

# Drawing a blueprint for Nigeria: an interview with Kuda and Target Global

The Lagos startup scene is on the up. It's the #1 ranked startup ecosystem in the best funded country in Africa. One of the leading commercial cities in an emerging market crying out for tech solutions to infrastructural deficits, Lagos is an exciting prospect in the global startup scene. To learn more about the Nigerian startup ecosystem, I spoke to Nigerian digital banking app, Kuda, and VC Target Global.

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A recent report by Antler VC found that graduates from the University of Cambridge, Manchester, and Lagos have the highest chance of receiving investment for their tech startups. That the University of Lagos is producing some of the most compelling and high achieving startup founders may strike the uninitiated as surprising. The truth is that Nigeria is a hotbed for startup talent, especially in the Fintech vertical.

In fact, Fintech is the engine powering Africa's startup revolution, with 205 Fintech startups receiving over 40% of the continent's entire funding in 2022. And Fintech accounts for just under half of all funding received by Nigerian startups, the continent's best funded country.

This makes Lagos the commercial, though not the geographic, capital of Nigeria and, by that logic, the Fintech epicentre of Africa. No wonder VCs are looking at the University of Lagos.

To understand a bit more about recent success in Lagos, I spoke to Babs Ogundeyi, founder and Group CEO at Kuda, the full service money app for Africans, built out of Lagos. I also spoke to Ricardo Schäfer, Partner at Target Global, an early investor into Kuda.

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Meet Kuda, the full service money app for Africans

## Building Kuda

Kuda brands itself as ‘the money app for Africans’. Users can open accounts, deposit money, transact, and receive credit. They’re digital first, meaning they don’t have any in-person stores. Instead, Kuda delivers their financial services through users’ mobile devices.

“Kuda is a digital bank with Nigeria as our launch country,” Babs tells me. “We have ambitions to broaden across Africa, but we are currently going as deep as we can in Nigeria.”

I asked Babs why Fintech was so popular in Nigeria and across the continent. “Digital first financial service products resonate in emerging markets. This is because of the historical challenges in access to financial services in these countries. In Europe, these issues seem mundane. But in emerging markets there are severe infrastructural deficits which are a huge challenge to addressing the problem of underbanked or unbanked people.”

Kuda and its fintech peers are providing a technological solution to a very real problem affecting the livelihoods of African people. “It presents a huge opportunity to a company like Kuda to provide access to financial services through leveraging technology and mobile devices. We do everything through mobile devices,” Babs explains.

# Continental Growth

Kuda's growth is testament to the need for digital banking solutions in Nigeria. "We launched in August 2019. In that time we've grown quite rapidly. As of today we have 6.2 million customers, which is over 10% of the total banked population of Nigeria. To be able to do that in just over three years shows the need and relevance of the service we are offering."

And money is being thrown at the problem across the continent. In 2022, 44.9% of funded fintechs raised over \$1M.

The potential for growth is insane and has got VCs, such as Target Global, interested in Africa. For them, the explosion of fintech growth in Nigeria offers an opportunity to bring experience and knowledge to a nascent market.

"If you're looking for growth, and high growth, Africa is a super interesting market to spend time in," Ricardo says. "In a way you can compare it with India twenty years ago, or China thirty years ago. Both produced an increasing amount of big tech companies. We'll probably see the same development in Africa. Market potential and size of population makes it an interesting target."

## Inward Investment

Nigeria, and its rich offering of ambitious founders and practical solution-focused tech startups, has caught the attention of VCs such as Target Global.

"We've done a number of investments [in Africa], all at seed, except for Kuda where we invested again at a later stage," Ricardo says. "We're continuously and actively looking and waiting for the right opportunities. But we haven't opened an office there, and we're not there every week, but I've been to the country a number of times and we're very excited by the quality of the founders and the ecosystem there."

*"The next couple of years will produce a really interesting set of founders."*

# Target's investment into Kuda

I ask Ricardo what motivated Target's investment into Kuda. "So we invested in August 2020, when Kuda was raising the first institutional round. We liked a couple things that we saw: early traction and product market fit. With no marketing budget they had amassed a lot of users, so we were triggered by these early signs of customer demand. People were using and engaging with the product."

But Target were also inspired by Kuda's objective to transcend national geography. "We liked the ambition of the team to build a pan-African digital banking champion. And not just stop at a million customers, but to keep going and build a big category leader," Ricardo continued. "Kuda's mission wasn't to just serve people living in Nigeria, but was to connect the international diaspora. Kuda had an international approach from the beginning."

This intention was confirmed by Babs, who wants to transact with "Africans outside of Africa. The UK is one of the central African diaspora markets, alongside the US and Canada. These are countries we have our eyes on."

But for Ricardo, investment into Kuda was a sensible strategy to capitalise on Nigeria's rich potential. "Nigeria has a young population, a growing population, a digitally savvy population that are banked, but are unhappily banked, and need a champion. We saw an opportunity [in Kuda] to back a first-mover that could take the place of being the biggest and most successful digital bank across Africa."

## Drawing a blueprint for Nigeria

What, then, needs to be done to certify Lagos as a new global tech capital, a place to build and find unicorns?

"I really believe that success breeds success," Babs says. "If those of us who have the opportunity to build businesses with the right partners and the right funding can come out of it with the right success, other investors will follow, and other founders will follow. It requires a whole community for us to see a sector that really truly thrives. And I think that is happening. It is a challenging domain to operate in, but there are huge opportunities and we're barely scratching the surface."

*“Successful stories inspire others to build things. It makes the dream more believable.”*

For Babs and Ricardo, the important message isn't that national fintechs can be built out of Lagos; but, as Babs puts it, that “you can build a global business out of Nigeria.”

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