



World-class training course

Cutting-edge operational insights

UNCDF Go Rural Conference

Presented by: Mike McCaffrey (Mike@microsave.net)

February 25th, 2015

Kampala, Uganda

MicroSave
Market-led solutions for financial services

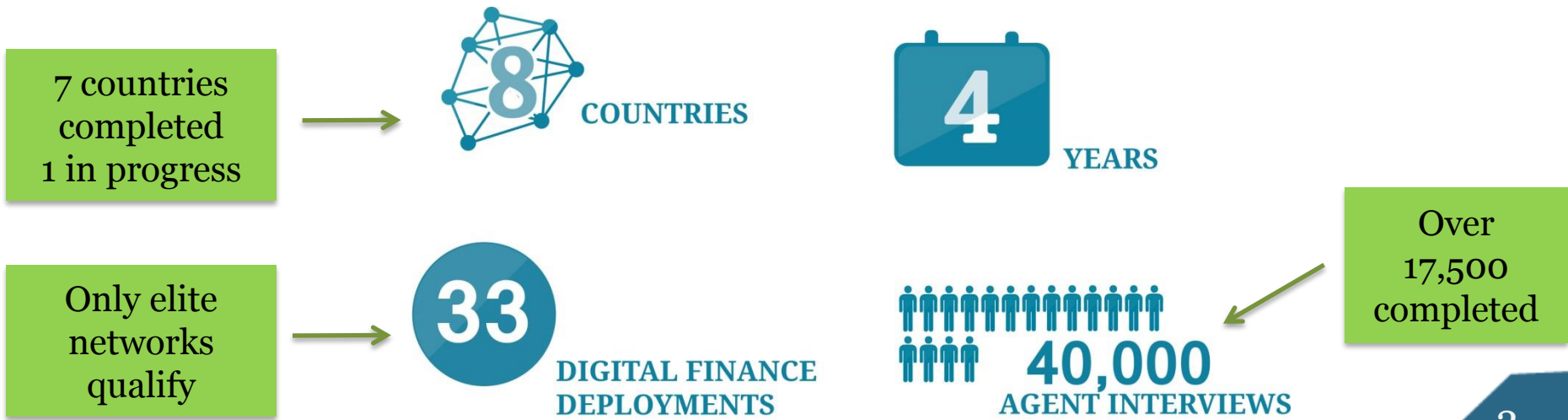
BILL & MELINDA
GATES foundation



@HelixInstitute

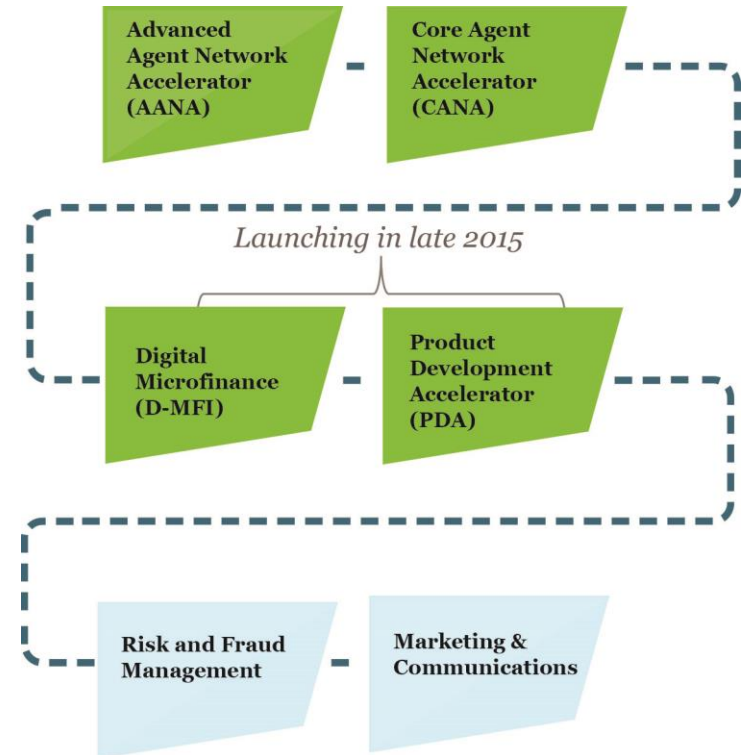
‘The Agent Network Accelerator’ (ANA) Project

- Four year research project in eight major markets – **Kenya, Tanzania, Uganda, Nigeria, India, Indonesia, Bangladesh and Pakistan**
- Designed to help the world’s leading providers **overcome the cost and complexity of building sustainable cash-in/cash-out (CICO) networks across a broad geography**
- Structured to deliver **cutting edge knowledge** and **global data** on agent network management
- Produces **country reports, provider reports** and **powers the *Helix* curriculum**
- Managed by *MicroSave*, funded by the Bill & Melinda Gates Foundation



The *Helix* Institute of Digital Finance

- Launched in November 2013 as a partnership between **MicroSave**, **Bill & Melinda Gates Foundation**, the **International Finance Corporation (IFC)**, and the **UN Capital Development Fund (UNCDF)**
- Runs operational training courses explicitly designed for **mobile network operators**, **banks**, **financial institutions** and **third party providers** seeking to **increase the efficiency and profits** of their digital finance business
- Currently runs two courses on agent network management – **Core and Advanced Agent Network Accelerator**. Launching two new courses in 2015 – **Digital Microfinance** and **Product Development Accelerator**



11 TRAINING COURSES



56 ORGANISATIONS TRAINED

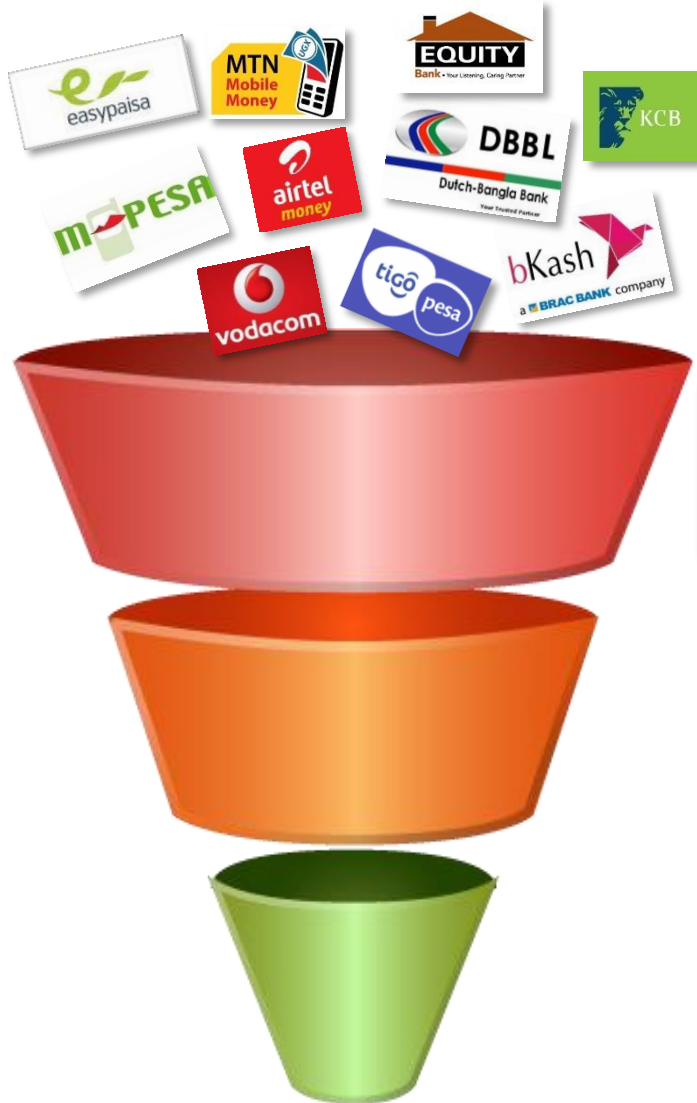


SERVING OVER 650million+ CUSTOMERS



19 COUNTRIES

Theory of Change



The Helix Institute's Theory of Change

Tailored Research

Customised research to create awareness and build on existing theories and knowledge.

Interactive Training

Operational training on how the data interacts with theories on an array of strategic operations, and what are the 3-5 areas they need to focus on.

Implementation Consultancy

On-site consulting to implement lessons learnt and overcome internal and external constraints.

Session Objectives

Understand Alternative Methodologies for Rural Expansion with respect to:

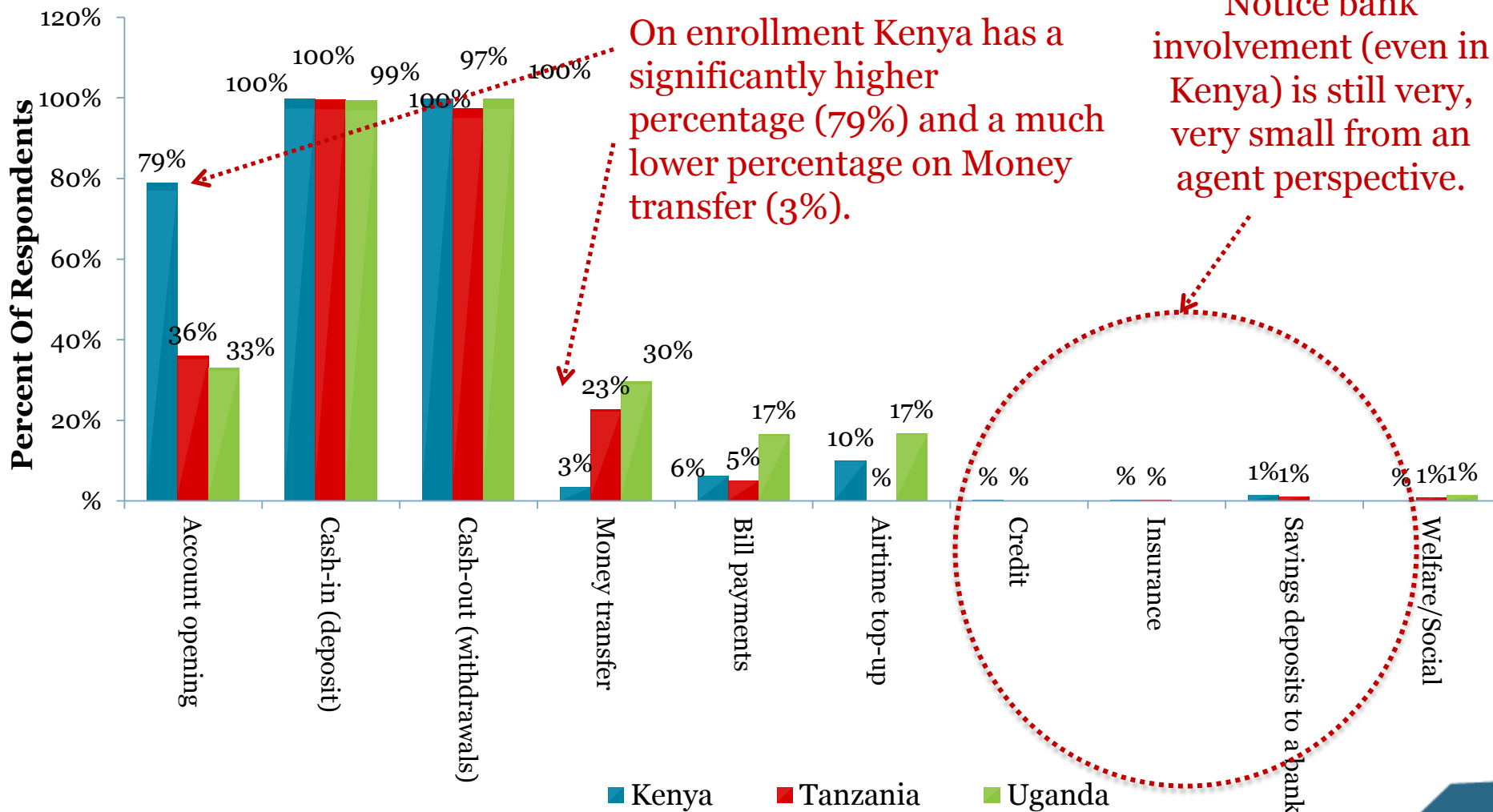
- ❖ Changing the Paradigm on Value Propositions
- ❖ NextGen Frontier Agents
- ❖ Organic Liquidity Management



Changing the Paradigm on Value Propositions

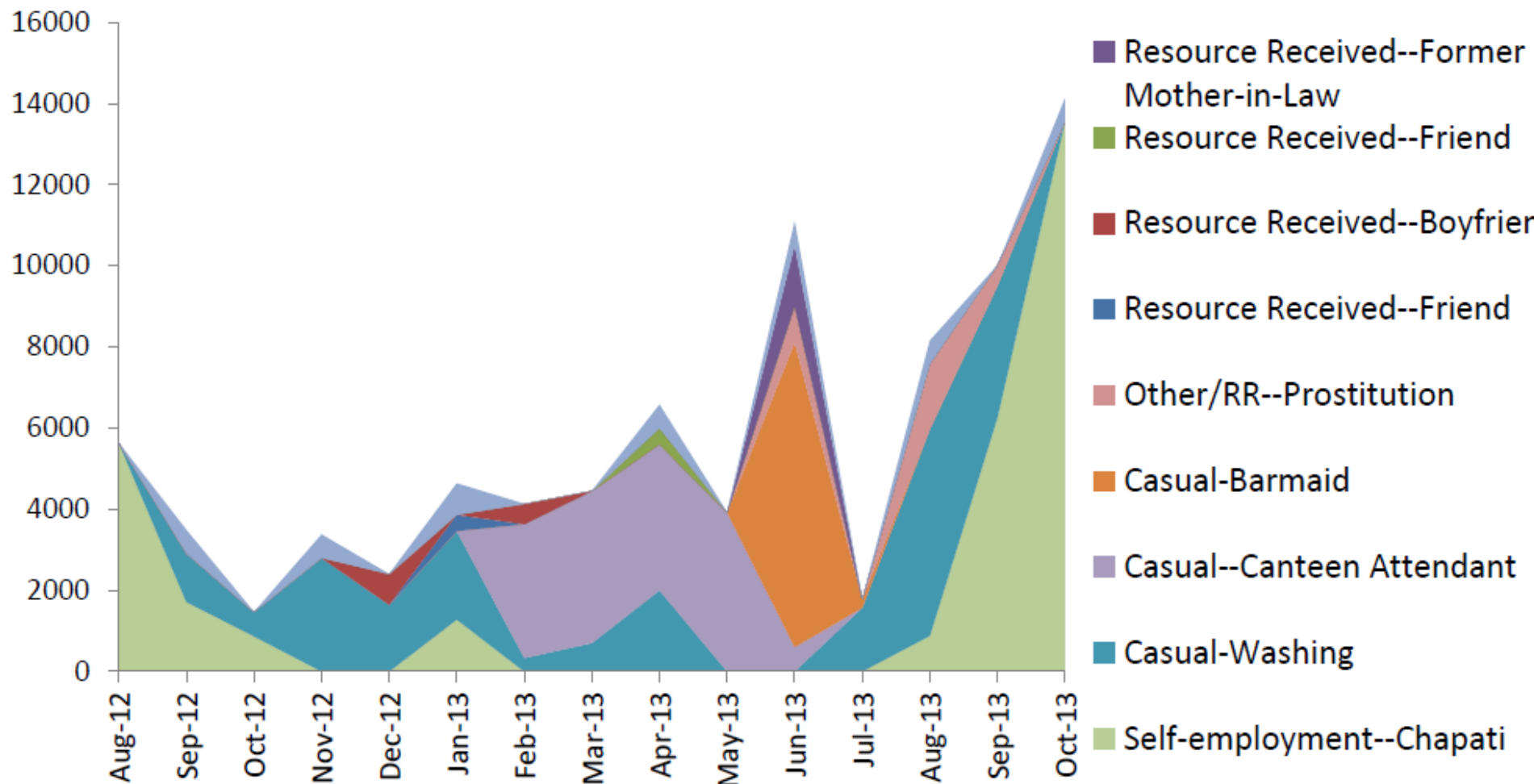
Non CICO Products Include Enrollment, Money Transfer, Bill Payments And Airtime

Products & Services Offered



Or that livelihoods strategies are frequently shifting.

Jennifer's Monthly Household Income (KSh)



Money should be WORKING!

Ex. Collins, Nairobi businessman

Assets	Value	Active?
Restricted Savings Account	1,200	No
Mobile Money	1,230	No
Savings Account– Bank	12,670	Enables loan
Savings Account—SACCO	12,000	Enables loan
M-SHWARI	1,450	Enables loan
ASCA #1: Firewood Group	65,600	Enables loan, provide capital to members
ASCA #2: Glory Group	31,000	Enables loan, provides capital to members
ASCA #3: Twendane Hai	36,000	Enables loan, provides capital to members
ASCA #4: Karimu	6,750	Enables loan, provides capital to members
ASCA #5: Wamama (Women's Group)	3,000	Enables loan, provides capital to members
Shares in Muramati	5,200	Enables loan
Stocks in Kengen	200	Seen as investment, earning returns
Stocks in Safaricom	1,700	Seen as investment, earning returns
Wage & rental arrears owed to him	1,250	Owed back to him, while helping others
Lending to family and friends	15,000	Owed back to him, while helping others
Credit given to clients	2,870	Owed back to him, while helping others
Liquid money	2,430	
Illiquid, working money	194,690	

Working
But illiquid

Liquid, but not working

Our Competition: The Chicken



Call Out: New Paradigms in Value Propositions?



Example:

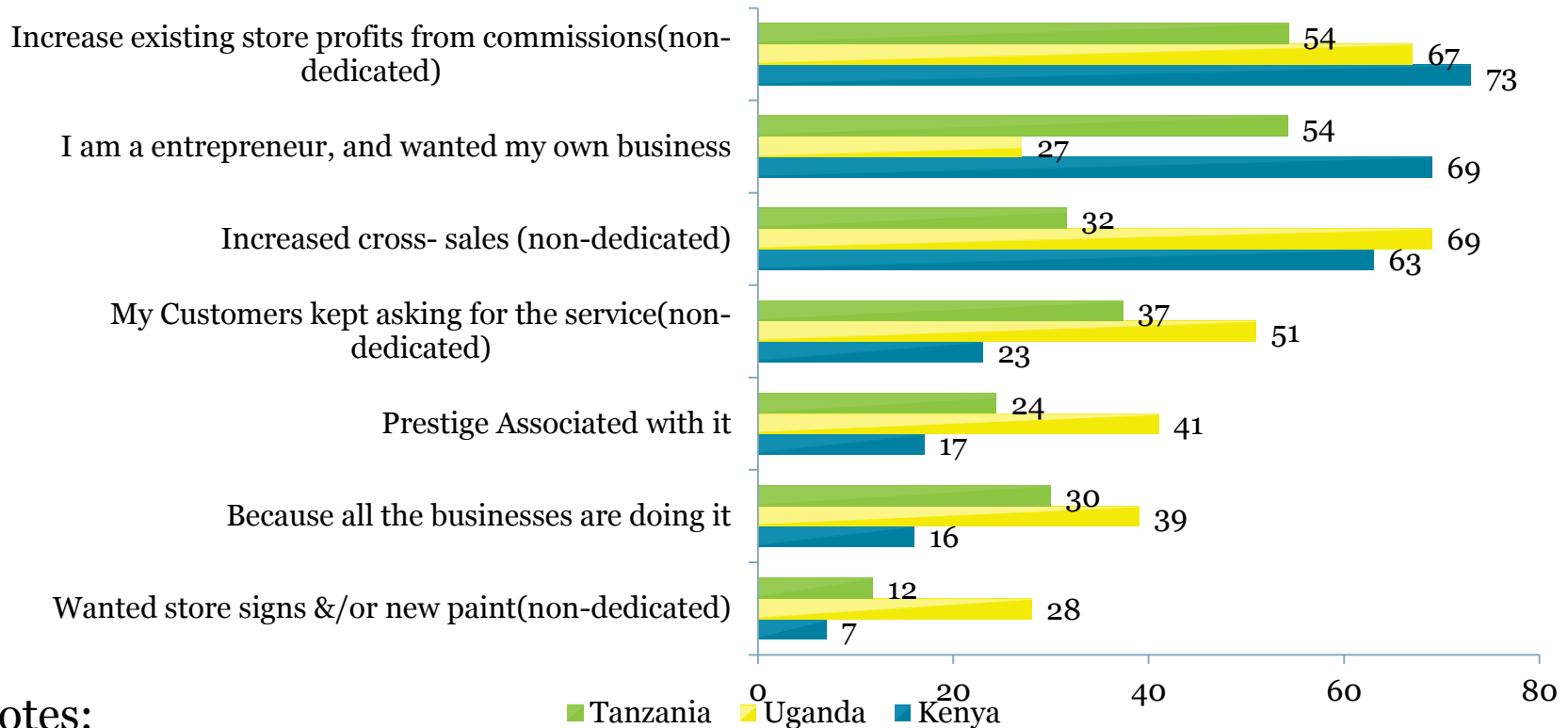
- What other examples of in kind or informal financial strategies can we list?
- What examples of working financial products can you come up with?
- Can we imagine a product that gives better returns than a chicken?

NextGen Frontier Agents



Main Reason Became An Agent Was Not Just To Increase Profitability

% of Agents that Answered Why They Became Agents



Notes:

- Increasing store profits, cross-sales and entrepreneurial desire are the main reasons for beginning agent activity.

Focus On Agency Banking In Kenya

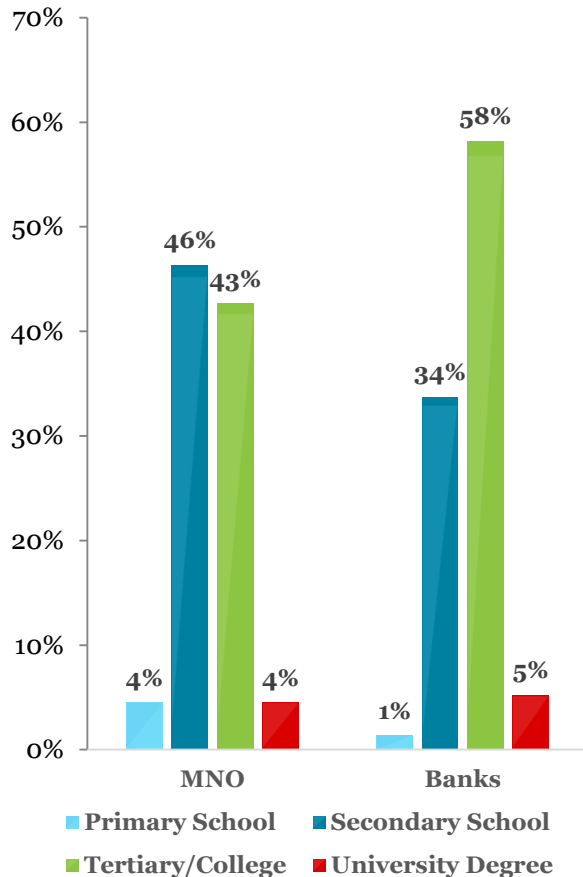
While the national sample did not have a significant portion of bank agents in it, an additional sample of 748 banking agents was conducted for leading bank providers. The next three slides compare the two leading bank networks to the two leading telecom networks.

Metric	Comparison of Bank vs. MNO Agents in Kenya
Location	FSP Maps shows 83% of bank agents and 76% of MNO agents are rural in Kenya, while only 30% of Tanzanian and 44% of Ugandan MNO agents are rural.
Demographics	Both models have similar metrics for agent gender, dedication, and exclusivity, but bank agents are more educated than MNO agents.
Transactions	MNO agents do more transactions per day, but data indicates that bank agents might do larger sized transactions.
Liquidity	Both models locate close to rebalancing points, and rebalance at similar costs and frequencies.
Support	Both models extend high quality levels of support to agents, visiting often and regularly.
Maturity	While the MNO networks of agents have been around longer, both models heavily recruit new agents and therefore are dominated by agents lacking operational experience.

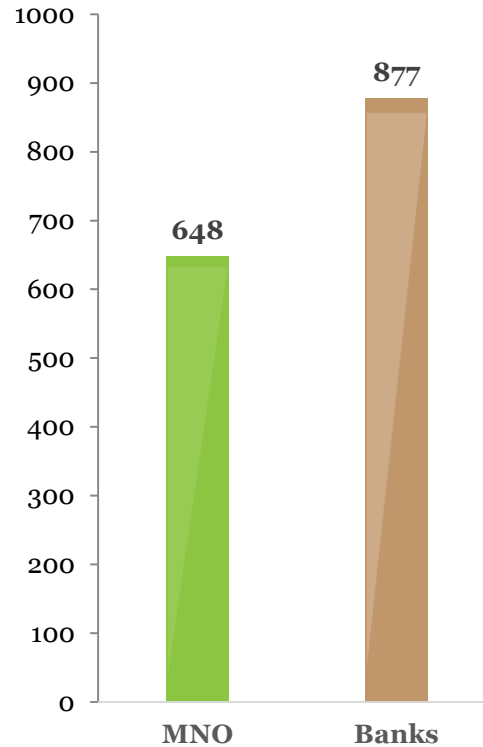
Mobile Money Vs. Agent Banking: Key Differences

However, there are also some key differences to understand between agents serving banks and telecoms, with bank agents being more educated, generally prepared to do larger transactions, and still experiencing some network growing pains.

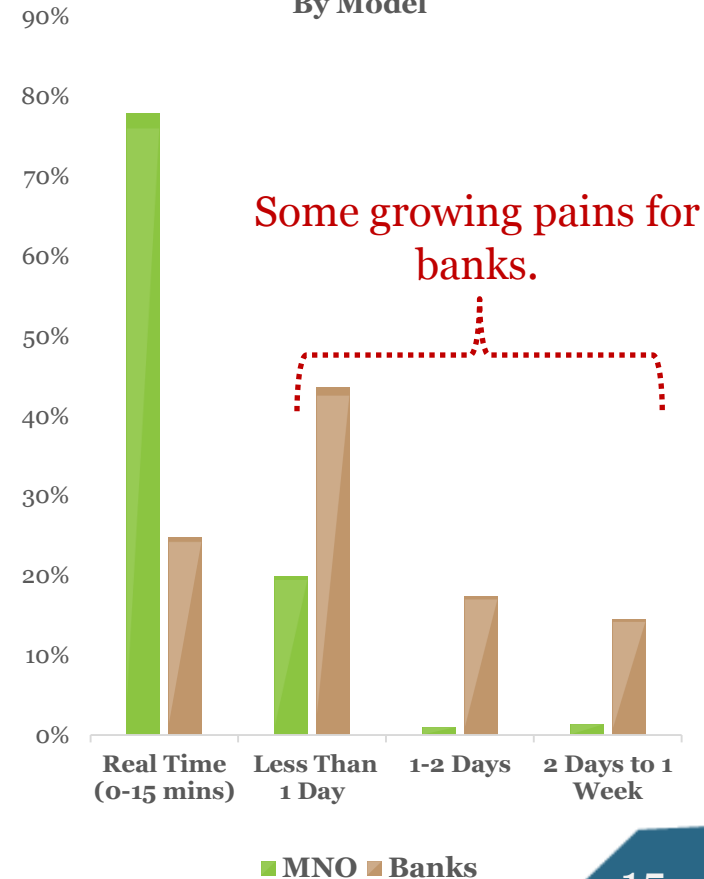
Level of Education By Model



Mean Largest Transaction Value Willing To Be Done Per Till - By Model (\$US)



Time Taken Between Customer Enrollment And Account Activation - By Model



Service vs. Sales



A sales channel which includes enrolment

Just changing mediums of value



Scoping = Areas + Preliminary Selection

The initial scoping requires us to examine the potential locations for agent outlets. Key factors include:

- Security
- Footfall
- Accessibility
- Access to rebalancing points
- Existing competition
- Expected transaction patterns



The criteria for scoping and long-listing potential agents for the pitch are the same as for selection (we'll deal with them below).

Call Out:

Where Can we find these attributes in the ecosystem?



Example:

- Who is trusted in rural communities?
- Who might be able to represent your brand?
- Who teaches financial behaviours?
- What strategy will you use to identify them efficiently?

Group Work:

What does a NextGen Frontier Agent Look like?



Example:

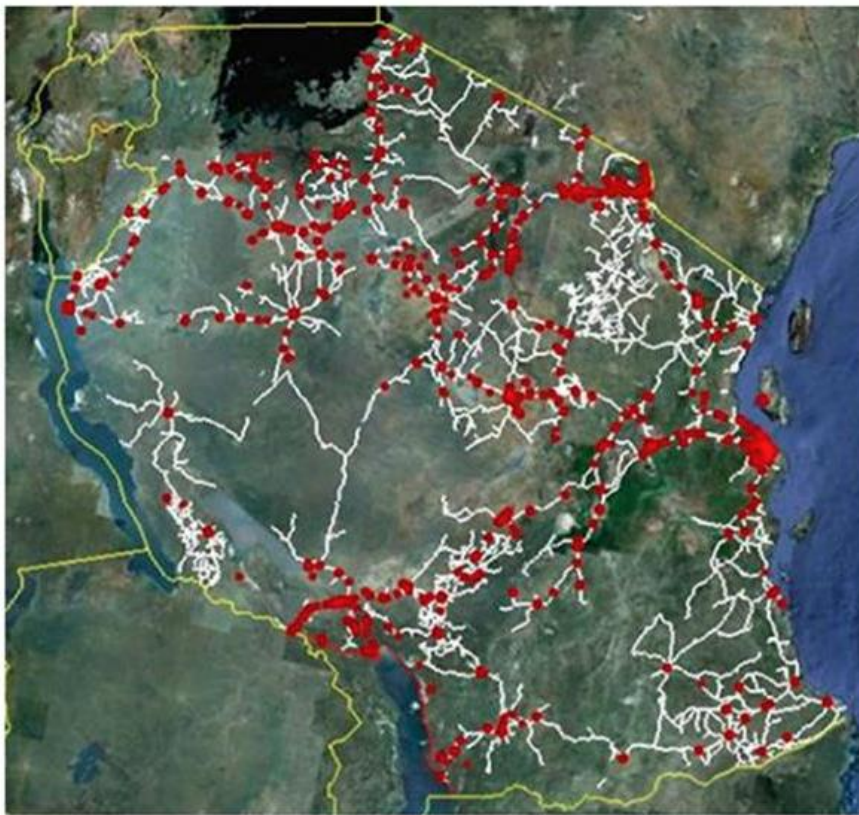
- Are they stationary or mobile?
- What services do they offer?
- Are they business people or community leaders?
- What strategy will you use to identify them efficiently?

Organic Liquidity Management

Liquidity Tethering

Liquidity Tethering: Agents clustering around financial points (banks) where they can easily rebalance their physical cash and e-float.

Figure 2: Map of mobile money agent locations (red dots) and roads (white lines) in Tanzania



- ✓ Clustering of agents
- ✓ Large areas of the country uncovered
- ✓ Agents follow road network
- ✓ Lack of agents off the paved roads and deep into rural areas

*CGAP– Blog: [‘Where’s the Cash? Geography of Cash Points in Tanzania’](#)

Example – Liquidity Management At M-PESA

M-PESA has **standard minimum float** specified for different categories of agents. On joining, agents have to maintain the minimum float levels.

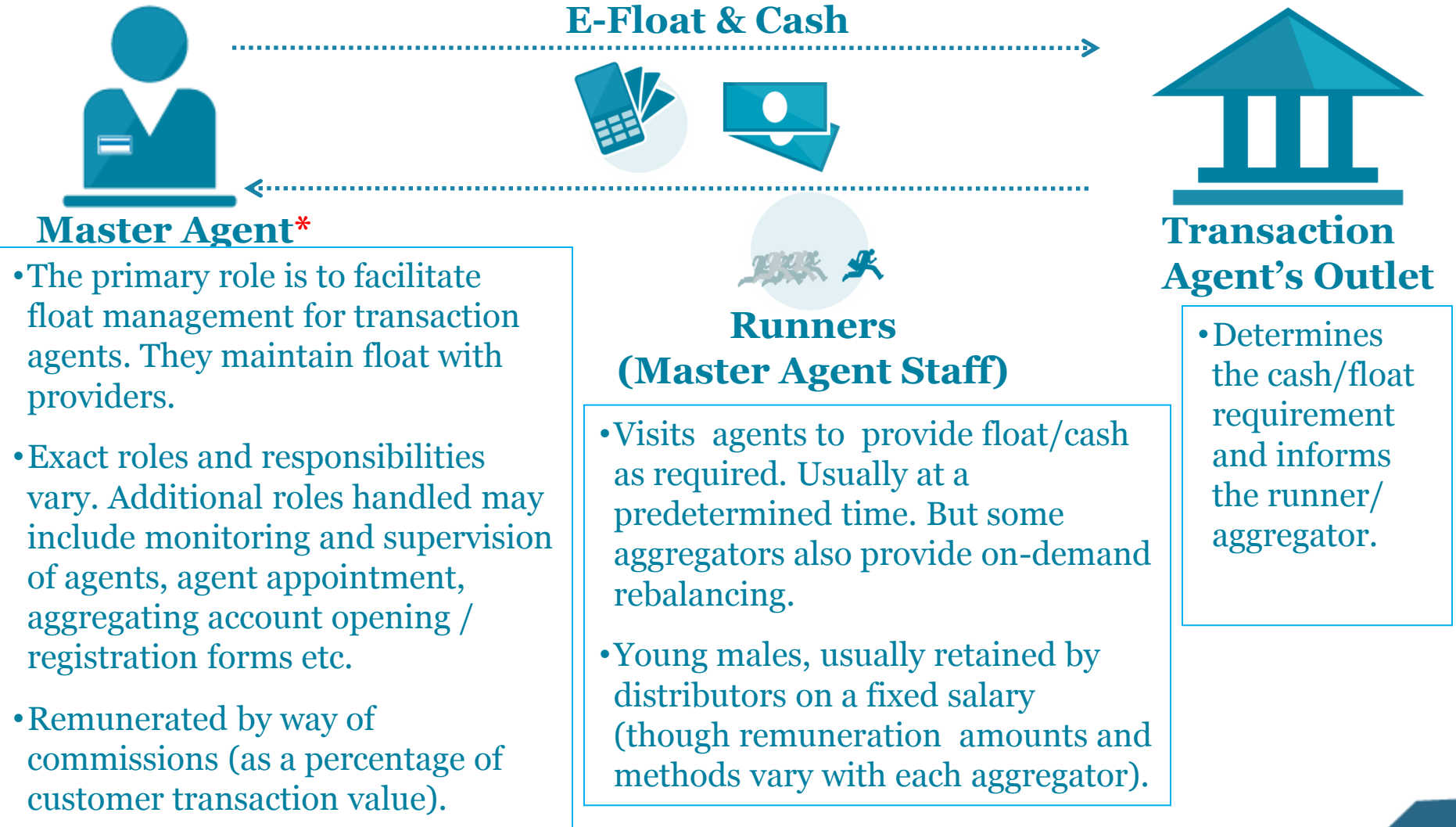
Once reaches threshold agent has to follow **1.5 rule**

This is monitored on a daily basis and agents are trained to adopt it as a business practice:

- ✓ It ensures that float levels are maintained to handle any unexpected surge or demand for float
- ✓ It also takes care of seasonality issues like festive seasons
- ✓ Helps reduce risks by ensuring that there is no excess cash being kept



Mechanics Of Liquidity Rebalancing In Bangladesh



* Master agents are referred to as distributors or aggregators in Bangladesh

Case Study : Agents Innovative float management techniques in Uganda

Solutions are Self-Manifesting

Master Agent Level

- Deliver float to agents on demand for a fee
- Will hold multiple e-currencies & offer exchange for a fee
- Will send cash to an ATM nearby the agent

Agent Level

- Make informal deals with surrounding retailers
- Make informal deals with surrounding agents (49% of agents reported doing this)
- Call trusted agents to see who has float, have the customer enter the other agent's till number, and then agents settle the loan later

The prevalence of non-exclusivity really puts pressure on float management as almost all agents hold multiple e-currencies, which are still difficult to exchange.

Source: Qualitative discussions in Tanzania

Group Work:

How can we untether ourselves from liquidity management?



Example:

- Where and when can we find liquidity in rural areas & how can we include it in the system?
- What are some ways we can limit the need for liquidity in rural areas?

Thank You

www.helix-institute.com

info@helix-institute.com



Helix Institute of Digital Finance

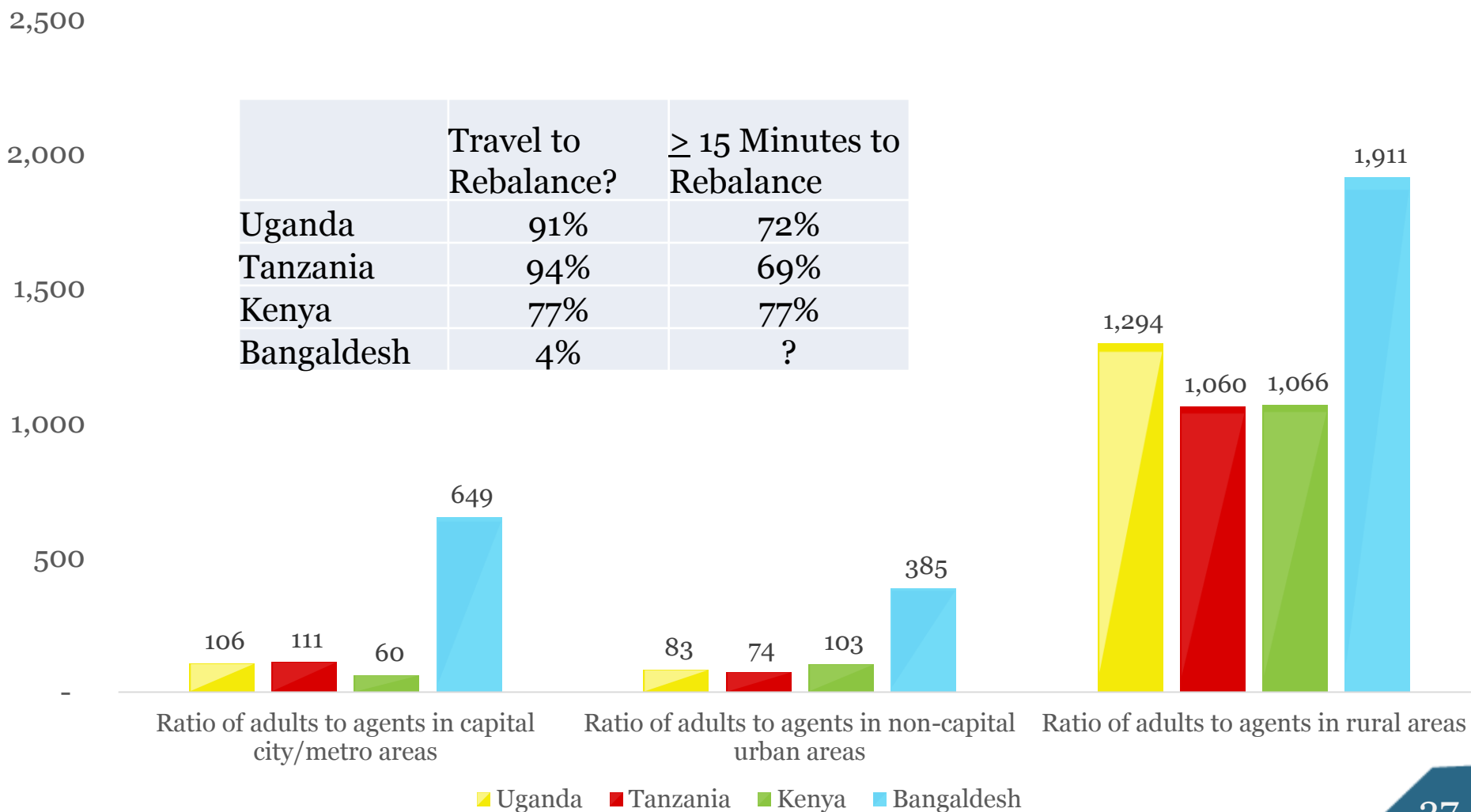


Helix Institute

The Frontier Appears to be Rural

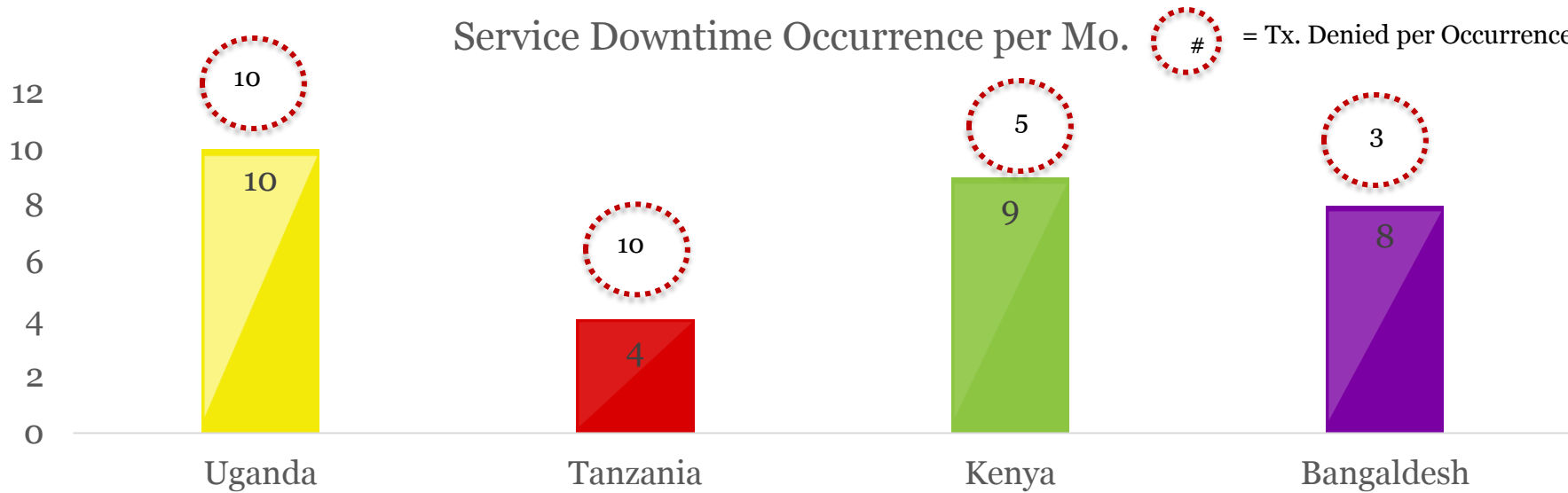
Adults to Agents Ratio by Country

	Travel to Rebalance?	≥ 15 Minutes to Rebalance
Uganda	91%	72%
Tanzania	94%	69%
Kenya	77%	77%
Bangladesh	4%	?

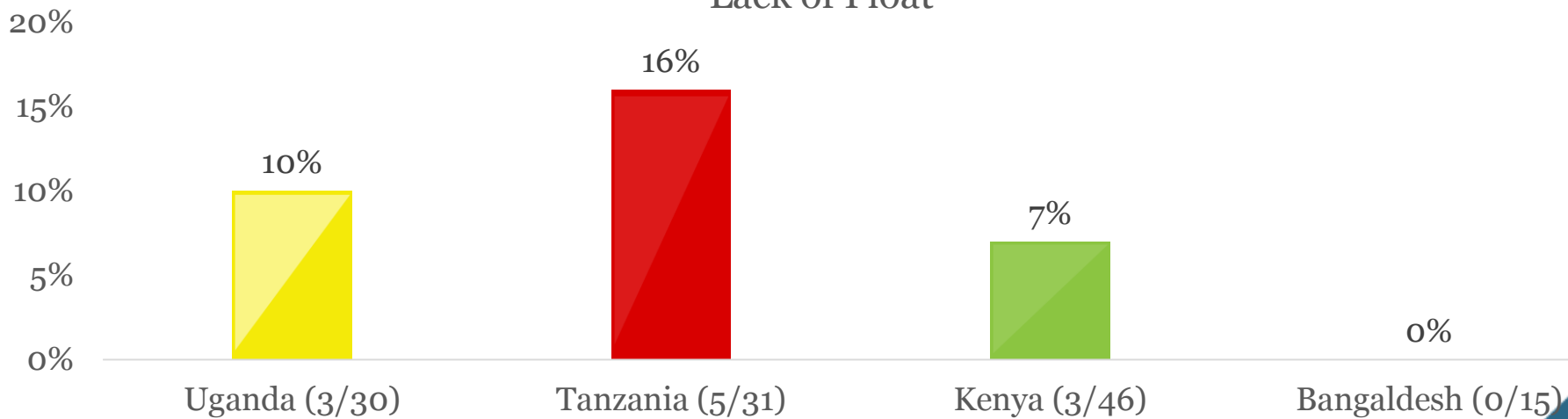


Quality Might Stymie Evolution

Service Downtime Occurrence per Mo. # = Tx. Denied per Occurrence



Lack of Float



Our Rules of Thumb are not Very Good

Low Predictability of Rule of Thumb

