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COLLEGE OF BUSINESS AND ECONOMICS

HOW DO FINTECH STARTUPS CREATE VALUE IN AFRICA?

BY

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the College of Business and Economics

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Master of Business Administration

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ABSTRACT

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Title: How do Fintech Startups Create Value in Africa?

Supervisor of Thesis: Ramdani Boumediene.

Purpose: Despite the fact that Fintech businesses in Africa confront several challenges that may hinder their success, Fintech offers greenfield potential in Africa. One possibility is to fundamentally alter how more than a billion people across a rapidly changing continent pay for goods and services. According to this research, the continent's Fintech sector will witness rapid growth and value creation.

Methods: This exploratory study is qualitative in nature. Several kinds of data sources were utilized in accordance with case study procedures. Documents were analyzed to gain an understanding of the value proposed by African Fintechs.

Findings: The study reveals that different services provided by Fintech startups in Africa offer value under 3 main themes: Financial inclusion, financial infrastructure, and Convenience.

Implications: The paper explored the African Fintech scene to gather the information necessary to answer the research question. Through the data collection and analysis stage, the researcher was able to extract three themes from the collected data, namely: infrastructure, inclusion, and convenience.

Keywords: Business model innovation; Value proposition; Fintech; Africa.

DEDICATION

I would like to dedicate my thesis to those who have supported me throughout my education journey; my family, friends, colleagues, your support made this journey possible

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CHAPTER 1: INTRODUCTION

The first chapter in this paper aims to provide the reader with the information necessary to understand the motives behind the research. It starts with a brief introduction and provides definitions to the keywords of the study. The chapter also allows the readers to know the aims of this paper. This will help the reader see the importance of the paper and how it fills in the literature gap.

1.1 Background Information

When customers make payments online, use ATMs, or transfer money online, they are considered Fintech users. Financial technology (Fintech) is considered as one of the best innovations in the financial industry. Also, it is developing quickly due to the digital economy, supportive regulations, and information technology (Lee, 2017). The growing digitalization of money and financial services offers chances to generate more competitive and inclusive financial services, and also advance economic expansion. The borders between financial firms and the financial sector are increasingly diminishing as a result of Fintech, which is rapidly changing the financial sector environment and filling the gaps of financial markets through the new electronic services. The innovative solutions are sought to offer customers a variety of service providers, rapid transaction speeds, and ease of use. The financial industry has gradually been more digitalized since the advent of the World Wide Web, with the appearance of the online payment system PayPal and the virtual currency Bitcoin (Gonzalez, 2004).

Regardless of its late start, financial technology is realizing many benefits at the moment, particularly in some Middle Eastern and African countries. The benefits of the financial technology, such as providing increasing financial inclusion, will assist the underserved and unserved customers who do not interact with the banking sector and lack access to financial products (Segura, 2020). Furthermore, it facilitates cross-border trade and remittances from overseas workers by offering efficient and affordable mechanisms for those cross-border payments. To further add, using technology to control risk and assure regulatory compliance, could lead to achieving financial stability. Another stakeholder that benefits from Fintech is the government. The adoption of electronic payment methods boosts the efficiency of government operations. This in turn necessitates additional changes to fill the gaps in consumer protection, and information security, which is where Fintech comes to play.

Additionally, Fintech is not just for individual consumers – it is also profoundly changing the world through Fintech startups that are providing new and innovative solutions. Those changes are altering the way financial services are delivered, as well as the financial landscape in general. When they first started out, Fintech companies were more committed to providing new goods and services to customers, i.e., business-to-consumer (B2C) operations. Nevertheless, several studies in this area have highlighted the trend of offering new goods and services for businesses instead of individual customers (business-to-business (B2B) operations). In doing so, many traditional financial institutions are partnering with Fintech startups who are expanding their market share by offering innovative services through creative business models.

According to (Mackinger, 2017), Fintech companies deliver services in a more efficient, cost-effective, and typically real-time manner via online or mobile platforms. Also, Fintech services often include fewer and less significant information asymmetries. These benefits might make investors interested in investing in such startups. Nonetheless, a more comprehensive view of those companies is needed to make an investment decision. By examining the business model, investors can gain a better understanding and get the overall view about the company's products, business strategies and prospects. According to (Rosing.et al, 2010), everything that has to do with the planned decisions and operation of the company can be said to be part of the business model. It supports the focus of the company on its competitiveness and differentiation advantages. Thus, regular updates maintain the business model aligned with the customer's needs, economic condition, and market changes.

Fintechs are transforming the banking sector by delivering innovative technological solutions that create shared and long-term value through customer-centric business models. Hence, bringing efficiency advantages and boosting the activities of traditional business models. According to (EY,2019), Fintech companies employ technology to replace undesired services with ones that are more appealing to customers; provide better capabilities; offer greater convenience; and reduce costs and fees. As a result of those innovative business models activities, mobile payments and peer-to-peer financing are now possible. In addition to that, newly created services solve market gaps, while others can redesign and change specific financial subsectors.

1.2 The Definition of Fintech

Fintech, a combination of the word's "finance" and "technology," is a term used to describe the technologies used to offer financial solutions outside the traditional business model (Carvalho.et al. 2019). Google reports that the keyword "Fintech" presently generates on average over 201,000 searches per month around the globe (Shueffel, 2016). **Figure 2** illustrates the popularity of the word throughout the years. This number might not seem significant, especially when contrasted with the terms "banking" and "bank," which presently get more than 2.24 million monthly search inquiries apiece. However, it is significant when compared with the search phrase "financial services," which has about 40,500 counts worldwide every month (Shueffel, 2016).

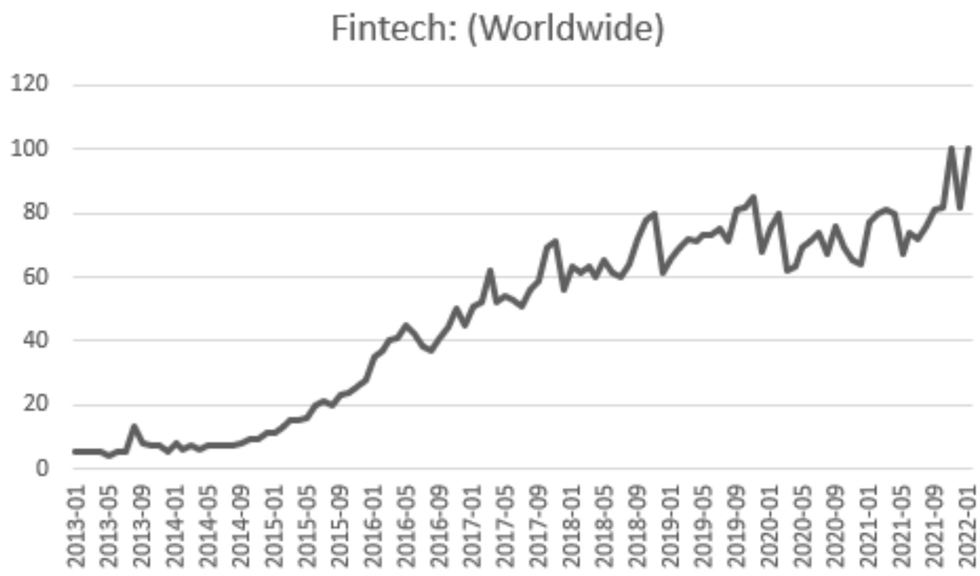

Figure 1. Popularity of the Word Fintech

Each research defines Fintech differently depending on their objectives. Fintech, for instance, may be seen as the application of decreasing the gap between information and automation technologies in the financial industry (Ntwiga, 2020). creative digital technologies are setting high standards for affordable and new financial solutions. The literature found about Fintech outlines wide developments of technology, digitization and aims to innovate different categories of Fintech businesses (Arner, 2016). Moreover, (Dhar and Stein,2016) defined Fintech as financial sector innovations involving technologies and business models that can promote; novel ways to produce and deliver goods and services; address privacy, regulatory, and law-enforcement issues; offer new entry points for entrepreneurship; and create opportunities for inclusive growth.

The word Fintech, or financial technology, was initially used to describe the evolution of IT-induced revolution of the financial services industry. For start-up businesses that provide financial services made possible by IT more recently, the term "Fintech" is frequently used (Zavolkina. et al. 2016). This thesis research defines Fintech as start-up businesses that provide financial services while integrating such services with technological capabilities (Zavolkina. et al. 2016). The financial services that Fintech provide vary depending on the targeted market (payment, trading, mortgage lending and personal finance management) and on the different sectors, for example, payments, human resource (HR) and payroll tech, and security technology (Kovacevic, 2016)

1.3 The Evolution of Fintech

In their 2015 study on the development of Fintech, Arner et al. (2015), explain that the phrase was first used to refer to the Financial Services Technology Consortium in the early 1990s, which is a project started by Citigroup to support attempts towards technology collaboration. Indeed, an article published by the media site American Banker, demonstrates a project called "Fintech" that was found by Citigroup in the early 1990s (Shueffel, 2016). The American Banker also released an article titled "Friday Flashback: Did Citi Coin the word 'Fintech'?". This article has an editor's note saying that "the piece below published in American Banker on August 13, 1993 and contains the first usage of the now-trendy phrase 'Fintech' we could discover." (Kutler, 1993). It mentions Fintech as a project label used by Citibank. This is the initial study to which Shueffel (2015) and subsequently Arner et al. (2015) allude when claiming that the word Fintech originated in the early 1990s. **Figure 1** gives a brief discussion on the history of Fintech.

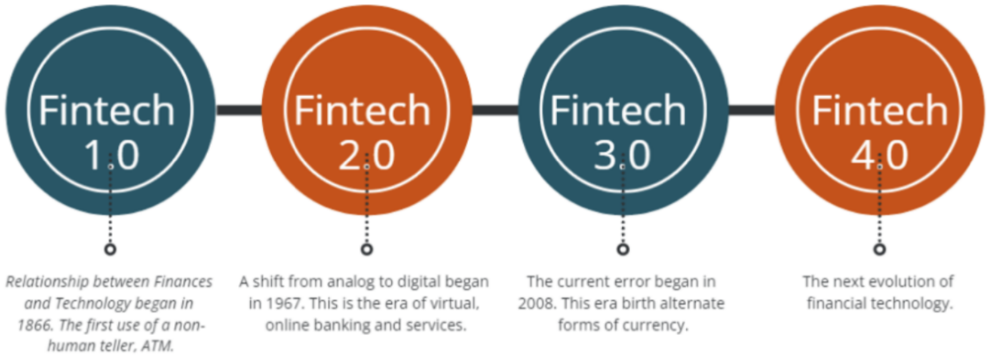

Figure 2. History of Fintech source: https://www.topcoder.com/thrive/articles/fintech-digitizing-of-the-financial-industry

The first bank to provide an online check-out was Wells Fargo in 1995. The first virtual banks with no actual branches started to appear, e.g., ING Direct, a branch of the ING Group, began operations in Canada. Fintech may be seen as having reached a turning point during the financial crisis of 2008, which put the world financial system in danger of collapsing. In the year 2040, a mechanism for generating Bitcoins would produce a total of 21 million units. With the launch of Google Wallet, customers were able to use NFC (near field communication) technology on their smartphones to make purchases (Kutler, 1993). The year 2014 saw the introduction of Apple Pay.

1.4 Aim and Objectives of this Study

Even though Fintech startups in Africa face several obstacles that may interrupt their progress, Fintech has a greenfield potential in Africa. One potential is to radically change how more than a billion people across a dynamic continent pay for products and services. This research anticipates the continent's Fintech sector will experience rapid expansion and value creation. The present research study adopted a qualitative research method. Secondary data was collected from different sources for a better understanding of how Fintech startups in Africa are making efforts to innovate their business models in order to create and deliver value to their target customers. From a business model innovation framework perspective, the thesis aims to find the core offerings the selected Fintech utilize to meet the changes in customer bases and changes in their demands. In addition, the paper aims to discuss the effect of perceived value on continuous usage of Fintech among customers in Africa.

The research question the author attempts to answer in this thesis is:

How do Fintech Startups Create Value in Africa?

To achieve this aim, this study has the following objectives:

1. To identify the best performing Fintech startups in Africa.
2. To explore the different sub-components of value creation using the business model innovation literature; and
3. To outline the key themes characterizing Africa's Fintch startup value creation.

CHAPTER 2: LITERATURE REVIEW

This section will cover previous research conducted within the field of business models and business model innovation of Fintechs in order to answer the main research question. Though the paper mainly focuses on “value proposition The section starts with discussing business models. A part is also dedicated to business model innovation. This part also includes previous studies related to Value proposition. In addition to, the guiding theoretical framework of this study.

2.1 Business Models Definition

Before covering business model innovation, it is important to give a description on what a business model is. The term of “business model” indicates a company’s revenue strategy (Ruël, 2022). It describes the products or services that a company sells, as well as the target market for those products or services and the estimated costs. Product types, labor availability, marketing plans, distribution, delivery, sales process prices strategies and consumer payment methods are all demonstrated by business models.

The number of studies conducted by academics and those in business has increased significantly in recent decades. It was first cited in an academic article by Bellman.et.al (1967) in 1957 in the framework of business games for training intention. In1960, appeared in the title of a paper that concerns how college students should be trained and how technology should be presented to them (Zenezini, Mangano, & Marco, 2017). According to (Ullrich, 2016), the term was initially applied in a general way, reflecting a simplification and imitation of reality intended to teach future managers about technology. Therefore, the business model has been frequently used in relation to information technology and in the context of business modeling. Business modeling is still mostly perceived as a functional activity for system modeling that is heavily influenced by operational considerations. Until the 1990s, the term was only used infrequently. The adoption of the internet into the business world boosted the recognition of the term *business model*. In addition, “dot-com” firms promote business models in order to attract funding (Shafer.et.al. 2006).

Since value proposition is part of the business model, boost knowledge about the term business model is important. A well-developed business model will often provide greater value as opposed to well-developed ideas and technology (Chesbrough, 2006). As reported by (teece,2018), business models explain the way firms deliver value to their target customers and the shared value. Researchers have recently focused on the usefulness of the business model in research on electronic commerce, strategy, and technology management. Such research also highlights definitional convergence, with numerous literature contributions defining business model as the “design or architecture of the value creation, delivery, and capture mechanisms” of a corporation (Foss and Saebi, 2016).

According to the literature, developing a new business model may also involve creating a new product or drive to a process innovation. Moreover, a more effective business model can help guarantee that an organization’s product or business unit branches out to an existing or new market (Munna, 2021). **Table 1** provides a concise summary of the different definitions of business models.

Table 1. Business Model Definitions

Author, year.	Definition/Statement.	Main Focus
Osterwalder & Pigneur 2011	"a business model describes the rationale of how an organization creates, delivers, and captures value" (Osterwalder & Pigneur, 2011, p. 14)	Value
Teece, 2010	In short, a business model defines how the enterprise creates and delivers value to customers, and then converts payments received to profits" (Teece, 2010, p. 173)	Value
Zott & Amit, 2006	"a business model elucidates how an organization is linked to, and how it engages in economic exchanges with, external stakeholders in order to create value for all exchange partners" (Zott & Amit, 2006, p. 3)	Organization & Value
Casadesus & Ricart, 2009	"Business model, we argue, is a reflection of the firm's realized strategy" (Casadesus-masanell & Ricart, 2009, p. 1)	Strategy
(Johnson et al, 2008)	"A business model, from our point of view, consists of four interlocking elements that, taken together, create and deliver value" (Johnson et al., 2008, p. 586)	Value

Through the discussion on business models, it seems that many definitions exist. The researcher of this paper believes the definitions could be summed into one definition where a business model is a tool used by organizations to make resources available through internal and external procedures and structures with the intention of creating value proposals that address the issues, or tasks, of their existing clients. Those proposals give businesses the opportunity to keep some of the value created by their operations while also rewarding their partners and investors.

2.2 Business Model Innovation

Regardless of how the business model currently functions, entrepreneurs must work hard to enhance and reinvent their business model. As a result, this leads to a different concept – business model innovation. The need for business model innovation is being driven by the need to adapt to a dynamic, continuously evolving business environment (Chesbrough, 2010).

As stated earlier, a business model entails comprehending a target audience (consumers), their demands and wants, and the required assets to contribute to a value offer that sets a firm apart from competitors. business model innovation is more than just product, service, or technology. According to the Boston Consulting Group, When two or more elements of a business model are improved or reimagined to create value, this is known as business model innovation.

This research will expressly address this topic and mainly focus on (value proposition). The paper will discuss how (value proposition) is applied in Fintech startups. Innovation aims to give firms new options for expansion. In general, the literature on business model innovation is focused with the creation of advanced business models or the modification of common ones (Zott and Amit 2017). On the one hand, innovations that strive to increase profitability within an existing business model are referred to as creative innovations. Disruptive innovation, on the other hand, has the ability to alter an industry by either simplifying something difficult or bringing together items from different industries in a market (Macdonald.et.al, 2009).

Business model innovation is also known as an innovative form of delivering and assemble business value that is driven by information technology (Fichman, 2014). There are many interpretations on business model, some scholars believe that business model innovation has IT facilitation (Berman, 2012). Whereas some have the opposite view. (Chesbrough, 2010) demonstrated that the business model may have to change in order to adapt technological innovations that offer consumer value. In addition, components of the model may be altered to enable for the development of technology that is customized to consumer demands or that arises directly from the customer.

In the context of digitalization, the process of creating value has evolved, and fresh, creative business models are being created. For instance, the introduction of big data altered how machines functioned, and links along the value chain promote transparency and digital user interfaces, innovating the new business models and the ability to reorganize whole sectors (Moller.et.al 2021). Additionally, multiple studies have identified three ways that digitalization affects the development of new business models: (3) creation of a new business model (delivery of new products/services), (2) extension of the existing business model and (3) optimization of the current business model. Digitalization mainly involve the value proposition, within infrastructure management, and customer interactions when looking at how the components of the company model evolved (Rachinger, 2018)

Previous research suggests that there are other enablers that affect the business model innovation. (Bashir, 2020) highlights the differences between business model innovation drivers and enablers. Based on his research, enablers represent the components that promote business model innovation, whereas drivers emphasize the prerequisites for such innovation. Hence, Organizational structure, organizational culture, leadership, and technology are some of the enablers. While the market environment, customer wants, activities, external stakeholders, organizational traits, and digitalization can in turn trigger the business model innovation.

2.3 Value Proposition

Customers choose one company over another based on the value proposition. It either addresses a customer problem or meets a customer need (Payne.et.al 2017) To meet the need of a particular customer segment, each value proposition is of a combination of products and services. In this view, a company's value proposition is a collection of advantages it provides customers. Certain value propositions could be innovative or provide a competitive offer. (Lanning and Michael, 1988) described the value proposition as a statement of the benefits, both prodcuts and services provided by the company, as well as the price it will charge for each customer. (Kambil, 1996), suggests value propositions in terms of positioning a corporation, highlighting positive areas of distinction, and determining out the promises of provided value.

It is interesting to note that the literature around value propositions is relatively recent, has begun to emerge in the last thirty years (Calmek, 2010). Financial innovation is on the rise because of technical advancements that have allowed for a better knowledge of consumer behavior and preferences. Getting to the core of how customers purchase and receive information to make purchasing decisions is crucial for every organization today. This has been discussed by (Roeder, 2018), Innovative technologies and a customer-focused perspective are the foundations of disruptive business models (Roeder, 2018). Adapting and restructuring business models to encourage social innovation is a wonderful way to provide value for customers (Osterwalder & Pigneur, 2011). This has also been highlighted by (Raphael, 2010) through fulfilling a perceived need and providing value for the focal firm and its partners is the overarching goal of a business model. The customer value proposition reflects the aim, which might also be referred to as "the value-creating understanding on which the organization operates."

According to (Schüritz and Satzger,2016), value generation, capture, and proposal are explained as follows. Value creation describes how organizational resources are planned and employed to ultimately determine the value proposition of the business model. The process through which the value proposition finally becomes a benefit for a corporation is described as value capture. Value presenting compresses and clarifies what a business offers via value generation and capture, and frequently breaks down to the reasons why consumers are adopting the suggested service or good.

Businesses across all industrial sectors experience a cycle of value creation (through innovation), value shrinkage (when rivals copy the invention), and value migration (determining the following lever for value creation). (Slywitsky, 1996) discovered value migration pathways in a number of industrial sectors and came to the conclusion that businesses must periodically shift their value propositions in order to remain successful. A similar occurrence was noticed by (Kim and Mauborgne, 1997), who suggested creating value curves to determine when to begin the subsequent cycle of innovation.

Fintech startups have been gaining significant attention in recent years as they have been able to disrupt the traditional financial services industry by offering new and innovative products and services to customers. These startups are able to leverage technology to offer unique value propositions such as lower costs, greater convenience, and more personalized services. According to a study by Deloitte (2019), the main value propositions of fintech startups for consumers are lower costs, better user experience, and more personalized products and services. Additionally, fintech startups are increasingly competing with traditional financial institutions and driving innovation and disruption in the financial services industry, as found by PwC (2018) in their study. Furthermore, KPMG (2019) research suggests that the regulatory environment can be a significant barrier for fintech startups, but can also be an opportunity for them to differentiate themselves by meeting higher standards of compliance and security

2.4 Guiding Theoretical Framework

Various applications of the different business model components were introduced in previous literature. (Zott and Amit, 2010), for instance, showed how creative business models (content, structure and governance) may be created by combining design themes that represent the source of value with design components that analyze the architecture. However, this approach ignores capturing value. Additionally, Chatterjee (2013) introduced a viewpoint to demonstrate how businesses may create inventive business models that convert value capture to main goals that can be met by the activities structure.

The "who," "what," and "how" are undoubtedly the three main components of a company concept (Fcchini.et.al, 2012). This concept of the business model is thought to be broad. Additionally, it includes a variety of viewpoints offered by various definitions. As a result, this paper uses this approach for this study. To explore how African Fintech startups, create value, the researcher is adopting the template given by (Ramdani.et.al, 2019) This framework focuses on innovative areas where different business models might be involved. This makes it a great tool for this research. There are 16 aspects and 4 areas of innovation in this framework presented in **Figure 3** (Ramdani.et.al, 2019). However, in this study, the main focus is on the value proposition area only.

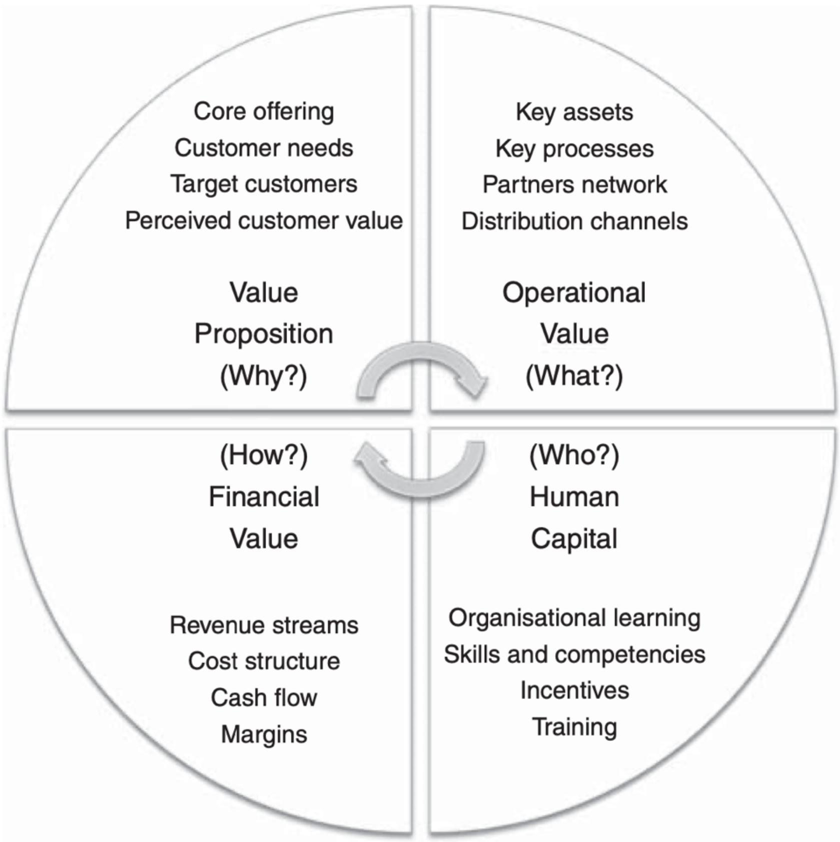

Figure 3. Business Model Innovation (Ramdani.et.al, 2019)

Each component of the BMI will be briefly discussed below based on (Ramdani.et.al, 2019) research.

Value proposition (Why?): what a company sells, finding new consumer demands, target buyers, and assessing how well the benefits provided are received.

Operational value (what?): Establishing connections with important partners and suppliers, identifying essential assets, planning actions to execute the value offer, and revealing the different ways a firm interacts with its consumers.

Human capital (Who?): Trying out new business models and utilizing the talents and competences required for the new business models necessitating people in the innovation process.

Financial Value (How?): By increasing income streams, altering the way prices are determined, and determining the firm's financial sustainability and long-term stability.

Though each component is important for businesses, value proposition appears to be a crucial driver for the successful delivery of other components. For instance, what drives operational value (i.e., what businesses need to do to deliver value) is the value proposition of the business (Osterwalder & Pigneur, 2011). Therefore, with no value to deliver to customers, efforts to collaborate with important partner will fall flat. This signifies the importance of understanding and studying value proposition to help guide the other components in an effective and efficient manner.

According to recent studies, Fintechs have creative business models that may be designed differently from other businesses (Cartwright & Allayannis, 2017). It results in the creation of a centralized management organization that has replaced the hierarchical structure and evolved into a novel form. By creating an innovative business ecosystem within their facilities, the disruption brought on by Fintech has contributed to the success of numerous firms (Pallathadka, 2022). One of the most significant drivers of transformation in the financial service industries is the rise of Fintechs (Fischer, 2017). The act of developing new tools, technology, and services for the financial market, is closely tied to Fintechs which could lead to new business models (Puschmann, 2017).

Additionally, Fintechs are well known for providing distinctive, individualized consumer experiences (Scheiback, 2016). Fintechs have built reputation for themselves by attempting to satisfy rising consumer demand for low-entry financial services through mobile applications and internet platforms (Siska, 2022). Many conventional financial services firms feel threatened by Fintechs' reputation. However, the previous studies have not examined these advances in conjunction with potential business model innovation techniques that Fintechs may have employed. Practitioners in the field of Fintech appear to search how Fintechs seek partnerships with other financial services organizations, although the *why* and *how* remain unexplored in current research.

Additionally, firms are now able to discover previously undiscovered data about their possibilities, goods, or services, and utilize those data to create innovative, cutting-edge goods or services (Moccia.et.al, 2021). These data capabilities imply that Fintechs have the potential to employ data in their business models, but how they do so remain to be seen. Furthermore, it is claimed that Fintechs may have a data-driven business model. In brief, data as a main resource in their business model to generate and capture value while including data into their value offering (Caria, 2017).

CHAPTER 3: METHODOLOGY

In this chapter, the detailed description of the research steps will be provided. The section starts with the research approach and methods employed. Then a detailed description of research context and design is provided. Next is a section about data collection and analysis. Finally, important ethical considerations are highlighted.

3.1 Research Approach

This thesis aims to answer the research question: How do Fintech Startups Create Value in Africa? Towards this purpose, a qualitative data research methodology was adopted as it is suitable for the objective of this study compared to a quantitative approach. Qualitative data research is specifically concerned with finding an answer for 'why', 'what', and 'how' questions. (Lacey, 2009). It entails the investigation and description of social processes using nuance, complexity, and details (Mason, 2002). Qualitative data is also used for themes and words (Mwandoba, 2005). On the other hand, the quantitative data is used to collect numbers and figure out their meaning. In order to understand how Fintech startups are creating a compelling value proposition, exploratory approach was chosen. Such an approach is useful to a study that is conducted with the goal of either exploring an area where little is known or investigating the feasibility of conducting a certain research study (Sawaraj, 2019). This is the case of the Fintech sector.

Secondary data was gathered using a different case study approach, with the selection of Fintech businesses as the foundation which allows for relatively high generalizability and in-depth investigation of a specific topic (Goel, 2022). There are two types of secondary data: a) internal data, the sources that carry reports from individual or previous research found in databases; and b) external data: the information that can be obtained by others. In this case, the phenomenon under investigation is the Fintechs' value proposition framework and the business model innovation strategies that support these values. To strengthen construct validity, several kinds of data sources were utilized in accordance with case study procedures. Documents were analyzed to gain a comprehension of the value proposed by African Fintechs.

3.2 Research Context

Due to each context having context-specific environment factors, it becomes essential to understand the differences before the analysis process. This allows for better understanding of the results and the data collected.

3.2.1. Fintech in Africa

Fintech in Africa is different from other regions in several ways. One of the main differences is the large unbanked population in Africa. According to the World Bank, over 60% of adults in Sub-Saharan Africa are unbanked, meaning they do not have access to formal financial services. This presents a unique opportunity for fintech startups to provide financial services to this underserved population and increase financial inclusion.

Another difference is the mobile-first nature of fintech in Africa. Due to the lack of infrastructure and low penetration of traditional banking services, mobile technology has played a significant role in driving financial inclusion in Africa. According to the GSMA, there are over 400 million mobile money accounts in Africa, and fintech startups have been able to leverage this to provide financial services through mobile platforms.

Additionally, the regulatory environment in Africa can also be different from other regions. According to a study by the African Development Bank (2019), the regulatory environment for fintech in Africa is still in its early stages, and there is a lack of clear and consistent regulations across different countries. This can present challenges for fintech startups but also opportunities to shape the regulatory environment to support their growth.

As mentioned previously, Fintech is changing the financial sector worldwide. It has the ability to enhance efficiency and decrease costs and provide real- time customer transactions. Through Fintech business are able to provide personalized products and services to meet the needs of customers and fulfill their desires (African fintech rises to the challenge, 2022). Fintech in Africa is not just improving financial sectors, but also enhancing the financial health of Africans through meeting their needs and supporting them build wealth, especially those who were excluded from this sector. Through supporting the development of Fintechs, many services are now available in the market from payment, credit and remittances to investment, savings, and insurances.

In a continent with a young, tech-savvy population but very limited financial infrastructure, African Fintech businesses are undoubtedly growing and experiencing a boom in demand for their services. Over the past seven years, a number of startups have emerged as industry leaders in Sub-Saharan Africa's Fintech sector, with some of them becoming unicorns (startups valued at $1 billion or more) (Forbes, 2023). All of them provide cutting-edge solutions for everything from consumer payments to business transactions to government payments. Although all these payment FinTech provide various digital payment options to consumers, businesses, banks, mobile network operators, and governments in various ways, they also differ in terms of the number of nations in which they operate and the number of clients they serve.

3.2.2. Fintech Cases

The sample inclusion criteria helped the researcher to identify the study sample in a consistent, trustworthy, and objective manner. A list of the top eight most well-funded Fintech startups in Africa was compiled to give an idea about Fintech leaders on the rise in the continent. The researcher compiled this list using information from CB Insights, Dealroom, and the chosen businesses' own press releases. **Table 2** The sample took into account African-based Fintech firms, firms with African roots, and firms that predominantly serve the African continent.

Table 2. African Fintech Startups

Startup	Year	Based	sector
1. **Opay**	2018	Nigeria	Payment processing and network
2. **Flutterwave**	2016	Nigeria	Payment processing and network
3. **Interswitch**	2002	Nigeria	Payment
4. **ChipperCash**	2014	Ghana	Mobile Wallets & remittances
5. **MFS Africa**	2008	South Africa	Payment and remittances
6. **Jumo**	2015	South Africa	Lending
7. **MNT Halan**	2018	Egypt	Marketplace lending
8. **Wave**	2017	Senegal	Payment and remittances

3.3 Data Collection and Analysis

One of the most popular data gathering techniques in social science research is secondary data analysis, which is the term used for the interpretation of previously acquired and processed data (Punch, 2005).

The analysis process starts with formulating the research question/s. For this step, the researcher started with searching amongst broad areas of interest, mainly concerning finance and marketing. Once the topic is identified, background information related to the topic is analyzed to gain knowledge and be familiar with the topic. The final step was turning this information and interest into a research question. Some challenges related to the data faced the researcher and led to the question modification throughout the research process.

That step is followed by conducting the literature review. For this, the researcher chose databases to collect previous research papers and cases. The databases searched mainly from google scholar and Qatar University library website. Once the literature was composed and reviewed, the researcher started looking for Fintech startups in Africa and selected 8 Fintech startups as mentioned before. Hence, to be able to provide thick description of the sample, companies that had a lot of information readily available were chosen.

The first step in the data collection was looking and reading the internal and external data available online. Furthermore, the researcher created a plan to select which sources, shown in **Table 3**, will be used to collect the data. Documents from publicly accessible sources were collected as part of the data collection for this study. These sources included database provider LexisNexis, news sources, the companies' websites of the chosen Fintechs, and websites. Articles containing the name of the African Fintech startup, key words, and including the name of the startups were looked for on every website that was used. These publicly accessible sources yielded an average 120 total of LexisNexis news documents, or, on average, 300 words per case. The information gathered from the sources were analyzed using NVivo, which is a software that helps code information to look for common themes.

Table 3. Sources of Secondary Data

Startup	LexisNexis	Reports	Official Website	Trusted Website
Opay	X	X	X	X
Flutterwave	X	X	X	X
Interswitch	X		X	X
ChipperCash	X		X	X
MFS Africa	X	X	X	X
MNT Halan	X		X	X
Wave	X		X	X
Jumo	X	X	X	X

Following the business model innovation (BMI) framework mentioned in the literature review chapter, the data was analyzed based on the four sub-topics within the value proposition component. To determine the value provided by every startup, the core offerings of every startup were analyzed and searched for benefits, target consumers and customers' perception of the product or service. In addition, throughout the data collection process, the researcher kept track of the elements under each component. The researcher recorded the frequency of each element and used the frequencies to come up with findings about Fintech startups in Africa. The finding will be further explained in the following chapter.

3.4 Trustworthiness

Ethics constitute an important part for researchers, regardless of the research type. However, ethical considerations look differently depending on the research. As for qualitative research, trustworthiness is a concept that is often discussed. Trustworthiness indicates to which degree the qualitative data was reliable, consistent, stable, and predictable using few techniques (Dutta & Ranjan, 2019). In this study, the researcher checked the four factors of trustworthiness (credibility, transferability, dependability, and confirmability) in the data collected through the different sources mentioned above. The techniques used are mentioned in **Table 4**.

Table 4. Trustworthiness of the Study

Criteria	Techniques used
Credibility	Peer debriefing
Transferability	Thick description
Dependability	Inquiry audit
Conformability	Triangulation

Credibility: Credibility is the agreement between respondents' perceptions of reality and how the study presents it (Stahl, 2020). In this study, The topic was also discussed with another researcher to get feedback on the research and discuss how the data is presented.

Transferability: means to the level to which results may be used to other settings and respondents. The following techniques were used to improve the transferability of data: Since transferability in a qualitative study rely on similarities between the transmitting and obtaining contexts (Stahl, 2020), the researcher collected enough detailed characterization of the data in context and reported these with enough justification and detail to provide the reader any necessary conclusions about transferability.

Dependability: refers to the guarantee that the results would be consistent if the research were to be repeated in the same situation with the same respondents (Stahl, 2020). For this research, an inquiry audit is included: the thesis supervisor and colleague researcher.

Confirmability: demonstrates the extent to which the study's conclusions are influenced by the respondents, rather than the researcher's prejudice, interest, or other motives. Many data sources were used in this study to enhance knowledge and understanding (triangulation).

CHAPTER 4: DISCISSION AND RESULTS

This chapter lists the *tangible* outcomes that readers can take away from the study. The chapter also provides explanation to certain aspects of the results that would be unclear or not make sense otherwise. The in-depth discussion allows the readers to get immersed in the study and understand the arguments made in the paper.

As mentioned before, the Business Model Innovation (BMI) Framework has four components. Each component represents a different fundamental element of the business. By way of determining these components, the entrepreneurs, business owners, and strategists will have the ability to examine and enhance their business with more of a systematic approach. In this paper, the focus is on the value proposition component, which is considered the "heart" of the BMI framework. Practices that the African startups provide to deliver value proposition were examined through the lens of the BMI framework by defining the core offerings, customer needs, target customers and perceived value of every startup.

During the data collection process, the researcher found that the African 1continent is a vibrant market where financial technology is being deployed daily. In several places of Africa, Fintech has been shown to be a good alternative to traditional banking institutions. Fintech in Africa fosters a cutting-edge ecosystem that delivers value, excellent financial solutions, and efficiencies. The findings show that most of the mentioned Fintech businesses are involved in mobile banking. A good explanation for this is the population. More than half of the population (i.e., 57%) in Africa is unbanked, which provides for a wide target market. Hence, these businesses have a chance to offer simple and practical banking solutions to those customers. Even with all these efforts, a gap still exists in the financial market in Africa. Examined in this study are the products and services the selected Fintech companies offer customers to close this gap. Following the analysis of the four sub-topics shown in **Table 5** within value proposition, three main themes were extracted to categorize the areas where Fintech startups create value.

Table 5. African Fintech Proposed Value

Core offering	**Customer needs**	**Target customer**	**Perceived value**
Remittances	Payment Gateways	Customers	Personalized services
Payments	Transparency	Businesses	Low transaction costs
Insurtech	Privacy & security		Convenience & speed
Lending	Access to capital		Customer support 24h
Investech			Ease of use
Digital wallet			
Virtual cards			

4.1 Core offering

According to Kotler (2017), an offering is a physical version of the company's value proposition for a consumer, and it can be a mixture of goods, services, experiences, and knowledge. The present findings show that, the startups developed innovative offerings, more targeted financial products, and services with the intention of growing their customer base. Additionally, they expanded their offering to combine basic financial products such as virtual cards, digital wallets, payment technology, investment, lending, fund transfers, saving, budgeting, E-commerce, and wealth management. This aids in the flourishment of the digital ecosystem and deepening financial inclusion.

Likewise, Flutterwave is introducing new goods and services to promote businesses, startup, and individual growth to affirm its mission to using technology to broaden unlimited possibilities for everyone. Before launching checkouts and gateways for companies of all sizes, Flutterwave built revolutionary financial infrastructure to enable payments for banks and organizations. (Felix, 2022) the senior manager at Risevest, announced that Flutterwave's payment infrastructure improved the way consumers interact with their finances.

The oldest Fintech firms in the continent, like Interswitch and MFS Africa, all began by constructing financial infrastructure to serve the market because African nations are still in the early stages of economic development and have a significant gap in that sector. This is consistent with what has been found by (Tahanout, 2021), where the significant gaps in the region include infrastructure gaps, poor financial literacy, and sociopolitical considerations. Both startups are now the industry leaders and began to build sophisticated B2B and B2C products that respond to financial demands, such as mobile money.

Fintech infrastructure democratizes access to financial products, allowing startups to focus on developing their distinctive end-user value proposition (Zou, 2022). Interswitch, a Lagos-based Fintech startup, appears to have heard that call, utilizing its position as a market leader in digital payment services to bridge that gap and assist bring as many individuals as possible into the financial and economic fold. The Africa-focused firm has created a robust network of banking agents. often referred to as "human ATMs". in locations across all 36 states in Nigeria, offering bill payments, airtime recharge, funds transfer, and remittance services to customers through its Quick Teller Pay point online payments platform, a service under Interswitch Financial Inclusion Services (IFIS).

The initial seven nations that Chipper Cash targeted were Ghana, Uganda, Nigeria, Tanzania, Rwanda, South Africa, and Kenya. It provides free P2P mobiles payment services. The startup's primary objective, according to Ham Serunjogi was, to concentrate on African consumers. In an interview with TechCrunch, he mentioned that Chipper Cash is the first African Fintech supporter Africa to US money transfer. Also, the cheapest service provider compared to those in the market.

In Nigeria and South Africa, lending and saving services continue to be a key growth opportunity. Fintechs have been able to onboard clients quickly by providing attractive customer interfaces and loans that do not require face-to-face discussions, and credit scoring supported by information generated from payment and other transactional data. Few providers have attained a considerable scale. Jumo, for example, allows customers to integrate into the platform and access real-time money, loans, savings, and a wide range of financial options. The startup is facilitating digital financial services without requiring customers to have previously owned financial accounts. Also, there is no need for in-person encounters because loan choices are automated, and the digital credit application procedure takes place on a mobile device. According to (Tech crunsh, 2021), Jumo delivers basic products centered on savings and credit to users and businesses, as well as infrastructure to banks, Fintechs, and eMoney operators, to address these constrained needs in both sectors. Airtel, Tigo, and Mansa Bank are among its partners.

Africa has low rates of healthcare insurance and spends less on healthcare. Mobile payments, on the other hand, are emerging as a possible contender to help reverse such trends, particularly among low-income customers. Some Fintechs focus on allowing access to and distributing insurance products rather than providing insurance. For example, MFS Africa enables digital payment connectivity with insurance companies.

MasterCard and Fintech leader OPay launched a strategic alliance today, paving the way for greater financial inclusion and economic development by bringing digital commerce to millions of individuals across Africa.

4.2 Customer Needs

Customer needs are issues that customer hope to address through the acquisition of a good or service (Smith, 2012). Therefore, this section presents the products and services created by the listed startups to expand their customer base and fuel their growth.

The findings of this research on Fintech startups in Africa, hint that by creating applications that allow users to communicate with their financial institutions via smartphones and tablets, Fintech companies can give their consumers a seamless and responsive digital experience. Furthermore, these Fintechs are closing the gap between million users and financial services and responding to their needs by giving them the chance to save, invest and borrow money.

One of the companies of the study, Opay, is developing new routes for prosperous business models and improved customer experience as the financial services industry experiences the continued emergence of new technological advances and process disruptions. The Opay app is created with the goal of achieving digital services transformation in the Fintech industry and increasing profitability. It is a well-known brand that prioritizes the needs of its customers and provides a fresh Fintech innovation that opens new possibilities for the financial technology services industry.

From the review above, key findings emerge that Fintech startups must understand and address Africa's offline market so they can expand and satisfy their customer base. Wave is on mission to transform Africa to a cashless region by offering completely inclusive and affordable digital financial solutions to many customers across Africa. Kigali Farmers and Artisans Market, for instance, is an impact entrepreneurship programmer which was developed to unite farmers and artisans working in Rwanda. The market reported that Flutterwave empowered their payments and supported the market in the transition to an online store in bringing many customers to purchase their preferred products from the market. Also, this has provided a suitable way that is secure and safe for individuals when shopping from their favorite dealers in the market.

The most important finding this study found is that transparency promotes trust and empowerment. Nowadays, customers are given more product choices, which leads to customer turnover. Additionally, the Fintech competitive landscape is getting worrisome. Transparency is enhanced by the quality, appropriateness, technique, and language of communication between clients and Fintech organizations. Such approaches include using transaction confirmation conversations and providing essential fact sheets to improve informed decision making. On the other hand, openness and customer understanding are vital to Fintech organizations. Because most Africans lack a government-issued identification, options for knowing your customer (KYC) and monitoring digital financial transactions are limited. To address this gap, startups are mining data using artificial intelligence and machine learning technologies to improve credit assessment and lending.

4.3 Target Customers:

Customers are the heart of every business plan. No company can exist for long without valuable customers. To better serve customers, a company may divide them into various segments based on common wants, behaviors, or other characteristics. A business model can specify one, many or small customer groups. An organization must decide consciously which segments to target and which to avoid. Once the decision has been made, a business model can be carefully built to meet the demands of certain customers.

The information demonstrates that the 8 Fintech companies are designed to assist businesses, entrepreneurs, and consumers in managing their financial operations, procedures, and lives more effectively by applying specialized software and algorithms that are employed on computers and, increasingly, smartphones.

Target customers include:

Consumers: Individuals, Banked & unbanked Africans.

Businesses: SMEs, Startups, Enterprises.

Companies must first do market research to determine who their target market is in order to avoid wasting money. Companies may determine their target market's needs and attempt to address them to boost customer satisfaction when they are aware of who they are (Yuanyuan, 2009). As a Fintech startup in Africa, keeping up with different type of users and their changing wants and needs is challenging. The listed startups are focusing on the benefits they provide to widen their customer base. Whether beginning a new business or being an established one, they are providing different types of services for all type of consumers. For example, Flutterwave provide smart payment gateways through a single platform to help SMEs expand by improving sales, raising order values for their products, and driving repeat purchases.

Emerging technologies thus have the possibility of becoming both a catalyst for inclusion and a large emerging market opportunity for financial services providers. African Fintech startups are increasingly attempting to recruit unbanked customers who lack access to basic financial services. For instance, Opay is built to offer financial services further accessible to customers even if they do not have smartphone, they can carry out any transaction from any mobile phone just by composing *955#. With an Opay account, the customer can add money to his or her digital wallet for free and make transactions or control his or her utility payments. The company has now varied its services to involve remittances, bill payments and other lifestyle services in order to maintain customers and generate healthy revenues.

4.4 Perceived Value

The comparison between the price paid by the consumer and the quality of services obtained in exchange for the price paid is known as perceived value (Sanchez, 2007). Thus, For Fintech customers, pricing is weighed against the amount of time it takes to obtain services. Startups that provide Fintech in Africa at a lower cost or for free, improve user experience and build consumer loyalty. Fintech enables the financial industry to deliver services at reduced prices due to an optimized cost structure based on technology and innovation.

Fintechs concentrate on current demands and unique challenges. Insurance, payments, bank accounts, and payment solutions have all existed for a long time. However, the way Fintech provide such services gives them a different value proposition. Fintechs employ a variety of combinations to differentiate themselves and provide value to their intended clients. In addition to emphasizing the digital aspect of their offering, Furthermore, pricing is mentioned as a differentiator in Fintech value propositions.

Because of Fintech, users may now utilize financial services 24 hours a day, seven days a week, saving them time. Fintech is preferred by technology-savvy customers over traditional banking, and their loyalty is increased when their experience is upgraded due to higher perceived value.

4.5 Study Themes

Figure 4 illustrates the three themes under which the Fintech companies provide value. Those themes were derived from the discussion, in addition to analyzing the products and services provided by the Fintech startups.

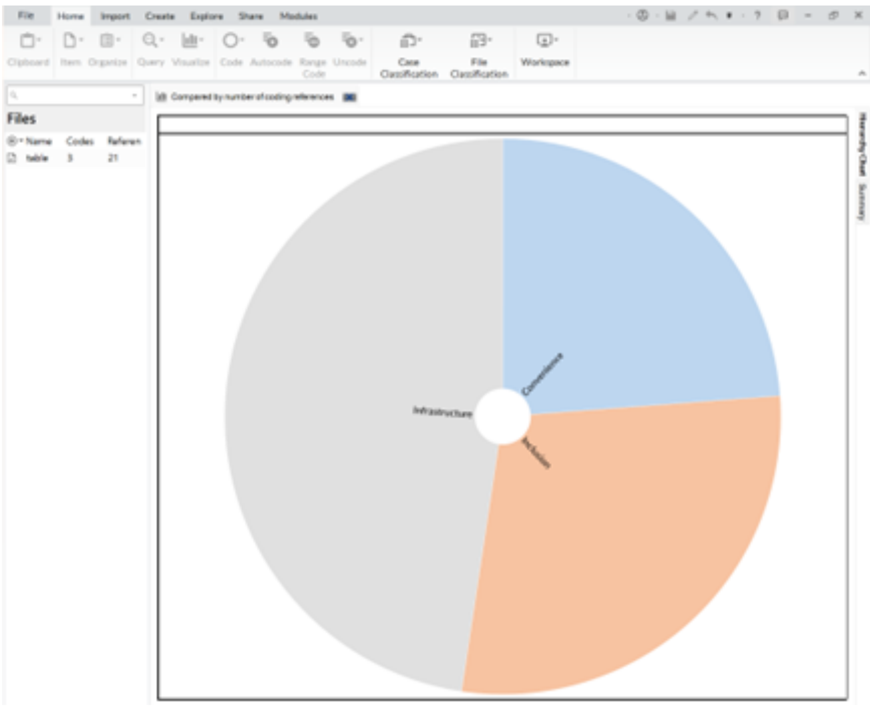

Figure 4. Themes Extracted from NVivo

To come to this conclusion, the collected data was read and reread to establish familiarity. Actions that deliver value were noted down and the same question was asked (i.e., why is this used to deliver value?) This is to keep the focus of the paper clear and not branch out to other aims. The answer had to start with *"to fulfill the need for…"* Asking and answering this way, led to discovering three main themes. Though not frequently present, at some instances, a product or service was found to provide value in more than one aspect. Consequently, a product or service was limited to supporting 2 themes at the same time. In this study, prevalence of the theme was viewed from the point of frequency (the more a theme appears in the data, the more they essential it is).

4.5.1 Theme (1): Infrastructure

The term "infrastructure" refers to the framework for a region or an organization (Indeed Editorial Team, 2022). Thus, it helps support the advancement of countries and organizations. The services offered by the companies of this study support their own infrastructure and the infrastructure of the country as a whole. It is important to keep in mind that there are different types of infrastructures (Indeed Editorial Team, 2022). Since this paper is concerned with Fintech, discussing the IT infrastructure would be the focus of his part. The IT infrastructure has both tangible and intangible aspects. The services provided by the Fintech companies seem to fall under the latter.

Some fintech startups in Africa are working to overcome these challenges. For example, some startups are using innovative technologies such as blockchain to increase security and reduce the need for infrastructure. Additionally, many fintech startups are using mobile technology to provide their services, as mobile phone penetration is relatively high in Africa. This allows them to reach customers in remote and rural areas and overcome the lack of infrastructure.

Furthermore, some governments and organizations are investing in building the necessary infrastructure to support fintech startups. This includes initiatives to improve internet connectivity, support for innovation and entrepreneurship, and building the necessary regulatory framework. These efforts aim to create an enabling environment for fintech startups to thrive and grow.

By providing financial banking services to both individuals and companies, Fintech companies are targeting two important segments of the market. Using digital wallets and virtual cards, for example, is drastically changing the way customers pay to and interact with other service providers. Additionally, since banking involves the act of sharing customers' sensitive information, providing privacy and security is essential to sustain the infrastructure. Through being transparent with their customers, the Fintech companies help make the transaction process clearer and contribute to developing the infrastructure. Out of the three themes, this theme had the most number of supporting services. A good explanation for this could be the state of the IT infrastructure in Africa. There is no doubt that, compared to developed countries, the IT infrastructure in Africa is still in its earlier development stages.

4.5.2 Theme (2): Inclusion

With a considerable amount of the population not having access to the Internet, it becomes critical that financial inclusivity is accomplished. Financial inclusion shows the extent to which financial products and services are available and affordable to both individual customers and organizations, regardless of their net worth (Grant, 2022).

This theme has some overlapping elements with the previous element. That is because infrastructure is used to develop the civilization of the country, which includes all stakeholders within – by providing services to everyone, Fintech companies are working on the financial inclusion too. Since Fintech companies provide access to capital to individuals and companies as well, it facilitates the daily activities and helps the target customers to plan for unseen events as well as planned long-term goals. Fintech companies also allow the customers to interact with companies and access money through different gateways. Various payment gateways are important to the process of financial inclusion.

As financial inclusion discusses affordability, service pricing is determining point to the extent of this theme. Looking at the prices Fintech companies in Africa charge, it is clear that transaction costs are fairly low. Giving customers, mostly individual, the opportunity to access various financial services at a low cost is very valued. The Fintech startups in the study did not forget about other customers on the other side of the equation. Those who would like to have personalized services have access to customizations services. Though not many of the startups offer this service, the service is still used by customers who clearly see a value in it. Besides the low cost, the Fintech startups also aimed to include unbanked customers. A service where customers can still use the online financial services even without having Internet access exists in Africa. All customers have to do is dial a certain number on their phone and are now able to use Fintech services.

In general, African fintech startups are utilizing technology to provide innovative financial services and increase financial inclusion for underserved populations. This includes providing access to loans, savings and investment options, and money transfer services through mobile platforms. Many of these startups are also using innovative technologies such as machine learning, blockchain and gamification to provide more efficient and accessible services. Additionally, they are also working to overcome the lack of infrastructure by leveraging the high mobile phone penetration in Africa. These efforts aim to bridge the gap and increase access to financial services for the large unbanked population in Africa, and promote financial inclusion and economic growth.

4.5.3 Theme (3): Convenience

African fintech startups are utilizing technology to provide convenient financial services to their customers. One way they are doing this is by offering mobile-based platforms for financial transactions, allowing customers to access services using their mobile phones, even in areas without access to traditional banking services. This provides a convenient and accessible way for customers to manage their finances and make financial transactions. Additionally, many fintech startups in Africa are using innovative technologies such as machine learning and data analysis to provide personalized and convenient services to customers. For instance, using machine learning, these startups can analyze customer data and offer tailored financial products, such as loans or investment options, that fit their specific needs.

Furthermore, many fintech startups in Africa are leveraging the convenience of social media and mobile technology to make their services more accessible. Some are using gamification and social features to encourage savings and make the process of saving money more engaging and fun for customers.Any company can claim anything about their business, therefore, when customers provide testimonials, it affects other customers and how the public views the company. Through the testimonials, customers expressed how the platforms are easy to use, support is always available, and speedy services and offers. The moment customers accurately perceive values that companies claim to provide, is when a need is truly met. Taking the African context into consideration, the ability for customers to perform transactions constitutes a great selling point easily and quickly for businesses.

Overall, African fintech startups are utilizing technology to provide convenient and accessible financial services to customers, including leveraging mobile technology, machine learning, and social media to drive convenience.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

In conclusion, fintech in Africa is different from other regions due to the large unbanked population and the mobile-first nature of financial services. This presents a unique opportunity for fintech startups to provide financial services to the underserved population and increase financial inclusion. The regulatory environment in Africa is also still in its early stages which can present challenges for fintech startups, but also opportunities to shape the regulatory environment to support their growth. As mobile-phone penetration and digital literacy continue to grow in Africa, fintech startups are well-positioned to drive financial inclusion and bring innovative financial services to the masses.

The main goal of this thesis was to explore how Fintech Startups deliver value to their consumers. As a result of this goal, the following research question was created: How do Fintech Startups Create Value in Africa? The paper explored the African Fintech scene to gather the information necessary to answer the research question. Through the data collection and analysis stage, the researcher was able to extract three themes from the collected data, namely: infrastructure, inclusion and convenience.

Financial development and financial inclusion in Sub-Saharan Africa are being aided by digital financial services. The fast development of systems such as Opay in Nigeria and other countries has assisted in lowering transaction costs and facilitating personal transactions, while also contributing to the increase in financial intermediation services. With decreased dependency on cash for transactions, more unbanked customers may make online payments and move money across borders, helping to close the gap between financial inclusion and wealth creation. Just as Fintechs are assisting customers in accessing digital financial services, likewise, Fintech is helping businesses to access loans from lending firms.

With over 1.2 billion inhabitants, Africa is a big and varied continent with numerous opportunities for individuals and enterprises. Growing a Fintech startup in Africa may be extremely rewarding. It is highly recommended that Fintech companies align their value proposition with the market they are entering and support the smartphone ownership. Secondly, due to the weak customer purchasing power, the companies should apply pricing strategies such as decrease internet costs and expand internet coverage. Thirdly, provide varied core activities that provide varied healthy revenues. Fourth, reach customers offline and engage with regulators, partners

The current study can be seen as the starting point for further research on value propositions provided by Fintech. However, due to the small sample size and lack of information regarding the companies' details, the study's findings should be interpreted with caution. Despite the contributions listed above, the paper has limitations. One of the limitations is, that this research is based on secondary data that may not completely address the research question or a certain specific information. i.e., not all core offering, and services of Fintech were publicly announced.

Future research might address the limitations by using quantitative analyses or other deep case studies. Future research might also try to explore Fintech and business models in the other dimensions, e.g., operational value or human capital. Moreover, future research could further explore the difference between the value proposed by Fintech companies in developing countries and developed countries.

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