



Agent Network Accelerator Survey: Uganda Country Report 2015



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MicroSave
Market-led solutions for financial services

BILL & MELINDA
GATES foundation



Project Description

Through the financial support of the Bill & Melinda Gates Foundation and the United Nations Capital Development Fund (UNCDF), *MicroSave* is conducting a four-year research project in the following eleven focus countries as part of the [Agent Network Accelerator \(ANA\)](#) Project.

The ANA Uganda 2015 research is funded by Financial Sector Deepening Uganda (FSDU).

Africa



- ▶ Kenya
- ▶ Nigeria
- ▶ Tanzania
- ▶ Uganda
- ▶ Zambia
- ▶ Senegal
- ▶ Benin

Asia

- ▶ Bangladesh
- ▶ India
- ▶ Indonesia
- ▶ Pakistan

Research findings are disseminated through [The Helix Institute of Digital Finance](#). *Helix* is a world-class institution providing operational training for digital finance practitioners.



Focus of Research

The research focuses on operational determinants of success in agent network management, specifically:



Agent Network Overview

Post the Warid-Airtel merger, the Ugandan digital finance market is split between two players. There has been a major drop in exclusivity compared to 2013, and agents now serve more providers. Agents are the most profitable among ANA East African research countries. However, the levels of agent assisted Over-The-Counter (OTC) transactions are still high for an MNO wallet market. Providers will need to develop strategies to overcome this barrier and assist customers preferring OTC in adopting wallet-based DFS products.

- ▶ Agents are optimistic about the business: the majority foreseeing themselves being an agent in one year's time, yet worry about competition and unpredictable client demand.
- ▶ Ugandan agents report the highest incidents of crime and fraud among all ANA research countries. Despite these challenges, regulatory compliance is low and, on average, only 2% of customers show an ID when performing a transaction.



Developments In The Ugandan DFS Market Since 2013



In April 2013, news of the Warid and Airtel merger shakes Uganda's DFS market, essentially turning it into a duopoly.

In spring 2015, the Anti-Corruption Court in Uganda hears a large scale [mobile money fraud case](#), undermining the confidence of consumers in DFS.



THE PARLIAMENT
of the Republic of Uganda

On January 6, 2016, The Parliament passes the [Financial Institution Act \(Amendment\) 2016](#), authorising commercial banks to appoint agents without setting up their own brick and mortar structures, and introduces new products including Islamic banking and mobile insurance. The Act is yet to be operationalised.



2013

2014

2015

2016



In June 2013, the GOU [introduces a 10% tax](#) on mobile money transfers, leading to higher tariffs.



In October 2013, the BOU issues [Mobile Money Guidelines](#) with the aim to provide clarity, limit fraud and facilitate full interoperability.



In August 2015, MTN Uganda and Rwanda introduce [cross-border money transfers](#) between the two countries, initially one-way from Rwanda.

On December 28, 2015, MTN Uganda and Safaricom sign a partnership allowing cross-border money transfers on their networks which came into effect early 2016.

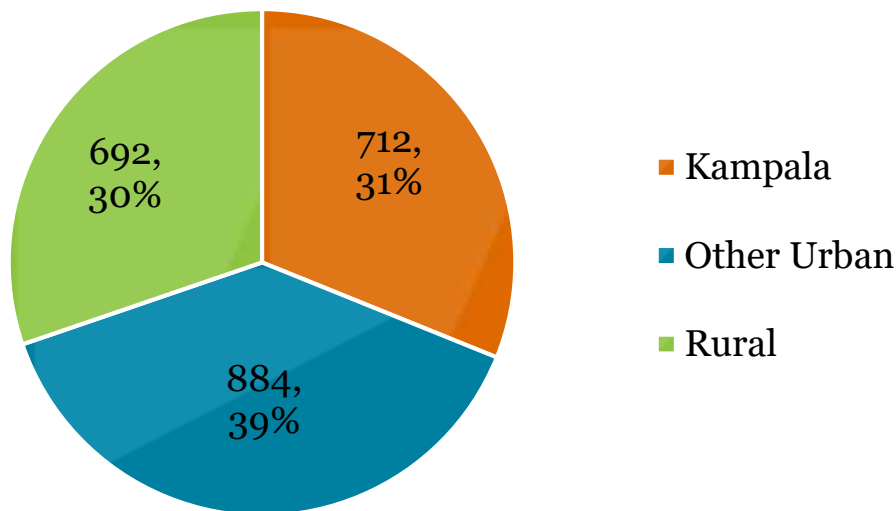


On November 24, 2015, the URA launches a [mobile tax payment platform](#) in conjunction with MTN.

Network Structure

The Research Is Based On Interviews With 2,288 Agents*

Achieved Sample:



Sample Profile

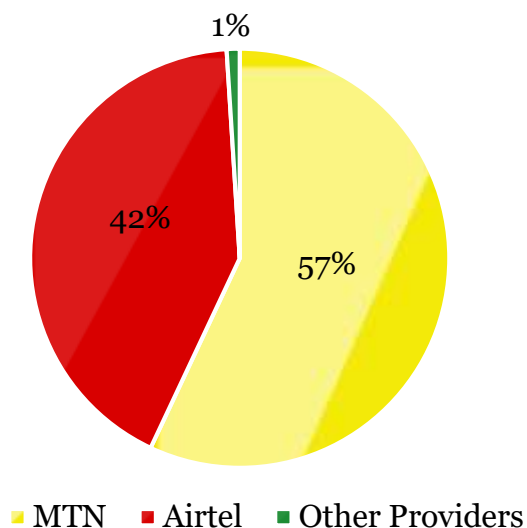
Total Sample Size	DFS Outlet Staffing**		Exclusivity**		Dedication**		Gender	
	Owner	Operator	Exclusive	Non-Exclusive	Dedicated	Non-Dedicated	Male	Female
2,288	632, 28%	1656, 72%	835, 36%	1453, 64%	1448, 63%	840, 37%	747, 33%	1541, 67%

*Only agents who conduct at least one transaction per month (active agents) were interviewed as part of the ANA survey.

**Please see Appendix 2 for definitions.

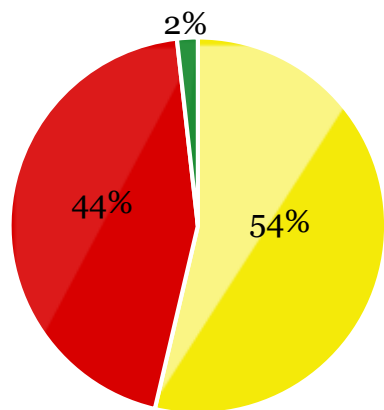
Market Presence Is Split Between Two Main Providers

Market Presence

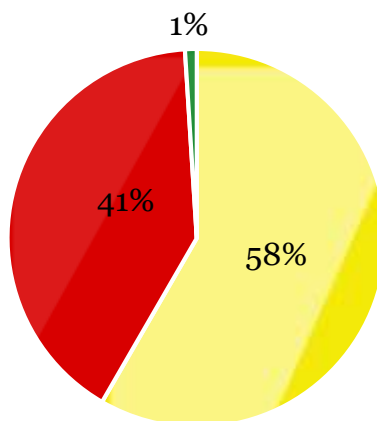


- Since the Airtel-Warid merger in April 2013, their **combined share of market presence has increased** from 31% in 2013 to 42% in 2015.
- As a result, market leader **MTN's share of market presence dropped** from 63% in 2013 to 57% in 2015, and the shares of the other providers combined decreased from 5% to just 1%.
- The **competition between MTN and Airtel is especially fierce in Kampala**, where the difference in market presence is now only 10%.

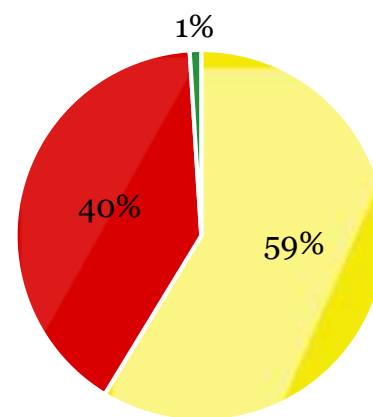
Kampala



Other Urban



Rural



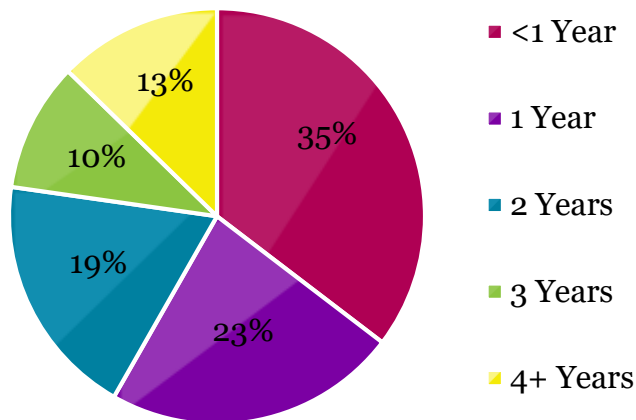
- MTN
- Airtel
- Other Providers

*Agent market presence is defined as the proportion of cash-in/cash-out (CICO) agents by provider. Numbers here are provided on a till basis, therefore if an agent serves three providers the agency is counted three times.

Network Operational Efficiency

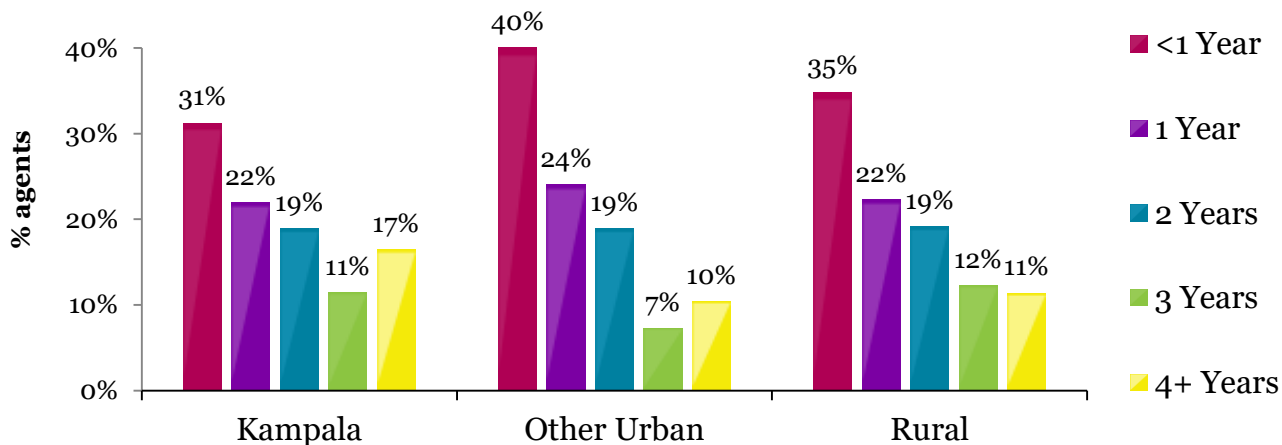
Uganda's Market Is Maturing And Agents Are Optimistic

Age of Agency



- ▲ The market is maturing, and the **proportion of agencies who have been operating for more than one year increased** from 21% in 2013 to 42% in 2015.
- ▲ Recruitment has more recently been focused on other urban and rural areas. Although maturing, **Uganda's agent network is still managing to attract new entrants.**
- ▲ **Agents are optimistic:** 93% foresee themselves serving as an agent in one year from now.

Age of Agency by Location



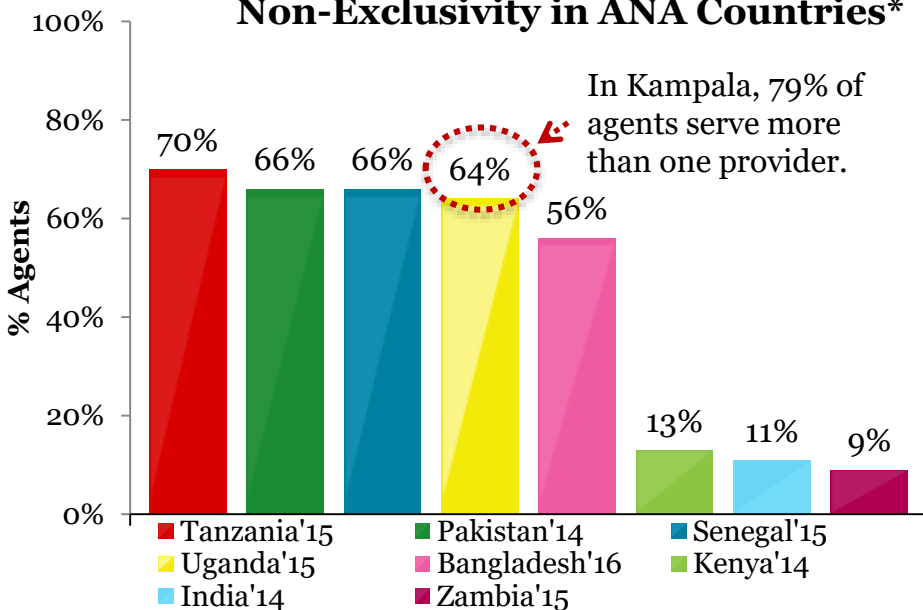
The concentration of **new agents is lower in Kampala** than in other urban and rural areas. Nearly a third of agents in the capital have been in operation for 3 years or more, compared to 13% in 2013.

Exclusivity Levels Dropped, Dedication Remains Unchanged

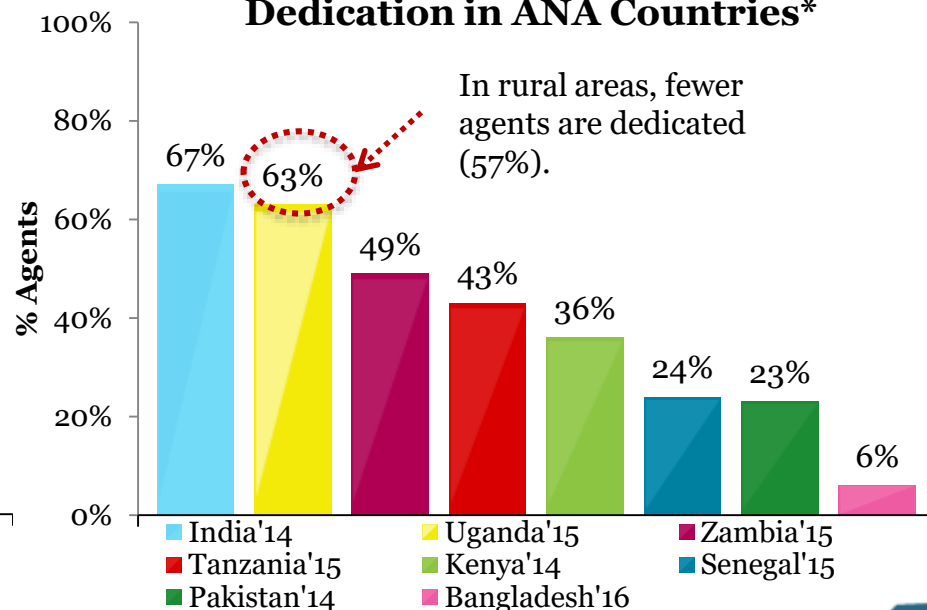
Since 2013, **non-exclusivity quadrupled** from 16% in 2013 to 64% in 2015, indicating that more agents are now serving both market players. **Dedication levels, on the other hand, remain unchanged** and are the highest among East African ANA countries, with roughly two-thirds of agents focusing solely on DFS.

The exclusivity and dedication levels are encouraging as they **point to a strong value proposition for agents**: one that allows them to stay dedicated to the mobile money business. Nevertheless, given the competition in the market, providers will want to **distinguish themselves** and secure an agent's loyalty by offering compelling propositions.

Non-Exclusivity in ANA Countries*



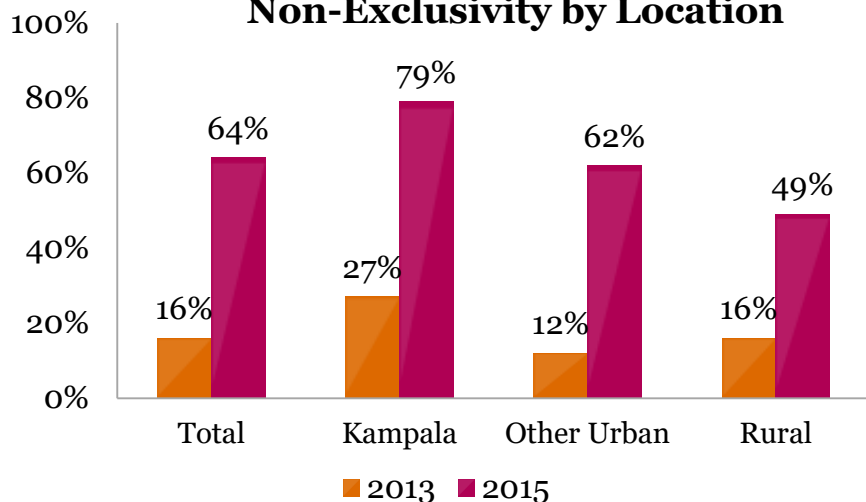
Dedication in ANA Countries*



*ANA surveys were conducted in 2013 in [Uganda](#), [Kenya](#), and [Tanzania](#); in 2014 in [Bangladesh](#), [Kenya](#), [Pakistan](#), and [India](#); in 2015 in [Zambia](#), [Tanzania](#), [Senegal](#) and [Uganda](#); and in 2016 in [Bangladesh](#). Country comparison graphs contain most recent data available.

Non-Exclusivity Has Increased Dramatically From 2013

Non-Exclusivity by Location



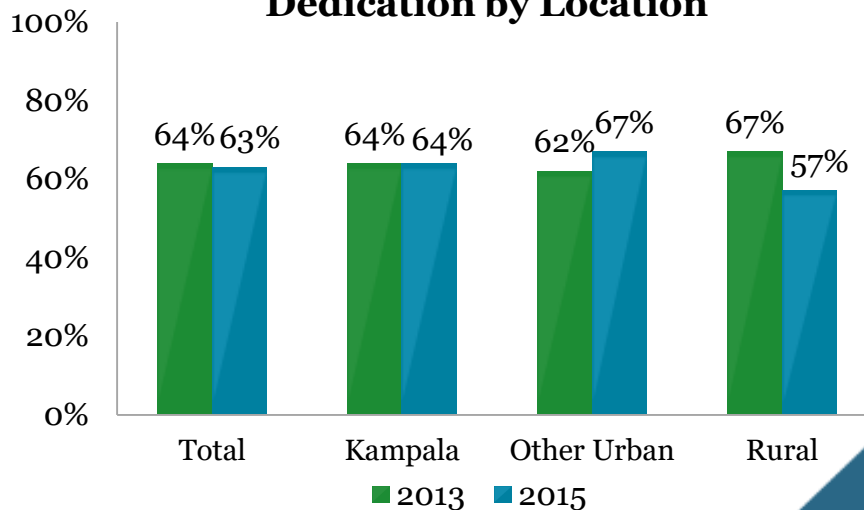
[Mobile Money Guidelines](#), introduced in October 2013 by the Bank of Uganda, prohibit exclusivity agreements between a provider and a mobile money agent. As a result, non-exclusivity rates have skyrocketed.

The most dramatic gains in non-exclusivity were made in Kampala (+52% since 2013) and other urban areas (+50%).

Dedication levels increased slightly in other urban areas while they dropped from 67% to 57% in rural areas.

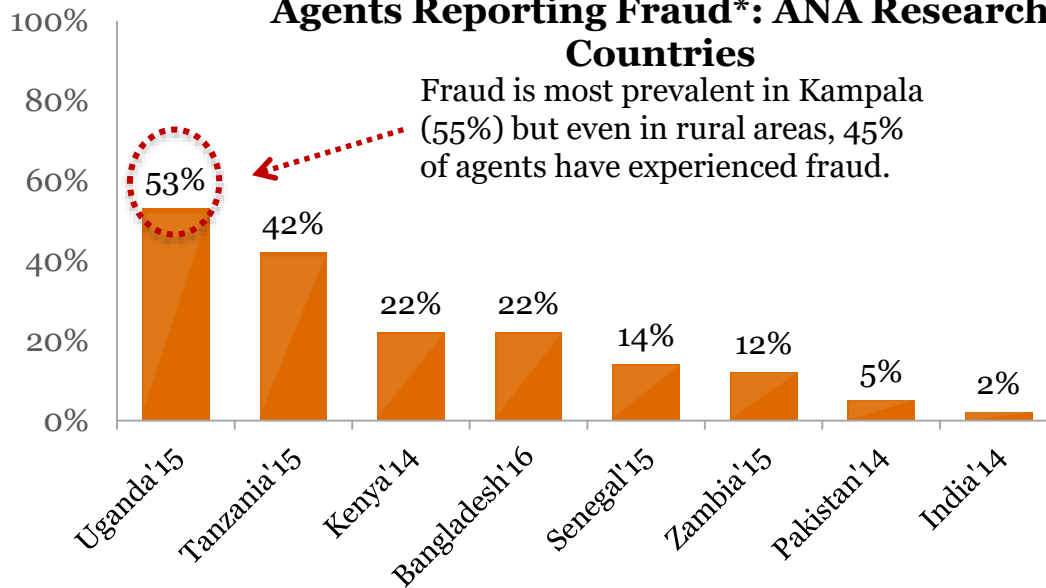
Two thirds of non-dedicated agents run “drug shops” in parallel to their mobile money agency. This indicates that providers might be targeting these businesses as part of their recruitment efforts, especially in rural areas where 74% of non-dedicated agents run a “drug shop.”

Dedication by Location



More Than Half Of Ugandan Agents Have Been Defrauded

Agents Reporting Fraud*: ANA Research Countries



Uganda is infamous for its savvy fraudsters. In spite of provider and regulator efforts, the percentage of agents who report having personally, or through one of their employees, experienced fraud in the last year has **doubled since 2013**, and fraud levels are **higher than in any other ANA country**.

Better-performing agents are more susceptible to fraud: agents that conduct over 40 transactions (61%) are more often the victim of fraud than those transacting up to 20 transactions (49%).

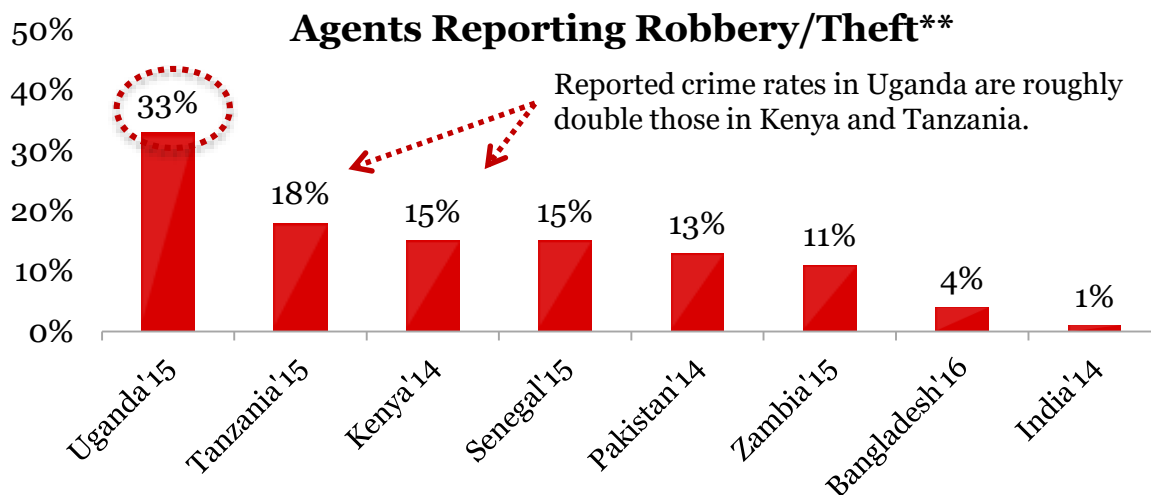
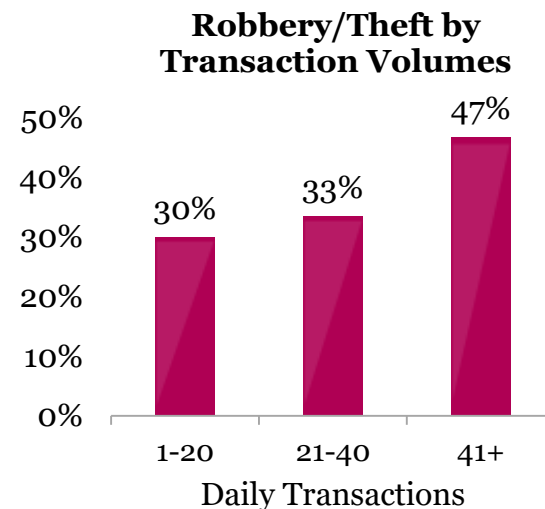
Fraud continues to plague mobile money businesses in Uganda. Providers could consider using risk frameworks to develop and implement robust risk management strategies aimed at **preventing fraud and other risks at the customer level, the agent network level, and the provider level**.

*In Bangladesh, Zambia, Pakistan, India and Kenya, agents reported whether they or one of their employees had ever experienced robbery or fraud; in all other countries agents were asked whether they or their employees had experienced such incidents within the last year. Thus, data is not fully comparable.

One Third Of Agents Suffered Robbery Or Theft*

A third of the 17% of agents who report setting a daily cash limit for their agency business, do so for fear of crime. This can **limit an agent's ability to transact more** and it would be judicious for providers to assist agents in preventing crime by providing safes for keeping money or installing protective bars.

As is the case for fraud, **high-performing agents are more often the victim** of robbery or theft. Agents with 3+ years in business are more often the victim (43%) than those who are just getting started (26%), likely because they transact more.



Ugandan agents disproportionately suffer from crime: one-third of agents personally, or one of their employees, experienced incidents of robbery or theft within the last year. Qualitative research suggests that **staff employed by providers are among the main perpetrators.**

*Robbery/theft can include theft by people external to the agency business (armed robbery) and internal theft by staff.

**In Bangladesh, India, Kenya, Pakistan and Zambia, agents reported whether they or one of their employees had *ever* experienced robbery/theft, in all other countries agents reported whether they or one of their employees experienced robbery or fraud within the last year. Thus, data is not fully comparable.

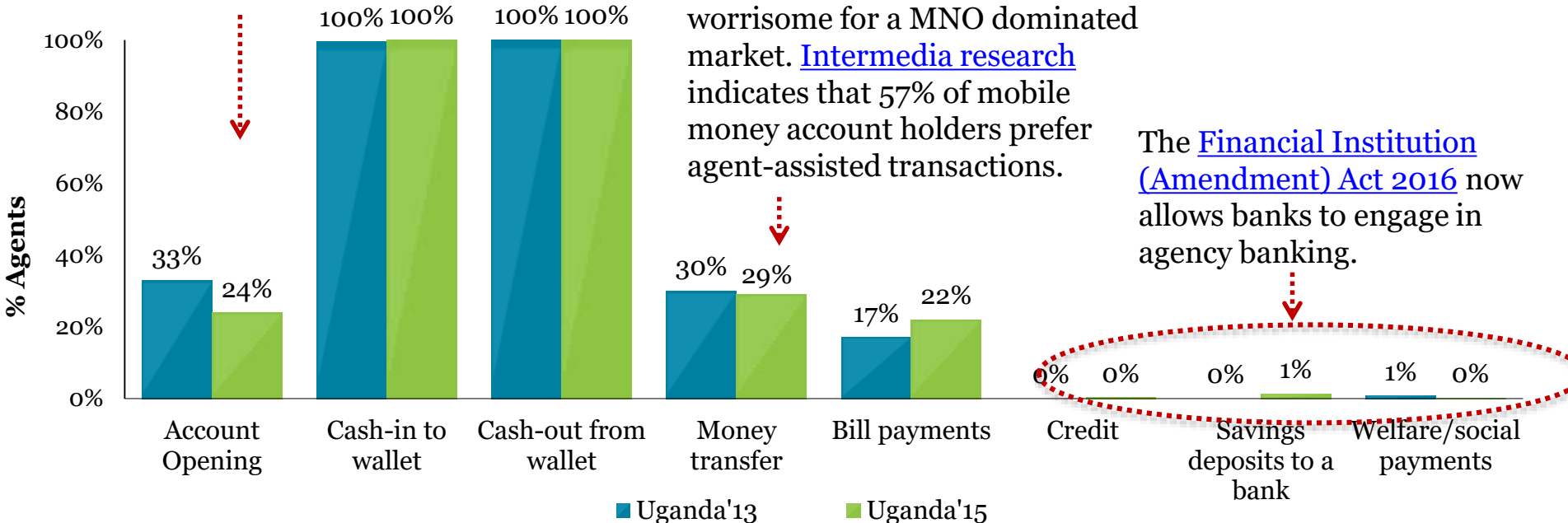
Agent Viability

Diversity In Products And Services Is Lacking In The Market

This is low due to 'registration drives' and dedicated registration service centres, as well as some providers offering a self-registration option.

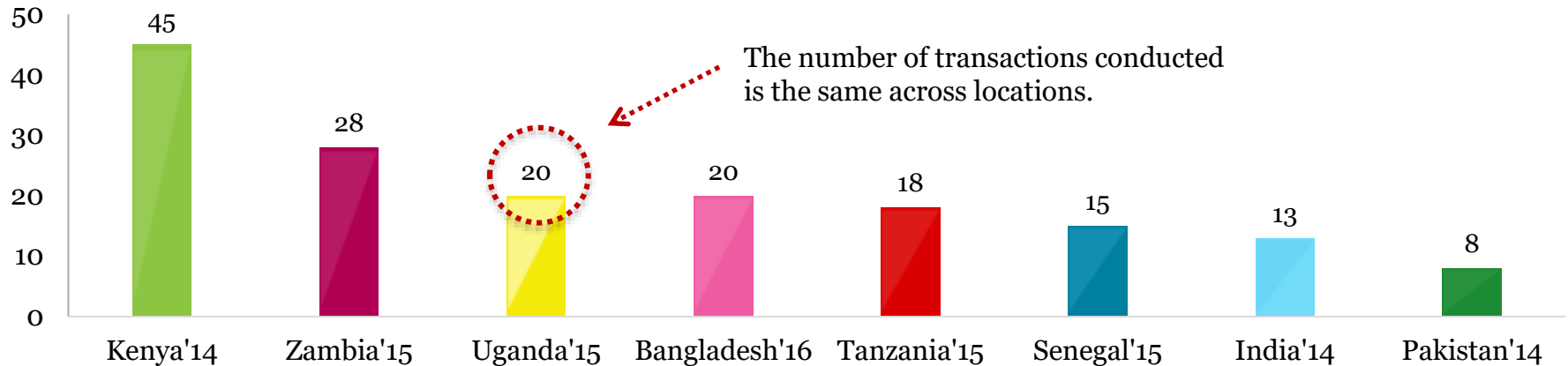
Close to a third of agents offer money transfer services, which is worrisome for a MNO dominated market. [Intermedia research](#) indicates that 57% of mobile money account holders prefer agent-assisted transactions.

The [Financial Institution \(Amendment\) Act 2016](#) now allows banks to engage in agency banking.



Innovation in the product suite will partly depend on customers' financial literacy and the pricing strategy of wallet-based products. Half of agents report that they frequently or always assist customers to perform transactions using customers' handset. Ugandan providers may need to search further for a user friendly interface and accompanying products that will entice customers into wallet use, as well as reconsider their P2P transaction fees.

Median Daily Transactions* Have Dropped



Median daily provider-level transactions dropped from 30 to 20 in 2015. This drop is observed across all locations. This can partly be attributed to a 48% increase in number of registered agents in Uganda between 2013 and 2014 ([Financial Access Survey IMF](#)). However, agents are now serving more providers and conduct a median of **30 transactions per day at the agency level**.

Experience counts: agents who have been in business for less than one year conduct a median of 16 transactions, compared to 25 conducted by those in business for at least 3 years. For all providers combined, **agents with 3+ years in the business conduct a median of 40 transactions**.

Nonetheless, transactions at the provider level may have decreased due to the increase in tariffs per transaction, and sophisticated users conducting self-initiated transactions. At the same time, it's important to note that agents continue to conduct OTC money transfer services.

*Median daily transactions are reported at the provider level, not overall volumes for the agency. Values of zero are excluded from analysis. Methodology for calculating transactions has changed, please see Appendix 2 for further detail.

Median Daily Transactions* Have Dropped

Transaction Type	Median Volume of Transactions	Median Volume Of Transactions	Median Value Of A Transaction
	2013	2015	(US\$)
Cash In/Day	12	10	\$12
Cash Out/ Day	16	9	\$15
Money Transfer/Day	-	5	\$15
Bill Payment/Month	5	5	\$6
Account Opening/Month	10	7	N/A

The drop in cash-in transactions in 2015 compared to 2013 can be attributed to an increase in non-exclusivity, causing the number of transactions conducted at the provider level to drop. Additionally, sophisticated users of mobile money may be pulling money from bank accounts to their mobile wallets, as this was introduced between 2013 and 2015.

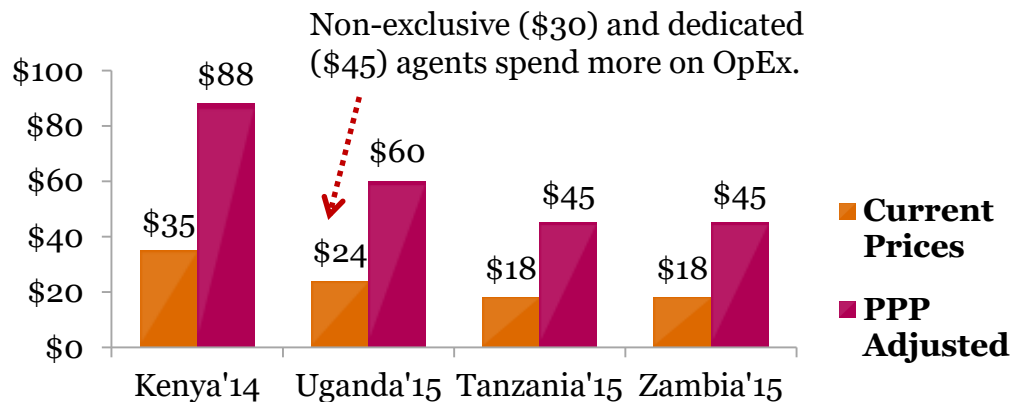
The drop in cash-outs could be attributed to the **increase in customers that use their mobile wallet as a savings account** and sophisticated customers conducting self-initiated transactions, indicating that money is moving through the system, instead of leaving the system.

The median number of account openings per month dropped from a median of 10 in 2013 to 7 in 2015. This is likely because more customers are registering for mobile wallets **without the assistance of agents** or signing up during special account activation campaigns organised by providers.

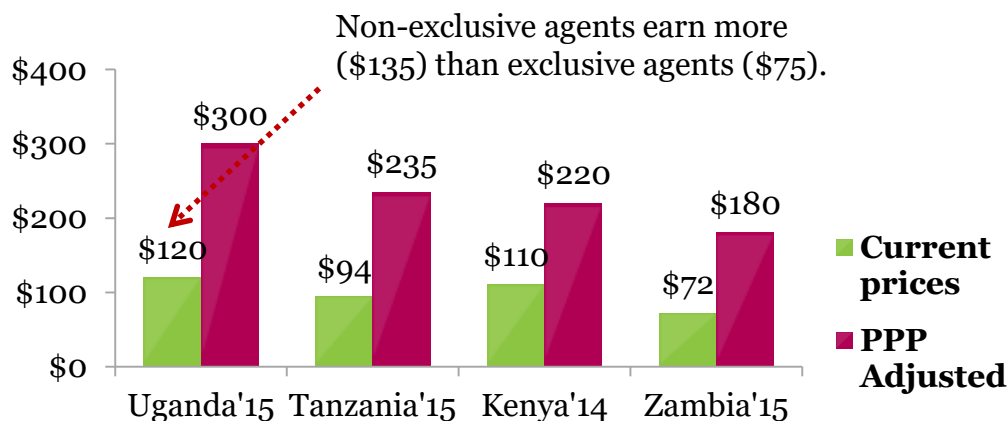
*Numbers represent transactions per day at the provider level, not overall volumes for the agency. Methodology for calculating provider-level transactions has changed, please see Appendix 2 for further detail.

In East Africa, Ugandan Agents Earn Most And Spend Less Than Kenyans

Median Monthly OpEx*



Median Monthly Earnings*



Ugandan agents spend more than their Tanzanian and Zambian counterparts on running mobile money businesses. This can be explained by much **higher rates of dedication.**

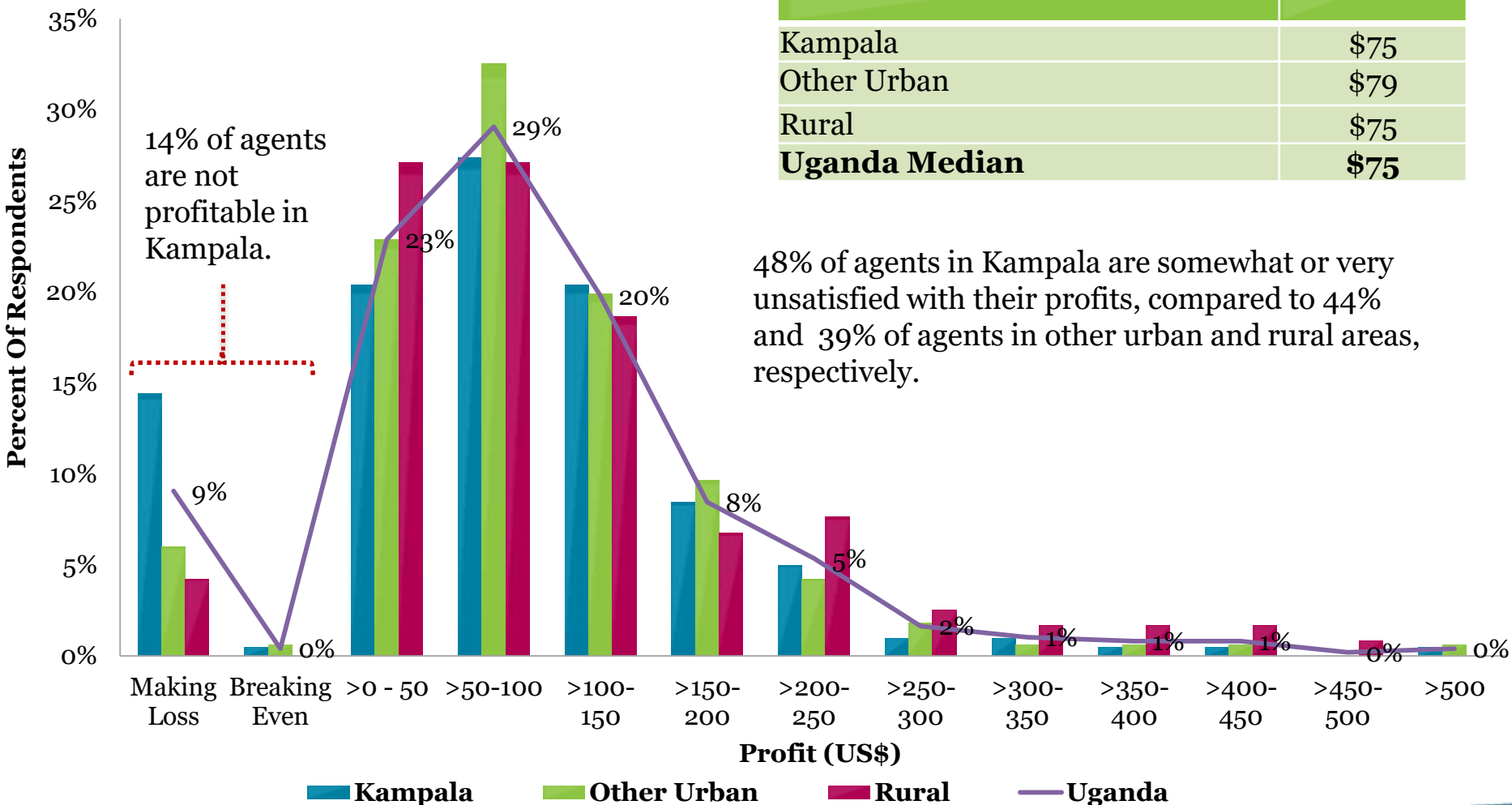
Agents' revenues have decreased slightly -from \$136 in 2013 to \$120 in 2015*, but Ugandan agents are **earning more than their peers in East African countries** where ANA research was conducted.

* This change can fully be attributed to the depreciation in the Ugandan Shilling. Revenues in local currency have actually increased slightly.

*Our methodology for calculating earnings and operating expenses has changed, please see Appendix for further detail.

Agents Face Fierce Competition In Kampala

Median Monthly Profit (US\$)	2015
Kampala	\$75
Other Urban	\$79
Rural	\$75
Uganda Median	\$75

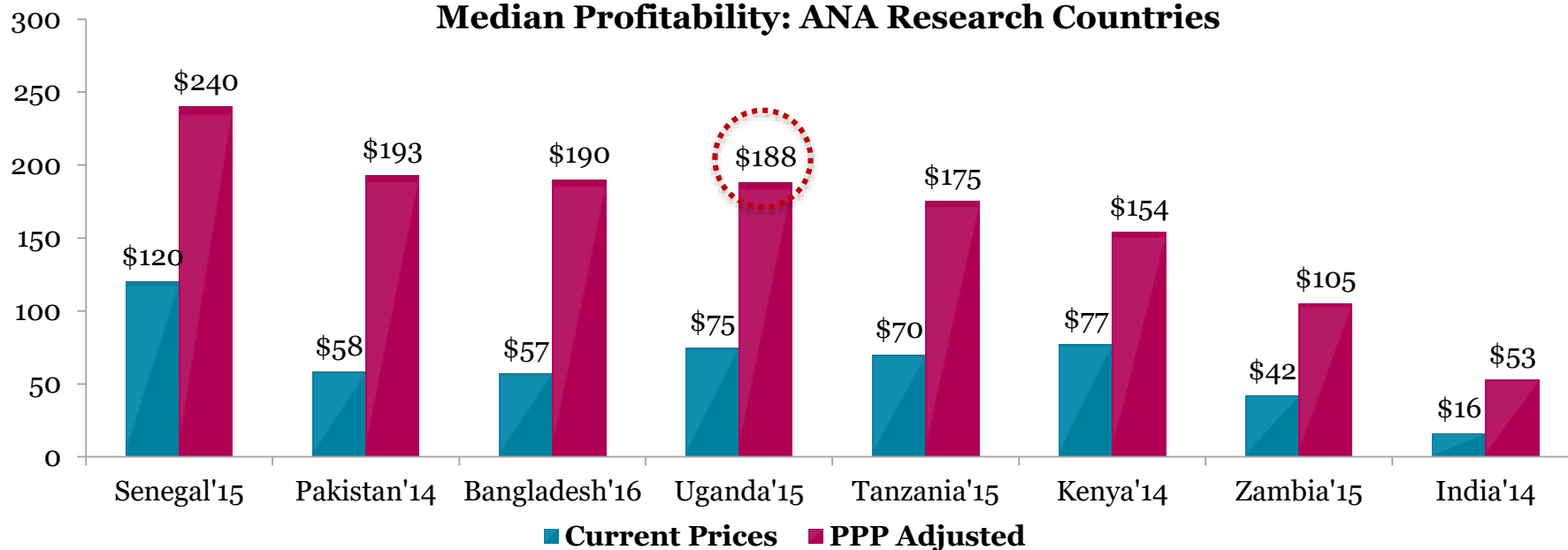


*Profit is calculated by subtracting expenses from total earnings from all the providers served. Only agents who reported both earnings and expenses are included here.

Agent Profitability* Is Higher Than Most ANA Countries

Despite fraud and crime woes and a drop in provider-level transactions, **Ugandan agents enjoy the highest profits compared to other East African ANA countries** and, on PPP basis, come in fourth place after Senegal, Pakistan, and Bangladesh. The strategy to serve multiple providers is paying off: while exclusive agents make a median monthly profit of \$47, non-exclusive make almost double (\$90/month). Uganda's dedication level, which remained unchanged, indicates that **agents do not see a need to diversify their income** by running parallel businesses.

Median Profitability: ANA Research Countries

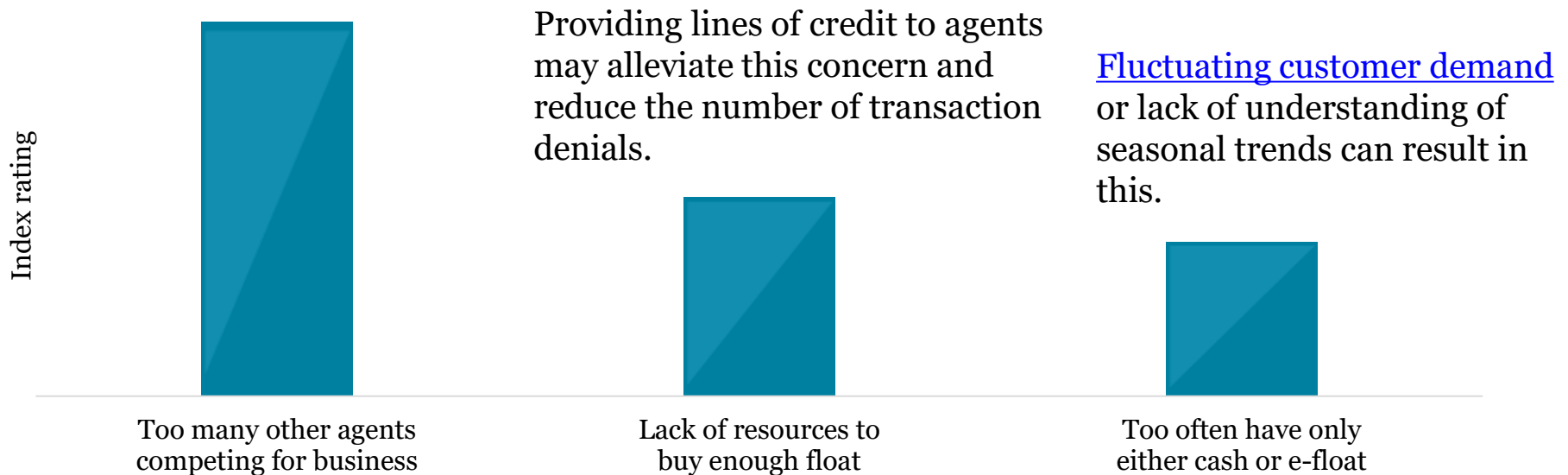


*Profitability as shown in the graph is calculated as total earnings minus operating expenses for all countries. In the case of India, the fixed monthly component given to agents has also been considered in this calculation. This is different from other ANA countries where commissions earned makes up the total earnings of the agent. The profits reported are at outlet level for all countries.

Top Three Barriers To Conducting More Transactions*

Since 2013, impediments to mobile money business expansion remain unaddressed: intense competition, lack of resources for liquidity management and irregular client demand were the top 3 barriers two years ago.

Agent network growth may be outpacing the expansion of customer base and product offerings. The number of registered agents grew by 48% from 53,560 in 2013 to 79,002 in 2014 ([Financial Access Survey IMF](#)).

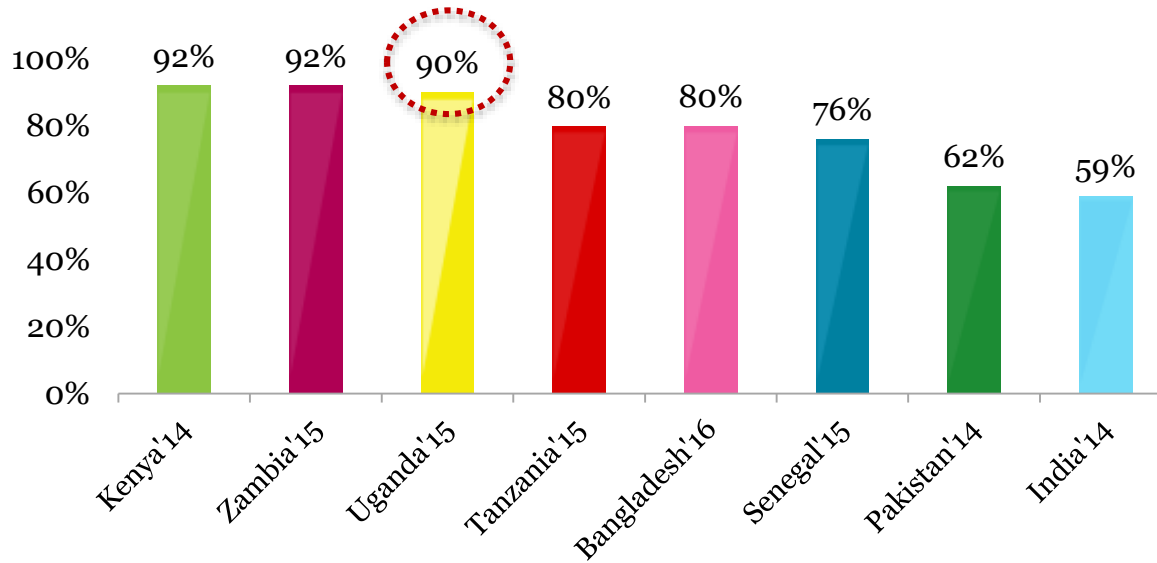


*Agents were asked to select top three barriers to conducting more transactions from a list of 10 options, including the option to pick “Other”. The above figures are a weighted average of the barriers ranked by agents, where taller bars mean a higher relative ranking.

Quality of Service

Only A Quarter Of Agents Are Trained By The Provider

Trained Agents: ANA countries



90% of agents in Uganda receive training within their first three months in the business. Of these, 45% receive refresher training, which is more than in Kenya (29%) but less than in Tanzania (73%). Greater investment in regular agent training can improve agents' performance and teach them to **better educate customers** on sophisticated DFS products, as well as **help them deal with crime and fraud.**

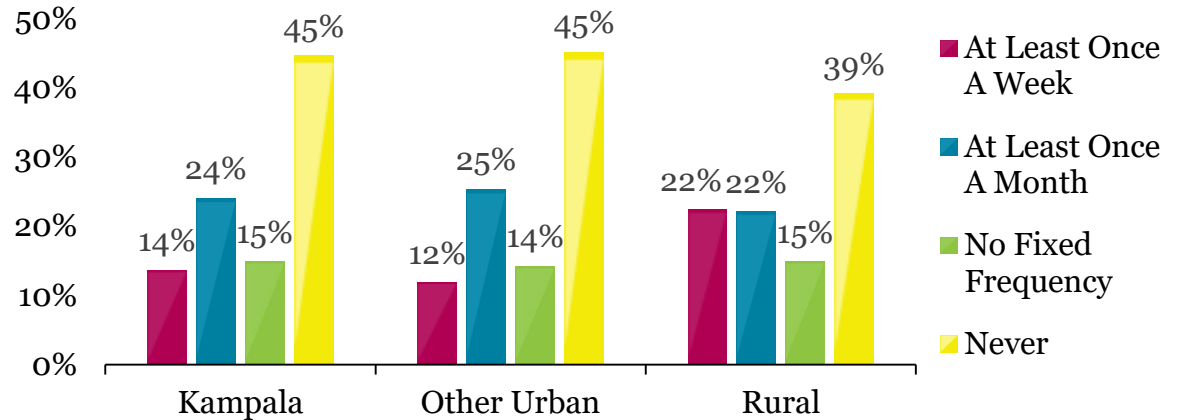
Of the agents who were trained within the first three months of starting their mobile money business, **only 24% was trained by the provider.** Of those agents who received a refresher training (45%), 44% were trained by the provider.

Agents trained by providers are more successful. Those trained by the provider within their first 3 months or within the last year, conduct 4 more transactions per day than those who have never received provider training. Those who received both initial and refresher training by the provider conduct 5 more transactions per day.

Over A Third Of Agents Never Receive Support Visits

Less than half of Ugandan agents receive regular visits, and **43% are never visited** - this is much higher than Tanzania (32%) and Kenya (31%).

Frequency of Monitoring Visits



In a competitive market like Uganda, **visiting agents regularly can build agent loyalty and improve their performance**. Support staff can provide technical support, share the latest news on products, and gather information about challenges and opportunities on the ground. Introducing digital reporting apps for this support staff would ensure quality and facilitate analysis of data gathered.

Agents visited at least weekly experience fraud at lower rates (48% versus 53%). Agents visited at least once a month also **conduct on average 2 more transactions** per day compared to those who are visited with no fixed frequency or not at all.

90% of agents are aware of a call center. The vast majority (74%) of agents find the call center **at least somewhat helpful**.

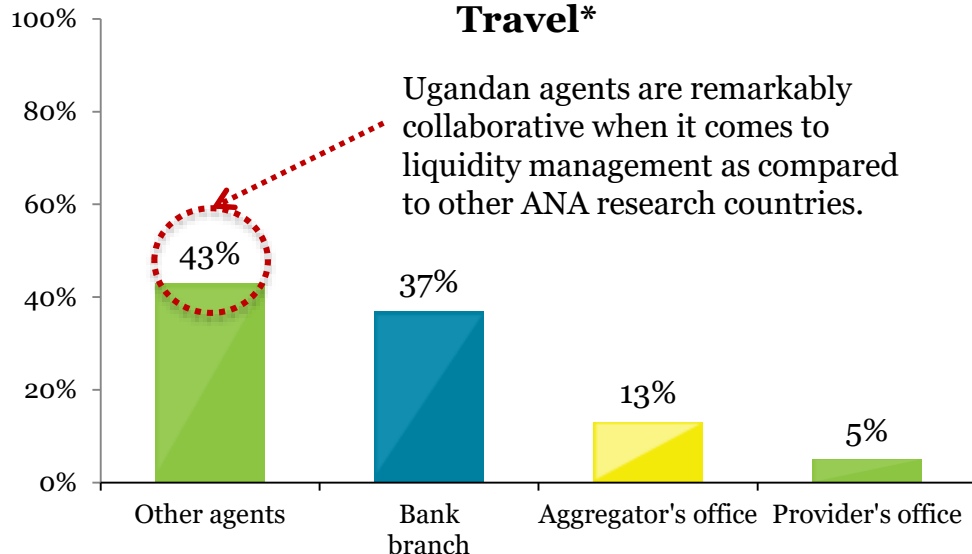
*2.6% who answered "Don't know" or "Other" are not shown in the graph, therefore bars do not add up to 100%.

Liquidity Management Has Become More Convenient

Characteristics Of The Most Frequently Used Rebalancing Option	2013	2015
Median travel time taken for rebalancing (in mins)	5	5
Median frequency of CI per month (getting e-float)*	4	5
Median frequency of CO per month (getting cash)*	3	4
% transactions denied/day due to lack of liquidity	10%	11%

75% of agents travel to rebalance. This is less than in 2013, when it was 91%. This indicates liquidity management has become more convenient for agents. 67% of agents are somewhat or very satisfied with the rebalancing options available to them.

Rebalancing Options For Agents Who Travel*



52% of agents have cash or e-float delivered to them, indicating a significant proportion is using **doorstep liquidity option**. Of them, 41% get liquidity delivered by other agents, while 29% has access to on-demand liquidity management.

5% of agents do not travel to rebalance nor do they have liquidity delivered, indicating they could rely solely on 'natural rebalancing'.

*2.4% who mainly rebalance at ATMs, MFIs or in other locations are not shown in the graph, therefore bars do not add up to 100%.

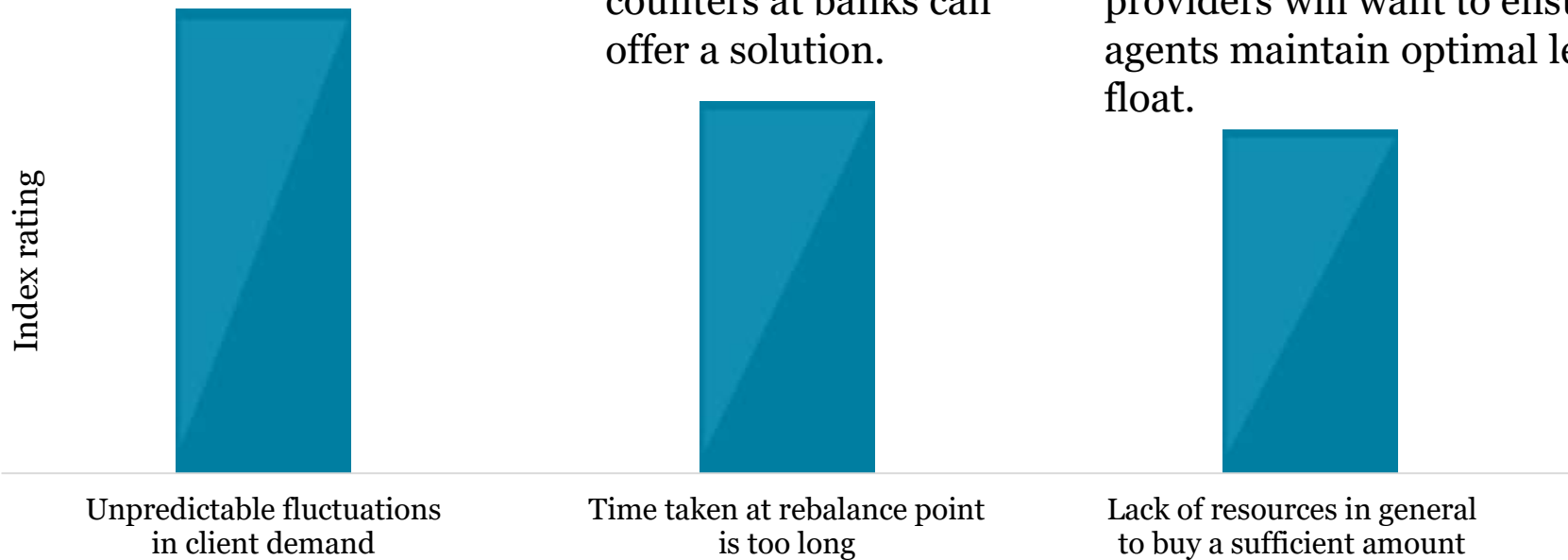
Agents' Top Barriers To Managing Their Liquidity*

Agents deny a median of 2 transactions per day due to unavailability of cash or e-float.

Providers may consider conducting [transaction trend analysis](#) and incorporate it into agent training curriculum.

This can include agents who need to queue at a bank when they go to rebalance. Dedicated counters at banks can offer a solution.

This can pose a barrier to DFS scale up in the country. As more customers become aware and start using mobile money, providers will want to ensure that agents maintain optimal level of float.



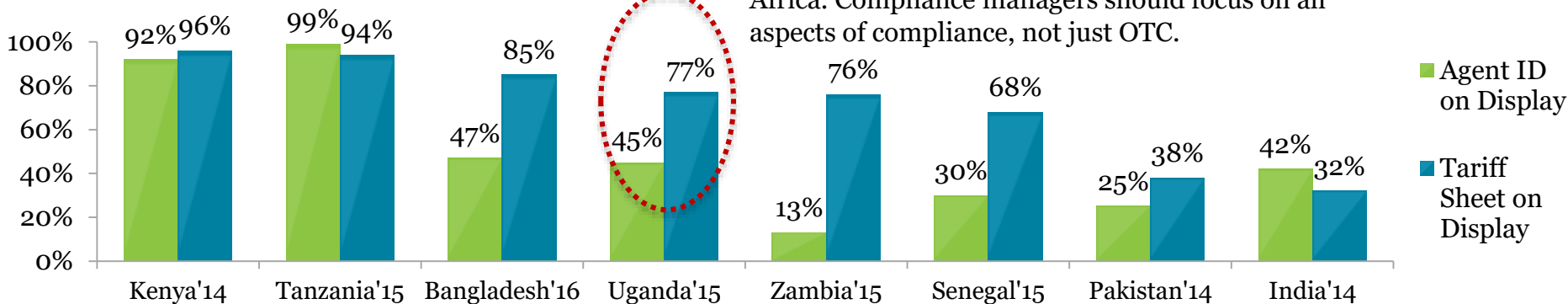
*Agents were asked to select top three barriers to conducting more transactions from a list of 10 options, including the option to pick “Other”. The above figures are a weighted average of the barriers ranked by agents, where taller bars mean a higher relative ranking. 8% of agents reported ‘No barrier’ as their first choice.

Control and Compliance

Compliance To Regulations In Uganda Is Low

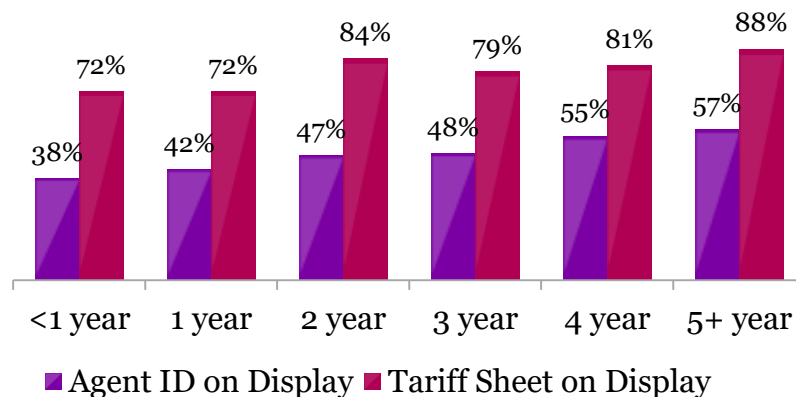
Compliance to Regulation: ANA Research Countries

Compliance in Uganda is the lowest among East Africa. Compliance managers should focus on all aspects of compliance, not just OTC.



- Only 45% of agents display the call center number.
- Agents report that on a regular day, **18 customers try to conduct a transaction without showing their ID.**
- Regular monitoring visits improve compliance:** 81% of agents who receive regular monitoring visits display tariff sheets versus 75% who don't.
- Transparency pays off:** agents who display tariff sheets perform on average 4 more transactions per day and make \$21 more in profit compared to those who don't.

Compliance by Age of Agency



Outstanding Attributes Of Agent Network Management

Despite increasing competition and decreasing monthly revenues, Ugandan agents are the **most profitable** of East African ANA countries.

Almost two-thirds of agents are **professional, full-time mobile money agents**, demonstrating that they find the mobile money business profitable.

Non-exclusivity has quadrupled in two years, with a **positive impact on earnings**. More than half of non-exclusive agents would like to serve an additional provider. This bodes well for the operationalization of the newly adopted FIA.

Liquidity management has become **more convenient** with increased agent-to-agent rebalancing and fewer agents traveling outside the shop.

Almost all agents are **trained within the first three months** of service.

Opportunities For Improvement (1/2)

Uganda is a maturing DFS market that is still plagued by agent assisted over the counter transactions (OTCs). Research demonstrates that mobile money account holders still prefer to use an agent to conduct a transaction on their behalf. Though there is evidence of customers conducting self-initiated transactions, providers may need to reevaluate their value propositions and marketing strategies to adjust to those customers not yet fully using their wallets.


With customer financial illiteracy pervasive in Uganda and agent assisted transactions a reality in the country, providers will want to **conduct market research** to understand what product and accompanying user interface will attract and assist customers in the uptake of DFS products. Providers can consider this as a stepping stone for users to eventually transition to wallet-based products.


Providers should provide resources to help agents improve their sales by teaching customers about products and helping them navigate the interfaces, rather than focusing just on transactions.


Providers and regulators need to step in to ensure an **increase in compliance** to regulations. They could consider sanctioning agents that are not compliant. Findings in this report as well as research on Kenya suggest that greater transparency has a positive effect on agent's business.



Opportunities For Improvement (2/2)

- 

Providers' **fraud management policies require urgent attention**. It will be essential to **incorporate fraud typology and mitigation measures into specialised training modules** and ensure that all agents receive training regularly and of high quality. Providers could consider maintaining blacklists of operators who have committed fraud or theft in the past.
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In light that the main market players mostly offer similar products in the same outlets, but have individual systems for training, monitoring, and liquidity management, **consolidation and partnerships need to become more prominent**. Providers could trial this approach in rural areas—with both non-exclusive and exclusive agents—where it is most difficult and expensive to provide the support agents need.
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Following the introduction of the FIA, providers might want to **create partnerships with banks to leverage banks' expertise in designing more sophisticated and alluring financial products** that match customers' financial literacy levels. This may help providers develop and offer products to the mass market.



Appendix

Appendix 1 - Methodology

The study is based on a **nationally representative sample of 2,288 DFS agents**, designed to be representative at the country level, for urban and rural agents, and for the selected providers.

The **latest census of mobile money agent available** at the time of data collection (Brandfusion 2015) was used as a sample frame. The sampling strategy used was **stratified cluster random sampling of Ugandan districts**.

Data were collected using the **random walk methodology** with the skip pattern proportional to the desired sample count for a particular location. Data collection and entry was performed using an Android device.

The use of an Android device allows for an **additional level of randomisation to ensure the survey representativeness at the provider level**. The provider an agent is interviewed for is randomly assigned by the application out of the list of all providers, for which the agent is active (i.e. has conducted at least one transaction within the last 30 days).

Appendix 2 - Definitions

Definitions

1	DFS Outlet	Owner	Agent who owns and operates the DFS business.
2	Staffing	Operator	A (salaried) employee who operates the DFS business on behalf of the owner.
3	Exclusivity	Exclusive Agent	Agent who serves only one mobile money service provider.
4		Non-Exclusive Agent	Agent who serves more than one mobile money service provider.
5	Dedication	Dedicated Agent	Agent who conducts solely mobile money services or solely mobile money and airtime distribution from the shop.
6		Non-Dedicated Agent	Agent who conducts other business from the shop, in addition to mobile money services (and airtime distribution).
7	Transactions (Provider)	In 2013, transactions were calculated as the sum of reported average enrolment, cash-in, cash-out, bill payments, and “other” transactions; in 2015 transactions were calculated as the sum of reported average enrolment, cash-in, cash-out, money transfer, bill payments, remittances, social payments, salary, credit, insurance payments and “other” transactions the agent conducts for the particular provider. Values of zero were excluded from analysis.	
8	Monthly Earnings (Agency)	In 2013, agents were asked “What is your total monthly commission from all providers combined?”. In 2015, this question was rephrased slightly: “On average, how much do you earn per month from all the providers you serve, combined?”. Only owners reported on commissions.	
9	Monthly Operating Expenses (Agency)	In 2013, agents were asked “How much on average do you spend per month as an agent to cover operational expenses?”. In 2015, monthly operating expenses were calculated as the sum of reported rent, utilities, loan interest, staff salaries, business travel and other expenses. For non-dedicated agents, they were calculated as the sum of the difference between reported costs for the entire business and costs without mobile money. With this approach, we calculate just the marginal cost of mobile money for non-dedicated agents (and for 59% this was zero). Only owners reported on expenses.	
10	Profit (Agency)	Profit is calculated as the difference between monthly agency earnings and monthly agency operating expenses. Only owners who answered both revenue and expense questions were included in this calculation.	

Thank You

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