



CFC Africa Insights

Digitalizing Africa:

The rise of Fintech Companies



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THE RISE OF FINTECH COMPANIES



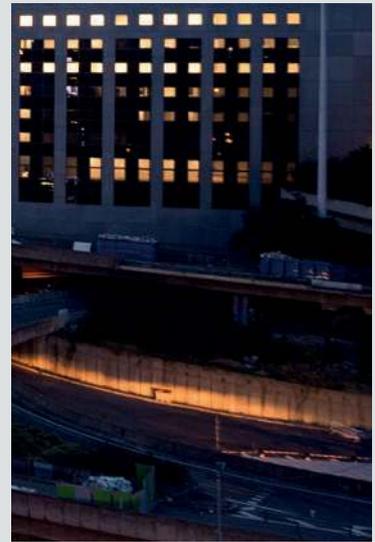
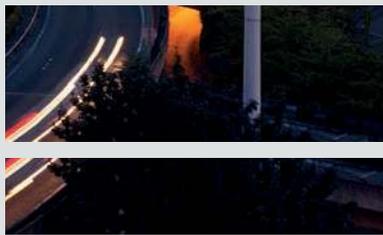


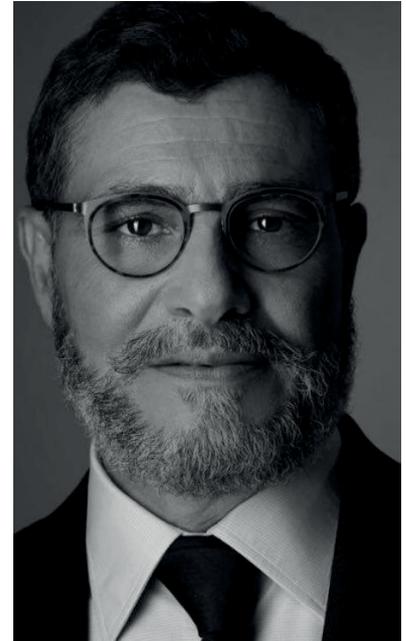


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Foreword

The African Fintech landscape differs from global trends. Whereas, in developed countries the momentum evolves around higher technology (blockchain and artificial intelligence), African Fintechs contribute mostly to financial inclusion, reaching out to non-served and underserved populations, and bridging the financing gap for SMEs.



To this end, financial centers in Africa, such as Casablanca Finance City, have an important role to play in building Fintech ecosystems, fostering synergies, innovation and access to financing for startups.



This report, produced in collaboration with PwC Advisory Africa, among the leading professional services networks in the world and a CFC community member, is part of our CFC Africa Insights series. It sheds light on the current growth of Fintechs in Africa and the challenges that still lie ahead.

These series of reports showcase the collective knowledge and African expertise of our members and are part of CFC's core value proposition. They are meant to provide international investors with insightful information and data to better comprehend Africa's diversity and access the different business opportunities that exist.

I wish you a pleasant read.

Said Ibrahimi

CEO of Casablanca Finance City

On behalf of PwC Morocco, and the PwC network, it is my privilege to present to you our report on Fintech Companies in Africa, part of the CFC Africa Insights series.

In the past few years, we have seen global megatrends such as demographic change, urbanization, shifts in global economic power, and technological innovation continue to affect business dynamics all around the world. This is particularly true in Africa with its young population, its ever-expanding mega-cities but above all its adoption of new technologies. Not hindered by legacy systems and infrastructure, Africa is using new technological innovations to leapfrog traditional development and provide solutions adapted to the specifics of the continent.



The rise of Fintech Companies in Africa is a fact. And we should encourage and support companies that are part of it, as their success will be vital to resolving some of Africa's most structural problems.



At PwC, we focus on building trust in society and solve important problems. We all know that the African continent faces many problems. Yet, we are convinced that many of these problems can and will be resolved by Africans, with locally built solutions. The number of start-up companies in Africa is encouraging and their focus on some of Africa's most structural problems is heartwarming. In this publication, we explore in particular the rise of Fintech Companies in Africa and their focus on problems such as financial inclusion.

While we will outline in this publication that there are still some real difficulties to overcome for Fintech Companies in Africa, our publication highlights above all a positive story and trend. It will be fascinating to see how this trend develops in Africa over the years to come.

Réda Loumany

Territory Managing Partner PwC Morocco

Executive Summary

Fintech Companies are businesses providing financial services and products using new and innovative technological solutions and are present across various sub-segments in the banking and insurance sectors. The Fintech industry has risen quickly thanks to three main global trends: a fast moving technological environment, changing customer habits and the structural impact of the global financial crisis on the traditional financial corporations. Fintech Companies have disrupted traditional models by offering a better customer experience through innovation. This has created a competitive environment for traditional financial institutions and Fintech Companies; however, this competition is now gradually turning into a “coopetition model” as ways to collaborate are being tested and deployed.

While all global regions are seeing the development of Fintech Companies, the United States and Europe have been the most active hubs and Asia (through India and China) is catching up. In these regions, the necessary environment needed for Fintech Companies is present: mature financial services markets with significant private equity presence, a large pool of talent readily available, as well as adapted and supportive regulatory frameworks. In Africa, the Fintech industry does exist, but is relatively small compared to other regions.

The Fintech sector is the most active sub-sector within the African start-up ecosystem. It mostly targets solutions to improve financial inclusion by addressing the unbanked segments of the population. Some of the most important drivers for Fintech development are low banking rates, strong mobile/internet penetration, young tech-savvy demographics and a significant diaspora with ties to their respective African countries.

The development of Fintech ecosystems happens at different rates of speed in Africa.



There are at least eight countries leading the Fintech movement and three types of ecosystems / regions: Africa's "Leading" Fintech Ecosystems in Anglophone Africa (e.g., Nigeria, Ghana, South Africa and Kenya), Northern Africa's "Emerging" Fintech Ecosystem (e.g., Morocco, Tunisia) and "Promising" Fintech Ecosystems in Francophone Africa (e.g., Senegal, Côte d'Ivoire).

A large and well-trained workforce is required for the continuing growth of the different Fintech ecosystems in Africa. Yet, improving the education system remains a major headache for many African countries. The young population of Africa is one of its greatest assets. Governments and the members of the various African Fintech ecosystems should work hand-in-hand to make this a priority.

Fintech Companies in Africa continue to emerge and grow thanks to the increasing interest of banks and telecom companies, which are offering not only collaboration options, but also access to markets and deep industry expertise. However, the regulatory environment in Africa is yet to be adapted to these new market players and slows down the development of the Fintech ecosystem in certain regions. Addressing the regulatory challenges for Fintech Companies in Africa would complement the governments' efforts in offering financing options tailored to the needs of Fintech Companies, since access to finance continues to be a daunting issue for their founders.

So while the rise of Fintech Companies in Africa is on a positive trend, close collaboration and full alignment of initiatives by all parties will be required to accelerate and consolidate this growth. Institutions that focus on creating financial ecosystems and facilitate investments, such as the Casablanca Finance City, are perfectly positioned to facilitate this process.



Fintech Companies have disrupted traditional models by offering a better customer journey through innovation

The Fintech sector is the most active sub-sector within the African start-up ecosystem, with **39% of all venture capital backed deals in 2018**. It mostly targets solutions to improve financial inclusion by addressing the unbanked segments of the population

The development of Fintech ecosystems happens at different rates of speed in Africa

A large and well-trained workforce is required for the continuing growth of the different Fintech ecosystems in Africa. The African continent has a population that is one of the youngest in the world, with a **median age of 19.4 years** old.

Traditional financial corporations are embracing the disruptive nature of Fintech Companies: **82% expect to increase Fintech partnerships** in the next three to five years



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EJ+EO LSM/VK EJ+EO IDG

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