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In Data We Trust: Be Mobile Africa and Furthering Financial Inclusion Across the African Continent

As his flight touched down on the tarmac at Lomé-Tokoin International Airport in November 2021, Cédric Jeannot was home. For the last thirty minutes of his plane's descent, he gazed out the small, porthole window and laid eyes on the African continent where he had spent so much of his childhood for the first time in 18 months. It was on this continent where he had founded his first FinTech company, Be Mobile Africa, only months before, and it was also the place where he hoped its exponential growth would continue to fulfill his personal mission to promote financial inclusion.

To Jeannot, leveraging technology to promote financial inclusion was personal. He held a deep-seated desire to use capital to be as productive and beneficial as he could be. "When you have money, you have some responsibility," he advocated. After years of working in information and security, including 10 years protecting financial institutions directly, his responsibility as a serial entrepreneur was clear: start a 'for-profit with purpose.'

With his depth of experience in both the financial and technology spheres, he created a variety of technology-based solutions to expand traditional firms' reach into underserved communities and offered it free-of-charge to local banks in Africa. "We presented a tech platform that would enable the banks to service low-income customers cost-effectively." The platform, he explained, leveraged many different components to lower transaction costs: artificial intelligence, compliance, credit scoring, blockchain payments, and more. However, after offering the platform to five different banks across multiple countries without any progress, he decided to transfer the software company's banking technology instead to Be Mobile Africa, a subsidiary of Be Financial, to become an operator himself. "We became bankers to move the market because we ended up with a great piece of technology that no banks wanted to use," he reflected. With no venture capital or any other outside help lined up, he decided that "if you build it, they will come," and launched the platform himself in May 2020.

Be Mobile Africa had encountered quick profitability and increasing business volumes with this approach. By May 2021, the company had successfully penetrated thirty-five markets with even more potential customers pending on waiting lists to be enrolled. "Sometimes you have to show people, because they think 'Oh, it's impossible. It's never going to work,' and it turns out we not only do better than them financially, but we do so being true to our purpose. And so, for us, we have proven our

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point," Jeannot reflected. Despite this initial success, he considered where to take his company next to best fulfill his mission for financial inclusion.

Over the next few days, his schedule was full of meetings with his company's local leadership and staff to discuss expansion opportunities. Of greatest concern, Jeannot hoped to collect their thoughts on where the company should go next. In particular, he considered, should the company pursue horizontal expansion into new markets, such as Togo, broaden Be Mobile Africa's service offerings, or deepen their engagement with existing and latent customers in the markets where they were already established?

Tackling the Challenges of Financial Inclusion in Africa

In 2019, Jeannot and two partners founded Be Financial Group, an investment holding firm focused on emerging markets. The group included three other primary investments beyond Be Mobile Africa: Be Technology, a business-to-business firm that offered digital 'banking-in-a-box; Be One, a digital bank that offered fiat currencies and cryptocurrencies within a single account; and New Economy Funds, an alternative asset manager dedicated to cryptocurrencies.[1]

In May 2020, they launched Be Mobile Africa (BMA) as a "for-profit with purpose" organization with three primary goals.[2] Their first goal was to lift 100 million people out of poverty. Secondly, they planned to offer such a high-quality banking experience that despite being built for unbanked and underbanked populations in Africa, financiers from London would be interested in using it. Finally, they wanted BMA to become the largest bank in Africa and ultimately cover every country on the African continent.

While he was young, Jeannot lived in many countries across the African continent. He spent significant periods in countries such as Djibouti, Gabon, Togo, South Africa, and Mauritius. For him, returning to the continent was more than creating a new business entity for the group. His Pan-African perspective and deep knowledge of local markets lent well with his approach to serving the unbanked: "Don't do it for the money - do it because it matters." BMA's mission, right from the beginning, was financial inclusion and the provision of affordable financial services to anyone while still making a profit.

They started with the development of a real-time, multi-currency payment system for individuals and businesses. It became a three-step operation. Customers received a checking account at no cost that did not have any minimum balance requirements. Users further gained the capability to move money for free among markets where BMA was present. They also had an option to create a savings account that offered 5% per annum with a minimum of $100 or the equivalent value in the local currency that could not be withdrawn before 90 days.

The payment system became an immediate success. The checking account expanded to 35 markets and offered to move money among 22 currencies in real-time. Outside Africa, users could interact with those in the U.S., Canada, and Europe, including the U.K. While associated fees applied for moving money outside of those countries, international bank transfers were available to over 160 countries via wire transfer. See **Exhibits 1a and 1b** for a map of Be Mobile Africa's service markets and a political

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[1] Be Financial Group, "Be Financial Group," https://befinancialgroup.com/, accessed October 2021.

[2] Nishika Bajaj, "Be Mobile makes moving money in Africa simple, fast & cost effective," Platform Africa, November 3, 2020, https://www.platformafrica.com/2020/11/03/be-mobile-makes-moving-money-in-africa-simple-fast-cost-effective/, accessed October 2021.

map of countries in the African continent. More recently, in some markets customers could also access short-term loans in real-time and with competitive fees. See **Exhibit 2** for a timeline of the launches of Be Mobile Africa's service offerings. Before two quarters had passed, the business volume of a few hundred dollars rose to $8 million. Within 11 months, the entire operation was earning a profit. For Jeannot, the near-term mission was still, more than ever, to lift 100 million Africans out of poverty. "Until we are at 100 million, we are not done," he pledged.

From Mauritius, where the payments system was first launched, BMA's local markets in Africa had expanded to include: Kenya, Madagascar, Malawi, Mozambique, Seychelles, Tanzania, Uganda, Zambia, South Africa, Ghana, Nigeria, Namibia, Botswana, and Burundi. The company had further expanded to international markets, such as Canada, U.S., Europe and U.K. By November 2020, the platform had grown to include 18 currencies, including global currencies such as the U.S. dollar, the Euro, the British pound, and local currencies ranging from the South African rand and the Kenyan shilling to the Ugandan shilling and the Malagasy ariary.[3]

Jeannot saw the incremental service as a competitive advantage BMA enjoyed from developing the infrastructure. With its very own blockchain infrastructure, BMA had any necessary customer data at its fingertips. Jeannot started to believe in the power of data: "In Data We Trust."

Differences from the traditional Western-model playbook

Jeannot considered doing business in Africa as different from any other place on earth. He explained, "If you are in the U.S., let's say based in Boston, you will build a very small product, you'll try to raise a bunch of money and to recruit a bunch of users, and you continue to raise money until someone buys you out or you're so big that you can find a way to monetize it. Some people do this in Africa. I don't think this is going to work."

From his deep knowledge of the African market, Jeannot clarified: "It's counterintuitive because what you know and the way you look at the business product if you are in the U.S. or come from a Western-educated society doesn't match the reality on the ground…. In the case of low-income, it just doesn't work. So, you'll have to migrate to more profitable customers in the middle-class, which means that you won't serve those underbanked, which is the whole point, or you will have to change the entire business model for it to work."

Barriers to financial inclusion in Africa

The hard reality on the African continent was that half of the population was unbanked or underbanked. Globally, 31% of adults did not have a bank account in 2017.[4] In Sub-Saharan Africa, approximately 57% of those over 15 years old did not have a traditional bank account, representing around 95 million total people.[5] See **Exhibit 3** for the most common barriers to account ownership worldwide.

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[3] Nishika Bajaj, "Be Mobile makes moving money in Africa simple, fast & cost effective," Platform Africa, November 3, 2020, https://www.platformafrica.com/2020/11/03/be-mobile-makes-moving-money-in-africa-simple-fast-cost-effective/, accessed October 2021. Be Mobile Africa, "Be Mobile Africa," https://www.bemobileafrica.com/index.html, accessed October 2021.

[4] Asli Demirguc-Kunt et al., "The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution," World Bank Group, 2018, https://globalfindex.worldbank.org/, accessed October 2021.

[5] Ibid.

Underlying these challenges, financial inclusion was worsened by unemployment, poverty, financial illiteracy, high fees charged by traditional financial institutions, and mistrust of the formal banking sector.[6] For example, bank fees as a share of disposable income in 2017 South Africa were four times that of fees in markets such as Germany, Australia, and India.[7] Furthermore, most traditional bank branches were concentrated in cities, making accessing a branch or an ATM difficult and costly for most people living in rural areas. Banking system concentration in many countries brought a lack of competition, and the resulting high fees for bank accounts produced an additional barrier to access.[8]

The ubiquity of smartphones in Sub-Saharan Africa

Even where poor Internet access presented a challenge, many users transferred money via SMS from a smartphone. On the other hand, Internet access remained low, with only 14% of adults having access at home.[9] In 2019, only 26% of the population used mobile Internet due to usage and coverage challenges.[10] Regional mobile phone penetration was estimated at a high level with approximately 930 million SIM connections in 2020[11]. Furthermore, Sub-Saharan Africa represented the world's fastest-growing mobile phone market, with smartphone sales in Africa representing 6.6% of the global market in 2019.[12] BMA offered to all of its users the capability to move money primarily over a mobile app in addition to a web option through its payment system.

The local volume of entrepreneurs

Jeannot expressed his optimism at BMA's prospects for growth beyond individuals to local businesses: "What Africa lacks in resources and development; they get in attitude. Everyone's an entrepreneur because people have to make a living and are just trying to figure it out." Africa had the highest percentage of adults starting or within the first 3.5 years of managing a new business, which exceeded that of developing countries in Latin American and Asia.[13] From this angle, BMA also offered the potential to build upon Jeannot's vision of opportunity as the platform moved users up the value chain of services.

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[6] Howard Chitimira, Menelisi Ncube, "Legislative and Other Selected Challenges Affecting Financial Inclusion for the Poor and Low Income Earners in South Africa," *Journal of African Law* 64(3) (2020): 337-355.

[7] Howard Chitimira, Menelisi Ncube, "Legislative and Other Selected Challenges Affecting Financial Inclusion for the Poor and Low Income Earners in South Africa," *Journal of African Law* 64(3) (2020): 349.

[8] Azanaw Mengistu, Hector Perez Saiz, "Financial Inclusion and Bank Competition in Sub-Saharan Africa," IMF Working Papers, No. WP/18/256, 2018.

[9] Azanaw Mengistu, Hector Perez Saiz, "Financial Inclusion and Bank Competition in Sub-Saharan Africa," IMF Working Papers, No. WP/18/256, 2018, p. 11.

[10] "The State of Mobile Internet Connectivity in Sub-Saharan Africa 2020," GSMA press release. 2020.

[11] GSM Association, "The Mobile Economy Sub-Saharan Africa 2021," (2021), GSMA Intelligence, https://www.gsma.com/mobileeconomy/wp-content/uploads/2021/09/GSMA_ME_SSA_2021_English_Web_Singles.pdf, accessed April 2022.

[12] Polly Jean Harrison, "Top African Challenger Banks Helping the Unbanked through Mobile Services," *The FinTech Times*, April 17, 2021, https://thefintechtimes.com/top-african-challenger-banks-helping-the-unbanked-through-mobile-services/#:~:text=Around%2057%25%20of%20the%20population,options%20to%20serve%20its%20citizens, accessed October 2021.

[13] African Development Bank Group, "African Economic Outlook 2017: Entrepreneurship and Industrialisation," 2017, https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/AEO_2017_Report_Full_English.pdf, accessed October 2021, p. 170-171.

Profit with a Purpose

From the very beginning of developing his mission, Jeannot encountered barriers to convincing established financial institutions to use his technology solutions. As noted above, he first unsuccessfully attempted to market his blockchain-based payment infrastructure to five different established banks. Jeannot had considered debt financing as a potential solution, as he had confidence that the company would be able to quickly grow and be able to service the debt over time. However, most lenders had restrictive requirements that precluded Be Mobile Africa from being eligible for their loans. For example, since the company was so recently founded, it did not meet one longevity requirement of being in business for over three years. As a result, Jeannot knew “debt was out of the question.”

While he believed that building a payment-driven model would better accomplish his ultimate goal of financial inclusion, it also offered low to no margins, especially at its beginning. Most of the payment offerings were free, and he intended to keep them free for his customers to incentivize them to use it instead of relying on cash as an alternative. At the time, he remembered, “People thought this was nuts because they quipped: ‘You’re never going to make money on this!’” After developing a user base, Jeannot expected that customers using the payment system would also try its lending, savings, and other services that were more profitable. The data generated through Be Mobile Africa’s infrastructure illustrated this unrealized potential, and Jeannot trusted it would pay off. It was just a matter of time.

This all crescendoed to Be Mobile Africa’s self-financed start, and despite the high personal costs to launch the company without external funding, Be Mobile Africa started to turn a profit by April 2021.

Building business efficiencies through blockchain

To improve transaction efficiency, Jeannot decided Be Mobile Africa would use its own in-house blockchain as the best solution to lower costs. For Be Mobile Africa, the technology offered large efficiencies in the long-term despite being expensive in the short-term to develop. “How do we make payments so easy that they are less of a financial pain? We had to rethink the problem. Can we reinvent the payment model with blockchain to do it faster, better, with a fraction of the cost?” he reflected. “On the back end, we need to make it so efficient to do the services at the price point that we can sustain on our own. For something that takes $5, we have to make it cost 7¢.”

Overcoming challenges in local infrastructure

When faced with challenges in local infrastructure, Be Mobile Africa sought to eliminate potential barriers to access for its services. “If you build it, people will come – in the textbook. But people are much more difficult [in real life],” Jeannot reflected. For example, for users who did not already have an available smartphone, the company considered manufacturing an affordable option to provide to affected users. The company ultimately declined to launch its own phone model, but the company instead decided to procure other phone options on behalf of interested customers and has continued to do so in some markets.

The Power of Word of Mouth

Early on in its development, Be Mobile Africa declined to spend money and effort on marketing. Instead, Jeannot believed that providing a good service to people who needed it would supply the best word-of-mouth gravitas to attract additional users. “The customers are there; we don’t have to look for them,” Jeannot believed. With his mission of financial inclusion front-and-center, the company preferred to focus its capacity on what it termed ‘super-users’ – customers who truly needed access to banking services and also cared about it. By giving customers the option to try the service by opening an account with no fees and a speedy onboarding experience, the customer could open an account, send $10 to a relative, and see if it arrives. Jeannot explained his approach as "It sounds a bit too good to be true, but then they try it, and it works!" Given that a primary concern of underbanked users is a fear of fraud and distrust of alternative banking operating models, inviting customers to give the service a try allowed the service to speak for itself.

Thus far, Jeannot thought the word-of-mouth marketing strategy had proven successful. Be Mobile Africa had gathered lengthy lists of potential users interested in using the product, including one project with a list of over 1 million potential users. "Because we've grown it organically, the business is growing fast – even faster than revenue," Jeannot rationalized. As the onboarding lists grew, Be Mobile Africa shifted its operational processes slightly to become a business-to-business-to-customer model (B2B2C model) by which Be Mobile Africa would work with local business partners to track interested customers. In one West African country, the company struck a deal with the government to expand to 1 million users, but within another three weeks it had developed another 1.5 million interested users.

"With financial inclusion, if you have never had anything, if you have to wait a month to get an account, [then] it's not the end of the world. If you have to wait for six months, that's a problem," Jeannot expected. However, the base of interested customers had grown so large that one of the company's primary challenges had become hiring and training new employees to service those on waiting lists for products. "From April to August [2021], profitability increased by 9x without doing any [expansion] work – just trying to service the waiting list," Jeannot exclaimed. With such a large latent customer base secured, Jeannot believed Be Mobile Africa's continued growth and profitability were all but assured.

Where to go next?

As with any growing new business, the ultimate question remained the same: how should BMA expand next? One of the primary reasons behind Jeannot's visit to Togo was to evaluate its prospects to become Be Mobile Africa's newest market. Yet, he continued to weigh the tradeoffs. Should the company look at broadening its offerings and servicing lists of potential users in the markets where it already has a foothold? Or should it consider extending into new markets to extend its financial inclusion mission further and become the largest bank in Africa?

To Jeannot, a horizontal expansion into other markets, such as Togo, would spread BMA's payments platform to a broader audience, who could turn into a more extensive customer base in the long run. See **Exhibit 4** for data on Togo's financial markets and banking sector. To cover more markets more efficiently, Be Mobile Africa had already applied for and was about to receive a U.S. banking license. Multiple regulatory environments were a substantial hurdle for expanding into additional markets, Jeannot recognized. A U.S. banking license would help their expansion efforts across the continent. On the other hand, expanding into each new market would also require a localized presence tailored to local needs and tastes. He described, "We are Pan-African, but we execute domestically…. The amount of development, the infrastructure, the value proposition is slightly different. It's the same product, but it's packaged in a way that makes sense for that market." As a result, expanding into additional markets would require additional resources and staffing, meaning new investment needs within the organization.

In addition to expanding to other markets, Jeannot also thought that Be Mobile Africa should maintain a focus on building new services to expand the company's offerings. While the company already established new savings accounts and short-term loan offerings for customers, Jeannot wanted to keep pushing forward until Be Mobile Africa could confidently tell customers, "Whatever you want, we have it for you." In particular, Jeannot saw other types of lending beyond short-term loans as another financial service area ripe for disruption on the continent.

On the other hand, could vertical expansion mean a smaller potential base to onboard while reducing waiting lists could translate lists of interested persons to real, profitable users? For BMA, it was no doubt that servicing potential users would become primarily a human capital issue, which in turn would require new funding.

Debt & Equity Fundraising Options

One way or the other, the options to solve the human capital issue were to continue the status quo or to raise new capital via debt or equity. With the status quo, Jeannot believed potential users would continue to wait as BMA would continue to onboard them at its own pace. At the same time, some users would not wait indefinitely, and newcomers might easily attract them. In light of this new challenge, Jeannot began to reconsider his previous stance against pursuing VC funding.

If BMA chose to fundraise, it would be looking for between $10-20 million. With additional capital, BMA could hire additional people more quickly and nimbly moving forward. However, Jeannot also expressed concerns that looking for a round of fundraising would pull existing human capital away from onboarding users at a time when it could least afford it. Jeannot wondered, "Maybe it's easier and faster to raise debt because we're already profitable? We're making decent money, and the debt is to finance more customers." Above all, he expected that BMA presented a low expected risk of default along with sufficient assets.

However, from a more long-term vision, he also suggested that "Perhaps equity in the long-run is more strategic, but a large part of that process appears very network-dependent (i.e., who you know)." As a matter of fact, in this industry, "our closest comparable has raised $200 million at a $1.7 billion valuation, and we are in more countries, we have more features, and we make more profit than them," Jeannot said.

Jeannot continued, "Sure, conceptually, you want to raise money to unlock the problem. But in practice, it's not a trivial thing to do. And if by raising money, we spend all those resources and for some reason, the money never comes or if it takes too long, then we're even worse off." Even with this in mind, Jeannot was convinced that BMA would continue to turn a profit. "We're growing so fast. Our cost base won't increase, so we can continue making money." So, was it worth the hassle of the raise at all?

In Money We Believe?

After passing through customs and exiting the arrivals area to arrive in Lomé, Togo's capital city, Jeannot was immediately reminded of home and reaffirmed his motivation for starting Be Mobile Africa in the first place. He called a taxi to set out to his hotel, and as he looked out the window on the drive into town, he pondered how Be Mobile Africa could best realize his mission for financial inclusion. With plenty of demand from interested users, the company needed a long-term expansion strategy to fulfill this vision.

Jeannot understood that building their own infrastructure hedged the reliance on potentially shaky partners. Yet, at the same time, he worried about the fit between the accompanying-VC investors needed to accelerate this market expansion and his vision for the company's long-term goals. While "In Data We Trust" had served BMA well so far, he wondered if "In Money We Believe" might need to define the next step to realize his ultimate vision.

Exhibit 1a Map of Be Mobile Africa's Service Markets within the African Continent

Source: Be Mobile Africa company documents

Note: Be Mobile Africa provided free peer-to-peer transfers in any market it served, including the United States, Canada, Europe, the United Kingdom, and the African countries highlighted in red above.

Exhibit 1b Political Map of Africa

Source: CIA World Factbook.

Exhibit 2 Timeline of Be Mobile Africa's service offerings expansion

May 2020
- Consumer app released with payment and remittance features.

October 2020
- Corporate app released.

February 2021
- Point of Sale for Merchants released.

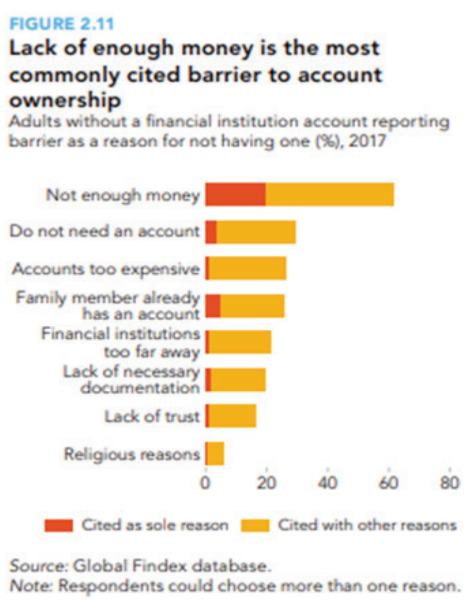
April 2021
- Savings offering released.
- Be Mobile Africa becomes profitable 11 months after its initial launch.

May 2021
- Commercialization (B2B2C) starts.

August 2021
- Million user pipeline

Source: Be Mobile Africa company documents.

Exhibit 3 Common Barriers to Banking Access



Source: Asli Demirguc-Kunt et al., "The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution," World Bank Group, 2018, https://globalfindex.worldbank.org/, accessed October 2021.

Exhibit 4 Comparative Basket of relevant market indicators for Togo, Sub-Saharan Africa, Nigeria, and Ghana

Market	Population, total (2020)	Land area (sq. km; 2020)	Population density (people per sq. km of land area; 2020)	GDP (current USD millions; 2020)	GDP per capita (2020)	Access to electricity (% of population; 2019)	Individuals using the Internet (% of population; 2019)	Mobile cellular subscriptions (per 100 people; 2020)
Togo	8,278,737	54,390	152.21	757.4636979	914.95	52.44	19.30	78.71
Sub-Saharan Africa	1,136,046,775	23,852,823.23	47.63	170,340.3091	1,499.41	46.75	28.97	93.60
Nigeria	206,139,587	910,770	226.34	43,229.37763	2,097.09	55.40	33.60	99.07
Ghana	31,072,945	227,540	136.56	6,853.228181	2,205.53	83.50	53.00	130.21

Market	Account ownership at a financial institution or with a mobile-money-service provider (% of population ages 15+; 2017)	Domestic credit to private sector (% of GDP; 2020)	Domestic credit to private sector by banks (% of GDP; 2020)	Personal remittances, received (2020)	Average transaction cost of sending remittances to a specific country (%; 2020)
Togo	45.29	26.58	26.51	440792827.2	6.046849
Sub-Saharan Africa	42.61	37.92	27.02	42542304848	-
Nigeria	39.67	12.13	11.23	17207547306	7.065818
Ghana	57.72	11.48	10.49	4291956801	7.425389

Source: The World Bank, World Development Indicators.