

# Impact of the COVID-19 pandemic on CICO agents

Uganda report

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**SCBF** 

**SWISS CAPACITY BUILDING FACILITY**  
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# CICO agents during COVID-19

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## Uganda report

Provides a detailed country-level view of the impact of COVID-19 on CICO agents, their coping strategies, and recommendations for policymakers and financial service providers to support them

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Uganda

01 Recommendations

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# Immediate measures are needed to boost the incomes of cash-in/cash-out (CICO) agents and reduce expenses

## Boost income of CICO agents

### Key insights

- The income of agents based in both rural and urban areas has reduced significantly. This is due to a considerable decline in transactions, on account of reduced mobility of customers during the lockdown. At present, customers are only conducting transactions such as the purchase of airtime.
- Some agents have begun to use their capital to meet household expenses.

### Recommendations

- 01 The government may consider setting up a relief package to support agents. For an agent to benefit from this package, they would need to demonstrate financial loss on account of COVID-19.
- 02 The government should [temporarily remove or reduce taxes on mobile money](#). This will encourage more people to transact and thus generate much-needed traffic at agent outlets. Currently, a tax of 0.5% is levied on all mobile money withdrawals.
- 03 Digital financial service providers may step up and provide proper risk management tools for CICO agents. This can include an insurance cover for loss of life, hospitalization, or both. This will ensure business continuity amid the pandemic.

## Reduce the burden of expenses

### Key insights

- Due to reduced incomes, CICO agents struggle to meet household expenses.
- Rent is the biggest operational cost for these agents, especially for those who operate from permanent premises. Repayment of loans is another significant cost for agents.

### Recommendations

- 01 The government may mandate premises owners to provide grace periods for the payment of rent and waive tax payments for a period until the business is able to fully recover.
- 02 Banks and other financial service providers may offer a moratorium in loan repayments. Further, in the recovery phase, financial service providers may provide a refinancing facility to help agents restart their businesses.
- 03 Non-dedicated agents suggest a reduction in taxes, which vary from business to business, depending on the size of the enterprise as well as the products and services. The government may consider a temporary reduction in taxes for micro and small businesses to help them recover.



# Adopt changes in the business model as well as precautionary measures to ensure the health of agents

## The need for change in the business model

### Key insights

- The agent business model requires agents to have face-to-face interactions with customers. Client authentication, either through a keypad or logbooks, also requires physical contact. Additionally, agents need to ascertain if the currency notes received for cash-in and deposits are genuine.
- Several agents mentioned not being able to travel to the bank branches to rebalance.

### Recommendations

- 01 Providers may focus on re-defining business models and processes to ensure the realities of COVID-19 are adequately embedded and addressed in agency operations. It may require additional commissions as well as proactive support on liquidity rebalancing for at least the next six months.
- 02 Providers may look at technological interventions that enable alternative modes of authentication. Instead of having to punch in a PIN, authentication can be enabled through contactless one-time password (OTP), QR-based transactions, or near-field communication (NFC).
- 03 Ultimately, however, providers should take a strategic view on how to use the COVID-19 crisis as a catalyst to move towards a more digital future and set commissions to encourage the exchange of digital value in preference to cash-out.

## Precautionary measures to prevent the risk of transmission

### Key insights

- The fear of contracting COVID-19 has forced CICO agents to limit their interaction with customers. They are afraid the disease may spread through physical handling of cash.
- CICO agents did not receive any training on the management of health risks associated with COVID-19.

### Recommendations

- 01 Provide a set of safety instructions and clear communication on the need to sanitize biometric devices after each transaction. Banks and financial service providers may also provide essential items, such as masks, sanitizers, and gloves.
- 02 The service providers should make the guidelines and communication material to agents and customers on safety measures more user-friendly and easy to understand. MSC's comics for CICO agents in Africa provide an [example](#) of the type of materials that can be designed. These comics are being distributed widely to agents across the continent.
- 03 Service providers could conduct virtual training to sensitize the agents. In addition, these agents can be provided with materials like charts on preventing the spread of the disease that can be displayed at their outlets.



# 02 Impact of COVID-19 on CICO agents

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# Curfews and lockdowns have significantly affected the agency banking business

## The perception of CICO agents on COVID-19

- Agents are aware the crisis is still in progress and the government's response is evolving and dynamic. Most respondents have no idea how long the crisis will last while others suspect it will last for 30-60 days.
- Agents understand the impact of COVID-19 on their health and the risks associated with conducting business during the pandemic. They are taking measures, at least ones they can afford, to protect themselves and their customers.

## The impact of COVID-19 on CICO agents

- Agents envision that the way the agency banking business is conducted is likely to evolve as an immediate impact of the pandemic. These changes will include the evolution of both technology as well as the business model.
- COVID-19 has affected the income of agents as well as their customers. Even traders and manufacturers that used to conduct large transactions through the agents have suffered losses and hence are not transacting at these agents.
- Some CICO agents used to transact on a post-paid basis for some of their loyal and regular customers. These agents now face non-payment from their customers and have vowed not to conduct transactions on a post-paid basis.

“I predict there will only be a few customers when I re-open. Since currency notes have been known to spread the virus, customers still fear handling cash. They are afraid of visiting crowded places, which is where many agent outlets are located.” - [An agent from a semi-urban area](#)

“I will no longer perform transactions on credit. I used to allow customers to transact even if they were low on cash. I would provide I the amount they were short of and they would pay me at the end of the day. I can no longer take such risks due to this situation.” - [An agent from a rural area](#)

# CICO agents face twin challenges—reduced income due to lower transactions and increased expenses of hygiene and safety

## Reduced income of CICO agents

- ▶ Transactions have significantly dropped since most customers are currently not working. With travel restrictions in place, users can only access agents based around areas near their homes. Hence, agents located away from dense habitation get only a few customers. Most agents are non-dedicated and run other businesses beside the agency business. If these agents operate from shops that sell “non-essential” items, they cannot operate at all.
- ▶ The agents had to modify the opening and closing times of their businesses to comply with the curfew restrictions. They now work for less than 6 hours, as opposed to 8-10 hours before the outbreak of COVID-19 in Uganda. A number of agents also had to close their business as the pandemic spread. However, even before closure, these agents witnessed a sharp drop in the number of transactions as people became aware of the outbreak and feared the risk of infection through cash.

## Increased expenses

- ▶ Agents incur additional expenses to maintain hygiene and safety. These include the costs of arranging hand wash, masks, and sanitizer, among others.
- ▶ The need to use private vehicles to travel to the bank branch to rebalance proved to be an additional expense.

“At present, I service not more than five customers each day. The values of these transactions are small, usually between UGX 5,000-30,000. (USD 1.4-8.1)” - [An agent from a rural area](#)

“We are not like salary earners who are guaranteed payment at the end of each month. My average commission used to be around UGX 3,000,000 (USD 811). However, this month, I will probably get only UGX 1,000,000 (USD 270) or even less.”- [An agent from an urban area](#)



# In such trying times, the saving grace is that the technology has been up and running

## Marketing and communication

- Agents are able to attract customers to their outlets. This can be attributed to the communication and marketing efforts of service providers like banks and mobile network operators (MNOs). These service providers market agent banking and mobile money services on various channels like the radio and television.
- Currently, the agents keep in touch with each other and with their customers mostly through phone calls and WhatsApp. They do not use any other communication channels to support the growth of their businesses. This is partly because most of these agents have small businesses. The average commission earned by the agents interviewed is UGX 750,000 (USD 203). The creation of a budget for marketing, along with other operational expenses, is thus not feasible.



## System uptime

- Over 95% of the agents have not experienced any challenges related to system downtime during this period.
- The agents have been able to conduct their businesses uninterrupted. A few agents reported cases of where the IT system did not respond. However, these were trivial issues that did not last for long.

“I experienced a few instances of fluctuations and had to re-do the transaction. However, largely, the system has been okay.” - [An agent from a semi-urban area](#)

“There have not been any system downtime issues so far.” - [An agent from a rural area](#)

A photograph showing a woman in a red shirt in the foreground, focused on using a mobile phone. In the background, several other people are visible, some looking towards the camera and others looking away. The scene appears to be an outdoor or semi-outdoor setting, possibly a community meeting or a training session. The image is partially obscured by a white diagonal shape on the left side.

## 03 Coping strategies adopted by CICO agents

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# Agents lack measures for business continuity. As a result, they have begun to use their capital for survival or to meet basic needs.

Agents are doing whatever it takes to stay in business. Unfortunately, desperation has driven a few to use their working capital to meet basic needs.

- Some agents have started working from home. A few even operate from the verandas of their closed shops that were shuttered since they sell “non-essential” goods. Some agents endeavor to show up for work even if it is for a few hours. Since the agents have to comply with the curfew restrictions, their operating hours have reduced from the usual eight or more hours.
- Agents either exchange float with other agents or wait for customers to transact to get the required cash or float in areas where some re-balancing points have been closed down.
- Some of the respondents mentioned they supplement their currently low incomes with savings. However, their savings are also depleting rapidly.
- Agents observed a sharp decline in commissions due to fewer and lower value transactions, like airtime purchase and bills payment. These agents have thus resorted to spending a portion of their capital to meet the basic needs of their families.

“I cannot watch my family starve. I have decided to use some of my capital to feed them.” - [An agent from a rural area](#)

“I often receive calls from some of the big traders who used my agent banking services before the lockdown. When they call, I rush to them and conduct the transactions.” - [An agent from a semi-urban area](#)

# Agents require more support from stakeholders to manage this crisis

## Support from stakeholders is critical to ensure business continuity for CICO agents in Uganda

- Agents have encountered various challenges concerning access to service centers for support during this period. These challenges include lack of response to service helplines. Hence, issues from agents as well as customers remain unresolved, which may have long-term impact in terms of trust on mobile money services.
- Many centers or shops the agents used to visit to re-balance have closed down. As a result, some agents now prefer to wait for customers to withdraw or deposit their money to get the required liquidity. However, when they are unable to balance their transactions, agents are forced to send some customers away.
- Respondents have not received any training support on the ways to cope and manage their businesses in the face of a pandemic. A few text messages from some of the providers on general health tips are the exception. Agents indicated they would like to receive the following items from service providers:
  - Essential equipment like masks, gloves and sanitizers
  - Charts highlighting the dos and don'ts to curb the spread of COVID-19 that they can display at the outlets

“The services have already been interrupted—the shop from which I used to get float is currently closed. Service providers should support us better.” - [An agent from a semi-urban area](#)

“I encountered a problem while transacting and needed help. I have been calling the service center for two weeks now but nobody answers my calls. It seems that the staff at the service center are not working.”- [An agent from an urban area](#)





Annexes

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# Status of CICO agents in Uganda

## Definition of CICO agents in Uganda

- A cash-in/cash-out or CICO agent is one that can exchange cash for electronic value, electronic money, or e-money.
- **Agents in Uganda are largely non-exclusive.** This means that an agent can serve more than one service provider and can be a bank agent as well as an MNO agent. 79% of agents work for more than one service provider.
- **There is a shared agent banking platform.** According to the Agent Banking Company, (ABC) there are currently over 9,477 bank agents on the ABC platform.
- MTN and Airtel account for 99% of the mobile money market. 96% of agents work for MTN and 82% work for Airtel.

## Distribution of CICO agent network across major service providers

Name of service providers

Number of CICO agents

Bank agents

>9,000

MNO agents

>20,000

## Mobile money market share

57%

MTN market share

42%

Airtel market share

Source: <https://agentbanking.co.ug/2019/11/04/agent-banking-grows-to-9477-agents/> and <https://bit.ly/2MtfLYw>

# Assessing the economic impact of COVID-19 on CICO agents

## The objective of the research



- Understand and quantify the impact of COVID-19 on business correspondents
- Inform policy and support subsequent efforts to rebuild the CICO network
- Assess the impact of COVID-19 on:
  - Revenues and costs
  - Business activities and ranges of products
  - Liquidity management
- Explore options to minimize threats and maximize business opportunities
- Assess gender implications
- Understand the usage of communication channels and identify opportunities that can be utilized
- Understand the role of BC networks and trust and the effects of the pandemic on both
- Assess private and public sector support services

## Approach



- **Country in focus:** Uganda
- **Location divide:** Rural, urban, and semi-urban areas
- **Sample size:** 15 agents
- **Method:** Telephonic surveys
  
- A qualitative panel of 15 CICO agents were interviewed by MSC staff every four weeks for six months.

# Impact of COVID-19 on the revenue or income of agents

Impact on income



■ Down by over 40%    ■ Down more than 20% and up to 40%

The pie chart shows the impact of the pandemic on the income of the agents

The income or commission earned has reduced significantly, both in rural and urban areas.

Since agents are considered essential service providers, they are allowed to operate. However, business is still low since most of the population is not working and these are the ones who transact at agent points.

At present, airtime purchase and utility payments are the most common transactions. The handful of deposit and withdrawal transactions have small values.

Agents have witnessed more than a 40% drop in the number of clients and the value of transactions.

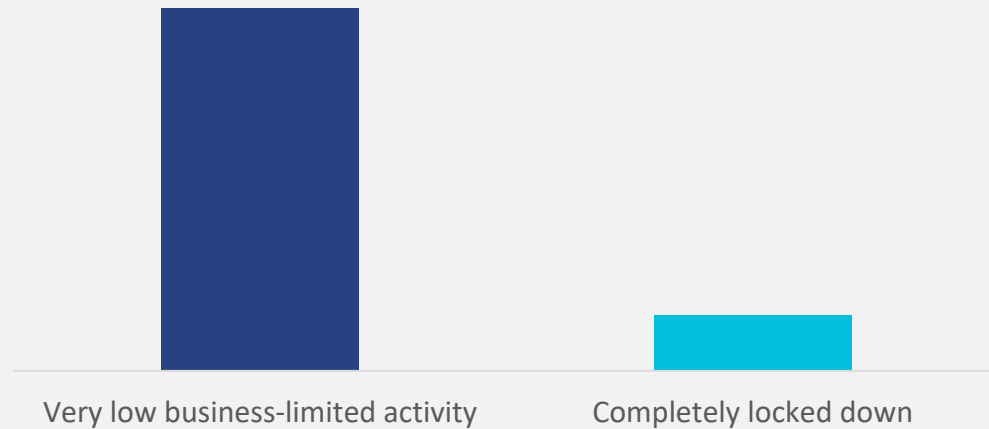
“Withdrawals are few. Even when they do come, customers withdraw minimal amounts of money, usually between UGX 20,000-30,000 (USD 5.4-8.1).”  
- An agent in Soroti

“Previously, I used to get 80-90 clients each day. Now, the maximum number I get is 35.” - An agent in Hoima



# Impact of COVID-19 on business operations

Status of businesses



“I used to open at 7:00 a.m. and close at 7:00 p.m. Now, I operate from 9:00 a.m. to 4:00 p.m.”




“The shop where I used to buy float is currently closed. Therefore, services have already been interrupted. I am only able to work with what I have.”

Several agents are non-dedicated and operate their businesses in shops that sell items considered non-essential. As a result, these agents can no longer operate.

Some of the centers or shops the agents used to visit to re-balance before the pandemic have closed down. This makes it difficult for them to operate. These agents now wait for customers to conduct transactions to get the required liquidity. However, agents are forced to send some customers away if they are unable to balance their transactions.

Most agents who still operate had to adjust their opening and closing times as per the curfew restrictions. They now work for less than 6 hours, as opposed to the usual 8-10 hours before COVID-19.

# Support offered by various stakeholders

	Instant liquidity measures	Short and long-term credit-related measures and discounts	Other relief and benefits
<b>Government</b> 	<p>Some of the <a href="#">planned interventions</a> include:</p> <ul style="list-style-type: none"><li>• Tax breaks have been announced for industries and various businesses, particularly on access to electricity and water for industries, factories, and households. These will enable entrepreneurs to cut down costs and divert resources to rebuild their businesses.</li></ul>	<ul style="list-style-type: none"><li>• The government has considered providing grants to private businesses through the Uganda Development Bank. Many businesses have lost their incomes during this period. A grant would help re-capitalize these businesses and will be crucial to ensure business continuity.</li></ul>	<ul style="list-style-type: none"><li>• The government also started <a href="#">food supply</a> to all vulnerable Ugandans. However, not all beneficiaries have received the intended benefits.</li></ul>
<b>MNOs</b> 	<ul style="list-style-type: none"><li>• The banks and some MNO shops have remained open to allow agents to easily access services during this period. This enables agents to continue their business, especially when the need to rebalance arises.</li></ul>	<ul style="list-style-type: none"><li>• <a href="#">MTN</a> and <a href="#">Airtel</a> Uganda enhanced their mobile money offers to allow Ugandans to send any amount of mobile money at no cost for the next 30 days. This move intends to minimize physical exchange of paper money. It will allow more digital transactions and might drive more traffic to the agent points.</li></ul>	<ul style="list-style-type: none"><li>• Some MNOs introduced affordable bundles like the “work from home” bundle. This enables not only agents but also other business owners and employees to work from wherever they are.</li></ul>
<b>Financial service providers</b> 		<ul style="list-style-type: none"><li>• The financial service providers are granting <a href="#">repayment holidays</a> for a maximum of 12 months, effective 1<sup>st</sup> April, 2020. Extension of loan tenors and any other forms of debt restructuring are covered in the existing regulation. Agents with outstanding loans will also benefit from this.</li></ul>	<ul style="list-style-type: none"><li>• Commercial banks in Uganda <a href="#">waived their charges</a> on digital and online transactions for 30 days, effective from 25th March, 2020. This will help agents get more customers through agent banking services.</li></ul>

Source: <https://bit.ly/3dwXyeN> and <https://bit.ly/2AzUSi4>

# MSC is recognized as the world's local expert in economic, social and financial inclusion



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**180+** staff in **11** offices around the world



Projects in **~65** developing countries

## Our impact so far

**550+**  
clients

**>850**  
publications

Assisted development of digital G2P services used by **875 million+** people

Implemented **>850 DFS projects**

Developed **275+ FI products** and channels now used by **55 million+** people

**Trained 9,000+** leading FI specialists globally

## Some of our partners and clients



## This is SCBF

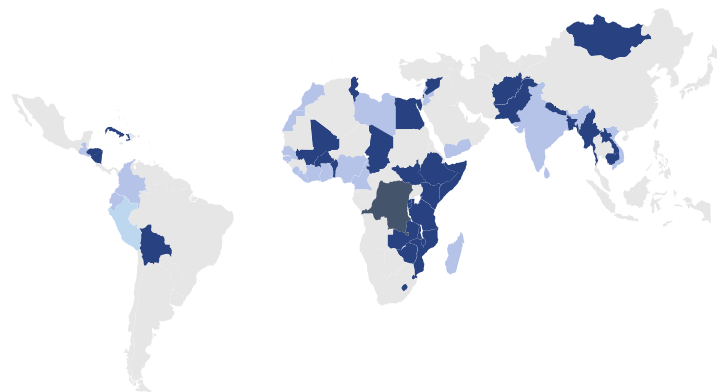
- SCBF co-funds **technical assistance (TA) grants** to develop client-centric **financial products, channels, and services** for low-income clients in developing countries
- Target end-clients:** Low-income populations, particularly women, smallholder farmers, micro, small, and medium enterprises (MSMEs), and rural populations
- Goals:** Build resilience, economic empowerment, and access to essential services



## Outreach

<b>2.1M+</b> Low-income clients	<b>91+</b> Partner financial institutions	<b>43</b> Countries
<b>59%</b> Low-income women	<b>36+</b> Technical assistance providers	<b>55%</b> Rural clients

## Eligible countries



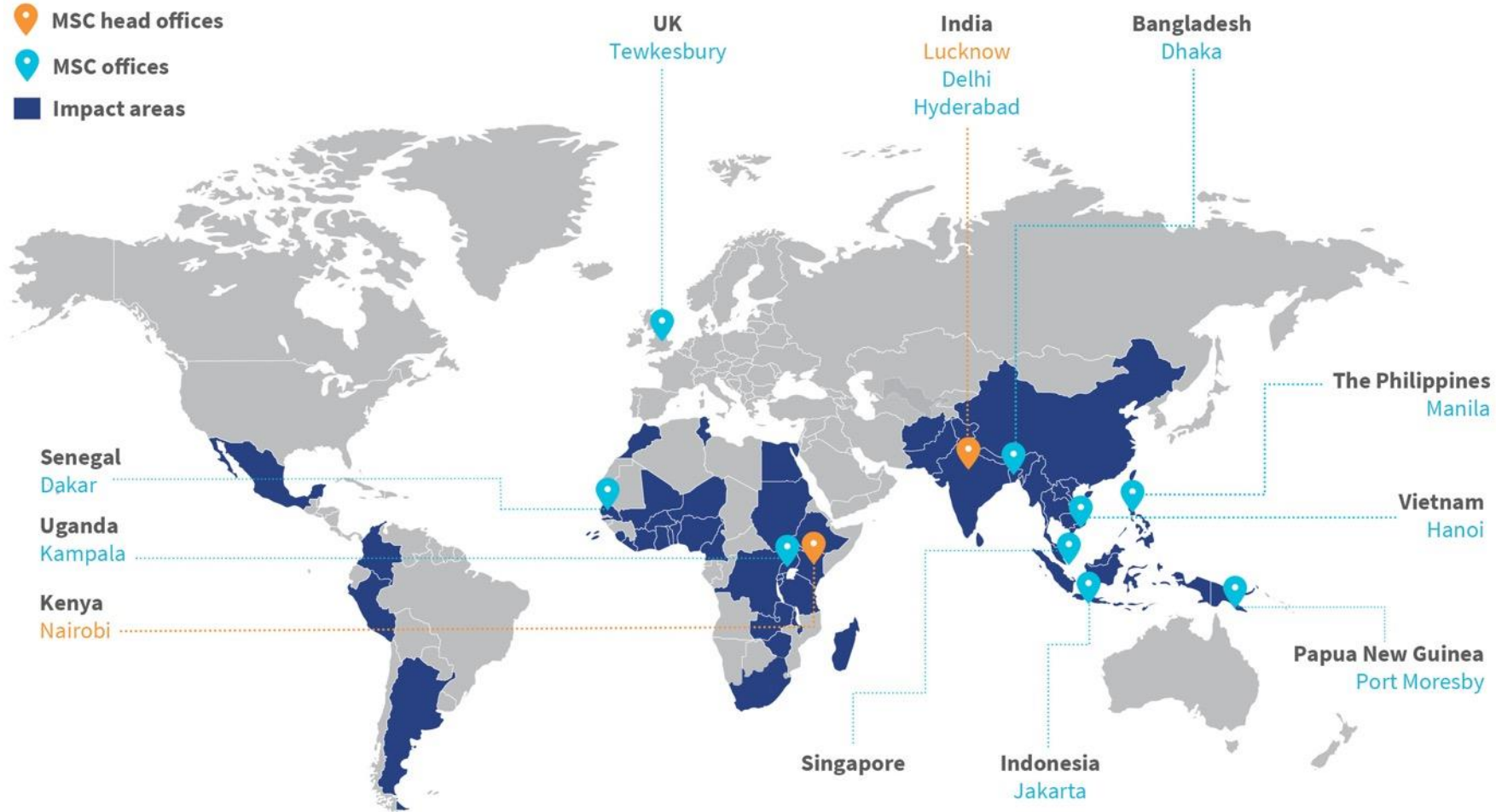
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