

## 9 reasons to invest in African tech startups

African tech startups received a total amount of funding in excess of US\$185.7 million in 2015, according to data compiled by Disrupt Africa, and there is every reason to expect this will grow in 2016.

 By Tom Jackson 26 Jul 2016



Image by 123RF

But why the surge in interest? Here are some reasons why African tech startup funding is on the rise, and is expected to continue to increase.

### High level of innovation

Visit the tech ecosystems of Lagos, Nairobi and Cape Town, or even further afield, and you cannot fail to see high levels of disruptive innovation. From the likes of Rwanda's [SafeMotos](#), which marries vehicle telematics with an on-demand motorcycle taxi platform, to South Africa's [Custos Media Technologies](#), which is using the blockchain to tackle digital piracy, innovation is all around. And investors like innovation.

### Great social impact

Around 80 per cent of Africa's population – approximately 330 million adults – lacks access to formal financial services. As many as 620 million people on the continent lack access to power. These two statistics alone demonstrate the potential impact technological solutions addressing these issues can have and speak to the [high level of interest from impact investors](#) in fintech and solar startups especially.

### Sizeable return opportunities

There may be a great deal of social good to be done by investing in African startups, but that does not mean that funding businesses on the continent is a charitable act. If startups can find effective ways of, say, providing millions of people with access to mobile insurance products, or rolling out pay-as-you-go solar products across whole regions, serious returns on investment can be made. Which probably speaks to the continuing willingness to pump cash into the likes of [Nomanini](#) and [M-KOPA Solar](#).

## You're in good company

We know investors are like lemmings, investors have told us so. They like to see other people taking the plunge; they like strength in numbers. And with major international VC funds like Amadeus and EchoVC, as well as high profile individuals such as [Bill Gates](#), [Steve Case](#), [Tim Draper](#) and even [Mark Zuckerberg](#), investing in African tech startups, there is clear evidence that those that should know consider the space to be a worthwhile investment.

## Skills are improving

There have been concerns in the past about the level of entrepreneurial talent in Africa, as well as the technological skills of young African developers. But this is abating as success stories continue to roll out the continent, while the likes of [Andela](#) and [codeX](#) are making great strides in training the next generation of coders, while [even Google has got in on the act](#). Old fears that skills levels in Africa were just not high enough are declining.

## The support ecosystem is there

Africa's tech hubs have been much discussed, and sometimes their role has been overplayed, but there is no denying that the large number and high quality of these hubs has contributed to the development of the ecosystem and assisted a great number of startups. From Zambia's [BongoHive](#) to Cameroon's [ActivSpaces](#), tech hubs are ensuring African startups develop as planned and are investment ready.

## The rising middle class

Defining the exact scope of Africa's middle class is tough, as estimates vary wildly, but it is undeniable that it is growing. And as the middle class grows, so does spending power, and demand for services such as [on-demand home cleaning services](#) and [virtual personal assistants](#). This process will continue, and investors would be advised to get ahead of the game.

## Governments are backing it

Governments have long been accused of neglecting the growing tech startup ecosystems in Africa, but that is no longer the case. Governments as diverse in outlook as [South Africa](#), [Kenya](#), [Rwanda](#) and [Madagascar](#) are, to different extents, playing a greater part in supporting the space, with the Egyptian government even [launching its own fund](#). This friendly environment will only attract investment.

## It's the final frontier

Whereas in the developed world, the vast majority of people have mobile phones, are online, make use of on-demand services, and consume all sorts of tech, that is not the case yet in Africa. With one billion people on the continent, and the majority of them still not connected to the internet, or banked, or even having power in their homes, Africa is a land of great opportunity for growth. [Global tech giants like Microsoft and Google have realised this](#), and investors have too.

## ABOUT TOM JACKSON

Co-founder @DisruptAfrica. Tech and business journalist in Africa. Passionate about the vibrant tech startups scene in Africa, Tom can usually be found sniffing out the continent's most exciting new companies and entrepreneurs, funding rounds and any other developments within the growing ecosystem. [View my profile and articles...](#)

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