



ATM transaction, Cotonou, 2017

2015–2017: The story of digital finance in motion in Benin

DECEMBER 2017

Digital finance is gradually taking root in Benin. While 2015 saw major challenges in the adoption of digital financial services (DFS), two years later the situation could not be more different. For DFS providers, specifically mobile network operators, 2017 has been an extraordinary year: activity rates are higher than ever before, the proportion of active customers rose from 56 to 61 percent, and the number of transactions per customer increased from 6.9 to 8.3.¹

There is significant momentum in the market with the arrival of several new players, notably microfinance banks and institutions, which are gearing up to launch new DFS microfinance offerings. However, challenges remain over the lack of a diversified ecosystem that would allow for a wider variety of financial services, specifically second-generation services, to be offered.

¹ UNCDF, 'Benin Annual Monitor' (n.p., September 2017).

Note: This source was used extensively in the preparation of this briefing note and is the source of statistics cited throughout.

MAIN OBSERVATIONS

Generally positive regulations

Benin is one of eight member countries of the West African Economic and Monetary Union and is therefore regulated by the Banque Centrale des Etats de l'Afrique de l'Ouest (Central Bank of West African States). Its instruction No. 008-05-2015 defined the terms and conditions for granting approval (or authorization) for the issue of e-money and related activities. These provisions clarified the regulation for current and potential providers while protecting the consumer, which is a major step forward in the market. However, the regulation remains specific to e-money and does not cover other models such as agency banking. Furthermore, certain innovative services such as credit via mobile phone are subject to global regulations on credit and are therefore difficult to 'market' in Benin and in the West African Economic and Monetary Union.



Registration of a new client at an access point of a mobile network operator, Cotonou, 2017

FACTS AND FIGURES

POPULATION :^a 10.9 million

POPULATION ADULTE :^a 6.5 million

MOBILE PENETRATION RATE^b

88%

FINANCIAL INCLUSION RATE^c

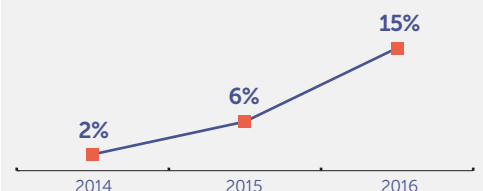
17%

^a UN World Population Prospects, 2016

^b ARCEP Benin, 2016

^c BCEAO, 2015 (includes those with a bank account in their own name; does not consider DFS usage without an account)

ACTIVE DFS USERS AS PERCENTAGE OF ADULT POPULATION 2014–2016^d



^d BCEAO, 2016 (supply-side data; defined as number of registered mobile money accounts) and UN Population Statistics, 2015; Financial Inclusion Insights Benin, 2015 (demand-side data; does not include over-the-counter transactions) and UN Population Statistics, 2016

PROVIDERS ENGAGED IN DFS

MAIN MOBILE NETWORK OPERATORS:
Moov, MTN

MAIN BANKS:
Bank of Africa, Banque Atlantique, BGFI Bank, Diamond Bank, Ecobank, Orabank

OTHERS:
ASMAB (MFI), La Poste du Bénin, W@ri

Four main digital financial service providers

In Benin, where the financial inclusion rate is estimated at 17 percent², the diverse clientele is served by 15 banks and 56 microfinance institutions. Four main suppliers share the digital finance market: mobile network operators MTN and Moov, which are the uncontested leaders; ASMAB, the only microfinance institution authorized to issue e-money; and, more recently, Ecobank.

The launch of offers by MTN and Moov has increased customer outreach, with close to a million active customers now being served. Today, 15 percent of adult population³ actively uses DFS, compared to just 2 percent in 2014. However, this usage is dominated by basic services such as cash deposits (including cash deposits for third parties, an indirect form of money transfer), cash withdrawals, mobile phone top-ups and, to a lesser degree, person-to-person money transfers and money transfers within the West African Economic and Monetary Union. Little use is made of merchant payments, despite providers' efforts, and the ecosystem of merchants that accept digital payments remains markedly underdeveloped. With regard to electricity and water bill payments, Benin is the only country within the West African Economic and Monetary Union where these services are still unavailable. Moreover, second-generation services such as insurance, savings and loans via mobile money are completely absent from the market, and the few insurance service initiatives have failed to gain real traction in the market.

Prospects are bright, nonetheless. Indeed, providers are showing an ever-growing interest in digital finance, and the majority are in the process of launching digital financial products or services. Ecobank has already launched a mobile app (Ecobank Mobile) that gives users access to a range of services, including sending and receiving money, paying bills, buying mobile phone credit and conducting traditional transactions and online payments.

Similarly, there is an increasing number of partnerships between mobile network operators and financial institutions in the pipeline, offering bank-to-wallet services (digital account and bank account transfers).

² BCEAO 2015; ³ MM4P Monitoring 2016.

Wider coverage of agent networks

The new map of financial service access points, completed by MIX Market on behalf of MM4P, has revealed the predominance of access points for mobile network operators—over 90 percent of all DFS access points. There are major disparities in terms of coverage, however, with very little coverage in rural areas. That being said, the efforts made by operators MTN and Moov to increase the density of their distribution networks and improve activity should not be underestimated. In 2016, active agents across the country reached 10,640, improving average coverage dramatically from 1.8 agents per 100,000 adults in 2014 to 190 in 2016. Problems related to agent quality have been addressed, with strict selection criteria now being observed in recruitment and better training in place, particularly for those at microfinance institutions. There is also greater liquidity in rural areas, while economic potential has been identified, challenges remain due to low coverage, with inhabitants travelling long distances to carry out expensive financial transactions.

More active e-money accounts

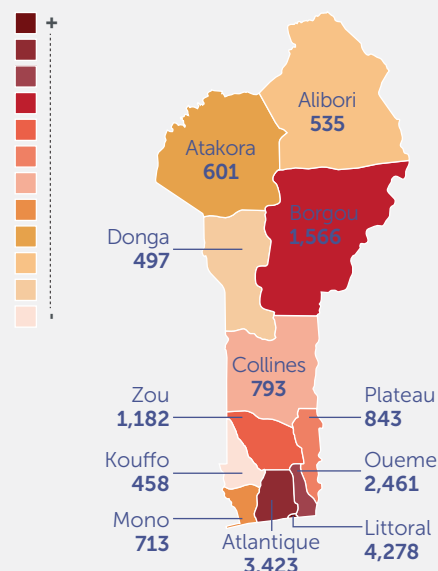
The number of active e-money accounts increased from 134,766 in 2014 to 974,293 at the end of 2016—a real surge for the DFS market. Around 15 percent of the adult population regularly uses mobile money accounts. Now that people are familiar with DFS, there is a growing confidence in the services 'offered' and recognition of the added value they can bring to day-to-day life, which is resulting in a gradual increase in uptake. What is required now is for these offerings to become standard for the majority of the population and better suited to customer needs, specifically those of vulnerable populations. The MM4P programme is working on the latter issue by introducing a human-centred design approach to help DFS providers better tailor their offers to customer expectations.

Laying the groundwork for positive market development

The Beninese digital finance market is clearly committed to this expansion phase. All signals are go—people have realized how much DFS can improve their lives and DFS providers have understood the enormous economic potential that lies therein. Regulators are ready to get to work on ensuring that regulations are favourable to the market's expansion. At this stage, synergies between stakeholder initiatives are important in order to capitalize on their complementary strengths and to develop the digital finance ecosystem.

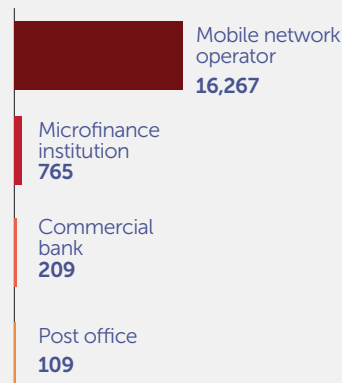
Innovation remains a major challenge, although one that could be overcome with the launch of second-generation products and the digitization of mass payments, particularly in agricultural value chains. MM4P has set itself the target of getting 30 percent of the adult population to actively use DFS by 2019. The current state of the market indicates the programme and the country is on the right track.

NUMBER OF ACCESS POINTS BY DEPARTMENT



Source: MIX Market, 'Benin National Overview.' Available from <http://finclusionlab.org/country/Benin/analytics?title=Nation al-Overview>

NUMBER OF ACCESS POINTS BY INSTITUTION TYPE



Source: MIX Market, 'Benin National Overview.' Available from <http://finclusionlab.org/country/Benin/analytics?title=Nation al-Overview>

FOR MORE INFORMATION ON THE PROGRAMME

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This information has been provided by MM4P, a UNCDF programme in collaboration with the Mastercard Foundation in Benin, Senegal and Zambia.

