

Raising capital to grow in the African payment space



By [Evan-Lee Courie](#)

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Startups and entrepreneurs across the world are back at their drawing board as they navigate in to a post-Covid world. As a result of the Covid-19 lockdowns, many are curious as to what is needed and how to go about it. Successful entrepreneurs and experts unpack some of the basics of funding, what you need to know and what opportunities there are.



[Dare Okoudjou](#), CEO and founder of MFS Africa

[Dare Okoudjou](#) is CEO and founder of [MFS Africa](#) and an Endeavor Entrepreneur. MFS Africa is Africa's largest digital payments hub – connecting more than 320 million mobile wallets on the continent through one API. The company facilitates cross border payments, domestic payments, and collections for SMEs coupled with secure front-end business functionality

■ ***Why is capital raising so important?***

Capital raising is fundamental to finance your business, most especially for startups. Asking for money may look like a sign of weakness, but I choose to see it as a strong conviction in what you are venturing into.

“ *When raising capital, you get more resources beyond money.* ”

The funding comes with business expertise and tremendous growth to your network through introductions to those in your investor's network. These connections provide a variety of opportunities for startups, including a diverse talent pool and customers.

Capital raising also provides the luxury of extended repayment terms that typically do not attract interest, unlike bank loans. This means that a business will continue growing and further support reinvestment opportunities. When an investor is willing to give a substantial amount of funding, it shows outright approval and confidence in your startup, hence building instant credibility with stakeholders. This will not only attract more funding but also get credible media coverage.

■ ***What are the challenges entrepreneurs face when raising capital?***

One of the main challenges is the funding partners or investors pulling out of deals midway, consequently discouraging potential investors from proceeding with any funding. While this may be out of your control, it is advisable to ensure that

you have adequate liquidity to reduce any significant risks to your business if the funding does not go as planned.

Entrepreneurs also face the challenge of determining how much money they need to ask for. It is assumed that one should raise as much money as possible, which is not the case.

“ To help arrive at a figure, it is advisable to write a comprehensive business plan and be specific with the intended expenditure. Investors will expect their funding spent to propel your business to the next milestone and show consistent growth. ”

Spending wisely once the funding is received could also be challenging. Therefore, it is advisable to spend wisely on tech and keeping your investors in the loop, hence forging a bond of trust. It is important to understand that there are a variety of funding options available. Therefore, entrepreneurs are at liberty to choose the most suitable option, which may at times be more than one option.

■ **How can entrepreneurs improve capital raising skills?**

It is crucial to determine your company's value by weighing the cost of the capital injected when equity is sought afterwards. Entrepreneurs should always strive to ensure a healthy balance of debt and equity such that greater ownership of the company is retained. Companies should also be realistic about the money required to be obtained. Otherwise, it is likely to narrow your chances of success further by asking for too little.

Money flows through relationships; therefore, it is also advisable to network extensively and make sure that once you enter a funding round, you have a strong network that you can make aware of your intention to raise capital. This raises your chances of attracting potential investors as most prefer investing in companies that have a trusted connection.

■ **The payment space in Africa is very competitive at the moment. Can you give us an overview of what is currently taking place?**

The African payment space is dynamic, and interesting players are entering the market all the time. But I don't fully agree that it is competitive just yet.

“ The competition is still with cash because, in most African countries, the vast majority of transactions are still in cash. This is partly the reason why most African markets are sub-scale. ”

This means for a startup to grow and be competitive, it needs to be multi-market.

One could also argue that fintech startups face competition with incumbent financial services, which are seeing the power of mobile and digitalizing some financial services, and already have the benefit of having deeply entrenched processes to deal with risk and regulation. But again, fintech companies are generally going after customers that have traditionally been unserved or underserved by those established models that are expensive to run and therefore result in incumbents targeting the upper middle class and higher customer segments.

■ **How does a startup in the payment space stand out from its competitors?**

The main barrier to entry to digital payments for customers is cost, therefore product utility is the key differentiator at this point. By that, I mean customers will evaluate your service's value by balancing the price of your product against the cost of not using your product.

“ Defining the unique selling point that sets you apart from the competition and emphasizing it is very important, but

customer-centricity is the key driver of long-term customer retention and growth. ”

A startup must always keep in mind that customer needs evolve over time. Therefore, keeping connected to your customers and really catering to the needs of those you are serving is critical to long-term success.

■ ***M-Pesa was one of the most successful mobile phone-based money transfer services in Africa. What's the biggest lesson we can learn from them?***

There's no question that M-Pesa revolutionised mobile money and demonstrated that lower-income consumers had an appetite for formal financial services that met their unique needs.

“ The biggest lesson from M-Pesa specifically, and mobile money in general, was relevant innovations can come from expanding use cases on existing infrastructure investments. ”

The mobile network was the giant on which mobile money was built, and today, mobile money is the giant on which new use cases are being realised.

■ ***In your opinion, what's the next step for the payment space in Africa?***

I am looking forward to the evolution of use cases that will be added to the payment platforms to broaden the products available to consumers, packaged in a way that meets consumer needs and recognizes consumer contexts.

“ Insurance, in particular, is an interesting product that was traditionally not suited for the largely informal market where incomes are received inconsistently. ”

But insurance is also one of the backbones of financial wellbeing. New payment infrastructure is allowing us to rethink the provision of insurance.

■ ***You're the founder of a very successful business. What is the best advice do you have for those entering the payments space?***

To be successful as an entrepreneur, you need to have the right balance between enthusiasm and pragmatism. Don't rely solely on your inbuilt optimism; you need to appreciate concrete facts while maintaining your vision. Additionally, I believe that nothing beats having people on the ground with in-depth knowledge of the countries where you have a presence. If you are going to build massive billion-dollar companies, you will need capital and partnerships, but first, you have to attract a reliable and qualified workforce to work on that.

[Endeavor](#) is a global high-impact entrepreneurship movement to drive long-term economic growth and build strong entrepreneurship ecosystems in South Africa by selecting, mentoring, and accelerating the best high-impact entrepreneurs.

ABOUT EVAN-LEE COURIE

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