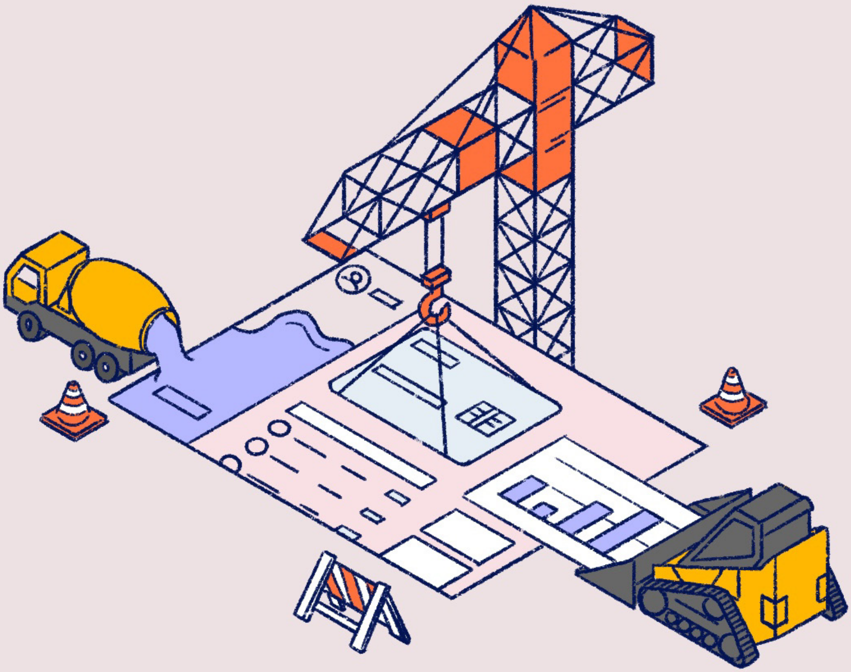
How to **build** and **launch** a fintech product in Africa



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Introduction

If you walked up to any African fintech founder and asked them, "What are the things you wish you knew before you started building your product?" you'd hear stories for days.

But it all boils down to one truth: **building a fintech in Africa is not for the faint of heart.** It's like playing whack-a-mole. As you solve one problem, another one pops up.

This ebook is a quick and dirty guide on how to build and launch a fintech company in Africa.

It'll help you answer key questions like: what types of licences do you need? What should your engineering stack look like? What regulations should you be paying attention to? How do you minimise fraud? How do you acquire your first 100 users?

Whether you're a founder or an operator in the fintech industry, this guide is for you.

Contents

Opportunities in fintech

People say the fintech space in Africa is oversaturated.
But we don't think so.

350 million

still struggle to access simple financial solutions across Africa. [1]

While financial inclusion is somewhat of a buzzword in fintech, it is still a big concern in Africa. As long as the financial inclusion gap exists, there'll always be an opportunity to build a fintech product.

Cash is still the preferred payment method for

90%

of transactions in Africa [2]

This is a substantial gap that payment companies can fill because cash transactions are inefficient, inconvenient, and generally not secure for businesses.

Moreso, VCs love investing in fintechs.

In 2022, African fintechs raised over

$1.4 billion [3]

While that number slightly dipped in 2023, there are indications that more funding will flood the fintech space in 2024.

norrsken22 mastercard

For example, **Norrsken22**, a pan-African venture capital firm, wants to invest in African growth-stage fintechs in 2024 after closing a **$205 million round** [4]

Other indicators include **Mastercard's $200 million stake acquisition** [5] in MTN's mobile money product.

With all these signals, it makes sense that significant growth is expected in the fintech category. **Boston Consulting Group** projects the African fintech market will reach

$65 billion

in revenue by 2030 [6]

This is a tremendous growth opportunity, making now the best time to build a fintech product in Africa.

The market is there, and the funding is there.

1 Africa Nenda
2 McKinsey & Company
3 Disrupt Africa
4 Benjamin Dada
5 Techpoint Africa
6 Boston Consulting Group

What industries can you build in?

According to our experts, Adetola Onayemi, Bukola Gentry and Oluwasegun Adeleye, these are some of the fintech segments you can build in:

B2B Payments

Products that help businesses accept payments from other businesses and their customers. To understand how big of a problem payment is, check out **this post** by Caleb Maru.

Wealth creation and wealth building

Solutions for savings, investments, financial planning, micro-investing and personalised finance tools for children.

Infrastructure

These are products other startups and businesses can use to build their own solutions. They could be for security, API integrations, data management, etc.

Escrow services

Solutions that help buyers and sellers reduce the risk of transacting by smooth exchange of goods and services.

Financial inclusion

Build simple financial solutions to help bank the unbanked population across Africa.

Challenges to building a fintech in Africa and how to navigate them

Regulatory requirements

Regulatory bodies can impose requirements that are difficult for early-stage startups to meet. Capital requirements and licensing fees are examples of such requirements.

For instance, Safaricom paid as much as $150 million [1] to get a mobile money licence in Ethiopia. This can be a huge limitation for players starting with limited resources.

> To get licences very quickly in some countries, regulators sometimes require you to register your fintech in those markets. And sometimes, to satisfy regulatory requirements, there are cases where 50% of your ownership must be residents of the country.
>
> – Adetola Onayemi, CEO, Norebase

Regulations sometimes require major changes to your company's management structure.

For example, foreign founders establishing a digital lending company [2] in Rwanda must appoint a resident director. This director needs to be a Rwandan citizen or a foreigner with a valid resident or work permit.

If you plan to build or expand to other African countries, factor in such requirements.

1 The Paypers
2 Koriat & Co.

Overlapping regulatory bodies

> So there are times when I've had to deal with some fintechs, and they'll say things like, I don't know who my regulator is. I don't know if it's the Central Bank, the Security Exchange Commission, state authority, or consumer protection; it's just unclear.
>
> – Adetola Onayemi, CEO, Norebase

In some cases, your fintech solution might not fall under the jurisdiction of a specific regulatory body. This ambiguity makes it difficult to know which regulator to approach.

Adetola articulates this so powerfully, so we'll allow him to pick up the explanation of this idea.

> Most fintechs are pushing the boundaries of what's possible. Several times, those things you're trying to do are sometimes not already captured within established regulated bodies. So, it becomes a question of who I have to report to.

It is crucial to invest in understanding the regulation, which means investing in understanding the layout on the ground, the regulatory frameworks, what works, what does not work, what has failed, what others have tried to do, and why it didn't work.

– Adetola Onayemi, CEO, Norebase

While the easy thing to do might be to avoid regulatory oversight, it's best to engage regulators proactively. This was the strategy OKHi used very early on. **Bukola Gentry, Senior Business Development Lead (OKHi) spoke extensively about it during our webinar on how to build and launch fintechs in Africa.**

Sometimes, startups have it at the back of their mind that regulators are trying to stifle them.

But most of the time, it's not like that. So, the situation with us at OKHi was that we engaged the Central Bank of Nigeria and let them understand what we wanted to do. And funny enough, it was super exciting. When we arrived, they called all the top people to come and listen to our presentation. They were wowed, and they told us that our solution could be big and that all we needed to do was engage this set of regulators. This was very important for us because the blockers for us before engaging the regulator were all the businesses we were pitching to. They needed us to get the regulator's backing before they could subscribe to our service.

– Bukola Gentry, Senior Business Development Lead, OKHi

By engaging regulators early, you can get them to recognise your product category and clarify which regulatory body you need to work with.

Monopolies and dominant players

Monopolies can be a big problem for new players, especially if you're competing in specific segments. To compete, you must understand how the pre-existing players established their dominance.

Companies gain monopolies in different ways–some by first-mover advantage and others by heavy backing from governments and regulators.

> One big challenge is existing monopolies. There have been cases where only one company has the licence to do something in a particular country and refuses to innovate. Collaboration with such companies can be difficult.
>
> – Adetola Onayemi, CEO, Norebase

Understanding how existing players established dominance will help you decide whether to pivot to another product or map out a strategy for operating and competing with the dominant players. Also, in some cases, collaboration with established players might be an option. Payment is partnerships, after all.

Infrastructure and lack of technical knowledge

Fintech companies are sensitive because they deal with customer's funds and data. So, it's important to have a stable infrastructure that minimises fraud.

You need people with years of technical knowledge to build an excellent infrastructure. This can be expensive if you're just starting.

> We have a tonne of highly skilled talent in Nigeria.
>
> The only issue right now is that people have increased their expectations of their paychecks. If you find the right talent and you're willing to pay for it, that's great. But quite a number of people promise they can deliver on the job but ultimately don't.
>
> So try to have a mix of different talents in your organisation. Most startups want to start lean. Starting lean helps you manage your expenses, but you should always have a backup plan in case you lose the good talents you have.
>
> By having that backup at every point in time, you ensure your business remains a going concern, and nothing will significantly stifle your operation.
>
> – Bukola Gentry, Senior Business Development Lead, OKHi

Getting your base right

Technology is the foundation of any successful fintech company.

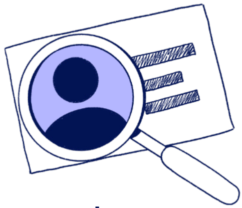
It's a crucial element that determines functionality and user experience. But it's always best to think about technology as a means to an end, not the end itself.

> I think the most important thing that every founder needs to understand is that you're in this to solve problems. So, don't be too attached to your technology that it becomes your primary focus. Instead, focus on solving problems and not building a set of features. For us at Kora, that's our philosophy. Doing the same will help you put things in context and understand how best to deliver your solution to your users.
>
> – Oluwasegun Adeleye, CTO, Kora

Here are five principles to follow when building your fintech's technology stack.

1.

Think about scalability from the start



2.

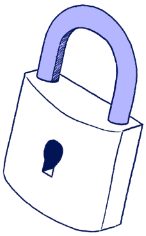
Understand your users

3.

Strategic partner integrations

4.

Build your technology in line with regulatory requirements



5.

Build a security culture early

1. Think about scalability from the start

> Consider the scalability and reliability of your product. While you might do things that don't scale at the initial stage, you also want to think of how to improve on the fundamentals that you've built because there will come a time when your processes might become inefficient or your product might not be stable enough serve the current traffic or volume of transactions.
>
> – Oluwasegun Adeleye, CTO, Kora

Ask questions like: what additional features will you integrate as the product grows? Will you expand your offerings?

Once you answer these questions, build your tech architecture and infrastructure to accommodate those plans. Consider factors like the programming language, the frameworks, and database structure.

Your tech stack should be adaptable to your current user base while scalable enough to handle future growth.

> There are things that'll be relevant when you're smaller, considering your size and capacity, while you have to focus on those things now, there has to be a clear plan to address issues that will also come up in the future.
>
> – Oluwasegun Adeleye, CTO, Kora

2. Understand your users

User behaviour changes across different markets. If you understand their preferences, you will build the right experiences for them.

Some prefer low-tech solutions like the USSD in the case of mobile money [1] in Kenya and Ghana. Others prefer a more sophisticated solution like a bank app and POS-based experience like in Nigeria. And in some other markets, it's a mix.

A one-size-fits-all approach won't work – tailor your product to meet the specific needs of your target audience.

3. Strategic partner integrations

When building, you'll need to collaborate with partners for functionalities like KYC onboarding, payment processing, identity verification, cloud services and more. Develop a plan to integrate these partners seamlessly into your tech architecture.

This will also help you figure out early if any of your partners require any form of custom integration and plan for them.

4. Build your technology in line with regulatory requirements

Regulatory compliance should shape your product right from the start. Not doing that can make you lose your licence or incur heavy fines and sanctions.

1 Kora

> There was a point at Kora where we had a shift in dealing with the compliance team. We've always had this freedom to build the features we wanted. But we realised that we had to build our products in line with regulatory requirements. Initially, it was a bit of a struggle, but we realised that this is the expectation and requirement we need to follow as a licensed entity.
>
> – Oluwasegun Adeleye, CTO, Kora

To do this, include the compliance team at the early stages of product development. Consider sharing the product roadmap with them, adding them to sprint reviews and ensuring everything goes through them before reaching your customers.

5. Build a security culture early

Fintech products and services attract fraudsters and hackers. A data leak or security vulnerability can make you lose money and your customers' trust.

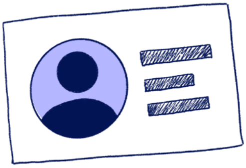
> It's very important that you build a security culture before the business becomes too big. Cultural security is very important because it guides how you deal with technology and handle customer information within the organisation.
>
> – Oluwasegun Adeleye, CTO, Kora

Security goes beyond building impenetrable technology. There's the human component you need to consider. So, as you're building solid systems, also build a security culture and consciousness among your team members. This will help reduce cases of security breaches or fraud.

There's a saying in the Nigerian fintech space that fraudsters are your first beta testers. So, build robust security measures in the early stages of development.

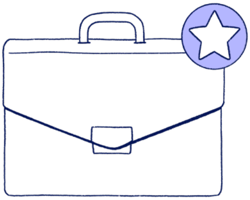
Follow these principles to build a scalable, secure, and compliant tech stack compliant with regulatory requirements.

Step-by-step checklist on how to build a fintech



- The solution and the customer demographic

- Licensing, regulations and compliance



- Talent

- Engineering and general team culture

1. The solution and the customer demographic

A clear understanding of your problem and target customer informs key decisions like the type of app you'll build and the features you'll prioritise.

The first step is to identify a problem you want to solve and who you want to build for. Figuring this out will help you answer questions like

- Should you build a mobile or web app first?
- Do you need to build a cross-platform or native app?
- Will your solution be used on a smartphone or feature phone?

When you answer these questions, you'll get a bird's eye view of all the technical requirements you need to build.

2. Licensing, regulations and compliance

> You want to figure out your licensing strategy. Which ones am I going for? Which ones am I going to build a strategic partnership for? Which ones can I use someone's banking infrastructure for?
>
> – Adetola Onayemi, CEO, Norebase

After figuring out the solution, you need to understand which regulatory body to engage and which licences to get to help you build your solution before writing a line of code.

Sometimes, you'll need to get more than one licence before building.

For example, to build a mobile money business in Kenya, you must get a money remittance operator/provider license [1] from the Central Bank of Kenya.

In other cases, you must engage multiple regulators depending on your product. This will give you an idea of how long it'll take to get the licence, how much it'll cost you and the talent resources you need to get it.

> If there's someone else in your line of business, you can partner with them and ride on their licence. Because I've seen quite a number of businesses that have dealt with that will just say, this is our trading name, but we are using this name because they have the correct licence. So that they can break into the market while they get their licences in place. Going to the market is very important, and if you don't have the right license to go to market yet, if there's somebody available that has the similar license that you need, all you need to do is partner with them and ride on that their licence for you to commence basic operations while you're trying to sort out your licence.
>
> – Bukola Gentry, Senior Business Development Lead, OKHi

If, at this point, you conclude that you can't afford the licence or the approval process is too long, you then determine if you can explore a licence-sharing approach to explore different product strategies.

All these depend on the regulator's flexibility around the licence.

1 Central Bank of Kenya

3. Talent

As an early stage with limited resources, you'll have to compete with already established companies for talent. To make it easier for you, build a technology stack that works well for your product, and it won't be hard for you to find talent who understands and can manage the stack. This will help you save cost.

4. Engineering and general team culture

A famous Peter Drucker quote says, "Culture eats strategy for breakfast". It means your culture determines if your strategy will work or not. That's why it's important to build team culture very early.

While culture varies for different people, it generally influences the quality of the code the team writes, security approach, best practices, and collaboration during sprints.

Other factors include:

- The project type: will it be small, midsize or big?
- How much will it cost to build your technology stack?
- Time to market: which technology stack will get you to market the fastest without compromising quality and scalability?

Competing in a "saturated" market

It's hard for a new startup to compete in the fintech space, especially in certain segments, because of the dominant players.

For example, suppose your fintech idea is a digital bank in Nigeria or a mobile money solution in Kenya. You have to think of ways to differentiate your product and attract customers because of how competitive those markets are.

Don't think about growth as an afterthought to figure out after product development. Build with growth in mind. This could mean building features that differentiate you or creating a unique brand experience for your product.

How do you differentiate yourself and compete?

1. Tell your story

Marketing is about answering three significant questions. Who am I trying to reach? Where can I find them? And how do I present my product as a problem solver to them?

Once you figure out your customer persona, you want to find the channels to reach them. If your customers listen to the radio, you know you need to invest in radio jingles. The same thing applies if they spend time on social media. It's crucial not to hyperfixate on another company's strategy. Come up with one that works for you.

2. Turn your customers into your ambassadors

> If you have launched with just one or two customers, find your champion; find people who can help you tell your story to say that this is the problem this person is solving for me.

> So literally, as you launch and customers are using your product or service or as the case may be, try as much as possible to turn them into your ambassadors.
>
> – Bukola Gentry, Senior Business Development Lead, OKHi

Word of mouth is one of the most effective ways to grow your product adoption. Tell your first customers to help spread the word about your product as early as you can. Also, make it easy for people to help spread the word. You can create sample messages for people to share with their friends on WhatsApp or any social media channel. This works for both B2B and B2C products.

Conclusion

While we've covered some important ideas in this guide, we understand this is only a thought starter to help you take the next step in building your product. We hope this guide makes it easier for you to build and launch your fintech product.

Follow the tips, and you'll build a thriving business in Africa in no time.

Contributors

Adetola Onayemi is the CEO of Norebase, a pioneering global compliance company that helps businesses expand across Africa, Europe, and North America.

Bukola Gentry is the senior business development lead at OKHi. She has over 13 years of experience managing, launching and selling payment products.

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Norebase is a legal technology company that supports businesses and entrepreneurs to launch, operate and or expand across 54+ global jurisdictions (including the UK, USA, BVI, and UAE) from anywhere in the world. We support businesses or entrepreneurs with incorporations, bank accounts, tax and compliance, expense management solutions, and trademarks.

We have 3 products

Start (for incorporation, business bank accounts, trademarking your IP across any jurisdiction)

AutoComply (for automating all your compliance, obligations and taxes across multiple jurisdictions on one platform), and

API (for integration of our Start product into the tech system of our partners).

About Kora

At Kora, our goal is to connect Africa to the world and connect the world to Africa via payments. For startups and businesses working in Africa, we provide All The Support You Need™ to start, scale and thrive on the continent.

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