

# Exploring fintech in Africa

Fintech in Africa has advanced in leaps and bounds, often outpacing the West in development. This report covers the potential markets and growth in the sector....



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## South Africa

The country is focusing on unlocking private investment into dynamic sectors and encouraging small businesses with potential like those in technology and specifically fintech. There are a number of exemplary programmes to boost this sector such as the Cape IT Initiative (CiTi), JoziHub – backed by Google and Omidyar, and Standard Bank’s Incubator programme.

However, STEM (science, technology, engineering and mathematics) graduates are in short supply. Maths pass rates (marks above 30%) are down to 53,5% in 2015, from 59,1% a year ago. Telkom Business also estimates the country lacks between 30,000 – 70,000 skilled IT practitioners.

## Nigeria

The Central Bank of Nigeria has announced its intention to improve financial inclusion to 70% of the population focusing on areas such as remittances and pensions. It is doing this through a “cash-lite” initiative and has worked with MasterCard and Verifone to meet its aims.

The country's telecommunications sector contributes 8,34% to Nigeria's total GDP. This is good news as the government aims to diversify away from oil revenue. E-commerce is also proving popular both Konga and Jumia received \$40m and \$150m respectively to build their operations in the country.

However, Nigeria faces IT skills shortages, estimated to persist until 2018/2019. Its stressed banking system is coping with significant changes through heavy training demands and large-scale organisational changes.

## **Ghana**

The government is taking its role to improve ICT (information and communication technology) within the country very seriously. Already 60,000 laptops have been distributed to school students and 50,000 teachers have received further ICT training as part of its Better Ghana ICT Agenda. The government also plans to have all registered employees inside the country paid electronically by 2020.

This might be possible as mobile phone subscriptions outnumber the country's population by 1:1.2. It also has a busy start-up scene in Accra with the world renowned Meltwater Entrepreneurial School of Technology (MEST). Though strides have been made to improve its ICT skills base; through a network of training centre - community information centres (CICs) - a large percentage (44%) of these have no internet access.

## **Kenya**

Though not the first African country with fintech, it has been the most successful at capitalising on the sector's potential through M-Pesa. The government is investing a lot into the country's ICT, firstly through the Konza Technology City, a large tech hub hoping to create 17,000 jobs, and through its East African Marine System (TEAMS) cable. The government hopes to increase bank deposits from 40% to 80% and reduce financial exclusion from 85% to 70%.

There is also a concentrated effort to invest heavily in ICT skills training, an area the country's ICT Authority admits is lacking investment. Currently many secondary schools, particularly in the rural areas, lack access to computers. The current estimate stands at only 15%. Moreover, most of these are also unlikely to have internet access. But the ICT Authority has partnered with SAPS Skills for Africa and Microsoft (separately) to avoid the much needed training.

## **Rising stars**

Also of major interest are those up and coming locations which should be on the' radar as they have a number of factors working in their favour. Countries such as:

- Ethiopia - an entrepreneurial culture/ start-up ecosystem and huge population growth.
- Angola - advancing telecommunication expertise and budding financial sector.
- Egypt - an excellent start-up ecosystem and a perfect geographical and cultural location.

M-Pesa is the most popular and as it's maturing, users are able to pay for insurance, contribute to investments, setup funeral planning payment, and pay utility bills and school fees all via their non-smart phones.