

SA's unbanked attracts funding for fintech startups

By  Michael Bowren

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Africa's tech ecosystem attracted investment of more than \$3bn in 2022. This was a 55.1% increase year-on-year. At the southern tip of the continent market growth is driven by a fintech revolution that is reshaping the financial landscape.



Fintech solutions. Source: Supplied

Almost a quarter of South Africa's 59-million citizens are unbanked. This presents a significant market for financial services and fintech solutions. Additionally, Africa's slower adoption of fintech technologies compared to first-world countries creates opportunities for company growth and the emergence of unicorns in sectors such as payments, document reading, and remittance.

Investors recognise the untapped potential of Africa's fintech landscape and the transformative power of technology to bridge the financial inclusion gap, making it an attractive investment opportunity.

Here are five sectors attracting investor attention:

Alternative funding solutions

With 130 and counting alternative lenders in South Africa, these funding solutions and marketplace platforms have emerged as transformative forces within the fintech industry. The innovative models connect borrowers and lenders, providing an alternative to traditional financial institutions.

FundingHub allows SMEs to compare offers from multiple lenders and the platform's technology that allows for live end-to-end offers lead to it being acquired by Finch Technologies in 2020



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Merchant Capital, who aim to create disruptive financial service products for SMEs in emerging markets, received support and investment from Alphacode – the incubator of Rand Merchant Investment Holdings. Alphacode's involvement demonstrates their commitment to fostering entrepreneurship and driving the development of disruptive fintech solutions.

Online payment processing

"Africa's domestic e-payments market has an estimated CAGR of 20%, with projections reaching around \$40bn by 2025. As the market continues to evolve, more startups like Paystack, Yoco and Revio will emerge to redefine the ways in which Africans transact." Ryan Hodgson, Fundraising Analyst, The Delta.

The growth of e-commerce and digital transactions in Africa has created a pressing need for secure, efficient, and convenient payment solutions. Fintech companies specialising in online payment processing are meeting this demand head-on.

Yoco, a pioneer in mobile card readers, secured [\\$83m](#) in a 2021 series-C funding round supported by a group of notable funders that included 4DX Ventures and HOF Capital.

Regtech and fraud analysis software

Regulatory technology is gaining traction as investors seek solutions that enhance compliance, mitigate risk, and combat financial crime, especially in open banking landscapes.

These technologies offer sophisticated tools for monitoring and ensuring regulatory compliance, bolstering the integrity of financial institutions.

Know your customer solutions like Gathr reduce human error and fraud, while assisting with onboarding more customers. With an expected global market reach of \$22.3bn by 2027, coupled with a 19.8% CAGR, investors recognise the importance of robust regtech and fraud analysis systems in an increasingly digitised financial landscape.

Solar finance

Fintech companies in this sector are developing innovative financing models that enable individuals and businesses to access clean energy solutions. Investors are attracted to the opportunities it presents for achieving both environmental and financial goals.

One notable example is [Sun Exchange](#), a solar leasing platform that allows individuals and corporations to own and earn from solar assets located in emerging markets.

According to the company's founder, Abe Cambridge, "Our platform was initially developed to allow individuals around the world to buy solar cells in projects that power schools and other organisations in South Africa."

"Since then, corporate sustainability imperatives have been broadening this demographic, and now over a hundred businesses, corporations and investment funds from around the world have now also participated in our solar project crowd sales. These organisations are using their balance sheets and ESG funding to drive sustainable energy development."

Sun Exchange has attracted funding from Techstars, Alphabit Fund and ARCH Emerging Markets Partners, highlighting the support and interest from local and international venture capitalists.

Remittance

Digital remittances is expected to experience a growth rate of 6% between 2023 and 2027, ultimately reaching a market volume of over \$345m in SA.

Fintech startups focusing on payments and remittance are revolutionising the way money moves across borders. Investors are keen to support ventures that facilitate low-cost, secure, and transparent remittance services, tapping into the significant market of Africans living abroad who regularly send money back home.

Mukuru has made remarkable strides in this area, offering low-cost international money transfers, primarily targeting African migrants sending money back home.

The company is majority private equity backed, but has also garnered support from Emerging Capital Partners, demonstrating the backing of local funders in the payments and remittance sector.

The key sectors attracting investor attention are also the ones transforming finance, driving financial inclusion, and addressing pressing needs in the market. As investors continue to explore opportunities, the African fintech landscape will undoubtedly witness further growth, innovation, and positive impact.

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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