

STATE OF FINTECH IN AFRICA: FIRST HALF 2024

September 2024



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Foreword

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The true strength of Africa's fintech ecosystem lies not solely in financial capital, but in the people who drive innovation and shape the industry's future. The rapid growth of fintech in Africa has not solely been a product of increased investment; rather, it has been propelled by a dedicated focus on nurturing talent. This foundational element has been crucial in creating a skilled workforce capable of leveraging technology to meet the diverse needs of Africans. Thus, there is a need to prioritize policies that foster human capital development, ensuring that the next generation of innovators and financial professionals is equipped to navigate the complexities of a rapidly evolving landscape of fintech across Africa.

The "State of Fintech Africa" report for H1 2024 arrives at a critical juncture, highlighting both the challenges and opportunities facing Africa's rapidly evolving fintech sector. While the significant decline in investments is a cause for concern, the resilience shown in certain regions and the crucial role of human capital in driving sustainable growth provides a glimmer of hope. This report serves as a crucial resource for stakeholders across the fintech landscape, providing insights into funding trends and the broader economic context. It also sheds light on the resilience of East Africa's fintech sector, where innovation labs and entrepreneurial ecosystems have provided crucial support for startups and entrepreneurs. We hope that the findings will inspire collaborative efforts to build a robust financial system that not only attracts investment but also empowers young Africans to thrive.

In conclusion, as we navigate the complexities of the fintech environment, let us remember that the true strength of our industry lies not just in capital but in the people who drive it. By investing in human capital, we can ensure a sustainable and inclusive future for Africa's fintech sector. Through collaborative efforts and a focus on nurturing talent, we can build a thriving fintech ecosystem that empowers Africans and drives economic growth across the continent.

Executive Summary

In the first half of 2024, investments in the fintech sector in Africa declined significantly, dropping 77% to US\$186 million from US\$826 million in 1H 2023. The number of deals decreased 30% year-on-year and average deal size fell to US\$4 million in 1H 2024 from US\$10.5 million in 1H 2023.

Quarterly, capital invested in Africa's fintech sector fell to US\$82 million in Q2 2024, from US\$339 million in Q2 2023. The number of deals fell to 58 in Q2 2024 across Africa, from 71 in Q2 2023. Nigeria, Cote d'Ivoire, and South Africa remained the primary recipients of FinTech funding, with their combined contribution of 76% in Q2 2024.

East Africa's FinTech sector grew in Q2 2024, with total investment increasing two-fold to US\$16.5 million compared to the same quarter in 2023, led by Zambia and Seychelles, the same as in Q2 2023. Innovation labs in East Africa, such as the private hubs, Nakuru Box and Adanian Labs Africa, have provided crucial support for entrepreneurs and startups. These labs and other hubs provide mentorship, business opportunities, and platforms for startups to thrive, addressing the skills gap in the region through capacity-building programs. For instance, Adanian Labs has partnered with the Artificial Intelligence Centre for Excellence and the Africa Blockchain Centre in June 2024 to train 3,000 Web3 developers to enhance capacity across the continent.

Overall, while FinTech in Africa faced significant funding challenges in the first half of 2024, resilience in deal activity and East Africa indicates potential areas of growth and innovation.



"In Rwanda, we promote innovation hubs, and this is happening in Kenya, this is happening in Nigeria, in South Africa and different African countries. These innovation hubs are also supporting the young population to come up with new products, create a testing environment, link them with financiers."

John Rwangombwa, Governor,
National Bank of Rwanda, Point Zero Forum,
July 2024

Fintech Funding in Africa

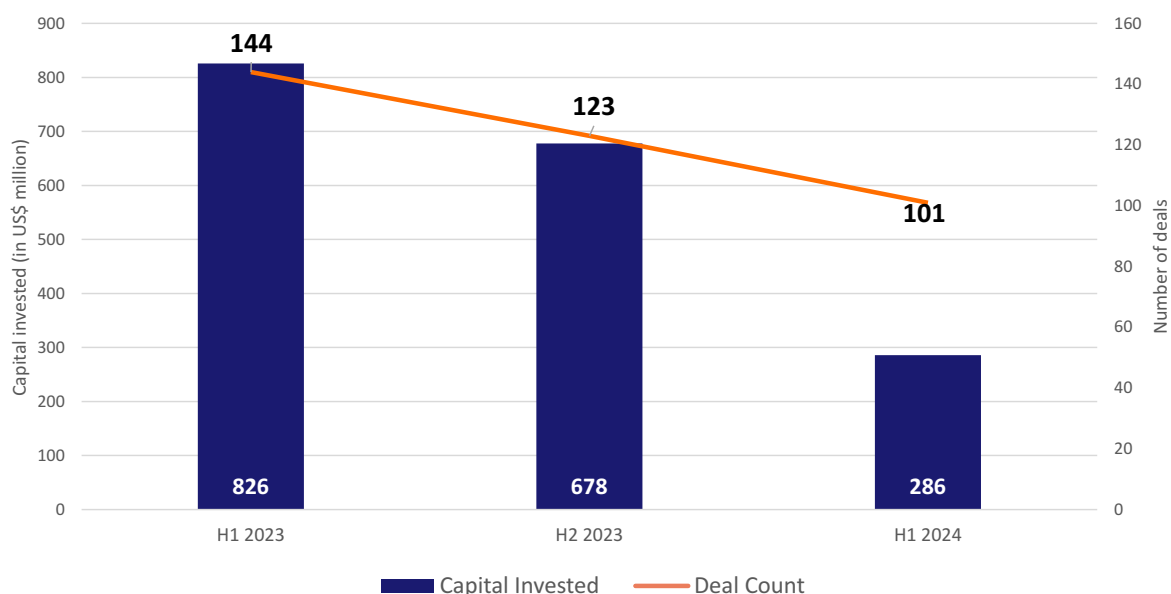
First Half 2024

In 1H 2024 in Africa, investments declined 77% over 1H 2023¹, with a total of US\$286 million raised, versus US\$826 million in 1H 2023 (Figure 1 on next page). Globally, the fintech sector investments declined 18% in 1H 2024 over 1H 2023². Average deal size on the continent declined to US\$4.0 million in 1H 2024 from US\$10.5 million in 1H 2023. The biggest transaction in 1H 2024 in Africa included Moove's US\$100 million series B fundraising in March 2024. Moove originated in Nigeria and thus has been included in the analysis.

Deal activity was resilient, although it declined 30%, from 144 deals in 1H 2023 to 100 deals in 1H 2024³. The trend is similar globally, with deal activity falling by almost 20% in 1H 2024 compared to 1H 2023 (Figure 1).

Figure 2 on next page shows monthly investment trends from 2023 to 1H 2024.

Figure 1: Total Funding in Africa, 1H 2023 – 1H 2024

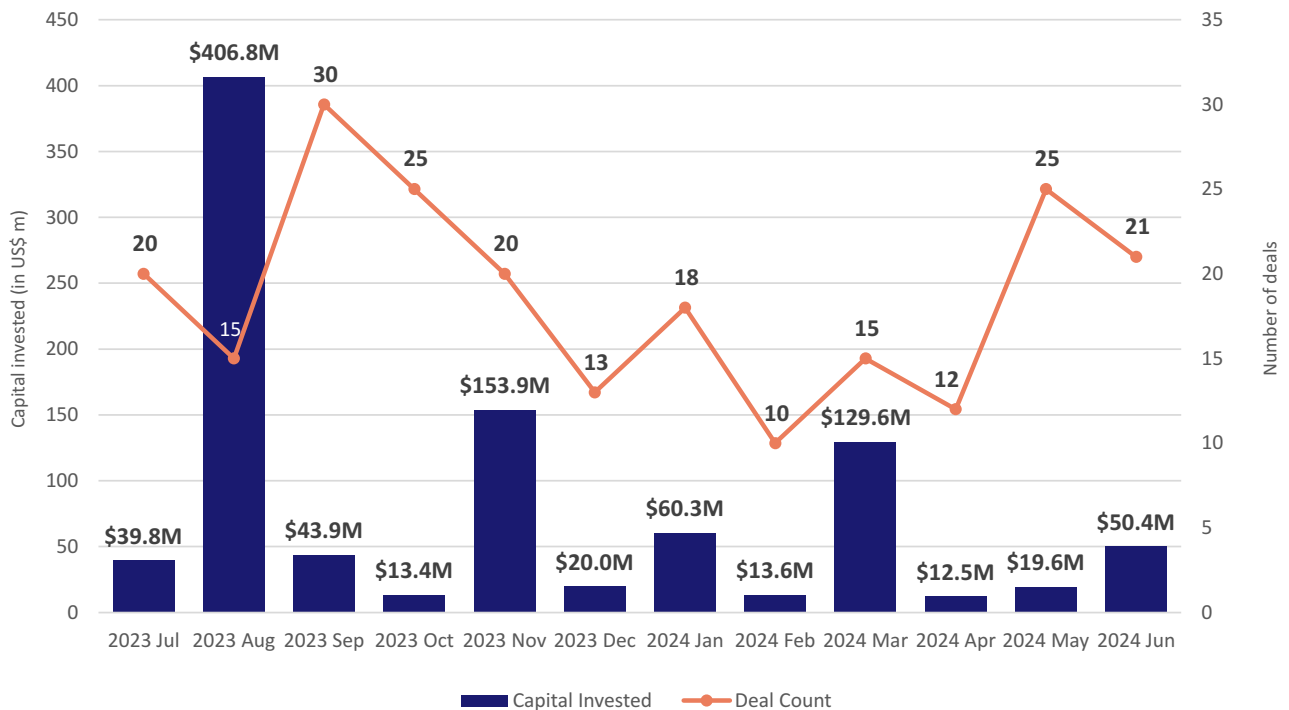


¹ For the scope of this report, we only include the following deal types - venture capital (VC), private equity (PE), and mergers & acquisitions (M&A)

² Only includes disclosed deals.

³ As of 19 August 2024.

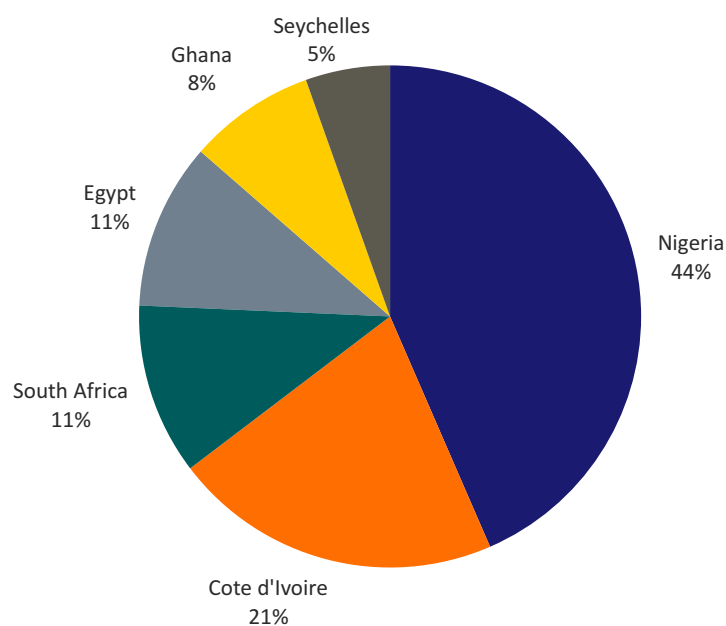
Figure 2: Total Fintech Funding in Africa, by month, January 2023 – June 2024



Source: PitchBook and Elevandi Analysis.

In 1H 2024, Nigeria, Cote d'Ivoire, South Africa, Egypt, Ghana, and Seychelles collectively accounted for 99% of total funding in Africa. Nigeria accounted for 44% of the total fintech funding, Cote d'Ivoire for 21%, South Africa for 11%, Egypt for 11%, while Ghana and Seychelles accounted for 8% and 5%, respectively (Figure 3).

Figure 3: 1H 2024 Fintech Funding, by country



Source: PitchBook and Elevandi Analysis.

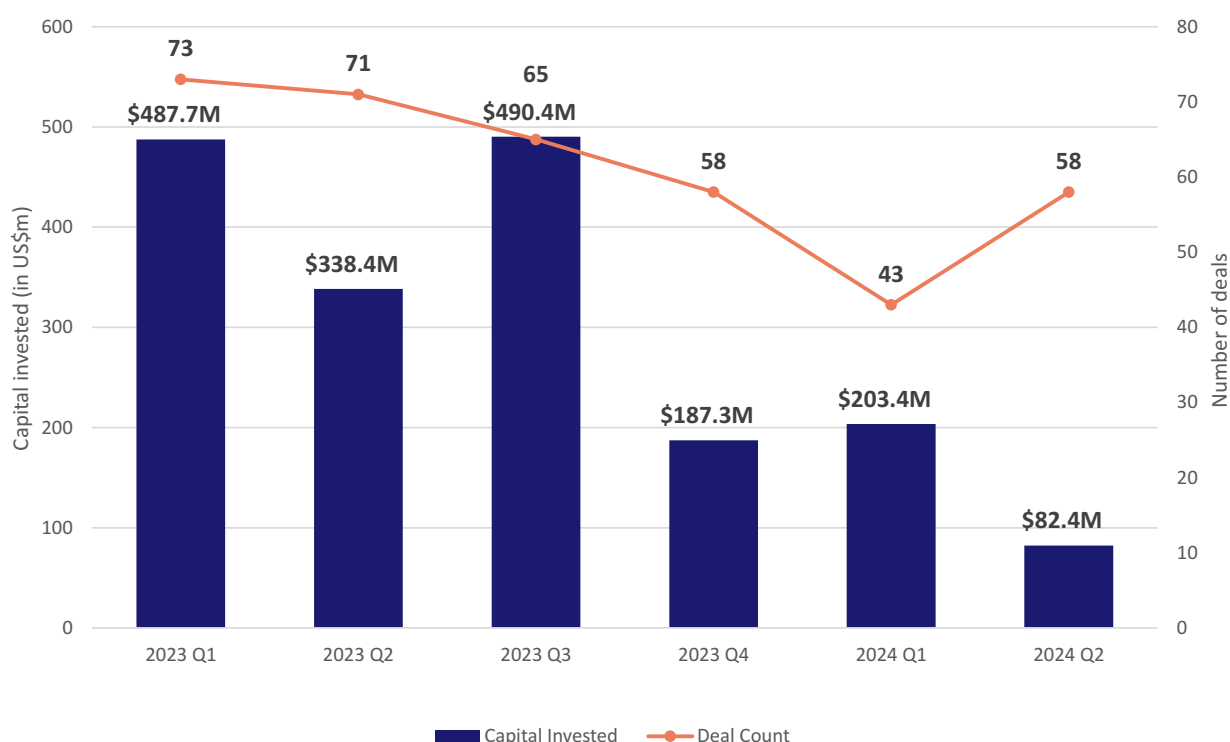
Fintech Investment in Africa: Q2 2024

FinTech investments⁴ declined a significant 75% to US\$82 million in Q2 2024 in Africa from US\$339 million in Q2 2023. The number of deals was resilient year-on-year, however, declining only 18% to 58 deals in Q2 2024, from 71 in Q2 2023 (Figure 4 on next page).⁵

In contrast, global fintech investments increased to US\$18.8 billion in Q2 2024 from US\$16.0 billion in Q2 2023.

In Q2 2024, South Africa and Egypt continued to attract most of the fintech investment in the region, accounting for 72% of the total, up from 51% in Q2 2023 (Figure 5 on next page). Nigeria held firm, with its share declining to 8.2% in Q2 2024, from 9.2% in Q2 2023. Seychelles emerged as an emerging fintech player in the region, attracting 19% of total investments in Q2 2024.

Figure 4: Africa Fintech Investments, Q1 2023 – Q2 2024



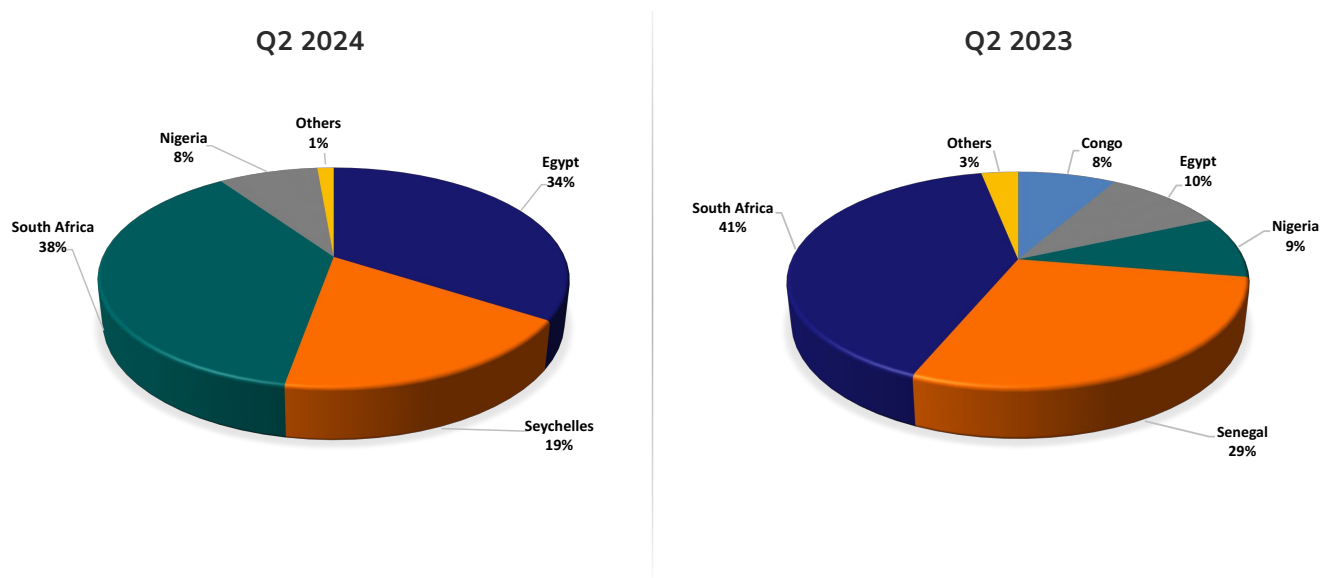
M = million, Q = quarter.

Source: PitchBook, and Elevandi Analysis.

⁴ Inclusive of VC, PE, and M&A only.

⁵ Please note that not all deals reported their deal values.

Figure 5: Africa Fintech Investments, by country



Source: PitchBook, and Elevandi Analysis.

Table 1 lists the top five equity deals in Africa.

Table 1: Top Five Fintech Equity Deals in Africa⁶, Q2 2024 (deal value)

Name	HQ Location	Sector	Deal Value (US\$ million)	Deal Type	Investors
Moment	South Africa	Financial Software	22	Early-Stage VC	MultiChoice Group
OneSpark	South Africa	Financial Software	8.4	Merger/Acquisition	Dis-Chem Pharmacies
Connect Money	Egypt	Life and Health Insurance	8	Seed	Algebra Ventures, One Stop Capital, Masria Cards, Lorax Capital Partners, DisrupTech Ventures
Sahl	Egypt	Financial Software	6	Later Stage VC	AYADY For Investment & Development, Delta Electronics, eFinance Investment Group, Egypt Pay
ELFi	Seychelles	Other Financial Services	5	Early-Stage VC	IDG Capital, Kucoin Ventures

⁶ Considers only VC, PE, and M&A.

Spotlight: East Africa

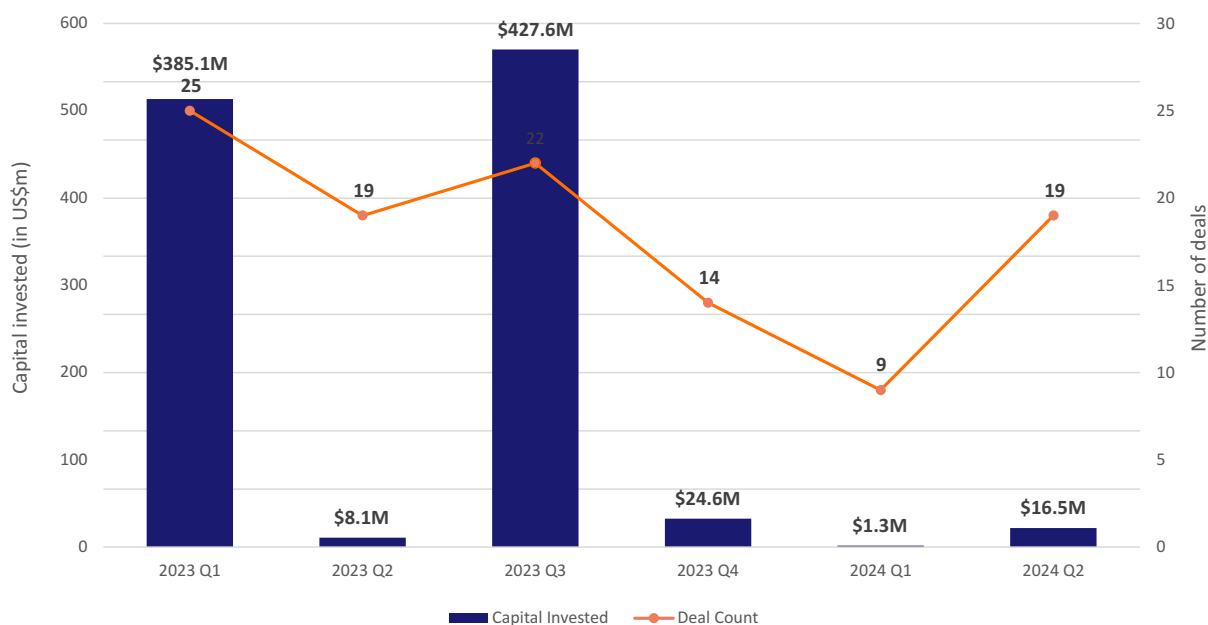
In Q2 2024, total funding in East Africa's fintech sector was US\$16.5 million.⁷ Capital invested in East Africa increased two-fold, from only US\$8.0 million one year ago to US\$16.5 million in Q2 2024. The number of deals (deal activity) remained steady in Q2 2024⁸, at 19, the same as in Q2 2023 (Figure 6 on next page).

Nala: Announced on July 9, 2024

Nala, a Tanzanian fintech that announced July 9, 2024, raised US\$40.0 million in series A funding in July 2024, bringing total funding to date to US\$50.2 million⁹. The round was led by Acrew Capital, and included other notable investors in Africa such as DST Global, and Norrsken22¹⁰. The firm plans to bring transaction costs lower and to launch its own payment rails and expand its B2B payments platform, Rafiki, beyond Africa to create a comprehensive payments ecosystem.

Most funding in East Africa came from venture capital, with no private equity deals in the region in Q2 2024.

Figure 6: East Africa Fintech investments, Q1 2023 – Q2 2024



M = million, Q = quarter.

Source: PitchBook, and Elevandi Analysis.

⁷ The number does not reflect US\$40 million raised by NALA in July 2024.

⁸ As of 19 August 2024.

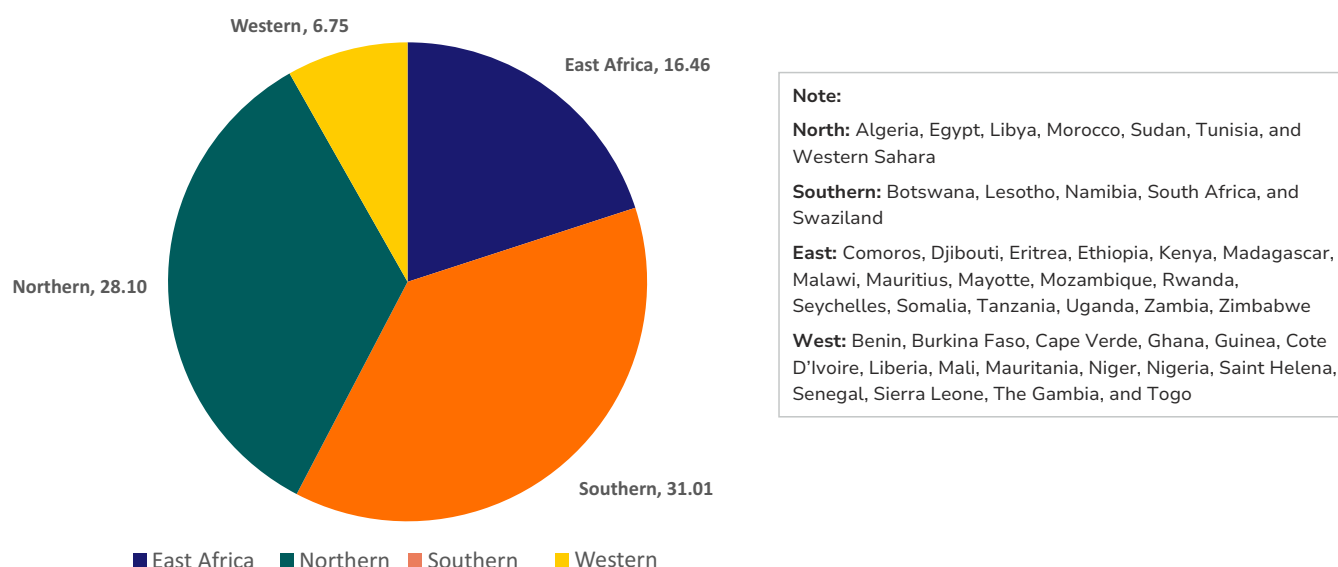
⁹ As of 9 July 2024.

¹⁰ Disrupt Africa. <https://disruptafrica.com/2024/07/11/tanzania-founded-FinTech-nala-raises-40m-to-build-cross-border-payments-for-emerging-markets/>

East Africa's FinTech sector lagged behind other regions on the continent in Q2 2024 in raising capital (Figure 7).

In Q2 2024, Southern Africa contributed 38% to FinTech investments, whereas East Africa's share was only 20%, up a considerable 10 times over 2% in Q2 2023. Within East Africa, Zambia, and Seychelles attracted the greatest capital in Q2 2024, similar to the previous year.

Figure 7: Deal Value in Africa, by region, Q2 2024, in US\$ million



Source: PitchBook, and Elevandi Analysis.

Innovation labs in East Africa are playing a crucial role in supporting entrepreneurs and the startup ecosystem in the region. For example, Nakuru Box, a private enterprise established in 2018 in Kenya, has become a leading innovation lab in the country. It aids innovators by helping them refine and manage their businesses, establishing proper structures, providing mentorship, and offering business and partnership opportunities. The centre provides a co-working space for entrepreneurs, freelancers, and tech startups to increase innovation. They provide access to incubation training for business success in Nakuru, Baringo, Kericho, Laikipia, Narok, and Nyandarua counties in Kenya.¹¹ Additionally, the centre offers certification programs in AI, data analytics, and software development to enhance entrepreneur capacity.

Adanian Labs Africa, another private innovation lab in Kenya, started in 2020, aims to build 300 startups by 2025, by using AI and blockchain technology. The lab is also in alliance with the Artificial Intelligence Centre for Excellence (AICE) and the Africa Blockchain Centre. The lab targets tech startups in the idea phase by providing all-around support including capital, advisory, and operations. In June 2024, the lab formed a strategic partnership with The Hashgraph Association and the Africa Blockchain Centre to train 3,000 Web3 developers across the continent through the DLT Africa Regional Developer Program.¹²

¹¹ Nakuru Box. <https://www.nakurubox.co.ke>

¹² Alexa Blockchain. <https://alexablockchain.com/tha-adanian-labs-web3-developers-africa/>

The founders of these innovation labs in Kenya recognize the existence of a skills gap in the region. In turn, they initiate capacity-building programs to help upskill founders and address those gaps. Additionally, the labs provide a platform for startups and investors to engage in mentorship programmes.

In Rwanda, several innovation hubs are instrumental in supporting the fintech sector and fostering technological advancement. For example, the Impact Hub Kigali is part of the global Impact Hub network, which provides a collaborative workspace and community for entrepreneurs focused on creating positive social and environmental impact. It supports startups in various sectors, including fintech, by offering mentorship and networking opportunities. Rwanda is also building Kigali Innovation City with investments from Africa50 of US\$400 million. The hub will facilitate the development of pan-African talent and act as a technology innovation hub. The city is expected to generate more than 50,000 jobs after completion and attract US\$300 million in foreign direct investments.¹³

Conclusion

The state of Africa's fintech sector in the first half of 2024 reveals a challenging landscape marked by a significant decline in funding, with total investments dropping 77% compared to the previous year. Despite this downturn, the resilience shown in deal activity, particularly in East Africa, highlights potential growth areas. The region's funding doubled to US\$16.4 million, driven by innovation labs that support startups through incubation, mentorship, and capacity-building programs.

Collaboration between startups, investors, and innovation hubs will be crucial to bridging the skills gap and enhancing the overall ecosystem. As the fintech landscape evolves, stakeholders must adapt to these changes to harness the opportunities, ensuring Africa remains a competitive player in the global fintech arena. The focus on innovation and strategic partnerships will be key to overcoming current challenges and driving sustainable growth in the coming years.

Acknowledgements

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13 Africa 50. <https://www.africa50.com/investing-for-growth/projects-investments/kigali-innovation-city/>

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