

Inclusive FinTechs in Francophone Africa

Senegal country report



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Abbreviations

ARTP	Autorité de Régulation des Télécommunications et des Poste (Regulatory Authority for Telecommunications and Post)
B2B	Business to Business
B2C	Business to Consumer
BCEAO	Banque Centrale des États de l'Afrique de l'Ouest (Central Bank of West Africa)
CTIC	ITC incubator
DER	Délégation à l'Entrepreneuriat Rapide (a government fund for entrepreneurship)
DFS	Digital Financial Services
FS	Financial Services
G2P	Government to person payment
GIM UEMOA	Groupement Interbancaire Monétique de l'Union Economique et Monétaire Ouest-Africaine (Interbank Electronic Banking Group of the Economic and Monetary Union of West Africa)
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
OTC	Over-the-counter
QR	Quick Response
USD	US Dollars
USSD	Unstructured Supplementary Service Data

Executive summary

With a vibrant startup ecosystem and growing access to investors, Dakar is ranked ninth in Africa by the Global Fintech Index City Rankings 2020. The Government of Senegal is supportive and wants to enhance the growth of digital industries and strengthen the entrepreneurial ecosystem, yet FinTechs need access to funding and qualified staff.



The key success factor for FinTechs to stimulate financial inclusion in Senegal is the strong existing financial services sector.



FinTechs can increase financial inclusion through partnerships with incumbent operators, streamlining banks' processes to reduce their costs, and provide them with Open APIs, but this requires effective regulation to do so. FinTechs need to raise their visibility so that key decision makers can understand their potential to increase financial inclusion.



The ecosystem comprises 24 FinTechs and 47 enablers and funding partners, while mobile apps are the primary delivery channel used. Incubators need support to add value to the sector.

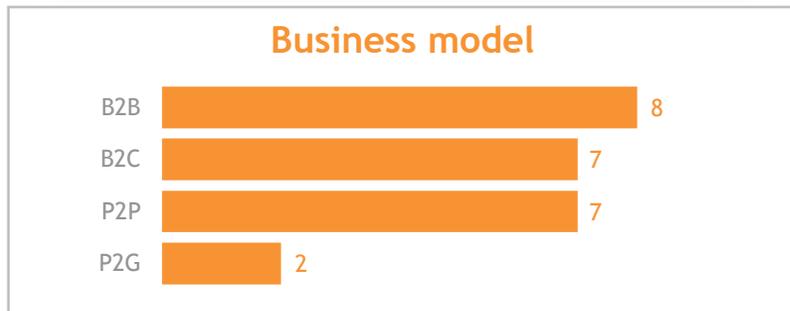
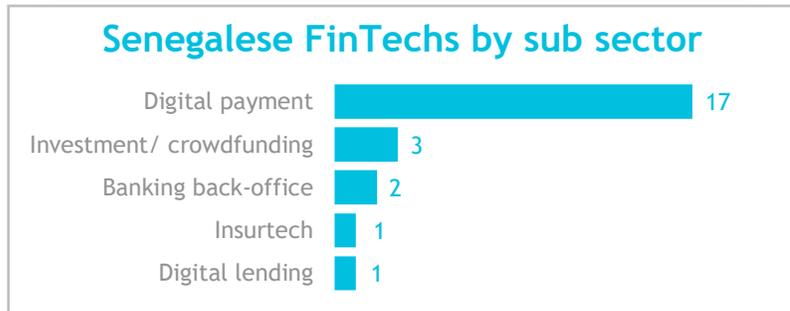
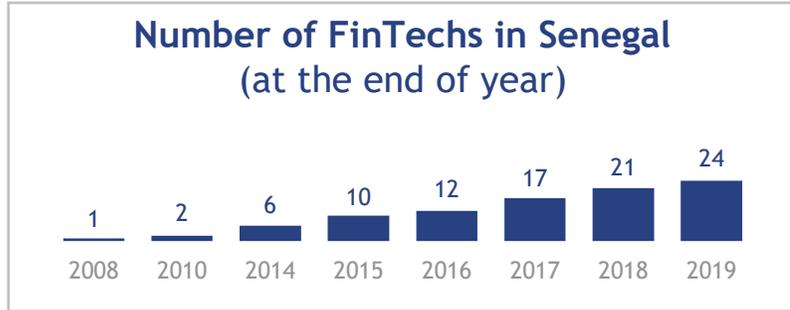


Current trends include banks incubating FinTechs signatory to the Startup Act.

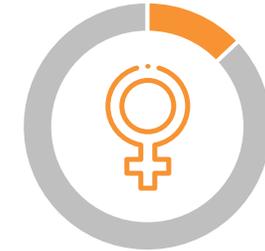


The challenges revolve around the need for investment in local incubators to strengthen the capacity of FinTechs, obtaining funding before the service is ready, and the high cost of qualified talent.

The Senegalese FinTech space continues to grow in parallel with access to mobile and Internet



Since 2014, startup FinTechs in Senegal have grown at a regular pace and the majority are led by young men. 30% of the Senegalese ecosystem is composed of women.¹



13% of startups have **women 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

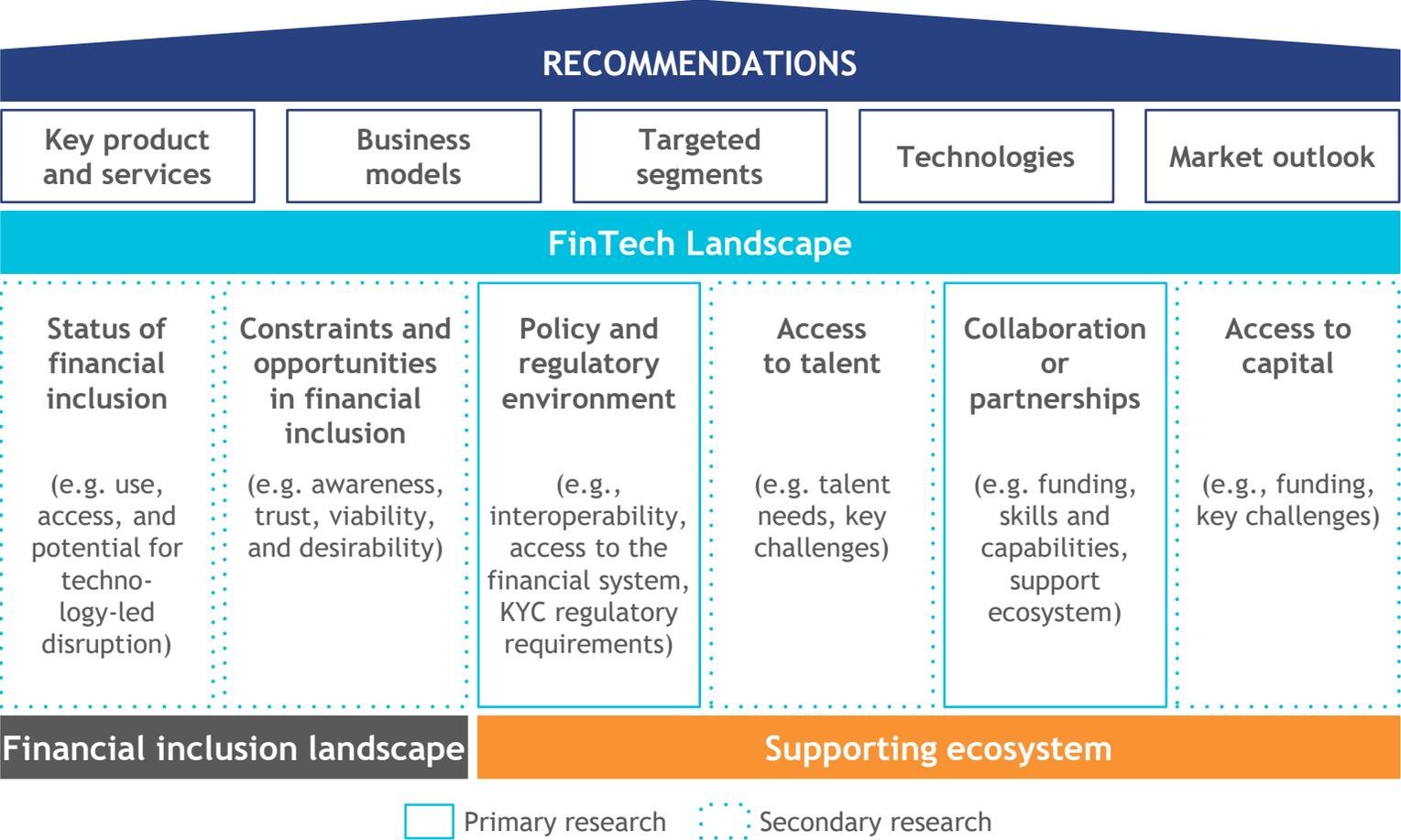


The main business model is B2B, closely followed by P2P and B2C. Most FinTechs are developed by people with a significant professional background, and some FinTechs are supported by innovation challenges and incubators.

Source:¹ <https://www.france24.com/fr/20192106-tech24-jfd-dakar-senegal-nigeria-entrepreneures-startups-sheleadsafrica-caysti-arielle-kiti>

Study objectives, approach, and scope

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 FinTechs landscape in supporting ecosystems in Senegal

KEY SUCCESS FACTOR	KEY STRENGTHS OR OPPORTUNITIES	KEY WEAKNESSES OR CHALLENGES
FinTech landscape	<ul style="list-style-type: none"> • Strong understanding of the local needs and good entrepreneurial skills • Decent Internet 	<ul style="list-style-type: none"> • No definitive definition of FinTech • Difficult to set up a business due to the small market size • The lack of access and high cost to USSD results in high reliance on the Internet
Policy and regulatory environment	<ul style="list-style-type: none"> • Senegal is a signatory to the Startup Act in accordance with the Digital Senegal 2025 strategy • Upcoming interoperability in the WAEMU region • e-ID program with biometric IDs could be linked to financial institutions and insurance • Innovative approaches, such as the Dakar Policy Hackathon to draft a Startup Act in Senegal 	<ul style="list-style-type: none"> • Absence of a competitive regulatory environment, which results in a monopolistic approach that restrains innovation in the private sector • A lack of reporting does not allow regulators to see the impact nor the potential of FinTechs • The lack of regulation on electronic signatures and contracts
Access to talent	<ul style="list-style-type: none"> • Funds available to develop skillsets • Good pool of developers 	<ul style="list-style-type: none"> • Cultural mindset biased against entrepreneurship • Hubs lack funding to provide full potential value • High cost of experienced staff
Collaboration or partnerships	<ul style="list-style-type: none"> • Several partnerships are emerging between FinTechs and banks • The effort and engagement of the private sector through the establishment of incubators and accelerators 	<ul style="list-style-type: none"> • Low interest from MNOs in sharing APIs • Lack of clarity about ownership and sharing of data • Limited bargaining power with the incumbents
Access to finance for FinTech	<ul style="list-style-type: none"> • Availability of local and international financing • Investment of more than USD 2 million by the DER in 40 local start-ups 	<ul style="list-style-type: none"> • Little to no options for early stage financing • Investors that are new to space are still learning

Key insights related to financial inclusion

KEY SUCCESS FACTOR

KEY STRENGTHS OR OPPORTUNITIES

KEY WEAKNESSES OR CHALLENGES

Financial inclusion landscape

- 93% of adult men and 90% of adult women own a phone
- 2.76 million active mobile money users (over 90 days)¹
- 54,638 active agents (over 30 days)¹
- Access to financial institutions growing due to diversification and growth of digital financial services

- Strong preference for cash transactions (33% women, 28% men)²
- Low and irregular incomes, coupled with low levels of literacy, especially among women, implying an overall financial inclusion rate of only 15%
- Preference for saving and borrowing within known networks, including *tontines*
- Only 8% MSMEs have access to finance

Financial capacity

- Increasing usage of digital financial services
- Savings culture

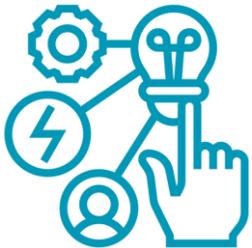
- Young population
- Usage of OTC services or reliance on youth to complete transactions such as bill payments over DFS

Digital awareness

- Strong penetration of mobiles and the growing usage of mobile money
- High levels of awareness of digital financial services

- Mobile access stronger in urban areas
- Data costs the equivalent of 12% of individual monthly incomes
- Language barrier with French on mobile menus

Potential opportunities for disruption



- Integrate FinTechs into the national financial inclusion and literacy strategies by offering voice-based solutions
- Facilitate growth and visibility of FinTech network, showcasing existing innovation to key public and private stakeholders to increase understanding
- Support last-mile delivery of social cash transfers and general digitalization processes of government
- Usage of alternative data for credit for SMEs and the agricultural sector, especially for women
- Digital record-keeping tools for SMEs and farmers
- Mutualized MIS to lower costs for MFIs
- Bundled services that include BDS tools in order to access credit over time

¹ UNCDF (2020) ; ²GSMA (2019)

Summary of key recommendations

KEY SUCCESS FACTOR	RECOMMENDATIONS	PRIORITY
FinTech landscape	<ul style="list-style-type: none"> • Create dialogue with GIM UEMOA, which is the organization for governance, supervision and management of regional electronic banking in the WAEMU zone, and ecosystem actors to expose their challenges, gather solutions and convene a roadmap to progress on issues identified 	<ul style="list-style-type: none"> • High
Policy and regulatory environment	<ul style="list-style-type: none"> • Introduce single sourcing USSD at an affordable price • Strengthen the regulatory resources with FinTech-specific capabilities • Create a regulatory sandbox that prioritizes financial inclusive FinTechs • Create a regulatory framework for FinTechs and clearly define the conditions and authorizations • Ensure the DER works with incubators to enhance their efforts • Create a regulatory fact sheet for FinTechs in simple language • Encourage entrepreneurship in the education curriculum and showcase local role models • Incentivize the creation of women-led startups • Integrate FinTechs into national strategies for financial inclusion and literacy • Strengthen the Bureau de Mise à Niveau of Senegal, which promotes competition among SMEs and opportunities for decent work 	<ul style="list-style-type: none"> • High • High • High • High • High • Medium • Medium • Medium • Medium • Low
Access to talent	<ul style="list-style-type: none"> • Investment funds need to strengthen local incubators through a train-the-trainer approach to guide start-ups through the financing steps • Develop a network of mentors with a mindset to share knowledge without expecting remuneration • Create incentives to increase corporate participation in incubators • Partner with corporates to secure talent for mentoring or open innovation 	<ul style="list-style-type: none"> • High • Medium • Medium • Medium
Collaboration or partnerships	<ul style="list-style-type: none"> • Position Dakar as a regional hub for startups to enable access to international markets • Angel networks should collaborate in the sub-region to increase investments 	<ul style="list-style-type: none"> • High • Medium
Access to finance	<ul style="list-style-type: none"> • Create tax incentives to increase investments in early stage funding by angel investors or foreign investment funds • Conduct training for investors, who are often new to this space • Provide matching funding to bolster FinTech expansion to drive financial inclusion 	<ul style="list-style-type: none"> • High • High • Medium



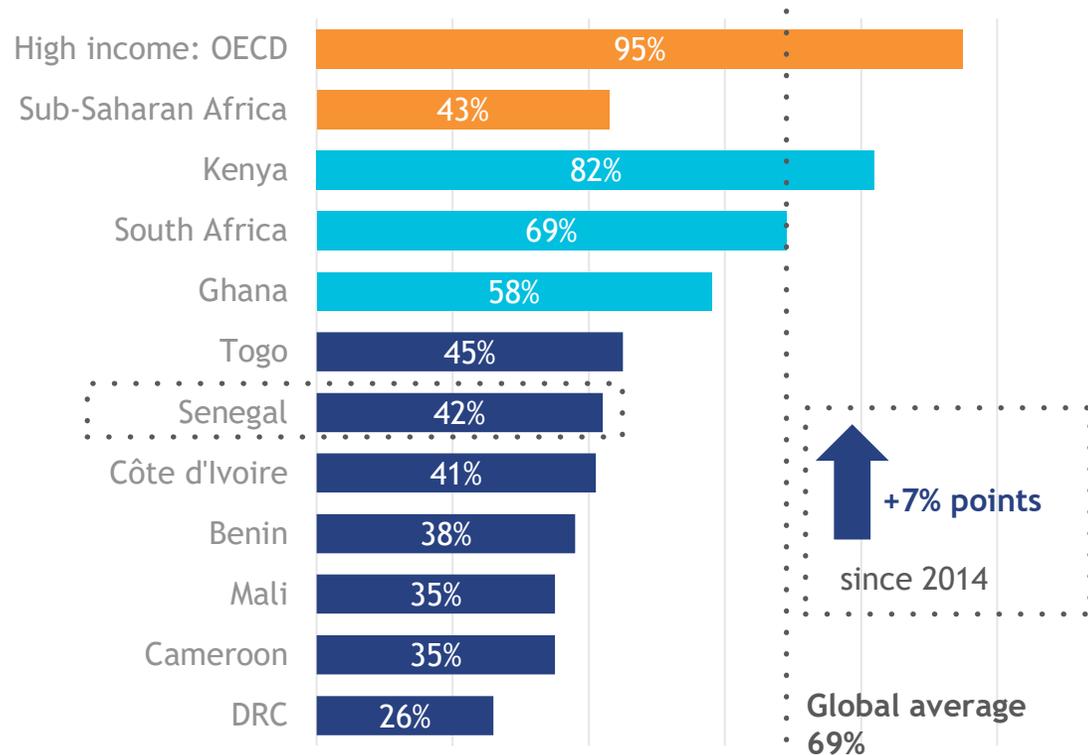
Senegal

The current state of financial inclusion in Senegal

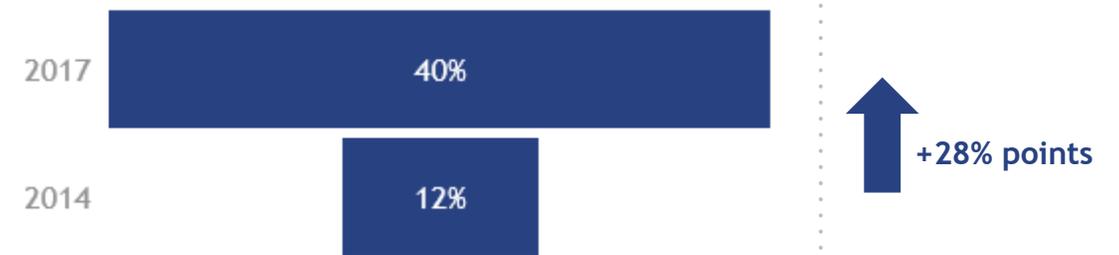


With the rapid adoption of DFS, Senegal will soon emerge a leader in the region

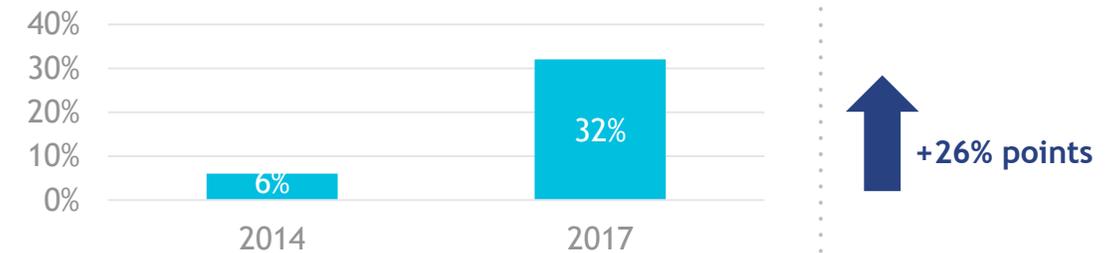
Adults (aged 15+) with an account*, 2017



Payments: 40% of adults (aged 15+) made or received digital payments in 2017



Holders of mobile money account (age 15+)



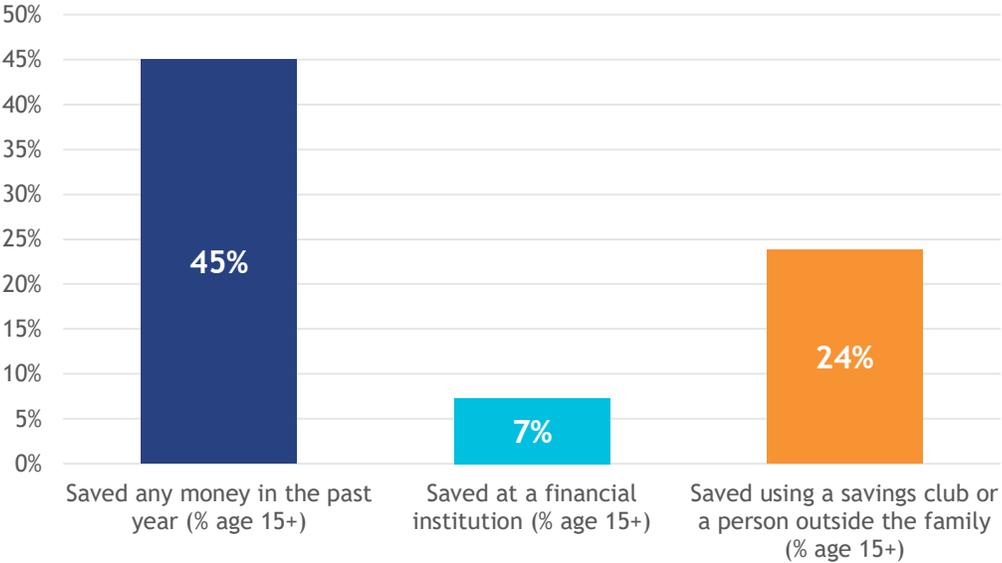
Growth in the use of digital payments keeps pace with mobile money adoption.

Source: World Bank Global Findex data (2017)

* - Includes accounts at a bank or another type of financial institution or use of a mobile money service in the past 12 months

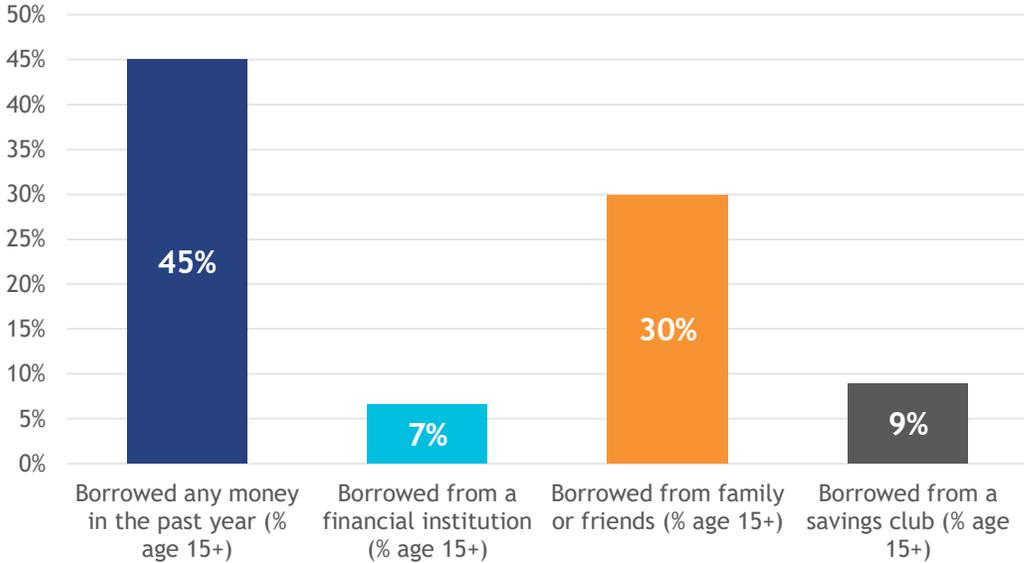
Nearly half of the Senegalese population saved and borrowed in the past year, mostly through informal and semi-formal channels

Savings: 45% of population (aged 15+) saved money in the past year



Populations with incomes at their disposal naturally tend to save money but most of them prefer to save through local social mechanisms or under their pillows*.

Credit: 45% (aged 15+) borrowed in the past year



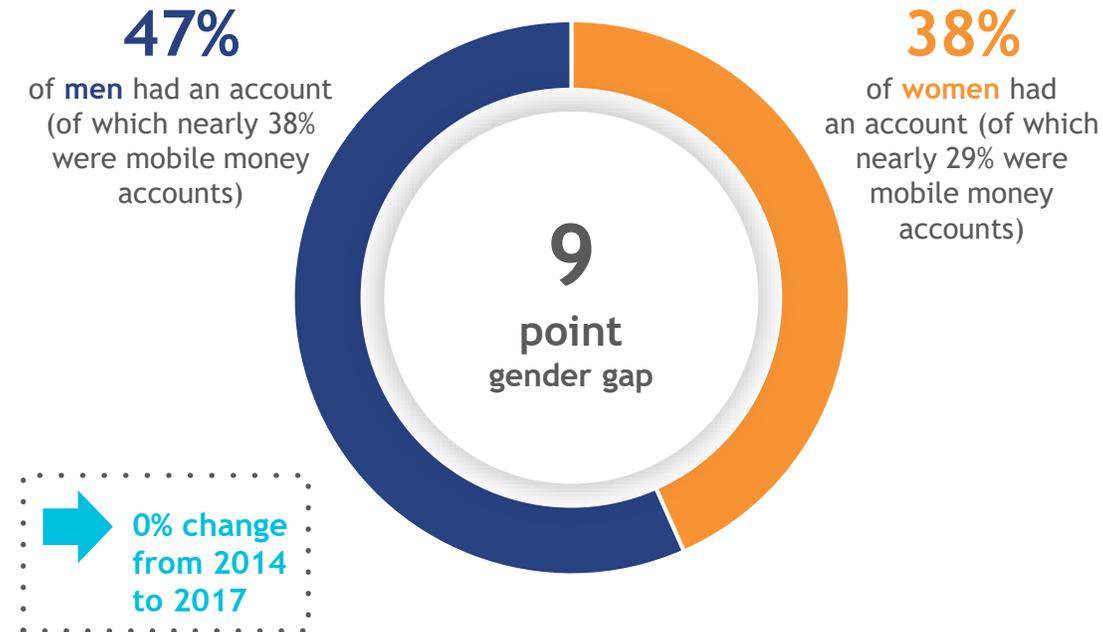
Uncertain revenue streams and difficulties meeting financial commitments deter the population from borrowing much, specifically through formal mechanisms.

Source: World Bank Global Findex data (2017)



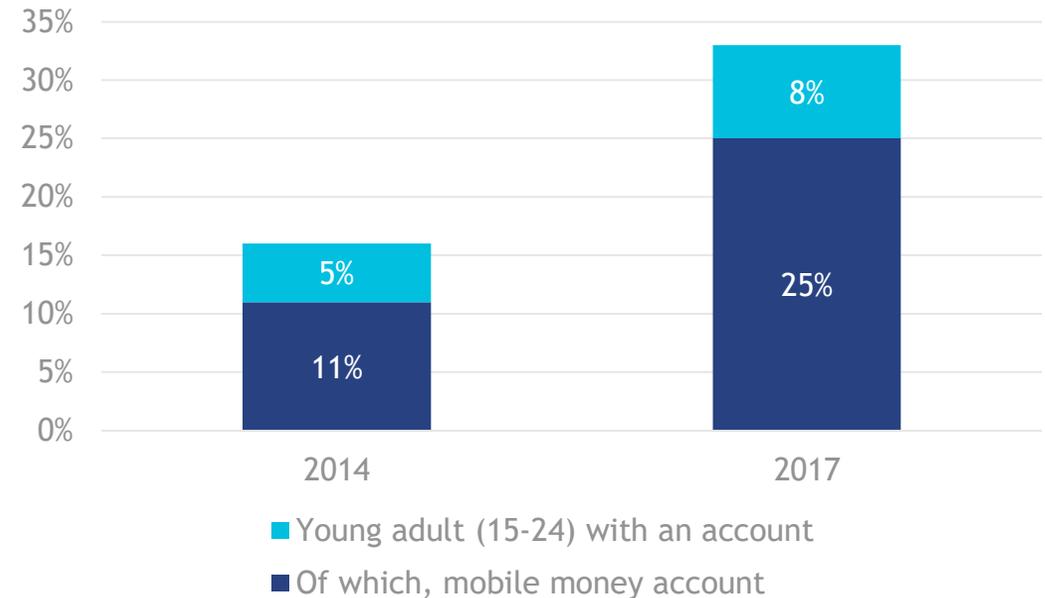
The gender gap in financial inclusion remains wide, however usage of mobile money-based DFS facilitates access for women and youth

The gender gap in financial inclusion, based on accounts and active accounts, 2017



The gender gap in access to services remains important in Senegal but the adoption of mobile money accounts by women tends to equalize gender inclusion.

Change in the percentage of youth (15-24) with an account from 2014 to 2017*



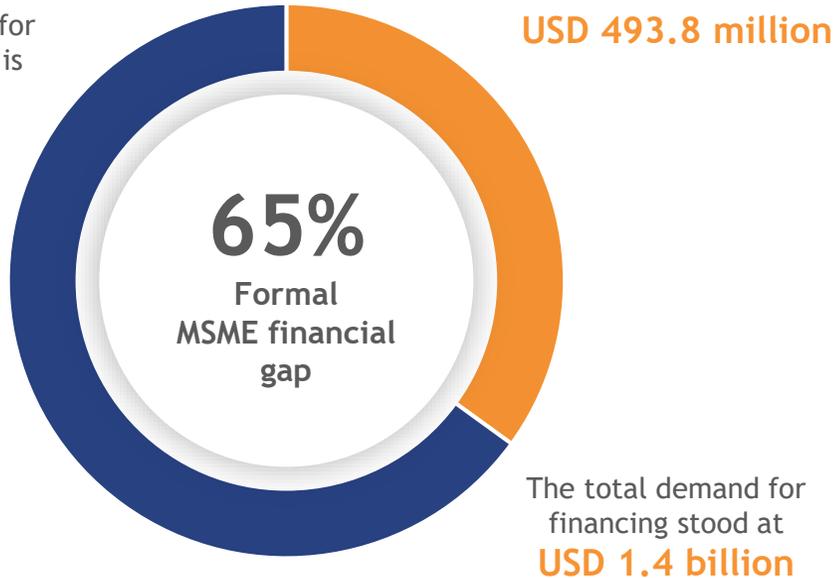
With more than 60% of the population below 25, young adults are the most populous segment and are rapidly adopting digital financial services.

Sources : Global Findex, Enterprise Financial Gap database (2017), Global Financial Development Database
 Note: micro: 1-9 employees, small: 10-49 employees; medium: 50-250 employees

There is an urgent need to improve access to finance for MSMEs, particularly in the agricultural sector, which represents 2/3 of the Senegalese population

Financial inclusion for MSMEs, based on estimated financing needs, 2017

The financing gap for MSMEs in Senegal is estimated at **USD 915.48 million**



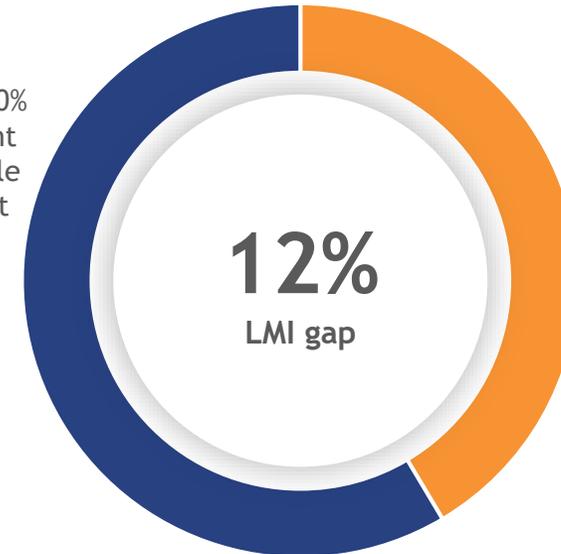
In 2014, **19%** of firms used banks to finance investments

With a share of 20% of GDP in 2018, agriculture remains a core activity for MSMEs that operate in the country.

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

48%

of the richest 60% have an account (of which mobile money accounts are at 35%)



34%

of the poorest 40% have an account (of which mobile money accounts are at 27%)

- 7% point gap decrease since 2014

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

Though there is unequal access between the poorest and the richest, the expansion of mobile money tends to close this social gap.

Sources : Global Findex, Enterprise Financial Gap database (2017), MSME FINANCE GAP (2017), Global Financial Development Database

Note: micro: 1-9 employees, small: 10-49 employees; medium: 50-250 employees



Senegal

Key constraints of financial inclusion and potential opportunities for digital disruption

The LMI segments have not been able to benefit from the financial services offered by FinTechs due to multiple issues that range from poor money management strategies to irregular cash flows

Market understanding and limits

LMI segments face challenges in accessing formal financial services:

- Despite high levels of awareness of digital financial services, adoption is limited due to lack of strong value propositions and usage via the accounts of existing registered users
- Older users rely on youth to pay bills through mobile and youth capitalize on the bonus systems to earn free airtime or internet, women have a lower understanding on how to use digital financial services
- There is a high reliance on friends and family to explain how services work and this influences adoption rates
- Young women are often restricted by their families use financial accounts due to cultural perceptions
- Irregular and unreliable cash flows further limit microenterprises to access financial services that could help improve cash flow management
- Financial products are often not appropriately designed to serve rural areas and agriculture-based economies, which are characterized by weather and commodity risks, and seasonal income fluctuations

Source: CGAP (2017 and 2018), MicroSave Consulting

How can FinTechs help lower costs to serve the market's needs?



MSMEs are increasingly accepting digital payments but lack proper financial planning and accounting, digital tools can help improve their ability to manage their operations and grow.



Market research is needed to develop financial services that resolve farmers pain points, simply digitizing payments is not enough.



Social and family transactions in the form of monthly financial support is extremely common in Senegal, tools are needed to help youth to build budgeting skills.

Informal savings and credit represent sizeable potential for FinTechs to provide customized second generation digital solutions for financial inclusion

Proportion of segments who transfer, borrow, or save money*

Savings

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

These segments all fall at or around the national average of 45%.* 7% are savings for old age. 81% of the respondents saved to cover unexpected costs. However, 64% preferred saving through accounts due to the distinct advantage of security. Just under a third, that is, 31%, have heard of e-wallets as a means of saving.**

Credit

Segment	Percentage
Women 	44%
Rural 	46%
Youth 	42%
MSME 	8%**

The national average for those who borrowed any money in the past year (age 15+) stood at 45%. 60% of those who borrowed have previously relied on family or friends for funds. 26% borrowed from microfinance institutions while only 10% borrowed from banks. Loans are primarily for medical and health purposes.* Access to finance is a major barrier for 41% of MSMEs, with 34% using non-financial banks.***

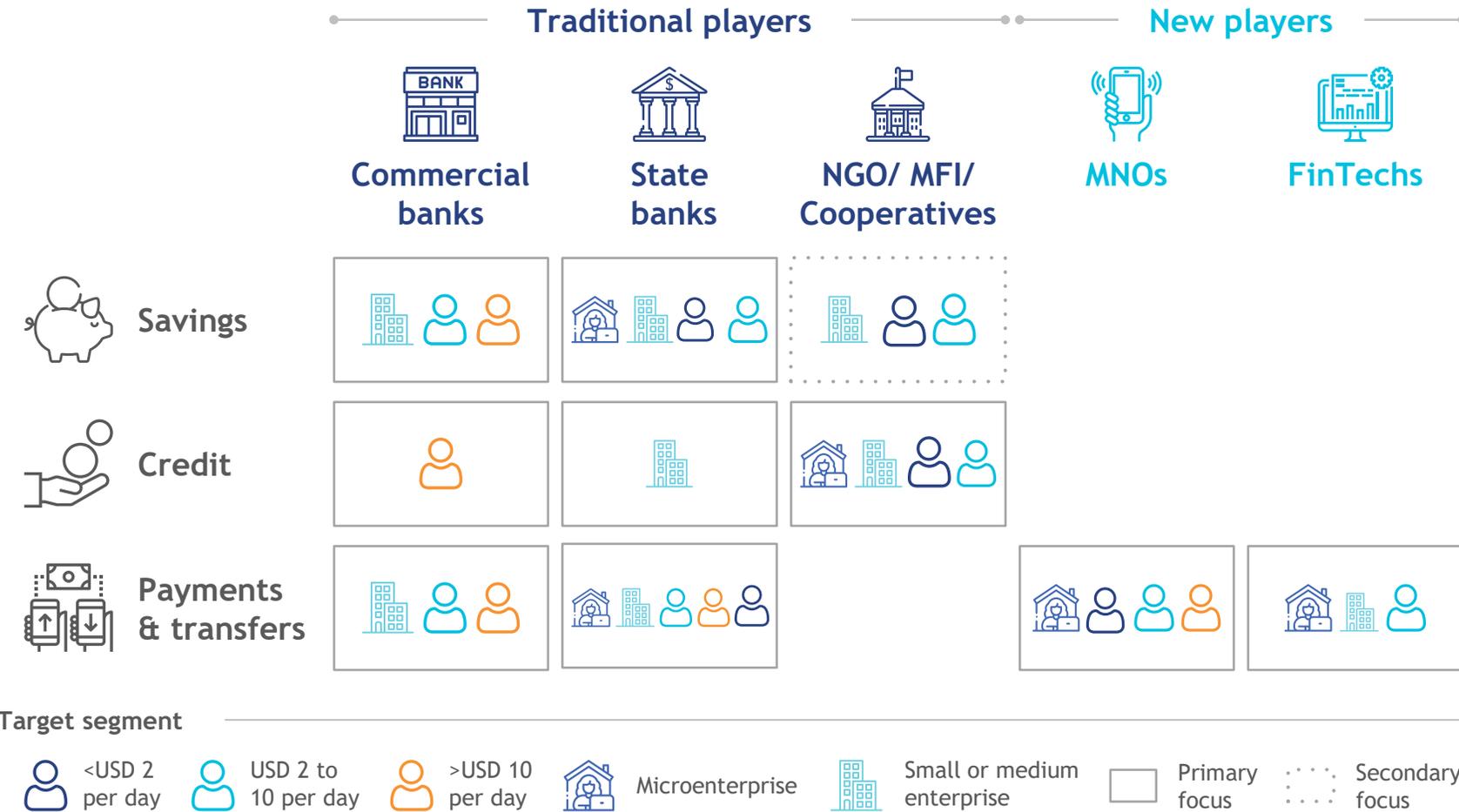
Payments and transfers

Segment	Percentage
Women 	36%
Rural 	35%
Youth 	32%
MSME 	unavailable

On average, one third of the women, rural dwellers, and youth, made or received digital payments in the past year, falling just short of the national average of 40%.* Women are less included in the financial system due to social barriers and lower digital skills. This reflects the gender divide in literacy. Women-run businesses in the farming and trade sectors can provide an interface to reach female users. 13% of men and 8% of women have either paid bills or purchased something online.*

Source: *Global Findex and How do Low-Income People in Senegal Manage their Money? By CGAP; ** World Bank Enterprise Surveys, ***IFC SME Financing Gap, 2018

The DFS ecosystem of supply-side actors



Source: MicroSave's analysis



Orange Money is becoming the dominant provider of P2P transfers and bill payments, with attractive airtime bonuses (forbidden now by the ARTP).

YUP the electronic wallet of Société Générale du Sénégal is gaining traction due to its ability to offer a range of products and services not limited to payments and transfers.

BDK, with its subsidiary Kash Kash, offers an e-wallet and nanocredit.

Baobab is extending its agent network and offers nano digital credit to its customers

Société Générale has created and set up "idea laboratories" that serve as incubators for innovative initiatives developed by African subsidiaries. Its aim is to equip them and foster a culture of innovation and collective intelligence, shared growth and experimentation.



Senegal

The FinTech ecosystem



Spotlight on an entrepreneur



Ibrahima Kane is the founder and CEO of [Kalpay Inc](#), a FinTech that offers payment services via QR Code technology, which aims to provide users and merchants with a fast and cost effective solution. In addition to the Kalpay wallet, he has developed KalPay Business. This allows users of the Kalpay application to access a list of their transactions online, which can be shared with the banks to access loans.

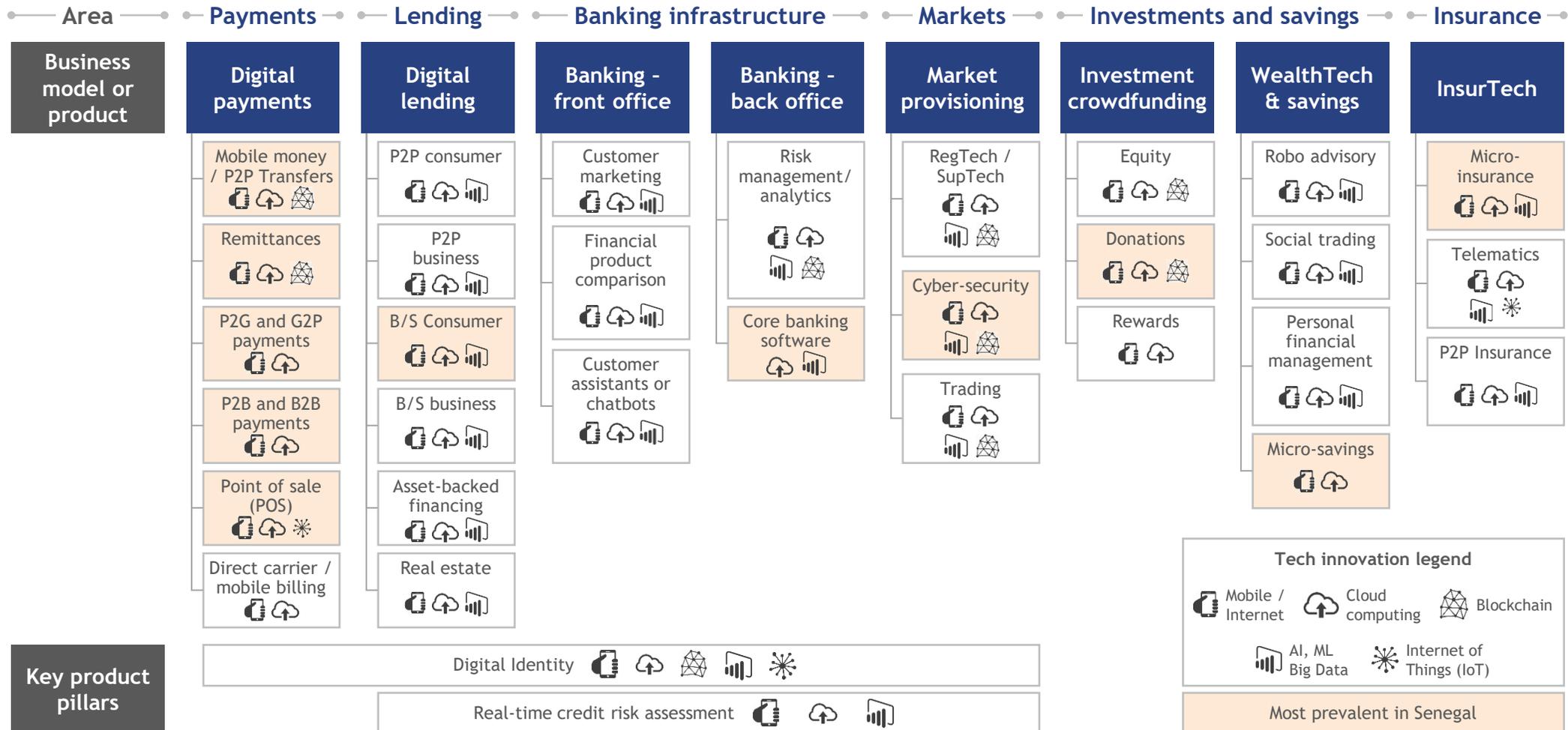
Kalpay was born out of a disappointing experience while trying to make a payment. One day, after eating in a restaurant in Dakar, Ibrahima wanted to pay with his bank card but was told that the restaurant does not accept cards, even for small purchases under USD 20 (less than XOF 10,000).

With the ambition to transform Kalpay into a bank, Kalpay partnered with [Wizall](#) and [InTouch](#) so that clients can deposit and withdraw on their platform.

According to Ibrahima, there is a need for support for startups in terms of help to increase visibility, client awareness and access to funding.



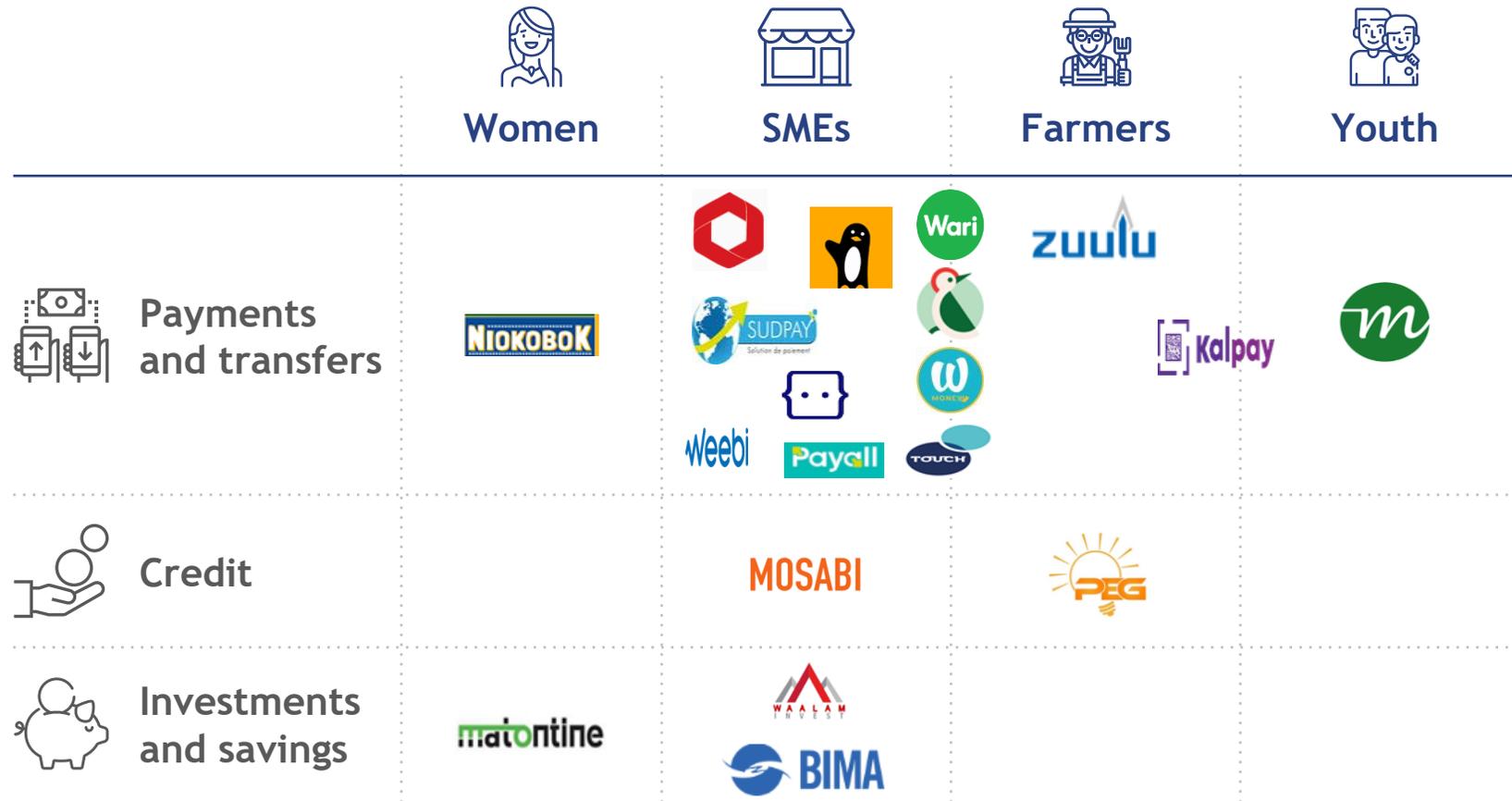
FinTechs initially focused on payment solutions geared towards MSMEs. Now, they mainly develop digital credit solutions in partnership with financial institutions or other FinTechs.



List of FinTechs

- [APG](#)
- [ATPS \(Upay\)](#)
- [AZA \(BITPESA\)](#)
- [BBS Invest-Sentool](#)
- [BIMA](#)
- [Bizao](#)
- [EmpireDigital](#)
- [Intouch](#)
- [KALPAY](#)
- [Kobiri](#)
- [MOSABI](#)
- [PAYALL](#)
- [PayDunya](#)
- [Payexpress](#)
- [RedFlash Mobile](#)
- [SudPay](#)
- [WAALAM](#)
- [Wari](#)
- [Wave Money](#)
- [Weebi](#)
- [Wizall](#)
- [Xipi](#)
- [ZuuluPay](#)

Inclusive FinTechs are diverse and expanding across West Africa



Graph 3: Mapping of inclusive fintechs according to product offering and target segments



- [Zuulu pay](#) offers payment services with an IVR solution for its illiterate clients.
- [Sudpay](#) digitizes tax collection for the informal sector.
- [MaTontine](#) is a digital financial services platform which offers online savings through mobile money, microloans, and insurance products.
- [Mosabi](#) is a FinTech & EdTech startup offering customized training in financial education and management, as well as connecting potential borrowers to financial institutions.
- [myAgro](#) an innovative startup company which assists smallholder farmers in West Africa. The farmers can save small amounts for seed and fertilizer via cellphone even if they don't have a bank account.
- [Waalam](#) is a special participatory financing platform for African start-ups.
- [Weebi](#) offers an intelligent cash register that allows small merchants to better monitor their business activity to safeguard their operations and improve their activity management.
- [Payall](#) is an aggregator application that allows access to all platforms of electronic recharge and money transfer from a single smartphone. Payall also explores the aggregation of FMCG products and develops integration products for banks.

A case study of Wizall: A user-friendly and easy-to-use application that offers digital voucher transfers and payment



Origin and initial capital	Created in 2015, Wizall is set to become a leading start-up in Africa in the field of transfers within or outside the country. The two co-founders each contributed EUR 200,000 toward initial capital at its launch. They also received a solid boost from the oil company Total, which has invested several million euros in the business since 2018.
Technology used	Mobile application and web interfaces that offer several services such as salary payments, scholarship grants, per diem, mass payments, and collection. Wizall also plans to launch a new NFC card for its illiterate customers in the near future. Once NFC is configured, payment will be possible at all merchants equipped with mobile NFC-enabled POS terminals, which would allow unbanked people to have virtual accounts in order to carry out a certain number of transactions.
Disruptive element and business model	No sending costs are associated with the purchase of vouchers*—the customers do not need to pay a commission and can use electronic money for instant transactions. Business Model: operations like withdrawals and transfer of money are completely free for the end consumers. Wizall takes its commissions only on deposits made.
Customers or area of coverage	The customers of Wizall comprise enterprises (MSMEs), NGOs, and administrations. The countries of intervention include Senegal and Ivory Coast, along with plans for Mali and Burkina Faso.
Challenges	<ul style="list-style-type: none">• Lack of visibility and brand awareness among people, large financial institutions, and large corporations• Issues in platform security for volumes greater than USD 1.6 million because of cyber attacks• Long administrative procedures slowing down the implementation of partnerships
Key partnerships	<ul style="list-style-type: none">• Total Afrique (shareholder): to use their distribution points• Groupe BCP (majority shareholder): to arrange financing and banking license• AMIFA (a micro and meso finance institution) and Atlantique Assurance are part of the BCP group: these new partnerships will allow Wizall to make an automated credit-scoring tool to offer nano-credit to its clients, as well as micro-insurance

*food commodities

Created in 2015 in Senegal, Wizall became a subsidiary in 2018 of Banque Centrale Populaire (BCP), a Moroccan group, via Banque Atlantique. It expanded to Côte d'Ivoire in March 2019 and will branch out to Burkina Faso in 2020. The two co-founders each contributed EUR 200,000 toward initial capital at its launch. It recently partnered with the World Bank to permit 127,000 of the poorest families to receive quarterly payments of \$60 to improve their livelihoods.



Context of solution

A dedicated interface offering payment solutions for companies, public administrations, and NGOs. The platform handles salary payments, scholarships, per diems, bulk payments and tax collection. It is offered for free for the end user with no fees for deposits, withdrawals nor transfers. It requires no bank account nor a mobile subscription.

How to leverage a platform approach to deliver services to the lowest income populations?

How it works ?	Opportunity	Business Model	Impact		
<p>Enrollment</p> <ul style="list-style-type: none"> Download mobile app or on the Internet Take a photo of national ID <p>Collection</p> <ul style="list-style-type: none"> Dedicated agents Partner money transfer companies 	<p>Financial Services</p> <ul style="list-style-type: none"> G2P payments <p>Target Clients</p> <table border="1"> <tr> <td> <ul style="list-style-type: none"> Corporates Expatriates NGOs </td> <td> <ul style="list-style-type: none"> Public administration </td> </tr> </table>	<ul style="list-style-type: none"> Corporates Expatriates NGOs 	<ul style="list-style-type: none"> Public administration 	<p>Enrollment</p> <ul style="list-style-type: none"> Commission from deposit of business client <p>Key Partnerships</p> <ul style="list-style-type: none"> Total Afrique (shareholder) Groupe BCP (majority shareholder) AMIFA (micro and meso finance institution) and Atlantique Assurance, part of BCP group 	<ul style="list-style-type: none"> 100,000 transfers each month 60,000 clients 4.9 million USD in monthly transactions Delivering social payments Recent entry into agriculture working with cooperatives to digitalize farmer payments
<ul style="list-style-type: none"> Corporates Expatriates NGOs 	<ul style="list-style-type: none"> Public administration 				

*food commodities

FinTech created in 2014 to provide payments solutions, SUDPAY started with an initial equity capital of more than XOF 100 million (USD 165 000). It offers multi-service platforms and means of payment adapted and secure for its customers, such as digital ticketing solutions, mobility solutions and tax collection. SUDPAY is the only DFS provider to offer digital solutions for local tax collections that help boost financial inclusion.



Context of solution

The municipality's budget is used to finance 30% of education, 30% of health and 40% of infrastructure and operations. The problem identified was the non-payment of taxpayers, which can be explained by two factors:

- The diversion of municipal taxes, and
- No public services provided by the municipality in return

Problem Statement: How to optimize municipal tax collection and thus contribute to the socio-economic development of the municipalities?

How it works ?	Opportunity	Business Model	Impact
<p>Enrollment</p> <ul style="list-style-type: none"> • Identification • Account creation • Card discount <p>Collection</p> <ul style="list-style-type: none"> • Cash • Mobile money 	<p>Financial Services</p> <ul style="list-style-type: none"> • Saving • Loans • Insurance <p>Target Clients</p> <ul style="list-style-type: none"> • Local community • MSMEs and mass market • Merchants 	<p>Enrollment</p> <ul style="list-style-type: none"> • Taxes Fees - 2% • Loan Services Fees - 3% • Insurance Services Fees - 3% • Savings Services Fees - 3% • Connecting service merchant taxpayers with the suppliers - 2% 	<ul style="list-style-type: none"> • Connect population to financial institutions • Increase the use of digital payment via mobile money • 10 contracted municipalities • 18,000 enrolled taxpayers • USD \$ 2.9 million collected revenues

Spotlight on an entrepreneur

Gaissiri Dia Diop is a young Franco-Senegalese woman who, after several years of studies in finance and solid experience in the field of communication, management and finance in France and the United Kingdom, decided to embark on a career in entrepreneurship in order to contribute to the development of Africa: to offer the world a new image of Africa, a young, innovative and emerging Africa.

She founded the FinTech [Waalam Invest](#), Africa's first-ever royalty crowdfunding platform for entrepreneurs and investors. It is about investing from small entry tickets, accessible to all, on innovative projects that contribute to the local and national economic development of countries.

The idea started from the observation that African entrepreneurs have difficulties in accessing finance and the need to support MSMEs in business management and the lack of a more attractive investment framework.

According to Mrs. Diop, royalty crowdfunding remains a very innovative mode of financing and very little known among the populations. The lack of knowledge or expertise in the local business sector, the unwillingness of stakeholders to invest in projects through a new mode of financing, the lack of a regulatory legal framework favorable to development adapted to socio-economic contexts and realities and the difficulty to establish partnerships with certain authorities or funds are major issues for startups.





Senegal

The supporting ecosystem



Government support is needed to grow the capacity of FinTechs who can play a key role in financial inclusion through DFS

Internal barriers

Impact on viability



Skills

- FinTechs are struggling to find local talent and retain experienced professionals who have been offered opportunities by larger FinTechs, financial institutions or MNOs that offer better salaries, working conditions and career prospects.
“The developers are in India because we need responsiveness and the ability to quickly test our tools.”
- Associations and support with local incubators are limited due to the inadequacy of their program and a lack of specialized mentors in the FinTech business.
“The role of an incubator is important for the ecosystem. However, incubators have become mere co-working spaces [not learning spaces] since those present do not add value to the startups” - CEO of a FinTech



Capital

- Funding is mostly available through challenges and grants from DER and the donors.
“We have little interest in FinTech startups because they do not have much substance, there is too much copy and paste” - An investor



Talent management

- A lack of business and team management skills, and a lack of knowledge regarding how to develop feasible business plans are obstacles for FinTechs in terms of their chances of attracting investment. Financial institutions have difficulty seeing a return on their investment.
“We often find it difficult to accompany some startups to the next stage of ideation. These are young people leaving school who are very good technically but who do not have any experience on the reality of business management, that’s why management support is essential.” - Manager at an incubator



Collaboration

- Partnerships with incumbents are difficult to secure due to a lack of interest and long processes. FinTechs need to understand the regulations in order to conform and not put partners at risk.
- Due to low commissions from MNOs, partnerships with them do not provide a financial advantage for FinTechs.
“To create new services, we must chat with the MNOs for three months to explain and a year to validate the solution” - CEO of a FinTech
“FinTechs must ensure that compliance is not compromised. We try to make them understand the need to share KYC information with their sub-agents” - CEO of an MNO

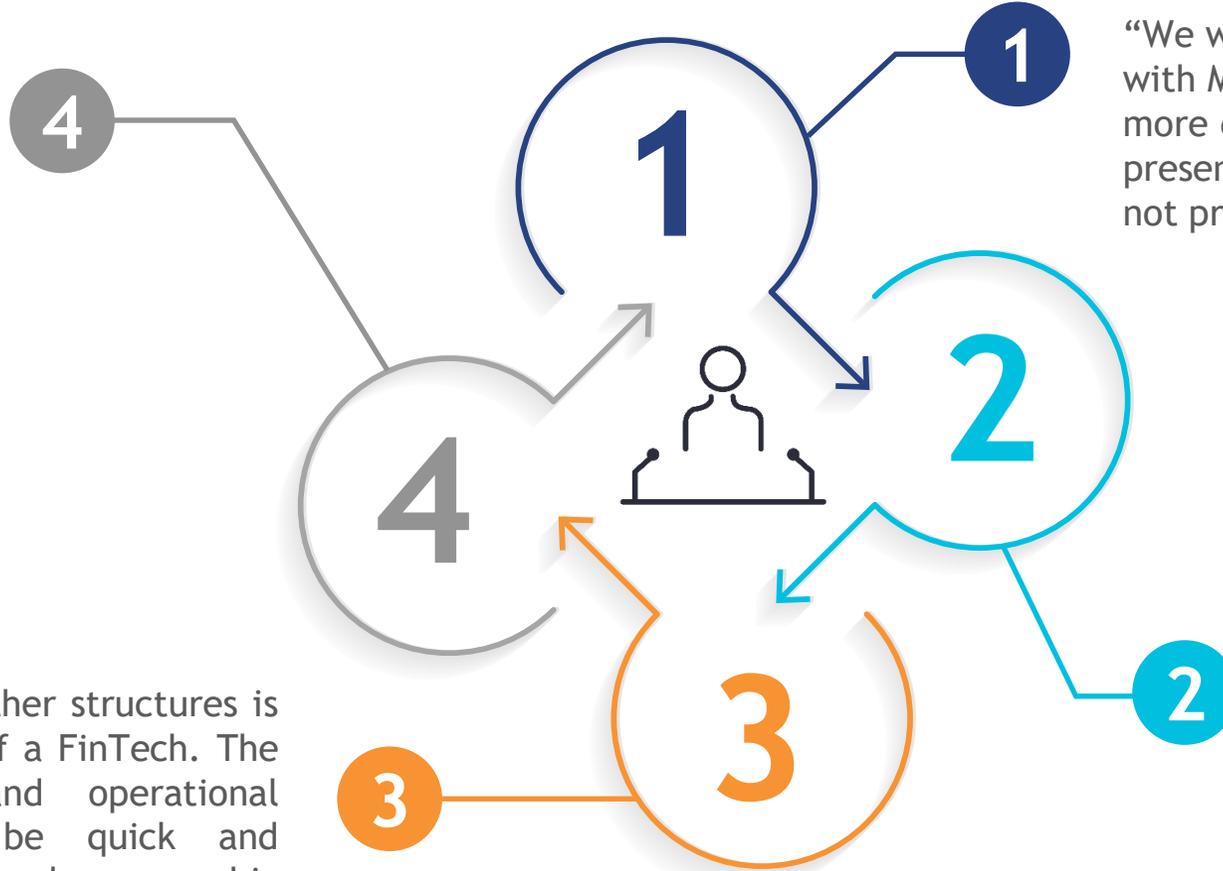


Partnerships

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

“FinTechs are more reactive. Large groups like us can mobilize more resources but are less agile.” - **An MNO**

“Partnerships with other structures is key for the growth of a FinTech. The product roll-out and operational deployment must be quick and directed on a broad geographic area.” **CEO of a FinTech**

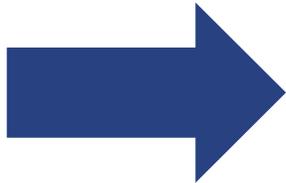


“We want to establish partnerships with MFIs, because they have a more decentralized network and are present in areas where banks are not present.” **CEO of a FinTech**

“Since the first day, we wanted to scale in other countries, so our model is to partner locally. We are heavily dependent on B2B partnerships.” **CEO of a FinTech**

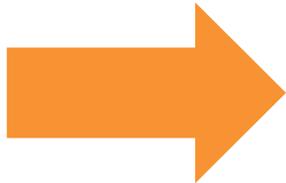
Regulation is perceived as an important factor for the capability of FinTechs to introduce innovative products and services

Barriers perceived by FinTechs



- A legal void that leaves uncertainty hanging over the sustainability of FinTech businesses created because of regulatory risk
- Despite the liberalization of access to USSD codes by the *Autorité de Régulation des Télécommunications et des Postes (ARTP)*, it is still difficult for FinTechs to access them, which is a major obstacle as Internet coverage in rural areas remains low
- The cost of a license to issue or distribute electronic money limits the ability of FinTechs to play in this domain
- MFIs lack the right to issue e-money, which limits their ability to partner with FinTechs to reach LMI populations
- FinTechs are reluctant to offer new products or services due to a lack of regulation, a security threat of the platforms for large volumes of transactions and an unfavorable environment, which includes a lack of experienced fintech-oriented mentors

Opportunities perceived by FinTechs



- No regulatory constraints directly affect FinTechs because the financial institution partner bears the responsibility. However, compliance with KYC rules by the FinTechs is an obligation
- WAEMU interoperability initiative will allow FinTechs to be included in the ecosystem
- The Central Bank has openly engaged in discussions with FinTechs to better understand their way of working
- Senegal Startup Act provides a framework to assist FinTech startups with their growth

“Regulators need to catch up since they have inhibited a lot of innovations.”
- FinTech CEO

Does the regulation enable DFS innovation in Senegal?

“The tax system is cumbersome and not advantageous for us because our business model is not yet stable” - FinTech CEO

The lack of a regulatory framework for FinTechs and rising taxes on mobile money threaten the development of inclusive FinTech products



Progress to date

Digital financial inclusion

- **Financial inclusion:** Despite the Plan for an Emerging Senegal by 2035, a national plan for financial inclusion is yet to be defined.
- **Digital identification:** The identification of SIM card holders is mandatory. A technical solution has been put in place to compare data from the customer base of mobile operators with data from the Directorate of File Automation (DAF). Biometric ID cards are available for citizens used as national identification valid in ECOWAS and for voting.
- **Consumer protection:** The presence of a data confidentiality law ensures that ICT does not violate individual and civil liberties.
- **Cybersecurity:** A cybersecurity national center is in charge of the cybercrime law application as well as the execution of the national cybersecurity strategy plan.
- **Competition:** Since 2018, ARTP has been issuing agreements for Mobile Virtual Network Operator (MVNO). In 2019, it introduced regulated pricing for the use of USSD codes.
- The Central Bank of West African States (BCEAO) is in charge of issuing electronic money licenses for non-financial institutions.



Limits for digital financial inclusion

- FinTechs struggle to contribute to efforts toward financial inclusion. This is due to the absence of appropriate regulation of FinTech activities, as well as a clear strategy for financial inclusion.
- Despite regulatory progress to promote the financial inclusion of the area's populations, 27% of the adult population lacks any identification.*
- As FinTechs are not supervised by the Central Bank, there is a gray area with regard to consumer protection. As a result, transparency, customer complaint management, data privacy, and service quality in terms of availability and reliability are managed on discretionary principles.
- The country ranks 102 out of 175 on the Global Cybersecurity Index. This indicates a scope for improvement, especially with regard to the capacity building of stakeholders.
- The competitive dynamics favor MNOs above other types of FinTechs. For instance, MNOs are favored when it comes to access and use of reliable USSD and API channels.

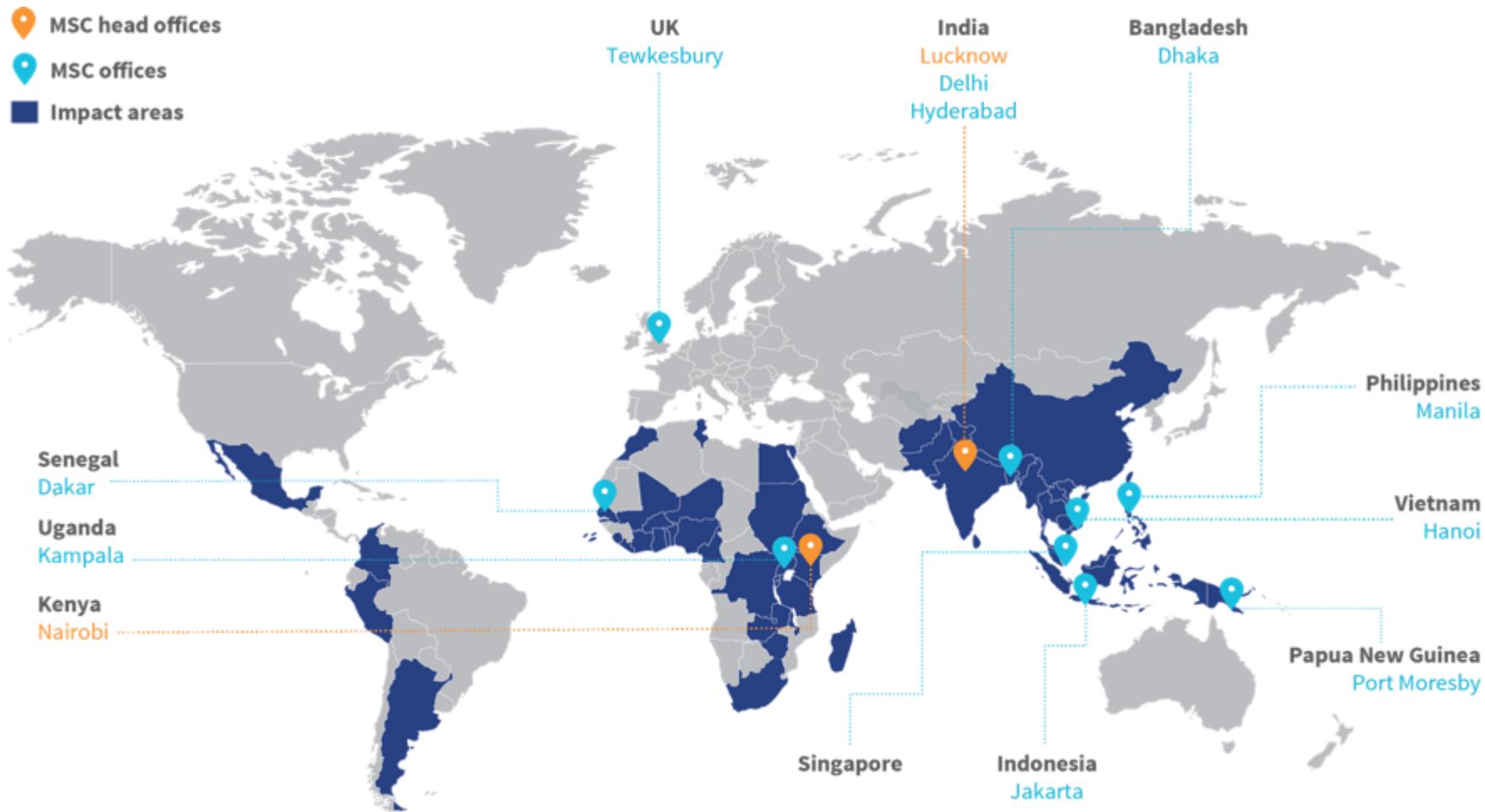
Source: IUT (2018), World Bank (2017)

FinTechs in Senegal rely on incumbents to access markets and overcome regulatory limits for second-generation products

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"> Partnering with well-known banks enables FinTechs to gain visibility, legitimacy, reputation, and greater business network Banks issue e-money and offer push and pull solutions, such as transfers from a bank account to a wallet Banks provide technical support and loans to their partners 	<ul style="list-style-type: none"> Banks are large players with slow, centralized decision-making processes, which makes it difficult for FinTechs to link with them locally. Increasingly, banks are developing their own digital solutions on a call-for-tender basis and a few also work with local FinTechs. 	<ul style="list-style-type: none"> Banks are ready to test the solutions of local FinTechs but do not support them in the development and deployment stages. FinTechs that plan to offer a full range of products and services, such as Wizall and ZuuluPay, need to partner with banks to develop credit and savings solutions. Weebi has a partnership with YUP that allows its clients to receive payments on the YUP wallet
MFIs	<ul style="list-style-type: none"> Microfinance institutions have better outreach, especially in terms of LMI clients, and are less risk-averse than banks, which makes partnerships attractive for FinTechs 	<ul style="list-style-type: none"> The major MFI players are headquartered outside the country and focus on global solutions, which limits the room for locally-set collaboration programs 	<ul style="list-style-type: none"> Wizall plans to rely on the subsidiaries of BCP Group (Wizall is owned by BCP) to launch new financial products. AMIFA, a micro and meso finance institution, will enable Wizall to develop and automate credit scoring to offer nano-credit to its clients, whereas Wizall could rely on Atlantique Assurance to develop insurance products
MNOs	<ul style="list-style-type: none"> MNOs have financial and technological resources that make the partnership attractive With large market penetration, MNOs may help FinTechs recruit new clients 	<ul style="list-style-type: none"> Interoperability must be negotiated on a bilateral basis and MNOs are not always willing to cooperate MNOs do not want to be involved in retention efforts 	<ul style="list-style-type: none"> MNOs in Senegal (Orange, Expresso, and Free) were usually responsive to FinTechs when it came to releasing their APIs, but are reluctant to lower transaction fees Early on, FinTechs need to establish partnerships with MNOs to aggregate mobile money solutions

In Senegal, FinTechs rely on partnerships with incumbents to access markets and overcome regulatory limitations to offer products or services

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"> National and local governments need to increase mobilization of domestic revenues by securing and formalizing tax collection They need to develop solutions for individuals and their families to pay, save, or borrow for education fees and hospital expenses 	<ul style="list-style-type: none"> Convincing government bodies to entrust private operators with the task of collecting public money. 	<ul style="list-style-type: none"> SudPay has established partnerships with municipalities for tax collection and with the Association des Financements de Transports Urbains (AFTU) for the automation of payments in urban transport.
Utility providers	<ul style="list-style-type: none"> Utility public and private providers of goods and services operate large volumes of transactions. These services include energy, water, public transport, real estate, petrol stations, e-commerce and pharmacies. Capturing regular and sizeable cash-based flows into the digital system 	<ul style="list-style-type: none"> While the major utility providers have already integrated FinTech solutions with aggregators, obtaining partnerships with small and scattered providers requires proactive canvassing. 	<ul style="list-style-type: none"> Wizall has signed a partnership with Total to benefit from its oil station networks across the nation. Simultaneously, Total gains visibility on transactions and the development of a fidelity program for its clients. SudPay is building a partnership with a public transport company to implement a solution to pay transport fees Niokobok and Wizall offer domestic energy and water payment services. ZuuluPay is will soon collaborate with a company that sells solar home systems in rural areas as its only payment solution provider.
Economic interfaces	<ul style="list-style-type: none"> Access to the beneficiaries of economic organizations working in the informal economy, including cooperatives, labor unions, and migrant organizations Access to an aggregate of informal and low-income workers 	<ul style="list-style-type: none"> Although they are the main aggregators of users, most economic interfaces are not large enough to develop single cost-effective solutions, which requires simultaneous partnerships with multiple actors. 	<ul style="list-style-type: none"> myAgro has established links with farmers and agricultural input producers to promote access to high quality products.



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