

# State of the Digital Financial Services Market in Senegal, 2017

Results from the UNCDF-MM4P Annual Provider Survey



**Results from the  
UNCDF-MM4P Digital  
Financial Services  
Annual Provider Survey,  
in partnership with the  
Mastercard Foundation**

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# UNCDF-MM4P



## The United Nations Capital Development Fund (UNCDF)

The UN Capital Development Fund (UNCDF) makes public and private finance work for the poor in the world's 47 least developed countries (LDCs). As part of its mandate to provide capital and investment instruments, UNCDF offers 'last mile' finance models for telecommunications networks that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF's financing models work through two channels: financial inclusion that expands the opportunities for individuals, households and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and localized investments that show how fiscal decentralization, innovative municipal finance and structured project finance can drive public and private funding that underpins local economic expansion and sustainable development.



## The MM4P programme

UNCDF developed the MM4P programme to ensure that the opportunities and benefits of digital finance would reach low-income people in difficult markets. UNCDF provides a mix of technical, financial and policy support to policymakers, regulators, providers, distributors and users of digital finance in order to expand access to and usage of services that contribute to achieving the Sustainable Development Goals. MM4P is currently underway in 10 countries, each with unique opportunities and challenges: Benin, China, Lao People's Democratic Republic, Malaysia, Malawi, Nepal, Senegal, Sierra Leone, Uganda and Zambia.

The MM4P programme was launched in Senegal in October 2015, in partnership with the Mastercard Foundation, to increase the active use<sup>1</sup> of digital financial services (DFS) by 30 percent within the adult population by 2019. By applying a theory of change, as part of the 'Making Markets Work for the Poor' approach, the programme aims to work with all DFS providers, regulators and the Government to achieve this mandate.



## The MM4P project team

To develop this annual provider survey, the project team collected data, evaluated incentives for providers in the context of Senegalese DFS and studied the perspectives of local stakeholders. The content of this report is based on information collected between April and July 2018 and presents data for the period of December 2016 to December 2017. The members of the project team that conducted the study are as follows:



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<sup>1</sup> Over the past 90 days.

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### Acronyms and abbreviations

<b>BCEAO</b>	<i>Banque Centrale des Etats de l'Afrique de l'Ouest</i> (Central Bank of West African States)
<b>DFS</b>	digital financial services
<b>GIM-WAEMU</b>	<i>Groupement Interbancaire Monétique de l'Union Economique et Monétaire Ouest Africaine</i> (Interbank Electronic Banking Group of the West African Economic and Monetary Union)
<b>MNO</b>	mobile network operator
<b>OTC</b>	over-the-counter
<b>P2P</b>	person-to-person
<b>UNCDF</b>	United Nations Capital Development Fund
<b>US\$</b>	United States dollar
<b>USSD</b>	Unstructured Supplementary Service Data
<b>WAEMU</b>	West African Economic and Monetary Union
<b>XOF</b>	African Financial Community franc (XOF = currency code)

# Glossary<sup>2</sup>

Term	Definition
Active customer account	<i>An active customer account is an account with which at least one transaction was conducted in the last 90 days. A transaction includes cash-in, person-to-person transfer, cash-out, bill payment and/or airtime top-up. Consulting a balance inquiry, recalling a personal identification number or completing another transaction that does not involve the movement of value DOES NOT qualify for a customer account to be considered active.</i>
Agent, Agent outlet, Active agent outlet	<p>An agent may be a proprietary agent (an agent who is managed by and operates under the exclusive branding of a particular provider) or a third-party agent, either of whom handles more than 30 transactions per month, including cash-in and cash-out. In many instances, an agent registers new customers too. The country's central bank, Central Bank of West African States (Banque Centrale des États de l'Afrique de l'Ouest, or BCEAO), defines an agent as a person or entity appointed by an e-money institution to provide certain e-money related services on its behalf.</p> <p>"In the case of mobile money, an agent outlet is a location where one or several provider-issued tills are used to conduct transactions for clients... Agent tills are provider-issued 'lines,' which can be SIM cards or POS [point-of-sale] machines, authorized and used to facilitate mobile money transactions... An agent outlet may operate tills issued by several providers; these are generally referred to as shared or nonexclusive outlets."</p> <p>"An active agent outlet is an agent outlet where any of the tills were used to facilitate at least one transaction within the last 30 days... The most important of these [transactions] are cash-in and cash-out (i.e., loading value into the mobile money system and then converting it back out again)."</p>
Airtime top-ups	<i>Airtime top-ups are funded from a customer account.</i>
Automated (or Automation) teller machine (ATM)	<i>An ATM is "an electronic telecommunications device that enables the clients of a financial institution to perform financial transactions without the need for a cashier, human clerk or bank teller." ATMs may be operated either offline or online with real-time access to an authorization database.</i>
Bank account to mobile money account transfers	<i>These transactions involve "a direct transfer of funds made from a customer bank account to a mobile money account. This transaction typically requires a commercial agreement and technical integration between the bank and the mobile money provider to allow direct transfers."</i>
Bill payments	<i>These transactions involve the payment of bills using digital financial services, "regardless of whether they originate from an account or are made over the counter."</i>
Bulk payments	<i>These transactions are conducted from one account to many accounts, or from many accounts into one account. The former, such as salary payments or government transfers, may terminate in an account or over the counter. They are referred to as "one to many." The latter, such as several customers paying for utilities, comprise collections by an organization from multiple payers. They are referred to as "many to one."</i>
Cash-in transactions	<i>These transactions include deposits of any value from a customer into a wallet through an agent. They also represent "the process by which a customer credits [his/her] mobile money account with cash. This [process] is usually via an agent who takes the cash and credits the customer's mobile money account with the same amount of e-money."</i>
Cash-out transactions	<i>These transactions include deposits of any value from a customer into a wallet through an agent. They also represent "the process by which a customer credits [his/her] mobile money account with cash. This [process] is usually via an agent who takes the cash and credits the customer's mobile money account with the same amount of e-money."</i>
(Agent) Commissions	<i>Commissions are the revenues paid by the digital financial service provider to its agents. Generally, agents earn commissions by conducting transactions and onboarding new customers.</i>

<sup>2</sup> As much as possible, standard industry definitions are applied. In particular, GSMA, a trade body representing the interests of mobile network operators globally, is the source of a number of definitions provided here. Unless otherwise noted, the source of all quoted text in the definitions is the latest report from

<sup>3</sup> Nir Vira Uthman and others, "MASC (Multiple Account Access using Single ATM Card)," *International Journal of Science, Engineering and Technology Research (IJSETR)*, vol. 3, No. 6 (June 2014), p. 1790.

<sup>4</sup> Nile Rajani and others, "Success factors for mobile money services: A quantitative assessment of success factors" (London, GSMA, November 2015), p. 21.

Term	Definition
Customer activity rate	Customer activity rate is the share of actively used registered accounts (i.e., at least one transaction conducted in the past 90 days).
Debit card	A debit card is an electronic card issued by a bank that provides the bank client with access to his/her account to withdraw cash or pay for goods and services. It eliminates the need for the client to go to the bank to remove cash from his/her account as he/she can just go to an ATM or pay electronically at merchant locations. This type of card, as a form of payment, also eliminates the need for cheques, as the debit card immediately transfers money from the client account to the business account.
Digital financial services (DFS)	The term DFS refers to a range of formal financial services accessible via digital channels, such as mobile money, agency banking, ATMs and debit cards, as opposed to traditional financial services accessed through physical visits to a provider's outlet.
Financial inclusion	Financial inclusion is the end state of the goal of all eligible citizens having access to and using a range of affordable, convenient and appropriate financial services. These services could be formal financial products/services that are provided by formal financial institutions (banks and/or non-bank financial institutions bound by legally recognized rules) or informal financial products/services that are unregulated and operate without recognized legal governance (e.g., village banks or village development funds).
Fintech	This entity is a financial technology company.
First-generation products	These products comprise basic DFS, such as person-to-person transfers, airtime purchases, bill (utility) payments, and cash-in and cash-out transactions.
Float	Float is "the balance of e-money, physical cash, or money in a bank account that an agent can immediately access to meet customer demands to purchase (cash-in) or sell (cash-out) electronic money."
Informal over-the-counter (OTC) transactions	These transactions occur when a customer provides cash to an agent who performs a transaction via an agent account to send funds to the wallet of a registered customer.
International remittances	International remittances can refer to the total number of cross-border fund transfers for inbound or outbound remittances. International remittances may also refer to the "cross-border fund transfer from one person to another person. This transaction can be a direct mobile money remittance or can be completed through use of an intermediary organization such as Western Union."
Know-your-customer (KYC)	"Financial institutions and regulated financial services providers are obligated by regulation to perform due diligence to identify their customers." The KYC term refers to these requirements and/or to "the regulation which governs these activities. The FATF (Financial Action Task Force) recommends a risk-based approach to due diligence for AML/CFT (anti-money-laundering and counter-financing of terrorism) controls. Due to the lack of formal identity documents in some markets, solutions such as (re)establishing formal KYC [requirements] and adjusting acceptable KYC documentation can help mobile money providers facilitate customer onboarding and increase financial inclusion, especially in rural areas."
Liquidity management	Liquidity management is "the balance of cash and e-money held by a mobile money agent to meet customers' demands to purchase (cash-in) or sell (cash-out) e-money. The key metric used to measure the liquidity of an agent is the sum of [his/her] e-money and cash balances (also known as [his/her] float balance)."
Merchant payments	These transactions are movements of value from a customer to a merchant to pay for goods or services at the point of sale.

Term	Definition
Mobile microcredit (also microloans)	Mobile microcredit is a solution that enables mobile money customers to access small amounts of credit instantly via their mobile phones.
Mobile microinsurance	Mobile microinsurance is an option by which insurance premiums are paid from a mobile wallet through a mobile money platform.
Mobile money operator	A mobile money operator is "a company that has a government-issued license to provide telecommunication services through mobile devices."
Over-the-counter transactions (OTC)	These transactions include money transfers or bill payments that are conducted without a registered account. "Some mobile money services (e.g., bill payments) are being offered primarily OTC. In such cases, a mobile money agent performs the transaction on behalf of the customer, who does not need to have a mobile money account to use the service."
Pay-as-you-go	Pay-as-you-go is an option by which an oral customer makes a deposit for a product with the oral goal of owning the device through a series of usage payments paid through a DFS channel.
Person-to-person transfers	These transactions originate from a customer DFS account and terminate in another customer DFS account.
Registered customers	Registered customers are the cumulative number of customers who have registered for a service, regardless of whether they are active.
(Agent) Revenue	Revenue comprises the total commissions earned by agents for all the transactions they conduct through their agent accounts.
Second-generation products	These products are more advanced DFS, such as microcredit and microinsurance products, loan repayments, merchant payments, push (to bank)/pull (from bank) transfers and international remittances.
Third-party operators	Third-party operators are DFS providers that leverage existing infrastructure of mobile network operators (MNOs). They are usually MNO agents and, in some cases, could be master agents or offices acting on behalf of a DFS provider or an MNO, whether pursuant to a service agreement, a joint venture agreement or another contractual arrangement.
Transaction	A transaction could involve cash-in, person-to-person transfer, cash-out, bill payment and/or airtime top-up. A transaction does not include any other type of activity that does not involve the movement of value (e.g., balance inquiry).

# Foreword

In 2017, almost 25 percent of the adult population in Senegal was actively using a digital wallet. In the same year, the Central Bank of West African States (*Banque Centrale des Etats de l'Afrique de l'Ouest*, or BCEAO) recorded more than 5 million digital wallets. With a mobile penetration rate of 103 percent and no less than 20 fintech companies active in the market, Senegal has plenty of potential for digitalization: Senegalese people exchange nearly XOF 900 billion (US\$1.6 billion) per year\*, through loan facilities (*tontines*) and other informal channels. An assessment of payment flows carried out by the United Nations Capital Development Fund (UNCDF) programme MM4P and the Better Than Cash Alliance showed that Senegalese growth could increase by XOF 104 billion (US\$181.0 million) per year if 50 percent of payment flows were digitalized.

The findings of this provider survey show the strong growth of digital financial services (DFS) in Senegal and, above all, the commitment of the various stakeholders to promoting digital finance.

During the quarterly meetings of a national-level DFS working group, we were able to see the importance of working in synergy to achieve the financial inclusion objectives intended for Senegal. Together, we also discovered the transformative power of innovation. Technological innovations are the real driver for including previously excluded populations: they can create employment opportunities for young people, boost agricultural productivity and sustainability, and strengthen the resilience of communities to climate change.

This year, the Government of Senegal and BCEAO have set important milestones for the entire ecosystem, by establishing a national committee (*Comité national de Suivi de la mise en oeuvre*, or CNSMO) to monitor implementation of the National Financial Inclusion

Strategy (*Stratégie régionale d'inclusion financière*, or SRIF) and launching the interoperability project, both of which could be real catalysts for the country.

All stakeholders in digital finance should now focus on ways to better serve customers. Our programme will support the ecosystem in this new approach to develop inclusive projects that will contribute to the Sustainable Development Goals.



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\* Currency conversion rate: US\$1 = XOF 574.544 (Source: <https://treasury.un.org/operationalrates/OperationalRates.php>, 1 February 2019). Note: This rate was used throughout this report when United States dollar equivalents were provided for African Financial Community francs.



1





## State of the digital financial services market

Globally, DFS have become the leading payment channel for digital economies in emerging markets. There are DFS deployments in more than 90 countries. Of all low- and lower-middle income countries in the world, three quarters of them have DFS deployments.

Results from the 2017 Global Findex survey by the World Bank reveal an increase in overall financial inclusion.<sup>2</sup> Worldwide, 69 percent of the adult population had access to an account at a financial institution or a mobile money provider in 2017, compared to 62 percent in 2014.<sup>3</sup> Results also suggest that mobile money is a key driver of the increase in account ownership. Globally, 52 percent of adults made or received payments digitally at least once in the past 12 months in 2017, compared to 41 percent in 2014. In sub-Saharan Africa, 34 percent of the adult population made or received payments digitally in 2017, compared to 27 percent in 2014. Yet, 1.7 billion adults remain unbanked worldwide. Two thirds of these adults own a mobile phone, which offers new opportunities to bring the unbanked into the financial system.

The findings of the 2017 State of the Industry report by GSMA show similar trends.<sup>4</sup> In terms of usage, the total value of transactions conducted through mobile money providers grew by 23 percent from US\$26 billion in December 2016 to US\$32 billion in December 2017. Of mobile money providers, 22 percent now offer DFS-enabled savings, which suggests DFS can serve as a tool for saving money and earning interest.

While feature phones and Unstructured Supplementary Service Data (USSD) transactions continue to be the most widely used interface for DFS users, 73 percent of providers delivered DFS through smartphones in 2017, compared to 56 percent in 2015. Agents remain the backbone of the DFS industry. Between 2015 and 2017, the number of registered agents increased by 17 percent. In 2017, there were 5.3 million registered agents, of whom 55 percent were active.

More providers, particularly mobile network operators (MNOs), are starting to recognize DFS as a source of direct revenue for their businesses, as they see a contribution by DFS of more than US\$2.4 billion in direct revenue and revenue growth of 34 percent year on year. Important trends include the increased adoption of smartphones and the participation of fintech companies, with a focus on the digitalization of new sectors of the economy. Renewed efforts by companies and governments to reach the most vulnerable have led them to continue exploring the option of using mobile money providers as a payment platform.

Figure I highlights additional key facts and figures that capture the state of the global DFS industry.

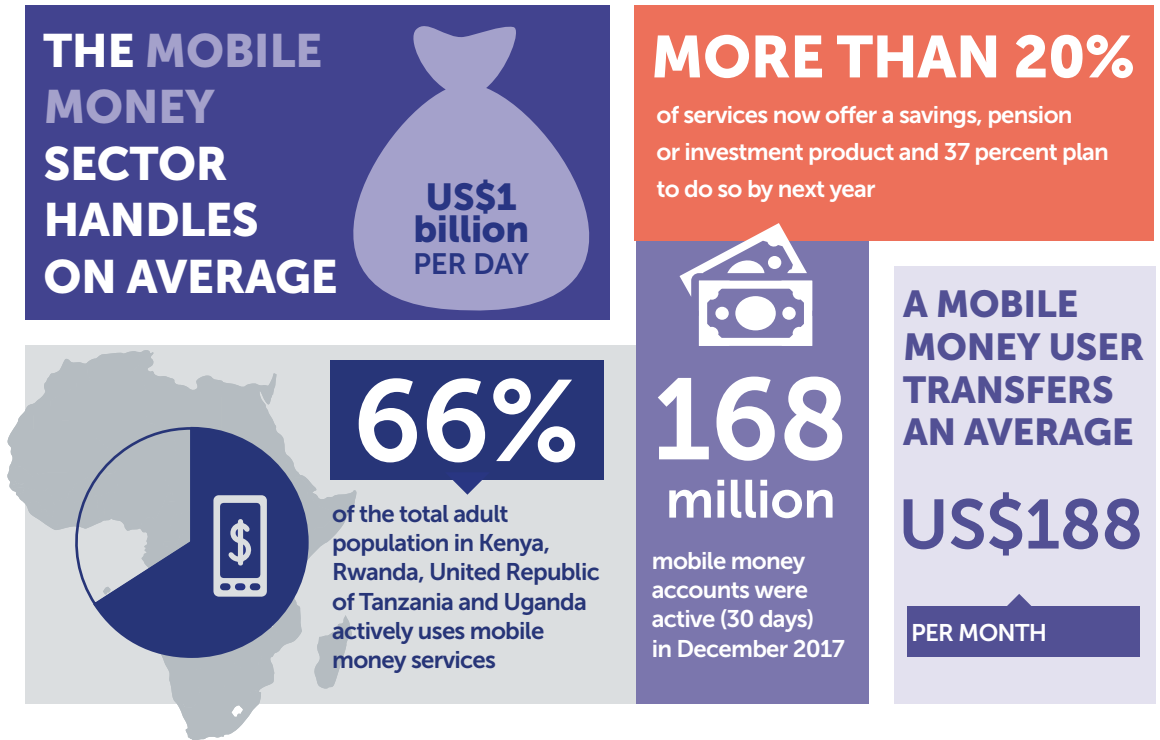
<sup>2</sup> Asli Demirgüç-Kunt and others, *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution* (Washington, DC, World Bank, 2018). doi:10.1596/978-1-4648-1259-0. Licence: Creative Commons Attribution CC BY 3.0 IGO. Note: All statistics cited in this paragraph are from this source.

<sup>3</sup> Note: This figure includes anyone with an account that was used at least once in the past 12 months.

<sup>4</sup> GSMA, *2017 State of the Industry Report on Mobile Money* (London, 2018). Note: All statistics cited in this and the following two paragraphs are from this source.

**Figure I**

State of the global digital financial service industry (2017)



Source: Figure based on GSMA, 2017 State of the Industry Report on Mobile Money (London, 2018), p. 8.

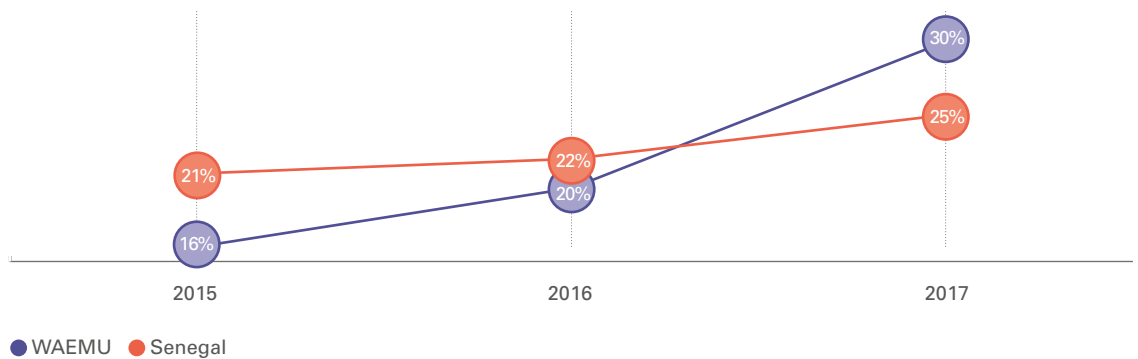


## Background: Digital financial services in Senegal

It is interesting to note that in the West African Economic and Monetary Union (WAEMU) zone, DFS are expanding rapidly (see figure II). The penetration rate of these services in this zone has increased from 16 percent to 30 percent in three years.

**Figure II**

Change in the number of active accounts (2015–2017) (as a percentage of the adult population)



Source: BCEAO 2017 survey

Senegal, which was one of the leading countries in 2015, with 21 percent of the population having a digital currency account, is slightly below regional rates in 2017, with only 25 percent.



## Background: Survey and methodology

Each year, UNCDF-MM4P conducts a survey of DFS providers to measure market developments. The survey makes it possible to evaluate institutions' performance, identify the sector's support needs and measure the effectiveness of programme interventions.

Conducted among MNOs, digital currency institutions, banks, microfinance institutions and fintech companies in Senegal, the survey comprises quantitative and qualitative questions. Quantitative data were collected based on the following indicators:

- Total number of registered and active customer accounts (over the last 90 days)
- Number of unique active customers by type of service
- Value and volume of transactions made by customers via an account and by type of service
- Value and volume of transactions made by customers with agents and by type of service
- Number of registered and active agents (in the last 30 days)
- Volume and total value of over-the-counter (OTC) transfers with agents
- Commissions paid to agents
- Number of registered and active merchants (in the last 30 days)

Qualitative information was collected on the performance of the institutions interviewed, the main challenges encountered and the level of supplier engagement with the UNCDF-MM4P programme.

Participants were assured of the confidentiality of their responses, in accordance with the Information Disclosure Policy of the United Nations Development Programme.<sup>5</sup> As such, all data presented in this report have been aggregated and remain anonymous.

This report presents the results of the annual provider survey conducted by UNCDF-MM4P in 2018. Only suppliers who responded to the survey are included in the report.

Thus, the data presented in the report do not necessarily correspond to the official figures provided by BCEAO.

<sup>5</sup> Available at <http://www.undp.org/content/undp/en/home/accountability/transparency/information-disclosure-policy.html>

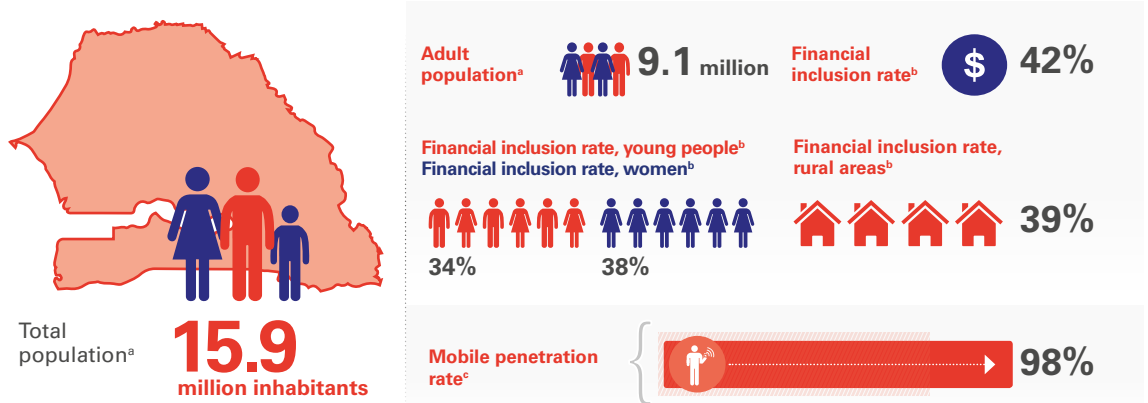


**SENEGAL  
OVERVIEW**

**2**

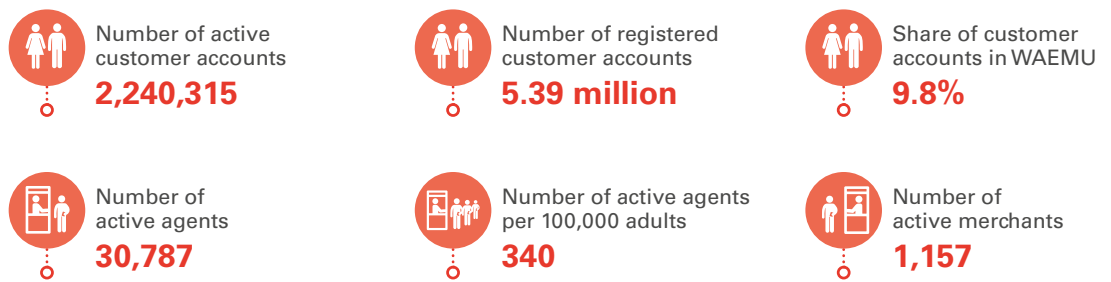


**Figure III**  
General statistics about Senegal



<sup>a</sup>World Population Prospects, United Nations, 2017; <sup>b</sup>Global Findex, 2017; <sup>c</sup>GSMA, 2017

**Figure IV**  
State of the digital financial services market in Senegal



Source: Status of mobile financial services in 2017, BCEAO 2018.





# FINDINGS

3

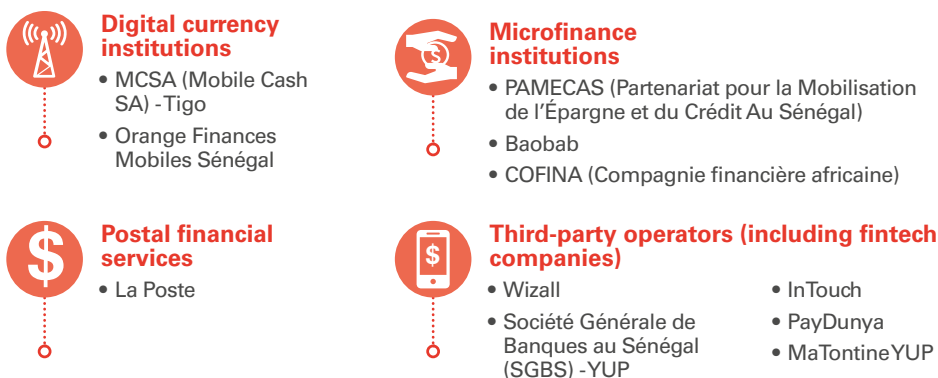


## Providers

Eleven DFS providers participated in the 2018 annual survey (see figure V).

**Figure V**

Digital financial service providers in Senegal that responded to the survey



The financial sector, however, is much broader. A non-exhaustive list of institutions belonging to the DFS ecosystem in Senegal as of December 2017 is provided in table 1.<sup>6</sup> The table also shows strategies implemented by stakeholders to move towards DFS.

**Table 1**

Digital finance strategies implemented by provider types and institutions (December 2017)

Provider types	Institutions	Digital financial service strategies
<b>Mobile network operators (MNOs)</b>	Orange Tigo Expresso	<ul style="list-style-type: none"> <li>• Category of electronic money issuers (EMIs) leading market in Senegal.</li> <li>• EMI strategy for Orange and Tigo:               <ul style="list-style-type: none"> <li>• <b>Orange:</b> Orange Mobile Finance Senegal (OMFS) – Orange Money.</li> <li>• <b>Tigo:</b> Mobile Cash SA (MCSA) – Tigo Cash.</li> </ul> </li> <li>• Expresso partnership with a bank.</li> <li>• First-generation services mainly (inability of EMIs to provide second-generation services without partnering with a bank or microfinance institution).</li> </ul>
<b>Commercial banks</b>	<i>Banque Internationale pour le Commerce et l'Industrie du Sénégal</i> [International Bank for Trade and Industry of Senegal] (BICIS) Bank of Africa – Senegal (BOA) <i>Banque Atlantique Sénégal</i> [Atlantic Bank Senegal] Bank of Dakar (BDK)	<ul style="list-style-type: none"> <li>• Mobile banking strategies for the majority.</li> <li>• Incentive-deterrence integration with EMIs or third-party operators.</li> <li>• Issuance of digital currency for third-party operators.</li> <li>• Own strategies for digital currency.</li> </ul>

<sup>6</sup> This list was compiled through a UNCDF-MM4P 2017 internal census of main potential and existing providers in the DFS ecosystem in Senegal. Not all of the institutions mentioned have necessarily started providing DFS.

**Table 1 (cont.)**

Digital finance strategies implemented by provider types and institutions (December 2017)

Provider types	Institutions	Digital financial service strategies
<b>Commercial banks (cont.)</b>	<i>Banque de l'Habitat du Sénégal</i> [Housing Bank of Senegal] (BHS)	<ul style="list-style-type: none"> <li>• Mobile banking strategies for the majority.</li> <li>• Incentive-deterrence integration with EMIs or third-party operators.</li> <li>• Issuance of digital currency for third-party operators.</li> <li>• Own strategies for digital currency.</li> </ul>
	<i>Banque des Institutions Mutualistes d'Afrique de l'Ouest</i> [Bank of Mutualist West African Institutions] (BIMAO)	
	<i>Banque Islamique du Sénégal</i> [Islamic Bank of Senegal] (BIS)	
	<i>Banque Nationale pour le Développement Économique</i> [National Bank for Economic Development] (BNDE)	
	<i>Banque Régionale de Marchés</i> [Regional Market Bank] (BRM)	
	<i>Banque Sahélo-Saharienne pour l'Investissement et le Commerce</i> [Sahel-Sahara Bank for investment and Commerce] (BSIC)	
	BGFI Bank	
	<i>Caisse Nationale de Crédit Agricole du Sénégal</i> [National Agricultural Credit Fund of Senegal] (CNCAS)	
	<i>Compagnie Bancaire de l'Afrique Occidentale</i> [Banking Company of West Africa] (CBAO)	
	Citibank Senegal	
	Coris Bank Senegal	
	<i>Crédit du Sénégal</i> [Senegal Credit] (CDS)	
	Credit International Senegal	
	Diamond Bank	
	Ecobank Senegal	
	First Bank of Nigeria Senegal (FBN)	
	International Commercial Bank Senegal	
	<i>Société Générale de Banques au Sénégal</i> [General Society of Banks in Senegal] (SGBS)	
	United Bank for Africa Senegal (UBA)	
	Orabank	
<b>Intermediaries for banking operations</b>	SAIF Manko (SGBS)	
	La Colombe Group (BSIC)	

**Table 1 (cont.)**

Digital finance strategies implemented by provider types and institutions (December 2017)

Provider types	Institutions	Digital financial service strategies
Third-party operators providing digital currency solutions without being financial institutions (includes fintech companies)	Wari	<ul style="list-style-type: none"> <li>• Rapid money transfer and/or e-wallet operators.</li> <li>• Volume mainly due to OTC money transfers and less to e-wallet offers.</li> <li>• Efforts to develop more e-wallet offers.</li> <li>• Involvement of fintech companies in the following: <ul style="list-style-type: none"> <li>• Aggregation, distribution or acceptance of digital payment methods.</li> <li>• White label e-wallet solutions.</li> </ul> </li> <li>• Second-generation DFS initiatives.</li> </ul>
	Joni Joni	
	Money Express (Chaka Group)	
	Wizall Money	
	Zuulu Financial Services	
	YUP (SGBS)	
	Numherit – PosteCash	
	Wave Money	
	Kash Kash (BDK)	
	Rezo Bi SA – Safe Transfer	
	Africa Transaction Processing & Services (ATPS) – Proximo	
	InTouch SA	
	GSIE Technology	
	PayDunya	
Sudpay		
MaTontine		
Insurance providers	AMSA Assurances [AMSA Insurance]	<ul style="list-style-type: none"> <li>• Digitalization of premium and compensation payments via EMLs or third-party operators.</li> </ul>
	Compagnie Nationale d'Assurance Agricole du Sénégal [National Agricultural Insurance Company of Senegal] (CNAAS)	
	L'Africaine des Assurances [African Insurance Company]	
	AIBA Assurances [AIBA Insurance]	
	ALFA Assurances [ALFA Insurance]	
	Allianz	
	Ascoma	
	Askia Assurances [Askia Insurance] (CNAAS)	
	Assurance Sécurité Sénégalaise [Senegalese Security Insurance] (ASS)	
	Assurance des Travailleurs du Sénégal [Senegal Workers' Insurance]	
	Assurland	
	AXA Insurance	
	BISSAI Assurances [BISSAI Insurance]	





**Table 1 (cont.)**

Digital finance strategies implemented by provider types and institutions (December 2017)

Provider types	Institutions	Digital financial service strategies
<b>Insurance providers (cont.)</b>	<p><i>Compagnie Nationale d'Assurance et de Réassurance des Transporteurs</i> [National Transport Insurance and Reinsurance Company] (CNART)</p> <p>.....</p> <p>COLINA Senegal</p> <p>.....</p> <p><i>Nouvelle Société Interafricaine d'Assurances</i> [New Interafrican Insurance Company] (NSIA)</p> <p>.....</p> <p><i>HORIZONS Assurances</i> [HORIZONS Insurance]</p> <p>.....</p> <p><i>Société Nationale d'Assurance Crédit</i> [National Credit Insurance Company] (SONAC)</p> <p>.....</p> <p>ZENITH Assurances [ZENITH Insurance]</p>	<ul style="list-style-type: none"> <li>• Digitalization of premium and compensation payments via EMLs or third-party operators.</li> </ul>
<b>Postal financial services</b>	Postefinances (La Poste)	<ul style="list-style-type: none"> <li>• Has a complete range of e-wallets and money transfers.</li> </ul>
<b>Microfinance institutions</b>	<p><i>Crédit Mutuel du Sénégal</i> [Mutual Credit of Senegal]</p> <p>.....</p> <p><i>L'Union des Institutions Mutualistes Communautaires d'Epargne et de Crédit</i> [Union of Mutualist Institutions of Savings and Credit] (UIMCEC)</p> <p>.....</p> <p>Caisse Autonome pour le Renforcement des Initiatives Economiques par la Microfinance (CAURIE)</p> <p>.....</p> <p>Microcred – Baobab</p> <p>.....</p> <p><i>Partenariat pour la Mobilisation de l'Epargne et le Crédit au Sénégal</i> [Partnership for Savings and Loan Mobilization in Senegal] (PAMECAS)</p> <p>.....</p> <p><i>Alliance de Crédit et d'Epargne pour la Production</i> [Alliance of Credit and Savings for Production] (ACEP)</p> <p>.....</p> <p><i>Compagnie Financière Africaine</i> [African Finance Company] (COFINA)</p> <p>.....</p> <p>Creditkash (BDK)</p>	<ul style="list-style-type: none"> <li>• Use of digital (mobile or tablet) in savings collection, repayment or credit disbursement operations.</li> <li>• Strategies by authorized agents.</li> <li>• Integration with EMLs or third-party operators to offer account to e-wallet transfers and vice versa.</li> </ul>

At the time of the annual survey, the following financial services shown in table 2 were available in the market.

**Table 2**  
Digital financial services offered in the Senegalese market (at the time of the annual survey)

Provider types			
 Digital currency institutions	 Postal financial services	 Microfinance institutions	 Third-party operators
Products			
<ul style="list-style-type: none"> <li>• Domestic P2P transfers</li> <li>• Money transfers with code</li> <li>• Cash-in</li> <li>• Cash-out</li> <li>• Airtime top-ups</li> <li>• International remittances</li> <li>• Merchant payments</li> <li>• Bill payments</li> <li>• Bank-to-wallet/wallet-to-bank transfers ('push and pull' services)</li> <li>• Bulk payments</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic P2P transfers</li> <li>• Money transfers with code</li> <li>• Cash-in</li> <li>• Cash-out</li> <li>• International remittances</li> <li>• Airtime top-ups</li> <li>• Merchant payments</li> <li>• Bank-to-wallet transfers</li> </ul>	<ul style="list-style-type: none"> <li>• Cash-in</li> <li>• Cash-out</li> <li>• Savings (other than by digital currency account)</li> <li>• Airtime top-ups</li> <li>• Loan repayment services</li> <li>• Merchant payments</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic P2P* transfers</li> <li>• Money transfers with code</li> <li>• Cash-in</li> <li>• Cash-out</li> <li>• Airtime top-ups</li> <li>• Bill payments</li> <li>• Merchant payments</li> <li>• Bank-to-wallet/wallet-to-bank transfers ('push and pull' services)</li> <li>• Digital savings and credit</li> <li>• Distribution services</li> </ul>

\* Acronym: P2P, person-to-person

In 2017, there were some interesting initiatives in the DFS sector in Senegal, which demonstrates the enthusiasm of Senegalese providers and authorities.

Among providers, rapid money transfer operators are very active and are moving towards offering e-wallet services. For example, Joni Joni has made significant marketing efforts to expand its Vitfé e-wallet service.

An increasing number of banks are launching mobile banking services. For example, Ecobank has launched a mobile application connected to a digital currency account called Xpress account, as well as the Masterpass QR merchant payment solution. The *Société Générale de Banques au Sénégal* has launched a digital currency account called YUP. Meanwhile, the Bank of Dakar has created a joint venture with the national network of money transfer providers (i.e., *Réseau National des Prestataires d'Argent*) to create a new e-wallet solution.

In addition to traditional financial service providers, the market has also seen an increase in many fintech companies. InTouch, Wizall, PayDunya and MaTontine are among the most popular of these companies.

Microfinance institutions are also migrating towards DFS; the first step they have taken is to strengthen their information systems and to use mobile and tablet devices to accelerate their operations.

In terms of regulation, BCEAO is very committed and is working to establish conditions for interoperability to integrate DFS providers. The Interbank Electronic Banking Group of WAEMU (*Groupement Interbancaire Monétique*, or GIM-WAEMU), the body that provides clearing between banking operators in the WAEMU zone, has been selected as the platform for implementing this project.

Not to be left behind, the Government of Senegal is supporting implementation of the Regional Financial Inclusion Strategy (*Stratégie régionale d'inclusion financière*, or SRIF) adopted by BCEAO in 2016, by establishing a national committee (*Comité national de Suivi de la mise en oeuvre*, or CNSMO) to monitor implementation of the SRIF and by defining a national financial inclusion strategy.

Despite these significant advances, DFS are still overwhelmingly first-generation products and used more in urban areas than in rural areas.



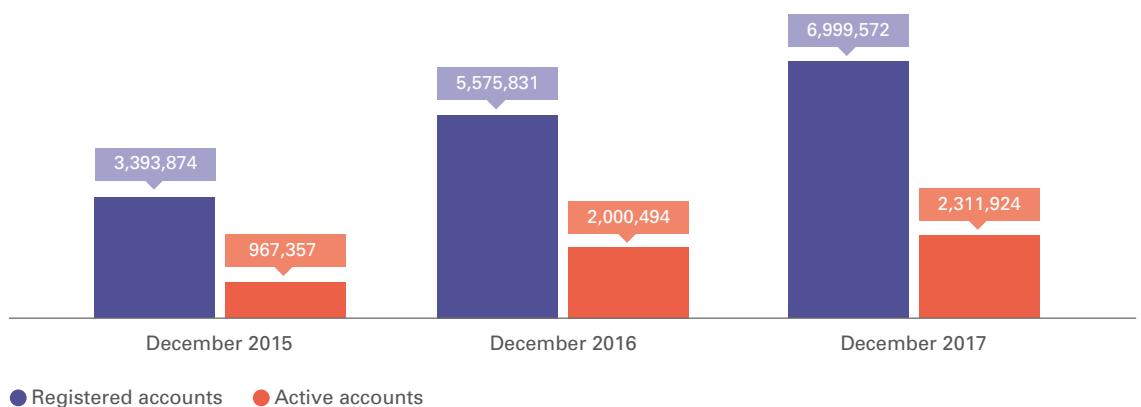
## Customer accounts

**Registered and active accounts.** Compared with the previous year, growth in the number of registered and active accounts decreased significantly, but remains positive. While the number of registered accounts increased by 64 percent between December 2015 and December 2016, growth was lower in 2017, at around 25 percent. However, annual growth in active accounts reached 107 percent in 2016, compared with 16 percent in 2017. Figure VI demonstrates these trends.

Figure VII shows that the quarterly growth rate of the customer base recorded in 2017 was more stable than the quarterly growth rate of the active customer base. Although negative in the first two quarters, the growth rate of the active customer base increased over the last two quarters of 2017, rising by 10 percent in the last quarter.

**Figure VI**

Registered and active accounts (December 2015, 2016 and 2017)



● Registered accounts ● Active accounts

Source: BCEAO 2017 survey

**Figure VII**

Customer base quarterly growth rate (2017)

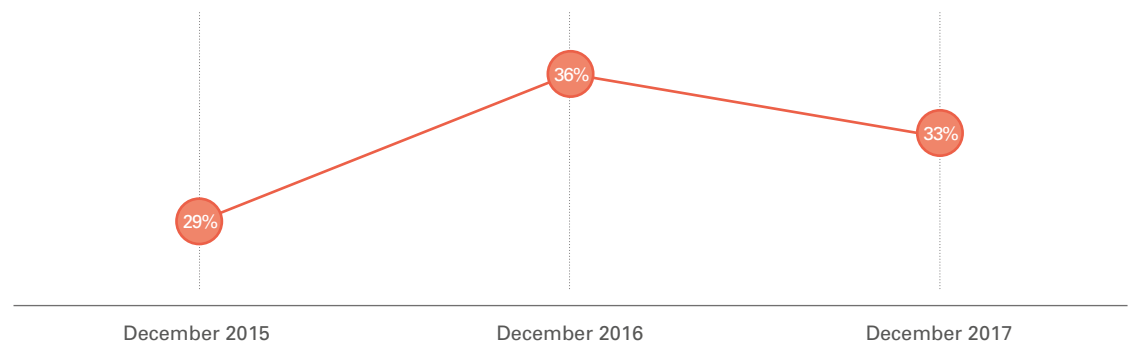


● Registered customer base ● Active customer base

Source: BCEAO 2017 survey

**Customer activity rate.** This rate, shown in figure VIII, represents the proportion of registered accounts that are active, which means that at least one transaction has been completed in the last 90 days.

**Figure VIII**  
Customer activity rate (December 2015, 2016 and 2017)



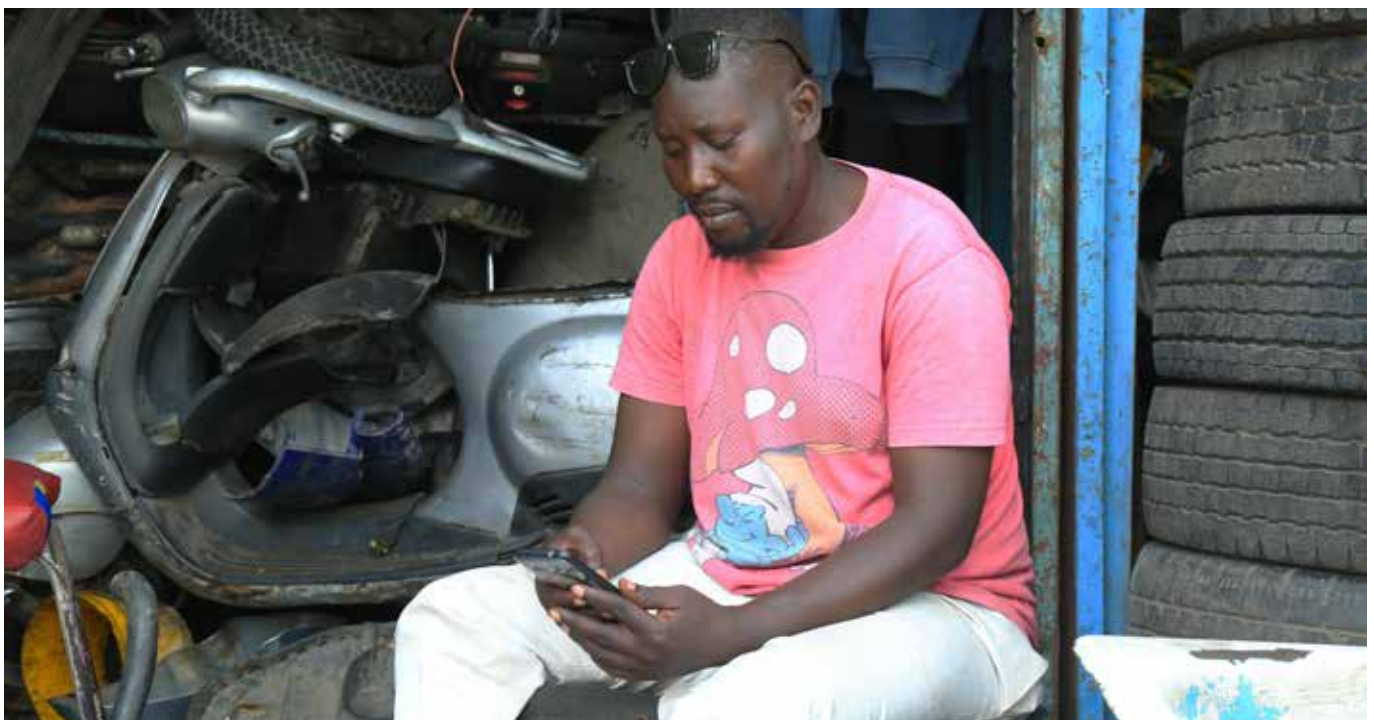
Source: BCEAO 2017 survey

The customer activity rate has remained relatively stable over the past three years, increasing to 36 percent in 2016 and then stabilizing at 33 percent by December 2017. Customer use has therefore improved somewhat since 2015, but further efforts are needed to build customer loyalty, especially since, at the end of 2017, 67 percent of registered accounts had not seen any activity over the past 90 days.

These results show, on the one hand, the growing importance of digital solutions in people's financial transactions and, on the other, the significant effort still required by DFS providers in terms of building customer loyalty around usage.

**Types of transactions carried out at a customer-activated terminal.** In December 2017, clients carried out 17.2 million transactions, with a total value of XOF 159 billion (US\$276.7 million).<sup>7</sup>

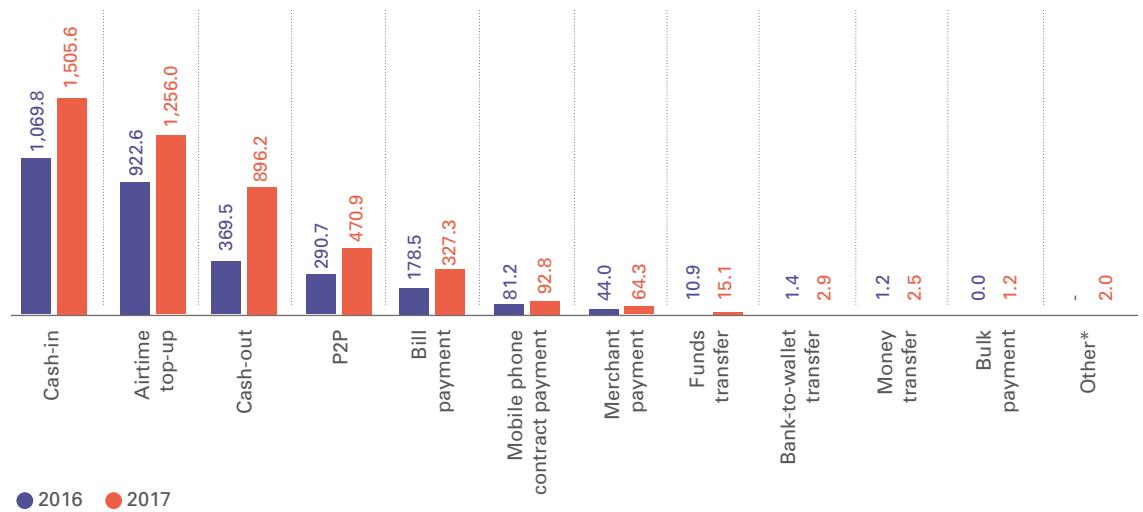
Figure IX shows the number of unique customers, by service type, in December 2016 and December 2017, while figure X breaks down product types by transaction volume and value. Compared with the end of 2016, the DFS that have seen the most progress in terms of customer use are money withdrawals, money transfers with code and transfers from a bank account to a digital currency account. These transactions had increased by 143 percent, 114 percent and 109 percent, respectively, by the end of 2017.



<sup>7</sup> Currency conversion rate: US\$1 = XOF 574.544 (Source: <https://treasury.un.org/operationalrates/OperationalRates.php>, 1 February 2019). Note: This rate was used throughout this report when United States dollar equivalents were provided for African Financial Community francs.

**Figure IX**

Number (in thousands) of active customer accounts by product type (2016 and 2017)

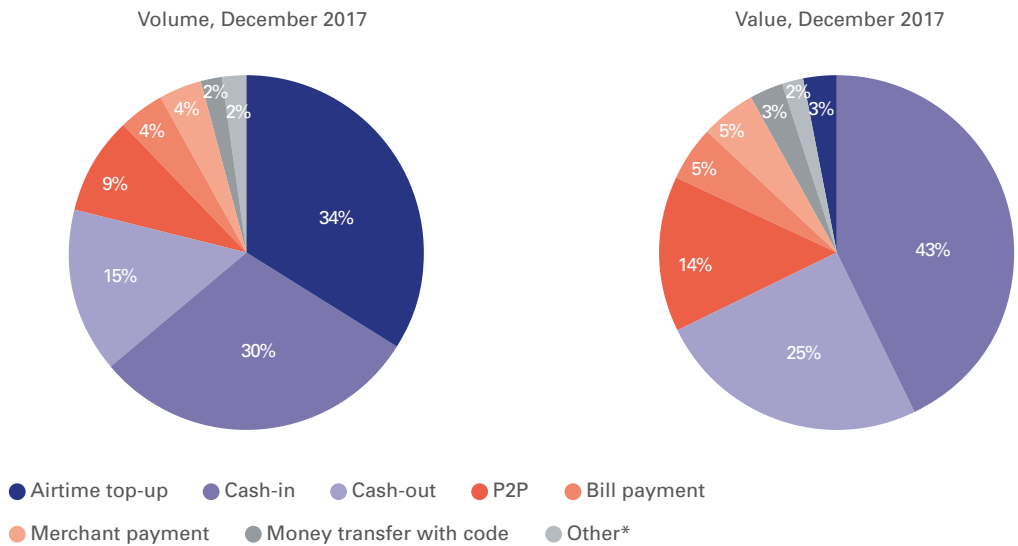


Source: BCEAO 2017 survey

\* Other: international remittances, digital savings, disbursement or repayment of digital credit, payment of insurance premiums, payout of insurance claims and transfer of funds from a bank account to a mobile account.

**Figure X**

Breakdown of the product types, by volume and value (December 2017)



Source: BCEAO 2017 survey



- **Person-to-person (P2P) transfers.** P2P transactions rank fourth in terms of the number of transactions made during December 2017. With a relatively high average transaction value of XOF 13,533 (US\$24), they account for 14 percent of the total value of transactions carried out in Senegal in December 2017.



- **Airtime top-ups.** Airtime top-ups represent up to one third of the total number of transactions made over a month. However, these transactions typically involve small amounts. As a result, airtime top-ups represent only 6 percent of the total value of transactions made over a month. On average, an airtime top-up transaction amounts to XOF 896 (US\$2).



- **Cash-in transactions.** In terms of total transaction value, cash-in transactions generate the highest value (43 percent of the total value of transactions made during December 2017). Similarly, in terms of the number of transactions carried out, cash-in represents 30 percent of the total volume of transactions carried out during December 2017. This corresponds to an average transaction of XOF 13,286 (US\$23).



- **Cash-out transactions.** Cash-out transactions are ranked third in terms of the number of transactions carried out in Senegal and second in terms of the total value of transactions. The average value of a cash-out transaction equals XOF 15,156 (US\$26).



- **New services in 2017.** During 2017, providers diversified their portfolio of products offered in the digital finance market. Thus, Senegal is witnessing the infancy of digital savings products, loan disbursement and repayment via digital channels and insurance products such as payment of insurance premiums or pay-out of claims. As these products were not available in 2016, they are not shown in figure X on the previous page.



- **OTC transaction types.** According to the survey, 514,000 OTC transactions were carried out in December 2017, by 46,000 customers, with a total value of over XOF 16 billion (US\$27.8 million). These OTC transactions mainly involve airtime top-ups, deposit into or withdrawal from a personal account, or sending and withdrawing of money.



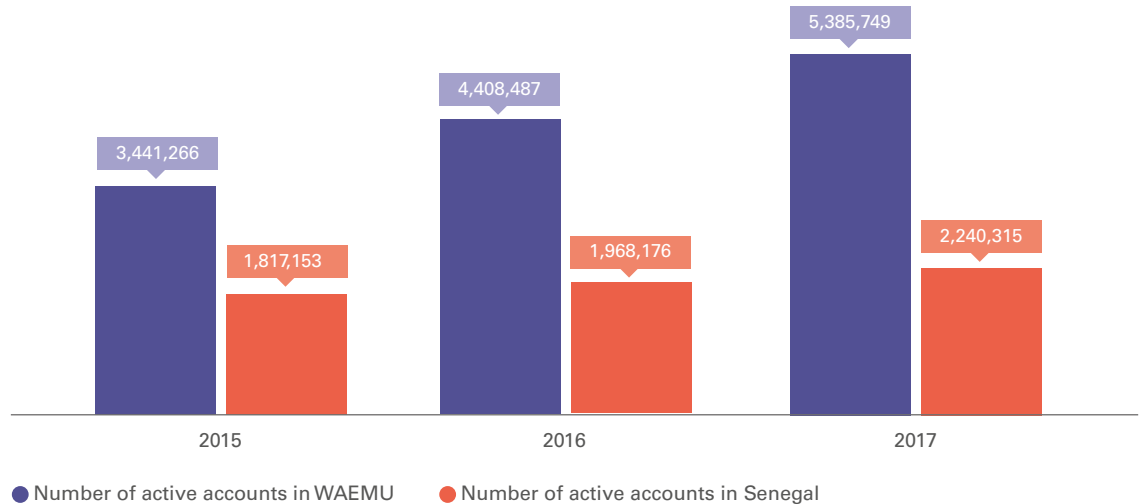


## BCEAO customer statistics

Figure XI gives a brief overview of the evolution of DFS in the WEAMU zone and in Senegal since 2015, according to BCEAO statistics.

### Figure XI

Growth of active accounts in WAEMU and Senegal (2015–2017)



● Number of active accounts in WAEMU ● Number of active accounts in Senegal

Source: BCEAO 2017 survey

These figures confirm the trends observed in the UNCDF-MM4P annual provider survey in terms of the number of active accounts (in 2016 and 2017).

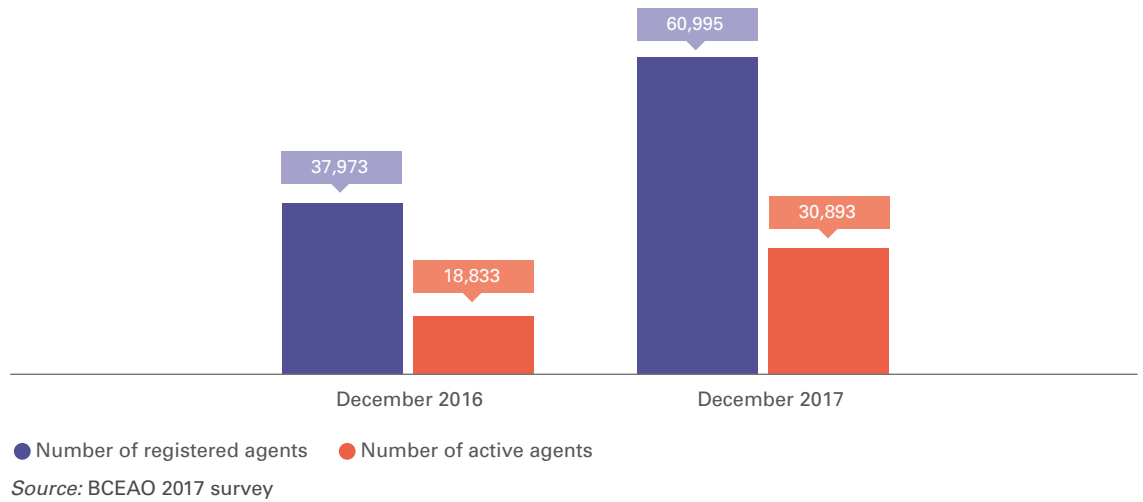


## Agents

Working directly with customers, agents are the first and sometimes only point of contact for customers to interact with DFS providers. In Senegal, MNOs and traditional providers of OTC money transfers are those who work most closely with agents; therefore, they have developed fairly solid networks. Banks that offer DFS have also deployed their own networks of agents.

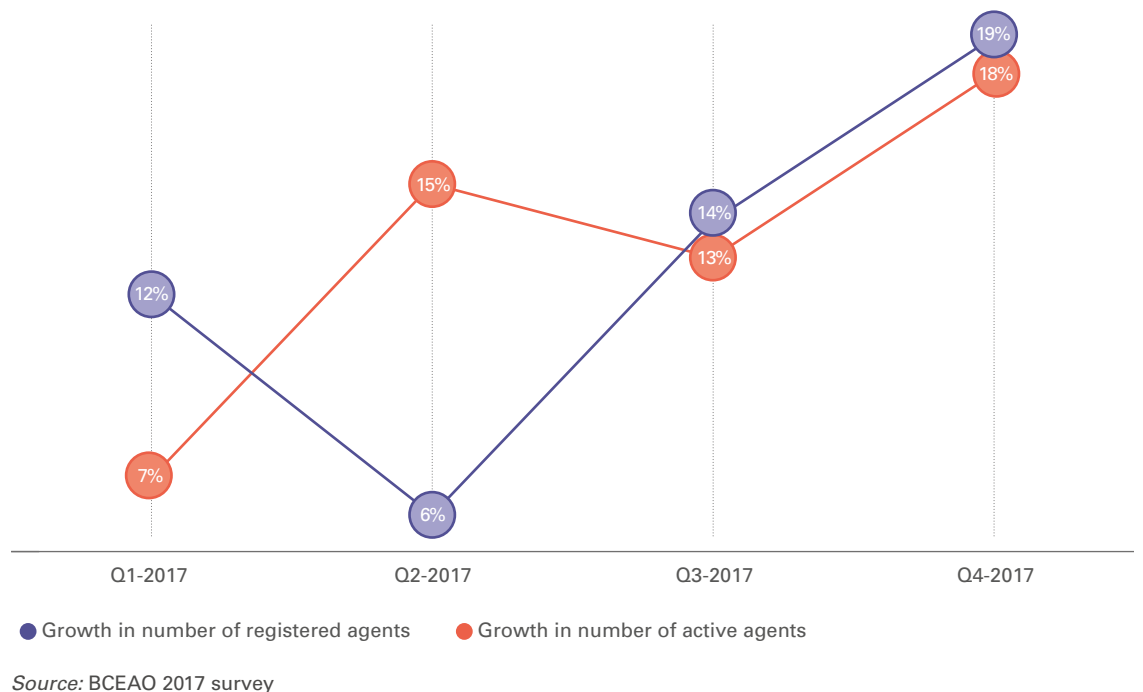
**Number of registered and active agents.** The number of registered agents has increased significantly in Senegal, growing by 60 percent between December 2016 and December 2017. Growth has been relatively constant over the course of the year, as can be seen in figure XII. The number of active agents has also increased, showing an annual increase of 64 percent between December 2016 and December 2017. Given the low level of agent exclusivity (i.e., an agent generally works on behalf of several DFS providers), this figure represents 341 active agents per 100,000 inhabitants in December 2017, compared with 214 active agents per 100,000 inhabitants in December 2016.

**Figure XII**  
 Number of registered and active agents (December 2016 and 2017)



**Agent activity rate.** Despite the constant growth in active agents (see figure XIII), it is interesting to note that, in December 2017, half of the registered agents were inactive (an agent is considered active if they have recorded at least one transaction in the previous month).

**Figure XIII**  
 Growth in number of registered and active agents (2017)



**Agent profiles.** Some providers report that 20–35 percent of their agents work in rural areas, but in the absence of data from many providers, it is impossible to establish the exact profile of agents.



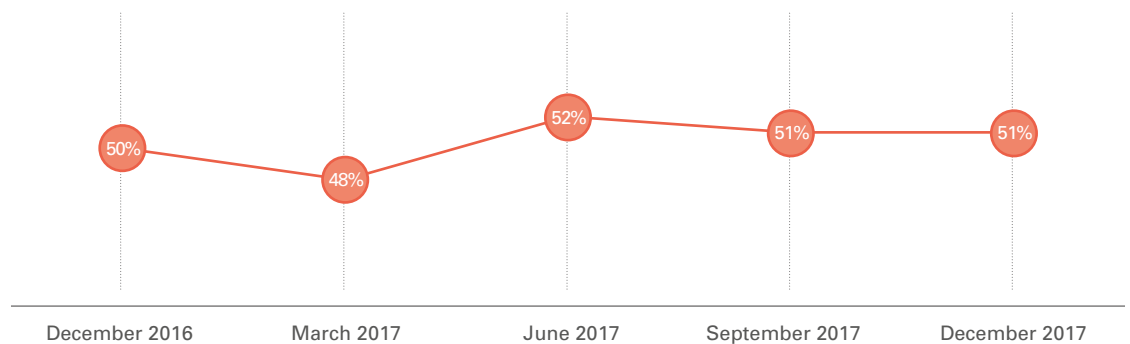
## Merchants (payment points/mobile payment acceptors)

Merchants are the payment acceptors. Payments can be accepted remotely or on site.

**Number of registered and active merchants.** During 2017, the number of registered merchants increased slightly, from 1,080 in December 2016 to 1,311 in December 2017. The number of active merchants also increased (see figure XIV for more detail on active merchants), but at a slower pace (i.e., 9 percent growth in one year, compared with 21 percent growth in the number of registered merchants).

**Figure XIV**

Percentage of registered merchants that are active (December 2016–December 2017)



Source: BCEAO 2017 survey





## Digital financial services management: Opportunities and challenges

**Table 3**  
Performance challenges and strategies

Indicators	Findings
 <p><b>Challenges in developing or improving services for underserved populations</b></p>	<ul style="list-style-type: none"> <li>• Low literacy rate within the target population</li> <li>• Limited resources</li> <li>• Low awareness of DFS within the population</li> <li>• Coverage of mobile phone networks</li> <li>• Agent liquidity management</li> <li>• Management of the distribution network</li> </ul>
 <p><b>Challenges in developing or improving services</b></p>	<ul style="list-style-type: none"> <li>• Agent liquidity management</li> <li>• Lack of viable partnerships for business expansion</li> <li>• Regulatory barriers</li> <li>• Low literacy rate within the target population</li> <li>• Management of the distribution network</li> <li>• Limited resources</li> <li>• Coverage of mobile phone networks</li> <li>• Low customer activity rate</li> </ul>
 <p><b>Main regulatory obstacles</b></p>	<ul style="list-style-type: none"> <li>• Lack of guidance on interoperability</li> <li>• Lack of authorization for non-bank institutions to provide digital wallet services, either directly or through a subsidiary</li> <li>• Restrictions on international money transfers</li> <li>• Expensive ongoing compliance requirements</li> </ul>
 <p><b>Institutions' strategic priorities</b></p>	<ul style="list-style-type: none"> <li>• Development and introduction of second-generation services</li> <li>• Customer acquisition</li> <li>• Acquisition of quality agents</li> <li>• Expansion into rural areas</li> <li>• Increase in customer activity rate</li> <li>• New partnerships</li> </ul>

The annual survey also included qualitative questions on the performance of DFS providers and the challenges they faced.

In terms of performance, the survey revealed a genuine willingness by providers to continue their strategies to provide DFS. Although the majority of these institutions do not yet have commercially viable branches dedicated to DFS, their investment and commitment to DFS is increasing year on year.

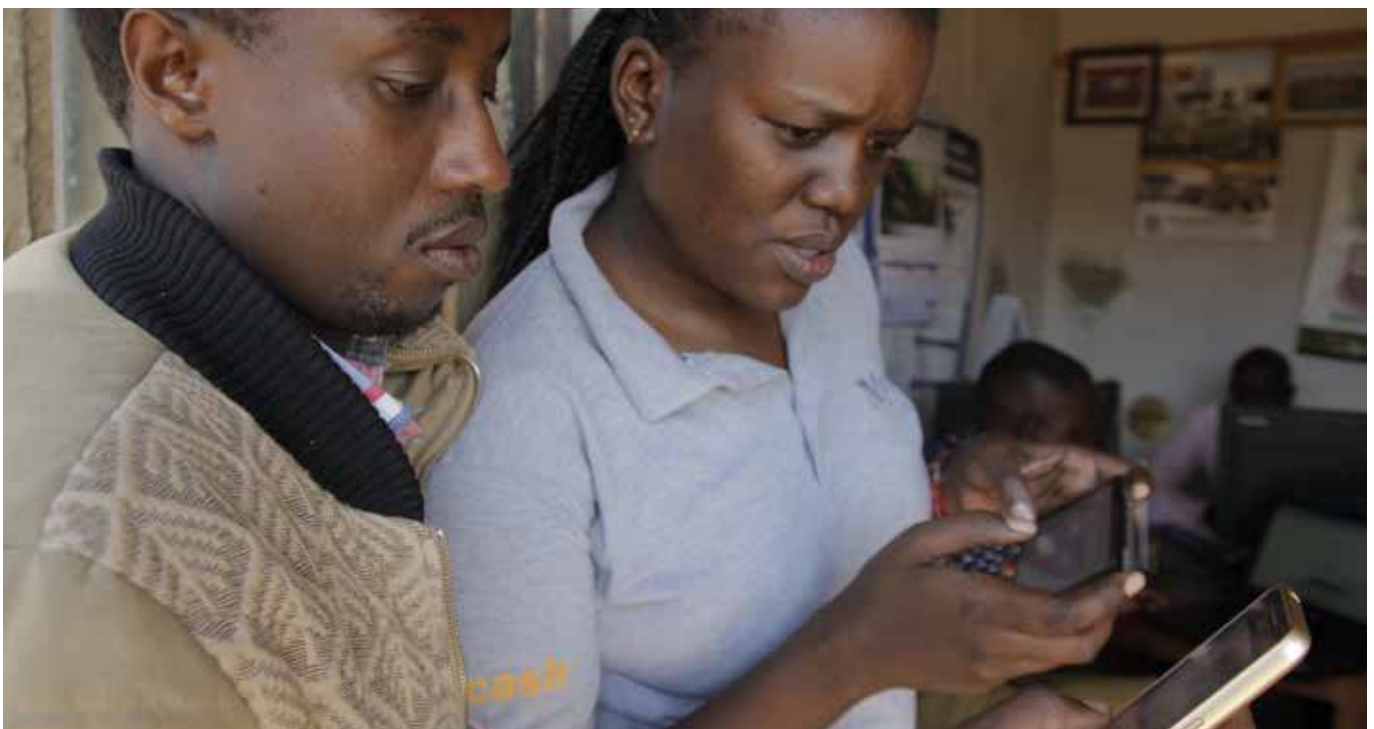
However, providers seeking to develop their offerings in the market or extend their presence on the ground face many challenges. The most frequently cited challenges are described below.

The majority of survey participants cited **management of the agent network and, in particular, liquidity management**, which is one of the major challenges in expanding their services. The supply of agents, particularly in rural areas, is subject to constraints ranging from the quality of roads to the long distances to be covered: the absence of bank branches or microfinance institutions means that agents are unable to quickly convert their cash into digital currency, or vice versa.

**Regulatory barriers** are also a constraint for operators. Although access to USSD codes is now open to non-telecom operators, the pricing prevents them from establishing sustainable projects. Also, despite a desire to expand into rural areas, microfinance institutions have to deal with a restrictive regulatory framework if they want to deploy networks of agents.

**The low literacy rate among the target population** represents a dual challenge. Not only does it require significant effort to raise public awareness of the benefits of DFS, but the cost of training agents is also high, as it is more difficult for agents in these areas to understand the new service.

A large number of operators cited the lack of guidance on interoperability as a major regulatory issue to be addressed. Such a project that would accelerate the use of DFS in Senegal. Aware of this problem, BCEAO has planned for GIM-WAEMU to integrate DFS in the near future.



A circular inset image showing the same woman from the top image, now wearing a floral patterned dress and standing in a market stall. She is smiling and looking towards the camera. The background shows market stalls and other people. The circular inset is framed by a thick orange border.

**CONCLUSION:  
THE MM4P  
PROGRAMME  
IN SENEGAL**

**4**



Having dedicated 2016 to building the capacity of digital finance operators, attracting the interest of potential providers and encouraging partnership initiatives within the ecosystem, the UNCDF-MM4P programme focused in 2017 on project implementation, providing technical assistance and financial grants to selected DFS providers in Senegal. This range of initiatives has solved various problems, such as strengthening distribution networks in rural areas, digitalizing the operations of microfinance institutions, experimenting with DFS kiosks for young people and preparing for the digitalization of pension payments in Senegal.

In addition, a new dynamic has been created within the quarterly DFS working group. Holding two working sub-groups has made it possible to examine issues related to branchless banking and fintech companies and to make concrete proposals to the regulatory authority.

The programme aims to better understand market aspirations, while promoting the integration of innovative products that meet customer needs and expectations. To do so, the programme team will explore the ecosystem, including second-generation products such as digital credit.

There will also be a focus on transformational applications that facilitate access to basic services in key sectors, such as agriculture, health, energy and education, as these sectors are levers for accelerating financial inclusion.

Regulatory authorities are party to the same dynamic, in creating a regulatory environment conducive to the development of innovative DFS that are adapted to the needs of the people of Senegal. The UNCDF-MM4P programme reiterates its commitment to all stakeholders in this ecosystem, public and private, to develop activity and increase financial inclusion in the country.





# Acknowledgements

The UNCDF-MM4P team thanks the following companies for their positive response to its digital financial service annual provider survey for 2017:





### **Disclaimer**

This report is based on data collected through the 2017 digital financial services annual provider survey and internal analysis conducted by the UNCDF-MM4P team.

### **Survey data**

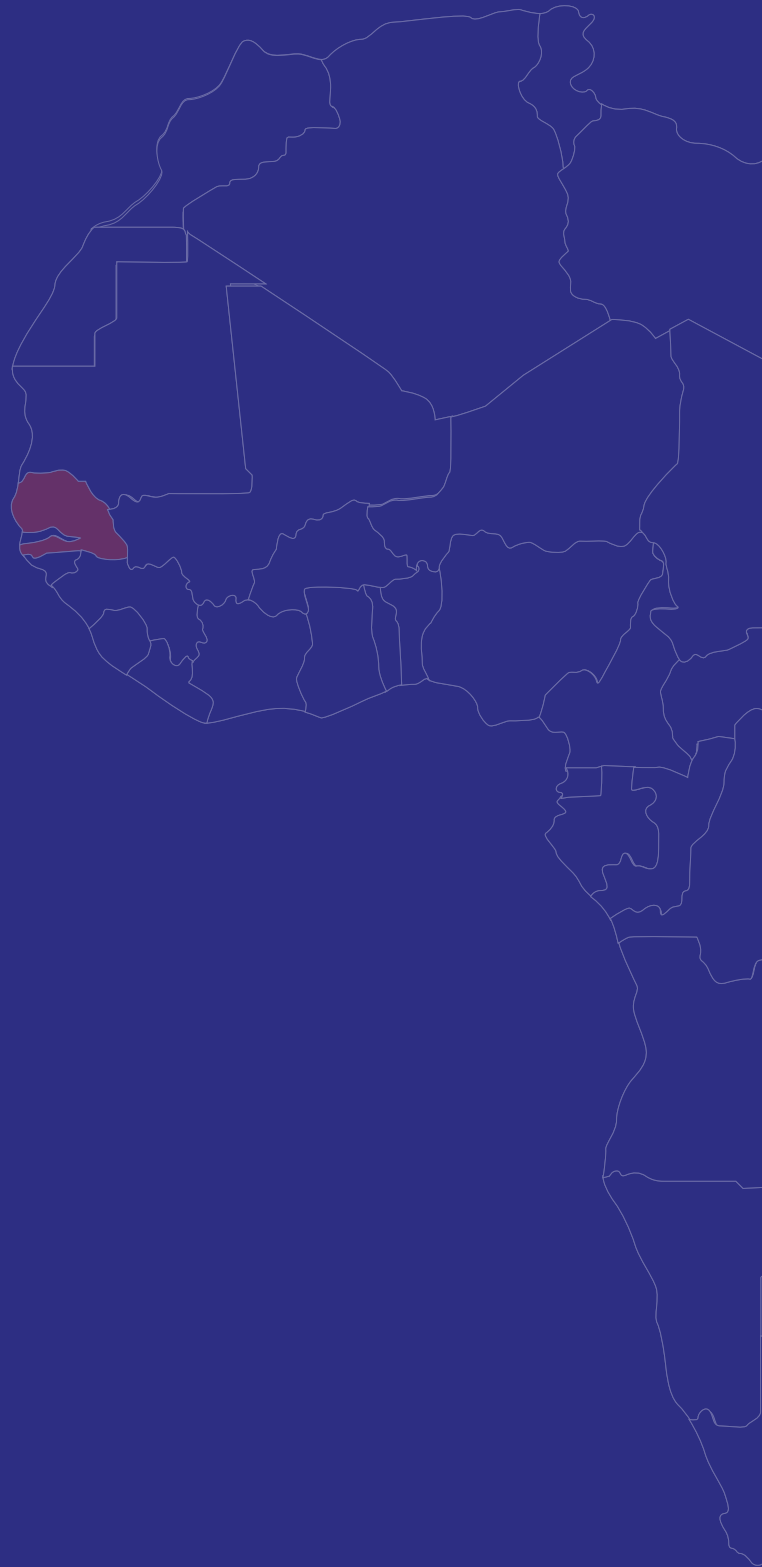
Survey data are self-reported and have not been verified independently by the UNCDF-MM4P team; however, data are thoroughly checked and crosschecked against other benchmarks and data sources.

### **Confidentiality**

Data published in this report have been presented in a way to protect the confidentiality of each provider. Any specific references or highlights in this report have only been presented with the approval of the provider to disclose key performance information.

### **Limitations**

All data in this report are self-reported. In some cases, providers have submitted partial data. None of the providers that participated in the survey had data disaggregated by gender or by rural/urban areas, which limited the level of analysis that could be completed with the data. Although this report is based solely on data submitted by six DFS providers, UNDCF expects a larger number of providers to be represented in the 2018 report.



January 2019  
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