The rise and fall of fintech startup companies in Africa: Why Africa needs to protect her own.

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Whenever I am on a professional networking social media site, my favourite reads in my feed are those very touching personal stories: a great grand mom of 80 years receiving her first degree in Adult Education on the same day as her 21 year-old great granddaughter graduating *summa cum laude* in aeronautical science; an elated young bloke showing off a photograph of his beloved dog standing on one of its hind legs (or is it, feet?) for the very first time and doing a canine dance. Such stories keep me sane.

A couple of weeks ago, I came across a news item that immediately caught my attention. The news was to the effect that, a rich American company had bought a young and burgeoning payments system fintech company set up, owned and operated by two youthful Nigerians. And the price tag was US$200 million. Many of those who commented on the post congratulated the young men for the sale. Others were not too happy about the amount received; the guys could have asked for more, some of the comments read. Others also hoped and prayed that the young men made sure to insert a clause in the Purchase and Sale Agreement that reserved a percentage of the ownership in the youngsters.

I, however, held a totally different opinion which was this: the young men should not have sold at all; they should have kept and grown their company! Pray me, I was tempted to put my sentiments in writing in my feed but I knew better than to be the one to pour rain on the young men’s parade. Therefore, I whispered my ‘congratulations’ to them in my head, clicked on “Like” to join the tens of thousands who had already done so, and moved on to scroll through the next couple of freshly-minted PhD awardees, first degree graduates and others in between, proudly exhibiting their certificates from virtual graduation ceremonies.

Usually, the stories I come across on social media stay with me for the 10 to 15 minutes I spend flipping through my feed and they disappear from my thoughts. But this particular story of the young men's sale of their company to a rich foreign company stayed with me the whole day and my reaction was still: 'they should have kept their company'. By evening, I had a few clients to vex me with their conundrums so I ceased ruminating on the sale that had made my young Nigerian brothers millionaires two hundred times over in just about five years.

A few weeks later, a similar news item broke on a fintech start-up sale. This time, it was about a cross-border mobile money transfer fintech start-up set up by two young Africans (a Ghanaian and a Ugandan) based in San Francisco. The company reportedly started operating in 2018 and had received US$30 million in funding in November, 2020. The funding was said to have come from sources, including the venture capital fund of the world's richest man. According to the news item, the total amount the fintech company has received from funding sources is US$52.2 million since its inception. This means that right from inception, the company has been owned by foreign companies but it is pejoratively described as a Pan-African fintech company, as if to appease our souls. The company offers mobile-based, no fee, P2P payment services in several African countries including Nigeria, Ghana, Uganda, South Africa and Kenya, according to reports.

Now, dear reader, don't get me wrong; US$52.2 million or US$200 million is a huge amount of money by all standards. And it might seem like sheer lunacy for anyone to turn down an offer of such enticing proportions. However, the question is, why are we so quick to sell off or give away our unique, cutting-edge, made-by-Africans-for Africans, technologically innovative fintech start-ups to so-called investors from outside the African continent? Available information from Techpoint Africa indicates that, between 2010 and 2015, investment in fintech companies was not common. However, from 2017, fintech companies saw a 287% increase in funding. The payments sub-sector has received almost 70% of the total fintech funding in the last decade. In 2019 alone, fintech companies worldwide attracted US$36 billion, with Africa accounting for US$460 million, according to Techpoint Africa.

Of course, the sheer mention of a million dollars is enough to send many of us into dizzying bouts of excitement. Therefore, for one to smell tens or hundreds of millions of dollars and turn on their heel and leave it behind will be most unnatural. The question is: how have many young technology innovators across the world, particularly in the West, handled their start-ups? The answer is simple: they have resisted the temptation to sell off to the rich corporate predators and their acolytes.

For example, just four months after Facebook was set up in 2004, rich folks and their companies began chasing the C.E.O, Mark Zuckerberg, to buy the company. He turned them down. In the summer of 2006, Yahoo! made a mouth-watering offer of US$1 billion for Facebook. Again, Facebook turned it down. Guess what? As at August, 2020, Facebook was valued at US$720 billion and Zuckerberg's net worth as at November, 2020 was US$101.2 billion. This miracle has occurred after just 16 years of Facebook's existence. Similarly, Jeff Bezos founded Amazon in 1995 with sales volumes of US$510,000 that year. In 2018, Amazon's annual sales was almost US$233 billion. And Bezos is still around and very much the soul and heartbeat of Amazon. Bezos did not sell off Amazon. There are many other countless examples too numerous to recite here.

It is in similar vein that African fintech start-up companies should not sell their future for small immediate gains. Most importantly, they should not sell to foreign giants whose own indigenous start-ups refuse to sell to them as demonstrated by the Facebook and Amazon examples, among others.

Why Africa should protect her fintech start-ups from the claws of greedy globalists.

There are many reasons why Africa should nurture and protect its fintech start-up companies. First of all, it will give our continent a comparative advantage in terms of market size. Africa has a large population with a huge youthful segment and a wide mobile telephony coverage. While most continents have aging populations and atrophied population growth rates, African is set to lead in population growth for a long time to come. Africa's middle class is also growing and so is their purchasing power. We do not have to continue to export our assets in raw form to so-called advanced countries and have them sold back to us at a price that is a thousand times higher. Secondly, Africa needs to build and develop its own fintech brands that can compete globally. The fact is, we have indigenous African companies that have grown into global entities. These include such stalwarts as Glo, Kasapreko, Dangote Cement, UBA, Zenith Bank, AGA, etc. We can equally create and nurture our own global fintech companies too. Thirdly, we need to protect our fintech companies to help actualize the Africa Continental Free Trade Area (AfCFTA) for the benefit of Africans. African assets include its fintech companies and we must ensure that we maintain the African ownership of such companies. When we talk about Africa Free Trade Area, we should not be thinking only about our cash crops and mineral resources but also our technological assets. The Africa Continental Free Trade Area is set to kick off on 1st January, 2021 and there could not be a better time to pay attention to our African assets and how to trade in them for the benefit of Africa and her citizens.

How we can protect our startups.

- **Through government support**: Most of our African governments think of foreign investment in terms of attracting foreign capital to boost our manufacturing industries, build infrastructure and support agribusiness. We pass liberal laws such as the Ghana Investment Promotion Centre Act granting tax holidays, immigrant quotas and other mouth-watering incentives to investors.

  However, with the rise in fintech companies and their potential for generating super profits, African fintech companies are now a more attractive sector for the so-called "angel" investors and venture capitalists instead of the usual suspects – mining, oil & gas, telecommunications, real estate, etc. African governments should, therefore, as a matter of urgency, formulate deliberate policies to provide funding for start-ups in the fintech industry to protect this nascent industry from being devoured by global rich men/women and their companies. In his book, "*Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism*", (2007) South-Korea born Cambridge University Professor of Economics, Ha-Joon Chang makes the point that contrary to popular belief, most neo-liberal capitalists governments have protected their private sector companies and supported them to grow into global giants. Chang cites the example of Finland that supported Nokia for about 17 years before Nokia blossomed into the global giant that it is today.

As Africans, if we fail to protect and nurture our indigenous start-up fintech companies, we run the risk of losing the ownership and profits of the intellectual and innovative acumen of our youngsters to greedy globalists. We have sold our assets as raw materials to others for centuries and we are still caught in a quagmire of poverty. We do not need to make the same mistake with our technological know-how too.

- **Private sector support** – Local and Africa-based banks and other financial institutions must develop products to assist fintech start-ups, especially products with low interest rates, no requirement for collateral (the fintech start-up will be its own collateral), deferred interest and principal repayments and medium to long term loan duration of between 5 to 10 years, etc. In seeking to attract private sector support, we should, however, beware of the so-called 'angel investors' who parade the business corridors of our nations, bearing glad tidings of economic joy to Africa's budding fintech entrepreneurs. There is nothing angelic about their intentions and motives; they are neo-colonial globalists ready to capture our start-ups even before they start operations or so soon thereafter.

Conclusion

The African continent is blessed with potential for growth with regards to her fintech companies. As such, all governments must formulate proper policies for the public and private sectors to assist start-ups with their ventures so as to prevent foreign venture capitalists from devouring them before they blossom to reach their full potential.