Investing in the agents of change

CICO agents—moving from evolution to revolution of financial services

MSC estimates that at least 18.4 million cash-in and cash-out (CICO) agents are in business across the globe. These include around 12.2 million mobile money agents (GSMA, 2022) and approximately 6.2 million bank agents[1] in developing countries, such as India, China, Brazil, Pakistan, and Indonesia.

Mobile money agents (excluding exclusive bank agents) worldwide conducted transactions worth more than USD 500 million per day 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. MSC estimates indicate that CICO agents will conduct 16-22 billion transactions through the year 2022, and bank agents will number 8.8 million by 2027.

Lending to agents—a massive market for investments

Investors have an attractive opportunity to lend USD 0.5-1 billion to agents in nine countries: Bangladesh, Côte d'Ivoire, Ghana, India, Indonesia, Kenya, Nigeria, Senegal, and Uganda. This market for credit is expected to grow to USD 1.2-2.3 billion by 2027.

Call to action

Enhancing agents' ability to do business significantly improve how well they deliver financial services to customers in underserved urban and rural areas. They can then contribute to digital financial inclusion—catalytic to the 2030 Sustainable Development Goals. Investors have a unique opportunity to support lending to agents—especially those who seek a double bottom line.

[1] 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)

Opportunities for investment

Unlocking the potential for agent lending through five distinct investment areas

1

Direct underwriting for startup capital by developing a portfolio of term loans for established small business models. New agents sourced and screened by the FSPs, ANMs, and MNOs require capital to start up their agent business.

2

Direct underwriting for agent liquidity by developing a portfolio of agent working capital loans leveraging the FSP/MNOs/ANMs for credit screening and diligence. This will provide FSPs, MNOs, and ANMs incentive to originate the loans to improve their agent performance without underwriting the loans.

3

Direct underwriting for adjacent business through developing a portfolio of MSME working capital loans and leveraging agent businesses as an onramp to more traditional MSME finance. Agents have improved credit screening, diligence, and incentives to comply.

4

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

5

Standard growth capital for newer enablers of agent lending to build out their technology, customize products, and expand their operations. Many exciting platforms in this space are still startups, and may seek to fundraise.

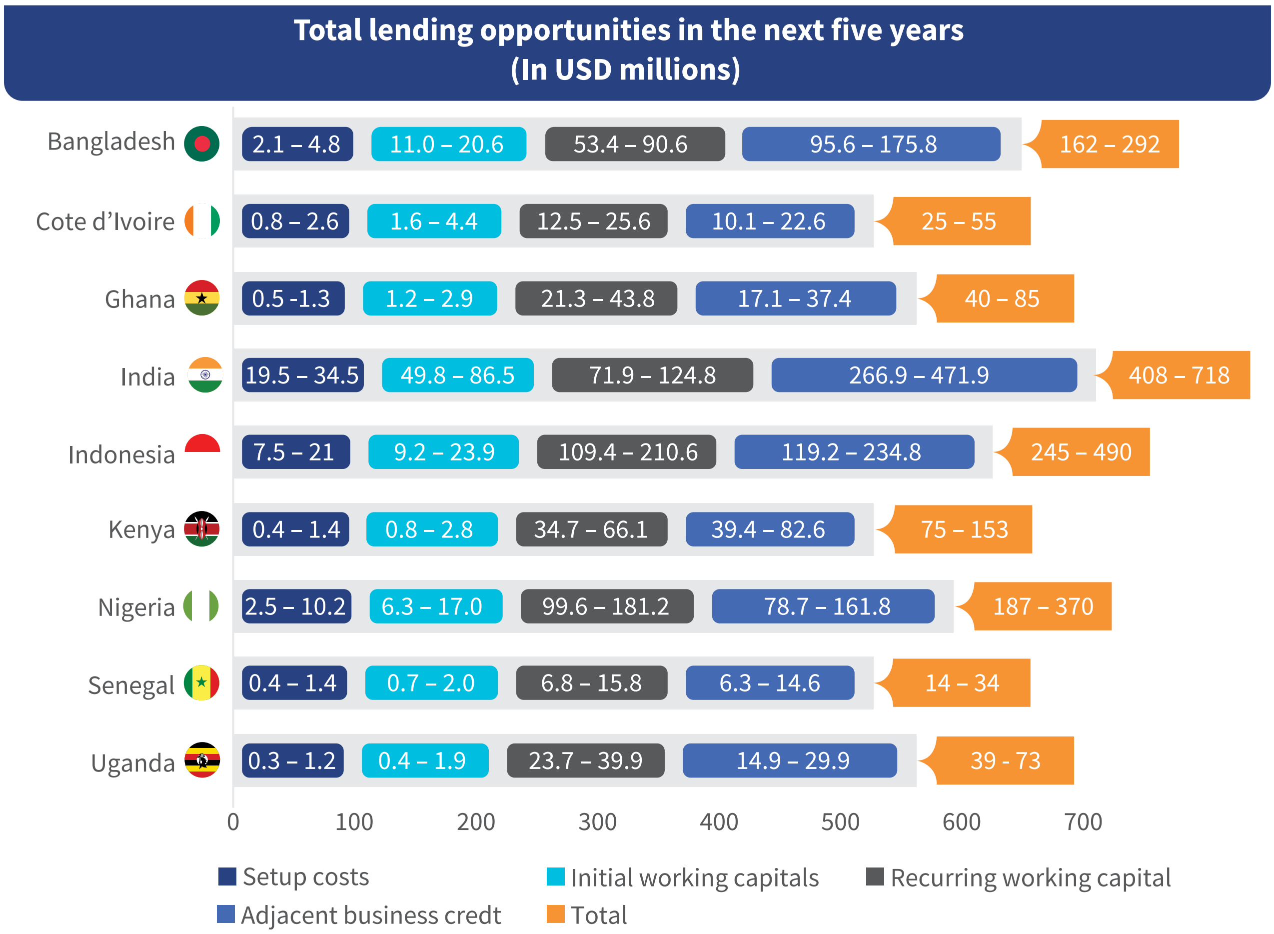
Agents' financing challenge

These CICO agents struggle to access startup and working capital to sustain their businesses. The challenges are more pronounced for women agents due to systemic and structural challenges in agent network design and lenders' decision-making process. Many developing markets offer a successful business case for CICO agents. Yet their further growth remains stifled, as individual agents lack access to capital for their CICO and peripheral businesses. Across the markets studied, the demand for credit varies throughout the Start Work Grow (SWG) financing lifecycle.

Agent lending is a relatively nascent and unexplored space partly because potential investors lack confidence in the scope for returns on investment. Investing in lending to agents and their networks has emerged as an attractive proposition because it can be data-enabled and are now better secured. Agents deliver financial services that remain highly regulated, and the process involves inherent oversight from network managers and financial service providers. This differentiates lending to agents from lending to MSMEs or the mass market.

Agents have limited avenues to finance their credit needs formally. They depend on informal sources, occasionally use funds meant for adjacent businesses, and sometimes dip into their household savings. Due to suboptimal credit product design, few financial service providers lend to their agents. While partnerships with independent FinTechs are beginning to fill this gap, lending to agents remains a vast opportunity.

Country-wise financing opportunities



Lenders that provide credit to agents[2]

The case studies examined in this report show that innovative business models and new institutional partnerships use digital technology to reduce risks while increasing the security and churn of agent loans.

Safaricom	**Bloom Finance**	A partnership between Asante Financial Services and Safaricom in Kenya to provide credit service to merchants and agents on the M-Pesa network
EQUITY	**Equity Bank**	Equity Bank in Kenya lends float to its agents; the credit appraisal is no different from any other SME
KCB airtel	**KCB-Airtel Ugan**	The partnership allows Airtel agents access to quick unsecured loans using USSD that KCB Uganda finances.
EKO/-	**EKO India Financial Services**	EKO in India has partnered with large banks in India and uses a credit decisioning algorithm to lend to EKO's merchants and agents.
KUUNDA DIGITAL	**Kuunda Digital**	Kuunda in Tanzania provides automated float-on credit to M-Pesa merchants using finances from FINCA Microfinance Bank.
FLOW	**Flow Global**	Flow in Uganda uses a data-based decision model to provide startup and working capital to agents.
pezesha	**Pezesha**	Pezesha in Kenya uses an embedded credit-scoring engine. Pezesha uses this to the algorithm to provide credit to agents (SMEs).
BANK BRI	**Bank Rakyat Indonesia**	BRI in Indonesia lends through traditional models to its agents in coordination with its subsidiaries.
onango	**Onango lternative Finance**	Onango in Ghana lends to agents in its network and agents of other mobile money networks.
AGENT BANKING	**Agent Banking Company**	The Agent Banking Company is a shared agent platform and network manager with the potential to lend to more than 10,000 agents across 24 banks and MFIs in Uganda.

The MSC team spoke to leading experts to conduct this study. The experts included representatives from agent networks, lenders, investors, and PE firms in Africa and Asia. Countries selected for this report are those where i) these networks have either had a successful start or grown extensively, ii) constitute 55% of the population and 65% of the GDP of low-income and lower-middle-income countries, and iii) collectively account for 2 billion people worldwide.

These countries were Bangladesh, Cote d'Ivoire, Ghana, India, Indonesia, Kenya, Nigeria, Senegal, and Uganda. MSC used a mix of our existing work on agents, key informant interviews, and literature review to get data and information. The team also used public and confidential sources to analyze the data and rigorously postulate insights.

[2] These are the leading providers in the study focus countries.

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