


Senegal

Digital Financial Services in Senegal

2014

Facts and figures*

Sector overview

Senegal enjoys a great variety of players in the digital financial services (DFS) ecosystem. Benefiting from hosting the regional regulator BCEAO (Banque Centrale des Etats de l'Afrique de l'Ouest), and the West African headquarters of multiple stakeholders, Senegal has served as an entry point for many DFS providers in the region.

Banks, mobile network operators (MNOs), specialists in money transfer, microfinance institutions (MFIs) and e-money issuers have all launched their offerings in the market with different models, including partnerships and products that are sometimes complementary but are often competing. Whereas BCEAO authorizes a variety of actors to issue e-money, market dynamics have not allowed

the development of large-scale models. In the regions, MNOs have initially opted to partner with banks for the licensing and launch of their mobile money offerings, but they face challenges such as limited flexibility.

The majority of banks still play a passive role in promoting DFS to the masses, having very limited experience with the low-income and rural consumer segments. Finally, MFIs and other e-money issuers often lack resources and technological capacity to launch their own DFS offering.

A few initiatives to interconnect are under development to broaden scale and access in the country.

14.1 million

Total population

20% (incl. 7% through banks)

Financial inclusion rate

USD 2,269

GDP per capita (PPP)

80%

Mobile phone penetration

Key findings

Policy and regulation

BCEAO allows a broad spectrum of providers to offer DFS, including banks, MFIs, MNOs and other service providers. The telecommunications regulator now requires SIM registration and additional information such as physical address and occupation to be provided when a DFS account is opened. There is no regulation of agent banking,

although BCEAO reviews the service contract between providers and agents. 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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Delivery infrastructure

Senegal possesses good telecommunications infrastructure relative to similar countries. The economy suffered from a faulty power grid until 2012, which slowed growth, but this energy crisis seems to be resolved in large cities. The World Bank reports that 56.5 percent of the population has access to electricity.

Providers

Many pilot programmes are introduced in Senegal, which serves as an incubator for a wide variety of DFS providers. Orange is the main DFS player in the West African Economic and Monetary Union zone and, since 2010, has partnered in Senegal with BICIS (Banque Internationale pour le Commerce et l'Industrie du Sénégal), a subsidiary of BNP Paribas. Millicom-Tigo was licensed in December 2013 as an e-money issuer through its subsidiary Mobile Cash SA and partnered with Banque Atlantique for its trust account. Yoban'tel is a DFS offering from Société Générale, which uses its own branch network as well as that of the MFI CMS (Crédit Mutuel du Sénégal). Ferlo is the first technology company, therefore non-bank, to have obtained the e-money issuer license from BCEAO. Finally, two money transfer companies operate via SMS, namely CSI-W@ri and Joni Joni, more recently. Despite these efforts, the market dynamics have not allowed the development of large-scale models.

Agent networks

Distribution networks outside Dakar are poorly developed and viable partnerships remain elusive. Electronic payment services (i.e., card based) are fairly thin, and there is a low level of customer and merchant acceptance for DFS thus far. However, the networks provided by MFIs such as ACEP, CMS and PAMECAS, as well

as that of the postal offices and money transfer companies, may represent an opportunity to enhance financial inclusion through DFS due to their strong presence in all Senegalese communities. In fact, MFI branches represent 75 percent of all providers' points of service available throughout Senegal.

High volume

Current offerings are dominated by money transfers, bill payments and airtime top-ups, and they do not respond to the needs of savings mobilization, loan disbursement and collection, and value-added services for customers. Major money transfer flows exist with Mali, Senegal, Togo, the United States of America and Europe; remittances account for 10 to 12 percent of GDP. In terms of domestic transfers, the local market has seen the arrival of new players such as CSI-W@ri and Joni Joni, which manage increasingly important transaction volumes and compete with money transfer service leaders such as Western Union and MoneyGram.

Customers

In Senegal, 67 percent of the population have low income (less than CFAF50,000 monthly income for the household, or EUR 76) and over 52 percent live in rural areas. Whether rural or urban, the low-income population is not properly taken into account by financial institutions though they generate more than a quarter of GDP (27 percent according to estimates by CGAP). Banks have not yet succeeded in developing real adaptive strategies in this context, while MFIs tend more and more to compete in their traditional market segments. Nevertheless, there are still large sections of the population that have not yet been addressed, either by banks or by MFIs, and which MNOs and service providers like CSI-W@ri aspire to capture.

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

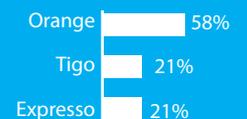
- CBAO
- Ecobank
- Société Générale
- BICIS (Banque Internationale pour le Commerce et l'Industrie du Sénégal)
- BHS (Banque de l'Habitat du Sénégal)



Mobile network operators



Market share



Digital financial service providers

- BICIS-Orange Money
- Société Générale-Yoban'tel
- Ferlo
- CSI-W@ri
- Tigo Cash
- Joni Joni



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