Avoiding Product Pitfalls: Common Mistakes in African Fintech and How to Prevent Them

WHITE PAPER

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Executive Summary

Fintech in Africa remains one of the continent's most vibrant and quickly changing sectors. Over 1,000 fintech companies are active in key markets such as Nigeria, Kenya, South Africa, Egypt, and Ghana. By 2025, the ecosystem is expected to grow to a $150 billion market, indicating enormous potential for innovation and digital financial inclusion. With more than 430 fintech businesses and $2 billion in investment in 2024 alone, Nigeria continues to be a prominent player in the fintech industry, but many of the same issues that exist there are also present in the larger African fintech scene. There exist adoption barriers and challenges that many fintechs face that hinder growth and long-term success. Challenges that highlight the lack of user-driven feedback and insight-driven strategies that inform optimal product design and business decisions.

This report shows through real-world cases, some of the most notable fintech shutdowns such as South Africa's M-Pesa, Zazuu, KippaPay, and others, to portray the common oversights of the African fintech market including building products based on assumptions rather than research, weak data validation, poor market testing, faulty pricing or models, lack of attention to sociocultural factors, among others.

Fintechs must manage rising inflation (e.g, 34.8% in Nigeria), volatile exchange rates, and increased regulatory scrutiny throughout the continent, even as advancements in generative AI, digital identity systems, and regulatory frameworks (such as the Payment Services Act in Kenya or Nigeria's open banking regulation) present opportunities. Interestingly, 29% of African fintech companies are implementing generative AI to enhance client engagement, fraud detection, and operational effectiveness.

To build products that not only survive but thrive, fintech companies must:

- Engage deeply with users through continuous context-rich research, before, during and after product development.
- Design for simplicity and inclusivity, including low-income users, informal sector workers, people in rural or low-connectivity areas, women, the elderly, persons with disabilities, and people with low digital literacy, ensuring no one is left behind
- Validate assumptions with real-world pilots and testing, and iterating based on honest user feedback.
- Align business models with the realities of users' incomes, digital access, and trust networks.
- Establish a clear bridge between user research and business strategy by highlighting insights and using language from user research that resonates with C-suite decision-makers, thus empowering leaders to implement more user-centered processes across the organisation.

By avoiding these common pitfalls and building with context, Nigerian fintechs can create trusted, relevant solutions that drive onboarding, adoption, and retention, unlocking the vast potential of Nigeria's digital financial ecosystem.

Introduction

Fintech is booming across Africa, from Nigeria's bustling payment startups to South Africa's digital banks, reshaping how millions manage money. In 2023 alone, African fintechs made up over 40% of VC funding on the continent showing signs of huge optimism.

However, behind the series of large funding and success stories lies a quieter string of hard lessons. For every breakout success, many African fintech products stumble due to avoidable missteps in user experience and product-market fit.

Mckinsey in an article by Topsy Kola-Oyeneyin and others stated that poor user experience and unmet needs have long frustrated Nigerian banking customers, opening the door for nimble fintechs and serving as a cautionary tale when those fintechs repeat the same mistakes. Building a fintech product in Nigeria, or any part of Africa really, is not just about perfectly executed technology or securing licenses, (though these are important), it's also about truly understanding the user in all facets along with the local context.

This paper explores the following four recurring product design and strategy failures: Addressing assumed needs instead of real user challenges, overlooking socio-cultural dynamics, poor data and market validation, and misaligned pricing or business models.

Through a deep dive into case studies of notable fintech startups that missed the mark, such as M-Pesa in South Africa, KippaPay, Zazuu and Carbon, we uncover how these pitfalls manifest in real-world contexts, and how they can be avoided.

With high-level preliminary recommendations grounded in design research and market strategy, this report aims to equip founders, product teams, and investors with the insights needed to tend towards context-aware and user-centered solutions that can thrive in Africa's complex yet promising financial ecosystem.

Background

Africa's fintech sector has expanded rapidly in recent years, becoming one of the most dynamic globally. In 2023, African fintech revenues are estimated around $10 billion, and McKinsey projects this could multiply up to 5 times to about $47 billion by 2028. Such optimism reflects Africa's favourable demographics which is a young, fast-growing population, and increasing digital adoption, especially through the use of mobile phones.

The use of mobile money is a key driver. For example, Sub-Saharan Africa now accounts for over half of the world's mobile money activity. In fact, Africa dominates the mobile money world. As of 2023 there were more than 856 million registered mobile money accounts on the continent, conducting 62 billion transactions valued at $919 billion in a year. This massive transaction volume, up nearly 18% from the previous year, underscores fintech's role in everyday commerce.

Crucially, fintech innovations are fuelling economic activity; the GSMA finds that mobile money alone added an estimated $70+ billion to Africa's GDP in 2022 through increased productivity and financial access. Overall, digital financial services are expanding much faster than traditional banking, pointing to a sustained growth trajectory for the industry.

Fintech's rise in Africa has directly translated into greater financial inclusion. The World Bank's Global Findex data show that 55% of adults in Sub-Saharan Africa now have an account with a bank or mobile money provider, including 33% who have a mobile money account, by far the highest mobile money usage rate in the world. Such progress is largely due to the spread of mobile money services that reach populations untouched by traditional banks.

West Africa hosts Africa's largest fintech market, with Nigeria as the fintech hub of the continent, home to giants like Flutterwave, Opay, and Moniepoint. Ghana, Côte d'Ivoire, and Senegal (with mobile money giant, Wave) also have vibrant fintech ecosystems. South Africa, features a more mature fintech landscape focusing on enhancing financial services for an already well-banked population. In East Africa, Kenya, pioneered financial inclusion through mobile money services like M-Pesa, that has been adopted across the region.

Looking ahead, the scale of impact achieved so far, tens of millions of previously unbanked people are now financially included, fintech revenues are growing 2-3x faster than what Africa's GDP suggests, that the fintech revolution is still in its early chapters. Key stakeholders like the World Bank and McKinsey affirm that fintech is crucial to reaching the roughly 400 million Africans who remain unbanked and to driving inclusive economic growth.

80million
Adults in the Nigeria are unbanked

→

81%
Adults currently own a mobile phone

→

65%
Projected smartphone penetration by 2026

Mobile access is growing faster than access to banking services, unlocking a digital pathway to formal financial inclusion.

Building for Assumed Users, Not Real Ones

A notable challenge in Nigerian fintech is designing products on assumptions instead of real user insights. This often leads to solutions that miss the mark, resulting in low adoption and hindering business success.

Studies show that perceived usefulness and ease of use are major drivers of fintech adoption in Nigeria, but these perceptions are only uncovered through direct user research rather than assumption.

Case Study: M-Pesa in South Africa

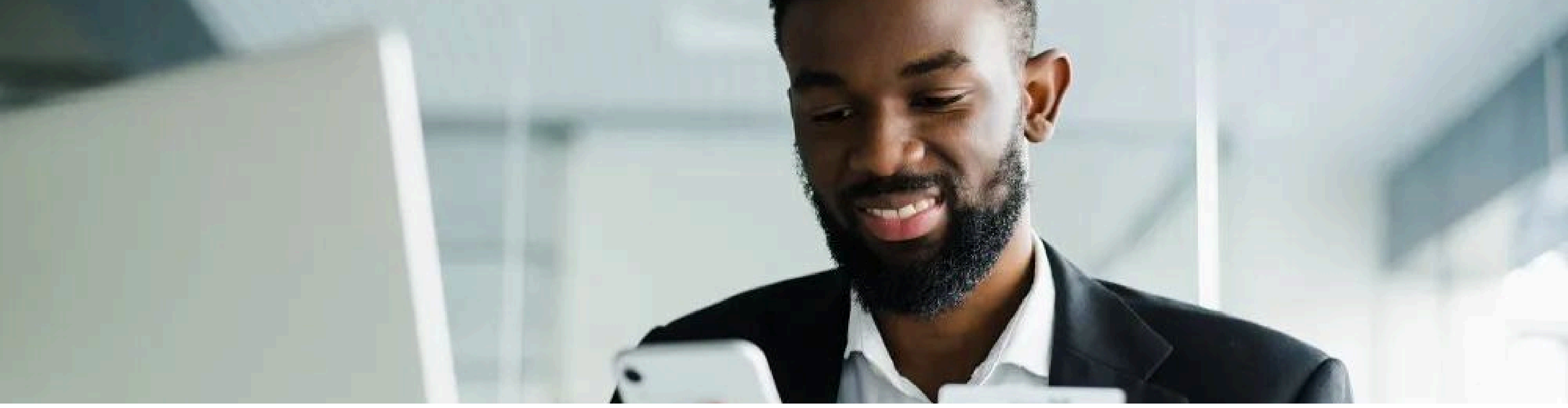
Vodacom's launch of M-Pesa in South Africa is a great illustration of how a highly successful product in one market can fail when its assumptions about user needs and market conditions do not apply to another market. M-Pesa was highly successful in Kenya, however, it faced challenges in South Africa. One key reason was the assumption that unbanked individuals in both countries had similar needs, which turned out not to be the case.

South Africa had a much higher banking penetration rate, about 75% of adults were already banked. Hence, this reduced the need for mobile money as a financial inclusion tool. Many South Africans already had access to traditional banking and digital payment options, lessening M-Pesa's value proposition.

Additionally, South African users had different financial behaviours and preferences as many preferred cash or existing banking channels, and there was less perceived need to switch to mobile money. The assumptions about user needs and behaviours based on the Kenyan market did not hold true.

The limited success of M-Pesa in South Africa demonstrates the danger of designing products based on assumptions rather than thorough local research. It emphasises that African fintech companies should invest in understanding their users through research and direct interaction. This approach will lead to the development of relevant and accessible solutions that effectively tackle local challenges.

> *"Perceived usefulness, perceived ease of use, service trust and social influence have positive and significant impact on users' attitude towards fintech service"*
>
> -Opeyemi & Kyari, [2022]



Preventive strategies to have prevented M-Pesa pitfall in South Africa

Understand and Segment the Market

Unlike Kenya's largely unbanked rural population, South Africa had about 75% banking penetration and multiple competing mobile operators. Vodacom assumed a similar market need without fully appreciating these differences. Conducting deep research to identify underserved segments and tailoring services accordingly would have aligned M-Pesa better with real needs of the users in South Africa.

Customize Marketing and User Engagement

M-Pesa's brand and outreach in Kenya resonated culturally and socially, emphasizing local values and trust. Vodacom's marketing in South Africa did not achieve similar resonance, limiting user adoption. As of May 2011, 8 months after launch M-Pesa had only about 100,000 registered users in South Africa, a very small number compared to the millions of users it had in other countries. By contrast, M-Pesa, which launched in Kenya in March 2007, reached 1 million active users just eight months later, in November 2007.

Iterate Based on User Feedback and Usage Data

Vodacom initially launched a near replica of Kenya's M-Pesa without adaptation to South African user behaviour. A phased rollout with continuous user feedback loops and product adjustments would have allowed the service to evolve in line with real user preferences and pain points.

Kenya	South Africa
Largely unbanked rural population	~75% **banking** penetration
One dominant mobile operator, Safaricom	Several competing mobile operators including MTN
M-Pesa filled a **clear gap** in mobile financial services	M-Pesa assumed same need, **but context was different**
Strong **product–market fit** due to local needs	Low adoption due to **poor contextual alignment**

Conducting deep market research to identify underserved users and tailoring services accordingly could have improved product–market fit in South Africa.

Misaligned Pricing and Business Models

One of the key challenges lies in adopting pricing strategies and models that are not in tandem with the prevailing conditions of the local market. McKinsey notes that the operating landscape for fintechs in Africa is an undeniably challenging one, citing rising living expenses, a slowly increasing GDP as well as depreciating national currency across African economies.

Successfully navigating these conditions requires a deep understanding of the unique market context in Nigeria, including consumer behaviour, economic volatility, and regulatory norms.

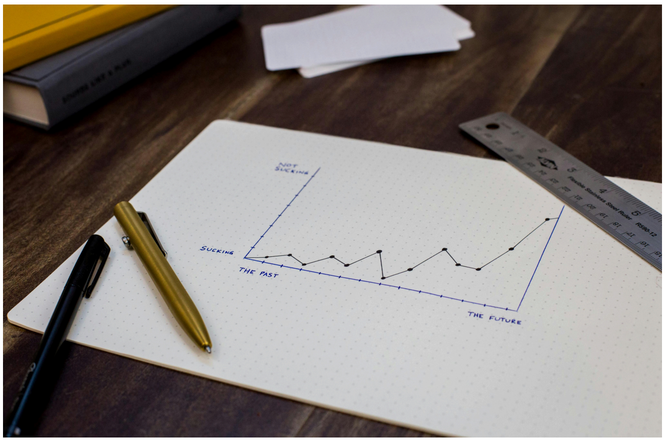
Many companies fall into the trap of copying and pasting strategies from other regions without tailoring them to fit the economics of the country, their customers, and the level of competition available.

Case Study: Comparing Kippa and Moniepoint

Kippa, a Nigerian fintech's offline payments branch, KippaPay, is a case in point of the consequences resulting from poor misalignment between large scale pricing and business model structure.

KippaPay was initially popular among merchants from all parts of Nigeria as it was aimed at assisting small businesses through agency banking as well as offering point of sale(POS) services. However, the company soon faced mounting operational costs, largely due to currency devaluation and inflation, which increased the expense of importing POS terminals and running daily operations.

To maintain profitability, KippaPay introduced new transaction fees for its agents in 2023. This move was intended to offset rising costs but quickly backfired. Many of KippaPay's customers were highly price-sensitive and had grown accustomed to low or zero-fee services from competitors.



Moniepoint, on the other hand, faced the same economic challenges of increasing inflation, high import costs, and strict regulatory policies all these years while simultaneously operating in the agent banking sector. And yet, Moniepoint is now regarded as one of the most successful agency banking platforms in Nigeria. That achievement stems from a number of calculated decisions.

The organization shifted its focus from just implementing Point of Sale (POS) terminals to servicing credit to merchants, inventory supervision, and other digital and automated solutions. This enhanced the loyalty from the agents and increased the average revenue per user (ARPU).

They developed working capital solutions for small and medium enterprises (SMEs) using a data driven approach, granting access to movement based working capital at transaction risk evaluated levels, allowing for lower default risks. Moniepoint adopted flexible service and pricing options which optimized their ability to manage expenses and costs.

They maintained their income margins through providing services that balanced one another. They also provided multiple access options to pay for goods and services. In addition, being able to maintain a strong market presence through their vast network of agents allowed them to reach areas unserved by commercial banks.

Preventive strategies to have prevented Kippa's pitfall

Diversify Revenue Streams Sooner

To boost agent wallet activity and increase revenue per user, KippaPay could have introduced value-added services such as airtime vending, SME bill payments, and float management, creating daily utility beyond basic POS transactions. Additionally, layering on credit offerings or essential business tools, similar to what Moniepoint and FairMoney successfully implemented, would have deepened agent engagement and retention. By developing a cross-subsidy model, KippaPay could have used higher-margin digital features to offset the rising operational costs of its hardware-dependent services, ultimately creating a more resilient and diversified business model.

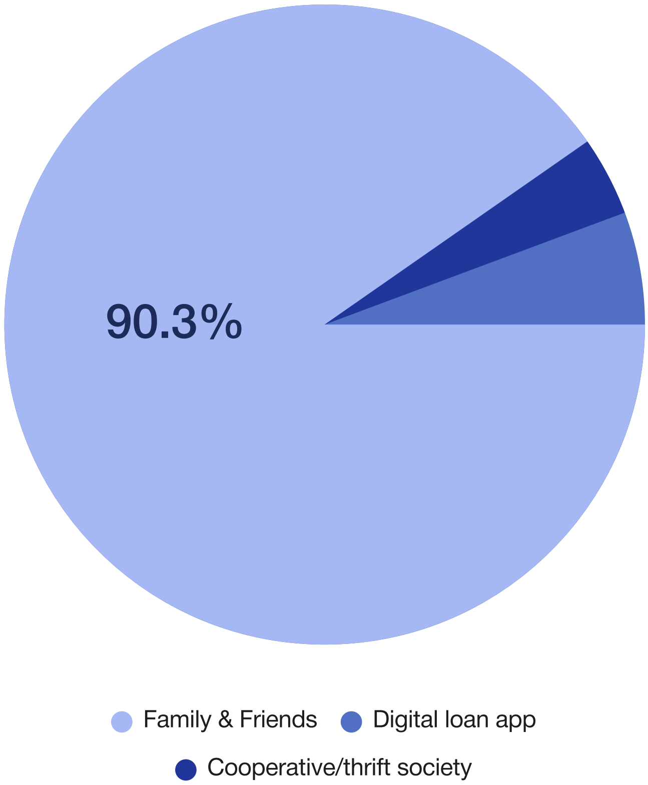
Stress-test the Business Model Against Foreign Exchange Risk

To mitigate the impact of currency volatility, KippaPay could have localized or hedged against hardware imports by partnering with local manufacturers or sourcing vendors offering more favorable foreign exchange terms. Implementing a variable pricing model based on transaction volume would have allowed the business to absorb cost fluctuations more flexibly, ensuring price sensitivity aligned with usage and capacity. Additionally, building out a “resilience model” to simulate macroeconomic shocks, such as foreign exchange spikes or fuel hikes, would have enabled KippaPay to proactively adjust its growth expectations, financial planning, and deployment strategies in response to Nigeria’s unpredictable economic environment.

Overlooking Socio-Cultural Dynamics

In Nigeria, fintech adoption is powerfully shaped by socio-cultural realities. Many times trust is not established through advertising or product features, but is forged within family, community, and peer networks, with informal financial systems such as ajo and esusu serving as foundational pillars of daily financial life. Personal recommendations and visible success within trusted social circles consistently outweigh digital marketing in influencing user decisions.

Our recent survey of Nigerian fintech users aged users aged 18-44, spanning full-time employees, self-employed individuals, part-time workers, unemployed respondents, and students, revealed that an overwhelming 90% rely on family and friends as their primary source for borrowing and financial decision-making. This finding underscores the profound impact of socio-cultural dynamics on financial behaviour, a reality that Nigerian fintechs cannot afford to ignore if they aim to achieve widespread adoption and trust.



Borrowing sources in the last 6 months
-Survey by DODO, 2025

Consequently, fintechs must embed themselves within these social fabrics, building credibility through local engagement and culturally attuned solutions.

Nigeria's complex social landscape, with its ethnic, religious, and regional diversity, adds layers of preferences and user behaviour to fintech adoption. Distrust of formal financial institutions, fueled by past experiences of fraud, data breaches, and failed schemes, means that digital financial services must work harder to earn user trust, acceptance, and adoption, particularly among new or previously unreached market segments as our data highlighted.

Ignoring these socio-cultural dynamics risks alienating users, limiting adoption, and undermining financial inclusion efforts.

Case Study: Zazuu

Zazuu demonstrates an Africa-centric case study in a challenge that comes with operating a fintech business on the continent. As a chatbot furnishing daily foreign exchange rates in 2018, Zazuu blossomed into a marketplace that linked users within the African diaspora to over 17 remittance providers.

Subsequently, the company successfully raised $2 million in seed funding, targeting enhancement towards transparency and the accessibility of remittance services for Africans abroad.

Even with all these promising advancements, Zazuu had to grapple with operational challenges such as a struggling fundraising climate, cash flow problems, and industry emerging trends which led to them suspending services in November 2023 (TechCabal, Pro-Blockchain).

Industry experts suggest that the alignment of Zazuu's vision alongside the socio-cultural realities of its target demographics contributed towards the downfall. For instance, in Nigeria, entrenched digitals' trust along with social integration become immensely relevant towards service adoption.

Broader Implications for Nigerian Fintechs

Zazuu's experience is one of a wider challenge facing Nigerian fintechs. While Nigeria leads Africa in fintech innovation and adoption, many startups struggle to secure community buy-in and articulate locally relevant value propositions. The country's socio-cultural complexity, combined with low digital literacy in some regions and persistent trust deficits, means fintechs must go beyond product features to build meaningful relationships with users.

Moreover, Nigeria's history of ethnic and religious tensions underscores the need for fintech solutions that promote social cohesion rather than exacerbate divides. Platforms that inadvertently favor one group over another risk fueling mistrust and exclusion, undermining both financial inclusion and social stability.

Preventive strategies to have prevented Zazuu's pitfall

Design with Local Practices in Mind

Practices like Informal savings schemes such as ajo and esusu which are used by an estimated 80% of Africa's population, with approximately 160 million beneficiaries and $80 billion in total savings based on reports by The Nation Newspaper, these systems have supported communities for centuries, providing a safety net and investment platform, especially for women and small business owners. Digitizing and leveraging these systems would create familiar and culturally resonant experiences.

Adopt Transparent and Inclusive Communication

Crafting messaging that addresses local concerns, fears, and aspirations in relatable terms, would foster trust and understanding with customers. As seen in a publication by Inclusion times, communication helps create awareness and drive financial literacy to deliver inclusion and trust-building in the country which is paramount for Fintech products to thrive.

Implement Iterative, Community-Centric Development

Running pilot programs for products in diverse Nigerian settings, urban and rural, across ethnic and religious groups is crucial to gather continuous feedback, and adapt accordingly.

Weak Data Validation and Market Testing

The fintech sector in Nigeria faces serious challenges due to widespread digital illiteracy and a population, both rural and urban, affected by fragmented identity systems and frequent identity fraud.
For fintechs, the lack of adequate data validation, in regards to user needs, is akin to sailing without a compass. Without sufficient data, there is no way to pinpoint customers' true needs and ascertain what they really require. This is one of many oversights that can be fatal to the goals of many fintech innovators in Africa, and remains an issue in hiding.

As a seasoned growth marketer, Okwuchukwu Udeh shares: "Consumer behavioural data will always present tremendous value, particularly scale in Nigeria's diverse regional and demographic markets to harnessing constant patterns within them and tracking shift over time."

Case Study: Carbon

With a goal to aid the unbanked, Carbon started its operation in Nigeria. The firm's early challenges, from users not returning after initial interaction to failing to meet overwhelming loan defaults were the use of restricted data validation and lack of market testing.

According to a case study published on ResearchGate, these setbacks highlighted gaps in customer understanding and operational discipline, which became key drivers for the company's pivot. Recognising these shortcomings, Carbon made a decisive shift by investing in advanced data analytics, integrating alternative data sources such as mobile phone usage and bill payment histories to better assess creditworthiness and user needs.

This data-driven approach enabled Carbon to refine its lending criteria, expand its product suite, and ultimately become the first African fintech to receive a credit rating from an international agency, securing a "BB" rating with a Stable outlook from Global Credit Rating Co. The result was not just improved risk management but also the ability to scale its user base and seek out funding with confidence.

Preventive strategies to have prevented Carbon’s pitfall

Iterative User and Market Testing

Through pilots, user feedback sessions, and iterative product development, user feedback, and behavioral data is constantly collected and analyzed, ensuring real problems are solved. In the case study, Carbon improved its user’s satisfaction and customer's retention by lending with criteria that met their actual needs as they iteratively refined product features and tailored them toward user adjustments.

Competitor Analysis

The Nigerian fintech market is extremely saturated because so many Fintechs focus on the same pain points. Analysing the competitive landscape goes beyond tracking competitors’ actions. It also involves understanding how they leverage technology, navigate regulations, and meet evolving user expectations. Without this important data, even market leaders risk developing unnecessary features, missing emerging trends, or failing to differentiate themselves in an increasingly crowded space.

Conclusion: Designing for Real Nigeria

The future of Nigeria's fintech industry will be for those who listen, adapt, and build with empathy towards the people, their solutions must be technologically relevant to the people. Fintechs must develop a deeper and persistent quest to understand the lives, needs, and realities of the markets they are targeting.

Many fintechs' missteps and shortcomings, as pointed out by this report, stem from a single common failure: crafting products and strategies based around assumptions instead of grounded in real, user-driven, evidence-based research. By grasping the authentic needs of both new and current markets, and diversifying accordingly, there is the opportunity to meet targeted users where they're at and provide solutions for them that answers to their latent needs and pain points. This not only makes such a company very competitive, but it sets new standards for driving innovation through impact throughout Africa.

If players in fintech will rise to this challenge, they won't just be competing for market share, they will be reshaping the financial future of one of world's most dynamic economies.

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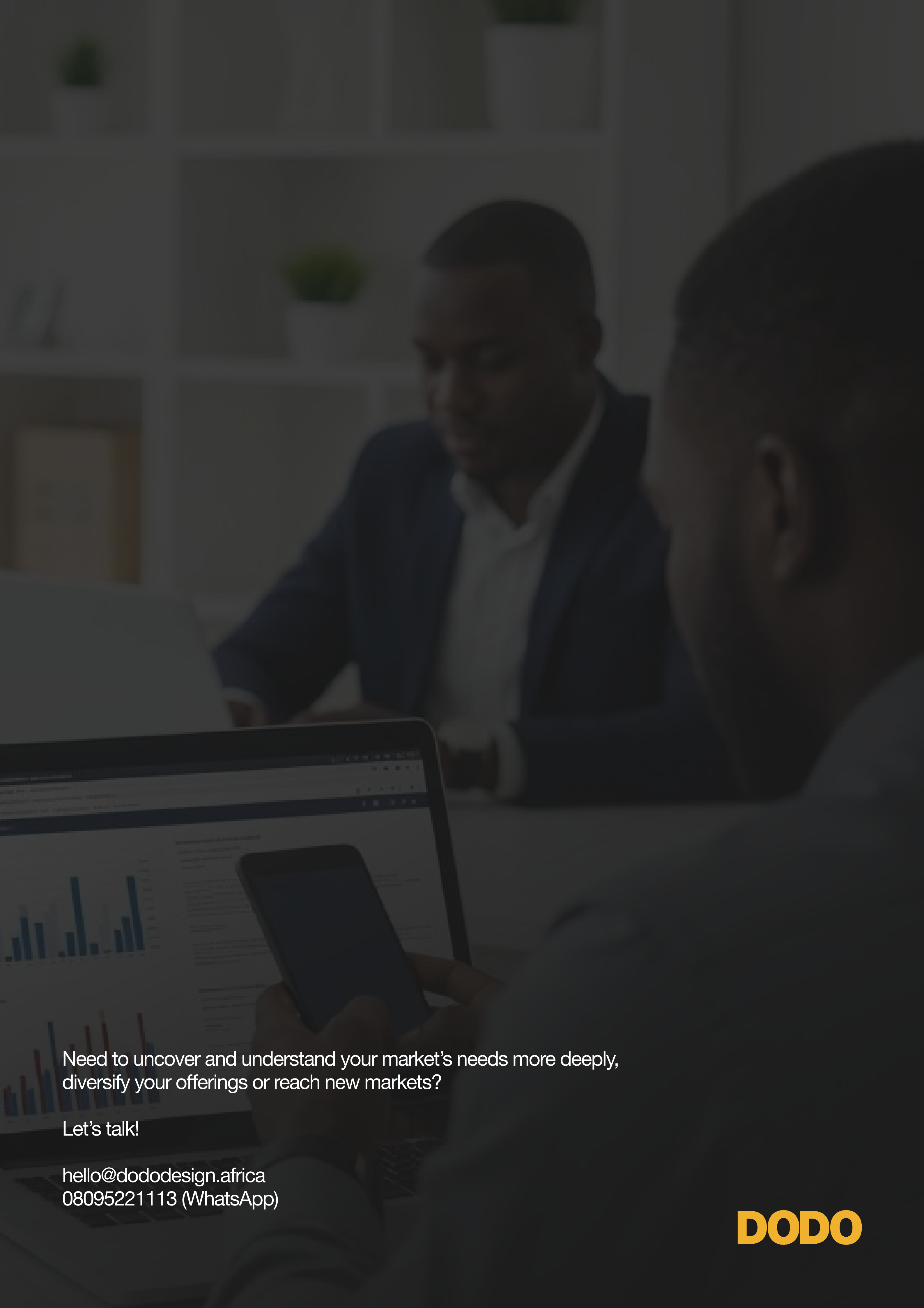

Need to uncover and understand your market's needs more deeply, diversify your offerings or reach new markets?

Let's talk!

hello@dododesign.africa
08095221113 (WhatsApp)

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