Scoping Study on Super Agents

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Acronyms

ANM – Agent Network Manager

BB – Branchless Banking

BC – Business Correspondent

BCNM – Business Correspondent Network Manager

CBN – Central Bank of Nigeria

DFS – Digital Financial Services

EIB – European Investment Bank

FMCG – Fast Moving Consumer Good

GSM – Global System for Mobile communication

GSMA - GSM Association

KYC - Know Your Customer

MMO – Mobile Money Operator

MNO – Mobile Network Operator

NFIS – National Financial Inclusion Strategy

Telco – Telecommunications Organisation

UNCDF – United Nations Capital Development Fund

Definitions

Agent: A third party entity, institution or an individual that is engaged by a financial institution to provide specific financial services such as customer account registrations, cash deposits and cash withdrawals on its behalf using the premises owned by that entity, institution or an individual.

Agent Banking: The provision of financial services to customers by a third party (agent) on behalf of a licensed deposit taking financial institution and/or mobile money operator.

Agent banking is known by different names in different countries. In Mexico, agents are called correspondent banks, but in other parts of the world they are known as non-bank correspondents (Colombia), non-bank agents, bank agents, or correspondents. The terms used in this report are the terms used in the respective country.

Agent Network Manager/Aggregator*: Any entity, institution or an individual that helps a financial service provider to identify, vet, train, monitor, and manage agents on behalf of the financial service provider for a fee or commission.

Branchless Banking (Pakistan) – Mobile money is referred to as branchless banking in Pakistan's bank-led model context.

GSMA: GSMA is a trade group that represents mobile network operators that use GSM technology for their networks.

Master Agent* - A person or business that purchases e-money from an MNO wholesale and then resells it to agents, who in turn sell it to users. Unlike a Super Agent*, master-agents are responsible for managing the cash and electronic-value liquidity requirements of a particular group of agents.

Mobile Money* - A service in which the mobile phone is used to access financial services.

Sub-agent (Nigeria) – A sub-agent is a person to whom some or all aspects of the agent banking have been delegated by a Super Agent.

Super Agent (Nigeria): Any business or individual licensed by the CBN and contracted by the financial service provider, who thereafter may subcontract other agents in a network while retaining overall responsibility for the agency relationship. A Super Agent may identify, vet, train, monitor and manage sub-agents independently or as defined in the contract with the financial institution.

Super Agent*: A business, sometimes a bank, which purchases electronic money from an MNO wholesale and then resells it to agents, who in turn sell it to the end users. Super Agents will not monitor agents' liquidity levels at all.

*GSMA definition

1.0 Background

Financial inclusion has continued to gain prominence with policy makers and development organisations, not just in Nigeria but globally. Financial inclusion is critical in reducing poverty and achieving inclusive economic growth. When more people participate in the financial system, they are better able to start and expand businesses, invest in their children's education and absorb financial shocks. The EFInA Access to Financial Services in Nigeria 2014 survey[1] reported that 49% of the adult population are formally included (all adults who have access to or use a bank and a formal institution other than a bank). The report also revealed that there are 0.8million mobile money users in Nigeria out of an adult population of 93.5 million. The registered mobile money users have used the service to: buy airtime (42%) - which comprises majority of usage; send money (20%); receive money (14%), and; pay for goods or service (9%).

In an attempt to increase financial access and inclusion, agent banking has gained significant prominence and has been adopted in a number of developing countries in Africa, Asia, Middle East and Latin America. In 2012, the National Financial Inclusion Strategy[2] (NFIS) was launched by the Central Bank of Nigeria (CBN), which aimed at reducing the percentage of Nigerian adults who are financially excluded from 46% in 2010 to 20% by 2020 (as of 2014, 40% of Nigerian adults were financially excluded). The strategy outlines a target to increase access to formal savings and credit products at 60% and 40% respectively. Agent banking is recognised as one of the key drivers in this agenda. Agent banking has been identified as one of the key influencers to drive mass markets to formal financial services as they will enable customers to cash in, cash out, make payments or conduct other financial transactions without necessarily having to go through the traditional brick and mortar channels.

The success of agent banking is dependent on many factors, but significant among them is agent management. A well-managed agent network can help providers: (1) build brand awareness, (2) educate customers, and (3) meet system-wide liquidity demands, all of which build confidence among users in a service that has low awareness. A poorly managed agent network, by contrast, is characterised by widespread low quality customer experiences, which in turn erodes trust and drives away business.[3]

In 2015, the CBN recognised and acknowledged the role played by agent network managers by releasing the Regulatory Framework for Licensing Super Agents in Nigeria, so as to strengthen agent networks. This study seeks to analyse and evaluate Nigeria's Super Agent model in comparison with successful models in other markets. Specifically, the objectives of this study are to:

a) Evaluate and understand how agent banking has evolved in Nigeria
b) Understand the CBN's reasons for coming up with the Regulatory Framework for Licensing Super Agents in Nigeria, and what the framework communicates
c) Analyse the current Super Agents structure in Nigeria and how they are supposed to operate (if not aligned yet)

[1] EFInA Access to Financial Services in Nigeria 2014 survey
[2] The National Financial Inclusion Strategy - Nigeria
[3] GSMA, Managing a Mobile Money Agent Network GSMA, Managing a Mobile Money Agent Network

d) Evaluate agent banking or agent networks evolution in other countries/landscapes where it has been successful
e) Compare agent/agent banking evolution in Nigeria with that of other countries where agent banking has been successful
f) Evaluate Super Agent models or structures (who perform similar roles to Super Agents in Nigeria) in other countries/landscapes where it has been successful
g) Compare Super Agent models or structures in these other countries to that of Nigeria
h) Evaluate the success factors in these other countries where the Super Agent model has worked effectively, and apply relevant lessons to Nigeria

The countries analysed in this study are: Kenya, Uganda, Tanzania, Cote D'Ivoire, Mexico, Brazil, Colombia, Peru, Bangladesh, Pakistan, Indonesia and India.

2.0 Evolution of Agent Banking in Nigeria

To fully appreciate the current status of agent banking in Nigeria, it is worthwhile to understand where the evolution began. Even before the National Financial Inclusion Strategy (NFIS) was launched in 2012, where agent banking was identified as one of its drivers, the Central Bank of Nigeria led in promoting an effective system for the settlement of transactions, a key driver for financial inclusion in Nigeria. In addition, after the NFIS launch, there have been other activities that have continued to shape the Nigerian Agent banking space. These are highlighted below:

a) In 2009, the CBN approved and published the Guidelines on Mobile Money Services in Nigeria that covered models, agent network, business rules, roles and responsibilities of participants under mobile money services in Nigeria. The regulator had identified the rapid growth and adoption of mobile money as an opportunity for person to person payments, with agent banking being recognised as a means of driving financial inclusion. The CBN started by issuing mobile money licences to qualified mobile money operators in 2011, and as at September 2016, 21 MMOs have been licensed. In 2015, the regulator further clarified the models for the deployment of mobile money into two models which are:

    - Bank-led – Where a Bank and/or its consortium is the lead initiator. A bank may offer mobile money services alone, or in partnership with other approved organisations (such as other banks, mobile network operators), leveraging on the mobile payments system
    - Non-bank led – This model allows a corporate organisation that has been duly licensed by the CBN to deliver mobile money services to customers

b) The National Financial Inclusion Strategy[4] published in 2012 also placed the financial inclusion agenda on course in Nigeria after the CBN committed to reducing the percentage of adult Nigerians excluded from financial services from 46% in 2010 to 20% by the year 2020

c) In 2013, the CBN released Guidelines for the Regulation of Agent Banking and Agent Banking Relationships in Nigeria[5]. The two agent banking deployment models defined in the framework are:
    - Bank-led model – Where only a bank can act as the principal in forming agent banking relationships
    - Non-bank model – Where parties other than banks (e.g. MFBs, MMOs) can act as principal in forming agent banking relationships.

d) In 2015, the CBN issued a Regulatory Framework for Licensing Super Agents in Nigeria that allows banks and other regulated financial service providers to leverage Super Agents to extend access to financial services among underserved groups. Further analysis of Super Agents to understand their roles and responsibilities as prescribed by the CBN, as well as comparison of their roles to ANMs in other markets is discussed in section 3 of this report

[4] Maya Declaration Central Bank of Nigeria
[5] Guidelines for the Regulation of Agent Banking and Agent Banking Relationships in Nigeria

These significant milestones in the journey towards agent banking in Nigeria are illustrated in the figure below:

Figure 1: Evolution of Agent Banking in Nigeria

Financial Access Points in Nigeria

A financial access point is a regulated access point where cash-in (including deposits) and cash-out transactions can be performed. This includes traditional bank branches, agents of regulated entities and automated teller machines (ATMs) and other regulated entities that perform these functions. Findings from the Nigeria Geospatial Mapping 2015 survey[6] revealed that there are 37,449 financial access points in Nigeria. According to the survey, Mobile Network Operator locations made up the highest number (8,912) of access points, while Mobile Money Agent locations came second (8,257), although less than half were found to be operational as there are only roughly 3,600 active agents. However, this only reflects the picture for mobile money agent locations. This does not include Markets (2,619), Motor Parks (2,040), Post Offices (1,634) and Commercial Bank Agent Locations (48). This brings the total number of potential agent locations to 14,598 (39% of the total financial access locations). Therefore, Agent Networks is a great tool which can be used to drive financial inclusion in Nigeria.

It is worthy to note that of the 37,449 financial access locations (including DMBs, MFBs, Insurance, ATMs), only 29,527 (79%) were found to be operational; and these points cater to the financial access needs of over 90 million adults. The current low rate of active and operational access points is a deterrent to financial inclusion. The Central Bank of Nigeria plans to increase access points to 7.6 Deposit Money Bank (DMB) branches; 5

[6] FSP Maps - Nigeria funded by the Gates Foundation

Microfinance Bank (MFB) branches, 203.6 ATMs, 850 Point of Sales terminals (PoS) and 62 mobile agents for every 100,000 adults, by 2020.

2.1 Players in the Agent Banking Space in Nigeria

Bank agents do not operate in isolation but operate within an ecosystem where the stakeholders' combined efforts, as prescribed by the regulator, ensure that end users are able to access the product/services at the agent location. The mobile money and agent banking guidelines have therefore recognised relevant stakeholders, each with certain privileges, roles and responsibilities. They are highlighted below:

1. **Financial Service Providers (Operators):** Operators are expected, among other things to provide financial, clearing and settlement services to the agent banking ecosystem, and are in charge of verification, approval and accountability for the credibility and integrity of partner organisations. Operators are also mandated to educate consumers on appropriate use of the services while providing them with an adequate enquiry or complaint channel
2. **Aggregators:** These are entities responsible for integrating financial service providers with third party systems. Aggregators integrate payers, payees and the infrastructure providers. They provide value added services to them such as notification of successful payments, reconciliations and receipts. Aggregators do not need to be licensed by the CBN, however, they require an approval from NCC
3. **Infrastructure Providers:** These are responsible for providing platforms to enable switching, processing, clearing and settlement facilities for mobile money and agent banking transactions. There is also a central switch, the Nigeria Inter-Bank Settlement System (NIBSS) which allows users from banks and licensed payment service providers to use the infrastructure of other banks and licensed payment service providers for their financial transactions
4. **Mobile Network Operators:** The telecommunications companies (Telcos) are to provide the telecommunication network infrastructure and are prohibited from favouring any financial institution over another in terms of traffic and/or price. They are to ensure that agent banking services remain accessible
5. **Agents:** These are entities engaged by a financial institution to provide specific financial services on its behalf using the agent's premises. They are non-exclusive and can therefore provide agent banking to as many FI's as they can accommodate. Following the new guidelines on Super Agents, they may also be recruited by Super Agents
6. **Super Agents –** These are the entities contracted by the financial institutions, and may thereafter sub-contract other agents but maintain the overall responsibility for the agency relationship
7. **Consumers: The** CBN's revised mobile money guidelines (2015) and the agent banking framework (2013) lists a series of consumer responsibilities including the responsibility of PIN/Password protection, proper confirmation of transaction details before authorisation and prompt reporting of fraud cases, errors and complaints. Customers are also entitled to basic financial education from financial institutions

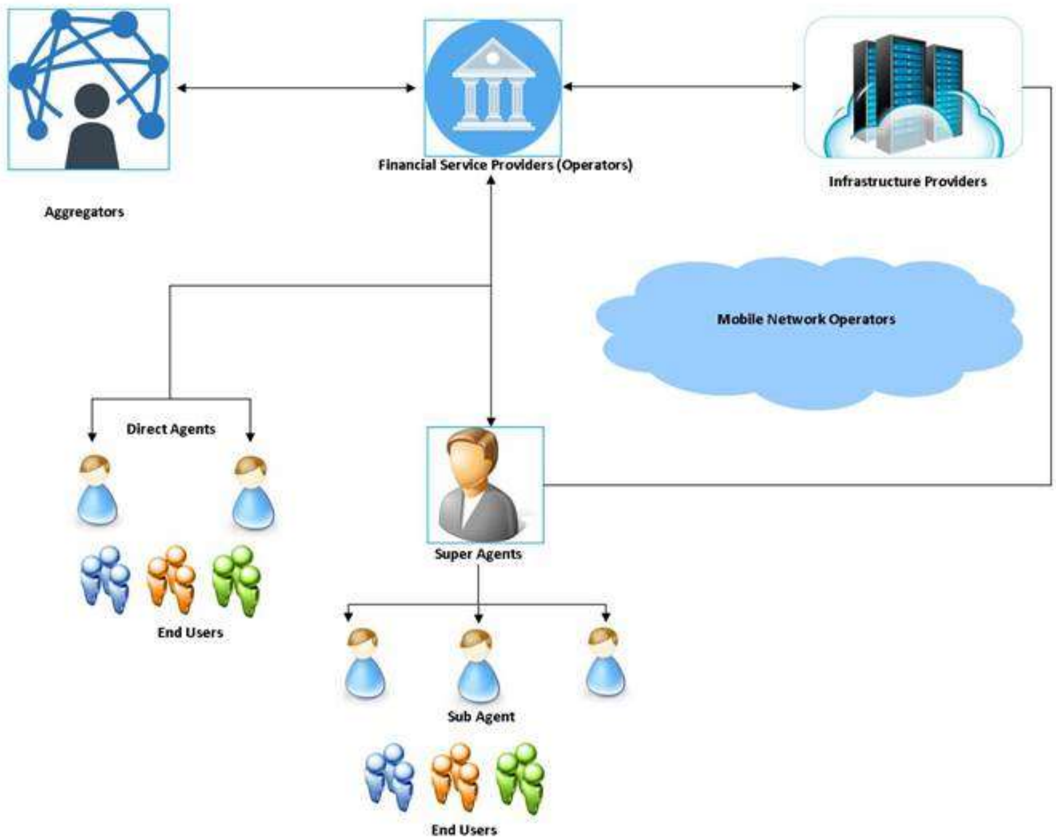

Figure 2: Agent Banking Ecosystem in Nigeria

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3.0 Agent Banking Evolution in Other Markets – Success Factors and Nigeria Comparison

A careful analysis of markets that have successfully deployed agents will reveal a number of key themes[7] that can be considered as determinants for building a successful agent banking network. They are highlighted below: (an in-depth analysis of each country is made in the agent network management country evaluations in Section 7)

Key Success Factors	Cases	Nigeria Situation
Regulatory Environment	• Mexico's regulation impacting agent networks and mobile banking have been in progress for years. While initially bank –led (from 2008), in 2010, another reform allowed MNOs to set up agents on behalf of banks. Banks have benefitted from this specialisation, but experience has also showed that some functions such as marketing and tracking of customer complaints are best left to the financial institutions • With Agent Banking reaching maturity, and in an effort to protect the consumer, the State Bank of Pakistan directed Banks to take action against agents that overcharge for the service[8]. Enforcing consumer protection rules, especially in agent banking, is important for building customer trust • Peru has fostered a regulatory framework that is highly conducive to the mobile money/agent banking innovations[9]. There is a diverse array of bank and non-bank providers in the market. In February 2016, mobile wallet "BIM" (acronym for Billetera Movil, or "Mobile Wallet") was launched. This innovative service is the first of its kind, as the wallet operates within the context of a shared transactional platform; shared branding and marketing, and shared business rules surrounding user types, transactions, fees, agents, and interoperability, across 34 financial service providers	• There are guidelines and frameworks formulated over time, which support agent banking and show the regulator's commitment towards creating a conducive environment for agent banking with interoperability provided through the Nigeria Central Switch, NIBSS • Interoperability among providers will create the platform for new entrants to effectively ride on the existing distribution network developed by institutions, that are available in the market • Some agents still overcharge customers in Nigeria. While this might be an issue that needs close monitoring by banks, agents could be overpricing the service to compensate for the low commissions as a result of low footfall during the nascent phase. Some experts however feel that this will correct itself once the channel and market matures and becomes competitive. Nevertheless, it is an issue that financial institutions need to address as it might be a barrier to the uptake and usage of agent banking in Nigeria

[7] Some of these themes have been adapted from the Bill and Melinda Gates Agent Network Accelerator Research Project, which are strategic and operational determinants of a successful agent network.
[8] Propakistani – SBP Directs Banks to take Action
[9] AFI: Peru Leads the Way to New Approach for Digital Financial Services to Promote Financial Inclusion in Latin America

Key Success Factors	Cases	Nigeria Situation

Agents and Agents Demographics	• As the first point of contact, agents help to bridge the gap between a high-tech service and low-literacy clients. The demographics (age, gender, education or exclusivity level) of an agent influences the type and quality of service provided to customers. This also affects the agent's effectiveness and activity. The Agent Network Accelerator (ANA) research conducted in Kenya identified that bank agents were more educated than MNO agents. This is perhaps because agent banking is more sophisticated, whereby agents are also expected to understand and educate customers on the various bank products offered through the channel
	• According to the GSMA Mobile Money for the Unbanked Programme (MMU)[10] in Mali and Chad, there are successful rural agents operating with limited access to either formal financial services or core physical infrastructure like electricity or transportation. Their success is driven by factors such as high levels of trust and customer loyalty, strong agent relationships and social network. In general, the social networks/relations an agent has can lead him/her to succeed even in difficult business environments
	• In Cote d'Ivoire, an agent expansion project supported by CGAP[11] proved that a simple appraisal scorecard helped expedite the agent hiring process, while optimising the financial capacity of its agents' portfolio and ensuring that people with an adequate profile are recruited
	• Eko India uses a scoring tool to determine the viability of selected agents[12] using the following factors:
	  ○ Age
	  ○ Education
	  ○ Years of Experience
		• According to the Helix Agent Network Accelerator Survey in Nigeria (2014), agents in Nigeria fit three distinct categories; the tech savvy, the profit oriented and the community developer. The ideal agents to on-board for the long-term are the tech-savvy, who understand the potential of DFS and the community developers, who are in it 'for the sake of the community'. Profit oriented agents rarely stay active as the business case is not alluring to them in the short term[13]

[10] 2015 – Spotlight on Rural Supply – Critical factors to create successful mobile money agents
[11] Agent Network Expansion, Lessons from Cote d'Ivoire
[12] CGAP Analysis; Eko –Fino India Channel Management
[13] Agent Network Accelerator Survey: Nigeria Country Report 2014

Key Success Factors	Cases	Nigeria Situation
	○ Location of shop ○ Level of business activities (sales and customer footfall) ○ Number of banks/ATMs in the area • Commitment/interest in product	
Liquidity Management	• The business of agent banking relies on liquidity management — having cash where and when customers request it. Liquidity management has two components: (1) accumulating adequate e-float and cash, and (2) rebalancing the two, which typically requires agents or their designees to physically transport cash.[14] • A 2014 Intermedia Financial Inclusion Tracker survey of 2,980 households in Tanzania[15] revealed that the top three challenges associated with mobile money agents, as described by mobile money users were: agents not having enough cash or e-float to perform a transaction, GSM/mobile network failure, and, agent platform failure • To counter the float challenge, MTN Uganda[16] agents have three ways of managing float: ○ Stanbic Bank: Holds the MTN escrow account for mobile money ○ Super Agents: Organisations appointed by MTN to facilitate float purchase. This mainly includes financial institutions and some dealers ○ Master Agent/Aggregator: An organisation with a head office controlling a number of related outlets and hence, has the ability to move float within outlets • In Brazil, with 377,000 agents as of January 2015, most users of bank agents use the channel to pay bills[17]. Agents in Brazil therefore manage	• In Nigeria, most agents are currently tethered to rebalance points, mostly banks. While this hub and spoke model is effective for control of the agent network by providers, it presents challenges in liquidity and operational support to agents located farther from bank branches • There are currently diverse products offered through agent banking channels. These include cash out products such as G2P (Government to Person) payments and cash in payments such as bill payments and savings/deposits. This could to an extent wipe out agent's liquidity. Therefore, proper assessment of trends/seasonality of transactions need to be made • The Helix Agent Network Accelerator Survey in Nigeria (2014) found that due to the then low transaction values and low number of customers, agents had sufficient float most of the time to meet their customers' needs. It was also observed that when customers came to transact, and the agent was without float, customers were not turned away. Agents had developed a clever technique like collecting customer's cash (with some issuing receipts to confirm transactions) thereafter rushing to the bank to load e-value

[14] CGAP Technical Guide – Agent Management Toolkit
[15] Intermedia Financial Inclusion Tracker Surveys: Mobile Money in Tanzania
[16] MTN Uganda Mobile Money Liquidity Management
[17] Extending Financial Services with banking Agents

Key Success Factors	Cases	Nigeria Situation
	more inflows than outflows. To mitigate risk, banks ask their agents to refuse larger payments or require them to deposit money in a bank branch when a certain limit is reached. This however inconveniences customers	• Rebalancing is expected to become more challenging when customer adoption and expectation of immediate transactions increases. This is because there may be more pressure on agents' liquidity levels
Agent Network Management	• In Kenya, the agent management model has been a hub and spoke model (direct), with agents being associated with a nearby bank branch from which their on-boarding, liquidity management, marketing and other support functions are managed by the bank. Agent banking in a sense still rides on the existing brick and mortar networks of the bank • In markets such as Tanzania, Mexico and Uganda, mobile network operators have outsourced agent network management functions to master agents (like Super Agents in Nigeria) and aggregators. This model is streamlined for fast scaling of the agent network. It also minimises operational costs to the provider, as the cost is usually taken out of agent commissions • In India, there are three major agent network models, which include banks that directly manage agent networks, business correspondent network managers, and MNOs that manage agent networks[18] • In Colombia, aggregators operate/manage 72% of access points[19]. This success has been attributed to their ability to get into contractual arrangements to perform financial transactions with multiple institutions, including banks	• Before the regulatory framework was released in 2015, mobile money operators in Nigeria managed their own agents. A few entrepreneurial organisations had also presented themselves as agent network managers • Specialised agent network managers and mobile network operators can now manage agent networks in Nigeria, setting the stage for exponential growth of agent banking touch points in Nigeria. This should however be done strategically as there is a risk of confusing customers with too much information about different providers' services and value propositions

[18] Agent Network Accelerator Survey, Country Report – India 2015
[19] Colombia's Recipe for 100% Agent Coverage: Aggregation and Sharing

4.0 Challenges Facing Agent Banking in Nigeria

Despite the fact that agent banking guidelines were released in 2013, it still has not enjoyed a high uptake in spite of the potential of the market. The second Geospatial Mapping Survey[20] in Nigeria identified several financial service touch points including 4,989 Commercial Banks, 3,567 Mobile Money Agents, 1,640 Microfinance Banks, 869 Offsite ATMs and only 48 Bank Agents. Most of these service points are also tethered to urban centres. While it will take some time to build sustainable agent networks in Nigeria, some of the challenges so far have been:

i. **Limited customer awareness and knowledge**: Agent banking is a push product and extensive marketing (building the brand and sensitisation[21]) is crucial for a large-scale adoption of digital financial services by the users. According to the EFInA Mobile Money Agent survey of 2015[22], 76% of the agents surveyed expressed that awareness of mobile money among potential users is too low. The EFInA Access to Financial Services in Nigeria 2014 survey also showed that 1% of the adult population in Nigeria actually use mobile money with 87% of the adult population unaware about mobile money. This challenge has a direct implication on the adoption and use of the agents/agent banking channels
ii. **Poor value proposition**: Low uptake and high inactivity rates of most digital financial services (DFS) solutions reveal that the offerings are not truly meeting the needs of customers. A study by Lagos Business School's Sustainable DFS Project[23] indicates that the primary reason (among others) is the complexity of digital products and services. This impedes uptake within the under-banked and unbanked. The end users' pain points need to be mapped by financial service providers through intensive research so that appropriate products are provided
iii. **Bank's inexperience in working with the poor**: Agent banking is a mass market channel targeting the financially excluded low-income market. Most banks in Nigeria typically shy away from this market segment, preferring to focus on premium/corporate target markets. For effective agent banking, banks need to downscale by acquiring and developing new skills to better understand and meet the mass market's financial needs
iv. **Lack of mass distribution strategies by banks**: According to the UNCDF's Sector Overview Report for Nigeria[24], digital financial services are still mainly utilised by the banked population. Penetration levels among the unbanked and those living in rural areas are very low. For instance, Northern Nigeria in particular is grossly underserved and the overall size of the agent network is currently inadequate for Nigeria's size
v. **Lack of adequate agent modelling framework and management structures**: Due to a lack of proper agent modelling frameworks as well as internal and external incapability, issues such as

[20] ibid
[21] Initially, Safaricom allotted a portion of the marketing budget to consumer education and awareness campaigns. Simple brochures were drafted with colour illustrations and clear instructions to familiarise customers with the operation of MPESA. Safaricom also used its external marketing resources to run road shows and consumer education campaigns in the rural areas of Kenya. Much of their marketing went into building the brand.
[22] This survey is not nationally representative of all mobile money agents in Nigeria
[23] Lagos Business School's Sustainable DFS Project Report
[24] UNCDF's Sector Overview Report, Nigeria

liquidity management, inadequate knowledge on digital financial services and poor relationship management arise. Most potential agents run out of cash and e-float from time to time as they find it difficult to leave their businesses/stores to re-balance. To a large extent, this deters potential business entrepreneurs from providing agent banking services. Agents and potential agents are not aware of all the opportunities and services that digital finance offers

vi. **Inadequate capital of potential agents**: Most businesses that meet initial requirements qualifying them as potential agents are constrained by the lack of adequate capital to provide agent banking services, especially in the rural areas where the service is needed the most. This is because these agents lack sufficient funds to meet up with demand of cash-in, cash-out and other agent banking services

vii. **Liquidity management:** Due to the velocity of cash transactions involved, most operators of businesses that serve as agents run out of cash and e-float from time to time. These people find it difficult to leave their businesses/stores to re-balance. To a large extent, this deters potential business entrepreneurs from providing agent banking services.

viii. **Unattractive commission and return on investment:** The tariff structures for agents (in line with the CBN Guide to Bank Charges) do not give profitable commissions commensurate to resources invested by them. This demotivates existing agents and deters potential agents from entering the agent banking business. They are also of the opinion that there are other business ventures more rewarding as the EFInA Mobile Money Agent Survey 2015 revealed that 51% of agents surveyed who had earned commission earned N4,000 or less per month

ix. **Inadequate knowledge on digital finance services:** Agents and potential agents do not have in-depth knowledge of all the opportunities and services that digital finance offers. To many agents, mobile money and other agent banking services is mainly about cash outs and money transfers. There are however multiple services and other value-added services that offer convenience to both excluded groups and the upwardly mobile customers

x. **Poor patronage:** Due to very low uptake and penetration of digital financial services, entrepreneurs who have hitherto embraced agent banking business become dormant or inactive as a result of limited or no patronage from people within the community

xi. **Poor network connectivity:** The number of downtimes emanating from the service providers in Nigeria is on a high side. This is discouraging to agents, as their transaction downtimes are usually high in turn. Also the instability of the electronic platform of some agent banking providers hinders the growth of agent banking adoption in Nigeria

xii. **Complex sign-up documentation:** Due to regulation, the documentation requirements for agent sign-on can be cumbersome. Every agent is required to provide certificate of incorporation/registration, utility bill, valid means of identification, proof of address, valid business permit, audited financial statements for the last two years where applicable, tax clearance certificate, evidence of availability of funds to cover agent operations including deposits and withdrawals by customers, and any other information the financial institution may require. Some potential agents shy away from agent banking business as these documents are usually seen as difficult to provide even in the urban areas (and they barely exist in the rural areas)

xiii. **Poor relationship management on the part of Operators:** Most Operators are keen to provide infrastructure for the technology requirements and business model, but do not give sufficient focus to adequate relationship management. These include setting up of areas that support the agents such as conflict resolution department, agent channel management team, and a functional customer contact centre and feedback mechanism. The absence of these vital resources leads to high dormancy, low retention, high inactivity and complete apathy by potential agents

xiv. **Perceived security risk:** Agents feel that when they perform financial services, they are perceived as a bank and may become a target for robbery and fraud. Some agents are also intimidated with the idea of partnering with a financial service provider (e.g. DMBs, MFBs, and MMOs).

5.0 WHY SUPER AGENTS

The CBN having observed these challenges developed and released the Super Agent framework in 2015 to help alleviate some of the challenges in expanding financial access to the unbanked.

A Super Agent is a corporate entity that has been contracted by an agent banking service provider (MMO, DMB or MFB) and thereafter may subcontract other agents in a network while retaining overall responsibility for the agent relationships. In other words, this new player will take on the agent management as its core business, while the operator focuses on the core business of providing financial services. This can be a better strategy for Operators who seem to struggle with managing agent banking relationships in the first place.

Interested organisations can now outsource their core agent banking operations to a player that has greater capacity and will bear the responsibility for the relationship. The Super Agent model is similar to the Master Agent model and is probably the most popular model adopted (examples of providers who use it include Tigo Pesa, Tanzania; Airtel Money Kenya; and bKash, Bangladesh). In this model, the operator commissions another party that has proven financial and operational influence to handle recruitment, operational support and management of the agents. While the operator may lose some level of control over the agents, agent operations will be with organisations that are primarily focused on managing agents, thereby, enabling the operator to focus more on driving growth in its core business.

Another interesting point to note is that before now, MMOs and other agent banking service providers have been reluctant to provide their agents' information to other Operators for the purposes of agent sharing. This poses a key challenge to growth because many providers have already gone through the tedious process of recruiting and developing their own agent network from scratch, rather than leveraging on an existing agent network. Utilising the Super Agent model, Operators will be required to plug into the Super Agent's platform which will give them access to all agents of different service providers, hence, clearing a major obstacle to hindering the uptake of agent banking channels for access to financial products and services.

The CBN issued the Regulatory Framework for Licensing Super Agents in Nigeria to rapidly expand financial inclusion through increased touchpoints across the country. The framework was also designed to encourage other infrastructure providers and Operators to provide shared agent network services. The Super Agents framework complements CBN's commitment towards financial inclusion – that seeks to achieve widespread adoption and use of the agent banking channel by the unbanked and under-banked.

It is also very important to note that the CBN is among the few supervisory bodies in the world that regulates Super Agents. In many other markets, corporate entities enter into contracts with banks/MNO without the involvement of the regulator, to perform Super Agent functions.

In Nigeria, agent banking services providers have over the years struggled with funding, product development, customer acquisition, service activation and agent networks. The Central Bank of Nigeria (CBN) came up with the Super Agent framework to ameliorate the challenges MMOs and other key players face, so that they can focus on their core business. Other reasons for Super Agents include:

- **Properly manage agent relationships**: Super Agents will focus on its core competence which includes agent recruitment, training, liquidity management among others. It is believed that the Super Agent model would drive rollout of ubiquitous agent network and ensure agents remain active
- **Promote financial inclusion efforts**: Super Agents will deploy and roll-out agent networks in rural areas; where the financially excluded population are concentrated. This will drive financial inclusion efforts as the financially excluded will have financial services closer to where they live and/or work

5.1 Benefits of Super Agents

Currently, many of Nigeria's operators manage their agents directly/in-house. This model requires that Operators, especially banks, handle all the aspects of agent management through an existing department, or in some cases setting up independent units. While this option is good for control and supervision, it limits Operators from scaling up, considering the level of resources needed to build a full-fledged agent banking unit with adequate staff, technology and systems. Super Agents are able to mitigate this challenge by investing in the resources required to run and manage agent networks.

It is expected that the agent networks developed by Super Agents will be more robust than that of the direct agent management model historically used. This should lead to increased and expanded use of electronic value by helping to reduce the use of cash as the primary instrument for payment of goods and services. This should also facilitate ease of access financial services, while lowering set-up costs to financial services providers. Engaging Super Agents will provide the following key benefits in Nigeria:

i. **Build brand awareness**: Through their agent network expansion mandate, Super Agents are able to build the profile and brands of bank agents. There will be a better understanding of agent banking among the mass market segments in Nigeria once Super Agents aggressively build agent networks. In addition to this, if financial institutions give Super Agents the mandate to conduct marketing activities, this will also contribute to brand awareness. However, there is need to ensure that marketing efforts between the financial institutions and Super Agents are well coordinated, to avoid sending confusing messages to existing and potential customers

ii. **Educate customers**: Although this can also be a function of financial institutions, Super Agents with their ground networks will sensitise and educate customers, thereby, increasing their awareness and understanding of agent banking. This will contribute to the adoption and usage of financial services

iii. **Focus on key competencies:** As opposed to creating a mass distribution network for banking services, banks can specialize on what they do best - banking. Super Agents in this case will focus on creating and managing the agent network, thereby creating synergies that will lead to a more effective and efficient experience for the end users

iv. **Financial inclusion:** Super Agents will enable agent recruitment and activation in remote locations in Nigeria, since accessibility to financial locations has been noted as a key hindrance to improving financial inclusion. Super Agents will support wide spread agent recruitment and activation in rural and peri-urban locations in Nigeria, by placing agents in high-volume corridors, thereby enabling the un(der)banked population have access to financial services

v. **Enhanced economic activity:** Through the support of Super Agent networks, the flow of money through transfers and remittances will reach remote locations. This will encourage increased flow of money through the formal financial sector thereby, promoting economic growth and development

vi. **Enhance interoperability:** Super Agents will be able to manage all agent banking transactions for different providers, delivering real time services to customers, in addition to cash in and cash out services, regardless of the Operator

vii. **Liquidity management:** Super Agents may also be able to manage liquidity among the agents, thereby minimising the challenges that come with cash management. Customers will have access to both electronic and cash value as needed

viii. **Enhanced customer service:** Super Agent networks can offer first level support to agents, which in turn helps agents to offer prompt issue resolutions to their customers

5.2 Expected Impact of Super Agents to the Industry and Recommendations

- **Adequate agent distribution to drive financial services**: This involves strategic and intelligent forecasting of the most appropriate number of agents to roll-out agent services with. It is advisable that Super Agents build their networks gradually, and not focus on a huge agents recruitment drive initially; the focus should be on optimising geographical distribution. If Super Agents recruit too many agents at once, there may not be enough business to go around, causing agents to defect. This can easily lead to a vicious cycle which can jeopardise deployment. When agents lose interest and stop holding float, customers will become frustrated because they will not be able to find a liquid agent, therefore, they will stop generating the very transactions agents need to justify their investment in agent banking services.

  The first strategic move Super Agents must make is to distribute agent banking services based on needs in key corridors with projected high volumes. Super Agents may also leverage on the existing retail network of fast moving consumer goods (FMCG), mobile network operators and petrol stations for agent network roll-outs.

- **Redirect/Redeploy resources from agent recruitment to customer awareness:** Super Agents will assist the industry to drive customer awareness. Agent banking is intended to become the face of financial services to the last mile. After the process of recruiting an 'adequate' number of agents, Super Agents must ensure that agents are thoroughly trained on their core tasks which are to:
    - Register customers: this can be achieved by diligently promoting CBN's signage such that customers easily develop trust with the brand, which in turn drives the desired uniformity of agent banking services. As people become more familiar with the mobile money or other agent banking services logo, they will be more likely to sign up for these services and thereby, drive up numbers. Super Agents must note that uniformity is important because it makes it easy for customers to understand. When a customer sees the CBN's signage, they should correctly assume that they can perform any type of transaction there. This will have a positive impact on uptake
    - Educate customers: A crucial factor to recall is that majority of the financially excluded have little or no formal education and low levels of financial literacy. Best practice will be to educate potential users (agents and customers) on basic transaction dynamics. Agents need to be trained effectively to communicate this message clearly to customers. Super Agents will facilitate awareness among the agents and potential customers on the ease of use and availability of services to boost demand
    - Facilitate cash-in/ cash-out transactions: It is expected that customers' first interactions with agent banking services will be cash-in/cash-out transactions. Super Agents will also put in place adequate systems to ensure that float management is properly handled. This will ensure that the cash-in/cash-out readily available, hence boosting customer's comfort in the agent banking service

- **Business Intelligence:** Super Agents can help the industry (especially financial services providers) to examine data from transactions and leverage on market knowledge to identify relevant information e.g. transaction dynamics, patterns and frequencies. For instance, local remittances between urban and rural areas can be mapped out and agent services layered on this mapping. Key questions Super Agents must answer include: what should be the most sustainable ratio of agents to customers and what transactions will be widely requested in certain locations?

  The Super Agent will also inform the industry on best approach to achieve equilibrium between customers and agents: As agent networks continue to deepen, Super Agents should inform operators on industry trends. This will require a thorough market appraisal and a knowledge of transaction flows to be able to better position the industry as demand expands. The Super Agents will also inform the providers as customer appetite begins to yearn for more sophisticated financial products.

This report has, in a later section (Section 7) detailed more benefits accrued to agent banking service providers as a result of delegating agent management functions to third parties.

6.0 Analysis of CBN's Super Agent Framework

The recently released Super Agent framework by the CBN stipulates the licencing requirements that institutions intending to be Super Agents must meet. It also shows Super Agents' responsibilities as regards the platforms that should be used in the provision of agent banking; the fee sharing formula for transactions, branding and advertisement guidelines, dispute resolution processes among others.

Super Agents are expected to deploy, operate and manage a robust, efficient and interoperable agent banking and mobile financial payment network with selected retail outlets operating as agents under the framework as approved by the CBN[25].

As at August 2016, the CBN has granted two companies, Innovectives Limited[26] and Interswitch Financial Inclusion Services Limited,[27] approval-in-principle licences[28] to perform Super Agent functions in Nigeria.

6.1 Requirements and Responsibilities of Super Agents in Nigeria

To obtain a Super Agent licence, the regulatory framework for licencing Super Agent stipulates that an institution must meet the following requirements:

a. Must be a company with an existing business, operational for at least 12 months
b. Must be registered with the Corporate Affairs Commission (CAC)
c. Must have a minimum Shareholders' Fund, unimpaired by losses of N50million
d. Must obtain a reference letter from a financial institution (FI) as part of its documentation for a licence
e. Must have a minimum of 50 agents

Further, the following specific responsibilities have been prescribed for licensed Super Agents:

1. Identify, select and on-board agents for the various partner agent banking providers
2. Monitor and supervise the activities of the agents
3. Monitor effective compliance with set limits and establish other prudential measures in each case
4. Own a platform to manage and monitor agents' transactions
5. Prospect and recruit qualified sub-agents
6. Train and setup sub-agents for agent banking services
7. Provide adequate branding for sub-agents
8. Provide and manage sub agent liquidity

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[25] CBN approves Innovectives as a Super Agent - Punch

[26] Innovectives specialises in mobile and electronic payments consulting, payment applications, smart card solutions, payment networks and the integration of financial transaction processing

[27] Interswitch Financial Inclusion Services Limited is a subsidiary of Interswitch Ltd, an integrated payment and transaction processing company that provides technology integration, advisory services, transaction processing and payment infrastructure to the Government, banks and corporate entities

[28] AFI: Central Bank of Nigeria Approves First Licences for Super Agent Banking

9. Provide first line support for agents
10. Be responsible for monitoring and supervising the activities of the agents
11. Have information on the volume and value of transactions carried out for each type of service by each agent (which should be made available to the Principal)
12. Monitor effective compliance with set limits and establish other prudential measures in each case
13. Take all other measures, including onsite visits, to ensure that agents operate strictly within the requirements of the law, guidelines and the contract

6.2 How Super Agents Should Operate

Super Agents are expected to have platforms that enable interoperability by allowing integration into the NIBSS infrastructure. Their platforms should also be robust enough to monitor the activities of their agents, including transactions. However, Super Agents' platforms will not hold electronic money value; the agent banking service provider or its settlement bank will provide and operate the mobile money platform and hold electronic value.[29]

Figure 3: Universal CBN approved logo to be adopted by all agents at premises

Super Agents are also expected to advertise the agent banking products in conjunction with the financial institution and provide the common logo (shown on Figure 2), to its agents.

On dispute resolution, a Super Agent is expected to facilitate the resolution of customer related issues. Disputes from transactions will be handled by the agents in conjunction with the financial institution.

While there is no one-size-fits-all approach to the establishment and management of agent networks,[30] best practice from around the world shows that an effective agent network manager – a Super Agent in the Nigeria context – should also meet the following requirements:

- Sufficient resource allocation; should have sufficient human capital and financial resources to manage the responsibilities
- Fully dedicated and skilled staff
- Shorter communication loops – should be fast in identifying and responding to issues as raised by agents and other stakeholders
- Ensure a continuous circular loops on market intelligence and feedback

[29] CBN Pegs Shareholders' Funds for Super Agents at N50m
[30] MicroSave Briefing Note #137 – Structuring and Managing Agent Networks

- Have robust systems to:
  - Select, on-board, equip and train the right agents
  - Help agents manage liquidity
  - Monitor agents' compliance with processes, branding, liquidity norms etc.
  - Support agents with customer service, marketing, fraud management, refresher training etc.

Challenges to Super Agents Adoption in Nigeria

- Some Operators see Super Agents as competitors. This is not surprising because the Super Agents are also not so clear on their mandate
- Incentive structure: The operators are reluctant to share their commission with an extra party (in addition to agents)
- A robust platform/technology is required for an Super Agent structure, which may be expensive to procure and manage
- A significant investment is needed to drive Super Agent operations, which the Super Agents may not have the financial capacity to handle (Marketing and advertising expenses, robust software and hardware costs, agents recruitments and workshops etc.)
- Associated charges/cost implication for signage exposure is high and this will discourage Super Agents from putting out as many signs as needed, ultimately leading to reduced agent banking service uptake
- High cost of sub-agent recruitment/deployment: Associated costs in agent network rollout include recruitment, training, setup and management of an agent

To critically understand how Super Agents are supposed to operate, the next section further highlights the agent banking success factors from other markets comparing the same to the situation in Nigeria. *Annex 1* also provides agent network managers case studies from Kenya, India, Pakistan and Bangladesh.

7.0 Evaluation of Agent Network Management Models (like the Nigerian Super Agents) in Various Markets

A provider can choose to use either or both of the agent network management models (Direct and Indirect) simultaneously, with each model having distinct advantages and disadvantages as shown in *Table 2* below. It is however important to note that while financial institutions are free to engage agent network managers for various roles, the ultimate beneficiary of these arrangements should be the end users/customers. Financial institutions can choose to retain some of the agent network management roles such as marketing strategy development, customer support and agent monitoring. An analysis of the roles conducted by various ANMs in different markets can be found on *Figure 6* under *Annex 2.*

Table 1: Pros and Cons of Direct Vs. Indirect ANM Models[31]

Direct		Indirect	
Pros	**Cons**	**Pros**	**Cons**
✓ **Better knowledge and control of agent network**	× Difficult to scale up quickly	✓ Enables faster scale up of agent network	× Lower control of the provider over agent network
✓ **Enables offering more complex products**	× Provider could get bogged down on operational issues	✓ Operational costs can be taken out from agent commissions	× More decision making loops for the bank/provider
✓ **Control of information systems – data remains in house**	× Greater personal and technical support costs	✓ Rapid response to problems with agents	✓ Less internal learning and data capture for provider

The following section further examines successful agent networks and agent management models across twelve leading markets across the world, highlighting success factors and key takeaways/implications for Nigeria, as it sets itself up for regulated agent network management. It is important to note that in some of the markets, the growth and success of agent networks has primarily been as a result of the MNOs' involvement in deploying mobile money agents as opposed to banks. We therefore still showcase their success factors as there are multiple learning opportunities for Nigeria in such models as well.

The case studies selected in the various countries are represented by some organisations that have utilised innovative ways to deploy agent banking, which in the author's opinion have useful lessons which can be applied to Nigeria. They should in no way be interpreted as fully representative and far-reaching.

[31] AFI: Agent Banking in Latin America

7.1 India

In 2006, the Reserve Bank of India (RBI) issued a circular that allowed banks for the first time to use third-party "business correspondents" for the delivery of financial services outside bank branches. The business correspondent model allows banks to use intermediaries for providing facilitation services.

Despite the authorisation, the use of business correspondents did not meet expectations largely due to RBI-imposed restrictions. This led RBI to relax its Anti Money Laundering (AML) standards and Combating Financing of Terrorism (CFT) requirements for banks, specifically, the identification and proof-of-residence requirements for small-value accounts.

Agent Network Management Models in India

There are three major agent network models in India:

1) Banks directly managing agent networks
2) Specialised ANMs (Business Correspondent Network Managers) managing agent networks, and
3) MNOs managing agent networks

Since the regulation was introduced in 2006, the Reserve Bank of India estimates the number of “business correspondents” (BCs) or customer service points employed by banks to provide services to people at the bottom of the income pyramid at 221,341,[32] as at 2013.

Lessons Learned from Agent Network Managers in India – Case of Eko and FINO

EKO is a start-up that began as a third-party platform provider in 2008 linking the State Bank of India (SBI) – provider of the Mini Savings Account and Airtel (largest MNO in India and provider of the distribution channel/agents). The relationship with Airtel has since changed, and EKO has now completely revamped its strategy. Like EKO, FINO also has its roots as a technology platform provider but currently has a much broader role, including agent management. FINO was the world’s largest agent manager in 2010. This led FINO to develop sophisticated management tools, including an SMS-based dashboard which could show real time status of their entire workforce in each of the states they operated in with their bank partners[33].

1) To reach profitability, both Eko and FINO needed agents to be very sales-oriented. This proved to be different from other markets such as Kenya and Brazil where branchless banking proved to be a pull product (with very little extra selling needed by agents)
2) Eko engaged distributors who were not specialised in airtime sales, compared to M-PESA (in Kenya) that considerably leveraged its airtime distributors
3) Eko’s agents and agent network managers also receive daily text messages on the volume of transactions and number of new account openings for the day. The message includes the commission earned that day; which allows agents to regularly track and understand their

[32] Financial Inclusion 2.0: India’s Business Correspondents
[33] Agent Management Toolkit

revenue. Since SMS are very inexpensive in India, EKO sends 2,000 monitoring messages each day for just US$5

4) Eko requires senior customer service points (SCSPs) and agent network managers to conduct rebalancing. SCSPs hire dedicated “feet-on-street” staff to pick up client application forms from agents and deliver or collect cash, often running circuits via motorbikes. This allows agents to stay in their businesses full-time and focus on serving customers

Lessons from India

1) Value of partnerships: Ensuring that all parties (operators and agents) are properly motivated and committed is essential for agent network managers
2) Providers should discern whether services being offering will require an active sales process, and if so, make sure agents are properly incentivised/trained/supported with marketing efforts
3) Sales structures require a dedicated team: Agent banking service providers should have a dedicated team focused on agent activities such as recruitment, capacity building and monitoring. Completely leveraging on an existing sales structure may be challenging. Mobile money and agent banking services are very different products compared to airtime and FMCG; thus mostly requires a specialised team (as any product does) that focuses solely on sales and distribution of this product/service
4) Regulator flexibility – There is need to constantly review the regulatory frameworks in response to challenges in the market to create an enabling environment for players to operate
5) Progressive Super Agents should not shy from providing strategic advice to the banks. As the ‘foot soldiers’, Super Agents are in the best capacity to acquire market intelligence and use it to improve agent banking services

7.2 Uganda

Mobile money services were introduced in Uganda in March 2009 despite regulatory hurdles which faced this sector. The two regulatory issues of concern at the time were: (i) the permission to use third party agents for the delivery of financial services and (ii) the permission for non-banks such as mobile networks operators (MNOs) to issue electronic money without being subject to the full range of prudential regulations applied to banks.

In 2011, the Bank of Uganda (BOU) commissioned a diagnostic on its legal framework in order to better understand options for regulating digital financial services, followed by some resultant recommendations. This helped BOU to provide an enabling environment for trials within strict financial sector laws and allowed for mobile financial services (MFS) to emerge.

The results have been favourable going by the results of the Finscope 2013 survey[34]. Uganda's population with access to formal financial services increased from 28% in 2009 to 54% in 2013 and a significant part of this increase was attributed to increased access to mobile money and agent banking services; non-bank formal inclusion[35] increased from 7% in 2009 to 34% in 2013. This sector in Uganda has been growing steadily with reports of more than 500 million transactions in 2015. In 2016, a Financial Institutions Amendment Act was unveiled that allows the provision of agent banking and other banking services.

More people are using these services compared to a traditional bank account. At the beginning, the main services offered were funds transfers from person-to-person and storage of electronic value, but these have since evolved to include other services such as domestic transfers/remittances, person-to-person (P2P) and merchant payments which enable SMEs and corporates to receive payments i.e. person-to-business (P2B); statutory payments (taxes) i.e. person-to-Government (P2G); and bulk payments like salaries & wages i.e. business-to-person (B2P).

Lessons from Uganda

Given that Uganda passed its law on agent banking in 2016, the lessons below, drawn from MTN Uganda, focus on its experience in the management of agent networks. MTN Uganda has been selected for the purpose of this study to represent other agent network managers who have deployed innovative ways to render these services in Uganda. Nigerian financial institutions can consider some of the lessons below in the deployment and management of agent networks. These include:

1. MTN Uganda leveraged existing relationships with partner banks and allowed agents to buy electronic value by depositing cash into the bank account (Super Agents by GSMA definition). Upon the deposit being confirmed, MTN Uganda transfers the electronic value to the agent. The

[34] Finscope 2013 - Uganda

[35] Non-bank formal (other formal) are other microfinance institutions (MFIs), Savings and credit cooperative organisations (SACCOs), Insurance companies, cell phone mobile money, non-banking financial institutions like foreign exchange bureau, money transfer services like Western Union.
The Finscope 2013 report revealed that 5.1 million adults used mobile money services, accounting for more than 90 percent of the non-bank formal services.

approach is relatively straightforward and does not require any modification to the bank's ordinary deposit-taking processes

2. MTN Uganda also found it useful to create an in-house dedicated team to monitor their mobile money agents. This aimed at prioritising agent banking services as opposed to relying on the sales team. It also ensured that they hired representatives who could handle difficult customers and are well suited to monitor and train agents. The downside, from an operator's perspective, is that this approach requires a major increase in employees or contractors on the payroll
3. MTN Uganda has over time assigned different set of agents different roles or characteristics i.e. field registration agents, who are tasked simply with signing up new customers, and cash-in/cash-out agents. They view this form of specialisation as a means to achieve better results
4. MTN Uganda has varied its training for new handlers – that is, any new frontline employee of a cash-in/cash-out agent for MTN mobile money. The training which lasts approximately 6 hours is a mix of theory and practice, and is administered by representatives of Top Image (a field marketing support agency). The training culminates in an exam which the handler has to pass or else the training will have to be repeated
5. MTN has also adopted pairing of new agents with experienced ones where the new agents spend up to 3 weeks learning about the features of mobile money, agent banking, the KYC process, etc.
6. MTN Uganda is flexible in its payments of commissions depending on the agent's preference i.e. immediately, with the value transferred into the agent's e-money account or at the end of the month, with the value transferred into the agent's bank account

7.3 Pakistan

Mobile money is referred to as branchless banking (BB) in Pakistan's bank-led model context. Branchless banking has been on the rise in Pakistan since its inception in 2008. A report published in December 2014 indicates that transactions volumes per quarter rose to 71.8 million transactions, with the agent network also expanding to 204,073 agents, and still growing.

Case of EasyPaisa

In March 2008, the State Bank of Pakistan (SBP) issued Branchless Banking Regulations that allowed only incumbent financial institutions to offer financial services outside traditional bank branches via alternative agent and mobile-based delivery channels. With SBP's bank-centric approach, it became evident to interested mobile operators that if they wanted to get into the financial services business in a way that exploited their own vast distribution networks, they would need to partner with a bank or microfinance bank. Tameer Microfinance Bank and Telenor Pakistan (an MNO) had been in close consultation on these possibilities as far back as 2007. This eventually resulted in an agreement that defined the terms of their relationship and what the new partnership was expected to deliver, both to the market and to their respective core businesses.

The partnership arrangement between Tameer and Telenor is structured similarly to a Super Agent agreement. Telenor manages the entire agent lifecycle (agent identification, recruitment, training, management, reward and retention). Telenor also contributes significantly to the marketing effort and product development due to its long-standing experience with mass market customers.

Tameer, in turn, is in charge of banking operations (cash management and risk management), and contributes to product development while managing the relationship with SBP. Because of data confidentiality pertaining to aspects of financial transactions, Telenor customer service agents cannot be involved; thus Tameer has also taken responsibility for the customer service aspect.

The revenue sharing agreement between Tameer and Telenor is straightforward for the transactional part of the business: net revenue (gross revenue minus distribution costs, where distribution costs represent approximately 50% of total revenue) is shared between both parties in the same ratio as their cost sharing arrangement. In the beginning, this translated into a 10% to 90% split in favour of Telenor. Over time, however, the split has gradually moved toward a 13% to 87% revenue split, and is expected to further evolve in Tameer's favour as the business model shifts towards more core financial products. As for the savings component, Tameer has agreed to share the spread after deducting regulatory compliance costs and assuming short-term placements of customer float. Discussions are underway concerning future credit products, requiring intricate management negotiations.

Branchless Banking Deployment Models in Pakistan

The Government issued branchless banking regulations (BB) in April 2008. The regulation allowed for several models of branchless banking by which banks can offer services through a network of agents. These are[36]:

a) The One-to-One model — is a bank-led venture with the bank partnering primarily with a telecom company on GSM networks. For instance, Tameer Microfinance Bank and Telenor Pakistan launched *EasyPaisa*, a money transfer solution. As of 2016, Easypaisa served more than 20 million customers through its 75,000 outlets across 800 cities.[37]
b) The One-to-Many model — where a financial institution partners with many Telcos for the provision of financial services
c) Many-to-Many model — involves banks and Telcos partnering to offer services to all bankable customers. This is similar to the ATM network management where customers of any bank can use the ATM of any other bank
d) Alternate Channels — involves using other agents other than Telcos (i.e. Fuel distribution companies, Pakistan Post, chain stores etc.) and technologies not limited to mobile phone (like GPRS, POS terminals etc.) for branchless banking. The customer account relationship and actual monetary value resides with the bank

Levels of Interoperability in Pakistan Today

13.2m branchless banking customers in Pakistan today can transact with each other across different networks. Moreover, they can also transact with all other banks in Pakistan. Interoperability has been achieved so far without any strong BTL or ATL marketing support to highlight interoperability to customers.

Critical Success Factors for Branchless Banking in Pakistan

In Telenor's case, Easy Paisa leveraged (among others) on:

- Nationwide reach: Telenor Pakistan had 200,000 points of service selling airtime for its GSM business, unlike bank branches, which had limited geographical reach
- Low cost structure: Telenor Pakistan's distribution structure had no fixed costs; GSM agents operated on a commission basis and could build viable businesses on small transaction volumes and values
- Strong brand image: Telenor Pakistan believed their brand was more widely recognised than any bank. Telenor's brand was also trusted and perceived as reliable
- Large customer base: Telenor Pakistan had 21 million customers compared to the 10–15 million bank customers at the time

Agent Network Management Function

[36] Branchless Banking Regulations: for Financial Institutions Desirous to Undertake Branchless Banking
[37] Easypaisa and Financial Inclusion

The agent management function is executed by permanent Easypaisa resources, sourced from the Telenor business line, since the initial strategy was to leverage the company's existing agent network. As a result, 100 members of the Easypaisa team are Telenor members; and these have responsibility for agent management. Therefore the current structure is mostly built on Telenor Pakistan's existing agent network structure, which originally defined the territories to be handled by master agents. The agent lifecycle is managed as follows:

1. Agents are identified and proposed by the 250+ Telenor Pakistan franchises. Telenor Pakistan is responsible for ensuring that training is delivered to these agents once they are vetted and approved, and that the proper registration process is followed
2. Agents are then specifically trained for Easypaisa by the Telenor Pakistan teams. They are typically former Telenor Pakistan sales and distribution staff
3. On-going training is delivered by Telenor Pakistan members belonging to the Easypaisa team
4. Tameer conducts periodic operational reviews to ensure compliance with banking requirements. This is performed under the supervision of a member of the risk management team, but the actual monitoring activity has been outsourced to Pakistan Courier Services
5. Easypaisa in Pakistan also uses an external company to conduct quarterly audits of each agent. This company sends staff to each retail shop to inspect merchandising and log books, and to determine whether agents are following proper procedures. If agents are not compliant, they are sent to regional training teams for retraining. If they fail to improve after one or two supplementary training sessions, their account may be suspended

The Easypaisa success story is as a result of these three important factors:

- Easypaisa was launched from a unique corporate structure - Telenor Pakistan (MNO) acquired a 51% ownership stake in Tameer bank (microfinance bank) and established Easypaisa as a common organisation across the two companies
- Telenor Pakistan and Tameer Microfinance bank introduced over-the-counter (OTC) mobile money and agent banking services, an entirely new model that did not require registration for an electronic wallet
- Easypaisa achieved rapid national expansion by relying exclusively on its existing GSM distribution structure

Lessons from Pakistan

However, despite OTC becoming the de facto model for mobile money and agent banking services in Pakistan, it has significant constraints – lacks a stored value account, limitations to the product offering, reduced profits for the service providers, and an inability to build a robust digital financial ecosystem. Notwithstanding, there are some useful lessons for Nigeria

1) Leverage strategic partnerships which makes deployment easier and scalable i.e. an agent network does not necessarily need to be built from the scratch. It is equally important that clear roles and expectations be understood and communicated effectively between partners to execute the partnership effectively

2) As successful partnerships mature, it is essential that the revenue sharing agreement between financial service providers and Super Agents become more profitable for the weaker partner. This makes a compelling business case for the partnership to continue into the future
3) Financial service operators acquiring a stake in Super Agents business (or mergers & acquisitions depending on strategic business needs) can also be explored to coordinate and align strategic efforts
4) Innovative approaches in deploying agent banking services should be explored to deepen usage. The Bank on Wheels approach that was deployed in Pakistan is novel: in a country where over 90% of the population have no access to banks, loans or other financial services, mobile service vehicles (MSV) were used to disburse Rs 1.5 billion in remote locations for international NGOs[38]

[38] Financial Inclusion for the Marginalised

7.4 Peru

In June 2005, the Superintendencia de Banca, Seguros (SBS) introduced a regulation allowing financial entities to offer services through banking correspondents (agents). This cleared the way for regulated microfinance institutions to offer financial services through agents. Thereafter in 2013, an Electronic Money law was passed to regulate the issuance of e-money.

In 2014, financial inclusion in Peru as measured by the Global Findex was estimated at just 29%[39] (adults who have accounts at formal financial institutions). Financial institutions have continued to leverage on mobile technology and existing retail infrastructure to rapidly expand into areas where traditional bank branches would be too expensive to build. In 2015, the total number of agents is currently estimated to be above 38,000[40].

There are some banks, such as BCP, BBVA and Interbank that have been more active in rolling out their agent networks, compared to some of the microfinance institutions or cooperatives. In addition to these, some very large networks and third-party platforms such as GloboKasNet have emerged to link various banks, MFIs and Cajas Municipales (or cash shops) to a common payment platform, meaning that one KasNet agent may offer services on behalf of multiple financial institutions.

In Peru, every licensed financial institution is permitted to operate through a banking agent.

Agent Activities

In Peru, agents are allowed to perform the following transactions:

- Loan payments
- Withdrawals
- Transfers
- Deposits to a customer's or third party's account
- Opening and closing of simplified bank accounts
- Payments on goods or services
- Other functions permitted by SBS

Additional Legislation Changes in Support of Financial Inclusion in Peru

1. **Introducing a simplified account:** which can be opened immediately by the agent by having him/her do the KYC (only asking for clients´ ID), and without asking the client to come to the branch. The simplified accounts are defined as low-value accounts subject to strict transaction and maximum balance limits; account balance cannot exceed the equivalent of $720 and monthly transactions cannot exceed $1,440. Uptake of these accounts has been slow, and it is hoped that the development of mobile financial services will drive the use of these accounts. Since September 2013, banks have had to report on the number of these accounts in their general account reports

[39] Global Findex Report – Peru
[40] CGAP: Five Lessons about Agent Networks in Peru

2. **Regulation of electronic money:** The legislation allows both banks and non-banks to issue electronic money with the aim to govern the basic characteristics of e-money as a tool for financial inclusion. Peru realised that an enabling environment for the development of sustainable and inclusive mobile financial services required a clear regulatory framework that did not inhibit innovation or competition in the market place. The regulation also enables banks and non-banks to create their own network of agents or use an existent network from another competitor or a bank, therefore permitting shared agent networks to be set up[41].

The current e-money law from 2013 provides the following features:

1. It is stored in electronic format
2. It is accepted as a payment method by entities or individuals other than the issuer and is officially valid for payment
3. It is issued for a value equal to the funds received
4. It is convertible for cash as per the monetary value the holder has available. The contract shall clearly and expressly stipulate the cash reconversion terms and conditions, which shall be notified to the e-money holder
5. It is not a deposit, nor does it earn interest. It is therefore not supported by the Deposit Guarantee Fund

Case of Caja Sullana in Peru:

- Caja was the first MFI to launch a banking correspondent channel in Peru
- It relies on banking correspondent (BC) schemes: (i) outsourced agent network (in partnership with Globokas, which operates a multi-bank agent network called "Kasnet") (ii) an agent network managed in-house (Cajamax)
- Caja has found out that the most effective marketing strategy is word of mouth (locally known as "mouth to ear"). It has learned that people are most easily convinced to use the service if someone they know recommends it
- However, transaction limits at the correspondents are imposed by the regulatory agency to avoid money-laundering issues

GloboKasNet (GKN), an **Agent Network Management** company uses the following criteria for agent selection:

- An agent must have an existing business, which involves handling significant amounts of cash
- The existing business should provide the agent enough cash flow to have the required working capital for the business
- GKN insists that every agent has a person to handle cash balancing and depositing, so that the outlet is not closed to the customers for this reason
- Encourages existing cooperative arrangements between agents in an area for managing their cash as a major plus point. For example, a cash management solution appointing a common courier for its banking needs

[41] AFI: Peru leads the way to new approach for digital financial services to promote financial inclusion in Latin America

- At the time of acquisition, networks are not allowed to poach agents from each other. This is ensured through geo-marking agents

During agent on-boarding, GKN provides the following services to the agent network in order to make it more efficient and profitable:

- Privileged services to its agents at the teller counter of bank branches, thus, helping them reduce the time involved in cash depositing
- Training and supervision provided by GKN
- Marketing and promotional support extended
- Increased revenue due to interoperability and corporate distributorship, loan repayments and salary disbursements
- Systems and connectivity: Though the agent network operates mainly through PoS and card terminals, GKN maintains flexibility and installs other instruments where PoS is not required (e.g. internet cafes)

The Impact of Agent Banking and Agent Network Management model to Financial Access in Peru (Between June 2005 and June 2013) includes:

1. The number of service points in the financial system (branches, ATMs and bank agents) increased to almost 32,000, resulting in service points per 100,000 adults increasing from 20 to 188
2. Usage indicators show significant improvements in the use of financial services
3. The number of individuals holding a bank account increased from 9 million to 20 million during the same period
4. Percentage of districts with access to financial services rose to 43%, serving 87% of the total population
5. The data also revealed that bank agents have become the main channel used by financial institutions to expand their retail networks, especially in areas where opening a branch would be costly
6. By June 2013, the financial system had over 24,000 bank agents across the country
7. Percentage of adults with formal loan accounts increased from 14% to 30%

Lessons from Peru (Caja Sullana):

- Clients need to be educated as regards the reliability of agent transactions. This is best achieved by a bank staff or through marketing campaigns at branches where promoters educate clients about the channel
- Online transactions by agents and customers help to reduce fraud and minimise risks to agent banking service providers as this will facilitate real time record keeping which is useful for settlement of commissions
- Recruiting existing clients as agents is helpful
- Developing in-house systems which independently facilitate innovation while reducing costs in the long term
- Agent turnover needs to be closely monitored and controlled. Super Agents will need to influence the agents to identify strongly with the brand

- Banks can take it for granted that most customers will not trust the channel at the initial stage. Low income clients tend to respond best to recommendations from a trusted source, such as a bank officer with whom the client has an established relationship, family or friends
- Deliberately introduce products that drive transaction volumes. Agent banking providers and Super Agents need to understand specific market needs in their operational areas to understand what key volume drivers are required

7.5 Colombia

The financial system of Colombia is regulated by three institutions which are the Financial Superintendence of Colombia (SFC), the Congress and the Ministry of Finance. The original agent banking regulation was passed in 2006. The regulation allowed any commercial bank, commercial finance company, or regulated savings and credit cooperative to use the agent banking model. The regulation was in the same year extended to include savings and credit cooperatives and other "multi-active" cooperatives with a savings and credit section supervised by the Superintendence of Economía Solidaria. The regulation also allows financial entities to act as agents for larger financial institutions.

Colombia's agent network market offers a varied experience for all agent network managers. This market exhibits high level of cooperation among different multi-stakeholders in promoting financial inclusion and incentivising agent banking service providers to deploy and roll-out services across the country.

The incentive structure by Banca de las Oportunidades (BDO) works as follows:

1. The financial institution opens a Non-Bank Correspondent (NBC)
2. According to BDO's studies, the NBC's breakeven point is reached when "x" transactions per month are performed at the NBC
3. If the NBC registers "y" transactions, which is less than "x", the difference "x-y" in monthly transactions is paid by BDO

This model has achieved greater levels of "bancarisation" (the level of access to, and the degree of formal financial services) than any other governmental initiative. The incentives are only valid for the first 2 years of NBC activities in order to encourage financial institutions to find a way to make the NBC self-sustainable after the second year.

Non-Bank Correspondents (NBC) Network Deployment Model

Bank led Model – Banks drive a card/PoS based agent network with the support of a public institution, Banca de las Oportunidades (whose role has been subsidising the creation of agents in unserved/unbanked areas).

NBC activities include:

- Bill collection and payments
- Funds transfer between parties
- Processing of national remittances
- Cash deposits and withdrawals
- Funds transfer between accounts
- Balance inquiries for accounts
- Disbursements and payments for loans
- Collection and forwarding of documents in relation to opening of accounts and credit appraisals
- Interviewing clients for savings account opening and linking them to the bank branch.

Factors promoting the growth of agent banking in Colombia

A number of factors that have facilitated the development of agent banking in Colombia include:

1. The dedicated public institution, Banca de las Oportunidades (BDO), which lobbies the Financial Superintendence of Colombia for regulatory changes and subsidises the creation of agents in underserved areas
2. Growing confidence among agent operators given their experience in the business
3. The flexible agent banking regulations allowing any entity to carry out agent banking and the liberty for them to conduct a variety of financial services, thus increasing financial access points
4. Colombia has invested in the development of a low-value payments system and switch called Redeban Multicolor (redebanmulticolor.com). This has led to the installation of a mobile banking application in almost every SIM card that is embedded in active cell phones in Colombia to promote use of mobile banking services
5. Banks in Colombia such as Citibank, HSBC, and AV Villas entered into alliances with supermarkets, lottery chains, airtime sellers, and "mom and pop" shops to rapidly develop non-bank correspondent networks
6. The banks have adopted multiple technologies such as PoS and diebold devices, cards, and mobile phone technologies to support the NBC expansion effort
7. Existence of contractual agreements between financial institution and agents specifying that the agent is an authorised dealer and is trained to conduct the transactions permitted by the SFC and the financial institution

Lessons from Columbia

The key take-aways from the Columbian market are the following:

1) There is the need to reassess modalities through which agent network expansion can be done. This may at times call for introduction of subsidies such as the BDOs in Colombia, in order to create a business case for agents. However, as private organisations, Super Agents in Nigeria will need to analyse BDO's incentive approach to determine the sustainability of the model and its business case
2) Industry collaboration will serve the interests of all stakeholders in the industry. Facilitating interoperability is a critical area that has been identified. Super Agents can support cooperation among different multi-stakeholders in promoting financial inclusion and incentivising agent banking service providers to deploy and roll-out agent services across the country
3) Super Agents can support industry growth by providing recommendations to regulations so as to clear regulatory obstacles to financial inclusion and the uptake & usage of financial products and services

7.6 Tanzania

Bank of Tanzania (BoT) released agent banking guidelines for the first time on February 1, 2013. The guidelines allow a financial institution to subcontract some of the activities to a third party service provider. Those activities include operation of the technology platform, agent selection, agent network management, agent training and provision and maintenance of equipment. However, the banks or financial institution remains liable for the acts or omission of its agent and out-sourced service providers, even where the action taken by the agent or service provider was not authorised. Banks in Tanzania are prohibited by the guidelines from imposing agent exclusivity.

Following this regulation, the market reacted positively to agent banking with approximately 3,431 agents as at December 31, 2015. As at January 2016, the overall number of deposit transactions was 1,935,826, while the value of deposits through agents increased to Tsh950.89bn ($408.132m). Also, there were 836,794 withdrawal transactions reported at a volume of Tsh224.22bn ($101.67m).

Mobile money and agent banking service interoperability have seen great strides in a very short time, with Tanzania now offering this model as an option for customers and agents. This was without significant involvement of the regulator, thus, this has been an industry led process. Through bilateral API connections, Tigo, Airtel, Zantel and Vodacom have chosen to adopt common operating standards for interoperable transactions. The standards define and record membership and participation criteria, clearing and settlement principles, handling of disputes, principles for intra-party compensation (or interchange) and interparty risk.

Agent banking activities

- Cash deposits and withdrawals
- Facilitate cash disbursements and loan repayments
- Cash payment of utility bills, social security and retirement benefits
- Funds transfer
- Provide mini-bank statements
- Collecting customer documentation relating to account opening, loan and bank card applications

Agent Network Management Models in Tanzania

- Direct: Used by banks such as National Microfinance Bank (NMB), Equity and Cooperative Rural Development Bank's (CRDB) Fahari Agents
- Indirect: Through leveraging payment platforms and their agent networks such as Maxmalipo as well as through master agents for MNOs

Agent Network Management Success factors in Tanzania

- To drive agent banking, Equity Bank Limited (EBL) provides each agent with a GSM-enabled PoS and cell phone, at no cost to the agent, which are able to connect directly to the EBL server in Nairobi

- FINCA demands high agent's start-up capital requirements of TZS 2 million (~USD 1000) in cash and TZS 2 million (~USD 1000) on the account to guarantee that agents are economically strong enough to serve bank customers, without turning them away
- FINCA's agent deployment is progressive i.e. starting with close proximity to the branches, expanding gradually
- FINCA's agent network management is structured to ensure the presence of dedicated Channel Business Officers (CBOs) in the branches to support the agents
- FINCA monitors the liquidity among FINCA Express' agents
- The National Microfinance Bank (NMB) and Maxcom Tanzania have signed a partnership agreement for the bank to leverage the network of Maxcom, a payment solution provider - popularly known as Max Malipo to offer agent banking services
- Maxcom network of agents are spread throughout the country, in cities, villages and post offices, meaning that regardless of the branches, NMB's visibility and services are available
- NMB has also continued to expand its partnerships, which now includes Maxcom agents and the postal network, thereby, increasing convenience for its customers
- The CRDB agent banking is different as it depends on its own system unlike other providers
- CRDB grows and retains its customers through quality service offered on the bank network
- CRDB's Fahari Huduma agents facilitate account opening using Fast Account Opening (FAO) mobile application. The app enables capturing and uploading of customers' photo and documents using mobile phone devices
- Transaction levels are high, and operational costs are low, implying that on average, most agents are profitable
- Profitability and optimism of providers is spurring innovation and pushing the network forward

Other success lessons from Tanzania

- Anticipate that a developing market will require a corresponding evolution of industry engagement and regulation
- 'Test and learn' safely and efficiently:
    - It is possible to safely provide room for the industry to launch mobile money services with the oversight of the Central Bank by establishing provisional and prudential market standards, while moving towards new and more comprehensive regulations
    - Engage with providers to discuss the lessons of implementing deployment and regulatory oversight activities
    - Moral suasion is effective in the relationship between the regulator and the service providers
- Request feedback from service providers on draft regulations and anticipate the need to make changes through local and international consultations
- Establish a direct dialogue with the Operators that are providing the service to share concerns, explain objectives and identify cost-effective ways to implement the monitoring and reporting processes
- Recognise that the market is dynamic, and strive to keep up-to-date with new developments through dialogue with industry stakeholders

- Operators should seek to establish a direct relationship with the regulator, engaging proactively to understand the regulator's perspective and concerns
- Keep the regulator updated on services provided and lessons in implementing deployments
- Identify the regulator's objectives and industry expectations to better support the regulatory journey over time
- Expect that the nature and scope of engagement with the regulator will change over time as the industry matures

Lessons from Tanzania

From the Tanzanian experience, Super Agents and agent banking service providers in Nigeria can consider:

1. A progressive roll-out of agents in a structured manner – commencing operations closer to bank branches then expanding outwards, especially in the rural areas
2. The need to be strict on capital requirements for would-be agents ensures high quality of service i.e. customers are not turned away
3. Strategic partnerships are viable, but financial institutions must be keen to identify partners who share their vision in terms of agent network management
4. Building own network is viable as Equity and CRDB have done. However, this would demand significant capital outlay
5. The need to train agents to ensure high quality of service at agent points needs to be closely monitored by Operators, even when a third party is involved

7.7 Mexico

In December 2008, the National Banking and Securities Commission (CNBV) in Mexico released the agent banking regulation. This allowed banks to hire legal entities and individuals to deliver a wide array of financial services. The regulation required the agents to have a business plan for the agency business and comply with security and technological requirements set in complementary regulation applicable to electronic payments.

The branchless banking services provided by banks through correspondent banking are mainly conducted in supermarkets, convenience stores, telegraph offices, pharmacies, restaurants and gas stations since agent regulations in Mexico make it challenging for banks to enter into exclusive relationships with agents.

Agent Banking Deployment Model

Under Mexico's current regulation, only commercial and state-owned banks can provide financial services through agents. There is an additional condition that an agent cannot be an entity whose primary business is financial services. Agent banking services in Mexico are deployed through existing retail chains or through shared agent networks, thereby allowing the bank to offer its customers a more effective and accessible network of agents.

Agent Activities

- Bill payments like phone bills
- Receive G2P payments
- Withdraw cash, up to 1,500 UDIs22 per day per account (approximately 6,600 MXN). Make deposits up to 4,000 UDIs (17,700 MXN) in cash or by cheque issued by the bank to bearer or third-party
- Pay loans on behalf of the institution or others in cash, charged to a credit/debit card, or cheque
- Pay services (water, electricity, telephone, rent) in cash or charged to credit/debit card, or by cheque issued by the bank itself
- Collect cheques issued by the bank

Agent Network Management

Different banking institutions have adopted different strategies in the management of their agent networks. Examples are provided below:

BANSEFI

- BANSEFI which monitors Diconsa[42] thus ensuring the community's acceptance of the agent, the liquidity of the agent, remuneration and transaction limits
- BANSEFI bears the function and cost of providing security for Diconsa and its agents

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[42] Diconsa is a Mexican Government agency that works to battle poverty in some of the most rural regions of the country. As at August 2016, Diconsa has an infrastructure of 27,000 fixed community stores, 300 mobile shops, 3 bulk carriers stores, 300 central and rural stores and a vehicle fleet of 5,000 units

- BANSEFI is in charge of marketing the bank, product and agent channel using caravans to reach rural communities whom they teach financial education while opening savings accounts concurrently

BBVA Bancomer

- BBVA Bancomer delegates set up, installation of new retail outlets and training of new personnel to the chain headquarters
- BBVA Bancomer staff only train the trainers at these chains
- Agent commissions are paid on a monthly basis to the retail chain on an aggregate basis for all their stores
- BBVA Bancomer allows the chain headquarters to handle reconciliations which run at less than 1% of agent transactions supported by the core agency team from BBVA Bancomer
- The BBVA Bancomer core team has begun tracking its agent footprint with a geo-referenced database, and is now more deliberate about picking smaller regional chains or placing individual direct agents where there are gaps in agent coverage
- The BBVA Bancomer team also conducts annual agent audits through a mystery shopping programme on a sample basis
- BBVA Bancomer also tracks customer complaints on a store-by-store basis
- BBVA Bancomer promotes the agency business through their branches or mass market media, or by purchasing additional space at the chain's stores to display its own marketing materials

Lessons from Mexico

From the Mexican agent network management practices there are a lot of management activities that are delegated to agent network managers but the following lessons are useful:

1) Banks retain some oversight roles such as marketing, tracking customer complaints, resolution and conducting surprise audits to ensure their clientele are being served as expected
2) Operators should track their agent footprint by utilising geographical tools or keeping an adequate geographical database of their operations. Regulators can also track geographical spread nationwide so as to identify areas that are underserved and coordinate industry efforts

7.8 Indonesia

In May 2013, Bank of Indonesia commenced a limited pilot, to test the outsourcing of some banking operations to agents prior to introduction of formal regulations. The scope of the pilot covered five BUKU IV lenders who were to roll-out services across eight provinces.

The guidelines for the pilot were fairly limited to: implementing branchless banking in rural areas; outsourcing agents to provide cash in and cash out services while observing full KYC requirements related to any related bank account opening; ensuring the agents were exclusively working with their partner bank, and; ensuring that pilot institutions were free to adopt any of the three branchless banking models - Bank-Led, Telco-Led and "Hybrid" models. By the end of the pilot in 2014, Bank Indonesia had 24,000 agents in its branchless banking pilot project with 21 million transactions worth Rp 7.8 trillion (US$598.8 million).

In November 2014, the new branchless banking ("Laku Pandai") rules came into effect. The new rules stipulates that only banks can extend their banking activities by recruiting individuals and legal entities as agents to promote banking and financial services for all through the help of other parties, such as individual and institutional agents, supported by mobile phones and IT facilities.

Laku Pandai has partnered with nine banks in Indonesia and has deployed 80,000 agents, opening 1.3 million basic savings accounts [BSA] in the process[43].

Branchless Banking Deployment Model

Bank led model – through agents (individual and institutional) supported by mobile phones and IT facilities.

Branchless bank's products include:

- Basic saving account (BSA)
- Micro credit
- Micro insurance
- Withdrawals
- Money transfers
- Bill payments –electricity and water

Agent Network Management and Expansion Strategies in Indonesia

While acknowledging that branchless banking is at a nascent stage in Indonesia, a few network management strategies are already in place. These include:

1. Some bill payment providers have a 'cash pick-up service' in place through cash runners
2. Some banks are providing loans/start-up capital to agents to invest in liquidity

[43] American Chamber of Commerce in Indonesia Boosting Financial Inclusion through Branchless Banking

3. Bank Mandiri is engaging in strategic partnerships with retail companies as well as micro vendors in a bid to expand its network

Lessons from Indonesia

1) From the Indonesia journey towards branchless banking, agent banking service providers in Nigeria should clearly think through their liquidity management strategies once agent networks have been rolled-out. They can build a liquidity management strategy taking into account that there can be concurrent needs for loans to boost liquidity or more e-value at the agent point, and therefore a need for cash (and vice-versa)
2) Vigilance of regulators to industry trends to adapt and refine regulations as required will benefit the industry

7.9 Brazil

When the agent banking regulation was passed in the year 2000, only banks were allowed to provide agent banking services. Later in 2003, the Central Bank of Brazil relaxed the rule to allow all financial institutions and other authorised institutions to provide agent banking services, including investment banks, finance companies and savings & loans associations. The agent banking business has over time matured with Brazil having the highest number of agents globally, approximated to be 377,300 as of January 2015. In Brazil, agents comprised the only banking presence for the population in almost 38% of municipalities, as of 2012, according to a Latin America paper on agent banking.

Caixa Economica, a national development bank, has the largest agent network in Brazil. It operates agent banking in lottery houses and is responsible for distributing social benefits. Bradesco, with the second largest agent network is a commercial bank with exclusive rights to provide financial services through the national network of post offices. Banco do Brasil, with the fourth largest network of agents, is state-owned like Caixa Economica and promotes basic bank accounts through varied types of agents, such as supermarkets, pharmacies, bakeries, and hardware stores. It is worthwhile to note that the contracted agents are allowed by law to represent more than one financial institution (non-exclusive). The Central Bank of Brazil (CBB) requires Operators to uphold certain quality standards for their agents especially regarding customer care, integrity, confidentiality and fulfilment of laws and regulations. As such, CBB supervises these providers to uphold standards and ensure that their agents maintain required guidelines.

Agent Banking Deployment Model

1. A direct relationship is one in which a financial institution uses its own staff to identify and evaluate potential agents, and then contract and manage them
2. An indirect relationship involves contracting an external management company to manage the entire process

   The roles of the contracted management company are:
   - Searching for new agents
   - Hiring and contracting agents
   - Installing technical infrastructure needed for agent operations
   - Training agent staff that will operate correspondent systems at stores. These include both technical (system functions) and business training (characteristics of financial products and services)
   - Operating a help desk and providing remote assistance to agents in the network to solve problems relating to systems operation
   - Providing technical support and on-site repair and replacement of malfunctioning equipment
   - Supplying materials (e.g. receipt paper)
   - Managing risk related to losses at the agent level (due to fraud, theft, etc.)
3. A hybrid approach also exists in which a financial institution assumes responsibility for part of the process e.g. selection and contracting, while a management company is contracted to oversee the day-to-day management of the agent network

Agent Types

The agents in Brazil are further categorised into those offering all services (Full Services/ Transactional Agents) and those offering only credit services (Credit Agent).

Agent Banking Activities

In Brazil, bank agents are allowed to perform the following transactions:

- Receiving and forwarding applications for deposit accounts, term deposit accounts, and savings accounts
- Receipts and payments relative to deposit accounts, term deposit accounts, and savings accounts, as well as contributions and withdrawals in investment funds
- Deposits/withdrawals (subject to CBB's authorisation)
- Execution of collection services
- Receiving and forwarding loan requests and financing request
- Receiving and forwarding credit card applications
- Receiving account opening applications (original documents should be analysed by bank staff)
- Receipts, payments, and other activities linked to accords for the rendering of services kept by the contractor in the form of the current regulation
- Bill payments
- International money transfers to a limit of US$3,000 per transaction
- Other control services, including data processing from convened operations

Agent Banking Success Factors In Brazil

- Government G2P payments initiatives which makes agent banking business attractive — agents distribute a monthly CCT payment to one in four households throughout the year — high volume of business for agents
- Brazil's Government passed a law limiting queues in banks to 15 minutes. Banks are obligated to introduce service delivery measures keeping with the new time limit or be fined.[44] Agents have been able to support bank efforts by leveraging their network to deliver effective service to customers
- Introduction and refinement of regulations that govern agent banking model
- Caixa Economica has migrated thousands of welfare recipients to simplified bank accounts, which are operated primarily through bank agents. This adds to the volume of transactions
- Financial service providers have showed interest in using agents as a means of cost cutting and to increase their client base through geographic expansion

[44] Rio Banks Forced to Shorten Lines

Agent Network Management Practices in Brazil

1. Punitive repercussions for non-compliance: In Brazil, the consequences of reaching the cash limit are severe. The agent's PoS device can be frozen for up to two days and this impacts the monthly profits by up to 79% (assuming the expenses are steady through this time)
2. Regulations around certain agent activities: Agents in Brazil are not permitted to open a bank account for a new client, but can facilitate the process and act as a liaison between the new client and the bank by collecting and forwarding the paperwork for account openings
3. Despite there being no law prohibiting working with gas stations, night clubs, funeral homes and bars as agents, financial institutions shy away since they are more vulnerable to robbery
4. Banco do Brasil contracts centralised management companies to manage its dispersed agents
5. Lemon Bank also purchased a network management company to manage its agents on its behalf
6. Telecom service agents are trained in their own shops. The training is focused on use of the PoS devices and not marketing activities since agents are not responsible for selling the product and do not need to demonstrate it to customers

Lessons from Brazil

1. From Brazil's experience, Nigeria ANMs need to learn that compliance for any agent on issues such as observing cash limits (liquidity levels) would generally benefit the entire system. This is because it ensures customers are served, while also protecting the agent in case of robberies
2. The division of duties is another important function. An agent need not conduct too many activities, but can specialise, depending on his/her capacity. For instance, Brazil has credit and transactional agents who have specialised roles
3. It is recommended that Nigerian Super Agents ensure that the agent has capacity to conduct basic agent functions which are transactions, before adding other tasks such as marketing and account opening. However, the time lag for an agent to add these other tasks should be kept as short as possible to ensure balance in this cycle.

7.10 Cote D'Ivoire

The Central Bank of West Africa State (BCEAO) is in charge of regulating and supervising mobile financial service providers (MFSPs) in eight countries in West Africa (Cote d'Ivoire, Benin, Togo, Senegal, Burkina Faso, Mali, Guinea Bissau and Niger). The Regulatory Framework for mobile payments that applies to Cote d'Ivoire therefore applies to the eight members of the West African Economic and Monetary Union (WAEMU).

As a relatively early adopter of specific regulations, back in July 2006, BCEAO issued instructions relating to the issuance of e-money, and clarified its position as the sole authority responsible for the issuance of licences to mobile money issuers. The instructions drew a distinction between:

- E-money issuers — which had to be banks or other prudentially supervised financial institutions. Under this regulation, an e-money issuer can be:
    - A bank (in partnership with an MNO), or
    - A non-bank institution that has been granted a specific licence by the Central Bank. Interestingly, only two MNOs (Celpaid and Qash) have this licence, while MNOs in other parts of the world do not have this option
- E-money distributors that are non-bank entities (such as mobile network operators MNOs) that distribute, but do not issue e-money to customers

This regulatory framework created an ecosystem where MNOs led mobile money deployments as e-money distributors, backed by partner banks that operated as the e-money issuers.

Orange Money in Ivory Coast

Orange Money has been selected for the purpose of this study to represent other agent network managers who have deployed innovative ways to render these services in Ivory Coast

a) Partnered with established companies like the national water and electricity utilities to administer bill payments strengthened Orange Money's brand image
b) Invested in building a network of ATMs that allows customers to access cash at any time without the assistance of a mobile money agent

Super Agents and FIs in Nigeria can consider establishing sustainable partnerships with strategic institutions that will provide more opportunities for the utilisation of agent services — mainly utility companies.

MTN in Ivory Coast

a) Consolidated its distribution network through outsourcing the management of its distribution channel to Top Image, a field marketing agency with extensive experience in mobile money (having worked with mobile money providers like Safaricom in Kenya). Top Image identified six key aspects in the management of Agents namely:
    1. Select agents
    2. Get agents started
    3. Pay agents
    4. Ongoing monitoring and management

5. Manage liquidity
6. Reduce impact of theft, fraud and abuse

b) Developed stronger recruitment criteria for agents
c) Managed agent performance more closely, and
d) Increased support for agent liquidity

These all helped MTN to significantly increase its number of active agents

Lessons from Cote d'Ivoire

1) Sustainable partnerships with strategic institutions such as utility companies can provide more opportunities for Nigeria in the utilisation of agent services

7.11 Kenya

Agent banking regulation in Kenya became effective January 1, 2010. Agent banking was however preceded by the success of mobile money. Launched in 2007 in Kenya, mobile money platform has transformed from a simple person-to-person money transfer service to a platform through which an array of financial transactions can be executed. These services include deposit & withdrawal of cash to bank accounts, utility payments, purchase of goods and services, and micro-credit services. As at June 2015, there are 27,742,040 mobile money subscribers served by 129,357 agents.

The 2015 FinAccess Geospatial Mapping Survey was carried out to track the trends in the geospatial spread and reach of financial services touch-points. The survey estimated that 73% of the population live within a three kilometre radius of a financial services access point, an increase from 59% in 2013. The survey also estimated that there was a 37.9% increase in mobile money agents and 24% increase in stand-alone ATMs. The financial services access points per 100,000 people also increased to 218 in 2015, compared to 162 in 2013.

The volumes of banking business transacted through agents by both commercial banks and microfinance banks increased by 37.8% between December 2014 and December 2015. By December 2015, 17 commercial banks and 3 microfinance banks had contracted 40,592 and 1,154 agents, respectively, spread across the country. The banks with the largest number of physical branch presence have also led in the agent banking expansion. Equity Bank with 16,734 agents, Kenya Commercial Bank with 11,948 and Co-operative Bank with 7,956.

The number of transactions by agents increased by 37.8% from 57,955,472 transactions recorded in 2014 to 79,889,383 in December 2015 valued at Ksh. 442.2 billion (USD 4.3 billion)

Agent Deployment Models in Kenya

National Payment System (NPS) Regulations of 2014 permits agent banking service providers (banks, non-banks and mobile operators) to provide mobile money services. Under the NPS Regulations, mobile money providers may be designated as either payment service providers[45] or e-money issuers.[46]

All the large banks in Kenya engaged in agent banking employ direct agent network management models. MNOs on the other hand have used the indirect model and have engaged several third party institutions including Top Image or Tell 'em Communications. Top Image currently trains and monitors more than 80% of M-PESA agents. In the early days during the inception, Top Image was also involved in market identification and outlet auditing.

[45] A payment service provider is defined under the NPS Act as (i) a person, company or organisation acting as provider in relation to the sending, receiving, storing or processing of payments or the provision of other services in relation to payment services through an electronic system; (ii) a person, company or organisation which owns, processes, operates, manages or controls a public switched network for the provision of payment services; or (iii) any other person, company or organisation that processes or stores data on behalf of such payment service providers or users of such payment services.

[46] An e-money issuer is defined under the NPS Regulations as a payment service provider that is authorised to issue e-money

Agents Activities

- Cash deposit and cash withdrawal
- Cash disbursement and cash repayment of loans
- Cash payment of bills
- Cash payment of retirement and social benefits
- Cash payment of salaries
- Transfer of funds
- Collection of debit and credit cards.
- Agent mobile phone banking services.
- Cheque book request
- Cheque book collection by customers
- Balance enquiry
- Collection of bank mail/correspondence for customers
- Collection of documents in relation to account opening, loan application, credit and debit card application

Success Factors of Agent Banking in Kenya

- An already enlightened market on matters of mobile money
- Aggressive branding and marketing by agent banking service providers, increasing awareness and trust
- The business model: Use of in-house resources to manage the agents instead of fully relying on third party ANMs
- Mass market banks with their wide footprints in Kenya have embraced agent banking and their positioning already suits the target market's needs
- Availability of KYC requirements from a big proportion of bankable adults. Most Kenyans have the national identification card, which is a prerequisite for enrolment

Successful ANM Practices by M-PESA and its Agent Network Managers

- M-PESA has regional managers throughout the country. Although they are responsible for agent management and play an important role as Safaricom's own eyes and ears, they mostly manage other firms tasked with agent management
- M-PESA also has "aggregators" – These are individuals or small companies that own or manage networks of agents (ranging from just a few agents to several hundreds). The aggregator may "own" some of the shops (i.e., have their own employee in the location and rent or own the property directly) in addition to "aggregating" independent merchants (i.e., provide them with liquidity management services and oversee their compliance with Safaricom standards)
- Some of the aggregators incentivise agents and provide them with loans, although informally, to purchase equipment and start-up capital to fund cash on hand and e-float. This raises the motivation and activity levels for such agents

- The agent network managers also work closely with the client and have bought into the vision and mission of the provider. They execute the providers' brief succinctly and on the ground, the customer experience is consistent across the numerous M-PESA outlets

Lessons for Nigeria

1) Super Agents need to ensure there is a clear vision and buy-in across partner organisations to deploy agent networks at scale
2) A dedicated team and resources, suitable procedures, logistical support & ongoing supervision and monitoring of agents at the onset are important factors that ensure success
3) Super Agents can leverage on their market insights and add value to financial institutions by assisting in the improvement of products and services
4) Super Agents should explore creative ways to incentivise agents to keep motivation high, so as to promote agents activity and ensure that customers' needs are ultimately met

7.12 Bangladesh

The Central Bank issued guidelines on "Mobile Financial Services for Banks" in September 2011, clearly stating a choice to make the mobile money market bank-led. However, the Central Bank has over time advocated for mobile operators and microfinance organisations to be active partners. This regulatory clarity enabled the market to grow, and by 2012, two early leaders had emerged with the largest customer bases and agent networks: the bKash service, provided by BRAC Bank in cooperation with its subsidiary bKash, and; Dutch Bangla Mobile provided by Dutch Bangla Bank.

Bangladesh Bank issued the Agent Banking Guidelines, Forms and Set of Regulations (Bangladesh Bank, 2013) for introducing agent banking for interested banks. The regulations were meant to promote financial inclusion and supervise agent banking in Bangladesh.

At the end of 2013, the number of reported agents was 190,000. That number increased by about 185% and reached 540,000 by the end of 2014. Between January 2013 and February 2015, the number of registered clients increased more than five times from 5 million to over 25 million[47].

Agent Banking Deployment Model

Bangladesh operates a bank led model which utilises agents to carry out its agent banking activities.

Agent Banking Activities

The following services are covered under agent banking:

- Pay for goods via its mobile merchant payments option
- Buy airtime for mobile phones
- Cash deposit and cash withdrawal
- Collection & preservation of account opening forms & others receipts copy
- Facilitating small value loan disbursement and recovery of loan instalments
- Foreign remittance payment
- Fund transfer
- Passport fee collection
- Receiving cheques awaiting clearing
- Cash payment under Government social safety net program
- Collection & preservation of necessary banking e-mail & letters
- Collection of bills (Utility, tax, subscription fee)
- Issuance of mini statement
- Other facilities directed by Bank Asia Limited

[47] Mobile Financial Services in Bangladesh

Success Factors for Agent Banking in Bangladesh

1. In Bangladesh, agent banking is led by large companies/banks with capability to make necessary investments to push the products to people. The lead institutions include BRAC Bank (majority owner of bKash), Dutch Bangla Bank and Islamic Bank
2. Bangladesh agent banking leveraged existing agent networks to gain scale. This means that existing ecosystems such as local distributors of airtime or fast-moving consumer goods are utilised.
3. There is a shared vision for scale among all stakeholders in the industry. Going to scale has been at the core of BRAC's work since the 1980s when BRAC pursued, against many experts' advice, a national program to fight child deaths from diarrhoea with a homemade oral rehydration solution. BRAC was able to take this to every household across Bangladesh (Chowdhury and Cash 1996). It is with such determination that they have built their agent network over time
4. Bangladesh has an enabling and flexible regulatory environment as exhibited during the launch of bKash back in July 2011 which came immediately after Bangladesh Bank issued guidelines on agent banking. Bangladesh Bank was comfortable issuing a licence to BRAC Bank to launch bKash, based on the knowledge that the bank was a well-managed commercial bank, which the regulator knew well
5. To promote the new service, bKash invested significantly in above-the-line marketing through television spots, radio, and billboards
6. Compliance with regulation has ensured order in the agent banking industry. Bangladesh Bank ensures providers/banks adhere to policy guidelines on agent banking
7. Bangladesh Bank also guides common format of essential items for agreement, which clearly defines rights and obligations of the agent banks
8. In ensuring customer service levels, Bangladesh Bank demands that the Banks have a call centre operating 24 hours to receive any complaints which must be addressed within three working days

Agent Network Management activities by DOER, Bangladesh

- DOER is the authorised Master Agent for Agrani Bank Limited for its agent banking operations. This is a first of its kind in Bangladesh where a Commercial Bank is poised to offer agent banking services to a very large number of people
- DOER is mandated to deploy and manage a nationwide network of agents who will provide products and services offered by Agrani Bank Limited
- DOER promotes loan products, deposits, remittance, financial literacy, etc. to these existing clients
- DOER provides an end-to-end agent banking ecosystem including the technological infrastructure and the agent network

Lessons from Bangladesh: for Service Providers and Super Agents in Nigeria

1. Super Agents need to have a shared vision with the banking institution they choose to partner with in deploying agents
2. Super Agents need to leverage existing and tested networks to scale up agent banking, as opposed to trying to create a new network

3. Marketing activity needs to be undertaken by either the Super Agent or the agent banking service providers to avoid mixed messages. The marketing needs to leverage different approaches to achieve maximum impact
4. Customer service is crucial in agent banking and reported challenges must be resolved within acceptable time limits. Investing in call centres or customer support lines will go a long way in achieving this

In general, Super Agents and agent banking service providers in Nigeria need to observe the following, within the phases of deployment below:

i. Selection/Validation:

- Some agents might need support to convert from the informal to the formal sector, in terms of obtaining a business licence. Partnerships with Government agencies to accelerate licencing requirements for this particular category of agents may come in handy
- Some agents may need to borrow money from financial institutions to meet new working capital requirements and this may similarly require some support and supervision
- Improved agent selection and output can be achieved through use of tools such as a scorecards for qualitative appraisal, GPS to optimise geographical deployment, and a system of personalised supervision and monitoring for better quality in the overall agent portfolio

ii. Monitoring/Supervision:

- Supervision of agents will also help improve the ability to deal with periodic fluctuations in deposits/withdrawals and manage the demand for units of electronic value
- Incentives for agents to open new customer accounts are an additional driver to improve performance
- Personalised supervision improves agent satisfaction

Super Agents in Nigeria must ensure quality agents are recruited and deployed. They must also increasingly provide support through close supervision and establish partnerships with financial institutions to support agents in liquidity management.

Summary of Key Lessons Learned for Regulators and Operators in Nigeria

India • Invest in quality agent partnerships • Sales structure may require dedicated staff • Flexibility in regulations as the industry grows • Incorporate market intelligence from Super Agents	**Uganda** • Assign different roles to different sets of agents — specialisation • Pair new agents with experienced and more successful agents • Commissions and float rebalancing should be convenient to agents	**Pakistan** • Leverage on nationwide reach of strategic partners • Build a strong, compelling and identifiable brand message	**Peru** • Recruiting existing clients as agents is an effective strategy • Online transactions help in minimising fraud and related risk • Financial literacy is more effective through word-of-mouth channels • Introduce products that drive transaction volumes to agents
Columbia • High level of cooperation among stakeholders benefits all players in the ecosystem • Provide lucrative incentives to Super Agents that are rolling-out services nationwide	**Tanzania** • Adopt a progressive agent roll-out strategy — expand gradually from branches • Adopt strict agent capital requirements • Continually monitor agent performance after training to ensure quality service, and retrain if necessary	**Mexico** • Retain some oversight roles over Super Agents to ensure compliance and quality of service • Conduct periodical agent audit to identify issues and trends • Track agent coverage and footprint nationwide, and bridge gaps	**Indonesia** • Build flexible and robust liquidity management strategies • Loans can be offered to agents as a short term source of float
Brazil • G2P initiatives are a compelling business case for agent banking • Build agent capacity in basic transactions, then add more product categories and functions • Agent specialisation may be an effective strategy • Encourage agent compliance (e.g. liquidity levels) as it benefits the ecosystem	**Cote D'Ivoire** • Adopt licensing of credible vendors to manage the role of e-money rebalancing • Personalised supervision may improve agent satisfaction • Use of scorecard qualitative appraisal tools are very effective in agent selection	**Kenya** • Develop a clear and compelling value proposition and secure partner buy-in • Aggressive branding and marketing increases awareness and trust • Build a dedicated supervisory and support team, then build the agent network • Continue to innovate with products and business systems to drive motivation	**Bangladesh** • Develop a shared vision with partners and drive same during agent deployment • Leverage on successful agent networks • Focus on customer satisfaction and resolving customer complaints within limited time limits

8.0 Conclusion

Based on the success factors gathered from the markets that have been considered, some key recommendations for agent banking to gain traction in Nigeria (especially by leveraging on Super Agents) have been highlighted below:

Recommendations for Regulators

- ✓ There is a need for regulators to understand the low income segment in order to make relevant and appropriate regulations that will enhance uptake of agent banking services by this group and better position Super Agents activities in Nigeria. The EFInA Access to Financial Services in Nigeria surveys and other EFInA research provide insights into financial behaviour of the mass market, which can be utilised by financial service providers
- ✓ The regulator needs to continuously develop and improve relevant skill sets in agent network management in order to cater for any challenges to the Super Agent framework. Regulators can consider exposure visits to markets like India or Bangladesh, that are bank led, and have succeeded in indirect agent network management strategies targeting the bottom of the pyramid customers
- ✓ The regulator should also consider increasing options for agents to acquire cash/e-float by creating a framework for licencing companies/ institutions to distribute e-float (like in Ivory Coast). This will ease liquidity management and ensure that agents do not remain tethered to banks (rebalance points), but spread across the rural/remote regions
- ✓ The regulator should periodically identify and introduce regulation that would encourage the use of alternative financial access channels such as agent network
- ✓ The regulator needs to establish a medium for direct dialogue with operators to share concerns and market trends to adapt and refine regulations as required will benefit the industry

Recommendations for Super Agents

- ✓ Super Agents should create a scoring tool to appraise and select agents to reduce agent dormancy arising from the recruitment of poor quality agents
- ✓ Super Agents should ensure that they have the relevant technology to ensure that interoperability between financial institutions is achieved, and that end users are able to enjoy reliable real time financial services without facing service downtime
- ✓ Super Agents should take time to pilot and understand agent network management in specific geopolitical regions as it may vary markedly in the different regions. This will ensure that the right agents are recruited and that the right systems are in place to support the growth and maturity of agent banking in Nigeria
- ✓ Super Agents that will be given the mandate of marketing and customer education need to carefully structure the sequence and messages for the different providers they serve. Customer confusion is a key risk if multiple conflicting messages (for different providers) are disseminated simultaneously
- ✓ Adequate agent on-boarding training and support: Super Agents must be able to recruit agents who have the capacity to carry out agent banking services. Super Agents must also be able to track the performance of their agents effectively by supporting the process of good recruitment with adequate training. Agents must not only grasp their business, they must also be able to train customers

- ✓ Rural means scale: Super Agents should not wait for operators alone to expand organically into the rural areas. They should regionally venture out into the rural areas and create viable agent distribution channels by on-boarding agents who are trusted, with a long-term view of the venture
- ✓ Super agent should establish viable strategic partnerships that would guarantee agent sustainability and drive widespread agent network rollout. For instance, a partnership with NGO and government on disbursement of social intervention fund (conditional cash transfer) via the agent network.
- ✓ Super agent should recognise that the market is dynamic, and strive to keep up to date with new development through dialogue with industry stakeholders
- ✓ Super agent should periodically contract third party company to conduct an audit of its agent network.
- ✓ Super agent should invest in the deployment of robust interactive agent network management technology, that has the capabilities to interaction with agent on liquidity position, daily transaction commission and provide a channel for speedy issue escalation and redress
- ✓ Super agent should develop a flexible commission payment structure (i.e. agent should determine its commission settlement timeline (daily, weekly or monthly))

Recommendations for Financial Service Providers

- ✓ Liquidity management: In a growing market, adequate liquidity management practices need to be in place to build the confidence of users that have just adopted agent banking services. This will be one of the major challenges that Super Agents and agent banking service providers in Nigeria will have to manage. As a starting point, robust systems to monitor agents' float on the part of the Super Agents by the providers need to be in place. Agent banking service providers should also keep tabs on Super Agents by supervising how well they are monitoring agents' floats with the resources prescribed by the regulator
- ✓ There is an urgent need for regulators (and financial institutions) to understand the low income segment in order to reach them with financial services that suit their needs. The EFInA Access to Financial Services in Nigeria surveys and other EFInA research provide insights into financial behaviour of the mass market, which can be utilised by regulators
- ✓ There is need for financial service providers to retain some oversight roles such as marketing, tracking customer complaints, resolution and conducting surprise audits to ensure their clientele are being served as expected

Ultimately, for the Super Agent model to work, agent banking service providers and Super Agents need to work together to realise the financial inclusion agenda. With the operational issues managed by the Super Agent, financial service providers should now focus on strategically building on the insights from Super Agents. This will contribute towards the scaling up of agent banking services in Nigeria.

Annex 1: Case Studies of Direct and Indirect Agent Network Management Models

Direct Agent Network Management Strategy – Case of Equity Bank Kenya[48]

Case of Equity Bank Kenya

Equity Bank Group has grown to be one of the largest banks in East Africa with a client base of 10.04 million agents and approximately 24,000 agents as at 2015.

In Kenya, Equity Bank has agent banking down to a science, with a standard approach that includes seven days of on-site training during which EBL branding takes place and results in new agents being in business within two weeks. One key determinant, according to Equity Bank, has been the bank's strategy to rollout and manage agents through its branches instead of using a third party agent network management company. Thus, every activity necessary for agent management: recruitment; training; branding; marketing; liquidity management; operations support and monitoring is run through the bank's branches with high level support from the head office and a centralised contact centre.

Also, in recognition of the challenge of rolling out an agent-based model, to reach millions of people across the country, the bank has created a separate agent banking department which reports directly to Director of Operations. At the head office, the agent banking team is divided into six pillars - business development; distribution; operations; training; customer experience; and quality assurance.

At the branch level, a dedicated Agency Supervisor (AS) is recruited specifically to take care of the agency business. The AS reports to the Branch Manager as well as to the agent banking team at head office. The AS is the prime owner of agents, and hence the bank has been working hard to optimise the supervisor-agents ratio to not more than 1:40 per branch. If there are more than 40 agents under a branch, the bank recruits additional supervisors to take better care of the agents. To further strengthen the agent management structure on the ground, a regional manager position has been created with the objective of managing the AS across several branches in a region as well as co-ordinate and implementation of the various new product (such as pre-loaded debit cards) and other value adds that the bank continues to push through the agency channel

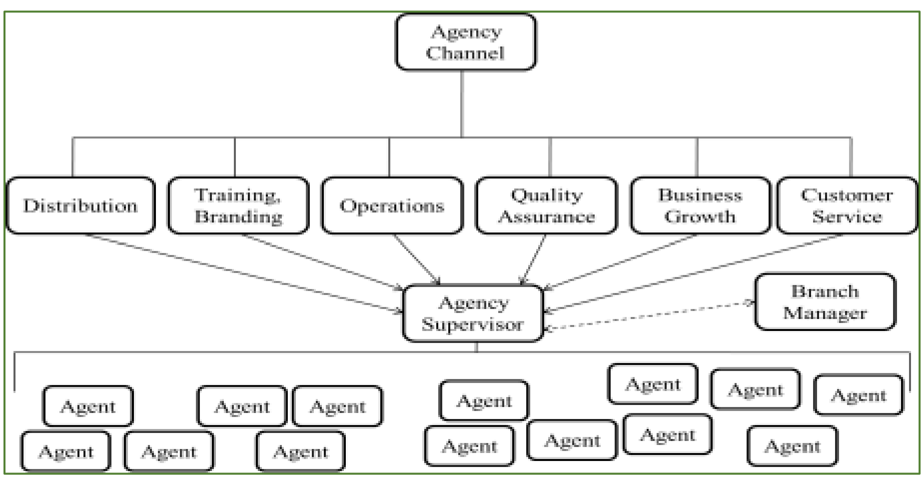

Figure 4: Direct Agent Network Management Structure; Equity Bank

48 Success Factors of Equity Bank's Agency Banking

This model illustrates the direct agent network management models, particularly in use by banks in Kenya. The major banks in Kenya that have deployed bank agents have essentially built capacity in-house to recruit, manage and monitor agents. This model can guide agent banking service providers that still want to manage their agent networks in-house/directly, in addition to engaging Super Agents for agent network management. Indirect Agent Network Manager - Case of Eko India[49]

Eko is a Business Correspondent (India's term for banking agent) serving the State Bank of India (SBI), ICICI Bank and Yes Bank. The Reserve Bank of India (RBI) only allows banks to have exclusive agents. Therefore, while Eko now has partnerships with multiple banks, each agent outlet may only offer services for a single bank. This means that Eko is effectively running multiple agent networks in tandem and therefore providing a third-party specialist model for banks.

Eko is still a small agent network manager, operating in only two regions of India, each of which it subdivides into five areas. It covers a total of ten states. Each region has a head, and each area has a manager, and through this small hierarchy, they manage about 3,000 agents. Eko selected a master agent model to build its network, recruiting small Fast Moving Consumer Goods (FMCG) distributors and stockists. At first, it focused on recruiting airtime distributors to become master agents by converting the retailers they managed into agents. However, that proved difficult, as the commissions were not competitive compared to airtime sales; retailers did not have enough liquidity; and prospective agents were worried that digital finance might displace their airtime voucher business.

So Eko expanded its search for master agents, focusing on registered businesses which were distributors for around 300-500 shops and usually worked for an FMCG company like Unilever, so they had healthy cash flows and strong management teams. While Eko requires that they agree to operate exclusively with Eko, the larger distributors, who serve 5,000 or more retailers, can choose to become Franchisees. This means they can earn twice the 10-15% margin on commissions that master agents earn. However they are expected to manage their agents more independently than the master agents.

The partner bank is ultimately responsible for the compliance of the agent. It also sets the prices of the services offered. It may provide support in the form of marketing materials, and in most cases it plays a crucial role in product development. However, beyond this, Eko manages the strategic operations of the agent network. Eko designs specific selection criteria based on its partner bank's goals, and the master agents have to recruit agents who meet those metrics, and propose them to Eko. After they are vetted, Eko waits until there are 15-20 new agents and then trains them all as a group.

[49] Agent Network Management Options, Eko India. Helix Institute

Indirect Agent Network Management - Case of MobiCash Bangladesh[50]

In Bangladesh, telecos cannot obtain licenses for any digital financial services beyond rudimentary bill pay and ticketing services, but do sell access to their channels (USSD, SMS etc.) over which many of these digital finance systems operate.

Grameenphone, the leading telcom in Bangladesh realised it might be able to interest some of the licensed providers that were having trouble with the strategic operations of building and managing an agent network efficiently, and/or wanting to reach scale more quickly, by looking at converting some of its 300,000 GSM airtime retailers into agents. In mid-2012 Grameenphone partnered with two banks to pilot,converting 500 airtime retailers into agents.

After a year of learning from the pilot, Grameenphone aggressively expanded the agent network under the brand MobiCash effectively, they use selected airtime distributors as master agents to nominate qualified GSM (or other retailers in their vicinity) to offer digital finance. By December 2014, they had registered 61,000 agents.

Agents are then given their first training co-facilitated by the master agent and regional MobiCash team, after which they begin operations. Master agents already have staff/field forces visiting agents a minimum of 2-3 times a week for the GSM business, and further equip these staff to provide rebalancing services during their visits. The staff are also supposed to provide monitoring and support services, but with growing number of agents and business volume, staff have not had sufficient time to handle these more complex tasks.

The agent receives a handset and a SIM card (till) and which has a single integrated menu they use to offer services for all the providers. They offer customer registration, and cash-in/cash-out services from about five banks (DBBL, Islami Bank, UCB, Mercantile, & One Bank) as well as MobiCash's own ticketing and bill pay services. Each agent outlet displays MobiCash collaterals and each of the partner bank's logos as well.

[50] For a more detailed account of how MobiCash works, see: Shrader, L. & Noor, W. (February 2014). MobiCash Shared Agent Network – Bangladesh. CGAP.

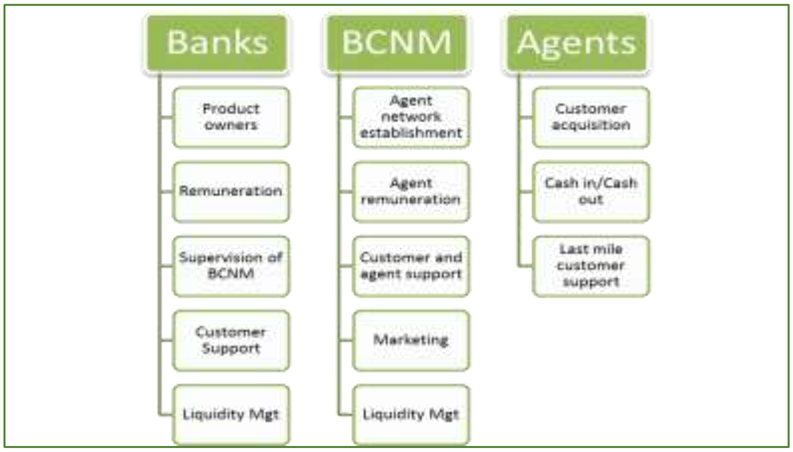

Figure 5: Agent Management Structure - Eko India

Direct Agent Management Model; Tameer Microfinance Bank Pakistan[51]

[51] Mobile Financial Services for Microfinance Institutions; Case of EasyPaisa and Tameer in Pakistan

In March 2008, the State Bank of Pakistan (SBP) issued Branchless Banking Regulations that allowed only incumbent financial institutions to offer financial services outside traditional bank branches via alternative agent and mobile-based delivery channels. Mobile operators that wanted to get into the financial services business in a way that exploited their own vast distribution networks, had to partner with a bank. Tameer Microfinance Bank and Telenor Pakistan had been in close consultation on these possibilities as far back as 2007. This eventually resulted in an agreement that defined the terms of their relationship and what the new partnership would be expected to deliver, both to the market and to their respective core businesses.

The agent management function is executed by permanent Easypaisa resources, sourced from the Telenor business line since the initial strategy was to leverage that company's existing agent network. As a result, 100 members of the Easypaisa team are Telenor members; and these have responsibility for agent management. So today's structure is mostly built on a foundation of Telenor's existing agent network structure, which originally defined the territories to be handled by master agents. The agent lifecycle is managed as follows:

1. Agents are identified and proposed by the 250-plus Telenor franchises. The latter are responsible for ensuring that the initial training is delivered to these agents once they are vetted and approved, and that the proper registration process is followed.

2. Agents are then specifically trained for Easypaisa by the Telenor teams. They are, for the most part, former Telenor sales and distribution staff.

3. On-going training is delivered by Telenor members belonging to the Easypaisa team.

4. Tameer conducts periodic operational reviews to ensure compliance with banking requirements. This is performed under the supervision of a member of the risk management team, but the actual monitoring activity has been outsourced to Pakistan Courier Services

5. Easypaisa in Pakistan also uses an external company to conduct quarterly audits of each agent. This company sends staff to each retail shop to inspect merchandising and log books, and to determine whether agents are following proper procedures. If agents are not compliant, they are sent to regional training teams for retraining. If they fail to improve after one or two supplementary training sessions, their account may be suspended.

Tameer currently operates through 113 branch touch points (45 branches plus financial centers and booths) and 25,000 agent touch points, with over 1,400 employees of which 500 loan officers are in charge of sales and payment recovery. In addition, bout 30 percent of Tameer clients use Easypaisa. This translates into 7.2 million transactions and five million unique users per month.

Annex 2: Comparison of Roles Performed by Different Agent Network Managers

Responsibilities Of Agent Network Managers	Top Image Kenya - Indirect	EKO India - Indirect	MobiCash Bangladesh - Indirect	Super Agent Nigeria
Agent selection and contracting	✓	✓	✓	✓
Training and business advice	✓	✓	✓	✓
Float rebalancing	✗	✓	✓	✗
Brand and service monitoring	✓	✓	✓	✓
Commission and reconciliations	✗	✗	✗	✗
Customer Care	✓	✓	✓	✓
Monitor effective compliance	✓	✗	✓	✓

Figure 6: Roles performed by indirect ANMs across different markets

The figure above is a comparison between the key responsibilities of Super Agents as defined by the CBN's regulatory framework and ANM functions in Kenya, India and Bangladesh. There are a number of overlapping roles among these ANMs. The organisations considered are: Top Image (an ANM for an MNO in Kenya and Safaricom's M-PESA agents is in charge of the implementation of the product on the ground as well as of all promotions[52]), EKO India, MobiCash Bangladesh and Nigerian Super Agents.

While Top Image does not distribute float to the Safaricom/M-PESA agents they manage in Kenya, the ubiquity of agents has probably lessened the impact of inadequate float by agents as customers have so many options to choose from. In some other markets, agent network managers have used master agents[53] to distribute cash or e-float to their agents. It is still not clear what implication this will have in the management of agent liquidity in Nigeria as the Super Agent guidelines currently rests the responsibility of holding e-float on financial institutions.

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[52] Integrated Marketing Communication and Technology Adoption: A Case of Safaricom's M-PESA Mobile Money Transfer Services in Kenya

[53] A person or business that purchases e-money from an MNO wholesale and then resells it to agents, who in turn sell it to users. Unlike a super-agent, master-agents are responsible for managing the cash and electronic-value liquidity requirements of a particular group of agents. (GSMA)

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