

SOUTH AFRICA

Fintech landscape and
alternative lending market



INTRODUCTION

The financial services industry in South Africa is internationally acknowledged for its high levels of innovation and sophistication. Over the last decade, the Fintech sector has rapidly expanded, reshaping financial services through digitalisation, process optimisation, and innovative disruption.

South Africa's Fintech market has been consistently developing and accounts for 40% of all Fintech revenue in Africa. There is an emphasis on ongoing development.

South Africa's commitment to improving its fintech landscape can be attributed to various success factors, such as a high mobile penetration level, a large share of the unbanked population, and increasing collaboration between fintechs and traditional banks.



Explore more

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SOUTH AFRICA IN NUMBERS

Despite a sizable young population and improving internet penetration, South Africa faces significant economic challenges.

In 2024, economic growth has been weak, averaging just 0.7% per year before 2020. Following a rebound in 2021, growth slowed significantly, reaching only 0.6% in 2023 due to power outages, logistics issues, and falling commodity prices. Growth is expected to reach just 1% in 2025, though some projections suggest gradual improvement by 2030.

Unemployment remains high at around 32%, contributing to deep financial stress. Over 60% of the population lives below the upper-middle-income poverty line, resulting in increased reliance on consumer credit, especially microloans. This has led to rising loan defaults — non-performing loans among non-bank personal lenders hit 41.3% by late 2024, the highest in years.

64.8M

Population

\$400.3B

GDP, 2024

41.3%Non-bank personal
non-performing loans,
Dec 2024**66.6%**

Urban population

\$6.2K

GDP per capita, 2024

28.7 years

Median age

1%

GDP growth, 2025

78.9%

Internet users

4%Inflation rate,
Feb 2025

CREDIT LANDSCAPE

In Q1 2024, banks dominated South Africa's credit market, issuing 79.5% of the R132.5 billion (USD 7.4 billion) in new credit. Retailers, non-bank financiers, and other credit providers shared the remaining portion, contributing 6.5%, 6.9%, and 7.2% respectively

BANKS

\$5.9B new credit granted

79.5% share of new credit granted

RETAILERS

\$484.9M new credit granted

6.5% share of new credit granted

NON-BANK FINANCIERS

\$510.2M new credit granted

6.9% share of new credit granted

OTHER CREDIT PROVIDERS

\$533.6M new credit granted

7.2% share of new credit granted

CREDIT LANDSCAPE

The credit landscape is served by 8,525 registered credit providers operating across 40,901 branches, with a significant concentration (over 8,100 registrants) classified under "short/long term and others," emphasizing the diversity of credit provider types within the financial system.

Registrants	Number
Credit Providers	8525
Debt Counsellors	1528
Credit Bureaus	53
Payment Distribution Agents	3
Alternative Dispute Resolution Agents	8

Registrants type (Credit Providers)	No	Branches
Banks	25	12895
Retailers	62	11595
Cooperatives	17	202
Pawnbrokers	197	297
Insurers	16	663
Universities	4	15
Pension/Provident funds	23	28
Short/long term and others	8181	15206
Total	8525	40901

REGULATION POLICY

REGULATOR

The National Credit Regulator (NCR) is the dedicated agency overseeing and enforcing the National Credit Act. The NCR supervises both bank and non-bank lenders for compliance with credit laws, including registration, disclosure, marketing, and debt collection practices.

REGISTERED CREDIT PROVIDERS LICENSE

The cornerstone of regulation is the National Credit Act (NCA) of 2005, which created a single framework for all consumer credit. The NCA requires any institution extending credit to individuals to register as a credit provider and comply with its provisions. This law applies to “the whole range of formal-sector credit providers, from retailers to microlenders to banks”

INTEREST RATE

5% per month

INITIATION FEE

R150 (\$8) + 10% of any amount greater than R1000 (\$55) with max fee R1000 (\$55)

SERVICE FEE

Max service fee is R50/month or R600/year

ANALYSIS OF EFFECTIVE DAILY INTEREST

The total effective daily interest rate depends on the loan amount and the loan period.

On the right are representative examples of how total effective daily interest changes depending on the loan amount and loan period.

The total effective daily interest rate includes an interest fee, an initiation fee, and a service fee.

	Loan amount: 8000 ZAR	Loan amount: 1000 ZAR
Period, days	Total effective daily interest	Total effective daily interest
5	2.31%	3.33%
6	1.95%	2.83%
7	1.70%	2.47%
8	1.51%	2.20%
9	1.36%	1.99%
10	1.24%	1.83%
11	1.15%	1.69%
12	1.07%	1.58%
13	1.00%	1.48%
14	0.94%	1.40%
15	0.89%	1.33%
16	0.84%	1.26%
17	0.81%	1.21%

	Loan amount: 8000 ZAR	Loan amount: 1000 ZAR
Period, days	Total effective daily interest	Total effective daily interest
18	0.77%	1.16%
19	0.74%	1.12%
20	0.71%	1.08%
21	0.69%	1.04%
22	0.66%	1.01%
23	0.64%	0.98%
24	0.62%	0.95%
25	0.61%	0.93%
26	0.59%	0.90%
27	0.57%	0.88%
28	0.56%	0.86%
29	0.55%	0.84%
30	0.54%	0.83%

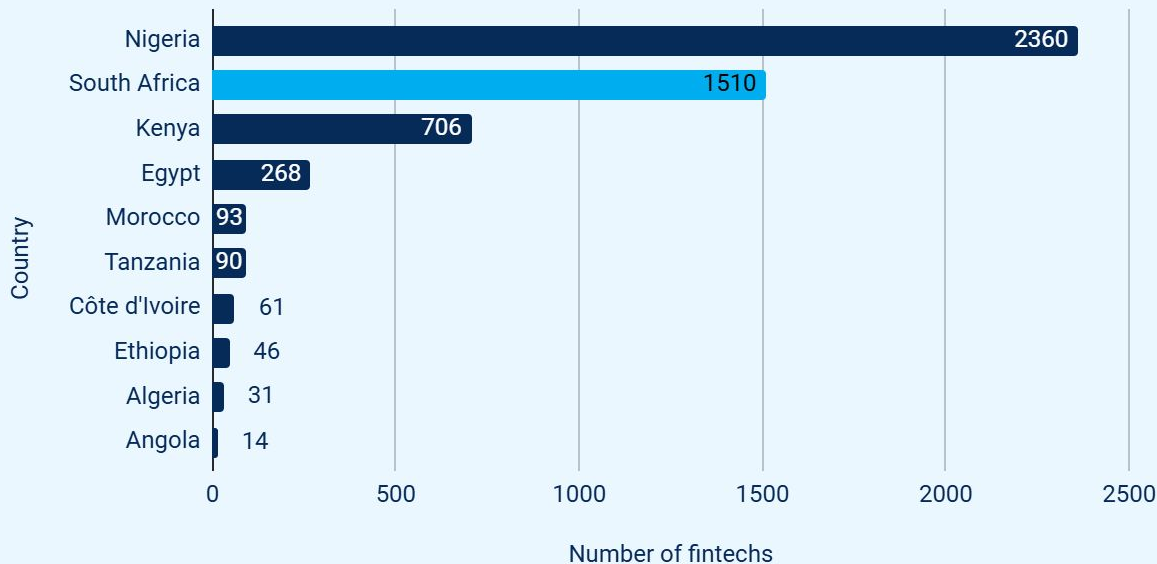
STATE OF THE FINTECH

South Africa is one of Africa's leading fintech hubs. The ecosystem benefits from well-developed financial infrastructure as well as a large talent pool in its financial centers of Johannesburg and Cape Town.

Prominent fintech alternative lending companies include:

- **PayJustNow**, a buy-now-pay-later platform, which latest venture is with South African grocery **Pick 'n Pay**. This allows customers to purchase "high-ticket" (and non-food) items and pay them back later.
- **Lula**, an online lending platform for small and medium-sized enterprises (SMEs), uses an automated process to provide fast, flexible financing to businesses. Lulalend raised a staggering \$35M Series B funding round in 2023, led by global impact investor Light rock.

Number of fintech companies in South Africa
and other African countries



Source: [Tracxn](#)

MARKET SIZE

During Q1 2025, consumers increasingly turned to personal loans as strategic tools to achieve their financial objectives, with originations growing for the non-bank personal loan lenders – 11.5% YoY. The demand for personal loans is expected to continue, with 35% of surveyed South Africans indicating that they intend to apply for a personal loan in the next 12 months.

Non-bank lenders may yet have to refocus their risk management strategies in the coming months as more than two in five (41.3%) of South Africans who hold one of these loans – 83.9% of whom are below prime borrowers – being three months or more in arrears during Q1 2025. This is a 520-basis point (bps) YoY increase and is the highest delinquency rate for this product since the previous high of 39.1% in Q2 2021.

	Consumers	Accounts
Good standing (#)	17.8M	75.6M
Good standing (%)	63.88	78.71
1-2 months in arrears (%)	7.84	5.96
Impaired records (#)	10.1M	20.5M
Impaired records (%)	36.12	21.29
3+ months in arrears (%)	22.43	15.62
Adverse listings (%)	11.06	4.9
Judgments and administration orders (%)	2.64	0.77
Credit-active (#)	27.9M	96.1M

11.5%

 YoY origination
growth

41.3%

 Serious account-level
delinquency rate*

520 bps

 YoY basis points (bps)
change in delinquency
rate

Source: [National Credit Regulator Annual Report 2023/2024](#), [TransUnion](#)

MARKET SIZE

The data from the National Credit Regulator Annual Report shows that total new consumer credit granted in 2024-Q1 declined by 10.51% compared to the previous quarter and by 6.53% year-on-year. The most significant quarterly declines were in mortgage (-15.42%) and secured credit (-12.07%). Notably, developmental credit saw a substantial quarterly increase of 34.9%, although it remains a small portion of overall credit (1.4%).

Despite some category-specific gains, the overall trend reflects a contraction in credit granted compared to both the previous quarter and the same period last year.

New consumer credit granted dynamics



TOP ALTERNATIVE LENDING PROVIDERS

Legal name	Daily interest based on the loan example	Annual interest rate	Monthly users	Monthly uniques	Min period, days	Max period, days	Product type	Min loan, \$	Max loan, \$	App	App downloads	Year launched
finchoice.mobi	0.5	21.25	1.1M	352.9K	30	90	Short, Long	24	486	Android	100K+	2006
capfin.co.za	0.2	28.25	994.1K	463.4K	180	730	Long	49	2428	-	-	2010
sanlamonline.co.za	0.07	28.25	615.6K	360.1K	365	2520	Long	243	16999	-	-	N/a
wonga.co.za	2.39	N/a	529.4K	200.2K	6	90	Short, Long	24	243	-	-	2012
rcs.co.za (by BNP Paribas)	0.06	22	508.3K	269.0K	365	1800	Long	486	14570	Android	100K+	1999
fasta.co.za	0.5	36	455.9K	197.4K	30	90	Short, Long	39	389	-	-	2017
unifi.credit (offline branches)	0.55	121.1	445.5K	121.4K	30	90	Short, Long	39	389	-	-	2016
mpowafin.co.za	0.9	54	375.5K	138.2K	1	31	Short	24	121	-	-	2008
lendplus.co.za (Aventus)	0.34	60	308.8K	120.3K	30	90	Short, Long	24	194	Android	10K+	2023
boodle.co.za	6	62	291.9K	111.7K	2	180	Short, Long	24	389	-	-	2010
sunshine loans.co.za	3.55	N/a	253.2K	108.7K	4	49	Short	24	194	-	-	2020
lime24.co.za	2.6	58.4	252.4K	95.6K	5	90	Short, Long	24	389	-	-	2015
finance27.co.za	2.6	38	239.5K	93.2K	7	99	Short, Long	49	291	-	-	2013
blinkfinance.co.za	2.4	68	158.0K	67.7K	7	99	Short, Long	49	291	-	-	2019
atlasfinance.co.za (offline branches)	N/a	N/a	91.1K	48.0K	30	180	Short, Long	24	389	-	-	2007
primeloans.co.za (Aventus)	0.34	60	81.2K	26.2K	N/a	N/a	N/a	24	194	-	-	2024
southernfinance.co.za	2.6	30	78.6K	26.0K	7	99	Short, Long	49	291	-	-	2018
mymulah.co.za	1.76	60	39.4K	19.7K	1	31	Short	5	389	-	-	2019
letsatsifinance.co.za	0.66	60	25.9K	12.3K	30	180	Short, Long	24	340	-	-	2004
dola.co.za/Loans	0.56	60	15.8K	5.9K	61	180	Short, Long	49	243	-	-	2013
expressfinance.co.za	3.6	36	12.3K	6.2K	4	17	Short	49	146	-	-	2008

RECENT DEVELOPMENTS

EXPANSION

Aventus Group is launching a specialized SME lending business in Cape Town, South Africa, aimed at underserved small and medium-sized enterprises that lack access to traditional bank financing.

Revolut has applied for a full banking license from the South African Reserve Bank and appointed Tom Morrison as Head of Strategy & Operations in South Africa, indicating its commitment to establishing a local presence.

OPEN FINANCE

Regulators have moved to modernize the credit market framework. In March 2024, the Financial Sector Conduct Authority (FSCA) published Open Finance policy proposals to encourage data sharing and promote competition in financial services.

Additionally, the pending Conduct of Financial Institutions (COFI) Bill aims to consolidate the regulation of lenders under a single law to ensure fair treatment and stronger consumer protection.

INTEREST RATE CAPS AND ENFORCEMENT

The maximum interest rate for short-term consumer loans remains capped at 5% per month (approximately 60% APR) under the National Credit Act.

Regulators have been vigilant in enforcing this cap: the National Credit Regulator (NCR) has conducted investigations and prosecutions against unregistered or predatory lenders found charging exorbitant rates (e.g., 30% per month in some illegal cases) and issuing loans without proper affordability checks.

RECENT DEVELOPMENTS

TELECOMS OFFERING LOANS

Non-traditional players, such as telecom companies, have entered the short-term lending market. Vodacom, for example, launched VodaLend Personal Loans in partnership with Old Mutual Finance in late 2023, offering unsecured personal loans of up to R250,000 through its digital app.

It also introduced “Vodacom Cash Advance” – micro-loans starting from as little as R50, repayable over 7 to 28 days – targeting underbanked customers.

These moves by Vodacom, along with similar initiatives by MTN via mobile money, signal new competition in the credit space, leveraging large customer bases and mobile platforms to deliver quick credits.

RETAILERS OFFERING LOANS

A partnership between BNPL provider PayJustNow and retailer Pick n Pay allows customers to purchase high-ticket non-food items and pay for them later. Customers are required to pay 34% of the item's price upfront, with the remaining 66% split into two equal 33% installments, aligned with their subsequent salary dates. This reflects the growing trend of credit-based purchasing in South Africa.

EXPERT'S VIEW



South Africa's economy has been marked by weak growth and high unemployment – factors that directly impact the consumer credit market. Citizens are increasingly relying on low-value personal loans with shorter repayment terms to manage monthly expenses.

However, persistently high delinquency rates – particularly in the non-bank personal loan segment – suggest that many consumers are under significant financial strain and struggling to meet their loan obligations.

As lenders respond to the growing demand for this type of credit, aligning growth strategies with prudent risk management will be essential to ensure long-term sustainability.

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RECENT FUNDING ROUNDS

No.	Round Date	Company Name	Round Name	Round Amount (USD)	Total Funding (USD)	Overview	Founded Year
1	July 7, 2025	Paymenow	Conventional Debt	\$22.4M	\$0.2M	App-based employee benefits management solutions for businesses	2019
2	Jul 3, 2025	Sticitt	Series A		\$0.3M	Payment solutions for schools	2017
3	Mar 25, 2025	Stitch	Series B	\$55.0M	\$108.6M	Open banking API solutions for financial institutions	2019
4	Mar 11, 2025	Ivorypay	Seed	N/a	N/a	Blockchain-based platform for crypto payment solutions	2022
5	Feb 6, 2025	Kasi	Seed	N/a	N/a	Card-linked wallet for money transfer and bill payment solutions	2022
6	Jan 31, 2025	UsPlus	Seed	\$2.0M	\$2.0M	Working capital financing via invoice factoring	2015
7	Jan 21, 2025	Naked	Series B	\$38.0M	\$69.8M	AI-driven app that provides usage-based car insurance	2016
8	Dec 17, 2024	Tyme	Series D	\$250.0M	\$507.8M	Provider of banking software suite for banks and financial institutions	2012
9	Oct 2, 2024	LittleFish	Seed	N/a	N/a	Provider of software solutions for finance management	2021
10	Sep 17, 2024	Happy Pay	Seed	\$1.8M	\$1.8M	Provider of a payment gateway solution	2021
11	Sep 17, 2024	Happy Pay	Conventional Debt	N/a	\$1.8M	Provider of a payment gateway solution	2021
12	Aug 5, 2024	Water Financial	Seed	\$1.6M	\$1.6M	Provider of financial services for the elderly who are asset-rich with insufficient income	2010
13	Jul 20, 2024	Momint	Grant (prize money)	\$0.1M	\$1.3M	NFT-based social platform for sharing photos and videos	2021
14	Jul 16, 2024	TurnStay	Seed	\$0.3M	\$0.3M	Payment orchestration platform for businesses	2021
15	Jul 02, 2024	Pumpkn	Seed	N/a	N/a	Provider of financial solutions for agricultural and food SMEs. Offers various financing options, including working capital loans, asset financing, and invoice financing, designed to support businesses at different growth stages.	
16	Jun 13, 2024	Entersekt	Series B	N/a	N/a	Platform that offers fraud detection solutions for financial institutions	2010
17	Jun 10, 2024	NFTfi	ICO	\$0.1M	\$15.0M	Provider of an online platform for NFT-based lending	2017
18	May 24, 2024	Orca	Seed	\$0.6M	\$0.6M	Fraud prevention and compliance tools for banks and fintechs	2023
19	Mar 19, 2024	Float	Conventional Debt	\$11.0M	N/a	Provider of a point-of-sale financing solutions	2020
20	Mar 12, 2024	NFTfi	Series A	\$6.0M	\$15.0M	Provider of an online platform for NFT-based lending	2017
21	Jan 31, 2024	Athena	Seed	\$0.2M	\$0.3M	Provider of medical payments management software for healthcare	2022

KEY TAKEAWAYS

South Africa's **fintech and alternative consumer lending sectors are rapidly expanding** due to:

- **High mobile penetration:** 95% of South Africans own a mobile phone, and 91% of these are smartphones.
- **Large unbanked population:** Around 9% of the population, approximately 3.9 million people, remain unbanked or underbanked.
- **Collaboration with traditional banks:** Despite a high banking penetration rate for an emerging market (exceeding 80%) and widespread card usage, consumers remain underbanked. Only 30% report making more than three transactions per month. As a result, many South African fintechs have opted to partner with traditional banks rather than compete directly.
- **Investments and funding:** Between January 2015 and May 2022, a total of 357 South African tech startups raised just under \$1 billion in combined funding, a figure second only to Nigeria during that period.
- **Well-developed fintech hubs:** South African fintech ecosystem benefits from well-developed financial infrastructure as well as a large talent pool.

Unemployment remains high at around 32%, contributing to deep financial stress. Over 60% of the population lives below the upper-middle-income poverty line, resulting in increased reliance on consumer credit, particularly microloans. This has led to rising loan defaults — non-performing loans among non-bank personal lenders hit 41.3% by late 2024, the highest in years.

The credit landscape is served by 8,525 registered credit providers operating across 40,901 branches. A significant majority – over 8,100 registrants – fall under the category of "short/long term and others," highlighting the diversity of credit provider types within the financial system.

The maximum interest rate for short-term consumer loans remains capped at 5% per month (approximately 60% APR) under the National Credit Act. Regulators have been vigilant in enforcing this cap, conducting investigations and prosecutions against unregistered or predatory lenders.

In Q1 2025, personal loan originations from non-bank lenders in South Africa grew by 11.5% year-over-year, as consumers increasingly turned to them to meet their financial needs. Demand is expected to remain strong, with 35% of surveyed individuals planning to apply for a personal loan within the next year. However, delinquency rates are rising: 41.3% of current borrowers – primarily below-prime – are three months or more overdue, marking the highest rate since Q2 2021.

SOURCES

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ABOUT MD FINANCE

We are a fast-growing technology company providing financial services across global markets, combining proven business models with AI-powered solutions. Since 2015, we have been serving thousands of people, empowering them through fast and simple financial products.

MISSION

We create easy-to-use financial products to address real-life needs as they come up — fast and without any hassle.

VISION

We envision a world where people move freely toward their goals, supported by financial solutions that are always ready, always simple, and always there when needed.

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