

Building Resilience Through Digital Financial Services

Africa COVID-19
Digital Finance Market Impact Series

Morocco

The **COVID-19 pandemic** highlighted the important role **digital financial services (DFS)** can play in reducing disruptions to supply chains, maintaining economic activity, supporting social transfers and ensuring safe transactions while maintaining social distancing.

In these challenging times, IFC's DFS advisory worked with clients to build resilience and capacity through the Covid-19 crisis while designing, building and developing innovative business models for financial inclusion. This DFS market research series endeavours to share the insights gathered through this work.

Since launching the National Financial Inclusion Strategy (NFIS) in 2018, efforts by the Moroccan government and central bank, Bank Al-Maghrib, to increase financial inclusion are beginning to pay off. Account ownership has increased significantly with the World Bank Global Findex, 2021, reporting that 44 percent of adults in Morocco have access to the formal financial sector, which is up from 29 percent in 2017. However, despite this progress, rural communities and women still face barriers to financial access. According to the Global Findex, 2021 only 33 percent of women held accounts compared with 56 percent of men.

While digital financial services could help to improve access for underserved segments of the population, only 6 percent of adults in Morocco report owning a mobile money account demonstrating a clear need to promote digital financial services.



MOROCCO: KEY COUNTRY STATISTICS



37 million

Population



137%

Mobile penetration



\$3,396 USD

of GDP per capital



82.9%

Internet penetration



37%

population living in rural areas



Smartphone penetration:

75-7%

72% for women, 81% for men

Sources: 1. Banque Mondiale, 2: ANRT

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic had detrimental effects on the Moroccan economy. With a strict lockdown period lasting more than three months and a shutdown in external demand, the country faced its first recession since 1995, resulting in a significant drop in household income with the greatest impact being felt among financially excluded people and those living in rural areas.

Despite fiscal constraints, the government responded as best it could to reduce financial pressure on Moroccans. For starters the Central Bank increased liquidity to the banking sector through foreign exchange swaps and increased refinancing options for small businesses. Loans were deferred for three months for SMEs and self-employed individuals and interest was reduced to zero.

IFC engaged extensively in Morocco to mitigate the impact of Covid-19 on MSMEs and the financial sector. This included hosting various webinars with MSME participants and conducting a BOW impact study.

DFS MARKET OVERVIEW

Morocco has a diversified financial sector dominated by banks. The country's three largest banks – Attijariwafa, BCP and BOA – represent 63 percent of Morocco's banking assets, however only 44.4 percent of adults are banked with 42.2 percent owning a Financial Institution account and only 6.3 percent own a mobile money account (Findex 2021).

A new banking law (2016) allows payment companies, or Etablissements de Paiements (EP), to provide payment services through e-wallets and cards, with the result that 20 EPs were approved by the end of 2020, of which six are bank subsidiaries, three are telecom operators, two are from transfer companies and five are Fintechs.

Leading EPs include: Wafacash (1,818 agents); Cashplus (2,200 agents); M2T; Inwi Money; Orange Money Maroc; Barid Cash (+700 agents). However penetration remains low with only 360,000 e-wallets in 2019. This is supported by IFC research in 2020 which found that only 4 percent of respondents had a mobile wallet.

CHALLENGES AND OPPORTUNITIES

Morocco's merchant payments market presents a significant opportunity for digital solutions with over 400 billion MAD of addressable mobile payment flows. The more than 71% of mobile payments made are purchases from shops.

There have been significant reforms on the regulatory front, which provide opportunities for digital finance. Beyond the new banking law, the regulator has actively promoted interoperability between banks and EPs and through the launch of national mobile payments solution, Maroc Pay, in 2020. In 2021, Central Bank also released a new law to enable e-signatures.

However, there is a significant need for education around mobile wallets. There is currently a dearth of available information, which is contributing to low rates of mobile wallet adoption.

RECENT WORK COMPLETED BY IFC'S DFS ADVISORY IN MOROCCO

- Conducted a DFS market assessment to analyze the level of digital financial services penetration and the opportunities for the private and the public sector of adopting digital services.
- Recently completed and active projects total \$0.4 million,
- \$400,000 regional DFS Covid-19 Response: Capacity Building online webinar 'Merchant Payments' in Morocco in FY21 with 55 participants from 28 financial institutions. Regional DigiLab Finance Francophone webinar series in FY21 with participation from Morocco.
- \$17,000 regional upstream project with Jumia to strengthen its payments and lending business to enable asset-based lending across various markets.



PLANNED WORK BY IFC'S DFS ADVISORY IN MOROCCO

- Focus on individual clients (banks and EPs) as well as market-level activities to scale adoption of digital financial services.
- DFS market/firm project in development (FY25).

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Authors: TBC

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