Agent Network Accelerator Research

Democratic Republic of the Congo Regional Report

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Executive summary

Mobile money continues to play an increasingly important role in financial inclusion in the Democratic Republic of the Congo (DRC), mobile money is a lever to drive both economic and social inclusion. Over the past 10 years, mobile money subscriptions in the DRC have grown 20% annually. Yet active mobile money usage is low. Financial inclusion is at 26%, as there is a strong culture of informal financial services. Agents, who can act as a low-cost alternative to offer financial services, need to be selected and nurtured carefully to serve as a delivery channel for financial inclusion.

MicroSave Consulting (MSC) conducted a qualitative study to understand the internal factors in the management of DRC agent networks that promote or hinder the success of these networks, and to provide guidance on how the operational management of the agent networks can be improved. The study examined the success factors in agent network management, specifically looking at agent network structure, agent viability, quality of agent support and provider compliance and risk. The study was conducted between May and November, 2018. It included 50 agents across the country and 19 interviews with the top three mobile network operators and two financial institutions that currently offer mobile financial services.

While providers report high numbers of agents varying from 1,500 to 70,000 depending on the provider, the expansion of agent networks has been concentrated in urban areas with limited presence in rural zones. The majority of agents interviewed in the DRC offer first-generation services. They are non-exclusive and non-dedicated, which means that these agents work for several digital financial services (DFS) providers simultaneously, and have other income generating activities besides DFS).

The agent management models are different depending on the sector. Congolese banks utilize a hub-and-spoke approach whereas mobile network operators (MNOs) use a matrix model. Due to the rapid expansion of the agent network model for the telecom operators, MNOs are shifting to a master agent model to expedite scaling. With evolutions in the various approaches to agent network models, it is imperative to ensure clear roles and responsibilities to avoid negative impacts on agent network quality as well as managing incentives.

The onboarding approach also differs by sector with banks onboarding higher quality agents. The segmentation of agents into distinct profiles can enable providers to determine the type of support an agent requires to be more successful. The level of initial capital investment by agents varies immensely, but the initial and ongoing investment is crucial for the success of the agent business. Due to strict regulatory restrictions and a higher capital requirement, banking agents tend to reinvest into float, whereas MNO agents often use revenues to finance their other investments. MNO agents receive startup kits inconsistently, which makes it challenging to run the business due to additional out-of-pocket costs. This has created a black-market for agent SIMs and marketing materials.

Overall, Congolese providers have not yet implemented formalized and standardized training systems. Field staff lack the capacity, skill, and motivation to provide quality ongoing monitoring and support to agents on the ground consistently. Certain providers have used stricter agent training methods, including testing agents and providing certification of aptitude. While these proved to affect agent quality positively, the initiatives have been scaled back due to lack of funding by the provider. The lack of compliance by agents in certain areas of the business continues

to cause anti-money laundering/combating the financing of terrorism (AML/CFT) risks, client protection concerns, and increased risk of fraud.

As seen in other countries in the region, liquidity has been a challenge. Providers require that each agent hold multiple currency (USD and CDF) digital accounts to offer agent services. However, the setup of these digital accounts prohibits the direct exchange or transfer of e-float from one currency account to another. This presents a unique operational and rebalancing challenge for the agents. Adequate and easily accessible rebalancing points that also support the rebalancing of dual currencies are necessary to enhance service delivery and promote agent profitability.

Commissions are key to motivate agents to invest in the business and remaining active as a distribution channel. The most prevalent commission structures identified among MNOs and financial institution in the DRC are tiered and percentage-based. The structure of commission payments and the timing of these payments vary widely and are non-standardized. Agents interviewed indicated a general dissatisfaction with the amounts of commission received. Most suggested that the commissions received are insufficient to cover the monthly expenses for running the agent business. Further, this dissatisfaction with commissions, compounded by the limited visibility of calculations of commissions, results in agents encouraging over-the-counter (OTC) transactions for which the agent is at liberty to determine a fee.

The DRC has an opportunity to increase financial inclusion via agents. Nevertheless, there needs to be an investment for the long term to improve customer education, invest in training and incentivize trainers, improve upon the agent selection and onboarding process, invest in marketing tools, expand liquidity options alongside tools for dual currencies, and invest in infrastructure. Additionally, there is a need to develop appropriate products and services based on needs and ensure client protection so that Congolese clients continue to sign up for DFS products and services. This would encourage others to use it actively as well.

Purpose

ÉLAN RDC is a private sector development program supported by Adam Smith International that aims to increase the incomes of over a million low-income men and women in the DRC by 2020. The organization aims to build a more efficient and inclusive economy for the DRC. It seeks to achieve this through the provision of international expertise and market insights to businesses, financial institutions, and industry associations in different economic sectors. The expertise and insights would aid in the design, introduction, and scale-up of innovative and sustainable changes in business practice that will build a more efficient and inclusive economy.

The FPM is an institution created in 2010 under the initiative of UNDP, UNCDF, KFW, World Bank, German Cooperation, and Swedish Cooperation. Its mission is to promote financial inclusion in the DRC, by lending technical and financial support to financial institutions that target micro, small, and medium-sized enterprises (MSMEs) and low-income working populations in particular. The ultimate goal of the FPM is to reduce poverty and improve the living conditions of the people in DRC. The FPM aims to support the construction and development of an inclusive financial system.

Together, these two entities engaged MicroSave Consulting (MSC) to help inform their strategies to support improvements in the mobile money (agent and merchant) and agent banking distribution networks. This would facilitate access to financial services for the large unbanked population in the DRC. The aim of this report is to focus on the operational determinants of success in agent network management that can serve as a framework to improve agent networks within the dynamic challenges faced in the different regions of the DRC. In particular, the report will look at agent selection and onboarding, agent value propositions, and understand the opportunities to improve delivering agent support while ensuring compliance and managing risk for both mobile network operators and financial institutions.

The Helix Institute of Digital Finance, which conducts the Agent Network Accelerator studies, provides financial sector stakeholders, that is, development partners, FSPs, and policymakers with strategic support. The support helps them to augment the development of sustainable digital finance programs and operations, through market analytics, operational training, and advisory services.

Acknowledgements

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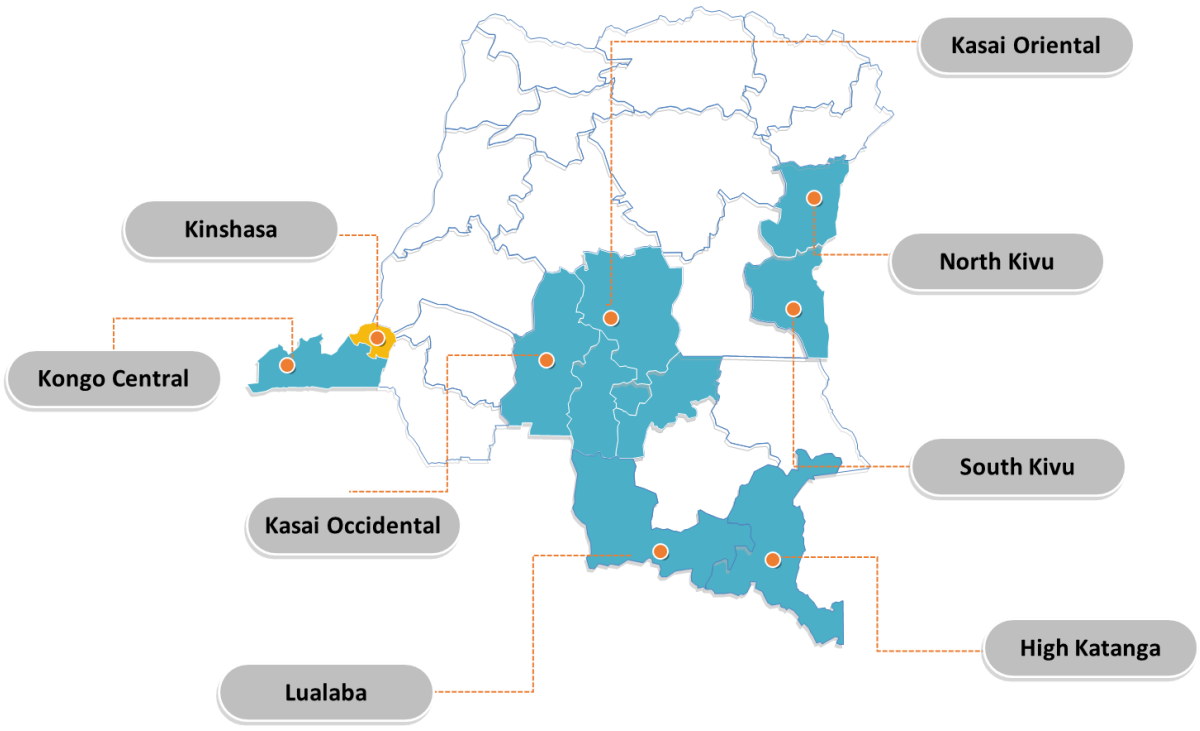
Background

Introduction

The population of DRC is dispersed vastly across a nation challenged with low education levels, a history of financial shocks, conflict, and weak infrastructure. A recent study indicated that even after excluding the deep rural population, only 2.3 million (12%) of the adult population is banked[1]. Despite these challenges, the number of mobile subscribers has grown substantially in the past decade, from 4.9 million in 2007 to 29.3 million in 2017, at an annual average growth rate of 20%, with unique subscriber penetration increasing from 8.2% to 35.5% over the same period[2]. This presents a strong case for mobile money, given the potentially large user base as opposed to the country's population of approximately 77.2 million. About 40% of individuals own a mobile phone[3] compared to about one per 100,000 who have access to a bank branch or ATM[4].

Payments and remittances are a critical component that enables individuals to manage risks and enable consumption smoothing. Agents play a central role in acquiring and maintaining customers but must be properly trained and compensated. With further investment with a long-term view and support to leverage the agent infrastructure, we anticipate that enhanced access to affordable and appropriate financial services will facilitate the growth of enterprises and personal savings. This, in turn, will contribute to increased incomes for the target population.



[1]https://cenfri.org/wp-content/uploads/2017/05/MAP-DRC_Roadmap_Cenfri-FinMark-Trust-UNCDF_January-2017_English.pdf
[2] https://www.gsma.com/publicpolicy/wp-content/uploads/2018/07/GSMA_DRC-report_ENGLISH_72pp_WEB.pdf
[3]https://news.gallup.com/poll/189269/disparities-cellphone-ownership-pose-challenges-africa.aspx
[4] http://data.worldbank.org/country/congo-dem-rep?year_high_desc=false

The focus of the research

The research, conducted between May and July 2018, focuses on the operational determinants of success in agent network management, specifically looking at agent network structure, agent viability, quality of agent support and provider compliance and risk. The aim is to provide support for improving the mobile money (agent and merchant) and agent banking distribution networks to facilitate access to financial services for the large unbanked population. The research was qualitative in nature with a total of 19 interviews conducted with five DFS providers[5] and 50 interviews with agents. The core approach involved in-depth qualitative interviews with concerned staff working for DFS providers at various levels of seniority.

Agent selection and onboarding

Agent Value proposition

Quality of Provider Support

Provider Compliance & Risk

Agent networks are critical to the customer experience because they represent the first and most tangible service touch-points for most customers. They are also probably the most operationally burdensome and costly element of the DFS value chain—costing between 40% and 80% of the revenue generated from the business[6]. As such, effective deployment and management of the agent network is crucial to ensure cost and operational efficiency, as well as to develop the customer base.

KEY ACTIVITIES

1. Review of regulations and guidelines by Central Bank on mobile money and agent banking
2. Key informant interviews with heads of agent banking and key support departments
3. Review of international best practices on agent banking in leading markets
4. In-depth interviews with agents[7] (MNO, MFI, and bank) in Kinshasa, Kongo Central, Kasaï and Kivu regions

a 2018 2008

[5] The providers are Vodacash Mpesa, Airtel Money, Orange Money, Equity Bank, and FINCA DRC.
[6] http://www.helix-institute.com/sites/default/files/Publications/Helix_Designing%20Successful%20Distribution%20Strategies%20for%20Digital%20Money_0.pdf
[7] The in-depth interviews were conducted among agents composed of 23% women and 77% men.

The approach of a successful agent network

The study explored both market-level and institutional-level constraints and opportunities to achieve the research objectives. It was guided by *MicroSave*'s proprietary framework "Successful Agent Networks" for analyzing successful agent networks. There are six dimensions of agent network success, which providers can use to guide actions towards implementing their agent network objectives.

NETWORK SIZE	NETWORK DISTRIBUTION	NETWORK SUSTAINABILITY
• Number of agents • Provider's share of total agents • Ratio of customers to agents	• Spread • Reach • Agent clustering • Agent density	• Agent churn • Reliance on high value agents • Agent compliance • Agent profitability

SERVICE RELIABILITY	AGENT	AGENT
• Service downtime • Liquidity • Fraud	• Knowledge • Skills	• Age • Gender • Education • Exclusivity • Dedication • DFS outlet staffing

The study also explored the key determinants of agent network success, which can be used to assess gaps and opportunities to ensure success.

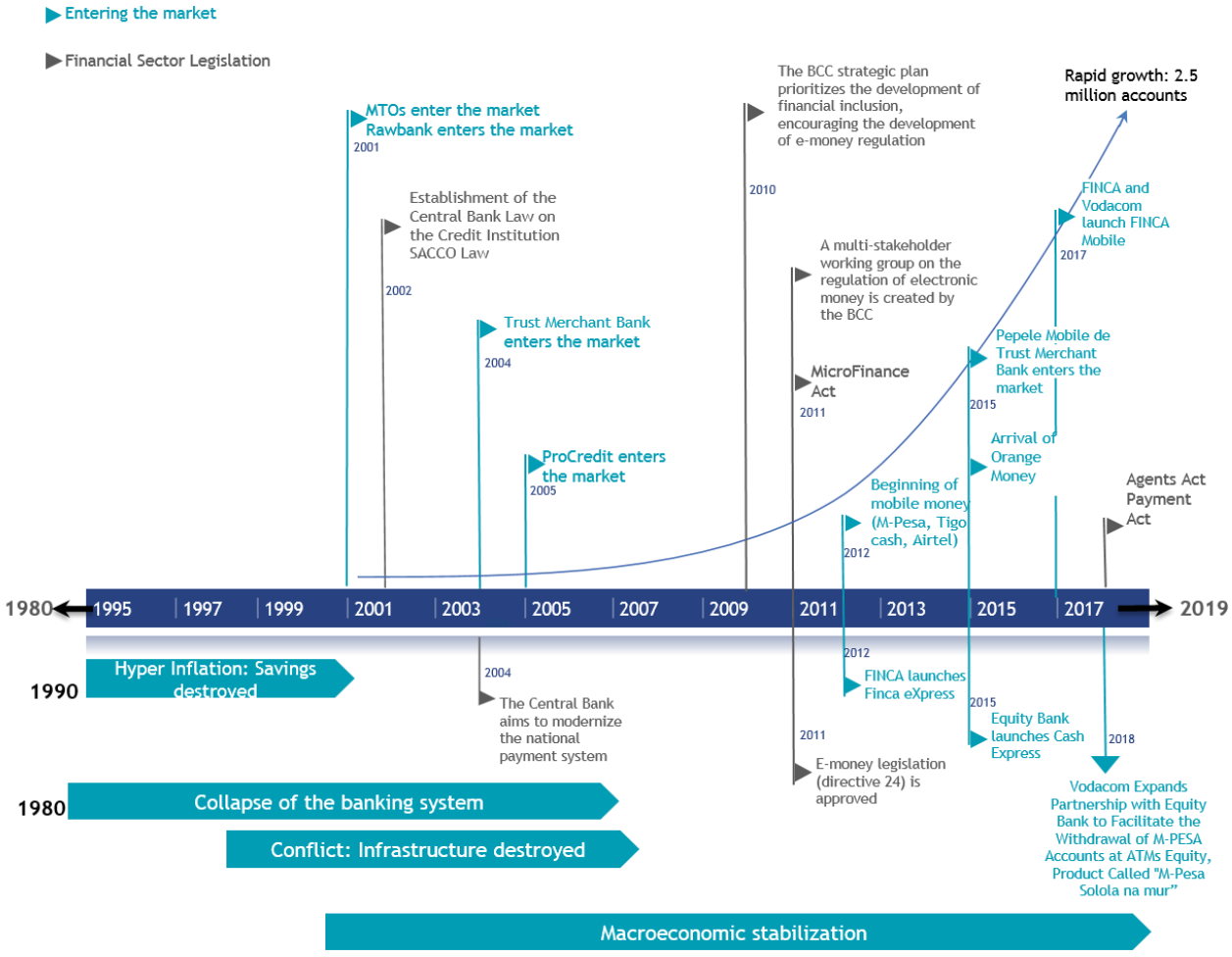
PROVIDER FOOTING	PROVIDER'S INPUTS	AGENTS' INPUTS	ENABLING ENVIRONMENT
• Resources • Corporate governance • Strategic alignment • Systems and processes	• Agent recruitment • On-boarding • Ongoing support • Terms of business	• Services • Customer development • Investment • Compliance • Risk management • Operations	• Demand • Supply-side maturity • Regulation • Infrastructure • Risk environment

Market characteristics

Despite the existence of an impressive 29.3 million mobile money subscribers, the active usage rate remains low in the DRC. Banking crises in the past have eroded trust in the system. Today, only 7 million adults have access to formal financial services, where there are less than 0.14[8] commercial bank branches per 1,000km^2. The government is committed to developing infrastructure in the DRC and specifically aims to promote conditions for a digital economy. This represents an opportunity to increase financial inclusion via agents and the development of value-added services that cater to the needs of Congolese clients. The key barriers to consider for increasing the uptake and usage of DFS include:

- Lack of awareness and trust of digital financial products and services;
- Minimal infrastructure and mobile network to facilitate delivery;
- High cost of mobile ownership both in terms of device and airtime or data[9]; and
- Alternatives for storing and sending money.

The evolution of financial inclusion in the DRC



[8]https://cenfri.org/wp-content/uploads/2017/05/MAP-DRC_Roadmap_Cenfri-FinMark-Trust-UNCDF_January-2017_English.pdf
[9] https://www.gsma.com/publicpolicy/wp-content/uploads/2018/07/GSMA_DRC-report_ENGLISH_72pp_WEB.pdf

Economic and infrastructure constraints and enablers

The DRC has experienced extended periods of conflict that has led to a slump in economic growth and has negatively affected the use of formal financial services. This has also been exacerbated by the limited financial infrastructure[10].

- DFS uptake varies across the DRC. It is more prevalent[11] in the capital city of Kinshasa and in other larger cities, such as Goma (North Kivu) and Matadi (Kongo Central) compared to other regions.
- DRC is a dollarized economy. The US dollar is accepted for all transactions alongside the Congolese Franc (CDF). The use of the US dollar increases the cost of cash and introduces risk in the handling of multiple currencies. This presents unique challenges in agent network management requiring multiple currency transactional digital accounts.
- The DRC has one of the lowest rates of electrification in the world at just 9%, with 1% in rural areas and 19% in urban areas[12] making it challenging to charge phones and incurring costs to travel to do so.

DFS regulatory overview

The Central Bank of Congo (BCC) has been positive towards the creation of enabling guidelines for DFS within the DRC. According to Instruction 29 issued by the BCC in 2016[13], banks and microfinance institutions (MFIs) are able to launch agency banking networks. Additionally, special legal institutions called e-money issuers can be granted e-money licenses to facilitate setting up of agent networks. Non-financial institutions, including MNOs, may qualify as e-money issuers. Yet to do so, they must set up subsidiaries with a minimum capital requirement of USD 2.5 million.

The DRC lacks a national financial inclusion strategy. However, the Cenfri DRC MAP roadmap[14] highlights "strong awareness, commitment and resolve among policymakers to build an inclusive and stable financial services sector". The GSMA[15]ranked the DRC 73.1/100 on the "extent to which their regulatory framework enables widespread mobile money adoption". It, nevertheless, faces significant challenges with infrastructure and consumer protection.

- MNOs have been most proactive towards launching their agent networks with banks joining later in the game with the release of the agent banking guidelines.
- There is no centralized national identity (ID) system in DRC for KYC purposes. The BCC has allowed for the operation of a tiered system for customer due diligence to address the unavailability of identification documents. The BCC also accepts the presentation of various non-standardized ID documents.

[10] The World Bank reported that in 2016 there are 1.14 ATMs for 100,000 adults and 0.82 commercial bank branches per 100,000 adults

[11] https://static1.squarespace.com/static/55c2130ce4b054daaf193937/t/5b3f3004562fa72b1cec8481/1530867736242/Summary+of+Mobile+Money+Study_20161123_rotated.pdf

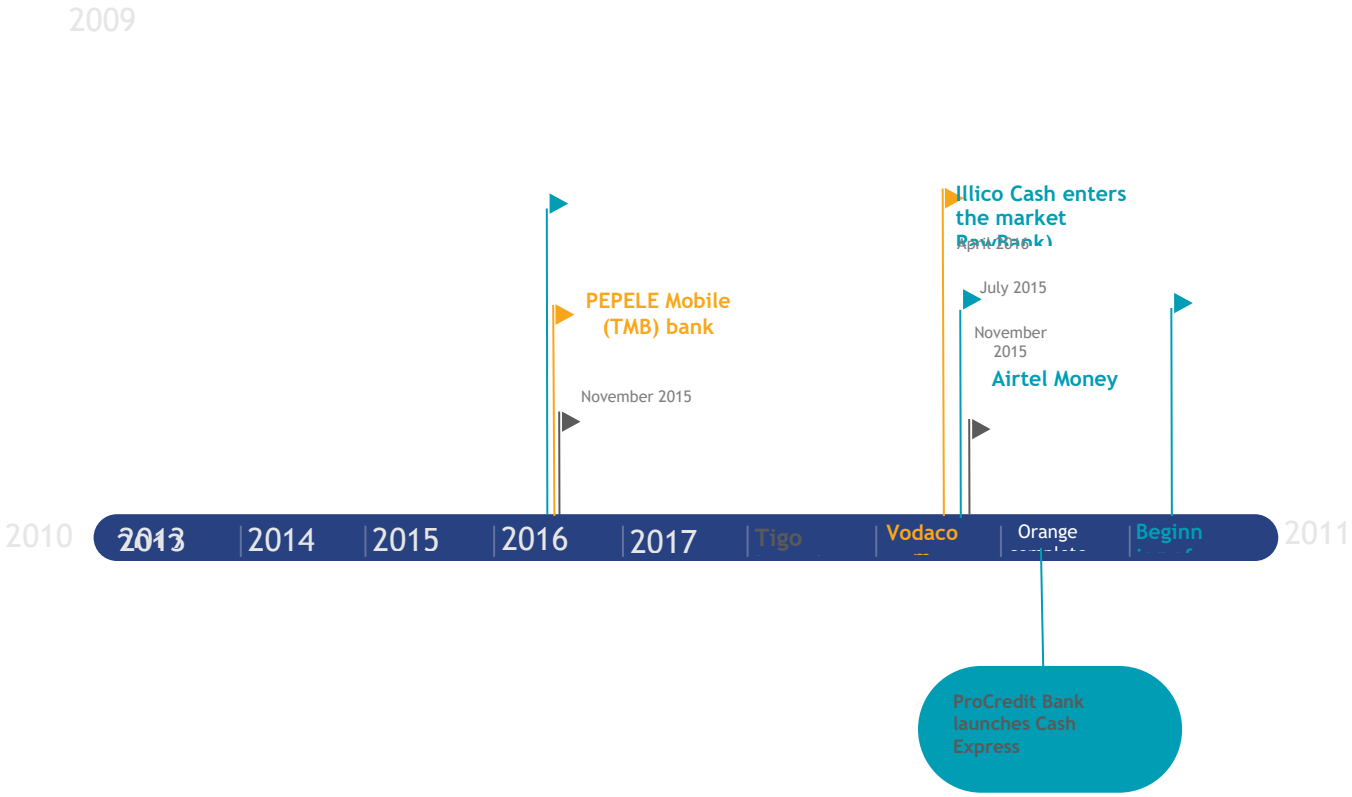
[12] https://www.usaid.gov/powerafrica/democratic-republic-congo

[13] 13 July 2016. Banque Centrale du Congo. Instruction no. 29 aux etablissements de credit et institutions de micro finance sur l'activite des agents bancaires

[14] https://cenfri.org/wp-content/uploads/2017/05/MAP-DRC_Roadmap_Cenfri-FinMark-Trust-UNCDF_January-2017_English.pdf

[15] GSMA regulatory index https://www.gsma.com/mobilemoneymetrics/#regulatory-index consulted on November 2018. The GSMA's regulatory index scores DRC at 73.7 (out of a possible maximum score of 100) for the "extent to which their regulatory framework enables widespread mobile money adoption". Of the 81 countries reviewed by the GSMA Regulatory Index, DRC ranks 50th. The GSMA's index breakdown would suggest there is room for improvement in regulatory practice around Consumer Protection, KYC and the infrastructure and investment environment in particular.

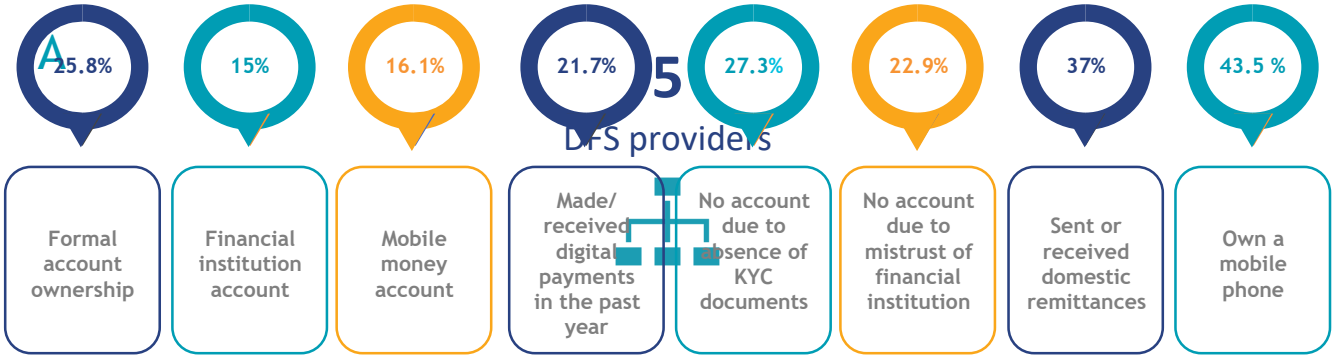
- There is currently no national switch in the DRC linking all financial service providers. However, the BCC is looking to implement a national switch to facilitate payments in the DRC because for now, only four banks[16] are using a mutual switch known as 'Multipay' to enhance the efficiency and affordability of transactions among their customers.
- The BCC and the Congolese Government have an important impact on the development of digital use-cases, for instance:
  - In 2013, the government's banking services initiative encouraged the electronic payment of government worker salaries[17]. As such, between 2013 and 2015, the MNOs partnered with the government to offer government-to-person (G2P) payments (civil servant salary payment). Yet, the initiative was stopped due to liquidity management issues and high operational costs for the MNOs.
  - In 2016, FINCA began delivering G2P payments (also civil servant salaries) through its agent network.
  - In 2016, the BCC began encouraging financial institutions and MNOs to develop bank-to-wallet services and to interoperate with the national switch project that is still ongoing.



[16] Equity Bank, Rawbank, FBNBank and BCDC
[17] http://www.africmemoire.com/part.4-chapitre-ii-bancarisation-de-la-paie-des-salaires-des-agents-et-fonctionnaires-de-letat-en-rdc-896.html

Overview of the digital financial services market

- Key players in the DFS market include MNOs, MFIs, and banks.
- The DFS market is relatively nascent, and providers currently only offer first generation digital financial products and services. There is a need for further research studies to develop products and services based on customer needs, drivers, and influences to improve adoption and usage.
- MNOs such as Vodacom, Airtel, Orange, and financial institutions including FINCA, Equity Bank and Trust Merchant Bank and Ecobank have launched agent networks while others are in the process of setting up.
- Providers report high numbers of agents. Yet the expansion of agent networks has been concentrated in urban areas with limited presence in rural zones.
- Agents are largely non-exclusive (that is, work for several DFS providers simultaneously) and non-dedicated (that is, had other income generating activities besides DFS).



Source: World Bank 2017, DRC MAP Diagnostic Report 2016, ITU 2018

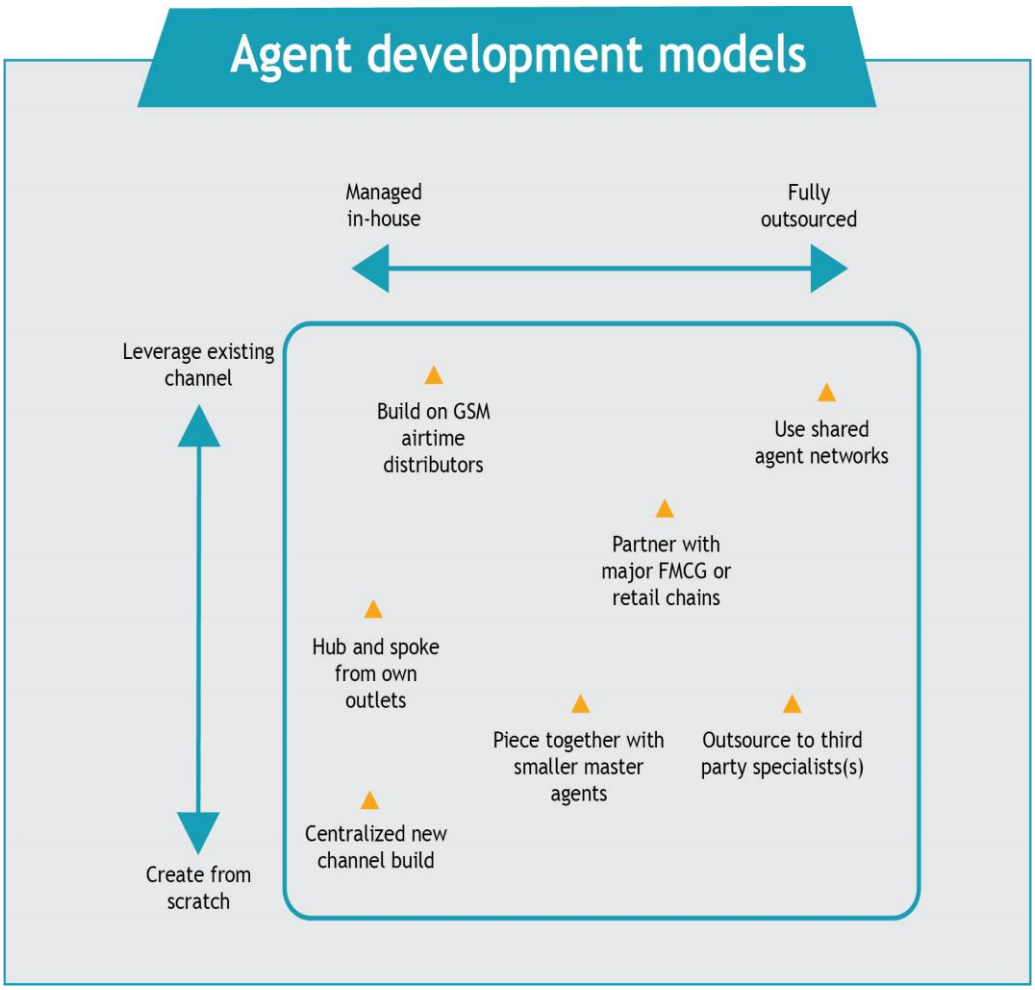
- Formal financial account ownership in the DRC is at 25.8%[18].
- In 2017, 37% of people received or sent money within DRC. However, only 21% of these utilized digital channels to conduct these transactions. The opportunity to advance DFS is huge. This can only be achieved by focusing not only on access but also on the development of relevant and increased use-cases in the market.
- In other markets like the Ivory Coast, Kenya, India, Uganda, and Ghana, digital financial services have greatly enhanced effective financial inclusion. To drive financial inclusion, including and beyond access, stakeholders in the digital financial ecosystem will need to pay particular attention to policies that address unification of the know-your-customer (KYC) framework and develop financial products that are adapted to the customers' and small business owners' needs.

[18] This includes account at a formal financial institution such as a bank or MFI, as well as mobile money accounts with e-money providers

Agent network structures

Agent network deployment and management models

The type of agent network deployment and management model a provider adopts will depend on the network growth path (geographical reach vs. scale) and the degree of control a provider wishes to maintain over its agents.



Financial institutions and MNOs take distinct approaches to agent network deployment and management in the DRC, with varying results for agent network quality. The following table depicts the different agent network management models that DFS providers use in the DRC:

Comparative analysis of agent network management models	Hub-and-spoke	Matrix model
Institution	FINCA (microfinance institution) Equity Bank (financial institution)	Airtel Money (e-money provider) Orange Money (e-money provider) Vodacom M-PESA (e-money provider)
Liquidity management model[19]	Bank branches offer liquidity services to agents.	E-money providers (that is, mobile money providers) have contracted 'Super Agents' (known locally as 'cash partners') to offer liquidity services to agents. These may be financial institutions (branches of banks and MFIs), and MNO commercial outlets. All mobile money agents are allowed to use these as rebalancing points. Further, MNOs created a Master Agent model, where the Master Agents perform more responsibilities including liquidity management.
Agent profile	Prospective agents are existing small business owners who have been operating for at least 6 months.	Prospective agents may be either (a) existing GSM airtime resellers, or (b) brand new agents.
Agent network management procedures	Individual bank or MFI branches are responsible for building and managing a small network of agents in their locality. One (or more) member(s) of the	E-money providers have taken two approaches to agent network management: A. Agents are directly managed by e-money issuer, supported by regional

[19] Liquidity management is explored further in this Helix Institute blog http://www.helix-institute.com/blog/liquidity-%E2%80%93-solving-agents%E2%80%99-perennial-problem

	branch staff is typically responsible for agent network management from agent selection, onboarding, training, monitoring, and support. The staff member is typically salaried and has KPIs linked to the quality of their agents.	field staff; and/or B. Agents managed by a 'Master Agent' who works on behalf of the e-money issuer. MNOs have recently begun implementing 'Master Agents' because the sheer size and geographic spread of their agent networks mean they are no longer able to manage all agents using a direct model (option A). In the 'Master Agent' model, the MNO hands over full responsibility for building and managing the agent network to the hired 'Master Agent'. The Master Agent earns a % of the commissions of their agents, typically 20% in the DRC. The Master Agent KPIs are set to ensure quality among their network of agents.
Pros	This model has ensured a network of higher quality agents as the providers have maintained greater control over the development and management of the agent network.	In the direct agent management model, providers have maintained control over agents, but have relied heavily on field staff in the various regions. The aptitude of field staff varies greatly and as such is affects the overall quality of the agent network. Introducing Master Agents is helping providers scale up faster because responsibility for operational matters lies with partners who are closer to the ground. Most DFS providers in DRC are just beginning to experiment with the Master Agent model. Ensuring they are incentivized and have clear KPIs and responsibilities will be key if this is to be sustainable.

Cons	This model has not helped providers to scale up quickly. FINCA and Equity Bank combined have fewer than 3,000 agents across the DRC. Having a relatively low number of "hubs" (bank branches) has been limiting agent network growth. Branch staff who are responsible for building and managing the agent network tend to earn a fixed salary rather than commissions—as such providers reported a lack of motivation to grow the network.	In the direct management model, the provider is reliant on field staff in the regions to onboard, manage and monitor agents. The Master Agent model might have less control over the agent network and compliance.

Particularly for MNOs, a lack of clear organizational structure means certain DFS providers in the DRC have not consistently assigned responsibilities to agent management staff (in-house or external), nor have they consistently mapped KPIs and incentives to the division of responsibilities, thus causing gaps and negatively impacting agent network quality. Whichever agent network management model a provider chooses to adopt, they must ensure that responsibility for each of the six categories[20] (as mentioned below) is carefully assigned to specific staff either in-house or to external parties. Each party must also be incentivized correctly.

Agent selection and contracting	Agent training and business advice	Agent liquidity management	Agent branding and service monitoring	Commissions and reconciliations	Customer care

Furthermore, when KPIs and incentives are not consistently or adequately mapped, responsible parties will not be motivated to perform specific tasks. This causes gaps, meaning agents are not receiving the training, support, liquidity or monitoring they require, ultimately diminishing the quality of the agent network. See the table below for more details.

[20] http://www.helix-institute.com/sites/default/files/Publications/Helix_Designing%20Successful%20Distribution%20Strategies%20for%20Digital%20Money_0.pdf

The division of responsibilities between different models

Division of roles and responsibilities	Hub-and-Spoke model	Direct management model	Master agent model
Agent selection and contracting[21]	A branch staff member is responsible for agent network growth	Field staff is responsible for growing agent network *Note: DFS provider may hire different field staff to manage different processes – recruitment, training, marketing, monitoring, etc.*	Master Agents and their staff are solely responsible for agent network growth
Agent training and business advice[22]	The branch staff member responsible for training and capacity building of agents	Field staff responsible for training *Note: DFS provider may hire different field staff to manage different processes – recruitment, training, marketing, monitoring, etc.*	Master Agents and their staff are solely responsible for agent network growth
Agent liquidity management[23]	Agents are responsible for managing their own liquidity. Must visit bank or MFI branch to rebalance the float.	Agents are responsible for managing their own liquidity. Must visit 'Super Agent' outlets for rebalancing ('Super Agent' partners may include banks, MNO shops, etc.).	Varied approach. (a) Agents are responsible for their own liquidity. The agent may rely on visiting 'Super Agents' or in some cases their Master Agent. (b) Master Agent takes an active role in helping their agents manage their liquidity, even visiting agents' shops to supply cash.
Agent branding and service monitoring[24]	The branch staff member responsible for providing	Field staff responsible for ensuring branding and	Master Agents are responsible for providing

[21] **Agent selection & contracting:** the process by which potential agents are identified, vetted (initial screening and subsequent due diligence), and signed-up (including collection of necessary documentation and legal contracting).
[22] **Agent training & business advice:** ensuring that agents and their staff are fully capable of conducting the agency business (including initial training upon signing-up, regular refreshers, and one-offs when there are new store staff), and informed on business optimization and fraud mitigation.
[23] **Agent liquidity management:** the process by which agents can rebalance when they have too much or a deficit of cash as compared to float.
[24] **Agent branding and Service Monitoring:** monitoring the financial performance of agents; ensuring that agents comply with all relevant brand and customer service guidelines issued by the provider.

	and ensuring branding and regular monitoring of agents	regular monitoring of agents *Note: DFS provider may hire different field staff to manage different processes - recruitment, training, marketing, monitoring, etc.*	and ensuring branding and regular monitoring of agents.
Agent commissions and reconciliations[25]	Banking or MFI headquarters	DFS provider headquarters responsible for commissions and reconciliations of transactions for agents and Super Agents.	DFS provider headquarters responsible for paying commissions to agents, Master Agents, and Super Agents.
Customer care[26]	Agents may seek assistance from either (a) The branch staff member responsible for agency banking, or (b) Banking or MFI headquarters via a dedicated call center for agents	Agents may seek assistance from either (a) Field staff responsible for monitoring & support, or (b) DFS provider headquarters via a dedicated call center for agents, (c) Visiting an MNO outlet	Agents may seek assistance from (a) Master Agent (b) Field staff responsible for monitoring & support (c) DFS provider headquarters via a dedicated call center for agents (d) Visiting an MNO outlet

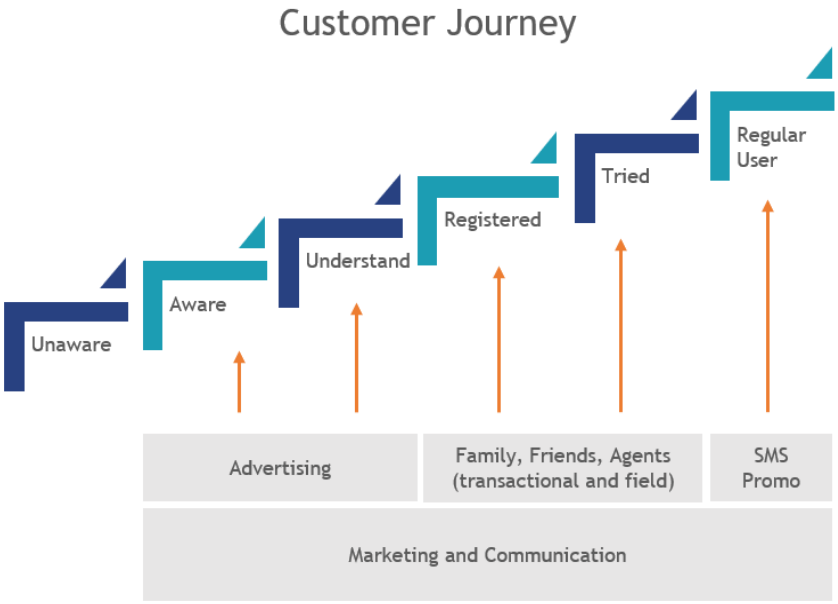
The operational success of an agent network is dependent on one hand on the providers' inputs (levers they can pull to affect the success to their agent networks) and on the other hand the agents' inputs (the action that an agent takes). This interactive flow between provider and agent inputs is understood better when the operational determinants presented in the previous section are taken into consideration.

Customer development

The customer journey defines a set of events defining key experience in the life cycle of a customer[27] and agents are critical in onboarding and sustaining clients. Awareness has not yet translated into usage. Yet agents have been seeing new potential use-cases for commercialization.

[25]**Commissions and Reconciliations:** Paying commissions to agents and other people in the channel like super agents and master agents, as well as ensuring that accounts are settled in a timely and accurate manner.
[26]**Customer care:** answering customer and agent queries and handling financial reconciliation issues that arise from transaction reversals, incomplete transactions, and other exceptions.
[27]https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2016/02/The-Customer-journey-Framework.pdf

Providers have made limited advancements to reshape customer behavior and incentivize the use of digital accounts and should leverage their agent networks to understand customer needs better.



(Source: GSMA 2017 Customer Journey)

Innovations in DFS and increases in financial inclusion are driven by ownership and active use of digital accounts. However, OTC transactions still dominate the market. Agents are not playing an active role in customer awareness and education, as they are not incentivized to do so.

> *"In our rural environment, few people understand digital financial services. My approach [to service delivery] is based on a lived reality, I serve as a gateway for these services to individuals. I realize that it's a lack of understanding that stops them from using these services"* ***Agent in Katanga***

Product offering

DFS providers are focused on first generation products and services such as deposits, withdrawals, and remittances (Person-to-Person or P2P transfers) and cross border money transfers were introduced in 2015. According to Finscope, 79% of Congolese send remittances and 55% are saving mainly in informal form (home, in kind, family, friend). Providers need to design customer-centric products with customer friendly user interfaces that meet the real needs of customers.

For the banks that have rolled out agent networks, there has been no linkage of their mobile banking services to the agent banking channel. This could partly be in response to the low mobile

penetration in the market and inadequate infrastructure including electricity and internet penetration to facilitate access. The table below highlights key services offered:

	Banking Institutions and Decentralized Financial Services					Mobile Money Operators		
	Equity Bank Cash Express	TMB PEPELE Mobile	Ecobank Group Rapid Transfer	Finca International Finca RDC	RawBank Illico Cash	Orange Orange Money	Vodacom M-Pesa	Airtel Airtel Money
OTC Money transfer	✓	✓	✓	✓	✓	✓	✓	✓
Cash-in	✓	✓	✓	✓	✓	✓	✓	✓
Cash-out	✓	✓	✗	✓	✓	✓	✓	✓
Account Opening / registration	✓	✓	✗	✓	✓	✓	✓	✓
Bill payments	✓	✓	✗	✓	✓	✓	✓	✓
Account consultation	✓	✓	✗	✓	✓	✓	✓	✓
International Transfers	✗	✓	✓	✓	✗	✗	✗	✗
Merchant/ online merchant payment	✓	✓	✗	✓	✗	✗	✗	✓
Bank deposit	✓	✗	✗	✓	✓	✗	✗	✓
National Transfer (P2P)	✓	✓	✗	✓	✓	✓	✓	✓

Customer education

There is a need for the providers to simplify the customer journey and invest in customer education, so clients understand the value of the product. Education would allow clients to understand (a) the purpose of DFS products; (b) how to use DFS products; (c) what types of services are available; (d) how a customer should expect to be served at an agent location; and (e) the real cost of transactions.

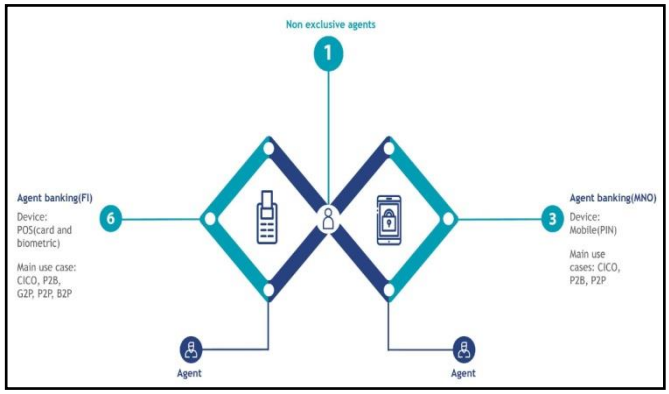
> *"Sometimes there are scenarios where the customer believes they owe you DCF 1,000 to deposit after depositing CDF 10,000 thinks he owes you a transfer fee by handing you 1,000 more CDF. In this case, the customer must be informed that the operation is not payable, does not pay cash, and may even deposit CDF 11,000 if he wants."* ***Agent in Kinshasa***

- Providers should review their marketing messages and focus the communication more on how DFS products and services can solve customers' day-to-day pain points than providing generic messages.

Over-The-Counter (OTC) prevalence[28]

MNO clients in DRC prefer to conduct agent-assisted direct deposit transactions (that is, deposit funds directly onto a third party DFS account), instead of conducting a person-to-person (P2P) transaction using their own mobile handset. This is affecting the viability and sustainability of the Mobile Money business model for MNOs[29].

- Agents interviewed suggested that the prevalence of OTC transactions stems from two factors. These are a lack of customer awareness, and limited understanding of, digital financial services, digital accounts, and the user interface, and the perception among customers of P2P transaction fees being too high. Based on agent testimonials, customers do not understand the prices of DFS services offered, despite regulations enforcing the display of pricing structures at agent outlets. Customers that are not familiar with the prices imposed by financial institutions can attribute these charges to the agent channel. Agents have significant influence over customer behavior and as such take advantage of this.



> *"I think they prefer direct deposit because it makes it is easy to understand the charges. When a customer makes a transfer of CDF 10,000 from his own account, the operator retains a certain commission. The beneficiary will also pay to withdraw the funds. So ultimately, the beneficiary will receive less than CDF 10,000. However, if the customer comes to give me the CDF 10,000 to make the deposit remotely, the operator will not charge them anything because I use the agent SIM. The beneficiary will still withdraw less than CDF 10,000, that is true, but the amount he will withdraw will be higher compared to the amount he would withdraw if the transaction was made using the account of the subscriber."* ***Agent in Kinshasa***

- The relationship between the agents and the customers is based heavily on trust[30]. Multiple agents reported instances where they would conduct transactions (typically deposits) for customers and receive the funds for these transactions later. This presents opportunities that providers can harness to promote the use of digital financial services to users to develop new services.

> *"The client can call me even remotely to do an operation and he will give me the money in cash afterward. This proves a degree of trust between the client and me."* ***Agent in Katanga***

[28]Over-the-Counter transactions can be regarded as a transitionary issue, or a systemic issue depending on the circumstances involved. This is explored in the *MicroSave* publication 'OTC a digital stepping stone or a dead end path' http://www.microsave.net/files/pdf/1467712097_OTC_Digital_Stepping_Stone_or_Dead_End_Path.pdf

[29]https://www.gsma.com/mobilefordevelopment/programme/mobile-money/otc-mobile-money-how-does-usage-differ-across-regions/

[30] Trust is a perennial issue in digital financial services which is explored in the *MicroSave* paper 'A Question of Trust' http://www.microsave.net/files/pdf/Synthesis_Paper_A_Question_of_Trust.pdf

Determinants of operational success

Agent recruitment and onboarding

Either the lack of agent selection criteria or an inconsistent approach to onboarding or both have a dramatic impact on the quality of the agent network.

- MNOs are struggling to effectively onboard all agents because many agents are purchasing agent SIMs from the "black market" and are going unnoticed. The "black market" exists because of the overwhelming demand for agent SIMs caused by low barriers to entry, coupled with permissive SIM card attribution policy.
- Banks and MFIs impose greater barriers to entry to become an agent, driven by strict regulatory requirements. This has limited the speed at which these institutions have been able to grow their agent networks but has also ensured a higher standard of agents.

> *"I was a borrower at the Institution, I benefited from several cycles of credits. It is from this channel that I was offered to invest my own savings to become an agent, thus help the people of my area. I accepted, and they demanded at that time to invest a minimum fund of USD 1000. After opening an agent account with USD 1000, they enrolled me, trained me, they gave me a POS machine and they had a marketing awareness day in my neighborhood to attract customers, it's like that I started with this job."* *Agent in Kinshasa*

- Minimal investment by MNOs in the agent set up and the inconsistent provision of "starter packs" that include basic equipment and marketing materials has been a cause for frustration among agents. This has limited the visibility of the brand and perpetuated a "black market" for parasols, signage, and even transaction booklets.
- For MNOs, the field staff involved in onboarding new agents lack clearly defined responsibilities, KPIs, and direct and indirect incentives to motivate them.

Agent training and on-going support[31]

Providers have not yet implemented formalized and standardized training systems. Field staff lack capacity, skill, and motivation to provide quality ongoing support consistently to agents on the ground.

- MNO field staff are generally insufficiently motivated (due to lack of clear KPIs and commissions) to teach agents how to perform non-essential tasks (such as customer education and onboarding), perform refresher training sessions, or directly train agents' employees or handlers in larger shops.
- Banks and MFIs have used stricter agent training methods, including testing agents and providing certification of aptitude. While these proved to affect agent quality positively, the initiatives have been scaled back due to lack of funding.
- Inconsistent quality of field agent support caused by (a) unclear organizational structure; and (b) insufficient training of core agent management staff means providers are starting to invest in implementing tools that monitor the frequency and quality of support supplied by field staff to agents. Thus far, these tools are nascent and require much refinement to become useful.
- Providers also offer remote support to their agents via call centers, which provide a vital lifeline to agents who do not receive either direct or sufficient support from field staff.

Adequate and easily accessible rebalancing points that also support the rebalancing of dual currencies are necessary to enhance service delivery and promote agent profitability.

- While all DFS providers are using 'Super Agents' (also known as 'cash partners' in the DRC and these include banks, MFIs and own retail shops with high liquidity capacity) to provide liquidity support, for many agents these rebalancing points are inadequate:
  - In general, an MNO agent is more likely to experience liquidity challenges due to lack of float investment than a banking agent, because the initial capital required to start the business is much lower.
  - Agents lack rebalancing points, especially in rural areas[32], where distances to Super Agents are far. Generally, they have to travel to these locations, which require shutting down their shop to do so.

> *"When I move [to rebalance] I often leave customers [waiting] in the shop. If they are not patient, I will lose them. When I go to rebalance at the super-agent, they are a little slow to serve me since they do not have a money-counting machine. I wait around at the Super Agent because of that. Even at the bank, there is a long process before being served, I have to fill in the slips, wait in line, and wait for them to do the transaction. But sometimes, if there*

[31] Agent network management lessons are available in the following Helix presentation http://www.microsave.net/resource/re_imagining_agent_network_management_what_have_we_learnt

[32] http://www.lafinancedigitale.com/index.php/photo-stories/loffre-de-services-financiers-digitaux-dans-un-contexte-de-coupure-intempestive

are many people in the bank, I will withdraw money in another shop." ***Agent in Katanga***

"There is one super-agent who brings us the money, you can call him at 10 am, but he will bring it to you only at 3 pm." ***Agent in Kongo Central***

- Some banking agents in rural areas are supposed to get financial support for their travel costs but the funds are not reimbursed by the banks.

"It was agreed that we would have our transportation expenses covered, very often it is not paid at the end of the month." ***Agent in Katanga***

Due to either a lack of capital or liquidity or both, agents are sometimes unable to adequately serve the client and either refuse to perform certain types of transactions or perform a transaction of lower value than originally requested by the client.

Almost all agents use informal means to rebalance because of lack of formal rebalancing points in their area.

- To overcome the challenges of managing liquidity, agents use multiple strategies. These include either borrowing from other agents, family, friends, or clients or making frequent trips to banks or formal or informal financial institutions for rebalancing.

"If I am stuck, I call my friends who send me liquidity. I give an example if a customer comes to make a deposit of CDF 500,000 and I do not have CDF 500,000 in electronic money, I call a friend who is an agent who sends me virtual currency to serve the customer, and I settle with him at the end of the day." ***Agent in Kivu***

- Some providers are now implementing 'Master Agent' structures to support with rebalancing, as well as onboarding and training. So far, providers have reached out to high performing agents to take on the role of 'Master Agent'. The direct provision of liquidity to agent outlets will be crucial.

Agent tools

The interfaces used by agents to serve customers require refinement to ensure they are more user-friendly, and better centered to customer needs. Agents use different devices to serve customers, depending on whether they are a serving financial institution (Bank or MFI) or mobile money (MNO) customers. This changes the customer experience.

- Banks or MFIs supply agents with POS devices. A customer may be identified by the POS via card (where these have been issued) or via fingerprint. In many cases, the customer is required to enter 12 to 23 digits into the POS during the authentication process. This creates a large margin for error and ultimately a big barrier to usage.
- Mobile money agents use a mobile phone to access a basic USSD interface to perform transactions. USSD interfaces require an agent or a customer or both to enter multiple number sequences, which are not always easy to learn. This poses a barrier to the uptake of customer-initiated transactions and reinforces the prevalence of agent-assisted transactions.

Compliance

Providers face numerous risks and compliance-related challenges, which if unaddressed, will restrict the long-term sustainability of DFS business. **Market conditions in the DRC make it an inherently risky and complex environment in which to operate.**

➢ Political instability, particularly in the east of the DRC, leaves agents at risk of theft and even murder. For those agents operating under parasols or other non-secured locations, this represents a particular challenge. Providers must take greater responsibility to ensure the safety of their agents.

> *"A man arrived at my shop to ask if I offer mobile money. When I saw he had a gun, I refused to serve him. […] The man stayed put for at least three hours and I was scared. I was obliged to shut-up-shop for a while before eventually, he left the area."* ***Agent in Kivu***

> *"I may be attacked or robbed when making a deposit in my agent account or after making a withdrawal to have liquidity. In a burglary or robbery case, I'm the one who will have to pay the stolen money, so that's a big disadvantage."* ***Agent in Kinshasa***

➢ The weak infrastructure level provokes network instability, as such, agents are obliged to decline transactions, and that affects customer experience and trust. Investments are required to strengthen and expand the existing infrastructure.

> *"When there is no network, we cannot do our operations for customers."* ***Agent in Kasaï***

Lack of effective support by providers is causing reputational risks.

➢ Providers are beginning to penalize agents' deviant behaviors because they are putting at risk the DFS business sustainability. For the MNOs, this includes trying to curb the volume of unofficial OTC transactions that agents are performing on behalf of clients (including Agent-to-Agent transactions and Direct Deposits). For the Bank and MFIs, this includes detecting transaction splitting performed by the agents to increase commissions earned. Providers are then notifying agents, cutting commissions, training them and in the worst-case scenarios, providers are ending the relationship with the agent.

➢ In the provinces of Kongo Central and Kivu, some agents are mobilizing to influence provider policy decisions regarding agent commissions and material support, and in case of an unsatisfying response, some agents are acting out to tarnish the image of the provider.

> *"I'm the president of the agents' association here, so my colleagues and I went to see the service people on a number of occasions to improve the money they pay us on commissions. We told them that we (the agents) are doing a lot of work and that you (the supplier) can exist, but he did not do anything. Given this, my colleagues and I are consorting to give false information to*

customers when they come to use a service from this provider." *Agent in Kongo Central*

Reliance on rudimentary technology is leading to a high volume of incorrect transactions, causing dissatisfaction among agents and customers alike.

Providers are handling a high number of incorrect transaction complaints due largely to the fact that rudimentary USSD menu technology or POS devices are highly prone to human errors due to incorrect input of digits when conducting transactions. Providers must seek out ways to reduce the margin for error by using technologies that are more sophisticated.

Agent viability

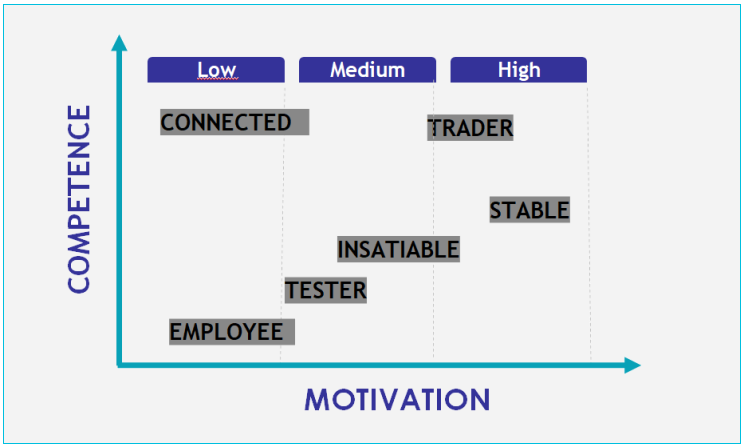
Agent profiles

Agent profiles in the DRC are varied and a tailored management style by the providers might expand agent empowerment

- The physical infrastructure required for set-up distinguishes banking agents from MNO agents:
  - Banking agents must be located in a permanent and physical structure, while MNO agents do not need to have a physical structure.
  - People are motivated to work as MNO Mobile Money agents because they can start working with their personal phone. On the other hand, to become a banking agent a POS is required, generally issued by the bank and good electricity supply and Internet connection are crucial.
  - A banking agent must possess formal documents to start his business (legal company registration, legal morality statement, financial statement), while an MNO agent (only with certain providers) can start operating with basic KYC documents. Yet MNO agents are required to present official documents later and in the interim, they can start operating.
- The majority of agents interviewed in the DRC were non-exclusive (that is, work for several DFS providers simultaneously) and non-dedicated (that is, had other income generating activities besides DFS). An individual agent's relationships varied greatly from provider-to-provider, as well as across regions.
- The majority of agents interviewed appeared motivated and planned to stay in the business up to 1 year.

"Only death could make me stop because it's a basic activity." *Agent in Kinshasa*

The following chart plots agent profiles, which are described in detail in the table that follows, is based on the level of competency and level of motivation. By segmenting agents into profiles, providers can determine the type of support an agent requires to be more successful.



After conducting in-depth interviews with agents on the ground across five regions of the DRC, the six following agent profiles (non-restrictive) were defined.

Profile	Agent Persona	How to support	Implication for network growth	Suggested priority level for the provider
Motivated and Connected	**Louise (22 years)** Louise has a mid-high level of education, and she is still studying. Louise has good knowledge of the digital financial services offered on the market; she also has established social networks that she relies on to sell her DFS services. Yet she, unfortunately, lacks the capital to invest and as such, her profitability is limited.	• Demonstrate attractive career path • Financial support to increase capital investment • Liquidity support crucial given low capital invested • Provide training in finance and business management to ensure continued intellectual stimulation	'Motivated and connected agents' represent a promising prospect for DFS providers. When sufficiently motivated to invest in and sustain a career in DFS, they will help providers to expand the client base and increase levels of trust.	High focus for the provider
Tester	**Sylvian (21 years)** Sylvian is not dedicated to DFS because he thinks the commissions he earns are insufficient. He has other income-	• More training, particularly around how to manage 2 separate businesses effectively • 'Pitch' DFS business to highlight profitability over	'Tester' agents do have potential but will require large efforts from providers to turn into successful agents.	Low focus for the provider

	generating activities that constitute his main source of earnings. He has received training on the core concepts (deposits and withdrawals) but considers further training a waste of time. He performs a few transactions a day and does not count on remaining in the DFS business long.	other activities • Incentives to maintain capital investment in DFS business • Marketing and branding support to ensure visibility and as such activity		
Insatiable	**Heritier (30 years)** Heritier has been blessed with an entrepreneurial spirit. He is already a GSM airtime agent and also sells telephone accessories. He is eager to add complementary products to his suite of client services. Heritier's behavior is guided by his drive to earn commissions as quickly as possible, and these are still largely coming from his GSM activities, where he chooses to reinvest most of his capital.	• Training on DFS as this is a more complex and riskier product than selling SIM or airtime • Provide incentives for an agent to conduct 'non-essential' parts of DFS agent role (client education, client on-boarding, etc.) • Review of GSM and DFS commission structure to ensure agents are sufficiently incentivized to sell DFS	'Insatiable' existing GSM agents can also be successful DFS agents, but providers must invest heavily in training to ensure this and better align commissions.	Medium focus for the provider
Employee	**Odette (23 years)** Odette has been asked to perform DFS	• Ensure employer sets targets & offers performance-	'Employee' agents may present good prospects for DFS providers but	Medium focus for the provider

	activities by her boss, she did not choose to enter the DFS per se, but rather was looking for a job in customer service in general. Odette has family ties with the boss at the shop and does not have a formal employment contract. She earns a small fixed salary. Odette's boss trained her on how to perform DFS transactions. She has limited interaction with the DFS field staff that come to visit the shop.	related bonuses by reinforcing business terms with the employer • Ensure employee receives official training	only if their direct employers ensure their motivation (for example, through commissions) and level of customer service (that is, through training).	
Stable	**Marcel (30 years)** Marcel is dedicated to the DFS business and plans on remaining in the DFS business long term. Marcel takes pride in his business but is frustrated at the lack of support from DFS field agents. Marcel uses his social networks to sell DFS and to gather information and support at times too. Marcel would benefit from injecting more capital into his DFS business but does not have the means.	• More visits from field staff to offer support (general and specific training and tools to increase business development) • Help to inject more capital into DFS business by linking the agent to a financial partner • KPIs and rewards to incentivize greater transaction volumes • More training where needed	The 'stable' agent is a promising prospect as they are dedicated to the DFS business and already sees value in this career path. With increased support and training, this agent has great potential.	High focus for the provider
Trader	**Victor Kalamba (27**	• Encourage agent to motivate employees	The 'Trader' agent already plays a key	High focus for

	years) Victor is a high performing DFS agent working for several DFS providers, often processing hundreds of transactions a day. He has a shop in a strategic location in town and several employees working for him. Victor is very aware of the need to maintain good levels of customer service. The commissions Victor makes motivate him.	using performance related bonuses • Encourage agent to have all staff trained directly and officially by the provider • Ensure quality liquidity support • Ensure shop visibility with marketing and branding support	role in the success of the DFS business. They can be a source of inspiration for other agents who are just starting out the business.	the provider

Investment

Level of initial capital investment by agents varies hugely, but the initial and ongoing investment is for success.

- In general, agents perceive the initial investment required to become an agent as achievable. This is particularly so for MNOs as compared to banks, whose initial requirements are broader, including a higher level of minimum initial capital and business documents, as defined by the regulations.
- The amount of starting capital that a prospective agent has is a key determinant of which DFS provider that they decide to work for. Banking agents must invest at least USD 500 while MNO agent has no initial minimum capital requirement. During interviews with agents, some agents revealed that the minimum capital investment was USD 10.
- For MNO agents starting with a low level of float, the pace at which they can grow the DFS business is limited. This creates frustration and could lead to agent workarounds to earn higher on the agent business and to increase agent attrition.
- As non-dedicated agents dominate the market, MNO agents tend to use their profits (capital) to invest in their other business ventures. In contrast, banking agents see more benefit in reinvesting their profits in the DFS business as float to increase their operational capacities. The MNO or bank business development mindset is different and may influence the sustainability of agents who operate exclusively.

> *"When I sell my crop of onions, I will increase my capital, I have more space [funds] in my POS, and then I will serve more customers …"* *Agent in Katanga*

Service quality

Due to a lack of effective training, agent behavior and competence vary and this influences the customer experience. A poor experience erodes trust and results in low usage rates.

Agent abilities are different depending on specific provider served and the individual agent's behavior and attitude: agents are generally able to open accounts, perform deposit and withdrawal, and pay bills. Nevertheless, some agents are not able to open accounts, either because the provider does not allow it, or because the agent is not willing to do it because the process is either complicated or he does not receive commissions because of opening.

> *"Indeed, I receive several [clients] who wish to open accounts but I still can't do it. I have been to Airtel management several times and sometimes I get tired of having to go downtown from time to time. I do not know what has to be done to give me the option of being able to open accounts for my clients because I receive several requests in this way."* *Agent in Katanga*

> *"I do not prefer to open an account for someone. Because it should also expand [to allow higher transaction limits]. Yet to do it, you should always see a Vodacom agent with his*

[client] voter card and all that. So I tell my customers: instead of coming here and then going to town to expand the account, I ask them to go directly to the shop to do both ..." *Agent in Kinshasa*

➢ Agents are aware that they must be welcoming and helpful with clients to earn their trust, and that trust is the most crucial element of the relationship between an agent and his client

"The agent must inspire confidence in his clients. An agent must take what he does as a job seriously. If an agent is not serious, a client can come to make a transfer, this agent can even lie to the customer saying that the operation was successful, yet they did not do it, and that tarnishes the image of the agent and the shop where he works. Customers will be wary of the agent and where he works." *Agent in Kasaï*

➢ Ongoing communication between Providers and Agents need to improve to reinforce agent loyalty

"As I have never had direct contact with Airtel, I could not complain; I only do this on their website via the comments section and I wonder if they take it into account." *Agent in Katanga*

Direct initiatives by agents

Due to a lack of marketing materials and efforts by providers, some agents make extra investments on their own to attract customers and deliver high-quality service.

➢ Visibility is important for the agent business to attract clients. As such, some agents are printing their own extra signage, painting their own shops with the color and logos of the most predominant provider in that area. Some agents are even paying resellers for branded materials such as parasols. Consequently, the agent return-on-investment decreases, negatively affecting their profitability.

➢ Since agents benefit from high transaction volumes, some have adopted their own marketing strategies and are using social media (such as Facebook and WhatsApp) to attract customers and encourage them to come to their shop and perform transactions.

"I've observed a positive change via my marketing approach: every 3 days, I publish my services on social networks via my personal Facebook account and WhatsApp to show the benefits services usage to customers." *Agent in Katanga*

➢ In certain areas, the ability for an agent to be mobile is an advantage - some agents dedicate some time of their day to leave their shop and search 'the field' for clients who wish to perform transactions. Certain agents also relocate their point of sale for a specific event (for instance, next to a school before and during the enrolment period).

"Sometimes we tell them to take our contact details so that as soon as they are in trouble, we serve them, and we come and take their money. Moreover, in this sense, customers trust us. That is how we managed to win so many customers because we serve them after we go get the money back. We are more like street vendors. We do

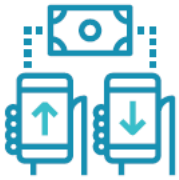
a lot of groundwork. So my wife stays [at the shop], and I go out, or the opposite."
Agent in Kasaï

Compensation

Agents interviewed indicated a general dissatisfaction with the amounts of commission received. Most suggested that the commissions received are insufficient to cover the monthly expenses for running the agent business. Further, this dissatisfaction with commissions, compounded by the limited visibility of calculations of commissions, results in agents encouraging OTC transactions, which the agent is at liberty to determine a fee.

- ➢ Enabling regulation allows providers to determine their own commission and pricing structures[33]. The structures of commission payments and the timing of these payments vary widely and are non-standardized. Most providers do not offer commissions for non-transactional services (dealing with customer complaints, PIN resets, customer education, etc.).
- ➢ There is a need for further analysis into how pricing and commission structures for specific transaction types and values would drive agent profitability in the market.
- ➢ Additionally, there is a need to revisit incentives for non-transactional services such as account opening. Some providers compensate agents for customer registration, but this is dependent on transactional activity on the customer account or wallet

Operations



Almost all agents face liquidity challenges and expressed their desire for increased support from providers.

- ➢ In general, agents understand the need to have liquidity in terms of cash or in e-float.

"You have to have a lot of money in the account and all the time because it will strengthen the trust of the customers who know that there is always cash and the customer will even market by encouraging his entourage to return to the agent who has the capital permanently." *Agent in Kongo Central*

Managing two currencies (Congolese Franc and USD) creates tensions between agent and client.

- ➢ Providers require that each agent hold multiple currency (USD and CDF) digital accounts to offer agent services. However, the setup of these digital accounts prohibits the direct exchange or transfer of e-float from one currency account to another. This presents a unique operational and rebalancing challenge for the agents.

[33] Commissions need very careful consideration: This is explored more fully in the blog 'Anchoring agent commissions – How much is enough? http://blog.microsave.net/anchoring-agent-commissions-how-much-is-enough/

- Agents have to manage multiple floats but do not have any tools or knowledge to anticipate the flows. This results in failure to serve clients in the currency the client desires

> *"It's hard to differentiate fake to real bills. You can accept fake notes, and when you go to the bank, they turn you away."* ***Agent in Kinshasa***

- Conflict of interest often arises between an agent and a customer when the transaction involves currency exchange. Each party wishes to see its preferred rate applied. Eventually, the agent is generally compelled to accept the client's preferred rate because he does not want to lose a client or would have to decline the transaction. This is affecting agent profitability and customer experience and satisfaction negatively.

> *"The exchange rate USD to Congolese francs is unstable. There is the price at which dollars are sold and bought differs. Some customers want very good rates from us when we serve them. This impacts my profitability, but I'm obliged to serve my clients."* ***Agent in Kongo Central***

> *"For example, I charge 1 USD at CDF 1600, you will see the customer claim that I change to 1630 CDF and if I refuse, he goes directly to another agent who will serve at CDF 1630 for 1 USD."* ***Agent in Katanga***

Compliance and risk management

Lack of KYC and operational compliance by agents in certain areas of the business is causing AML/CFT risks, client protection concerns and an increased risk of fraud

- Some MNO mobile money agents are operating with SIMs that are not registered under their own names since they bought the SIM in the "black market". As such, some outlets are running despite being unknown in the providers' system. This has led to lower levels of service quality and an increased risk of fraud.

> *"For the provider X, so far, I have never received a SIM, the one I use is not mine. It is the identity of another person."* ***Agent in Kongo Central***

- Not all agents follow the official KYC process fully, with a few admitting that they serve clients without requesting ID. Agents are unaware of their obligation to collect KYC information because they lack training. Additionally, the multiplicity of ID documents makes it rather challenging for the agent to confirm genuine documents. The most common ID document is the voting card. Yet most agents do not like to use it, as they fear the high likelihood of getting fake versions. While there is no evidence from our research with agents

and providers that money laundering or terrorism financing is happening through this channel, it remains important for the providers to be aware of risk around this.

- Physical reconciliation of transactions is difficult due (a) to lack of training about how to reverse transactions, and (b) lack of materials supplied by the provider (in particular the transaction booklets). As such, agents are operating without physical transaction records, or they are asking clients to fill in the book themselves. This creates a high margin for error as well as the chance for fraud.

> *"I was given a register where we were required to write down all the transactions. They told me that this register should allow me to calculate my own commissions before the end of the month, and to claim in case they have made mistakes in calculating my commission. What astonishes me is that they do not even check if we are completing transactions in the register when they require us to do so. In addition, when we ask them to renew the register, they do not even have stock. I think it's useless to use the register because even when I complain by showing them that I was due for higher commissions than they sent me by showing all the transactions from the logbook, they have never rectified their mistakes."* ***Agent in Kinshasa***

- Agents are cautious of being accused of fraud or mistakes. To avoid making mistakes in inputting customer data (account number or phone number), agents usually ask clients to enter the account number (or phone number) into the device and into the transaction book record. This raises issues about customer data protection, which can cause damage to the reputation of the DFS business. Some providers even recommend this tactic to avoid mistakes, but this results in clients having visibility over others' transaction records, creating space for fraudulent activities such as phishing and spoofing fake SMS.
- Some agents are becoming "personal bankers" by keeping the money of the customers to be able to make their transactions on demand. In the time between receiving the client's cash and actually depositing funds into the client account, the agents are using that liquidity for other personal or business purposes. In this case, the role of the agent transforms into that of "personal banker. This hampers the development of the digital transaction ecosystem. In case of breach of trust, the customer may stop using the services.

> *"A customer decides to keep his cash by putting it in your account instead of keeping it at home; and this, because he trusts you. Sometimes the customer gets you to give back the amount he had put in your account while you have nothing at that time from using the money to buy some of your products; it may make you disagree, because you owe him his money and must find a solution, but to satisfy him."* ***Agent in Kinshasa***

Charging extra fees to clients is causing a reputational risk and limiting the development of a digital financial ecosystem.

- Agents also say that bank or MFI clients with low activity rates are not aware of monthly fees (for account tenure, SMS banking…), meaning that when they transact at an agent location, they perceive the agent channel as expensive. Agents are taking advantage of a client's lack of awareness of the DFS product and pricing by charging extra fees. As such, agents have significant power over client behaviors and have been perpetuating OTC behavior.

"A customer has deposited CDF 20 000, he has never removed it for 6 months. However, the client will find that this money has disappeared. That is to say at the end of each month, we must collect the bank fees at CDF 700 per month, there is also the SMS alert they [the financial institution] say that each month they must send messages. The excuse is that they sent a message to an account that has no movements. Therefore, someone finds that everything is settled, he has nothing. For him, the bank flew". ***Agent in Katanga***

- Some agents are charging extra fees to clients, in particular for unauthorized transactions: for MNOs in particular, these are agent-to-agent and direct deposit transactions. Consequently, the perception of the service is affected negatively, customer are less inclined to transact and may even distrust the service.

"Yes, there is a difference that when we do [the customer registration], Provider X does not pay us anything but we earn CDF 1,000 from the paying customer; So I think that's the big difference since Provider X does not pay anything to the registration while with the commissions we get paid. " ***Agent in Kinshasa***

"Like sending money from one agent to another, it is free. As it is free, you will fix the price to pay by a customer. If you send CDF 200,000, I can cut CDF 3,000 or CDF 4,000, depending on how I wake up that day. If I woke up badly that day, I can charge him even CDF 5,000." ***Agent in Katanga***

Recommendations

Policy

Policy and regulatory framework review at the BCC level, provider level, and at the customer level.

- There is a greater need to have similar agent network guidelines for both banks or MFIs and MNOs to create level playing field as both the models provide financial services using alternative delivery channels. The existing agent network guidelines governing agent network operations for MNOs and Banks present a non-standard level for implementation of agent networks. For example, the differentiated regulations on the capital requirements (USD 500 for bank agents and no capital for MNO agents) to operate an agent business inhibit the expansion of agent networks. As the market is non-exclusive, there is a need to explore other channels, such as partnerships that enable institutions to have a level playing ground in implementing agent networks.
- The multiplicity of acceptable KYC documents increases the difficulties encountered by agents in serving customers. Implementation of a national ID system would facilitate particularly in customer registration, opening of digital wallets or accounts and verification during transactions.
- Creation of interoperable payment platforms, at the level of the institution and for agent wallets will facilitate agent liquidity management, particularly between the USD and CDF currencies.
- The agents' compliance and ethical conduct need to be centralized and the creation of a body in charge of regular due diligence on agents would ensure effective supervision. The BCC shall design and lead digital financial education and customer awareness campaign at the national level on a regular basis and in different forms while emphasizing the resolution mechanism, to educate customers if they encounter a problem while using DFS.
- The BCC or DFS industry associations can host a centralized database to curb fraud and protect customers and DFS providers. All providers can share agent details and a unique identification number can be provided to all agents, who can provide services to various providers. In the event of fraudulent crimes, DFS providers can update the lists and incidences recorded against the agents' details. The Central Bank of Ghana implemented a similar initiative successfully to eliminate fraudulent agents from the ecosystem.

Agent network strategy review

Providers will need to review their agent network strategies to ensure that they provide an attractive value proposition for the customers to enhance agent profitability and sustainability. Additionally, providers need to review their agent network policies and procedures to ensure clear assigning of roles and responsibilities among various stakeholders involved in development and

management of the agent networks such as branch or field staff, master agents, super agents, and agents.

- Selection
  - MNO Providers should review existing agent selection and setup processes to facilitate the creation of a quality agent network. This will require the design of a standardized agent selection tool to ensure that agents selected represent the provider brand and able to serve customers.
  - Segmentation of agents into distinct profiles will enable providers to determine the type of support an agent requires to be more successful.
- Training
  - Smartphone penetration among the agents in DRC is increasing rapidly. Providers can create short training videos on various thematic areas to increase standard training delivery and reduce the cost of training. These videos can be uploaded on YouTube or shared on social media, such as Facebook, WhatsApp, among others. These types of training courses can help the agents to watch videos whenever they face challenges to improve their understanding.
  - Until the training videos are created, the DFS providers can set-up effective agent training teams that are well trained, incentivized and utilize a comprehensive agent training curriculum will facilitate service delivery. Providers should train their trainers and develop mechanisms to verify the quality of training courses.
  - The manual or electronic training curriculum shall have an introduction to mobile money or agent banking, roles of agents, business growth, and a pathway to profitability, security, compliance, and fraud, marketing and branding guidelines, customer service, customer education, record keeping, frequently asked questions, accessing reports etc. Agents can be equipped with training handbook as a ready reckoner.
  - Providers can also consider conducting regular (quarterly) refresher training courses for all agents to reiterate the importance of customer service, customer recruitment, and agent business growth and inform new products or services launched.
- Agent compensation
  - Providers can review agent compensation and incentive structures to drive provider competitiveness while also ensuring agent sustainability. Providers can design and pilot test incentivizing agents for customer registrations. Providers in other markets were successful in increasing customer registrations when it has incentivized the agents for customer registrations. Implementation of indirect benefits for the agents and the support units can boost loyalty among agents, and motivation to proactively educate and support clients. This will, in turn, enhance agent profitability and sustainability.
- Marketing and Communication

- Providers can design effective marketing and communication strategies and collaterals to support the agents in creating customer awareness and improving adoption and regular usage.
- There is a greater need to review the branding guidelines. This will include the provision of agent outlet branding materials to drive the agent business.
- In addition, marketing campaigns such as roadshows at a national level will need to be tailored to drive the uptake and usage of digital wallets. These marketing campaigns should drive towards the creation of awareness of the availability and location of agent outlets, DFS products and services, use of various interfaces, and pricing. Providers need to invest in segmented marketing campaigns delivered in local languages to enhance customer understanding.

➢ Liquidity Management

- Develop partnerships to increase the number of rebalancing points (super agents, outlets among others) to facilitate liquidity management.
- Providers can use the technology to predict demand for e-float and cash based on historical transactional customer data (value and volume) based on different agent locations can help the agents to predict and maintain sufficient levels of float to enable transactions. Zoona has been successfully implementing data analytics to understand customer and agent outlet trends and sends alerts to its agents for required liquidity[34].
- Providers should provide mechanisms for agents to conduct liquidity management for multiple currency wallets in a cost-effective manner, such as facilitating an exchange rate at agent rebalancing point.
- Providers can send text or SMS when the e-float is below threshold limit to alert the agents and Master Agents.

➢ Agent Monitoring

- Implement effective agent monitoring structures to enhance compliance. Providers may consider the introduction of checks such as Hakikisha[35] by M-PESA in Kenya to facilitate transaction reversal for erroneous transactions. Refresher training sessions to provide operational standards in delivering agent services consistently, alongside user-friendly interfaces will help to reduce the margin of error in transactions invest in USSD menu upgrades and POS device systems.
- Providers may consider creating dashboards to monitor the performance of the agents on a real-time basis.

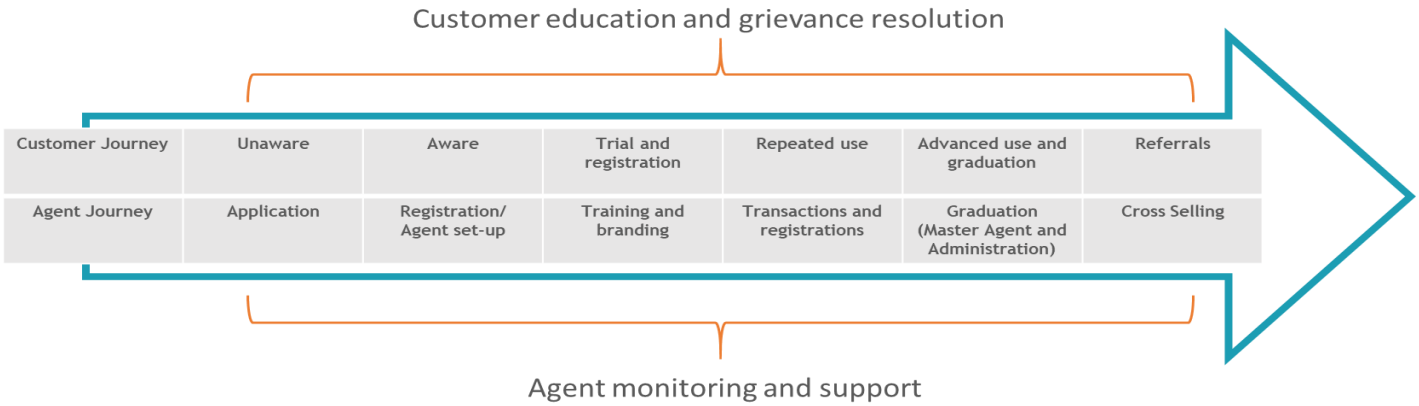
[34] http://www.fsdzambia.org/the-big-advantages-of-being-small-how-a-mobile-money-startup-beat-the-major-players-in-zambia/

[35] https://www.safaricom.co.ke/faqs/faq/270

Annexure: Agent network KPI matrix

The following factors determine the Key Performance Indicators (KPI) to measure the achievements of the objectives of the agent network:

- The progression of customers on the Customer Journey from 'unaware' to 'advanced use' of DFS
- The development of an agent from the moment of registration to full positioning as a brand ambassador for the provider



Digital financial service providers have varying measures for the achievement of their KPIs. These are usually informed by the specific provider's business model for the agent network. For instance, banks may incentivize cash-in (deposit) transactions if they value deposit mobilization while mobile money operators may incentivize wallet-to-wallet transactions. In the former situation, the bank agents KPIs would reward deposits through higher deposit commissions while in the latter, mobile agents KPIs would reward.

The table below explains indicative KPIs for field or branch staff. The indicative KPIs need to be customized to different institutions.

#	KPI	Activities / Outputs	Measures	How to Verify
AGENT RECRUITMENT				
1	**Agent identification**	Scout for new agents in the territories or geographies assigned	• **For urban areas:** Identify 2 prospective agents per day or 40 prospective agents per month • **For rural areas:** Identify 1 prospective agent per day or 20 prospective agents per month	• Details of prospective agents shared with the Supervisor such as KYC or contact details of the prospective agent, photograph of the outlet or establishment
2	**Agent selection**	Conduct preliminary assessment and quantitative assessment for potential agents as per the agent selection criteria and tools	• **For urban areas**: 10 new agents to be selected in the assigned territories or geographies per month • **For rural areas**: 5 new agents to be selected in the assigned territories or geographies per month	• Agent selection forms (preliminary assessment and quantitative assessment forms) completed and submitted to the Supervisor
3	**Agent on-boarding**	Liaise with the Supervisor to onboard the selected agents in terms of a collection of requisite documents or IDs, the creation of agent subscriber number	• **For urban and rural areas**: All (100%) new agents to be on-boarded within 2 days of completion of the selection process	• Agent's KYC or other documentation submitted at Branch or Regional or Head Office • Agent SIMs activated at the Head Office • E-float purchased by the agent from the designated super agent
4	**Agent training**	Conduct on-site training for on-boarded agents (and their staff) on customer communication, transaction processes and liquidity management	• **For urban and rural areas:** All (100%) new agents to be trained within 2 days of activation of agent SIM	• Head Office – Call center team to carry out 'welcome call' for every new agent and check on the status of on-site training

5	**Agent branding**	Complete the branding at the on-boarded agent's outlet in terms of tariff poster, transaction logbook, signage, and other merchandise or collaterals	• **For urban and rural areas:** All (100%) agents assigned to the staff to be compliant with the provider's branding requirements • All (100%) new agent outlets to be branded within 2 days of activation of agent SIM	• **For new agents:** Head Office – Call center team to carry out 'welcome call' for every new agent and check on the status of branding at the agent outlet • **For existing agents:** status of branding at the agent outlet to be checked during the monitoring visits by staff
AGENT MONITORING				
6	**Agent monitoring and supervision**	Carry out first-level monitoring and supervision of agents as per the agent monitoring process and tools	• **For urban areas:** five agents to be monitored per day. All (100%) agents assigned to the staff to be monitored every month. • **For rural areas:** 2 – 3 agents to be monitored per day. All (100%) agents assigned to the staff to be monitored every month.	• Monthly plan updated with the visit details for all assigned agents • On-site monitoring reported completed for all assigned agents and submitted to the Supervisor • Monthly plan status verified by the Supervisor by visiting 5% of the agents in the region
AGENT QUALITY				
7	**Agent Activity**	Liaise with the Supervisor to evaluate agent activity	• **For urban areas:** 90% agents assigned to the Staff to be active at the end of 30 days from activation of agent SIMs • **For rural areas:** 75% agents assigned to the Staff to be active at the end of 30 days from activation of agent SIMs	• Average monthly agent activity (value and volume of transactions) reported in the MIS at the Head Office
8	**Agent Liquidity**	Liaise with Supervisor to evaluate agent liquidity	• **For urban areas:** All (100%) agents assigned to the Staff to maintain minimum e-float • **For rural areas:** All (100%) agents assigned to the Staff to maintain minimum e-float	• Average daily or weekly agent liquidity (e-float) reported in the MIS at the Head Office

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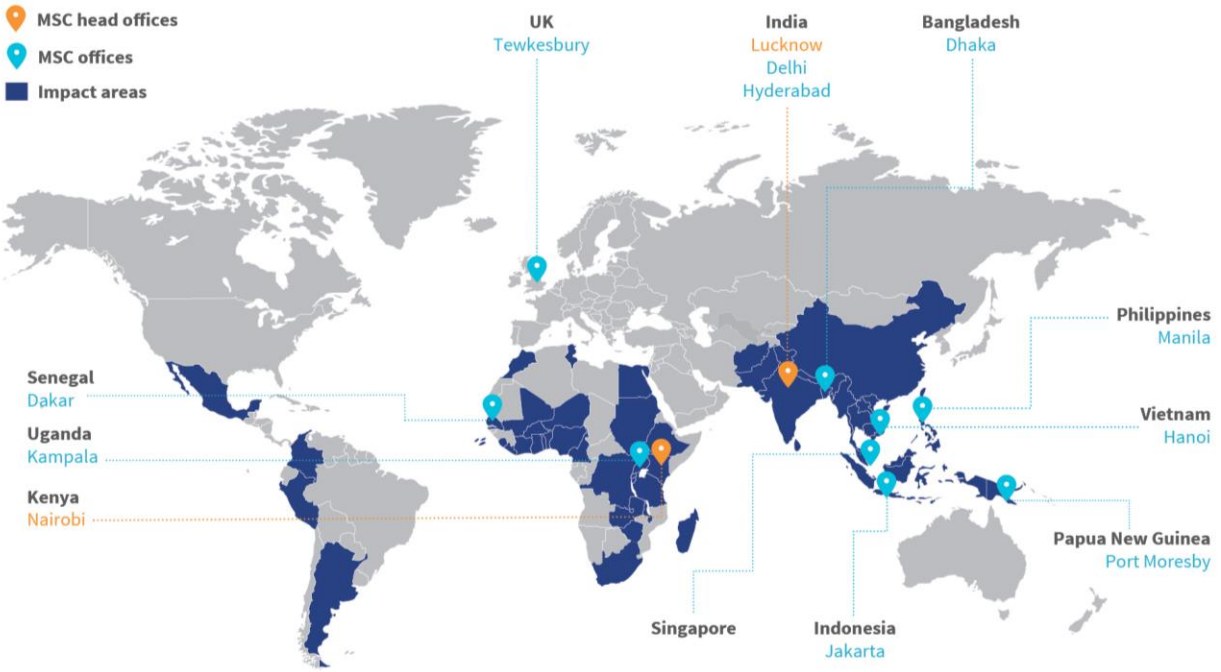

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