Innovation Forum:
Deepening Financial Inclusion through Agent Banking

Key Findings from an Agent Banking Project Funded by EFInA

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"Esusu Trader Product: Alternative Branchless Banking Platform to extend financial services to the market trader segment using Point of Collection (PoC) devices & agents"
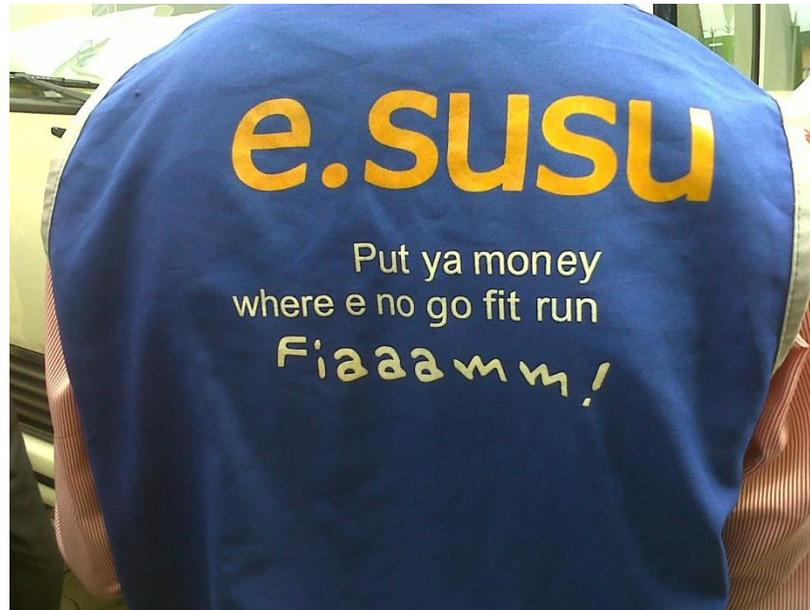
Key Objectives of the Esusu Trader Project

❑ In Dec 2009, EFInA awarded its first innovation grant to a Deposit Money Bank for a project to launch an Alternative Branchless Banking Platform to extend financial services to the market trader segment using Point of Collection (PoC) devices & agents

❑ The key objectives of the project were to:

- Provide market traders with a channel for savings through a daily cash collection process similar to the traditional esusu collection model
- Help market traders set aside a portion of their savings for retirement
- Provide an embedded 'free' Insurance protection plan for their personal and business emergencies
- Provide personal and business financial education for growth
- Provide market traders with financial identity that will help integrate them into the financial services system

❑ The service offering was driven by Point-of-Collection technology and Retail Collections Agents (RCAs) from within the communities

❑ The Grantee also provided loans secured by savings deposits or group membership. For group-based membership, traders of similar size and businesses form small pressure groups to secure a trading loan from the bank

Rationale for Undertaking the Esusu Trader Project

❑ The Grantee wanted to bring effective and efficient personal and business banking service to lower income segments through innovative solutions that make customers lives simpler and better

❑ The project identified a significant trader segment of over 10.9 million people contributing an estimated $23 billion (2007) to GDP. Of the 10.9 million, an estimated 5.3million were not formally banked, which represented a significant potential saving liability pool either saved informally

❑ The Grantee believed there was a need for financial services within the market trader segment, primarily for savings products

❑ The esusu trader project therefore supported the Grantee's mission to create a robust operating platform for the market trader segment to save conveniently, and to access credit and banking services with ease

The Value Proposition for the Esusu Trader Product

❑ The value propositions of the Esusu Trader Product for each of these sub-segments was as follows:

- **Petty traders and hawkers:** Banking services provided at your store step, security of funds through the use of biometric technology, delivered through a terminal that provides instantaneous receipt of transactions

- **Market traders:** As for the petty traders and hawkers, but with access to petty loans

- **Distributers:** As for the market traders, but distributors could act as a cash-in and cash-out agents, providing distributers with the opportunity to reduce cash held in the stores

- **Importers and exporters:** As for the market traders, but with access to business banking services, including options for import financing

❑ The value proposition was based on a hub and spoke model, which was intended to decrease the distance it took for traders to travel to access banking services

❑ Mini-branches would be developed in each market place forming the hub of each distribution model

Key Pressure Points During the Esusu Trader Project

Internal:
- branch pressures
- cost-cutting

Internal:
- testing
- IT integration

External:
- competition from new m-licensees

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Internal:
- Incentivizing agents

External:
- alignment between the grantee & EFInA's objectives
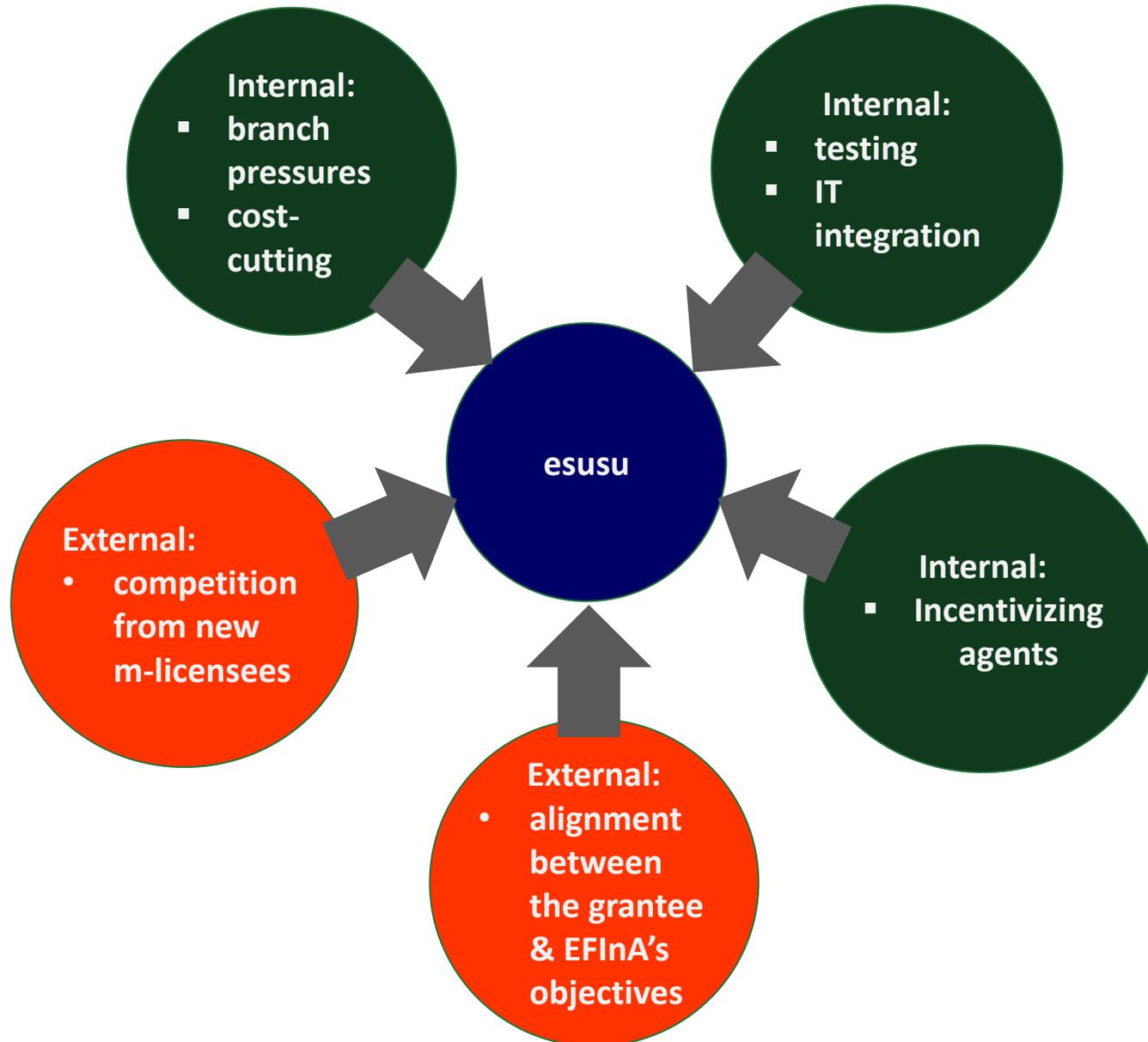
Methodology for Conducting the Impact Assessment of the Esusu Trader Project

❑ EFInA's grant for the esusu trader project was fully disbursed by the end of 2011

❑ To identify the key learnings and the impact assessment of the esusu trader project, EFInA commissioned Genesis Analytics to carry out an independent evaluation

❑ The methodology used for the evaluation was a combination of quantitative and qualitative research

❑ The lessons learnt were primarily based on qualitative information based on the perceptions from the various stakeholders

❑ Interviews were conducted in December 2012 with the following key project stakeholders:
- The Grantee
- Esusu Agents
- Esusu customers at Alaba, Oshodi, Mushin and Shagamu markets
- EFInA

Key Learnings - General

❑ The esusu trader product was well used as a savings account and absorbed traders' excess money:
- Collections was the major selling point – convenience, daily visits by agents incentivised saving
- Without the collections service, the esusu product would not have been relevant to some of the customers

❑ The micro-loan product was excellent, reported by interviewees as being the only and first loan available to them:
- The opportunity to get a loan also incentivised saving

❑ Unclear whether mostly 'previously banked' or 'previously unbanked' people used the service

❑ All of the customers interviewed held multiple bank accounts and were previously banked. However, this product did encourage an improvement in their savings behaviour

Key Learnings - Impact on Customers

- One female customer indicated that she found the esusu trader product far more convenient than going to the bank since she could not leave her shop during the day

- The process of saving on a daily basis encouraged her to think about the future and to save for specific goals, like buying more stock and paying her children's school fees

❑ In the group of respondents interviewed, their savings culture and behaviour changed by becoming more regular savers

❑ Improved perceptions of interviewees regarding the Grantee. This is not insignificant since it is a first step towards financial inclusion

❑ For many interviewees, this was the first time that they had received a loan and they would not have qualified for a loan under normal credit screening requirements

❑ The number of unbanked reached is unclear

❑ However, offering a convenient collections-based savings product seemed to improve the financial behaviour of a percentage of the intended target market

Key Learnings - Agent model

Weaknesses in the agent model was perhaps the most critical factor that limited the projects success in terms of client numbers

❑ Low remuneration and inappropriate incentive structure contributed towards cash suppression, and incentivised agents to focus on higher income customers or restrict their geographic reach to areas in direct proximity to the branch

❑ Agent network was overly burdensome for the branches to manage

❑ Ineffective and incomplete training and an unviable career path contributed to low levels of motivation amongst agents

❑ Evidence of poor communication between bank, branches and agents – which may have filtered down to customers

❑ The above factors resulted in significant levels of agent churn

- A female customer selling beverages to mini-bus and cab drivers in a communal parking area acted as a 'super agent' in the Shagamu market

- The drivers were not able to deposit money with the agent each day, since their jobs took them away from areas the agent visited. The female customer selling beverages was, therefore, able to offer a valuable service by keeping their esusu deposit logbook and passing their deposits to the agent

- At the peak of the project, the female customer had over 20 people using her service. She was happy with this arrangement since it increased the flow of traffic into her shop

- This customer would be ideal to act as an agent

Key Learnings - The Grantee

❑ The Grantee felt that the impact of the esusu trader product was significant on their business

  ▪ Critical learning and knowledge gained informed product development such as their mobile money offering

❑ As first movers, the Grantee perhaps contributed to industry-wide movement to serve the base of the pyramid and consider branchless banking as a viable distribution channel

❑ The project demonstrated that it is possible to reach and serve the trader market segment and paved the way for other market players to imitate and expand on the project

  ▪ **A butcher in Shagamu market used the esusu savings product daily, depositing up to N500 daily**

  ▪ **The butcher managed to save sufficient amounts frequently, to enable him to receive a loan of N250,000**

  ▪ **This was the first loan the butcher had qualified for and it was unlikely that he would have received a loan from another source**

  ▪ **The loan enabled him to buy carcasses which were of a higher quality and in greater quantities than he would have been able to buy otherwise**

  ▪ **Even though the butcher was previously banked, the esusu savings product allowed for improved savings behaviour and productive forward-planning for his business**

Key Learnings - Technology

❑ The procurement of the PoC devices was delayed, which meant that the target ratio of agents to devices was not reached

❑ Agents had to share devices, and in some cases had to manually record transactions. This increased the time it took to complete transactions which negatively effected the agents reach

❑ The PoC devices were inappropriate for the market environment – devices frequently got dropped and damaged. Humidity and dust also affected the functionality

❑ Agent collection limits for the day were set quite low, which meant that agents had to return to branches frequently to reset their limit

❑ There were often network connectivity issues which caused delays between deposits being made and the amount reflecting in the customer's bank account

❑ These challenges may have reinforced customers' negative perceptions of using technology to conduct banking transactions

EFInA's Recommendations for Deploying an Effective Agent Network

❑ Develop a comprehensive agent acquisition strategy

❑ Adequately compensate all agents and review commission structures regularly

❑ Identify the top agents, establish the reasons for their success and use as training for other agents

❑ Introduce additional incentive schemes aimed at retaining agents and develop 'side incentives' for top agents

❑ Establish ways of communicating easily with the agents

❑ Implement an agent management system to adequately monitor commissions and the performance of all agents

❑ Regularly train all agents and agent managers

Conclusion

❑ **The target for agents in the National Financial Inclusion Strategy is to establish a network of 32,500 agents by 2015, increasing to 65,000 agents by 2020**

❑ What do you think are the biggest challenges in terms of deploying Agent Networks on a large scale in Nigeria?

- Uncertainty as to how the CBN will supervise agents
- Too few reliable and available agents in the market
- Lack of know-how on how to recruit, train and oversee agents
- The high upfront investment required
- Operational risks of managing an agent channel, including fraud management
- The profitability of the channel is either uncertain or too low to make it worthwhile
- Other

THANK YOU