



Agent Network Accelerator Survey: Uganda Country Report 2013



January, 2014

Contributing Authors: Kimathi Githachuri, Mike McCaffrey, Leena Anthony
Annabel Lee, Anne Marie van Swinderen, Graham A. N. Wright

MicroSave
Market-led solutions for financial services

BILL & MELINDA
GATES foundation



Project Description

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

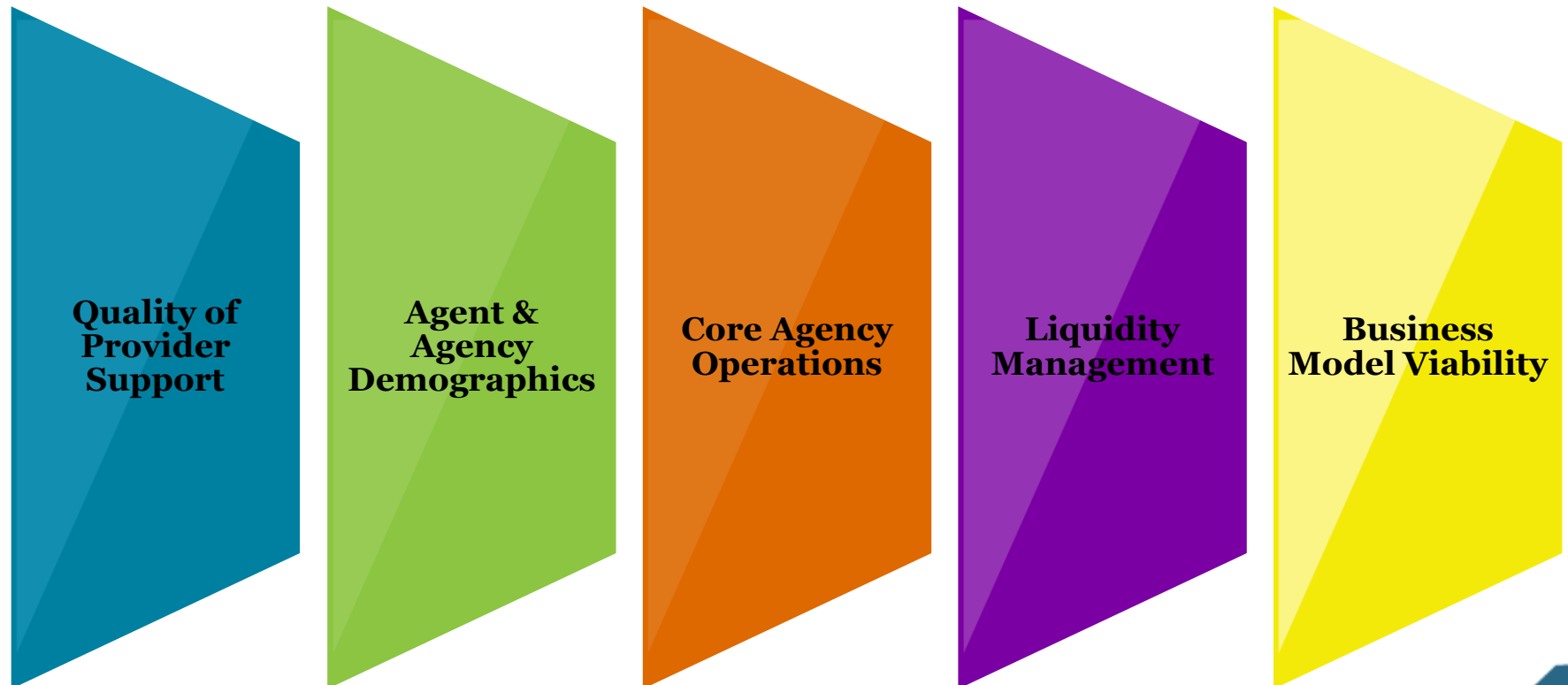
Research findings are disseminated through ***The Helix Institute of Digital Finance***. ***Helix*** is a world-class institution providing operational training for digital finance practitioners.



www.helix-institute.com

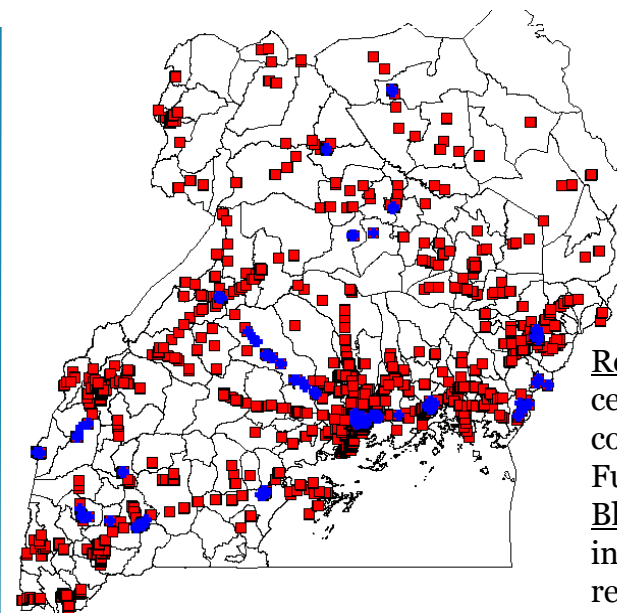
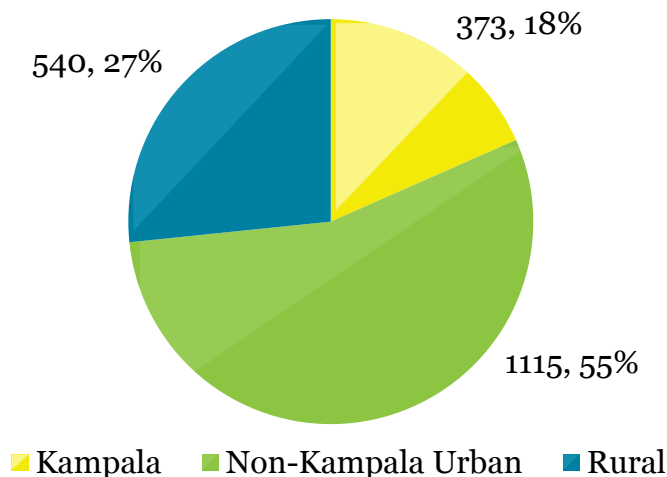
Focus of Research

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



The Research Is Based On 2,028 Nationally Representative Agent Interviews

Achieved Sample



Data collection occurred in June/July 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*

Key Providers***	Location			Exclusivity		Dedication	
	Kampala	Non-Kampala Urban	Rural	Exclusive	Non-Exclusive	Dedicated	Non-Dedicated
A	322	838	392	1,364**	188	713	839
B	102	208	96	148	258	170	236
C	66	167	117	134	216	137	213



*Note this table shows results only for the top three providers. It sums to 2,308 as it represents all providers served by agents. i.e. if an interview was done with an agent serving three providers, it is counted three times in this table.

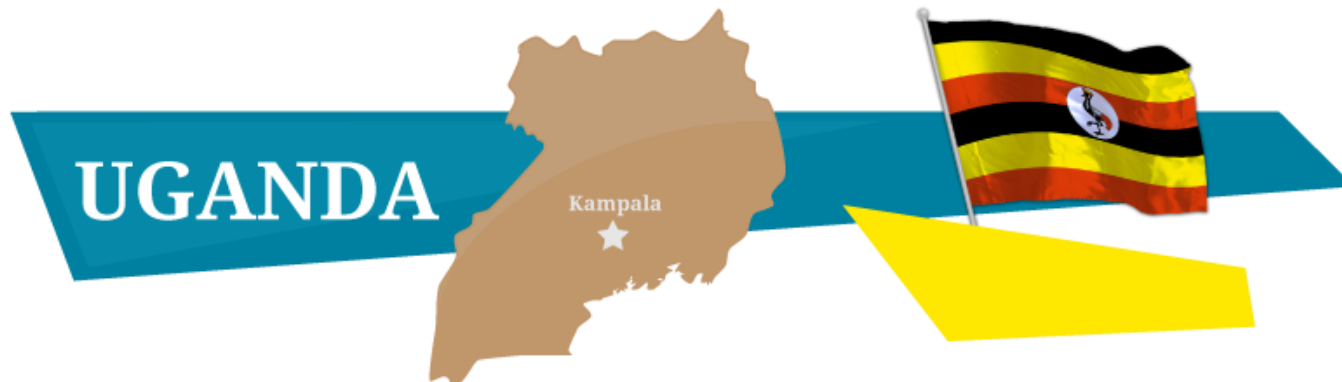
** Note the high concentration of Provider A exclusive agents (1,364) has significant impact on the overall findings.

***Provider names have been anonymized to maintain confidentiality.

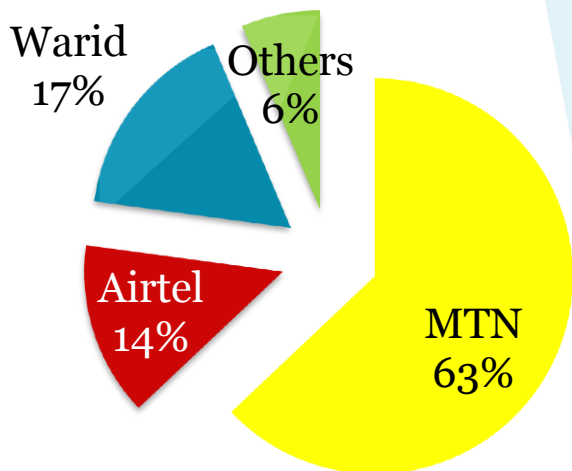
Uganda Overview



The quantity of agents in Uganda is expanding rapidly and profits are high; however, the next phase of development needs to focus on the quality of service provided.

- 
 In general agents are satisfied with their profits, rebalance fairly easily and are dedicated to remaining as agents.
- 
 However, agents primarily face challenges on fraud and security, communication with their provider, and system downtime

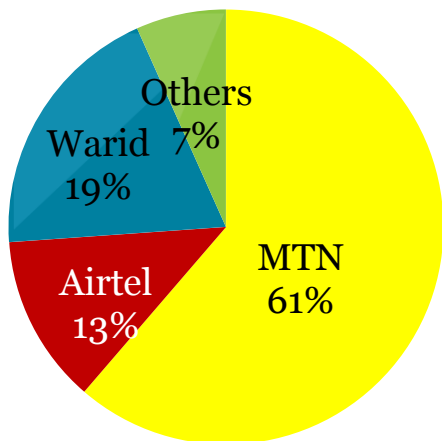


Providers' Market Share Of National Agent Network

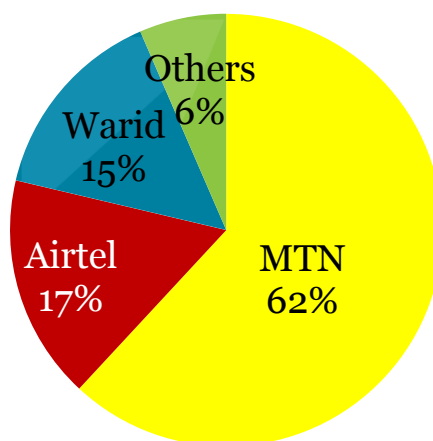


 During this research period, Airtel and Warid announced their acquisition and merger plans
 Ezee Money is the first third-party provider. It offers ALL mobile money services and aggregates them using terminals

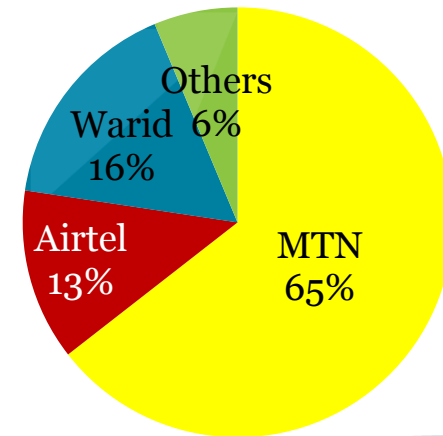
Kampala City AMS



Non-Kampala Urban AMS



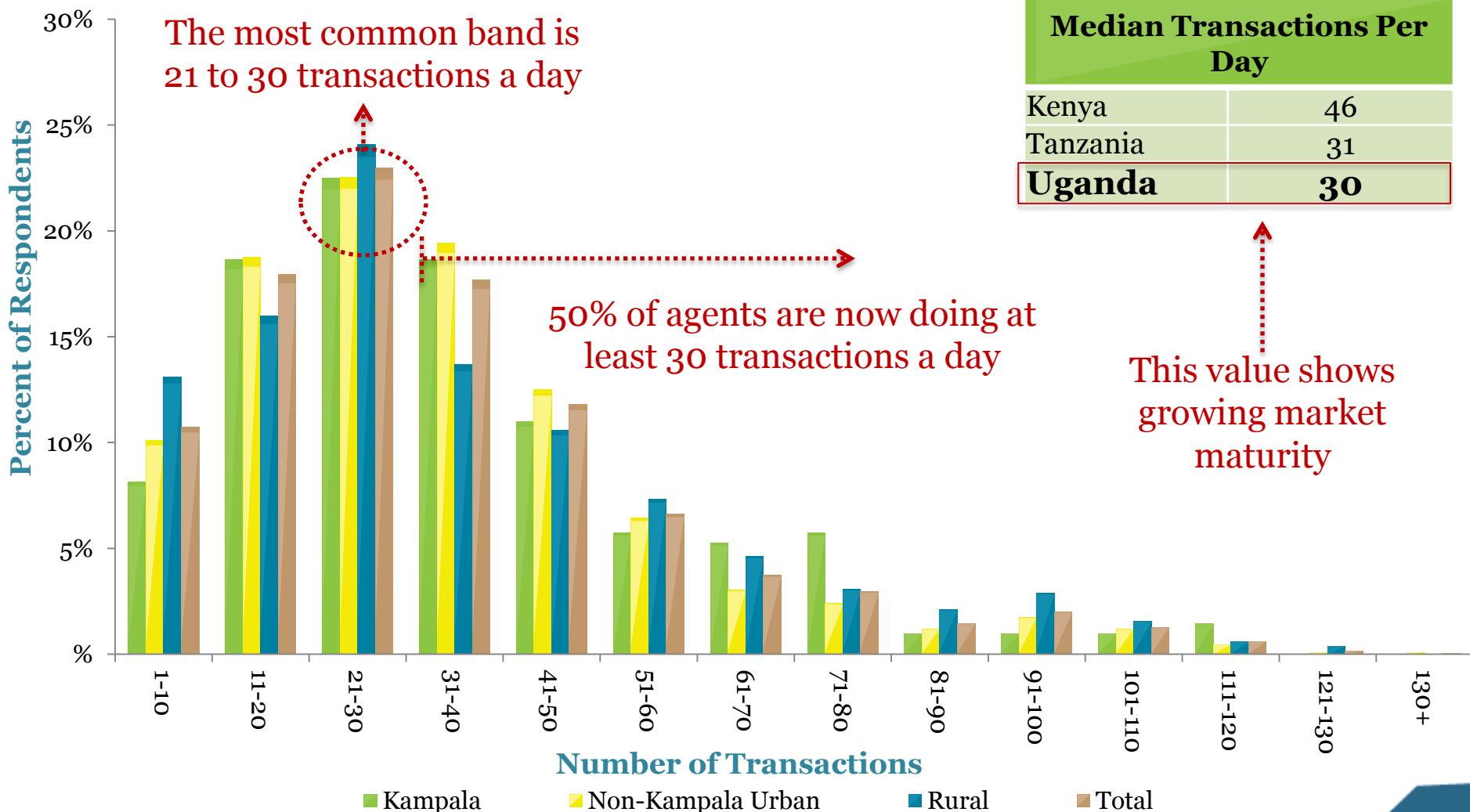
Rural AMS



Agent market share is defined as the proportion of cash-in/cash-out (CICO) agents by provider.

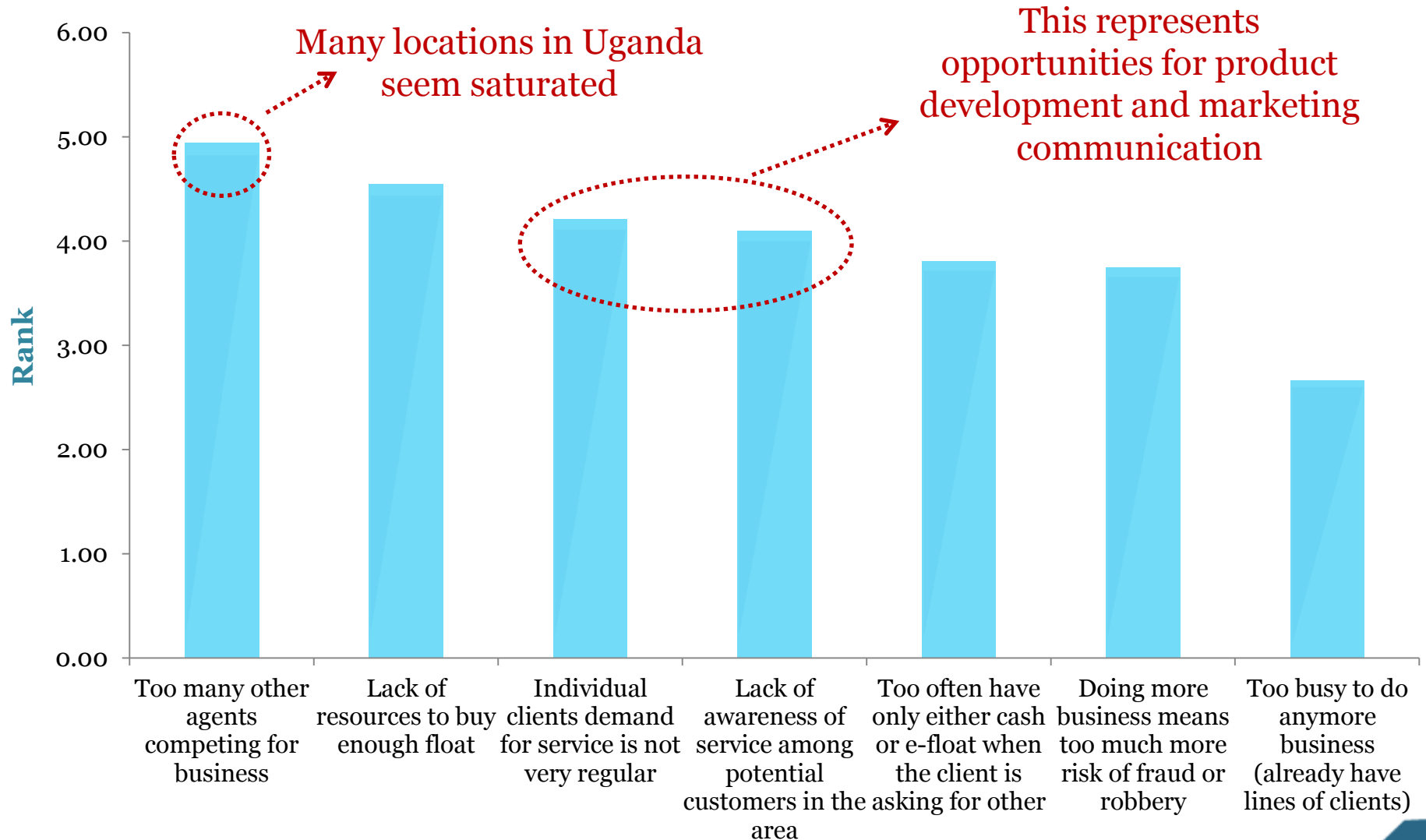
Daily Transaction Levels* Show Healthy Business For Agents

Total Transactions Per Day



* Numbers represent transactions per day by selected provider, not overall volumes for the agency.

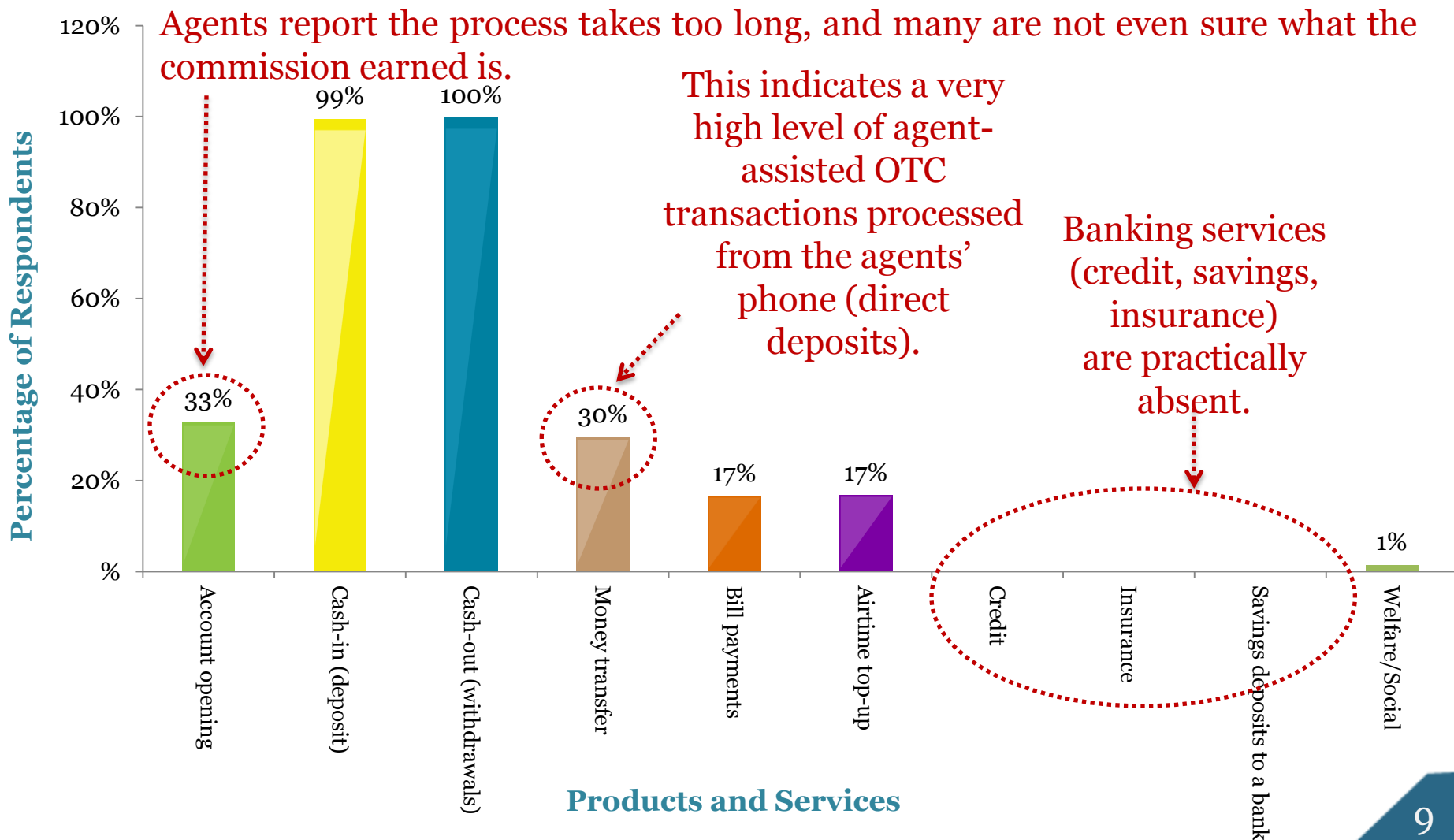
Largest Stated Barriers To Daily Transactions*



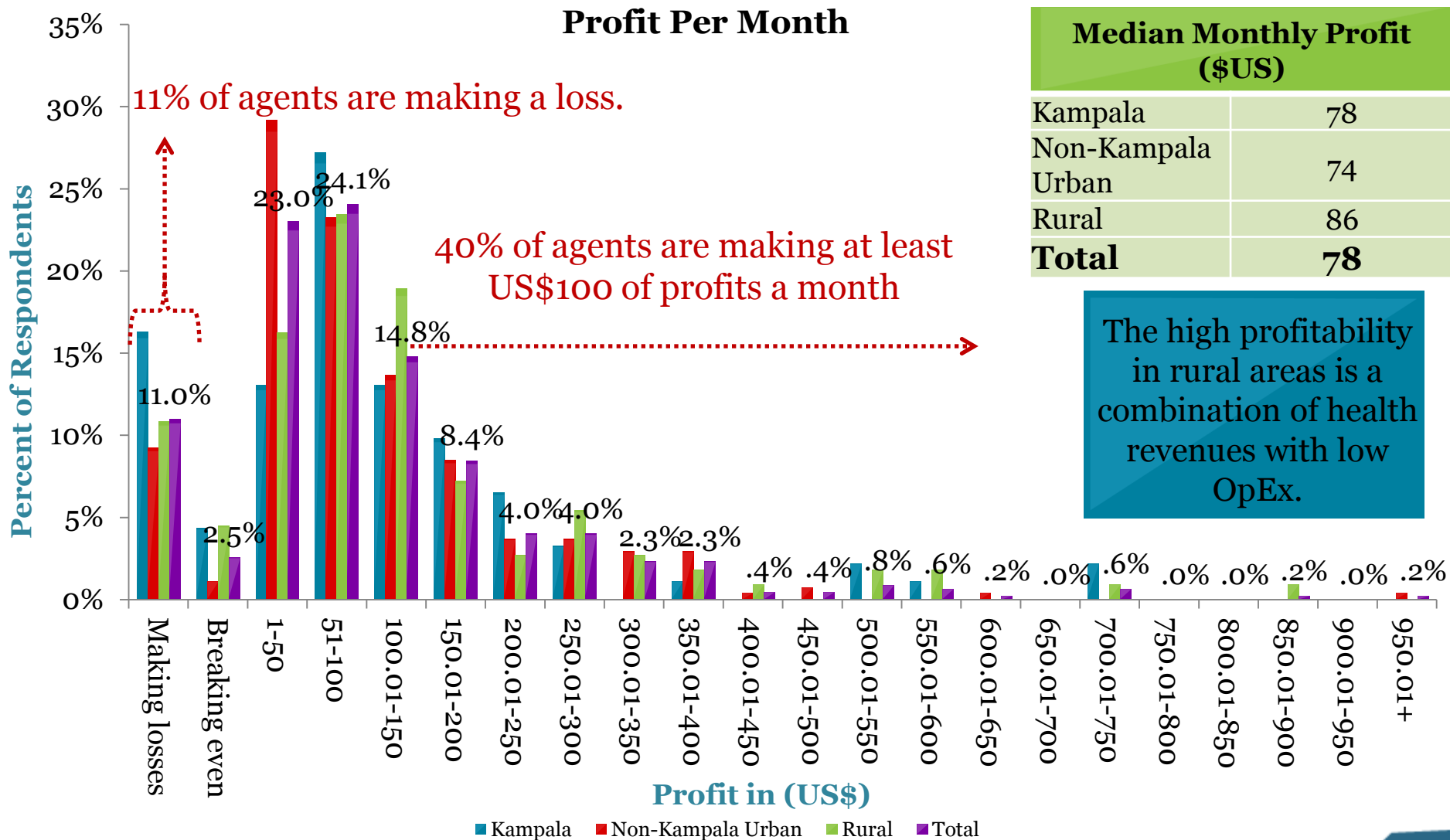
* These scores are weighed averages of rankings, so that higher scores represent dimensions receiving a higher ranking.

The Lack Of Offerings Means Potential For Product Innovation

Products And Services Offered In The Country

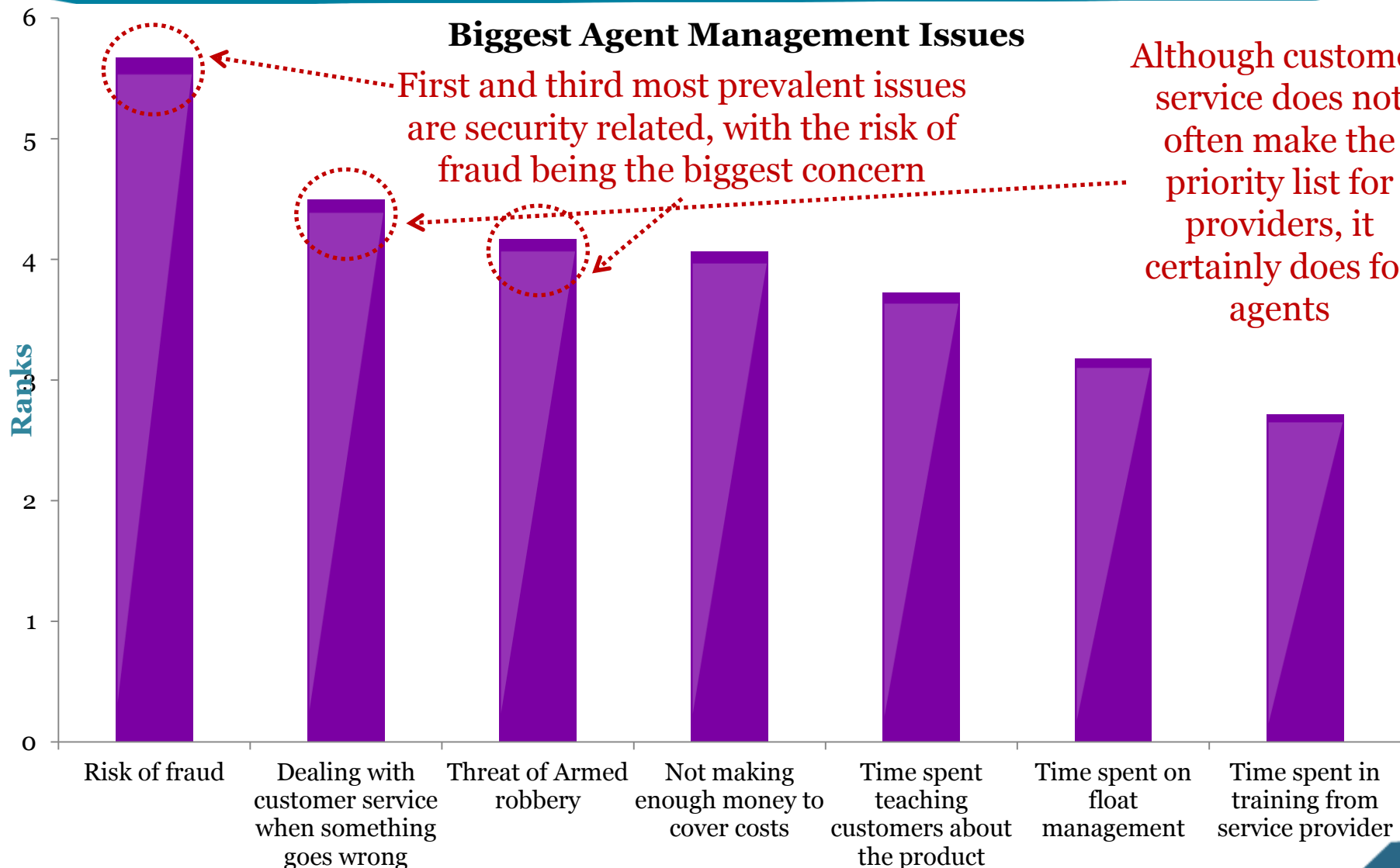


The Vast Majority Of Agents Are Profitable*



* Is calculated by subtracting expenses from total earnings from all providers served.

Risk of Fraud Most Burdensome To Agents' Business*



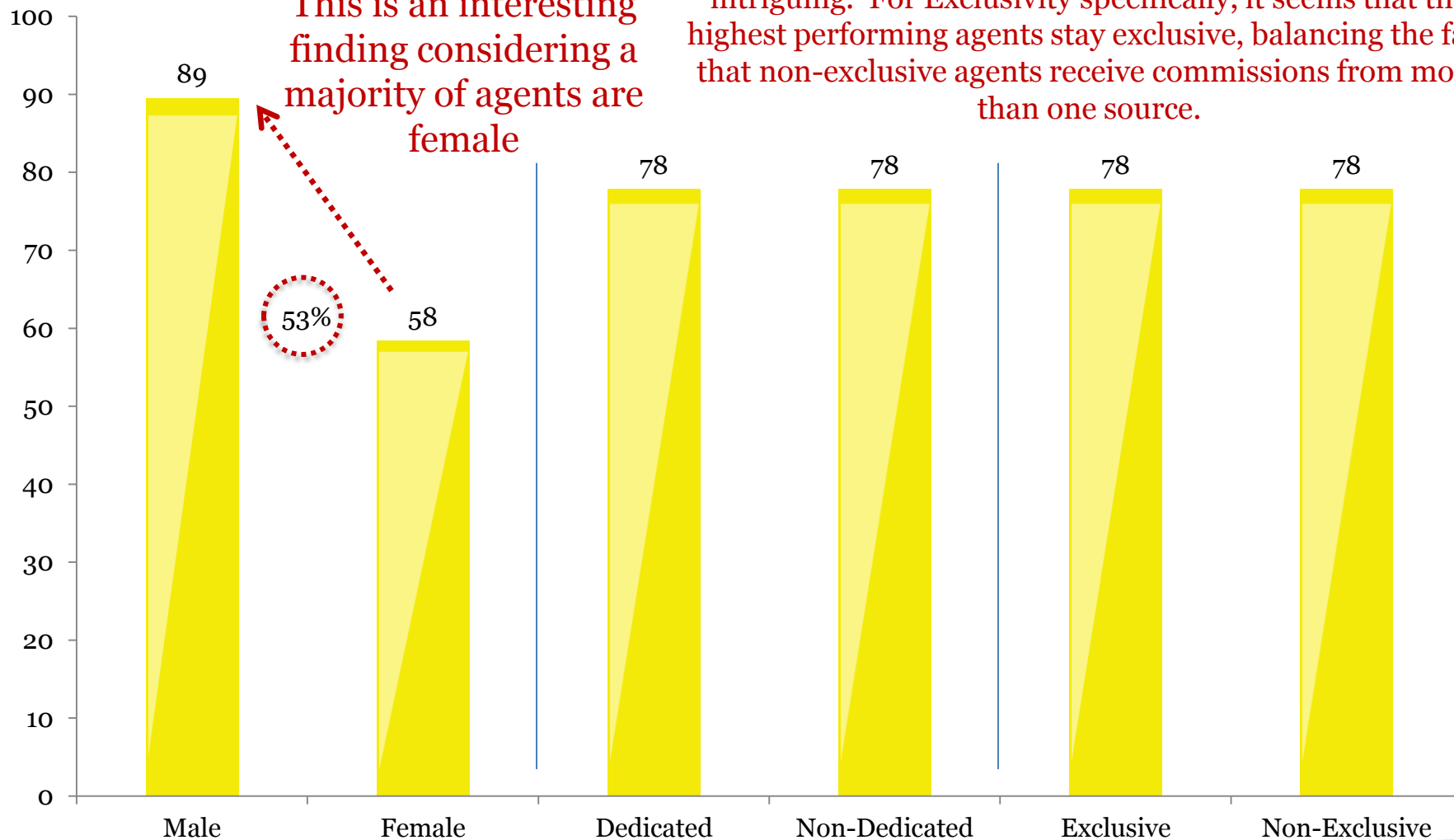
* These scores are weighed averages of rankings, so that higher scores represent dimensions receiving a higher ranking.

Comparison Of Median Profits* By Existing Dimensions

The absence of differences along these attributes is intriguing. For Exclusivity specifically, it seems that the highest performing agents stay exclusive, balancing the fact that non-exclusive agents receive commissions from more than one source.

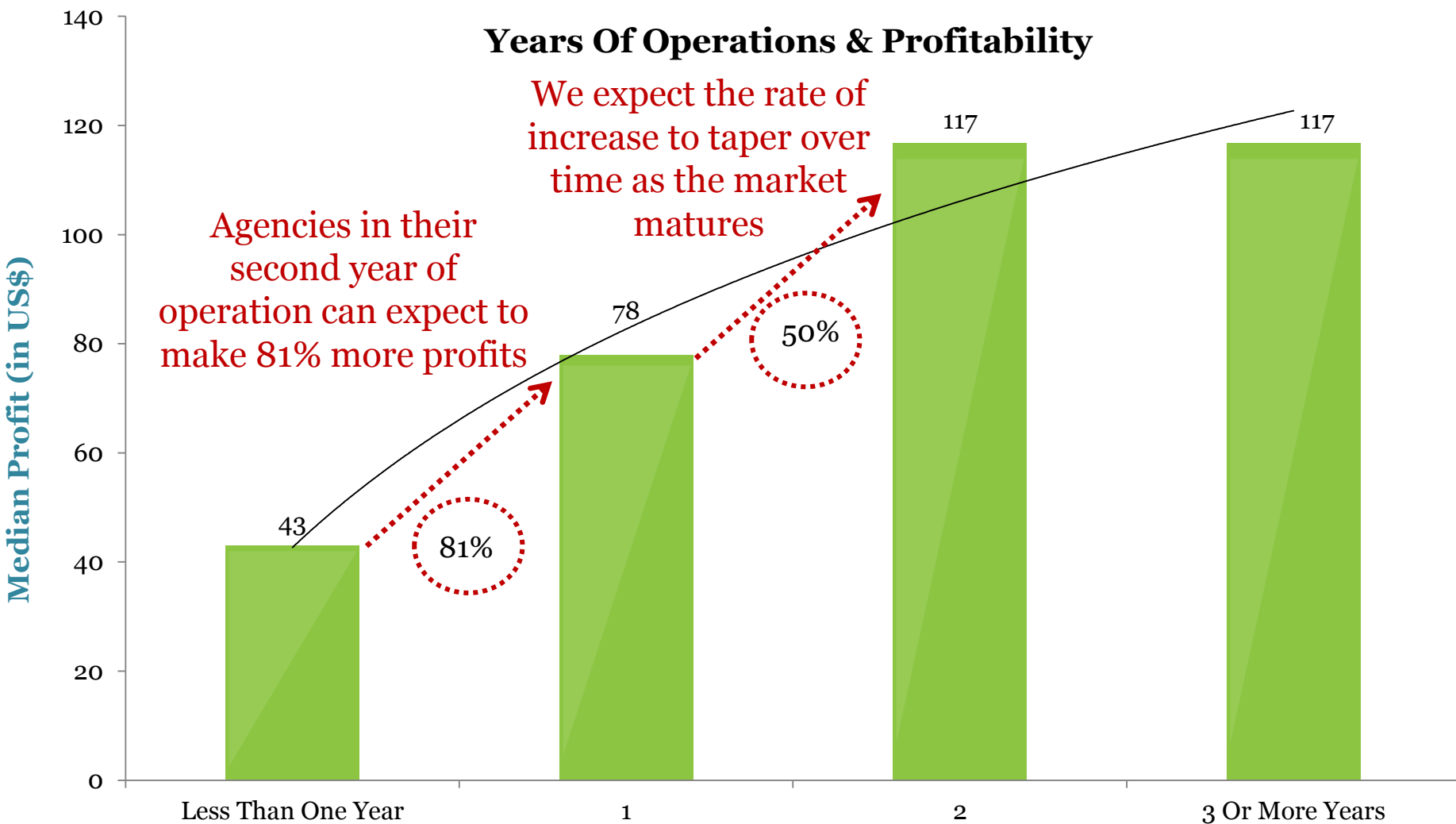
This is an interesting finding considering a majority of agents are female

53%



* Is calculated by subtracting expenses from total earnings from all providers served.

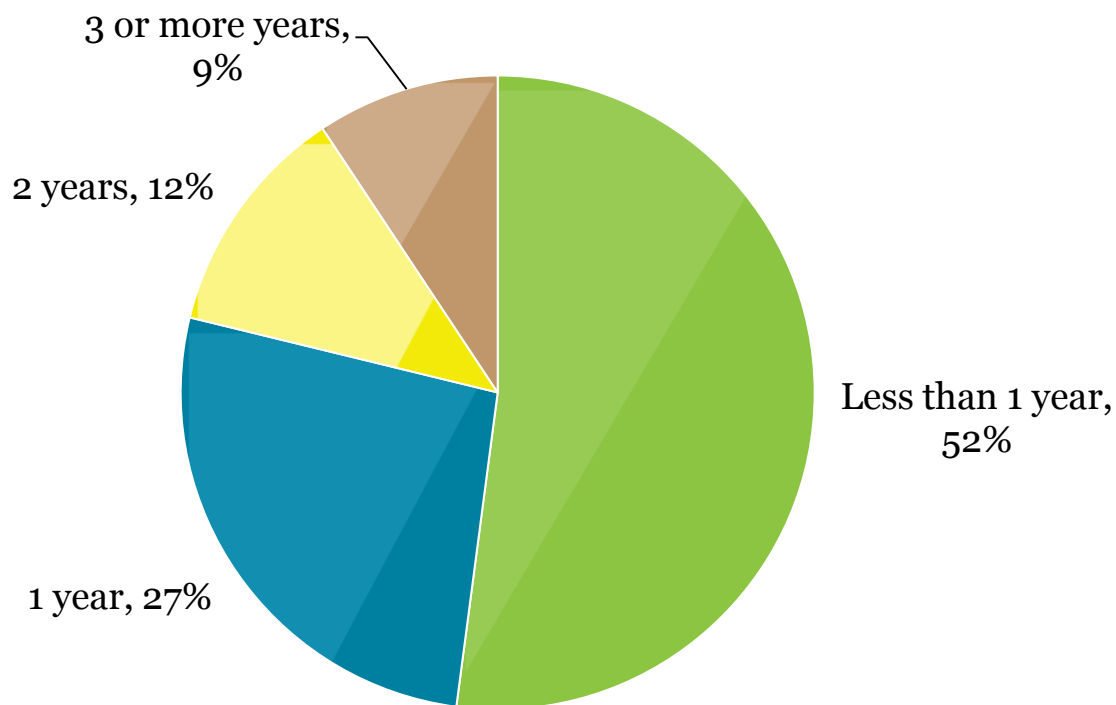
Median Profits* Lowest In the First Year of Operations



* Is calculated by subtracting expenses from total earnings from all providers served.

More Than Half Of Agencies Have Been Operating For Less Than One Year

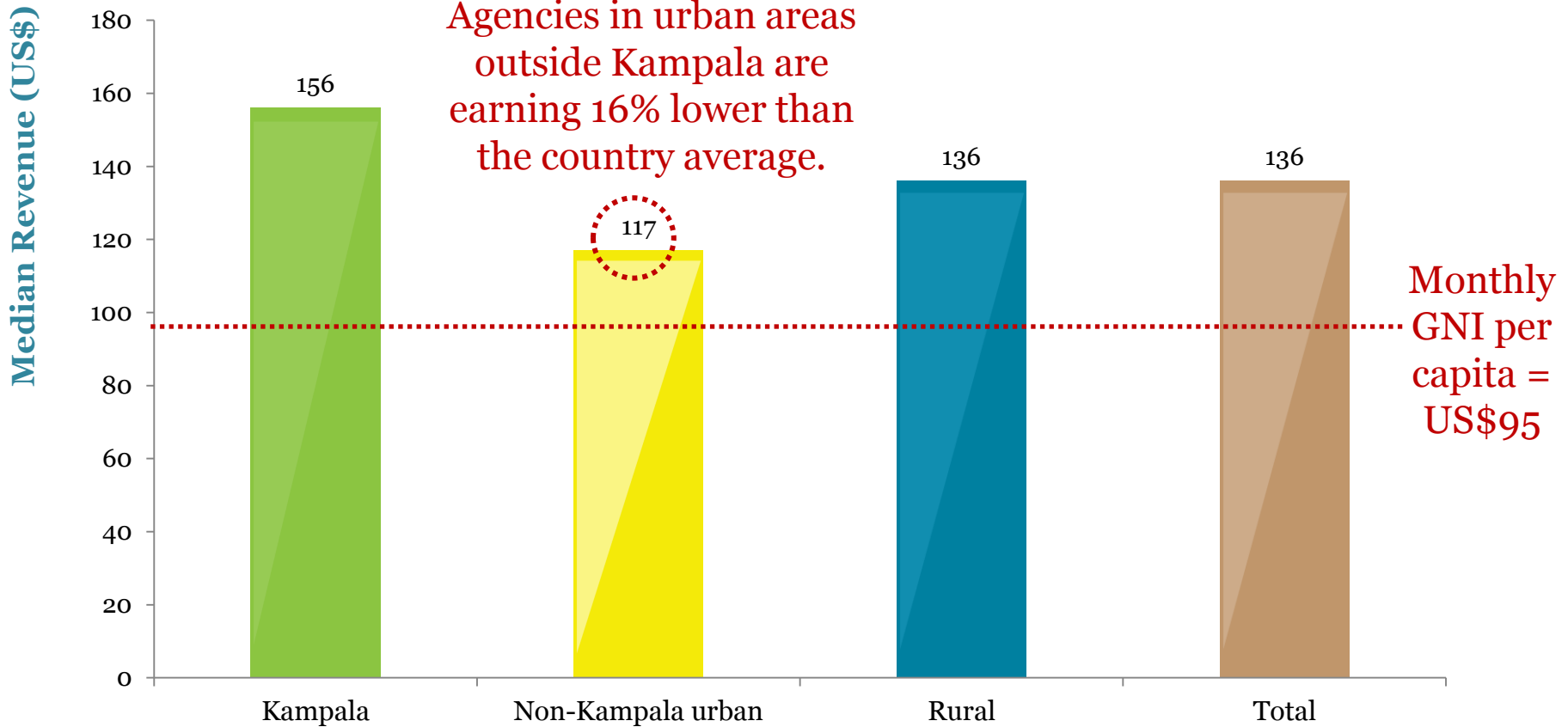
Years Of Operation Of Agencies



- ▶ The amount of new agencies was quite surprising and could represent robust growth and/or a high agency churn rate
- ▶ Given 78% of agents interviewed predicted they would continue with the business next year, it seems more likely that the majority of this is growth

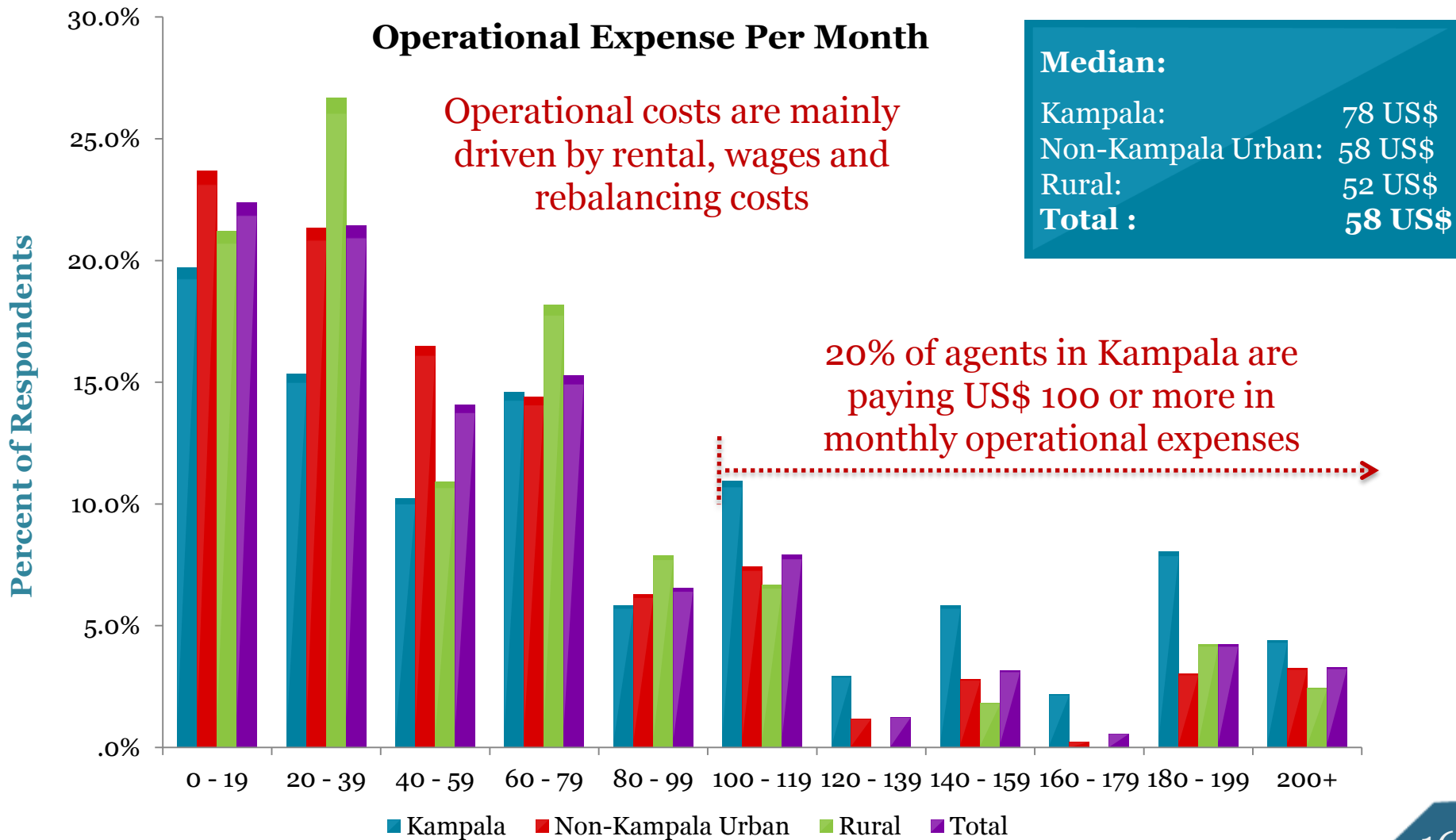
Median Monthly Revenue Is Well Above GNI Per Capita

Median Revenue In US\$*



*Revenue reported here pertains to all providers being served. Therefore for non-exclusive agencies, their total revenue is reported here with regards to all the providers they serve.

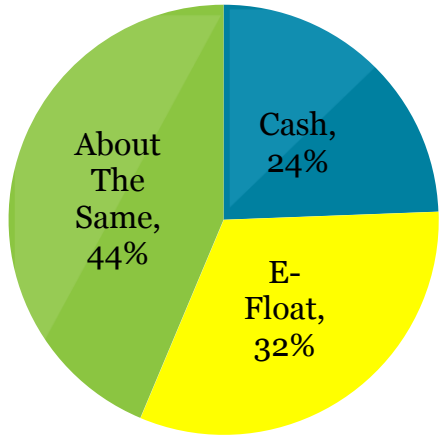
Agents Report Diverse Operating Costs, From Almost Nothing To Well Over 100 US\$ A Month



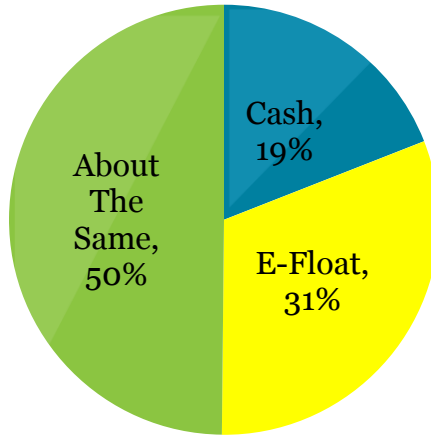
Surprisingly Many Agents Have Balanced Needs For E-Float & Cash

Regions:

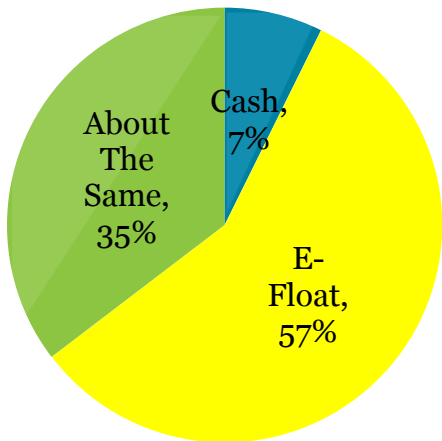
Central



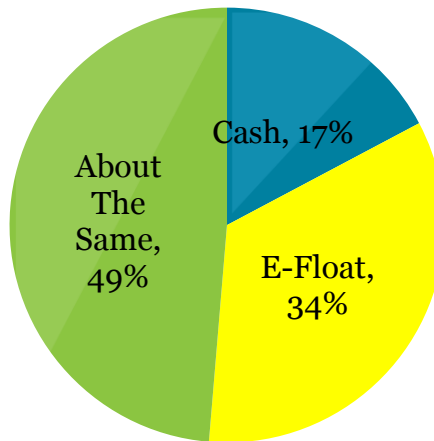
Eastern



Northern



Western



Except for the Northern region the majority of agents in each region are reporting a balanced need for e-float and cash

This may represent a general misunderstanding of agent needs, as many providers assume that predominantly rural regions, such as the North, have more need for cash than e-float.

Rebalancing Is Easy For Agents In Terms Of Time And Money

Time Taken To Nearest Rebalance Point (Minutes)

	Kampala	Non-Kampala Urban	Rural	National Average
< 5.00	23%	34%	22%	29%
5.00-14.99	39%	46%	40%	43%
15.00-24.99	24%	11%	22%	16%
25.00-34.99	13%	5%	10%	8%
35.00-44.99	0%	2%	2%	2%
45.00-54.99	1%	1%	2%	2%
55.00+	0%	0%	2%	1%

72% of agents spend less than 15 minutes travelling to their nearest rebalancing point

Non-Kampala Urban agents have more convenient rebalancing points relative to the national average

9% of agents responses were not included here as they reported they did not travel to rebalance.

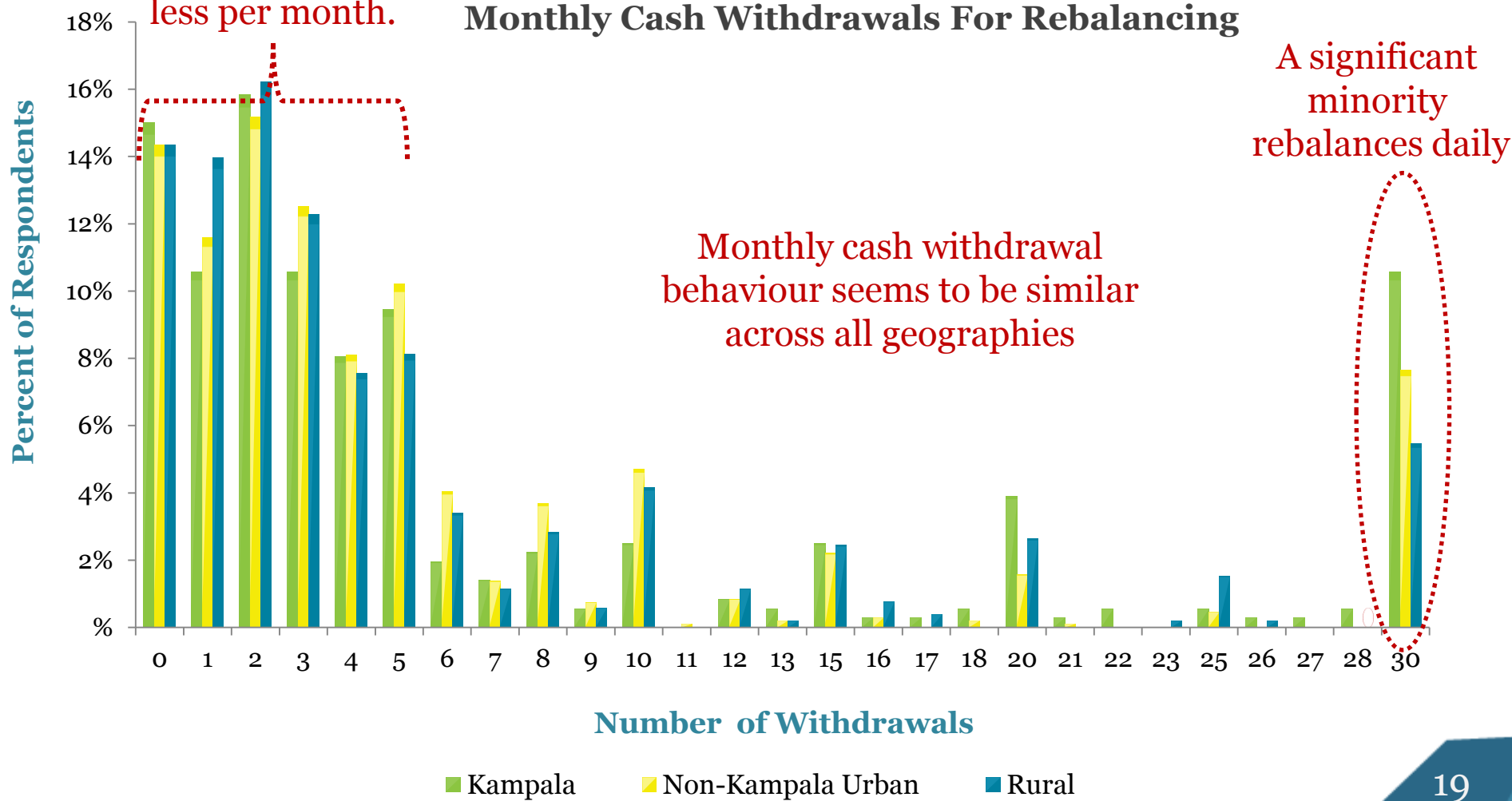


Agents tend to pay little or nothing to rebalance: 66% have costs of less than US\$1

Frequency Of Monthly Withdrawals Seems Low

The majority of agents withdraw cash five times or less per month.

Monthly Cash Withdrawals For Rebalancing

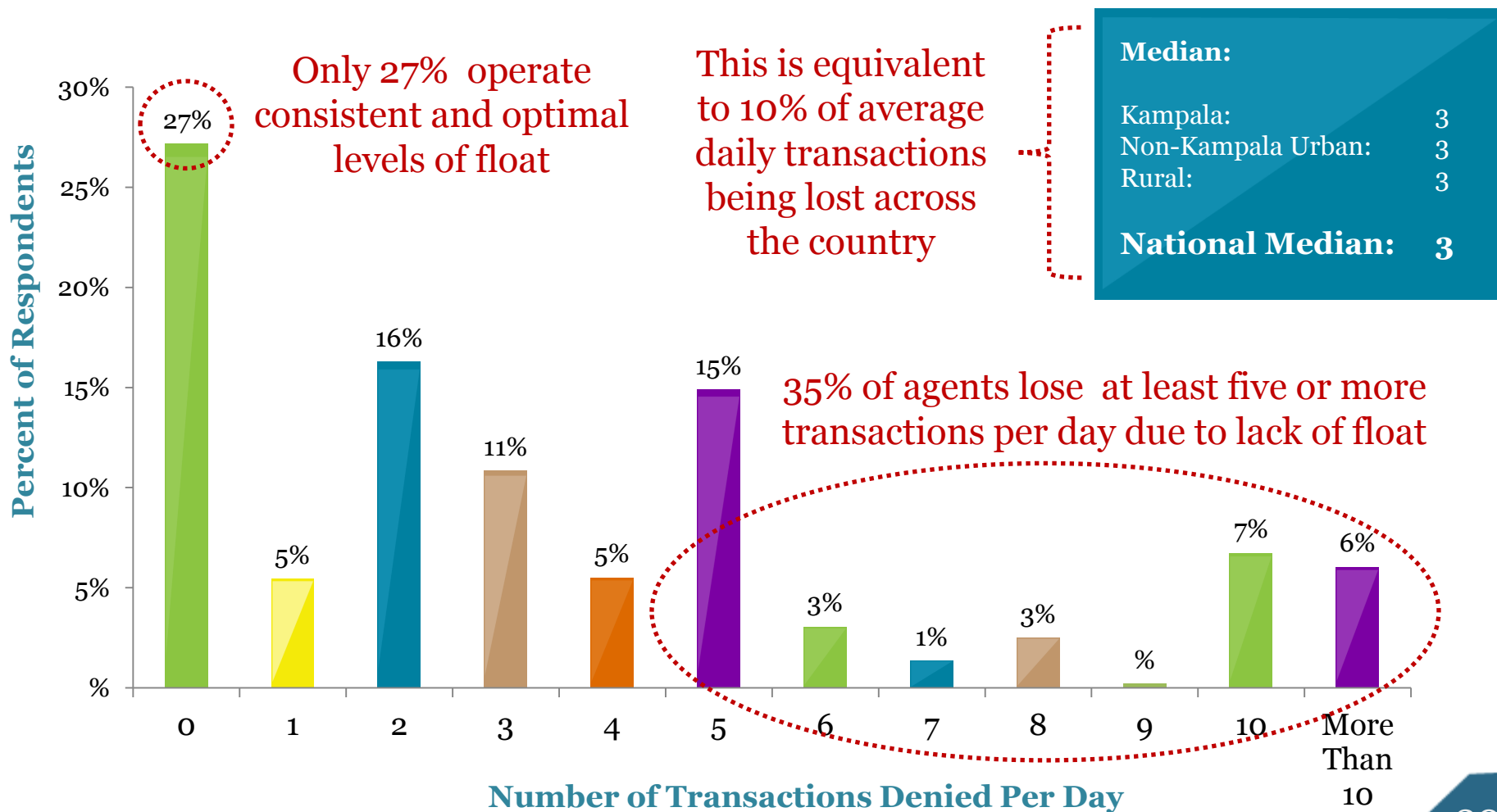


A significant minority rebalances daily

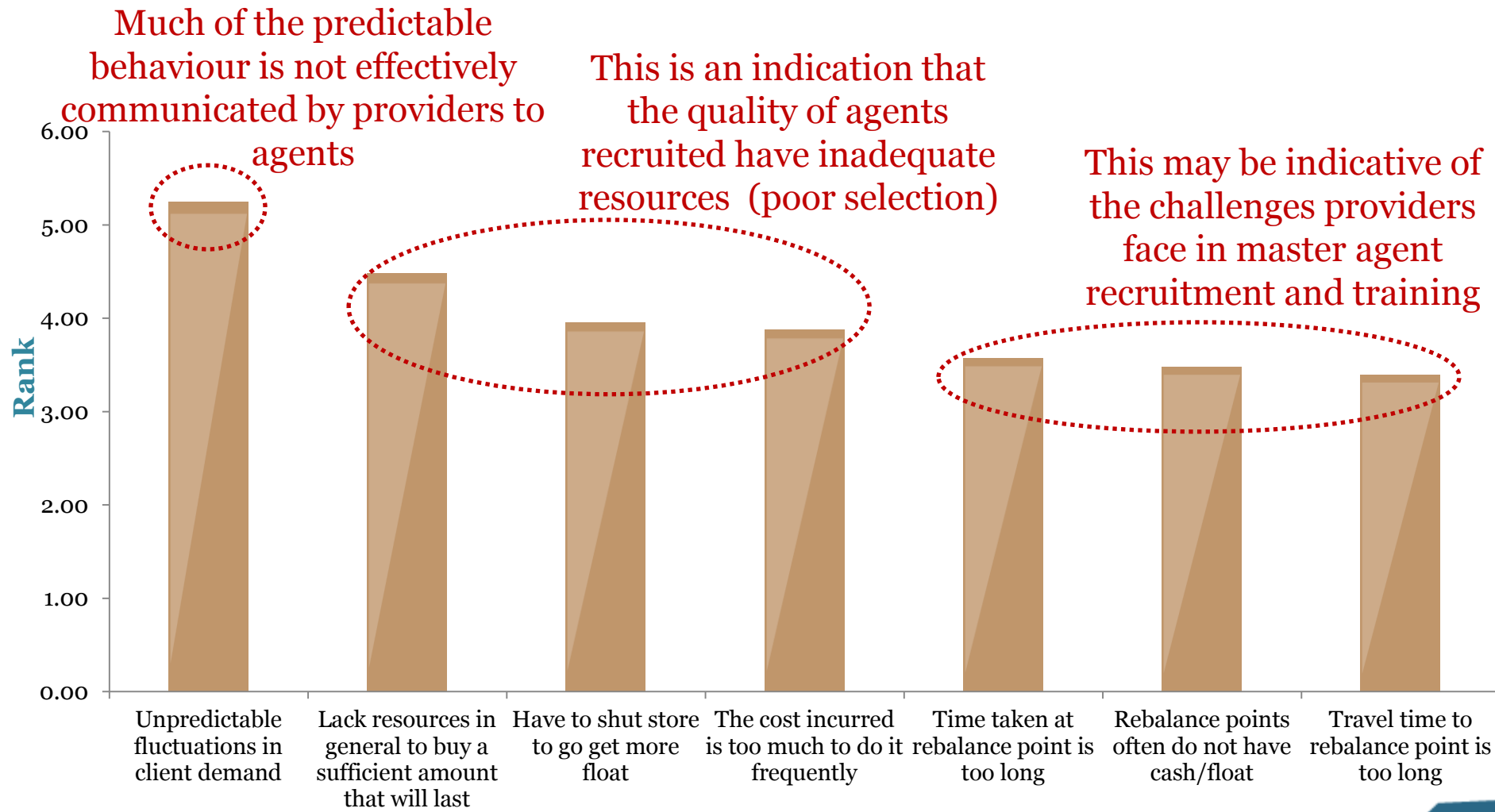
Monthly cash withdrawal behaviour seems to be similar across all geographies

Three Transactions Are Denied Each Day Due To Lack Of Float

Transactions Denied Due To Unavailability Of Float



Unpredictable Demand Seen As Greatest Impediment To Float Management*



* These scores are weighed averages of rankings, so that higher scores represent dimensions receiving a higher ranking.

Improving The Quality Of Agent Support Presents A Large Opportunity For Providers



Training

94% report receiving training

- 46% from a provider
- 13% from master agent
- 45% from an employer

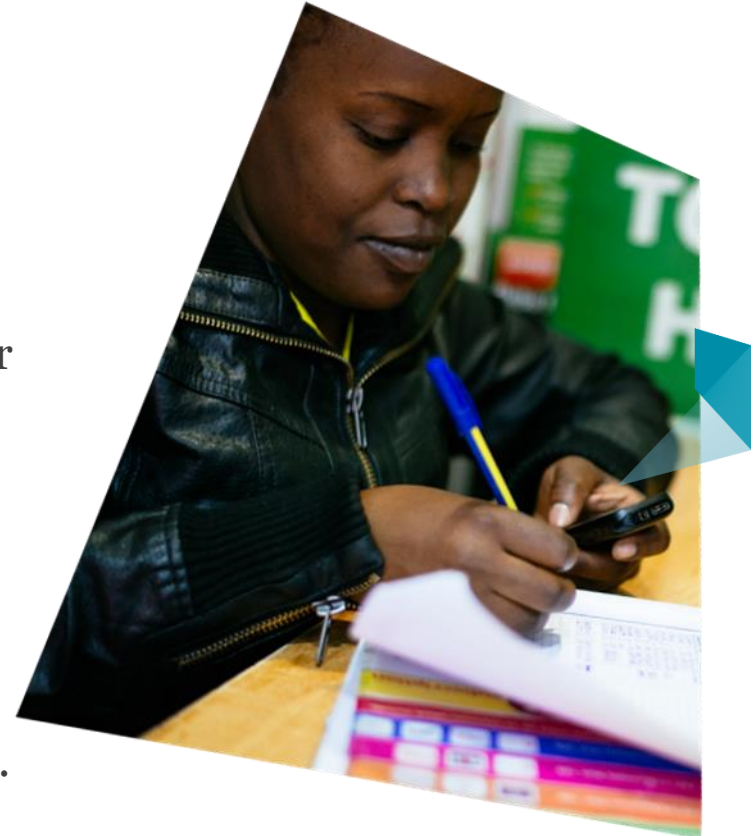
57% of agents have never undergone refresher training

Operational Support:

Only 33% of agents were visited by the provider, whereas 46% of agents report not being visited at all. Of those who were visited 35% report they were with no fixed frequency.

Call Centre:

93% of agents were aware of a call centre and rated it a 4.6 out of 7 in terms of its ability to resolve its issues.



Recurrent Service Downtime Is Affecting Transaction Levels

Unreliable service is a challenge for most agents:

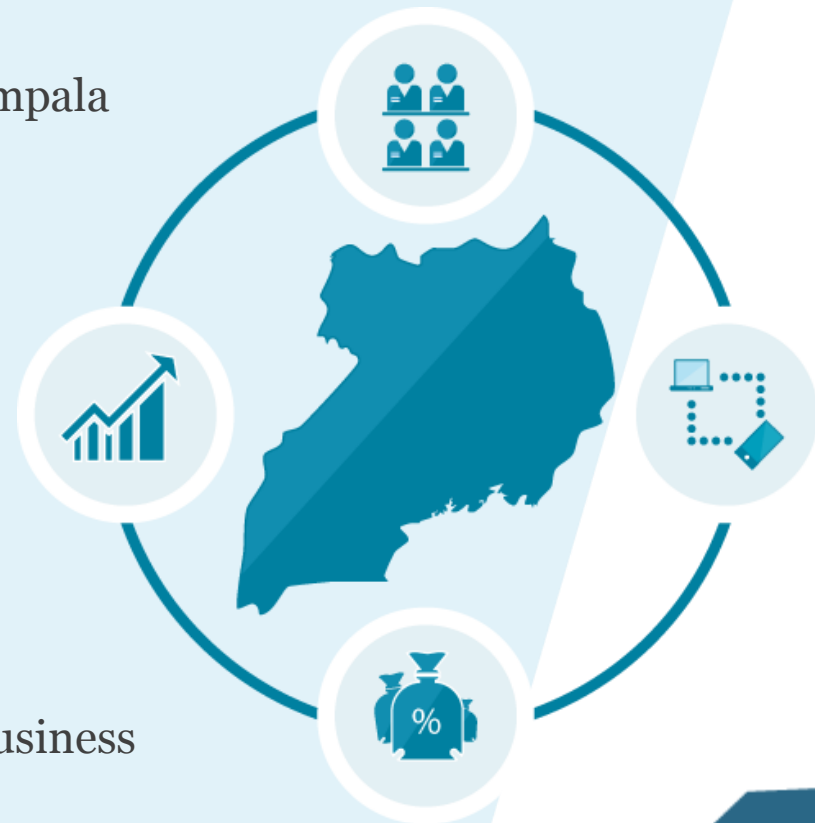
- ▶ 92% of agents report having experienced downtime in the past.
- ▶ Huge differences in providers, with some performing considerably better than others
- ▶ Only 48% of agents report receiving prior warning about downtime, however two thirds report that information given is inaccurate
- ▶ There is a great reported variation per provider on amount of transactions lost per occurrence of server downtime with the median reported to be 10 transactions per day.



Outstanding Attributes Of Agent Network Management

Uganda is one of the most developed digital finance countries in the world with a robust agent network:

- ▶ Daily transaction volumes are high from Kampala through to the rural areas surveyed
- ▶ Healthy profits and revenues
- ▶ Strong competition and evidence of market saturation in some areas
- ▶ Cost-effective rebalancing systems
- ▶ Most agents intend to continue with the business



Opportunities For Improvement

Agents are struggling with a number of issues. Here are some suggested areas of focus:

- ▶ Large challenges on **fraud** and other **security** issues
- ▶ Lack of **product diversity** especially on the agent-level as the large majority of transactions are CICO
- ▶ **Service down-time** is greatly limiting number of transactions per day
- ▶ **Customer service support** is not adequately attended to
- ▶ Agents encounter frequent **direct deposits (agent-assisted OTC transactions)** as shown by the money transfer incidence
- ▶ High incidents of **newly operating agencies** needing close support that is not forthcoming
- ▶ Most agents close to rebalancing points resulting in **limited geographical reach** and financial inclusion
- ▶ **Agent selection** seems to be a significant challenge and barrier to increased transactions



Thank You

www.helix-institute.com

info@helix.com



Helix Institute of Digital Finance



Helix Institute