

# Innovation & Reform in Agent Network Management

*MicroSave*  
Market-led solutions for financial services

BILL & MELINDA  
GATES foundation



## Why Should We Care About Agent Networks?

- Only 12.6% mobile money deployments have > 1 million active customers<sup>1</sup>
- Agent commissions consume 40–80% of mobile money revenues<sup>2</sup>
- 57% and 54% of registered mobile money users in Uganda and Kenya reported they preferred to “use OTC via an agent”<sup>3</sup>
- Agents are providers’ brand ambassadors – they determine customer trust, uptake and usage



<sup>1</sup> GSMA State of the Industry 2016 Report

<sup>2</sup> Almazan and Vonthron, Mobile Money for the Unbanked Mobile money profitability: A digital ecosystem to drive healthy margins, 2014

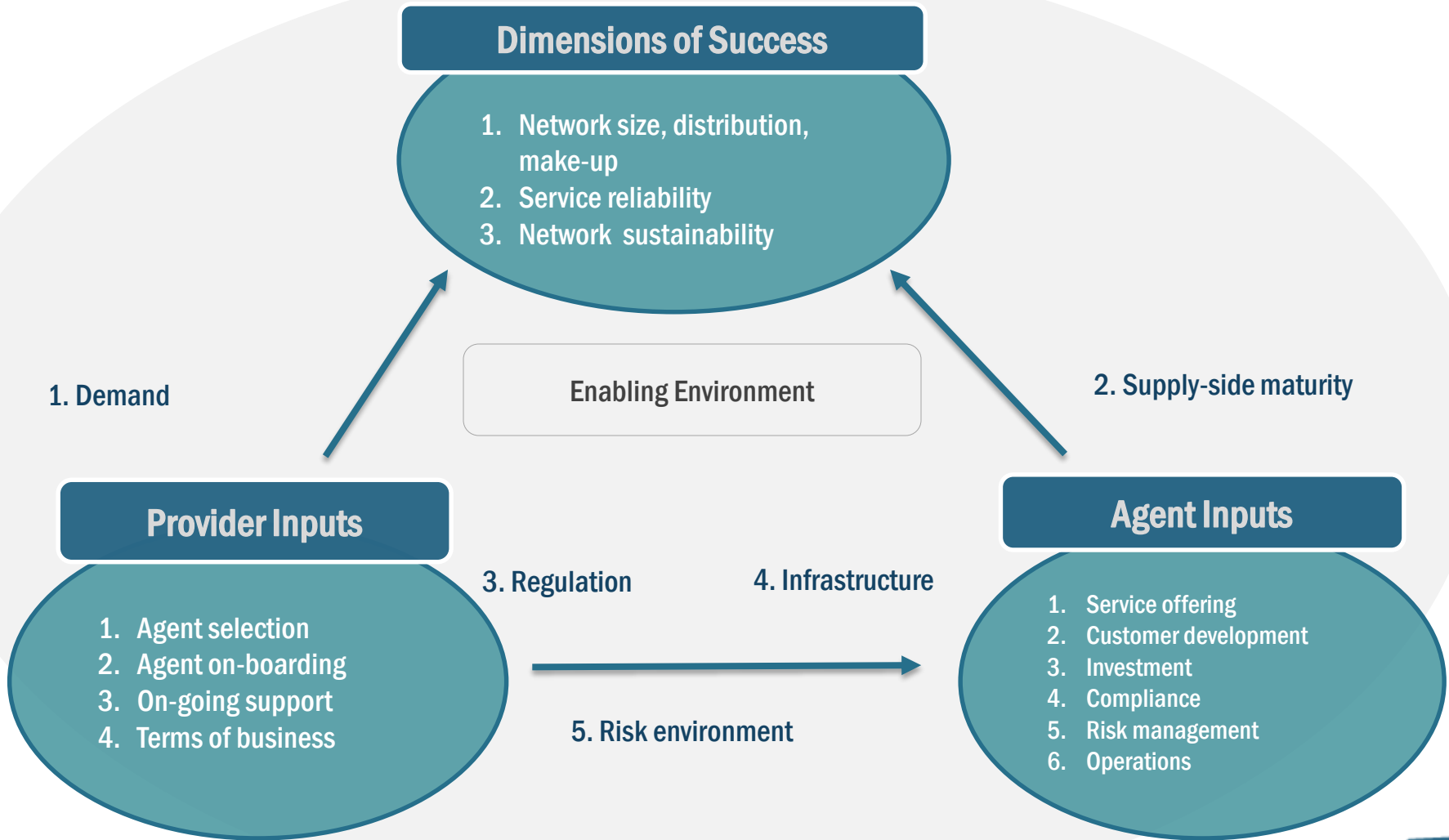
<sup>3</sup> Intermedia FII 2016

## Agent Network Accelerator (ANA) Programme

- Conducted research in Kenya, Tanzania, Uganda, Nigeria, India, Indonesia, Bangladesh, Pakistan. Expanded to Zambia, Senegal and Benin.
- Designed to help leading providers **overcome the cost and complexity of building sustainable cash-in/cash-out (CICO) networks**
- Delivers **cutting edge knowledge** and **data** on agent network management
- Produces **country & provider reports**, powers **The Helix training curriculum**
- Managed by *MicroSave*, funded by the Bill & Melinda Gates Foundation. Expansion funded by the UNCDF.



# Key Determinants of Agent Network Success

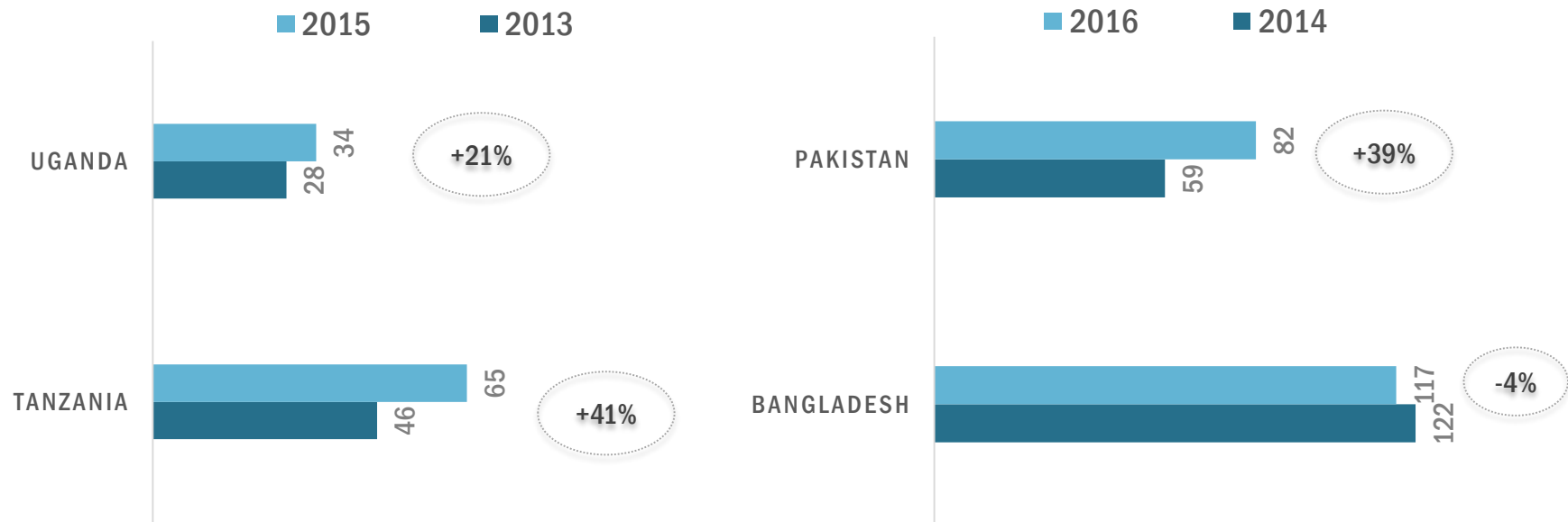


Source: Adapted from *Successful Agent Networks*, The Helix Institute of Digital Finance, 2017.

## Networks Expanded Most in Tanzania & Pakistan Over 2 Years

1. We've been over estimating agent outreach and number of agent outlets;
2. A less dense agent network (and thus less costly) may be adequate to serve customers etc.

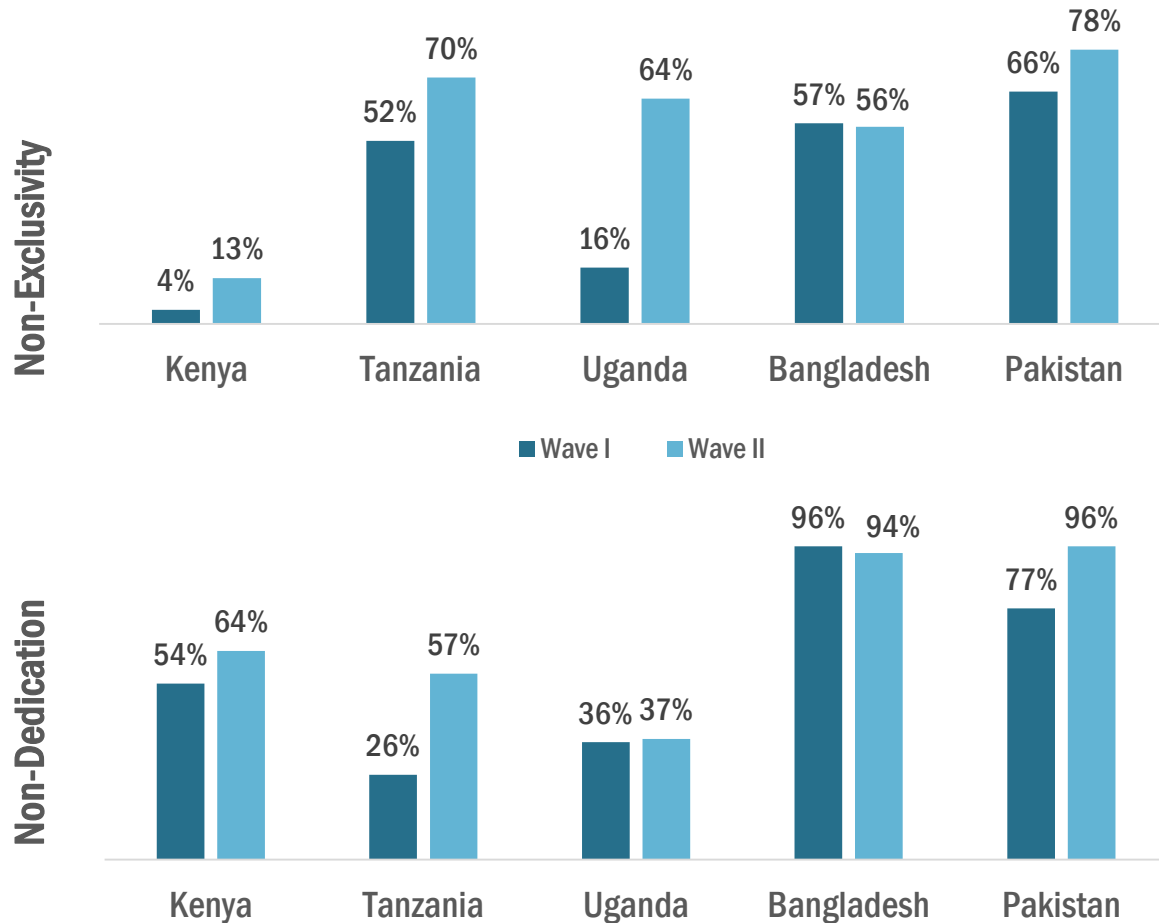
Number of active agent outlets (Thousands)



Our publication *Agents Count* stresses the importance of measuring network size using active agent outlets rather than agent tills.

## Business Models Move Toward Non-Exclusivity & Non-Dedication

1. Service and support to agents will be a key success driver
2. 3rd party model / outsourced services may be the way to go



- General trend towards:
  - ❖ agents working for more than one provider
  - ❖ agents running DFS agency as an add-on to other businesses
- Greatest increases in non-exclusivity and non-dedication in Tanzania and Pakistan
- Little evolution in Bangladesh with existing agents. But new 3<sup>rd</sup> party models emerging.

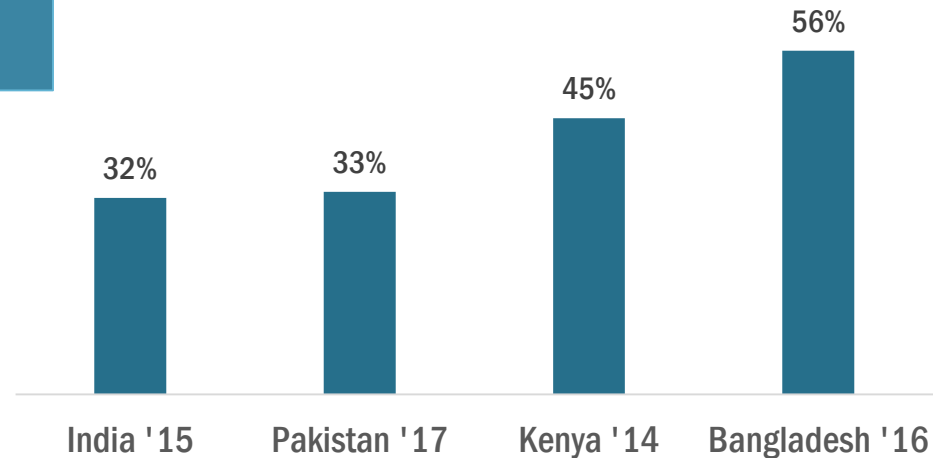
NOTE: ANA surveys were conducted in 2013 in [Uganda](#), [Kenya](#), and [Tanzania](#); in 2014 in [Bangladesh](#), [Kenya](#), [Pakistan](#), and [India](#); in 2015 in [Zambia](#), [Tanzania](#), [Uganda](#) and [Senegal](#); in 2016 in [Bangladesh](#) and in 2017 in Pakistan.

## There is Room to Improve Service Reliability

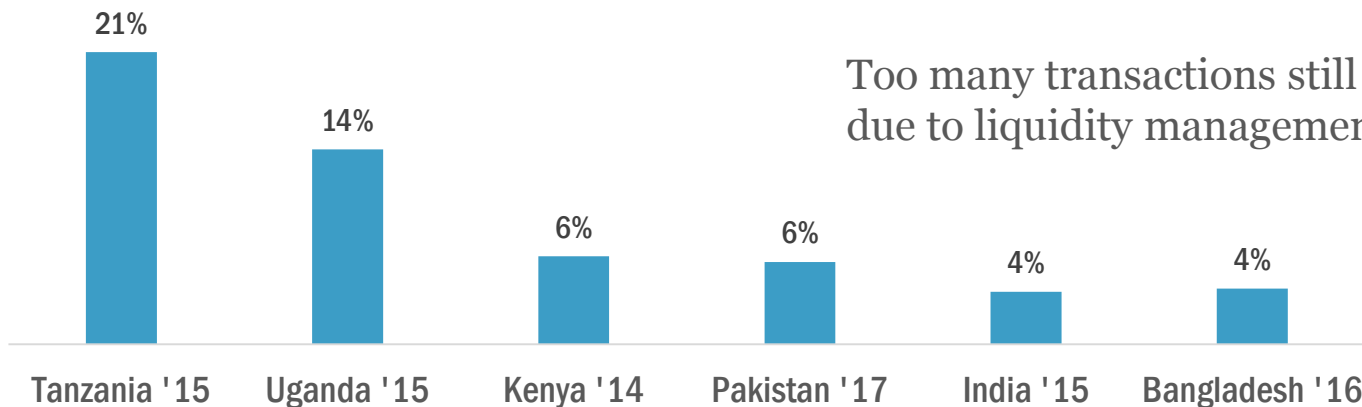
Trust is being eroded ... Providers with reliable platforms and innovative liquidity management systems will carry the day.

Many agents report being unable to transact, be it due to network interruptions or system downtime.

### Agents Experiencing Downtime



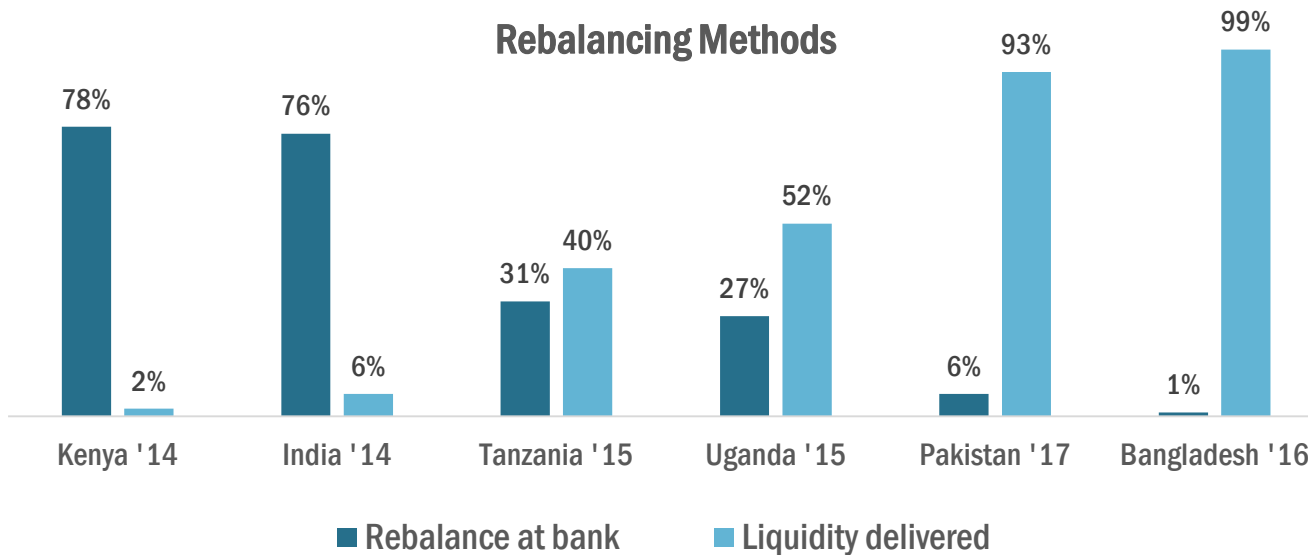
### % of Daily Transactions Denied Due to Lack of Float



Too many transactions still being denied due to liquidity management challenges

# Liquidity Management Remains a Challenge

## Rebalancing Methods

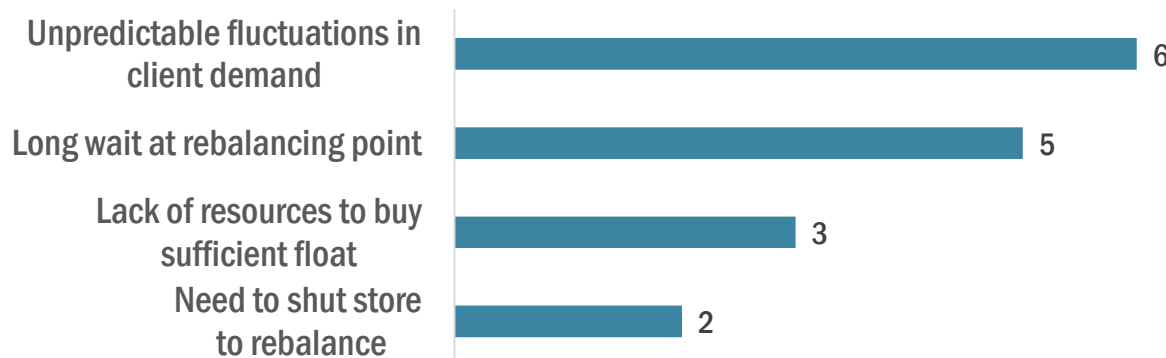


Need more solutions for liquidity management, especially getting cash to rural areas.

### Emerging remedies:

- ◆ Use of analytical tools to predict demand
- ◆ In-depth liquidity management training
- ◆ Dedicated rebalancing counters at banks
- ◆ Liquidity “runners”
- ◆ Credit lines/overdraft facilities for float

## # of Countries Reporting as Top 3 Barriers to Liquidity Management

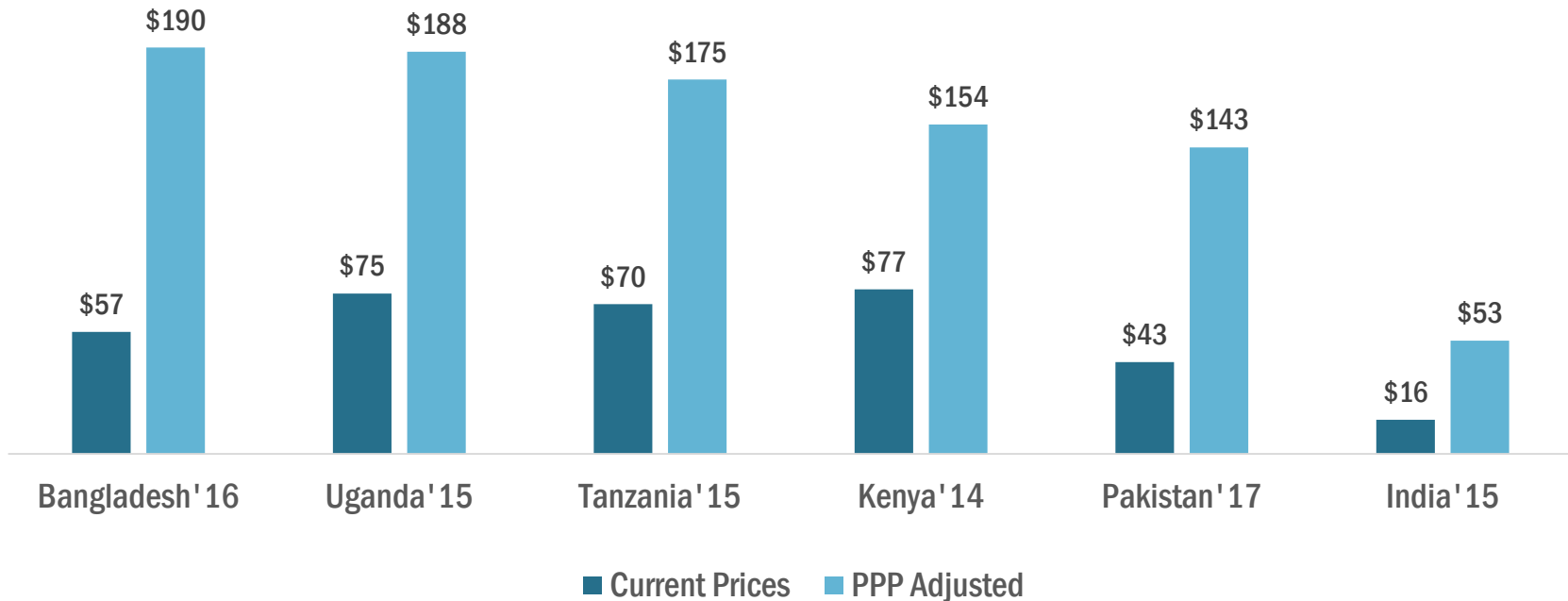




## Network Sustainability Varies Significantly

### Median Monthly Profits from Agency Business

1. Agency remains a low-profit business – driving unauthorized charges
2. Agency typically remains an add on business.

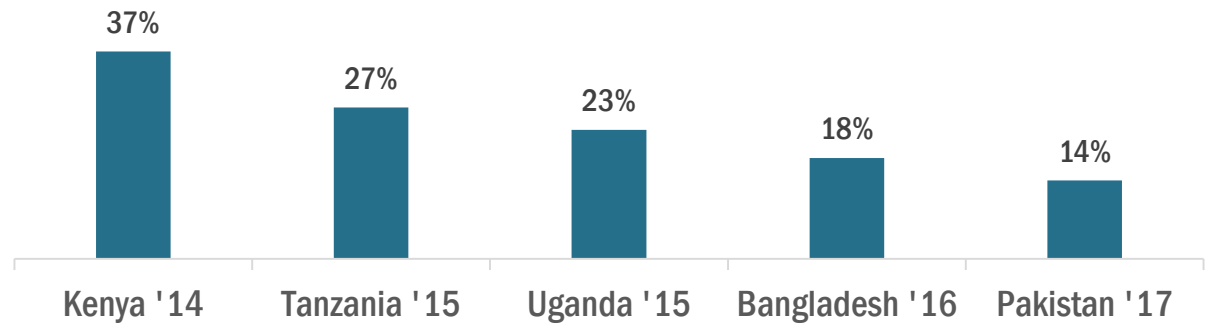


- Highest profits reported in two markets plagued by illicit OTC transactions, frequently performed by the agent for an unofficial fee.

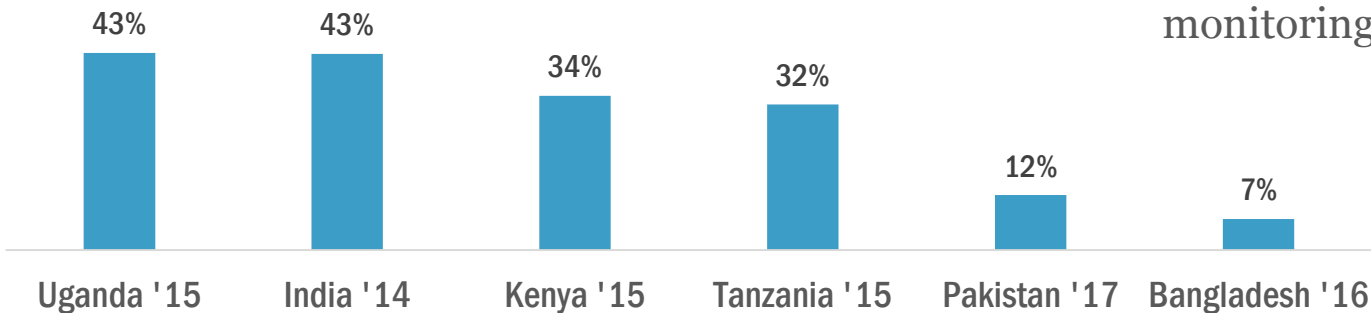
# Providers Could Invest More in Agent On-boarding & On-going Support

- Providers tend to delegate induction training to master agents and third parties
- A minority of agents report being trained directly by provider

Agents Initially Trained by Provider

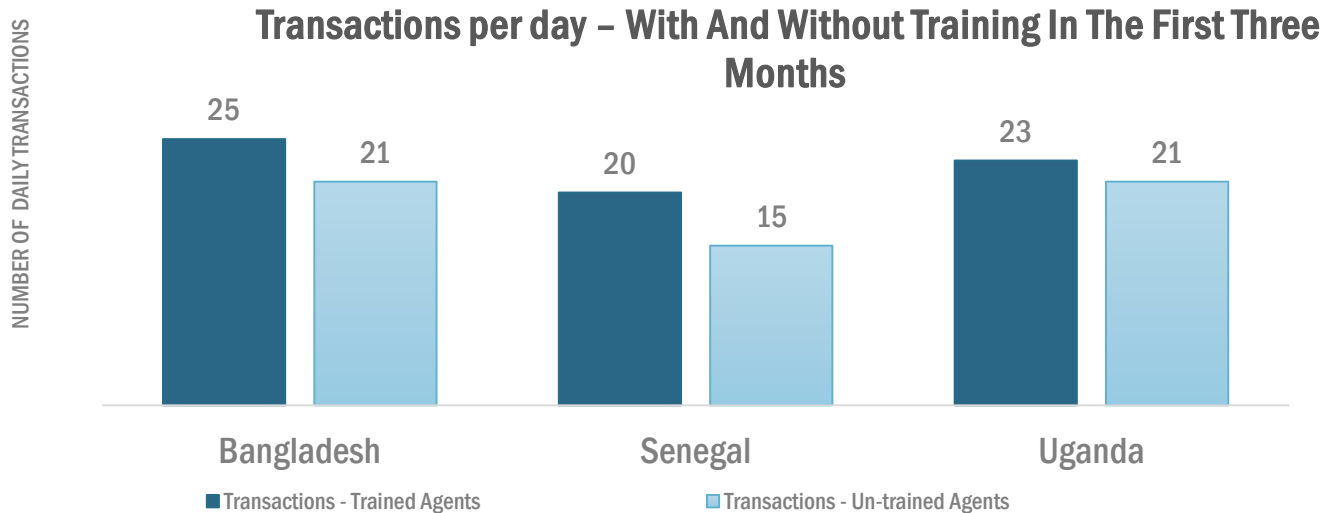


Agents Never Visited

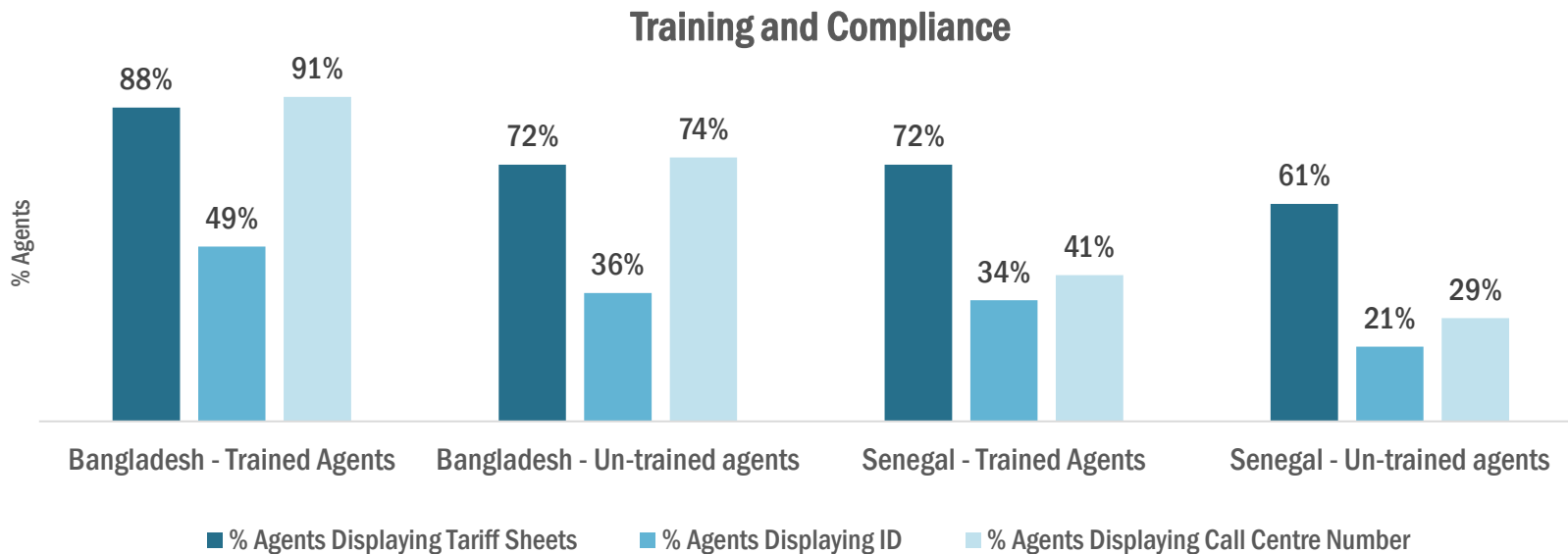


- Too many agents are left to their own devices and never receive monitoring or support visits

# Trained Agents are Compliant and Profitable



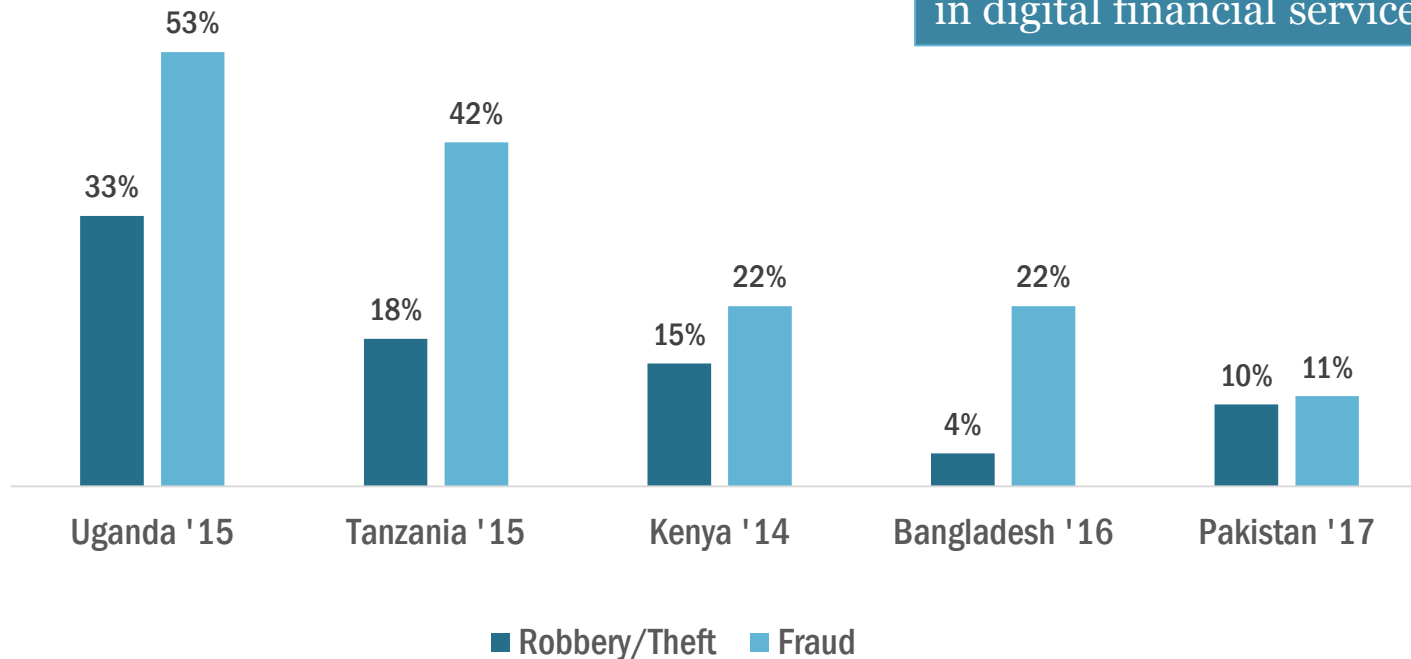
Poorly trained / monitored agents = poor quality, inactive agents = low revenues for agents and provider



# Security & Fraud Risks Are A Growing Challenge

## Agents Reporting Robbery/Theft & Fraud

Insecurity and fraudulent activities are growing. This undermines trust in digital financial services.

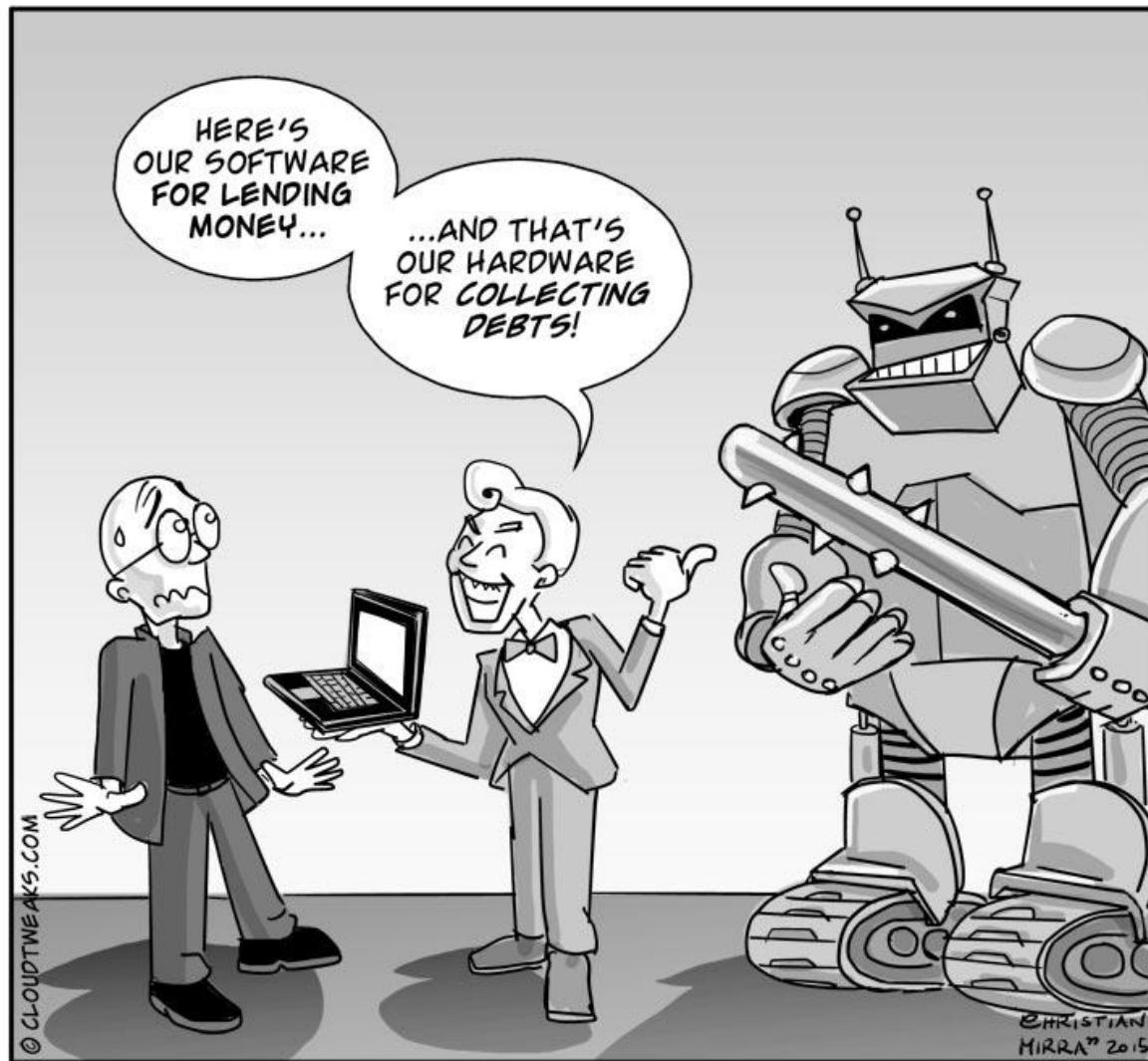


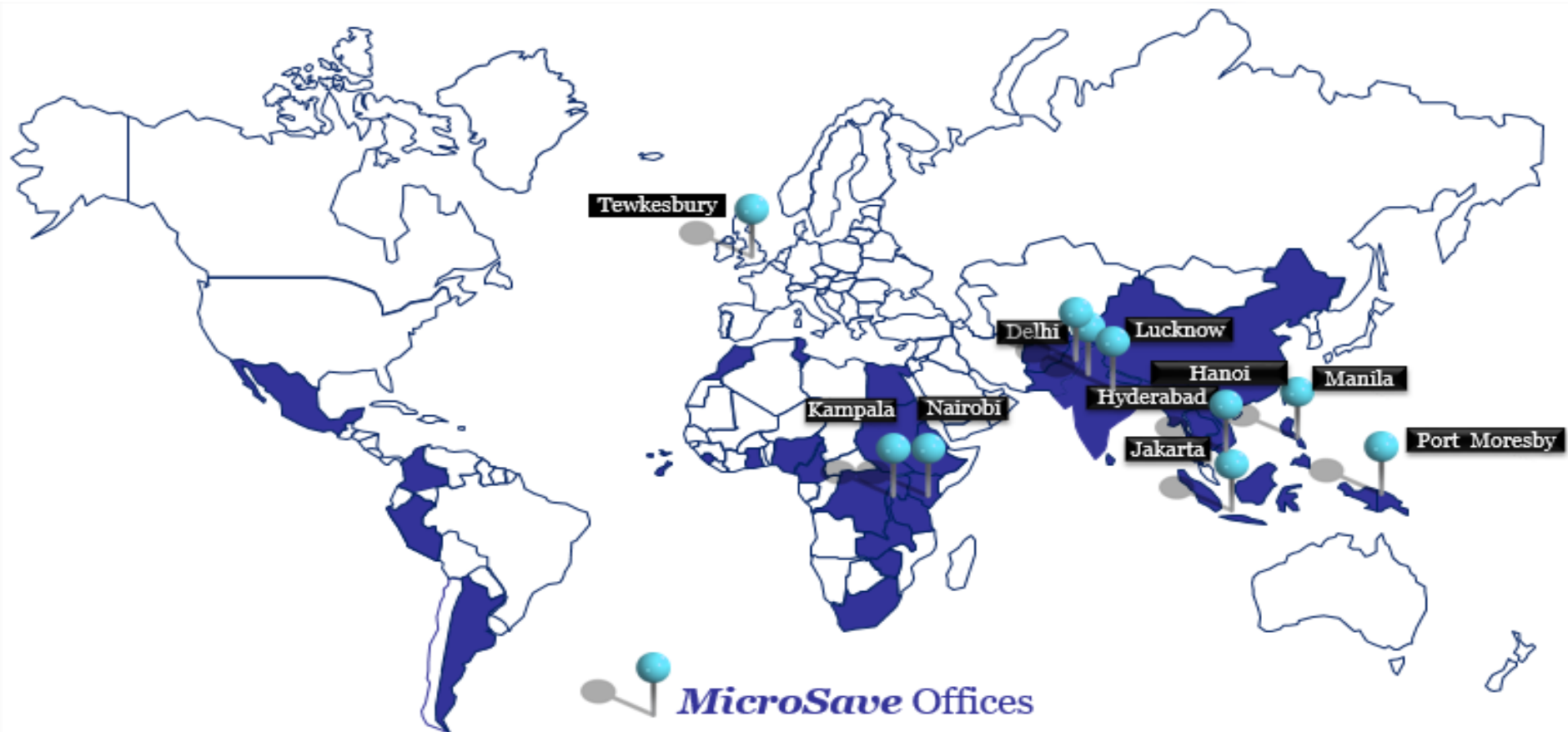
NOTE: Robbery/theft can include theft by people external to the agency business (armed robbery) and internal theft by staff. In Kenya, agents reported whether they or one of their employees had ever experienced robbery or fraud; in all other countries agents were asked whether they or their employees had experienced such incidents within the last year. Thus, data is not fully comparable.

## Agent Networks Remain the Unglamorous, Hygiene Factor of DFS ...

... and if we do not get them right, there is a real risk that the majority of deployments will fail.

So before we rush out looking for the next big idea, let's implement this one properly!





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