

Finance

Sector Report, Africa:
DECEMBER 2024

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African Finance Industry:

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Sector Overview:

The past year presents a complex financial landscape shaped by monetary policy shifts and technological advancement, as 2024 was characterised by persistent inflation challenges and evolving monetary policies across major economies. This past month specifically, December 2024, reflects rapid transformation, driven by fintech innovation and financial inclusion initiatives, with mobile money transactions exceeding \$850 billion for the year, marking a 15% increase from 2023 (GSMA, 2024), while traditional banks expanded partnerships with fintech firms to enhance digital services.

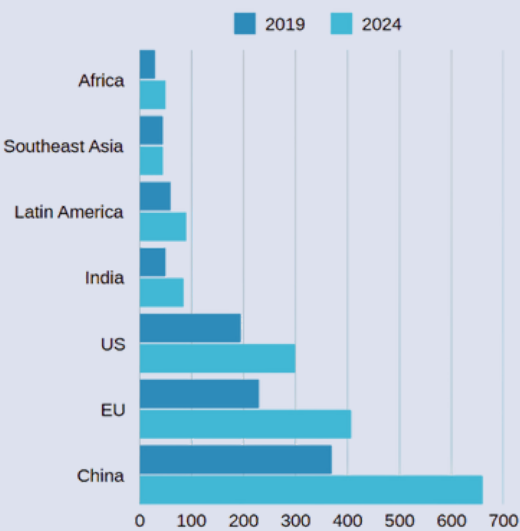
Key trends shaping Africa's finance industry:

- Sustainable finance:** Sustainable finance in Africa is gaining momentum as a critical enabler of long-term economic growth and environmental stewardship. The African Development Bank reports significant growth in sustainable investments, driven by green bonds, impact investing, and ESG financing.
- Limited access to capital, regulatory barriers and a lack of standardised frameworks hinder this progress, however efforts are being made to explore financial solutions to promote stronger regulatory frameworks to commit to environmental resilience and sustainability goals.
- Financial inclusion:** Financial inclusion in Africa has also seen significant progress, with 55% of adults in sub-Saharan Africa now having access to formal financial accounts, up from 23% a decade ago, according to the World Bank. This growth is largely driven by the widespread adoption of mobile money account ownership; providing essential financial services including: savings, credit, and remittances accessible to millions in underserved populations.
- However, challenges remain in rural areas where infrastructure issues, unreliable internet and low digital literacy hinder broader access. Addressing these challenges requires innovative strategies, such as alternative credit scoring models and digital literacy initiatives.

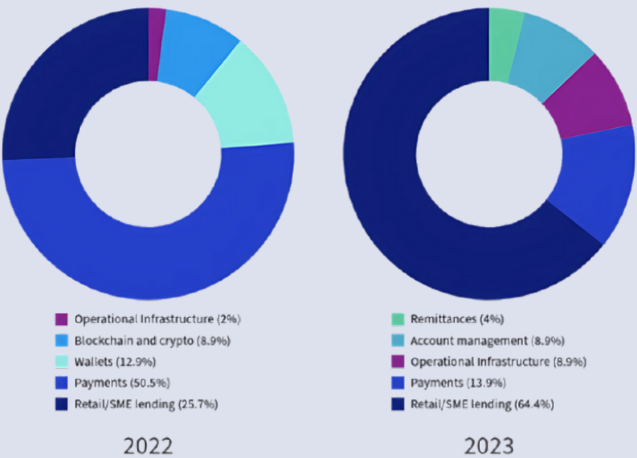
Trust and security remain pressing challenges in Africa's digital financial landscape. The Carnegie Endowment for International Peace highlights that concerns over data privacy, fraud, and cybersecurity breaches continue to undermine customer confidence; to address these issues.

This report actively explores innovative solutions to expand financial inclusion, including: leveraging alternative credit scoring models and promoting digital literacy initiatives. These are collaborative efforts between governments, fintech companies, and telecom providers to create a more inclusive and sustainable financial ecosystem in Africa.

Annual investment in clean energy, \$ billion



Funding Across Fintech Verticals in Africa, %



Industry Milestones:

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Billbox Pre-Seed Funding :

Billboxx secures \$1.6mn pre-seed funding to tackle SME cash flow in Africa: Billboxx is a financial technology platform, founded in Nigeria in 2023, designed to streamline invoicing and payment processes for businesses, particularly SMEs. It offers creative solutions to improve cash flow and offer credit facilities by promoting faster collections, efficient vendor payouts and automated reconciliations. Last month, Billboxx aimed to empower SMEs through their latest investment into addressing the cash flow challenges faced by SMEs in Africa; reinforcing their internal operations, whilst mitigating financial burdens.

Significance:

This investment tackles the significant issue of delayed payments for goods and services, which negatively impacts the cash flows of these SMEs. Delayed payments can impact business operations, lead to financial instability and potential bankruptcy. Billboxx aims to tackle this problem by providing a platform which automates invoicing ensuring prompt payments; thereby enabling SMEs to divert more resources towards managing and scaling their business. This marks a transformative moment for African SMEs, as this enhanced stability and financial reliability will allow them to attract greater foreign investment.

Key Beneficiaries:

- **SMEs:** SMEs, which are the backbone of Africa's economy, representing over 90% of businesses and providing more than 60% of employment across the continent (African Development Bank, 2020) are the main beneficiaries of this acquisition. They now have greater potential capacity to leverage secured cash flows to improve business operations and minimise the problem of delayed payments. This will allow them to increase their focus on growth and innovation, through investing in research and development to improve their operations and software developments, leading to greater profitability and financial security.
- **Local Communities:** Billboxx's investment will provide SMEs with more cash flow, facilitating their expansion and creating employment opportunities within local communities. This increase in employment will stimulate economic and business activity within local communities; improving regional development
- **Entrepreneurs:** This investment will provide businesses with the tools to navigate financial challenges more effectively, and pursue business plans with greater confidence and security, mitigating investment risk concerns surrounding investment across the continent. This is particularly impactful in African regions with limited financial services, as it broadens access to entrepreneurship opportunities through financial support.

Relevant Data:

- SMEs represent over 90% of businesses in Africa (African Development Bank, 2020)
- They contribute over 60% of total employment across Africa (International Labour Organisation, 2019)
- SMEs with consistent cash flow are 40% more likely to expand and hire additional employees (World Bank, 2023)
- Billboxx's investment will be able to support over 1,000 SMEs across Africa in its first year of operations (Billbox Press Release, 2025)

Industry Milestones:

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Banking Sector Expansion: Access Bank's Acquisition of South-Africa's Bidvest Bank for \$159mn:

Access Bank Plc, the banking subsidiary of Access Bank, is a leading full-service commercial bank headquartered in Lagos, Nigeria, which operates over 600 branches and serves 61 million customers across 12 countries on three continents, including Ghana, Rwanda, and Sierra Leone. The bank has acquired South Africa's Bidvest Bank, a subsidiary of the Bidvest Group, for \$159 million for 100% acquisition stake in Bidvest Bank, which specialises in SME-focused financial solutions and foreign exchange services. This strategic acquisition significantly strengthens Access Bank's presence in South Africa, advancing its pan-African growth ambitions.

Significance:

This acquisition represents a key milestone in Access Bank's vision of becoming a pan-African financial powerhouse. Bidvest Bank was strategically targeted for its complementary strengths in trade finance, foreign exchange, and cross-border payments; aligning with Access Bank's objective of facilitating intra-Africa trade and solidifying its position as a regional leader in trade finance. South Africa also boasts one of Africa's most advanced financial markets, with a 2.5% year-on-year headline earnings growth and a well-established banking sector which contributes significantly to GDP. This positions the Bidvest Bank acquisition as a pivotal opportunity for Access Bank to expand its services within one of the continent's most developed economies. Leveraging South Africa's robust financial infrastructure, Access Bank can enhance its cross-border banking capabilities and strengthen its pan-African growth strategy.

Key Beneficiaries:

Access Bank shareholders: Access Bank shareholders stand to benefit from this acquisition, as South Africa's advanced financial market presents significant opportunities for revenue expansion in sectors like: trade finance, investment banking, and wealth management. By leveraging these opportunities, Access Bank can expand its presence, drive sectoral development, and achieve greater profitability, ultimately delivering increased returns for shareholders.

Bidvest Bank Customers: This acquisition unlocks significant advantages for customers through Access Bank's extensive range of products such as: digital banking, international trade support, and broader credit facilities. Additionally, customers gain access to improved online banking platforms, mobile apps, and advanced digital payment systems. These improvements will elevate customer experience, attract new consumers, and create substantial growth opportunities for Bidvest Bank.

South African economy: Access Bank's acquisition will enhance capital inflows into South Africa, driving investment and stimulating economic growth. By prioritising SME financing, it will improve access to credit for SMEs, fostering entrepreneurship and job creation. Whilst Access Bank's trade finance expertise will support regional financial integration, facilitating cross-border trade and investment under the African Continental Free Trade Agreement (AfCFTA). The integration of advanced digital banking infrastructure will modernise South Africa's financial ecosystem, expanding financial inclusion for underbanked communities.

Relevant Data:

Transaction value: \$158 million (Refna Tharayil, 2024)

Announcement Date: 12 December 2024 (Dharma, 2024)

Access Bank's entry into South Africa also reduces reliance on its Nigerian operations, achieving greater income diversification.

Challenges & Opportunities:

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Sustainable Finance and ESG Investments:

Sustainable finance and ESG investments are reshaping global financial systems by aligning economic goals with sustainability objectives. In Africa, these initiatives are driving transformative opportunities, addressing critical challenges like climate change and social inequality, while fostering long-term growth and resilience.

Driving Factors:

- **Italy-AfDB Co-Financing Agreement:** On December 5, 2024, Italy's state lender CDP and the African Development Bank (AfDB) signed a co-financing agreement worth €400 million. This partnership aims to support climate finance, sustainable agriculture, education, and technical assistance across Africa, aligning with the continent's sustainable development goals.
- **COP29 Discussions on Sustainable Financing:** In November 2024, during COP29 in Baku, Azerbaijan, the Sustainable Debt Coalition (SDC) convened finance ministers, climate finance leaders, and civil society representatives to explore innovative solutions for leveraging sustainable finance amidst fiscal constraints. The discussions emphasized the need for creative financial instruments to support Africa's sustainable development. In 2024, Africa witnessed a significant surge in sustainable finance, with financial institutions increasingly integrating ESG principles into their operations. This shift aligns with global efforts to combat climate change and promote ethical investment practices.

Challenges:

- **Transition to Renewables:** Balancing energy access with sustainability goals in Africa presents significant challenges due to underdeveloped infrastructure and the high costs of renewable energy projects. Many African nations lack the grid infrastructure required to support large-scale renewable energy integration, which limits their ability to provide reliable electricity to underserved populations. The initial capital outlay for renewable technologies, such as solar and wind, remains prohibitively high for many countries, despite global cost reductions. Securing funding is further hindered by limited access to international capital markets and the perceived risks of investing in emerging economies. The intermittency of renewable energy sources also necessitates investment in storage solutions and grid stabilisation technologies, which increases overall costs. **Regulatory Barriers:** Weak regulatory frameworks hinder green financing and ESG implementation.
- **Unlocking Green Bond Markets:** Governments and financial institutions can work together to attract international investors into Africa's green bond market, which holds significant potential for financing large-scale renewable energy projects. Green bonds provide a mechanism for funding initiatives such as solar farms, wind energy installations, and sustainable urban development while aligning with global sustainability goals. However, many African countries need to establish robust regulatory frameworks and improve transparency to build investor confidence. Partnerships with multilateral organisations, such as the African Development Bank, can help by providing technical assistance and guarantees to reduce investment risks. Governments can also incentivise green bond issuance through tax benefits and policy support, ensuring a steady pipeline of projects. Increased collaboration can unlock the capital required to scale renewable energy solutions, bridge energy access gaps, and drive sustainable economic growth across the continent. (African Development Bank, Climate Bonds Initiative, OMFIF).

Challenges & Opportunities

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Solutions:

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Public-Private Partnerships: Leveraging public-private partnerships can mitigate the high costs of infrastructure development for renewable energy.

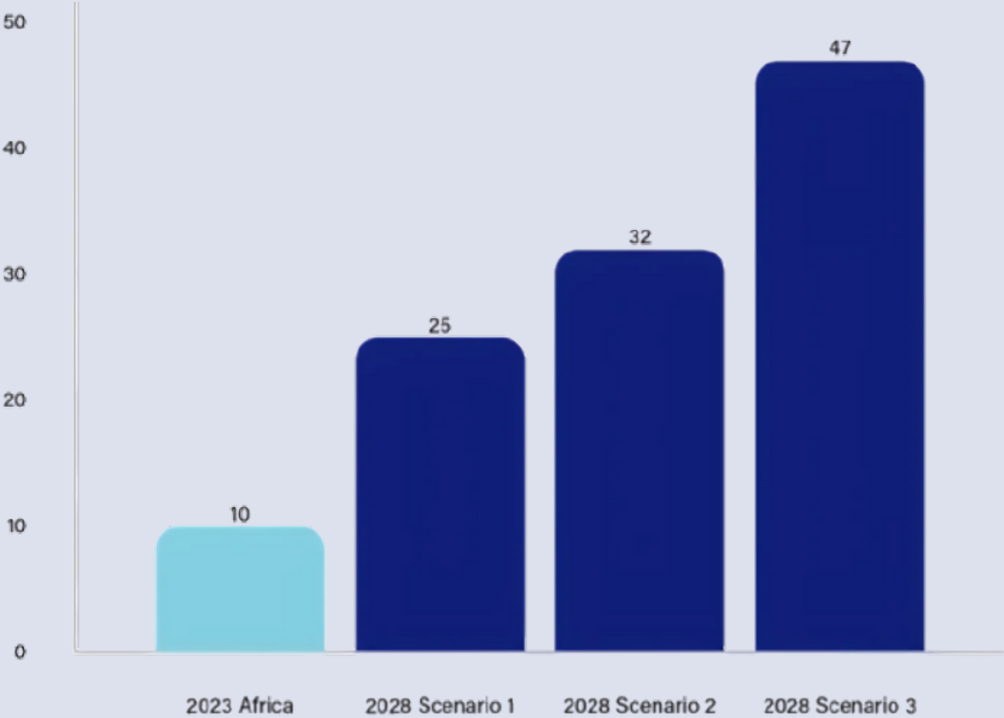
Fintech Innovation and Financial Inclusion:

Fintech innovation is revolutionising Africa’s financial landscape, enhancing financial inclusion and digital accessibility. Landmark developments, such as Moniepoint’s rise to unicorn status and the Global Fintech Trends Report, highlight the sector’s potential to empower underserved populations and drive inclusive economic growth.

Driving Factors

In October 2024, Nigeria-based fintech company, Moniepoint, that provides banking services, loans, and payment processing. It was secured \$110 million in a Series C funding round, elevating its valuation beyond \$1 billion. This investment underscores the growing investor confidence in Africa’s fintech sector and its potential to enhance financial inclusion across the continent.

In December 2024, the Africa Fintech Network published its highly anticipated Global Fintech Trends Report, which provided valuable insights into the rapid evolution of the fintech sector. The report shed light on growing competition between large banks and fintech startups, the increasing adoption of embedded finance, and innovative payment systems.



Challenges & Opportunities:

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This publication not only highlighted key challenges and opportunities within the sector but also brought greater global exposure to Africa's burgeoning fintech industry. By showcasing success stories like Moniepoint's rise to unicorn status and the exponential growth of mobile money systems, the report underscored Africa's position as a leader in financial inclusion and digital innovation.

Solutions:

Unlocking Green Bond Markets: Governments and financial institutions can work together to attract international investors into Africa's green bond market, which holds significant potential for financing large-scale renewable energy projects.

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Public-Private Partnerships: Leveraging public-private partnerships can mitigate the high costs of infrastructure development for renewable energy. Looking into examples like that of Masdar City in Abu Dhabi, a city designed around renewable energy being a proof of concept.

We can see the beneficial effect of PPP (Public-Private Partnerships) benefiting the public sector by providing jobs and expansion of internationally competitive infrastructure while distributing funds into the private sector, creating a mutually beneficial end result.

Challenges & Opportunities:

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Challenges:

Financial Inclusion Gap: Despite advances in financial technology, a large proportion of Africa’s population remains unbanked, particularly in rural areas where access to fintech services is limited. Many rural communities lack the necessary infrastructure, such as reliable internet connectivity and mobile network coverage, which are critical for accessing digital financial platforms. Limited digital literacy further hinders adoption, as potential users may not fully understand how to engage with fintech solutions. Additionally, cultural and trust barriers often discourage rural populations from transitioning to digital financial services, as many still prefer cash-based transactions. Addressing these gaps requires investment in infrastructure, tailored education initiatives, and the design of fintech products that are simple, accessible, and culturally relevant. Collaboration between governments, telecom providers, and fintech companies is essential to ensure that digital financial services reach even the most remote areas.

Cybersecurity Risks: The growing reliance on digital platforms exposes users to potential data breaches and fraud, challenging consumer trust in fintech solutions

Solutions:

Expanding Credit Access: The use of alternative credit scoring models offers a transformative opportunity to bridge the financial inclusion gap, particularly for women and small-scale entrepreneurs across Africa. Traditional credit systems often exclude individuals without formal financial histories, leaving many unable to access loans or other financial products. Alternative models, which leverage data such as transaction patterns, mobile phone usage, and utility payments, provide a more inclusive approach to assessing creditworthiness. These methods allow financial institutions to extend credit to individuals traditionally excluded from formal banking.

For women entrepreneurs, who face additional barriers such as gender bias and limited property ownership, these models can be particularly impactful. By enabling access to affordable credit, alternative scoring systems can empower small businesses, stimulate local economies, and promote economic equality. Collaboration between fintech companies, banks, and policymakers is essential to scale these solutions effectively.

Strengthening Cybersecurity: Investing in robust cybersecurity measures will enhance trust and adoption of fintech solutions across diverse demographics.

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Glossary:



SMEs

Small and medium-sized enterprises

SADC

South African Development Community region

Disinflation

Reduction in the rate of price inflation

Blockchain

Digitally distributed, decentralised, public ledger that exists across a network

Pre-seed funding

Initial capital raised by a startup to develop its product idea and build its foundation

ESG (Environmental, Social, and Governance)

A framework used by businesses and investors to assess the ethical and sustainability impacts of their operations.

- **Environmental:** Focuses on how an organization impacts the environment, such as through carbon emissions, waste management, or renewable energy use.
- **Social:** Covers the company's relationship with employees, customers, and communities, including diversity, labor practices, and community engagement.
- **Governance:** Relates to corporate governance practices, including transparency, board diversity, and ethical leadership.

Fintech (Financial Technology)

The use of innovative technologies to enhance and automate the delivery of financial services.

- Examples include mobile banking, peer-to-peer lending, blockchain technology, and digital payment platforms like M-Pesa or PayPal.

Green Loans

Loans specifically used to fund projects that have a positive environmental impact, such as renewable energy, energy efficiency, or sustainable agriculture.

Alternative Credit Scoring Models

Innovative methods of assessing creditworthiness using non-traditional data sources, such as transaction patterns, utility payments, or mobile money usage, to provide financial access to individuals without formal credit histories.

Mobile Money

A technology that allows users to store, send, and receive money through their mobile phones. Widely used in Africa to bridge financial inclusion gaps, it enables access to banking services without a traditional bank account.

Green Bonds

Debt instruments issued to finance projects with environmental benefits, such as renewable energy installations or sustainable urban development projects. They offer a way for investors to contribute to sustainability goals.

Financial Inclusion

The process of ensuring individuals and businesses, particularly those in underserved or rural areas, have access to useful and affordable financial products and services, such as banking, credit, and insurance.

Public-Private Partnerships (PPPs)

Collaborative arrangements between government entities and private sector organizations to fund and operate projects, particularly in infrastructure or service delivery.

Cybersecurity

The practice of protecting systems, networks, and data from digital attacks, theft, and damage. In fintech, it ensures user trust and safeguards sensitive financial information.

