

Financial Services Technology

Unlocked potential Fintech in Africa

June 2024

Elevating **people**.
Elevating **business**.
Elevating **society**.



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1 Overview

Africa is witnessing a groundbreaking surge in financial technology (Fintech) innovation, rapidly unlocking a continent brimming with economic potential. Despite a largely unbanked population and limited traditional infrastructure, Africa's mobile phone penetration and youthful, tech-savvy demographic have created a fertile ground for Fintech solutions.

From fostering financial inclusion through mobile money platforms to revolutionising lending practices with data-driven microloans, Fintech is empowering individuals, businesses, and entire economies across Africa.

In this BDO Africa Fintech report, we delve into the recent advancements, ongoing challenges, and regional variations within the African Fintech landscape, exploring how this transformative technology is shaping a more inclusive and prosperous future for the continent.

Building on the continent's vibrant Fintech landscape, requires specialised guidance to navigate the complexities of regulation, competition, and technological integration. This is where BDO Africa steps in. As a leading advisor in the African Fintech space, we possess the expertise to empower your company's growth trajectory.

Whether you're a budding start-up seeking strategic direction or an established player aiming to optimise your business model, our comprehensive suite of services can propel you forward. Our Advisory team is structured to provide a broad range of specialist services, backed by years of experience and expertise, we deliver insightful, innovative solutions to bring clarity to your business challenges – no matter the task, no matter the need.

Northern Africa

The North African region has demonstrated great potential to govern Africa's Fintech Industry. Egypt alone accounts for 9.6% of new Fintech start-ups in Africa⁽¹⁾.

Digital Payments and Mobile Wallets are dominant trends in North African countries.

Eastern Africa

The development of capital markets in East Africa has led financial markets to expand their accessibility. Across East Africa, it is now possible to invest in the stock market, cryptocurrencies, and treasury bills via mobile financial service platforms. These include Nala, LipaLater and ImaliPay⁽²⁾.

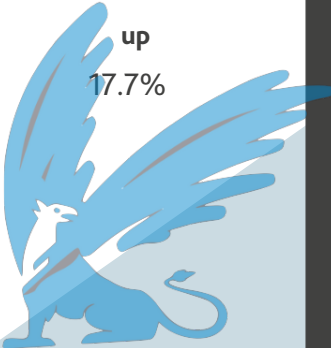
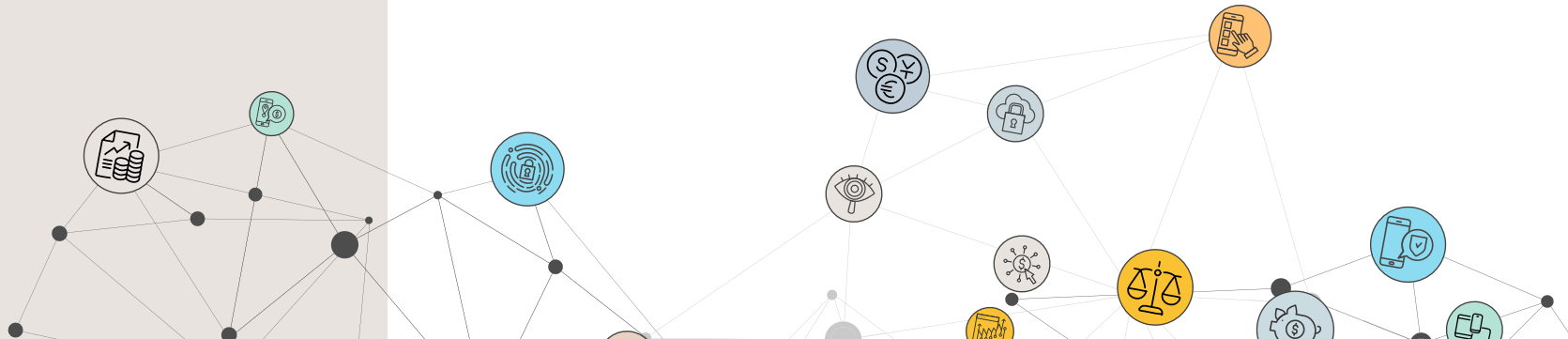
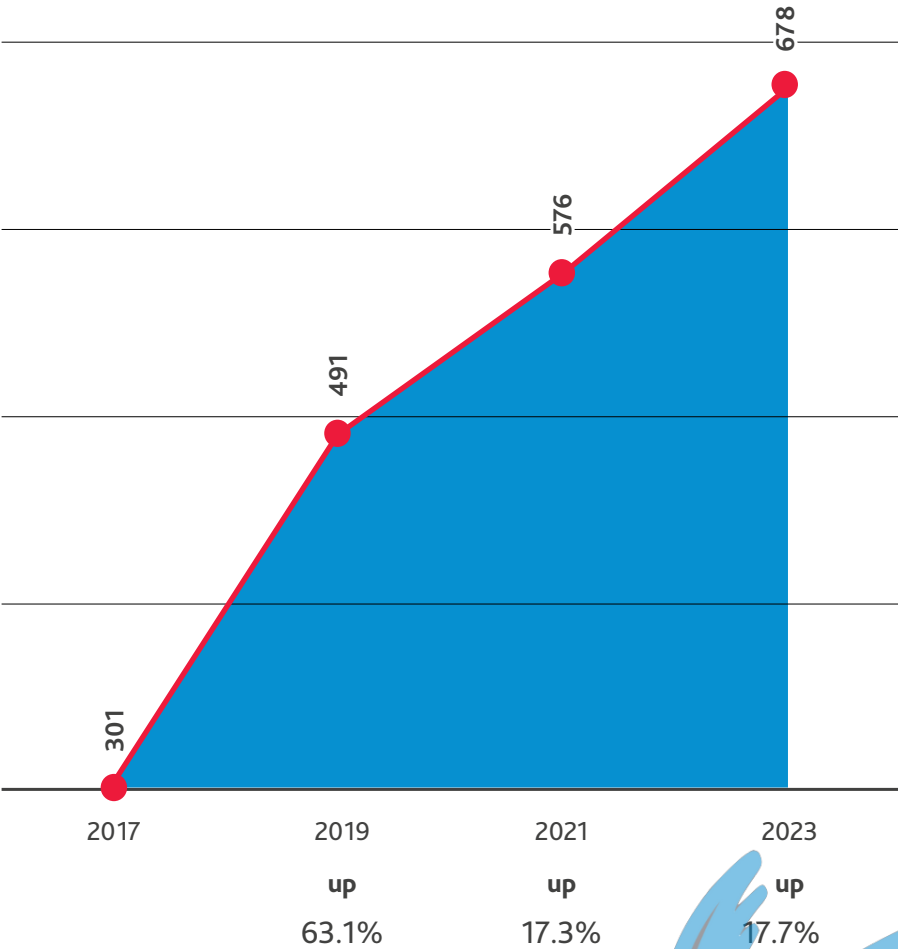
Southern Africa

The Southern African region is at the forefront of the African Fintech industry, with goals for South Africa to be the premier technology hub of Africa. There is a large focus on digital payment platforms in South Africa such as YOCO and PayGate.

Western Africa

The West Africa region has been making great strides in the Fintech industry even rivalling the success of Southern Africa. West African ventures have a strong focus on payments and remittance ventures⁽¹⁾.

Graph 1: Number of Active African Fintech Start-ups from 2017 to 2023



2 Looking at Africa holistically

Africa's burgeoning Fintech landscape is a vibrant tapestry woven from various sub-industries, each addressing specific financial needs and challenges. Leading the charge is 'mobile money', the continent's ubiquitous solution for the unbanked, enabling seamless money transfers and payments. Alongside this powerhouse, lending platforms are leveraging alternative data to offer microloans and other financial products to previously underserved populations. Disrupting traditional models, InsurTech is making insurance more accessible and affordable, while RegTech tackles regulatory hurdles, paving the way for secure and compliant financial innovation across Africa. This confluence of sub-industries is revolutionising financial inclusion, democratising access to essential services, and propelling Africa's economic growth.

To contextualise the Fintech landscape in Africa, we take a look at some recent developments across the continent.

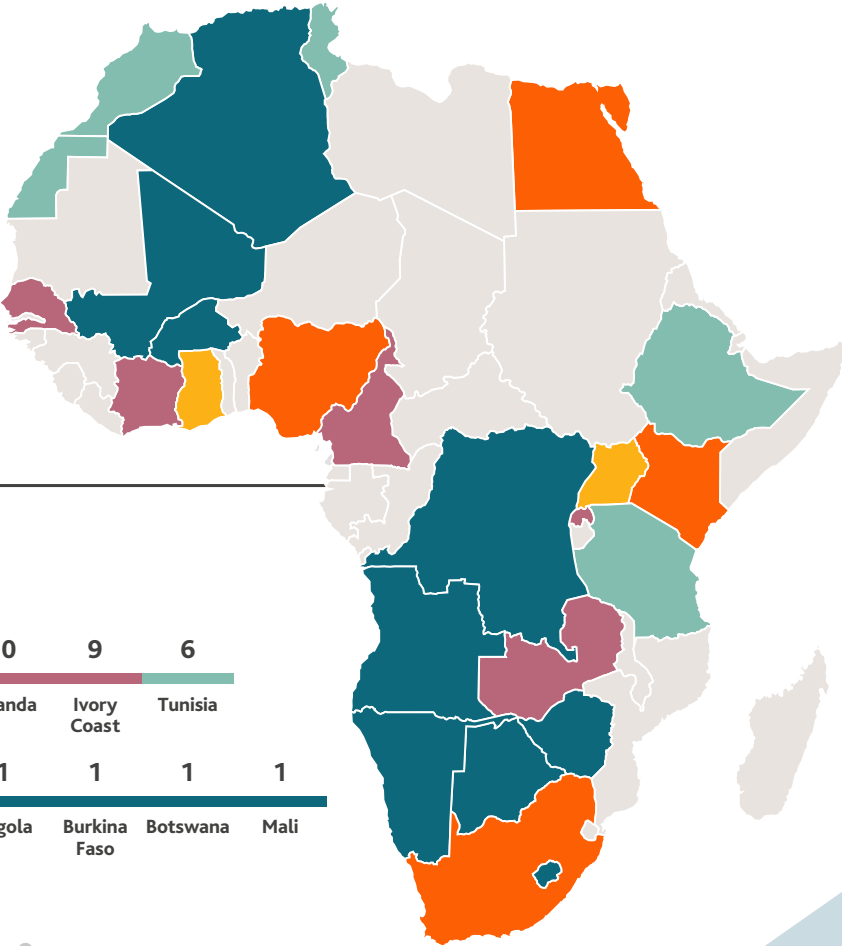
2.1. Fintech Developments around Africa

Africa's Fintech market – led by South Africa, Nigeria, Egypt, and Kenya – is projected to grow thirteenfold to US\$65 billion in 2030 and will have a projected compound annual growth rate (CAGR) of 32%⁽²⁾.

Flutterwave, a leading African payments technology company, has announced a strategic partnership with Microsoft to develop its next-generation payments platform on Microsoft Azure. This collaboration aims to revolutionise payments infrastructure across Africa and beyond, enabling businesses and individuals to access global-grade services and drive digital transformation worldwide.

Chipper (Uganda/Ghana) was faced with a hard decision as its internal valuation was cut by 70%, and convertible debt was raised to bolster its business. Simultaneously, layoffs were executed.

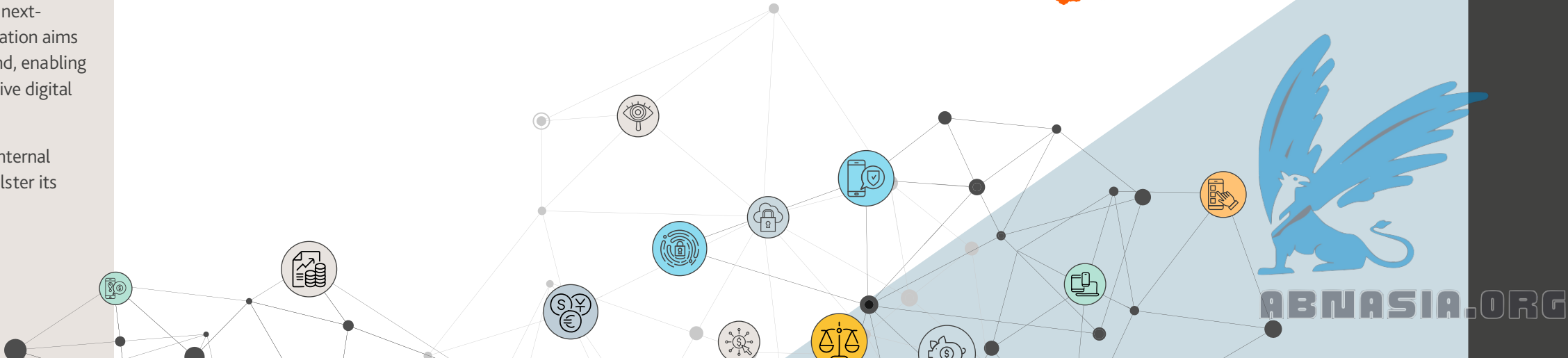
Africa is still a developing region and therefore faces more significant challenges than its European counterparts. Some of the challenges that African Fintechs face can stifle their growth and slow down progress. These challenges can be seen as one of the many reasons why African Fintechs may be lagging. Let's delve deeper into some of these challenges...



African Fintech start-ups by country, 2023

| | | | | | | | | | | | | |
|----------|--------------|----------|----------|-------|---------|-----------|---------|----------|--------|--------------|----------|------|
| 32% | 20.6% | 15% | 9.6% | 5.2% | 4.3% | 2.1% | | | | | | |
| 217 | 140 | 102 | 65 | 35 | 29 | 14 | 12 | 11 | 10 | 9 | 6 | |
| Nigeria | South Africa | Kenya | Egypt | Ghana | Uganda | Senegal | Senegal | Cameroon | Rwanda | Ivory Coast | Tunisia | |
| 4 | 4 | 4 | 3 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 |
| Ethiopia | Morocco | Tanzania | Zimbabwe | DRC | Lesotho | Mauritius | Namibia | Algeria | Angola | Burkina Faso | Botswana | Mali |

Source: Disrupt Africa 2022



2 Looking at Africa holistically

2.2. Fintech Challenges Across Africa

2.2.1. Financial Resources

A lower disposable income in Africa makes it tougher for Fintechs to build feasible and lucrative business models through customer monetisation. Finding ways to lower customer acquisition costs is crucial. It is almost 13 times harder to achieve profitability in Africa than it is in the European Union.

2.2.2. Infrastructure Constraints

While there is opportunity for Fintech growth across Africa, in certain regions, the total addressable market (the relevant category of viable customers) is restricted by infrastructure constraints. Such as weak mobile and internet penetration, a lack of identification coverage, and limited payment rails—the backbone of all digital transfers of money.

2.2.3. Regulatory Environment

Regulations vary significantly across different African countries, creating complexity for pan-African Fintech companies. Additionally, regulations are constantly evolving, requiring agility from Fintech firms. Concerns about data security and privacy are essential. While some countries have implemented data protection laws, enforcement can be weak.

2.2.4. Scalability

Achieving scalability can be challenging due to the fragmented nature of the African market. Fintechs often need to tailor their solutions to specific local conditions and regulations.

2.2.5 Access to Talent

Finding and retaining skilled talent in areas such as software development, data analytics, and compliance can be a challenge, particularly as demand for Fintech expertise grows.

2.2.6. Cybersecurity Risks

As Fintechs handle sensitive financial data and transactions, they are vulnerable to cyberattacks. Safeguarding customer information and maintaining robust cybersecurity measures is an ongoing concern.

2.2.7. Political and Economic Stability

Some African regions may experience political and economic instability, which can impact the regulatory environment and business operations.

In addition to the challenges above, many African Fintechs are feeling the effects of the global capital shortage, as there seems to be a slight decline in Fintech investments. A staggering US\$600 billion has been raised by Fintech companies thus far, and a significant portion of this funding is attributable to Egypt's MNT-Halan. Which is already lower than the investments from 2022. In that same vein, let's look at some of Africa's biggest Fintech investments in the first quarter of 2023.

2.2.8. Customer Trust

The Fintech industry is relatively young in the African context. With a population of an estimated 1.4 billion, over 50% of its citizens do not have a bank account. On a continent that's crying out for greater financial inclusion, the greatest challenge facing the Fintech sector is to win the trust of millions of people who are either still unbanked, or who view financial services as something that is reserved for the middle classes.

There are several reasons why trust in Fintech is low. In Africa, many people simply aren't comfortable with technology. There's also the human fear of the unknown: people still trust the names they know, which tend to be established financial services companies, more than their fintech counterparts.



2 Looking at Africa holistically

2.2.9. Fraud

Although the effects of fintech fraud are often viewed from the lens of service providers, everyone ultimately loses. Where financial institutions lose money and customer trust, individuals are often locked out of the global financial system.

Successful fraud prevention strategies are built on strict compliance and identity verification measures.

These challenges have been heightened due to the global economic downturn in 2023 resulting in a decline in investment throughout the Fintech landscape in Africa. While investment has dropped nearly 50% in 2023 when compared to the opening half of 2022, the main consensus is still that the future of Fintech is African.

2.3. Top 5 Fintech Deals in the First Quarter

2.3.1. **MNT-Halan**, an Egyptian digital lender, is still number 1 as the largest African Fintech deal in Q1:2023 after their latest US\$260m private equity round, led by Chimera Investment. The round propelled them to unicorn status with a post-money valuation above US\$1bn⁽¹⁴⁾.

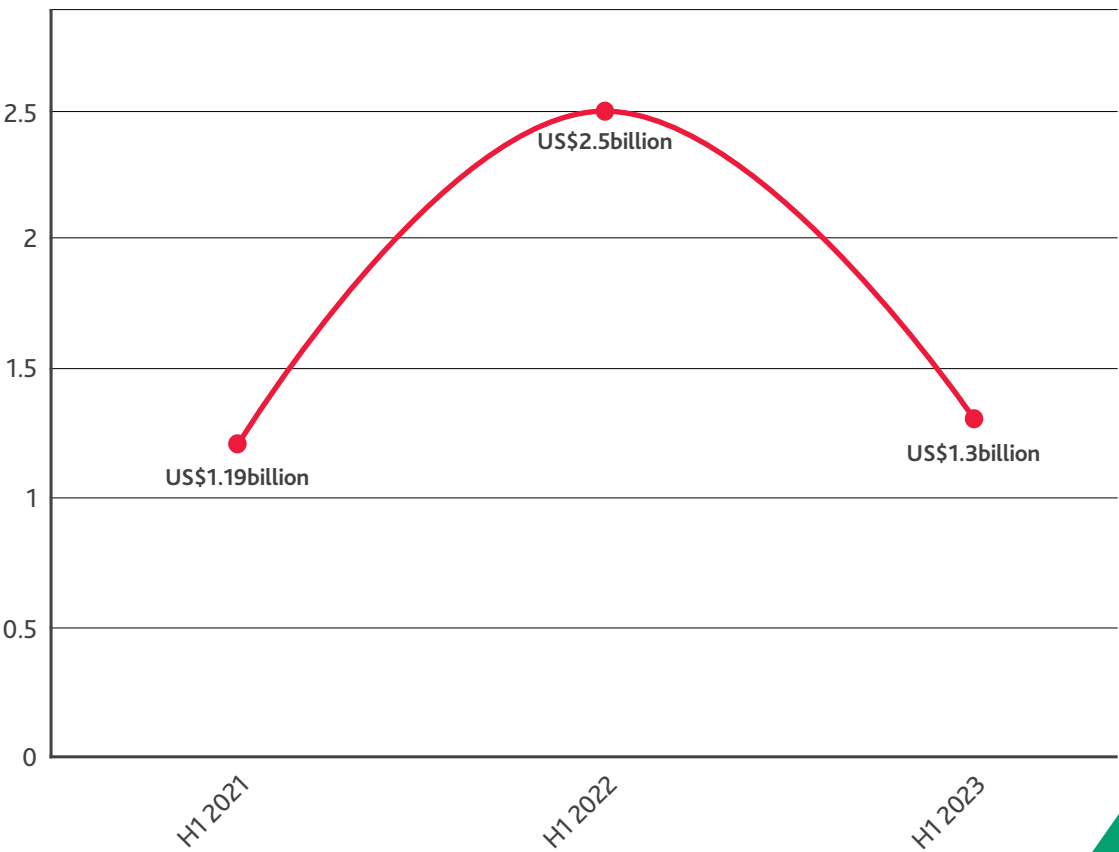
2.3.2. South Africa's **Lulalend**, rakes in a US\$35.2m investment. This is a large jump from their previous funding of US\$6.5m dollars from Series A in 2019⁽¹⁵⁾.

2.3.3. AI-driven South African InsurTech, **Naked**, draws in US\$17m to further digitalise the market. Naked is a digital insurance platform covering cars, content, homes, and standalone items. The company says it employs artificial intelligence to create new processes and experiences for its customers⁽¹⁶⁾. There has been a US\$6 million increase from their previous funding in 2021.

2.3.4. **Sendmarc** is a cyber-security email protection and compliance tech start-up, founded in South Africa, and is said to have brought in over US\$7m in investment funding.

2.3.5. Nigerian-based **Curacell** comes in at number 5 with US\$3m of funding. Curacell, an AI-powered platform for claims processing and fraud management. In 2021 Curacell raised US\$450,000⁽¹⁷⁾.

H1 2023 VC funding plunged ~47.7% compared to the same period in 2022



Source: BD Funding Tracker / Johnstone Kpilaakaa

"While the African Fintech landscape brims with potential, navigating the complexities of regulations, fragmented infrastructure, and evolving technologies can pose significant hurdles.

Here at BDO Africa, we understand these challenges intimately. By partnering with BDO Africa you can unlock the full potential of your Fintech venture and contribute to a more inclusive and prosperous financial future for Africa."

Nevellan Moodley, Head of Financial Services Advisory



3 A BDO outlook

As a part of the global BDO organisation, we work with colleagues from over 165 countries to bring additional expertise and experience to multi-national clients.

Over the past few decades, BDO has been involved in several key infrastructure projects which have allowed us to engage through our holistic approach in advising throughout the life cycle of a project. Our specialist team is a balanced group of individuals with technical infrastructure, regulatory, commercial, and financial skills across multiple sectors. Our capabilities include specialists in project finance (including PPPs), risk management, internal audit, information technology and strategic planning.

At BDO, we believe in collaboration and that the best outcome is achieved if we work with our clients rather than for them, so that when we step away, the solution is seamlessly integrated into our client's environment.

Our strong research capability combined with our analytical, interpretive and strategic thinking skills and sector knowledge firmly position us as business advisers who provide a value-added approach to problem solving. We understand markets, sectors, organisations and the research required to inform the decision-making process for any client.

Having explored some of the key challenges faced by fintech in Africa, here is a summary of a few potential solutions:

- ▶ **Develop a clear and harmonised regulatory framework for fintech** that balances the objectives of promoting innovation, protecting consumers, and ensuring financial stability. This could include creating sandbox environments, where fintech start-ups can test their products and services under relaxed regulatory conditions, and establishing regional or continental standards and guidelines, that facilitate cross-border fintech activities and cooperation.
- ▶ **Invest in and upgrade the digital infrastructure** that supports fintech operations and access. This could include expanding the coverage and quality of internet and mobile networks, increasing the availability and affordability of power and cloud services, and enhancing the interoperability and security of payment systems and platforms.

- ▶ **Strengthen the cybersecurity and data protection measures** that safeguard fintech systems and users. This could include adopting and enforcing cybersecurity and data privacy laws and regulations, providing technical and financial support to fintech start-ups to implement cybersecurity best practices, and raising awareness and education among fintech users on the risks and responsibilities of using fintech services.
- ▶ **Build and maintain customer trust and loyalty** to enable fintech adoption and retention. This could include improving the financial and digital literacy of customers, ensuring the transparency and accountability of fintech service providers, and creating feedback and grievance mechanisms for customers to voice their concerns and complaints.

BDO's Digital Advisory provides tried and tested services and solutions to help businesses achieve meaningful change that endures. Our value proposition is to provide value through the modernisation of businesses by leveraging innovation offered by digital technologies. We do this by understanding what the business wants to achieve through its strategy, determining where they are and how they operate, and mapping out a digital journey outlining the appropriate interventions to invest in, for attainment of business goals and maximum ROI.

BDO's Risk Advisory specialists offer global assurance and advisory services for your risk management, compliance, and governance processes. Working with us, you will be able to deliver organisational assurance and value to your Board. We assist in the design and implementation of practical and cost-effective combined assurance models. When it comes to corporate governance, one size doesn't fit all so we tailor and design a governance framework that meets your needs.



Northern Africa

4.1. Landscape and Demographics

The current population of Northern Africa is 264,911 million. This is equivalent to 3.28% of the total world population⁽³⁾. The current population growth rate of Northern Africa is 1.606%. A -1.23% decrease from 2022⁽²⁴⁾. Northern Africa ranks number 3 in Africa among subregions ranked by Population⁽³⁾.

While North African countries are behind their African counterparts, the region has slowly been gaining traction, with one of its countries Egypt being considered as one of the Big Four (Nigeria, South Africa, Egypt, and Kenya) Countries with the largest Fintech ventures⁽⁴⁾. Egypt has been identified as a region with great potential for growth. The below will dive further into the potential richness of Egypt's Fintech industry.

4.2. Egypt

Egypt currently leads the pack of North African Fintechs. The Egyptian Fintech industry is growing exponentially with the number of Fintechs growing by 66.7% over the last 2 years. This is further highlighted by the fact that as of 2023, Egypt accounts for 6.5% of all new Fintech start-ups in Africa⁽⁷⁾. The vast rise of Fintechs in Egypt can be attributed to many factors, the below looks at some of those factors in more detail.

4.2.1. Government Reform Programmes

The massive growth of Fintech's in Egypt is partially attributed to the reform programmes that have been put in place by the Egyptian government. The Egyptian government has created a start-up support system in the form of accelerators and incubator programmes⁽²⁵⁾. Egyptian tech companies are some of the most accelerated tech start-ups in Africa. Per Disrupt Africa's 2021 report, 40% of Egyptian start-ups have participated in an accelerator or incubation programme.

4.2.2. Government's Attempts to Digitalise the Economy

In addition to these accelerator programmes, Egyptian Fintechs have benefitted from governments efforts to support digital payments as part of initiatives to formalise the country's economy⁽²⁵⁾. 50% of Egypt's GDP comes from the informal sector. To gain more revenue from this sector, the Egyptian government has looked to take on reforms that make the process of onboarding Egypt's informal workers to financial services platforms easier. Which is where Egyptian Fintechs came in. Not only did Egyptian Fintechs assist in formalising much of Egypt's economy, but they also assisted the Egyptian government in coming up with better-structured economic planning⁽²⁵⁾.

This has helped Egyptian Fintechs and payment providers gain 11 billion digital transactions worth an estimated 342 billion Egyptian pounds (US\$18 billion). This propelled Egypt's Fintechs to generate revenues of 62 billion Egyptian Pounds (US\$3.3 billion). Egypt's new payment network, Instant Pay has processed 112.7 billion Egyptian Pounds in transactions from launch in March 2023 to March 2023 and has a registered user base of 2.1 million⁽²⁵⁾.

4.2.3. Increasing Smartphone Penetration

Egypt has experienced a significant increase in smartphone penetration, making financial services more accessible to a larger portion of the population. As of the start of 2023 there were 80.75 million internet users in Egypt and the internet penetration stood at 72.2 %. As more Egyptians have access to smartphones, the potential customer base for Fintech services has expanded⁽²⁶⁾.

"Egypt currently leads the pack of North African Fintechs. The Egyptian Fintech industry is growing exponentially with the number of Fintechs growing by 66.7% over the last 2 years."

4.2.4. Youthful Population

Egypt has a relatively young population, and younger generations are often more open to adopting new technologies and digital financial services. The median age of Egypt's population is 24.2 years, which has created a favourable environment for Fintech adoption⁽²⁶⁾.

4.2.5. Financial Literacy

Efforts to improve financial literacy and awareness about Fintech services have contributed to their adoption. Educating the population about the benefits and safety of digital financial services has been a priority, as only around 27% of Egypt's population is financially literate⁽²⁷⁾.



4 Northern Africa

4.3. Other North African Regions

4.3.1. Tunisia

Tunisia's forward thinking is clear, as it was the first African country to pass a Start-up Act;324 subsequently other countries such as Kenya followed suit. The Start-up Act was part of the government's broader Digital Tunisia 2020 strategy to help boost socioeconomic development and expand technological infrastructure. This was due to the hope to become a pioneer by implanting the blockchain in the TCB, digital payment, and cryptocurrencies⁽⁶⁾⁽²⁸⁾. Tunisian Fintech's are set to grow further as partnerships between banks, insurance, and telecommunications and Fintech's have slowly been accelerating. For instance, Arab Tunisian Bank (ATB) has gone live with Temenos core banking system this year. The project first began in 2019 with ATB signing for a broad range of front-to-back-office solutions from the banking tech vendor that has been set to launch⁽²⁸⁾.

4.3.2. Algeria

Yassir, a San Francisco-based Algerian super-app offering on-demand services and financial services, has closed a US\$150 million Series B funding to power its expansion across Africa and the rest of the world.

The investment was led by BOND, with participation from DN Capital, Dorsal Capital, Quiet Capital, Stanford Alumni Ventures (aka Spike Ventures), and Y Combinator, among others. This investment, which is the biggest series B in North Africa so far, puts the company's total funding to date at US\$193.25 million, after an early seed round of US\$13.25 million and a US\$30 million series about a year ago. Upon closing its Series A, Yassir became one of the most valuable start-ups in North Africa.

4.3.3. Morocco

The Moroccan Fintech sector is still quite small, but it is growing and has proved itself to be a dynamic market. The products and services that are available to Moroccans are mainly centred around the payments and insurance sectors, with crowdfunding expected to soon join them⁽²⁸⁾. Morocco's mature conventional banking sector and low reliance on mobile payment, Fintech operators in the country have much to benefit from pivoting to B2B (Brand to Brand) financial services⁽²⁹⁾.

4.4. Fintech Start-ups in Northern Africa

Fintech investments fell sharply in 2022 in Europe, the Middle East, and Africa (EMEA), with almost every quarter showing a lower investment value than the one before it. The overall value of investments was 3.2 billion dollars in the fourth quarter of 2022, which was the lowest amount since the same period in 2020. The first half of 2023 saw low investment levels as well, indicating that the Fintech business will face further difficult times in the coming year⁽¹⁰⁾.

However, despite this, start-up Fintechs in north Africa have persevered. With Egypt's booming potential, it has captured the attention of new investors such as Sawari Ventures and Algebra Ventures pulled their weight backing start-ups, particularly in Egypt, where start-up innovation and investment have taken off astronomically⁽⁴⁾. Out of 678 African start-ups 76 of them are from North Africa. A total of 199 start-ups - 29.4 % - of Africa's Fintech ventures are active within the payments and remittances space, approximately 13% of the Fintechs within this space are found in Egypt.

In Tunisia more than 320 Fintech start-ups have received support from the Start Up Act, passed in 2018, which provided Tunisian Fintech start-ups with the following:

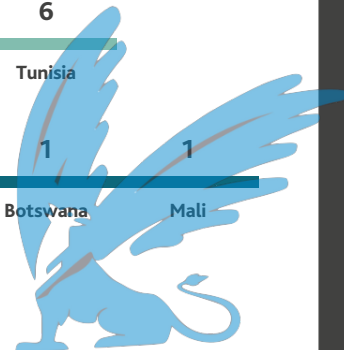
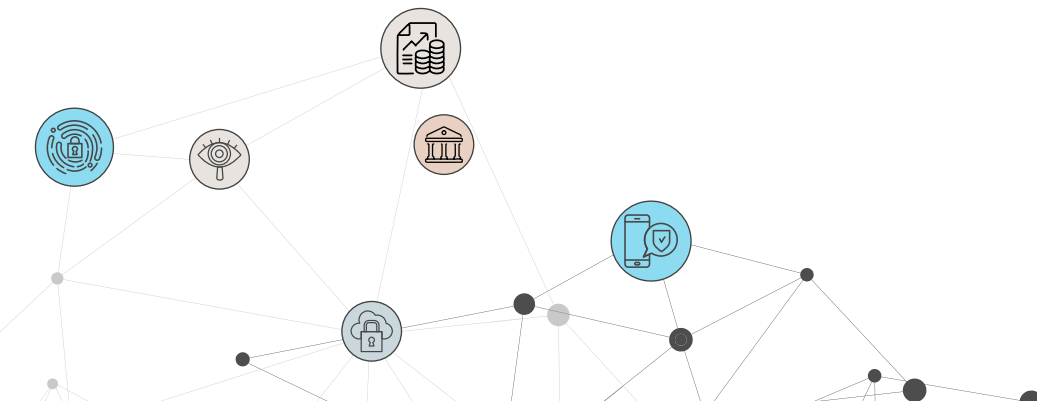
- ▶ Legal framework to simplify the start-up launching process
- ▶ €200million fund for specific verticals
- ▶ Strategy to consolidate the ecosystem and hubs in Tunisia

With the support given to North African Fintechs, it's no wonder they have made big strides in terms of recent start-up ventures.

African Fintech start-ups by country, 2023

| | | | | | | | | | | | | |
|----------|--------------|----------|----------|-------|---------|-----------|---------|----------|--------|--------------|----------|------|
| 32% | 20.6% | 15% | 9.6% | 5.2% | 4.3% | 2.1% | | | | | | |
| 217 | 140 | 102 | 65 | 35 | 29 | 14 | 12 | 11 | 10 | 9 | 6 | |
| Nigeria | South Africa | Kenya | Egypt | Ghana | Uganda | Senegal | Senegal | Cameroon | Rwanda | Ivory Coast | Tunisia | |
| 4 | 4 | 4 | 3 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 |
| Ethiopia | Morocco | Tanzania | Zimbabwe | DRC | Lesotho | Mauritius | Namibia | Algeria | Angola | Burkina Faso | Botswana | Mali |

Source: Disrupt Africa 2022



ABNASIA.ORG

4 Northern Africa

4.5. Top Fintech Start-ups in Northern Africa

Yalla is a financial super app for all daily financial and non-financial needs, which allows users to send and receive money, pay merchants online and offline, and place orders. Yalla has just signed multiple agreements with major financial institutions in Saudi Arabia to expand its operations. Revenues were US\$79.2 million in the second quarter of 2023, representing an increase of 4.1% from the second quarter of 2022⁽³⁰⁾.

The Tabby app was established in 2019 in Egypt. It allows users to shop at their chosen stores and divide their purchases into four interest-free instalments with no additional fees or interest, either online or in-store. Tabby has raised US\$58m at a US\$660m valuation to grow its operations⁽⁷⁾.

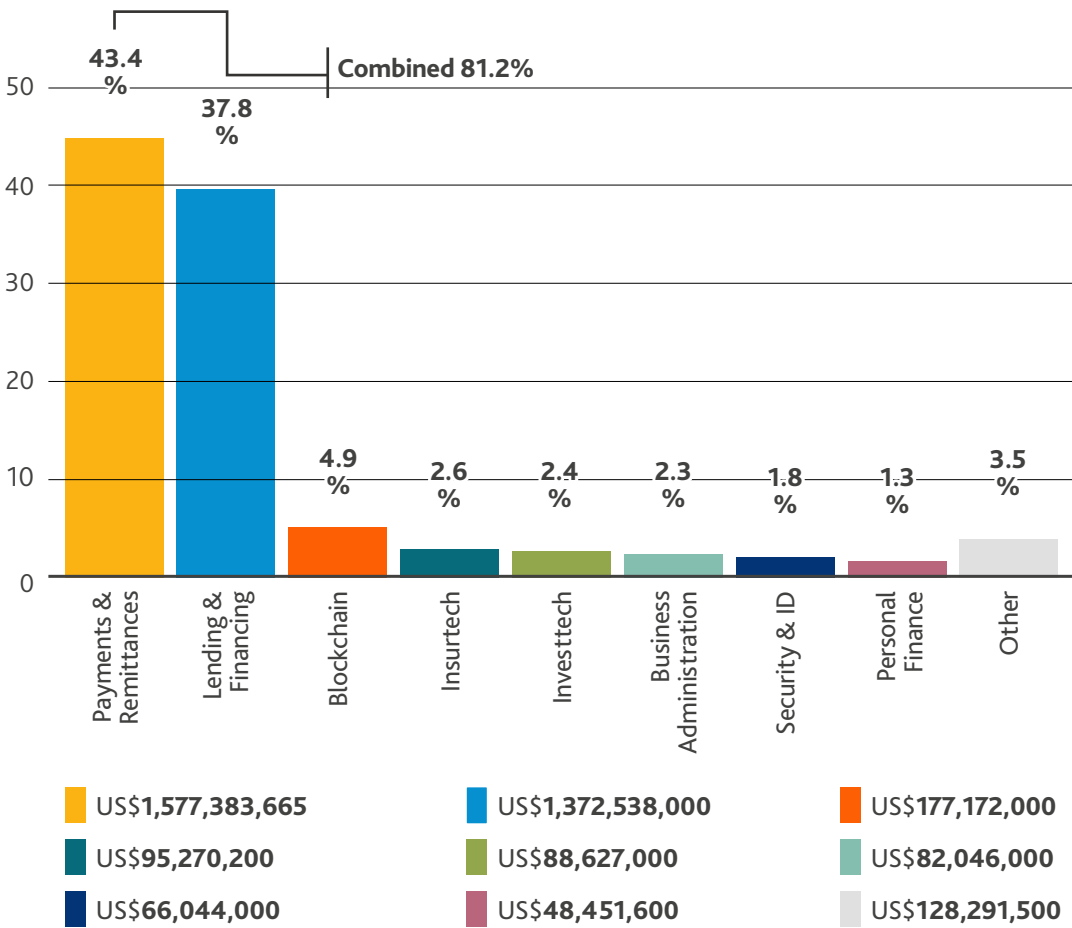
Bitaka, originates from Tunisia and provides mobile transfer, m-wallet, mobile proximity payments, and mobile banking apps in mobile solutions. It also manufactures SIM cards, recharge cards, loyalty cards and programmes, health cards, fuel cards, and kiosk terminals among others⁽⁸⁾.

Moroccan Fintech start-up **Gwala** allows a company's employees to get paid when they need it. It aims to improve the financial well-being of employees, for free, and without impacting the cash flow of the business⁽⁹⁾.

4.6. Fintech Trends and Predictions in North Africa

North African Fintechs have yet to unlock their full potential, providing an opportunity for international investors looking to tap into an untouched market with out-of-the-box Fintech solutions. Only about 20% of adults in Saharan Africa have debit or credit cards compared to the 80% seen in developed countries. As traditional banks are hesitant to grant lower income persons their services, millions of people are left unbanked. This leaves a large economic force available for the digital market to access. Tabby, Yalla, and Bitaka have all capitalised on this, constructing innovative ways to access this market taking note of their financial demographic and catering their product to these needs. Below we see how the total African fintech funding is broken up by category:

African Fintech start-ups by country, 2023



5 Eastern Africa

5.1. Landscape and Demographics

East Africa has one of the fastest-growing populations in the world. East Africa is the most populous subregion of Africa, with a population of approximately 455 million people. East Africa has a population growth rate of 2.521% from 2022⁽³¹⁾. There are 18 countries and 2 dependencies in East Africa. East Africa has some of the world's fastest-growing economies, including Ethiopia, Rwanda, Tanzania, Kenya, and South Sudan⁽⁷²⁾.

However, the region faces significant challenges that stifle its potential to grow its economic value and further the success of Fintechs in the region. Some of these challenges include:

- ▶ corruption
- ▶ political instability
- ▶ lack of electricity
- ▶ lack of access to finance
- ▶ a lack of skilled labour and adequate training⁽²³⁾.

5.2. Overview of Fintechs in East Africa

In 2022 there was a boom in the East African Fintech sector, with Fintechs in the region raising more funds than West African countries, which were the current leaders in terms of African Fintechs⁽³²⁾. Kenyan Fintechs dominate the region, as Kenya is considered 1 of Africa's Big 4 Fintech hubs. East Africa is on the brink of solidifying its place at the forefront of Africa's Technology space. There is no doubt that there is unlimited potential in East African countries.

To further understand this, we look at what Kenya has contributed to the Fintech sector.

5.3. Kenya

Kenya, with its bustling commercial and financial centre, Nairobi, holds a significant economic influence. Not only within East Africa but across the entire African continent. Known as the 'Silicon Savannah' Nairobi boasts a robust Fintech and broader technology and financial services ecosystem. It serves as both the capital and the largest city of the nation.

Kenya's financial sector is the third largest in Sub-Saharan Africa which makes a significant contribution to economic growth and job creation. As of 2022 Kenya had the largest Fintech funding for its companies in Africa at US\$149million. Let's look at some of the factors that have contributed to Kenya's success:

5.3.1. Government support

In the hopes to encourage more Kenyan start-ups, the Kenyan parliament published a Start-up Bill. This is in addition to having protection for intellectual property and other provisions. The Start-up Bill of 2020 outlines a structure to foster the growth of inventive entrepreneurship, create incubation centers, and establish connections with investors from both regional and global spheres. Furthermore, in 2019, the Capital Markets Authority in Kenya introduced a regulatory sandbox.

5.3.2. Formation of Kenya Fintech Association

This organisation represents over 60 registered Fintech's in Kenya and aims to play a part in the development of the Fintech sector in the country. Kenya is renowned as the birthplace of mobile money, a pivotal component of the Fintech landscape. Over the past three years, Kenya has garnered substantial investment, totalling hundreds of millions of dollars, for its emerging Fintech start-ups. As the regulatory landscape undergoes transformation, the Kenyan Fintech Association (KFA) aspires to assume a significant role in influencing the ongoing discourse.



5 Eastern Africa

5.3.3. Investments from multinational Companies

Both multinational companies and those specifically in the tech and Fintech sphere, have made large investments in the country, boosting foreign direct investment.

Microsoft and Visa have made commitments to the country, with Visa announcing a new office for its African Development Centre (ADC). Nairobi will also host a first for Africa – the Microsoft Africa Research Institute (MARI). Microsoft has made an investment of US\$100 million here. Visa has also launched its first innovation hub in Africa – the Visa Innovation Studio.

5.3.4. Mobile Money Innovation

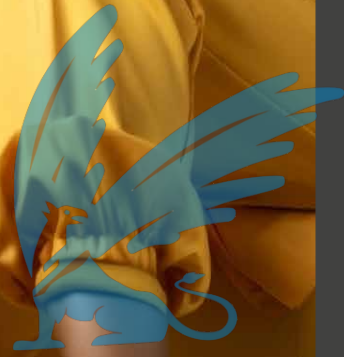
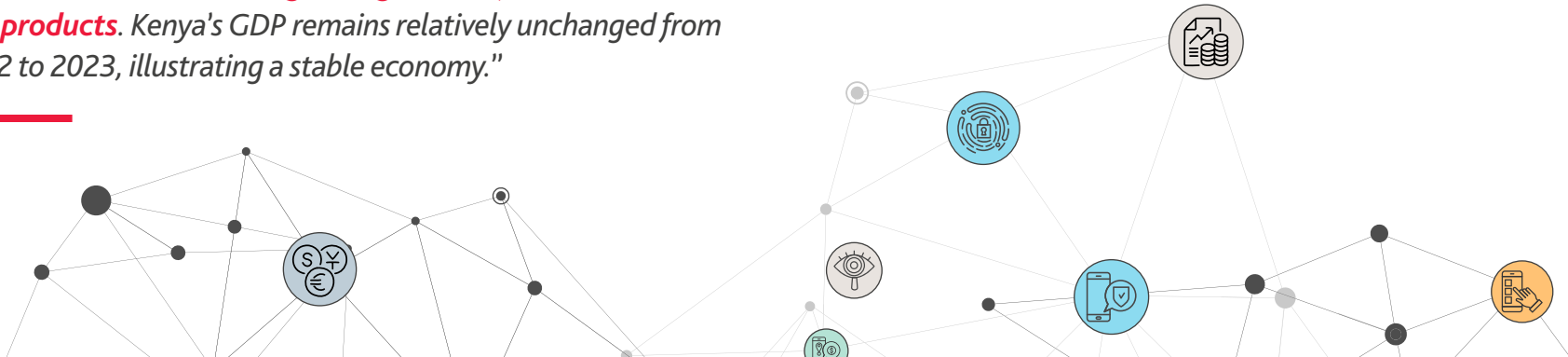
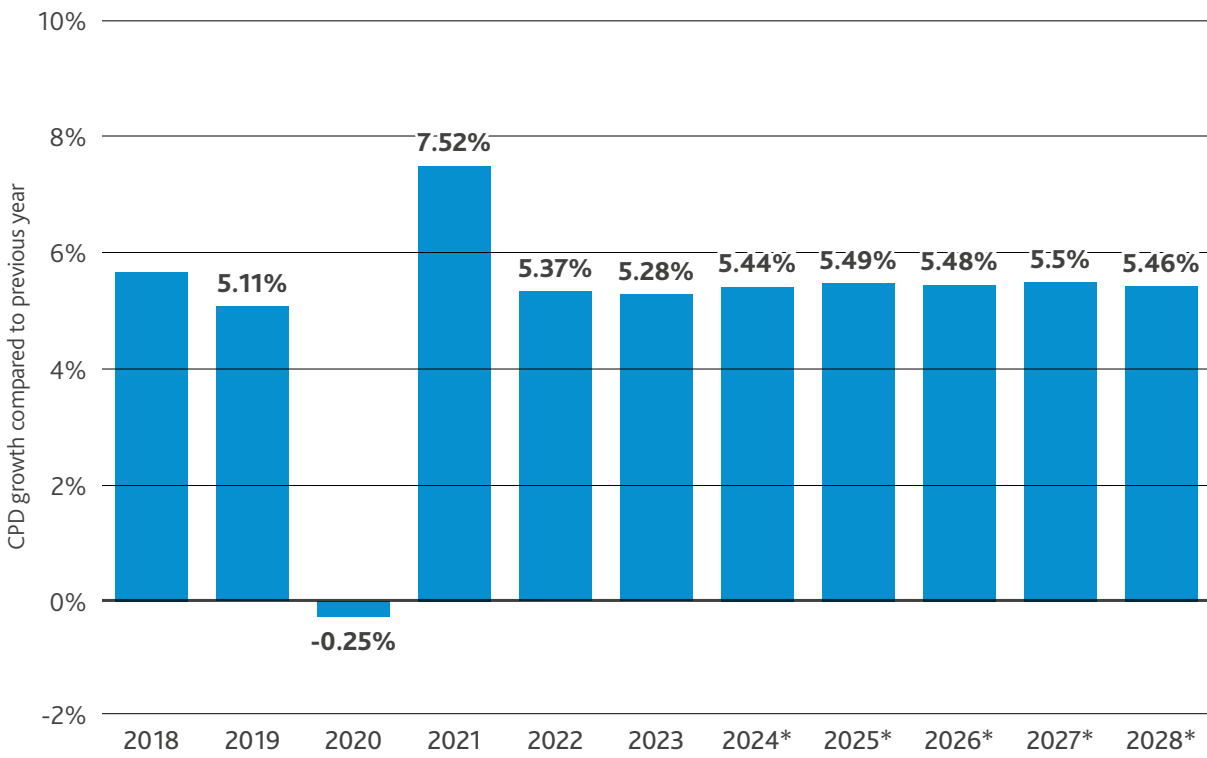
Kenya is renowned for pioneering mobile money solutions, notably M-Pesa, which was launched in 2007. M-Pesa revolutionised financial services by enabling people to send and receive money, make payments, and access financial services through their mobile phones - even in remote areas with limited banking infrastructure. This venture has paved the way for many other African Fintechs to take a chance on a new venture.

5.3.5. Economic Stability

Kenya's relatively stable economic environment and a growing middle class have created a growing market for Fintech services and products. Kenya's GDP remains relatively unchanged from 2022 to 2023, illustrating a stable economy.

"Kenya's relatively stable economic environment and a growing middle class have created a growing market for Fintech services and products. Kenya's GDP remains relatively unchanged from 2022 to 2023, illustrating a stable economy."

Kenya: Growth rate of the real gross domestic product (GDP) from 2018 to 2028



5 Eastern Africa

5.4. Other East African Fintech Ventures

5.4.1. Rwanda

Striving to become the 'African equivalent of Singapore,' Rwanda has successfully revitalised its economy, achieving an impressive economic transformation within a relatively short timeframe. Over the years, Rwanda has witnessed a significant surge in Fintech start-ups, nearly tripling their numbers from 17 in 2014, to 44 in 2019. A substantial 75% of these Fintech start-ups in Rwanda prioritise the 'fin' aspect over the 'tech,' with payments and remittances emerging as the predominant category of Fintech applications.

Despite the high concentration of Fintech start-ups offering payment products and services, demand in other segments, such as insurance or personal finance management, is still lacking.

The Kigali International Financial Centre (KIFC) has introduced the inaugural and exclusive Africa Fund with a specific focus on Fintech. This pioneering fund, with a valuation of US\$50 million and supported by MyGrowthFund Venture Partners, aims to promote investments within the country. By being domiciled within KIFC, this fund aims to bring investments and Fintech opportunities in close proximity on the continent. Its primary objective is to augment Fintech investments in African ventures by African companies. The fund's objective is to grow by 140%.

5.4.2. Tanzania

The Tanzanian Fintech ecosystem is still far behind other regions. Nevertheless, the market has experienced rapid expansion within the nation in recent years. Partly attributed to the proactive stance of Tanzanian regulators who are actively promoting growth and fostering Fintech innovation to enhance financial inclusion throughout the region.

This was evident in 2015, when the Tanzanian government established the ICT Commission. This move propelled Tanzania forward in the digital sphere at a time when Fintech services were primarily confined to actions like buying airtime, making cash deposits, and conducting money transfers and withdrawals.

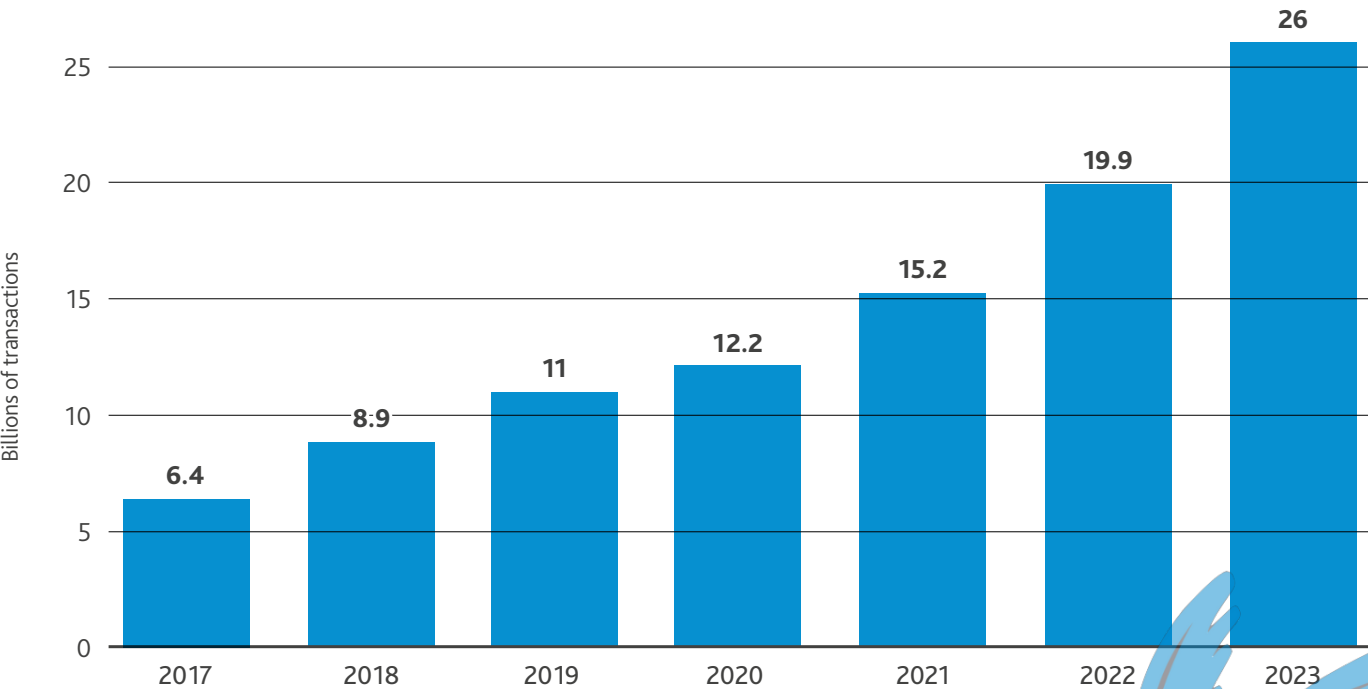
For the estimated 33 Fintechs in the country, only 36% of them have managed to secure seed funding or growth financing, while 35% are bootstrapping via friends and family members.

Despite the Fintech ecosystem being more infant than other MEA peers, there have been organic successes. Earlier this year, it was announced that Tanzanian Fintech NALA, a cross-border payments company, was able to raise US\$10million seed.

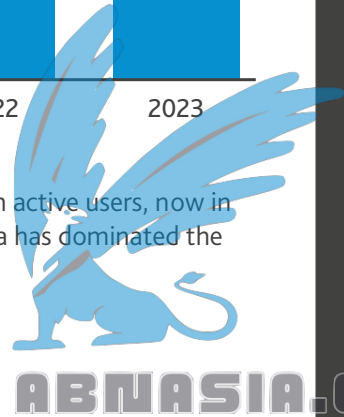
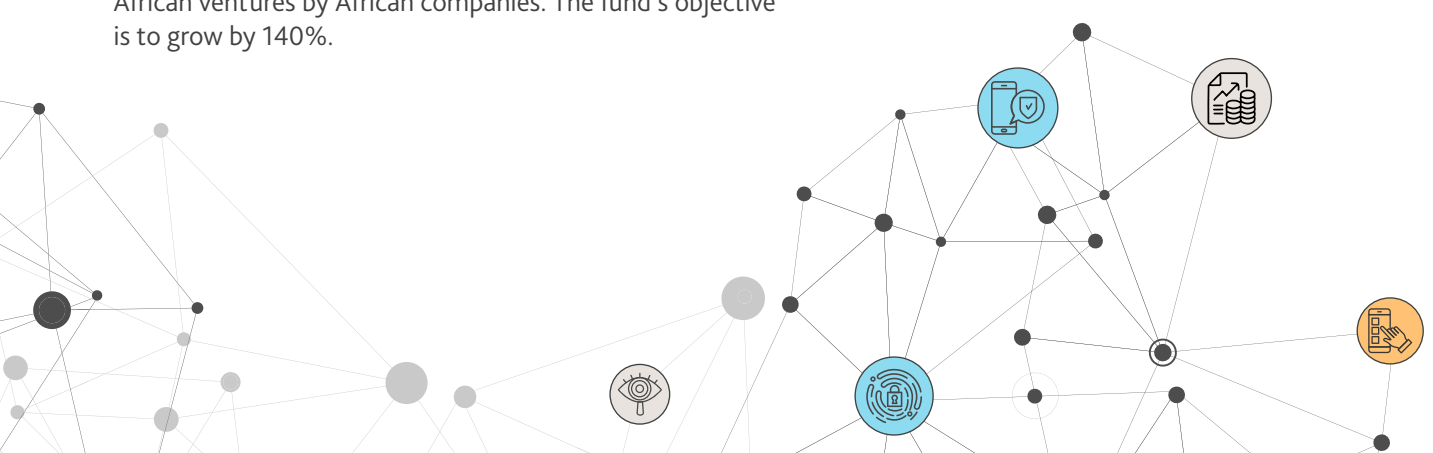
5.5. Fintech Investments in East Africa

M-Pesa is one of the most well-known Fintechs to come out of North Africa. M-Pesa, which stands for "Mobile Money" in Swahili, is a mobile-based financial service that was originally launched by Safaricom. M-Pesa allows users to perform a wide range of financial transactions and services using their mobile phones, without the need for a traditional bank account. M-Pesa has seen significant growth in the last few years. In 2022 M-Pesa has achieved 19.9 billion transactions which has jumped to 26 billion transactions in 2023.

M-Pesa transaction volume from 2017 to 2023

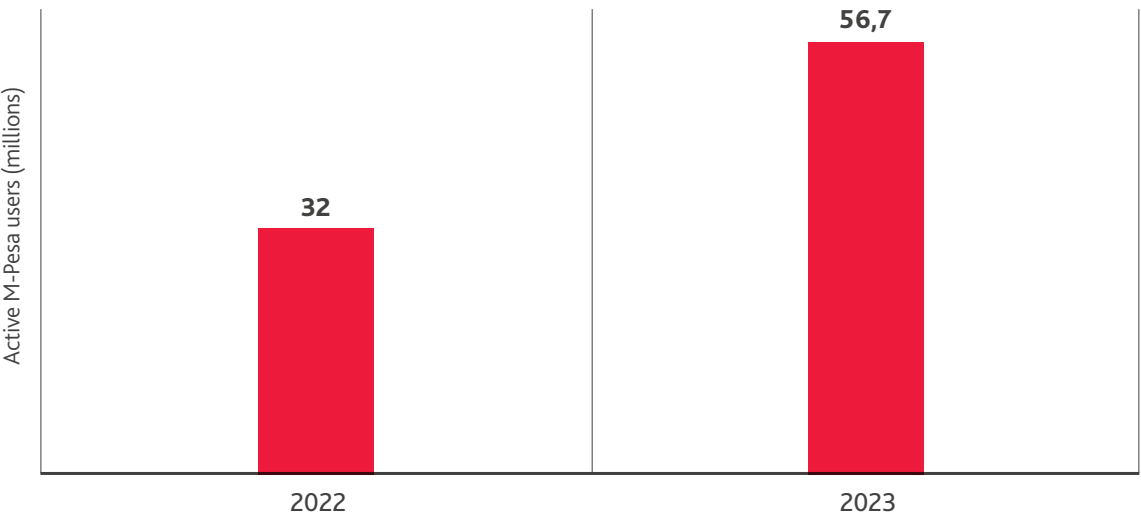


The rise in transactions can be attributed to the rise in users of M-Pesa. In 2022 there were 32 million active users, now in 2023 there is approximately 56.7 million active users. These figures clearly demonstrate how M-Pesa has dominated the East African Fintech Markets.



5 Eastern Africa

Active M-Pesa users



Furthermore - PesaKit - a free business app in Kenya that allows mobile money agents to become the go-to shop for affordable financial and digital services in their community has also been growing⁽¹⁸⁾. PesaKit has raised a total of US\$105K in funding as of 2021⁽¹⁹⁾.

Kwara - East African credit unions, often known as savings and credit cooperatives (SACCOs), will be able to use a neobank app that Kenyan Fintech start-up Kwara is creating with the help of a US\$4 million venture capital investment. On its platform, Kwara supported US\$40 million in transactions between credit unions and their members⁽²⁰⁾.

Nala, a Tanzanian cross-border payments company that recently turned from local to international money transfers, has raised US\$10 million in a fundraising round, in 2022. Riding off this mega investment this year Nala was able to expand its operations into the EU⁽²¹⁾.

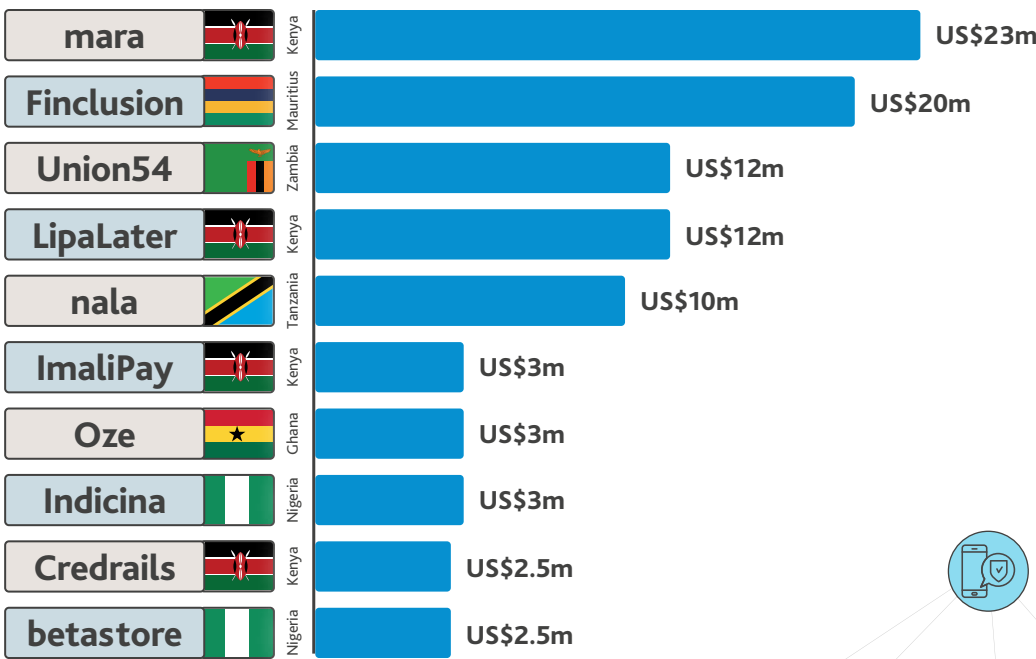
A-trader, is a Fintech start-up in East Africa located in Tanzania. It is the first African trading platform powdered with AI.

Exuus, located in Rwanda and founded in 2014 to digitise informal group savings by providing a decentralised group savings model. Exuus Ltd has raised a total of US\$150K in funding over 3 rounds⁽²²⁾.

5.6. BDO East Africa Financial Services

Fintech experts at BDO East Africa: Million Kibret, Managing Partner, BDO Ethiopia

Top 10 FinTech seed deals in Africa, H1 2022



Source: FinTech Global Research

*"As a result of the limited interconnectedness in the cross-border banking system and the significant number of migrant workers, there was a distinct requirement for secure methods to transfer money across different regions. **Consequently, mobile money and third-party payment systems have emerged as the leading solutions in this segment.** Kenya has been a leading superpower in the space across east Africa and will be expected to bring new innovation riding on the success they have seen in both 2023 and 2022."*

6 Southern Africa

6.1. Landscape and Demographics

The Southern African region consists of 11 countries: Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe and has an estimated population of 70 million inhabitants, 60 million of which are from South Africa. Southern African regions have a population growth rate of 0.962% for the year.

6.2. Overview of Southern African Fintechs

The Fintech industry in the Southern Africa region is growing rapidly and there are many new and innovative companies emerging constantly. This is demonstrated by the number of Fintech start-ups that have emerged in 2023. Start-ups from South Africa, Zambia, Angola, Zimbabwe and Botswana account for 159 new start-up ventures. This space is largely dominated by South Africa, which accounts for 20% of all new Fintech start-ups in Africa.

6.3. South Africa

The financial services industry in South Africa is internationally acknowledged for its high levels of innovation and sophistication. Over the last decade the Fintech sector has rapidly expanded which includes the reshaping of financial services through digitalisation, process optimisation, and innovative disruption.

South Africa's Fintech market has been consistently developing and accounts for 40% of all Fintech revenue in Africa. There is an emphasis on ongoing development.

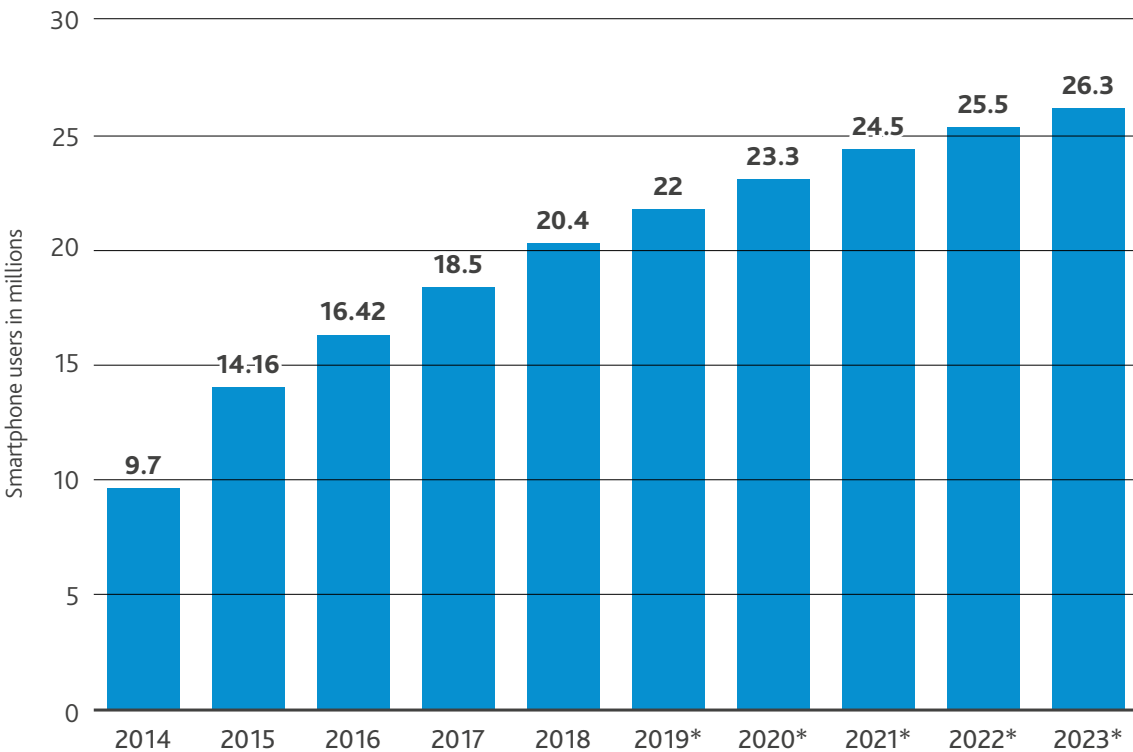
South Africa's commitment to improving and furthering their Fintech landscape can be attributed to various success factors such as:

6.3.1. Mobile Penetration

South Africa not only has a high rate of mobile penetration but also a high rate of smartphones in the country compared to numerous others. Approximately 95% of South Africans now have a mobile phone. In addition, what distinguishes it from some of sub-Saharan Africa, is that 91% of all phones in the country are now smartphones. This has grown from 43.5% in 2016 and 81.7% in 2018. This provides a robust platform for Fintech companies to reach a wider audience.

Mobile devices are often used to access financial services and conduct transactions, especially in areas with limited access to traditional banks. Below we observe the consistent exponential growth.

Smartphone users from 2014 to 2023



Source: Statista

"As a result of the limited interconnectedness in the cross-border banking system and the significant number of migrant workers, there was a distinct requirement for secure methods to transfer money across different regions. Consequently, mobile money and third-party payment systems have emerged as the leading solutions in this segment. Kenya has been a leading superpower in the space across east Africa and will be expected to bring new innovation riding on the success they have seen in both 2023 and 2022."



6 Southern Africa

6.3.2. A large unbanked population

While previous attempts at launching mobile money platforms in South Africa have failed, as many citizens have access to traditional bank accounts in a market that has a strong, entrenched financial system. However, Vodacom and MTN are targeting the unbanked again through super apps to disrupt the traditional financial systems. Fintech companies have focused on providing financial services to this market, addressing their specific needs and constraints.

6.3.3. Investments and funding

The South African Fintech sector has attracted significant investment and funding from both local and international investors. This financial support has allowed these companies to grow, innovate, and expand their offerings. From January 2015 till May 2022, a total of 357 individual South African tech start-ups raised a combined funding of just shy of US\$1billion (US\$993,684,600), a figure topped only by Nigeria at the time. As of 2023 across 171 rounds of funding, a US\$695,544,800 has been raised by South African start-ups thus far. Putting South Africa second to Nigeria, that is currently leading Fintech investments in 2023.

Leading Fintech investments 2023

| | | | | | | |
|-------------------|-----------------|-----------------|-----------------|-----------------|----------------|-----------------|
| 41.6% | 19.1% | 4.8% | 25.7% | 3% | 2% | 3.8% |
| 257 | 171 | 104 | 79 | 35 | 25 | |
| rounds | rounds | rounds | rounds | rounds | rounds | |
| Nigeria | South Africa | Kenya | Egypt | Ghana | Uganda | Other |
| US\$1,511,188,000 | US\$695,544,800 | US\$174,245,000 | US\$933,039,000 | US\$109,096,000 | US\$73,545,165 | US\$139,166,000 |

Source: Disrupt Africa 2022

6.3.4. Innovative solutions

South African Fintechs have been innovative in designing products and services that cater to the unique needs of their customers. This includes mobile banking apps, digital wallets, and peer-to-peer lending platforms.

6.3.5. Collaboration with Traditional banks

The country has a high banking penetration for an emerging market, at more than 80%. And extensive card penetration, more than 75% of adult consumers, as a result. These consumers are still underbanked and deal in cash, with only 30% stating they do more than three transactions per month. On this branch, many South African Fintechs have formed partnerships with traditional banks rather than trying to compete directly. This collaboration allows them to leverage the banks' infrastructure and customer base while offering innovative services.

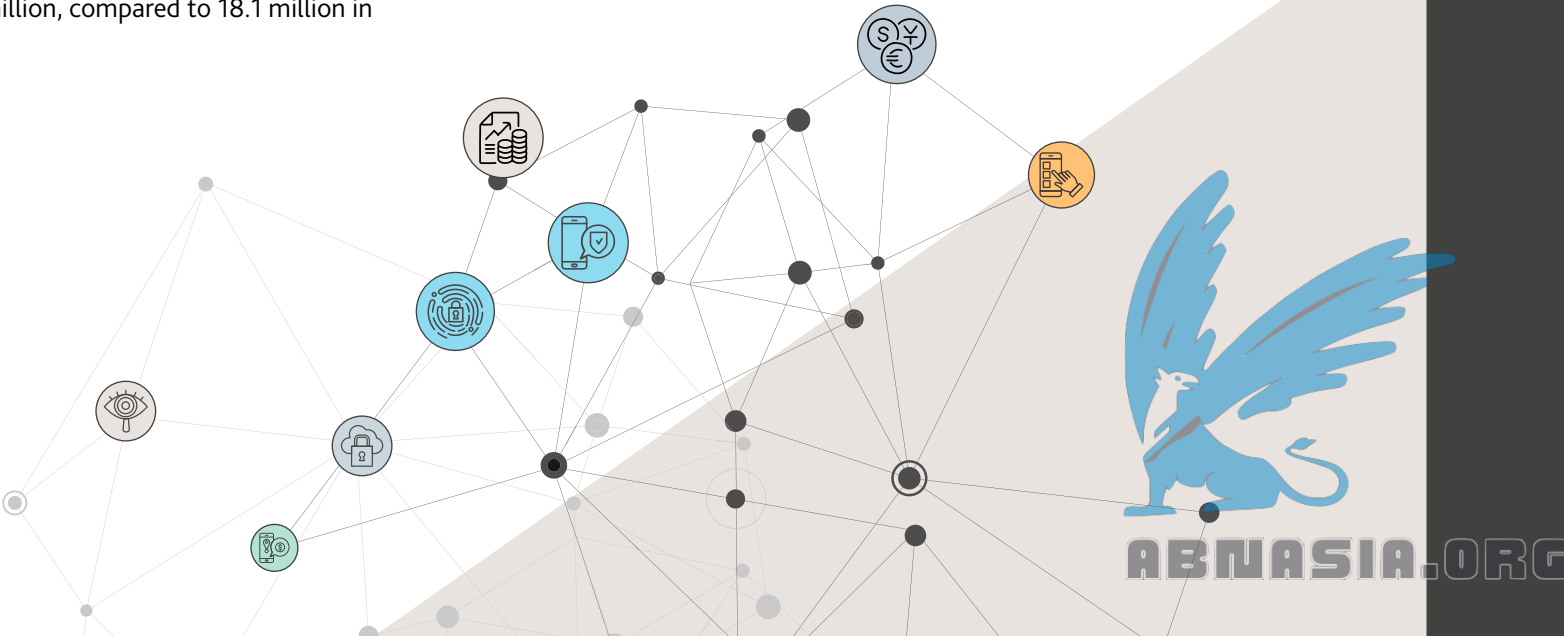
Capitec is a great example introducing its new CapitecPay feature. Capitec Bank has reported a 13% increase in its retail customers using digital channels. This growth represents an addition of 1.3 million new customers, bringing the total to 11.4 million by the end of February 2023. This is a significant rise from the previous year's figure of 10.1 million. As a banking group committed to providing a straightforward and digitally focused banking solution, Capitec Bank also experienced an 11% increase in its overall active customer base. The total number of active customers rose to 20.1 million, compared to 18.1 million in 2022.

While South Africa has reached immense success, the country also faces significant challenges.

Traditional financial institutions still dominate the sector, which poses many challenges for Fintech companies looking to expand. These challenges are heightened by a guarded approach to funding, a lack of entrepreneurial skills, and the complexity of South Africa's regulatory environment.

The regulations behind mobile money, have attributed to the fact that it is not as successful as other Fintech counterparts. South African regulations require a merchant to have a specific financial services provider license. In regions such as Kenya and Tanzania, they do not have regulations like this and therefore, the growth of their mobile money usage has skyrocketed in comparison. Internet and mobile banking have been impressive in the local market, mobile money services have struggled to make an impact in South Africa.

It's important to note that while South African Fintechs have seen great success, they also face challenges such as regulatory compliance, cybersecurity and competition. Nevertheless, the ability to adapt to local conditions, innovate, and address specific financial needs has been key to their success in South Africa's dynamic financial landscape.



Southern Africa

6.4. Leading Fintech Investments in South Africa

South Africa's Fintech scene is booming, with innovative start-ups emerging across the country, offering new solutions to old problems. From personal finance to insurance and banking, these start-ups are leveraging technology to revolutionise the financial services industry. Here are some South African Fintechs to keep your eye on:

6.4.1. PayJustNow

PayJustNow is a buy-now-pay-later platform that allows consumers to make purchases and pay in three interest-free, zero-fee installments. PayJustNow's latest venture is with South African grocer Pick 'n Pay. Which allows customers to purchase "high-ticket" (and non-food) items and pay them back later. Customers are expected to pay 34% of an item's price upfront, splitting up the remaining 66% into two 33% installments, "aligned with their subsequent salary dates"⁽³³⁾. This aligns with the growing trend of buying on credit in South Africa.

6.4.2. Lulalend

Lulalend is an online lending platform for small and medium-sized enterprises (SMEs). The start-up uses an automated process to provide fast, flexible financing to businesses. Lulalend raised a staggering US\$35 million Series B funding round, led by global impact investor Light rock. Over the past three years, Lulalend embedded credit solutions into partners such as telecom operator Vodacom, Fintech Yoco, and e-commerce giant Takealot as part of a credit distribution strategy⁽³⁴⁾.

6.4.3. Yoco

Yoco is a point-of-sale payments provider that caters to small businesses. The start-up offers a range of payment solutions, including card machines and online payment gateways. This ensures easier methods for businesses to accept payments. The company has now reached a customer base of 350,000 local merchants as demand for its payment devices grows across the nation⁽³⁵⁾.

6.4.4. Naked Insurance

Naked Insurance is a digital insurance platform that offers car, home, and contents insurance. The start-up uses artificial intelligence to provide instant, personalised quotes, making the insurance process faster and more efficient. Naked recently raised a US\$17 million Series B to scale its product offering⁽³⁶⁾.

6.4.5. Jumo

Jumo is a mobile money marketplace that provides financial services to people who are typically underserved by traditional banks. The start-up uses data science and machine learning to create personalised financial products for its users. As of 2021, Jumo had secured US\$120 million of funding to be used to further their range of services⁽³⁷⁾.

6.5. Other Southern Africa Regions

6.5.1. Angola

Angolan Fintechs are changing the country's financial services, as well as contributing to the development of emerging economies in the digital age. Fintechs such as PayPay Africa, Kubinga Wallet, BayQi and others, are raising awareness of the need to boost innovation in the financial sectors of Angola. Angola has boosted its initiatives to promote Fintechs across the region. This can be seen by its attempt to hold the first edition of the Angola Fintech Summit. This summit aimed to connect regulators, financial institutions, telecommunications companies, Fintech start-ups and national and international experts. The purpose was that together they can reflect, share, and inspire innovation in the financial industry. In addition, the IFC has partnered with Acelera Angola, a leading Angolan incubator and accelerator, to help the company expand, support innovative tech start-ups and drive inclusive economic growth in the country.

6.5.2. Botswana

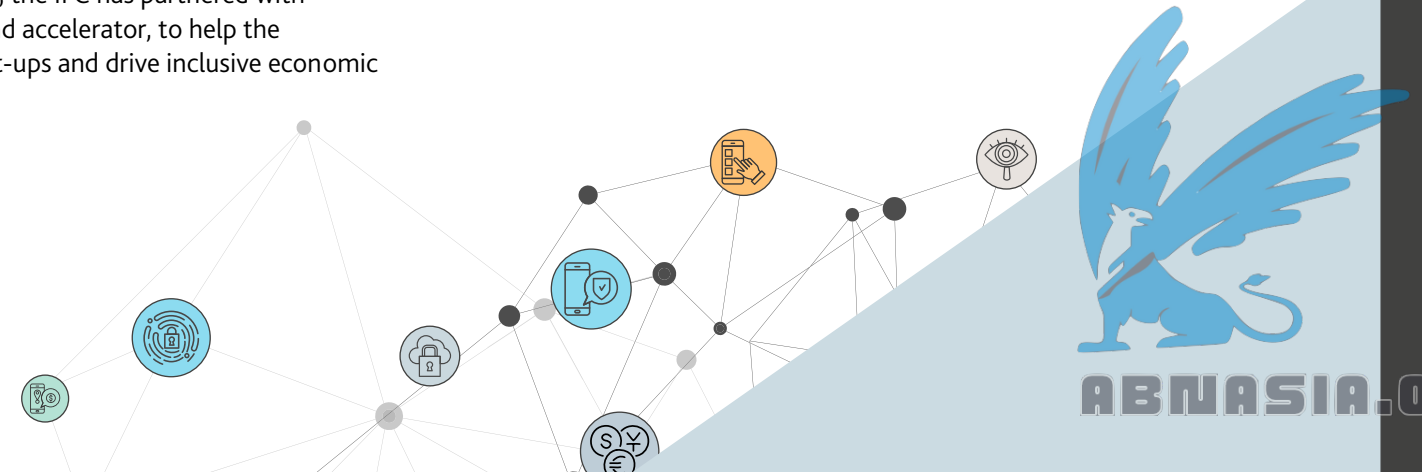
In 2018, the bank of Botswana decided work with the IMF and Bank of Canada on an innovative two-day workshop on 'Fintech, Payments and Financial Inclusion: Unlocking the Potential of Financial Innovation for Sub-Saharan Africa.' This was Botswana's attempt at exploring Fintechs as a serious economic venture⁽³⁸⁾. A large percentage of Botswana's adult population is unbanked, approximately 40%, which has led to some of Botswana's largest commercial banks partnering with mobile telecommunications service providers to provide e-money services. This was to draw more of the population in. Fintech in Botswana is still young and still developing.

6.6. African Tech Moves: BDO Financial Services

South Africa houses multiple technology divisions including the Financial Services Technology team. BDO South Africa holds leading experts such as Nevellan Moodley, Imtiaaz Hashim, Bernard Van Der Walt, and Shehnaaz Suleman. A Crypto Desk has been launched which is focused on assisting BDO member Firms in Africa, Asia, Australasia, and the Middle East with navigating assurance and technical accounting approaches related to Crypto engagements.

BDO has numerous offices across Southern Africa, offering services within the Fintech industry such as auditing, project assurance, advisory as well and outsourcing services.

There are various different services that BDO offers as a firm and is constantly expanding its service offering across Southern Africa, and globally, with the intake of specialists as well as providing more advisory services.



7 Western Africa

7.1. Landscape and Demographics

West Africa consists of 16 countries which include Benin, Burkina Faso, Cabo Verde, Ivory Coast, Gambia, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo. The current population of Western Africa is 441,775,069.

Nigeria is the most populated country in West Africa followed by Ghana and Cote d'Ivoire. The Nigerian Fintech market is growing especially fast and is currently at the forefront of Fintech in Africa⁽¹³⁾.

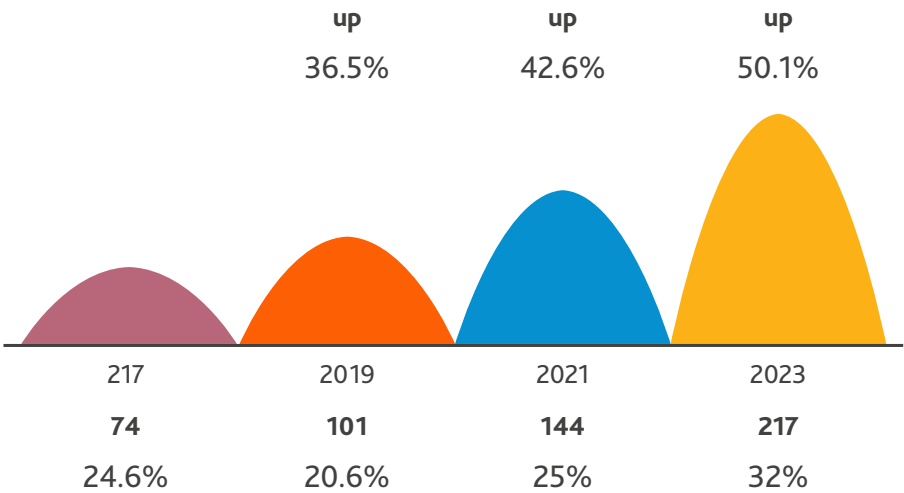
7.2. West African Fintech Overview.

West Africa is home to some of the largest and most successful African Fintechs. This region has seen massive investments into its Fintech sector and shows no signs of stopping. Which has made West Africa a significant contributor to technological development on the continent. Nigeria is considered the technological hub of Africa.

7.3. Nigeria

Nigeria houses some of Africa's most successful and innovative ventures. Nigeria is part of the "Big 3" Fintech markets in Africa. Out of 678 start-up Fintechs in 2023, 217 of them are from Nigeria which equates to 32%. This is why Nigeria can be seen as Africa's Fintech hotspot. This is up 50.1% on 144 in 2021, which had in turn been up from 101 in 2019 and 74 in 2017. Nigeria's total market share is also on the rise, up to 32 % from 25% in 2021, and 20.6% in 2019. (disrupt) There are several factors which lead to Nigeria winning the African Market.

Active Nigerian Fintech start-ups 2017 – 2023



Source: Disrupt Africa 2022

7.3.1. A large market

Nigeria's population is currently at more than 200 million inhabitants. This makes it the country with the largest population in Africa⁽³⁹⁾. It also helps that much of Nigeria's population is young. Half of Nigeria's population is under 19 years of age, and over 65 % are under 35 years old. This makes it easier for Fintechs that deliver their solutions entirely online or through the help of a digital device, due to the fact that this young population is more comfortable with using digital devices and services.

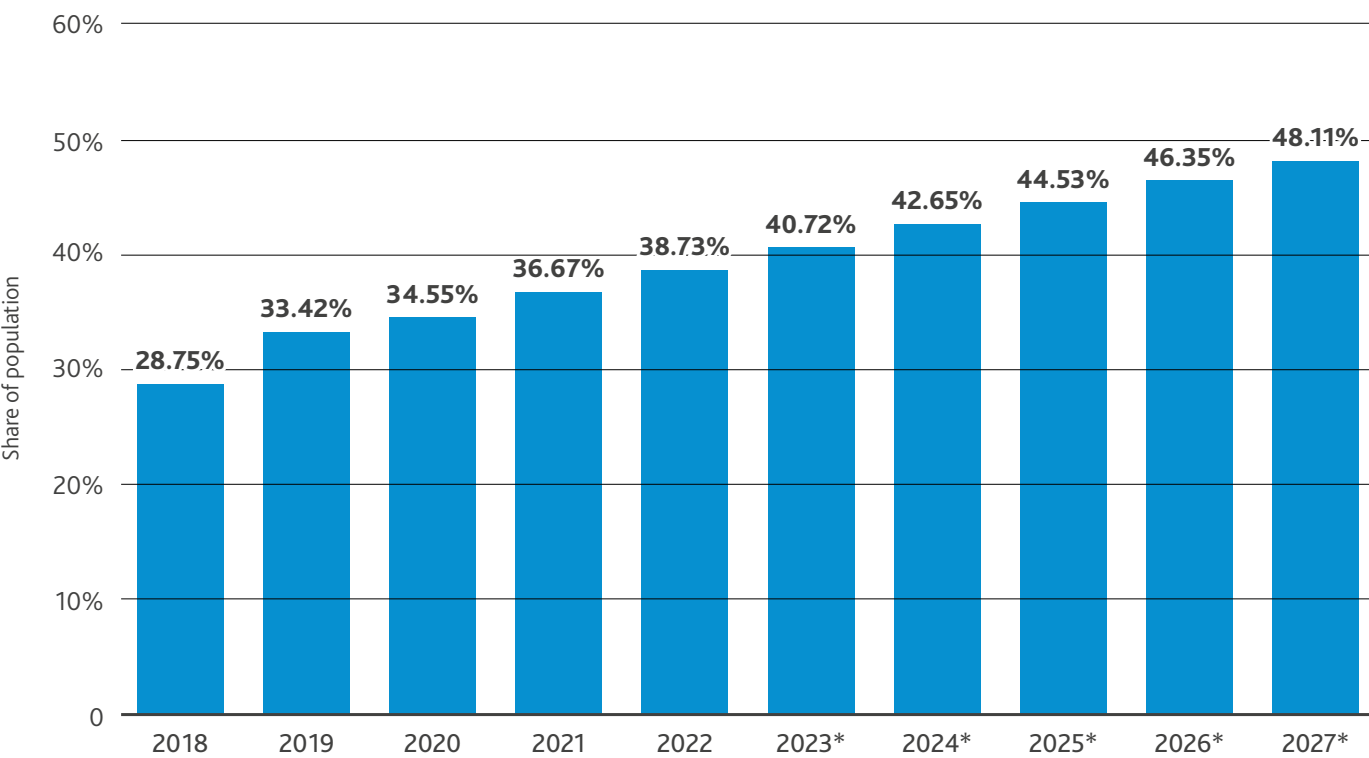
7.3.2. Rising mobile and internet penetration

With such a large and young population, internet and mobile phone usage is at an all-time high. The success of many Fintech initiatives hinges on customers' internet accessibility and smartphone usage. In Nigeria, these factors are on the rise, offering a promising landscape for start-ups. Nigeria boasts an estimated 109 million internet users, and it is projected that by 2027 nearly half of the country's internet users will access it via mobile devices. As buy now pay later solutions gain traction, this figure is expected to continue its upward trajectory. Additionally, there are over 187 million mobile connections which is almost 90% of Nigeria's population.



7 Western Africa

Internet user penetration in Nigeria from 2018 to 2027



Source: Statista

7.3.3. Funding for Fintech start-ups

Since January 2015, over US\$1.5 billion has been invested in Nigeria across 257 rounds, far more than anywhere else in Africa. Nigeria takes up 41.6% of funding for Fintech start-ups in Africa. Riding off of the vast international and local investments, it has helped several unicorns (companies that achieve valuation over US\$1 billion) such as Interswitch, Flutterwave, Opay, and Esusu.

The investments and funding that Fintechs have been receiving have created an economic ripple. As of 2022 the financial services sector contributed 5% to Nigeria's GDP from 3% 5 years ago. This highlights the role Fintechs have played as a major driver of the growth of the sub-sector⁽⁴⁰⁾.

7.3.4. A robust ecosystem to support innovation

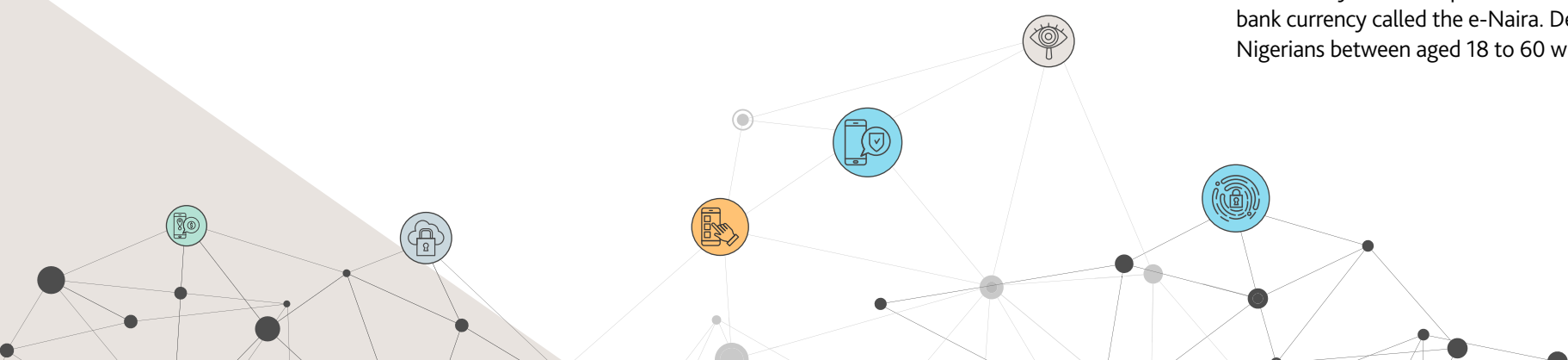
Nigeria has an established ecosystem of financial services providers. This makes it easier for Fintech entrepreneurs to create banking solutions and lending infrastructure. These are thus financial institutions that can be leveraged on. Insurance has a very low penetration rate of just 0.4 %. Less than 30 % of adult Nigerians have, or have used, financial services from non-banking institutions. In addition, 97% of Nigerians do not have health insurance, investments/wealth management and cross border payments.

These can all be leveraged by partnering with financial services providers. Another potential solution which could play a strong role in the future of Nigeria's financial ecosystem is buy now pay later (BNPL), as only 3% of Nigerians own a credit card. Usage of BNPL last year was estimated at US\$325million in Nigeria. It is projected to hit US\$1.195billion by 2028.

7.3.5. Growing E-Commerce activities

There is an increasing appetite for online purchases as many Nigerians are now more comfortable with online shopping. This has created a gap for Fintechs to capitalise on, such as the BNPL models. Whether it's a payment or lending infrastructure, Fintech start-ups help eCommerce to thrive and with experts predicting online shoppers to reach 122 million by 2025, there is a huge opportunity for Fintech start-ups to latch onto.

Additionally, this has opened the door to use cryptocurrencies as a form of payment. Nigeria has introduced a digital central bank currency called the e-Naira. Despite there being a ban on crypto currencies, it remains popular with at least 33.4 million Nigerians between aged 18 to 60 who have invested in digital assets in the past six months.



Western Africa

7.4. Other West African Regions

7.4.1. Senegal

Senegal's capital is Dakar and approximately two-thirds of ATMs and of points of service for traditional financial institutions are located within Dakar. Much of Senegal's population is still rural, and therefore the emergence of Fintechs in this region is relatively scarce in comparison to the rest of Africa. It's estimated there are 24 Fintechs and 47 enablers and funding partners in the country. Senegal climbed to fame in 2021, the first African Francophone Fintech achieved unicorn status.

Wave Digital Finance had raised US\$200million from four big Silicon Valley venture capital firms, pushing its valuation to US\$1.7billion. Prior to this mega deal, the Fintech ecosystem in Senegal was home to only 70 start-ups and had only raised US\$26million in 2021. Riding off of the success of Wave by 2025, it aims to create 35,000 new jobs in the field of technology.

7.5. Leading Fintech Investments in West Africa

7.5.1. OPay

Founded in 2018, OPay is a Nigerian start-up specialising in mobile payments. It provides a range of services such as offline and online payments, a digital wallet powered by artificial intelligence (AI), savings products, and various Fintech offerings. With an impressive reach, OPay boasts over 15 million registered wallet users and 600,000 merchants across the nation. It also processes transactions exceeding US\$6 billion in monthly value. Notably, OPay has secured substantial funding of US\$570 million in disclosed investments and currently holds a valuation of US\$2 billion⁽¹⁶⁾.

7.5.2. Flutterwave

Launched in 2016, Flutterwave is a global payments technology company servicing businesses and payment services providers looking to expand their operations in Africa. The firm offers a platform that facilitates cross-border transactions using a single API, handling payments in 150 different currencies. It supports various payment methods, encompassing both local and international cards, mobile wallets, and bank transfers. Flutterwave has secured substantial funding, amounting to US\$474.7 million, and currently holds a valuation of US\$3 billion.

7.5.3. Interswitch

Interswitch is a company based in Nigeria that operates as an integrated payment and digital commerce platform, primarily concentrating on the African market. Originally established in 2002 as a transaction switching and processing entity with a nationwide scope, it later diversified to offer consumer financial services. These include Verve, a domestically recognised payment card programme with EMV certification, and Quickteller, a comprehensive retail payments ecosystem linking consumers, merchants, and billers. Interswitch has successfully secured US\$321 million in fundraising, with its latest funding round amounting to US\$110 million. Resulting in a valuation exceeding US\$1 billion.

7.5.4. Chipper Cash

Established in 2018, Chipper Cash goes beyond merely creating software solutions for businesses and merchants to manage both online and in-person transactions. The company also specialises in crafting innovative solutions that empower seamless and cost-free peer-to-peer cross-border payments spanning Africa, Europe, and the United States. Furthermore, Chipper Cash extends its services to cater to a wide spectrum of private investments, including stock trading. Notably, the company has successfully garnered US\$302 million in investments and holds a valuation of US\$2 billion, with its latest funding round, a Series C investment, securing an impressive US\$250 million.

7.5.5. Wave

Established in 2017, Wave is a start-up specialising in mobile money services. The company operates as an agent network that leverages available cash to provide services, including free deposits, withdrawals, bill payments, and money transfers with a 1% fee.

Wave reports serving over 10 million users monthly in its operational regions, with a particular claim to being the largest mobile money provider in Senegal. It is noteworthy that Wave has been granted an E-Money License by the Central Bank of the West African States, enabling it to directly offer its current array of financial products to customers and eliminating the need for reliance on partner banks. To date, Wave has secured over US\$290 million in funding from both equity and debt sources and has achieved a valuation of US\$1.7 billion.



7 Western Africa

7.6. Trends in the West African Landscape

The financial technology industry in West Africa is seeing substantial development, which is characterised by the establishment of various pioneering enterprises that strive to respond to the financial needs of a population that is mostly unbanked.

The emergence of mobile money has gained significant traction in West Africa, establishing itself as a prominent Fintech solution. This innovative product has garnered immense popularity, boasting a user base of more than 100 million individuals actively engaging with the service within the area. Mobile money enables individuals to engage in financial transactions such as money transfers, bill payments and retail sales via the use of their mobile devices.

The expansion of online financing is emerging as a swiftly developing sector within the Fintech industry of West Africa. Online lenders provide loans to both people and companies through their websites or mobile applications. This method offers a straightforward and easily accessible avenue for individuals to get the necessary financial resources.

The use of artificial intelligence (AI), along with numerous other emerging technologies, has seen continuous exponential growth. Fintech businesses operating in West Africa have progressively adopted AI technologies to automate operations, enhance customer service, and foster the creation of novel goods and services. As an example, AI is now being used in several domains such as fraud detection, customisation of marketing campaigns, and provision of financial advisory services.

The emergence and progression of 'Regtech'. Regtech is a widely used terminology that refers to the utilisation of technological advancements in aiding financial firms to effectively adhere to regulatory frameworks. The significance of Regtech is growing in West Africa due to the implementation of novel rules by regional governments pertaining to the Fintech sector.

The proliferation of cross-border payments has been facilitated by the advent of financial technology (Fintech) solutions, resulting in enhanced accessibility and cost-effectiveness. This initiative facilitates the process of money transfer between individuals and enterprises in West Africa and other countries, enhancing convenience and accessibility.

There are many instances of several creative financial technology firms that are now blooming in the West African region.

- ▶ TelaBot is an artificial intelligence-based chatbot developed in Ghana, designed to assist companies in automating various customer support functions. TelaBot has the capability to provide responses to inquiries, address concerns, and facilitate sales transactions.
- ▶ Kuda: Kuda is a financial institution based in Nigeria that provides a banking service only via mobile devices. Kuda has a client base over one million individuals, positioning it as a prominent and rapidly expanding financial institution within the African continent.
- ▶ Yellow Card is a cryptocurrency exchange based in Ghana that facilitates the buying, selling, and trading of various cryptocurrencies. Yellow Card has a substantial user base of more than 500,000 individuals, positioning it as a prominent player in the African bitcoin trading market.

7.7. BDO Financial Services: West Africa

BDO Financial Services One of the newest branches of BDO is within West Africa. There is now a BDO in Ivory Coast as well as Togo with leading experts such as:

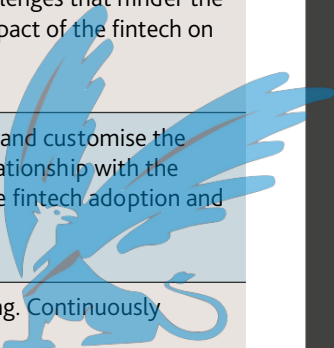
- ▶ Yawo Djidotor (Certified Public Accountant – Head of Audit and Insurance Manager BDO Togo)
- ▶ Hady Drame (Certified Public Accountant (CISA) – Managing Partner BDO Ivory Coast)
- ▶ Leon Kpinso (IT Manager – BDO Ivory Coast)
- ▶ Theodore Orria (Manager of Business and Services Outsourcing – BDO Ivory Coast)
- ▶ Mance Sede (Auditeur Comptable et Financier – BDO Ivory Coast)



9 Appendix: Risk Matrix

A general risk matrix for fintech risk in Africa is shown below. The matrix categorises the risks according to their likelihood (low, medium, high) and impact (low, medium, high) on the fintech sector and its stakeholders. The matrix also indicates the main sources and mitigation strategies for each risk.

| Risk | Likelihood | Impact | Source | Mitigation |
|---|------------|--------|--|---|
| Regulatory Uncertainty (Unclear or slow-moving regulations) | High | High | Lack of harmonised and clear regulations for fintech across different countries and regions; gaps and inconsistencies in the legal and supervisory frameworks; challenges in implementing and enforcing the regulations; lack of coordination and cooperation among the regulators and other stakeholders. | Enhance the regulatory clarity and transparency; adopt a balanced and proportionate approach to regulation that fosters innovation while ensuring consumer protection and financial stability; develop and implement common standards and guidelines for fintech; strengthen the collaboration and dialogue among the regulators and the fintech industry; establish regulatory sandboxes and innovation hubs to test and support new fintech solutions. |
| Fragmented Infrastructure (Limited internet access and underdeveloped digital infrastructure) | High | High | Limited and unreliable access to electricity, internet, mobile networks, and payment systems; low penetration and adoption of digital devices and services; high costs and inefficiencies of the infrastructure; lack of interoperability and integration among the different platforms and systems. | Invest in and upgrade the physical and digital infrastructure; promote the availability and affordability of digital devices and services; ensure the quality and security of the infrastructure; foster the interoperability and compatibility of the platforms and systems; leverage the existing infrastructure and partnerships to expand the fintech reach and access. |
| Data Security Breaches (Vulnerability to cyberattacks and data leaks) | High | High | Increase in the frequency and sophistication of cyberattacks targeting the fintech sector; vulnerability of the fintech systems and data to hacking, theft, manipulation, and sabotage; weak cybersecurity measures and protocols; lack of awareness and preparedness among the fintech service providers and users. | Implement and enforce robust cybersecurity policies and practices; adopt the latest technologies and tools to protect the fintech systems and data; monitor and detect the cyber threats and incidents; enhance the cybersecurity awareness and education among the fintech service providers and users; develop and test the contingency and recovery plans. |
| Fraud | Medium | Medium | Risk of fraudulent activities and schemes involving the Fintech sector; misuse and abuse of the fintech services and products; deception and manipulation of the fintech customers; lack of adequate verification and authentication mechanisms; low level of trust and confidence among the fintech users. | Strengthen the verification and authentication processes; use biometric and blockchain technologies to enhance the identity and transaction security; monitor and prevent the fraudulent transactions and behaviours; increase the transparency and accountability of the fintech service providers; educate and inform the fintech users about the potential fraud risks and how to avoid them. |
| Financial Literacy Gap (Limited understanding of financial products and services) | Low | Medium | Possible exclusion or marginalisation of some segments of the population from the fintech sector due to the digital divide, literacy barriers, socio-cultural factors, affordability issues, or discrimination; risk of widening the financial inclusion gap and exacerbating the inequalities. | Design and deliver the fintech services and products that are accessible, affordable, and appropriate for the diverse and specific needs and preferences of the different groups; ensure the inclusiveness and diversity of the fintech sector; address the barriers and challenges that hinder the fintech adoption and usage; provide the necessary support and assistance to the fintech users; evaluate and monitor the impact of the fintech on the financial inclusion. |
| Socio-cultural barriers | Low | Medium | Resistance or reluctance of some people to use the fintech services and products due to their social and cultural norms, values, beliefs, or traditions; lack of familiarity and comfort with the fintech solutions; preference for the conventional and informal financial services and methods. | Respect and understand the social and cultural context and factors that influence the fintech behaviour and decision; tailor and customise the fintech services and products according to the local and specific needs and preferences; build and maintain the trust and relationship with the fintech customers; raise the awareness and knowledge of the fintech benefits and advantages; encourage and incentivise the fintech adoption and usage. |
| Competition | Medium | Low | Intensifying competition from established players and new entrants. | Focus on niche markets or unique value propositions. Foster strategic partnerships for market expansion and resource sharing. Continuously innovate and adapt to changing market dynamics. |



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