



Benin

# Digital Financial Services in Benin

2014

Facts and figures\*

## Sector overview

Overall, the digital financial services (DFS) market in Benin is lagging behind its neighbours. With only three e-money licensed providers, including two that received their license in late 2013, the offerings are still very limited both in terms of service points and products. The size of the market is also fairly small, and the unique regulatory framework in the West African Economic and Monetary Union zone may have led regional players to prefer larger markets such as Côte d'Ivoire and Senegal.

In addition, distribution networks are nascent—with the exception of microfinance institutions (MFIs), which serve as a platform for banks and mobile network operators (MNOs) in rural areas.

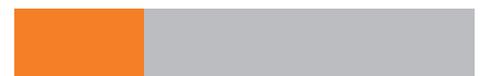
Despite the partnerships, MFIs are still struggling to recover from recent scandals and do not have adequate technological capacity to support DFS operations on their own. Hence, the DFS sector is still close to the inception stage.

10,3 million

Total population



20% (incl. 7% through banks)  
Financial inclusion rate



1.791 USD

GDP per capita (PPP)



92%

Mobile phone penetrations



## Key findings

### Policy and regulation

BCEAO (Banque Central des Etats de l'Afrique de l'Ouest) allows a broad spectrum of providers to issue DFS, including banks, MFIs, MNOs and other service providers. In practice, however, MNOs have opted for partnering with banks to offer these services rather than seeking approval as e-money issuers. It has allowed them to enter the DFS market without significant investment while their focus remains on gaining

market share for voice services. There is no regulation of agent banking, although BCEAO reviews the service contract between the issuer and the distributor. Despite the existence of a regional switch (GIM-UEMOA [Groupement interbancaire monétique de l'Union économique et monétaire ouest-africaine]), discussions on interoperability between MNOs are still in their early stages.



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\*Source : EIB and UNCDF, 'Digital Financial Services in Africa,' December 2014.

## Delivery infrastructure

The quality of roads and mobile-network infrastructure is very poor in Benin. Towards the end of 2013, maintenance problems and disputes between MTN and regulator ATRPT (Autorité Transitoire de Régulation des Postes et Télécommunications) led to periods of disturbance on the mobile network and errors in payment processing. While these problems were solved, the crisis revealed the weaknesses and vulnerability of local mobile networks.

## Providers

The 13 commercial banks in Benin do not serve the masses, while the 56 MFIs accessible to the unbanked in remote areas do not have the core banking capacity required to issue e-money. Nevertheless, MFIs allow partner banks to cover a wider distribution network and are a vector of financial inclusion in the country. Only two out of five MNOs are engaged in DFS (MTN and Moov), with more than 400,000 subscribers in mobile wallet accounts, but activity levels remain low. Finally, the MFI ASMAB (Association pour la Solidarité des Marchés du Bénin) received its e-money issuer license in 2013, and it plans to develop a loan reimbursement service via mobile phone in partnership with MTN.

## Agent networks

There are about 3000 agents currently operating DFS in the country. Distribution networks of all sorts are limited in Benin. Most banks use MFIs to serve the rural population, with MFIs representing 75 percent of all points of service used by financial institutions in the country. However, a few notable MFI networks have emerged as potential distribution platforms outside of the main cities, including FECECAM (Faîtière des Caisses d'Epargne et de Crédit Agricole Mutuel) and PADME (Promotion et l'Appui au Développement de MicroEntreprises). Added to the postal services, these entities could contribute to further financial inclusion in the country.

## High volume

The current offering is predominantly first-generation money transfer services, although recent initiatives have started developing bill payment options and loan repayment. Remittances at the regional level represent an important flow of money and, if digitalized, could play a significant role in the uptake of DFS. MTN recently signed a partnership with Western Union in 21 countries, including Benin, which allows money transfers to occur without a bank account and directly onto an MTN wallet. However, the solution has not been implemented yet.

## Customers

Benin is characterized by a very low bank penetration rate (7 percent through commercial banks), with a relatively higher rate through MFIs (20 percent). However, neither MFIs nor banks have conducted market research to map and understand the needs of Beninese consumers. Besides credit, there is almost no offer of formal savings or insurance products for the unbanked segment. In addition, multiple scandals in the MFI sector have increased distrust of financial institutions and led consumers to reorganize their financial habits outside of any formal channel. Finally, the illiteracy rate (>57 percent) hampers the uptake of DFS since it would be nearly impossible for an illiterate to use SMSbased technology or access information about the products.

## Key stakeholders

### Regulators



- BCEAO (Banque Centrale des Etats de l'Afrique de l'Ouest)
- ATRPT (Autorité Transitoire de Régulation des Postes et des Télécommunications)

### Main banks

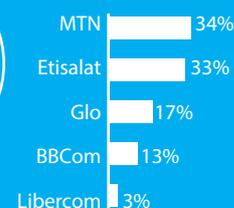
- Bank of Africa
- Ecobank
- Diamond Bank
- United Bank for Africa
- Société Générale



### Mobile network operators



#### Market share



### Digital financial service providers

- MTN with Ecobank
- Moov
- ASMAB (Association pour la Solidarité des Marchés du Bénin)



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