EFInA
Enhancing Financial Innovation & Access

Agent Banking in Nigeria: Factors that would motivate merchants to engage

September 2013

EFInA
Enhancing Financial Innovation & Access

Contents

1. Agent Banking - Background
2. Research Objectives
3. Key Questions to be Addressed
4. Research Methodology
5. Research Findings

1. Agent Banking - Background

Agent Banking - Background

- Developing countries are continually gravitating towards branchless banking given its huge potential to provide financial services to low-income households not currently reached by traditional bank networks particularly those living in remote and rural areas

- In February 2013, the Central Bank of Nigeria (CBN) released the 'Guidelines for the Regulation of Agent Banking and Agent Banking Relationships in Nigeria' to deepen financial inclusion

- Agent Banking services refers to the delivery of financial services outside conventional bank branches, often using non-bank retail agents and relying on technologies such as card reading point-of-sales (PoS) terminals or mobile phones for real time transaction processing

- A banking agent is a retail or postal outlet contracted by a licensed deposit taking financial institution or a mobile money operator to provide a range of financial services to customers

2. Research Objectives

EFInA
Enhancing Financial Innovation & Access

Research Objectives

- With the aim of supporting the development of pervasive agent networks for financial services in Nigeria, EFInA commissioned TNS-RMS to undertake a qualitative research study to identify key factors that would motivate merchants to engage in agent banking services
- The key objectives of this research were to capture perceptions on using agent banking as a channel for conducting financial transactions to attract existing customers as well as acquire new customers

1. Acquisition of new customers

Primary target: This is the segment of the population currently not using financial services (predominantly semi urban/rural dwellers). The research seeks to pinpoint existing gaps in these customers' needs and highlight opportunities where banks can fill and contribute to the adoption of financial services by this consumer segment

2. Greater usage by existing customers

Secondary target: These are existing customers in remote areas who already use banking services. The research seeks to explore opportunities to enhance usage by providing branchless banking within their neighbourhood, thereby effectively reducing travel time & expenses for this target segment

3. Product and channel innovation

- Introducing new financial products could potentially drive the acquisition of new customers and increase usage by existing customers
- Using agents as a viable channel for the provision of financial products/services, especially for the unbanked

3. Key Questions to be Addressed

EFInA Enhancing Financial Innovation & Access

Key Questions

Specific objectives of the research:

- Identify and describe the factors that could attract merchants to engage in agent banking
- Determine the value proposition(s) for various market segments based on attitudes, needs and challenges with current channels
- Understand the dynamics and operations of mobile payment services delivery – time per transaction, labour and other critical cost centres
- Understand the income structure of existing mobile money agents
- Segment potential and existing mobile money/agent banking customers based on their financial needs, perceptions and attitudes
- Identify critical path required to encourage new and existing customers to adopt agent banking
- Identify existing merchants that could potentially be used as agents

Key Business Issue:

How can deposit taking financial institutions and/or mobile money operators effectively roll out agent networks and appropriately sustain positive relationships with their agents to ensure the uptake of its product(s) and sustainability of the business venture?

EFInA
Enhancing Financial Innovation & Access

Research Focus Areas

1. Sector scoping	2. Current modes of operations vs. potential fit to provide agent banking services	3. Core motivations and perceived barriers	4. Reward & retention strategy	5. Customer behavioural patterns	6. Opportunities and recommendations
Build a knowledge bank of existing and potential retail outlets that can offer agent banking services	Establish current modes of operations, volume and value of transactions, work force, location & potential fit to provide agent banking services	Identify disposition towards agent banking, core motivations and barriers in order to optimise agent acquisition strategy	Identify remuneration structure that would encourage owners of retail outlets to provide agent banking services	Seek insights into customer behavioural patterns. What factors influence consumption and spending patterns? Understand income structures, and attitudes towards banking services	Strategic analysis of opportunities. Provide detailed insights to critical elements of a successful agent banking model, with key recommendations on actions to be taken

EFInA
Enhancing Financial Innovation & Access

Focus Area #1: Sector Scoping

The objective of this focus area is to build a knowledge bank of both existing & potential retail outlets that can offer agent banking services. The scoping aims to provide an idea of the critical elements that make a ***"suitable agent"***

- Where are they located?
- What is the physical address and structure?
- What is the demographic profile of the population within the area?
- What social & economic facilities do they have in the area?
- What is the spread of banking services within the area?
- How secure is the retail outlet?
- How long has the existing or potential agent been operational in that location?

Focus Area #2: Current Modes of Operation

This focus area seeks to establish how the operations of the retail outlet, including types of transactions and the value of those transactions, strength of work force, location & potential fit to provide agent banking services

- What types of retail outlets operate in the area?
- What types of outlets provide best fit?
- What are the hours and days of operations?
- What kinds of transactions are conducted and how frequently?
- What is the daily total revenue of the retail outlet ?
- Size:
  - How many employees?
  - What is the role of each employee?
- For existing mobile money agents:
  - What are agent perceptions towards agent banking?

Focus Area #3: Core Motivations & Perceived Barriers

This focus area seeks to understand disposition, core motivations & possible barriers to providing agent banking services

- What is the spontaneous disposition towards the concept of providing agent banking services including likes and dislikes?
- What is the attraction of agent banking compared to the other business(es) conducted within the retail outlet?
- What are the main challenges of providing agent banking services?
- Do they think customers would use them as agents for conducting financial transactions? Why? Why not?
- What would be the best way to roll out agent banking to create interest among customers?
- For existing mobile money agents:
  - How would they describe their experience to date?
  - Is the segment of their business that provides mobile money services, growing or declining?
  - Would they like to continue? Why? Why not?
  - What are the key areas of improvement?

Focus Area #4: Reward and Retention Strategy

This focus area seeks to identify incentives that would encourage retail outlet owners to sign on as agents. Are these incentives sustainable? Do they help to foster better relationships between deposit taking Financial Institutions and/or Mobile Money Operators and agents in the long term?

- For existing mobile money agents:
  - What are the benefits they currently get for the services they provide?
  - What are the different types of incentives that currently exist?
  - How are they structured?
  - What do they like and dislike about each incentive?

- For all retail outlets:
  - What kinds of benefits would they like to get from deposit taking financial institutions and/or mobile money operators?
  - In what form would they prefer these?
  - How should the incentives be implemented?
  - How should it be different from all the incentive schemes they know?
  - How long should the incentives last?
  - Will the incentives motivate them to maintain a long term agency relationship?

Focus Area #5: Customer Behavioural Patterns

This focus area seeks to understand the demographic profile and lifestyle of customers. Factors such as income, age, social class, occupation, etc. are considered. This would assist in understanding the disposition of the general population towards agent banking

- For people at the target location:
  - What kinds of financial transactions do they engage in?
  - What are the motivations that drive these financial transactions?
  - What are the barriers that hinder them from using certain financial products?
  - What channels do they use to conduct their financial transaction(s)?
  - What is their perception of agent banking?
  - What is their key motivation for adopting agent banking ?
  - What are the key barriers to adopting agent banking?

Focus Area #6: Opportunities and Recommendations

This focus area provides a strategic analysis of opportunities and provides recommendations on what it takes to build and maintain a successful agent banking business

- In depth strategic analysis of:
  - Existing and potential agents business structures & operations
  - Disposition to the concept of agent banking
  - Opportunities for implementing agent banking, given the dynamics within the environment
  - Viable incentive structures for agents
  - Factors that could lead to the effective adoption of agent banking by the general populace

4. Research Methodology

Research Approach

- The research was conducted by TNS-RMS
- The fieldwork was undertaken between 7 and 28 February 2013

- A qualitative approach was chosen because:
  - It is the ideal for idea screening
  - It allows for free flowing discussions which tease out information that structured interviews may not
  - It allows respondents to express their views openly
- With the qualitative approach, TNS-RMS could also use the following projective techniques:
  - "Laddering" which is ideal for getting to core reasons of behaviour as it involves a continuous asking of "why?"
  - Brand mapping/imagery to determine key associations or imagery attributes that may be applicable to agent banking

Survey Methodology

Two segments were considered for the study which influenced different approaches

Existing mobile money agents/ potential agents

↓

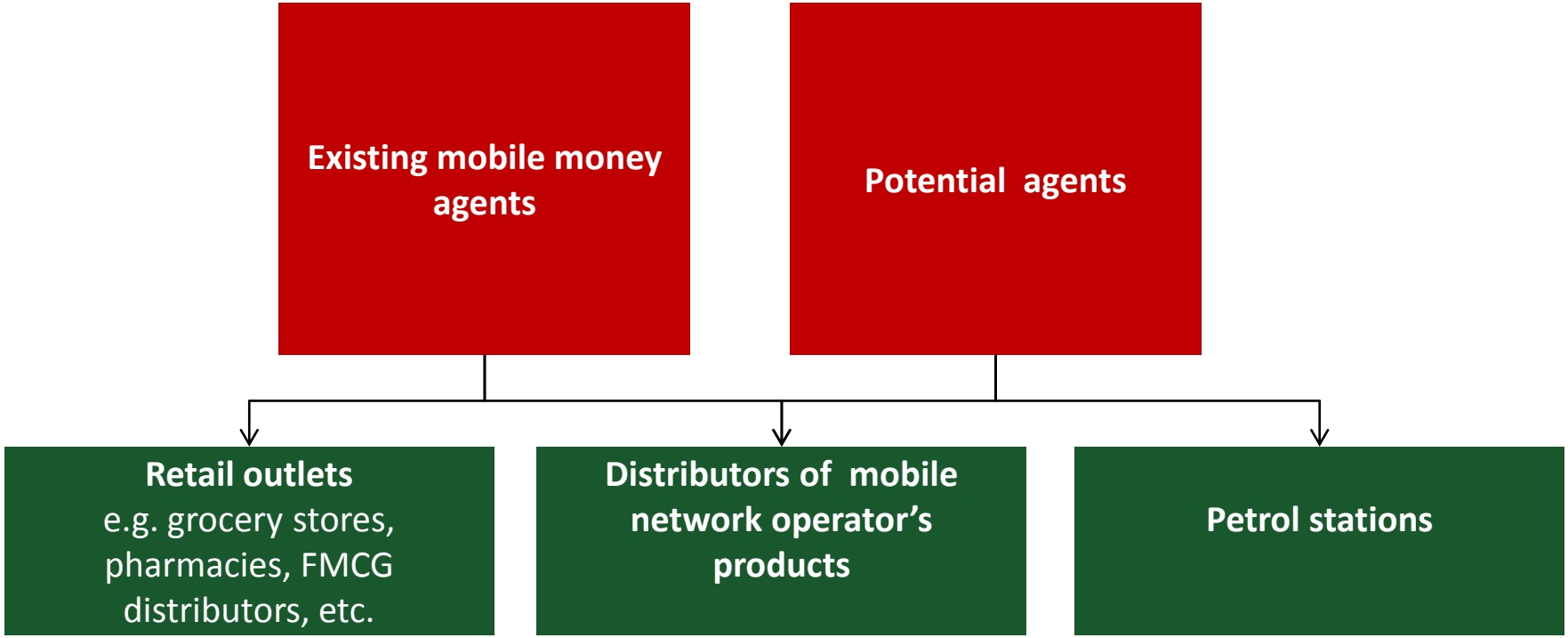
Individual in-depth interviews

End users/ customers

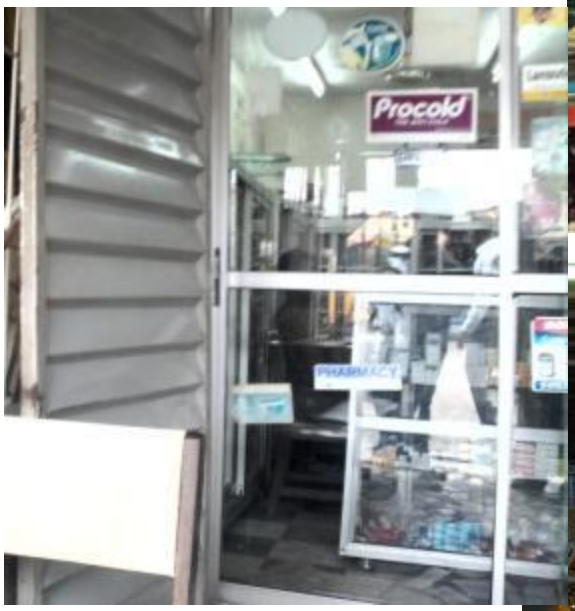
↓

Focus group discussions

Target Sample of the Study



Target Sample – Retail Outlets



Target Sample – Distributors of Mobile Network Operator's Products

- Wholesale/retail of recharge cards, SIMs, etc.
- Telecommunication services e.g. SIM swap/SIM registration, etc.
- Accredited dealers

Target Sample – Petrol Stations

- **Has a supermarket/salesroom on the premises**

Key Choice Indicators for Locations and Outlets

High traffic

Around market places/motor parks/key business areas/small companies

Social amenities

Game centres/stadium/natural parks

Structure

Must be a permanent structure

EFInA
Enhancing Financial Innovation & Access

Detailed Sample Split

OUTLETS

	Retail outlets		Petrol stations	Distributors of mobile network operator's products	
	Existing	**New**	**New**	**Existing**	**New**
Lagos	1	9	4	3	2
Aba	-	13	4	-	2
Port Harcourt	-	13	4	-	2
Abuja	-	13	4	-	2
Kebbi	-	13	4	-	2
Ibadan	-	10	4	3	2
Kano	-	13	4	-	2
Kaduna	-	13	4	-	2
Total	**98**		**32**	**22**	

- A total of 145 in-depth interviews were conducted in 8 locations, amongst potential agents and 7 existing mobile money agents
- Fewer interviews were conducted amongst existing mobile money agents and mainly in Lagos and Ibadan due to their low numbers

CONSUMERS

	Age	**No of FGDs**
Banked	18 – 30 years	1
	31- 45 years	1
Unbanked	18 – 30 years	2
	31- 45 years	1
Total		**5**

- A total of 15 focus groups discussions were conducted amongst banked/unbanked customers in Lagos, Port Harcourt and Kano

Research was conducted in semi-urban and rural areas in the 8 locations

5. Research Findings

EFInA
Enhancing Financial Innovation & Access

Part I:
Profiling Retail Outlets & Their Customers

Outlets in the North

- The first category of outlets were either medium or large sized:
  - Average daily sales were between N25,000 and N60,000
  - Number of staff ranged between 2 and 3 (the owner and two employees) in most of the outlets, particularly in grocery stores
- Most have been in business for an average period of 18 years :
  - They are popular and trusted within the neighbourhood
  - They have built a large customer base over time
- Communications outlets & grocery stores were very common in this category

Owners/operators of communications outlets and pharmaceutical stores were relatively more literate than most owners of grocery stores, and they were more receptive to the concept of agent banking

Outlets in the North

- The second category of outlets were mostly small sized:
  - Average daily sales were between N3,000 and N15,000
  - Most outlets in this category were self managed by the owner
- Small sized outlets in strategic locations have a relatively higher daily turnover than others within the neighbourhood:
  - Strategic locations include near a junction, close to a bar, garage or market
  - Most have been in business for a period of 13 to 20 years
- Grocery/provisions stores were very common in this category

Owners of most pharmaceutical stores in Kano and Kaduna have a regular permanent job, hence their business hours at the outlets are irregular as they tend to open only in the evenings

Outlets in the South East and South South

- Medium/large sized outlets were mostly petrol stations or telecommunications stores:
  - Staff strength was typically two at petrol stations, and one at other types of retail outlets
  - Although daily sales could not be established, most have large inventory
- Most have been in business within the locality for a period of 5 to 14 years:
  - The longer the existence of the business, the more confident they feel about their popularity and trust the public have in them
- Staff turnover is common since most of the businesses are not managed directly by the owners. This represents a concern about the agent banking proposition for a few outlets in this category

Outlets in the South East and South South

- Small sized grocery outlets were very common:
  - Outlets tended to be self-managed, with occasional assistance from family members
  - Daily sales revenue was not established
- Other outlets in this category include communications stores, drug stores, bars and retailers of other petroleum products
- Most provision/grocery stores tended to have been in existence for a longer period compared to other outlets:
  - Hence, grocers/provision shop owners were more popular within their locality
- Most outlets were open from 8am to 10pm. The hours of operations were more consistent than those of outlets in the North. The outlets were also open earlier than those in the North

Outlets in the South West

- Medium/large sized outlets were mostly petrol stations, communications stores and retailers of building materials
- Average daily sales were in the region of N50,000
- Self-managed outlets were common for both small and medium-sized outlets
- Average daily sales for most small outlets were between N3,000 and N18,000
- Like other regions, most outlets had existed for a period of 7 to 15 years

Summary – Retail Outlets

- **In the North:**
  - Average daily sales for medium/large sized outlets were between N25,000 and N60,000. Most had been in business for an average of 18 years
  - Average daily sales for small sized outlets were between N3,000 and N15,000. Most had been in business for between 13 and 20 years
  - Business hours tended to vary across outlets depending on the type of business - grocery/provision stores were open from 10am to 11pm; and other businesses like textile, telecommunications stores were open from 10am to 8pm
- **In the South East and South South:**
  - Average daily sales could not be established, although most had large inventory
  - Most outlets had been in business for between 5 and 14 years
  - High staff turnover, since most of the businesses were not managed by the owners
  - Most outlets were open from 8am to 10pm
- **In the South West**
  - Average daily sales for medium/large sized outlets were in the region of N50,000
  - Average daily sales for most small sized outlets were between N3,000 and N18,000
  - Most outlets had existed for a period of 7 to 15 years

Across most regions, there was a prevalence of small sized outlets

Customer Profiles

- Customers across the regions especially in the North and South East had low levels of literacy

Customers in the North

- Predominantly farmers
- Others include petty traders, motorcycle operators, cloth merchants
- Students

Customers in the South

- Primarily petty traders and motorcycle operators
- Students
- Site workers e.g. construction workers
- Commercial vehicle operators e.g. buses and taxis
- Travellers (petrol stations)

Majority of the customers of retail outlets live on daily earnings/wages

Customers Relationships with Retailers

- Beyond business, most retailers have personal relationships with their customers
- Retailers offer financial assistance in the form of credit, discounts, savings facilities, etc.

Offer credit facilities

"Most of my customers are Achaba…they always ask for credit before they go to work but when they return they will now pay me"

"Sometimes I borrow my customers money when they have problems…but only the ones I know well"

Offer savings assistance

"Most of my customers keep their money with me especially the transport union workers…they don't have time to go to bank"

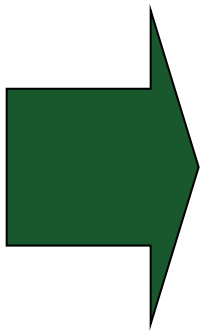
Existing trust and the financial relationship between retailers and their customers provides an opportunity for building the agent banking proposition amongst this target

Cases of customers saving money with retailers were mentioned mostly in the North, followed by the South East

EFInA
Enhancing Financial Innovation & Access

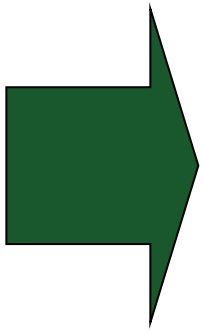
Customers Saving Patterns

- Customers determine what to save based on what they earn daily. Savings are therefore inconsistent from day to day



- Customers in this category stated that they save some amount, which could be as low as N100
- Transport workers tend to save larger amounts – a merchant claimed that a transport worker sometimes saved as much as N50,000 at his outlet

- Customers who save a fixed amount daily are mostly petty traders/motorcycle operators



- Customers in this category have a fixed amount they save on a daily basis through group contributions/ thrift collectors
- Savings varied from N100 to N500

If agent banking is introduced, the savings potential for customers is estimated at N100 per day

EFInA
Enhancing Financial Innovation & Access

Part II:
Evaluating the Appeal of Agent Banking Amongst Retailers

EFInA Enhancing Financial Innovation & Access

Insights from Retailers Regarding Agent Banking

- Agent banking had a consistent reaction across outlets in all regions
- The longer the business had been in existence in the locale, the more likely they were to adopt agent banking. The belief is that they are well known, so customers trust and respect is already earned and can be capitalized on
- The idea of agent banking generated more interest amongst retailers/outlets that were managed by owners as opposed to those managed by employees
- However, a few outlets were indecisive about their disposition to undertaking agent banking, as they found it difficult to evaluate the potential upside/downside
- A few outlets were not interested in providing agent banking services

Evaluation of the Agent Banking Proposition

- Amongst the majority (retailers and customers), the concept of agent banking elicited spontaneous positive reactions

> ***"This is a good idea…it will bring development here because people from the inside village will be coming here to bank***
>
> ***It will make you popular because everybody will now know you as the man who has a bank in the village***
>
> ***It will make people's business to grow because anybody who comes to withdraw money will like to buy other things from the same shop***
>
> ***But:***
> ***I think it will expose that trader to robbery because they will believe that money is kept inside the shop"***

Security risk was cited as the primary concern

Evaluation of the Agent Banking Proposition

Positive Attributes

- The majority:

✓ See this as an opportunity to grow existing business:

"If I am doing this it will make me sell more of other products because some customers that come to withdraw money might see something they need and buy from me"

✓ See the proposition as an opportunity for personal popularity – stronger in the North:

"People will come from everywhere to bank with me, so I will know more people and that will make me very popular in Wudil"

✓ Consider this as a potential source of additional income:

"Anything I see I normally add to my business to make it grow…so as a bank agent I know my income will increase because it cannot be for loss"

Across the board, retailers thought that providing agent banking services would be profitable primarily based on the potential impact of increasing their customer base, which would improve sales in other parts of their business

Evaluation of the Agent Banking Proposition

Positive Attributes

- In the South East, agent banking is perceived as representing an opportunity to partner with a financial institution, thereby providing an opportunity for personal attention from the institution and access to additional benefits

✓ Perception that agent banking will provide an opportunity to gain necessary business skills to improve their business:

"I am thinking that since this is for a bank they might teach us how to manage our business even better than we currently do now"

✓ Opportunity to partner with a financial institution thereby increasing access to funding for business expansion:

"Maybe I can easily get a loan from the bank since I work for them"

Male business owners in the South East are more receptive to the idea than female owners

Most females in the South East are somewhat sceptical about agent banking, even though they consider it "doable"

Evaluation of the Agent Banking Proposition

Key Concerns

Universal → -

Perceived security risk:

"My worry is about security. Because the moment people know that this is what I do for instance, my shop will become a target for robbery"

North specific → -

Belief that it will misrepresent them as wealthy and attract people seeking alms:

"In Kujama here if people see you doing this they will believe that you now have money and they will now come here to be begging for money…everybody will beg you for money"

In addition to anxiety about security, outlets in the North are conscious about the misguided perceptions that becoming a bank agent is likely to generate in their environment especially amongst the disadvantaged/less privileged

EFInA
Enhancing Financial Innovation & Access

Part III:
Expected Impact of Providing Agent Banking Services

EFInA
Enhancing Financial Innovation & Access

Expected Fit with Existing Business

- Most outlets perceived agent banking as a good fit for their existing businesses because:
  - Physical cash handling is already a part of their business, especially for distributors of mobile network operator's products
  - They feel that it could easily be accommodated within their existing space as no additional equipment is required
- Telecommunications outlets across all locations appear to have an existing business structure/operation that would easily accommodate agent banking:
  - Some level of literacy amongst the operators
  - Belief that some existing business transactions are similar to agent banking transactions e.g. airtime transfer

Expected Impact on Existing Business

Publicity

- Considered a novel idea
- Expectation that involvement will attract special attention and consequently increase popularity of the outlet

Increased sales

- Belief that customers will develop a preference for the retail outlet where they operate an account – hence driving more patronage and sales opportunities for the outlet

Reduced credit risk

- Perception that agent banking will eliminate/reduce issue of having to provide credit to customers – since the customers accounts can be debited on occasions when they don't have cash available

The primary attraction of providing agent banking services amongst the retail outlets, especially outlets dealing in fast moving consumer goods is the perception of more customers coming to their outlet and buying other products

Expected Impact on Existing Business

- Specifically amongst retail outlets situated within schools/those that have a high population of students as customers

Eliminate coinage challenge

- Most small sized provision stores cited occasional margin squeeze due to coinage challenge, which most times forces them to lose money to customers
- For outlets within this category, agent banking is considered as an opportunity to overcome the coinage challenge and increase margins - since customers can conduct banking transactions

A positive impact on margins is expected as the coinage challenge may be eliminated as retailers would have an easier way to make business transactions more efficient

Expected Impact on Existing Business

- Outlets that are receptive to the concept of agent banking

"…like most times students here go with my change maybe because I don't have change but if I have this now I will just transfer their change to their account or if I don't have change I can tell them go with the money I will take from your account – provision store, Ake

In this business you can't do without credit but with this you will hardly sell on credit because the customers money is with me, so he can drink as he likes at the end of the day I will take my money from his account – bar, Epe"

EFInA
Enhancing Financial Innovation & Access

Part IV:
Retailers' Expectations for Providing Agent Banking Services

Key Expectations – Set Up

- Across all locations and outlets, retailers had similar expectations with respect to what banks should do at the initial stage to encourage participation by both customers and the outlets

Set Up

"The banks should first create awareness about it so that people will believe it is not 419…."

Corporate branding of the outlet

- *To create recognition for the outlet*
- *Authenticate the outlets – create public trust/ confidence*

Increased publicity from banks to create consumer awareness

- *Public awareness is considered a very critical success factor - especially in the North due to low literacy levels amongst potential customers*

There is a need to develop and maintain public trust to encourage the adoption of agent banking

EFInA
Enhancing Financial Innovation & Access

Key Expectations – Operations

Efficient Services

The need for efficient services was mentioned the most across all locations and outlets (especially in the North):

- Outlets in the North see Northern customers as impatient and difficult, hence their inability to access funds when required could encourage distrust and therefore weaken adoption of agent banking

Sustainable

There was some scepticism about the sustainability of agent banking, due to negative experiences of dealing with microfinance banks:

- Adoption of agent banking is more likely with the involvement of a reputable bank, which will give retail outlets a guarantee of continuity

Given retailers' scepticism, corporate image and the bank's reputation appear to be a critical element that will drive retailers to sign on as bank agents as well as engender customers trust to try out agent banking

EFInA
Enhancing Financial Innovation & Access

Key Expectations – Operations

Security

The need for security is a major deciding factor for the adoption of agent banking:

- Most outlets want to be guaranteed adequate security measures that protect their lives, property and existing businesses
- Though a universal need, retailers in the South East appear more conscious of security risks, given the peculiarities in their environment

Mobile Agents

In the North, Lagos & Ibadan, the need for mobile agents was mentioned as being important given the peculiarities of customers:

- Expectations that customers might request that their money be delivered to them at home as currently practised by savings collectors
- For most retail outlets, ability to facilitate the movement of cash to the bank (liquidity management) is an area of concern

There is need to provide adequate security measures and effective liquidity management processes between the bank and agent, so as to limit their risk exposure

Financial institutions may need to consider providing insurance (life and property) for outlets – to drive the adoption of agent banking and mitigate security risks

Key Expectations – Remuneration Structure

- All retail outlets expressed the need for an attractive remuneration structure based on commission per transaction
- However, most retailers found it difficult to be specific about what would be an acceptable remuneration structure
- Most retailers were clear about the need for support from banks – such as the initial expenditure for labour (including training for employees) and security
- Few outlets in the North were specific about their preference for a performance-based reward structure i.e. receiving a percentage based on total transactions conducted for the day

"I will be able to calculate what is good enough when it starts and I see how it is moving, but now I still don't know much about it"

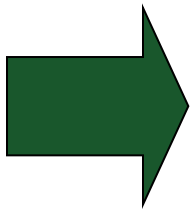
EFInA
Enhancing Financial Innovation & Access

Part V:
Key Barriers to Adopting Agent Banking

Key Barriers to Adopting Agent Banking

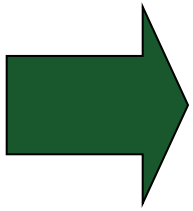
- Few outlets were totally against the concept of providing agent banking services. These tended to be small sized outlets owned and managed by females in the South East and a few in the North

Perceived security risk was the strongest barrier amongst those who opposed the idea



- Security risks in the country, especially in the South East contributed to the rejection of the concept
- Low self confidence (especially in the North), given their low literacy levels

Anxiety about partnering with a bank



- Most tended to have a negative view of banks as being overly "complex"
- Outside of their comfort zone – they view partnerships with bank as being too risky

In most cases, especially among those that are opposed to the concept, involvement in agent banking is perceived as a huge risk given the association with a bank

Low literacy levels/lack of confidence are also major contributing factors to the negative disposition to undertaking agent banking

Key Barriers to Adopting Agent Banking

- Those opposed to providing agent banking services:

" Now even people that don't have money are being kidnapped ...this kind of thing can make kidnappers to kidnap somebody and even armed robbers too will come – dealer in other petroleum products, Okrika

We are happy the way we are, I manage what I have…this bank agent work can now can tempt me to use money and maybe later I cannot replace it…I don't want to put myself in trouble – provision store, Omoba

I don't like to have anything to do with a bank…I can go there and put my money but I don't like to work with them because I have heard that banks arrest somebody or they take people to court – provision store, Kebbi "

Retailers with very low literacy levels are less inclined to adopting agent banking

EFInA
Enhancing Financial Innovation & Access

Part VI:
Existing Mobile Money Agents

Introduction - Mobile Money Operators

- Mobile money operators identified include FETS, Chams Mobile and FirstMonie
- Mobile money agents were more prevalent in the South West – Lagos and Ibadan compared to other regions
- FirstMonie was more popular among agents in Ibadan due to the popularity of First Bank. Perceptions of the great quality of their service were centred around the quick transaction period and no delays
- In Lagos, FETS ranked relatively higher in popularity with agents based on their reward system. They were described as paying the highest commission

Current Operations of Mobile Money Agents

Time per transaction

- Time per transaction varies between agents depending on the efficiency of the network provider
- Most agents stated an average transaction completion time of between 10 and 15 minutes, though it could be less

Handling/labour

- For most of the mobile money agents, the business is managed by the owner of the outlet, hence there is no additional cost of labour

"I don't need to employ anybody… it is very convenient for me to handle myself"

Volume/value

- Daily transactions vary depending on the agent location and size of the customer base
- Most agents in Lagos situated around motor parks, recorded the highest daily transaction values ranging from N50,000 to N100,000

A few agents in urban Lagos mentioned that a huge gap still exists, as there is insufficient uptake of mobile money

Commission Structure/Income Generated

- Income generated by agents was variable
- Most agents claim to make, on average between N5,000 to N10,000 daily
- Commissions are usually credited to the agent's account

FETS

- Agents claimed to receive commissions ranging from N150 to N180 for every transaction conducted with a value of N1,000

Chams Mobile

- Agents claimed to earn between N120 and N150 for every transaction conducted with a value of N1,000

FirstMonie

- Agents claimed to earn N50 in commission for every transaction conducted with a value of N2,000

Fortis Mobile

- Varied depending of the category of agent:
  - Super agents earn 30% of N150 for each activated customer
  - Retail agents earn 70% of N150 for each activated customer that originates from them

To drive the uptake of agent banking amongst retailers, banks should consider a remuneration structure that is more attractive than the existing commission structure for mobile money agents

EFInA
Enhancing Financial Innovation & Access

Perceptions of Being a Mobile Money Agent

+

- Appreciated as an additional source of income:
  "It is just another way of making income"

- Convenience – can transact from anywhere and at anytime:
  "I like the fact that it is on my phone so I can be anywhere and do my business "

–

- Low public awareness:
  "Most people still don't know about mobile money especially the market women and people at the motor park even though they are the target…that is why the profit right now is not much"

- Mobile money operators are seen as not being supportive, especially for cash handling/liquidity management issues:
  "The banks are the worst, all they care about are the transaction charges, they don't show you that they care about you"

- Poor network service:
  "I have had to drop the MTN mobile money because it does not make sense…when you make a transfer it tells you undelivered but later you will see it has delivered and by then the customer has gone and you have lost that money"

- Most agents consider the current income generated as being very low

Network issues and low public awareness are major bottlenecks to the uptake and sustained usage of mobile money

EFInA
Enhancing Financial Innovation & Access

Part VII:
Evaluating Customers Disposition to Agent Banking

Customers Perceptions of Agent Banking

- The concept of agent banking elicited mixed reactions amongst banked and unbanked customers

> *"It is an innovative idea because it will make life easy, you can quickly run to the outlet and collect some money without any queue or traveling - banked customer, Epe*
>
> *I will call this agent banking emergency banking because it is for when I have issue that needs to be addressed quickly - banked customer, Epe*
>
> *Many people will like to open account because they won't ask for things like NEPA bills and national ID card like the banks normally ask people - unbanked customer, Kano*
>
> *But:*
> *This will increase armed robbery or the shop can even collapse…what do you do then? - banked customer, Port Harcourt"*

Agent banking is potentially appealing and comes through as a game changer especially for unbanked customers

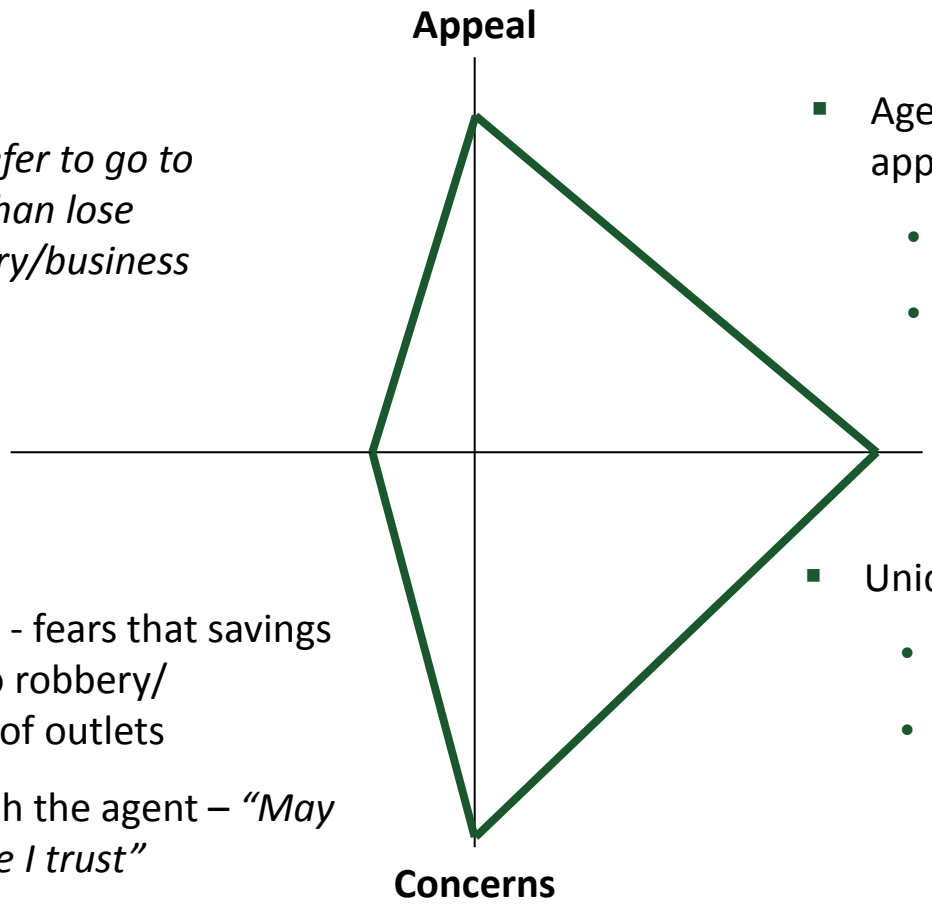
However, security concerns may limit the uptake of agent banking

Perceptions of Banked Customers

- Low relevance:
  - *"I would still prefer to go to a bank rather than lose money to robbery/business collapse"*

Relevance

- Major concerns:
  - Security issues - fears that savings could be lost to robbery/ disappearance of outlets
  - Trust issues with the agent – *"May not be someone I trust"*



- Agent Banking had moderate appeal:
  - Something new
  - Easy access to funds/ convenience

Uniqueness

- Unique:
  - Something unique
  - Advanced form of microfinance

Reactions were consistent among the banked segment. There is a reluctance to adopt agent banking due to security risks and trust related issues

Perceptions of Unbanked Customers

Appeal

- High relevance:
  - *"I can have an account without bringing NEPA bills now"*
  - *"I can get my money when I need it"*

Relevance

- The idea had high appeal universally:
  - Convenient - within close proximity
  - Easy access to funds

Uniqueness

- Major concerns:
  - Anxiety about security – *"Sometimes we have communal clashes and shops are destroyed, what will happen to our money?"*

- Unique:
  - New
  - No bank has done this

Concerns

Propensity to adopt agent banking was relatively higher amongst the unbanked. However, assuring this customer segment that their funds are secure is critical

EFInA
Enhancing Financial Innovation & Access

Customers Expectations

"I will try it only if they involve our Imam and village head because that will make me believe it is genuine – unbanked customer, Kano

The owner of the business they want to use as agent must be someone that is trusted so that he won't run away with our money - unbanked customer, Epe

They must put in place powerful security to prevent robbery and even sometimes we have communal clashes – unbanked customer, Epe

The agent must work like the normal banks, they should always have money and not that they will tell me come back for your money - unbanked customer, Igwurita"

Efficient services, access to cash, trust and security are critical issues that need to be addressed to encourage the adoption of agent banking among customers

EFInA
Enhancing Financial Innovation & Access

Part VIII: Conclusion

EFInA Enhancing Financial Innovation & Access

Conclusion

- There is a potential opportunity for deposit taking financial institutions and mobile money operators to build on existing relationships that retailers already have with their customers:
  - Most retailers, particularly in the North assist their customers to save their money
  - Retailers already provide credit facilities to their customers

- Most retailers had a positive disposition towards agent banking. The key benefits they perceive from providing this service include:
  - Expected positive impact on other lines of business as a result of an increase in customer base and popularity of the retail outlet
  - Increase in revenue due to reducing or eliminating coinage challenges and other risks like the provision of credit to customers

- Incentives that will motivate retailers to adopt agent banking include commission on transactions and occasional offers of branded items

- However, concerns about security are likely to be a major deterrent for both retailers and customers

EFInA Enhancing Financial Innovation & Access

Conclusion

To drive the adoption of agent banking, deposit taking financial institutions should:

- Leverage the existing trust that exists between retailers and their customers
- Put in place measures that mitigate fears concerning security risks and provide appropriate liquidity management
- Leverage existing mobile money agent networks
- Leverage the mostly positive disposition towards agent banking by both retailers and customers by developing innovative products that will ensure the adoption and sustained usage of agents for the delivery of financial services
- Capitalise on their reputation, which is more likely to increase retailers and customers level of trust and confidence
- Roll out agent banking through outlets situated close to motor parks and markets, as these outlets represent the biggest opportunity given the high traffic and volume of cash handled by customers. These locations will also provide access to a large number of customers