

The digital finance revolution in Senegal

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The banking system continues to dominate the financial services industry in Senegal, with 25 separate banks operating in the market—compared with just 2 e-money institutions. In this member state of the Economic Community of West African States, the banking service usage rate has risen steadily since 2010, reaching around 17 % of the population by the end of 2015.

Over the same five-year period, however, the number of e-money accountholders increased sharply, reaching parity with the number of conventional bank accountholders.

It is a known fact that digital financial services have enormous economic potential. The presence of light-touch regulation, allowing non-banking financial institutions to provide financial services, and the opportunity to tap into mass-market needs encourage new players to enter the race and stake their success on digital finance. Voracious public appetite for these new products has triggered a fresh wave of innovation, with some players bringing original offerings to market.

FOR MORE INFORMATION

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These highlights are brought to you by MM4P, a UNCDF programme in collaboration with The MasterCard Foundation in Benin, Senegal and Zambia.

Below are just a handful of examples:

Mobile e-wallet services (bill payment, money transfer, credit top-up, etc.) are no longer the exclusive preserve of mobile network operators, with money transfer giants Wari and Joni Joni entering the market several years ago. Ecobank has recently launched its ground-breaking new mobile-app-based **EXPRESS ACCOUNT**.

As new payment tools emerge quickly, customers have no shortage of options when it comes to paying for goods. But not all e-retailers accept local methods of payment. **PayDunya** has come up with an innovative way around this problem with a payment aggregator platform and a solution that embeds in e-commerce websites, enabling them to accept multiple methods of payment.

Money transfer services have long been a mainstay of the sector. But some providers have broken new ground, introducing attractive **new goods transfer** services. **WIZALL** and **MILLENNIAL FINANCE** customers can purchase e-vouchers, which they can then transfer via mobile or in person at an agent's premises. The vouchers are valid at a predefined list of outlets.

The digital revolution is changing the face of agriculture, too.

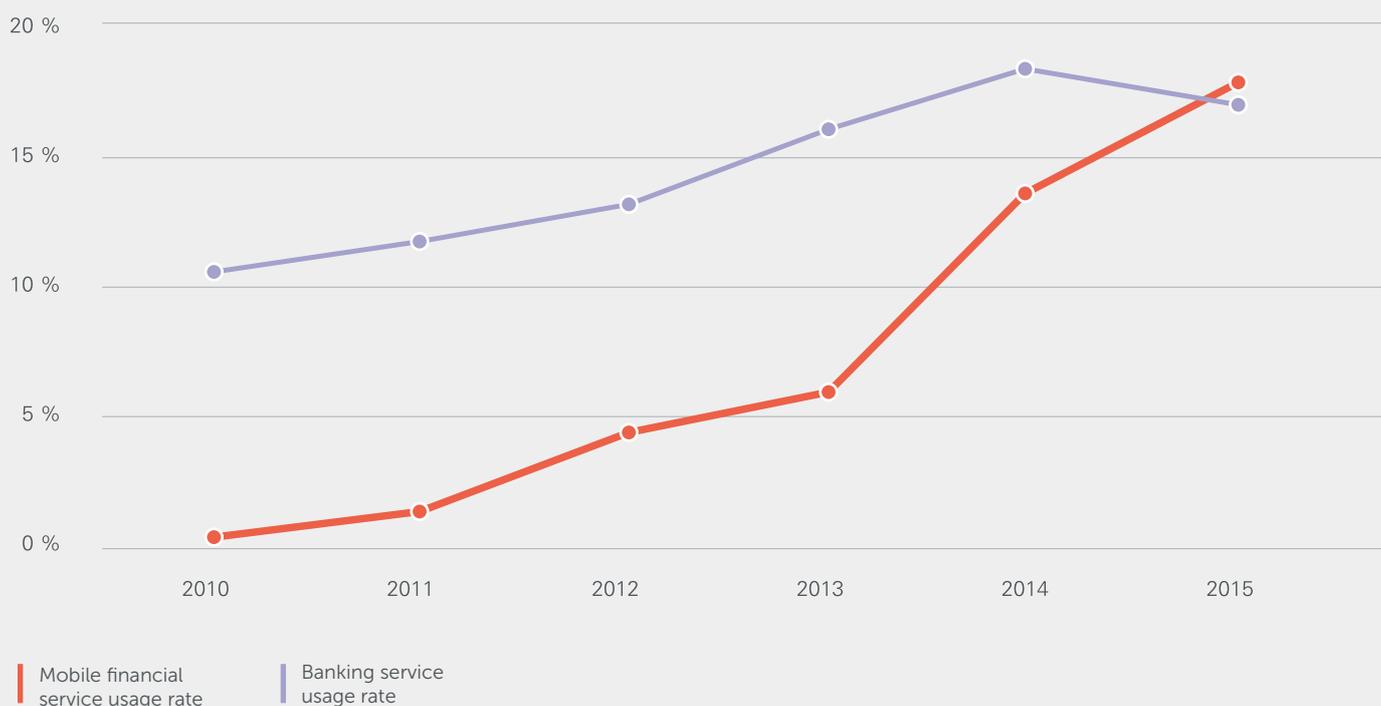
Mobile and web-based platform **Mlouma** gives farmers access to information about market prices and connects buyers and sellers, helping to oil the cogs of agricultural value chains.

Some players have opted to ride the coattails of digital financial services, adopting the wholesale model and introducing one-stop shop interfaces that agents can use to distribute a range of different financial services. Examples include **Africa Transaction Processing and Services (ATPS)** and **Intouch**, both of which add value for their agents with online portals and apps.

New investment solutions are another recent addition to the digital finance landscape in Senegal, giving clued-in members of the public a chance to invest in innovative and promising projects. Two stand-out examples are the **iroko project** and **Waalam** - online crowdfunding platforms that herald new investment opportunities for Senegalese customers.

In health, meanwhile, **JokkoSanté** is transforming the drug distribution value chain with a web-based and mobile platform based on the principles of the circular economy. Users can also trade in their surplus drugs in exchange for other drugs, with established health facilities overseeing the drug storage and exchange process.

Take-up rates in Senegal: conventional bank accounts versus e-money accounts (2006–2015)



Source : BCEAO (Banque Centrale des Etats de l'Afrique de l'Ouest), Annual report 2015 (Dakar, June 2016).

This wave of innovation is likely to see customer needs addressed. However, there are several obstacles that stand in the way of other beneficial initiatives.

Mobile network operators hold a monopoly over unstructured supplementary service data (USSD) access—a situation that poses a barrier to innovation. Mutually beneficial partnerships among fintech firms, mobile network operators, banks and microfinance institutions would help to foster the emergence of more diverse financial services for the general public and to ensure that services target the needs of specific customer segments.

Generally speaking, regulatory frameworks should be improved to promote interoperability. It would allow all ecosystem members to play their full part, and the sector would reach the critical mass needed to accelerate financial inclusion.

Of course, stakeholders shall also continue their efforts to raise awareness, promote literacy and deliver financial education to the active population.

Innovation is central to the strategy of MM4P: nurturing the development of diverse, universally accessible financial services. MM4P works with a range of stakeholders to accelerate financial inclusion, devising and deploying innovative projects and developing partnership models to bring financial solutions to underserved populations that have no access to banking services.

MM4P organizes discussion workshops to forge ties between stakeholders, sponsors digital finance trainings to bring ecosystem members up to speed on the latest trends in digital financial services, and provides technical assistance for innovative, replicable initiatives with strong growth potential.

In pursuit of these ambitions, MM4P held a workshop on digital finance in July 2017 to discuss financial education. It has also posted a call for interest in order to select and assist (both technically and financially) organizations that are planning to launch digital credit products in Senegal.

The digital revolution is underway in Senegal. That digital financial services will be adopted en masse in the country is not in doubt. It is simply a question of time.