

# Disrupting the tech industry

 By [Eran Feinstein](#)

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Around 2,000 years ago, Pliny the Elder, a Roman naturalist, scholar, and scientist, wrote: "There is always something new out of Africa." Although he was probably referring to the exotic and strange wildlife, his comments are just as appropriate for the new phenomenon coming out of Africa - high-tech entrepreneurship and an avalanche of start-ups.



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As Africa bonds to the new millennium, it faces the challenge of providing better economic opportunities for citizens through sustained growth, and alleviating the poverty that has long plagued the continent. Both the New Economic Platform for African Development (NEPAD) and the United Nations Millennium Goals for 2015 have set out ambitious aims in this respect.

## Africa's tech hubs

The World Bank reports that there are now more than 90 tech hubs in across Africa. These startups are tackling issues like education, connectivity, and transportation. During 2013, U.S. investors poured more money into African startups than any other year, according to [CrunchBase](#). Kenya's government is now building a \$14 billion dollar, 5,000-acre "tech city" called [Konza](#) scheduled for completion in 2019. It aims to be a learning and R&D center for companies and entrepreneurs alike.

Entrepreneurship is a key driver in Africa's economic growth according to [VC4Africa](#), an online community of entrepreneurs and investors active in Africa. In particular, this growth will come from opportunity-driven entrepreneurs and small and medium-sized enterprises (SMEs) which contribute around two-thirds of national income and provide much of Africa's employment.

## Significant job creators

Employment is being driven by entrepreneurship and start-ups. During 2014, the average number of employees increased by 54%, resulting in 5.7 jobs per venture, with an expectation that they will quadruple by the end of 2015. Enterprises in agribusiness, health services, and education-related ventures are the most significant job creators.

While reforms in infrastructural enterprises - power, agribusiness, banking, and communications - are setting the stage for strong economic performance, the [increased opportunities in Africa](#) are seen to be mainly consumer-based rather than

resource-based. The population is young (in Uganda 78 percent of the population is under 30) upwardly mobile and ambitious. An emerging middle class in the cities has much more disposable income than is apparent. This is a result of increased political stability over the past 15 to 20 years and more democratic forms of government, which have improved regulations and privatisation of companies.

## **The mobile sector boom**

The mobile phone sector has exploded. In 2000, when licenses were being issued in Nigeria for mobile operators, there were only 400,000 land lines available. Today, Nigeria has 120 million mobile lines.

Across the continent, there are now more than 700 million mobile phone users. Even the most basic phones can transact mobile money. Governments can deliver services like tax collection, licensing, and voter registration via mobile phone. There have been developments in applications for education, health care, commerce, local information, and entertainment, in addition to a boom in advancements for B2B companies offering mobile [merchant services](#).

## **Money made mobile**

Kenya, Africa's fifth largest economy, has an entrepreneurial buzz that has started to yield world-changing innovations. The mobile money and payment system, M-Pesa, and Ushahidi, the open software platform for information collection and interactive mapping, are prime examples.

Only 19 percent of Kenya's population had access to a bank account before M-Pesa launched in March 2007. M-Pesa brought a very basic, and very necessary, financial service to a large portion of the population, effectively giving people a bank account replacement through very simple mobile payment technology. Today, more than 67 percent of Kenyans have access to financial services - 58 percent using mobile money services. Kenya has 32.2 million mobile subscribers and a 79.2 percent mobile penetration rate.

## **Disrupting existing challenges**

The startups rising in East Africa aren't focused on the "next big thing." They are more intent on disrupting existing challenges, such as poor infrastructure and sanitation, conflict, lack of medical care, and poor financial resources. Startups in Kenya are harnessing technology, not to "leapfrog" past the obstacles that have held Kenya back, but to level them and lay the foundations that will poise Kenya for growth. The same approach is taking hold throughout the African continent.

What is certain is that there is always something new out of Africa... now, perhaps more than ever. The drive of the local entrepreneurs, plus the potential for growth and an incredible return on investment, combined with the relatively minimal amount of competition in the region, are all leading VCs to invest Africa.

## ABOUT ERAN FEINSTEIN

Eran Feinstein is the CEO of Direct Pay Online, a global e-commerce and online payments solutions provider for the travel and related industries. With over 14 years of experience leading technology, sales, marketing and operation teams, Feinstein is an authority in the East African e-commerce and payments arena.

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