



Inclusive FinTechs in Francophone Africa

Benin country report



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Abbreviations

API	Application Programming Interface
BCEAO	Banque Centrale des Etats de l’Afrique de l’Ouest (Central Bank of West African States)
DFS	Digital Financial Services
FI	Financial Institution
FS	Financial Services
IVR	Interactive Voice System
KYC	Know Your Customer
LMI	Low- and Medium-Income
MFI	Microfinance Institution
MNO	Mobile Network Operator
MSME	Micro, Small, and Medium Enterprises
NFC	Near Field Communication
NGO	Non-Governmental Organization
QR	Quick Response
USD	US Dollars
USSD	Unstructured Supplementary Service Data

Executive summary

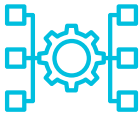
Although in early stages, the upcoming national financial inclusion strategy and work around the Start-up Act will increase opportunities for FinTechs in Benin if they spend time to understand the market and how they can add value to it working with incumbents. As a top growing economy, efforts are needed to ensure inclusive growth.



The key success factors for FinTechs to stimulate financial inclusion in Benin are **product innovation** to drive efficiency, **enhancing the customer experience** and the **facilitation of client outreach** by financial institutions. The government is expanding access to the internet which if affordable to clients can create new opportunities.



FinTechs can increase financial inclusion through **partnerships** with incumbents, through **simple solutions**, and by advocating for **more effective regulation**.



The ecosystem comprises **11 FinTechs** and **5 enablers** and **funding partners**,* while APIs are the primary technology.

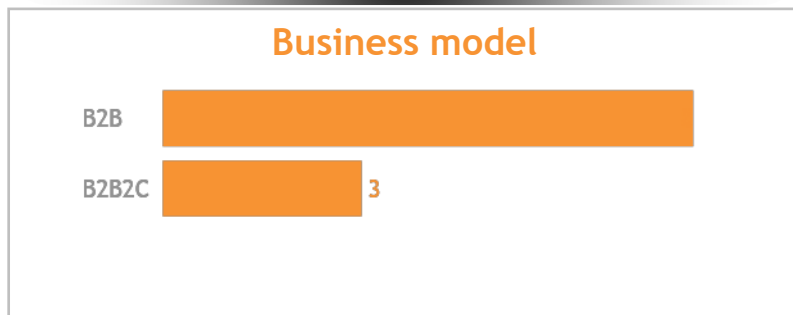
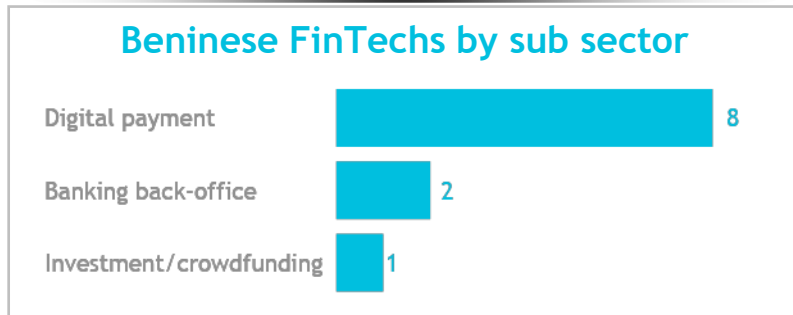
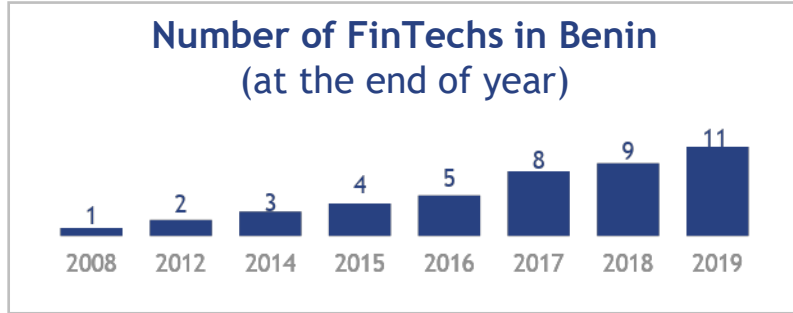


Trends include a **strong commitment by the government to leverage digital technology** and **digital finance** to spur the fast-growing economy. According to the BCEAO, the digital financial inclusion rate rose by 31% between 2015-17; however, greater focus and effort is needed to reach women and the Low-and Medium-Income (LMI) segment.

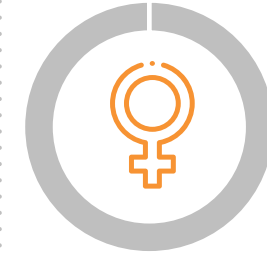


To combat the challenges around irregular incomes and low mobile money usage, FinTechs need to focus on **partnerships with banks** to improve financial access. They need to develop solutions such as PAYG that take into account their clients' ability to pay.

The Beninese FinTech space is embryonic and primarily in the early stages



Most start-up FinTechs were created less than three years ago and all are led by young men.



0% of FinTech start-ups have a woman as a founder or co-founder



Most prevalent type of financing for FinTechs in **ORANGE**



Public aid



Credit



Crowdfunding



Equity and Love Money



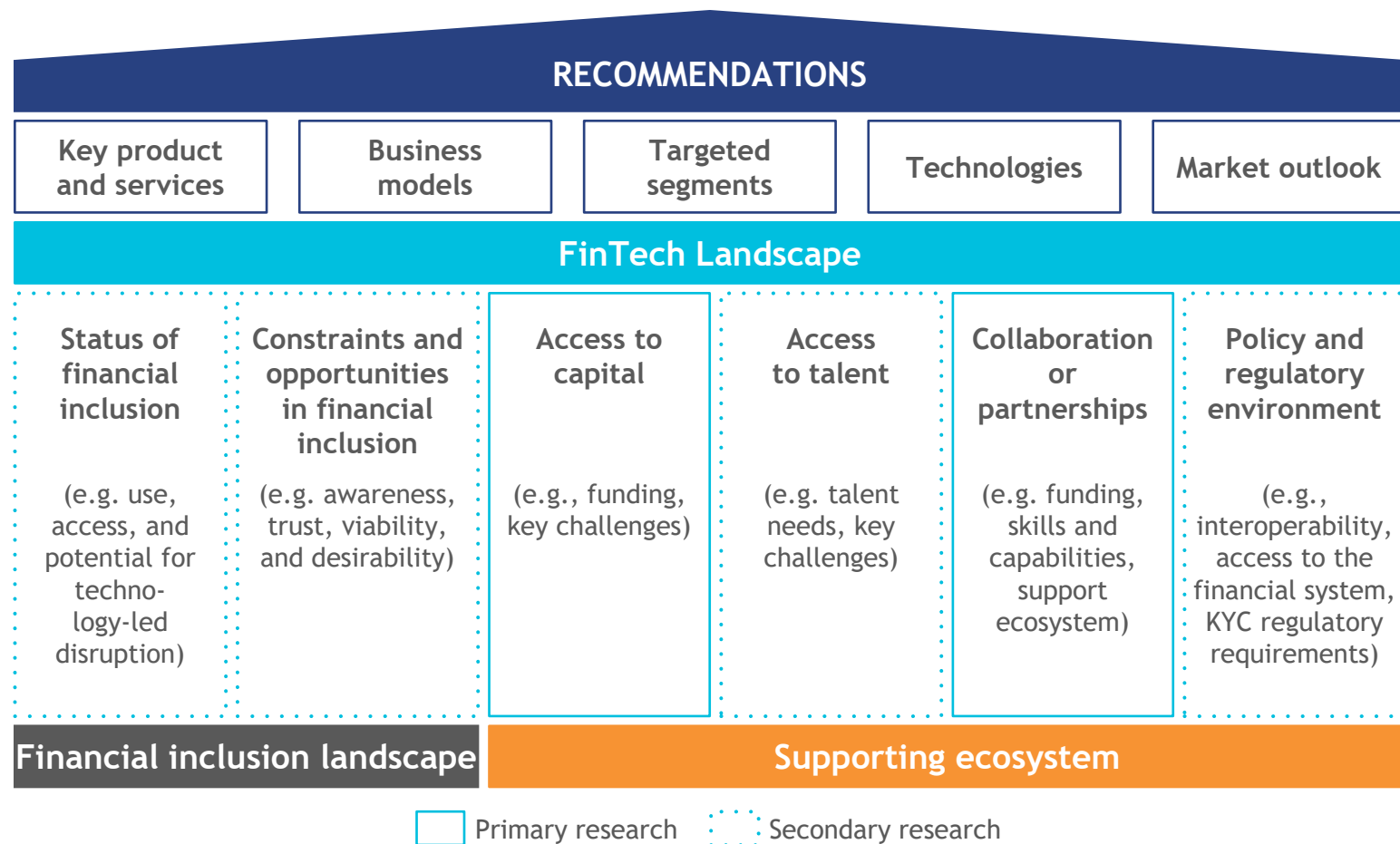
Business angels and VC funds



The main business model is B2B, closely followed by B2B2C. Most FinTechs have been developed and launched without the support of an incubation program or angel investment.

The objectives, approach, and scope of the study

This study focuses on addressing three sets of key questions through primary and secondary research, extensive stakeholder interviews, and in-depth analysis



OBJECTIVES AND APPROACH

Through the Mastercard Foundation program for capacity building in Francophone Africa, MicroSave Consulting (MSC) conducted a study on the role start-up FinTechs can play in accelerating financial inclusion.

The study focused on the following three key questions:

1. What is the status of financial inclusion and where can digital disruption address gaps?
2. How are FinTechs advancing financial inclusion and what are the challenges?
3. How important are the partnerships with incumbents and other actors in the ecosystem and how do they advance financial inclusion?

SCOPE OF WORK

The study first discusses the key characteristics of financial inclusion and constraints and opportunities of digital financial services, followed by an overview of the FinTech sector. Secondly, the study synthesizes key findings that concern the supporting ecosystem, which consist of the following four key pillars:

1. Access to capital
2. Access to talent
3. Collaboration
4. Policy and regulatory environment

Finally, the study identifies key recommendations to take the next steps towards increasing financial inclusion through a FinTech lens.

Key strengths and weaknesses of the FinTech landscape and supporting ecosystems in Benin

KEY SUCCESS FACTOR

KEY STRENGTHS OR OPPORTUNITIES

KEY WEAKNESSES OR CHALLENGES

FinTech landscape

- Ease in establishing enterprises
- Improvements in 4G network and low cost of data

- Limited access to USSD

Policy and regulatory environment

- The regulator engages in dialog with local FinTechs
- Upcoming interoperability in the BCEAO region
- The government's eID program with biometric IDs could be linked to financial institutions and insurance
- Pro-digital government created a fund to encourage digital enterprises; invested in 2000km-long fiber optic network

- Digitalization can increase the digital divide, especially if users are not able to derive value from its use

Access to talent

- One of the local accelerators offers 16 weeks of support
- Returning expats from Europe are encouraged by the reforms

- Focus on development of service but lack of skillsets related to business management, analyze and formulate business strategies, and governance
- A lack of robust business systems
- A limited understanding of client's needs

Collaboration or partnerships

- MNOs have opened up their APIs to FinTechs
- Greater involvement with telcos and banks could help create rapid scale
- Clients are interested in obtaining greater ease of access

- 58% of the population is involved in agriculture yet banks only service the market in a limited capacity
- A lack of a co-creation culture

Access to finance for FinTech

- An impact fund launched with equity and quasi-equity
- Newly formed Benin Business Angels Network (BBAN), which includes the diaspora and local entrepreneurs

- Startups must rely on friends and family for initial funding
- They are limited to challenge funds and donor contests
- They freelance to earn income to invest in own startups

Key insights related to financial inclusion

KEY SUCCESS FACTOR

KEY STRENGTHS OR OPPORTUNITIES

KEY WEAKNESSES OR CHALLENGES

Financial inclusion landscape

- Rising financial inclusion largely due to MNO awareness campaigns, grew from 17% to 38% from 2014 to 2017

- Limited awareness of value of digital financial services or how to use them
- Low incomes
- Lack of trust in financial institutions due to a Ponzi scheme in 2010/2011
- Judicial system is not clear on financial regulations and there are limited contract reinforcement mechanisms
- 43% of MSMEs indicate access to finance is a constraint
- Lack of national IDs of youth (65% of the population is between 15-35)

Financial capacity

- High savings culture
- Education through vocational services
- High usage of tontines with several converting to digital financial services

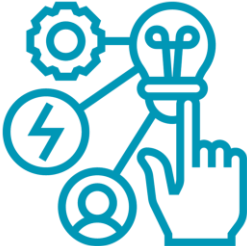
- Low levels of literacy and irregular incomes
- Low levels of formal savings and credit, savings primarily hidden
- Women lag behind men in financial access

Digital awareness

- Increase in the use of mobile payments due to proximity issues in rural areas and adoption by youth

- High cost of phone ownership
- Low digital skills
- 3/4 of the population is offline

Potential opportunities for disruption



- PAYG solutions to adapt to the irregular income streams of clients
- Electronic asset registries for warehousing
- Data analytics for digital tontines or to inform product development
- Solutions comparing financial service offerings

¹ Hootsuite

Summary of key recommendations

KEY SUCCESS FACTOR	RECOMMENDATIONS	PRIORITY
FinTech landscape	<ul style="list-style-type: none"> • Create dialogue with GIM-UEMOA and ecosystem actors, expose the challenges and solutions, and convene regularly to create a road map to track progress on the issues identified 	<ul style="list-style-type: none"> • High
Policy and regulatory environment	<ul style="list-style-type: none"> • Make single-sourcing USSD available at an affordable price • Create a regulatory sandbox that prioritizes financially inclusive FinTechs • Create a regulatory fact-sheet for FinTechs in simple language • Target tontines in financial education campaigns • Strengthen provisions for consumer protection • Implement tax incentive measures to promote the widespread deployment of electronic payment cards and terminals • Enhance the launch of credit solutions based on alternative credit scoring • Work with companies to develop protocols for data sharing while protecting data confidentiality • Strengthen regulatory resources with FinTech-specific capabilities • Conduct financial literacy campaigns in local languages, with a special emphasis on digital finance and its value proposition 	<ul style="list-style-type: none"> • High • High • High • High • High • High • High • Medium • Medium • Medium • Medium
Access to talent	<ul style="list-style-type: none"> • Create financial incentives for collaboration opportunities between incumbents and FinTechs • Promote STEM education, particularly among women • Leverage newly-improved bandwidth to connect universities with mentors to support entrepreneurs in closing their skill gaps 	<ul style="list-style-type: none"> • High • Medium • Low
Collaboration or partnerships	<ul style="list-style-type: none"> • Incentivize partnerships between financial institutions, MNOs and FinTechs to address financial inclusion • Develop an ecosystem for merchant acceptance network 	<ul style="list-style-type: none"> • High • Medium
Access to finance	<ul style="list-style-type: none"> • Dedicate a portion of the digital enterprise fund to incentivize inclusive services 	<ul style="list-style-type: none"> • High



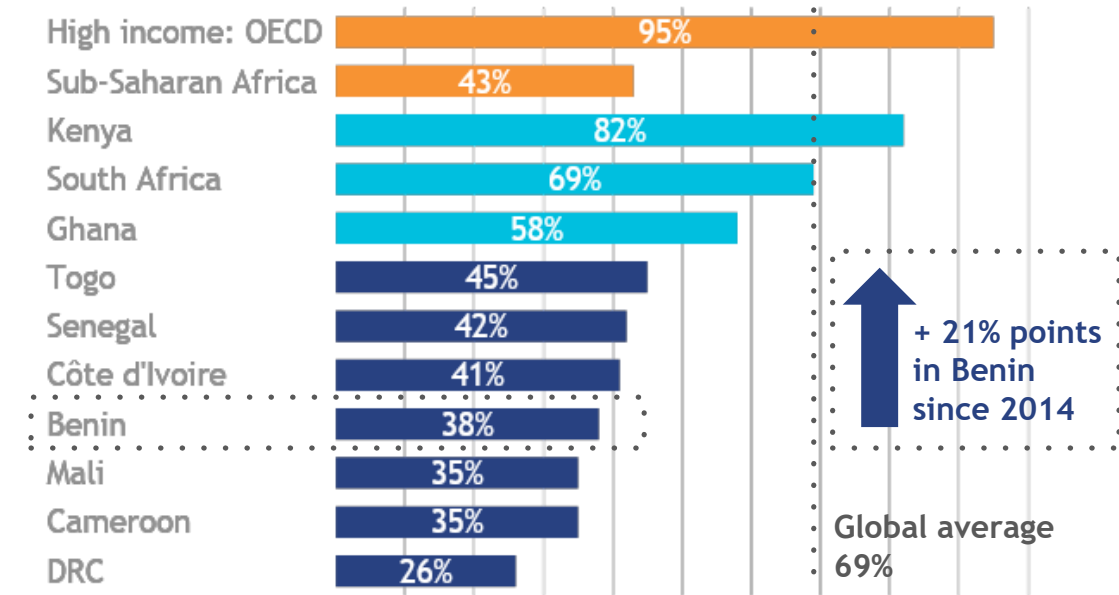
Benin

The current state of financial inclusion



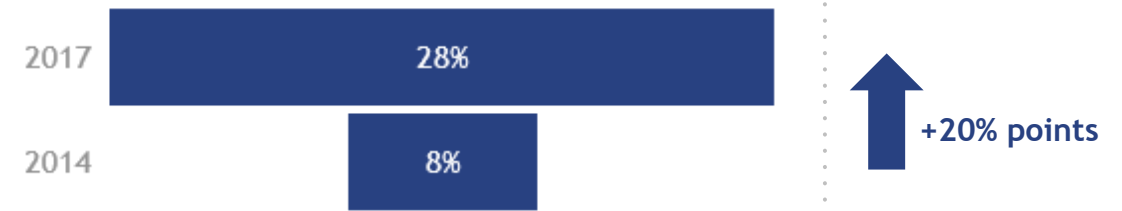
In the heavily informal economy* of Benin, the number of adult account holders has tripled in less than a decade, indicating greater financial inclusion

Adults (aged 15+) with an account, 2017**

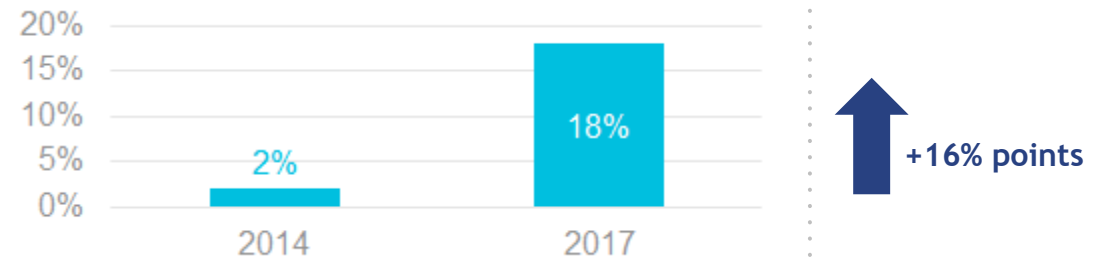


The number of account holders grew from 17% in 2014 to 38% in 2017, which can be attributed to an aggressive and nation-wide awareness campaign run by MNOs on mobile money. This indicates a growing and more digitized economy. However, Benin lags behind the average for Sub-Saharan Africa. This is due to the lack of basic skills needed to use digital tools and low awareness of the advantages of mobile money or how to use it.

Payments: 28% of adults (aged 15+) made or received digital payments in 2017**



Holders of mobile money account (age 15+)



The growing adoption of mobile money provided by MNOs drives the bulk of financial access across all segments of the population, particularly the youth. The top reasons for the use of mobile money are: reduced time, ease in accessing funds, and greater proximity to a financial service outside the capital.*** Informal usage is often due to limited understanding and experience with mobile money services.

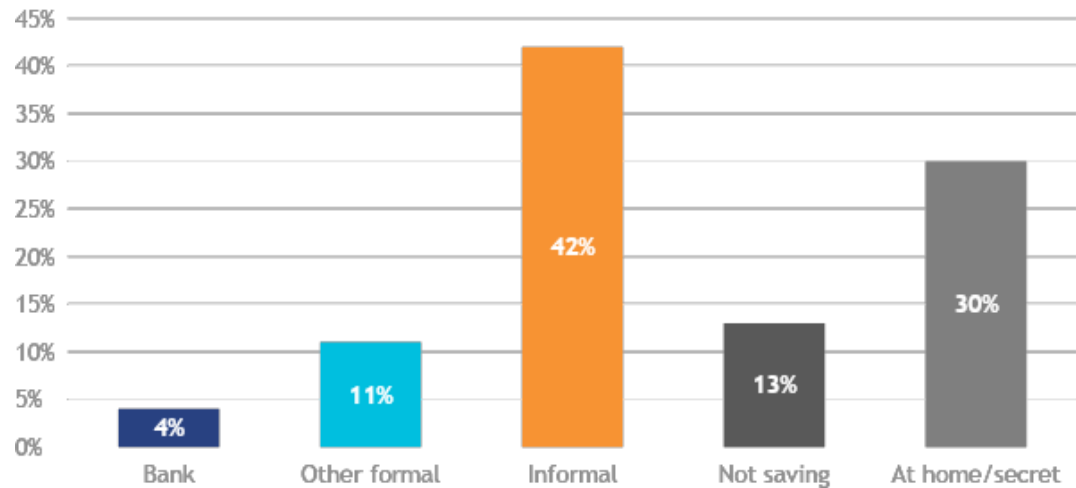
* In 2017, informality represented 65% of Benin's GDP, according to an [IMF \(2017\) study](#). Informality refers to the economic activities that circumvent cost and are excluded from the benefits and rights incorporated in laws.

** Source: [World Bank \(2018\). The Global Financial Inclusion \(Findex\) Database 2017](#). The accounts include those at a bank or another type of financial institution or the use of a mobile money service in the past 12 months.

*** Source: [UNCDF \(2019\)](#).

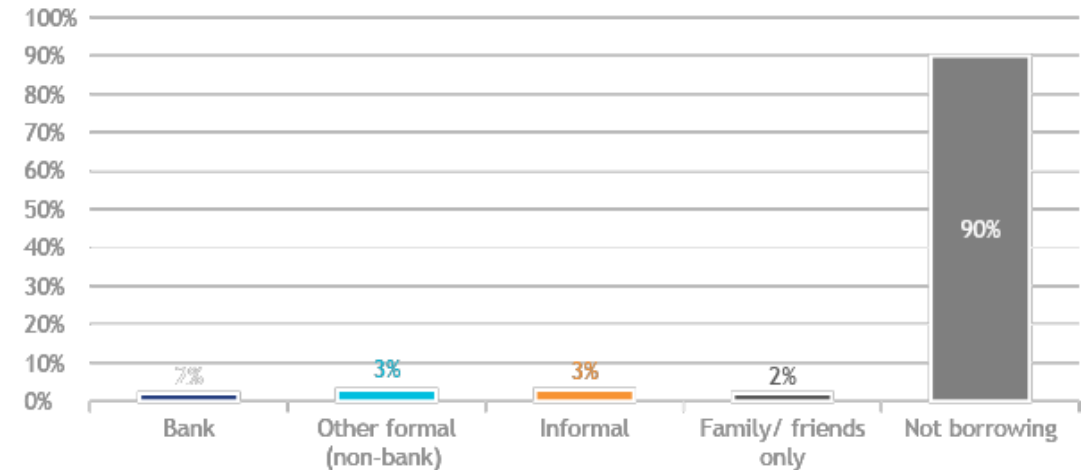
In 2018, most of the Beninese population preferred to save and borrow money through informal channels, including friends and family, or social circles (*tontines*)

Savings: 87% saved money, but only 15% through formal channels*



Populations that have disposable incomes naturally tend to save but the majority prefer saving through local social circles (*tontines*), or under their mattresses. About 2.4 million people save money at home/secret place, 1.4 million people through *tontines*, and only 400,000 save through mobile money. 13% of people do not save at all. This can, in part, be attributed to a decline in their income-generation activities due to the recent recession in Nigeria, Benin's biggest trade partner, which adversely affected the trade of consumer goods and gas.

Credit: Only 10% borrow money from any source*



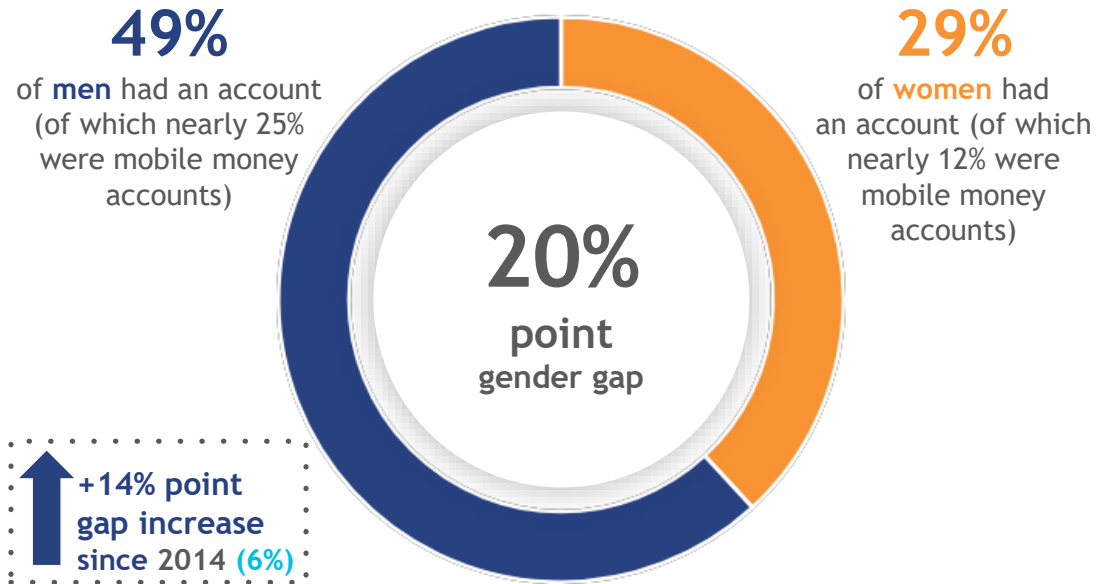
Uncertain revenue streams** and difficulties meeting financial commitments*** deter people from borrowing, specifically through formal mechanisms. 90% of the people who did not borrow lacked the capability to repay their loans due to low or no income in times of an economic slow-down. Additionally, a 2010 Ponzi scheme that defrauded a huge portion of the population still remains in people's minds and has eroded their trust in financial institutions.

* Source: [FinMark Trust \(2019\). Benin FinScope: Consumer Survey Highlights 2018.](#) ** 54% of the population has uncertain or irregular revenues (FinMark Trust, 2019)

*** 78% of adults admit having difficulty respecting their financial commitments (FinMark Trust, 2019)

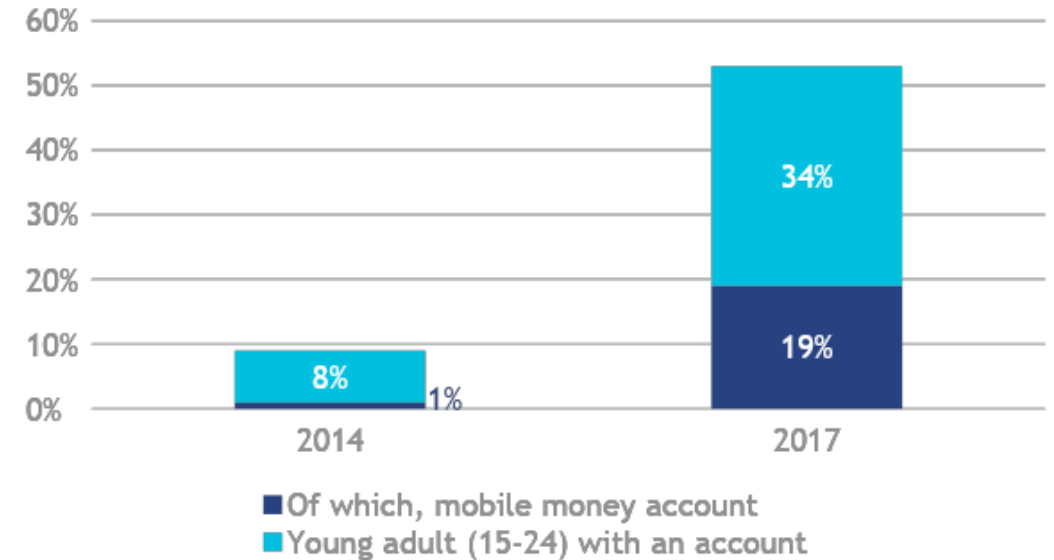
Young adults drive the uptake of DFS but women and low-income populations lag behind

Gender gap in financial inclusion,* 2017**



The gender gap in access to DFS, including mobile money, is high in Benin, as compared to other countries in the region. This is because women start at a disadvantage - nearly 1 out of 3 (31%) women are excluded from the financial system.** Almost 50% of all microenterprises are owned by women and Benin ranks among the top-five nations globally in terms of the widest microenterprise finance gap for women as a share of the total microenterprise finance gap.***

Young adults (age 15-24) with an account, 2014-2017**



With more than 60% of the population below 25 years of age,**** 'young adults' are the most populous segment. They are rapidly adopting DFS, which can be attributed to their tech-savviness and targeted sales promotions from MNOs

* Includes accounts at a bank or another type of financial institution or use of a mobile money service in the past 12 months. ** Source: World Bank (2018). The Global Financial Inclusion (Findex) Database 2017.

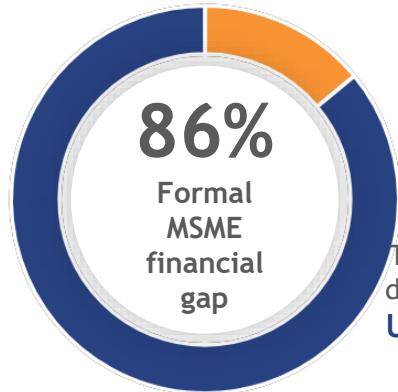
*** Source: International Finance Corporation (2017). MSME Finance Gap Report. **** Source: UN Population Fund (2019). World Population Prospects 2019: Data Booklet.

In the context of a poverty rate of 46.4% and high inequality,* a greater emphasis must be placed on tailoring DFS to the needs of the LMI segment to close the gap between different income groups, as well as between men and women

Financial inclusion for MSME, based on real and estimated financing needs, 2017**

The financing gap for MSMEs in Benin is estimated at **USD 689,2 million**

In 2016, **12%** of MSMEs used banks to finance investments.***



Current supply is **USD 113.7 million**

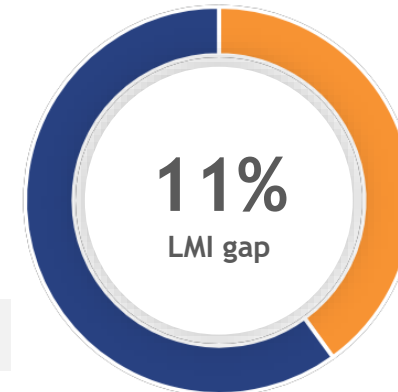
The total potential MSME demand for financing was **USD 802.9 million** and informal demand was **USD 774.5 million**

MSMEs form the backbone of the economy yet have limited funding options, with only 12% accessing investment credit from banks. In 2016, 24% of MSMEs reported having their recent bank loan applications rejected and 43% MSMEs had identified access to finance as a major constraint.*** Reliance on tontines is high. With emerging digital tontines and crowdfunding platforms, MSMEs are demonstrating the capacity to save; opportunities are growing to deliver services to this sector.

Financial inclusion of the low- and medium-income (LMI) segment, based on account holders per income group, 2017***

43% of the richest 60% have an account (of which 21% are mobile money accounts)

Global LMI gap: **13%** (74-61%)



32% of the poorest 40% have an account (of which 14% are mobile money accounts)

No change from 2014 (**21% - 10%**)

With greater access to DFS, the expansion of mobile money tends to close the gap in financial inclusion between the richest and the poorest. The pace of mobile money account use is relatively comparable across these two groups: while there was a 14% point jump in the proportion of the poorest 40% using a mobile money account (from 0% to 14%) during 2014-17, the richest 60% reported an increase of 18% points (from 3% to 21%) during the same period. A higher usage of mobile money has been reported amongst urban adults, males and those earning less than 50,000 FCFA,***** pointing to the need to improve the customer journey for LMI women.

Note: Definitions of enterprise size: Micro: 1-9 employees; Small: 10-49 employees; Medium: 50-250 employees. Sources: * World Bank (2019a). Benin Overview. ; ** International Finance Corporation (2018). Enterprise Finance Gap Database, 2017.; *** World Bank (2019b). Global Financial Development Database; **** World Bank (2018). The Global Financial Inclusion (Findex) Database 2017.; *****FinMark Trust (2019). Benin FinScope: Consumer Survey Highlights 2018.



Benin

Key constraints of financial inclusion and potential opportunities for digital disruption



The usage of banking products is low in Benin. Therefore, financial institutions need FinTech solutions to manage their credit and saving processes to reduce their operating costs and improve their profitability.

Advantages of MFI-FinTech collaboration

After mobile money, MFIs are the second largest supplier of formal financial services, with a reach of 2.2 million people.

FinTechs can work with the 19 largest MFIs that serve 90% of the market and support them in the following ways:

- Promote financial education, which is necessary to shift informal savings behavior to a formal savings habit
- Collect daily or weekly savings for tontine-inspired services
- Improve the loan portfolio quality through the development of credit histories for clients





Advantages of digitization

Digitization can create a disruptive change in the following ways:





- Help deliver more accessible information about the products and suppliers to facilitate decision-making
- Provide solutions, such as pay-as-you-go, to adapt to the irregular income streams of clients

FinTechs can capitalize on different segments' propensity to save to develop tailored digital savings solutions. However, the adoption of digital credit solutions might take time due to a poor credit culture





The proportion of segments transferring, borrowing, or saving money*

Savings		
Segment		Percentage
Women		45%
Rural		47%
Youth		46%
MSME		unavailable

The major reasons for savings are living expenses, medical expenses, or building/expanding a business. A significant majority continues to save through informal means (savings groups) or in secret/at home.**** Twelve percent are saving for old age. More and more MFIs are offering tontine inspired roving savings collectors for daily, weekly and monthly savings deposits.

Credit		
Segment		Percentage
Women		47%
Rural		46%
Youth		41%
MSME		13%***

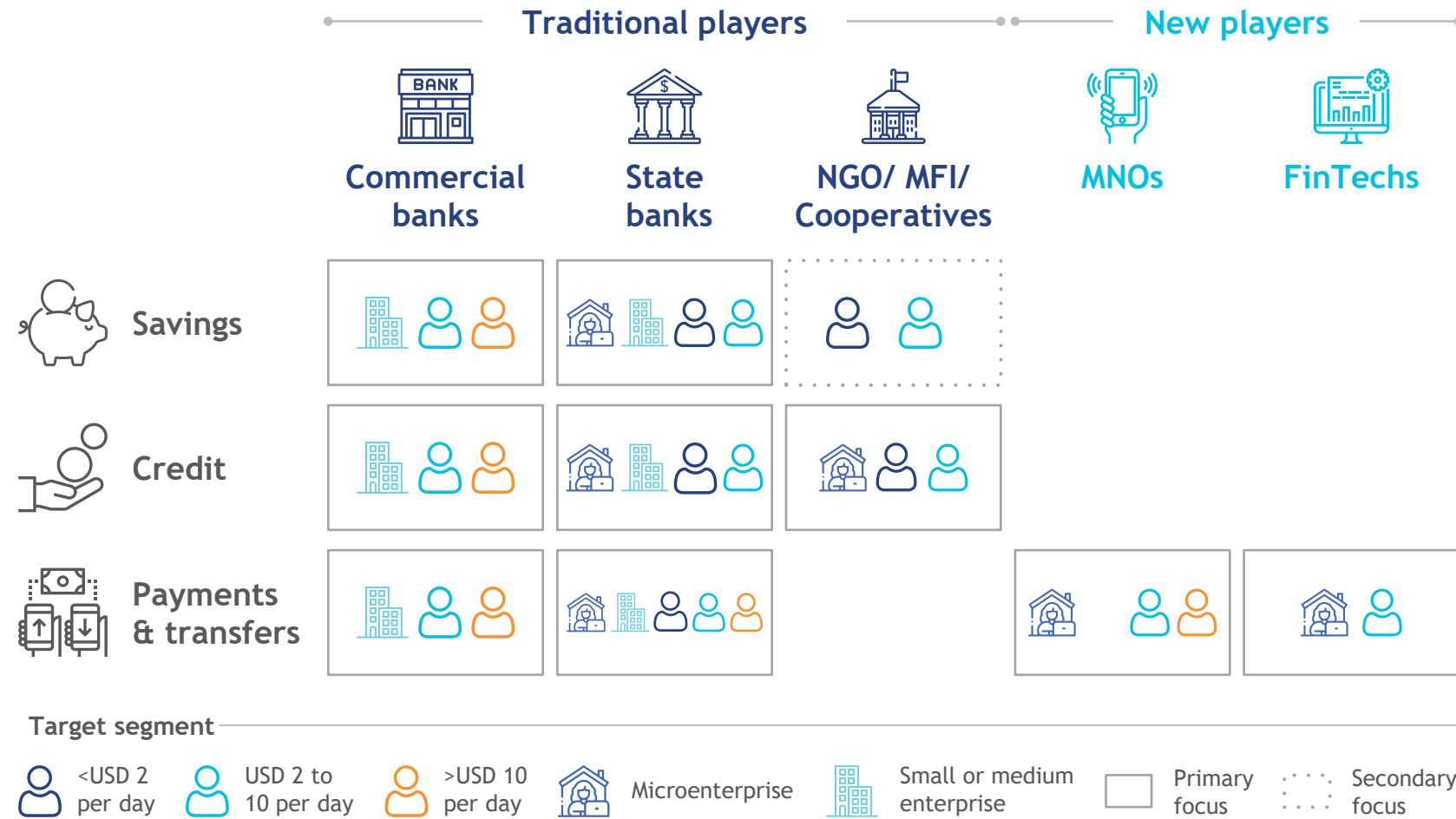
The proportion of people who borrow is relatively low among all segments due to a variety of reasons, such as insufficient income or an aversion to debt. For MSMEs, the share of loans from formal FIs that require collateral is high at 79.2%, which acts as a deterrent to taking out loans.*** Access to finance is a major barrier for 68% of MSMEs with 14% using non-financial banks.***

Payments and transfers		
Segment		Percentage
Women		19%
Rural		26%
Youth		26%
MSME		unavailable

Youth, especially young urban males, lead the segments that use mobile money to make or receive payments. Women lag considerably behind the national average of 28%. Six percent of men and 3% of women have either paid bills or purchased something online.*

Sources: *World Bank (2018). The Global Financial Inclusion (Findex) Database 2017.; **World Bank (2017) Enterprise Survey Data: Benin (2016). ***International Finance Corporation (2018). MSME Finance Gap Report. ; ****FinMark Trust (2019). Benin FinScope: Consumer Survey Highlights 2018.

The ecosystem of supply-side actors in Benin is dominated by incumbents who need support to digitally transform to serve LMI clients



Ecobank and **Moov** are consolidating their three-year-old partnership by launching three new services: “Push and Pull,” “Bank to any wallet,” and “Fast transfer.”

La Poste offers (as part of a pilot) a savings product called “e-tontine savings,” which allows users to save electronically through a mobile application.

MTN in partnership with UNCDF offers a similar digital *tontine* targeted to Zémidjans or Zéms (moto-taxi drivers), aiming to overhaul the payments ecosystem for Zéms.

ALIDE and MTN launched a “bank-to-wallet” product.

ASMAB is working on a credit scoring tool to help LMI segments access finance.

MTN has developed an insurance product for motorcyclists in partnership with NSIA. The product allows the premium to be collected directly from the mobile money wallet subscriber’s account and the compensation is also paid into the account.

Orange Bank and **NSIA** partnered to provide retail, microcredit and insurance services for the informal sector.

Source: MicroSave’s analysis



Benin

The FinTech ecosystem



Spotlight on an entrepreneur

Donald Davy Ablo is the founder of [PayPlus](#), a payment solutions aggregator. The FinTech provides an easy and secure way for e-commerce businesses or anyone selling online to collect their payments regardless of source—bank, credit card, or mobile money. He has created PayPlus to address the issue of a lack of open APIs for the payment industry in Benin.

With a specialization in Electrical Engineering and Industrial Computing, Donald Davy already has the necessary technical capacities to run his enterprise. He would like to complement these by developing transversal soft skills to better manage his business.

According to Donald Davy, access to capital was one of the major challenges he faces, since most of the FinTech entrepreneurs do not receive financial support from local financial institutions. However, PayPlus is currently being incubated by a supportive incubation and acceleration program called [Sèmè City](#), managed by the Government of Benin.

Having already tested the PayPlus solution in several countries, Donald Davy's immediate objective is to redirect the business mode and he hopes to export PayPlus to the wider West African region in the coming years. Donald Davy's most pressing needs include the following:

- Acceptance of VISA, MasterCard, and American Express payments;
- Easy access to USSD codes and reactive collaboration from FI and telcos.

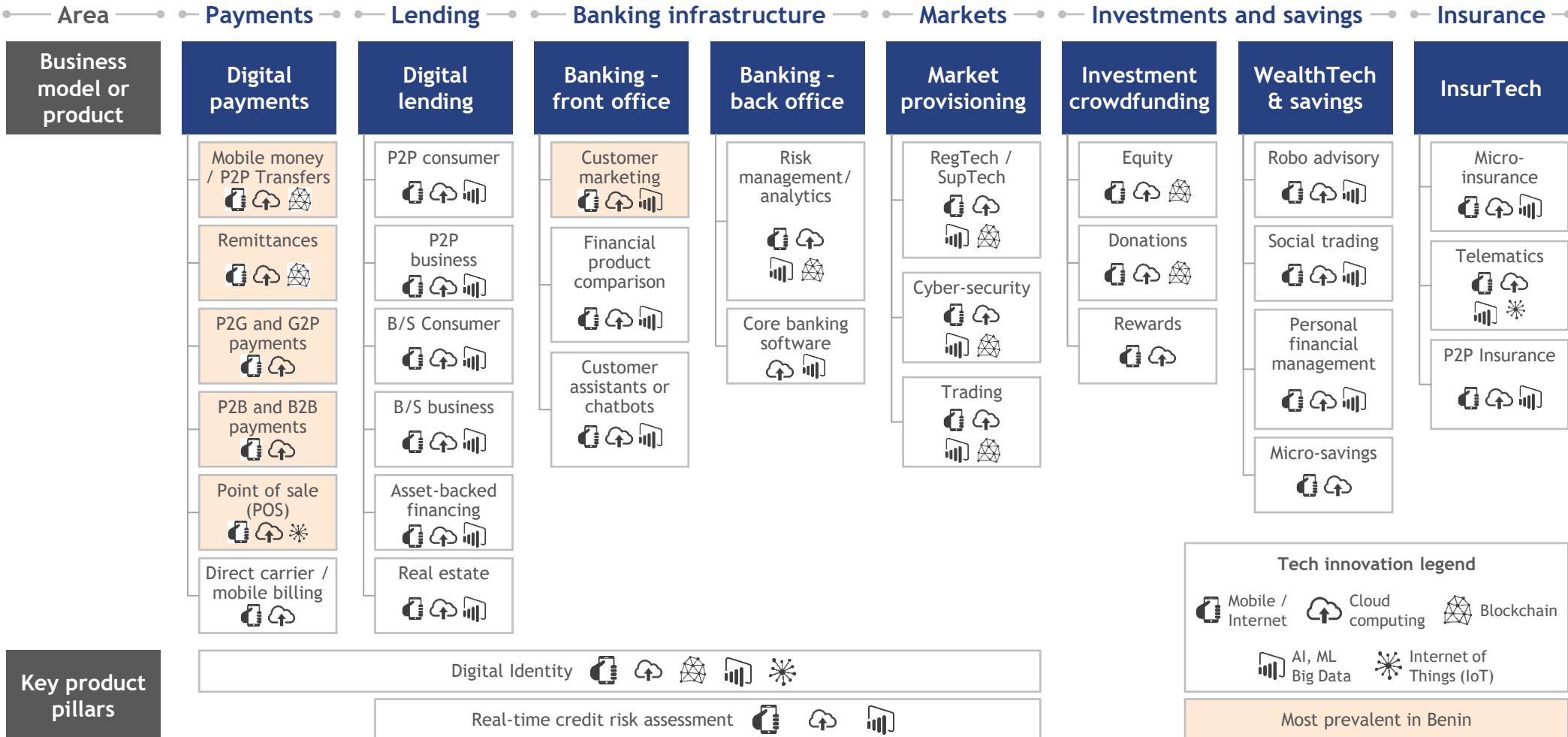
Source: Telephonic interview with David Ablo by MSC, 14 Apr 2020; *interview with [Tchaou, Ghislain \(2018\)](#).



“I have learned that resilience is the most important quality that an entrepreneur should have and that is the advice I give to anyone who would like to go on this adventure themselves.”*

FinTechs active in Benin











The FinTechs currently operational in Benin are largely only provide payment gateways. These gateways are used primarily for mobile money and P2P transfers, remittances, P2G and B2B payments, and at points of sale. The only banking service offered is customer marketing. The key product pillar is digital identity.



- FinTechs operating in Benin:**
- [Benin FinTech \(BFT\)](#)
 - [Egnon \(Achat à crédit\)](#)
 - [Expportunity Group](#)
 - [Fedapay](#)
 - [KKiaPay](#)
 - [Litee](#)
 - [Paydunya](#)
 - [PayPlus](#)
 - [Qotto](#)
 - [Satys FinTech](#)
 - [Sudpay](#)
- Most prevalent tech innovations:**
- Mobile/Internet
 - Cloud computing
 - Blockchain



The MSME sector has been the key focus area for growth of FinTechs in Benin. More effort is needed to reach out to youth and women, as well as the agricultural sector, which is the key driver of the economy.

	 Women	 MSMEs	 Farmers	 Youth
 Payments and transfers				
 Credit				
 Investments and savings				



KEY FINTECH PLAYERS

- [KKiaPay](#), [Fedapay](#), and [PayPlus](#) are aggregators of mobile money payments.
- [Benin FinTech \(BFT\)](#) offers an application for MFIs and the tax administration to collect repayments.
- [Expportunity](#) offers a micropayment system for online purchases.
- [Achat à crédit](#) offers an e-commerce platform where consumers can buy products on credit even if they are not salaried.
- [Qotto](#) provides solar kits in rural areas with a micropayment facility.
- [Litee](#) is a platform that provides smart payment cards, chargeable via mobile money.

Formally launched by Beninese start-up Open SI in March, 2019, [KKiaPay](#) provides businesses with a single, customizable, online platform to make secure financial transactions via mobile money, credit cards, and bank accounts. It is also available for integration with any mobile applications that businesses or organizations may be using. The main technology it uses is API and cloud computing to bring together international cards and all the local mobile money players on to one platform. Through its dashboard, KKiaPay offers real-time data analytics to its clients (such as sales data and payment origin), supporting businesses to monitor their cash flow and realign operations as needed to ensure growth in revenue.

Goal: To become WAEMU's premier payments aggregator*

The emerging market of Benin has seen accelerated growth in DFS in recent years, which is currently dominated by first-generation services, such as money transfers and electronic (e-) top-ups. KKiaPay has established itself as a leading payments aggregator in Benin. Its key partners include MTN, Moov, Visa, MasterCard, American Express, and local banks. In the next five years, KKiaPay hopes to cover all WAEMU member countries, starting with Senegal and the Ivory Coast. In early 2020, KKiaPay partnered with different Ministries of the Government of Benin to create payment gateways for the collection of motor vehicle tax and for new start-ups to register on the recently-launched www.monentreprise.bj website. KKiaPay is also promoting its asset recovery service and planning to launch an online jackpot.

Problem statement: How to provide an easy-to-use single interface for different clients to collect payments from multiple sources and locations?

How it works ?	Opportunity	Business Model	Impact
<p>Enrollment</p> <ul style="list-style-type: none"> • Identification • Account Creation <p>Collection</p> <ul style="list-style-type: none"> • Mobile money • Credit cards • Direct bank payment 	<p>Financial Services</p> <ul style="list-style-type: none"> • Digital payments • Data analytics for greater revenue growth <p>Target Clients</p> <ul style="list-style-type: none"> • MSMEs, businesses, e-commerce platforms, governments • Financial institutions (including microfinance, insurance) • NGOs, foundations, donors 	<p>Enrollment</p> <ul style="list-style-type: none"> • B2B2C • Free enrolment • Charge 3% on each transaction from mobile money operators • Charge 3.5% on each transaction from debit/credit card institutions (Visa and MasterCard) 	<ul style="list-style-type: none"> • Connecting various merchants (businesses, financial institutions, government bodies, and other organizations) to a unique payment platform, thus increasing DFS penetration • Supporting the Government of Benin in its digital transformation through various partnerships (Ministry of Finance; Agency to Promote Investments and Exports)

Sources: www.kkiapay.me; www.twitter.com/kkiapay.com; Tchokpodo, Michaël (2020); *Cio Mag* (2020); Djogbénu, Edouard (2020); UNCDF (2019); Tchokpodo, Michaël (2019)



Benin

The supporting ecosystem



FinTechs in Benin face operational challenges, mostly due to irregular cash flow and a poor grasp of the market, along with the founders' lack of managerial experience

Barriers

Impact on viability



Skills

- Most FinTechs are led by developers who often do not have the management and governance skills required to run the organization, or have no previous professional experience.
- FinTechs do not know how to look for data to inform demand-side needs.
- Inability to customize solutions with respect to market readiness: poor definition and understanding of clients' needs to justify starting up a business venture.

“Despite the countless brilliant people and excellent developers, only a few have a good read of the market. Entrepreneurs do not take the time to get to know the market and understand the rules.”



Capital

- Several FinTechs operate with their own funds, which are limited for new graduates, or from proceeds from other activities such as consulting or the development of solutions for other firms. These FinTechs do not meet the criteria to secure funds from banks (guarantee) and donors.

- FinTechs have limited funding opportunities, except through innovation contests and grants by donors. Such contests lead to great solutions offered by young entrepreneurs but often such solutions run the risk of never reaching the market due to a lack of sustained funding.

“We finance ourselves with our own equity by carrying out consulting assignments for other companies. We do not seek capital investors and want to avoid debt financing to stay independent.”

“Challenges are good for talent sourcing but there is a real need for funding and efficient support for FinTechs.” - An incubator manager



Further, the development of FinTechs relies externally on a more conducive policy environment and DFS infrastructure, tailored institutional support, as well as innovative and flexible funding

Impact on viability

Internal Barriers



Talent management

- With a literacy rate of only 42%* of among the adult population, the talent pool for Benin's FinTech industry, while growing, is limited.
- Lack of experienced mentors and resources to take business to next level.
- Relatively high attrition rates as employees leave for higher salaries after undergoing training.
- Culture of remaining secretive and generally low confidence level within the entrepreneurial sector impedes team-building and collaboration.



Collaboration

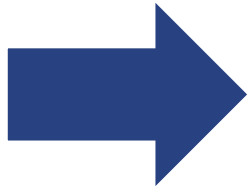
- Difficulty in partnering with incumbents due to verification processes, eligibility, along with clear business models proposed by FinTech entrepreneurs and their credibility.
"Our due-diligence processes takes time and sometimes, integration with FinTechs may take up to two years." - A Bank Manager
- Benin does not have a structure to bring together all FinTechs.
"There is no FinTech ecosystem, there are only FinTechs in their own compartments." - CEO of a FinTech
- FinTechs do not receive adequate support from incubators, who lack a tailored approach to FinTechs and fail to offer long-term support programs.
"We have been in an incubation program with a regional bank for six months. The program was supposed to help us find partners, but so far, not a single one has been found." - CEO of a FinTech



Source: *World Bank, 2018

In terms of external barriers, regulation is a key missing component necessary to boost FinTechs' capability to introduce innovative products and services

Barriers
perceived by
FinTechs



- KYC identification procedures put in place while ownership of identity cards remains uncommon, especially among the most vulnerable
- Lack of infrastructure in rural areas (poor MNO coverage and Internet connectivity)
- Regulations not conducive to developing services such as digital credit
- Limitations in outsourcing operational functions to third parties
- Silent regulation on subjects such as agency banking
- MFIs do not have the right to issue e-money, which limits their ability to partner with FinTechs to reach LMI populations

Opportunities
perceived by
FinTechs



- An Act for startups in process of being drafted, and a National Strategy for Financial Inclusion almost ready
- WAEMU's current agreement on interoperability will allow FinTechs to be included in the scheme even though they were not involved during the consultation phase
- Expansion of current first-generation services to underserved populations, while also developing and introducing second-generation services
- Increase in customer activity rates
- Critical to ensure network of high-quality agents

Source: Adapted from [UNCDF \(2019\)](#).

The absence of a regulatory framework for FinTechs and the rising taxes on mobile money threaten the development of inclusive FinTech products - a more enabling ecosystem is needed



Progress to date

Digital financial inclusion

- **Financial inclusion:** There is an emphasis among the Government of Benin to digitize the payment flows of the public administration. A mechanism to support the marketing strategies of ten decentralized financial systems has been designed. Pilots have been launched to promote improved access to DFS for the poorest, with an emphasis on women and youth.*
- **Digital identification:** An eID project is underway to equip the government with reliable information on citizens so it can offer social projects targeted to the right segments.
- **Consumer protection:** Law N° 2009-09 applies to the automatic processing of personal data appearing in digital or physical files.
- **Cybersecurity:** Law N° 2017-20 on the digital code regulates cybersecurity and cyber-criminality.
- **Competition:** MNOs are in charge of issuing USSD codes and the BCEAO issues electronic money licenses for non-financial institutions.



Limits for digital financial inclusion

- Multiple governance scandals in the microfinance sector have increased the distrust of financial institutions and led consumers to reorganize their financial habits outside of formal channels.
- The lack of a regulatory framework for FinTechs limits their ability to collaborate and try specific approaches to improve financial inclusion.
- More than 2 million citizens do not have a birth certificate and thus lack any form of ID. After the 2017 census for biometric IDs, citizens are waiting for their new cards and unique ID numbers.**
- As FinTechs operate outside the sight of the Central Bank, there is a gray area with regards to consumer protection. As a result, transparency, customer complaint management, data privacy, and service quality (availability and reliability) are managed at the FinTechs' own discretion.
- With a score of 0.485, Benin is ranked 80/175 on the Global Cybersecurity Index. This indicates scope for improvement, especially with regard to the capacity-building of stakeholders.***
- FinTechs are dependent on MNOs for access to and use of USSD and API channels.

Sources: * BCEAO (2019); **ADN (2019); ***ITU (2019). *Global Cybersecurity Index 2018*.

The upcoming interoperable national payment platform will offer an opportunity for FinTechs to innovate product offerings for payments across the country. However, the Central Bank needs to make regional reforms and remove restrictive regulations for FinTechs.



Progress to date

Payments and transfers

- The national platform for electronic payments project is still underway. It will enable the population to pay for public services, such as birth certificates and national IDs, through innovative payment solutions by FinTechs.
- The interoperable regional payment platform is expected to be released in the middle of 2020.
- Instruction n° 15-12/2010/RB regulates all types of payments.

Savings and lending

- Credit Reference Bureaus are being set up in all WAEMU countries.



Limits for digital financial inclusion

- The government has neither designed nor implemented policies on DFS that allow FinTechs to bypass the central bank's regulations.
- Until the interoperability is effective and the regulation clarifies how FinTechs could be integrated into the scheme, the FinTechs need to contract with each provider or use an aggregator.
- For aggregator FinTechs, there is no specific regulation for their payment and money transfer solutions.
- BCEAO only allows licensed financial institutions to provide loans and collect savings. Credit pricing is a barrier with interest rate caps of 15% for banks and 24% for microfinance institutions. This makes it challenging for them to develop a profitable business model and prevents the launch of new initiatives.
- The lack of simple and affordable e-signatures and biometric national IDs have impeded the introduction of second-generation products, such as savings, credit, and insurance.

Sources: *ADN (2019); **ITU (2019). *Global Cybersecurity Index 2018*.

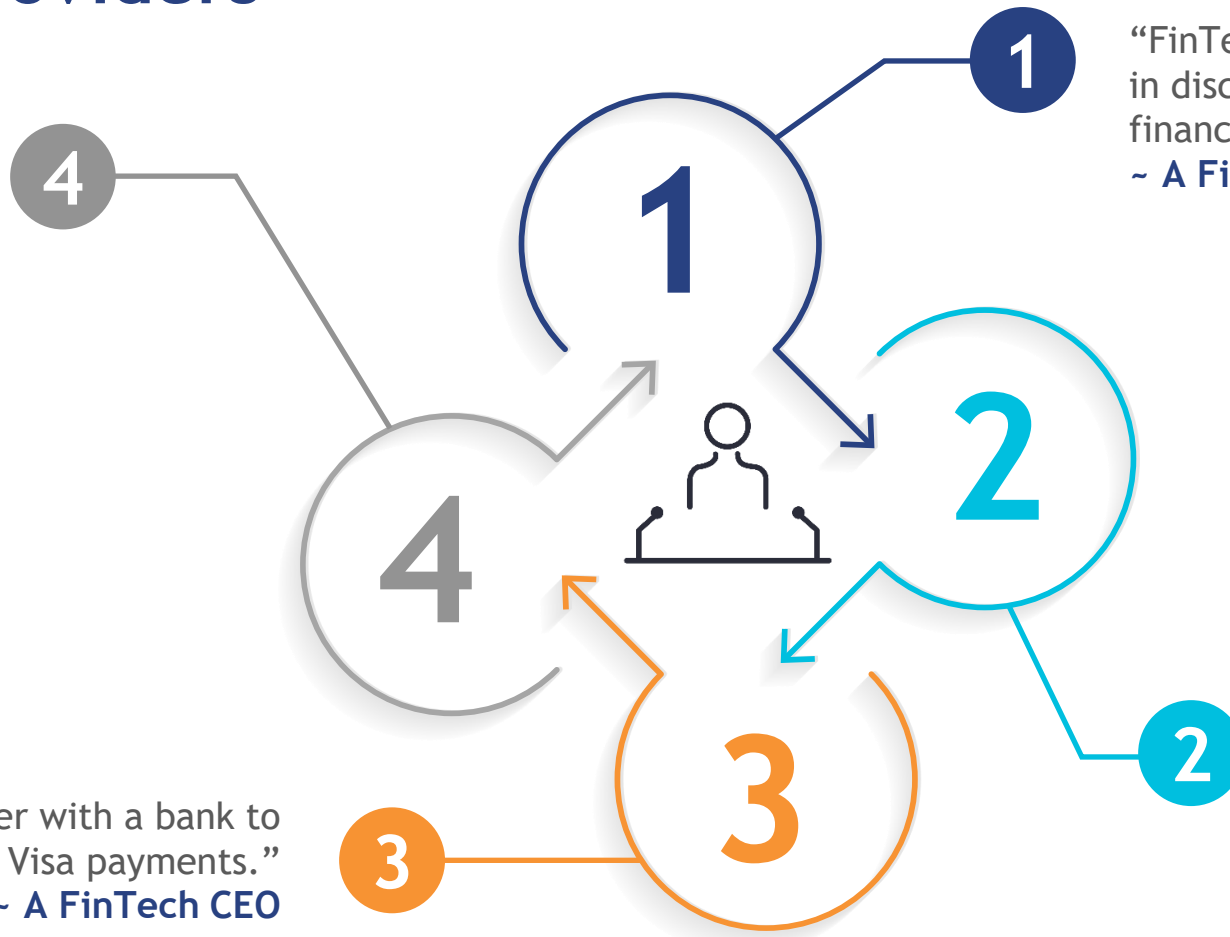
FinTechs' views on partnerships reveal the crucial roles played by the different players in the ecosystem and the importance of developing stronger links between FinTechs, financial institutions, and service providers

“We cannot exist without banks and telco operators.”
~ A FinTech CEO

“FinTechs are not included in discussions related to financial inclusion.”
~ A FinTech CEO

“I need to partner with a bank to accept Visa payments.”
~ A FinTech CEO

“MNOs should be more open to us. There will be no financial inclusion without [a more collaborative] system.”
~ A FinTech CEO



FinTechs in Benin have not yet built the right partnerships to progress beyond currently restrictive regulations on second-generation products but the opportunity exists with MFIs

DFS market player	What are the benefits for FinTechs to build partnerships with this market player ?	What are the challenges faced when building a partnership with this market player ?	Partnership approach
Banks	<ul style="list-style-type: none"> • Issuing e-money • Ability to accept credit card payments • Debit or credit bank accounts from FinTechs' platforms • Bank-to-wallet transactions • Credibility, visibility, and access to the bank's subsidiaries across Africa or the world • Possibility to get equity or loans from banks to deploy solutions 	<ul style="list-style-type: none"> • Banks have long and cumbersome processes. • Increasingly, banks have started to develop their own digital solutions and applications but very few of them work with local FinTechs. • Hard to find new ways of exploring data from the existing product. 	<ul style="list-style-type: none"> • Although several banks have their own digital solutions, very few of them have collaborated with local FinTechs for the deployment of their solutions. • UBA has partnered with several FinTechs, including Fedapay, to process card payments.
MFIs	<ul style="list-style-type: none"> • Innovation with digital credit offerings • Indirect access to LMIs – understanding the patterns in their finances for data analytics 	<ul style="list-style-type: none"> • Few MFIs have the financial means to invest in digital platforms despite their interest in offering digital credit. 	<ul style="list-style-type: none"> • In a mutually-beneficial partnership that is commission-based for FinTechs, MFIs allow LMIs to borrow and reimburse loans through mobile money.
MNOs	<ul style="list-style-type: none"> • The possibility to make or accept payments through mobile money on FinTech platforms • A diversified product offering through technologies, such as USSD 	<ul style="list-style-type: none"> • MNOs charge high fees that renders DFS expensive for the LMI segment. 	<ul style="list-style-type: none"> • MTN and Moov have been more open to working with FinTechs. They have released their APIs to several FinTechs, whether they are aggregators or others who seek to accept mobile money payments.

FinTechs have multiple untapped opportunities to partner with various market players, provided the latter shows interest and invests in infrastructure to enable DFS

DFS market player	What are the benefits for FinTechs to build partnerships with this market player ?	What are the challenges faced when building a partnership with this market player ?	Partnership approach
Institutions	<ul style="list-style-type: none"> • Reduced leakages and embezzlement along with a dashboard for better management and tracking of transactions. • Facilitate the payment of groceries, health, education, and administrative fees by third parties including friends and relatives, in the diaspora. 	<ul style="list-style-type: none"> • Limited access to internet by public service providers. • Difficult to build partnerships with the public sector due to the administrative burden, culture of information secrecy, and lack of a shared vision. • The impending national platform for e-payment might select one or two FinTechs for payments. 	<ul style="list-style-type: none"> • Benin FinTech (BFT) Group partners with municipalities to collect tax. • goMediCAL, a HealthTech, uses the KKiaPay platform (both developed by the start-up Open SI). It allows clinics and doctors to accept mobile money and international bank cards payments on a single platform for consultation, surgery, or health fees.
Utility providers	<ul style="list-style-type: none"> • Big billers, such as utilities, public hospitals, public universities, administrative services, and the port, among others, benefit from the automation of payments or fee collection from a large group of users through seamless, speedy, and recurrent transactions. 	<ul style="list-style-type: none"> • Utility billers like SBEE and Soneb have opposed the digitization of billing and payments. • Billers do not always have accurate and up-to-date electronic databases of clients or service providers. 	<ul style="list-style-type: none"> • KKiaPay is in partnership with Saham, an insurance company.
Economic interfaces	<ul style="list-style-type: none"> • Contribution of the informal economy could better be accounted for through DFS. 	<ul style="list-style-type: none"> • Identification of groups, since they are not always organized in unions. • The fear of taxation. • Awareness of DFS and financial literacy. 	<ul style="list-style-type: none"> • KKiaPay is partnering with MTN to develop products for the 250,000 motor-taxi drivers or zemidjans in Benin.
Government	<ul style="list-style-type: none"> • Digital services is one of five key priorities of the President of Benin. The Ministries of Digital Economy and of Small and Medium Enterprises already recognize the need to promote entrepreneurship. • Draft legislation is being written in partnership with startup representatives to ease the creation of startups and FinTechs would benefit from this as well. 	<ul style="list-style-type: none"> • Lack of political will in case key decision-makers change. • Low visibility at present so may be difficult to gain entry to key decision-making platforms/working groups. 	<ul style="list-style-type: none"> • Organize FinTech players in an association that can work with government and other stakeholders to raise visibility and increase scope for innovation for entire fintech industry.

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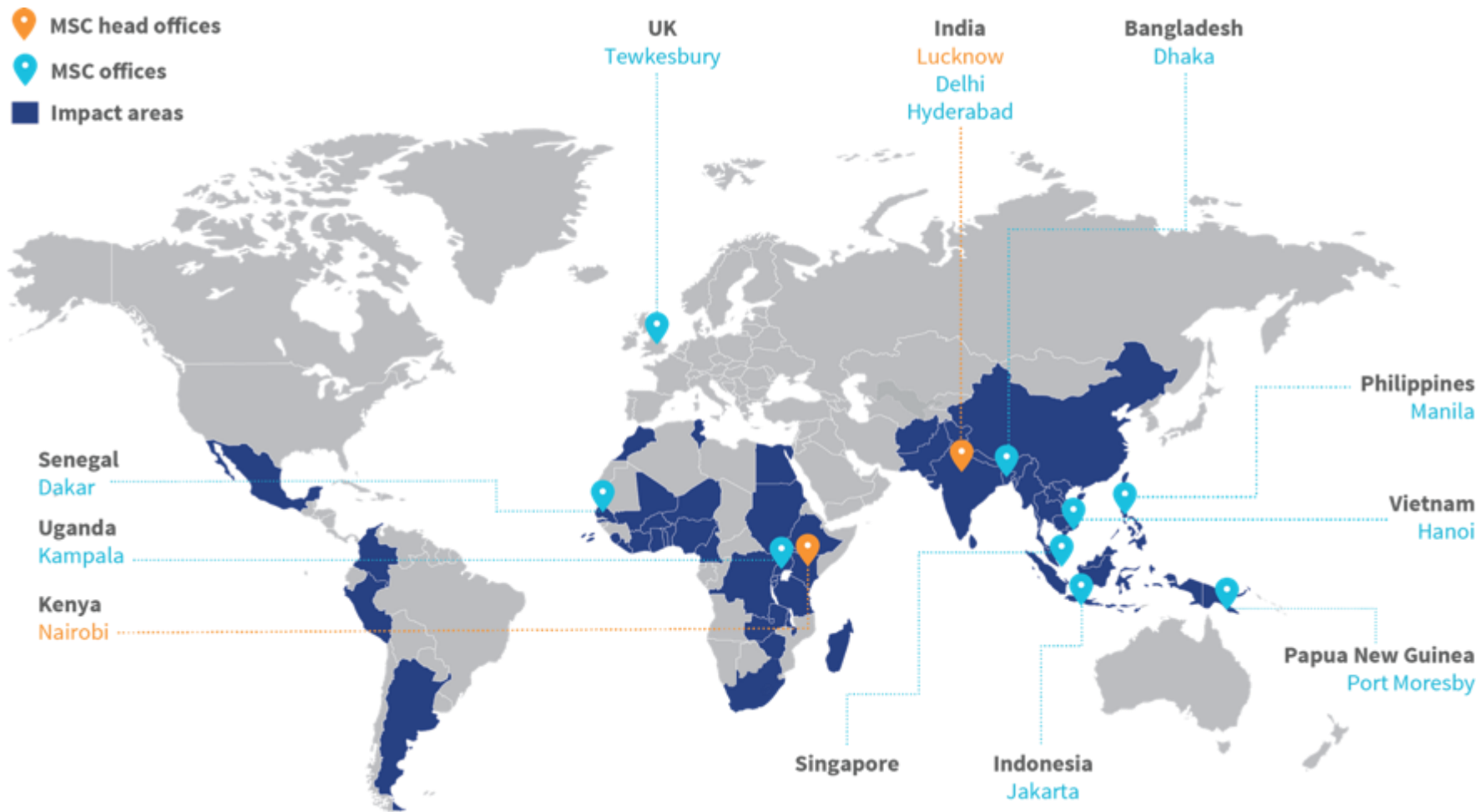
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