

Digitalisation and Emerging Economic Development Models in Africa: The Role of Fintechs

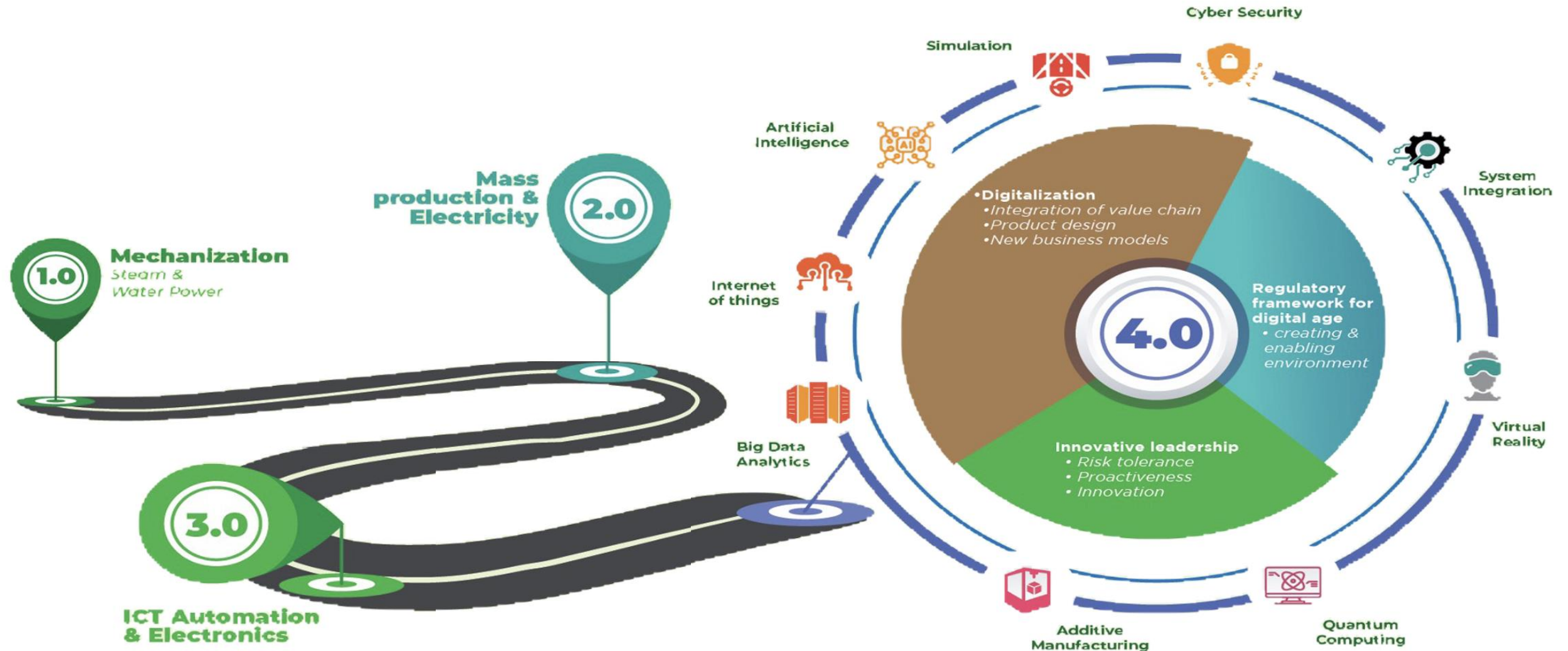
Bitange Ndemo, University of Nairobi

Digitalization

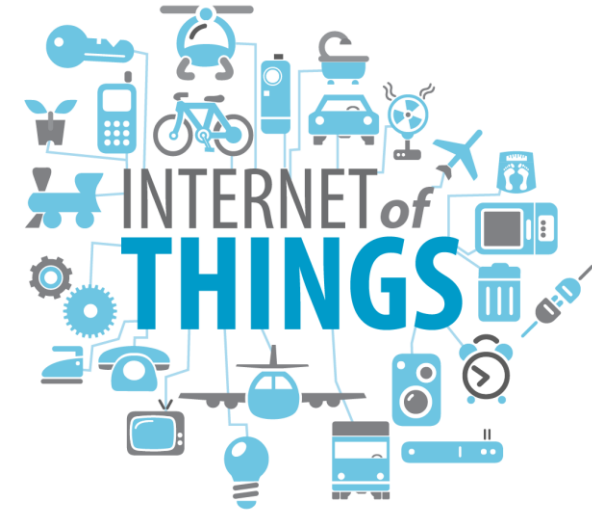
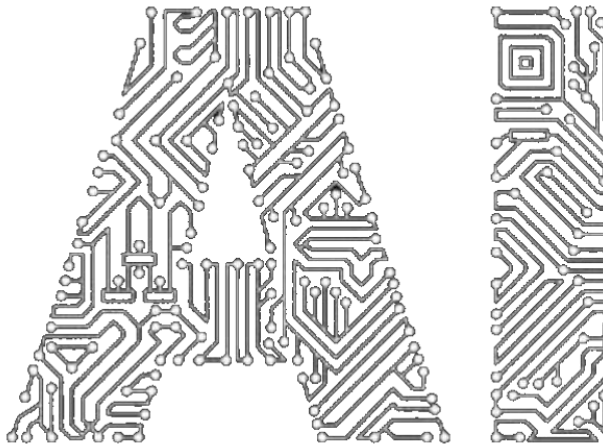
“the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business.”

Gartner

The 4th Industrial Revolution

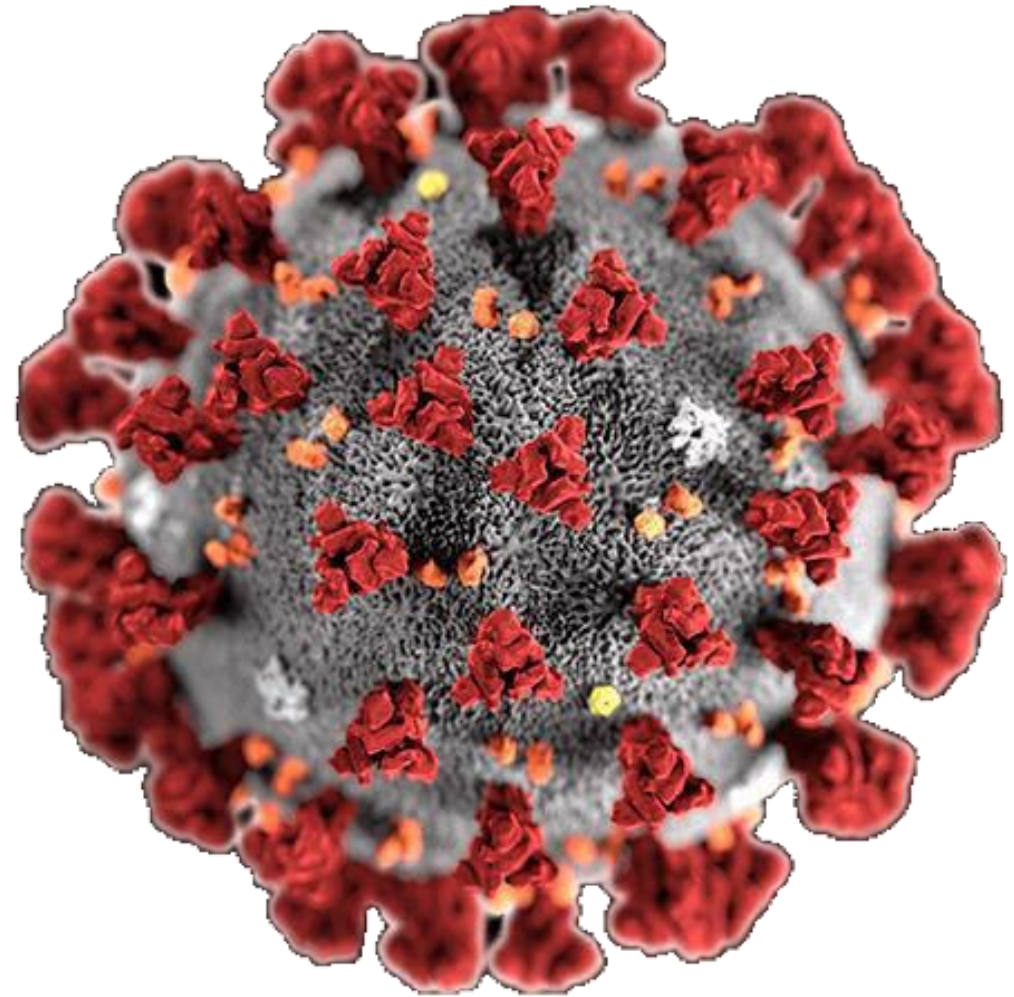


The 4th Industrial Revolution Technologies

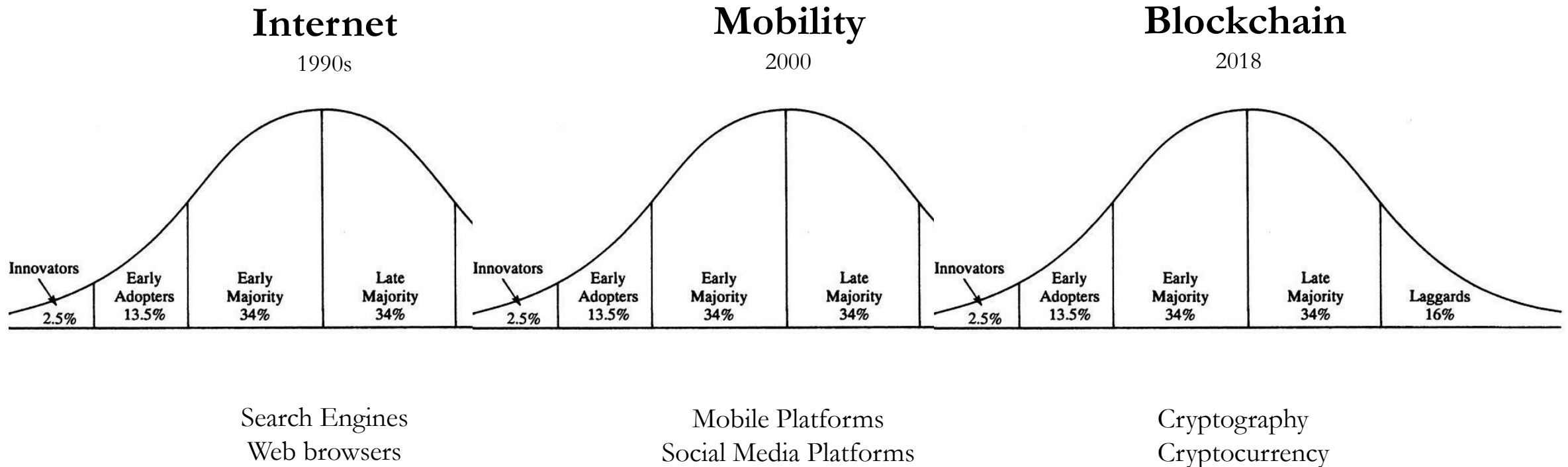


The Great Reset

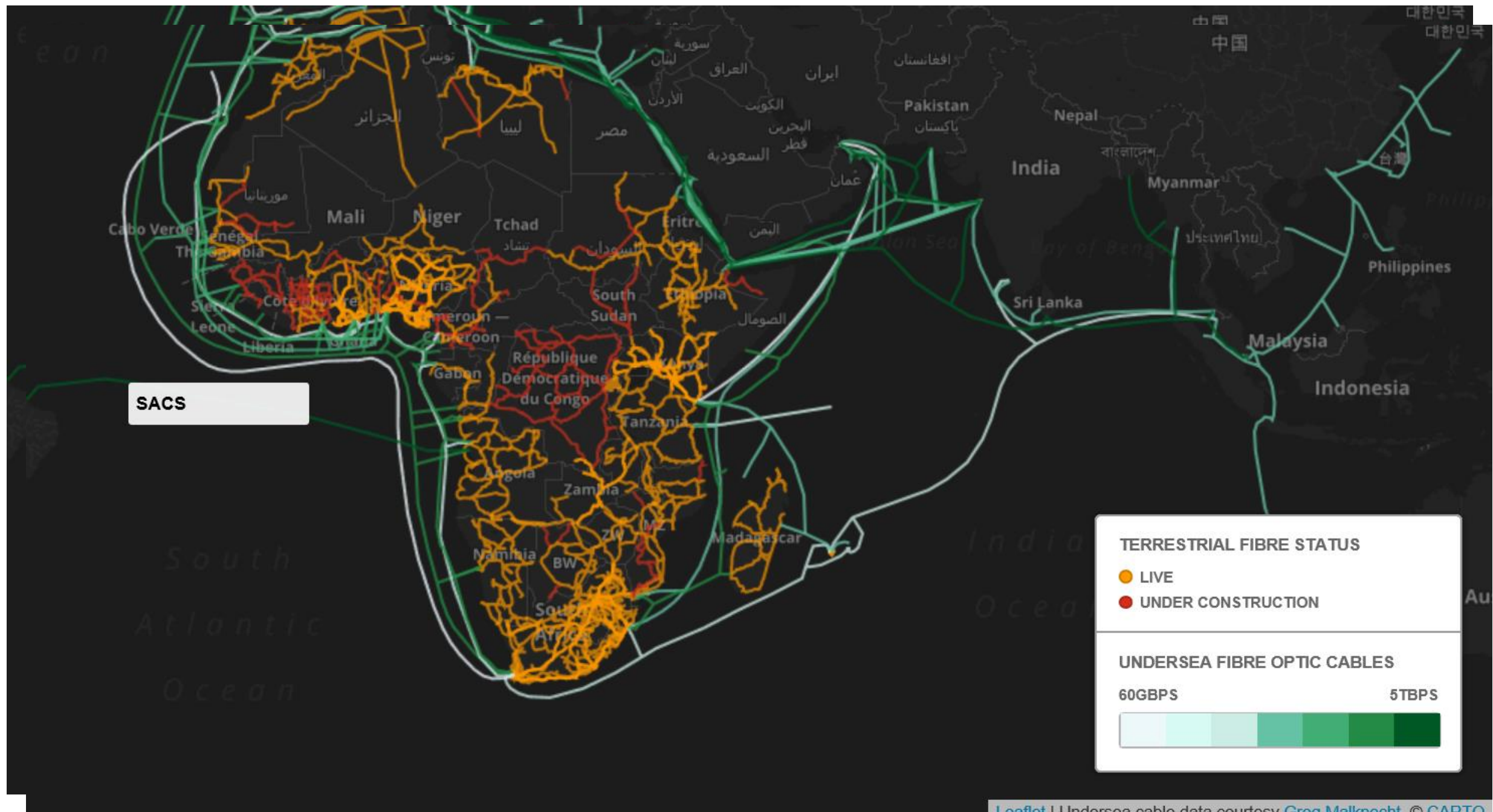
- ✓ COVID-19 has forced the world to reset and accelerate to live differently – to learn, work, socialize, shop, worship and collaborate in different ways.
- ✓ This is therefore our watershed moment for digital transformation of business. Create new business and revenue models.
- ✓ The rules of success have changed, and are ever more reliant on harnessing the power of digital models to create new value and experience.



Entrepreneurship and Innovation Adoption Waves



Disruptive Solutions



Africa's **\$180B** Internet economy future

Growing urban, mobile population



Digital connectivity

40%

of population in 2019

10% increase leads to **2.5%** increase in GDP per capita



Urbanization

45%

of population will be in cities by 2025



1.3B

people in 2019

2.5B

people in 2050

Infrastructure investments

Drives increased access to more affordable higher-speed Internet



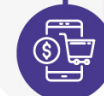
Expanding tech ecosystem



Tech talent

700K

developers in 2019



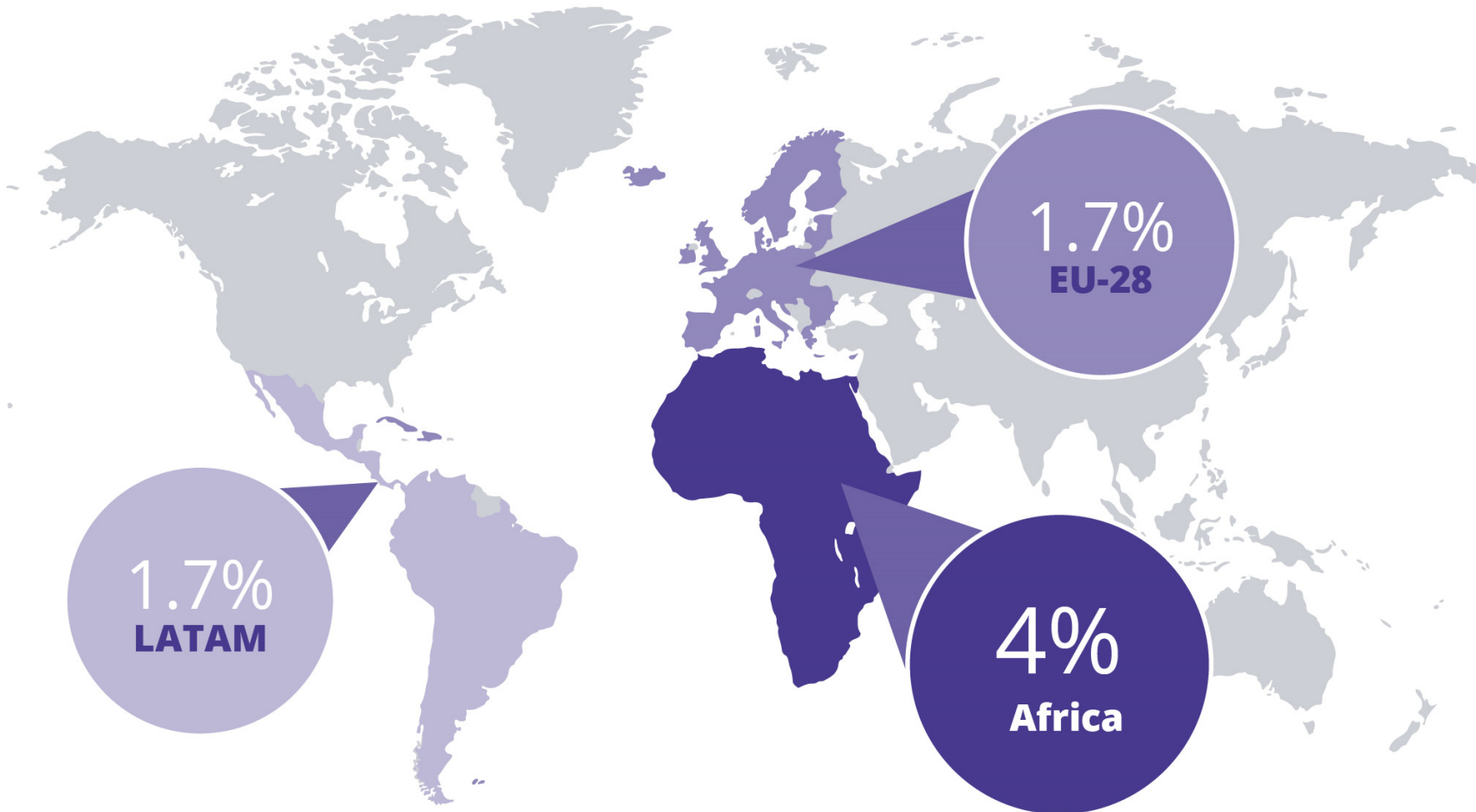
E-commerce and fintech are key sections driving the digital economy

Pro-innovator regulation

Including startup acts and regional harmonization, such as the African Continental Free Trade Area (AfCFTA)

Source: e-Economy Africa 2020.

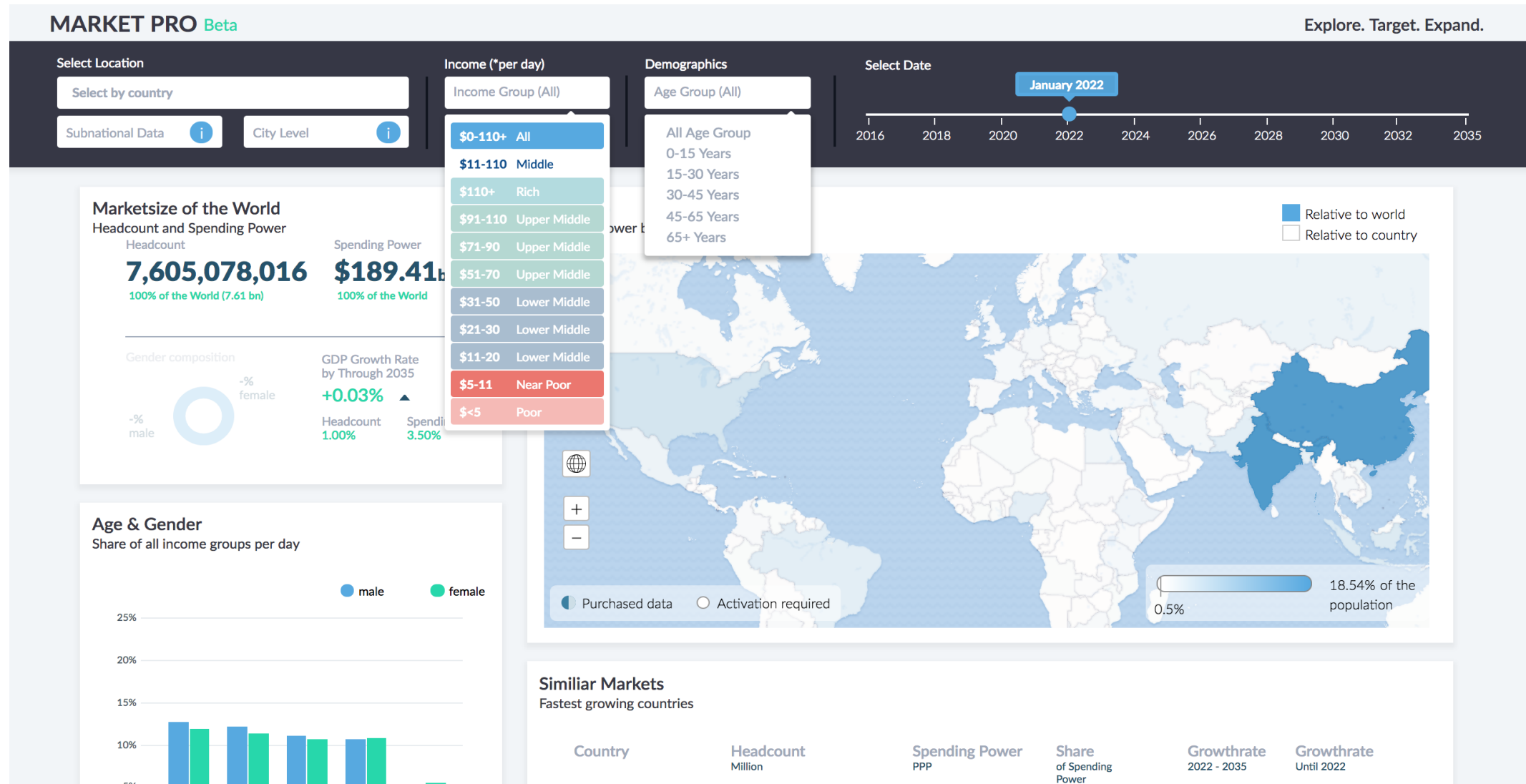
Africa's economy has significantly expanded over the **past decade**



Key takeaway: Gross domestic product (GDP) grew by 4% per year between 2010 and 2019, more than twice that of the EU-28 (1.7%) and Latin America (1.7%) over the same period.

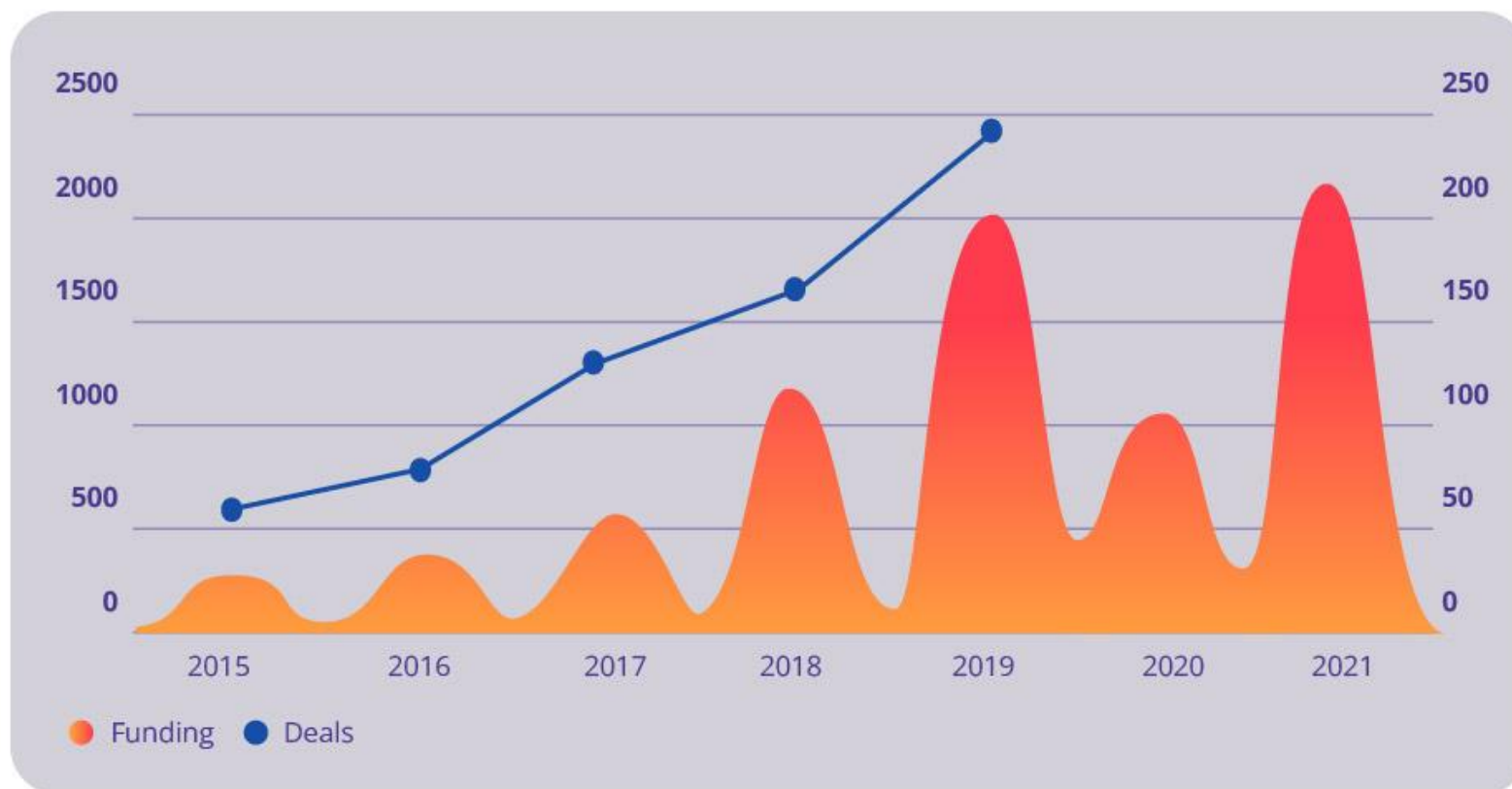
How to Measure it?

World Data Lab's income and demographic time machine



Venture capital investment in Africa reached an all-time high in 2019

Venture funding in Africa (in U.S.\$ M)



Key takeaway: The first half of 2020 closed with \$493.5M of total funding.

The full impact of COVID-19 is yet to be realized, and as investors become more risk averse, the landscape will likely shift away from early and seed stage investments towards companies that are more established with clearer paths to profitability.

PRO-INNOVATOR REGULATION

AfCFTA has the potential to unite a market of 1.3 billion people and a combined GDP of **\$2.6 trillion**

The AfCFTA aims to reduce tariffs on 90% of all goods and facilitate free movement of goods, services, capital, and people.

It will enable Africa's regional economic communities to become more integrated and easier to access, including the ability for startups to scale across Africa seamlessly.

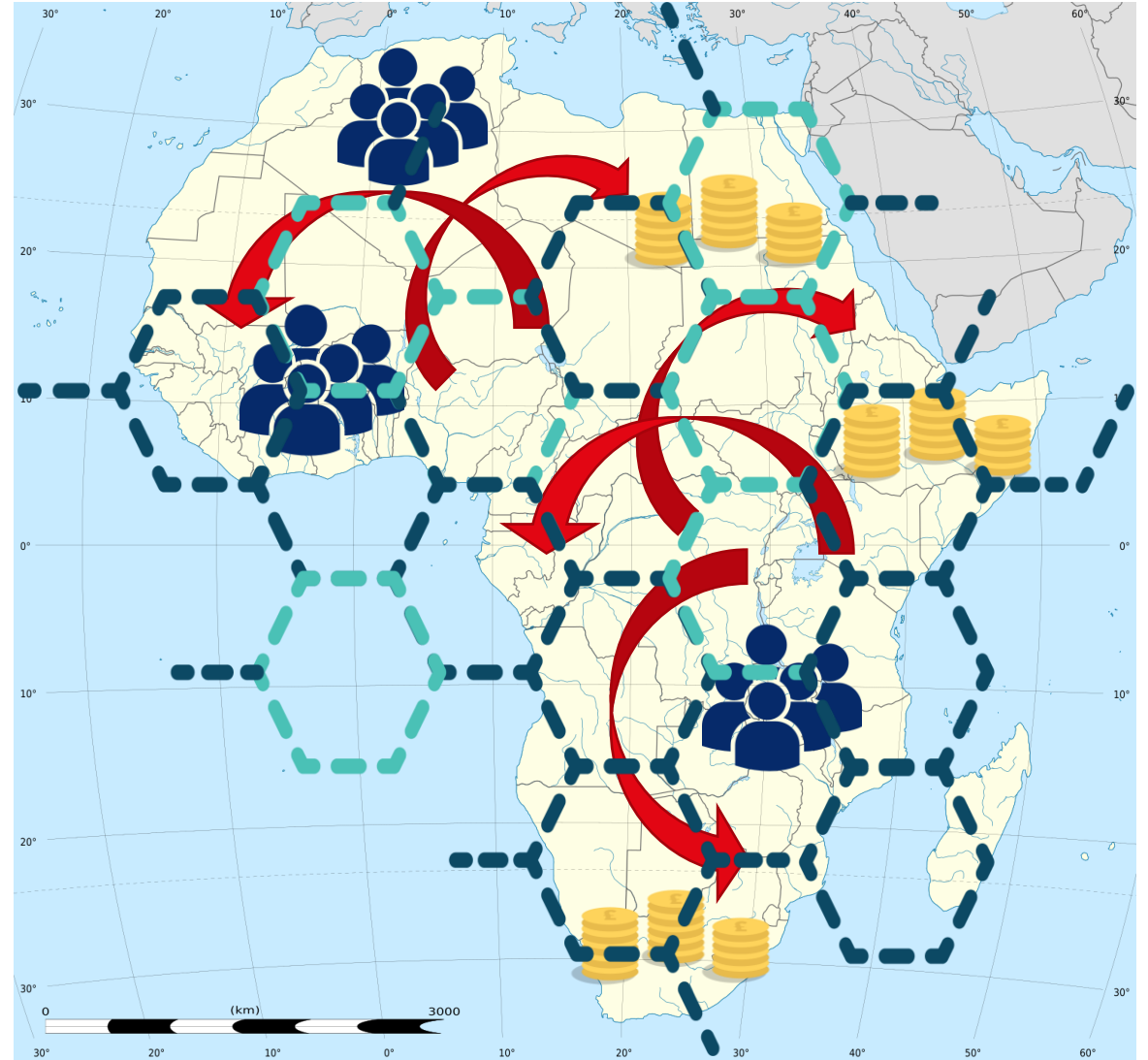


Role of Fintechs in the new economy

- FinTechs are driving intra-Africa trade and have led to use of African Currencies for cross-border trade,
- Enabling greater financial inclusivity – impacting especially MSMEs that create most of Africa's employment opportunities, (Read for example Ecobank's Fintech Challenge Fellowship that is helping fintechs to scale),
- Driving innovation and agility that today is responsible for Africa's improved productivity,
- Mitigating information friction in financial supply chains through leveraging AI, blockchain to create efficiency.

Fintechs are at the center of the new economy

- ↑ Intra-African trade
- ↑ employment opportunities
- ↑ productivity
- ↑ leveraging AI & blockchain



Key takeaways



Digital consumption growth is fueled by a fast growing urban and mobile population



Internet infrastructure investments are further boosting connectivity



Tech ecosystem driven by dynamic developer and startup landscape



Pro-innovator regulation can benefit the African Internet economy



Thank You