

Senegal's Successful and Model Plan for Enhancing Financial Inclusion

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Abstract:

The research seeks to highlight the world's most significant transformation: financial inclusion. Financial inclusion is a critical aspect in reducing poverty and raising the standard of living. It also helps to expand financial and banking services for all parts of society. As a result, many governments have made substantial attempts to attain financial inclusion, with over 60 countries implementing financial inclusion policies, including emerging countries such as Senegal.

The research concluded that the Senegalese experience is an example of successful financial inclusion practices despite the challenges it faces. This is due to several corrective measures taken by Senegal within its developmental aspirations under the "Emerging Senegal Plan (2014-2035)," which aimed to improve living conditions and reduce poverty. As a result, Senegal's financial inclusion index improved from 15.42% in 2014 to 55.96% in 2021, a more than threefold increase.

Keywords: Financial inclusion; Financial services; poverty; financial inclusion indicators.

1. INTRODUCTION

Recently, the globe experienced a significant technology leap that changed the worldwide economic structure and revitalized financial operations. Perhaps the most notable of these developments is the creation of the new phrase "financial inclusion."

Financial inclusion is regarded as one of the most pressing modern concerns on the global scale. It seeks to make financial and banking goods and services available to all parts of society, particularly underprivileged people, at cheap cost.

Many nations have made financial inclusion an objective in their national plans because of its importance in promoting inclusive growth, eradicating poverty, and raising living standards. "Senegal" is among the nations that have formed a national policy to promote financial inclusion.

1.1 Research Problem:

Based on the above, the main question can be posed as follows:

Has Senegal succeeded in promoting financial inclusion within its strategies despite the challenges it faces?

1.2 Research Hypothesis:

The indicators of financial inclusion in Senegal have shown notable improvement in recent years despite the challenges, due to the adoption of several successful strategies.

1.3 Research Objectives:

This research aims to:

- Clarify the concept of financial inclusion and its objectives;
- Highlight the key stages in developing financial inclusion strategies;
- Identify the dimensions and indicators of financial inclusion;
- Present Senegal's successful experience in financial inclusion.

1.4 Research Methodology:

The descriptive-analytical approach is deemed suitable for this study. The descriptive method is used to cover various concepts and theoretical aspects, while the analytical method is employed to examine the research

problem in order to obtain scientifically interpreted results objectively. This approach aims to produce findings and recommendations that contribute to achieving the study's objectives.

To comprehensively address the research aspects, we divided the study into three sections:

- ✓ Description of Financial Inclusion;
- ✓ Fundamentals of Financial Inclusion;
- ✓ The Senegalese Experience in Financial Inclusion.

2. Description of Financial Inclusion

Financial inclusion is a development goal that all nations aspire for because of its importance in fostering financial stability. However, financial inclusion rates in certain countries remain below desirable levels, necessitating more measures to improve and extend it. Modern, cost-effective solutions have emerged as an efficient technique of providing financial services to all parts of society.

2.1 The Origin of Financial Inclusion

The phrase "financial inclusion" originally appears in a 1993 research on financial services in Southeast England conducted by Leyshon and Thrift. This study looked at the causes behind the closure of many bank branches, as well as the link between geographic access to financial services and branch closures. The study indicated a significant percentage of financial exclusion in some geographic locations, notably in low-income regions, causing financial institutions to avoid from delivering their services in these areas (Leyshon & Thrift, 1993, pp. 223-241). The phrase "financial inclusion" was first extensively used in 1999 to describe the variables influencing individuals' access to accessible financial services. Interest in this word increased in the early 2000s, particularly in developing nations, as numerous financial institutions and international organizations emphasized the need of financial inclusion policies. This was accomplished by broadening and diversifying financial services to serve all parts of society (Eman kadhim , 2022, p. 226).

2.2 Definition of Financial Inclusion

Financial inclusion is defined differently by several international organizations and entities. Several of these definitions contain the following:

a. World Bank (WB): "Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs, such as transactions, payments, savings products, credit facilities, loans, and insurance services, which are provided in a responsible and sustainable manner." (World Bank, s.d.)

b. Consultative Group to Assist the Poor (CGAP): "Financial inclusion is defined as a state where all working-age adults have access to credit, savings, insurance, and payment services provided by formal financial institutions. Effective financial access involves offering financial services to customers in a convenient, responsible, and affordable way while ensuring the sustainability of the financial service providers. This approach aims to make financial services available to excluded and underserved clients, providing them with alternatives to informal options" (CGAP, 2011, p. 1).

Based on the previous definitions, it can be said that: **financial inclusion is the opportunity that allows the availability and access to financial services at low costs for everyone (individuals and businesses), regardless of their income levels or location.**

2.3 Objectives of Financial Inclusion

Improving high levels of financial inclusion, which strives to integrate diverse parts of society in the capitalist financial system while also achieving financial stability and economic growth, would benefit the economic (financial and banking), social, and political contexts. The program aims to achieve the following objectives:

- ✓ Financial inclusion for marginalized individuals (e.g., women, low-income households, and rural populations);
- ✓ Poverty reduction through affordable financial services and community integration into formal banking;
- ✓ Creating work opportunities to improve economic stability;
- ✓ Providing access to official money to improve residents' living conditions, particularly for the impoverished (Nadine , Nouran, & Andrew , 2023, p. 82);
- ✓ The objective is not only to increase access to financial services, but also to improve financial well-being;

- ✓ It strives to lay the groundwork for sustained and equitable national development (BANGKO SENTRAL NG PILIPINAS).

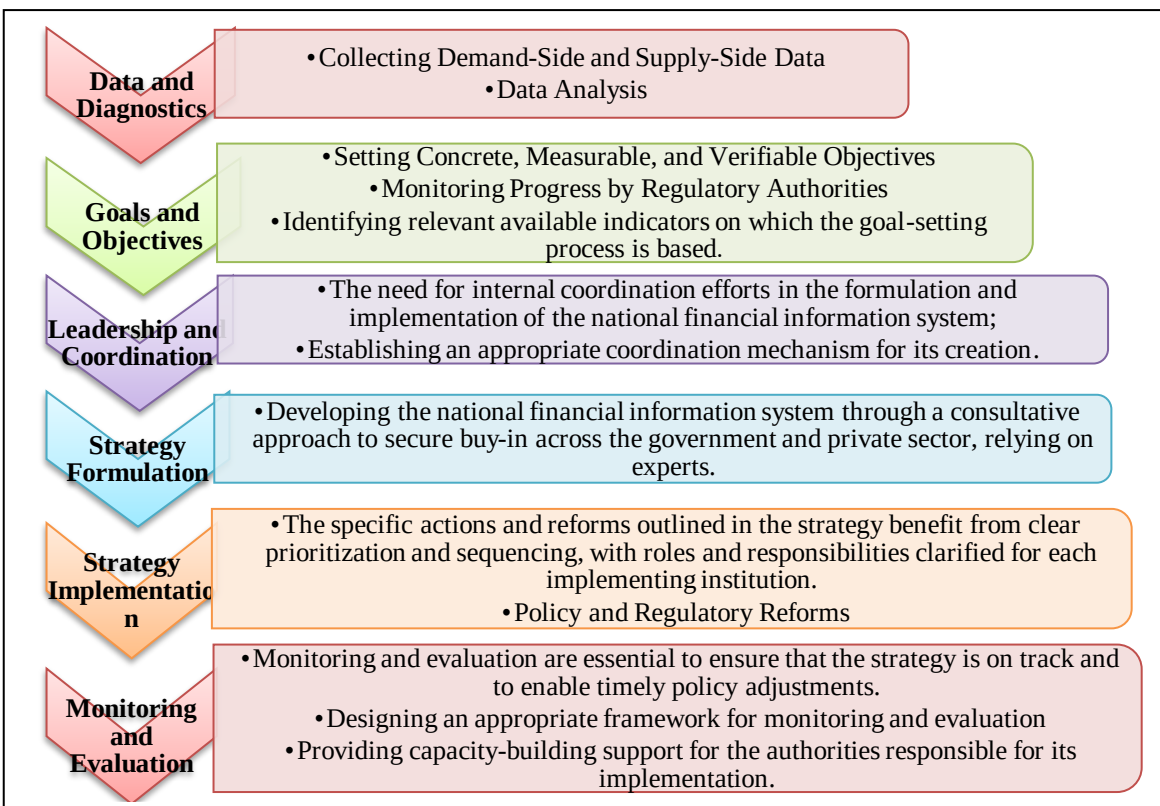
3. Fundamentals of Financial Inclusion

Financial inclusion delivers a variety of financial services to society while improving access for the underprivileged. As a result, regulatory institutions have shifted their attention toward attaining financial inclusion through a variety of techniques. To analyze the levels of financial inclusion in the financial system, it should be quantified using numerous indicators derived from three primary aspects.

3.1 Financial Inclusion Strategies

A financial inclusion strategy is a comprehensive public document developed through an extensive consultative process involving stakeholders from both the public and private sectors engaged in developing the financial sector, with the goal of systematically accelerating the level of financial inclusion.

Figure 1. Stages of the Financial Inclusion Strategy



Source: Prepared by the Researcher, based on: (THE WORLD BANK, 2015)

3.2 Dimensions of Financial Inclusion

The literature on financial inclusion believes that it is a multidimensional term, with its aspects shifting according to the research (IMF, 2020). The G20, in collaboration with the Global Partnership for Financial Inclusion (GPFI), released a set of fundamental indicators to quantify financial inclusion, which analyze three major dimensions:

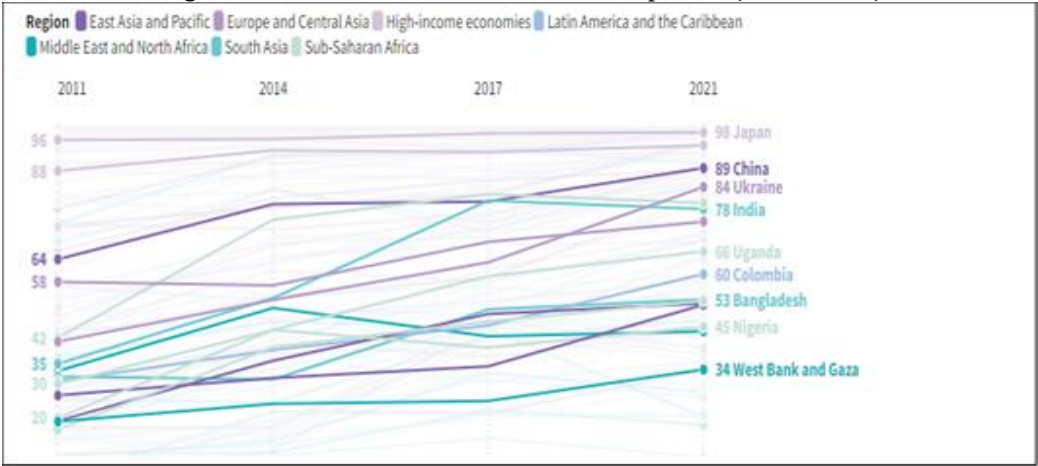
- a. Access:** The capacity to utilize financial services and products provided by formal institutions. It indicates the breadth of financial services and products available in an inclusive financial system. To evaluate access levels, potential barriers to creating and utilizing a bank account must be identified and analyzed, such as the cost or proximity to financial service locations (bank offices, ATMs, etc.).
- b. Usage:** The extent to which financial services are used. Determining utilization entails gathering information about the regularity, frequency, and duration of use over time. (Alliance for Financial Inclusion, 2013, p. 5).
- a. Quality:** This dimension evaluates how effectively financial services satisfy user demands across price, convenience, fair treatment, consumer protection, and financial education. (Alliance for Financial Inclusion, 2019)

3.3 Financial Inclusion Indicators (The Global Findex Database)

The Global Findex Database is the world's most complete dataset on how adults save, borrow, pay, and manage financial risks. The World Bank publishes the survey findings every three years, with the first in 2011, followed by following polls in 2014, 2017, and 2021. As a result, policymakers, researchers, and development practitioners frequently highlight the worldwide Findex Database as a key component of worldwide efforts to improve financial inclusion.

The following figure illustrates the global percentage of bank account ownership (2011–2021):

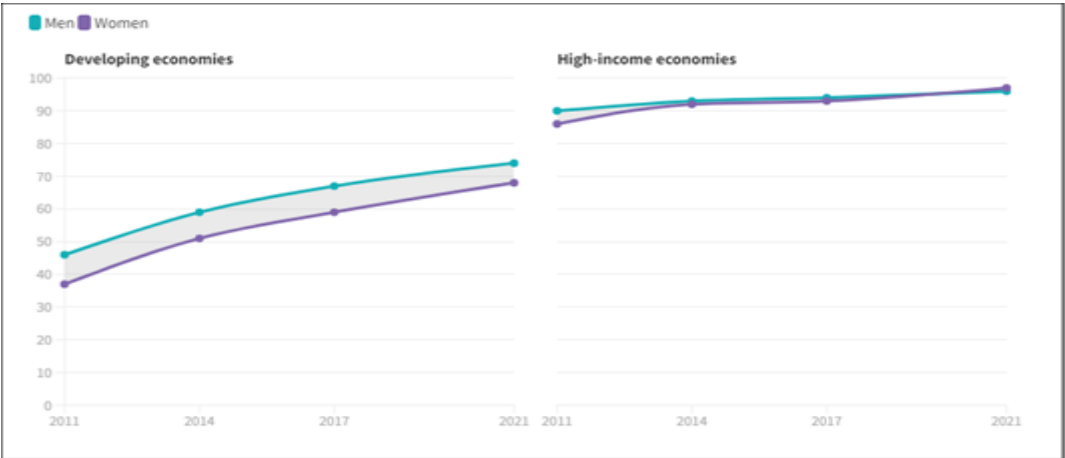
Figure 2. Global Bank Account Ownership Rate (2011–2021)



Source: (WORLD BANK GROUP, 2021)

The global percentage of individuals having a bank account or a mobile money service provider increased from 51% in 2011 to 76% in 2021. Account ownership in developing nations has risen from 63% to 71% in recent years, owing to increasing access to accounts in many developing countries as a result of the adoption of mobile financial services (WORLD BANK GROUP, 2021).

Figure 2. Gender Gap in Account Ownership (2011–2021)



Source: (WORLD BANK GROUP, 2021)

The gender gap in account ownership in developing nations dropped in 2021, from 9 to 6 percentage points (74% for males and 68% for women). Globally, the gender difference narrowed to four percentage points (78% for males and 74% for women).

4. The Senegalese Experience in Financial Inclusion

Senegal's financial industry is the second-largest in the West African Economic and Monetary Union (WAEMU), with banks accounting for 88% of financial sector assets, while microfinance institutions and insurance firms account for 7% and 4% respectively. Senegal has the 19th highest GDP in Africa. Has Senegal been successful in increasing financial inclusion despite the hurdles it faces?

4.1 Senegal's National Financial Inclusion Strategies (2022–2026)

Senegal's goal for national financial inclusion measures encompasses the following points: (MINISTERE DES FINANCE DU BUDGET, 2022, pp. I-J)

- Ensuring fair access to formal financial institutions for all Senegalese, offering varied goods and services tailored to their needs and budgets.
- Achieving financial inclusion of 65%.

The anticipated cost of the national financial inclusion plan is 17,205,000,000 CFA francs, which are divided into four strategic pillars as follows:

Table 1. National Financial Inclusion Strategy Pillars in Senegal

Pillars	Strategy	Cost Percentage
Pillar 1	• Develop appropriate financial products through: ✓ Relevant responses for populations often excluded due to unsuitable products offered by financial institutions.	7%

	✓ Focusing on strengthening partnerships, innovation, and diversifying distribution channels.	
Pillar 2	• Develop digital infrastructure. • Foster digital economic activities. • Modernize state financial services..	22%
Pillar 3	1. Improve financial literacy for the population by: ✓ Spreading knowledge to help all stakeholders improve their financial attitudes. 2. Protect financial service users by: ✓ Ensuring consumer protection.	53%
Pillar 4	• Create favorable and effective regulatory and institutional frameworks by: ✓ Expanding regulatory coverage to support financial actors in their growth and innovation. ✓ Establishing a governance, monitoring, and evaluation system for the strategy. ✓ Providing an adequate response to exchange needs between supervisors and all actors for a unified financial system.	18%

Researcher, based on: (MINISTERE DES FINANCE DU BUDGET, 2022, pp. I-J)

4.2 financial inclusion indicators

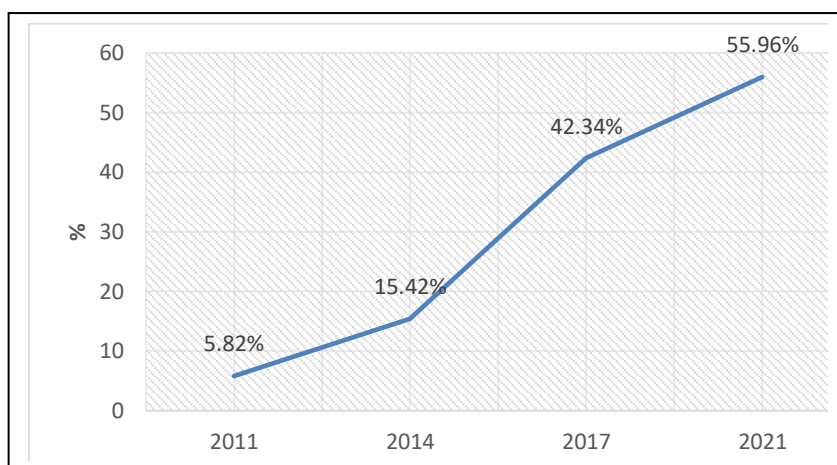
We shall aim to study the evolution of Senegal's financial inclusion measures from 2011 to 2021.

Table 2. financial inclusion indicators in Senegal

Year	2011	2014	2017	2021
financial inclusion indicators	5.82	15.42	42.34	55.96

Source: Prepared by the Researcher, based on: (WORLD BANK GROUP, 2021)

Figure 3. financial inclusion indicators in Senegal



Source: Prepared by the Researcher: Using Excel, based on the data provided in the table 2

Figure 3 shows a considerable improvement in Senegal's financial inclusion index for the year 2021, reaching 55.96% from 15.42% in 2014. This increase is the outcome of Senegal's developmental objectives, as outlined in the "PSE" (Emerging Senegal Plan) plan (2014-2035), which aims to enhance living circumstances and eliminate poverty. This approach is completely in line with the bank's strategic plan, which is built on various pillars, including: (African Export-Import Bank, 2022, pp. 4-5)

- ✓ Supporting the country's development plan by extending infrastructure through different programs and facilities, increasing the bank's prominence.
- ✓ Providing mobile access to banking services.
- ✓ Bank credit increased to 8 billion USD in 2021 from around 3 billion USD in 2020.

- ✓ Microfinance institutions play a crucial role in increasing financial inclusion by promoting mobile money accounts among adults aged 15 and above.

Additionally, Senegal has: (Updated Reform Matrix 2022 Senegal.pdf, 2022)

- ✓ Addressed structural issues that hinder the provision of loans to small and medium-sized enterprises (SMEs);
- ✓ Published Decree No. 2019-2280, which authorizes the automated processing of personal data in the electronic platform for credit information exchange, leading to an increase in the percentage of Senegalese citizens registered in the credit bureau;
- ✓ Supported the infrastructure for digital payments.

Moreover: (Dalberg Global Development Advisors, 2017, p. 12)

- ✓ Supported the national strategy for equity and gender equality (SNEEG) to align with the Emerging Senegal Plan and provide opportunities to focus on financial inclusion;
- ✓ Contributed to the United Nations Development Programme's YouthStart initiative, a global initiative aimed at increasing financial service access for low-income youth with a focus on savings and financial literacy (empowering youth with financial capabilities to seize opportunities in the digital finance sector);
- ✓ Implemented the Mobile Money for Poor (MM4P) program by the United Nations Development Programme in partnership with the Swedish International Development Cooperation Agency (SIDA), the Australian Department of Foreign Affairs and Trade (DFAT), the Gates Foundation, and Mastercard, which delivers digital financial services to low-income individuals;

Facilitated the transition from cash to digital payments by the Better Than Cash Alliance (a partnership between governments, companies, and international organizations) to reduce poverty and drive inclusive growth, thereby expanding and accelerating financial services.

4.3 Challenges of Financial Inclusion

In Senegal, financial inclusion is hindered by several barriers to accessing and using financial services across all segments of the population, as well as microenterprises, small, and medium-sized businesses, which face difficulties in obtaining financing. The main challenges are as follows: (African Export-Import Bank, 2022, pp. 7-8)

a. Savings:

- Low rate of account retention in formal institutions.
- Use of channels outside the financial sector for savings.

b. Credit:

- Low demand for credit.
- Inadequate use of tools to facilitate access to credit for microenterprises, small, and medium-sized businesses.
- Lack of trust.
- Lack of need.
- Religious considerations.

c. Insurance:

- Very limited use of insurance, generally restricted to compulsory insurance.

5. CONCLUSION

Through the research, we concluded that financial inclusion provides the latest financial and banking products and services, making them accessible to all segments of society, especially marginalized groups (the poor). Therefore, many countries, including Senegal, have developed their national financial inclusion strategies to expand and universalize their financial services in line with their developmental aspirations.

Based on the above, the main findings and recommendations can be summarized as follows:

5.1. Research Findings

- Financial inclusion helps in spreading financial services and delivering them to all segments of society, especially the poor and marginalized.
- Financial inclusion is one of the main priorities of countries in improving living standards, combating poverty, and fostering inclusive growth.
- Developing a successful national financial inclusion strategy is one of the key elements for enhancing financial inclusion in a country.
- Senegal is a successful model for developing countries in the area of financial inclusion, despite the challenges it faced.
- Microfinance institutions played a significant role in enhancing financial inclusion in Senegal.
- Mobile phones in Senegal have facilitated access to financial services.
- The United Nations Fund for Productive Projects contributed to the implementation of a global initiative aimed at increasing access to financial services for low-income youth, in addition to its role in establishing the Mobile Money for the Poor program .
- Senegal developed a strategy called the "Emerging Senegal Plan" (2014-2035), which aimed to improve living conditions and reduce poverty. This plan contributed to the improvement of its financial inclusion index from 15.42% in 2014 to 55.96% in 2021, more than tripling the rate.

5.2. Recommendations

Based on the previous findings, the following set of recommendations can be proposed:

- Financial literacy for financial inclusion should be promoted through awareness campaigns in remote areas of Senegal.
- New financial services applications should be developed for mobile phones in multiple languages, considering that Senegal is a country

with 36 spoken languages, to enable non-French speakers to easily access financial accounts.

- Financial product marketing should be adapted for people with low literacy levels.
- Financial and banking services via mobile phones should be expanded, as Senegal has a mobile phone penetration rate of 114%.
- Support should be provided for digital infrastructure, especially in rural areas of Senegal.
- Senegal's successful financial inclusion experience should be utilized and applied to Algeria.

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