

Lending to cash-in cash-out (CICO) agents

An untapped frontier in micro enterprise lending

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We trust this report will provide meaningful insights for the stakeholders to support and contribute to the agent lending space.

Abstract

Lending to cash-in cash-out agents in developing countries remains a vastly underserved market despite its investment potential. Agents borrow for startup costs, working capital needs, and investments to grow their adjacent businesses (Start-Work-Grow). Investments in lending to agents offer investors a compelling opportunity. By lending to agents, investors can gain exposure to rapid digitization and the growth of small businesses in emerging markets.

Agent businesses serve as particularly compelling entry points into small business lending. Their ties to larger financial service and telecom providers and dependence on them impart greater security and reduced risk than other small business segments. Their ties with larger financial services and telecom sector ecosystem provide greater security and reduced risk than other small business segments. Investing in agent lending will also drive economic development critical to achieving the 2030 Sustainable Development Goals.

This report focuses on the agent lending landscape in nine diverse low- and middle-income (LMIC) countries that represent both mature and evolving markets to provide insights into the larger global opportunity.

These nine markets alone present a compelling opportunity to lend between **USD 500 million** and **USD 1 billion**, which is expected to grow to between **USD 1.2** and **USD 2.3 billion** by **2027** at a CAGR of approximately **19%**.

The report captures how existing lending models are yet to support the Start-Work-Grow financing lifecycle of agents. It then dives deep into select new business models that drive innovation in the space.

Table of contents

09 Executive summary

Chapter 1

18 Market sizing and opportunities for agent lending

- | | |
|----|--|
| 19 | Section 1.1 Importance of cash-in cash-out (CICO) networks |
| 25 | Section 1.2 The opportunity for lending to the CICO agents |
| 35 | Section 1.3 Opportunities to expand and de-risk credit to agents |

Chapter 2

41 Agent lending models

- | | |
|----|--|
| 42 | Section 2.1 Financing support for CICO agents |
| 52 | Section 2.2 Agent lending archetypes based on stakeholders and credit distribution |
| 64 | Section 2.3 Agent lending decisions: Process and challenges |
| 70 | Section 2.4 Opportunities for investments |

Chapter 3

74 The agent network management models

75 Section 3.1 The agent network management models

83 Section 3.2 Challenges across the agent lifecycle

96 3.3 Conclusion

Annexes

97 Annexes

98 Annex 1: Market size estimation methodology

99 Annex 2: Leading agent lender's profile

108 Glossary



List of charts

Chart 1: Depicts the opportunity in the market in terms of the need for different products for agents.....	15
Chart 2: The estimated transaction volumes and values processed by CICO agents by 2027.....	21
Chart 3: The estimated monthly revenues (in USD) of an active CICO agent by 2027.....	22
Chart 4: The estimated total addressable market (in USD billion) for agent lending across all the nine focus countries.....	25
Chart 5: Country-wise total addressable market (in USD million) for agent lending.....	26
Chart 6: The estimated total addressable market for agent lending by use case (in USD million) in 2027.....	27
Chart 7: The estimated number of new CICO agents (in thousands) in the nine countries over the next five years.....	28
Chart 8: The market opportunity (in USD million) for lending to CICO agents for the initial startup capital.....	30
Chart 9: The market opportunity (in USD million) for lending to CICO agents for the recurring working capital.....	31
Chart 10: The percentage of non-dedicated CICO agents in the nine focus markets	32
Chart 11: The market opportunity (in USD million) for lending to the CICO agents for their non-DFS business..	34
Chart 12: The percentage of transactions denied by CICO agents due to liquidity concerns.....	49
Chart 13: Number of countries in the nine focus countries reporting liquidity management as a barrier in agent operations.....	89
Chart 14: Rebalancing costs as a percentage of agents' monthly revenues.....	90
Chart 15: Percentage of daily transactions denied due to lack of float.....	91

List of boxes

Box 1: The case of the State Bank of Pakistan.....	39
Box 2: Equity Bank Kenya—A commercial bank that lends directly to its agents.....	55
Box 3: KCB Uganda and Airtel Uganda have partnership to allow Airtel agents access fast and unsecured loans ..	56
Box 4: Onango Alternative Finance—An ANM lending to agents in its partner network.....	57
Box 5: Eko Financial Services—A FinTech that provides a platform for agents to access lenders.....	58
Box 6: Kuunda Digital—A FinTech that provides instant, remote, and automated agent lending.....	60
Box 7: Flow Global—A FinTech lending directly to agents.....	61
Box 8: Pezesha—Offers a digital financial marketplace for borrowers, lenders, and investors.....	62

Box 9: Asante FSG - A FinTech agent lending service provider.....	63
Box 10: Bank Rakyat Indonesia (BRI) - Graduated interest rate for agent lending.....	66
Box 11: Shared agent banking approaches—successes and failures.....	79
Box 12: Difference between the master agency and AaaS agent network management models.....	81

List of tables

Table 1: The reported number of CICO agents across the nine focus countries.....	20
Table 2: Factors that influence agent lending.....	52
Table 3: Types of agents in countries.....	84

List of figures

Figure 1: Policy levers to encourage agent lending.....	36
Figure 2: Role of credit in agent's lifecycle.....	43
Figure 3: Startup capital requirements for CICO agents in different countries.....	46
Figure 4: Illustration of various agent lending models and the factors influencing agent lending.....	53
Figure 5: Agent network management models.....	76
Figure 6: Agent lifecycle.....	83
Figure 7: Agent ownership versus management.....	104



Executive summary

CICO agents represent attractive and growing credit markets waiting to be tapped.

Globally, more than 18 million micro-enterprises employed as cash-in cash-out (CICO) agents extend financial and non-financial services to the masses. The vast majority of these agents, however, cannot realize their full potential nor serve their customers adequately—partly due to a lack of access to capital throughout their lifecycle. Service providers that own agent networks have traditionally shied away from facilitating financing support or lending directly to their agents. Although some service providers do offer agent lending solutions—mainly for recurring working capital needs—agents’ financing needs are typically more expansive.

MSC estimates that lending to agents is a market worth between USD 500 million and 1 billion across the nine focus markets in this report alone. The market is poised to grow to between USD 1.2 and 2.3 billion by 2027 at a CAGR of approximately 19%.

Investing in loans to agent networks is attractive because it is semi-secured. Agents deliver highly regulated financial services, while the loans are supported by the oversight from network managers and financial service providers. This differentiates lending to agents from lending to MSMEs or the mass market. Further, the provider keeps a record of

agent’s transactions and their respective commissions, which creates excellent data for lending decisions. Additionally, since lending to agents intends to expand their adjacent businesses, lenders can de-risk, diversify, and expand their portfolios to the small and medium enterprise and mass-market space.

The Bill & Melinda Gates Foundation engaged MSC to conduct a landscape assessment of lending services to CICO agents in economies where these networks have either grown extensively or have had a successful start. These countries represent mature markets, including Indonesia, Bangladesh, India, Kenya, Uganda, and Ghana, and evolving markets, including Nigeria, Côte d’Ivoire, and Senegal. These markets constitute 55% of the population and 65% of the GDP of low-income and lower-middle-income countries and account collectively for 2 billion people worldwide.

Under the assessment, MSC spoke to agent lenders, investors, and regional experts across the nine markets and analyzed data on agent growth and business operations of partners alongside other publicly available data. This report examines the scope of lending to agents, its challenges, opportunities, and potential for growth.

Agent networks unlock significant market value and contribute to digital financial inclusion by facilitating financial transactions

CICO agents are persons or businesses contracted to process transactions for digital financial services (DFS) users. CICO agents convert physical cash to digital value and vice versa. They also enroll and onboard customers and provide frontline customer services, such as teaching new users how to complete transactions on their phones and resolving transaction-related issues. The agents earn commissions from these services. Agents are ambassadors of digital financial inclusion. They usher customers unfamiliar with DFS who lack access to formal financial services into the DFS ecosystem. Agents are critical to accelerating digital financial inclusion and supporting Social Development Goals in many developing economies.

MSC estimates that CICO agents would conduct 16-22 billion transactions in 2022—primarily cash-in, cash-out, money transfer, and bill payments in the nine focus markets of this study. These transactions are expected to grow at a CAGR of 10% to 25–37 billion by 2027. In markets like Kenya, mobile money transactions processed by agents annually amount to more than 60% of the country's GDP. MSC estimates that agents in the nine focus countries currently process digital financial service (DFS) transactions worth USD 0.61-USD 0.95 billion yearly. DFS transactions will likely grow at a CAGR

of 24.7% over the next five years and be worth USD 1.7 - USD 3 billion by 2027.

How real is the credit need of agents?

Like any other micro-enterprise, agents must deal with challenges related to managing finances for their businesses. For DFS businesses, access to capital is even more critical as almost all services involve an exchange of cash or digital money. However, most DFS agents struggle to sustain and grow their CICO business due to the limited credit available to support their operations. Agents lose customer trust if they cannot conduct transactions due to a lack of liquidity.

Data analysis from multiple countries reported that the lack of liquidity compels agents to lose one in five transactions. MSC's past studies have highlighted that in several markets, around 17%-45% of customers encountered an agent without e-float or cash and consequently faced transaction denial. Further, high agent churn and dormancy rates testify to agents' continued sustainability pressures. GSMA estimates indicate that mobile money agents suffer from 55% inactivity rates.

An agent journeys through two distinct phases in their lifecycle—setup and sustenance. Agent selection and agent training mark the setup phase. The second phase includes marketing and communication of products, float management, grievance resolution, risk management, and business expansion.

Agents face many challenges throughout this lifecycle, one of which relates to their substantial financing needs. Financing requirements vary in value and demand throughout an agent's lifecycle. We call this variable need for financing for a typical agent the "Start-

Work-Grow" (SWG) financing lifecycle. These challenges are more pronounced for women agents due to systemic and structural challenges in agent network design and lenders' decision-making process. (Please see section 3.2.7).

Startup capital

1

This is the initial working capital investment an agent needs to set up the DFS business. The opportunity for lending to the agents for their initial start up capital is estimated to be worth USD 115-241 million by 2027. It includes lending for the purpose of - initial costs involved in procuring hardware and setting up the physical outlet; and the initial investment in e-float or cash.

2

Working capital

This is the recurring working capital required by the agent for liquidity management. The opportunity for lending to the agents for their recurring working capital is estimated to be worth USD 433-799 million by 2027.

3

Capital for adjacent business

This is the financing that an agent needs to grow their non-DFS business. The opportunity to lend for agent's adjacent non-DFS business is estimated to be worth USD 648 million - 1.2 billion by 2027

Enhancing agents' abilities to function optimally drastically improves the delivery of financial services to customers in underserved urban and rural areas. The improved delivery of services, in turn, contributes to digital financial inclusion, which is catalytic to the 2030 Sustainable Development Goals. Thus, supporting lending to agents represents a unique opportunity for investors—especially those who seek a **double bottom line**.

Who currently serves the SWG financing needs of agents?

Agents lack many avenues to finance their credit needs. Left with few formal mechanisms, agents depend on informal sources and borrow money for their adjacent business. In some cases, they use their household savings.

MSC classifies the existing lending models as IPI or “in-house, partnerships, independent” models of agent lending. The table below explains these models in more detail.



Agent lending models	Opportunities	Challenges	Examples
<p>In House - Lenders who directly lend to their agents</p>	<ul style="list-style-type: none"> The cost of credit for agents is lower in this model because the price of funds for banks is lower than FinTechs and NBFCs Banks and NBFCs can implement this more efficiently with a small investment in analytics or partnership with FinTech to provide technology 	<ul style="list-style-type: none"> Banks are more likely to follow traditional lending processes; therefore, they are less agile to meet the demand from credit. 	<p>State Bank of India (India), Bank Rakyat Indonesia (Indonesia), Equity Bank (Kenya).</p>
<p>Partnerships - ANMs or FinTechs that lend to agents in partnership with a lender and/or other agent network owners</p>	<ul style="list-style-type: none"> This type of model decentralizes the sourcing of credit to distributors and ANMs who may have a better idea of the demand This model is ideal for situations where ANMs cannot directly lend to agents. Instead, partnership with lenders can result in a quicker expansion of agent lending portfolio 	<ul style="list-style-type: none"> Lenders do not have much control over the individual agents who are the end-users of the credit 	<p>Eko (India), Onango (Ghana)</p>

Agent lending models	Opportunities	Challenges	Examples
Independent - FinTechs that are network agnostic	<ul style="list-style-type: none"> FinTechs often have ability to run better analytics and digital credit scoring FinTechs have the advantage of potentially integrating with several FSPs and ANMs thus the ability of the participants benefitting from economies of scale 	<ul style="list-style-type: none"> FinTechs have to be savvy to manage their funds through a mix of equity, debt, impact funds etc. to ensure sustainability Potential risk of non-responsible financing since FinTechs/ANMS may not fall under regulation in many markets 	FLOW (Uganda), Kuunda (Tanzania, Pakistan, Malawi, Kenya), Pezesha (Kenya), Asante FSG (Kenya)

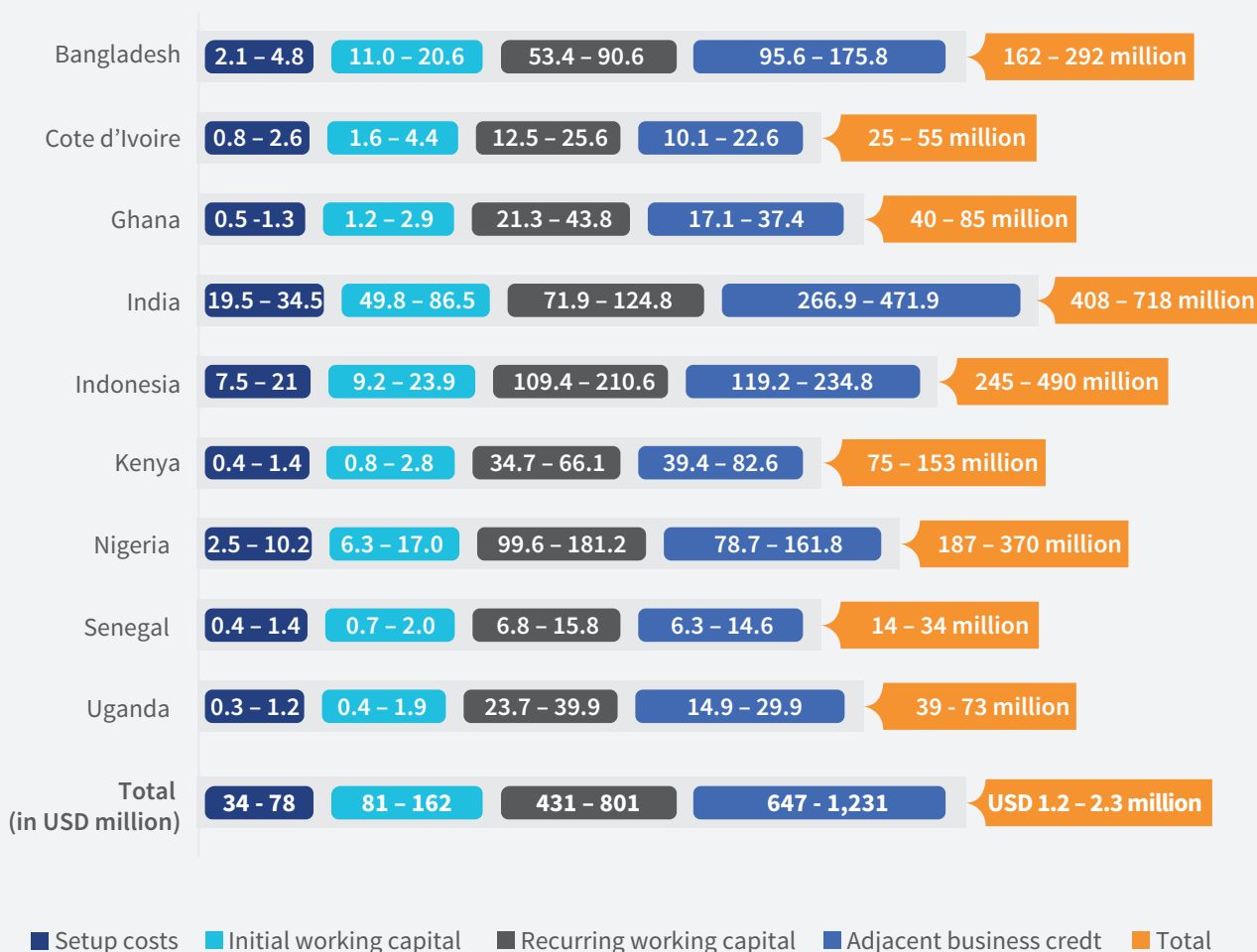
These models continue to evolve while facing challenges in vital lending functions. Such challenges include customer (agent) origination for lending, the decision for lending to agents, disbursement of e-float and cash to agents, and repayment and collection of credit. In most cases, these models support working capital for liquidity management needs, while credit needs for the startup and grow phases remain largely unmet.

Agent lending models are not without risks. Depending on the models discussed, a significant risk is the lack of data to make credit decisions. The

credit decision models of banks tend to lack sophistication and often lead to suboptimal product design. These may lead banks to seek collateral (as seen in India) or provide credit to a narrow group of agents (BRI in Indonesia). FinTechs often struggle with the reluctance of ANMs or agent networks to share data with the FinTechs for credit decision-making. FinTechs then incur additional expenses to collect data from individual agents. Other risks include the agents diverting the credit to other needs. Yet models like Kuunda are devising models to ensure on-demand availability of credit, which is hard to divert.

What are the opportunities to invest in lending to CICO agent networks, and why could this be attractive to lenders?

Chart 1: Depicts the opportunity in the market in terms of the need for different products for agents



Investment opportunities lending to agents include the following:

- **Standard growth capital** to the agent network managers to develop their technology, systems/processes, customize products, and build/expand their agent lending operations. Many of these players—startups or organizations new to lending, or both—seek to fundraise.

- **Direct underwriting for**

- **Working capital for agent liquidity:** Underwrite working capital loans for agents using the FSPs, MNOs, or ANMs systems for credit screening and diligence. The FSPs, MNOs, and ANMs have the incentive to originate loans to improve their agent performance without underwriting the loans, which banks or investors with a lower cost of capital could undertake.
- **Working capital for the agent's adjacent business working capital need:** Underwrite a portfolio of MSME working capital loans. Such lending will use agent businesses as an onramp to more traditional MSME finance due to improved credit screening, diligence,



and incentives to not default, given the importance of the agent business.

- **Term loans for agent's fixed startup costs or expansion or improvement:** Underwrite a portfolio of term loans for established small business models where new agents sourced and screened by the FSPs, MNOs, and ANMs need capital to start up their agent business.

- **Structured finance** for off-balance sheet lending where small loans to agents for their agent business and adjacent businesses could be bundled and securitized in special purpose vehicles owned by a wide variety of investors with different risk appetites.

How can policymakers help expand and de-risk credit to agents for CICO and adjacent businesses?

Promoting the flow of credit to agents is a critical measure that policymakers and regulators should consider to ensure agents can sustain their business operations, particularly in rural and frontier locations. These agents are critical for the much-needed last-mile payments infrastructure. Yet their ventures may not be sustainable from a business standpoint. Hence, these new agents will require support to fund their DFS operations, including access to affordable credit.

Policymakers can use multiple levers to encourage private sector investment in agent lending—the first of which is blended financing tools. Such tools include channeling subsidized credit through public-private partnerships, as seen in programs, such as Kredit Usaha Rakyat in Indonesia and Mudra in India, and in risk-sharing schemes, such as guarantee funds that promote private-sector lending. These tools would encourage players to enter the market, including social impact investors that may not have earlier regarded such investments as attractive. Moreover, an enabling regulatory environment and conducive infrastructure could also mobilize much-needed capital.

Regulators could create a sandbox to test agent lending innovations under their oversight. They could also empower agents to share aggregated transaction data seamlessly to facilitate more creditworthy lending decisions. In terms of infrastructure, an agent registry could help policymakers in their social assistance initiatives and enable lenders to verify agent data for credit assessment purposes. Finally, knowledge dissemination on agent lending would promote innovations and allow market players and innovators to share best practices.



Chapter 1

Market sizing and opportunities for agent lending

Section 1.1 Importance of cash-in cash-out (CICO) networks

CICO agents¹ are vital to the distribution of digital financial services (DFS). They solve market problems related to the efficiency and accessibility of transactions. DFS platforms depend on agents to provide last-mile connections and services to millions of customers.

As per the [GSMA \(2022\)](#), around 12.2 million mobile money agents are registered worldwide, of whom 46% are active. These agents digitized transactions worth more than USD 500 million per day globally in 2020—about 18% more than the previous year. As of 2019, the global density of the mobile money agent network reached an average of 228 active mobile money agents per 100,000 adults, seven times more than ATMs and 20 times more than bank branches.

Besides mobile money agents, a banking agent model prevails in many developing countries, such as India, China, Brazil, Pakistan, and Indonesia. These markets have more than 6.2 million banking agents.² A third category of agent networks has also emerged in markets, such as Indonesia, China, and India. These agents are neither owned by banks nor mobile network operators (MNOs)










but are instead set up and managed by FinTechs—either independently or in partnership with financial institutions. Most markets do not aggregate or report their numbers well. MSC's estimates indicate that at least 18.4 million such agents are spread across the globe.

The following table highlights the total number of reported agents across the nine focus countries that MSC studied during the project.

¹ Globally, three forms of CICO agents (referred to as agents in the report) operate worldwide—1. mobile money agents, 2. banking agents, and 3. other agents, such as e-commerce agents, FinTech agents, or MFS agents (together referred to as FinTech agents). All these agents offer financial services offered by their owners—currently, these include—MNOs, banks, and FinTechs. Some non-banking agents in certain jurisdictions are not allowed to offer cash-out services. For the purpose of this report, CICO agent is term that has generally been used for all types of digital financial services agents. In chapter 3, we discuss agent network management models in detail.

² The data period varies for each country; the number of agents as per latest data available for each country are: [China = 0.9 million \(2016\)](#), [Pakistan = 0.4 million \(2020\)](#), [Brazil = 0.2 million \(2021\)](#), [India = 3.3 million \(2021\)](#), [Indonesia = 1.4 million \(2021\)](#)

Table 1: The reported number of CICO agents³ across the nine focus countries

S. No.	Countries	Estimated total number of reported agents (in '000s)
1	Bangladesh 	1,137
2	Côte d'Ivoire 	197
3	Ghana 	432
4	India 	3,313
5	Indonesia 	1,975
6	Kenya 	289
7	Nigeria 	775
8	Senegal 	76
9	Uganda 	316
Total		8,510



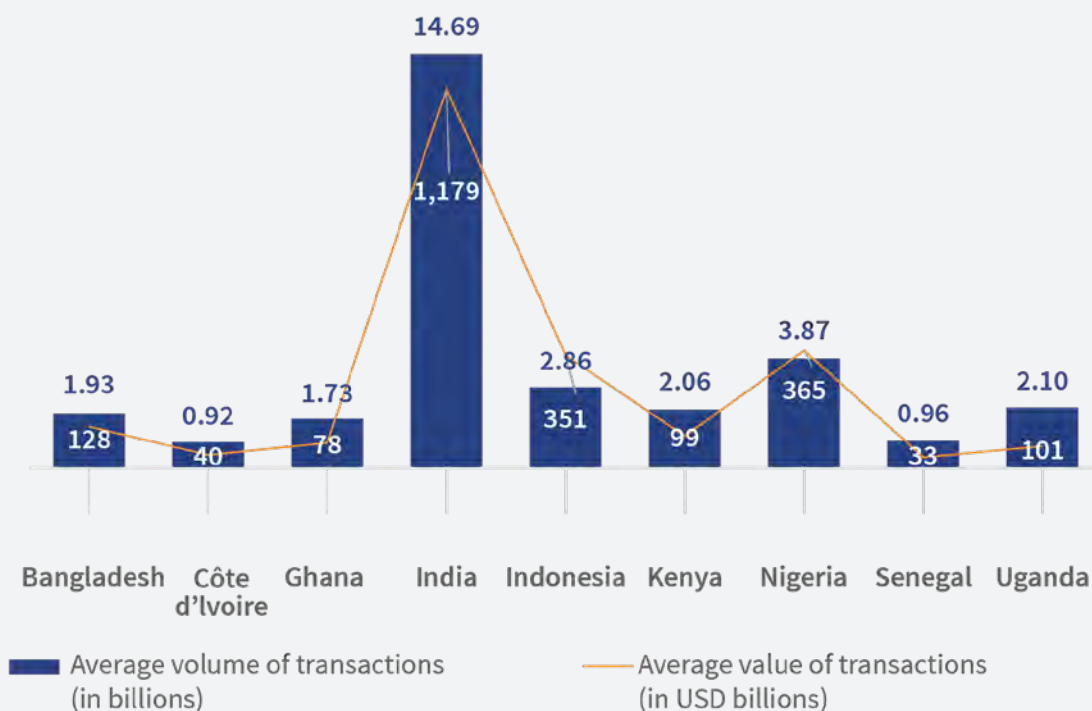
³ This table includes MSC's estimate of the total count for all agents in the country that offer cash-in cash-out services, including agents of mobile network operators, banks, and FinTechs. These estimates are based on central banks' reports and primary discussions with service providers and industry associations. For India, estimations of the number of agents consider an average of the optimistic and pessimistic scenarios. For Indonesia, the reported (by the FinTech Association) number of FinTech agents (includes individuals) is fluid, and the actual number of unique agents serving end customers is a lot lower. Therefore, for Indonesia, the study considered an average of the total number of banking agents (reported by OJK) and MSC's estimate of the total count of FinTech agents.

In these nine focus markets, CICO agents play a significant role in unlocking the potential of digital financial services for low-income segments.

Agents are essential to expanding the retail payments infrastructure to the last mile. MSC estimates that in 2022 alone, agents in the nine focus markets will process 16.5 - 21.8 billion transactions.

We expect it to grow at a CAGR of 10.2% to 25.3-36.9 billion transactions by 2027. In markets like Kenya, the value of mobile money transactions processed by agents in a year amount to more than 60% of the country's GDP. MSC estimates that agents in the nine focus countries currently process DFS transactions worth USD 615-958 billion, which is likely to grow at a CAGR of 24.7% in the next five years and amount to USD 1.7-3.0 trillion by 2027.

Chart 2: The estimated transaction volumes and values processed by CICO agents by 2027

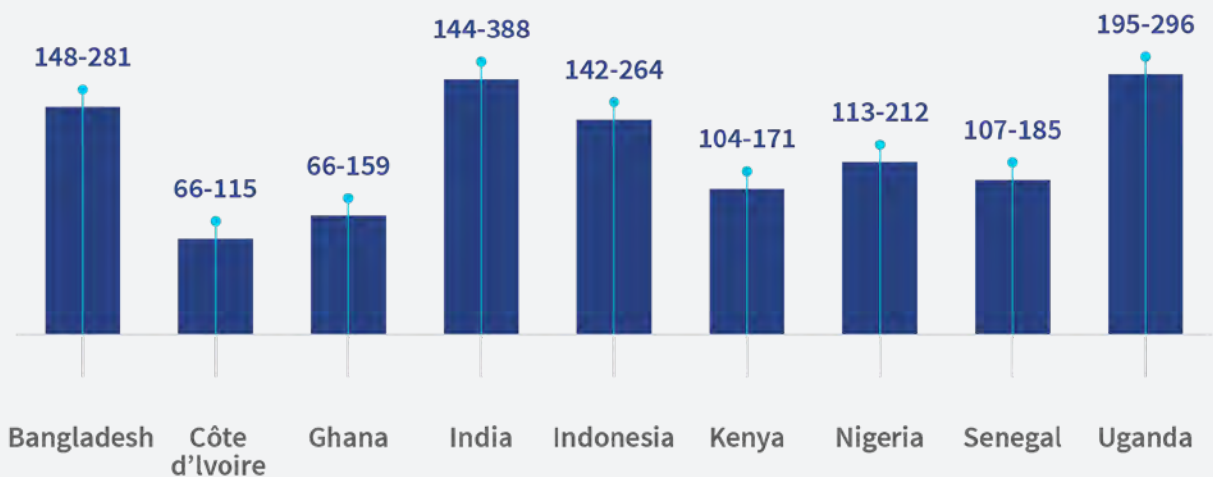


Source: MSC estimates based on primary discussions with service providers and secondary data on the presence and performance of agent networks

Agents and digital channels for financial transactions reduce transaction costs by 90% compared to transactions conducted in the FSPs' physical branches. The overall value and volume of transactions processed by agents also add directly to agent and provider revenues. Across different markets, agents earn commissions between 0.4% and 1.5% of the transaction values, while providers earn between 0.2% and 1% of the transaction value, depending on the transaction type.



Chart 3: The estimated monthly revenues (in USD) of an active CICO agent by 2027



Source: MSC estimates based on primary discussions with service providers and secondary data on the presence and performance of agent networks

Agent networks bridge the needs of the unserved and underserved customers with DFS by enabling the conversion of physical cash to digital money and vice versa. Furthermore, cash-in cash-out (CICO) agents verify customers and transactions, onboard new customers, instruct and assist customers on how to conduct digital transactions, convert cash to digital money, and resolve concerns around payment failures. Agents act as ambassadors on behalf of the DFS providers. They bring customers who lack access to formal financial services and are unfamiliar with DFS into the financial ecosystem.

An IMF study in 2021 shows that expanding agent networks improves the adoption of DFS. Agents are critical in accelerating digital financial inclusion in many developing economies. Development practitioners and double-bottom-line investors should want to see agents succeed as they bring people into the financial system and help them develop greater resilience in the face of external shocks.

Agent numbers continue to grow in many markets. However, concerns about their quality persist.

The net annual growth rate of CICO agents ranges from 5% to 30% in most markets. Providers acquire new agents to replace dormant and inactive ones, even in more mature and saturated markets, such as Kenya and India. Despite such growth, concerns persist around the quality of the access these agents provide.

Agents lose customer trust if they cannot transact due to a lack of liquidity. An analysis of data from multiple countries reported that an agent loses one in five transactions for lack of liquidity. Further, high agent churn and dormancy rates (~30%) put pressure on providers to constantly recruit new agents and at same make them sustainable. The lack of demand for agent services and inadequate support from service providers contribute to agent inactivity. Chapter 3 covers these challenges in detail.

Like any other microenterprise, agents also must deal with challenges related to managing finances for their business. For DFS businesses, access to capital is even more critical, as almost all agent services involve an exchange of cash or digital money. Yet, the limited availability of credit for CICO agents often means they struggle to sustain business operations.

Private sector lenders have not targeted CICO agents in a big way. The service providers—banks, mobile network operators, and FinTechs—that own such networks have also traditionally shied away from facilitating or directly lending to their agents. While a few service providers have recently started pilot testing lending solutions for their agents, it largely remains an untapped opportunity worldwide.

Banks use traditional processes to assess agents for lending. This limits their ability to design effective digital credit programs for agents. In contrast, lending is a new business for mobile network operators. They lack the experience, confidence, and will to implement such initiatives. They have also been protective of their agents' transaction data and hence

hesitate to partner with specialized third-party lenders. Many digital lenders serve similar segments, such as online merchants, who often double up as agents.

MSC finds that agents require credit for multiple use-cases, including:

1. Initial working capital investment to set up DFS business, including investment in e-float to start operations
2. Recurring working capital to manage liquidity
3. Capital for growth of non-DFS business

While some providers have started to offer credit for recurring working capital, the overall credit need for the three use-cases is relatively high.



Section 1.2 The opportunity for lending to the CICO agents

In the nine focus markets alone, lending to agents is a market opportunity worth approximately USD 0.5-1 billion and is expected to grow to USD 1.2-2.3 billion by 2027 at a CAGR of approximately 19%⁴.

The growth in the agent lending market is a function of a corresponding growth in agent networks across these markets, coupled with a gradual increase in loan demand by the agents. See chart 6 for the growth in the number of agents.

Chart 4: The estimated total addressable market (in USD billion) for agent lending across all the nine focus countries ⁵



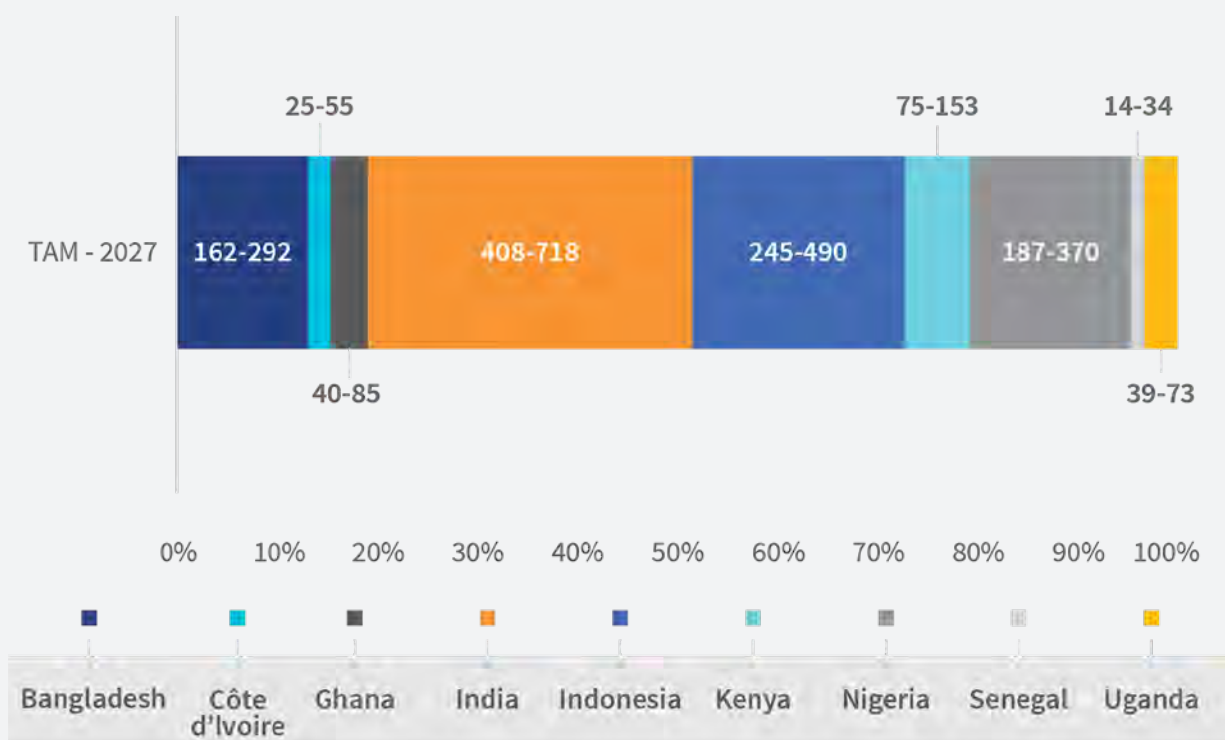
Source: MSC estimates based on primary discussions with service providers, and secondary data on the presence and performance of agent networks

⁴ MSC conducted market sizing estimates for the nine focus countries covered in our study. Globally, agent lending may be a much bigger market.

⁵ In all the charts where ranges are reported, the height of the bar reflects the average value of the range.

Large markets like India and Indonesia contribute the most to the overall market opportunity. However, more mature markets like Kenya and Uganda will likely see a greater credit uptake as they have higher volumes of DFS transactions per agent.

Chart 5: Country-wise total addressable market (in USD million) for agent lending

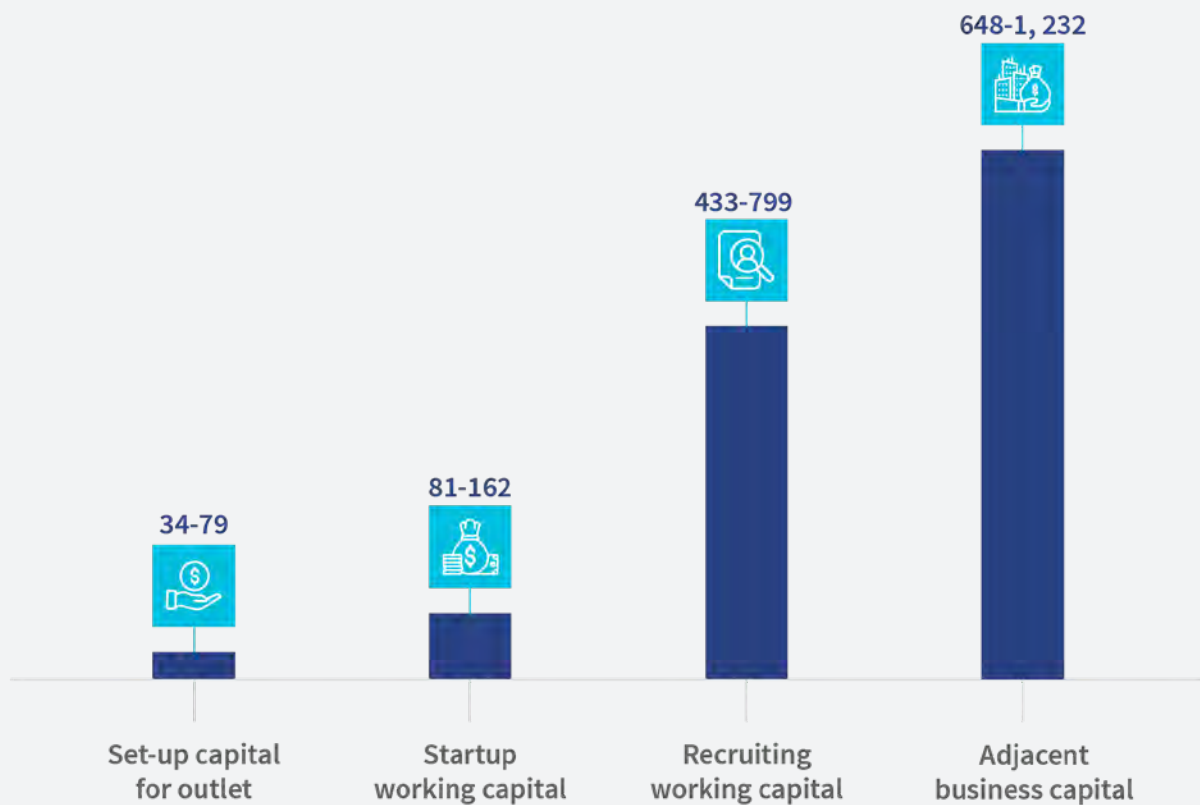


Source: MSC estimates based on primary discussions with service providers and secondary data on the presence and performance of agent networks

The opportunity to lend for non-DFS use-cases is significant. MSC estimates that close to half the total market opportunity for agent lending will be for an agent’s non-DFS businesses. However, given the current low volumes in agent lending, the more pressing demand would be for the recurring working capital loans necessary to smooth liquidity to conduct transactions.



Chart 6: The estimated total addressable market for agent lending by use case (in USD million) in 2027



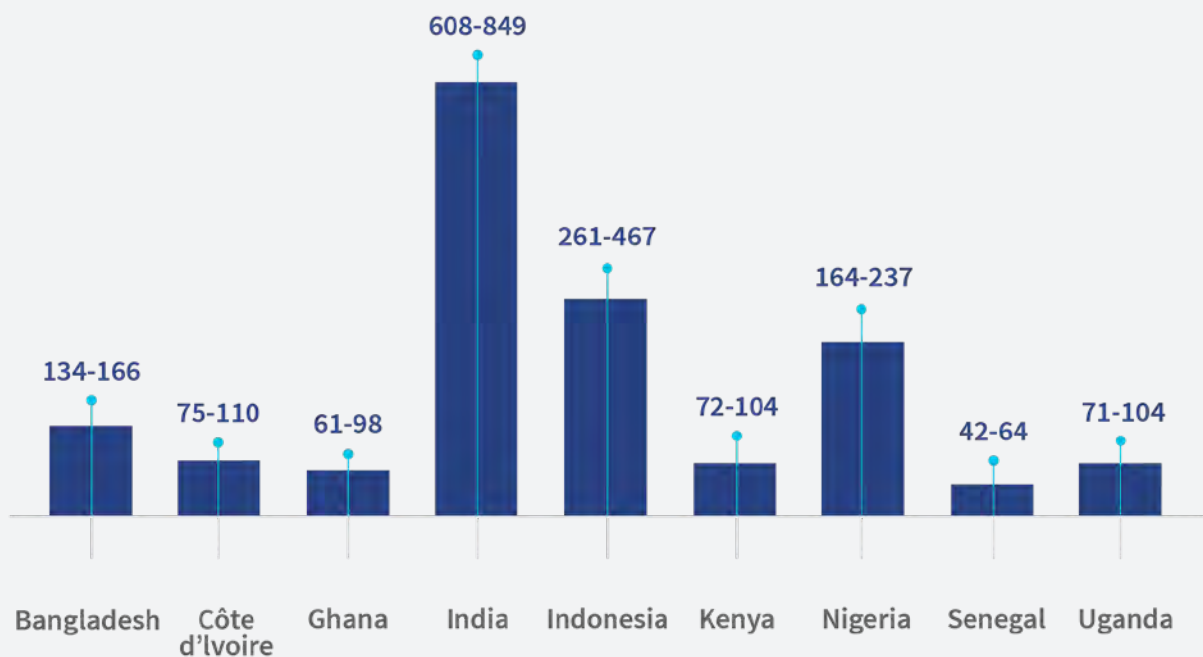
Source: MSC estimates based on primary discussions with service providers and secondary data on the presence and performance of agent networks

1.2.1 Credit for initial capital to start the CICO agency business

Countries in the study sample are at different stages of developing their CICO agent network. For more saturated markets, such as Kenya and Uganda, agent growth has been relatively limited in the past three to four years. Providers in these markets are mostly setting up new agents to offset the existing churn in their network. On the other hand, markets,

such as Nigeria and Indonesia, see relatively higher agent growth numbers, given the limited penetration of agents in rural and frontier locations.

Chart 7: The estimated number of new CICO agents (in thousands) in the nine countries over the next five years



Source: MSC estimates based on primary discussions with service providers and secondary data on the presence and performance of agent networks

The overall opportunity to lend to the agents for the initial capital required to set up their DFS business is linked directly to the expected growth in agent networks. MSC estimates that the nine focus countries will add between

1.7 - 2.2 million new agents over the next five years.

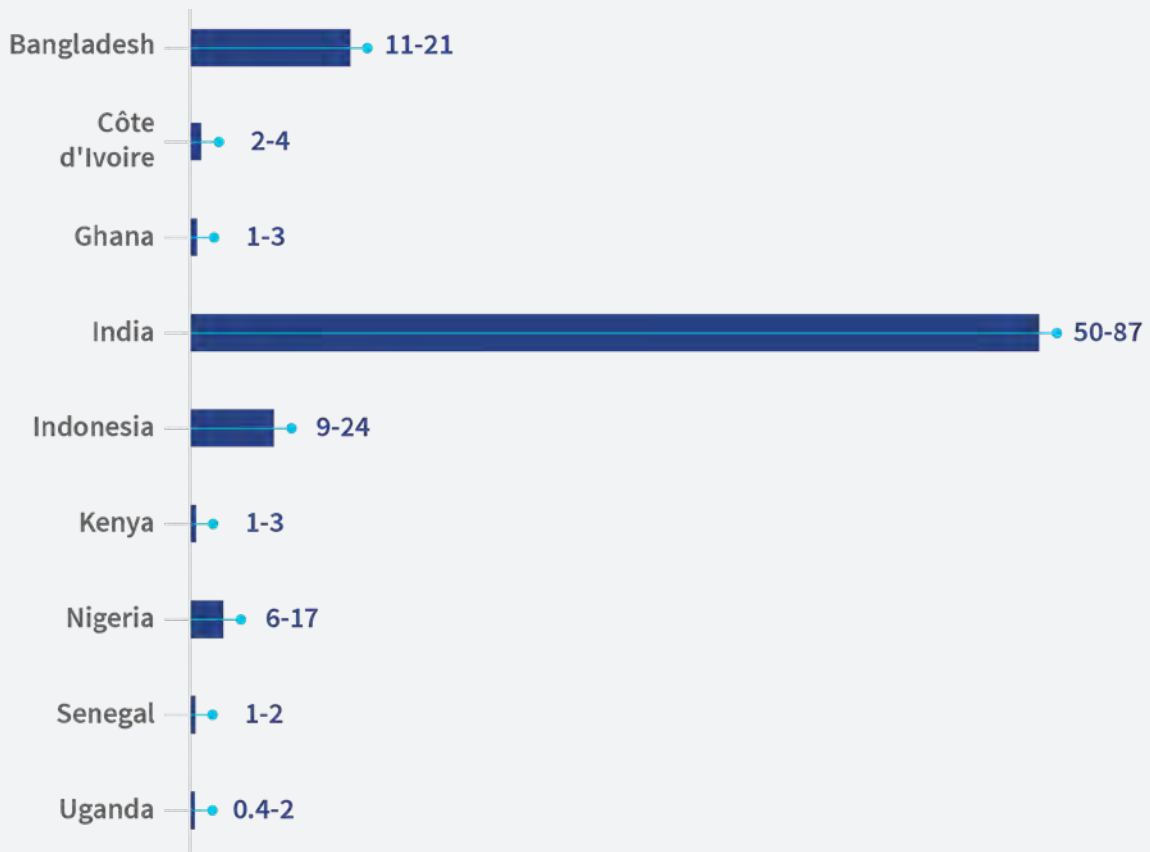
The market opportunity to lend to new agents can broadly be sub-divided into two use-cases:

It mainly includes investments in the technology hardware needed to conduct DFS transactions. It may also include other expenses, such as the renovation of the outlet or additional miscellaneous costs needed to kickstart DFS operations. However, in most markets, the primary requirement is technology hardware. In many cases, DFS providers fund it.

The general practice does not mandate agents to retain a minimum amount of capital. However, some service providers may require a minimum starting capital between USD 100-300 as part of the overall eligibility criteria to onboard a new agent.



Chart 8: The market opportunity (in USD million) for lending to CICO agents for the initial startup capital



Source: MSC estimates based on primary discussions with service providers and secondary data on the presence and performance of agent networks

Chapter 2 covers details on these two product offerings. MSC estimates the opportunity for lending to agents to set up their DFS outlet would be USD 34-78 million by 2027. On the other hand, the overall opportunity to lend to new agents for initial investment in e-float or cash would be USD 81-162 million by 2027.

1.2.2 Credit for the working capital

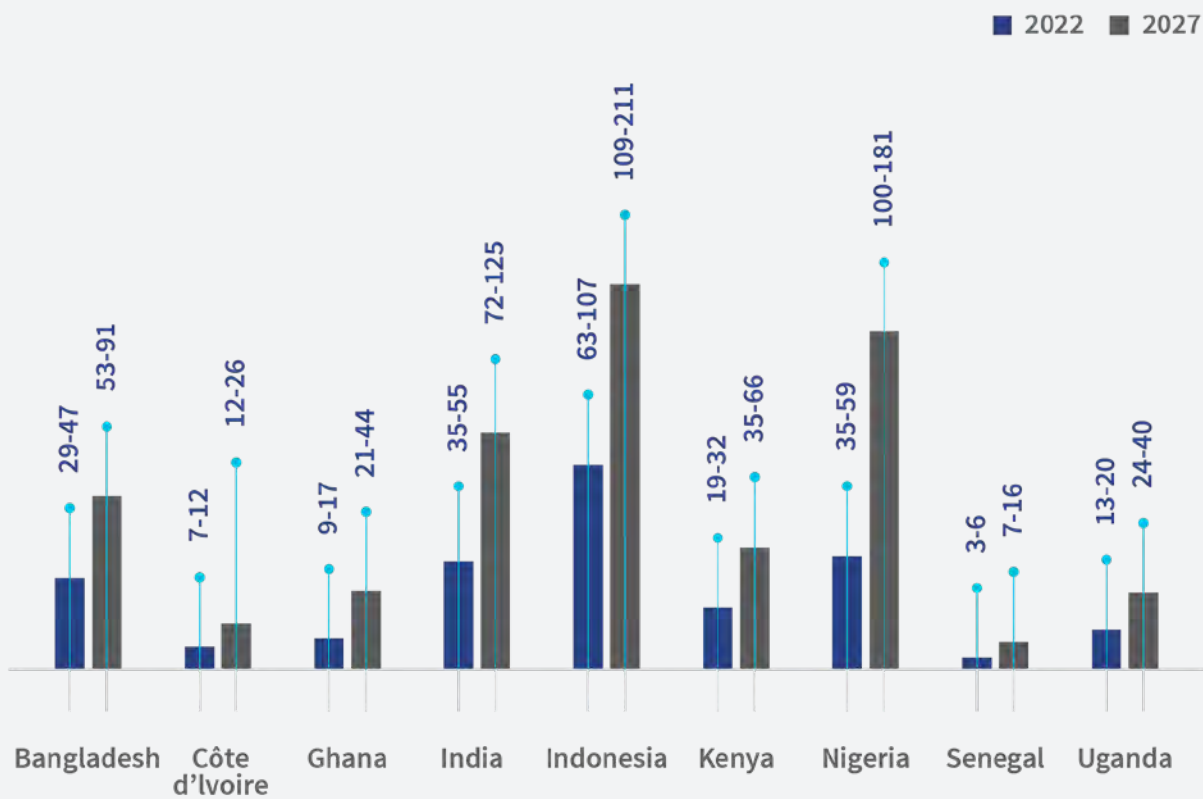
Agents must manage their liquidity constantly by rebalancing their e-float or cash. However, cash, and indeed e-float, is fungible and may be redirected to their non-DFS business. The high demand for DFS transactions puts pressure on an agent's liquidity position. MSC's [past studies](#) have highlighted that around 17%-45% of customers in several markets

encountered an agent without e-float or cash and were denied transactions.

The market opportunity to lend to agents for working capital purposes is huge. MSC estimates that the nine focus countries have **3.0 to 3.4 million active and unique**

agents. With the **addition of 1.7 to 2.2 million agents by 2027**, the overall base of agents for agent lending will **range from 4.7 to 5.6 million agents.**

Chart 9: The market opportunity (in USD million) for lending to CICO agents for the recurring working capital



Source: MSC estimates based on primary discussions with service providers and secondary data on the presence and performance of agent networks

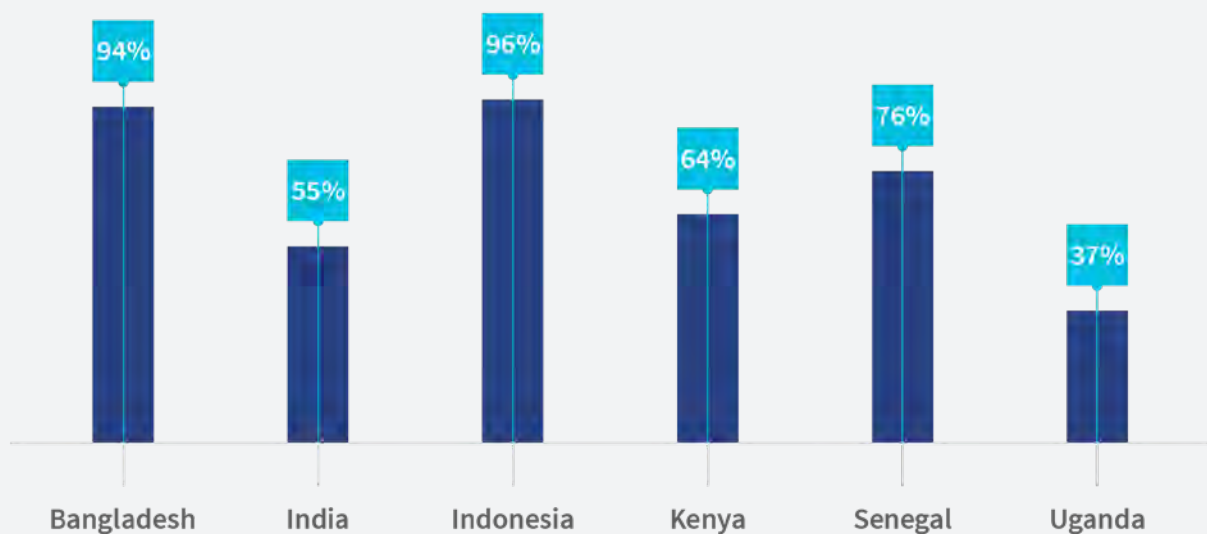
MSC estimates that the lending opportunity for working capital to CICO agents is worth USD 213-356 million as of 2022, which will increase to USD 433-799 million by 2027.

1.2.3 Credit for the adjacent business

In most markets, CICO agents are non-dedicated. These agents run another primary entrepreneurial activity from their kiosk or shop, where they also run the CICO business. A trend toward non-dedication is increasing across different markets, especially with the rise of non-traditional agent network models. Providers prefer non-dedicated agents, as the income from a parallel business allows agents to provide DFS as an additional income stream.



Chart 10: The percentage of non-dedicated CICO agents in the nine focus markets



Source: [MSC's ANA studies 2014-2017](#)

⁶ Non-dedicated agents are those agents who have other sources of income, such as an agent who also owns a shop.

Non-dedicated agents rely on their existing business to facilitate rebalancing, using cash from parallel sales to serve customer withdrawal transactions. Only 10% to 30% of the income for non-dedicated agents comes from the DFS business. They invest most of their capital in the non-DFS adjacent business—their primary entrepreneurial activity. This also means that any disruption in their primary business may impact their DFS business. MSC estimates that lending to CICO agents for their adjacent business is an opportunity worth USD 322-557 million in the current year. This market is expected to grow to USD 0.64-1.2 billion by 2027.

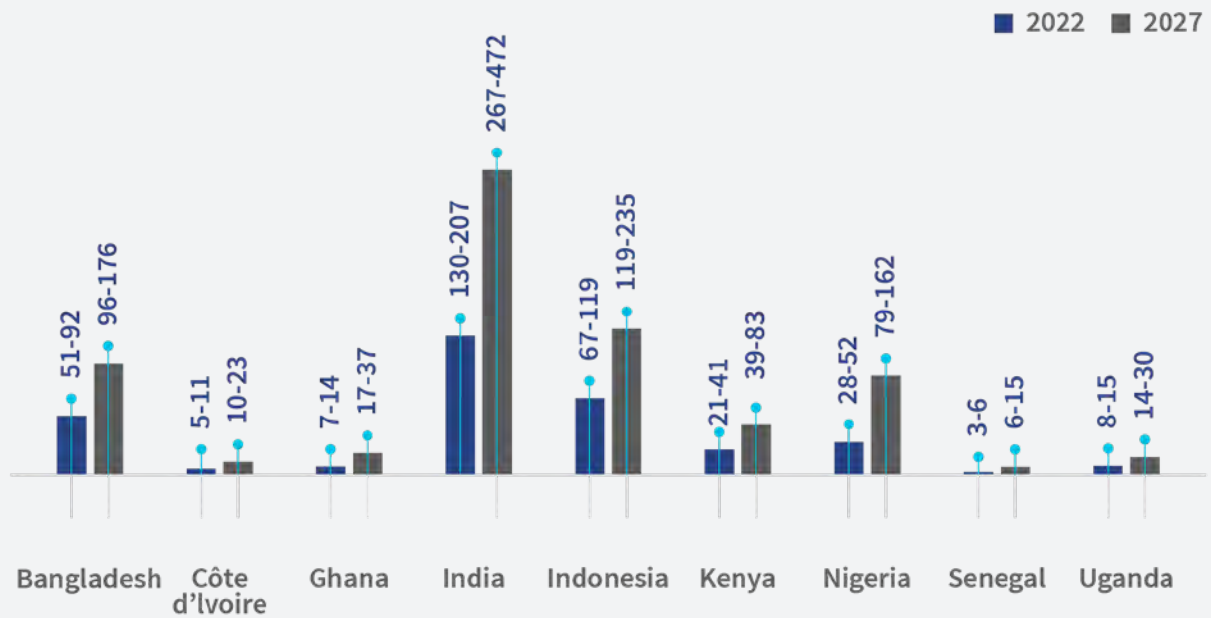
Lending to non-dedicated agents to diversify their income sources is an emerging trend across more mature DFS markets. Companies like Kuunda and Flow, which successfully provide agent lending in Uganda, Tanzania, and Pakistan, are considering further lending to agents for their adjacent businesses.

A few startups like Asante Financial Services Group (Asante FSG) provide merchants with digital credit. They are now piloting and rolling out agent lending since many merchants who borrow from Asante FSG also work as CICO agents for M-Pesa.

Working capital and financing for other ventures both link directly to the agent's DFS business. Lending for the non-DFS business could be a way for prospective lenders to de-risk their DFS lending from potential disruptions in the agent's non-DFS business. Given the large credit gap in MSME lending across all the focus countries, the overall potential for such lending is significant. In that context, lending for DFS business may emerge as an acquisition strategy for lenders to explore opportunities for non-DFS lending. The DFS transaction data may also give better visibility into the overall financial health of the agent's non-DFS business.



Chart 11: The market opportunity (in USD million) for lending to the CICO agents for their non-DFS business



Source: MSC estimates based on primary discussions with service providers and secondary data on the presence and performance of agent networks



Section 1.3 Opportunities to expand and de-risk credit to agents

1.3.1 Lending to agents is relatively safe

As discussed in the previous section, agents unlock significant market value. Globally, the public and private sectors have promoted unsecured lending to microenterprises. Lending to the CICO agents remains untapped despite being less risky than traditional microenterprise lending. Barring some markets, such as India, Kenya, and Uganda, lenders have not extended credit to CICO agents even though the operational processes required to serve the two segments are similar.

Lending to agents is semi-secured, as credit decisions can be made based on the agent's digital transaction data. Agents could also be considered more accountable borrowers. First, they are in a contractual relationship with a regulated service provider and are, therefore, subject to more strict oversight. Second, agents value their personal reputation as trusted members of the community and are, therefore, more likely to repay debt.⁷ Further, a recourse that lenders have is their ability to remove the agent from the agent network if debts go unpaid, making such loans less risky.

1.3.2 Policy and regulatory levers to encourage agent lending

From a public policy perspective, agent networks are integral to the payment systems infrastructure. Governments rely on such networks to deliver social assistance to millions of beneficiaries. The COVID-19 pandemic further highlighted the importance of having a dependable agent network. During the pandemic, agent networks contributed to billions of transactions conducted by millions of new and existing users. Hence the stakeholders, including regulators and policymakers, have taken measures to support the development of quality agent networks.⁸ Additionally, helping agents reach rural markets through targeted lending is a critical component of support for the SDGs. These agents' efforts can lead to reduced poverty and improved gender equality outcomes, among other improvements.

Promoting the flow of credit to agents is a critical measure policymakers and regulators can take to ensure agents can sustain their businesses. It is important for agents to remain sustainable in rural frontier locations.

⁷ Agent network owners are banks, MNOs, agent network managers and are regulated by country's central bank and telecom authorities

⁸ Additional suggested reading: [Why Do CICO Agent Networks Matter and How Do We Promote Them?](#)

A study by BCG covered the major DFS markets of Bangladesh, India, Indonesia, Kenya, Tanzania, Uganda, and Pakistan. It indicates that around 35% to 90% of the new agents required in unserved geographies will not be operationally or economically viable.

Policymakers can use multiple levers to encourage private sector investments in agent lending, as follows:

Lending to cash-in cash-out (CICO) agents



Figure 1: Policy levers to encourage agent lending

Blended finance



- Channel subsidized credit through PPPs
- Risk-sharing schemes to promote private sector lending

Regulatory enablement



- Offer sandbox environment for new lenders
- Empower agents to share their transaction data seamlessly

Knowledge dissemination



- Promote innovations and sharing of best practices

Infrastructure enablement



- Establish agent registry infrastructure for data sharing

1.3.2.1 Blended finance tools to encourage private sector investments in agent lending

Private sector investments are critical to ensure agent lending models can scale sustainably. Policymakers can adopt blended finance tools to promote the development of the agent lending market. This will allow the private sector to test and refine products and processes before scaling initiatives. Policymakers can initially use blended finance tools to de-risk private lending through risk-sharing schemes and subsidized credit.

Channeling subsidized MSME lending through public-private partnerships

Most developing economies already have a subsidized credit program for the MSME segment, such as Kredit Usaha Rakyat (KUR) in Indonesia and Mudra in India. Policymakers can use these programs to promote lending to CICO agents. Private sector lenders could tap these programs for subsidized capital and potentially customize the product design for agent lending.

Countries like India also mandate credit flow to specific priority segments. CICO agents could be included explicitly as priority segments for such lending. These limits are often imposed on the bank and non-bank lenders and will encourage incumbent lenders to diversify and de-risk their priority sector portfolio.

Risk-sharing schemes to promote private sector lending

Credit guarantee schemes have been used in developing economies to

promote lending to the microenterprise segments. A dedicated public credit guarantee scheme for agent lending can encourage the private sector to lend to the CICO agents. Private and philanthropic investors have also successfully supported their partners with guarantee funds. Existing initiatives around agent lending (detailed in chapter 2) have primarily targeted high-potential urban and peri-urban agents with large transaction volumes.

Credit guarantees could potentially provide downstream credit to the rural agents. From a lending perspective, rural agents may have a slightly higher risk profile. However, their sustainability is critical from a public policy perspective, given their role in social assistance payments. Credit guarantees are vital to tap the market potential for agent lending in rural areas.

1.3.2.2 Regulatory enablement for agent lending

In certain jurisdictions, finding a suitable legal framework for lending to agents is a crucial hurdle for a third-party lender. Typically, a new entrant must fulfill several requirements to secure a suitable lending license or enter a strategic partnership with an incumbent service provider. Interviews with existing lenders highlight that compliance requires a significant investment of resources and is a major barrier to entry. Regulators could provide a sandbox environment for new and existing entrants willing to engage in agent lending. Such an arrangement would shorten the provider's time to market, and ease compliance burdens,

while helping them refine their product offerings to become investment-ready. The sandboxes also allow regulators to assess risks and develop an appropriate legal framework for agent lending. Regulators may also contemplate issuing small-volume FinTech licenses, an idea some central banks have considering to ease market entry for FinTechs that may have a limited scope of operations.

Empowering agents by giving them more control over their transaction data

Lending to CICO agents is typically a digital process. Providers usually rely on agents' transaction data to make credit decisions. In this context, a service provider or an agent network manager can dictate the lending terms from a third-party provider in exchange for transaction data. At times, such demands around revenue and risk-sharing can be unreasonable. These demands may potentially block third-party service providers from lending to the agents. In some markets, third-party lenders must collect this data manually to assess a loan request. Under existing data protection or privacy frameworks, regulators should allow agents more control over their data, including transaction data, at least at an aggregate level.



1.3.2.3 Infrastructure enablement for agent lending

With the rapid growth of the digital economy, policymakers across the globe are trying to build digital public infrastructure to ensure the seamless delivery of digital services to their citizens. Shared infrastructure for digital identity, interoperable payments systems, and credit information sharing are critical for the digital financial services industry to sustain the business. Countries with a robust digital public infrastructure for delivering financial services are more likely to witness a rapid uptake in agent lending. Moreover, policymakers could take specific initiatives to strengthen public infrastructure for agent reporting and potentially incentivize prospective lenders to design credit solutions for the CICO agents.

Establishing an agent registry infrastructure

Agent numbers have proliferated over the past few years. In contrast, regulators and policymakers across different markets have struggled to keep track of the overall agent numbers, locations, and activity rates. These challenges become acute in non-exclusive agents' markets, such as Senegal, Pakistan, and Kenya, where regulators allow agents to provide products and services for more than one financial institution. In such markets, determining the most basic data point of a unique number of agents becomes a challenge.

Most regulators only mandate a minimum reporting requirement for service providers. This requirement broadly

includes sharing basic details of new agents, including their name, type, and location. However, policymakers lack such data to plan most public initiatives that need agent involvement, such as the delivery of social assistance. A live agent registry that tracks basic agent data could help policymakers in their social assistance initiatives and allow lenders to verify agent data for credit assessment. Moreover, the agent registry could include a public data-sharing platform. Regulators can warrant or incentivize service providers to share agent or merchant transaction data with the client's consent. This will encourage private-sector innovations in agent lending and stimulate lending by incumbent service providers.

Box 1: The case of the State Bank of Pakistan

The State Bank of Pakistan collects information about each agent through a web-based system (called AgentChex). This system contains data on all agent transactions in the country and a wealth of other information on each agent. The objective is to map agent transactions, build an "agent blacklist" to help banks identify agents who have caused problems in the past, such as fraud, and collect information to help the supervisor plan its activities. AgentChex is a crucial digital infrastructure to monitor and supervise agents. Policymakers in other countries can develop such infrastructure and add functionality as a data hub to facilitate agent lending.

1.3.2.4 Knowledge dissemination on best practices

Regulators and policymakers can also actively catalyze innovations around agent lending through knowledge dissemination efforts. Globally, agent lending continues to occur at a minimal scale. However, these outreach initiatives provide essential lessons on product design, business models, and agent needs. Regulators can organize public forums for stakeholders to share knowledge on best practices in agent lending. Regulators and policymakers can also draw the attention of prospective lenders by organizing hackathons as part of a regulatory sandbox for FinTech innovation.





Chapter 2

Agent lending models

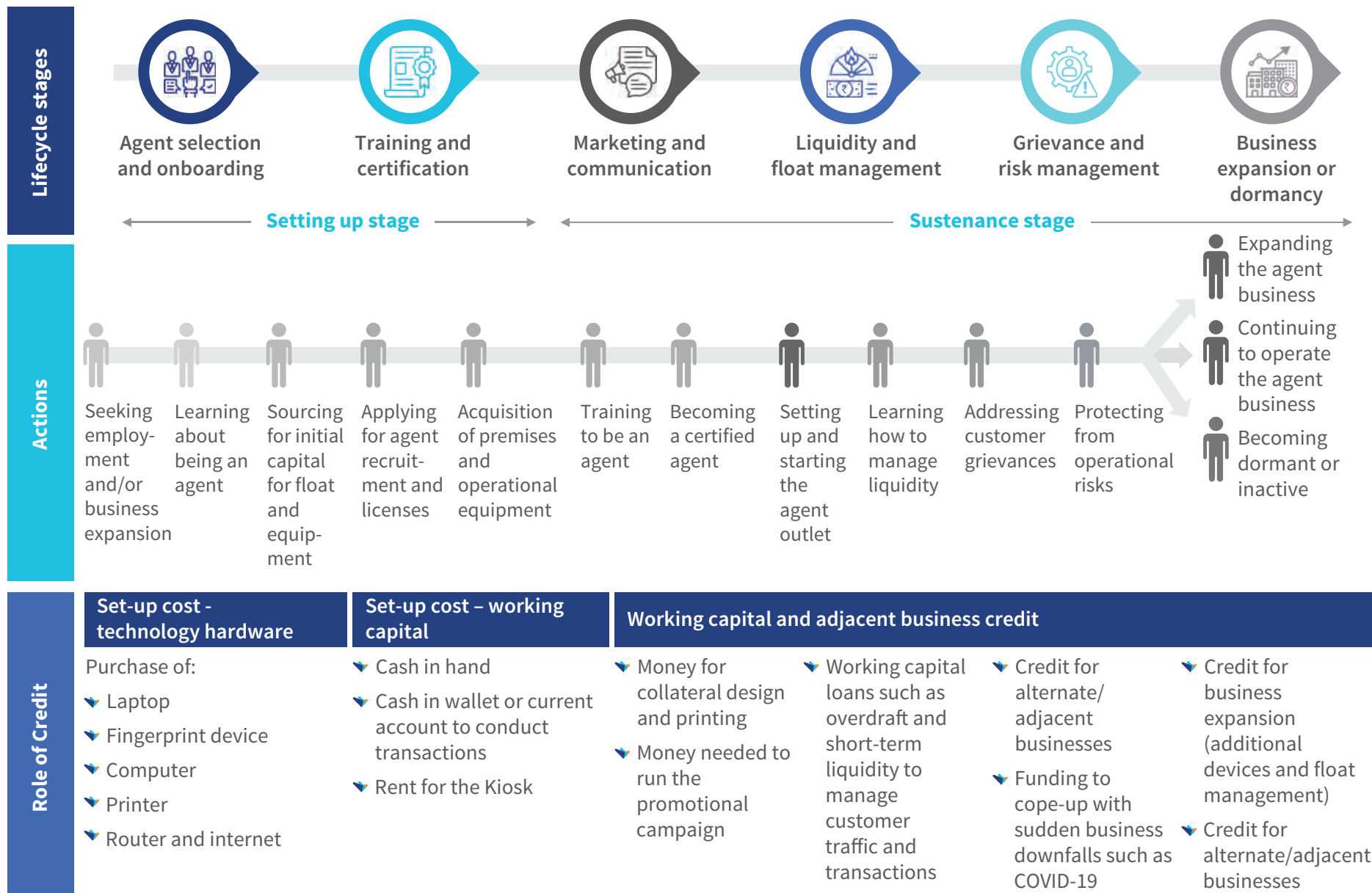


Section 2.1 Financing support for CICO agents

In chapter 1, we looked at the overall market gap in lending to agents. Specifically, agents have varied needs for credit through the three stages of their lifecycle—startup, sustenance, and business expansion. The need for credit at each stage of the lifecycle vary in value and demand. This chapter presents these requirements in detail.



Figure 2: Role of credit in agent's lifecycle

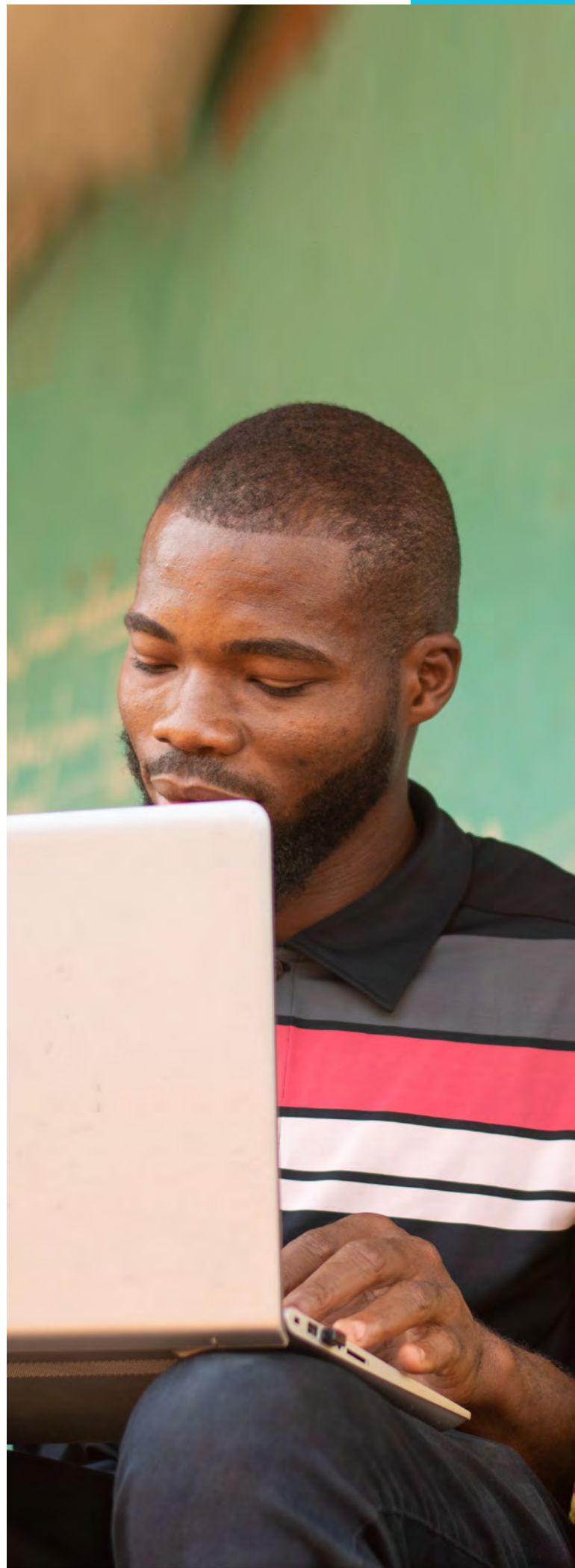


2.1.1 Startup capital

CICO agents have varying capital requirements through the agency business lifecycle, such as the rent of suitable premises in the beginning and then the costs of equipment while setting up the business. In East Africa for instance, mobile money agents use mobile phones to transact. Regulations allow them to operate from semi-permanent structures, including portable booths. Thus, the initial investment to start a mobile money agency business is much lower than a bank's agency business. Consequently, mobile money agents are more ubiquitous than bank agents. In Bangladesh, mobile financial service agents work from their existing workplaces, so they do not have to invest significant capital to start the business.

In contrast, regulations in certain jurisdictions mandate bank agents to have permanent premises—the cost of premises increases the overall expenses of running a CICO point. Beyond physical premises, some regulations require bank agents to have business licenses and clearances from local authorities, which adds to their startup costs. Agents in Nigeria must have a registered tax identification number (~USD 35), a tax clearance certificate (~USD 100), credit reference bureau clearance (~USD 12), and renewed business license (~USD 60 – two years).

In Kenya, one bank goes as far as to prescribe that an agency business must have a manager and two assistants, which makes staffing costs crucial when starting a bank agency. In Bangladesh, the agent branding and premise setup costs are also relatively high for bank agents. A bank agent









in the country must invest between USD 10,000-20,000 to set up the premises. The physical setup includes up to two cash counters, secure storage for cash, computers, and printing equipment.

The cost of transaction equipment varies depending on the agent and customer requirements. The cost also varies based on policies set by the government or financial service providers. In Uganda, agent banking regulations mandate bank agents to provide a physical receipt for every transaction. Thus, each agent must have a printing device even though they can transact using a mobile phone. Most banks provide agents with a point-of-sale (PoS) machine for approximately USD 150. Since this is a significant capital cost, some institutions offer hire-purchase arrangements to help agents acquire the device.

Other institutions, such as the Agent Banking Company in Uganda, initially received a grant from aBi Finance to purchase about 137 tablets and 1,089 agent banking point-of-sale (PoS) devices integrated with cameras, biometric scanners, and printers. Some non-banks in Indonesia also provide devices at the cost of USD 25-60, which can be connected to smartphones to print physical receipts for transactions. In Kenya, bank agents are not necessarily required to print physical receipts; thus, some banks provide agents with mobile phones as the primary transaction device.

Figure 3: Startup capital requirements for CICO agents in different countries

Startup capital financial requirements	Premises and branding	Transaction equipment	Minimum float	Estimated start up costs
Kenya – Bank (KCB Bank) 	<ul style="list-style-type: none"> ⊙ In-kind branding ~ USD 45 ⊗ Business license ~ USD 45 ⊗ Existing business with permanent premises that has operated for 18 months 	<ul style="list-style-type: none"> ⊙ In-kind POS machine ~USD 150 and ⊗ Mobile feature phone ~USD 45 	<ul style="list-style-type: none"> ⊗ Initial float to register ~USD 850 	~USD 1135
Nigeria (Average costs) 	<ul style="list-style-type: none"> ⊗ Branding ~ USD 100 ⊗ Biennial business license ~ USD 60 ⊗ Tax Identification Number ~ USD 35 ⊗ Tax clearance certificate ~USD 100 ⊗ Credit bureau clearance certificate USD 12 	<ul style="list-style-type: none"> ⊗ POS machine ~USD 200 and ⊗ Mobile feature phone ~USD 45 	<ul style="list-style-type: none"> ⊗ Initial float to register ~USD 250 	~USD 787
India – ANM (EKO) 	<ul style="list-style-type: none"> ⊗ Branding ~ USD 20 	<ul style="list-style-type: none"> ⊗ Smartphone ~USD 100 	<ul style="list-style-type: none"> ⊗ Initial float to register USD ~600 - 900 	~USD 700 - 900
Bangladesh (Brac Bank) 	<ul style="list-style-type: none"> Signboard ~USD 250 Glass sticker ~USD 60 Table ~USD 150 	<ul style="list-style-type: none"> ⊗ Two laptops ~USD 875 ⊗ Biometric devices ~USD 200 ⊗ Webcam ~USD 60 	<ul style="list-style-type: none"> ⊗ Individual agent ~USD 12,500 UDC or post office agent ~USD 2,500 	~USD 4600

Startup capital financial requirements	Premises and branding	Transaction equipment	Minimum float	Estimated start up costs
		<ul style="list-style-type: none"> ⊗ Internet ~USD 30 Inkjet printer ~USD 190 Two cash counter ~USD 275 Vault ~USD 250 Bank note checker ~USD 25 		
Indonesia (BRI) 	<ul style="list-style-type: none"> ⊗ Branding ~USD 100 	<ul style="list-style-type: none"> ⊗ EDC machine ~USD 145 - USD 215 Smartphone ~USD 100 	<ul style="list-style-type: none"> ⊗ Initial float to start ~USD 150 	~USD 400
Ugand (Airtel) 	<ul style="list-style-type: none"> ⊗ Business Name Registration Certificate: ~USD 10 ⊗ Trading license receipt: ~USD 15 	<ul style="list-style-type: none"> ☑ Two transactions lines each costing ~USD 20 ☑ Smartphone ~USD 100 	<ul style="list-style-type: none"> ⊗ Initial Float to register: ~USD 525 	~USD 670
Ghana (MTN) 	<ul style="list-style-type: none"> ⊗ Business Name Registration Certificate: ~USD 10 👉 The Business Commencement license has been done away with. 	<ul style="list-style-type: none"> ⊗ Smartphone: ~USD 100 	Initial Float to register: ~USD 485	~USD 600

☑ Cost borne by the service provider

⊗ Cost borne by the agent

A few financial institutions, industry bodies, and private lenders lend to agents to ease agents' financing requirements when they start their agency business. When agency banking started in the country, Kenya Commercial Bank (KCB) helped agents with branding when it noticed that agents could not do quality branding without financial support. For a few institutions, leasing out equipment like POS terminals have allowed agents to afford the upfront cost of acquiring expensive equipment. Financial service providers like [Equity Bank](#) have [partnered with equipment manufacturers](#) to distribute POS machines to agents on affordable payment arrangements.

Across Asia, credit for an agent who is starting out is almost non-existent. Some agent network managers, such as Bank Rakyat Indonesia (BRI), offer EDC machines to their agents but require a corresponding security deposit. Providers in Bangladesh maintain that an agent must invest their own funds to start the agency business. Rizal Microbank in the Philippines offers POS device to the agents but deducts a nominal amount from agent's daily revenues to cover the cost of POS device.

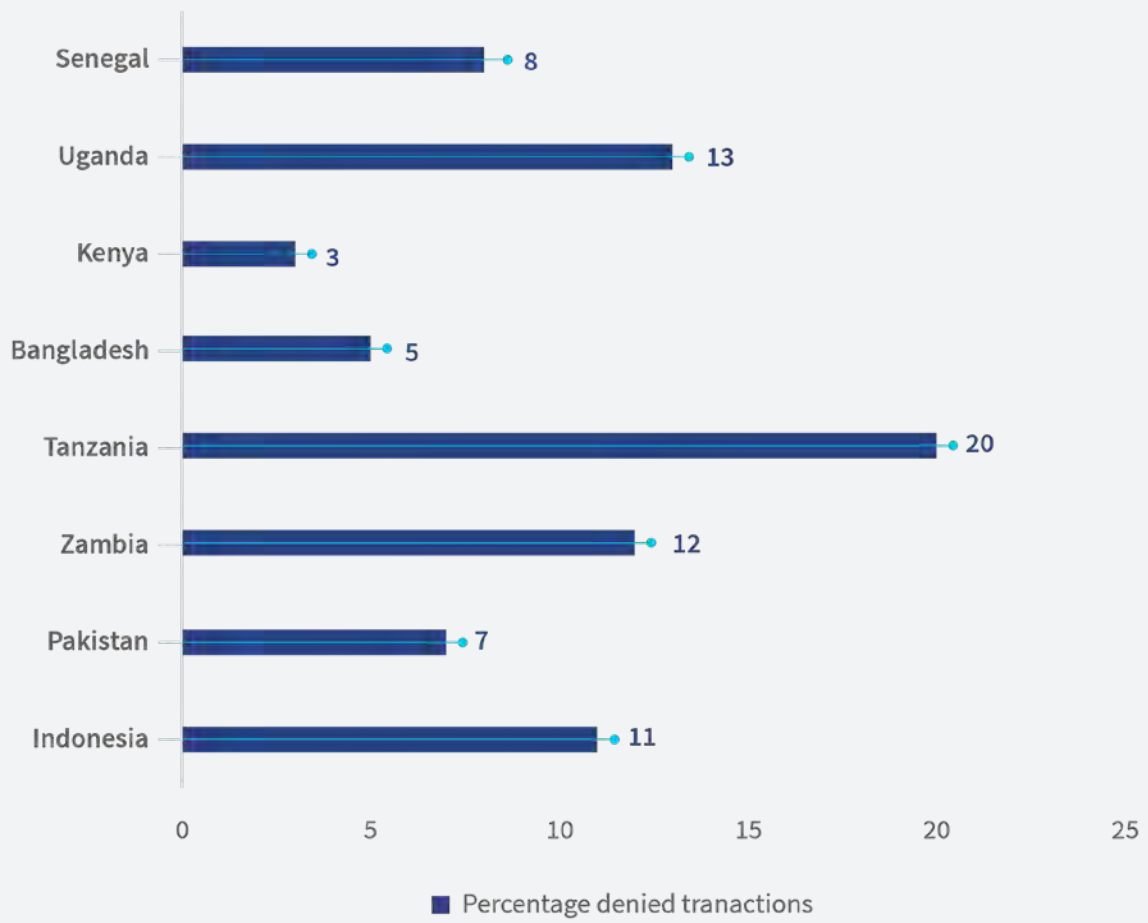
2.1.2 Sustenance or working capital

Liquidity management is a recurring challenge in agent network management. The demand for cash or electronic money depends on the flow and volume of transactions. A well-balanced flow between cash-in cash-out ensures that agents can continue to serve customers. However, a large volume of either cash-in or cash-out transactions can disrupt a CICO agent's liquidity position. Depending

on the type of transactions a CICO agent processes, they can either be short of cash if they do a lot of cash-out transactions or be short of e-float if they do a lot of deposit or OTC payments transactions.

Some financial institutions apply limits on the float values agents can hold to ensure their serviceability and security. In Kenya, the current policy limits the options to provide liquidity management assistance to the agents. As per this policy, a financial institution cannot transport cash directly without an armored vehicle and cash-in-transit insurance, which makes cash delivery expensive. Yet, without better options, cash delivery remains common in countries, such as [Bangladesh](#) and [Pakistan](#) and has increased in other countries. [Onango](#) in Ghana provides daily liquidity loans to agents. It reduces the cost for agents to manage cash delivery using cash runners called "black knights." These cash runners [collect or disburse cash](#) to agents daily based on their requirements, which are estimated every morning and evening.

Chart 12: The percentage of transactions denied by CICO agents due to liquidity concerns



Source: MSC Agent Network Accelerator Studies (2014-2017)



Lending to agents for float is a new phenomenon in many markets. Only a few financial service providers, network managers, or independent FinTechs lend for float. Banks in Asia and Africa, such as the State Bank of India, BRAC Bank in Bangladesh, Bank Rakyat Indonesia, and Equity Bank in Kenya offer short-term credit facilities to their agents to manage liquidity. Financial service providers can provide such credit directly to their agents or third-party network managers.

Eko in India has created a proprietary credit underwriting model through which it offers short-term (weekend) and long-term (30-day, 60-day, or 90-day) loans to its agents. Kuunda provides agents in Pakistan and Tanzania loans on demand through automated processes. These processes advance the float only when the agent lacks sufficient e-float to serve a customer who has initiated a transaction. Other lenders, such as Flow and LendingKart, have adopted various innovative approaches including offline to online models to provide working capital to their agents.



2.1.3 Capital for adjacent businesses

Most agents in developing markets are non-dedicated. Often, an agent may start with the agency business and add other business lines to augment the agency business or diversify their income.⁹ An agent may need credit to manage these adjacent businesses. In many bank-led agent banking markets, regulations and providers mandate an agent to have an existing business. In other places, non-banks usually rely on the distribution networks of FMCG, telecom, and other businesses to offer DFS services. Hence, in many cases, an agent usually has a primary business enterprise that they run alongside the CICO business.

Due to the nature of agency business, digital data of DFS transactions may serve as a credit decisioning indicator for the service providers to provide loans for non-DFS businesses.

Kuunda in Tanzania has successfully scaled up lending for the CICO business and is now venturing into lending to the agents' non-DFS businesses. Lending to adjacent businesses allows lenders to diversify and de-risk their portfolios in the small and medium enterprise and mass-market space. Supporting agents to expand their adjacent businesses makes them less vulnerable to economic shocks that may affect the agency business. Agents are also less likely to default on agency business loans if they benefit from adjacent business loans. Equity Bank agents in the Hunger Safety Net Program in northern Kenya receive liquidity loans (overdrafts). They are more likely to get

this overdraft facility for liquidity if they also have another adjacent business loan that “ties” them to Equity Bank.



⁹ Agents in mature DFS ecosystems, such as Kenya have recently seen their income from commissions decline income due to competition in the financial ecosystem and its digitization.

Section 2.2 Agent lending archetypes based on stakeholders and credit distribution










Several nuances characterize the agent lending models. These primarily include administrative, legal, financial, and operational relationships between

lenders, funders, and agents. The table below illustrates a few parameters that guide such categorization.

Table 2: Factors that influence agent lending

Who has ownership of the agent?	Agent ownership refers to who recruits and manages an agent directly. The agents can be managed directly by a financial service provider or third parties, such as an agent network manager (ANM) or a master agent.
Who does the customer (agents) origination for lending?	A lender may directly or indirectly lend to agents via a third party, such as ANMs or master agents. Some ANMs or master agents provide credit directly to their agents. In some cases, the agents may get credit from the FSP they serve or through an independent third-party service provider.
Who does the credit decision-making?	The lender qualifies an agent for a credit facility in most cases. However, the lender often needs pre-qualification information to determine an agent's creditworthiness. Some lenders do not make the lending decision alone and depend on a third-party service provider who either has better access to decision-making data or information or is better poised to disburse the credit.
How is the credit risk shared?	The lender may take up the entire credit risk or share it with other actors in the value chain following the role played by such actors in originating or managing the loans.
Who provides the capital?	Lenders can source the capital used for onward lending to agents from various stakeholders in the financial ecosystem.
How are the revenues shared?	The lender provides credit usually at an interest rate in proportion to their cost of capital and operations. This is also called a facilitation fee and could either be a flat fee or a percentage of the loan amount. The revenue from lending to agents is usually distributed to the stakeholders in the lending model based on their share of credit risk.

Figure 4: Illustration of various agent lending models and the factors influencing agent lending

	The DFS provider lends directly to agents or ANMs		ANMs or FinTech with own network lends to agents	FinTechs without an agent network lends to agents	
	Providers lend directly to agents	Providers support master agents with short-term credit	FinTechs lend on their own books or the books of partner banks	Lenders offer credit in partnership with ANM	Lenders offer credit without a formal partnership
Who owns the agent?				 DFS provider or ANM	
Who does the customer (agents) origination for lending?		 Third party (ANM, Master Agent)	 FinTech or ANM		
Who does the credit decision making?	 DFS provider				 Third-party lender
How is the credit risk shared?			 1. Own books: 100% 2. Funds from bank or NBFC: The risk is shared	 FinTechs (third-party)	
Who provides the capital?		 DFS provider	 FinTech or ANM (own funds) or bank or NBFC		
How are the revenues shared?					
Example	SBI (India), Equity (Kenya), Bank NTT and BRI (Indonesia)	Airtel - KCB (Uganda)	OPay (Nigeria), Paymaya (The Philippines), EKO and Sub-K (India)	Bloom (Kenya), Kuunda (Tanzania)	Flow (Uganda) Pezesa and Pesakit (Kenya)

2.2.1 DFS providers lending directly to agents or agent network managers

A financial service provider running a DFS business is best placed to offer credit to agents. First Bank in Nigeria has a sizeable agent network (Firstmonie) and provides direct credit to its agents for their liquidity needs. However, it has partnered with Pngme, a FinTech with a full-stack lending platform, to carry out credit appraisals for the agents. In this case, First Bank lends directly to agents but uses the FinTech's services to score its agents. Many traditional institutions may require a third-party service provider to lend because they are unfamiliar with digital lending. Pngme's services are not fully automated since it needs the agent to upload their KYC documents, but once agents upload the KYC details, Pngme's systems can instantly appraise the agents and provide the required credit score to First Bank.

In Kenya, Equity Bank provides a short-term overdraft facility to its agents for float using traditional¹⁰ means to determine an agent's creditworthiness. Other banks, such as the State Bank of India and Bank Rakyat Indonesia (BRI), lend directly to their agents.



¹⁰ Traditional means of creditworthiness assessment here refers to processing credit through physical application at the branch, manual processing by staff, and collateral- or turnover-based appraisal of loans.

Box 2: Equity Bank Kenya—A commercial bank that lends directly to its agents



Equity Bank Kenya

Relationship and access to agent	The bank owns and manages its own agent network.
Data sources	The DFS transaction data of agents feed into the bank's custom credit scoring software to analyze credit scores. The scores are complemented by the relationship managers' judgment on the agent's creditworthiness.
Source of funds	Self-funded
Credit decisioning methodology	Demand-based decisioning through traditional credit appraisal of an agent by a relationship manager
Credit risk-sharing	Equity Bank covers the entire credit risk. The bank may also lend based on business collateral and the agent's relationship with the bank.
How are the revenues shared?	The revenue from interest is collected and reported on Equity Bank's books.

In the master agent model in Kenya, some sub-agents receive liquidity assistance from their master agent. They have a formal arrangement through Safaricom that ensures the master agent receives 20% of commissions earned by the sub-agents. In return, the master agent provides liquidity and credit support to their downstream agents. In Mozambique, float lending takes place informally. A businessperson who owns an agency SIM card for M-Pesa rents it out to a sub-agent and may provide liquidity but can charge up to 50% of commissions earned by the sub-agents.



MNOs that own agents also have an opportunity to partner with lenders or FinTechs to offer financing support to their agents. The partnership between KCB and Airtel Money in Uganda is noteworthy.

Box 3: KCB Uganda and Airtel Uganda have partnership to allow Airtel agents access fast and unsecured loans



KCB/Airtel agent float financing

Relationship and access to agent	Airtel agents can self-onboard through USSD. They must have been an active commission-earning agent for six months.
Data sources	KCB can access Airtel's agents' transaction data via API integration with Airtel's mobile money platform
Source of funds	KCB
Credit decisioning methodology	Agent transaction data is used to determine the amount of funds that can be lent, although the <u>maximum amount is capped at UGX 250,000 (USD 63)</u>
Credit risk-sharing	Information not available
How are the revenues shared?	Information not available



2.2.2 ANMs or FinTech with their own network that lends to agents

Large agent network managers are well placed to lend to the agents in their network. In Ghana, the ANM Onango provides both on-demand cash and e-money loans (daily loans) for qualified mobile money and e-money merchants. This product is called Float Loan. The interest on float offered to agents is charged based on their estimated daily usage and is paid in advance when an agent requests for float.

Box 4: Onango Alternative Finance—An ANM lending to agents in its partner network

onango Alternative finance

Relationship and access to agent	Onango owns a third-party agent network manager and provides float credit to mobile money agents of its partner service providers. Onango also sources agents via nFortics, an aggregator that makes bulk payments in the agriculture value chain.
Data sources	Transaction data is sourced through Onango's application on the merchant's phone or is shared by partners when agents use the partner's platform to apply for a loan
Source of funds	Grants from donors and partnerships with financial service providers (debt funding) like EcoBank in Ghana
Credit decisioning methodology	Onago uses agent transaction data to assess merchants or agents and determine credit limits
Credit risk-sharing	Onago covers the entire credit risk
How are the revenues shared?	Revenue from interest is collected and reported in Onango's books

Eko, an ANM in India, sources capital on its own from non-banking financial institutions and does loan management and credit underwriting in-house. Eko has created a proprietary credit underwriting model.

ANMs and FinTechs that offer credit to agents in their network have succeeded. The reason for their success is their

access to agents' transaction data and their relationships with agents—both allow ANMs and FinTechs to assess creditworthiness and ensure repayments. Importantly, both EKO and Onango give loans for e-float via a digital lending mechanism—which involves no physical engagement with agents. They are now expanding their credit offering to agents from other agent networks.

Box 5: Eko Financial Services—A FinTech that provides a platform for agents to access lenders

Relationship and access to agent	EKO has partnered with large banks in India and set up a large network of merchant outlets to work as business correspondents to provide banking solutions to <u>economically weaker sections of society</u> . Institutions that use Eko's platform include SBI, Yes Bank, Fino Payments Bank, Airtel Payments Bank, and Axis Bank.
Data sources	Data secured from Eko's platform services (EPS) that agents and merchants use to conduct financial transactions
Source of funds	Partners who offer business loans to retailers: <ul style="list-style-type: none"> • Faircent • Arthmate • Instamoney • Indifi
Credit decisioning methodology	DFS data (secured from EPS) based credit decisioning algorithms.
Credit risk-sharing	Eko assumes 100% of the credit risk
How are the revenues shared?	Eko books revenue from credit operations in its accounts.

2.2.3 FinTechs without an agent network lending to agents

FinTechs can also lend directly to agents, with or without a partnership with an existing service provider. Kuunda provides float credit directly to CICO agents in Tanzania and Pakistan. FINCA is Kuunda's financial services partner in Tanzania and facilitates lending to agents on Kuunda's behalf. Regulations in Tanzania do not allow a FinTech to lend directly to the agents. The loans made to agents sit on FINCA's books.

One Load, a bill payment aggregator in Pakistan, has provided Kuunda access to its agent network. In both setups, Kuunda uses data from the agents' mobile phones using an application (HapaCash in Tanzania). Once an agent installs the HapaCash app, Kuunda can directly access the agent's transaction data and use it for credit appraisals.

Agents onboard themselves and become pre-qualified for float credit once they download the HapaCash app onto their phones. This model gives FinTechs control over agent onboarding, credit decisioning, disbursement, and collection of the float offered on credit. FinTechs can organize funds from various investors and onboard agents from other mobile money and bank agent networks.

FinTechs source agent's data by partnering with agent network owners or by targeting agents directly. One such FinTech, FLOW, uses both models.



Box 6: Kuunda Digital—A FinTech that provides instant, remote, and automated agent lending



Solving business liquidity challenges across informal markets

Relationship and access to agent	Kuunda is a B2B FinTech business that offers partners a white-label liquidity platform that integrates into each partner's payment rails. Agents download the HapaCash agent app or KaziCash app that analyzes the agent's historical and continuing transactional (SMS) data.
Data sources	Data secured via HapaCash, DigiKhata application installed in agent's mobile phones
Source of funds	Partner financial institution— - FINCA in Tanzania; Advanclly in Nigeria; Neem Exponential in Pakistan
Credit decisioning methodology	The HapaCash application extracts transaction data of agents for credit scoring. A customer-initiated transaction instantly triggers the request and determines the value of float needed by the agent. Loans are disbursed instantly, remotely, and automatically through on-demand requests.
Credit risk-sharing	FINCA in Tanzania bears credit risk and loan book.
How are the revenues shared?	Information not available



Flow has partnered with agent aggregators like EzeeMoney (Uganda), ChapChap (Uganda), and RTN (Rwanda) for the transaction data of the agents. Flow’s field staff also approach agents directly to collect their transaction data in

cases where Flow lacks a partnership with an agent aggregator. Flow offers loans for set-up and liquidity. Its team conducts physical due diligence of the agent point before sanctioning these loans.

Box 7: Flow Global—A FinTech lending directly to agents

FLOW Flow Global

Relationship and access to agent	Register agents via aggregators and directly from one-to-one contact. More than 2,100 agents are registered on Flow’s platform, of whom around 1,350 are active
Data sources	They have two channels: 1. Data from aggregator partners, 2. Directly record agents’ data (physical)
Source of funds	Own funds; Grant and debt support—German Investment Corporation (KfW), UNCDF
Credit decisioning methodology	A data-based decision model was developed in-house to score agents based on their transaction history sourced directly from integration with a service provider platform or from data directly sourced via its staff.
Credit risk-sharing	The entire credit risk is with Flow
How are the revenues shared?	If Flow partners with an aggregator, it shares a fee with the aggregator partner to acquire agents.



Pezesha in Kenya offers agent network management tools to agents in East Africa. The data collected through digital tools helped Pezesha develop a robust credit scoring engine.

Box 8: Pezesha—Offers a digital financial marketplace for borrowers, lenders, and investors



Digital financial ecosystem for providing credit access to MSMEs

Relationship and access to the agent (partner onboarding)	Pezesha has a pool of merchant partners (online retailers) through which it sources clients. Pezesha conducts institutional quality due diligence on these small businesses. This exhaustive end-to-end process includes financial and operational analysis
Data sources	Pezesha collects KYC information from clients when they upload documents through the website. Pezesha also requests transactional data (directly from the merchant and merchant aggregators). This data is also uploaded through the website.
Source of funds	Financial service providers and individual investors lend their money via the Pezesha platform.
Credit decisioning methodology	Pezesha's credit scoring is divided into embedded finance and direct SME finance. The embedded credit scoring engine refers to the algorithm that scores merchants originated through partnerships (<u>Twiga</u> and <u>Jumia</u>). A Direct SME is a manual scorecard evaluation process as the information requested is obtained manually by the credit analyst and populated into a credit scorecard.
Credit risk-sharing	The respective financial service providers bear the credit risk, but risk management is implemented operationally through Pezesha
How are the revenues shared?	Pezesha charges a fee from participants of the marketplace from both the borrowers and the lenders

Pezesha now provides a platform where small and medium enterprises, such as agent businesses, can seek funding in a business-to-business (B2B) model. The B2B model for agent lending is an investor marketplace where potential lenders can connect with creditworthy businesses on mutually agreed return agreements. Pezesha provides the digital lending-infrastructure-as-a-service for connecting SME businesses to working capital.

The Kenya-based merchant lender Asante FSG lends based on the digital transactions data of merchants. It has concluded a successful pilot on agent lending and will roll out the service to its merchants, who also double up as agents.

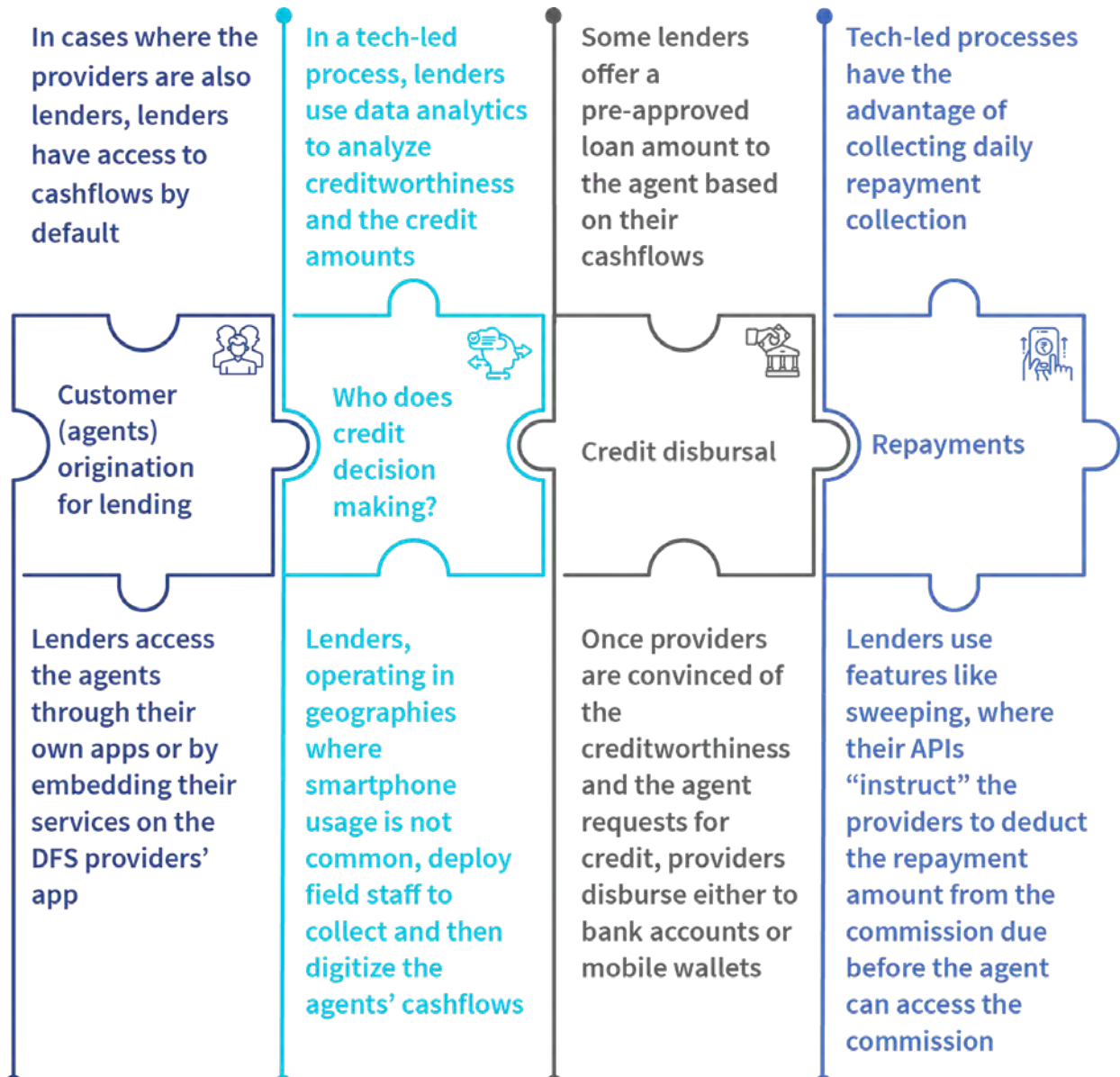
Box 9: Asante FSG - A FinTech agent lending service provider



Relationship and access to agent	Partnership with Safaricom to promote the float credit service (<u>Bloom Finance</u>) to merchants and agents on the M-Pesa network
Data sources	Asante FSG gets data for credit scoring from Safaricom's data on agent transactions.
Source of funds	Asante FSG
Credit decisioning methodology	Asante FSG developed a data-based decision model to score merchants and agents based on their transaction history.
Credit risk-sharing	Asante FSG fully bears the credit risk and loan book.
How are the revenues shared?	Revenue from interest is collected and reported on Asante FSG books.



Section 2.3 Agent lending decisions: Process and challenges



2.3.1 Customer (agents) origination for lending

Agent lenders can access agents they lend to in several ways depending on the relationship and platforms through which they interact. This could be a direct relationship or one where the lenders access agents through partnership arrangements between financial service providers, agent network managers, or FinTech companies. The onboarding method may also vary in speed-to-market and risk-based operational parameters. MSC finds that lenders who access agents through agent network managers are faster in market outreach, as is the case of KCB and Airtel in Uganda.

Novopay in India provides digital banking systems for banks, NBFCs, MFIs, and FinTech companies. Novopay is present in every state in India, has a network of 150,000 retailers, and has one distributor for every 500-600 retailers. It plans to roll out a software-as-a-service solution through which it can provide lending solutions to agents on the supply side and customers on the demand

side. Since Novopay already has data on agent activities and controls the agent's operational platforms, it is well-positioned to provide low-risk credit services to agents.

Institutional and government policies may also determine the onboarding procedure for agents. Kenya enacted a new law to regulate digital lenders of all types. From September, 2022, non-bank lenders who provide loans to customers, including agents, will require to register as digital credit providers before they can onboard and provide digital credit.

However, agents still face challenges to access credit. Most lenders demand collaterals, which few agents have. Agents also fear that financial institutions will not lend to them and often have experience of loan applications being denied despite fulfilling the requirements. The agents perceive the application process for traditional loans to be too long, requiring too much effort, and not worth the risk. Section 3.2 discusses these in detail.



2.3.2 Decisioning to lend to agents

Credit decisioning takes various forms, determined mainly by the data or information that the lender has about the agent. Since most lenders who own agent networks typically have access to data and information about their agents, they are best placed to make informed lending decisions. MSC finds that credit decisioning for agent lending is being done through both conventional methodologies and digital or even automated means. This is directly linked to the agent lending models discussed in section 2.2.

Previous loan repayments also significantly determine future loan

decisioning. The key metric that Flow in Uganda tracks regarding delinquency is the on-time-repayment rate (OTR), and the target is to maintain this at 98%. Flow tracks other delinquency-related metrics, such as one-day overdue, three-day overdue, five-day overdue, and 10-day overdue. Late repayments affect an individual agent's credit score.

Some agent lenders also define basic qualification criteria for eligibility. BRI currently offers loans to only the high performing agents i.e. agents that do more than 500 transactions per month or monthly transaction value of more than IDR 250 million (USD 16,300).

Box 10: Bank Rakyat Indonesia (BRI)—A bank lending directly to its high performing agents rate for agent lending



Bank Rakyat Indonesia (BRI)

Relationship and access to agent	BRI is one of the largest banks in Indonesia. BRI bank has agent network services called BRILink. It owns and manages an agent network of 500,000+ agents (2021)
Data sources	BRI has direct access to the transaction data for its agents.
Source of funds	Lending is in-house, with the bank directly lending to its agents. The BRILink team coordinates with other subsidiaries such as Bank Raya, digital banking arm of BRI group, for underwriting loans to the BRILink agents.
Credit decisioning methodology	Decisioning is primarily based on the transaction data of the agents. Currently, the loan facility is only available for agents that do more than 500 transactions per month or process monthly transactions in excess of IDR 250 million (USD 16,300). Previous loan repayment behavior would yield a positive credit rating.
Credit risk-sharing	There is no external partner, and the bank owns all the risk.
How are the revenues shared?	There is no external partner, and the bank owns the revenue from the lending to agents.

Agent lenders may also provide on-demand credit based on the agent's requirements. Kuunda has used this approach to ensure that their agents borrow responsibly to meet float shortages when a customer wants to make a deposit. Only when a customer makes a cash deposit request does the agent receive the float advance to transact the value required. This mechanism responds to the concern that agents may be tempted to borrow float even when they do not need it for their agent banking business. Automated lending decisioning, in this instance, helps the agent borrow responsibly and enables the agent lender to provide truly responsible digital credit.

FinTechs are well-positioned to fulfill instant, remote, and automated lending to agents. They can lend either through collaboration to provide decisioning expertise or independently where the law permits it. A case in point is Optimetriks, a Nairobi-based FinTech that has partnered with Airtel Uganda to monitor the field operations of at least 1,600 agents using community-based field supervisors. The Optimetriks mobile app enables the supervisors to collect GPS locations, capture photos of the agent locations, float and sales levels, and agent satisfaction levels. The application of such information can complement system data in agent lending decisioning.

2.3.3 Disbursement of credit as e-float or cash

The distinction between cash management and e-float management is essential when defining liquidity management because cash needs to be distributed physically while e-float is distributed electronically. This poses

different challenges for an agent, depending on their requirement for credit.

E-float management ensures that the amount of e-value present in the agent's wallet (on the agent till) is sufficient to process customer deposits. Cash management refers to the steps in procuring physical cash dedicated to the agent business, used to facilitate customer withdrawals in exchange for e-float.

Agent lending can remedy both these needs—for cash and e-float. Yet, replenishing the e-float is faster as it does not involve the physical transportation of cash from the agent to the rebalancing point. E-float advances are easier to manage as they are systems-based. In some markets, agents and their master agents typically assist each other through formal and informal arrangements to advance each other e-float. Credit providers must recognize the intricacies and differences between e-float and cash advances, especially the latter, which needs well-thought-out security and recording mechanisms.

Examples include Onango, which offers cash credit to mobile money agents delivered via “black knights”—trusted individuals hired to provide cash to agents physically. Social trust can also be a critical driver of agent lending in traditional credit lending. Pngme in Nigeria has successfully piloted an agent lending business for the ANM ReadyCash. Pngme embeds elements of social trust, such as peer guaranteeing among women's self-help groups to disburse and recover loans to female agents working in the same community.

2.3.4 Repayment and collection of credit interest

Depending on the technology capability of the agent lenders and partners, credit repayment may also take varied forms to recover the credit and facilitation costs. Agent lenders typically collect repayment of the principal and interest amount once it is deposited into their e-float account through an inward transfer—a physical cash deposit at the bank or electronic transfer from another account. The lender recovers these amounts in two ways based on the system’s technical setup. The first way is when an agent is actively involved in authorizing the deduction of the credit. The second is when the lender’s system automatically deducts an agent’s funds to recover the principal and interest accrued for the credit. .

Kuunda in Tanzania has set up systems to automatically collect (auto-debit) the principal and interest from the agent’s float account. In contrast, Equity Bank in Kenya requires the agent to transfer their principal borrowed and interest back to the “overdraft” account. In Kuunda’s case, the auto-strike system helps ensure that funds disbursed are recovered immediately to facilitate fast turnover in disbursements while ensuring the agent does not divert loans meant for float toward other purposes.



2.3.5 Capital requirements for agent lending

Lenders' main costs (the capital required to fund loans) and availability of the necessary reserves to compensate for the loan are critical factors that drive their sustainable business case. Kuunda in Tanzania disburses USD 2 million monthly and thus requires a rolling facility of just under USD 4 million from FINCA Tanzania to sustain its term loan operations. Overdrafts need smaller capital because they have a shorter term and are recovered automatically from agents' accounts—through auto-strikes.

Term loans are more traditional and of more significant value. Such loans would typically follow more fiscally-restrictive practices, as they also use credit information from other partners to provide credit to agents. Cross-referencing with partners prevents over-indebtedness and offers credit to well-performing agents.



Section 2.4 Opportunities for investments

Investors need to recognize factors that inhibit the expansion of agent networks and the growth of individual agent's adjacent businesses. Such opportunities include the following:



2.4.1 Standard capital growth

Most institutions providing agent lending solutions are new-age FinTechs, which often cannot afford the capital or licensing requirements to offer credit in their respective markets. Growth capital to the service providers to develop their technology, systems/processes, customize products, and build/expand their agent lending operations. Many of these players—startups or organizations new to lending, or both—seek to fundraise.

Several FinTechs may fail to maintain their agile and innovative nature once acquired by more traditional parent companies. In a reverse scenario, some FinTechs have raised funding to buy out traditional financial institutions, thus gaining the advantages of being a regulated FSP. For example, the digital lender Branch International acquired Century Microfinance Bank in Kenya.

Further, investments in digitization processes throughout the agent lifecycle can significantly reduce the cost of agent acquisition and sustenance. ANMs like Eko in India have shown 75% savings in onboarding, training, monitoring, and evaluation costs for individual agents, thus significantly increasing their business case. FinTech PaperSoft has invested in white-labeled technology to digitize the agent lifecycle. It now provides agent network management technology for two of Africa's largest banks—Equity Bank Group and EcoBank in the Democratic Republic of the Congo (DRC), and various mobile money agent networks.

2.4.2 Direct underwriting from institutional investors for working capital for agent liquidity

Applying traditional collateral-based financing for agents' initial and working capital is not practical. Institutional investors can invest in a portfolio of agent working capital loans by using the FSP, MNOs, or ANMs for credit screening, diligence, and additional security. Such a screening process would, for example, disqualify agents from future agent business if they default. FSPs, MNOs, and ANMs have the incentive to originate the loans to improve their agent performance without underwriting the loans, which banks or investors with a lower cost of capital could do.



2.4.3 Direct underwriting from institutional investors for agents' adjacent business

Agent business can serve as an onramp to more traditional MSME finance due to improved credit screening, diligence, and incentives to not default. Thus, institutional investors can invest in a portfolio of MSME working capital loans. The agent lending market is nascent, but there is a clear need to offer more customized products that help agents run adjacent businesses. Needs across agents' setup and sustenance phases could lead to new product designs. Lenders can pick specific needs. They could, for instance, run marketing campaigns, support rent for the agent premises, and support the purchase of a laptop or computer.

In Ethiopia, HelloCash provides agents with solar-powered booths that enable them to generate extra income by offering paid services to customers to charge their phones. HelloCash also gives the solar kit to agents on a "pay-as-you-go" model and uses the agents as distribution points for its "HelloSolar" pay-go energy solution. This way, HelloCash's parent company BelCash Solutions can make its agent distribution network more sustainable by helping the agents diversify their businesses with adjacent distribution-based businesses that lower their fixed costs.

2.4.4 Direct underwriting from institutional investors for agents' fixed startup costs

Institutional investors can invest in a portfolio of term loans for established small business models under which new agents sourced and screened by the FSPs, ANMs, or MNOs need capital to set up their agent business. The automation of decisioning succeeded in some markets. Yet, critical elements like machine learning are often not replicable across markets or institutions. The human capital and technology-related costs to onboard quality borrowers and make fast and informed decisions hinder successful agent lending. Potential credit decisioning companies have a considerable market across the developing world to either work with traditional FSPs and ANMs or provide credit directly to agents.

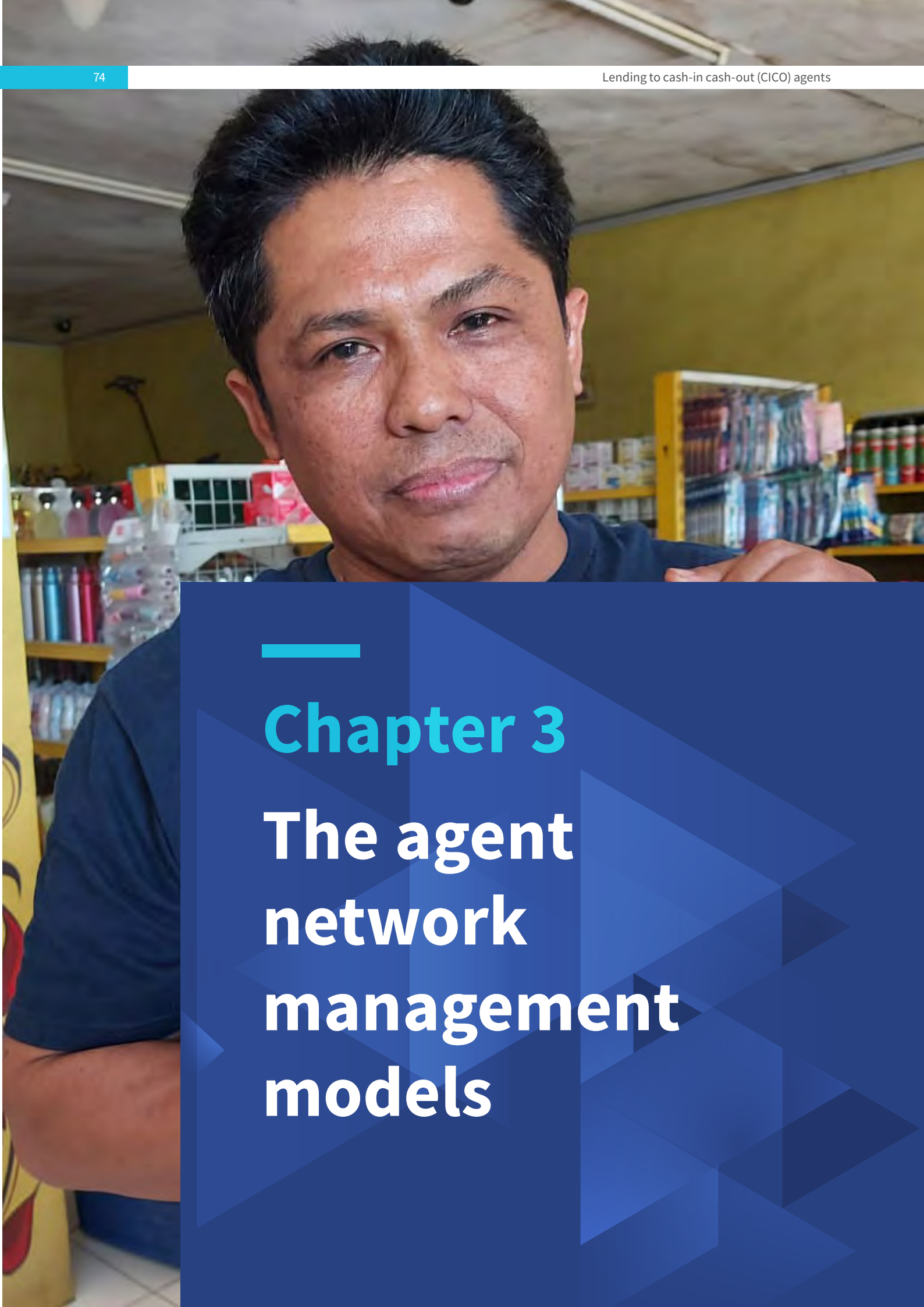
A rarely credited but significant enabler of the Kenyan CICO market in 2010 was the waiver of tax on motorcycles below 200cc. Motorcycles improved the mobility required for agents to deposit or withdraw cash in areas with insufficient transport infrastructure. They also enhanced agents' operational efficiency by saving them the time and cost of travel to rebalancing points. Investors can also enable agents or ANMs to improve cash delivery through ventures that facilitate credit for agents' peripheral logistical requirements. Tugende in Uganda is a for-profit social enterprise. It provides asset finance to aid income-generating individuals and small and medium enterprises, such as bank agents.

2.4.5 Structured finance for off-balance-sheet lending

Investors have an opportunity for off-balance sheet lending where small loans to agents for their agent business and adjacent businesses could be bundled and securitized in special purpose vehicles owned by a wide variety of investors with differing risk appetites. Philanthropic donors focused on environmental, social, and governance (ESG) could take first losses, for example, with more traditional institutional investors investing in senior tranches. These special-purpose vehicles could include loans diversified across countries, currencies, FSP originators, and agents.

FSPs in the primary intermediation business are typically not involved in providing credit to agents. The low participation of traditional banks results from a confluence of factors, such as limited collection or use of existing data, lack of digitization and technology, and inefficient processes. Moreover, some traditional FSPs that have successfully rolled out agent networks have not replicated the same success in digital credit since they have outsourced their network management to ANMs and FinTechs.





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Chapter 3

The agent network management models

This section discusses the evolution of the agent network ecosystem worldwide and its importance in market development.

Section 3.1 The agent network management models

Agent networks are one of the most critical and complex-to-manage components of DFS systems. Building and managing effective agent networks require a systematic approach. Effective agents are well trained, trusted by customers, and strategically and conveniently located. They are also adequately incentivized to follow procedures, keep sufficient float on hand, and serve customers. Financial service providers—banks, MNOs, and FinTechs—must build the required efficiency in their systems to keep an agent motivated and well-trained.

While developing, incentivizing, and managing a network of retail agents, providers must address the inherent challenges of delivering a positive customer experience that creates and maintains trust in the system.

Developing a productive agent network involves several elements. These can be grouped into three broad categories:








1. Operational (agent selection, agent recruitment, agent onboarding, agent supervision, and agent training);
2. Financial (liquidity and cash management);
3. Tech-related (device management, technology platform).

Financial service providers use multiple models to build and operate their agent networks, depending on the role of different ecosystem players in managing these three elements. Notably, agent network management models are moving toward non-exclusivity and non-dedication. Non-exclusive agents serve more than one DFS provider. In most markets, DFS agents are non-dedicated. Non-dedicated agents run another primary entrepreneurial activity from their kiosk or shop, from where they also run the cash-in cash-out business as an additional revenue stream.

Figure 4 shows the different agent network management models that MSC found in its research across Asian and African financial markets.



Figure 5: Agent network management models

		Direct agency	Master agency	Shared agent networks	Agent networks as a service	Hybrid agency
Operational	Agent selection					
	Agent recruitment					
	Agent onboarding					
	Agent supervision	 DFS provider	 Third-party (Individual or corporate)	 Third party promoted by multiple DFS service providers	 Independent third party	A provider may have multiple arrangements in setting up and managing an agent network. It could be a combination of any of these four models
	Agent training					
Agent refresher training						
Financial	Liquidity and cash management					
Tech	Device management	 DFS provider or third party	 DFS provider			
	Technology platform					
		KCB, Equity, Wave, BRI	MTN, Airtel, Safaricom	SANEF, ABC Uganda	Eko, ECPay, Oxxo	SBI, RCBC

3.1.1 Direct agency model

Banks and non-MNO players typically adopt the direct agency model. The service provider is responsible for all aspects of agent recruitment and management. Banks use their branch networks organically to grow agent networks around these branches. While most elements of the agent network management are executed in-house, the provider may still outsource specific activities.

In this model, public sector banks lead financial inclusion through investments in rural financial infrastructure, such as bank branches and interoperable payment systems, and partnerships with agent network managers.

Payment interoperability schemes facilitate connectivity and make it easier for public and private banks and their third-party partners to aggregate financial and non-financial services from different providers at a single agent point. This ultimately results in more agent activity and viability in rural areas.

The direct agency model can have two distinct variations in its operations—centralized (managed by the head office, as with State Bank of India) or decentralized (branch-coordinated, as with Equity Bank in Kenya). In the direct agency model, providers typically only share revenue with agents. For example, BRI in Indonesia shares 50% of the transaction fee charged to the customers with the agent. These commissions can go up to 70%-80% for some providers.

Direct agency model examples - Bank BRI in Indonesia, Rizal Microbank in the Philippines, Bank Mandiri in Indonesia, Equity Bank and Kenya Commercial Bank in Kenya, and State Bank of India.

3.2.2 Master agency model

Usually, MNOs with a captive distribution network for their GSM services adopt this model. Some FinTech providers, mostly in Bangladesh, have also adopted this model. The service provider appoints master agents (distributors) responsible for setting and managing agent networks in a defined area. Master agents are similar to ANMs as they may perform similar functions. However, unlike ANMs, master agents are primarily individuals or firms with a vast network of retailers and agent network management is not their primary business line. Usually, a master agent will handle anywhere between 50-300 agents.

In this model, the primary responsibility of managing liquidity and supervision lies with the master agent. Some MNOs use resources outside their GSM network to recruit agents (Safaricom). Service providers partly control agent selection and recruitment by defining eligibility criteria and finalizing agent selection and approval. The master agency helps agents manage liquidity. Liquidity management may occur in several ways, including in-person delivery of float.

The model allows less control over the agent network, which could pose a challenge for some players. The additional management layer between providers and agents creates multiple monitoring levels, leading to administrative complications. However, with robust monitoring systems, this model has become the most scalable, as the provider saves on acquisition costs.

The commission is typically split between an agent and a master agent in this model. For example, it is around 80:20 (agent: master agent) in Kenya and Uganda, 70:30 in Bangladesh, and 90:10 in Tanzania.

Master agency model examples - Airtel Payments Bank in India, [bKash](#) in Bangladesh, Safaricom in Kenya, and [GCash](#) in the Philippines.

3.1.3 Shared agent network

A shared agent network is an approach where service providers share agency banking infrastructure and technology to serve customers. One bank's customer can use agents established by another bank or financial institution. A shared

agent network allows banks to ride on shared infrastructure to expand services to broader geography and reach more extensively across customer segments. It helps rationalize the costs associated with establishing agents across vast operational areas. It also helps realize the investments from setting up an agency, recruiting and training agents, and managing the agent network. These investments enhance financial inclusion in the spread and penetration of digital financial services.

This arrangement requires complex and coordinated efforts to align operational, financial, and technical logistics between several financial service providers. Such agent networks may require a special purpose vehicle owned by the network to execute interoperability efficiently.

Products offered to customers may vary based on the financial service provider with which they have accounts. Liquidity management becomes the shared responsibility of participating institutions, and interoperability allows agents to rebalance from branches of network institutions.



Box 11: Shared agent banking approaches—successes and failures

Building and managing an efficient and robust agent network is challenging for digital financial service providers. Managing distribution through a network of agents is expensive and arduous. Considering the complexities of developing sustainable agent networks, providers collaborate to share resources on agent network management. The shared agent network is an innovative business model that reduces the cost of managing agent networks and enhances the reach for providers.

Shared agent networks take two different forms::

A. Shared agent network by design:

A common network manager serves several service providers in this arrangement. Uganda (Agent Banking Company or ABC) and Nigeria (Shared Agent Network Expansion Facility or SANEF) are prime examples of this model. The Central Bank of Nigeria (Banking and Payments Systems Directorate) launched SANEF in 2018 along with the Bankers' Committee in collaboration with banks, mobile money operators, and master agents. The Central Bank of Nigeria has demarcated soft loans for providers. These providers are selected based on their experience, spread, and staff strength.

B. Shared agent network by default:

These agents aggregate and offer services from various providers. Clients can transact through one of several providers that partner with the shared agent network. Clients can select one from many service providers with whom they lack accounts to transact with. These agent networks have two subtypes. One is seen across countries with a robust interoperable payments system (e.g., India), where agents can offer transactions across providers using a single device. Another prevails across the countries that lack a robust, interoperable payment system (e.g., Uganda and Kenya), where agents have an array of devices—one for each provider—on which they conduct transactions.

Shared agent networks been adopted across markets where third-party service providers—privately owned or promoted by industry associations—conduct agent network management for several FSPs. Such third-party agencies reduce management costs for FSPs and offer the benefit of increasing the network's outreach.

Usually, industry associations promote such interoperable agent networks to provide shared distribution networks to their members. The regulators generally support such arrangements to achieve financial inclusion goals. The actual structure of agent network management may still be based on both the direct agency and master agency models.

The economics of a shared agent network facility is like a typical merchant payments business model. After paying off agents around 40%-50%, the net transaction revenues are split almost equally between the issuer, acquirer, and network provider.

Shared agent network examples – ABC (Uganda), SANEF (Nigeria)

3.1.4 Agent network-as-a-service (AaaS) model

Agent network as a service (AaaS) is the newest model of agent network management. This model is seen across those geographies where the government has made significant early investments through public banks to push financial infrastructures. Such countries include China, Indonesia, India, and Colombia.

In this model, the service provider primarily focuses on setting up a distribution network and a technology platform to allow a plug-and-play model through APIs. The service provider may have a direct or master agency model to set up the distribution. Most ANMs in India, for example, are developing their business model along the AaaS model.

The model involves setting up a distribution network (with merchants

of any type—convenience stores, mom-and-pop stores, or delivery agents) and enabling them with a financial services platform to process transactions on behalf of multiple providers. Under the model, liquidity management is more professional with predictive analytics and on-the-ground support to agents. The service providers put significant effort into building a robust back-end technology platform for third-party integration.

In the model, technologically advanced e-commerce companies generally consolidate their market share in the larger cities and switch to expanding rural agent networks. Such e-commerce agent networks aggressively support the marketing and logistics required to serve more rural customers. They enable the trade of an increasingly diverse menu of goods and services offered on their e-platforms. CICO transactions associated with digital payments are part of the mix of agent services to help boost e-trade. Policy and regulatory measures allow for the progressive entry of e-commerce players into financial markets, facilitating agent network innovations.

The model usually works on a pay-per-use model, wherein the service providers earn revenue from customers (as transaction fee) and third-party service providers (as transaction commission). The service provider usually passes around 50% of the combined revenue to the agent. However, this varies in each geography.

Examples of agent networks-as-a-service model [EKO Financial Services](#), [OXXO Payments](#), and [Paynearby](#) in India, and [Electronic Commerce Philippines Inc. \(ECPAY\)](#) in the Philippines.

Box 12: Difference between the master agency and AaaS agent network management models

The master agency model and agent network-as-a-service model differ in the following ways:

Particulars	Master agency model	AaaS model
Adopted by	<ul style="list-style-type: none"> Mostly adopted by MNOs with a captive distribution network for their GSM services 	<ul style="list-style-type: none"> Mostly adopted by technologically advanced financial service providers or FinTechs to build vast agent networks for financial and non-financial services
Description	<ul style="list-style-type: none"> The service provider appoints master agents (distributors) responsible for setting and managing agent networks in a defined area. Usually, a master agent may handle anywhere between 50-300 agents. 	<ul style="list-style-type: none"> The service provider primarily focuses on setting up a distribution network and a technology platform that allows a plug-and-play model through APIs. The service provider may have a direct or master agency model to set up and manage distribution. Significant efforts are required to build a robust back-end technology platform that allows for third-party integrations.
Business model	<ul style="list-style-type: none"> Commissions are usually split between the provider (20%-25%), master agent (10%-15%), and agents (60%-70%). In some cases, to cover the initial customer acquisition costs, the service provider may also provide additional support to the master agent in cross-subsidizing initial fees, such as dedicated staff and BTL activities on agent network development (Digicel, Airtel, and Vodafone). 	<ul style="list-style-type: none"> The model usually works on a pay-per-use model, wherein the service providers earn revenue from customers (as transaction fee) and third-party service providers (as transaction commission). The service provider usually passes the agent around 50% of the combined income. Service aggregation through multiple third-party partnerships is crucial to making model economics work for an individual agent.

Particulars	Master agency model	AaaS model
Operating model	<ul style="list-style-type: none"> The primary responsibility of managing liquidity and supervision lies with the master agent. Some MNOs may also venture outside their GSM network to recruit agents (Safaricom) Service providers retain some control on agent selection and recruitment by defining the eligibility criteria and deciding on agent selection and approval The master agency (sometimes with funds from the provider) or third-party lenders accessing individual agents can meet the liquidity management needs. 	<ul style="list-style-type: none"> The model involves setting up a distribution network of merchants and enabling them with a financial services platform to process transactions for multiple providers. Liquidity management is done more professionally with predictive analytics and on-the-ground support to agents.
Potential and opportunity	<ul style="list-style-type: none"> The model allows providers to scale quickly by using their existing distribution networks; hence, the agent network management costs are more manageable than the direct agency model. The service provider may still need to outsource some aspects of agent network management, like training and branding, to a third-party service provider. 	<ul style="list-style-type: none"> The model serves as a great entry point for smaller service providers that cannot afford to set up their distribution network. The model mainly works well for over-the-counter (OTC) payment services, wherein a business may want to provide an offline channel to its customers for making payments near their doorsteps.
Examples	<ul style="list-style-type: none"> Airtel Payments Bank in India; bKash, in Bangladesh; Safaricom in Kenya; GCash in the Philippines, etc. 	<ul style="list-style-type: none"> EKO financial services, India; OXXO Payments; PayNearby, India; Electronic Commerce Philippines Inc. (ECPAY), the Philippines, etc.

Please see Annex 4 for more details and examples of these agent network management models.

Section 3.2 Challenges across the agent lifecycle

As described in Chapter 2, the agent ecosystem suffers from multiple problems. This section describes challenges that agents face across the agent lifecycle. Worldwide, a typical CICO agent's journey follows a lifecycle that primarily includes six stages:

3.2.1 Agent selection and onboarding

Policies and regulations mandate the agent selection criteria in any country. These vary by type of agent (see table 4). These guidelines vary in aspects, such as who is permitted to be an agent, what products they can offer and requirements on monitoring agents.

Figure 6: Agent lifecycle

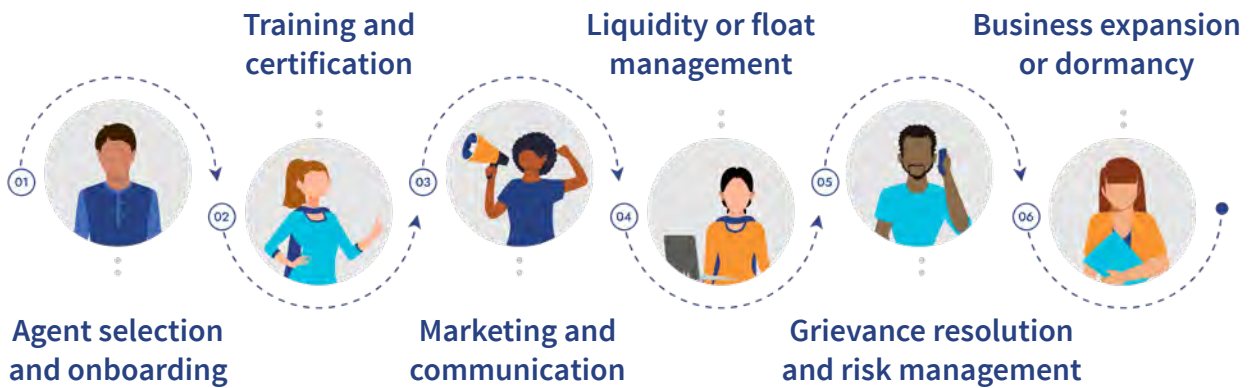


Table 3: Types of agents in countries

Country	Types of agents	Relevant literature/ references
India	<ul style="list-style-type: none"> Traditional agents: Agents who offer services of a bank, managed directly or via an agent network manager New-age agents: Agents who offer cash-out services using AEPS Payment bank agents: Agents who provide services for payments banks in India 	<ul style="list-style-type: none"> The rise of new-age agents Reserve Bank of India
Kenya, Uganda	<ul style="list-style-type: none"> Mobile money agents: Agents who offer financial services offered by mobile network providers Bank agents: Agents who offer services of banks managed directly or via an agent network manager 	<ul style="list-style-type: none"> Uganda: Making elephants dance (Uganda Agent Banking case study) National Payment System Regulations, 2014 (Kenya) Guidelines on Agent Banking - CBK/PG/15 (Kenya)
Indonesia	<ul style="list-style-type: none"> <i>Laku Pandai</i> agents: Banking agents set up and managed by banks who offer various products and services of that particular bank FinTech, LKD, or e-money agents: Agents generally set up by non-banking entities that primarily offer payment services like airtime top-ups and bill payments. They are not allowed to provide banking products like savings and withdrawals. Banks can also have LKD or e-money agents, provided they offer only payment services 	<ul style="list-style-type: none"> Otoritas Jasa Keuangan note (OJK) Cash-In Cash-Out Cross-Country Analysis: Indonesia
Nigeria	<ul style="list-style-type: none"> Bank agents: Agents who offer CICO to and from one's bank account on behalf of one or more financial institutions and are managed by an agent network manager Non-bank agents: Agents who offer CICO using a mobile wallet on behalf of one or more MMO; these MMOs have a payment service bank (PSB) license 	<ul style="list-style-type: none"> Guidelines For the Regulation of Agent Banking and Agent Banking Relationships in Nigeria Regulatory Framework for Mobile Money Services in Nigeria
Bangladesh	<ul style="list-style-type: none"> MFS agents: Agents offering mobile financial services Banking agents: Banking agents set up and managed by banks and provide various products and services of that particular bank 	<ul style="list-style-type: none"> Agent network accelerator report (2016) Synergy between agent banking and MFS
Côte d'Ivoire Senegal	<ul style="list-style-type: none"> EMI agents: Agents who offer CICO services for electronic money issuers, a bank-technical service provider partnership, a bank-telecommunications operator partnership, or an MFI 	<ul style="list-style-type: none"> BCEO's Annual Report on Digital Financial Services in WAEMU - 2020
Ghana	<ul style="list-style-type: none"> Mobile money agents: Agents who offer CICO services to and from one's mobile wallet on behalf of one or more MMOs and any financial institutions those MMOs are partnered with 	<ul style="list-style-type: none"> Payment Systems and Services Act 2019

Financial service providers face multiple challenges at this stage of the agent life cycle. Despite the high demand for their services, providers like [FIA Global](#), India, and [WAVE](#), West Africa, struggle to promote agent banking in rural areas with limited banking infrastructure. The cost of promoting agent banking as a viable employment opportunity is often remarkably high.

Mobile money providers in Africa believe an overtime reduction in commission rates over time has made it challenging to onboard agents who could be potentially high performing in the medium to longer term. Many providers struggle to enroll and onboard female agents due to the non-availability of qualified female prospects who can travel for rebalancing. Moreover, many providers cannot adequately support and train suitable candidates for the agent business—predominantly women. Poor agent recruitment practices often drive agent dormancy.

Agents also face problems -such as difficulty getting information on where to apply to become an agent, lack of knowledge about the process, and eligibility criteria to become a good agent. Agents learn about agent banking or mobile banking through acquaintances and other sources. At times, even the minimum requirements required for compliance—government or service providers’ policy—or the cost of basic equipment can create a high entry barrier for potential agents.

As mentioned in Section 2, for cost-heavy agent setup—mainly for the “bank agents” category, the availability of

financing for the float to set up and start operations is a challenge. This means that providers cannot recruit agents who qualify but lack sufficient financial resources. It particularly hurts potential women agents. Some agents depend on high-cost informal financing to support their financing costs. The formal financing support to startup agents has been limited and exclusively indirect. The “pay-as-you-go” or “hire-purchase” model of financing devices has invariably facilitated agent onboarding.

FSPs and ANMs like Equity Bank (Kenya) and ABC (Uganda) have invested in the bulk acquisition of POS machines that they can get at discounted prices. They then lease the machines to agents who can pay for them as they get revenue from their agency business. As technology advances, many FSPs and ANMs are also adopting less expensive POS or primarily Android-based mobile devices running on cheaper hardware and software that significantly reduces equipment costs. In Uganda, Centenary Bank provides the agents with a mobile phone application. Agents only need to acquire an inexpensive thermal printer for providing receipts, as the law mandates physical receipts for bank agents.

3.2.2 Training and certification

As in the case of recruitment, different jurisdictions may have guidelines on training. For example, every agent in India must pass the Indian Institute of Banking and Finance (IIBF) certificate exam to continue working as an agent.

Training agents is a crucial part of the journey. Adequate training (induction and refreshers) and ongoing support are critical to the success of an agent network. Trained agents perform better than other agents in the market. They also enjoy more trust among customers. Untrained agents do not promote Limited knowledge of products often compels agents to sell unsuitable products or pushes them to exclusively sell products that they understand and can speak about comfortably, thus hampering the sales of other, potentially more suitable products.

Providers, such as the Agent Banking Company (ABC) in Uganda and Rizal MicroBank in the Philippines, struggle to train their agents due to theoretical content and obsolete design. Providers find it challenging to train using the materials with limited coverage around digital financial capability and agents' roles and responsibilities. Agents find the training content and banking concepts difficult to understand. As a result, certification becomes an arduous task.

Another problem is the lack of refresher training for agents—essential to keep agents updated. The lack of monitoring of the efficacy of training material leads to suboptimal performance. Furthermore, providers are often unwilling to invest

in training non-exclusive agents—they believe that it is better to incentivize agents to use their platform instead of their competitors rather than train them.

Agent training and refresher training also have an impact on several aspects of the business:

- Agents' branding: Whether they display either provider sign or color or both
- Professionalism: Whether they show the business hours and call center numbers
- Compliance: Whether they display tariff sheets and agent ID
- Liquidity management
- Transaction volumes
- Retention rates.



3.2.3 Marketing and communication

An agent's marketing and communication costs are high, especially for banking agents, due to the variability among the customer segments the agents they serve (also discussed in chapter 2). Providers cannot provide standardized support to all agents. Some providers do offer below-the-line (BTL) marketing support to their agents by doing on ground marketing campaigns at the agent outlet. Such campaigns are either aimed helping agents sign up new customers or to promote certain product offerings.

As a result of the lack of initial and refresher training, agents have limited knowledge of operating an agent business efficiently and encounter transaction failures. FSPs, such as [FIA Global](#) in India, encourage sharing best practices and peer-to-peer lessons within their agent network through planned supervisor visits, short training sessions, and digital tools, such as WhatsApp videos. Commercial banks like the State Bank of India use structured communication to spread awareness among agents around fraud management through financial literacy videos and kiosk-level financial education posters, among other modes.

Providers in Kenya have increasingly engaged agents through social media forums to monitor and support them. Interestingly, [WhatsApp groups have emerged](#) as the most popular platform for agent monitoring and support. This trend is common among almost all providers—banks and mobile money operators (MMOs).

However, security-related issues and [fraudulent activities](#) are growing in agent networks—resulting in increased agent churn and [undermined trust in agents](#).

3.2.4 Liquidity or float management

Liquidity management ensures that agents have enough float to perform transactions and meet customer demand, either as cash or e-value. Liquidity management is a critical component of the day-to-day functioning of the agent. Lack of liquidity can be a significant source of customer dissatisfaction and erode customer trust. Customers find it difficult to trust an agent who frequently gives excuses to complete the transactions in time due to a lack of enough e-value or cash.

Often, agents may lack sufficient cash or electronic value to serve customers if they face higher demand for cash or e-value than they can afford. This would warrant the agent to physically visit a rebalancing point to withdraw cash or deposit the cash to continue serving customers. Depending on the management model of the agent networks, rebalancing points can take the form of banks, master agents, other agents, or even alternative partners in the financial ecosystem. However, agents find it costly to rebalance frequently, especially if the rebalancing point is located far away or takes time to reach.

Liquidity management has four components: **Planning, monitoring, rebalancing, and contingency management.**

Planning

Agents plan how they manage float based on the number and volume of transactions they perform. Planning could involve scheduling visits to rebalance points (bank, ATMs, moneylenders) or reminding the agent network manager (ANM) to transfer funds to their wallet. Some thumb rules exist, such as the 1.5 times stock rule, where agents are encouraged to have sufficient float to cover 1.5 times the previous day's total of deposits and withdrawals¹¹. One's need to deposit, withdraw, and send value fluctuates considerably. So, while an agent might understand how much e-float and cash to carry on an average day, on high-volume days, the entire system risks running low on float.

Monitoring

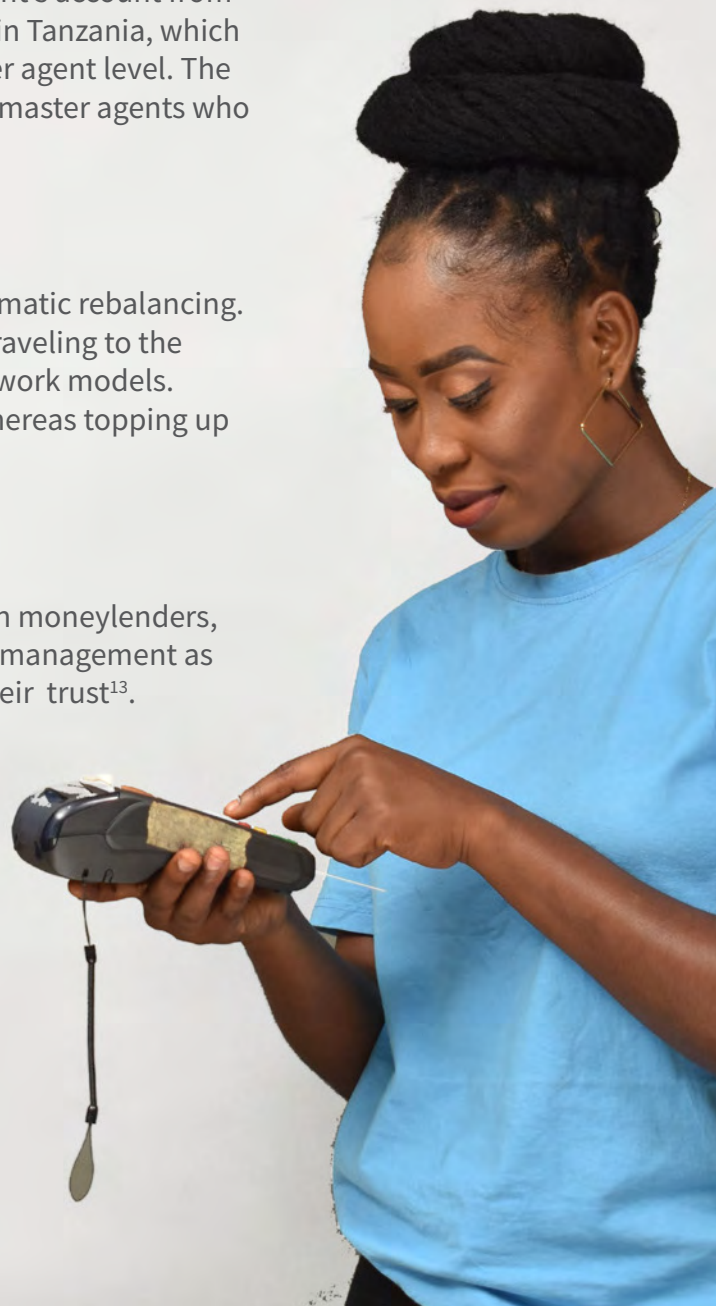
The ANM monitors the wallet balance of their agents and either sends alerts or automatically rebalances the agent's account from the deposit account. An example is Equity Bank in Tanzania, which monitors agent liquidity at a central and a master agent level. The head office shares snapshots of float levels with master agents who liaise with agents for rebalancing.¹²

Rebalancing

Rebalancing takes two forms—manual and automatic rebalancing. Manual rebalancing involves agents physically traveling to the rebalance point, as seen in traditional agent network models. Topping up cash has to be a manual exercise, whereas topping up e-value can be automated.

Contingency management

Other than the traditional sources, agents rely on moneylenders, fellow agents, and personal savings for liquidity management as they do not want to risk losing customers and their trust¹³.



¹¹ [How to improve liquidity management for agents](#)

¹² Ibid.

¹³ MSC State Bank of India research

Existing agent networks face several challenges due to poor recruitment and management—chief among them is a lack of liquidity to run agency businesses. The agents struggle most with unpredictable fluctuations in demand, time spent on rebalancing cash and e-value, and lack of capital. MSC’s ANA Studies 2014-2017 form the basis of the data source for charts 12 to 14.

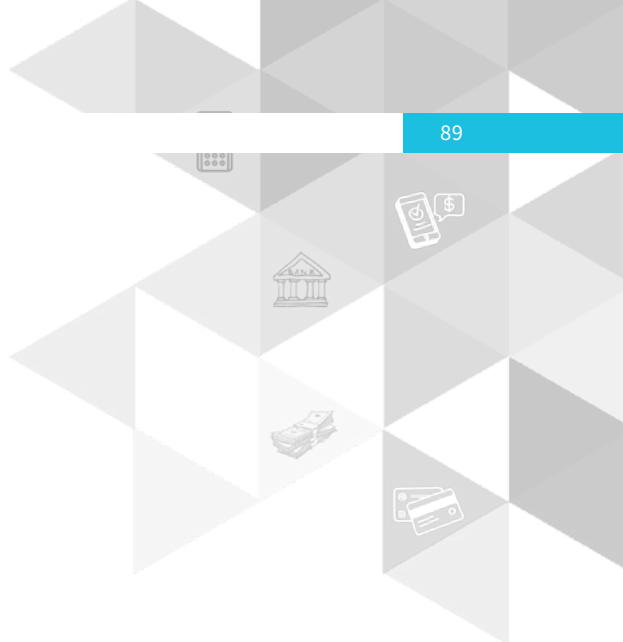


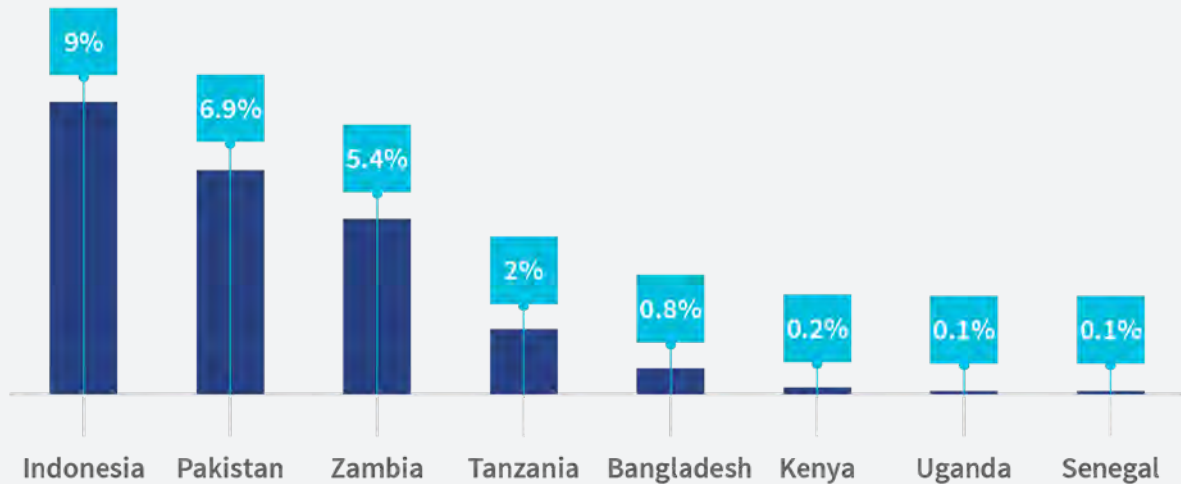
Chart 13: Number of countries in the nine focus countries reporting liquidity management as a barrier in agent operations



Longer travel times to rebalancing locations are associated with less frequent rebalancing. Agents or their staff must shut the shop and incur travel expenses, rebalancing fees, and tips during the rebalancing process.



Chart 14: Rebalancing costs as a percentage of agents' monthly revenues



Source: [MSC Agent Network Accelerator Studies \(2014-2017\)](#)

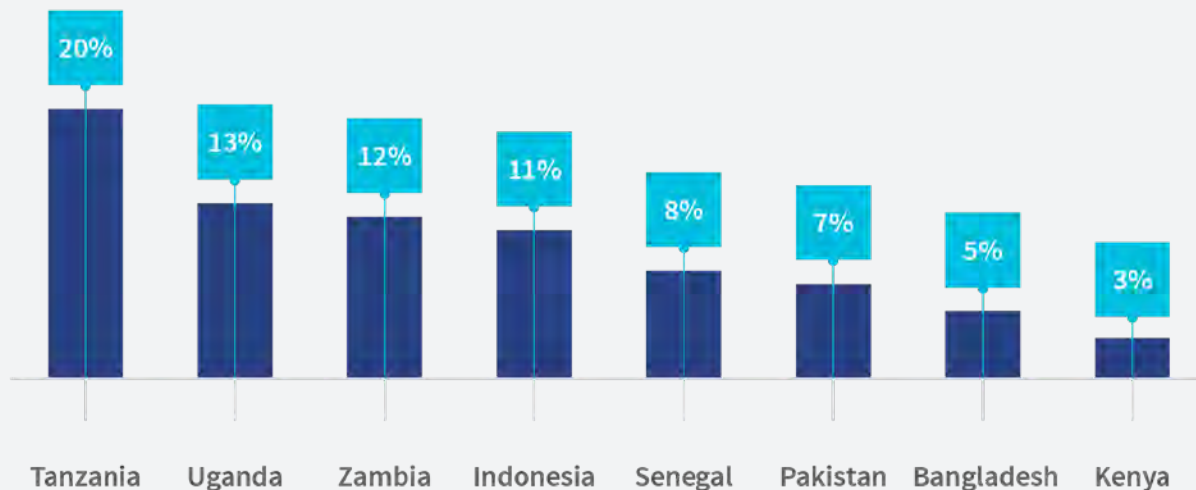
Agents who fail to manage liquidity effectively are forced to deny transactions when they lack float for customer deposits or physical cash for withdrawals. Liquidity concerns have led to a decline in consumers' trust in DFS. Repeated denials lead customers to avoid illiquid agents, many of whom fall dormant due to insufficient demand. Successful providers have reliable platforms and innovative liquidity management systems.

In Kenya, 60% of urban agents replenish their float through financial institutions referred to as "super-agents," whereas rural agents are more likely to use other means, such as agent-to-agent loans or digital credit apps. Rural agents are more likely to use a single float rebalancing method (64%) instead of urban ones (48%). Rural respondents take on average 42 minutes to replenish their float, whereas urban ones take 26 minutes.

Rural respondents take on average 42 minutes to replenish their float, whereas urban ones take 26 minutes.



Chart 15: Percentage of daily transactions denied due to lack of float



Source: [MSC Agent Network Accelerator Studies \(2014-2017\)](#)

The agents who deny a higher percentage of their transactions are less profitable. As transaction volumes drive agent profitability, liquidity outages hurt the sustainability of individual agent businesses and the agent network.

Many liquidity management practices have been proven unsuccessful. Liquidity challenges occasionally prevent agents in developing countries from being able to serve their customers adequately. Unsuccessful liquidity management approaches include imposing a float limit. In this approach, the DFS providers ensure the agents hold e-float balances at the beginning of the day. Providers have found it challenging to implement this method, as agents may initially borrow the funds to satisfy the setup requirement and fail to sustain the required liquidity balances.

Liquidity management constitutes a high cost in agent operations, especially if the rebalancing point is far from an agent or takes too much time to reach. Lack of adequate investments in working capital may lead to multiple issues, including agents denying transactions due to lack of cash or e-float.



The lack of capital for agents to meet the liquidity requirements for the CICO business is an addressable concern. However, the problem involves subtle nuances:

- Most lenders often demand collateral from borrowers to lend. Agents often lack tangible collateral to issue to lenders as security for the loans.
- Agents and agent network managers often do not invest in robust management information systems that can collect and track their performance, limiting their ability to share data with credit providers.
- Lenders perceive agents to be at higher risk, agents are often charged high interest rates and given short repayment periods, which limits their ability to obtain the loans for fear of failing to meet the repayment amounts.
- Lenders worry that non-dedicated agents will use their loans in other parts of their business, with limited visibility to assess the credit risk.
- Some agents do not apply for credit for fear that financial institutions would not lend to them.
- Agents perceive that the application process is too long and entails too much effort. Sometimes, they do not receive the loan, which discourages many from applying for credit.



3.2.5 Grievance resolution and risk management

Agents have limited provider infrastructure for support on critical issues that weakens their resilience in grievance management. Agents also grapple with little knowledge and familiarity about technical machinery—fingerprint or iris scanners, among others. Agents often face transaction failures and downtime errors. Usually, when transactions take longer, customers begin to doubt the agent's credibility. Quick support in the form of a technology helpline or immediate resolution support managers for agents could help boost their confidence and improve customers' trust in the services agents offer.

Agents often fear for their safety when they are out on business, as they have to carry cash around and feel they are an easy target for criminals. Furthermore, with the growing incidence of fraud, many agents lose significant sums of money. With the added risk of COVID-19, their families believe agents put them at risk due to the risk of transmission from interacting with many people who are often without masks and the need to handle physical currency notes.



3.2.6 Business expansion or dormancy

Increasing competition: The number of agents is growing consistently in the Sub-Saharan African markets. The number of active agents is growing faster than the overall value of CICO transactions. If this trend continues, agent commissions may take a hit. Due to the rapid proliferation of agent networks, competition between agents is a cause for concern across African markets like Kenya and Uganda. Due to high competition—agents lose money, deplete their savings, and ultimately decide to find another source of income.

Limited use-cases: Agents in developing countries often face the challenge of lack of use-cases: many customers do not demand services provided by agents. FSPs often limit products through the agent network channel, which constrains income for agents and limits motivation. With limited product offerings, some FSPs tend to be concerned about the economic viability of rural agent networks, given high operating costs and low revenue potential. As a result, they reduce agent commissions, which often compels agents to quit the agency business.

A fundamental challenge in expanding the agency business is the lack of consumer demand for agent services. Many consumers in rural areas do not use mobile money because they do not know about the products and their corresponding applicability. The viability of a network can significantly improve if agents could offer a broader range of services to generate more transactions per customer. FSPs in India, such as the

State Bank of India, plan to launch loan installment collection through agent points. In contrast, Novopay intends to launch an array of adjacent credit products for and through agents. In Bangladesh, different players are in the process of launching digital credit products.

Customer's trust in DFS: Many registered customers become inactive when they find it difficult or intimidating to transact. Customers cannot transact during system downtime or in case the agent is absent or does not required liquidity to do transactions. They also worry they may send money to a wrong number or lose or compromise their PIN. Other customers choose to protect themselves by using over-the-counter (OTC) services as against keeping money in their mobile money wallets. As a result of the challenges mentioned above, the use-cases for digital financial services and their potential become more limited. Furthermore, given the importance of word of mouth, which MSC estimates drives around 60-80% of decision-making when adopting financial services, news of bad experiences spreads quickly in rural communities—amplifying the erosion of trust.

3.2.7 Challenges faced by female agents

Female agents are a small proportion of agents in the agent network. Female agents experience more structural barriers than men over their lifecycles.

Access to finance challenges is more pronounced for female entrepreneurs, and female agents are no exception.

Female agents are not able to access both formal and informal finance as much as men. Our analysis of on-the-ground observations indicates that male members' financing need is prioritized over female members' financing needs. Access to formal finance is also restricted for female entrepreneurs for a mix of challenges that include – lack of documentation – ID, proof of business), lack of collaterals, lenders' bias, and algorithmic bias)

Decision-making is not easy: The critical decision-maker for many women, particularly in conservative societies, is their father or brother before marriage and their husband after marriage. As a result of this dependence on male family members, men primarily determine whether women become CICO agents. Accordingly, the lifecycle for female agents is impacted, beginning with recruitment. Providers cannot identify and recruit female candidates as easily as male agents. While in business, female agents struggle to make quick decisions regarding cash flow management and liquidity, among other aspects, as they depend on family members to make such business decisions. .

Social acceptance is a critical success factor: To a large extent, the acceptance of female agents, as well as their success,

depends on social perceptions, which play a much more influential role than their male counterparts. MSC's research shows that most customers generally perceive male agents to be faster, more knowledgeable, better informed about updates to product features, and less prone to committing errors. However, female agents are perceived to be more empathetic, helpful, and patient—and often preferred over male agents, particularly by women.

Familial responsibilities and societal norms limit the operational capabilities: Female agents receive limited support from family members compared to male agents and are expected to fulfill their household responsibilities before managing their DFS business. They also receive less support from DFS providers compared to male agents. As a result of household duties, their operating hours are often shorter than their male counterparts. Due to the limited working hours and restricted mobility, female agents usually have a smaller customer base.

Additionally, inadequate or absent marketing support from providers (particularly for women) results in lower awareness among potential customers, thereby impacting the remuneration and motivation of female agents.





3.3 Conclusion

In conclusion, agent networks have evolved considerably over the years to address the financial needs of underserved and unserved segments. Yet, the management and sustainability of these networks remain challenging for CICO agents and network owners. Investors have a compelling opportunity to offer “Start-Work-Grow” financing support to agents, enabling them to address startup costs, agent selection, float management, and business expansion challenges.

Such financing will also lower the barriers to entry for poor but capable agents, expand agent networks into rural and remote areas, and lead to fewer transaction denials, thus strengthening customer trust in agents. The investment proposition for socially responsible investors is powerful. By supporting financing to semi-secured customer segments of agents, Investors can de-risk, diversify, and expand their portfolios to the small and medium enterprise and mass-market space while indirectly supporting the achievement of SDGs by helping agents function optimally.





Annexes

Annex 1: Market size estimation methodology

S. No.	Attributes	Key assumptions and details
1	Estimated agent population	The total number of agents was taken for the calculation in the concerned market. Regulators in most markets publish this data periodically. In some instances, the data was taken from other sources, such as media articles, association claims, etc.
2	Active and new agents	The MSC team also estimated the number of active and unique agents to filter the high-level agent numbers further. These numbers were estimated based on secondary research and MSCs own analysis based on stakeholder interviews in the concerned geographies.
3	Growth in agent numbers	Since the market sizing was done for the next five years, we also assumed an agent growth rate to estimate the number of new agents. The agent growth rates were based on historical data of agent growth adjusted to the existing market saturation levels for the concerned geographies
4	Type of credit	For analysis, we have taken three types of credit products that can be offered to the agents. These include: <ul style="list-style-type: none"> • Credit for setup—used to fund the agency business’s initial investment. • Credit for liquidity investment—used for funding working capital requirements in the agency business. • Credit for adjacent business—used for funding the working capital requirement of the agent in their non-DFS business.
5	Credit uptake	For each of these products, uptake numbers were assumed based on MSC’s discussion with relevant stakeholders in the concerned geographies and range between 5%-25% for most products or geographies
6	The average ticket size of loans	The average size of loans for the three products has been assumed for each geography. <ul style="list-style-type: none"> • Credit for setup—the average loan size is based on the prevalent operating models in concerned geographies and provider policies on mandated up-front investments • Credit for liquidity—the average loan size is based on interviews with providers and industry experts in the concerned geographies • Credit for adjacent business—average loan size is based on the average size of micro-enterprise loans in the concerned geographies

To calculate the range for the market potential we have used the pessimistic and optimistic estimates of average number of transactions and agent growth in the nine focus market.

Annex 2: Leading agent lender's profile

1. BRI in Indonesia
2. Eko in India
3. Kuunda in Pakistan, Kenya, and Tanzania
4. Bloom Finance in Kenya
5. Flow in Uganda
6. Firstmonie in Nigeria
7. KCB-Airtel in Uganda
8. ABC in Uganda

Entity

Bank Rakyat Indonesia (BRI)

AgenBRILink
Layanan Transaksi Keuangan Tanpa Kantor

Business description:

BRI bank offers agent network services called BRILink. BRI is the oldest and largest commercial bank in Indonesia. The public sector bank is known for its micro-banking operations with more than 9,000 brick-and-mortar branches, including subbranches, units, and cash offices. It has the most extensive reach among all banks in Indonesia. The BRILink agents cumulatively processed more than 928 million transactions in 2021 with a gross transaction value of IDR 1,143 trillion (USD 79.5 billion).

Mission

BRI Bank operates with a vision to become the most valuable bank in South- East Asia by championing financial inclusion and prioritizing services to the micro, small, and medium enterprises.

Promoters

Bank Rakyat Indonesia (BRI) is one of Indonesia's oldest and largest commercial banks. The bank is a state-owned enterprise. The key management personnel in the Board of Directors are

1. Mr. Sunarso: President Director of BRI
2. Mr. Andrijanto: Director of Network and Service Division

Funding status

BRILink is an integrated distribution channel of BRI in form of agent network, therefore, the BRILink operations are fully funded by BRI.

Area of operations

BRI has more than 503,000 BRILink agents across Indonesia covering 54,000-plus villages across all the 37 provinces in the country.

Business model

In 2022, BRI started lending to the BRILink agents using a business model that can be classified as "digital financial services (DFS) provider lending directly to agents or agent network managers (ANMs)".

In this model, BRI or group entities (Bank Raya) own the complete value chain of agent lending. BRILink is responsible for credit origination, decision-making, providing capital, and assuming the credit risk for such loans.

Scale of lending operations

- More than 17,000 BRILink agents (as on July, 2022) have active loans from BRI
- The loans are offered to agents that have more than 500 transactions per month or monthly transaction value of more than IDR 250 million (USD 16,300)
- The loan is underwritten by BankRaya, the digital banking arm of BRI group

Products offered

Loan type: Liquidity support to agents

Loan tenor: 1 day, 3 days or 7 days (currently, only the 7 days loan product has been rolled out, while 1 day and 3 days loan product is under development).

Average ticket size: The loans range between IDR 1 – 25 million (USD 65 – 1,630), however, the average ticket size of such loans is ~IDR 15,000,000 (USD 980)

Charges:

Loan amount	Charges – includes interest (for 7 days loan term)
>IDR 1 – 3 million (USD 65 – 195)	IDR 15,000 (~ USD 1)
>IDR 3 – 5 million (USD 195 – 325)	IDR 20,000 (~USD 1.3)
>IDR 5 – 7 million (USD 325 – 455)	IDR 30,000 (~USD 2)
>IDR 7 – 10 million (USD 455 – 650)	IDR 40,000 (~USD 2.6)
>IDR 10 – 15 million (USD 650 – 975)	IDR 60,000 (~USD 4)
>IDR 15 – 20 million (USD 975 – 1,300)	IDR 80,000 (~USD 5.3)
>IDR 20 – 25 million (USD 1,300 – 1,625)	IDR 100,000 (~USD 6.6)

Loan application and processing: The agents can request such loans using the BRILink transaction application hosted on their smart EDC, and their request is processed entirely digitally using credit scoring and automated processes for disbursements. The loans are processed within few hours.

USP

- ▼ BRI is the preferred bank for most low-income population segments, given its accessibility.
- ▼ BRILink agents provide access to formal financial services in remote areas, often being the only banking access points for people in rural frontier locations.
- ▼ Therefore, ensuring working capital with the agent is a priority. Increased access to liquidity can help BRILink and its agents provide more reliable and consistent services to their customers.

Deep dive entity

Eko India Financial Services



Business description: Eko India Financial Services (Eko) is a FinTech based out of India. Eko started by launching its agent network growing to 15,000 agents between 2007 and 2015. In 2015, It pivoted from owning an agent network and created the Eko Platform Services (EPS) to support distribution channels and offer financial services. The Eko Platform Services is an open API system that provides access to more than 100 services. By 2018, within three years of the EPS's launch, Eko supported 150,000 agents and grew its network tenfold. Eko has served more than 50 million customers and enables more than 7 million monthly banking transactions.

Mission

Eko's mission is to take banking and financial services to all. Eko Platform Services uses open APIs to democratize financial services for customers.

Founder

Abhishek Sinha

Co-founder and CEO of Eko India Financial Services. He attended the Birla Institute of Technology, Mesra.

Abhinav Sinha

Abhinav Sinha is a Co-founder and COO at Eko India Financial Services. Abhinav attended the Birla Institute of Technology, Mesra.

Funding status

Eko has received a venture funding of USD 5.5 million from Creation Investments Capital Management, LLC and Promus Equity Partners

Area of operations

Eko operates across all regions in India. Eko has served more than 50 million customers and enables more than 7 million monthly banking transactions.

Business model

Eko offers credit to agents with a business model where FinTechs with their own network lending to agents.

The model features Eko, the lender, entering into partnerships with financial institutions to access funding from nonbanking financial institutions (NBFIs) to lend to agents on its platform. Eko uses its visibility over the agent cashflows and transactional data for credit decision-making.

Scale of lending operations

- Number of agents: 150,000
- No. of agents provided with credit: NA

Products offered

Loan type: Liquidity support to agents and long-term products

Average ticket size: USD 400 – 1,300

Loan application and processing: Eko uses its visibility of the cash-flows to conduct due-diligence of agents to determine eligibility and credit limit. Loan amounts are then disbursed to wallets or bank accounts of the agent. Rebalancing is done digitally on a daily basis.

USP

- **One-stop, customized banking solution for MSMEs:** Eko wants to become a one-stop shop for a microenterprise's needs. To this end, EPS provides access to more than 100 services that entrepreneurs can register and start offering to expand their business. Eko believes access to credit for agents and merchants in addition to more services will benefit them and increase their revenue.
- **Fully digital operations:** Eko believes the Indian market is mature enough to have a fully digital lending operation. Moreover, Eko benefits from an entirely digital process as it has complete visibility of its network and can make data-based decisions on various products and services.

Deep dive entity Kuunda Digital



Business description: Kuunda currently provides agent lending services in Tanzania, Uganda, Zambia, Malawi, and Pakistan. Kuunda currently offers credit to agents for their agency businesses, but has plans to lend to their adjacent non-DFS businesses or lend to merchants in the future.

Mission

Kuunda describes itself as a digital financial services incubator and advisory company that works in developing economies to serve excluded communities.

Founder

- **Samuel Brawerman:** He is one of Kuunda's founder and passionate about the economics of the poor and digital identity as a means of payment, especially for the unbanked population.
- **Andrew Milne:** He is a Partner in Kuunda Holdings and provides consulting services in the informal market sector with clients in South Africa, Mozambique, Tanzania, Uganda, Nigeria, and the DRC.
- **Charles Niehaus:** He is an independent consultant in payments and mobile money, primarily focused on market-level initiatives in the digital financial services interoperability space.

Funding status

- Kuunda is in the seed stage currently. It has raised USD 2.5 million from Seedstars to aid rollout in six or seven new markets.

Area of operations

Kuunda operates in Tanzania (via M-PESA) and Pakistan (via One Load) and is in varying phases of launch for DR Congo, Malawi, Zambia, Uganda, and Rwanda. It has partnership sights set on Senegal, CIV, Benin, Nigeria, and Rwanda

Business model

Kuunda offers lending support to agents with a business model where FinTechs without an agent network lend to agents. This model features Kuunda (the lender) entering into partnerships with DFS service providers (such as M-PESA (Vodacom) to lend to their agents. Kuunda does remote rebalancing of agent e-float through its Hapa Cash Overdraft product, which supplies only enough e-float to complete the transaction. Kuunda uses APIs for automated collection (auto-striking) of overdrafts.

Scale of lending operations

In Tanzania, Kuunda provides USD 6-7 million of overdrafts monthly and USD 2 million worth of term loans.

Products offered

Loan type: Liquidity support to agents (as overdraft)

Average ticket size: USD 8.5

Charges: Kuunda's charges are lower than the commission that the agent makes on a particular transaction funded by Kuunda

Loan application and processing: Kuunda sets a maximum overdraft limit for each agent by factoring in the agent's average weekly commissions. The product makes available exact e-float an agent needs to complete a transaction. Repayments are auto deducted as soon as agent wallet is rebalanced.

USP

- ✦ Kuunda's term loans follow fiscally responsible principles as well. These loans discourage indebtedness and are reward-based, using credit scoring from partner data.
- ✦ Kuunda's services are scalable across multiple emerging markets, especially in Africa, and have a partner-based approach to offsetting regulatory limitations.

Deep dive entity Bloom Finance



Business description: Bloom Finance, a product provided to Safaricom agents, is a credit facility for goods and services merchants and, more recently, CICO agents. The platform design allows lenders to integrate with the Safaricom (M-PESA) platform to offer credit to merchants and agents. Currently, only Asante Finance Group (Asante) is active on the platform.

Mission

Bloom Finance helps merchants and agents create opportunities for increased business performance by allowing their agents to access on-demand credit.

Promoters

Bloom Finance is a platform owned and managed by Safaricom.

Funding status

Bloom Finance is an integrated offering of Safaricom for its M-PESA agents. There are no external funders for Bloom Finance.

Area of operations

Bloom Finance currently operates only in Kenya.

Business model

Bloom Finance's business model resembles a financial service provider lending via a third party. The model features a DFS provider (Safaricom's M-PESA) that owns the agent network and shares credit risk and revenue with a lender like Asante. The third party provides capital and does the credit decision-making.

Scale of lending operations

NA

Products offered

Loan type: Liquidity support to agents

Average ticket size: USD 42 – USD 1,270

Charges: Loan for three days—charged 1.25% of the total value; Loan for seven days—charged 2% of the total value; and loan for 30 days—charged 7% of the total value of the amount requested.

Loan application and processing: The agents can request such loans from their M-PESA accounts using USSD. All requests are processed entirely digitally using credit scoring and automated processes for disbursements.

USP

- The service allows merchants and agents to access credit to expand sales, enable stock financing, and procure funds for business operations.
- The product design ensures increased transactions through M-PESA tills to generate sufficient digital transaction history. Merchants can increase their loan limits by receiving goods and services payments on their M-PESA till.
- Safaricom's M-PESA has an existing relationship with its merchants and agents, thus Bloom Finance has a built-in element of trust

Deep dive entity FLOW Global

FLOW

Business description: The FinTech startup FLOW Global (FLOW) provides credit to meet the liquidity needs of small businesses, especially CICO agents. FLOW started lending operations in Uganda in 2019 and has recently kickstarted operations in Rwanda. The company also plans to begin operations in Peru and is in advanced stages of discussion with a local partner. The FLOW platform has more than 2,100 registered agents, of whom around 1,890 are active—agents who have borrowed in the last 30 days.

Mission

FLOW's mission is to enable small merchants to grow with better access to quality financial services tailored to their growth needs. FLOW's business model is geared towards leveraging digital technologies to provide targeted liquidity to small businesses.

Founder

Nitin Garg: Nitin has 15+ years of experience in consulting on agents and digital finance to 40+ banks. Worked with the World Bank, UNCDF, and MSC (MicroSave Consulting) before starting FLOW Global.

Michael Rothe: Michael's experience includes working for a FinTech in Uganda with 300,000 wallets. He started his career at Citi Inclusive Finance and worked for four years at the Bank of Uganda and as Director at Financial Inclusion Forum UK.

Funding status

FLOW is a pre-seed venture currently. It has received debt support from UNCDF and grant support from German Investment Corporation (KfW) to fund its current operations.

Area of operations

FLOW currently operates in Uganda and Rwanda and is in talks with potential partners to start operations in Peru.

Business model

FLOW currently offers lending support to agents with a business model that resembles FinTechs without an agent network lending to agents. FLOW has two distinct models for lending to agents:

- The first model partners FLOW with an agent aggregator like EzeeMoney, ChapChap, and RTN, sources agents' transaction data from the aggregator, and feeds it into its credit scoring engine to make a lending decision.
- The second model allows FLOW to lend directly to the agents where, FLOW's field staff, go to the agents to collect their transaction data and feed it into the credit scoring engine to make a lending decision. Flow is live now on MTN Uganda, MTN Rwanda and BOK Rwanda ecosystems through this model.

Scale of lending operations

- Number of agents on the platform: 2,100 agents (1,890 active agents)
- Average disbursements per month: USD 1.5 million (USD 19 million loans have been disbursed)

Products offered

Loan type: Liquidity support to agents

Average ticket size: Up to USD 1,200

Charges: FLOW benchmarks the fees charged to agents at 20-25% of agent's profits

Loan application and processing: FLOW has direct relationships with its customers (the agents): all customers sign a customer agreement and all services are clearly branded as FLOW services.

USP

- ▼ **Technology platform:** Flow's proprietary technology platform, the Flow Liquidity Engine ("FLE"), ensures efficiency and scalability. As well as delivering scalability for Flow's own lending (in the first half of 2022 this has grown by 180%), it provides future revenue streams through 3rd party licensing. Flow liquidity engine allows to disburse loans within a minute for an existing customer and in about 30 minutes for new customers.
- ▼ **Human touchpoint:** FLOW does not want to be seen exclusively as a technology company. Technology is just an enabler in its lending business. Therefore, it attaches a lot of value to physical touchpoints with the agents.

Deep dive entity

FirstBank Nigeria's Firstmonie



Business description: Firstmonie is an agent banking network run by FirstBank. It works to expand access to financial services for customers in unbanked or underbanked regions across Nigeria. Firstmonie agents enable electronic payments and broaden opportunities and access to financial services, especially within the low-income population segment. Firstmonie has an agent network of 175,000 agents spread across 772 out of 774 local government areas (LGAs) in Nigeria. The Firstmonie agent channel offers services to more than 1.5 million unique customers daily.

Mission

Firstmonie Agent Banking enables customers in unbanked or underbanked regions to process financial requests through registered Agents and existing businesses.

Promoters

Firstmonie is an agent lending product entirely owned by FirstBank Nigeria.

Funding status

Firstmonie has received approximately USD 5.5 million from the Bill & Melinda Gates Foundation as grants

Area of operations

Firstmonie agents offer their services across 772 of 774 local government areas in Nigeria.

Business model

Firstmonie is a digital financial services (DFS) provider lending directly to its own agents. In this model, Firstmonie owns the complete value chain, including employing the agent, credit origination, decision-making, providing the capital, and assuming credit risk for the loans. This model benefits from easy and cheap access to funds from FirstBank and a ready network of 175,000 agents who can be tapped as customers for the agent lending product. The potential downside of this model is the lack of technological sophistication in dealing with credit products that can have a high velocity of disbursements and repayments.

Scale of lending operations

Firstmonie claims to have disbursed loans worth more than NGN 35 billion (USD 84 million) under the agent lending product.

Products offered

Loan type: Liquidity support to agents

Average ticket size: USD 50 – USD 2,500

Charges: 0.3% of the disbursed amount

Loan application and processing: The agents can request such loans using mobile applications, and their request is processed entirely digitally using credit scoring and automated processes for disbursements.

USP

➤ **Strengthening the agent network for nationwide services:** FirstBank Nigeria deploys the Firstmonie agent network to provide banking services nationwide. The high transaction volumes, covering 1.5 million people daily, testify that the agent network is crucial to the bank's strategy. The agent credit product is a step to ensure agents can offer their services throughout the day with minimal disturbances to rebalancing.

Deep dive entity

KCB-Airtel Float Financing



Business description: KCB-Airtel Agent Float Financing is a short-term mobile loan product for Uganda's Airtel Money agents. The product results from a collaboration between Airtel Uganda and KCB Uganda. It disburses loans ranging from UGX 10,000 (~USD 3) to UGX 250,000 (~USD 65) to Ugandan Airtel Money agents for financing their transactions.

Mission

Airtel Money supports financial inclusion for all in Uganda. Airtel money aims to become a bank for the previously unbanked populations.

Promoters

Airtel Money is housed under the Airtel Mobile Commerce Limited in Uganda. This is an affiliate company of Airtel Uganda.

Funding status

The operations are funded through Airtel Uganda. There are no external funders for Airtel Money

Area of operations

The KCB-Airtel Float Financing product is only available in Uganda. Though the product is replicable in other geographies where Airtel Money and KCB operate.

Business model

The KCB-Airtel Agent Float Financing features most resemble the "FSP Lending via third party" model. The model features a DFS provider (Airtel Money Uganda) which owns the agent network and shares credit risk and revenue with a third-party lender (KCB Uganda). The third party provides the capital and does the credit decision-making

Scale of lending operations

- Number of agents: NA
- No. of agents provided with credit: NA

Products offered

Loan type: Liquidity support to agents

Average ticket size: USD 3- USD 65

Charges: An uniform charge of USD 0.08 for all loans

Loan application and processing: The agents can request such loans using Airtel Money's platform (via USSD). All processes are conducted digitally through the Airtel Money platform.








USP

- KCB-Airtel Agent Float Financing bridges the gap in float so that the agent does not miss performing transactions due to insufficient float balance. Agents can thus serve their customers and earn a commission before they rebalance their float.
- The entire process is remote. Thus, agents do not need to pause their activity or leave their shops to receive the loan.
- The loan is scalable across the several countries where KCB and Airtel operate, especially Kenya, where Airtel Money and KCB have the third and fifth largest agent networks, respectively

Deep dive entity Agent Banking Company (ABC) Uganda



Business description: The Agent Banking Company (a subsidiary of the Uganda Bankers’ Association) launched the shared agent banking system comprising a shared agent network management framework and a shared interoperable agent management technology platform. A major CICO challenge resolved by the technical integration of the platform with all banks is liquidity management between different interoperable float accounts of the various institutions.

<p>Mission </p> <p>ABC provides a shared technical platform for all banks in Uganda to have an agent network. ABC also reduces operational support costs for all the banks within the network. These include but are not limited to training, marketing, and—to a limited extent—customer grievance resolution.</p>	<p>Promoters </p> <p>The Agent Banking Company is a subsidiary of the Uganda Bankers’ Association and all participating banks are members of the ABC.</p>	<p>Funding status </p> <p>NA</p>
<p>Area of operations </p> <p>ABC has onboarded 21 of the 24 Tier 1 banks in Uganda and has operations all across Uganda.</p>	<p>Business model </p> <p>Currently ABC does not offer any lending products. However, a shared network, such as the ABC, allows banks and FinTechs to target agents with a product marketplace that aids their business. This includes solutions for working capital and other credit products.</p>	
<p>Scale of lending operations </p> <p>NA</p>	<p>Products offered </p> <p>NA</p>	

USP

- The shared agent banking platform intends to ensure the availability of all basic transactional services of every institution through agents on the platform.
- The ABC already offers a wide variety of services and has the scope to provide more, which makes it even more attractive to both agents and customers:
- The ABC has the scope to facilitate lending origination services—including to sectors critical to the economy, such as agriculture—as the platform allows the receipt of credit applications and loan disbursements through agents.
 - The ABC has unique access to data and scope to add a credit-scoring engine to push an overdraft facility for agents, especially those who are sole proprietors, to boost their liquidity.
 - The ABC has the scope to roll out other payment services, such as a universal QR Code for merchant payments, a mobile wallet solution, and switching of ATM cash withdrawals to improve the overall end-user experience.
 - The ABC is also considering facilitating insurance, especially agricultural insurance, and other micro-insurance solutions, available on the shared agent banking network.
 - The ABC has the scope to introduce merchant services, collections, and bulk payments.
- Beyond the shared technical platform, the ABC also reduces operational support costs for all the banks within the network. These include but are not limited to training, marketing, and—to a limited extent—customer grievance resolution.

Glossary

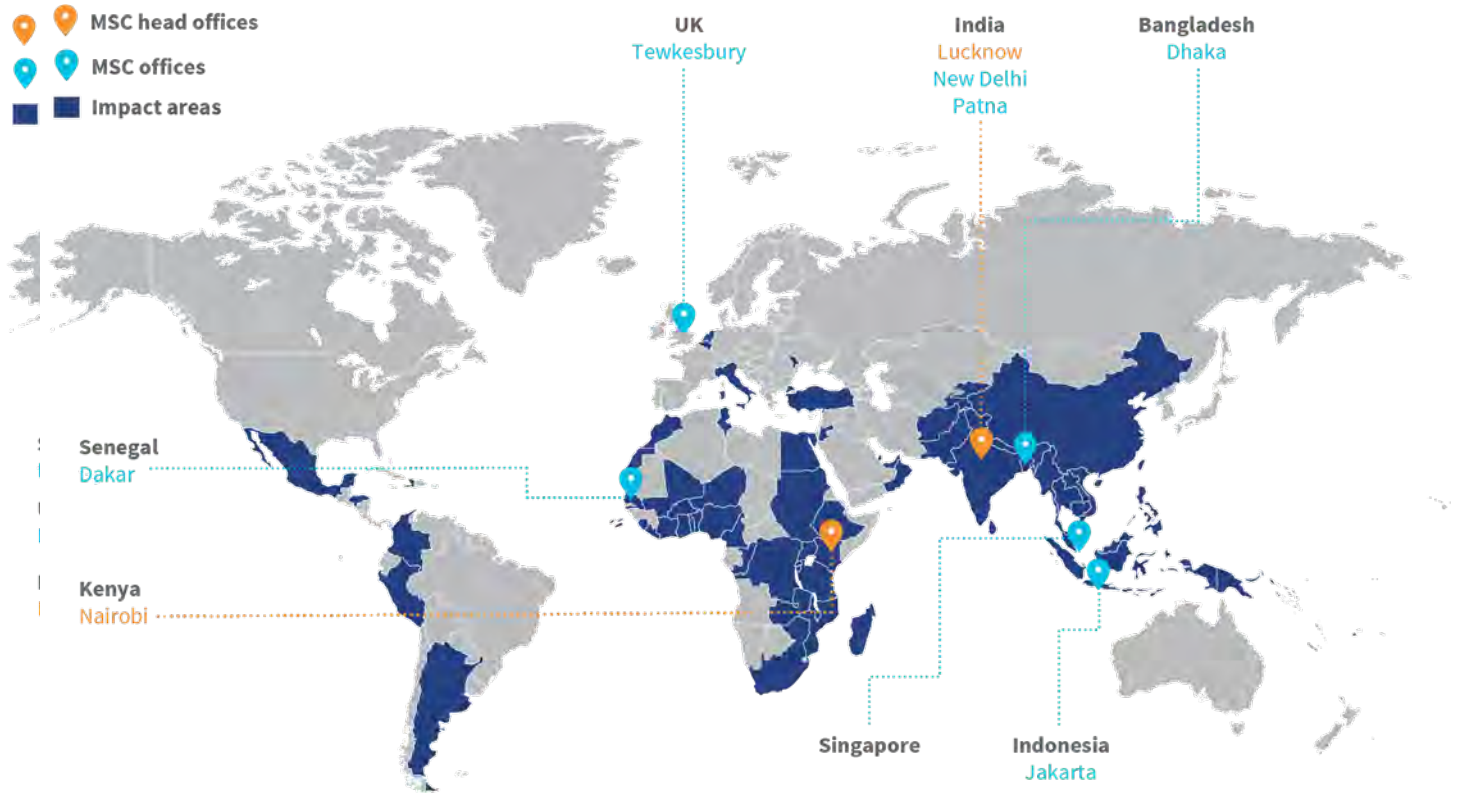
Acronym	Description
ABC	Agent Banking Company, Uganda
Agent	A person or business contracted to process transactions for users. The most important of these transactions are cash-in cash-out (i.e., loading a value into the mobile money system and withdrawing an e-value in cash). Agents often register new customers and offer services beyond cash-in cash-out—services for which they usually earn commissions. They also often provide frontline customer services, such as teaching new users how to complete transactions on their phones. Agents may be known as mobile money agents, bank agents, or FinTech agents, depending on their service providers—MNOs, banks, and FinTechs, respectively. Agents are known by different names in different countries.
Agent outlet	An agent outlet is a location/kiosk where one or several digital financial service providers offer their services to facilitate user transactions.
ANM	Agent network manager
API	Application programming interfaces
ATM	Automated teller machine
BCG	Boston Consulting Group
CAGR	Compound annual growth rate
CGAP	Consultative Group to Assist the Poor
Airtime top-up	Purchase of mobile airtime using digital financial services platform
Anti-money laundering/combating the financing of terrorism (AML/CFT)	A set of rules, typically issued by central banks, that attempt to prevent and detect the use of financial services for money laundering or to finance terrorism. Financial Action Task Force (FATF) sets global standard-setter for AML/CFT rules
Aggregator (first definition)	An entity that provides the infrastructure to interface between several digital financial services or payment service providers, or both
Aggregator (second definition)	A person or business responsible for recruiting new agents. Often, this role is combined with that of a master agent, and the two terms are often used interchangeably.
Acquirer	An acquiring bank (or acquirer) is a bank or financial institution that processes credit or debit card payments on a merchant's behalf
Bill payment	Payment a person makes from a wallet or over the counter through a digital financial services platform to an organization for services provided
B2B	Business-to-business
B2C	Business-to-customer
BRI	Bank Rakyat Indonesia
BTCA	Better Than Cash Alliance
Cash-in	The process by which a customer credits their account with cash. This is usually done through an agent who takes the cash and credits the customer's digital financial services account.
Cash-out	The process by which a customer withdraws cash from their digital financial services account. This is usually done through an agent who gives the customer cash in exchange for a transfer from the customer's digital financial services account.
CICO	Cash-in cash-out
COVID-19	Coronavirus disease caused by the SARS-CoV-2 virus

Dedicated agents	Agents who work exclusively as CICO agents and lack other engagement
DFS	Digital financial services
EDC	Electronic data capture
EFT	Electronic funds transfer—any transfer of funds initiated through an electronic terminal, telephone, computer, or magnetic tape to instruct or authorize a financial institution to debit or credit a consumer’s bank or e-money account
E-money	Short for “electronic money.” E-money is stored value held in the accounts of users, agents, and mobile money service providers. Typically, the total value of e-money is mirrored in bank accounts so that even if the mobile money service provider fails, users can recover 100% of the value stored in their accounts. That said, bank deposits can earn interest, while e-money usually do.
Float	The balance of e-money, or physical cash, or money in a bank account that an agent can access immediately to meet customer demands to purchase (cash-in) or sell (cash-out) electronic money
FSP	Financial services provider
E-float	Money that exists in an account that one can access to make payments, transfer money, etc. electronically and that one can add to or exchange for cash by visiting an agent.
EPS	Eko platform services
Exclusive agent	Agents who work exclusively for only one digital financial service provider
Formal financial services	Financial services offered by regulated institutions as opposed to informal financial services, which are unregulated. Besides banks—remittance service providers, microfinance institutions, and MNOs can be licensed to offer certain financial services.
GDP	Gross domestic product
Government-to-person (G2P) payment	A payment by a government to a person’s bank account/DFS account
GSM	Global System for Mobile Communications
GSMA	Groupe Special Mobile Association (GSMA) is an association representing the interests of mobile operators and the broader mobile industry worldwide.
IMF	International Monetary Fund
Informal financial services	Financial services offered by unregulated entities. Examples of informal financial services are individual money lenders, savings groups etc.
International remittance	Cross-border fund transfer from one person to another person. This transaction requires an intermediary organization, such as Western Union.
Interoperability	A mechanism where payment instruments belonging to a particular provider’s system (e.g., ATM cards, mobile money) can be used in other systems of same or other providers. Interoperability requires technical compatibility between systems but can only occur when commercial interconnectivity agreements conclude. (Also see: Levels of interoperability in mobile money , Interoperability and shared agent networks)
Integrators	An entity that provides the infrastructure to interface either one or more acquirers (payment service providers) to a DFS provider
IRR	Internal rate of return
Issuer	An issuing bank (or issuer) is a bank or financial institution that offers card association-branded payment cards directly to consumers.
Know your customer (KYC)	KYC refers to documents that help identify and verify a client’s identity. The respective country’s guidelines guide the KYC requirements.
KCB	Kenya Commercial Bank
Liquidity	The ability of an agent to meet customers’ demands to purchase (cash-in) or sell (cash-out) e-money. The key metric used to measure the agent’s liquidity is the sum of their e-money and cash balances—also known as their float balance.

Master agent	A person or business that purchases e-money from an MNO wholesale and then resells it to agents, who in turn sell it to users. Unlike a super-agent, master agents are responsible for managing a particular group of agents' cash and electronic-value liquidity requirements.
Merchants	In the context of this report, merchants are those businesses that accept electronic funds from a subscriber's mobile wallet or bank account as payment for goods and services they offer.
Mobile money operator (MMO)	Banks and financial institutions that offer mobile money products and services.
Mobile network operator (MNO)	A company that has a government-issued license to provide telecommunications services through mobile devices.
Mobile banking	Mobile banking is a facility that enables customers to initiate and/or perform banking tasks on their mobile phones.
Mobile financial services (MFS)	The use of a mobile phone to access financial services and execute financial transactions. This includes transactional and non-transactional services, such as viewing financial information on a user's mobile phone. Mobile money, insurance, credit, and savings are mobile financial services.
Mobile money	A service offered by financial service providers in which customers use a mobile phone to access financial services.
Mobile money account / mobile wallet	An e-money account is primarily accessed using a mobile phone held by the e-money issuer. In some jurisdictions, e-money accounts may resemble conventional bank accounts but are treated differently under the regulatory framework because they are used for different purposes, for example, as a surrogate for cash or a stored value to facilitate transactional services. An active mobile money account is a mobile money account used to conduct at least one transaction during a specific period (usually 90 days or 30 days).
Mobile money transfer	A transaction made from a mobile wallet that accrues to a mobile wallet or is initiated using a mobile phone, or both.
MSC	MicroSave Consulting
Non-dedicated agent	CICO agents who have other income sources, such as an agent who is also a shop owner. Non-dedicated agents run another primary entrepreneurial activity from their kiosk or shop from where they run the CICO business.
NPL	Non-performing loan
OTP	One-time password
Over-the-air (OTA) registration	A term used to describe creating DFS accounts for a customer remotely using digital verification services.
Over-the-counter (OTC) services	A CICO agent performs the transactions on the customer's behalf wherein customer does not use their own DFS account but instead hand over cash to agent and the agent uses their own account to conduct the transaction.
Payment service provider	An entity that provides services that enable funds to be deposited into an account and withdrawn from an account; payment transactions (transfer of funds between, into, or from accounts); issuance or acquisition of payment instruments that enable the user to transfer funds (e.g., banks checks, e-money, credit cards, and debit cards); and money remittances and other services central to the transfer of money.
Platform	The hardware and software that enables digital financial services.
POS Machine	Point of sale machine: A retail point of sale system typically includes a cash register, which in recent times may only comprise a customer display and receipt printer. Most retail POS systems also include a debit and credit card reader.
P2B	Person-to-business payments for the purchase of goods and services.
P2G	Person-to-government payments include taxes and fees.

P2P	Person-to-person payments include both domestic and international remittances.
Regulator	This refers to the regulator that has supervisory authority over financial institutions within a particular country—usually the central bank or financial authority.
Savings	Traditionally, a bank stores a customer’s money within an interest-bearing account. Savings is sometimes loosely described as a store of money, such as the electronic money balance in a mobile wallet or bank account.
SIM	Subscriber identification module
Super agent	A business that purchases electronic money from an MNO wholesale and then resells it to agents, who in turn sell it to users.
UAT	User acceptance testing
Unbanked	Customers, usually the very poor, who lack a bank account or a transaction account at a formal financial institution.
Underbanked	Customers who may have access to a basic transaction account offered by a formal financial institution but still have unmet financial needs. For example, they may not be able to send money safely or affordably.
Unregistered users	Customers who use mobile financial services without formally enrolling as a customer with the service provider. These users access digital financial services via over-the-counter services. Unregistered users include people transacting over the counter in the case of OTC services and unregistered recipients of off-net P2P transfers in the case of wallet-based services.
USD	United States Dollar
USSD	Unstructured supplementary service data

-  MSC head offices
-  MSC offices
-  Impact areas



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