

# How fintechs are making Africa a leading global innovation hub

In a continent where over 60% of the adult population is unbanked and the financial sector is considerably underdeveloped, fintech has been a welcomed revolution that is seen to be boosting Africa's financial infrastructure.

 By Josephine Wawira 27 Jan 2020



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With a growing population, an increasing rate of mobile and internet penetration, combined with a substantial need for financial inclusion, Africa is fertile ground for the growth of fintechs and tech giants. There exist endless possibilities, as entrepreneurs seek to use technological advancements to create a range of more reliable and customer-friendly solutions to real-world problems. A sizeable number of fintech startups in the continent are closing existing gaps in various industries including healthcare, agriculture, transportation, e-commerce, and mobile money services.

## Delivering more than just improved banking services

In Africa, the fintech industry delivers more than just improved banking services. For instance, its high reliance on innovation has also created new job opportunities, especially for young talent.

Furthermore, financial technology is also facilitating the growth of mobile payments, from accelerating e-commerce to credit lending, factors that have enabled the growth of small and medium enterprises across Africa.

On this basis, it is coherent that startups in the fintech sector have raised significant capital in the last few years, as compared to other sectors. In 2019 for instance, fintech topped African tech sub-sectors with most VC (venture capital) investments, with a record of \$285m.

The [Global Fintech Index 2020](#) shows that 60% of the global GDP will be digitised by 2022, with growth in every industry driven by digitally enhanced offerings, operations, and relationships. The report further notes that progressive, digital-first financial services are the key to “offer the best chance to drive global trade in

2020, improve access to financial services, and open opportunities – for marginalised citizens, poorer communities and small businesses and entrepreneurs alike”.

## **South Africa, Kenya & Nigeria are fueling fintech in Africa**

The number of fintechs in sub-Saharan Africa has recorded a 24% compound annual growth rate (CAGR) over the past decade, with local fintech companies taking up the larger share of the sector at 80%, while international players at account for 20%, according to Ernst & Young.

South Africa, Kenya, and Nigeria are fueling fintech in the continent, and 2020 is no exception. The countries are ranked 37th, 42nd, and 52nd respectively in the index, followed by Ghana, Egypt and Uganda in positions 58, 60, and 64 respectively. Digital banks, cryptocurrency, SME financing, payments, enabling processes & technology, banking & lending, remittances, personal finance, and equity funding have been identified as some of the fintech strengths in these countries.

### **ABOUT JOSEPHINE WAWIRA**

Josephine Wawira is a consultant in communication and public relations with over six years of progressive writing and broadcast experience. She is currently a writer for Africa's online hotel booking portal, Jumia Travel, focusing in the areas of travel, tourism, and hospitality as it relates to Africa. View my profile and articles...

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