

Pour l'expansion
des services
financiers digitaux



au
Benin



State of the Digital Financial Services (DFS) in Benin

Septembre 2017

Mobile Money for the Poor

Acronyms



BCEAO: Banque Centrale des Etats de l’Afrique de l’Ouest

GIM-UEMOA: Groupement Interbancaire Monétique de l’Union Économique et Monétaire Ouest Africaine

MFI: Micro-Finance Institutions

MNO: Mobile Network Operators

FSP: Financial Service Providers

DFS: Digital Financial Services

Highlights



As a member of UEMOA, Benin enjoys a particularly favourable regulatory framework. However, the country is still lagging behind other DFS markets in Africa and Asia: the progress of the main indicators favoring the adoption of DFS is lower in Benin, particularly among women and rural populations. The latter are more disadvantaged than the populations of urban areas; the gap is considerable.

The digital finance market is highly diversified, with OTMs, MFIs and P2P service providers. Electronic purses are relatively well known in Benin, although users tend to favour only basic services such as deposit and money transfer. Most account holders are active users, mostly male, urban and living above the poverty line. The preponderance of young people in the Beninese population makes them a good target for DFS.

The lack of income and the lack of knowledge of procedures are cited by Beninese as the main obstacles to the opening of an electronic money account. They turn almost exclusively to their loved ones, rather than institutions, for financial advice.

Savings demand is very strong, especially for long-term investments and to cope with financial shocks. There is a lot of interest in group bundles and mechanisms that help pay tuition fees. Borrowing, especially for investment and growth, is seen as a primary need in Benin.

Outline of the presentation



MM4P

The State
of
Financial
Inclusion
Landscape

The
Supply
Side

Agent
networks

The
Demand
Side

Building a
DFS
ecosystem
in Benin

The State of Financial Inclusion in Benin



A snapshot of Benin demographics



Population: **11m** (WB, 2015)

Adult population: **6.2m** (CIA, 2016)

Total number of departments: **12**

Total number of communes: **77**.

Urban population: **48%** (World Bank, 2015)

Gross National Income per capita: USD **840** (World Bank, 2015)

Formal employment: 10% of the active population (World Bank, 2016)

Informal employment: 90% de la population active (World Bank, 2016)

Size of the population with no access to electricity: **7 millions** (IEA, World Energy Outlook 2016)

Active DFS users: **974,293 Users** (BCEAO, 2016)

Active Agents: **10,640** (**190 per 100,000 Adults**) (BCEAO, 2016)

Providers: **15** Com. Banks **4** DFS Providers

As a member of WAEMU, Benin enjoys a particularly enabling regulatory framework



Benin is a member of the West African Economic Monetary Union (WAEMU).

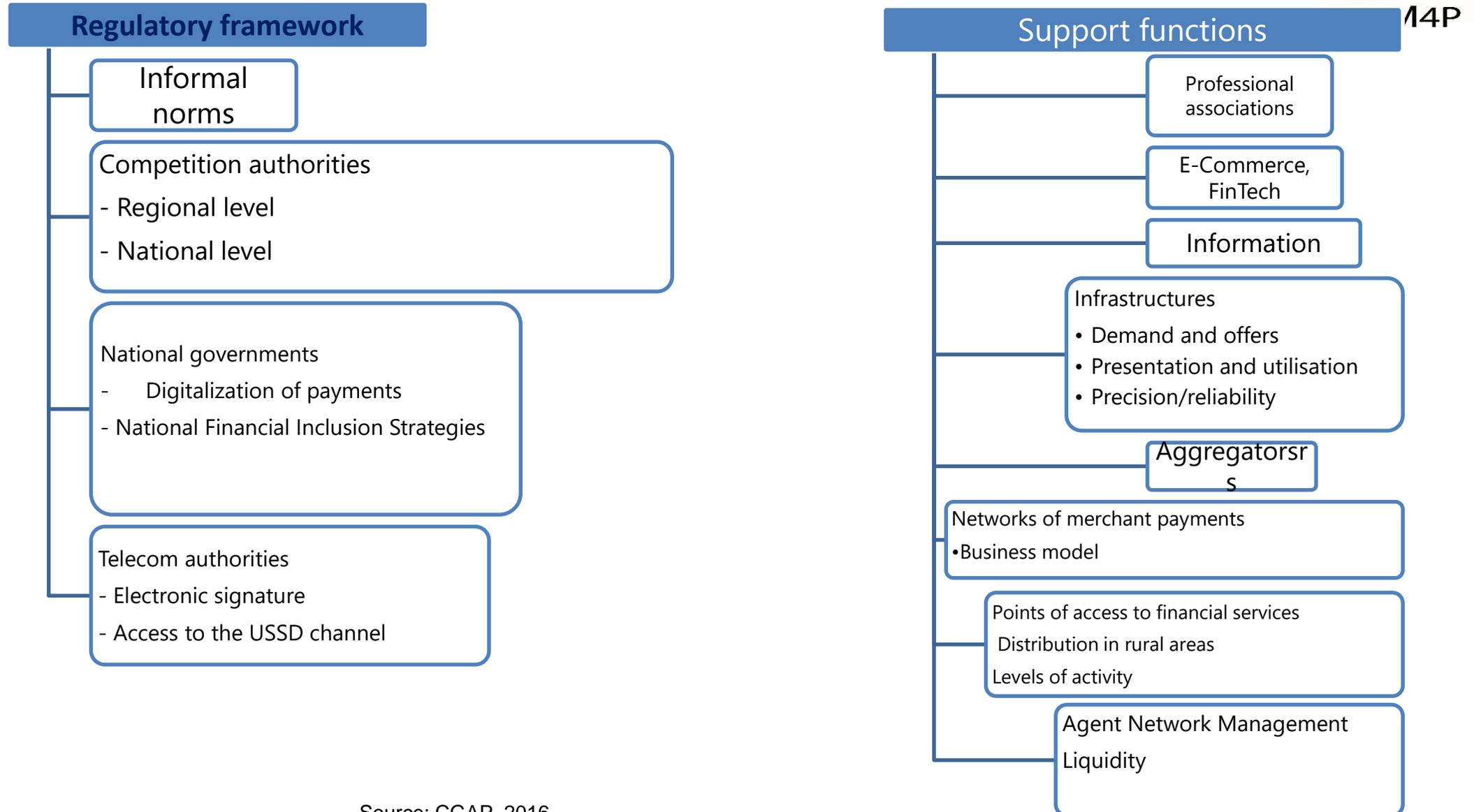
In the eight WAEMU countries, the DFS market is regulated by the BCEAO, which regulates financial sector activities in the region, including electronic money. The regulatory framework for e-money is identical in the zone, and is considered favorable to e-money. Indeed, bank and non-bank financial service providers can obtain approvals to provide e-money products and compete with each other.

The BCEAO has set a goal of formal inclusion in the financial sector of 75% of adults by 2020 and has recently developed a regional financial inclusion strategy for this purpose (Vasudevan, 2016).

The 2015 BCEAO Instruction on Electronic Money (No. 008-05-2015) specifies the roles and obligations of the various players in the e-money value chain, in particular those of banks with respect to electronic money, technical operators (eg, OTM). To accompany these new instructions, the BCEAO has developed and adopted a specific supervisory framework to monitor the issuance and distribution of electronic money.

The model adopted by the BCEAO allows MNOs to obtain a new authorization allowing them to issue electronic money and to deploy autonomous programs without having to resort to a banking institution. However, they must rely on a partner (a bank or an MFI) to hold the account and thus provide credit services to their clients.

DFS system architecture in UEMOA relies on actors with regulatory or operational functions



The preponderance of youth in the Beninese population make it an important target audience for DFS



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Gender	
	Men 50%
	Female 50%
Location	
	Urban 48%
	Rural 52%
Age	
	15-24 26%
	25-34 23%
	35-44 21%
	45-54 12%
	55+ 12%
Marital status	
	Single, never married 25%
	Married, polygamous 21%
	Married, monogamous 44%
	Other 10%

Half of the population is below 34

Intermedia study on Financial Inclusion in Benin sponsored by MM4P, December 2015 - February 2016 on a sample of 3042 people over 15 years old)

20% of Beninese adults are financially included. 11% are digitally financially included.



N=3,042

31.8%

of Beninese adults report being **within 5KM** of a mobile money agent, banking agent or a store or a kiosk with over-the-counter mobile money services

(30.3% of women)



N=3,042

5.5%

Of Beninese adults have used some form of digital financial services (including OTC) in the past 90 days but do not have a registered account

(5.5% of women)

Rate of Beninese adults who have used an account in their name for some form of digital financial service
(e.g. bank account with digital features, e-wallet service, NBFi account with digital features)

(6.9% of women)

Benin currently lags behind other important DFS markets in Africa and Asia



	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: Intermedia study on Financial Inclusion in Benin sponsored by MM4P, December 2015 - February 2016 on a sample of 3042 people over 15 years old

Also, the rates of key DFS readiness elements in Benin is lower than in the same markets

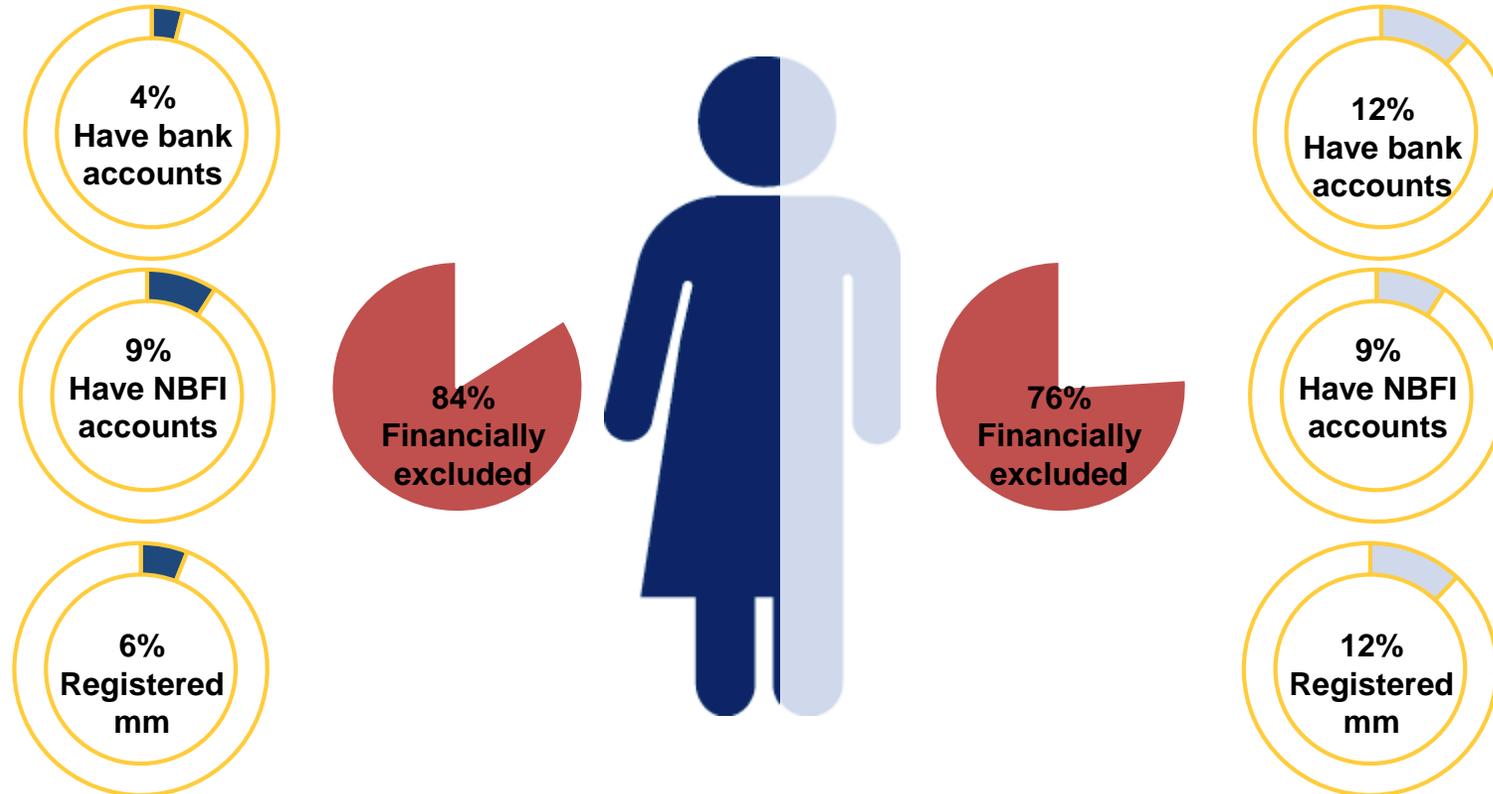


Elements of DFS Readiness
(Shown: All adults in country)

2015/16:	Benin	Senegal	Indonesia	Kenya	Nigeria	Pakistan	India	Tanzania	Uganda	Bangladesh
Access to a phone	75%	90%	79%	93%	93%	76%	90%	96%	85%	96%
Have national ID	97%	95%	94%	77%	32%	89%	82%	11%	41%	0.6%
Literacy	36%	35%	95%	83%	78%	65%	66%	84%	57%	60%
Numeracy	99%	97%	98%	98%	96%	95%	95%	96%	80%	98%
SMS	44%	64%	69%	75%	80%	40%	38%	78%	47%	37%
Beyond Primary School Education	32%	29%	60%	47%	73%	46%	58%	24%	39%	49%

- Literacy, low education attainment a greater issue for Benin
- Access to phones relatively low compared to other countries

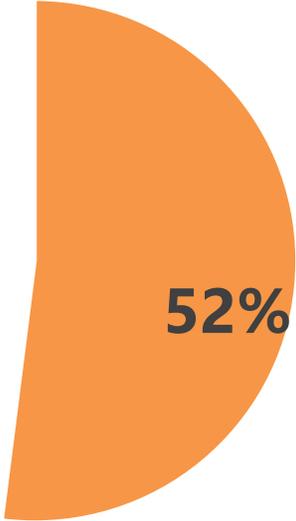
This contributes to explaining why Beninese women lag behind men in every financial inclusion indicator



Rural Beninese are substantially more disadvantaged than their urban counterparts



Rate of rural Beninese



<u>Demographics/ access to finance</u>	Rural n=1,936	Urban n=1,106
Above poverty	14%	42%
Male	50%	49%
Over 35	44%	47%
Primary education or less	78%	54%
Involved in agriculture (farm owner or laborer)	62%	27%
Access formal financial services	17%	34%
Access bank	3%	15%
Access OTC services	4%	10%
Access mobile money	6%	18%
Access NBFi	10%	11%

Source: Intermedia study on Financial Inclusion in Benin sponsored by MM4P, December 2015 - February 2016 on a sample of 3042 people over 15 years old

The supply side

Benin's financial landscape is very diverse

MNO



Available DFS:

- Deposit / Withdrawal
- merchant payment + salary payment
- Phone credit
- Transfers from individual to individual (P2P)

MFI

ASMAB



ASMAB recently became the first microfinance institution (MFI) in the West African Economic and Monetary Union (WAEMU) to be licensed as an e-money issuer.

OTC



Provided by Diamond Bank Benin and Bank of Africa Benin

Bank



Launched in January 2017, it is an app that allows access to a mobile wallet and enables, among other functions, to transfer funds to Ecobank Mobile wallets in other African countries in which Ecobank operates

DFS: Actors and services on offer



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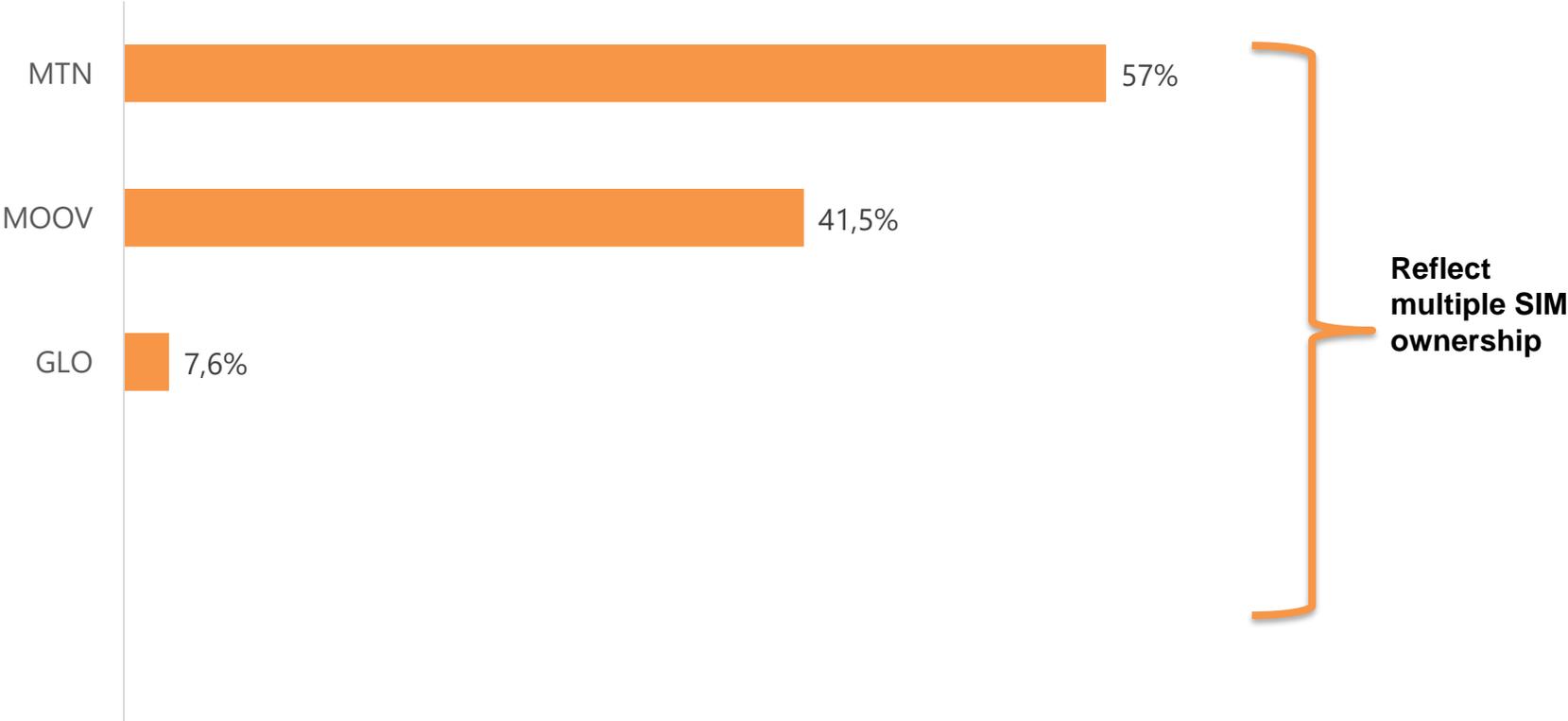
Service	MOOV	MTN	ASMAB	Ecobank
P2P transfer	X	X	X	X
CICO	X	X	X	X
Top-up	X	X	X	X
Savings/Tontine			X	
Canal+ Bill payment	X	X	X	X
Account checking	X	X	X	X
Payment of credit maturity			X	
Merchant payments	X	X		X
Cross-border transfers	X	X		X

Benin is dominated by two MNOs



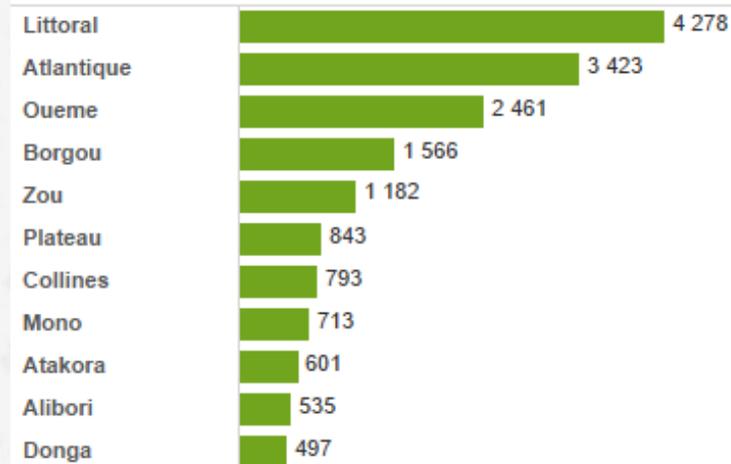
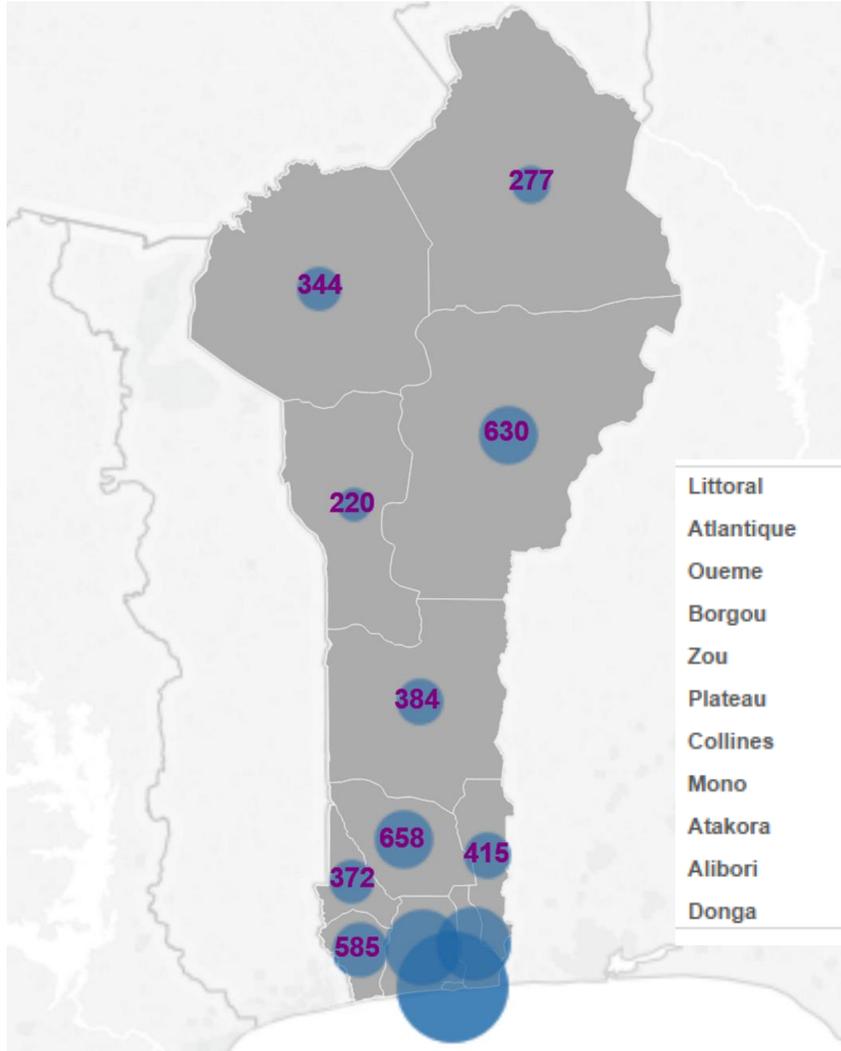
SIM Card Providers

(Shown: Percentage of Mobile Phone Owners w/ at least one SIM card from provider, n=1,781)



Source : ARCEP BENIN- Q1 2017 report

Three departments offer the vast majority of access points to financial services



The Littoral Department, which includes the economic capital of Benin, Cotonou, has the largest number of access points (4278) making it the main financial services center in Benin; there are 35 access points per 10,000 adults.

Cotonou concentrates 63% of access points banks (against 25% for mobile operators and 12% for MFIs)

MNOs, which have grown strongly since 2015, are concentrated in the Littoral, Atlantic and Oueme departments and hold nearly 19 access points out of 20. But they are present in all municipalities

There is a considerable gap between access to DFS in urban areas and that in rural areas.



Rural communes in the hinterland generally have five or fewer access points per 10,000 people, compared with 35 for Cotonou and 15-20 for other large cities.

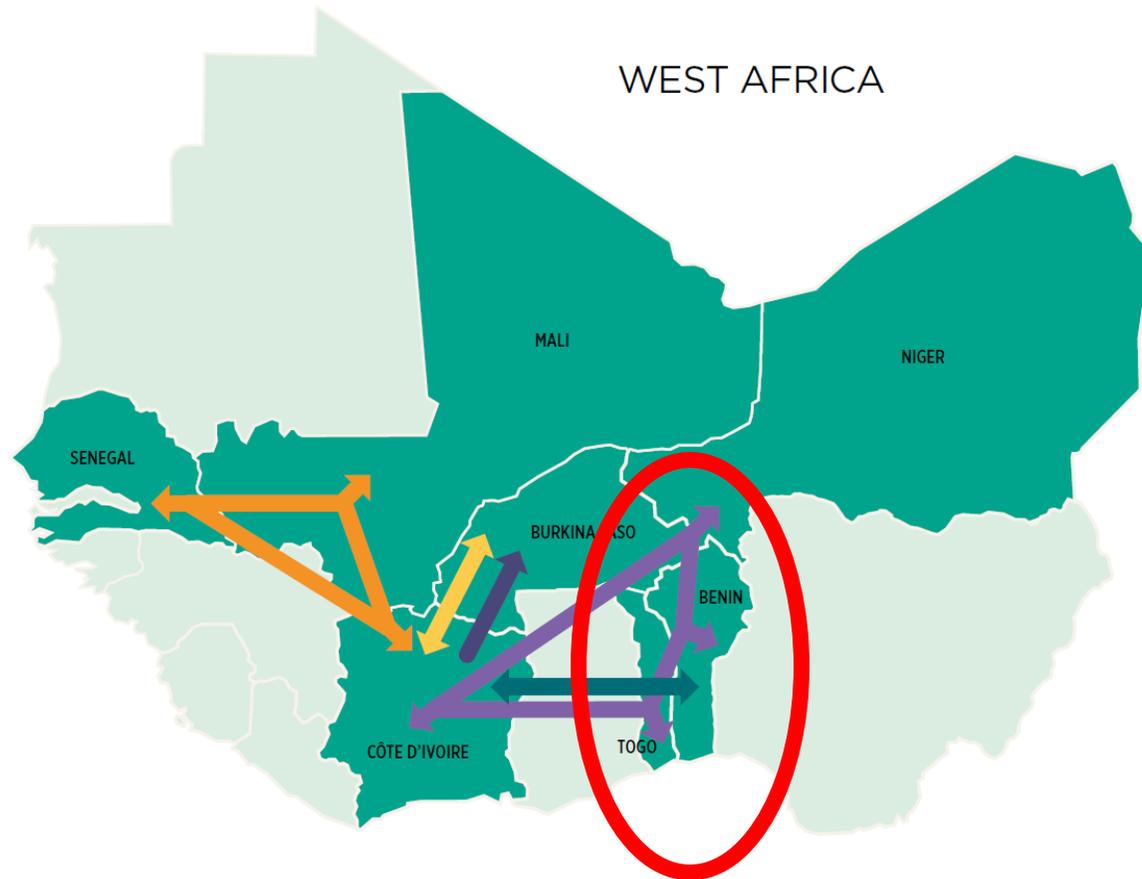
Some of the municipalities with limited access also have the highest population growth rates, which could aggravate this disparity.

Commercial banks are mainly present in Cotonou and completely absent in many municipalities. Although OTMs cover the entire country, they continue to concentrate in a few large cities, including Cotonou, Abomey, Porto-Novo, Parakou, Borgou and Bohicon. Other types of PSF are distributed much more equitably across the country.

The main access point to OTMs is the agent network, with all other types far behind.

Each municipality has access points to PSF. Rural communes are less well served than urban areas, especially commercial banks and MNOs.

International money transfers seen as an opportunity to expand the use of DFS



Remittances play a crucial role in Benin's economy, by supporting the livelihoods of hundreds thousands of Beninese. According to the WB, in 2015 USD 304 Million flew into the country. At the moment, MOOV, MTN and Ecobank offer their customers the possibility to send payments in neighbouring countries and, in the case of Ecobank, to 36 African countries in which it operates. (GSMA, 2015)

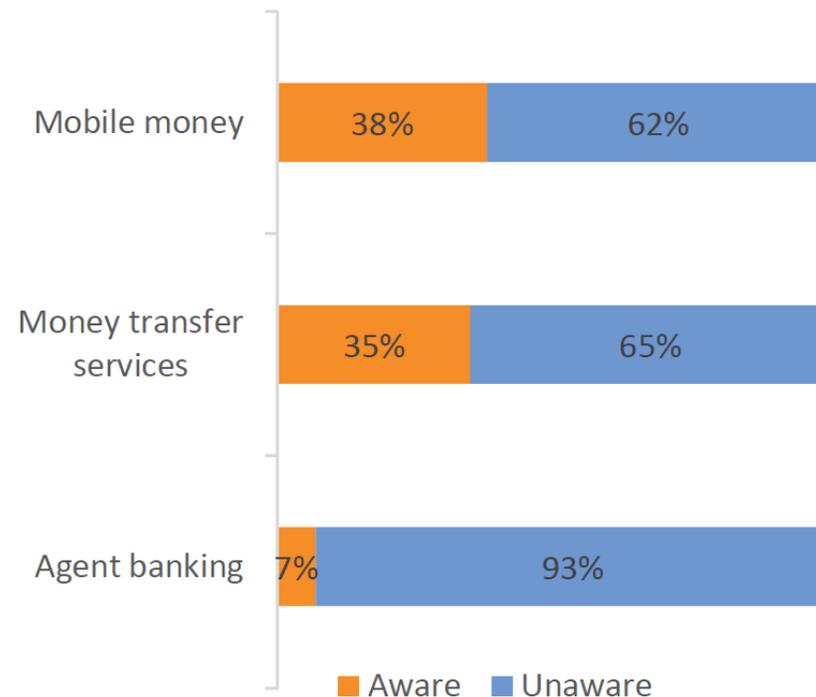


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The demand side

Awareness of mobile money is high

2015: Heard of the following
(Shown: Percentage of adults, N=3,042)

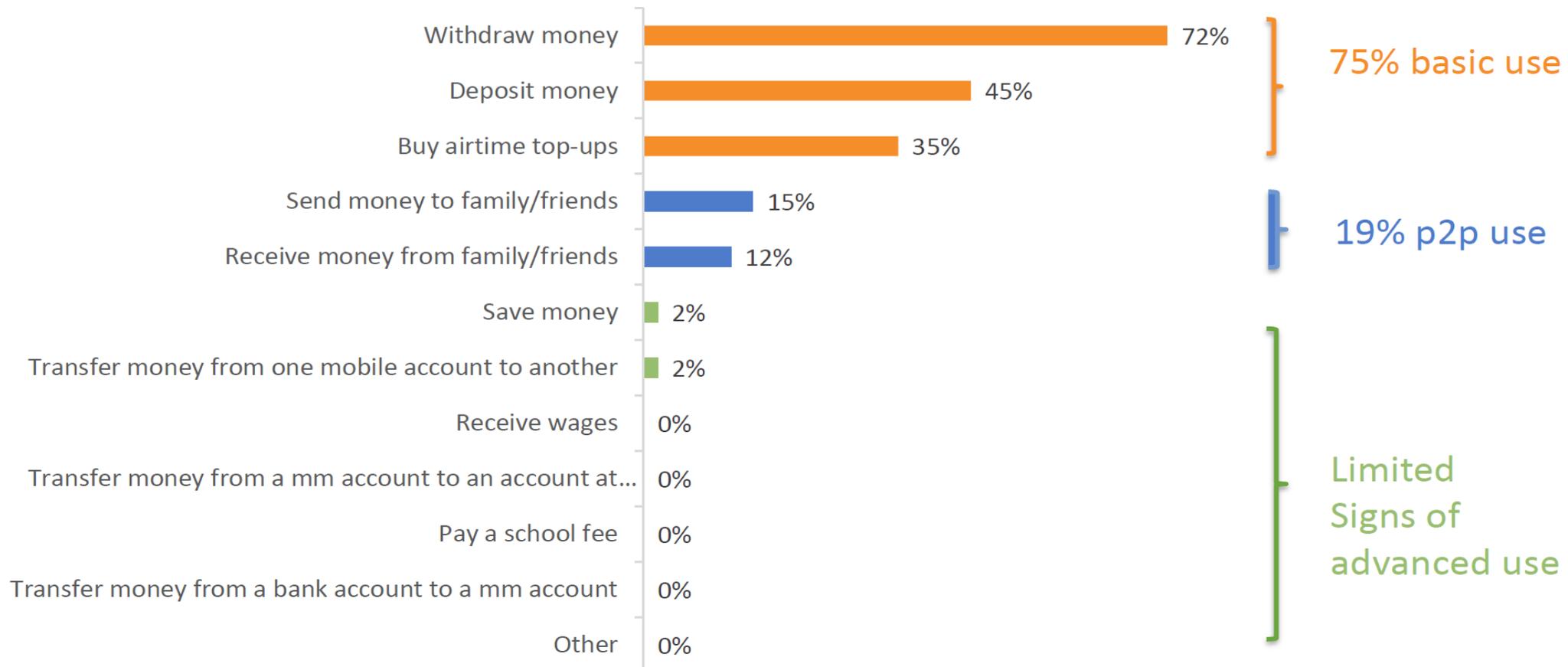


However, the low adoption rate suggests that awareness does not translate into usage

Users tend only to take advantage of basic mobile money services

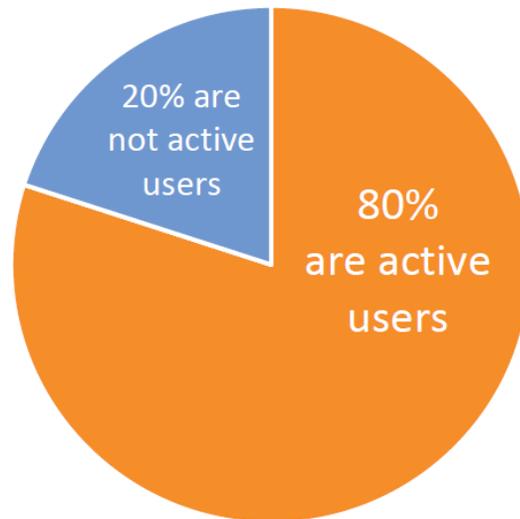
Have you ever used a mobile money account to do the following?

(Shown: percentage of mobile money account holders, n=232)

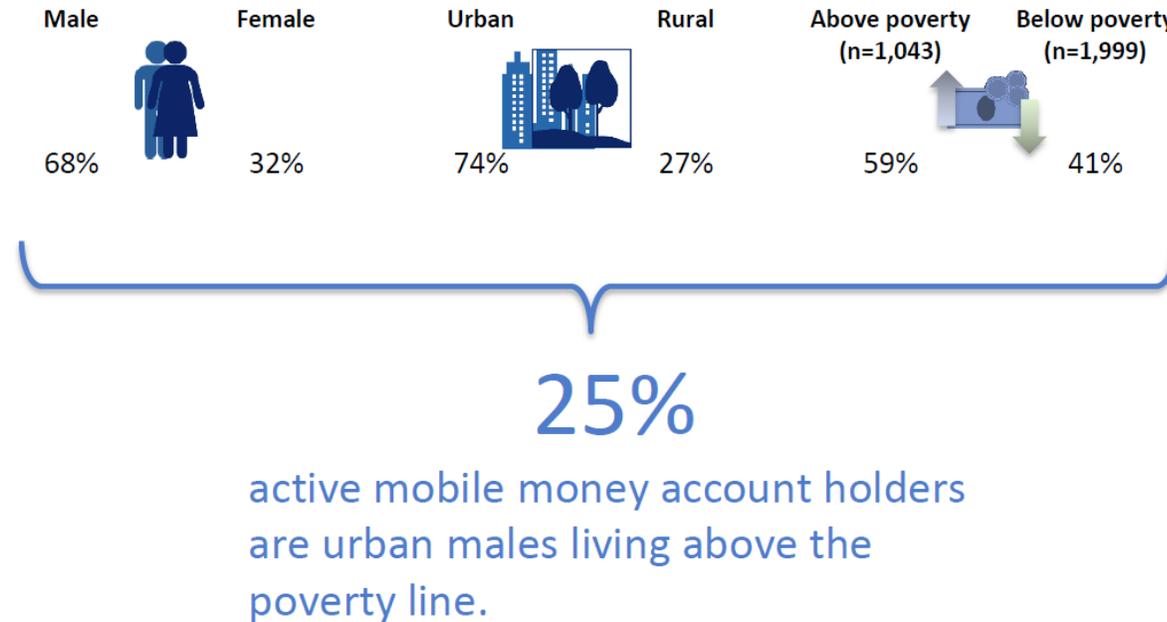


Most account holders are active users

Active mobile money use
(Shown: percentage of Beninese mobile money account holders, n=232)

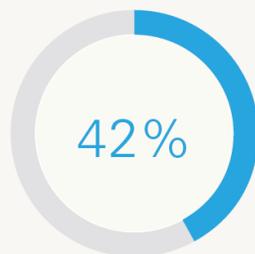


Active account holders by demographic
(Shown: Active mobile money account holders, n=185)

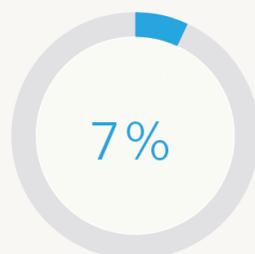


Perceived need, readiness and lack of knowledge the biggest barriers to mobile money account ownership

Reasons for not having a mobile money account



I do not know what it is



There is no office, service or caretaker



I do not understand that service



I do not need it; I do not do transactions



I never have money to carry out transactions

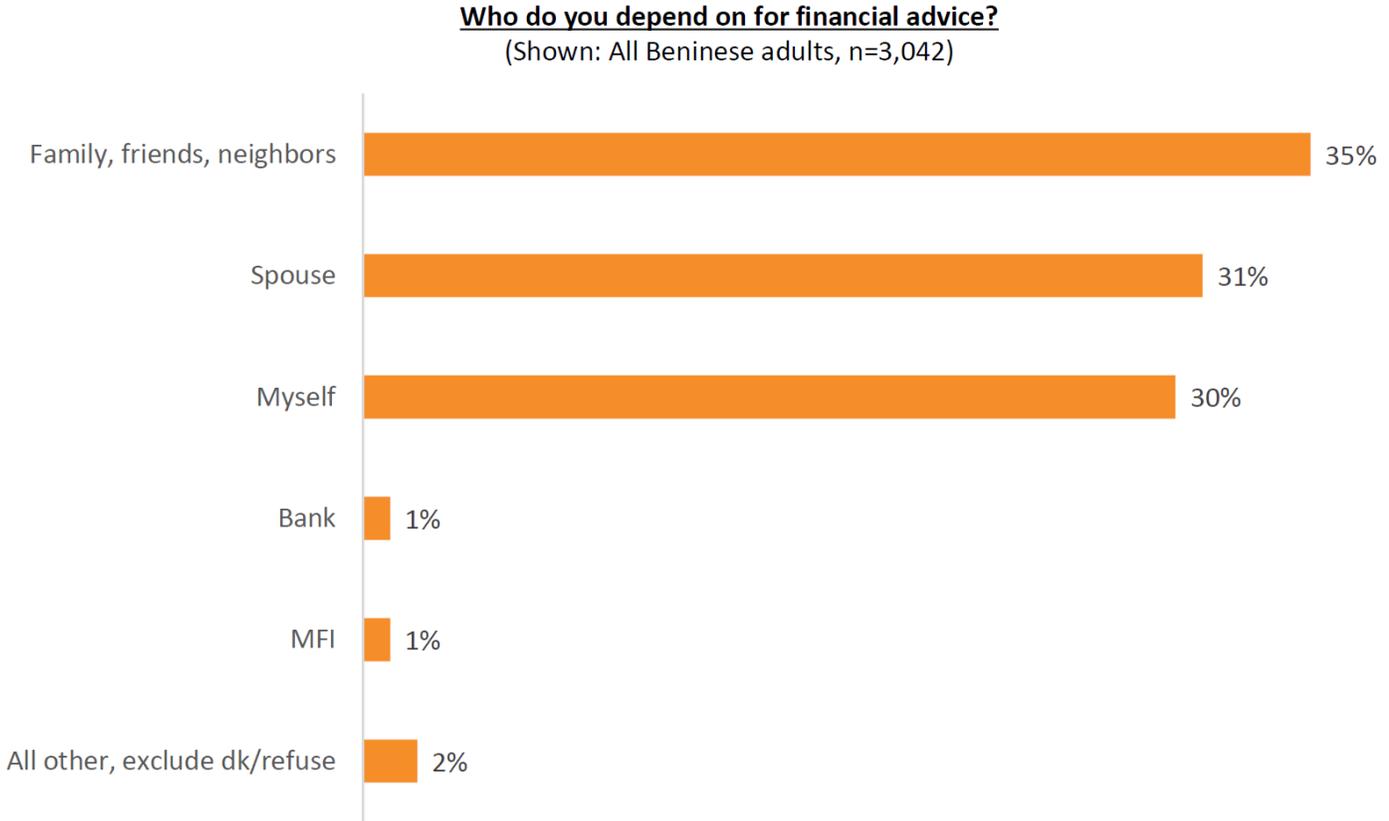


I do not know how to open one



I do not have a national identity card or other ID

Beninese rely almost completely on their close relations, rather than institutions, for financial advice



Source: InterMedia Benin Financial Inclusion Insights for MM4P, December 2015-February 2016 (N=3,042, 15+).

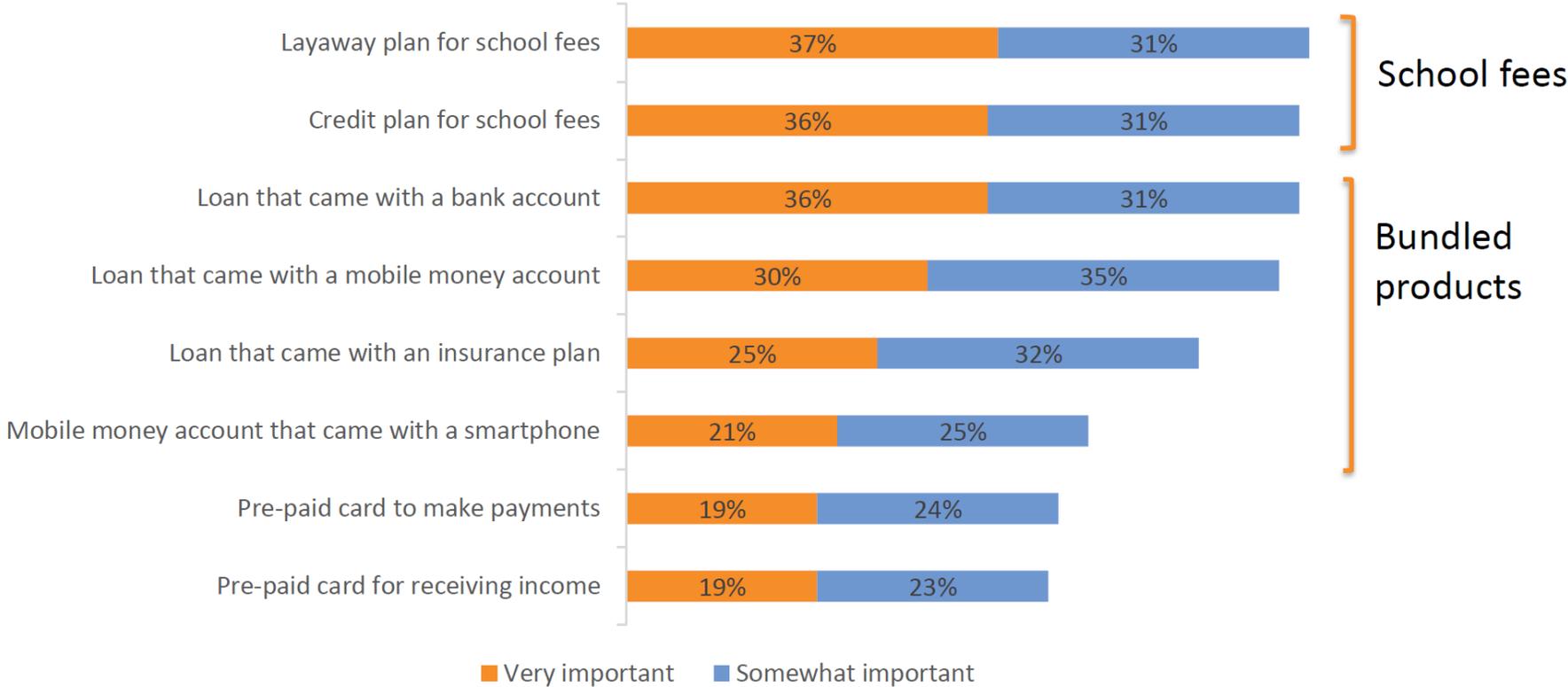
This points at the need to improve/create effective communication channels to inform about DFS

There is also significant interest in mechanisms that help pay for school fees, and bundled products



2015: Interest in financial products

(Shown: Percentage of adults, N=3,042)

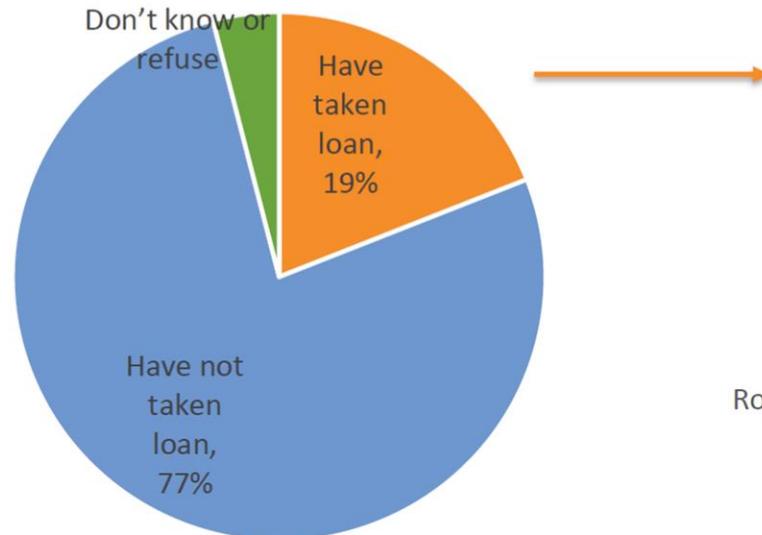


Source: Intermedia study on Financial Inclusion in Benin sponsored by MM4P, December 2015 - February 2016 on a sample of 3042 people over 15 years old)

Borrowing, particularly for investment and growth, is perceived as a pressing need

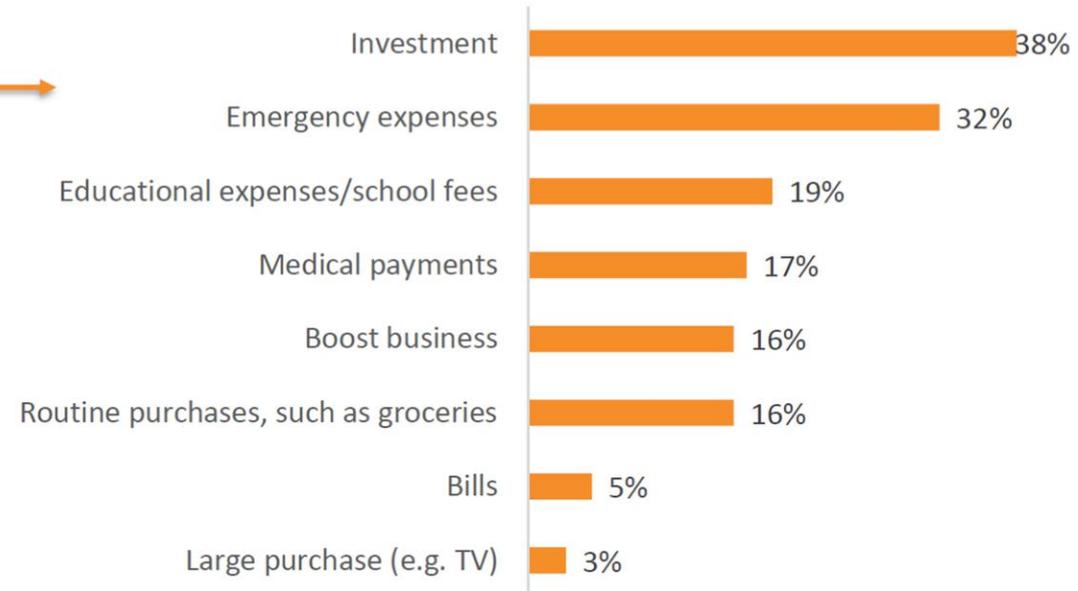
Have taken a loan in the past 12 months

(Shown: Percentage of Beninese adults n=3,042)



Reasons for taking a loan

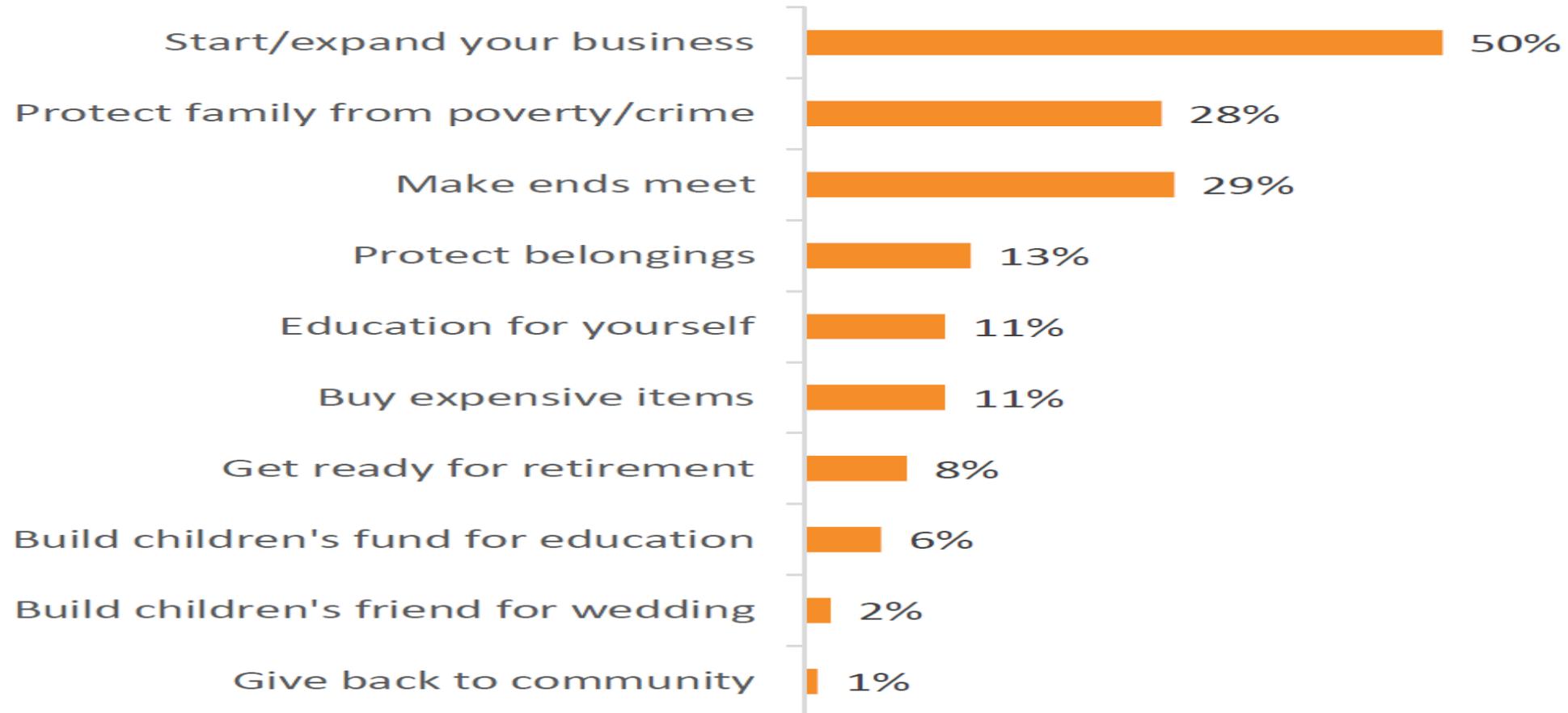
(Shown: Percentage of that have taken a loan in the past 12 months n=527)



Also, savings, driven by long term oriented investment and resilience against financial shocks, is highly needed



Reasons for saving
(Shown: percentage of saving adults)



Source: Intermedia study on Financial Inclusion in Benin sponsored by MM4P, December 2015 - February 2016 on a sample of 3042 people over 15 years old)

There are both tangible and intangible barriers to the diffusion of DFS in Benin



Tangible barriers

- Cost of mobile phones
- SMS experience
- Distance to formal financial points of service (POS)

Intangible barriers

- Lack of substantial trust for formal financial services, mostly because consumers haven't had enough exposure to build trust.
- Beninese struggle with money management, budget adherence, and admit to being dissatisfied with their financial situation

Interpersonal relationships (for both financial advice and support) can play an ambiguous role as they can either entrench pre-existing financial habits or foster interest in innovative solutions to widespread needs

Building a DFS ecosystem

UNCDF MM4P's strategy in Benin



In Benin, UNCDF's MM4P program aims to reach 30% of the adulte population actively using DFS by the end of 2019. Launched in October 2015 the program has to its credit some achievements:

- Research on the adoption of DFS as well as the behavior and needs of customers has been made available to market players;
- A mapping of points of access to financial services developed, in partnership with the Mix firm;
- Support for a MNO for expansion of the distribution network in urban and rural areas (ongoing project);
- Capacity building of ecosystem actors through a series of learning events and training;
- Using a customer-centric approach to better understand people's aspirations and identify needs in terms of innovative products
- Government's adherence to the annual work plan of the DFS Expansion Program.

Some initiatives are already encouraging successes



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A working group on digital finance, a framework for dialogue and exchange between the various stakeholders of the sector to promote the development of DFS for financial inclusion in Benin. It is a platform through which the various stakeholders (government, service providers, regulator) can:

- exchange regularly to implement measures to accelerate the development of the digital finance ecosystem;
- identify opportunities and limitations related to large scale deployment of digital finance solutions;
- learn from the experience of stakeholders in various pilot projects and make innovative regulatory decisions that allow Beninese access to DFS;
- promote innovation in the ecosystem to meet the needs of Beninese.

Other initiatives are underway:

- Partnership with an OTM to test mobile payment with Zemidjans (taxi-bikes) and promote its adoption in Benin;
- Development of partnerships between microfinance institutions and mobile operators to promote bank to wallet services

Opportunities



- Benin is an emerging market where DFS offer is still relatively basic and strategic partnerships between financial institutions and MNOs are just beginning to form. And even if the volume of transactions in electronic money is one of the lowest in the WAEMU, after Togo and Guinea Bissau, there has been rapid growth in the last two years.
- The government's desire to promote the digital economy can be used to facilitate the multiplication of payments and encourage the shift from cash payments to digital payments. The working group platform laid the foundation for good momentum among stakeholders preparing to test DFS (banks, MFIs, OTM, Benin Post, etc.) and created the conditions necessary to build partnerships particularly between MTMs and financial institutions.
- Introducing digital access into a well-known and familiar financial circuit helps reassure users about new ways of accessing, without exposing them completely to a new product. MFIs and savings / tontine groups can become a strategic network to bridge the gap between urban / rural and gender.
- Taking into account the needs of the customer in the design of financial products and services can lead to the implementation of innovative offers that promote the adoption of DFS.

Outlook for the evolution of the DFS market in Benin



The digital finance market is definitely on track. To accelerate the adoption and expansion of DFS, work should be done to remove some barriers and create more synergy among market players. The dynamics of an ecosystem of DFS are already unleashed, it remains to find the levers that will boost speed and promote the expansion of digital finance in Benin.

Some points of reflection:

- How to take advantage of the relative dynamism of the MFI network in rural communes to promote access to DFS offered by OTM?
- How to encourage partnerships between MNOs and local networks of MFIs?
- How do people use financial tools to meet their investment aspirations, unexpected financial needs?
- Why do consumers use or adopt mostly basic DFS?
- How do local money / risk / value concepts interfere with the adoption of DFS and how do they influence it?
- By which means to sensitize the population in a significant way and create a demand for DFS?
- How can we leverage financial security and security to value DFS?

Main references



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- MasterCard Foundation Quarterly Progress, 2016
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