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Through the financial support of the Bill & Melinda Gates Foundation, MicroSave is conducting a four-year research project in the following eight focus countries as part of the Agent Network Accelerator (ANA) Project:

Africa
- Kenya
- Nigeria
- Tanzania
- Uganda

Asia
- Bangladesh
- India
- Indonesia
- Pakistan

Research findings are disseminated through The Helix Institute of Digital Finance. Helix is a world-class institution providing operational training for digital finance practitioners.

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The research focuses on operational determinants of success in agent network management, specifically:

- **Quality of Provider Support**
- **Agent & Agency Demographics**
- **Core Agency Operations**
- **Liquidity Management**
- **Business Model Viability**
The Research Is Based On 2,113 Nationally Representative Agent Interviews

Data collection occurred in September/October 2013, using a random route methodology based on the displayed agent census.

Red points represent a census of agents conducted by Brand Fusion in 2013. Blue ones are the ones interviewed for this research.

Sample Profile*

<table>
<thead>
<tr>
<th>Total Sample Size</th>
<th>Location</th>
<th>Exclusivity</th>
<th>Dedication</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nairobi</td>
<td>Non-Nairobi Urban</td>
<td>Rural</td>
</tr>
<tr>
<td>Total Sample Size</td>
<td>2,113</td>
<td>746</td>
<td>941</td>
</tr>
</tbody>
</table>

*Note that this table is shown to give you an idea of the resulting sample sizes along some of the major dimensions. Note that it is in a different format from the Tanzania and Uganda reports and is therefore not directly comparable.
Note On Sampling & Provider Representation

There are some important issues to understand about the sampling and therefore the representativeness of provider data.

Based on best available provider data, the sample was distributed at a ratio of 2:3 rural vs. urban, and therefore providers that have more than 40% of their agents in rural areas will be under sampled. FSP maps shows 83% of banking agents are rural, and therefore they have been under sampled.

The definition used for rural, was “areas that are not district capitals”. This is a common government definition in East Africa, but is a broad category, and therefore sub-demographics like rural remote can be under sampled.

Researchers used a random route methodology, meaning they entered agencies that displayed signage, and therefore agents that have not put up signs were not interviewed.

Sampling was distributed proportionality according to findings from the census of financial service touch points conducted earlier that year. However, while CBK reported over 10,000 bank agents, and CCK reported over 74,000 mobile money agents (84,000 total) for that general period, only 55,576 (65%) were found after an exhaustive search. It is still unclear what accounts for the discrepancy.
The large amount of agents in the market is limiting profitability per agent, and driving dissatisfaction from agents. Despite having an expansive network, it is still very much tethered to banking infrastructure for rebalancing.

In Kenya, banks are now also driving agent banking, and while they do seem to be adding value to the system they have yet to reach the scale of agents mobile money providers have on the market.
In Uganda, 63% of agencies offer MTN services, and in Tanzania 55% offer services for Vodacom, making Safaricom the most dominant provider with regards to agency in East Africa.

While Airtel, KCB, Coop and Equity are expanding their agency footprints, very few agents sampled reported offering their services.

*Agent market share is defined as the proportion of cash-in/cash-out (CICO) agents by provider. Numbers here are provided on a till basis not on the outlet level. Hence, if an agent serves three providers it is counted three times. This method therefore discounts smaller exclusive networks like most bank agents.
Daily Transaction Levels* Are Highest In East Africa

A third of agents in Nairobi make 30 or less transactions per day.

74% of agents report making over 30 transactions per day.

Transactions Per Day

Number Of Transactions

Percent Of Respondents

<table>
<thead>
<tr>
<th>Number Of Transactions</th>
<th>Nairobi</th>
<th>Non-Nairobi Urban</th>
<th>Rural</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10</td>
<td>8%</td>
<td>7%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>11-20</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21-30</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31-40</td>
<td>14%</td>
<td></td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>41-50</td>
<td>13%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51-60</td>
<td>8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>61-70</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>71-80</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>81-90</td>
<td>4%</td>
<td></td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>91-100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>101-110</td>
<td>3%</td>
<td></td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>111-120</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>121-130</td>
<td></td>
<td></td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>130+</td>
<td></td>
<td></td>
<td>2%</td>
<td></td>
</tr>
</tbody>
</table>

This is 48% higher than in Tanzania where agents are doing a median of 31 per day.

Median Transactions Per Day

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nairobi</td>
<td>40</td>
</tr>
<tr>
<td>Non-Nairobi Urban</td>
<td>50</td>
</tr>
<tr>
<td>Rural</td>
<td>49</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>46</strong></td>
</tr>
</tbody>
</table>

* Numbers represent transactions per day by selected provider, not overall volumes for the agency.
Largest Stated Barriers To Daily Transactions*

- Too many other agents competing for business
- Lack of resources to buy enough float
- Too often have only either cash or e-float when the client is asking for other
- Individual clients demand for service is not very regular
- Lack of awareness of service among potential customers in the area
- Doing more business means too much more risk of fraud or robbery
- Too busy to do anymore business (already have lines of clients)

* Agents ranked a minimum of three of these seven dimensions. The above figures are a weighted average of the first three Choices, where taller bars mean a higher relative ranking.
The Lack Of Offerings Means Potential For Product Innovation

79% agents are contributing to client growth in contrast to Tanzania (36%) or Uganda (33%).

The level of agent-assisted Over the Counter Transactions (Direct Deposits) is reported to be lowest in Kenya, compared to 30% in Uganda.

While agency banking is now offering savings services, not a great enough percentage of agents are involved to show-up here.
There Is A Large Variability In Profitability*

17% of agents are not profitable which is higher than the 13.5% in Uganda and the 5% in Tanzania.

34% of agents are making more than $US 100 per month.

* Is calculated by subtracting expenses from total earnings from all the providers served. Only agents that reported both earnings and expenses are included here.
Agency Profitability Is Low For East Africa*

Median Profits by Agent Outlet ($US)

Tanzanian agents earn revenue from multiple providers due to high levels of non-exclusivity.

Ugandan agents report higher revenue than Kenyan agents.

* Is calculated by subtracting expenses from total earnings from all the providers served. Only agents that reported both earnings and expenses are included here.
Risk Of Fraud Most Burdensome To Agents’ Business*

This is the number one burden across East Africa.

**Biggest Operational Burden to Agents**

Though providers have rapidly expanded business across the country, they have done very little in providing safety against theft/armed robbery.

* Agents ranked a minimum of three of these seven dimensions. The above figures are a weighted average of the first three Choices, where taller bars mean a higher relative ranking.
### Comparison Of Median Profits* By Existing Dimensions

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Median Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated (sole agent business)</td>
<td>$76</td>
</tr>
<tr>
<td>Non-Dedicated (agent business located in another business)</td>
<td>$64</td>
</tr>
<tr>
<td>Principal service provider</td>
<td>$81</td>
</tr>
<tr>
<td>Aggregator</td>
<td>$54</td>
</tr>
<tr>
<td>Some provided, and some purchased</td>
<td>$47</td>
</tr>
<tr>
<td>All Provided</td>
<td>$76</td>
</tr>
</tbody>
</table>

* Dedicated agents were 19% more profitable than non-dedicated ones.

* Agents trained by the provider as opposed to a master agent (referred to as an aggregator in Kenya) were 50% more profitable.

* Agencies that had all branding materials provided, reported being 62% more profitable.

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* Is calculated by subtracting expenses from total earnings from all the providers served. Only agents that reported both earnings and expenses are included here.
Median Profits* By Years Of Operation As An Agency

Profitability By Years of Operations ($US)

Profits jump after the first year of operations and then seem to level out.

* Is calculated by subtracting expenses from total earnings from all the providers served. Only agents that reported both earnings and expenses are included here.
The Agency Model Is Mature But Most Agents Are Not

- 35% of agents are less than a year old, compared to approximately 50% in both Tanzania and Uganda.

- Only 58% of agents said they thought they would be an agent in one year’s time, which is significantly lower than Uganda and Tanzania and shows dissatisfaction.
Revenues Across The Country Are Much Lower Than GNI Per Capita

Agency Revenue By Location ($US)

- Compared to Uganda ($US136) and Tanzania ($US126), Kenyan agents make the least amount of revenue.
- High price levels in Kenya mean it is hard to have a business solely dedicated to agency.

Monthly GNI per capita (PPP) = US$178.

Total monthly revenue reported here pertain to all providers being served. Therefore for non-exclusive agencies, their revenue is reported here with regards to all the providers they serve. All agents reporting revenue are included, since some did not report operational cost the sample size is different than that used for the profit calculation.

*Total monthly revenue reported here pertain to all providers being served. Therefore for non-exclusive agencies, their revenue is reported here with regards to all the providers they serve. All agents reporting revenue are included, since some did not report operational cost the sample size is different than that used for the profit calculation.
Agents Report Low Operational Expenses Across The Country

Operational Expenses Per Month

Rural areas have half of the operational costs of those in Nairobi.

44% of agents report personally knowing someone who has experienced robbery or theft and the qualitative research revealed that some agents are hiring security guards which is increasing costs.

Median:
- Nairobi: $US58
- Non-Nairobi Urban: $US35
- Rural: $US28
- Total: $US35

* Total monthly expenses reported here pertain to all providers being served and is given from all agents that reported it. Therefore it has a different sample size than revenue, and profit, and so it is difficult to directly compare them.

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Kenya Has Remarkably High Levels Of Exclusivity

Exclusivity Of Agents By Location

**Tanzania**

- Dar es Salaam: 84%
- Non-Dar es Salaam: 45%
- Rural: 38%
- Total: 52%

The threat of losing their till was enough to keep almost all of Safaricom’s agents exclusive. The high levels are quite stunning compared to neighboring Tanzania.

**Kenya**

- Nairobi: 5%
- Non-Nairobi Urban: 3%
- Rural: 4%
- Total: 4%

Kenya has remarkably high levels of exclusivity. The high levels are quite stunning compared to neighboring Tanzania.
Agents Predominantly Report Higher Float Requirement Than Cash

Small lines of credit for agents in good standing might be able to fulfill a portion of the need for e-float.

Qualitative research reveals that rural farmers are depositing money from agricultural sales, which might explain the greater need for e-float there. It is notable that if the “Send Money Home” use case was predominant, we would not expect to see a high demand from agents for e-float in rural areas.
Of agents that travel to rebalance, 77% take 15 minutes or less to reach their rebalance point compared to Uganda (72%), and Tanzania (69%). 91% of agents report using a bank branch to rebalance, with the next most popular place being surrounding agents, which 8% of agents reported using.

23% of agents responses were not included here as they reported they did not travel to rebalance.

Agents tend to pay little or nothing to rebalance: 48% have costs of less than $US1, this is much lower than Tanzania though, where the corresponding figure is 81%.
Rebalancing Options For Mobile Money Agents

Mobile Money Agent

Small Cash Needs
(Retailor, Public Transport Conductor, another Agent)

Medium Cash Needs
(Aggregator & Provider)

Large Cash Needs (Banks)

There are a multitude of options for small and large rebalancing needs that are available with differing levels of convenience.
Complimentary Rebalancing For Mobile Money & Agency Banking

Bank rebalancing is different, usually offering agents the ability to rebalance at a branch or close by bank agent. However, many agents are rural, and these options are not convenient.

Bank agents in rural areas report using the mobile money agents for rebalancing. They can deposit cash at a mobile money agent, then transfer the float to their bank account and buy float from the bank. Or conversely, transfer bank float to mobile money float, and then use it to withdraw cash from a mobile money agent.

Mobile money agents are also using bank agents for rebalancing.
Rebalancing Occurs Infrequently

Frequency Of Monthly Rebalancing (Cash Deposits & Withdrawals)

Median = 4

Approximately once a week an agent will withdraw more cash and make a deposit.

Median = 3

While 24% of agents report not denying any customers due to lack of float, in general a median of three transactions per day are denied daily for this reason.

- Percentages here are not actually negative, they are just presented this way to mirror withdrawals and deposits on the same axis.
This financing issue is a reoccurring theme, greatly impeding the quality of service delivery.

In the qualitative research, agents complain about having to wait in banking lines.

* Agents ranked a minimum of three of these seven dimensions. The above figures are a weighted average of the first three Choices, where taller bars mean a higher relative ranking.
The Quality Of Agent Support Is High, But There Are Targeted Areas For Improvement

**Training**
92% report receiving training
- 54% from a provider
- 15% from master agent
- 38% from an employer

*61% of agents have never undergone refresher training compared to 55% in Tanzania, and 57% in Uganda.*

**Operational Support:**
86% of agents report being visited compared to Uganda (54%) and Tanzania (74%). Of those visited a third are visited at least weekly, and almost three quarters are visited at least once a month.

**Call Centre:**
98% of agents were aware of a call center, call it a median of four times a month and rated it a 5 out of 7 in terms of its ability to resolve their issues.
Recurrent Service Downtime Is Affecting Transaction Levels

Unreliable service is a challenge for most agents:

Agents report the service goes down and median of nine times per month.

Only 26% of agents report receiving prior warning about downtime, and two thirds report that information given is accurate.

Agents report turning down a median of five transactions per day due to service downtime which is 11% of daily median transactions.
While the national sample did not have a significant portion of bank agents in it, an additional sample of 748 banking agents was conducted for leading bank providers. The next three slides compare the two leading bank networks to the two leading telecom networks.

<table>
<thead>
<tr>
<th>Metric</th>
<th>Comparison of Bank vs. MNO Agents in Kenya</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>FSP Maps shows 83% of bank agents and 76% of MNO agents are rural in Kenya, while only 30% of Tanzanian and 44% of Ugandan MNO agents are rural.</td>
</tr>
<tr>
<td>Demographics</td>
<td>Both models have similar metrics for agent gender, dedication, and exclusivity, but bank agents are more educated than MNO agents.</td>
</tr>
<tr>
<td>Transactions</td>
<td>MNO agents do more transactions per day, but data indicates that bank agents might do larger sized transactions.</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Both models locate close to rebalancing points, and rebalance at similar costs and frequencies.</td>
</tr>
<tr>
<td>Support</td>
<td>Both models extend high quality levels of support to agents, visiting often and regularly.</td>
</tr>
<tr>
<td>Maturity</td>
<td>While the MNO networks of agents have been around longer, both models heavily recruit new agents and therefore are dominated by agents lacking operational experience.</td>
</tr>
</tbody>
</table>
Mobile Money Vs. Agent Banking: Similarities

There are a surprising amount of similarities between agents managed by these two different types of providers, including agency demographics and metrics of support.

Dedication By Model
- MNO: 45% Dedicated (sole agent business), 55% Dedicated (agent business located in another business)
- Banks: 49% Dedicated, 51% Dedicated

Exclusivity By Model
- MNO: 96% Exclusive
- Banks: 27% Exclusive

Frequency of Support Visits by Model
- Daily: 0% MNO, 2% Banks
- Twice a week: 2% MNO, 6% Banks
- Weekly: 4% MNO, 5% Banks
- Monthly: 96% MNO, 37% Banks
Mobile Money Vs. Agent Banking: Key Differences

However, there are also some key differences to understand between agents serving banks and telecoms, with bank agents being more educated, generally prepared to do larger transactions, and still experiencing some network growing pains.
Mobile Money Vs. Agent Banking: Health Comparison

Total Daily Transactions - By Model

50% of bank agents make 30 transactions or less per day.

This is lower than the country median because M-PESA is less heavily weighted here.

There are a lot of agents doing very well.

<table>
<thead>
<tr>
<th>Transactions per Day</th>
<th>MNO</th>
<th>Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;=10</td>
<td>19%</td>
<td>18%</td>
</tr>
<tr>
<td>11 - 20</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>21 - 30</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>31 - 40</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>41 - 50</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td>51 - 60</td>
<td>7%</td>
<td>11%</td>
</tr>
<tr>
<td>61 - 70</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>71 - 80</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>81 - 91</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>91 - 100</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>100+</td>
<td>10%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Median Transactions Per Day

<table>
<thead>
<tr>
<th>Model</th>
<th>Per Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>MNO</td>
<td>42</td>
</tr>
<tr>
<td>Bank</td>
<td>30</td>
</tr>
</tbody>
</table>
Agents in Kenya work hard and are well supported.

- Banks have built parallel agent networks to MNOs, and are helping migrate agent networks to offer banking services. Banking and mobile money agents now have more options for rebalancing.

- Agents are doing a lot of transactions per day compared to other East African countries and effectively offering enrolment services for new clients.

- Monitoring and support systems are very advanced, with agents reporting regular visits, training, and are well aware of how they can get support when they need it.
Opportunities For Improvement

The profits from agency in Kenya are not very high, and many agents feel crowded and are quite concerned about fraud:

- The market is still dominated by one provider, with banks and other telecoms still struggling for market share and almost all agents still remaining exclusive to M-PESA.
- Agents are reporting serious problems with fraud and robbery, which is driving up the cost of doing business as they take preventative measures.
- With new agents consistently being activated, agents feel like the market is flooded, their profits have decreased, and some agents are reporting becoming non-dedicated to supplement their income.
- Liquidity is a big issue, with agents reporting infrequent rebalancing, lack of market knowledge and limited resources to increase float levels.
- Most agents are close to rebalancing points limiting geographical expansion beyond bank branches, and potentially a lack of ability to serve more rural low income clients as well as handle smaller daily transactions which usually occur within very close proximities to people’s residence.
Thank You

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