

3 trends that will shape the future of Africa's fintech startups

By  Michael Bowren

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According to the latest [McKinsey report](#), revenue generated by fintech startups will grow by eight times to \$30bn by 2025. This forecasted success is fuelled by startups building innovative fintech products, the need to eradicate financial exclusion and large corporate investment interest.



Michael Bowren, co-founder of Finch Technologies | image supplied

Fintech is the fastest-growing startup industry in Africa, with over 5,200 companies spread across the continent in 2022. The rapid expansion has in part been driven by the increasingly young, tech-savvy and urban population. These consumers are looking for user-friendly and advanced digital finance solutions, rather than traditional and often slow-paced services.

If fintech startups want to dominate their respective sectors, there are three trends that are expected to gain momentum in 2023 and beyond:

1. Financial inclusion driven by strategic partnerships

At the forefront of fintech's triumph in Africa is the need to serve the unbanked. Financial inclusion has long been a buzzword, but startups that truly use this goal as a catalyst will see far greater success.

According to Oxford's Business Group there are still 23.5% of South Africans that remain unbanked in 2022, however on the flip side, there has been a 20% increase in Africans who have access to formal financial services since 2011. The reality is that if financial inclusion is the end goal, we need to allow space for everyone at the table. Tech companies that operate in silos and steer clear of their competitors will not thrive at the rate of those who partner with their counterparts.

Strategic partnerships are essential for building better products and improving digital literacy. Companies like PayFast, Finch Technologies and Loop have seen the value in partnering with innovative startups and solution providers. 2023 will see an even more focused effort from startups to collaborate and integrate with other tech solution providers. Essentially fintech startups need to focus on their core product to succeed, and if there is a gap in their current solutions, they should seek out partners who offer these solutions.

In the lending space, we've seen the rise of finance comparison platforms like Hippo and FundingHub. This has been prompted by consumers wanting easier, simpler and more affordable access to finance. FundingHub has seen the value in building strong partnerships with lenders, and because of this, they were able to create a platform that benefits consumers and allows them to make better informed financial decisions.

2. Africa continues to be a hotbed for investments

The startup landscape has matured significantly with banks and government organisations creating enabling mechanisms that support the startup community.

With 200 and counting incubators in South Africa alone, there will not only be an increase in incubators and accelerators but fintech startups who see the value of joining these networks. Powerhouses like Google Launchpad Accelerator Africa, Grindstone and Antler are continuing to catapult African fintech startups into international markets.

On the flip side, we are seeing a growing number of "The Big 5" banks, like Standard Bank and FNB investing in accelerator programmes. The banks are using incubators as an opportunity to seek out the best talent and products, with the fintech startups accessing the funding and guidance they need to propel their business.

African fintechs have secured nearly \$900m from both local and foreign investors in 2022, with 25% of that being allocated to South Africa. The continent is emerging as a hotbed for foreign investment, this is mainly due to the rise of mobile penetration, better internet infrastructure and a growing fintech startup ecosystem.

Over a third of VC investment into Africa is from the US, in addition to that large international corporates like Visa and Fidelity are taking large stakes in South African fintechs. A payment model to watch out for in 2023, which has gained major investment interest in 2022, is buy-now-pay-later (BNPL). These fintech startups have become attractive to consumers, due to the payment models' ease of payment, simple approval process and lack of interest rates.

3. The growing need for low-code/no-code infrastructure

Startups that are able to build solutions that offer low-code/no-code infrastructure for entrepreneurs will be of growing significance in the new year. According to [Gartner](#), 70% of new applications developed by enterprises by 2025 will use no-code or low-code technology.

Essentially low-code/no-code fintech infrastructures allow businesses to offer their consumers financial services without the need to spend heaps of capital on building out an engineering team. These products are designed for fast, easy implementation without the need for coding skills.

Microsoft estimates by 2026, there will be over 500 million new apps built. If businesses want to be able to meet the growing needs of their consumers, they need to put their legacy infrastructures aside and let low-code solutions lift the burden.

ABOUT MICHAEL BOWREN

Michael Bowren, co-founder of Finch Technologies. Finch Technologies is a South African-based fintech startup that builds financial technology solutions for service providers that need to originate, onboard and enrich their databases and technology stacks. With a mission of powering financial access in Africa, Michael and his team are driven to create products that drive financial inclusion and benefit the end user.

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