

Pour l'expansion  
des services  
financiers digitaux



au  
Sénégal

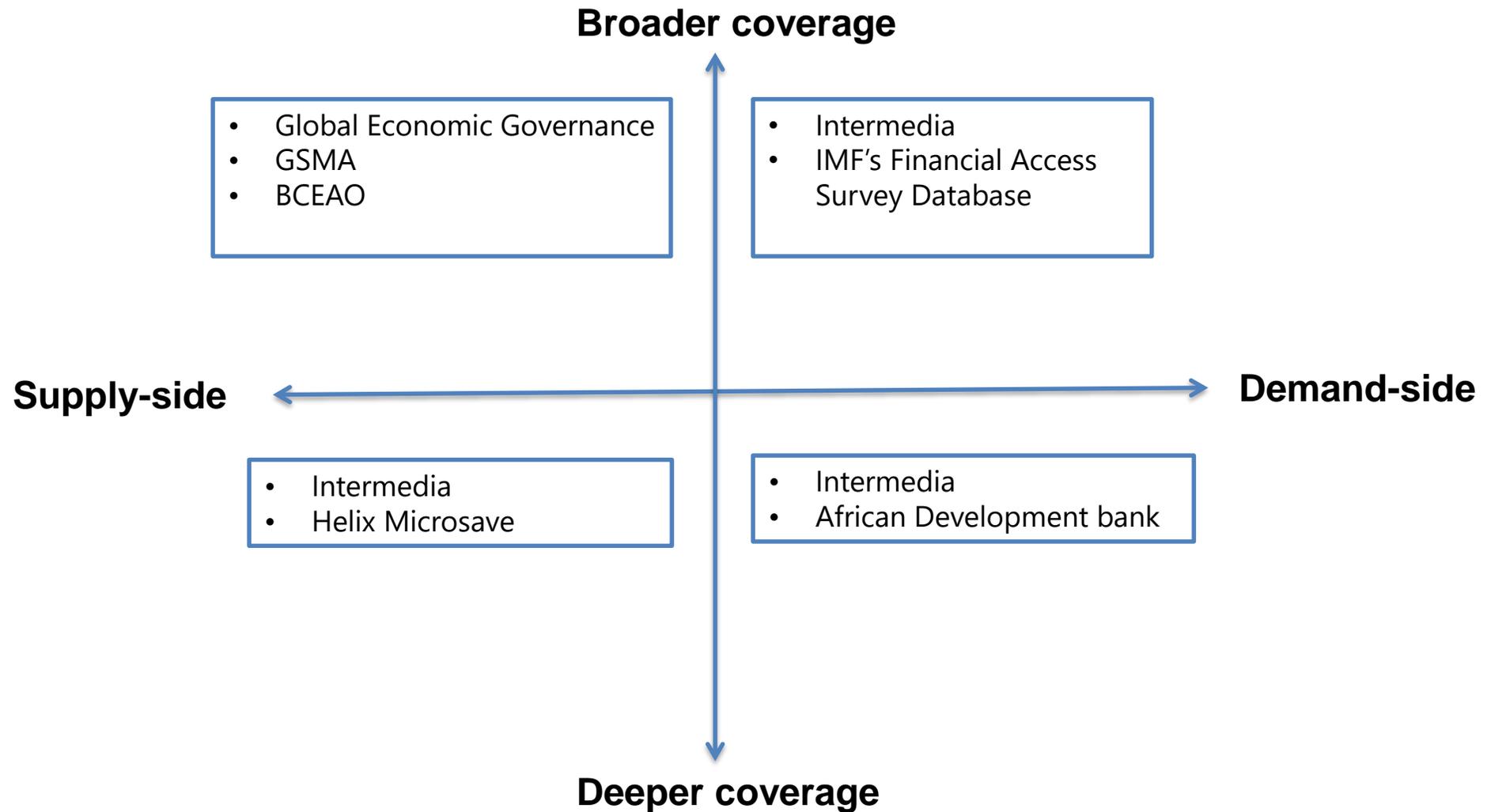


# Digital Financial Services Research Review MM4P Senegal

July, 2017

Mobile Money for the Poor

# References



# List of the acronyms

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ANA: Agent Networks Accelerator

ARTP: Autorité de Régulation des Télécommunications et des Postes

BCEAO: Banque Central des Etats de l'Afrique de l'Ouest

DFS: Digital Financial Services

MFI: Micro-finance institution

MNO: Mobile Network Operator

OTC: Over-the-counter

GIM: Groupement Interbancaire Monétique

G2P: Government-to-peer

P2P: Peer-to-peer

P2G: Peer-to-government

UEMOA: Union Economique et Monétaire Ouest Africaine

WB: World Bank

# Outline of the presentation

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MM4P

The State  
of  
Financial  
Inclusion  
Landscape

The  
Supply  
Side

Agent  
networks

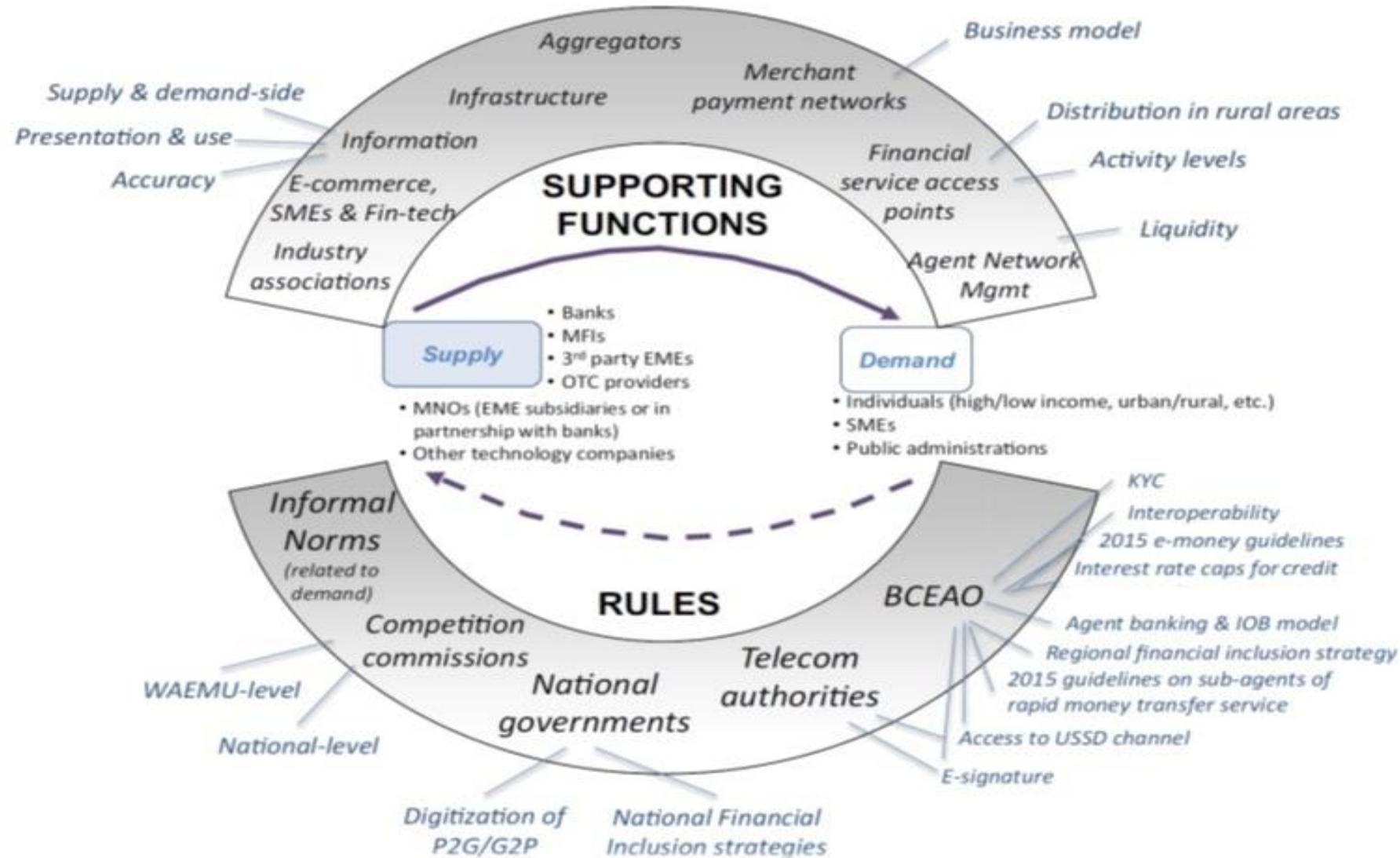
The  
Demand  
Side

Building a  
DFS  
ecosystem  
in Senegal

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# *The State of Financial Inclusion in Senegal*

# DFS system in UEMOA



# DFS regulatory framework is particularly enabling



Senegal is a member of UEMOA and hosts the regional switch GIM-UEMOA (Groupement Interbancaire Monétique de l'Union Economique et Monétaire Ouest Africaine).

The DFS market in all 8 UEMOA countries is regulated by the **BCEAO** which is the main institution regulating financial sector activities in the region including e-money. The regulatory framework for e-money is the same across the eight member states of UEMOA and it is considered favourable for mobile money, in large part because bank-led and non-bank mobile money providers can obtain licenses for mobile money products and compete.

BCEAO has set a target of 75 percent of adults to be formally included in the financial sector by 2020 and it has recently developed a regional financial inclusion strategy to meet this goal. (Vasudevan, 2016)

**BCEAO's 2015 e-money guidelines (n°008-05-2015)** clarifies the roles and obligations of different stakeholders in the e-money value chain, particularly those of the banks' vis-à-vis technical operators (e.g., MNOs). To accompany these new guidelines, BCEAO has developed and adopted a specific supervisory framework for monitoring e-money issuance and distribution.

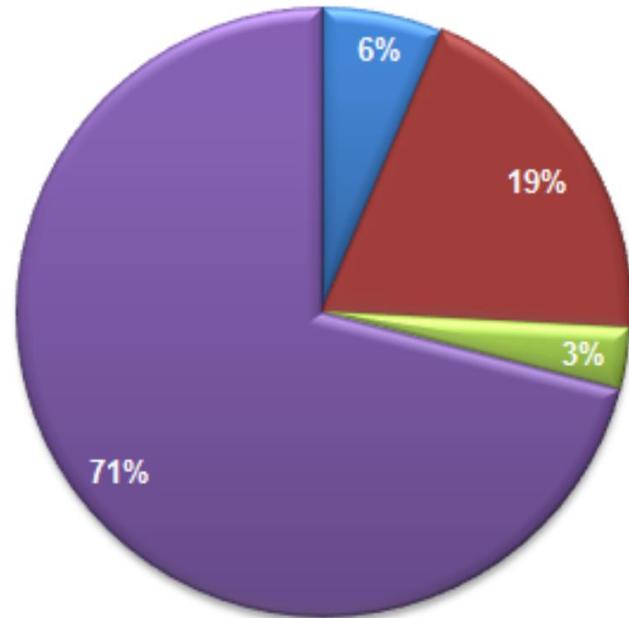
BCEAO is shifting to a model in which non-bank institutions can apply for e-money issuer licenses with which they will be able to launch standalone deployments without needing the support of a bank, although they will still need to rely on a partner (a bank or MFI) to hold the trust account.

# A snapshot of Senegal demographics

- Population: **15.1** ( United Nations, World Population Prospects, 2015)
- Estimated adult population (millions): **8.5** (United Nations, World Population Prospects, 2015)
- GDP per capita: (USD) **1,067** (World Bank 2014). **1,042** ([Tradingeconomics.com](http://Tradingeconomics.com) 2015)
- % of population living on less than \$1.90 a day: **38%** (WB Poverty & Equity Databank and PovcalNet, 2011).
- Total financial inclusion (% of adult population, including MFIs, Poste & MM): **17%** (**11%** women) ( Global Findex 2014) . **30%** (CGAP, 2015)
- Urban population: **43%**
- Access to electricity: **56.5%** (World Bank, 2016)



# Cash is so relevant also because informal financial institutions continue to play a key role in fulfilling the financial needs of Senegalese adults



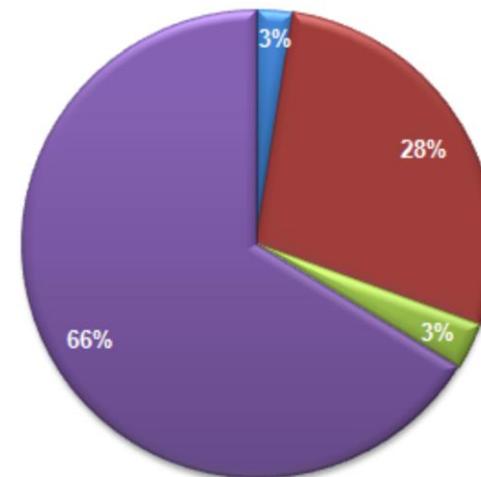
Type of saving institution

- Seulement formel
- Seulement informel
- Formel et informel
- Aucun

19% of Senegalese adults only use informal saving institutions\*

28% of Senegalese adults only use informal credit institutions

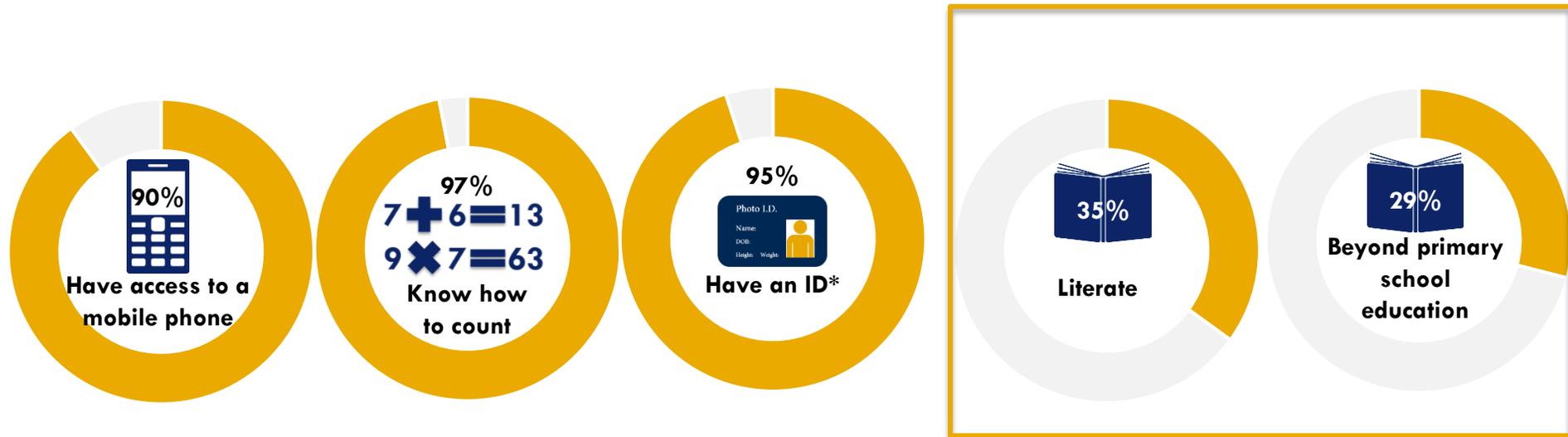
Type of credit institution



- Seulement formel
- Seulement informel
- Formel et informel
- Aucun

\*Senegal's repertoire of informal financial institutions includes tontines, caisse de solidarité and banquiers ambulants (Kane, 2010)

# Indicators of DFS readiness



**These five factors contribute to DFS readiness**

Source: InterMedia Senegal Financial Inclusion Insights for MM4P, October 2015-February 2016 (N=2,845, 15+). The percentages refer to a statistically significant sample of 2,845 Senegalese adults

\*In May 2016, Malaysian secure identity solutions firm Iris Corp won a contract worth 346.2 million Malaysian ringgit (US\$83.9 million) from Senegal for the supply of 10 million identification biometric cards over five years.

# Comparing elements of DFS readiness across Africa and Asia



## Elements of DFS Readiness

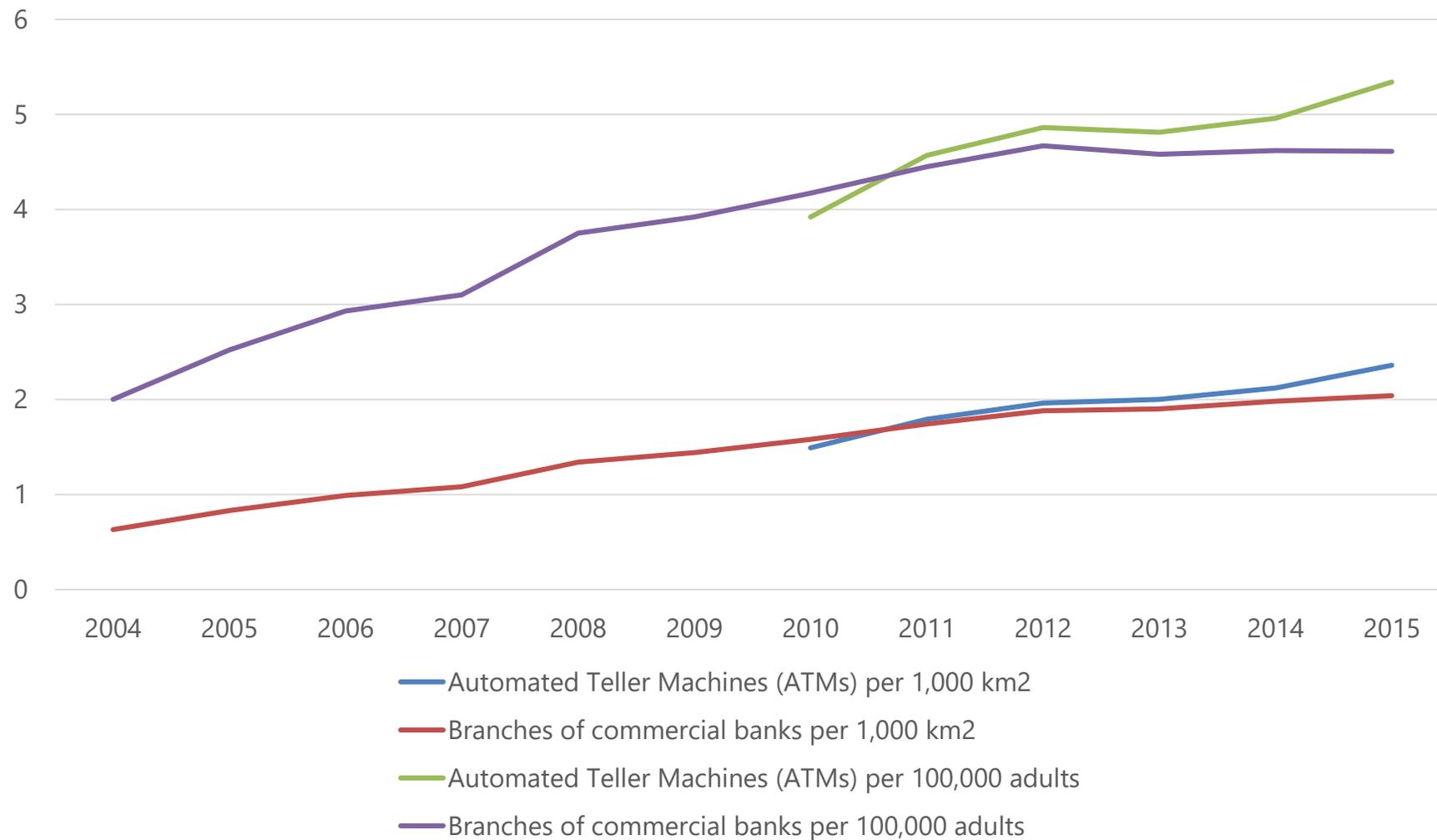
(Shown: All adults in country)

2015/16:	Senegal	Benin	Indonesia	Kenya	Nigeria	Pakistan	India	Tanzania	Uganda	Bangladesh
Access to a phone	90%	75%	79%	93%	93%	76%	90%	96%	85%	96%
Have national ID	95%	97%	94%	77%	32%	89%	82%	11%	41%	0.6%
Literacy	35%	36%	95%	83%	78%	65%	66%	84%	57%	60%
Numeracy	97%	99%	98%	98%	96%	95%	95%	96%	80%	98%
Beyond Primary School Education	29%	32%	60%	47%	73%	46%	58%	24%	39%	49%

Source: Intermedia, 2015

**Low levels of literacy and education are important issues in Senegal**

# Recent years have seen an increase in the number and penetration of ATMs and bank branches

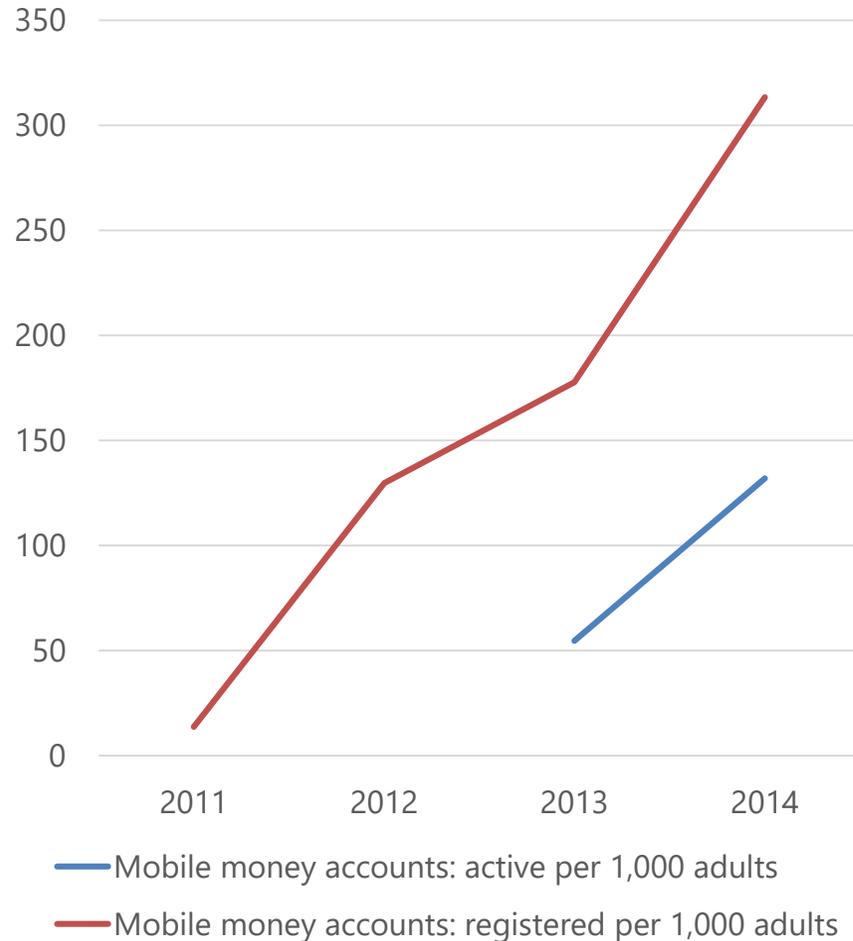


# Over the past few years there has been a steady increase in the number of...

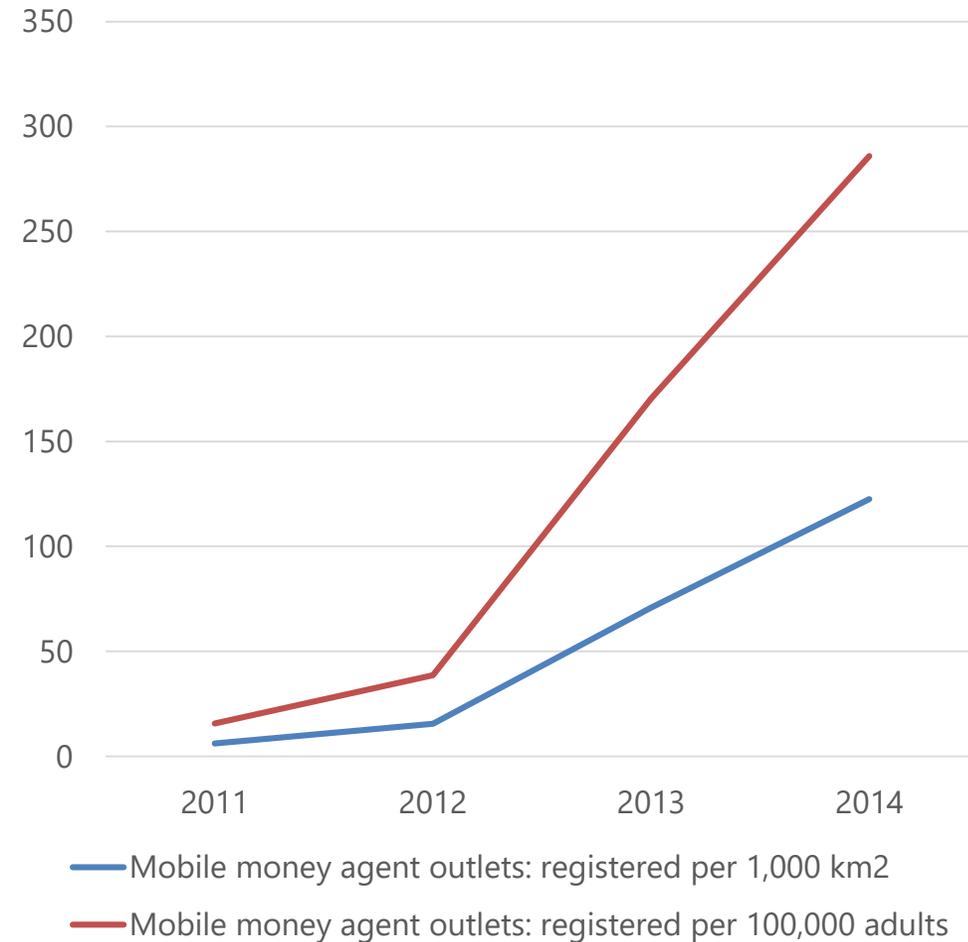


MM4P

### ...mobile money account holders and registered users



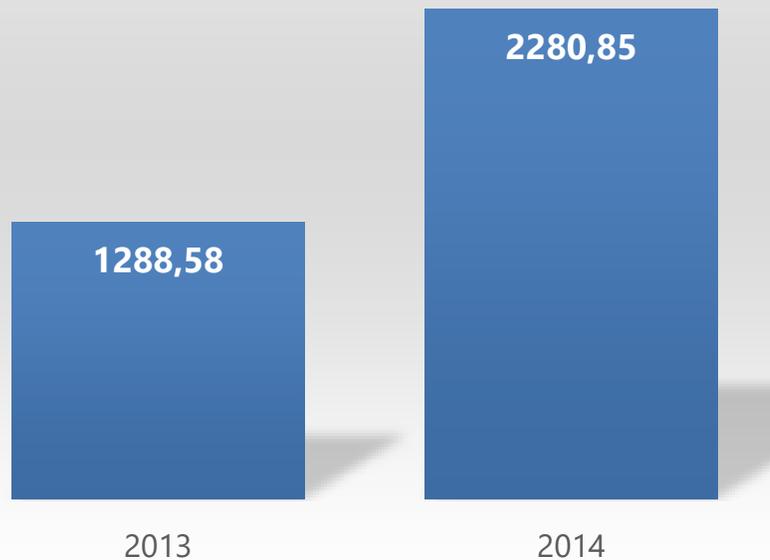
### ...and mobile money agent number and penetration



Source: IMF's Financial Access Survey Database

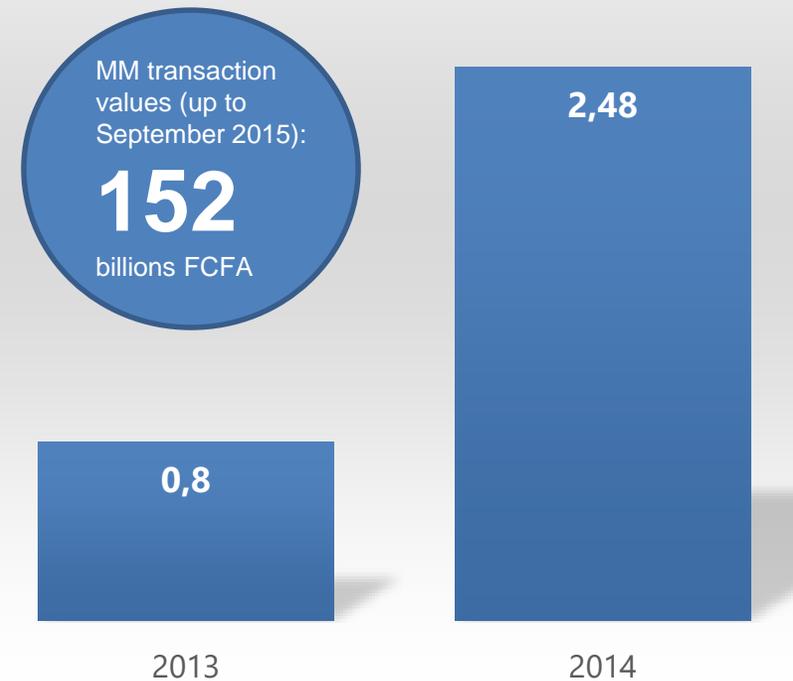
# The number of mobile transactions has increased in volume and value

Mobile money transactions:  
number per 1,000 adults



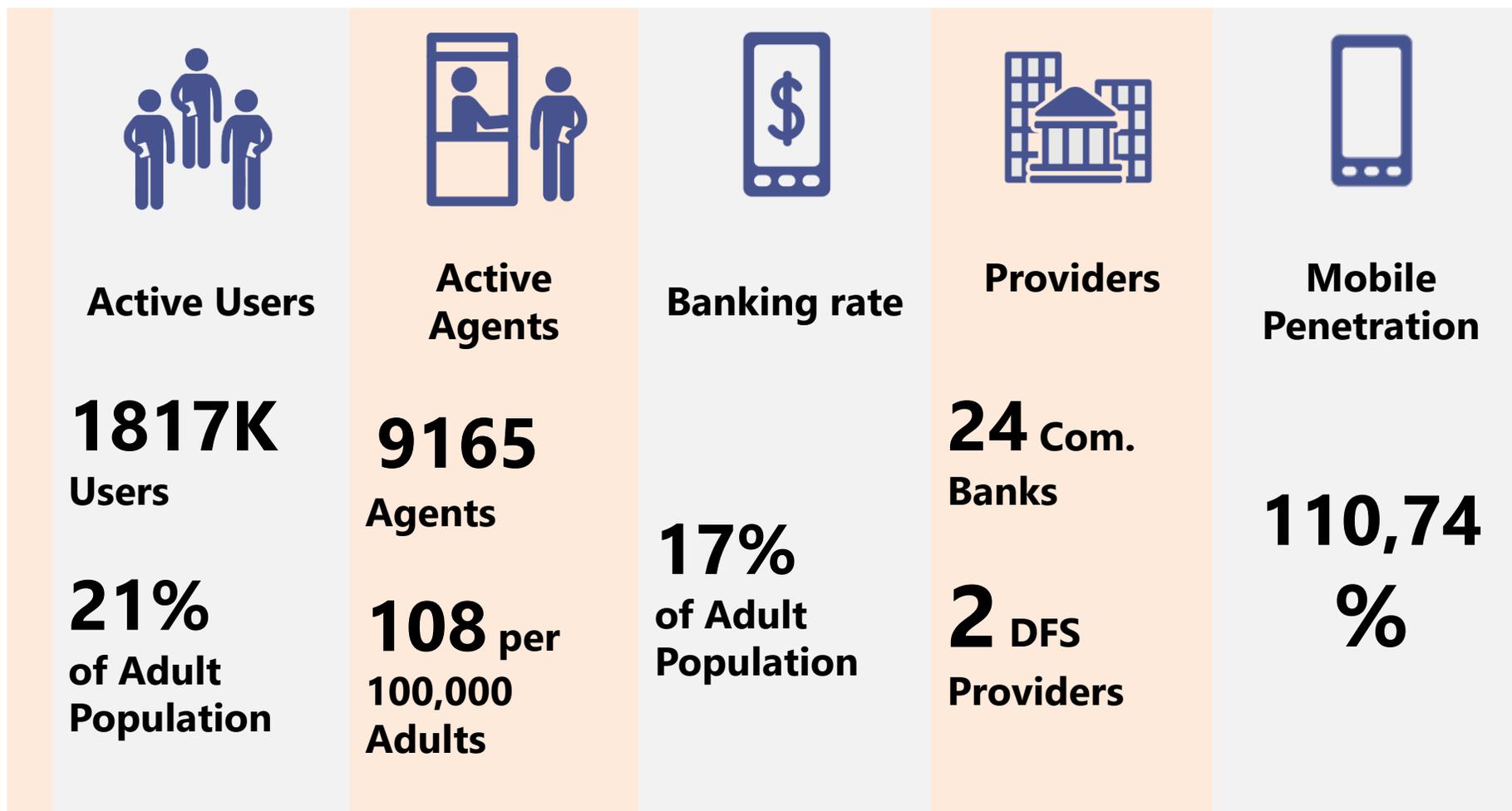
Mobile money transactions:  
value (% of GDP)

■ Mobile money transactions: value (% of GDP)



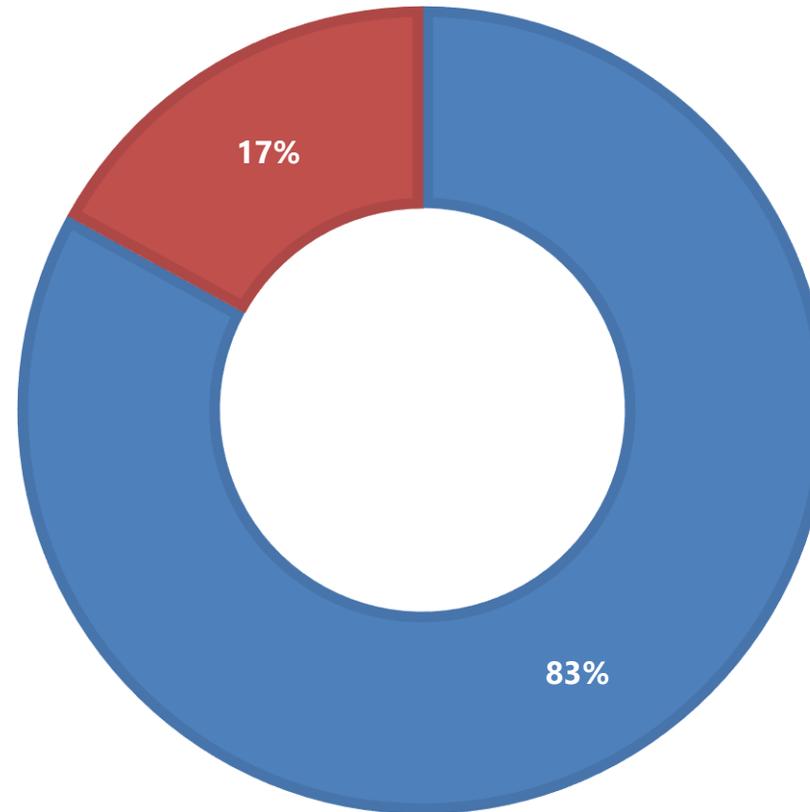
Source: IMF's Financial Access Survey Database

# A snapshot of Senegal financial landscape



# However, despite recent advances in financial inclusion, 83% of Senegalese adults remain financially excluded

■ Financially Excluded ■ Financially Included



The figure only includes those having a bank account in their own name. It does not take into consideration the usage of digital financial services without an account.

Source: BCEAO (2016)

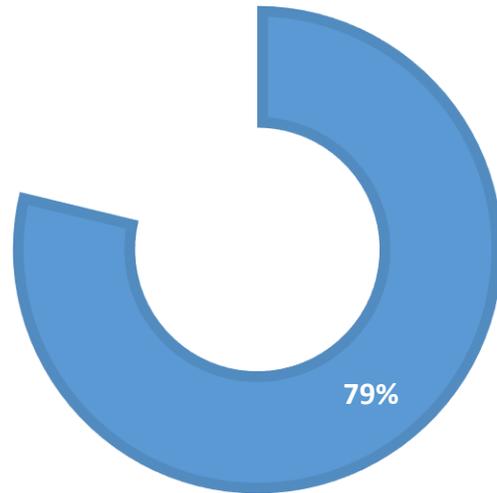
# The rate of inclusion is lower than in other African and South Asian countries...

	Kenya	India	Tanzania	Bangladesh	Uganda	Nigeria	Indonesia	Benin	Senegal	Pakistan
Financial inclusion	69%	65%	62%	43%	39%	37%	24%	20%	15%	9%
Mobile money ownership	67%	65%	61%	9%	35%	1%	24%	9%	8%	1%
Full service NBFi ownership	11%	9%	1%	24%	6%	3%	3%	9%	4%	1%
Full service bank ownership	27%	63%	8%	19%	11%	37%	23%	8%	7%	7%

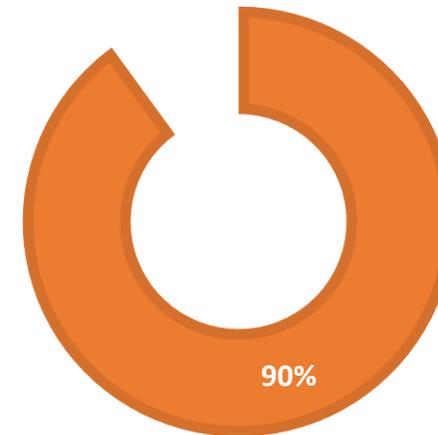
Source: Finscope, 2016

# and it varies across gender...

FINANCIALLY EXCLUDED MEN



FINANCIALLY EXCLUDED WOMEN

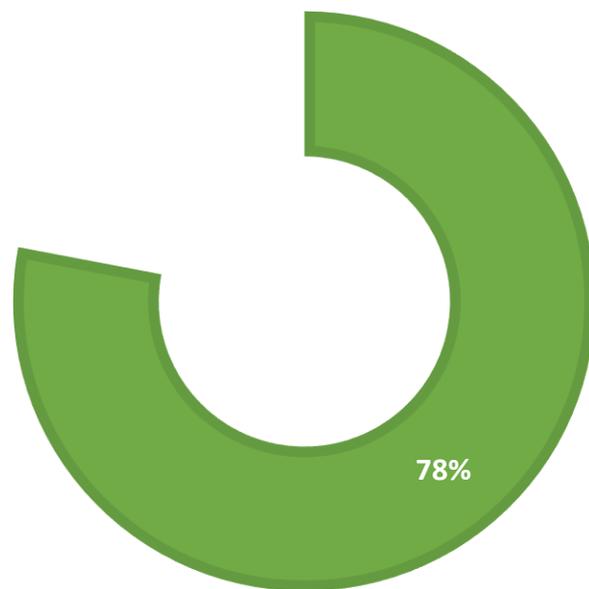


**Men are more financially included than women**

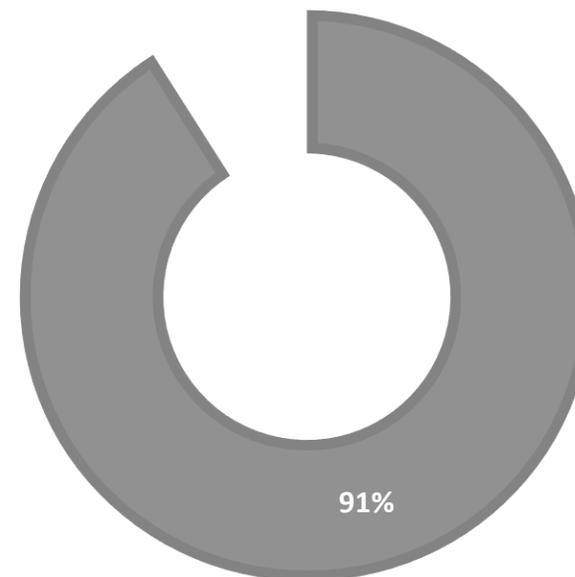
\* Source: Intermedia, 2016

# ... areas...

FINANCIALLY EXCLUDED URBAN POPULATION



FINANCIALLY EXCLUDED RURAL POPULATION

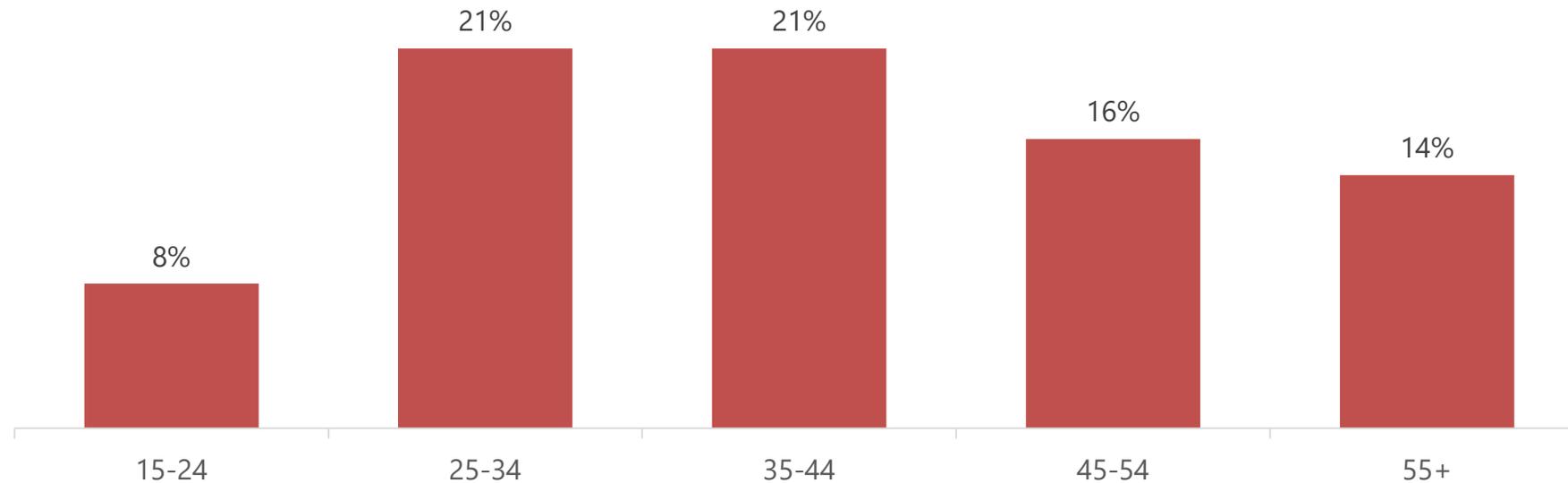


**Urbanites are more financially included than rural dwellers**

*Source: InterMedia Senegal Financial Inclusion Insights for MM4P, October 2015-February 2016 (N=2,845, 15+).*

# ...demographics...

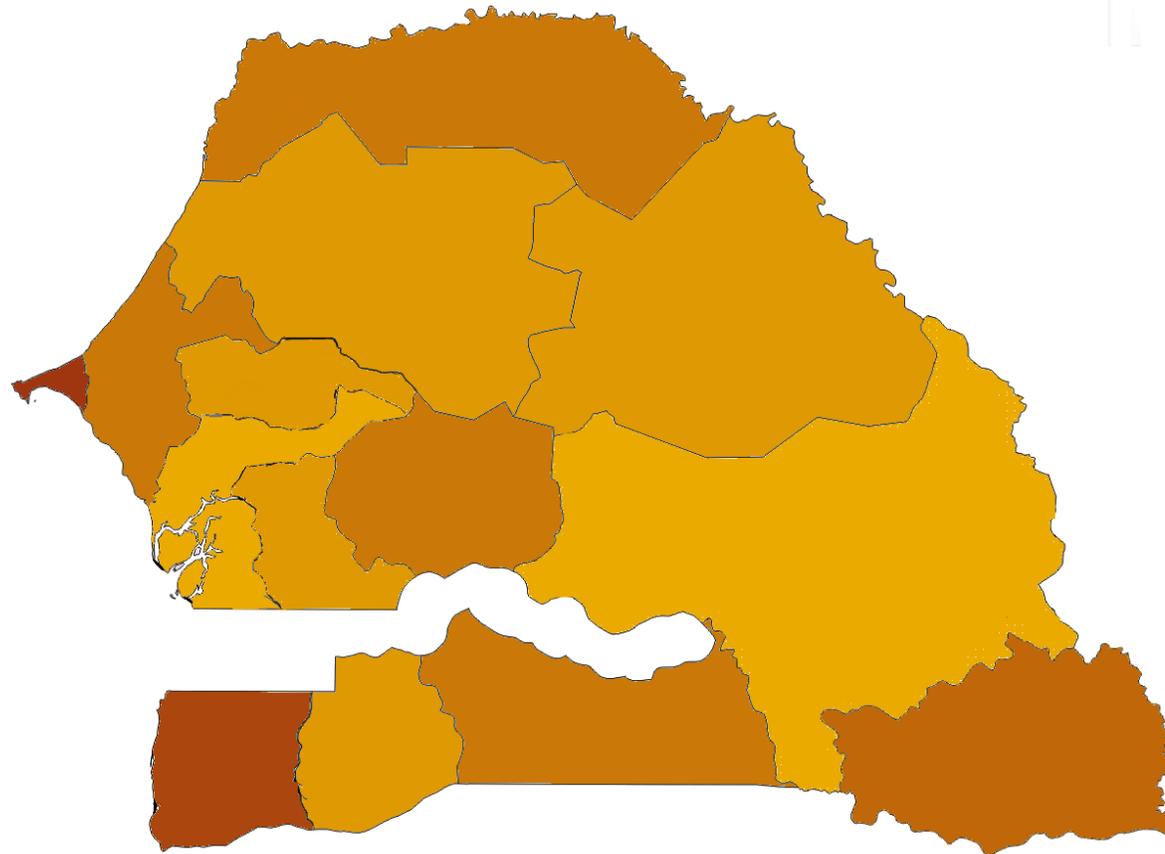
**Financial inclusion by demographics**  
(Shown: Percentage of adults, by demographic group)



**Senegalese aged 25-44 are the most financially included cohort of population in the country**

*Source: InterMedia Senegal Financial Inclusion Insights for MM4P, October 2015-February 2016 (N=2,845, 15+).*

# ... and regions



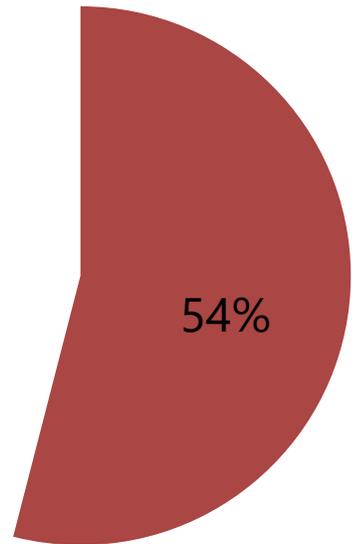
Region	%
Dakar	30%
Ziguinchor	21%
Thies	18%
Saint-Louis	14%
Kaffrine	13%
Kedougou	13%
Kolda	12%
Diourbel	8%
Kaolack	6%
Sedhiou	6%
Fatick	6%
Louga	4%
Matam	4%
Tambacounda	3%

**The regions of Dakar and Ziguinchor have the highest rate of financial inclusion in the country**

*Source: InterMedia Senegal Financial Inclusion Insights for MM4P, October 2015-February 2016 (N=2,845, 15+).*

# In rural area, readiness for DFS is hindered by low mobile phone ownership and competency rates

**Rural**  
(Shown: Percentage of Senegalese adults,  
N=2,845)



<b>DFS Readiness</b>	<b>Rural</b> (n=1,663)	<b>Urban</b> (n=1,182)
Own mobile phone	64%	81%
Borrow mobile phone	22%	14%
Ever sent SMS	48%	69%
Advanced phone use	32%	56%
Literate	25%	47%
Numerate	96%	98%

# Suggested research questions

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1. What lessons can stakeholders in Senegal draw from other regional markets to advance the adoption of DFS?
2. Which changes in regulation would enable a proper environment for more advanced DFS?

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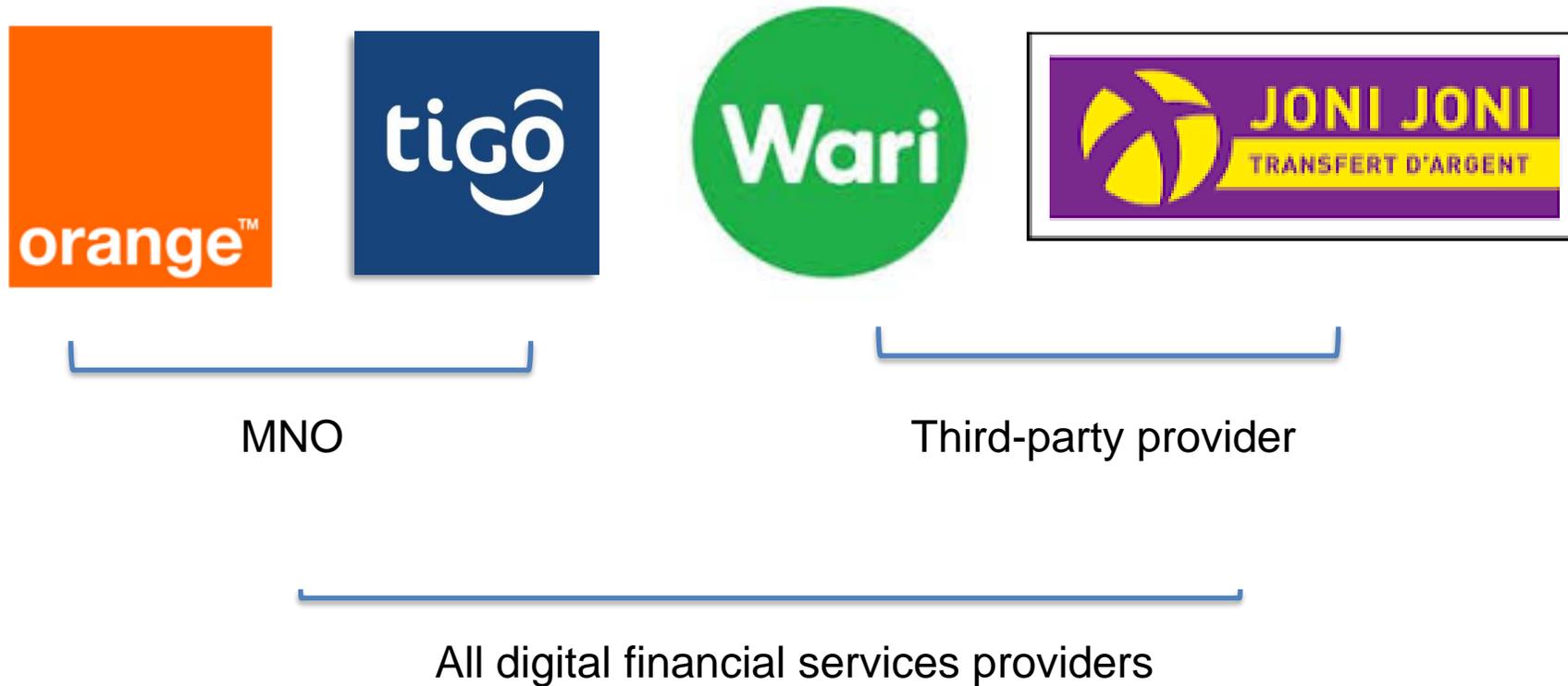
# *The Supply Side*

# Senegal's financial landscape features a great variety of formal/informal, digital/non-digital financial services

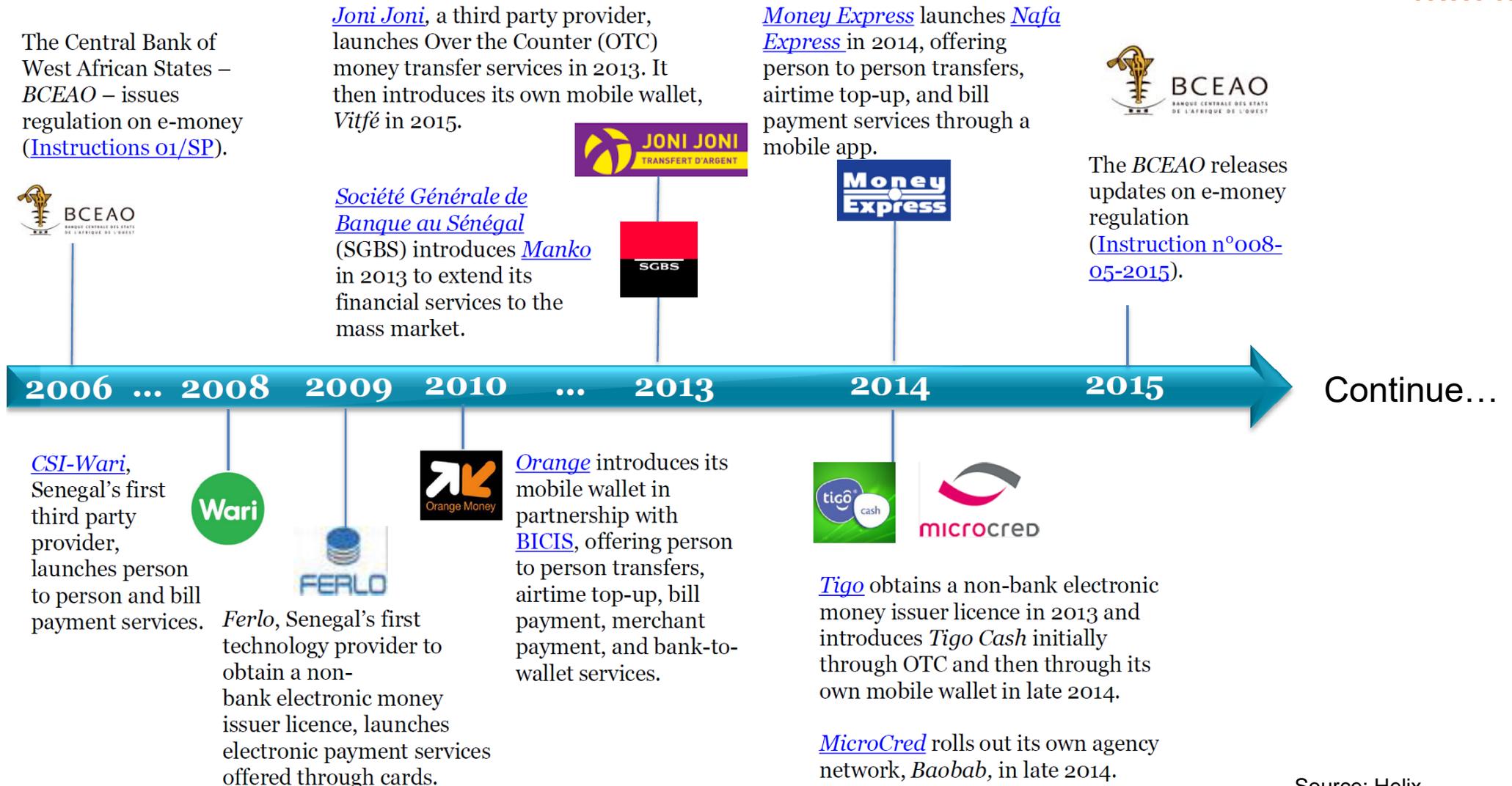


The main DFS suppliers in UEMOA are MNOs + financial institutions. Their offer is currently dominated by first-generation products, such as cash-in/cash-out transactions, airtime top-ups, and person-to-person (P2P) domestic transfers, but some are beginning to innovate with second-generation products, such as savings, digital credit, insurance and utility payments.

# There are four main players dominating the formal financial services marketplace



# A snapshot of DFS development in Senegal



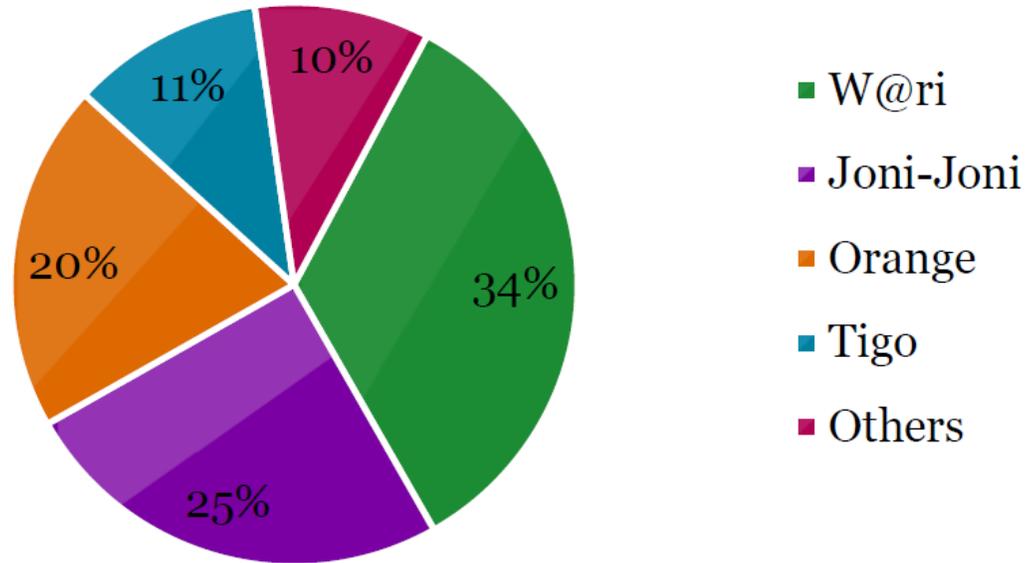
# 2017: a crucial year for DFS in Senegal

- February 2017: Wari Group and Millicom Group announced the acquisition of SENTELG GSM (Millicom subsidiary in Senegal) by Wari Group. The transaction is on-going and awaiting regulatory authorities approval.
- March 2017: **ECOBANK** launched a mobile money service linked to a bank account **ECOBANK MOBILE**



# Senegal presents a diverse and competitive DFS market

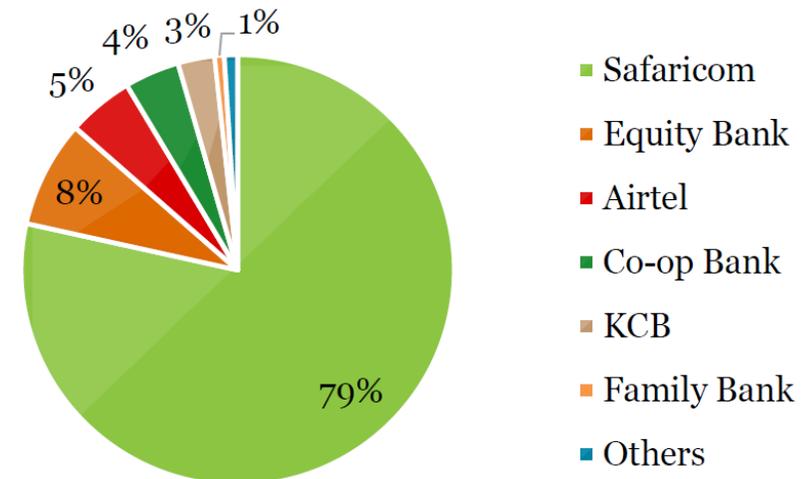
## Market Presence in Senegal\*



\* Agent market presence is defined as the proportion of cash-in/cash-out agents by provider. Numbers here are provided on a till basis, therefore if an agent serves three providers it is counted three times.

**When compared to Kenya, a DFS pioneer and sprinter, Senegal features a much more competitive market. This can strongly benefit the local players' capacity to innovate.**

## Market Presence in Kenya\*



# Senegal benefits from a great variety of players and business models

Industry of Core Business	Providers*	Services Offered	Transaction Methodology
Financial Institution	 	<ul style="list-style-type: none"> <li>Account registration</li> <li>Deposit, withdrawal &amp; money transfer services from one Manko account to another</li> </ul>	<ul style="list-style-type: none"> <li>OTC** through Manko agencies</li> </ul>
		<ul style="list-style-type: none"> <li>Deposit, withdrawal &amp; money transfer services from one MicroCred account to another</li> </ul>	<ul style="list-style-type: none"> <li>OTC** through Baobab agents</li> </ul>
Mobile Network Operator		<ul style="list-style-type: none"> <li>Account registration</li> <li>Basic product offerings*</li> <li>International remittance</li> <li>Merchant payments</li> </ul>	<ul style="list-style-type: none"> <li>Wallet-based</li> <li>USSD-based and mobile app interface</li> <li>Bank-to-wallet</li> </ul>
		<ul style="list-style-type: none"> <li>Basic product offerings*</li> <li>Account registration</li> <li>Basic product offerings*</li> </ul>	<ul style="list-style-type: none"> <li>OTC**</li> <li>Wallet-based</li> <li>USSD-based interface and cardless services at ATMs</li> </ul>
Third-Party Provider		<ul style="list-style-type: none"> <li>Basic product offerings*</li> <li>International remittance</li> </ul>	<ul style="list-style-type: none"> <li>OTC**</li> </ul>
		<ul style="list-style-type: none"> <li>Basic product offerings*</li> <li>International remittance</li> </ul>	<ul style="list-style-type: none"> <li>Mobile app, web and card-based interface</li> </ul>
		<ul style="list-style-type: none"> <li>Basic product offerings*</li> <li>Account registration</li> <li>Basic product offerings</li> <li>Merchant payments</li> </ul>	<ul style="list-style-type: none"> <li>OTC**</li> <li>Wallet-based</li> <li>Mobile (USSD, mobile app) and card-based interface</li> </ul>

# After prioritizing the development of an agent networks, Orange and Tigo are focusing on second generation DFS



MM4P

MNO MM offer	Products				Total number of MM accounts (activity rate) <sup>a</sup>	Estimated agent network
	Bill payments <sup>b</sup>	Bank account- MM link	Cross-border transfer within WAEMU	Other products		
	X (electricity, water, Sonatel, TV)	X (BICICI, EcoBank)	X (Côte d'Ivo- ire, Mali)	<ul style="list-style-type: none"> <li>Bank to wallet (BICICI, EcoBank)</li> <li>Orange collecte to be launched</li> </ul>	2.2 million <sup>c</sup> (42% active <sup>d</sup> )	10,000 agents
	X (electricity, water, Sonatel, TV)	X (Link with Western Union, which al- lows WU transfer to TigoCash e-wallet)		<ul style="list-style-type: none"> <li>"Tigo matic" ATMs—3 in Dakar so far<sup>e</sup></li> </ul>		

a. BCEAO (2015c).

b. Not including various merchant partners (e.g., stores, hotels, restaurants, pharmacies, e-commerce) and postpaid telecom subscriptions.

c. By CGAP estimates, this figure is thought to be an under-estimation.

d. The level of activity is from year-end 2014. September 2015 BCEAO statistics do not show this number.

e. <http://www.tigo.sn/tigo-cash/tigo-matic>

**Orange** is considered the MM market leader in Senegal. In the “challenger” position, **TigoCash** presents itself as the “affordable” MNO, being the first, for example, to introduce per second calling rates. While Tigo had previously focused on growing its internet / mobile data revenue stream, a 2015 review led it to focus on promoting further the MM/e-wallet offer. (CGAP, 2016)

# OTC providers enjoy greater popularity than mobile wallet providers



- The OTC providers **Wari** and **Joni-Joni** are people's preferred method for P2P domestic transfer (after direct in-person cash "transfer"): 44 percent of adults who received domestic remittances in 2014 did so through a money transfer service versus only 10 percent who received them through a mobile phone. Likewise, 58 percent of those who sent domestic remittances did so through a money transfer operator versus 12 percent who did so through a mobile phone. (Global Findex, 2014)

# OTC overtake MM in popularity for a series of reasons



- Agents minimize the chances of user-error and ensure that the money transfer is successful
- Safety becomes stickiness factor for using OTC
- OTC fees for using an agent are perceived as less than unassisted transactions/wallet services
- Money is transferred faster and more reliably than an in-person transfer
- There is tangible proof of the transfer (confirmation text, receipt)
- The fee is manageable, and perceived as less than other services

# A growing variety of Fintechs are making their way in the country



Crowd funding



Goods vouchers



PSP



Interoperability



M health



M-health



Agregation



Agregation



**iroko project**  
Crowdlending for SMEs in Africa

Crowd funding



Goods vouchers

# Suggested research questions

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1. Which market conditions are necessary for second-generation solutions (i.e. micro-savings and lending) to scale successfully?
2. How can OTC providers drive advanced usage of DFS (i.e. credit/savings)?
3. What products/services would drive uptake and more frequent usage of digital wallets?
4. How best can we create simple and effective segmentation models (e.g. behavioral) that help providers to design more suitable products/services for target customers?

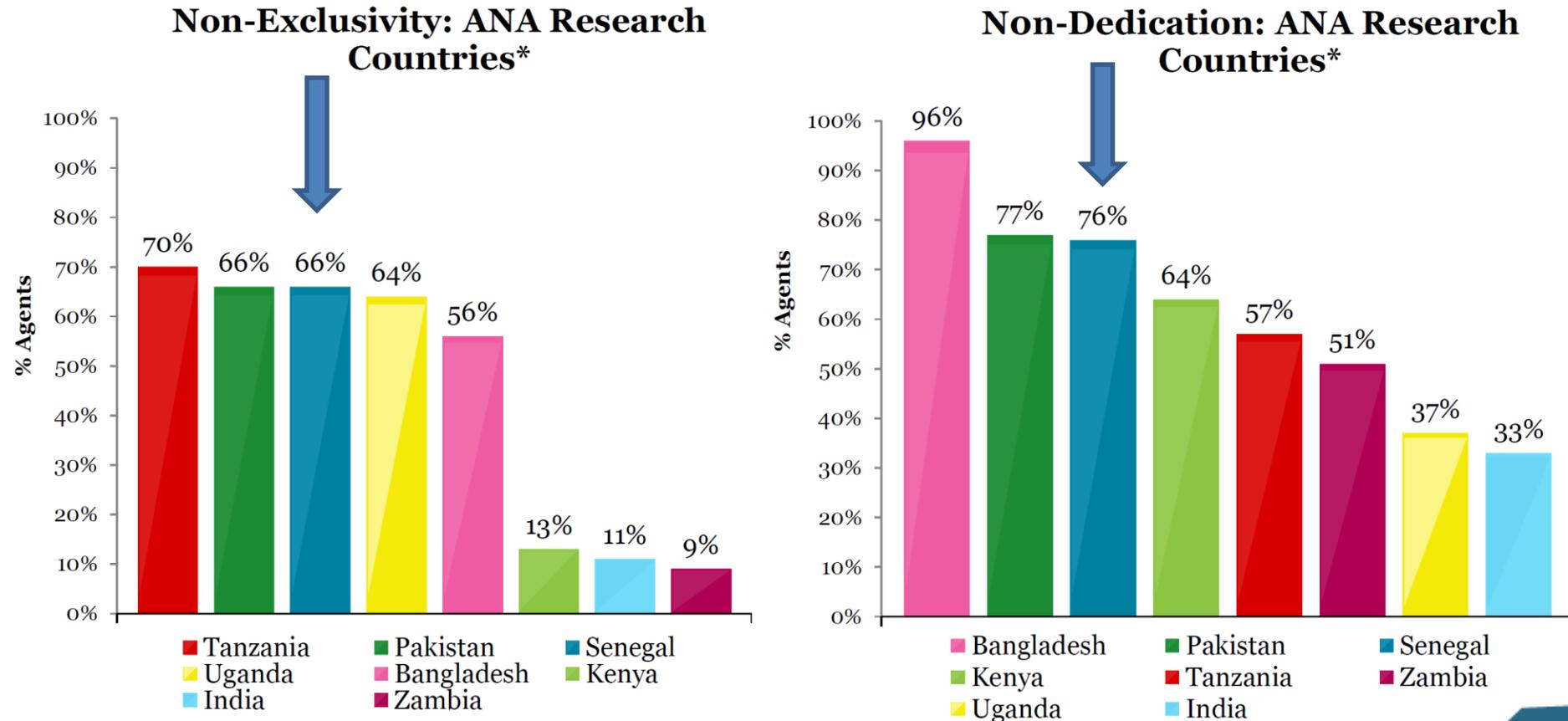


MM4P

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# *Agent Networks*

# Senegal's DFS agent networks are characterized by high levels of non-exclusivity and non-dedication



\*ANA surveys were conducted in 2013 in [Uganda](#), [Kenya](#) and [Tanzania](#); in 2014 in [Bangladesh](#), [Kenya](#), [Pakistan](#), and [India](#); and in 2015 in [Zambia](#), [Tanzania](#), [Uganda](#), and [Senegal](#). Country comparison graphs contain most recent data available.

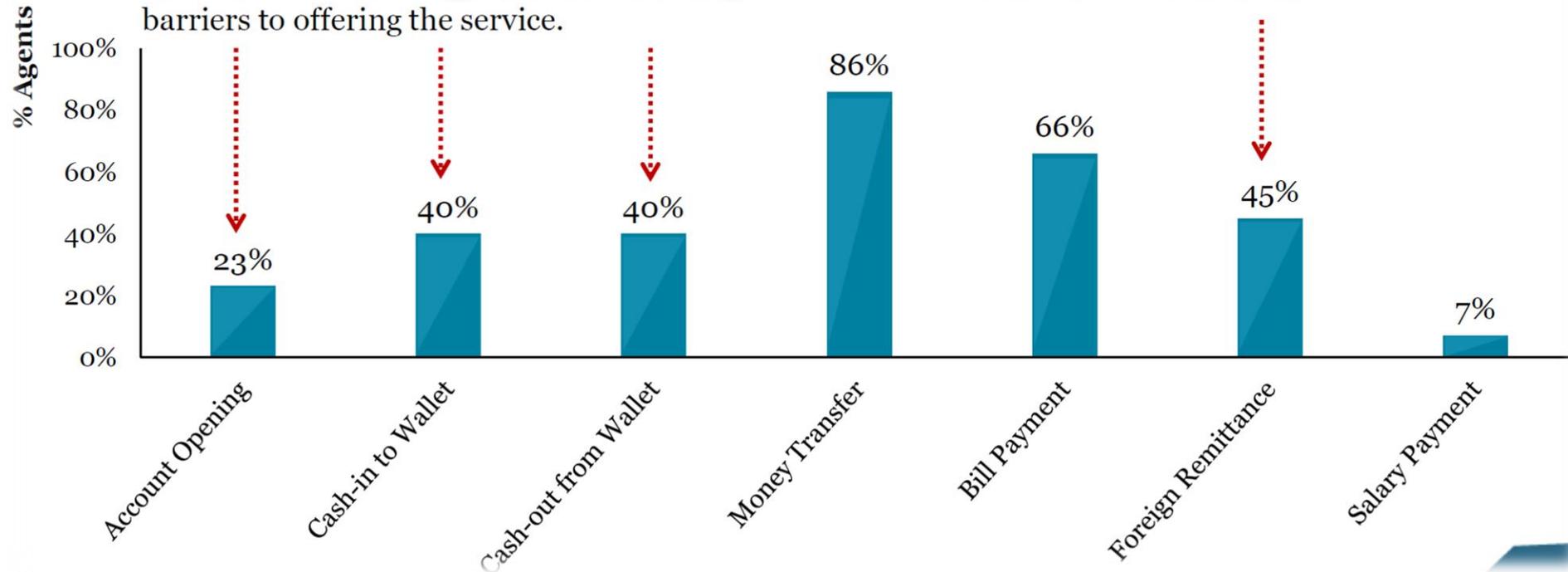
# Being a predominantly OTC-dominated market, Senegal lacks diversity in products and services



MM4P

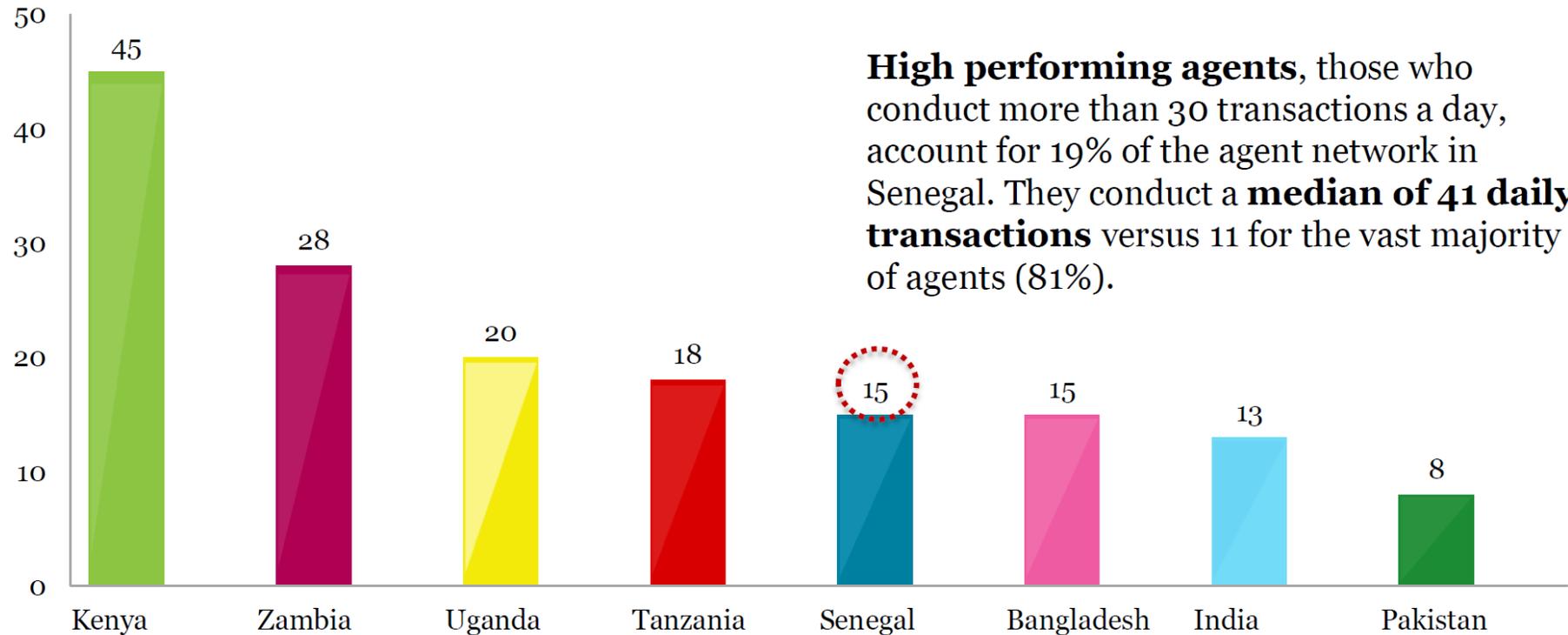
Account opening and cash-in/cash-out (CICO) transactions are low compared to ANA research countries. While agents are willing to open accounts, they report **not having any knowledge of the service** and **potential customers not being aware of it** as major barriers to offering the service.

This is the highest proportion of agents offering foreign remittance among ANA research countries. Providers leverage their OTC or e-wallet platform to **target key intra-regional and 'North-South' remittance corridors**.

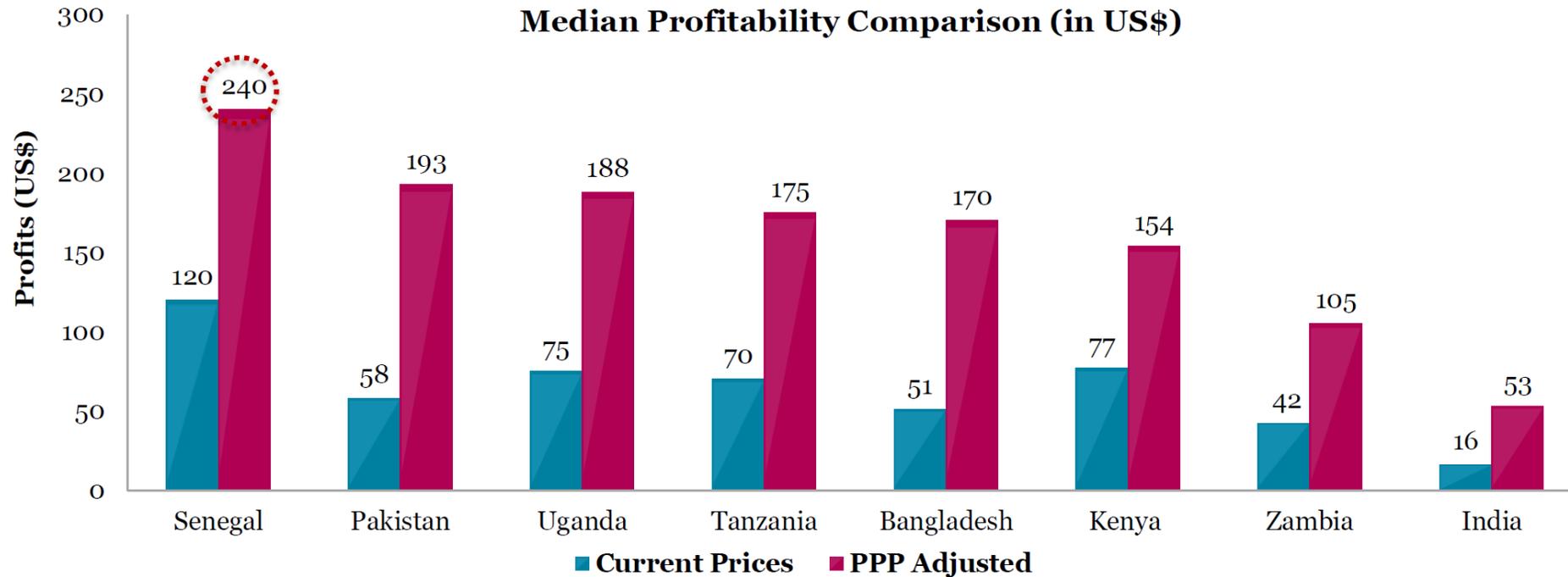


# Transaction volumes are high at the agency level

Median Daily Transactions: ANA Research Countries\*\*

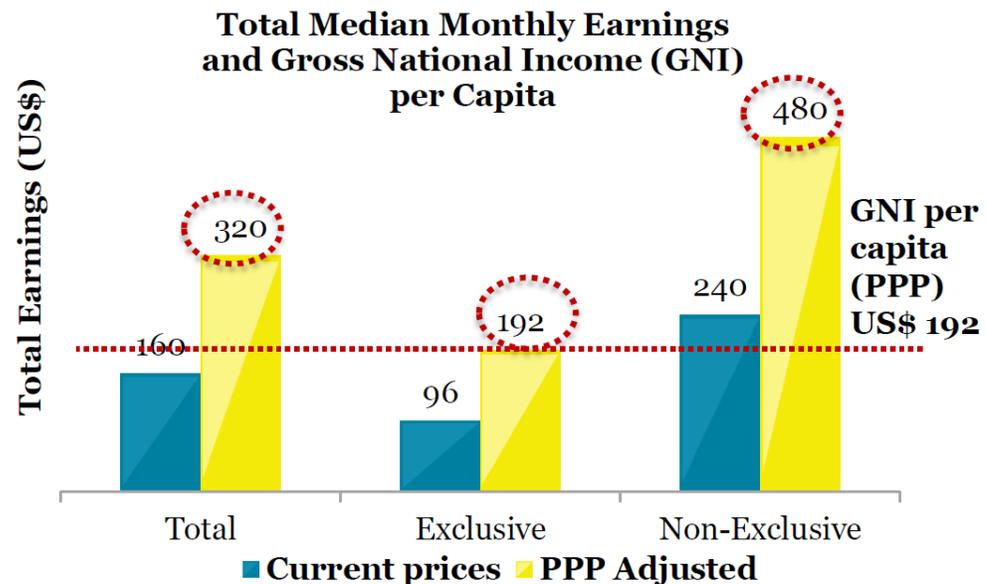
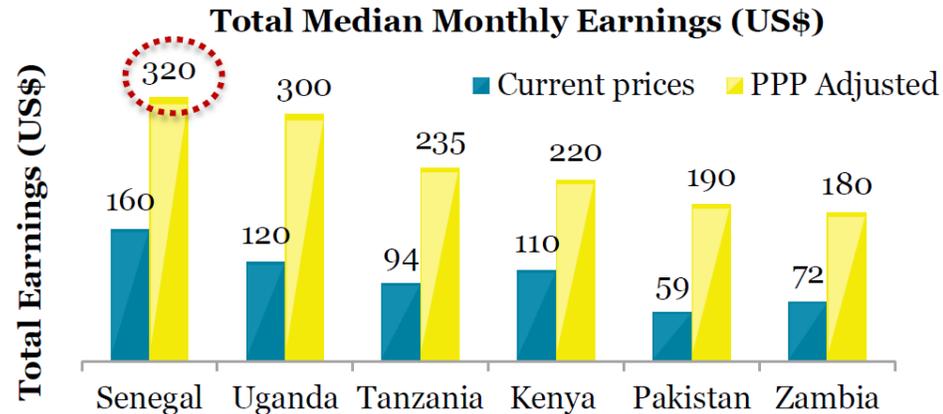


# Agent Profitability Is Highest Among ANA Research Countries



The high profitability of Senegalese agents seems to be related to the high level of non-exclusivity.

# Agents Enjoy High Earnings

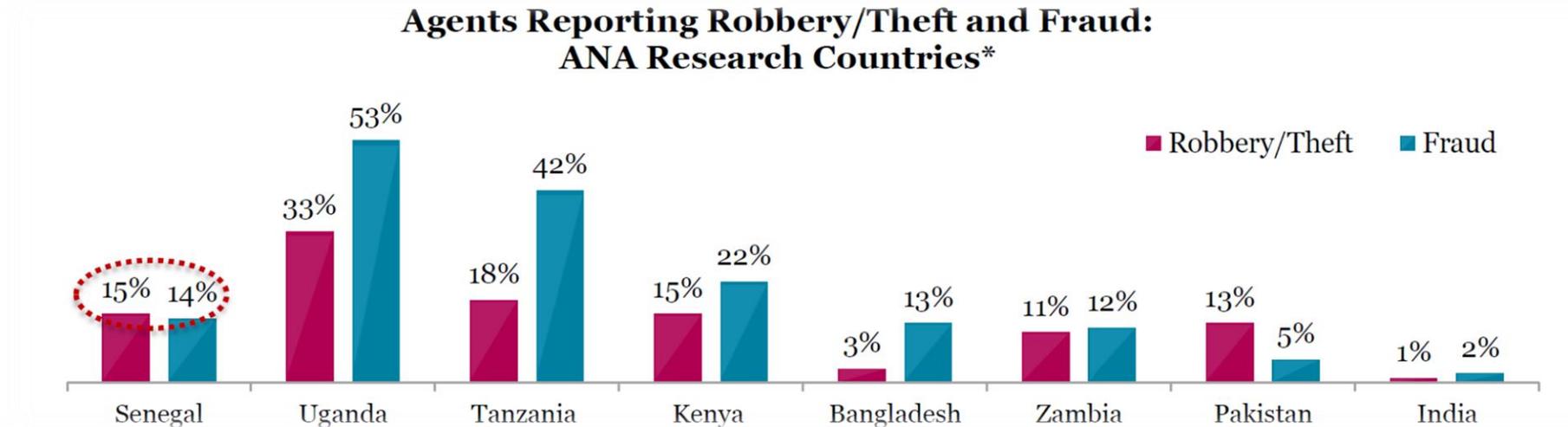


High earnings appear to be linked to **typical high levels of commission of competitive OTC markets.**

**Median operating expenses are low** (US\$32, PPP adjusted) compared to African ANA countries. This could be **due to high levels of non-dedication** (76%) where fixed and recurrent expenses are shared between the agency business and the parallel business.

**Mobile money appears to be a sustainable business, even as a standalone business.**

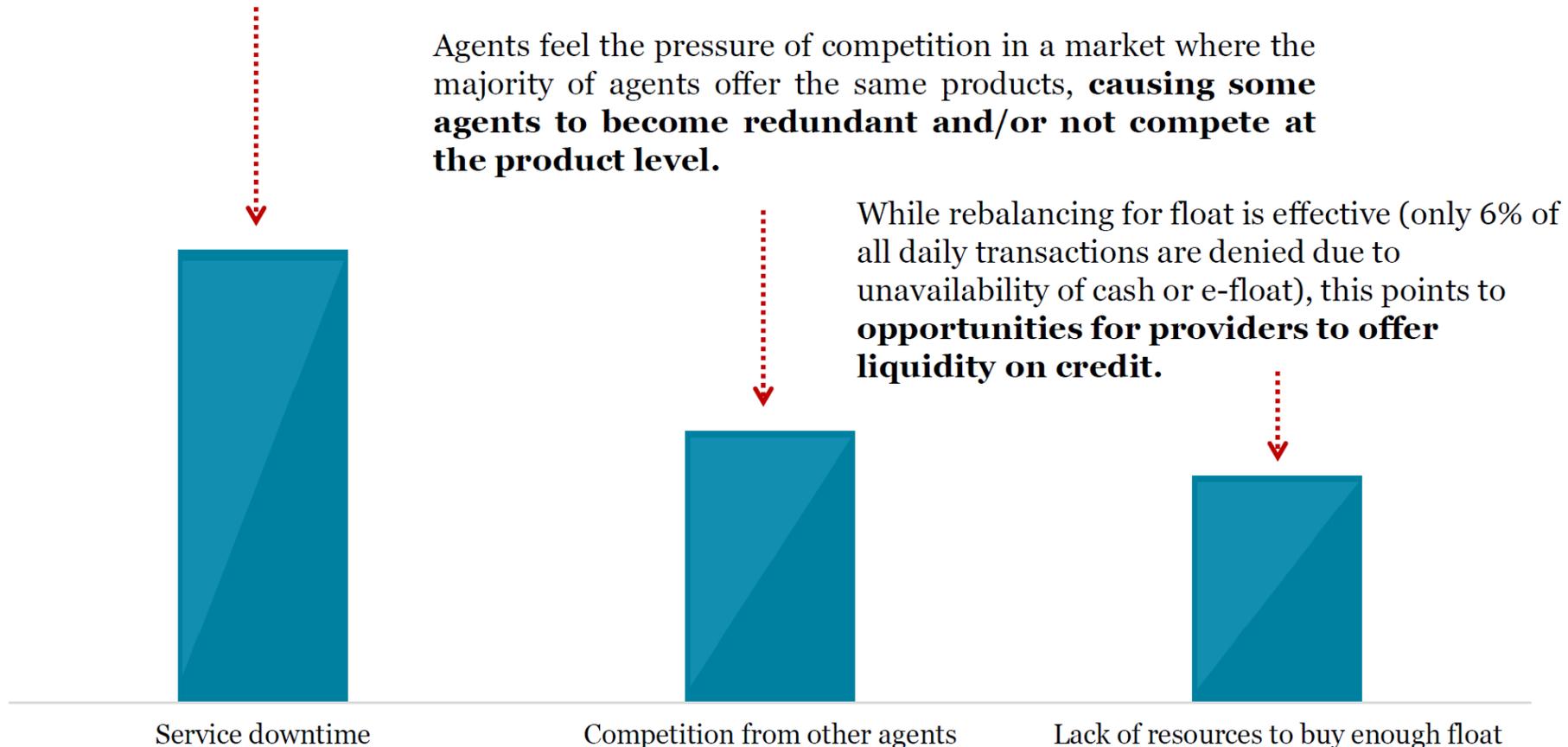
# Senegal is a quite safe market for agents



**The prevalence of crime and fraud in rural areas is lower than in other urban areas (13% vs. 16% and 12% vs. 16%, respectively).**

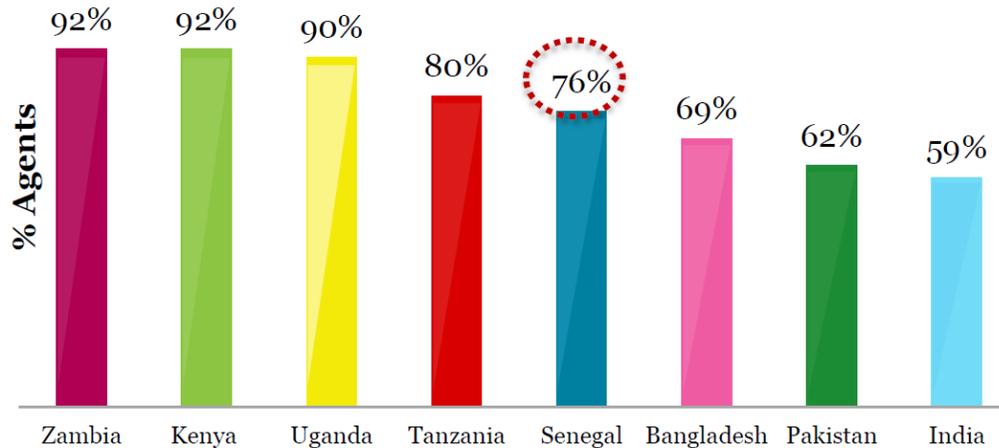
# Top Three Barriers To Conducting More Transactions

Unreliable service affects customer experience and can significantly undermine trust, adoption and usage of DFS services. **Providers may want to invest in technology to meet the capacity of their customers' demands.**



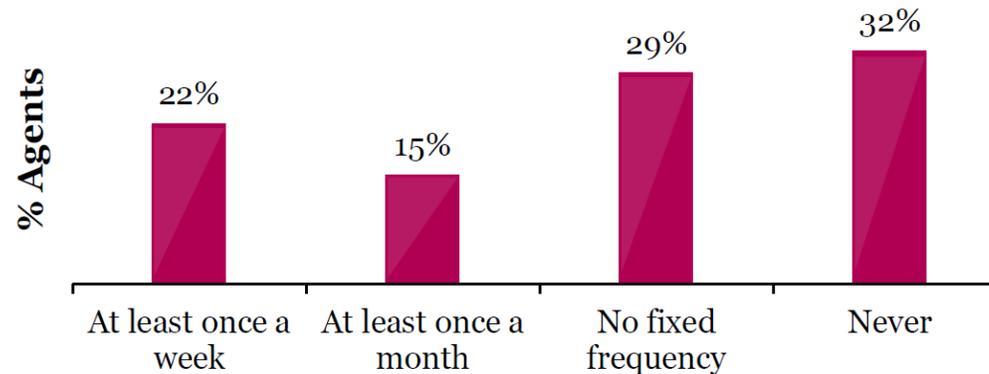
# A lower proportion of agents receive less training than their Eastern African counterpart

**Trained Agents: ANA Research Countries**



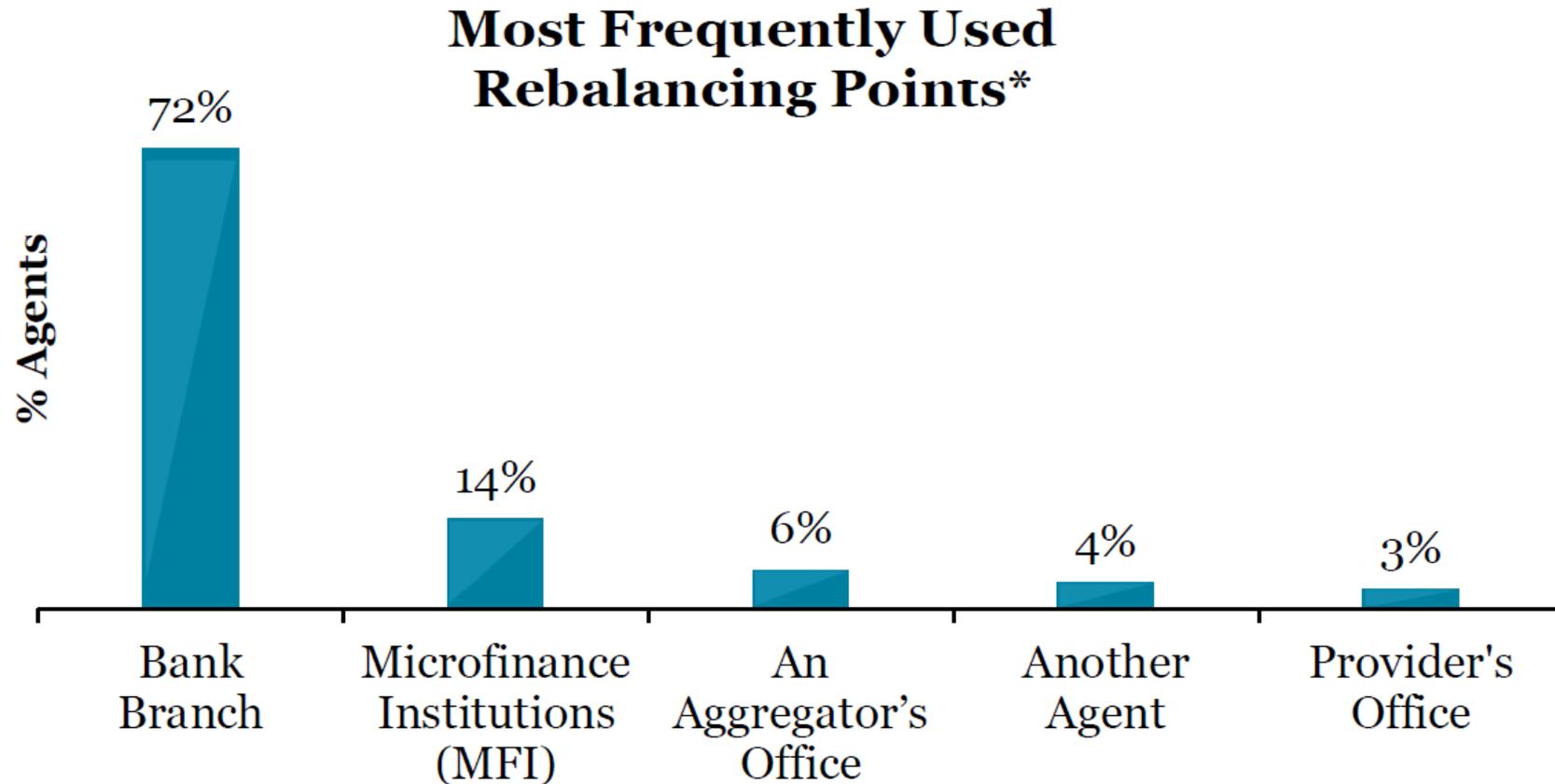
**A higher proportion of rural agents receive this training than their counterparts in urban areas.**

**Frequency Of Support Visits\***



**Agents who receive regular support visits have more access to liquidity.**

# Most Agents Use Banks To Rebalance

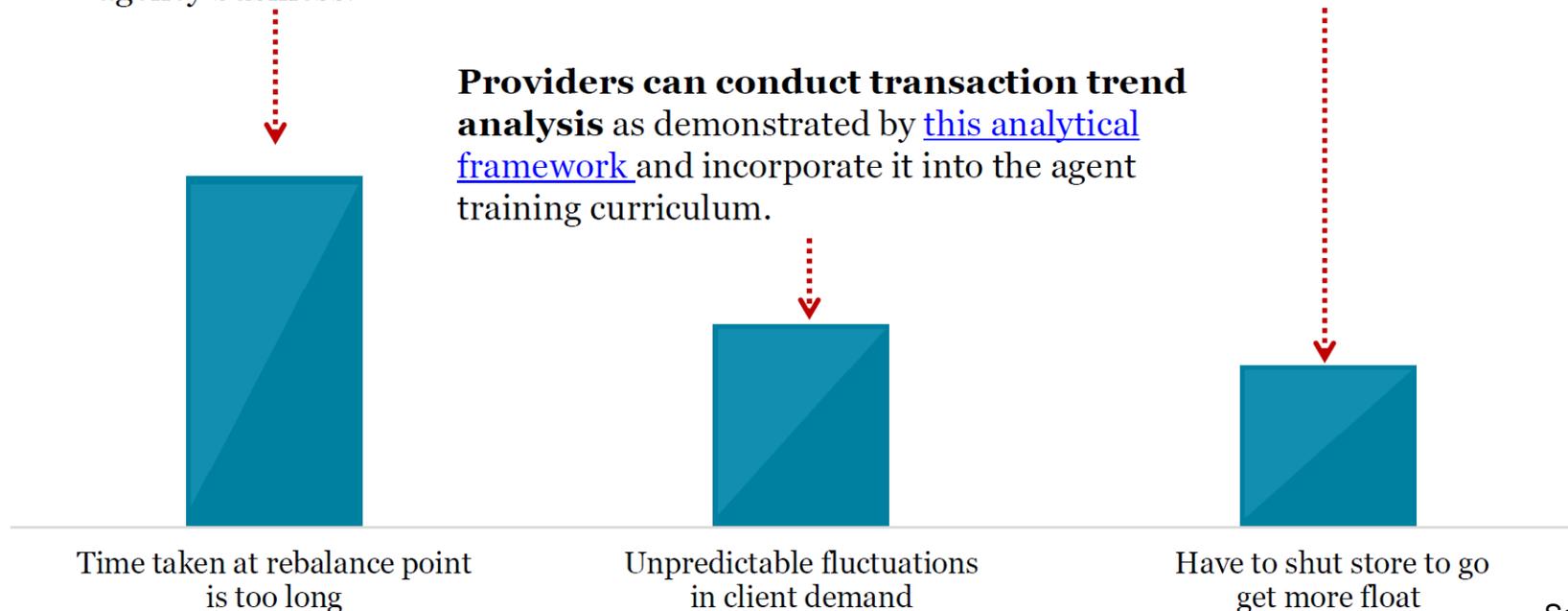


**Non-dedicated agents may use cash from their parallel business to meet customer demand.**

# Agents' Top Barriers To Managing Their Liquidity

**Only 6% of all daily transactions are denied due to unavailability of cash or e-float in Senegal.** This percentage is on par with [Bangladesh](#) and lower than other African ANA countries. More than two-thirds of Senegalese agents report that they do not face any barriers in managing their liquidity.

Providers may want to **diversify rebalancing options available** to agents such as master agents, 'runner boys', introduce a line of credit or **offer dedicated counters at bank branches** to reduce the hassle of rebalancing and in turn the opportunity cost of closing the agency business.



# Key features of DFS agent networks in Senegal



- **No agent exclusivity** (agents serve a median of three providers).
- High revenues and low operating expenses make agents **the most profitable among all ANA research countries**.
- **Transaction volumes are high** for the overall business and comparable to leading East African countries. In particular, Senegal boasts a pioneering cross-border remittance model.
- **Rural\* agents perform better** than their counterparts in urban areas: they conduct more transactions than at the country level.
- **Liquidity management is effective** as only 6% of all daily transactions are denied due to the unavailability of cash or e-float.

\*In this context, rural refers to agents operating in areas outside regional capitals, district capitals (*chefs-lieux des départements*) and the surrounding areas.

# Research questions

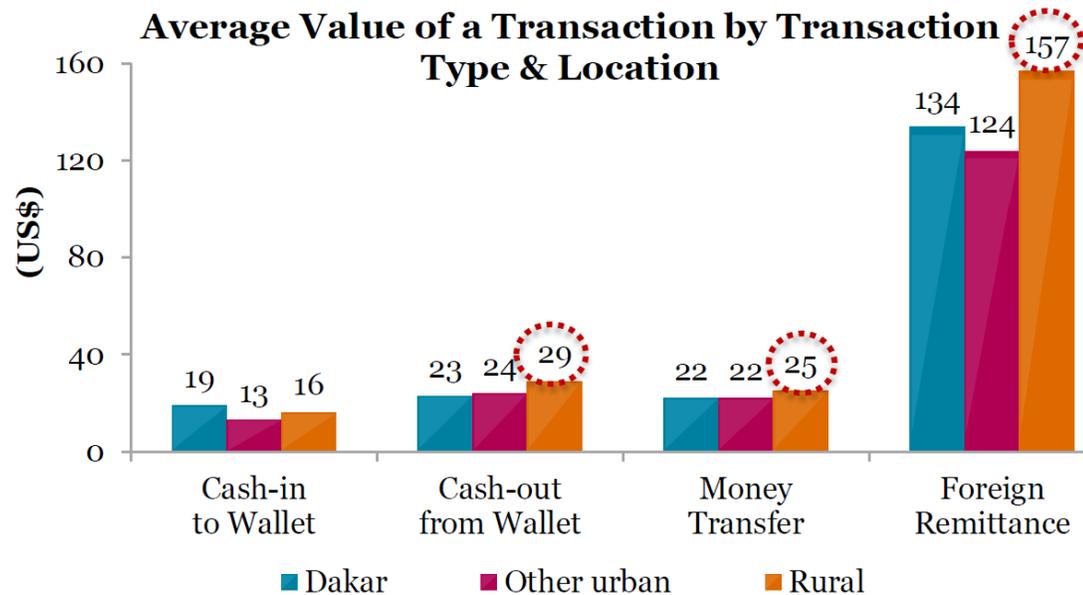
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1. What strategies can agents adopt to drive adoption and active usage of digital wallets?
2. What skills should be integrated in training programs in order to enhance agents' ability to promote the usage of advanced DFS?

# *The Demand Side*

# Daily Transactions Are Driven By Money Transfers



**Senegal is largely a cash-to-cash services market, even for e-wallet users.**

Transaction Type	Average Volume Of Transactions	Average Value Of A Transaction (US\$)
Money Transfer/Day	15	\$23
Cash-in to Wallet/Day	10	\$17
Cash-out from Wallet/ Day	6	\$24
Bill Payment/ <b>Month</b>	9	\$44
Account Opening/ <b>Month</b>	13	

Rural agents conduct higher average transaction values per cash-out, money transfer and foreign remittance. **This indicates uptake of the “send money home” use case.**

# After opening a DFS account, consumers use it for different purposes

**Saving/storing  
for an  
emergency**

**Bill pay**

**Money  
Transfer**

**Point of  
service  
payments**

# However, OTC is perceived to fulfil basic financial needs at a cheaper cost



- (i) well-developed agent networks;
- (ii) cash use already ingrained in the populations' money management practices;
- (iii) a more simplified customer journey thanks to the central role that the agent plays in transactions;

*Consumers started using OTC primarily because they were aware of the service and had to transfer money quickly. OTC is largely perceived to offer a quality service at a cheaper cost than mobile money accounts. Moreover, they are comforted by the agent interaction because they know that an agent will not err in the transaction and fear that unassisted, they might make an error that results in them losing money*

(iv) for some, strong marketing campaigns before MM offers were well-established in the market.

## **Limitations despite popularity:**

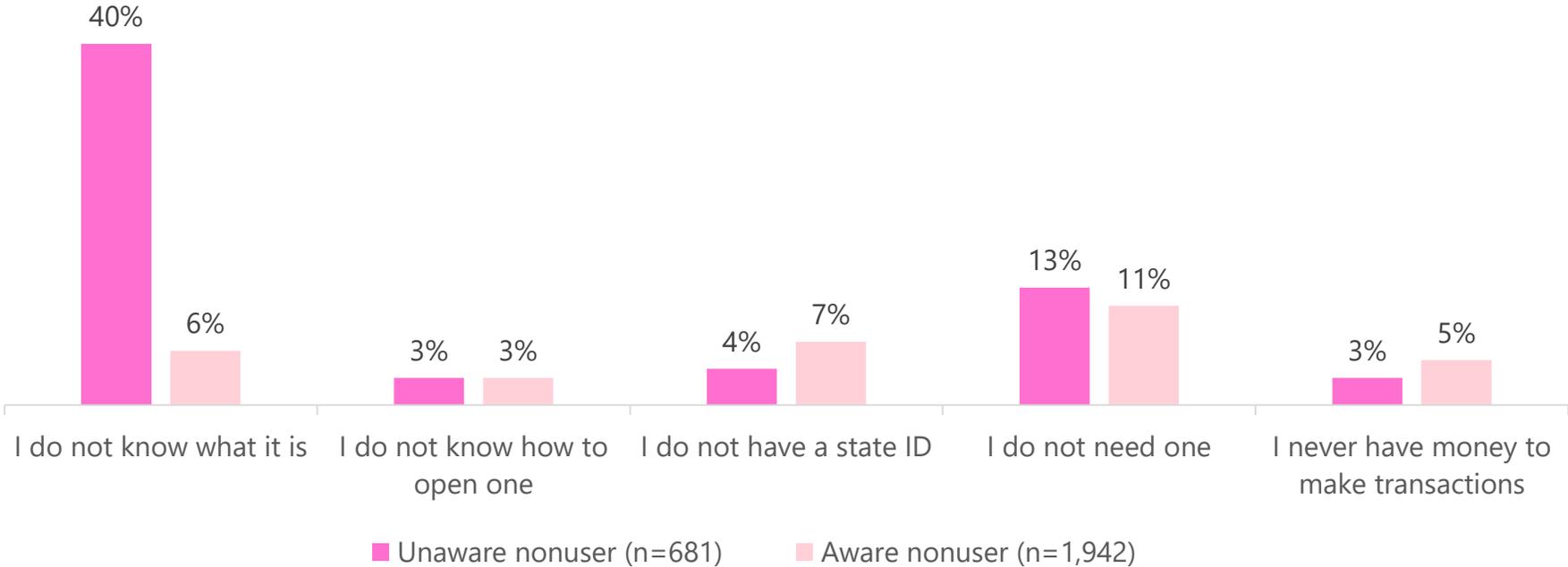
Some people do not feel that their needs exceed what OTC provides them.

Others would like to have an account, but they feel they can not obtain one.

# Lack of knowledge appears to be the biggest barrier to mobile money account ownership

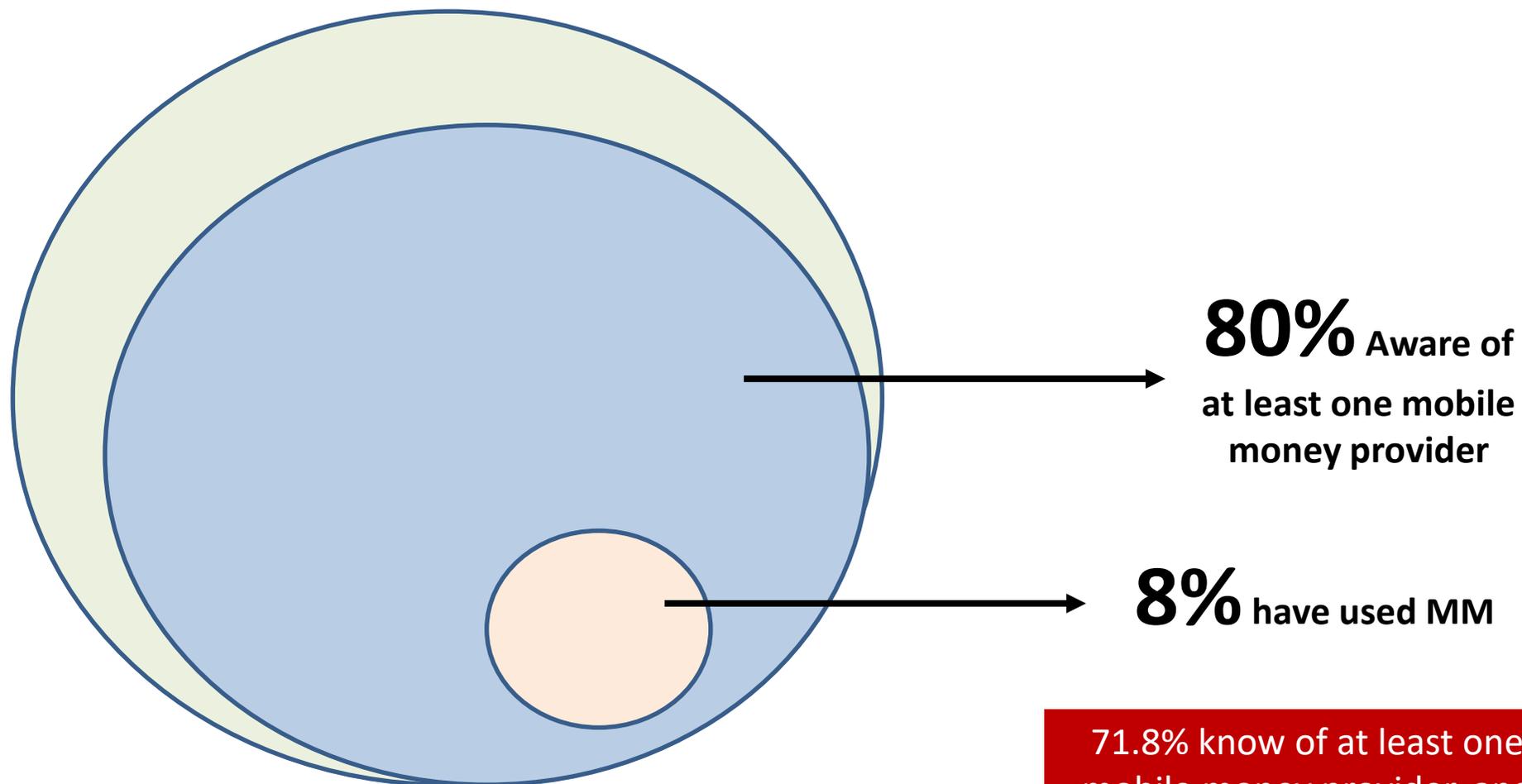


**What is the main reason why you do not use mobile money?**  
(Shown: Adults who do not have a registered mobile money account)



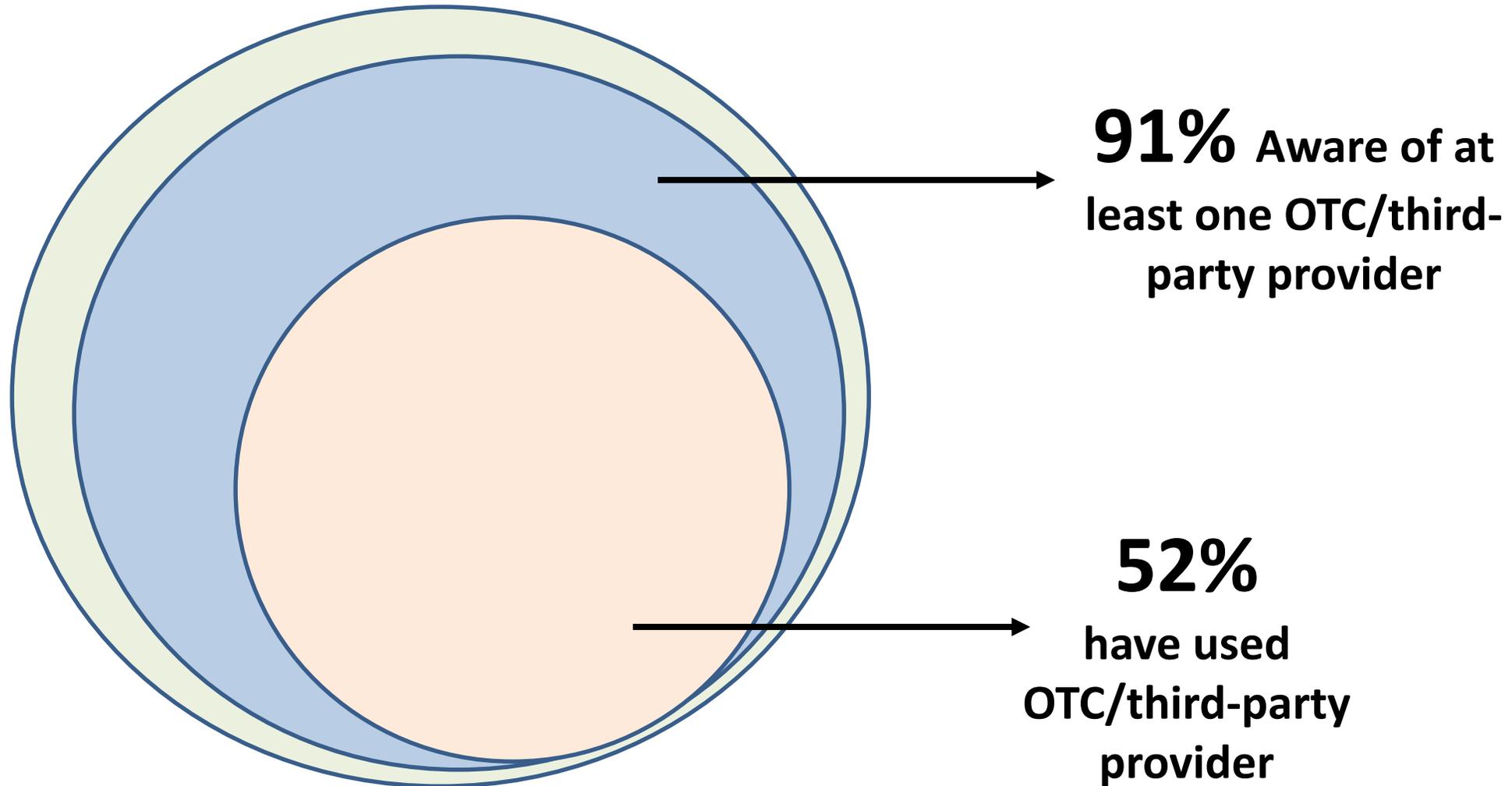
Source: InterMedia Senegal Financial Inclusion Insights for MM4P, October 2015-February 2016 (N=2,845, 15+).

# Awareness of MM does not translate into usage



Source: InterMedia Senegal Financial Inclusion Insights for MM4P, October 2015-February 2016 (N=2,845, 15+).

# Awareness of OTC has greater impact on usage



# MM awareness is particularly low in rural Senegal



Awareness by region	%
Dakar	95%
Ziguinchor	78%
Thies	94%
Kedougou	54%
Saint-Louis	80%
Kolda	55%
Kaffrine	40%
Diourbel	89%
Kaolack	81%
Sedhiou	70%
Fatick	73%
Louga	73%
Tambacounda	46%
Matam	72%

Source: InterMedia Senegal Financial Inclusion Insights for MM4P, October 2015-February 2016 (N=2,845, 15+).

# It is important to point out that cash still plays a critical significance in Senegal society

**The Senegalese repertoire of financial practices and institutions is rich and complex.**

- Cash is widely used because:
  - There are no surcharges on cash transactions
  - It is often fast and easy for point of sale transactions
  - It requires no additional tools or knowledge
  - Other alternatives aren't as prominent as cash
- Use of formal financial services is in addition to, vs. a full replacement for cash

**Senegalese people not only use, but make sense, of each institution in a unique way.**

Targeted consumers are heavily entrenched in a cash ecosystem, even if they have a digital account.

# Consumers see advantages and limitations in financial services

	Cash	Tontines	OTC	Mobile money	Banks
Advantages:	<ul style="list-style-type: none"> <li>No fees or surcharges</li> <li>Fast and easy for point-of sale transactions</li> <li>No dependence on technology</li> <li>Know how to use it</li> </ul>	<ul style="list-style-type: none"> <li>Easy</li> <li>Provides alternative to saving in the home</li> </ul>	<ul style="list-style-type: none"> <li>Easy</li> <li>In close proximity to homes</li> <li>Satisfies need: transferring money quickly</li> <li>Agent assistance means no chance for error</li> </ul>	<ul style="list-style-type: none"> <li>Can make transactions at home, or closer to home</li> <li>Can pay bills with your phone</li> <li>Can save for emergencies</li> </ul>	<ul style="list-style-type: none"> <li>Safe</li> <li>Status: Signals economic stability, greater financial activities</li> </ul>
Limitations:	<ul style="list-style-type: none"> <li>Theft</li> <li>Loss</li> <li>Physical requirements for transferring money</li> <li>Can be easily spent</li> </ul>	<ul style="list-style-type: none"> <li>Theft</li> <li>Many had experienced losing money because the tontine administrator did not come back</li> <li>Restricted access</li> </ul>	<ul style="list-style-type: none"> <li>Fees, though less than perceived mobile money fees</li> </ul>	<ul style="list-style-type: none"> <li>Fees, which are perceived to be higher than OTC</li> <li>Less access to agent/have to make transactions yourself– room for error</li> </ul>	<ul style="list-style-type: none"> <li>Have to make transactions in person and banks can be far away</li> <li>Have to withdraw money to pay bills</li> <li>Deposit requirements</li> <li>Paperwork</li> <li>Not open at convenient times</li> </ul>

# Key features of DFS demand in Senegal



- Diverse and competitive market.
- Two main types of business models: Over The Counter (OTC) model and mobile wallet.
- Most of the usage of DFS is via **OTC**.
- Non-users of mobile money are aware of the service, indicating that awareness does not translate into use.
- New DFS users are primarily mobile money users. In general, it is mostly mobile money (and OTC) that are associated with digital financial services. Banks are not associated with digital financial services EVEN IF the consumer has an ATM card/Mobile access to the account.
- Awareness of DFS is high but this does not necessarily translate into higher adoption, particularly in the case of mobile money.
- Social networks, including family and friends, are crucial to fulfil financial needs, allowing borrowing for basic consumption and trusted advice.
- The profile of the formally financially included Senegalese emerging from the findings of different research is highly educated, urban and employed.

# Barriers pertain more to education, literacy, and comfort



- The population is largely uneducated, or hasn't surpassed primary school. Only 29% have made it through or beyond secondary school.
- Just over one-third (35%) are literate.
- Existing efforts on behalf of mobile money providers have not imparted enough meaningful information to convert awareness to usage. Most of DFS is through a third-party mobile money provider (OTC). Very few have their own financial account. Just over half (52%) have used OTC services, and, 42% have used them without having an account. Far fewer have formal financial accounts (15%), and 11% have their own digital financial accounts.
- OTC offers a digital financial option to consumers, potentially diminishing the need for a full-service account. Similarly, the uses and comfort encourage informality. Inertia is a strong force in perpetuating existing consumer behaviors even if there are better options for the consumer.
- Rural areas tend to severely lag the population overall and will require more targeted attention.

# Suggested research questions

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1. What do people use during times of uncertainty?
2. Why are customers mostly adopting or using DFS basic services?
3. What are the financial patterns at local level?
4. How do DFS interweave with traditional financial institutions?
5. How are local ideas of money/risk/value interfering with and shaping the adoption of DFS?

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# *Building a DFS Ecosystem*

# UNCDF MM4P's strategy in Senegal

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- **UNCDF's MM4P** programme in Senegal aims to increase the proportion of active adult users of DFS to 30 percent of the total adult population by the end of 2019. Launched in 2015, the program has conducted studies on the following:
  - Agent network to identify factors for success in agent network management and what the industry needs to focus on in the next stages of development;
  - Demand-side focused on assessing how well clients understand DFS offers, and how the offers are adapted to clients' needs.
  - Integrating DFS into MFIs' strategies and operations.

# Some initiatives have already emerged as encouraging successes



## Working Group on Digital Finance (GTFD)

The objective of the Digital Finance Working Group (WGFD) is to create a framework for dialogue and exchanges between the various stakeholders in the sector with the aim of promoting and removing barriers to the development of DFS for financial inclusion in Senegal.

The goals are to:

- Create a platform through which the various stakeholders (government, service providers, regulatory authority) will be able to **consult regularly and implement measures to accelerate the development of the Digital Finance (FD) ecosystem.**
- **Identify opportunities and constraints** related to the large-scale deployment of digital finance solutions.
- Create a **platform for the government to learn from the experience of stakeholders on various pilot projects and to take innovative regulatory decisions** to allow access to financial services for all Senegalese.
- **Promote innovation in the ecosystem** to meet the needs of Senegalese. Digital finance is a new sector of activity for most market participants, and innovative approaches and models will be needed in Senegal to provide financial products and services in urban and rural areas that correspond to local contexts.

# Others are currently underway (1)

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- Digitization of the payments for 30,000 pensioners.
- Partnership BTCA – Senegal’s Agence Nationale de la Statistique et de la Démographie (ANSD) to run a diagnostic of payment flows.
- Support to microfinance initiatives of CAURIE (Coopérative Autonome pour le Renforcement des Initiatives Économiques par la Micro finance), which mostly pursues a strategy of participatory village banks managed by groups of women (from a minimum of 35 to a maximum of 100).
- YOUTH DFS AGENTS: MM4P, Youthstart and Orange Money agreed to pilot a youth DFS agents project in Senegal.

# Opportunities & Challenges



- **Opportunities**

- Diverse, competitive market, featuring established financial institutions and new comers (Fintechs)
- A government willing to move into digitalization of payments
- Widespread presence of MFIs keen to explore the potential of DFS
- Room for business in rural areas
- Possibility to leverage the significance of cross-border remittance in a region characterised by intense human mobility and multiple remittance corridors

- **Challenges**

- Telecommunications regulation to open up USSD use by non telco providers
- BCEAO to improve regulatory framework to allow DFS emulation (mobile loans, savings, insurance)

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