raise capital.

KEY FINDINGS

1. Venture Capitalists participate in the largest number of funding rounds and in the ones of higher dimension;
2. Accelerators and Angel Investors invest more frequently but in funding rounds of lower dimension, contrary to Private Equities, Companies and Banks;
3. Investors based in North America participate in the largest number of funding rounds and in the ones of higher dimension;
4. Sub-Saharan investors participate in many funding rounds but of lower dimension, the opposite of Asian investors;
5. Based on *Pertence*'s investor criterion, the following suitable investor entities were identified: Accion Venture Lab, Newid Capital and Nexus Ventures.

FURTHER RESEARCH

This report effectively identifies the presence and behavior of several investor entities, however it does not provide the associated implications. To anticipate some aspects of the future of the Sub-Saharan FinTech landscape, it would be interesting to describe the implications of such presence and behavior. For instance, potentially the current strong presence of Venture Capitalists and their investment horizons may have some implication in these fintech's strategic decisions, which otherwise would not occur. Moreover, the strong relevance acquired by North American investors in this landscape may leave it particularly exposed to economic shocks in such region.

INTRODUCTION

A sector's expansion is always dependent on its access to capital and Fintech is no exception. Over the years, the funding of the Fintech sector has evolved in the following ways:

Worldwide FinTech Funding: Over the years, as the fintech sector grows, the amount of capital attributed to it has increased, as figure 1 shows. The only exception was in 2020, a year in which many financial decisions were postponed due to the pandemic's induced uncertainty.

Sub-Saharan FinTech Funding: Considering Sub-Saharan Africa (SSA), the funding amount and number of deals increased consistently between 2016 and 2019. In 2020, similarly to the worldwide perspective, the pandemic effects were also registered. In 2021, an exponential growth has been registered, potentially as it includes all the postponed investment decisions of 2020.

As the amount of funds destined to the Fintech sector increases, it becomes important to analyze who are the investor entities involved in such growth and how they engage with such process.

As funding in the SSA fintech landscape becomes increasingly more abundant, the search for it also becomes more competitive. Hence, to fintechs that intend to raise capital, understanding who is behind previous funding rounds is of utmost importance.

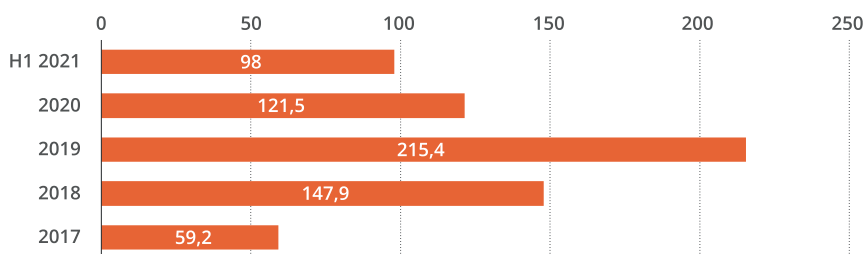


Figure 1 – Capital invested globally in Fintech in USA\$ billion, over the last 5 years

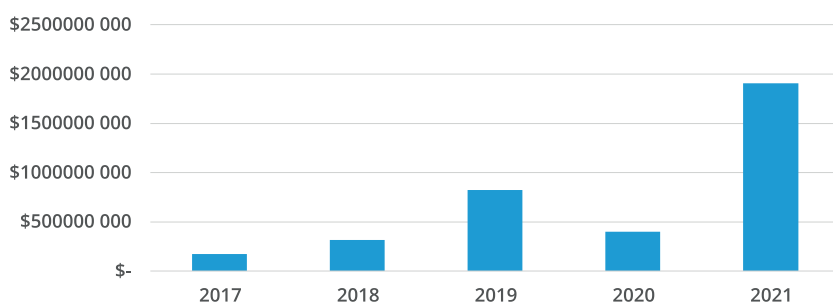


Figure 2 – Fintech Investment in SSA, in USA\$ billion, over the last 5 years

 Funding amount

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- Since 2010, the SSA Fintech Landscape has had 483 different funding rounds. These funding rounds counted on the participation of 433 different investor entities, which can be grouped into 11 different categories and traced back to 41 nationalities.
- This report's analysis will focus on who has participated in the funding process of the SSA Fintech landscape. It will present the different investor categories and their respective origins. For both category and origin, different relevance stands will be attributed. The criterion used for relevance attribution will be based in two distinct perspectives, namely frequency and magnitude. The better the performance in both perspectives, the highest is the relevance degree.
- Moreover, the collaboration dynamics will be analyzed. By collaboration dynamics one refers to funding rounds in which more than one investor entity has participated. This analysis will point to how often these dynamics occur, which investor categories have the highest tendency to engage in them and what are the different investor categories with which they engage.
- On average, an investor in the SSA Fintech Landscape will participate in more than one funding round, namely in 1.9. Thus, pointing to how this landscape presents itself as an established source of capital disbursement.
- A frequent investor type or origin has participated in a high number of funding rounds, whereas an investor type or origin with a high level of magnitude has participated in funding rounds which have raised above average funding amounts. Many times, a high degree of magnitude and frequency will occur simultaneously, whenever that is not the case, it will be pointed as to why. Ultimately, allowing for a deep description of the investor profile behind SSA landscape funding.
- Finally, the information contained in the elaborated database will be put to use on a practical case. The criterion of a Mozambican fintech which is looking to raise capital in the medium-long-run will be applied to the database, filtering the investor entities and allowing for a short list of suggestions. The usefulness of this exercise is sustained by the above-mentioned fact that an investor entity will on average invest more than once in the SSA Fintech landscape. Thus, for a fintech looking to raise capital it becomes valuable to know the existent investor universe.

SUB-SAHARAN FINTECH LANDSCAPE IN NUMBERS

483	433	11	17	41	1.9
Funding Rounds	Investor Entities	Investor Categories	Funding Types	Nationalities	X investments per Investor

METHODOLOGY BEHIND THE INVESTOR DATABASE

This report focuses on a quantitative analysis of the funding environment of the Sub-Saharan African Fintech ecosystem, which is based on a list of 483 funding transactions since 2010.

- The data initially extracted from Crunchbase summarized the funding transactions as figure 4 shows. Each Transaction Name was the combination of its funding type and the funded fintech's name. Around 5% of the funding rounds had an unknown type. The Money Raised was presented in its respective currency, followed by a column pointing the announcement Year. Finally, the following columns on the right varied according to the number of investor entities involved, with each one presenting a single investor entity.
- Next, all the funding rounds with money raised in currencies other than dollar were converted to USA dollars at the respective yearly average exchange rate. Adding a column named Money Raised in USA dollars. This was made to allow for comparisons amongst funding rounds which took place in distinct years.
- Then, the table shown in figure 5 was constructed based on the previously mentioned data. Essentially, all the investors that participated in at least a funding round were listed in the Investor Entity column. Then, their Frequency was added, which is the sum of funding rounds in which an investor entity participated.
- Plus, the Amount Associated which corresponds to the sum of the capital invested in every round that said investor participated, regardless of the share that such investor committed¹.
- Lastly, each of one the 433 Investor Entities were analysed to allow for a category and origin attribution.

¹If investor A and B have 4 million (M) dollars associated, then the amount of funds raised in the funding rounds they participated is 4M. Perhaps, A only committed 1M in one round that raised 4M and B committed 3M in two rounds that added a total of 4M. Yet, both A and B will have 4M associated, even as A committed 1/3 of B's capital.

Transaction Name	Funding Type	Money Raised	Money Raised in USA\$	Year	Investor 1	Investor n

Figure 3 –Funding data variables extracted from Crunchbase plus the added columns

Investor Entity	Frequency	Amount Associated	Category	Origin
Investor Name	X	In USA dollars	Investor Category	Country of Origin

Figure 4 – Database constructed

IMPORTANT NOTES

Amount Associated

It is presented as mentioned since each individual investor share in a funding round with more than 1 investor is rarely known. Thus, it is impossible to present the exact amount invested per investor. Still, one can assume that an investor participating in funding rounds of higher dimension will commit more capital than an investor participating in funding rounds of lower dimension. This is accounted when presenting the amount associated per investor.

Origin

It does not necessarily reflect the capital source, but the country where the investor entity is based. For instance, a Private Equity firm based in the USA will have such origin associated, despite its limited partners being based in other countries, possibly overestimating the presence of USA capital. Still, the tendency is for the capital origin to correspond to where the investor entity is based.

Category

In some cases, an investor entity has more than one category associated, for instance both Venture Capitalist and Private Equity. A single categorization was applied based on the type of funding associated to the investor entity. Earlier stage funding determined an earlier stage investor category, and vice-versa.

LISTING INVESTOR CATEGORIES

All investment entities that have participated in SSA Fintech funding rounds can be grouped into 11 different investor categories¹. An investor category focus varies along four types: **Entrepreneurial Success**, **Absolute Return**, **Strategic** and **Social Impact**.

- The Absolute Return focus comprises the investor's wish of maximizing absolute returns. The Entrepreneurial Success focus comprises the investor's wish of supporting entrepreneurs in successfully applying their idealized solutions to the market, often including guidance and the supply of basic resources for any enterprise such as office space. The Strategic focus comprises the investor's intention of obtaining certain synergies, access talent pools or expanding market share. The Social Impact focus comprises the investor's intention of promoting fintech solutions which will deliver strong social gains, even if not financially sustainable. Figure 6 illustrates the different investor categories and their correspondent emphasis².
- The investor categories with an Entrepreneurial Success and Absolute Return Focus are Accelerators, Incubators and Angel Investors/ Groups. An Accelerator and an Incubator focus on early development stages and usually take an amount of equity in exchange for capital and mentorship. The first usually takes a lower equity stake than the second and works with minimum viable product rather than just an idea (Crunchbase). An Angel Investor is an individual from the social circle of the fintech founder or a high net worth individual, which invests in early stages. An Angel Group is essentially a network of Angel Investors
- Typically, a Venture Capital (VC) invests in a variety of stages, usually later than Accelerators and Incubators, and has most of its focus on maximizing absolute returns. However, in SSA, given the region's development challenges, many VCs end up adding a social impact focus which is known as a double dipping approach.

¹ 4% of the investment entities that have participated in funding rounds in SSA cannot be categorized within one of the above detailed investment categories due to absence of information; ² This association of investor categories and different focuses is true on a general level, if investor entities are analyzed case by case discrepancies may be found

	ABSOLUTE RETURN	SOCIAL IMPACT
ENTREPRENEURIAL SUCCESS	Accelerator	
	Incubator	
	Angel Investor/Group	
STRATEGIC	Bank	
	Company	
	Fintech	
	Non Profit Organizations	
	Venture Capitalist	
	Private Equity	
	Investment Company	

Figure 6 – Focus of Investor Categories

- In parallel, some Non-Profit Organizations (NPOs) will also embrace a double dipping approach, yet most of their focus will be on maximizing social impact.
- A Private Equity (PE) and an Investment Company will have an exclusive absolute return focus. The first targets late company development stages relative to a VC and the second has no attributable stage preference, raging between VC and PE stages.
- A Fintech, Bank or Company will usually have a strategic focus when funding fintechs, such as accessing complementary services, new customers or human capital. Banks and fintechs, by definition, perform the same operations as fintechs, with the vast majority of the investor entities included in the company category doing it as well. Often, Banks and Companies will fund fintechs from a social perspective, disregarding the similarity of their operations.

CROSS CHECKING INVESTOR CATEGORIES BOTH BY FREQUENCY AND MAGNITUDE

On the right, the different investor categories are ranked from a frequency and magnitude perspective¹. The following topics arise from such comparison:

● **Venture Capitalists:**

Its hegemony remains constant through both perspectives. In essence, Venture Capitalists are the most relevant investor category of all.

● **Accelerators:**

Second by frequency but eight by magnitude, which is expected as it invests at early stages, hence small amounts, in many fintechs.

● **Angel Investors:**

Ranked third by frequency but sixth by magnitude. Intuitively, even if high net worth individuals, Angel Investors cannot commit as much capital as the five investment categories placed above by magnitude. Thus, justifying their lower rank from this perspective. However, these achieve a high level of frequency. Firstly, as they are the second category with the most entities (after VCs). Secondly, by investing at earlier stages which by nature demand lower capital commitments. Thirdly, by engaging in funding rounds with other investor entities, which will be later analysed.

● **Angel Group and Incubators:**

These two investor categories should be ranked higher by frequency relative to magnitude based on similar reasons as Angel Investors and Accelerators, respectively. This is weakly evident in the incubator's case, with only one rank difference, and not the case of Angel Groups, which are ranked higher by magnitude. It can be attributed to the reduced number of investor entities composing these two categories, only 2% of all investor entities.

● **Private Equity/Company/Bank:**

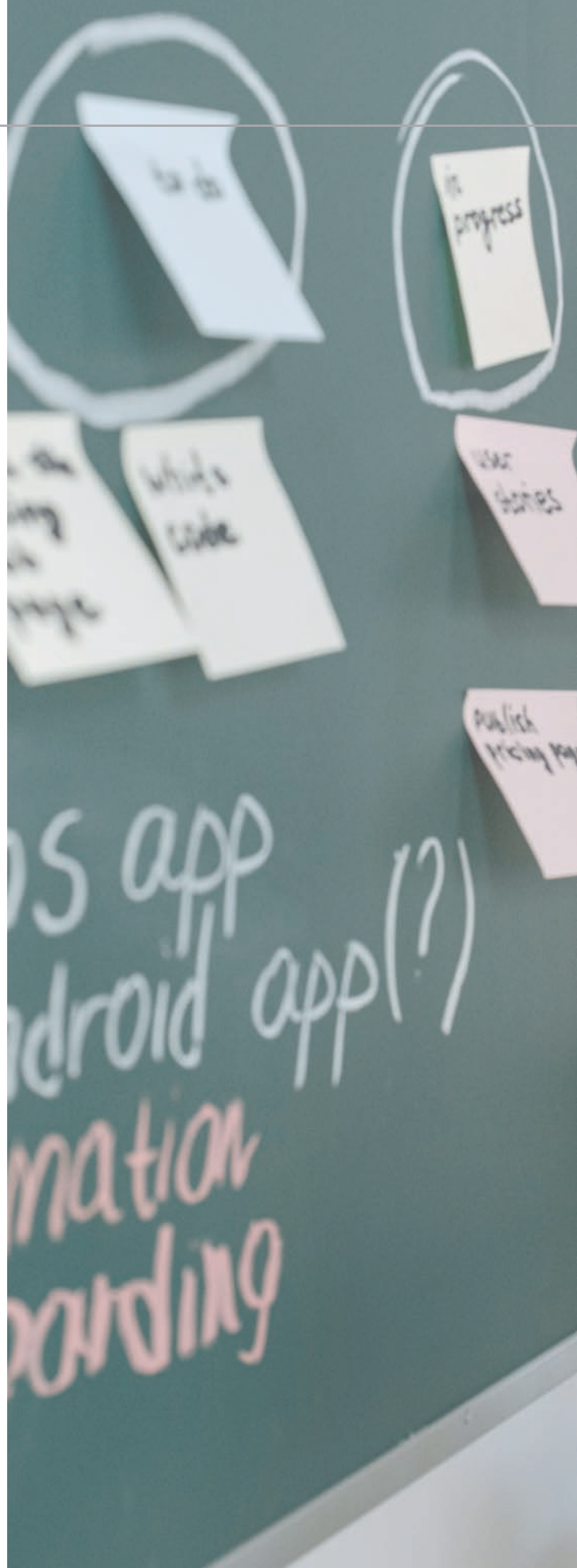
Achieve higher ranks through magnitude, especially banks. Contrary to Accelerators and Incubators, they invest at later stages, hence higher amounts, and less times as the share of mature fintechs is more reduced.

¹ This analysis only considered funding rounds in which the amount of a raised capital was known to allow for magnitude conclusions. Otherwise, if an investor category had a tendency to participate in funding rounds in which the raised amount was not disclosed, its frequency would be overestimated relative to its magnitude.

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INVESTOR CATEGORY		
RANK	By Frequency	By Magnitude
1	Venture Capitalist	Venture Capitalist
2	Accelerator	Private Equity
3	Angel Investor	Company
4	Investment Company	Investment Company
5	Company	Bank
6	Private Equity	Angel Investor
7	NPO	NPO
8	Bank	Accelerator
9	Fintech	Fintech
10	Incubator	Angel Group
11	Angel Group	Incubator

Figure 7 – Cross Checking Investor Category both by Mangnitude and Frequency



DEEP DIVE IN INVESTMENT CATEGORIES

Based on the previous analysis, five different investor categories filled the frequency and magnitude top-3 rank, achieving a high relevance degree. Namely, VCs, Accelerators, Angel Investors, PEs and Companies. Plus, Banks also exhibited an interesting dichotomy between the frequency and magnitude. Next, each one of these investor categories will be analyzed. This analysis will consist of a description of an investor entity which exhibits the highlighted characteristics.

In some cases, the described investor entity is either specialized in the Fintech sector or the SSA region, which points to how this landscape has been asserting itself as a viable capital destination, however that will not always be the case.

Accelerator

SPOTLIGHT ON FREQUENCY



- The USA based Y Combinator is both the Accelerator and investor entity with the highest degree of frequency in SSA Fintech funding rounds, having participated in 24 funding rounds.
- Its funding approach is usually done through a standard deal, which amongst other specificities, consists of a 125 thousand dollar investment in return for 7% of equity. Also, the company offers a 3 month guidance program, ending with the fintech pitching Y Combinator's investor network.
- Y Combinator's influence in the SSA landscape funding extends beyond the Accelerator category, in fact two of its board members are also Angel Investors.

Venture Capitalist

SPOTLIGHT ON MAGNITUDE



- USA based Trinity Ventures has the largest amount of funding associated, \$240M, having only participated in 2 funding rounds of a single fintech, Branch International.
- Trinity's investment scope expands far beyond the SSA region or the Fintech sector. Over time, it has made more than 400 investments.
- The first round was in 2018, a Series B round which raised 70 million dollars, and the second in 2019, a Series C round which raised 170 million dollars.

SPOTLIGHT ON FREQUENCY



- Omidyar Network is a family office of E-bay founder Pierre Omidyar, which in 2019 spun off its financial inclusion investment arm as the Flourish Ventures (TechCrunch 2019). The pre-2019 Omidyar Network funding round participations and the post-2019 Flourish Ventures participation adds to 15 rounds, the highest degree for a VC.
- Moreover, it has a long term capital deployment philosophy, which consists of foregoing immediate returns in exchange for higher returns in the future. This philosophy tends to be more present in "double dipping" VCs as the initial period post investment may create a substantial impact despite not generating financial return.
- Flourish Fintech Ventures is based in the USA and has the previously mentioned "double dipping approach", in result of its connection to Omidyar.

Angel Investor

SPOTLIGHT ON FREQUENCY



- The Kenyan Aristarichus Weru is the founder and financier of two different fintechs, Uba pesa and The Kueq Limited. Collectively, the fintechs have had three funding rounds, raising 250 000 dollars, with Aristarichus as the only investor.
- Aristarichus worked in two different Kenyan banks, Standard and Stanbic bank, with the first also being an investor in the SSA Fintech landscape. There is a tendency for Angel Investors being previous fintech or startup founders, in fact within this landscape 26% of them were.

Company

SPOTLIGHT ON MAGNITUDE



- Visa has participated in three distinct funding rounds of three distinct fintechs, namely Branch International, Interswitch and Paystak. The company has the largest amount of capital associated within its category, with approximately 380 million dollars
- As a payments company, Visa's participation on this landscape often acquires a strategic focus. Currently, the company has developed two programs to support fintechs, which give access to the company's experts and technology. The Visa Everywhere Initiative which supports fintechs developing and idea as provides Seed and other early stage funding. The Fintech Fast Trach which supports fintechs which have already raised capital.

Private Equity

SPOTLIGHT ON MAGNITUDE



- The USA based Victory Capital is the PE firm with the largest amount of funding associated, 240 million dollars, having only participated in 2 funding rounds, both of Branch International similarly to Trinity Ventures.

This PE's investment scope largely exceeds this
- Fintech landscape, however its has invested in the Fintech sector more than once. The company has launched three special purpose acquisition companies (SPACs) to acquire fintech businesses, namely Bakkt, Kredivo and Dave, none of which based in SSA.

Bank

SPOTLIGHT ON MAGNITUDE



- Japan based Soft Bank has participated in two funding rounds from the same fintech, through its corporate venture arm Softbank Ventures Asia. The fintech funded was the Nigerian OPAY, and the last funding round was the largest ever recorded in this landscape, raising 400 million dollars in 2021.
- Soft Bank has shown its strong commitment to funding technology based enterprises, creating two funds for that purpose: Soft Bank Vision 1 and Soft Bank Vision 2. The latter, is solely funded by Soft Bank given the first's underwhelming performance, reinforcing the Bank's strong commitment (Barrons 2021).

DESCRIPTION OF THE FUNDING TYPES

- The different types of funding can be split into two groups based on how often they occur, below they are all described based on Crunchbase's definition. The ones that occur more regularly are listed in figure 8 and can be associated to three distinct stages of a company development process.
- The first stage essentially guarantees that an idea is transformed into a fintech. It includes Grants, which occur when capital is provided without an equity stake of the fintech in exchange. Also, Non-Equity Assistance, which occurs when an investor provides office space or mentorship and does not get equity in return. Lastly, Angel rounds which are small rounds designed to get a new company off the ground usually done by Angel Investors.
- The second stage guarantees the survival of the fintech. It includes Pre-Seed and Seed Round. The first is distinguishable from the second by not having institutional investors or by being less than 150 000\$. Whereas Seed Rounds occur while the fintech is young and possibly not profitable, with the amounts raised ranging among \$10k–\$2M, which are currently getting larger.
- The third stage allows the fintech to fulfill all the potential of its business model. It includes Series A and B, which range on average between \$1M–\$30M. Series A is associated to a development goal and B is associated to increase market reach. Plus, Series C corresponds to rounds for later stage and more established companies. These rounds are usually \$10M+ and are often much larger.
- The less frequent funding types on average, over the last 5 years, were used only 12% of the times. Especially, Series D funding which was only used 2 times., both in 2019, Initial Coin Offerings which were only used 3 times, all in 2017, and finally Equity Crowdfunding which was used for the first time in 2021. Figure 9 lists these eight types.

Grant
Non Equity Assistance
Angel Round
Pre-seed
Seed Round
Series A/B
Series C

Figure 8 – Most common funding types

Private Equity Round
Equity Crowdfunding
Corporate Round
Initial Coin Offering
Debt
Series D
Convertible Note

Figure 9 – Less common funding types

- Private Equity Rounds are led by a Private Equity firm at a later stage when the fintech is more established, with rounds typically above \$50M.
- Corporate Rounds occur when a company invests in a fintech, mostly, with the purpose of forming a strategic partnership.
- Equity crowdfunding is usually done through a platform that pools capital from individual investors to fund a fintech.
- Initial Coin Offerings consist of a fundraising campaign, either with existent cryptocurrencies or with a new one which is created by the fintech, and which appreciates as backers buy it.
- Debt is another type of funding and consists of capital borrowed with a certain interest rate associated, being usually done by mature fintechs which are profitable and can service it.
- Series D follows Series C if it was not enough, providing a final push before an IPO.
- Convertible Note: an in-between funding to help companies until their next funding. Once raised the next round, it 'converts' with a discount at the price of the new round.

FUNDING TYPE EVOLUTION AND CONSEQUENT MATURING SIGNS

- A successful fintech will go through at least one or more types of funding from the three mentioned stages of the most common types of funding. Thus, attributing them a consecutive dimension.
- In the earlier stages of a Fintech Landscape, when the average fintech age is lower, one would expect the majority of the funding attributed to belong to the first stage, which allows an idea to become a Fintech. As such, as the landscape matures, the majority of the funding attributed eventually shifts from the first stage to the second, and lastly to the third.
- Figure 10 illustrates the percentage evolution over the last 5 years of each of type of the most common funding types.¹ The green tones include the funding types that belong to the first stage, the orange to the second and the yellow to the third.
- The graph points how the orange share is predominant in all years, which in turn implies some degree of maturity of the SSA Fintech landscape as most of its associated funding rounds are directed at ensuring “survival” rather than “birth”.
- Over the period of analysis, the share of stage 1 rounds has been decreasing. It decreased continuously, year after year, starting in 2017 with 22% of the funding rounds and ending with only 10% in 2021. The shrinkage of stage 1 relevance was absorbed by both the stage 2 and 3 rounds, though the increase of their shares was not consistent. Ultimately, stage 2 had a CAGR of 6% and stage 3 of 10%.

¹ Besides excluding the less common funding types it also excludes the funds whose type was impossible to categorize. Moreover, the number of funding rounds per funding type and not the value raised was considered as by definition many times, the different types of funding are distinguished by the amount of funds raised. Thus considering the amount of money raised would give a biased image the landscape maturity.

Who Is Behind Fintech Funding? An Application to the Case of Mozambican *Pertence*

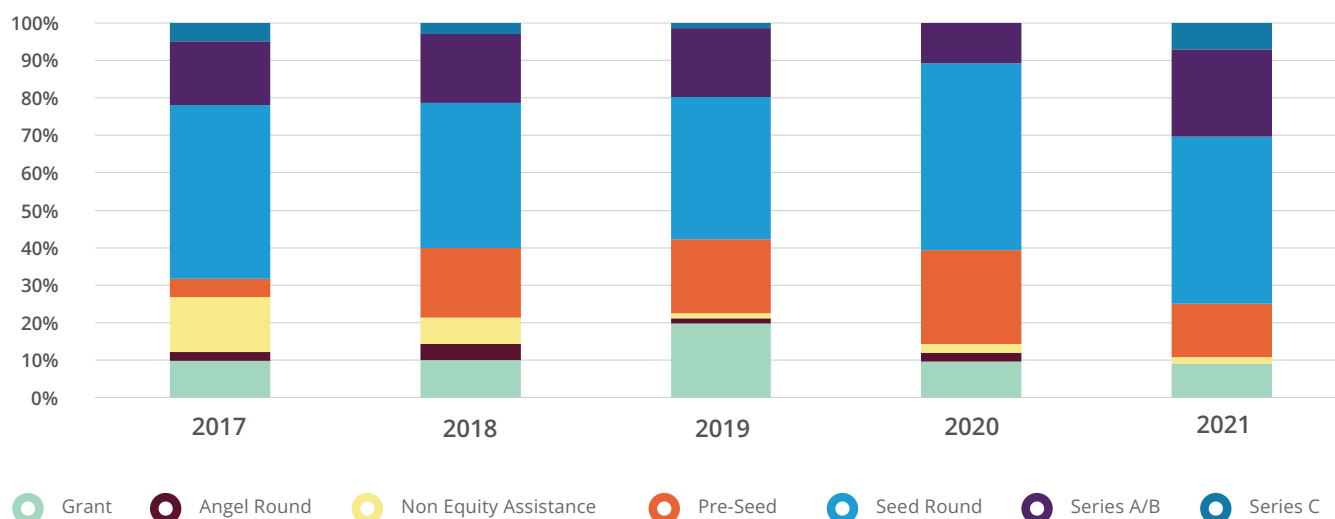


Figure 10 – Share of the number of funding rounds per type of most common funding

IMPORTANT NOTE

It is not clear how Angel Rounds represent such a reduced percentage (on average 2%) of the total amount of common funding rounds, given that Angel Investors are one of the investment categories with the most frequency. This can be explained by the fact that Angel Investors are one of the investor categories which partners the most with the other investor categories. In such cases, changing the nature and designation of the funding round from Angel Rounds to others. In fact, many times funding rounds in the SSA landscape include more than one investor category. Next, such partnerships will be examined.

COLLABORATION DYNAMICS AMONGST INVESTOR CATEGORIES

- Of all the funding rounds with at least one identifiable investor entity, 30% included more than one investor entity. This partition has remained fairly constant through the years, within 20 and 40 percent interval, as figure 11 shows.
- On average, the capital raised in funding rounds with more than one investor entity is 3.5 times higher than the one raised in funding rounds with only 1 investor entity. Intuitively, it makes sense as investors have limited amounts of capital and may wish to limit their exposure to specific fintechs.
- Still, if the focus of a funding round is strategic, the tendency for collaboration will be lower even with high amounts of capital involved. For instance, Corporate Rounds, which are likely to have a strategic focus, will only have more than one investment entity in 16% of the cases. Even, if considering large capital investments such as the case of Visa's investment on Interswitch of 200 million dollars.
- Some investor categories have a higher tendency to participate in funding rounds with more than one investor entity than others. Those will end up having most of their frequency associated with these type of funding rounds and are listed in table 1 along with their main partners.
- Angel Investors have 75% of their frequency associated with collaborations, more than any other investor category. They will often participate in collaborations with other investor categories. In fact, a funding round including more than one investor entity and at least one Angel Investor, will also include another investor category in 81% of the times. As mentioned, these funding rounds are not considered Angel Rounds, which justifies the limited number of these type of rounds and the high frequency degree of Angel Investors.

Who Is Behind Fintech Funding? An Application to the Case of Mozambican *Pertence*

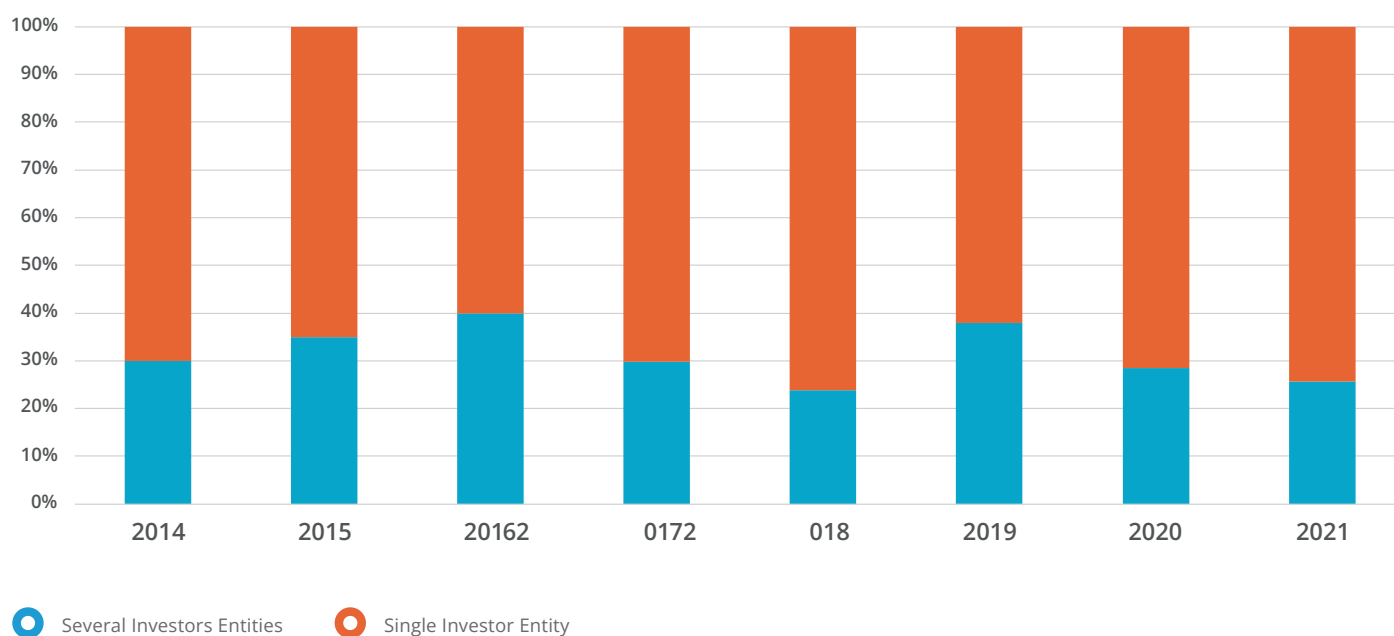


Figure 11 – Share of funding rounds with single or several investor entities¹

INVESTOR CATEGORY	MAIN PARTNERS	
	Most Common	Second Most Common
Angel Investors	Venture Capitalists	Company
Venture Capitalists	Angel Investor	Private Equity
Private Equity	Venture Capitalists	Investment Company

Table 1 – Most collaborative Investment Categories and their main partners (excluding themselves)

¹ Considers only funding rounds with the known investor entities.

CROSS CHECKING INVESTOR ORIGIN BY FREQUENCY AND MAGNITUDE

- Table 2 ranks the different investor origin regions by frequency and by magnitude, with North America and Western Europe keeping their rank through both perspectives, contrary to SSA and Asia.
- North America is ranked first by frequency and by magnitude and is composed almost exclusively mainly by the USA. Other than the USA, Canada and Cayman Islands provide a marginal contribution for the region's overall importance.
- The SSA region is ranked second by frequency but fourth by magnitude. Thus, indicating that its based investor entities participate in many funding rounds but of lower dimension. The region is mostly concentrated in South Africa, the second most relevant country of all from a frequency perspective, Nigeria which is the fourth and Kenya which is the fifth. Naturally, SSA's three main Fintech investor origins coincide with region's the three hubs. Finally, countries such Mauritius, Ghana, and Zimbabwe provide a marginal contribution to the region's overall importance.
- Western Europe is ranked third in both perspectives. It is mainly concentrated in the UK, which is the third most relevant country of all from both perspectives. Besides the UK, the region is highly distributed amongst 15 other countries making it the one with the largest number of participant countries.
- Finally, Asia is ranked fourth by frequency and second by magnitude. It is mainly concentrated in China, which is the second country with the highest level of magnitude. Other than China, 13 other countries contribute to Asia's overall importance.

Rank	Frequency	Magnitude
1	NORTH AMERICA	NORTH AMERICA
2	SUB-SAHARAN AFRICA	ASIA
3	WESTERN EUROPE	WESTERN EUROPE
4	ASIA	SUB-SAHARAN AFRICA

Table 2: Investor Origin by Frequency

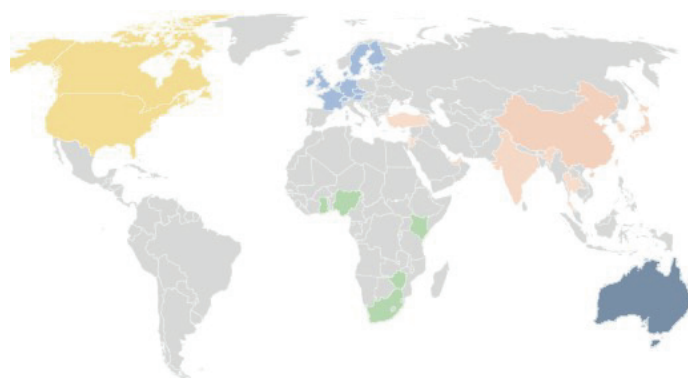


Figure 12: Geographic distribution of investors of SSA Fintech Landscape since 2010²

¹ This analysis ignores investor entities whose origin is impossible to point, overall, such investor entities represent 5% of all investment entities ; ² Oceania has Australia as the only country as investor origin, having a percentage of 0.7%

IMPORTANT NOTES ON INVESTOR ORIGIN AND FREQUENCY

- From the previous investor origin and frequency analysis, three aspects stood out. Namely, the USA relevance, SSA's focus on frequency over magnitude and China's opposite focus.
- USA Relevance: The USA stands out the most as, by itself, the country has a higher preponderance than the remaining regions. Six out of ten investor entities with USA origin are VCs, the investor category with the highest level of frequency and magnitude. USA's based VCs presence in this landscape is part of a broader internationalization process of this investor type. In fact, USA's VC industry has been undertaking a rapid globalization process, which is pointed to be contingent on geographically proximate firms, syndicate partners and similar domestic industry exposure (Matusik 2017).
- The geographic proximity in these circumstances cannot be considered a driver for USA's VCs, given the geographic distance towards the SSA region. Oppositely, syndicate partners has been a frequent feature of USA's VC presence in this landscape. As previously mentioned, VCs are one of the investor categories that engages the most in collaboration dynamics, and at a USA level this tendency is further amplified. Thus, this engaging capacity positively affects USA's VCs relevance.
- Lastly, similar industry exposure on the domestic market in the home market is also a factor for the internationalization process. Approximately 90% of USA VCs had previously funded fintech's in their home market, hence positively affecting the USA's VC relevance in the SSA FinTech landscape.

¹ This analysis ignores investor entities whose origin is impossible to point, overall, such investor entities represent 5% of all investment entities ; ² Oceania has Australia as the only country as investor origin, having a percentage of 0.7%

● **Chinese Magnitude:** It cannot be disassociated from its overall presence in the SSA region. It may be more suitable to analyze this presence as an integrate part of the country's state level approach to foreign direct investment in SAA. Thus, contrasting with the internationalization process of USA VCs.

● **SSA Frequency:** The region has a considerable share of investor entities which stand out mainly for their frequency. Namely, Angel Investors and Accelerators which account for 1 in every 5 of this region's investor entities. Both Angel Investors and Accelerators invest at earlier stages when information asymmetries are higher. Potentially, these two investor categories weight within SSA investors could be related with their capacity of minimizing these asymmetries, due to their geographic proximity, and thus motivating a higher frequency level.

● Yet, the region's infrastructural gaps strongly hamper the communication flows between investors and fintechs, partially decreasing the asymmetries' elimination. Matteo Rizzi, an expert in SSA's fintech funding¹, points the shared cultural features between its investors and fintechs as the main factor behind SSA's frequency.

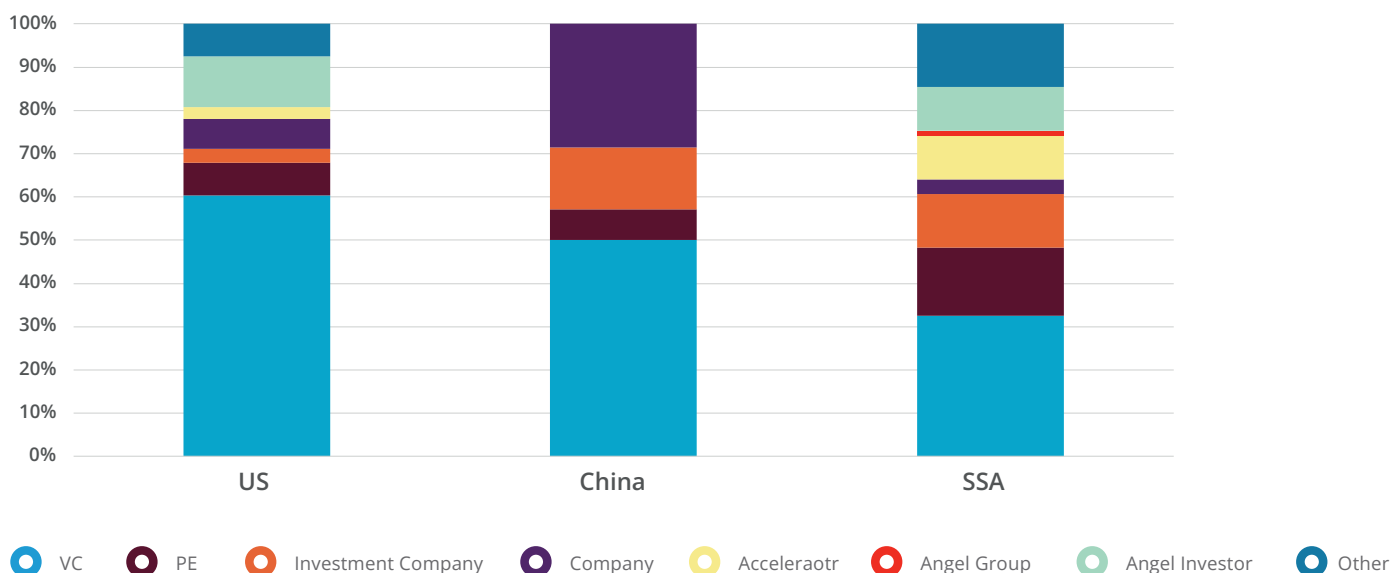


Figure 13: Investor category composition of the USA, China and Sub-Saharan Africa

¹ Matteo Rizzi has worked with several VCs with a strong presence in the SSA FinTech landscape, having been nominated as part of the Top-40 most influential FinTech executives by Financial News

THE CASE OF PERTENCE AND ITS DESIRED INVESTOR PROFILE

- On average, an investor entity will participate in more than one SSA Fintech funding round. Many times, successive participations will be concentrated in a single fintech, but it will not always be the case. Currently, 66% of the investor entities participated only once in a funding round. Some of them will not be interested in doing it again, but others will. Moreover, those that funded more than once may also be interested in doing it again. Hence, for a SSA fintech interested in raising capital the analysis of the current investor outlook is of utmost importance. Specifically, the identification of investor entities whose profile fits the fintech requirements.
- Pertence, whose profile is outlined in table 3, has demonstrated interest in raising capital over the medium-long-run to scale operations and pursue a horizontal acquisition. The fintech has a clear view of what it is looking for as an investor entity profile, which is shown in table 4.

FINTECH PROFILE	
Activity	P2P Debt Lending Platform
Founded year	2020
Employees	4 Employees
Funding history	No previous institutional funding

Table 3 – Pertence’s Profile

Investor Category

The company is looking to raise around 500 000 \$, preferably from a VC. This is based on a VC’s experience and consequent guidance capability plus its pre-defined strategic path, namely regarding time bound growth rates and exit goals. Pertence is also willing to embrace other investor categories, such as Angel Investors, as long as they can entail similar approaches to VCs. It excludes Accelerators or Incubators given its non-matching needs and recent presence on an Accelerator program.

Previous Investor Presence

It has demonstrated preference for an investor entity who has invested in South Africa. It points several non fintech related factors such as geographic proximity, large Mozambican emigrant community, lower population relative to Mozambique and similar cultural features. Plus, several fintech related factors are presented, namely South Africa’s capacity to attract large and diverse amounts of capital.

DESIRED INVESTOR PROFILE	
Investor category	Venture Capitalist
Funding type	Seed
Geographic presence	South Africa

Table 4 – Desired Investor Profile

APPLICATION OF PERTENCE'S INVESTOR CRITERION TO THE INVESTOR DATABASE

- Having established Pertence's desired investor entity profile, the developed investor database was analysed to find the right fit. Since 2010, there have been 136 funding rounds for South Africa fintechs which have included 120 different investor entities.
- Of all those investor entities, 34 of them are Venture Capitalists. In turn, 3 of those VCs participated in Seed funding rounds of Lending & Marketplaces fintechs. Namely, Accion Venture Lab, Nexus Ventures and Newid Capital.
- Next, these three investor entities will be analyzed based on their relationship with the SSA region and fintech companies.



Figure 17 – Database research process

SPOTLIGHT ON ACCION



Both Accion Venture Lab and Newid Capital are USA based VCs, which provided Seed funding to Lulalend in 2016¹.

- **Accion Venture Lab** provides funding from pre-seed to growth stage with an exclusive focus on solutions for those unbanked. It has the SSA as one of its prioritized regions, having participated in 7 funding rounds. Currently, it is already present in Mozambique as it has financed Socremo, a micro-finance bank, which may facilitate Pertence's approach.
- **Newid Capital** also shares a focus on solutions for those unbanked. It has participated in 3 funding rounds in the SSA region, two in Nigeria and one in South Africa. It is unclear whether it would be willing to fund a Mozambican fintech, it was contacted so as to assess its availability and it did not answer.

SPOTLIGHT ON NEXUS VENTURE



- **Nexus Venture Partners** is a Turkish VC which has provided Seed funding to UpRise.Africa in 2018¹, and Equity Crowdfunding fintech which focuses on South African businesses. This has been Nexus Venture's only participation on a SSA Fintech funding round. The company has no investment philosophy which prioritizes the region nor financial technology companies. Thus, decreasing future collaboration possibilities relative to Accion Venture Lab and Newid Capital.

¹The funding amount was not disclosed

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ABBREVIATIONS

AfCFTA: African Continental Free Trade Area	MFI: Microfinance-institution
AML: Anti-money laundering	MNO: Mobile network operators
APAC: Asia-Pacific	M&A: Mergers and acquisitions
API: Application programming interface	m: Million
AU: African Union	NPL: Non-performing loan
b: Billion	P2P: Person-to-person / Peer-to-Peer
BMCI: Mauritanian Bank for International Trade	PaaS: Platform-as-a-Service
CAGR: Compounded annual growth rate	QR: Quick response
CBA: Commercial Bank of Africa	VC: Venture capital
CBN: Central Bank of Nigeria	RoE: Return on equity
DeFi: Decentralized Finance	ROSCAs: Rotating saving and credit associations
DLT: Distributed ledger technology	SACCO: Savings and credit cooperative
FX: Foreign exchange	SaaS: Software-as-a-Service
GDP: Gross domestic product	SME: Small- & Medium-sized company
GPS: Global positioning system	SSA: Sub-Saharan Africa
GIZ: Gesellschaft für internationale Zusammenarbeit	UK: United Kingdom
HQ: Headquarter	US: United States
KYC: Know-your-customer	USD: US Dollar
MENA: Middle East and North Africa	

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Africa's Top 50 Fintechs

APPENDIX

APPENDIX 1

#	Company	Description	Segment	Total Raised (in \$)	Year Founded	Country
1	OPay	Developer of a mobile payment platform intended send and receive money from any bank	Payment	570.00	2017	Nigeria
2	Tala	Operator of loan application platform intended to offer financial access, choice, and control to underserved people	Lending	462.20	2011	United States
3	JUMO	Developer of an ultra-lean banking technology designed to deliver progressive financial choices to emerging customers	Open Banking	308.55	2015	South Africa
4	Chipper Cash	Developer of a money transfer platform intended to make free and instant peer-to-peer cross-border money transfers	Payment	300.60	2018	United States
5	Branch	Provider of a financial platform intended to offer mobile financial services	Lending	250.60	2015	Kenya
6	Sendwave	Developer of remittance application designed to help users to send money seamlessly across borders	Payment	247.64	2011	United States
7	Flutterwave	Developer of a cloud-based end-to-end digital financial platform designed to simplify payment infrastructure options	Payment	229.36	2016	United States
8	Interswitch	Provider of integrated digital payment and transaction processing services in Nigeria	Payment	200.00	2002	Nigeria
9	TymeBank	Provider of digital banking services by enabling customers to carry out transactions at very low charges	Neobank	192.46	2012	South Africa
10	BIMA Mobile	Provider of insurance services by offering affordable insurance and mobile health services for low-income families	Insurtech	144.20	2010	Sweden
19	MFS Africa	Provider of a mobile money aggregator to connect money transfer organizations, banks and e-commerce platforms	Payment	124.20	2009	Ghana
11	MNT Investments	Provider of micro-financing services intended to provide lending support for unbanked and underserved customers	Lending	120.00	2017	Egypt
12	Yoco	Developer of point-of-sale tools and systems designed to assist small businesses	Payment	104.45	2013	South Africa
13	Kuda	Developer of a full-service digital-only bank platform designed to assist consumers in smartly budgeting, saving and spending	Neobank	91.62	2016	Nigeria
14	MyBucks	Provider of financial products and services through technology to the low and middle-income customer segment	Lending	89.75	2011	Luxembourg

Sources: Crunchbase (2021), Pitchbook (2021), Proprietary database (2021)

Appendix – Africa's Top 50 Fintechs

#	Company	Description	Segment	Total Raised (in \$)	Year Founded	Country
15	Moove Africa	Provider of revenue-based vehicle financing services intended to help mobility entrepreneurs in Africa	Lending	63.02	2019	Nigeria
16	Cellulant	Developer of a payment platform designed to power and organize Africa's marketplace	Payment	60.00	2004	Kenya
17	FairMoney	Developer of a lending application designed to provide instant cash loans	Lending	58.52	2017	Nigeria
18	Ozow	Operator of an EFT payment platform intended to offer instant, secure, electronic payments	Payment	51.02	2014	South Africa
20	Capiter	Developer of an on-demand payment software designed to help make business payments easy	Payment	33.00	2019	Egypt
21	Tugende	Provider of financial services to help motorcycle taxi drivers buy their own motorcycles	Lending	26.28	2012	Uganda
22	Carbon	Provider of short-term loan services intended to empower all people with financial access	Lending	25.00	2012	Nigeria
23	Paga	Developer of a money transfer application designed to address the growing challenges around viable payment options	Payment	23.00	2009	Nigeria
24	Fawry	Fawry For Banking Technology And Electronic Payment is engaged in providing electronic payment services	Neobank	22.00	2008	Egypt
25	Zoona	Operator of distribution network designed to bring safe and reliable financial services to underserved communities	Lending	21.43	2009	Zambia
26	CAPEX	Operator of a trading platform designed to make online trading more accessible and rewarding for people worldwide	Investment Tech	21.00	2016	South Africa
27	Pngme	Developer of a financial data platform designed to provide fast and cost-effective data processing	Data Analytics	20.79	2018	United States
28	Paymob	Developer of an online payment software designed to convert cash into electronic money	Payment	18.50	2015	Egypt
29	Mono	Developer of an API financial technology software designed to power the digital economy in Africa	Open Banking	17.65	2020	Nigeria
30	Aella	Developer of an online lending platform designed to make it easier for individuals in emerging markets	Lending	17.07	2015	Nigeria
31	Lidya	Provider of financial services designed to offer credit and working capital for small and medium businesses	Lending	16.48	2016	Nigeria
32	Naked	Provider of AI based insurance services intended to rebuild insurance with social meaning and transparency at its core	Insurtech	14.86	2016	South Africa

Sources: Crunchbase (2021), Pitchbook (2021), Proprietary database (2021)

Appendix – Africa's Top 50 Fintechs

#	Company	Description	Segment	Total Raised (in \$)	Year Founded	Country
33	Revix	Developer of a cryptocurrency investing platform intended to revolutionize the investing experience	Crypto	14.85	2018	South Africa
34	AppZone	Developer of a financial software intended to help digitize all economic activities in Africa	Open Banking	14.50	2008	Nigeria
35	Zeepay	Developer of a fintech platform focusing on digital rails intended to connect digital assets	Payment	12.36	2014	Ghana
36	Paystack	Developer of a payment processing platform designed to make online payments simple, secure and affordable	Payment	12.21	2015	Nigeria
37	Intouch	Developer of digital payment services by enabling customers to digitalize their payment methods	Payment	11.96	2014	Senegal
38	Nomanini	Operator of a payment platform intended to connect the informal retail ecosystem to the latent potential of digital finance	Payment	10.20	2010	South Africa
39	Pula	Provider of agricultural insurance services intended to protect smallholders worldwide	Insurtech	9.00	2015	Switzerland
40	The Sun Exchange	Developer of a peer-to-peer solar cell micro-leasing platform	Lending	7.40	2015	South Africa
41	EFTA	Provider of financial and credit lending services serving SME enterprises and farmers	Lending	7.20	2003	Tanzania
42	Pineapple	Owner and operator of an insurance company intended to insure individual items using a mobile application	Insurtech	6.18	2017	South Africa
43	Kudi	Developer of financial software intended to make financial services accessible and affordable for all African	Payment	6.04	2016	Nigeria
44	Stitch	Operator of a financial platform designed to securely link bank accounts with a lightweight single sign-on experience	Open Banking	6.00	2019	South Africa
45	Umba	Developer of a digital banking platform intended to provide an ecosystem of connected financial services	Neobank	6.00	2017	Kenya
46	Diool	Developer of a payment processing platform designed to carry out financial transactions digitally	Payment	5.60	2015	Cameroon
47	TeamApt	Developer of a digital banking and payment platform	Neobank	5.58	2015	Nigeria
48	Dash	Developer of a payment application intended to offer mobile payments in a speedy way	Payment	5.54	2017	United States
49	Sparkle	Provider of a digital banking application intended to provide greater freedom, flexibility, and control over finances	Neobank	5.37	2019	Nigeria
50	Telda	Developer of money transfer application designed to offer the easiest and fastest way to send, spend and save money	Payment	5.00	2021	Egypt

Sources: Crunchbase (2021), Pitchbook (2021), Proprietary database (2021)

APPENDIX 2: REGULATION EVALUATION

DIMENSION	INDICATOR	NIGERIA	KENYA	SOUTH AFRICA
Robustness	Incomplete / lack of clear regulation	10%	4%	7%
	Sudden changes in regulation	12%	33%	55%
Fragmentation	No. of regulating entities	11	6	7
Compliance requirements	Costs of attaining a license	12%	35%	57%
	Time to attain a license	12%	22%	8%
	Complexity of KYC/AML rules	38%	33%	57%
Innovation Support	No. of innovation facilitators	5	3	3

Results for the Robustness and Compliance Requirements dimensions are based on the Africa FinTech Radar 2020 and constitute a Net Promoter Score (lower values represent a higher negative impact of the indicator to the development of the business).

APPENDIX 3: SCORING CRITERIA FOR REGULATION

SCORE	ROBUSTNESS & COMPLIANCE REQUIREMENTS	FRAGMENTATION	INNOVATION SUPPORT
1	<=0	>=12	0
2	1-9	10-11	1
3	10-19	7-9	2
4	20-35	4-6	3
5	>=36	1-3	>=4

The criteria for Robust & Compliance requirements was based on the distribution of Africa's FinTech Radar survey results and Fragmentation and Innovation support scores were defined based on the possible number of regulators and initiatives. Though South Africa's no. of regulators is equivalent to a 3, an extra point was added to reflect the fact that they are aggregated under the IFWG.

APPENDIX 4: INTERVAL RANGE PER DEMAND INDICATOR

INDICATOR	1 POINT		2 POINTS		3 POINTS		4 POINTS		5 POINTS	
Rural Population	218K	20.1M	20.1M	40M	40M	60M	60M	80m	80m	99.M
Phone Penetration	1M	41.8M	41.8M	82.4M	82.4M	123M	123M	164m	164m	20.4M
Young Population 2030	242K	15M	15M	29.8M	29.8M	44.5M	44.5M	59M	59M	74.1M
Sent/Received domestic remittances: through a mobile phone	235K	6.5M	6.5M	12.8M	12.8M	19M	19M	25.4M	25.4M	31.7M
Internet Access	288 K	9.1M	9.1M	18M	18M	27M	27M	36M	36M	53M
Paid utility bills: using a mobile phone	32K	3.8M	3.8M	7.5M	7.5M	11.2M	11.2M	14.9M	14.9M	18.6M
Borrowed from a financial institution or used a credit card	480K	1.7M	1.7M	3M	3M	4.3M	4.3M	5.6M	5.6M	6.8M
Made digital payments in the past year	669K	5M	5M	9.5M	9.5M	13.9M	13.9M	18.4M	18.4M	22.8M
Used a mobile phone or the internet to access a financial institution account in the past year	367K	3.7M	3.7M	7M	7M	10.4M	10.4M	13.4M	13.4M	17M
Mobile money account	94K	4.4M	4.4M	8.8M	8.8M	13.1M	13.1M	17.4M	17.4M	21.7M
	5 POINTS		4 POINTS		3 POINTS		2 POINTS		1 POINT	
Banks per 100k citizens	1	4	4	7	7	10	10	13	13	15

Intervals used to attribute a score per variable. Contrary to others, the indicator Banks per 100k citizens achieves a higher score with a lower value. The amplitude of each interval corresponds to the sample range divided by 5, the number of categories.

APPENDIX 5: COUNTRIES USED FOR SUB-SAHARAN BENCHMARK

Angola	Malawi	Burkina Faso	South Africa	Namibia	Chad
Condo, Dem. Rep	Senegal	Gabon	Botswana	Tanzania	Liberia
Madagascar	Zimbabwe	Mauritania	Guinea	Central Africa Republic	Nigeria
Rwanda	Botswana	Somalia	Mozambique		Uganda
Zambia	Ethiopia	Burundi	South Sudan	Lesotho	
Benin	Mali	Ghana	Cameroon	Niger	
Cote d'Ivoire	Sierra Leone	Mauritius	Kenya	Togo	

List of countries used to act as the SSA benchmark for each indicator

APPENDIX 6: PERFORMANCE PER COUNTRY AND PER INDICATOR

INDICATORS	NIGERIA	KENYA	SOUTH AFRICA	MOZAMBIQUE
Rural Population	99.9M	39.3	19.3	20M
Phone Penetration	204.2M	61.4	96M	11.9M
Young Population 2030	74.1	19.5	16.4	12M
Banks per 100k citizens	4.9	4.7	9.2	4
Sent/Received domestic remittances: through a mobile phone	14M	31.7M	10.9M	5.6M
Internet Access	53M	9M	32M	2M
Paid utility bills: using a mobile phone	2.5M	18.6M	3.8M	3M
Borrowed from a financial institution or used a credit card	1.6M	5.7M	4M	3.3M
Made digital payments in the past year	7.1M	22.8M	12.8M	8.8M
Used a mobile phone or the internet to access a financial institution account in the past year	5.3M	17M	7.4M	9M
Mobile money account	1.6M	21.7M	5.7M	6.5M

Countries Analyzed and their respective population per indicator

APPENDIX 7: TALENT EVALUATION AND SCORING CRITERIA

DIMENSION	INDICATOR	NIGERIA	KENYA	SOUTH AFRICA
Quantity	Number of Relevant Programs	304	204	224
	Capacity to retain local and attract foreign talent	3.39	3.38	3.25
Quality	Quality of Data Scientists	58%	70%	40%
	Quality of Computer Science Universities	2	2	10

APPENDIX 8: TALENT EVALUATION AND SCORING CRITERIA

SCORE	NUMBER OF RELEVANT PROGRAMS	CAPACITY TO RETAIN LOCAL AND ATTRACT TALENT	QUALITY OF DATA SCIENTISTS	QUALITY OF COMPUTER SCIENCE UNIVERSITIES
1	1 - 62	<1.9	80% - 100%	<1
2	62 - 122	1.9 - 2.9	60% - 80%	1
3	122 - 183	2.9 - 3.9	40% - 60%	2 - 5
4	183 - 243	3.8 - 4.9	20% - 40%	5 - 8
5	243 - 304	>4.9	0% - 20%	> 8

APPENDIX 9: CAPITAL EVALUATION AND FINAL VALUES

DIMENSION	INDICATOR	NIGERIA	KENYA	SOUTH AFRICA
Access	Number of Funding Rounds since 2011	193	79	140
	Average growth rate of funded companies over the last 5 years	55%	40%	37%
	Percentage of International Investors	72.94%	70.27%	70.25%
Attractiveness	Number of Fintech companies	110	56	97
	Historical average growth rate of the number of Fintech companies (last 5 years)	25.83%	17.57%	13.27%
	Number of companies that achieved cross-border operations	9.09%	25.00%	11.34%
	Percentage of companies in late stages of funding	4.55%	8.93%	11.34%

APPENDIX 10: CAPITAL MODEL SCORING CRITERIA

SCORE	1	2	3	4	5
INDICATORS	MAX WITHIN INTERVAL				
Ticket size (total funding amount/ #fintech companies)	1	20	50	100	200
Average growth rate of funded companies over the last 5 years	20%	30%	40%	50%	60%
Percentage of International Investors	50%	55%	60%	71%	90%
Number of Fintech companies	5	15	30	80	150
Historical average growth rate of the number of Fintech companies (last 5 years)	9%	14%	19%	24%	29%
Number of companies that achieved cross-border operations	2%	5%	10%	20%	30%
Percentage of companies in late stages of funding	1%	4%	7%	10%	13%

APPENDIX 11: FEELING OF COMMUNITY EVALUATION

DIMENSION	INDICATOR	NIGERIA	KENYA	SOUTH AFRICA
Local Associations	Scope	High	Medium/ High	Medium/ Low
	Impact	High	Medium	Medium/ Low
Industry Events	Scope	Medium/ High	High	Medium
	Impact	High	Medium/ High	Medium/ High
Incubators/Accelerators	Scope	Medium/ High	High	Medium/ High
	Impact	Medium/ High	High	High

APPENDIX 12: SCORE CRITERIA

SCORE	SCOPE
1	Low
2	Medium/ Low
3	Medium
4	Medium/ High
5	High

APPENDIX 13: FINTECH.MZ CURRENT MEMBERS (1/2)

NAME OF ORGANIZATION	SHORT DESCRIPTION	CATEGORY	YEAR OF FOUNDATION
ACGEST	KYC Database. Multi-entity e-KYC registration and management platform	RegTech	2006
Ekutiva/Quick-e-Pay	Payment Service Provider – Payment Gateway HTTPS e USSD.	Payments & Transfers	2017
Flutterwave	Make and accept payments from customers anywhere in the world.	Payments & Transfers	2016
HOWARD JOHNSON CALL CENTER/DIGIPAY	National distributor / agent network for selling all types of digital services and paying bills.	Payments & Transfers	2007
Kamaleon Events/Tablet Comunitário	Product and service announcement and internet access on community tablets.	Personal Finance	2015
Mobile África Lda	Mobile Wallet and System integration	Payments & Transfers	—
Mukuru/Mukuru	Payment Service Provider – International remittances	Payments & Transfers	2013
NextPay/Teke Tehla	Payment Service Provider - Teke Tehla, payments with QRCode without physical contact (contactless payment solution)	Payments & Transfers	—
Ologa /Sure Talk	Technological solutions for social and economic development.	Business Administration	2010
Papersoft LDA/Onboarding eKYC	Platform's modules for ID Verification and onboarding procedures with KYC and biometric data capture. Used for: Onboarding & KYC Biometrics Module, Agent Management System and Financial Services & Marketplace.	RegTech	2011
Paytek / I.Mali	Payment Service Provider – Aggregator and Digital Payment Account based on QRCode. API for third party integration.	Payments & Transfers	2008
Paytek / Risk31	Risk management Platform ISO 31000	Payments & Transfers	2008
Pertence	Crowdfunding Platform	Lending & Marketplaces	2021
PREMIO MALI TECHNOLOGY	Microcredit, Insurance and Payment services	InsurTech	-
Robobo/Pagalu	Payment Service Provider – Payment Portal	Payments & Transfers	2011
Sislog/Multipay	Multipay - payments and receipts with a universal reference	Payments & Transfers	-

APPENDIX 13: FINTECH.MZ CURRENT MEMBERS (1/2)

NAME OF ORGANIZATION	SHORT DESCRIPTION	CATEGORY	YEAR OF FOUNDATION
Tabech Serviços/MovelCare	MobileCare is a funerary insurance platform that can be subscribed for and paid via mobile phone and mobile wallet services, which is accessible to low and middle class people, guaranteeing the coverage of funeral services and food.	InsurTech	2016
Tablutech/ROSCAS	Savings group management	Personal Finance	—
Tablutech/TEAM APP	Customized APP creation platform for groups.	Personal Finance	—
UX / Biscate	Biscate - Platform for contracting informal services	Biscate - Platform for contracting informal services	—
UX / SOMAS	SOMA product for management of savings and credit groups.	SOMA product for management of savings and credit groups.	—
VolletAPP	SuperAPP e-Commerce	SuperAPP e-Commerce	—

THE INVESTMENT DATABASE

INVESTMENT EQUITY	FREQUENCY	AMOUNT ASSOCIATED	CATEGORY	ORIGIN
10x Group	1	\$ 3 400 000	Company	US
1t04 Foundation	2	\$ –	Unknown	Switzerland
4Di Capital	3	\$ 19 064 378	VC	South Africa
4DX Ventures	3	\$ 93 050 000	VC	US
500 Startups	3	\$ 8 550 000	Fintech	US
9Yards Capital	2	\$ –	VC	US
AAF Management	1	\$ 230 000	VC	US
Accion	1	\$ 4 000 000	PE	US
Accion Venture Lab	7	\$ 12 650 000	VC	US
Act Venture Capital	2	\$ 2 000 000	VC	Ireland
Acuity Ventures	1	\$ 150 000	VC	US
Acumen	3	\$ 16 500 000	NPO	US
ADAP Seed Fund 2	2	\$ –	PE	Unknown/NA
Adeniyi Adesuyi	1	\$ 10 000	Company	Nigeria
Adlevo Capital	4	\$ 44 500 00	PE	Mauritius
Adreessen Horowitz	1	\$ 70 000 000	VC	US
African Equity Empowerment Investments (AEEI)	1	\$ –	PE	South Africa
African Rainbow Capital	2	\$ 59 465 000	VC	South Africa
AHL Venture Partners	1	\$ 2 426 000	VC	Canada
AK Impact Investors	2	\$ –	VC	Kenya
Alitheia Capital	2	\$ 15 200 000	VC	Nigeria
Allan Gray	1	\$ 1 300 000	Investment Company	South Africa
Allen and Ollys International Limited	2	\$ 5 139	Company	UK
AlphaCode Club	7	\$ 1148 143	VC	South Africa
Amadeus Capital Partners	1	\$ 2 000 000	VC	UK
Amazon Web Services	1	\$ 12 000	Company	US
Ampifi VC	1	\$ 1 500 000	VC	US
Andreessen Horowitz	3	\$ 188 800 000	VC	US
Antler	1	\$ 100 000	VC	Singapore

THE INVESTMENT DATABASE

INVESTMENT EQUITY	FREQUENCY	AMOUNT ASSOCIATED	CATEGORY	ORIGIN
Anton Dzyatkovskiy	1	\$ 30 000	Angel Investor	Thailand
Apis Partners	3	\$ 124 760 000	PE	UK
Aristarchus Weru	3	\$ 250 000	Angel Investor	Kenya
ARM	1	\$ –	VC	Nigeria
ARM Labs	1	\$ 8 400	Accelerator	Nigeria
Artha Indian Ventures	1	\$ 239 700	Angel Group	India
Aslanoba Capital	2	\$ 33 000 000	VC	Turkey
Atlantica Ventures	3	\$ 1 450 000	VC	Nigeria
AU21 Capital	1	\$ 1 500 000	VC	US
Avenir Growth Capital	1	\$ 170 000 000	VC	US
B Capital Group	1	\$ 170 000 000	VC	US
B2C2	2	\$ 20 000 000	Company	UK
Bam Ventures	1	\$ 10 000 000	VC	US
Bamboo Capital Partners	1	\$ 6 900 000	PE	Luxembourg
Bank of America Merrill Lynch	1	\$ 84 000	Bank	US
Barclays Accelerator	2	\$ –	Bank	Unknown/NA
Barium Capital	3	\$ 44 650 000	Investment Company	Kenya
Bertelsmann Asia Investments	1	\$ 120 000 000	Company	Germany
Binance	1	\$ 1 500 000	Fintech	Malta
Bittrex Global	1	\$ 3 400 000	Investment Company	Lichenstein
Blockchain Capital	1	\$ 2 500 000	VC	US
Bloom Equity	1	\$ –	VC	Ireland
Blue Haven Initiative	1	\$ –	VC	US
Blue Rinc Capital	2	\$ –	PE	Nigeria
BankToTheFuture	1	\$ 2 500 000	VC	Hong Kong
Boost VC	1	\$ –	VC	US
Brad Flora	1	\$ –	Angel Investor	US
Brainworks Capital Management	1	\$ –	PE	Zimbabwe
Brandon Krieg	1	\$ 10 000 000	Angel Investor	US

Sources: Crunchbase (2021), Pitchbook (2021), Proprietary database (2021)

THE INVESTMENT DATABASE

INVESTMENT EQUITY	FREQUENCY	AMOUNT ASSOCIATED	CATEGORY	ORIGIN
Business Connexion	1	\$ –	PE	South Africa
Capricorn Investment Group	1	\$ 15 000 000	Investment Company	US
CardinalStone Capital Advisers	1	\$ 10 000 000	Bank	Nigeria
Catalyst Fund	13	\$ 9 414 800	Accelerator	Kenya
Cathay Innovation	1	\$ 20 000 000	Investment Company	UK
CE Innovation Capital	1	\$ 240 000 000	Investment Company	China
CFV Ventures	1	\$ –	VC	US
Change Ventures	1	\$ 2 512 400	VC	Estonia
Chinaccelerator	1	\$ –	VC	China
Chris Adelschah	1	\$ 1 600 000	Angel Investor	UK
Chris Hughes	1	\$ 10 000 000	Angel Investor	US
Chris Lister ND James	1	\$ 366 600	Angel Investor	South Africa
Citi Foundation	2	\$ 590 816	Bank	US
Clemens Paschke	1	\$ 1 110 000	Angel Investor	Germany
Clocktower Technology Ventures	1	\$ 30 000 000	VC	US
Collaborative Fund	3	\$ 41 200 000	–	US
Comcast Ventures	1	\$ –	VC	US
Compass Insurance	1	\$ 664 378	Company	Jordan
Compass Venture Capital	1	\$ 563 000	VC	Mauritius
Concatenate Capital		\$ 700 000	PE	South Africa
Connecticut Innovations	1	\$ 1 500 000	NPO	US
Consensus Ventures	1	\$ 500 000	VC	US
Consonance Investment Managers	4	\$ 1 554 680	PE	Nigeria
Cornelius Boersch	1	\$ 1 110 000	Angel Investor	Switzerland
Courtney Broadus	1	\$ 230 000	Angel Investor	US
CRE Venture Capital	4	\$ 14 050 000	VC	US
Creative Destruction Lab	1	\$ 500 000	NPO	Canada
Creditinfo	1	\$ 1 100 000	Company	Czech Republic
Cristina Santin	2	\$ 3 382	Angel Investor	UK

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INVESTMENT EQUITY	FREQUENCY	AMOUNT ASSOCIATED	CATEGORY	ORIGIN
Crossfin Technology	4	\$ –	Fintech	South Africa
Crossfin Ventures	1	\$ –	VC	South Africa
Crucis Venture Capital	2	\$ 183 300	VC	South Africa
Cypher Capital	1	\$ 120 000	VC	US
Cypher Holdings	1	\$ 700 000	Investment Company	Unknown/NA
Dale Mathias	1	\$ 10 205 002	Angel Investor	US
Damien Guermonprez	1	\$ 115 000	Angel Investor	France
Daniel James	1	\$ 34 625	Unknown	Unknown/NA
David Chan	1	\$ 1 250 000	Angel Investor	US
DCVC	5	\$ 200 230 000	VC	US
DDF	1	\$ –	VC	US
Deciens Capital	3	\$ 22 200 000	VC	US
DFS Lab	3	\$ 1 440 000	Incubator	US
Diaspora Angel Network	1	\$ –	PE	US
DIFC FinTech Hive	1	\$ –	Fintech	UAE
Digital Currency Group	3	\$ 12 500 000	VC	US
DMZ	1	\$ 20 000	Accelerator	Canada
Dragoneer Investment Group	3	\$ 83 000 000	Investment Company	US
Dragonfly Capital Partners	1	\$ 10 000 000	VC	US
Draper Associates	1	\$ 2 500 000	VC	US
EchoVC Partners	1	\$ 350 000	VC	Nigeria
Ed Robinson	1	\$ 10 000 000	Angel Investor	US
EFInA	1	\$ 2 000 000	NPO	Nigeria
Emilian Popa	1	\$ –	Angel Investor	Unknown/NA
Endeavor Catalyst	2	\$ 47 500 000	VC	US
Engineers Without Border Canada	2	\$ –	VC	Canada
Entrée Capital	2	\$ 12 000 000	VC	UK
Equator Capital Partners	1	\$ 14 000 000	PE	US
Eric Nadalin	1	\$ –	Angel Investor	UK

THE INVESTMENT DATABASE

INVESTMENT EQUITY	FREQUENCY	AMOUNT ASSOCIATED	CATEGORY	ORIGIN
Ethos Private Equity	1	\$ 13 640 000	PE	South Africa
eVentures Africa Fund	1	\$ 600 000	VC	Netherlands
Expansion Venture Capital	1	\$ 10 000 000	VC	US
Facebook Accelerator: Commerce	1	\$ 84 000	Company	US
Female Founders Funds	3	\$ 90 000 000	VC	US
Fenway Summer Ventures	2	\$ 6 490 014	VC	US
Ferdinand Von Kalm	1	\$ 1 110 000	Angel Investor	Germany
Finnfund (Finnish Fund for Industrial Cooperation Ltd.)	1	\$ 24 000 000	Investment Company	Finland
Fintech Collective	2	\$ 12 200 000	VC	US
First Ally Capital	2	\$ 15 200 000	Investment Company	Nigeria
Firstminute Capital	1	\$ 4 000 000	VC	UK
Fis Fintech Accelerator	1	\$ 50 000	Accelerator	US
Fintech Ventures	3	\$ 803 997	VC	South Africa
Florian Resatsch	1	\$ 1 110 000	Angel Investor	Germany
Flourish Ventures	9	\$ 31 649 000	VC	US
FMO	3	\$ 16 950 000	Bank	Netherlands
Formation 8	3	\$ 179 200 000	VC	US
Foundation Capital	1	\$ 170 000 000	VC	US
Founder Friendly Labs	1	\$ –	Accelerator	US
Founders Factory Africa	3	\$ 399 325	Accelerator	South Africa
Foxhaven	1	\$ 170 000 000	VC	US
Frontline Ventures	2	\$ 2 000 000	VC	UK
FSD Africa	2	\$ 17 200 000	NPO	UK
Future Africa	2	\$ 1 150 000	VC	US
Future Fifty	1	\$ –	Accelerator	UK
Future Growth Asset Management	1	\$ 16 000 000	PE	South Africa
Future/Perfect Ventures	2	\$ 3 500 000	VC	US
G and M Capone Trust	1	\$ 25 000	Investment Company	Australia
GAN Ventures	2	\$ 3 200 000	VC	US

THE INVESTMENT DATABASE

INVESTMENT EQUITY	FREQUENCY	AMOUNT ASSOCIATED	CATEGORY	ORIGIN
Gaorong Capital	1	\$ 120 000 000	VC	China
Geoffrey D Fink	1	\$ 1 650 000	Angel Investor	Unknown/NA
GGV Capital	1	\$ 110 000 000	VC	US
Global Innovation Fund	1	\$ 10 000 000	Investment Company	UK
Globinvest	1	\$ 3 000 000	Company	Lebanon
Glynn Capital Management	1	\$ 19 200 000	VC	US
Golden Palm Investments	2	\$ 730 000	VC	Ghana
Goldman Sachs	1	\$ 64 700 000	Bank	US
Goodwell Investments	6	\$ 45 860 000	Investment Company	Netherlands
Google Launchpad Accelerator	7	\$ 1 700 000	Company	US
Grand Corporation Osaka	1	\$ 500 000	Investment Company	Japan
Green Light Capital	1	\$ –	Investment Company	US
Green Visor Capital	2	\$ 19 439 000	VC	US
GreenHouse Capital	4	\$ 3 800 000	VC	US
Greenlight Reinsurance	1	\$ –	Unknown	Cayman Islands
Greenspring Associates	1	\$ 170 000 000	Investment Company	US
GreenTec Capital Partners	1	\$ –	VC	Germany
Greycroft	1	\$ 21 700 000	VC	US
Greydof	1	\$ 35 000 000	Unknown	Unknown/NA
Greyhound Capital	1	\$ 16 000 000	PE	UK
Grindstone	1	\$ –	Fintech	US
Growing Africa Capital	1	\$ 350 000	Incubator	Kenya
GSMA Ecosystem Accelerator	1	\$ –	Accelerator	UK
GSR Ventures	2	\$ 170 000 000	VC	US
HALLMANN HOLDING	1	\$ –	Investment Company	Austria
Halo Business Angel Network	1	\$ –	Angel Group	Ireland
Hannover Re	1	\$ 1 000 000	Company	Germany
Harambeans	1	\$ 100 000	NPO	US
Hashkey	1	\$ 500 000	VC	Hong Kong

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INVESTMENT EQUITY	FREQUENCY	AMOUNT ASSOCIATED	CATEGORY	ORIGIN
Havaic	1	\$ –	VC	South Africa
Headline	1	\$ 35 000 000	VC	US
Helios Investment Partners	1	\$ 10 500 000	Angel Group	Ireland
Hollard Insurance	2	\$ 3 767 494	Company	South Africa
HQ Financial Group	1	\$ 10 000 000	Investment Company	Singapore
Hustle Fund	1	\$ 1 000 000	VC	US
Iasric	1	\$ –	Unknown	Unknown/NA
IDF Capital SA	1	\$ 686 000	Investment Company	South Africa
IDG Capital	2	\$ 170 000 000	PE	China
Idris Ayodeji Bello	3	\$ 500 000	Angel Investor	Nigeria
I'M IN	1	\$ –	Unknown	Unknown/NA
India Internet Fund	1	\$ 10 000 000	VC	India
Industrial Development Corporation	1	\$ 450 000	VC	South Africa
Ingressive Capital	1	\$ 500 000	Investment Company	Nigeria
Institutional Ventures Partners	3	\$ 190 000 000	PE	US
International Finance Corporation	4	\$ 92 500 000	NPO	Unknown/NA
Itanna	2	\$ 175 000	Accelerator	Nigeria
IVP (Institutional Venture Partners)	1	\$ 30 000 000	PE	US
Javelin Venture Partners	1	\$ 2 600 000	VC	US
Jean-Pierre Mondalek	1	\$ 1 650 000	Angel Investor	UAE
Jeremy Stoppelman	1	\$ 15 000 000	Angel Investor	US
JG Summit Holdings	1	\$ 109 760 000	Company	Philippines
Joharen Lorenzen	1	\$ 10 000 000	Angel Investor	Denmark
Jun Capital	1	\$ 1 500 000	Investment Company	China
Justin Kan	1	\$ –	Angel Investor	US
K50 Venture	1	\$ –	VC	US
Kai-U we Ricke	1	\$ 1 650 000	Angel Investor	Germany
Kalon Venture Partners	3	\$ 1 314 569	Investment Company	South Africa
KawiSafi Ventures	1	\$ 6 490 014	VC	Kenya

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INVESTMENT EQUITY	FREQUENCY	AMOUNT ASSOCIATED	CATEGORY	ORIGIN
Kepple Africa Ventures	2	\$ 150 000	VC	Japan
Khosla Impact	3	\$ 11 800 000	VC	US
Khosla Ventures	1	\$ 5 900 000	VC	US
KIBS-CFY	1	\$ –	Investment Company	Unknown/NA
KUNLUN	1	\$ 50 000 000	Investment Company	Singapore
Kuramo Capital	1	\$ –	VC	US
Kuria Capital	1	\$ –	VC	Kenya
Lachy Groom	1	\$ 2 000 000	Angel Investor	US
Laikabot Ventures	1	\$ 700 000	Investment Company	Unknown/NA
Larry RosenBerger	1	\$ 6 490 014	aNGEL investor	US
Lateral Capital	2	\$ 500 000	VC	US
Launch Africa	1	\$ 1 000 000	VC	Mauritius
Le Studio VC	2	\$ 12 616 320	VC	France
Leadpath Nigeria	1	\$ –	VC	Nigeria
LeapFrog Investments	3	\$ 82 400 000	PE	South Africa
LeapFrog Ventures Japan	1	\$ 100 000	VC	Japan
Left Lane Capital	1	\$ 23 000 000	VC	US
Lendable	2	\$ 15 000 000	Fintech	UK
Leonard Stiegler	1	\$ –	Angel Investor	Nigeria
Levi Strauss & Co.	1	\$ 390 816	Company	US
Liquid 2 Ventures	1	\$ 2 400 000	VC	US
Lireas Holdings	1	\$ 664 378	Unknown	Unknown/NA
Lish Lee Jung	1	\$ 10 000 000	Angel Investor	UK
LoftyInc Capital	3	\$ 1 123 000	VC	US
LongHash Ventures	1	\$ –	VC	Singapore
Longzhu Capital	1	\$ 120 000 000	VC	China
Lowercase Capital	5	\$ 201 200 000	VC	US
Loyal VC	1	\$ 475 000	VC	Canada
Ludlow Ventures	1	\$ 2 000 000	VC	US

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INVESTMENT EQUITY	FREQUENCY	AMOUNT ASSOCIATED	CATEGORY	ORIGIN
Lun Partners Group	1	\$ 14 000 000	PE	Hong Kong
Lundin Foundation	3	\$ 1 500 000	NPO	Canada
Lynett Capital	1	\$ 230 000	VC	US
M&S Partners	1	\$ –	VC	Mauritius
MAGIC Fund	7	\$ –	VC	US
Mastercard	1	\$ 10 000 000	Company	US
Mastercard Start Path	1	\$ –	Company	US
MC2	1	\$ 700 000	Unknown	Unknown/NA
MediaTek	1	\$ 40 000 000	Company	Taiwan
Meituan	2	\$ 170 000 000	Company	China
Meltwater School of Technology (MEST)	3	\$ 150 000	Incubator	Ghana
Mennonite Economic Development Associates	1	\$ 500 000	NPO	Canada
Mercy Corps Ventures	3	\$ 4 200 000	VC	US
Merril Lynch	1	\$ 75 157	Bank	US
Mesa Ventures	2	\$ 11 200 000	VC	US
MEST AFRICA	1	\$ 100 000	Accelerator	Ghana
MFS Africa	1	\$ 1 300 000	Fintech	South Africa
Michael Jordaan	1	\$ 3 400 000	Angel Investor	South Africa
Michael Seibel	2	\$ 5 900 000	Angel Investor	US
Microsoft	1	\$ 25 000	Company	US
Microtraction	5	\$ 75 000	Investment Company	Nigeria
Monkfish Equity	1	\$ 1 110 000	VC	Germany
Montegray Capital	1	\$ 1 500 000	Investment Company	South Africa
Mountain Partners	1	\$ 1 110 000	VC	Switzerland
Mumbai Angels Network	1	\$ 1 200 000	Angel Group	India
Musha Ventures	7	\$ 13 200 000	VC	US
Nabo Capital	1	\$ 2 000 000	Investment Company	Kenya
Nagata Tetsuji	2	\$ 635 000	Angel Investor	US
Naspers Foundry	1	\$ 10 976 000	Company	South Africa

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INVESTMENT EQUITY	FREQUENCY	AMOUNT ASSOCIATED	CATEGORY	ORIGIN
Nathan Gettings	1	\$ 10 000 000	Angel Investor	US
ND	111	\$ 280 744 734	Unknown	Unknown/NA
Neil Thanedar	1	\$ –	Angel Investor	US
Nelson Chu	1	\$ 10 000 000	Angel Investor	US
Neo Global Capital	2	\$ 10 500 000	Investment Company	Singapore
NET1UEPS Technologies Inc.	1	\$ 10 000 000	Fintech	South Africa
NetEase	1	\$ 40 000 000	Company	China
Newfund	2	\$ 12 616 320	VC	France
Newid Capital	3	\$ 8 150 000	VC	US
Newtown Partners	1	\$ –	Unknown	Unknown/NA
Nexus Ventures	1	\$ –	VC	US
Nicholas Cooper	1	\$ 1 650 000	Angel Investor	US
Nordea	2	\$ 235 479	Bank	Denmark
Novastar Ventures	2	\$ 32 000 000	VC	Kenya
Nyca Partners	2	\$ 15 200 000	VC	US
Ocean on 76	1	\$ 500 000	VC	South Africa
Octopus Ventures	1	\$ 15 000 000	VC	UK
Odey Asset Management	2	\$ 77 200 000	Investment Company	UK
Oknha Som Sokna	2	\$ 635 000	Angel Investor	Japan
Olawale Ajayi	1	\$ 30 000	Angel Investor	Nigeria
Oliver Jung	1	\$ 10 000 000	Angel Investor	UK
Olumide Soyombo	2	\$ 500 000	Angel Investor	Nigeria
Omidyar Network	6	\$ 57 390 014	Company	US
One Way Ventures	1	\$ 2 400 000	VC	US
Opera	1	\$ 50 000 000	Unknown	Unknown/NA
Orange Ventures	1	\$ 16 000 000	Company	France
Oui Capital	1	\$ –	VC	US
P1 Ventures	3	\$ 1 350 000	PE	US
Palm Drive Capital	1	\$ 230 000	VC	US

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INVESTMENT EQUITY	FREQUENCY	AMOUNT ASSOCIATED	CATEGORY	ORIGIN
Pantera Capital	2	\$ 2 500 000	VC	US
Partech	3	\$ 28 600 000	VC	US
Patrick Pichette	1	\$ 15 000 000	Angel Investor	Canada
Pave Investments	1	\$ –	Unknown	UK
PayPal Ventures	2	\$ 110 000 000	Company	US
PeaceTech Accelerator	1	\$ –	VC	US
Percursor Ventures	1	\$ 120 000	VC	US
Plug and Play Tech Center	1	\$ 19 200 000	VC	US
Polychain	2	\$ 10 000 000	Investment Company	US
Quantum Capital Partners	1	\$ 5 500 000	PE	Germany
Queen City Fintech	1	\$ 20 000	Accelerator	US
Quona Capital	6	\$ 47 500 000	VC	US
Raba	4	\$ 15 00 000	VC	South Africa
Radical Ventures	2	\$ 3 500 000	VC	Canada
Raffael Johnen	1	\$ 10 000 000	Angel Investor	Germany
Ragnar Meitern	1	\$ 1 600 000	Angel Investor	UK
Rainfin	1	\$ –	Fintech	South Africa
Rally Cap Ventures	1	\$ 500 000	VC	US
Raptor Group	1	\$ 13 800 000	PE	US
Rayyan Islam	1	\$ 230 000	Angel Investor	US
Rebel Fund	2	\$ 150 000	VC	US
Redpoint Ventures China	1	\$ 120 000 000	VC	China
Reflect Ventures	1	\$ –	VC	US
Reshape	1	\$ 19 200 000	VC	US
Revolution	2	\$ 160 000 000	Unknown	Unknown/NA
Revolution Growth	2	\$ 160 000 000	VC	US
RGAx	2	\$ 4 318 000	VC	US
Ribbit Capital	2	\$ 80 000 000	VC	US
RippleWorks	1	\$ –	PE	US

THE INVESTMENT DATABASE

INVESTMENT EQUITY	FREQUENCY	AMOUNT ASSOCIATED	CATEGORY	ORIGIN
RMI	1	\$ –	VC	US
Robby Hilkowitz	1	\$ 2 350 000	Angel Investor	Israel
Roe Hillmann	1	\$ 1 110 000	Angel Investor	Unknown/NA
RPS Ventures	1	\$ 110 000 000	VC	US
Sabvest	3	\$ 18 600 000	Investment Company	South Africa
Safaricom		\$ –	Fintech	Kenya
Satya Capital	1	\$ 47 500 000	PE	UK
Savannah Fund	1	\$ 1 250 000	VC	Kenya
Saviu Ventures	3	\$ 3 600 000	VC	France
SBI Investment	1	\$ 10 000 000	VC	Japan
Seedstars	1	\$ 30 000	VC	Switzerland
Sequoia Capital China	2	\$ 170 000 000	VC	China
Serendipity Capital	1	\$ –	VC	Singapore
Shariff Abdulwalli	1	\$ 200 000	Angel Investor	Kenya
Sherpa Venture Capital	1	\$ 475 000	VC	China
Singularity Investments	2	\$ 13 000 000	PE	Nigeria
Social Capital	1	\$ 230 000	VC	US
Softbank Ventures Asia	1	\$ 120 000 000	Bank	South Korea
Soma Capital	1	\$ –	VC	US
SOSV	2	\$ –	VC	US
Source Code Capital	2	\$ 170 000 000	VC	China
Spark	1	\$ –	Unknown	US
SpeedInvest	3	\$ 35 616 320	VC	Austria
SpeedUPAfrica	3	\$ –	NPO	South Africa
Spring Accelerator	2	\$ 470 816	Accelerator	Kenya
Stacked Capital	1	\$ 20 000	VC	US
Standard Bank	2	\$ 4 000 000	Bank	South Africa
Startupbootcamp	5	\$ 2 428 156	Accelerator	UK
Startupbootcamp Cape Town	1	\$ 16 956	Accelerator	South Africa

THE INVESTMENT DATABASE

INVESTMENT EQUITY	FREQUENCY	AMOUNT ASSOCIATED	CATEGORY	ORIGIN
Stripe	1	\$ 10 205 002	Fintech	US
Sunu Capital	2	\$ –	VC	Nigeria
Susa Ventures	1	\$ 3 500 000	VC	US
SVB Capital	1	\$ 100 000 000	Bank	US
Synergy Capital	1	\$ 10 000 000	PE	US
TA Associates	1	\$ –	PE	US
Tahseen Consulting	1	\$ –	VC	UAE
Tangerine Life	1	\$ 1 500 000	Fintech	Nigeria
Target Global	2	\$ 64 655 3794	VC	Germany
TBL Mirror Fund	1	\$ 1 500 000	PE	Kenya
Techstars	7	\$ 1 480 000	VC	US
Techstars Bangalore Accelerator	1	\$ 120 000	Accelerator	India
Techstars New York City Accelerator	1	\$ 120 000	Accelerator	US
Tekton Ventures	1	\$ 6 900 000	VC	US
TEN13	1	\$ –	VC	Australia
Tencent	2	\$ 10 205 002	Company	China
The Baobab Network	1	\$ 25 000	Accelerator	Kenya
The Epic Groundwater Challenge	3	\$ 50 351	Accelerator	South Africa
The Fund	1	\$ 1 000 000	VC	US
The Lakes Charitable Foundation	2	\$ –	NPO	UK
The MasterCard Foundation	3	\$ 1 250 000	Company	US
The Rise Fund	3	\$ 80 500 000	VC	US
Thomas Glocer	1	\$ 10 000 000	Angel Investor	US
Thomvest Ventures	2	\$ 160 000 000	VC	US
Tiger Global Management	2	\$ 212 000 000	Investment Company	US
Tim Draper	1	\$ 700 000	Angel Investor	US
TLcom Capital Partners	1	\$ 1 000 000	VC	UK
TLG Capital	1	\$ 25 000 000	Investment Company	UK
Tokyo Founders Fund	1	\$ –	VC	Japan

THE INVESTMENT DATABASE

INVESTMENT EQUITY	FREQUENCY	AMOUNT ASSOCIATED	CATEGORY	ORIGIN
Tom Stafford	1	\$ 10 205 002	Angel Investor	Hong Kong
Tony Elumelu Foundation	1	\$ –	NPO	Nigeria
TPG Growth	1	\$ 47 500 000	PE	US
Trans Sahara Investment Corporation	1	\$ 13 00 000	PE	Nigeria
Transition Level Investment	1	\$ 2 400 000	Company	Australia
TRANSSION	1	\$ 40 000 000	Company	China
Travelers Insurance	1	\$ 25 000	Company	US
TRGC	1	\$ 1 500 000	VC	US
Trinity Ventures	2	\$ 240 000 000	VC	US
Two Culture Capital	1	\$ 1 000 000	VC	US
Tyler Scriven	1	\$ –	Angel Investor	US
TYLT Ventures	1	\$ 10 000 000	VC	US
Umkhathi Wethu Ventures	2	\$ 2 860 000	VC	South Africa
Unbounded Capital	1	\$ 500 000	VC	US
Uncovered Fund	1	\$ –	VC	Japan
UNICEF Innovation Fund	1	\$ 51 000	NPO	Unknown/NA
Unicorn Group	1	\$ 350 000	Investment Company	Nigeria
United States African Development Foundation	1	\$ 390 816	NPO	US
Unreasonable Capital	1	\$ 10 000 000	VC	US
Unshackled Ventures	1	\$ 500 000	VC	US
US Angel Investors	1	\$ 6 490 014	PE	US
Uwe Sandner	1	\$ 1 110 000	Angel Investor	Germany
Valar Ventures	2	\$ 79 655 379	VC	US
Valia Ventures	1	\$ 2 000 000	VC	US
Valor Capital Group	1	\$ 20 000 000	VC	US
Vast Ventures	1	\$ 10 000 000	VC	US
Vault	1	\$ 2 000 000	Company	UK
VC4A	1	\$ –	VC	Netherlands
VEF	2	\$ 10 000 000	Investment Company	Sweden

THE INVESTMENT DATABASE

INVESTMENT EQUITY	FREQUENCY	AMOUNT ASSOCIATED	CATEGORY	ORIGIN
Velocity Capital & Progression Africa	1	\$ 47 500 000	PE	Mauritius
Velocity Capital Fintech Ventures	4	\$ 44 500 000	VC	Netherlands
Venture Capital Company	1	\$ –	Unknown	Unknown
Venture Platform	9	\$ 1 500 000	VC	Nigeria
VentureClash	1	\$ 1 700 000	VC	US
Via Media	1	\$ 250 000	Unknown	Unknown/NA
Victory Park Capital	2	\$ 240 000 000	PE	US
Vikram Pandit	1	\$ 10 000 000	Angel Investor	US
VIKtoria Business Angels Network	1	\$ 350 000	Angel Group	Kenya
VilCap Investments	1	\$ 50 000	VC	US
Village Capital	1	\$ –	VC	US
Villgro	1	\$ 40 000	VC	India
Visa	3	\$ 380 205 002	Company	US
Walid Aradi	1	\$ –	Angel Investor	UAE
Wennovation Hub	1	\$ 3 500	Unknown	Nigeria
Wes Schwalje	3	\$ –	Angel Investor	UAE
Western Technology Investment	2	\$ 14 000 000	VC	US
White Rhino Ventures	2	\$ –	VC	Kenya
Wissam Otaky	1	\$ 1 650 000	Angel Investor	US
XSeed Capital	3	\$ 16 138 000	VC	US
Y Combinator	24	\$ 39 765 002	Accelerator	US
Yale Africa Startup Review	1	\$ –	Fintech	US
Yellowwoods	3	\$ 3 767 494	PE	US
Yosi Hasson	1	\$ 751 569	Angel Investor	South Africa
Zephyr Acorn	2	\$ 4 500 000	VC	Kenya

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