

Africa Stand Up – Vision 2025



The Narrative



2000



2011



2013

Actual Size of Africa Conceptualised



1. China
2. India
3. Italy
4. Germany
5. France
6. Spain
7. United States of America
8. UK
9. Eastern Europe
10. Japan
11. Belgium
12. Portugal
13. Switzerland

Current State

01

80% of the African Adult population do not make use of any kind of Formal or Semi-formal financial Services.

02

Cash still appears to be king. Not only in SA but across the continent.

03

Fintech – 3000 deals globally since 2011 totalling about \$34b with \$7b of this channelled through to the African & Asian Markets.

04

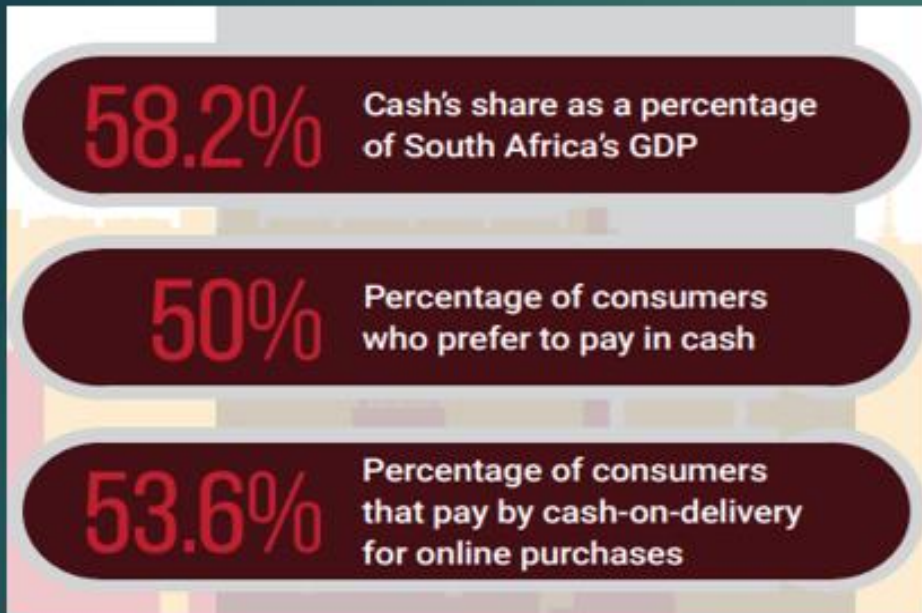
Both spheres of Fintech included in this i.e. Business Facing and Consumer Facing

Current State – Cont.

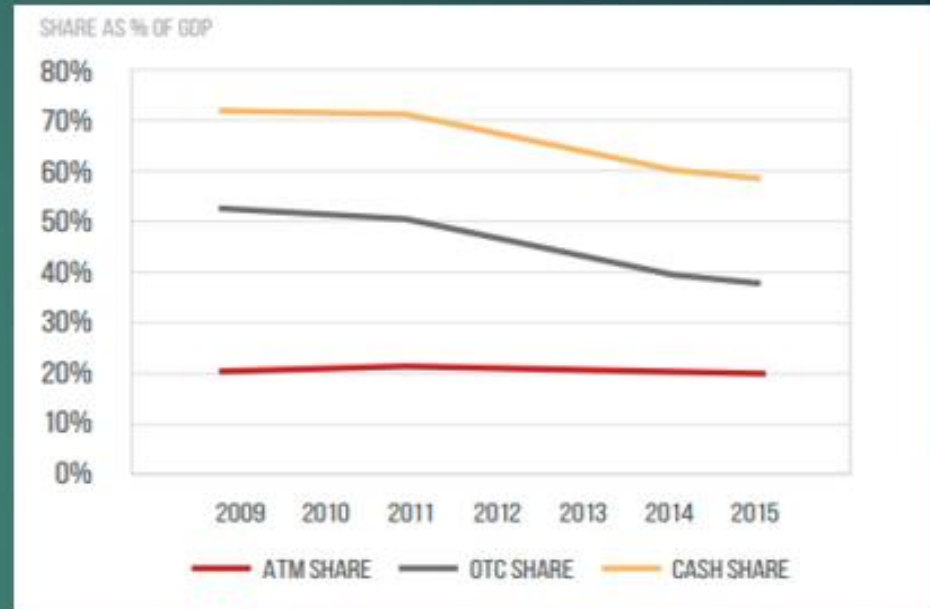
- Nearly 300 years since paper money became accepted as a legal tender and still shows some resilience, even with the modern day risks associated with handling cash. It's only been recently that the outlook to a wider cashless society has started to take shape with the likes of various apps such as PayPal, Venmo, etc all the way through to mobile payment platforms like mPesa (Kenya) and Apple Pay. These are signs that cash is slowly making it's way to becoming the least popular means of payment. But this will take time.
- With Cash still very much the main source of payment across the continent, the biggest challenge would be to gain consumer confidence that this is a means of payment that will eventually be eradicated (perhaps not completely but significantly).
- According to a recent Master Card study, cash accounts for nearly 85% of global consumer transactions. The Picture doesn't look much different for Africa. For many users across Africa, cash equates to a sense of security as well as independence from Government oversight.

Current State – South African Context

Cash:



Decline of Cash transactions in SA against GDP

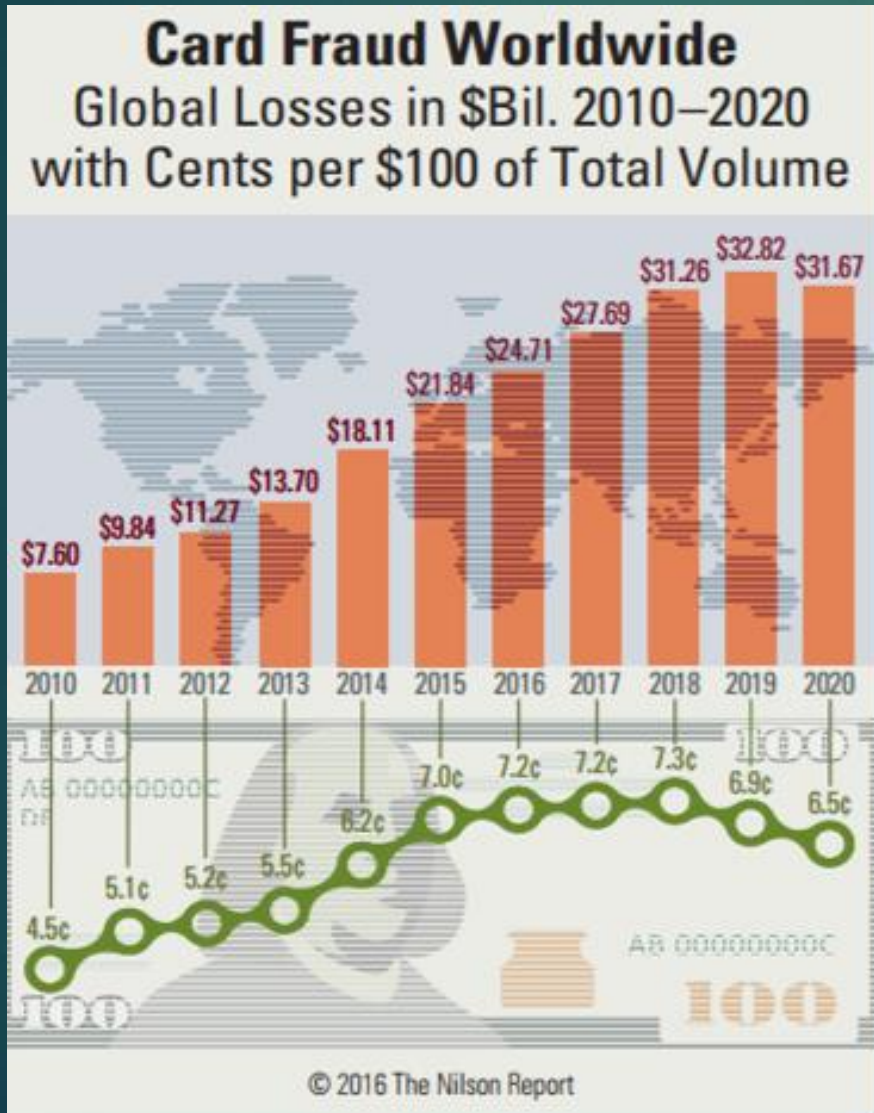


While cash continues to dominate in South Africa, its share as a percent of GDP has seen some reduction, decreasing from 73.9 percent in 2009 to 58.2 percent in 2015. Much of this reduction has come as a result of a decline in share of over-the-counter (OTC) withdrawals, which represented 53.5 percent of GDP in 2009 and 38.1 percent in 2015. Meanwhile, share of ATM withdrawals remained flat during the same period, representing 20 percent of the country's GDP.

Current State – African Context

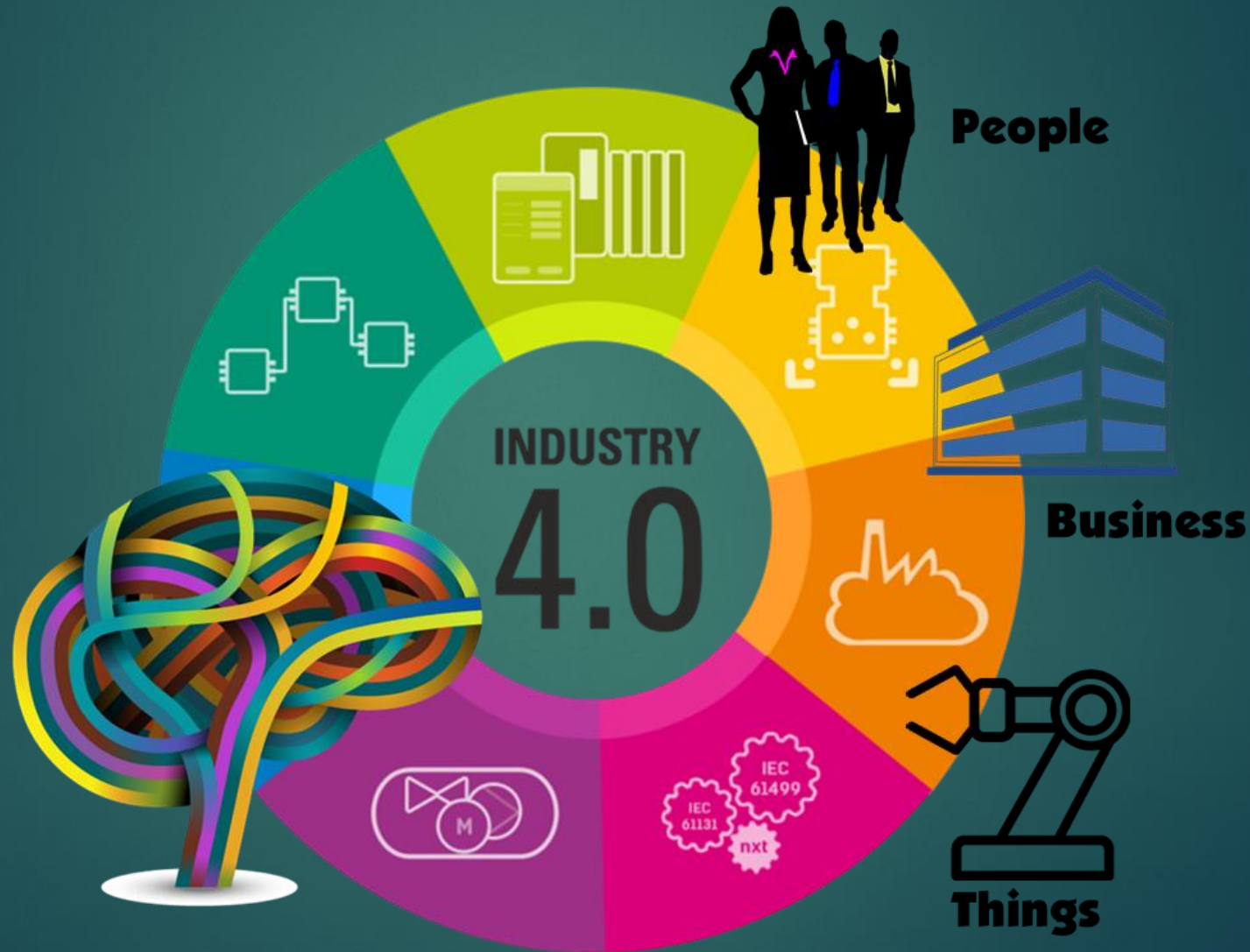
Usage of Cash across the continent is growing with the circulation of physical bank notes increasing by 13.9% in some countries. While there is almost no dominant financial technology player that has managed to grow beyond their home country.

Current State – Card Payments



Figures for calendar year 2014 have been restated. Fraud losses for the U.S. were lower than figures that appeared in issue #1068, largely due to further research into losses on cash withdrawals at ATMs. Fraud losses outside the U.S. were higher than reported, due to reports of higher losses at ATMs and more comprehensive figures from domestic-market-only debit cards and credit cards.

Future State – 4th Industrial Revolution



Future State – People

- More than 60% of the African population is under the age of 25
- By 2030, Africa will be home to more than one-quarter of the world's under-25 population

As this young population, the best-educated and globally connected the continent has ever had, enters the world of work, Africa has a demographic opportunity. However, Africa can only leverage this opportunity by unlocking latent talent and preparing its people for the future.

We find that most of the population, even those in rural areas have become Tech Savvy to a degree – The current rise in Mobile phone access (mobile technology on the rise) as we see it today.

Future State – People

Mobile is the primary way most Africans access the internet!

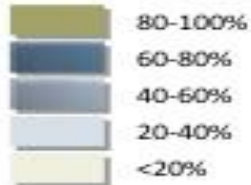
Annual Growth Rates of 9% to 2020 will Allow Africa to Reach a Mobile Penetration Rate Close to Market Saturation

Mobile Telephone Penetration Rates: 2010

Mobile Telephone Penetration Rates: 2020

Mobile Phone Subscriptions

- In 2010, African mobile penetration is just less than 50%
- That said, several countries have reached saturation
- By 2020 we expect 90% mobile penetration rate



Mobile subscribers 2010
500.0 million



Mobile subscribers 2020
1,170.0 million

Source: Frost & Sullivan analysis.

Future State – Business

With all the current challenges we may see from a Commerce/Business perspective across Africa, i.e. Mistrust of online shopping, Fragmented Markets, Preference to use cash, Delivery Logistics, internet connectivity and the fact that African manufacturers remaining reticent to invest in unconventional tools to enhance business, such as eCommerce sites, we see African consumers becoming more conscious about brand and browse the internet extensively (mainly through their Mobile devices/phones) before finalising a purchase. The internet is immerging to become a favoured medium of shopping as disposable income increases. Most of which would be through the growing youth and urban populations of Africa.

It is projected that by 2025 eCommerce will produce \$75b in Africa which will constitute about 10% of the continents retail sales.

Future State – Things

With a current Global Market valuation of over \$900b, both manufacturers and those looking to adopt Internet of Things (IoT) solutions are aware of the potential of IoT.

Africa's challenges are different to other regions though. IoT within the African Region could be most beneficial to support the enhancements of infrastructure. Many African countries have already embarked on their IoT Journey i.e. Intelligent Traffic Lights in Nairobi, load-limiting smart meters in South Africa, unmanned aerial vehicles (UAVs) used as part of conservation efforts in national parks.

There are a few prominent Telecom companies working at building Africa's digital future by supporting African Business with their IoT journey through the rollout of high-speed networks across the region.

The Role of Fintech

In light of all the information provided on the Future of Africa, it's clear that FinTech has an important role to play. This is a role has already taken off and set to grow significantly across the continent over the next few years.

Fintech Current State:

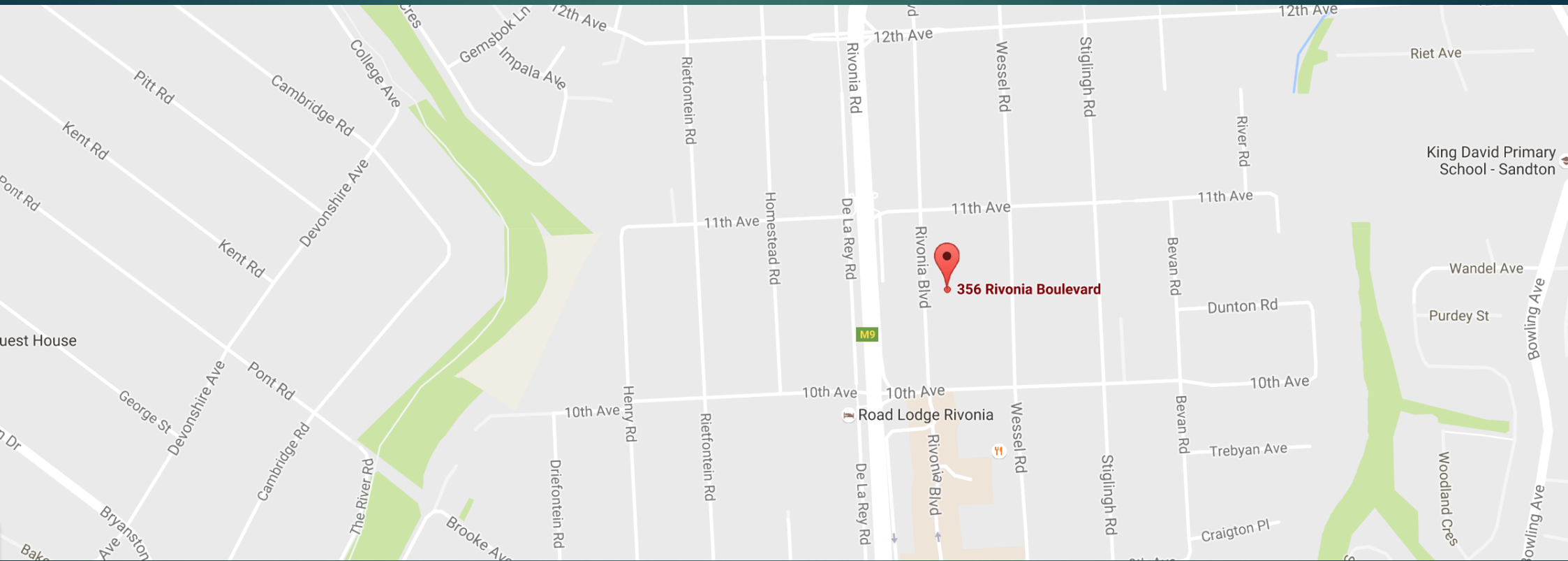
Convenience & Security – Key focus for FinTech's

- Payments FinTech's are being established all over Africa and leads the way in Africa's Fintech scene with 125 FinTech's across the continent focused on making the process of sending and receiving money easier.
- There are 65 FinTech's currently involved in the Lending & Financing space which is the second most popular area for FinTech's.

Over 60% of all African Fintech's are focused on these two crucial spaces.

With Africa being the global leader when it comes to the adoption and usage of Mobile wallets, it's no surprise that FinTech's see these two areas as their immediate area of opportunity with 220m registered mobile money accounts with over 80m active every three months.

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