

Bridges to Cash:
The Retail end of Mobile Money
The Challenge of Maintaining Liquidity
for an Agency Network

Innovation Forum EFINA
Increasing Access to Finance
through Agent Networks
Lagos, 14 September 2010

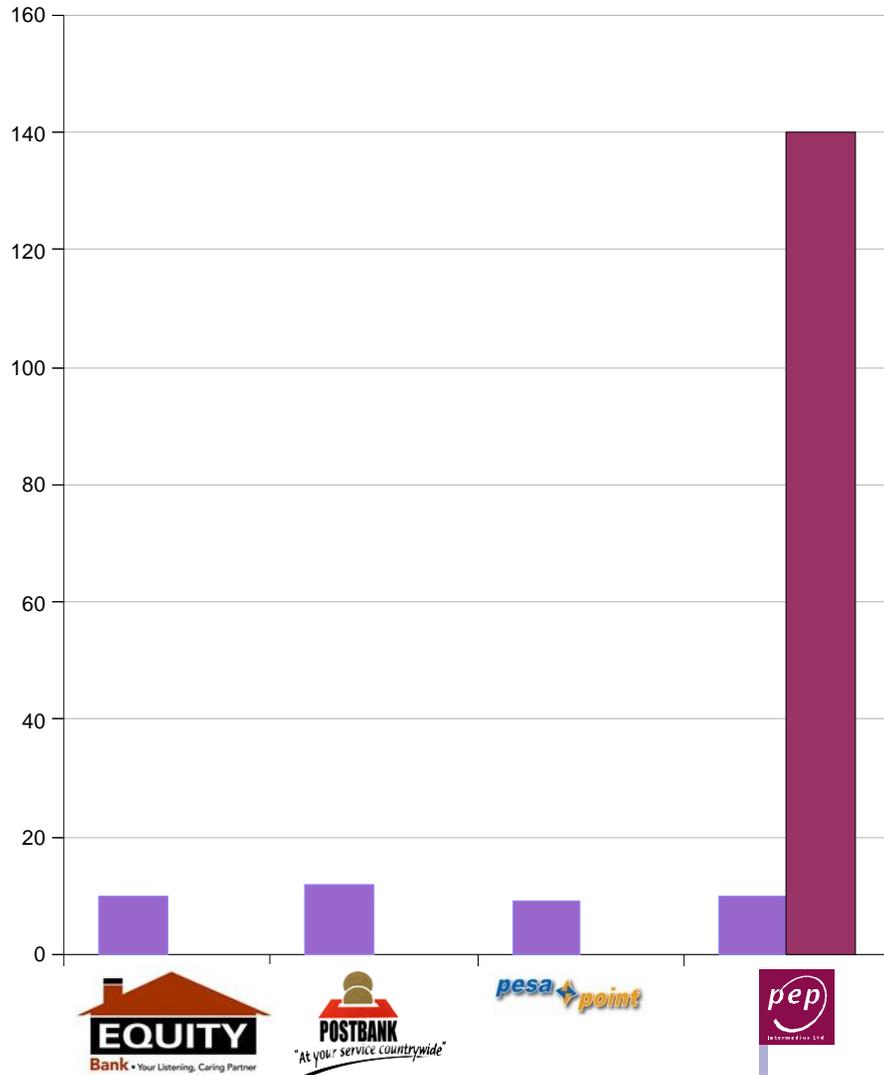
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PEP Intermedius Ltd

Introduction

- PEP Intermedius
- Liquidity Management at Agency Level
- Cash Distribution Analysis
- Take Aways

PEP Intermedius Ltd

Leading independent Agency network in Western Kenya



- Started as a cheque discounter with a network of 6 agents in 2004
- By mid 2010 over 150 agents upcountry, with about 10 mil unbanked people

Aggregator for M-PESA



- 10 own cash points at strategically important markets
- 150 independent agents trading with their own working capital, responsible for lease and staff
- Commission for each transaction shared on 20/80 basis

Receipt Number	[REDACTED]
Time Initiated	2010-09-14 10:06:13
Time Completed	2010-09-14 10:06:23
Transaction Type	Withdrawal
Status	Completed

Description	Amount
Credit Charge Entry (Commission Received Account): M-PESA	10.00
Credit Charge Entry (Commission Account): [REDACTED] PEP INTERMEDIUS LTD	3.00
Credit Charge Entry (Commission Account): [REDACTED] Pep Intermedius Jubilee Market	12.00
Debit Charge Entry (M-PESA Account): [REDACTED] MARY [REDACTED]	-25.00
Credit Entry (Float Account): [REDACTED] Pep Intermedius Jubilee Market	1800.00
Debit Entry (M-PESA Account): [REDACTED] MARY [REDACTED]	-1800.00

[Reverse](#)

Receipt Number	[REDACTED]
Time Initiated	2010-09-14 09:57:29
Time Completed	2010-09-14 09:57:39
Transaction Type	Deposit at Agent Till
Status	Completed

Description	Amount
Credit Charge Entry (Commission Account): [REDACTED] PEP INTERMEDIUS LTD	1.60
Credit Charge Entry (Commission Account): [REDACTED] Pep Intermedius Jubilee Market	6.40
Debit Charge Entry (Commission Paid Account): M -PESA	-8.00
Credit Entry (M-PESA Account): [REDACTED] [REDACTED]	400.00
Debit Entry (Float Account): Pep Intermedius Jubilee Market/BO	-400.00

[Reverse](#)

Offering financial services in a secure and respectful environment



- Small local staffed stores/ kiosks
- One till/ point of sale each
- Over \$ 6 million monthly value moved
- 200,000 transactions per month (approximately 50 transactions per day per store)
- \$ 280 is the average commission revenue an agent takes home every month

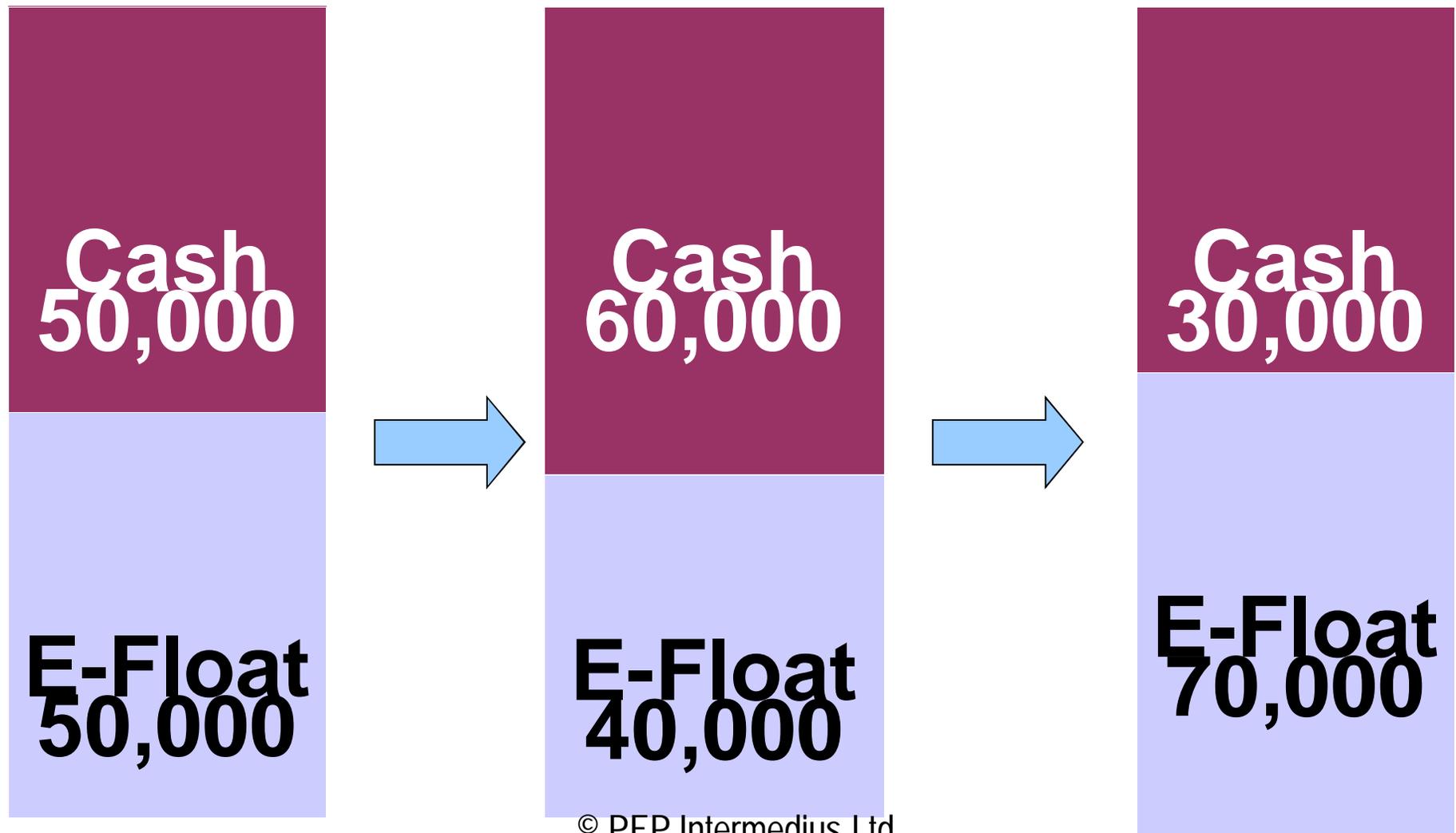
Liquidity Management at Agent Level



Liquidity Management

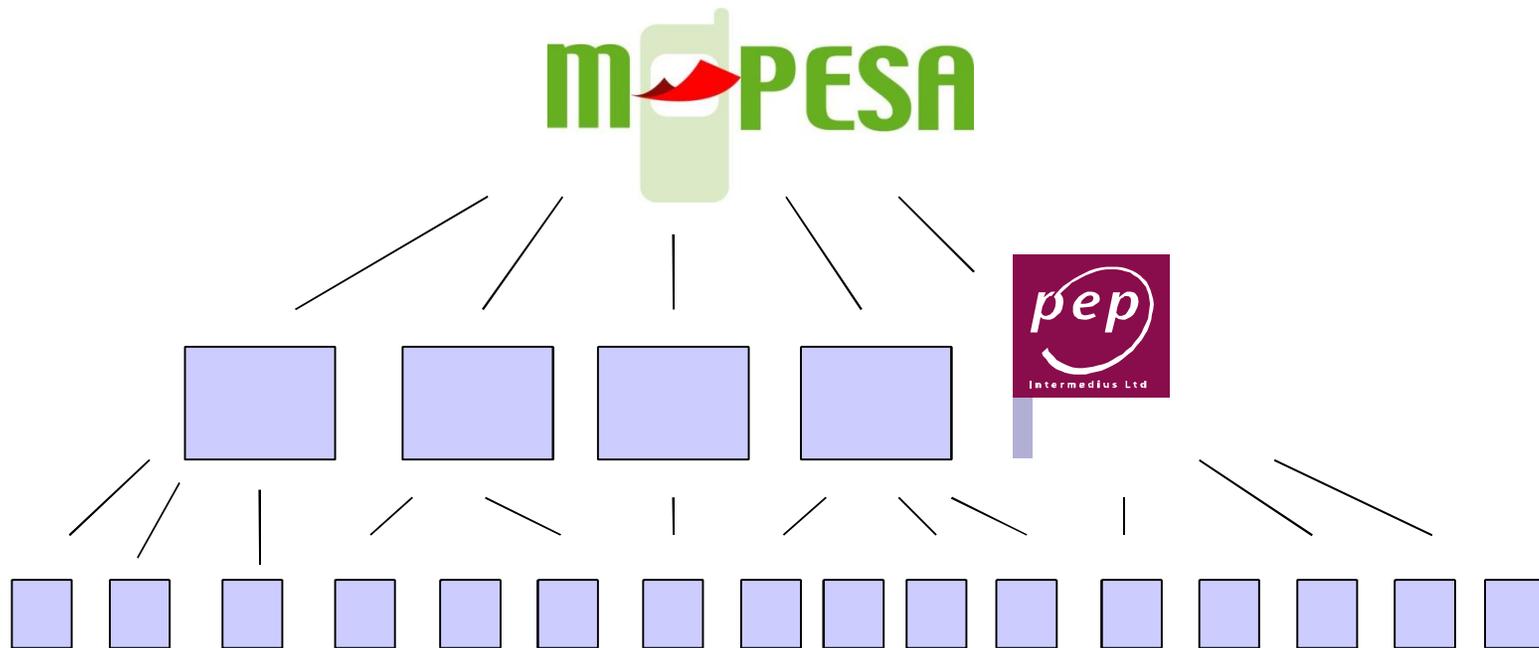
- Mobile money's value proposition is the ability for customers to quickly withdraw or deposit cash
- High volumes of small retail transactions
- An agent at 'every' doorstep makes it cheap and convenient
- **Challenge is to keep these agents stocked with cash and e-float so that they can meet customers needs for quick deposits or withdrawals**

Agencies are effectively offsetting their customers' cash-in and cash-out transactions with their own cash or e-float



Managing liquidity is the central aspect of the agent's business

- too many cash-in transactions: agent runs out of e-float
 - too many cash-out transactions: agent runs out of cash
- In either case, the agent needs to rebalance its liquidity**

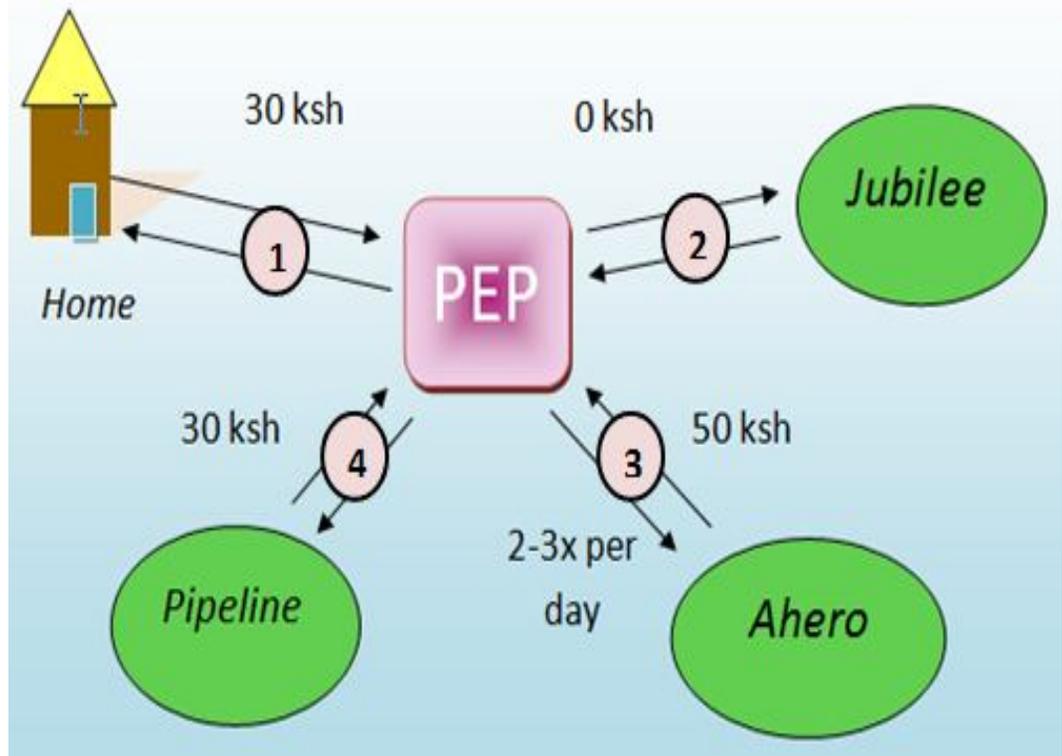


Gaudencia

Professional Cash Transporter



Gaudencia's Daily Route with 1-way Travel Costs



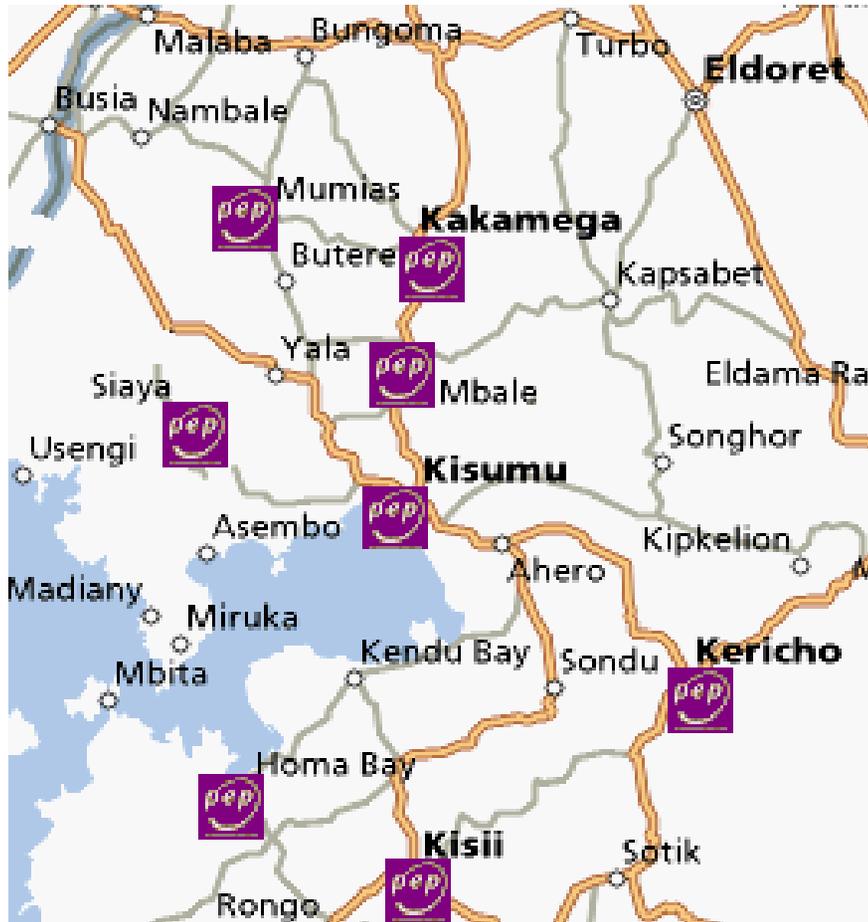
Cash Distribution Analysis



Cash Distribution Analysis

- **Stores require quite intense daily liquidity management support:** They must rebalance on at least 60% of days and often several times per day
- **Rural areas face greater difficulties:** lower commissions; transactions lopsided towards cash out; and high travel and time costs
- **There is evidence of market discipline between stores:** favouring certain stores offering exceptional service + substantial trading volumes

Introducing our sample of 20 stores in four different environments



City: CBD Kisumu

Peri-urban: in and around two main city markets and bus terminal

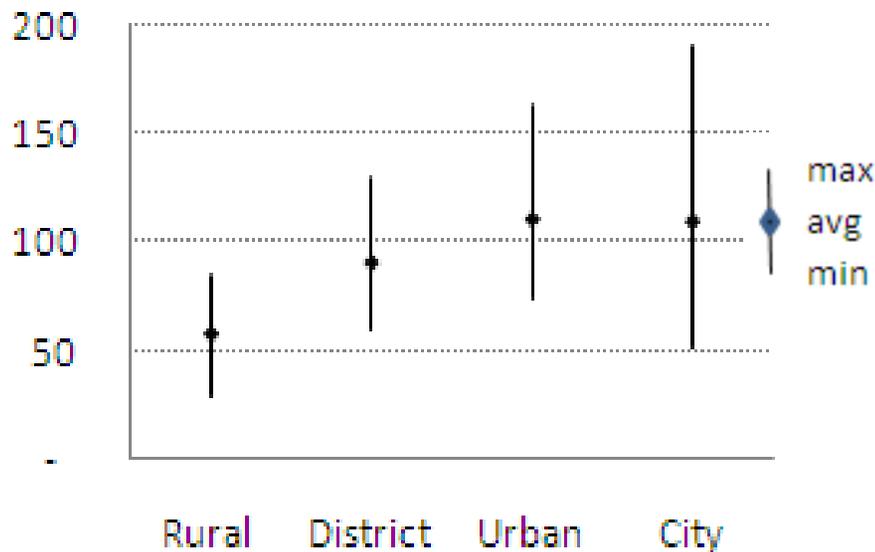
District: small towns

Rural: village markets

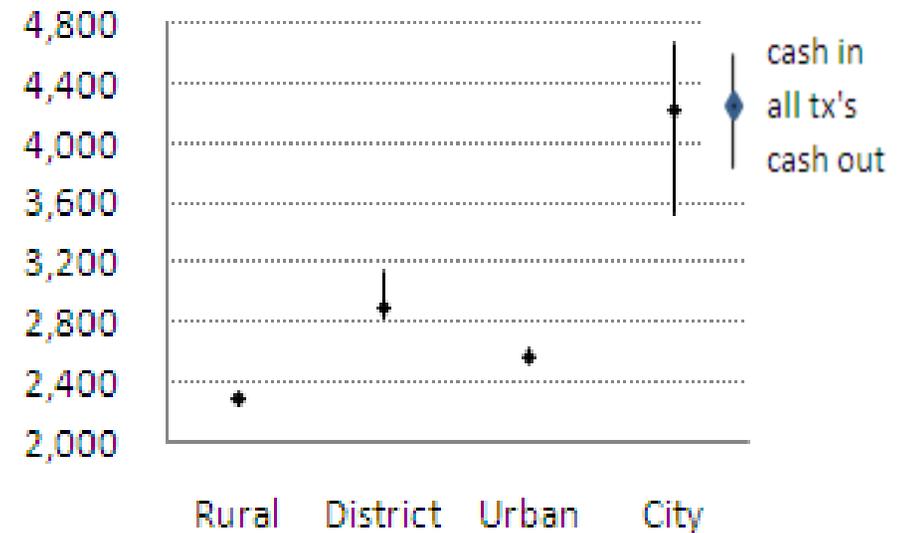
Rural areas do fewer and smaller transactions

In the city centre transactions are much larger

Average number of client transactions per store per trading day



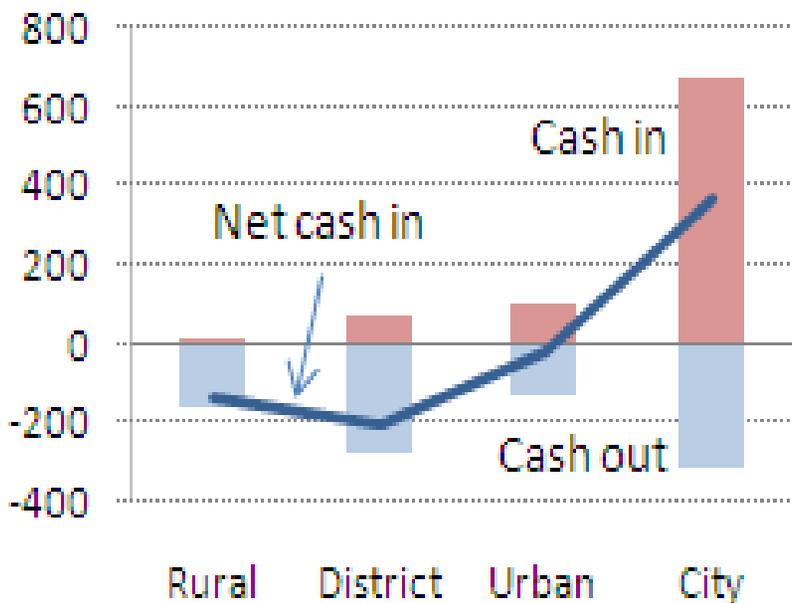
Average client transaction size per store, in Kshs



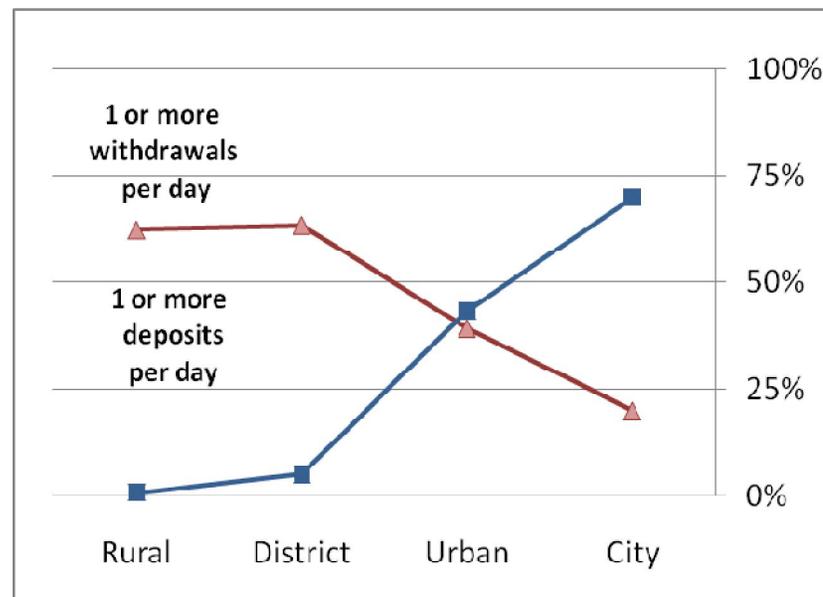
Reflecting domestic remittance patterns

Rural areas are strongly cash out, whereas urban areas tend to be more cash in

Average daily net value of client transactions in Kshs '000

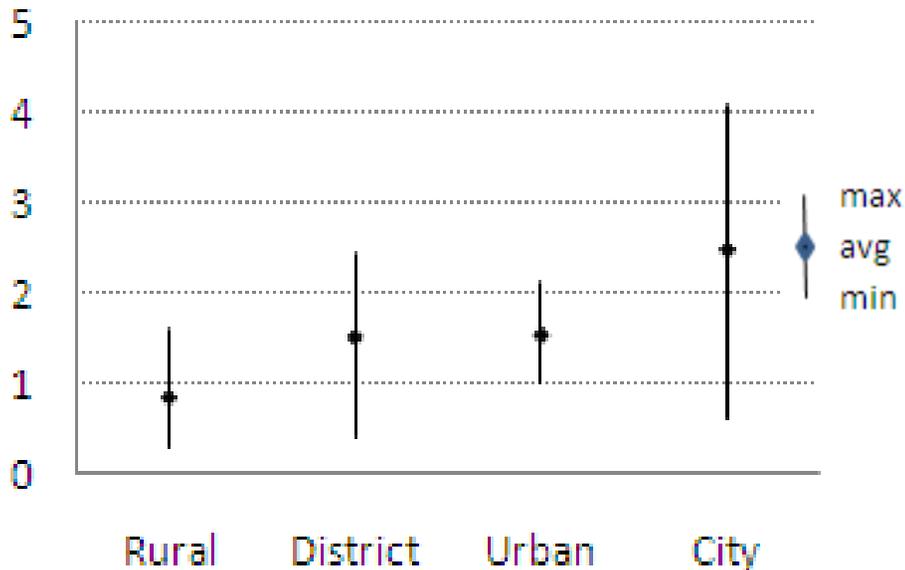


Frequency of days in which stores need to rebalance their liquidity holdings with PEP

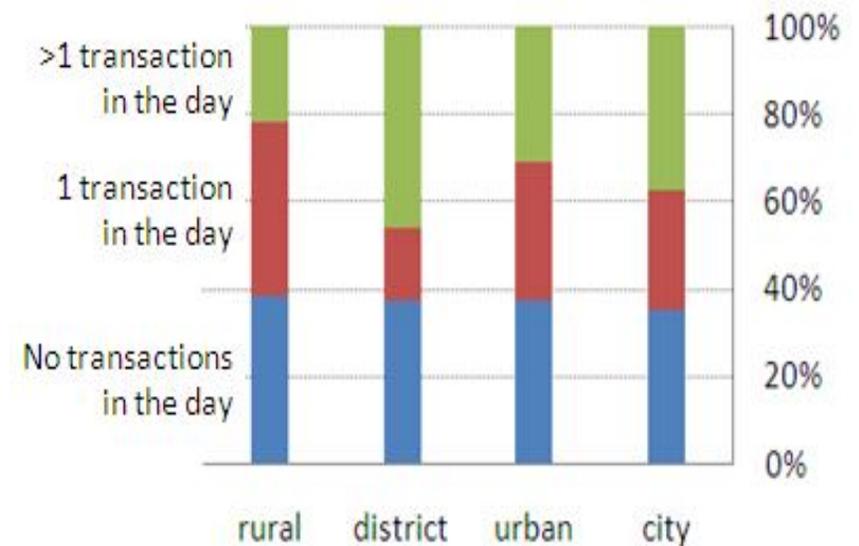


Agent liquidity management is costly: stores need to rebalance their liquidity holdings daily

Number of transactions with PEP per store per trading day, by type of store



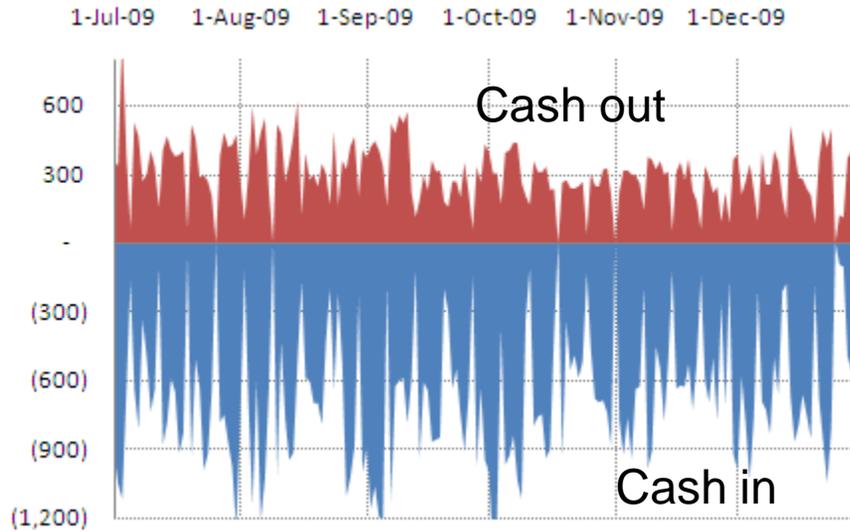
Frequency with which stores transact with PEP per trading day, by type of store



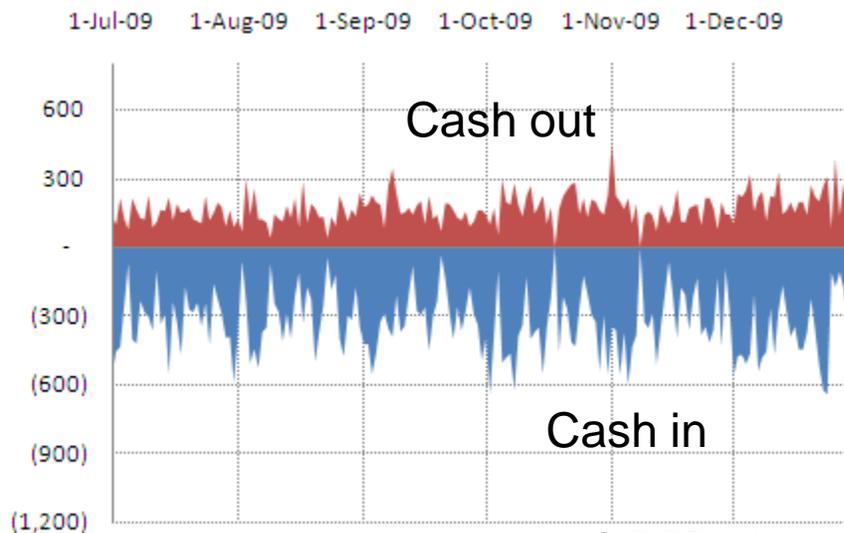
Value of Customer Service

Store's daily cash transactions with clients, in Ksh '000

Lake Market



Cash Joint



- Privacy and security
- Friendly and speedy service
- Cash and float availability



Take Aways



Take-Aways

- **Sound business proposition for agents:**

Compensating them for the cash solution he/she is offering, considering the risks and resources required

- **Incorporation of Aggregator model:** Identifying institutions that have the financial cloud *and presence* to quickly rebalance agencies accounts

- **When mobilising rural agents, stick to local people:** when it comes to money, the unbanked prefer to deal with people they know

Thank You

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