

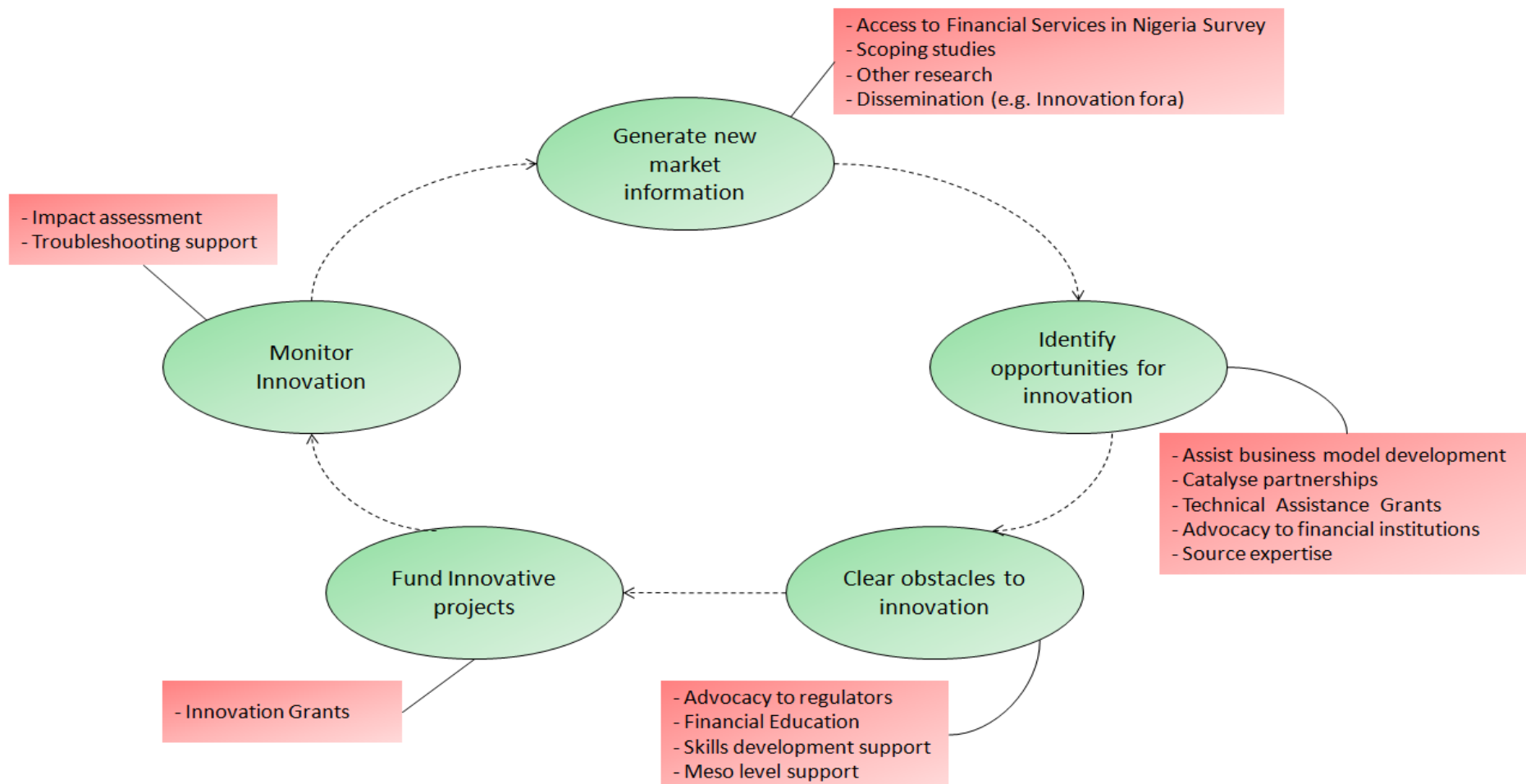
# **Lowering the Cost of Payments Using Agents Empowered with Mobile Money**

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**19 September 2012**

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## RESEARCH . INNOVATION . ADVOCACY . CAPACITY BUILDING



# Financial Access in Nigeria

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# Financial Access by Geo-Political Zones

- The South West -highest percentage of formally included adults at 49.0%
- The North East & West- highest percentage of financially excluded at 68.3 and 86.1%

%

## North West

- Formally included= 18.7%
- Informal only = 13.2%
- Financially excluded = 68.1%

## North East

- Formally included = 20.5%
- Informal only = 11.2%
- Financially excluded = 68.3%

## North Central

- Formally included = 33.0%
- Informal only = 22.8%
- Financially excluded = 44.2%

## South West

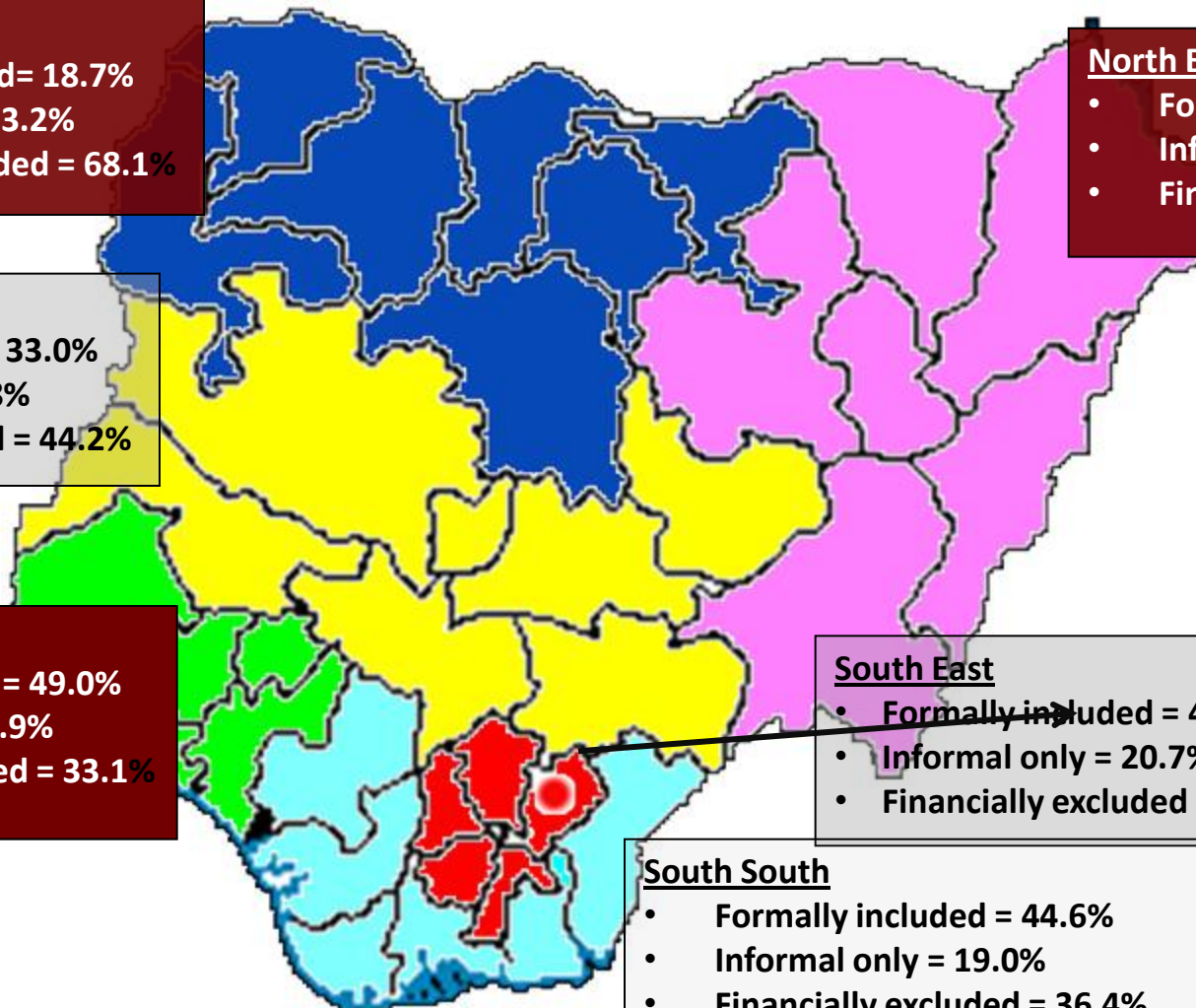
- Formally included = 49.0%
- Informal only = 17.9%
- Financially excluded = 33.1%

## South East

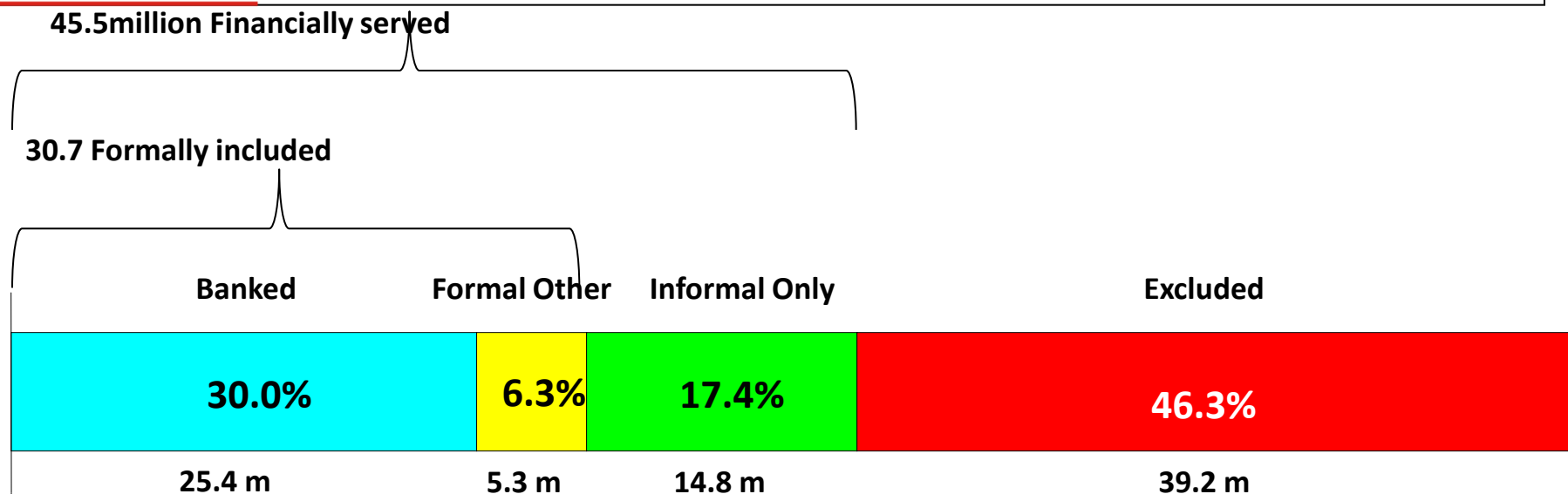
- Formally included = 47.4%
- Informal only = 20.7%
- Financially excluded = 31.9%

## South South

- Formally included = 44.6%
- Informal only = 19.0%
- Financially excluded = 36.4%



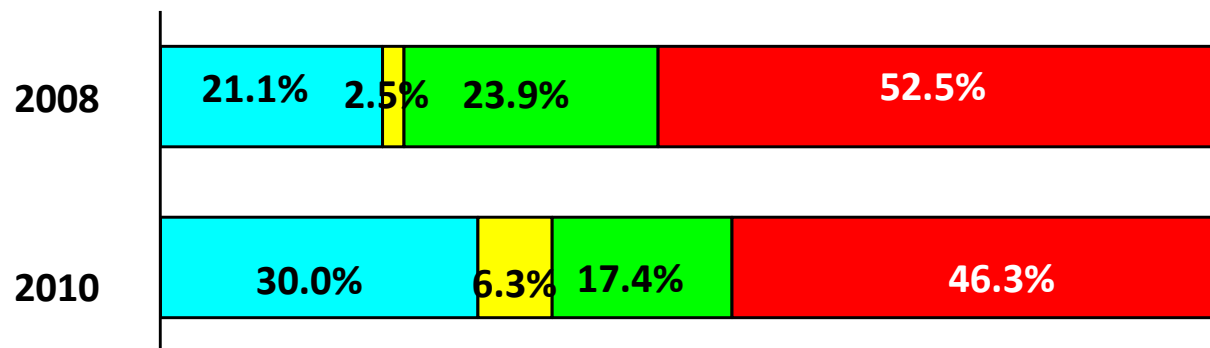
# Financial Access Strand by level of formality - 2010



**These four strands are mutually exclusive**

Source: EFInA Access to Financial Services in Nigeria 2010 survey

# Change in the Access Strand from 2008 to 2010



## From 2008 to 2010:

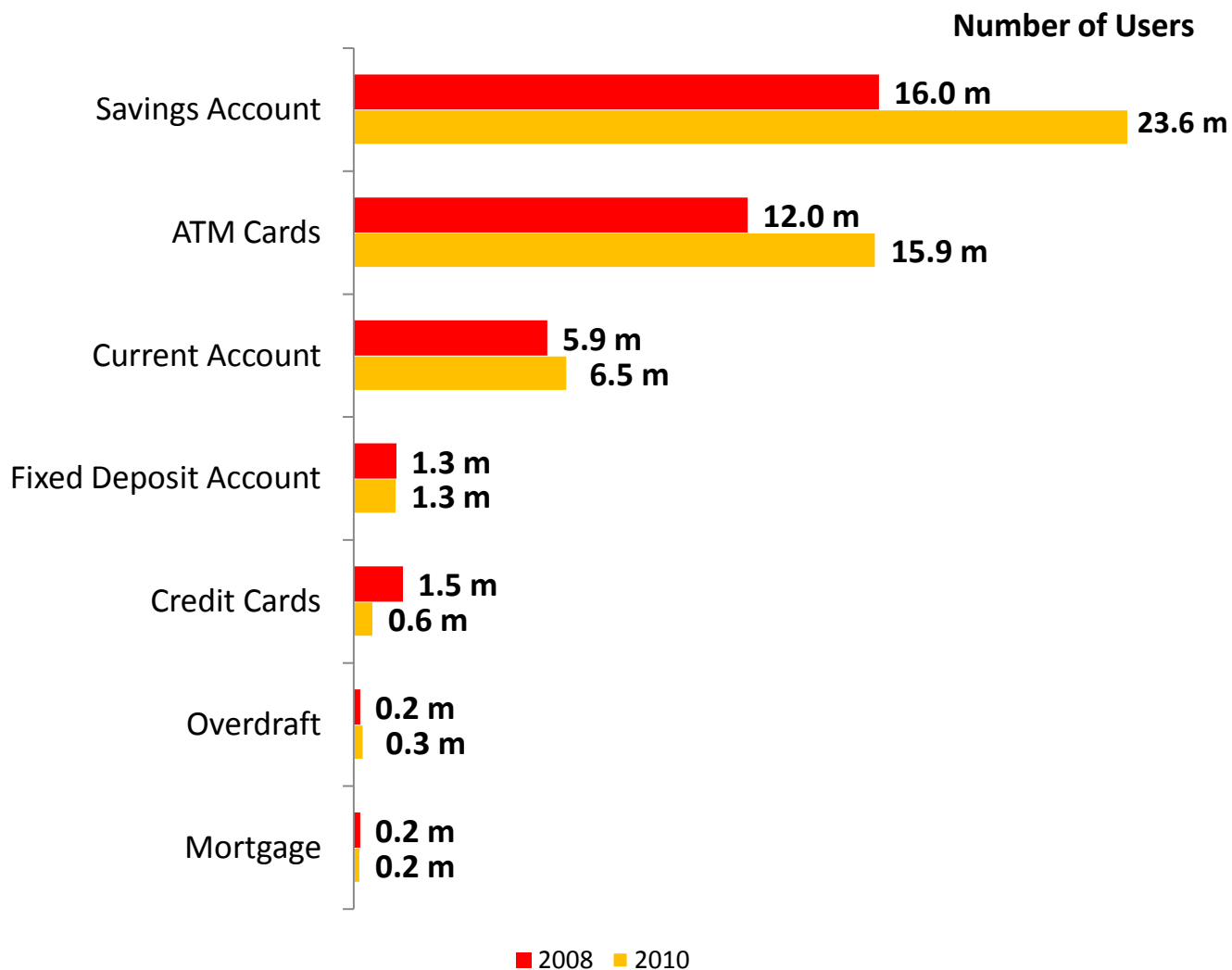
- The number of adults that are formally included increased by 12.7% an increase of **11.0 million**
- The number of adults that are financially served increased by 6.2% an increase of **5.4 million**
- The number of adults that are financially excluded decreased by **5.4 million**

The four categories are mutually exclusive

■ Banked 
 ■ Formal Other 
 ■ Informal Only 
 ■ Financially Excluded

**Note: 2010 figures include remittances (Formal Other and Informal Only), whereas 2008 does not**

# Driven by a change in the Usage of Banking Products from 2008 to 2010



## From 2008 to 2010:

- The number of Savings Accounts increased by **47.5%**, an increase of **7.6 million**
- The number of ATM Cards increased by **32.5%**, an increase of **3.9 million**
- The number of Current Accounts increased by **10.2%**, an increase of **0.6 million**

# **What has influenced this change(electronic (channels & savings)?**

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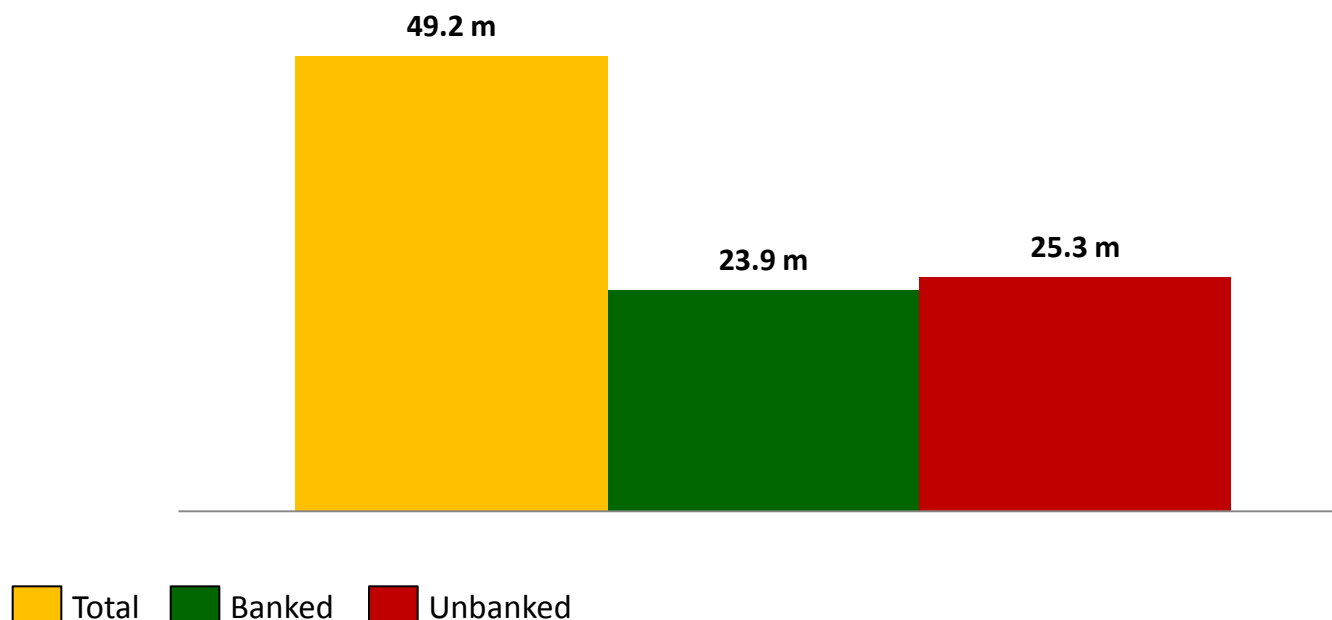
**Payments Systems & Mobile phone penetration**



- Post consolidation many banks developed a more retail focused strategy leading to an aggressive deployment of Cards and ATMs
- CBN focused on the optimisation of the Nigerian Payments System through cost effective and competitive structures such as NACS, RTGS, Cheque standard, MICR, cash-lite initiative etc.,
- In August 2011, the Central Bank of Nigeria (CBN) issued licenses to operate mobile payment services in Nigeria to 11 companies
- Licensed PTSPs to support the deployment of POS
- April 2012 Cashless Lagos took effect in April 2012, serving as a pilot to herald Cashless Nigeria policy by January 2013.
- Agent Banking guidelines being drafted



- 49.2 million adults own a mobile phone, of which:
  - **25.3 million** are unbanked (which represents 42.7% of the unbanked population)
  - **23.9 million** are banked (which represents 93.7% of the banked population)
- This clearly demonstrates the potential for using mobile phones as a distribution channel for providing financial services to the unbanked



# Mobile phones are facilitating remittances patterns of the adult population who own phones

- The predominant means of money transfer (for both domestic and international remittances) for the unbanked population who own a mobile phone is through family/friends; this clearly demonstrates the potential for Mobile Money in Nigeria

Adult population  
who own a mobile  
phone  
49.2 m

48.5%

Banked Population  
23.9m

Received  
money  
within  
Nigeria  
13.0 m

54.6%

Sent  
money  
within  
Nigeria  
9.3 m

38.9%

Received  
money from  
outside  
Nigeria  
2.0 m

8.3%

Sent  
money to  
outside  
Nigeria  
0.2 m

0.8%

51.5%

Unbanked  
Population  
25.3 m

14.1 million  
(55.8%) did  
not receive or  
send money

Received  
Money  
within  
Nigeria  
9.3 m

36.5%

Sent  
money  
within  
Nigeria  
4.0 m

15.6%

Received  
money from  
outside  
Nigeria  
0.5 m

1.8%

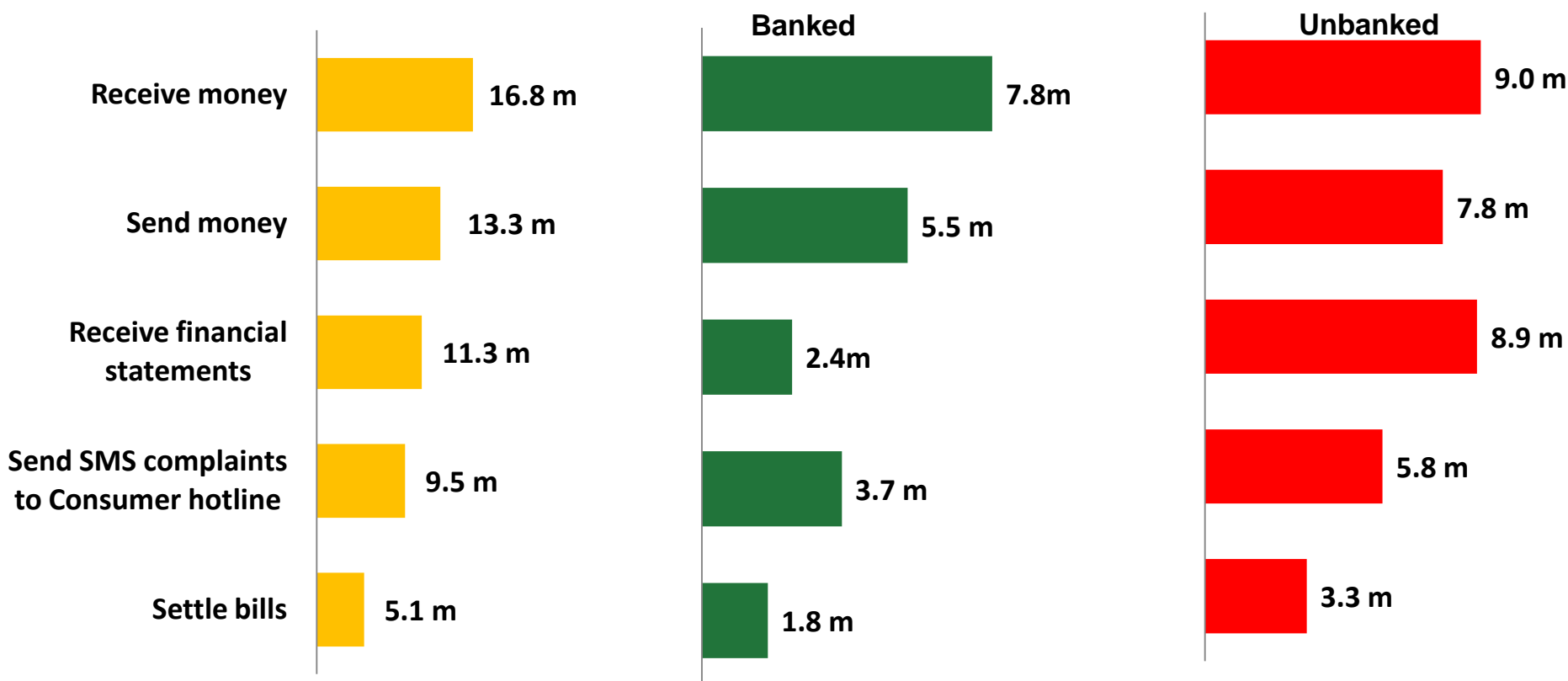
Sent  
money to  
outside  
Nigeria  
0.05 m

0.2%

\*\*\*7.1 million (29.7%) did not receive or send money  
\*\*\*In the six months prior to being interviewed

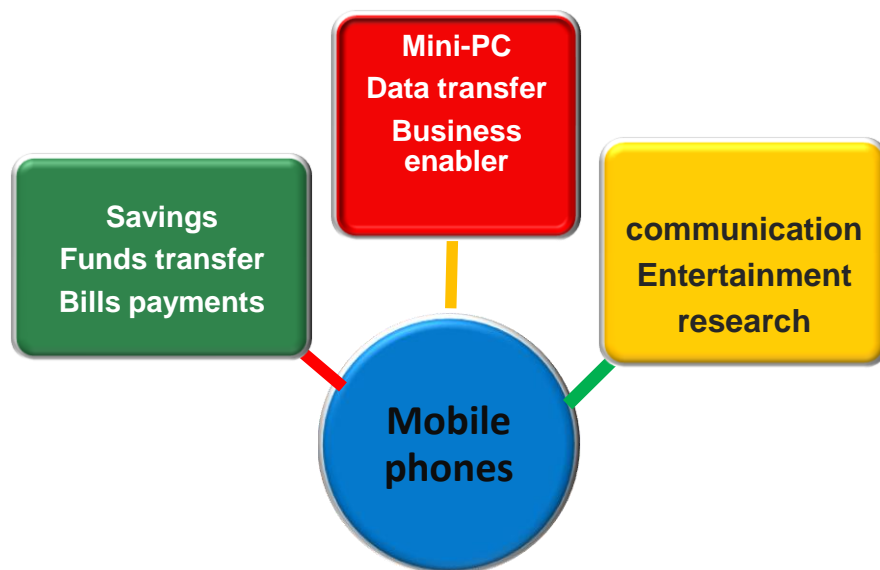
## High number of unbanked people would consider using their mobile phones for transacting

- **9.0 million** unbanked adults would consider using their mobile phone to receive money
- **7.8 million** unbanked adults would consider using their mobile phone to send money
- **3.3 million** unbanked adults would consider using their mobile phone to settle bills



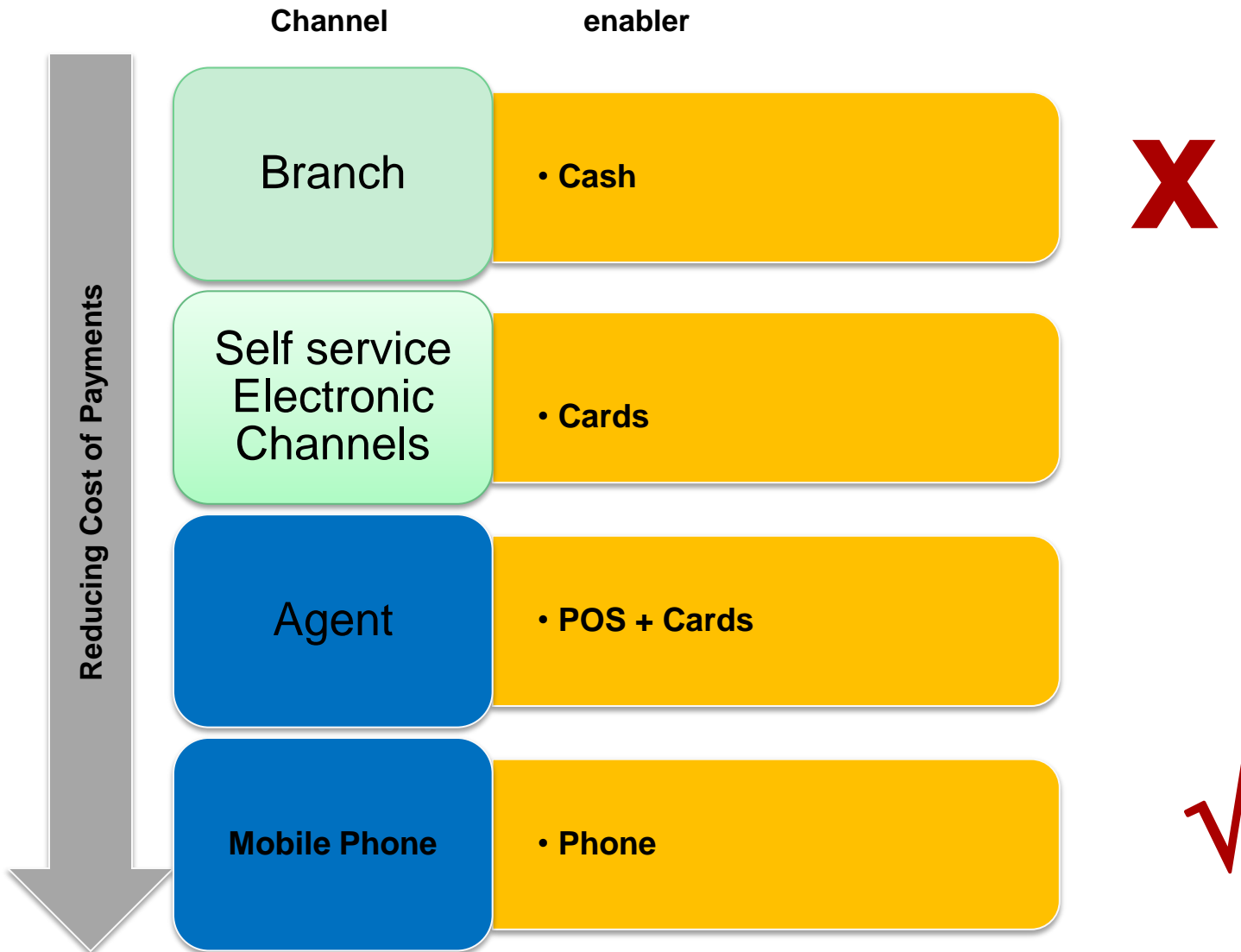
## So what?

- Nigeria has a high mobile penetration rate and will soon bring about a technological disruption that will alter incumbent payments systems
- Mobile phones can help bring financial services closer to people without easy access to traditional banking channels, as well as people with very small deposits and loans which are unprofitable for banks using traditional delivery models
- It brings financial services closer to 23.8 million adults that choose to save money at home, the 12.9 million using informal societies, and the 6.7 million adults using village associations across Nigeria
- **Mobile phones and mobile devices** will reduce transaction costs, making basic transactions such as payments, funds transfers and utility bills payment more accessible to a vast population



*\*Source: EFInA Access to Financial Services in Nigeria 2010 survey*

# Essentially .....to reduce costs ,use the lowest cost channel



## Distribution today

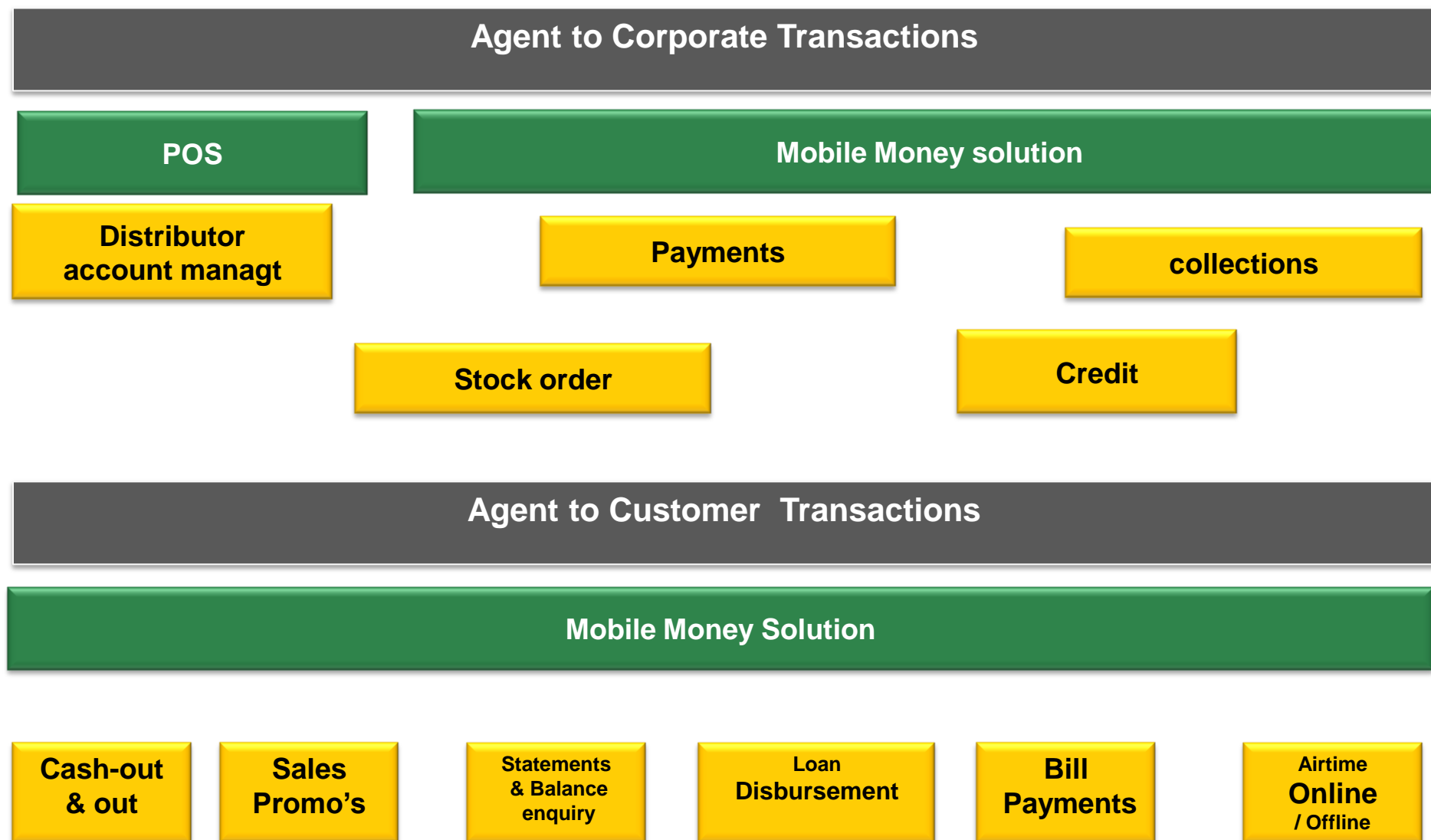
**RISK!!!**



- No mobile cash insurance
- Fraud
- Diversion of goods
- Security systems
- Delay in getting value
- Mobile vaults
- Manual counting

**RISK!!!**

## The Lower cost payment value chain





## Opportunities for large corporate retailers

Benefits expected from empowering distributors/outlets with POS and mobile payment solutions include:

- Formidable consumer touch point that provides cheap access
- Distributor management infrastructure(e.g inventory pre-order)
- Marketing opportunities – geographic based messaging for merchandising promotions, advertising and loyalty programmes
- Integration of distribution network with MMOs for liquidity management
- Secure payments at Point of Sale, translate to reduced cost of handling cash
- Increased understanding of customer behavior (consumer insight)
- Receive, or make multiple payments instantly, at remote locations using mobile phones

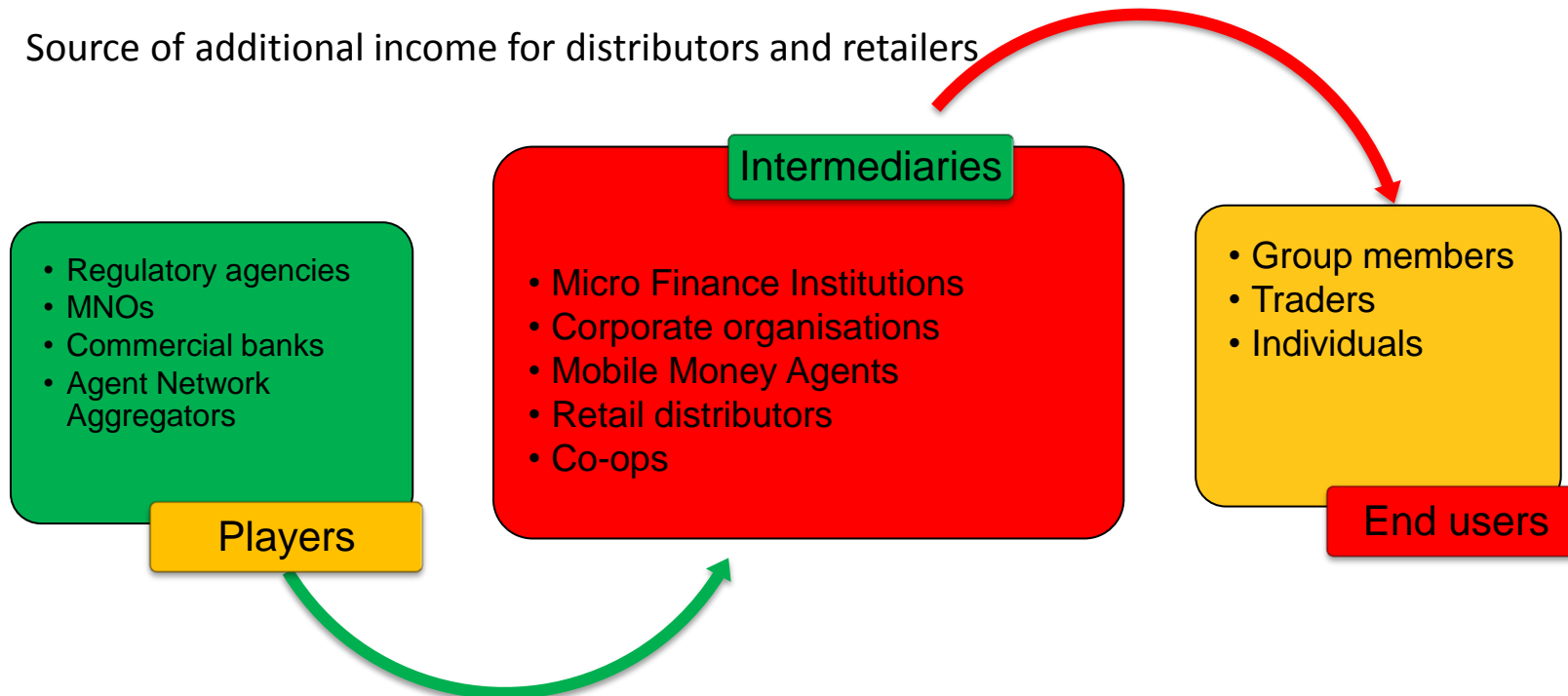


## Mobile Money is good for business

- By using mobile money to meet consumer needs, retailers and product manufacturers can increase share of wallet and mind
- Reduced risk of robbery, and cheaper access to branchless banking services for customers
- Increase sales because there is a clear link between ease of payment at the point-of-sale and purchase decisions. Put simply, convenient payment options means more sales.
- Increased customer satisfaction and loyalty. Consumers will reward those businesses that best meet their needs. Mobile money will allow increased personalization – meeting consumer needs even better
- Better access to capital through shorter payment processing time, and more efficient treasury management, as well as the elimination of cash handling risk

# What incentives are available to start an agent network?

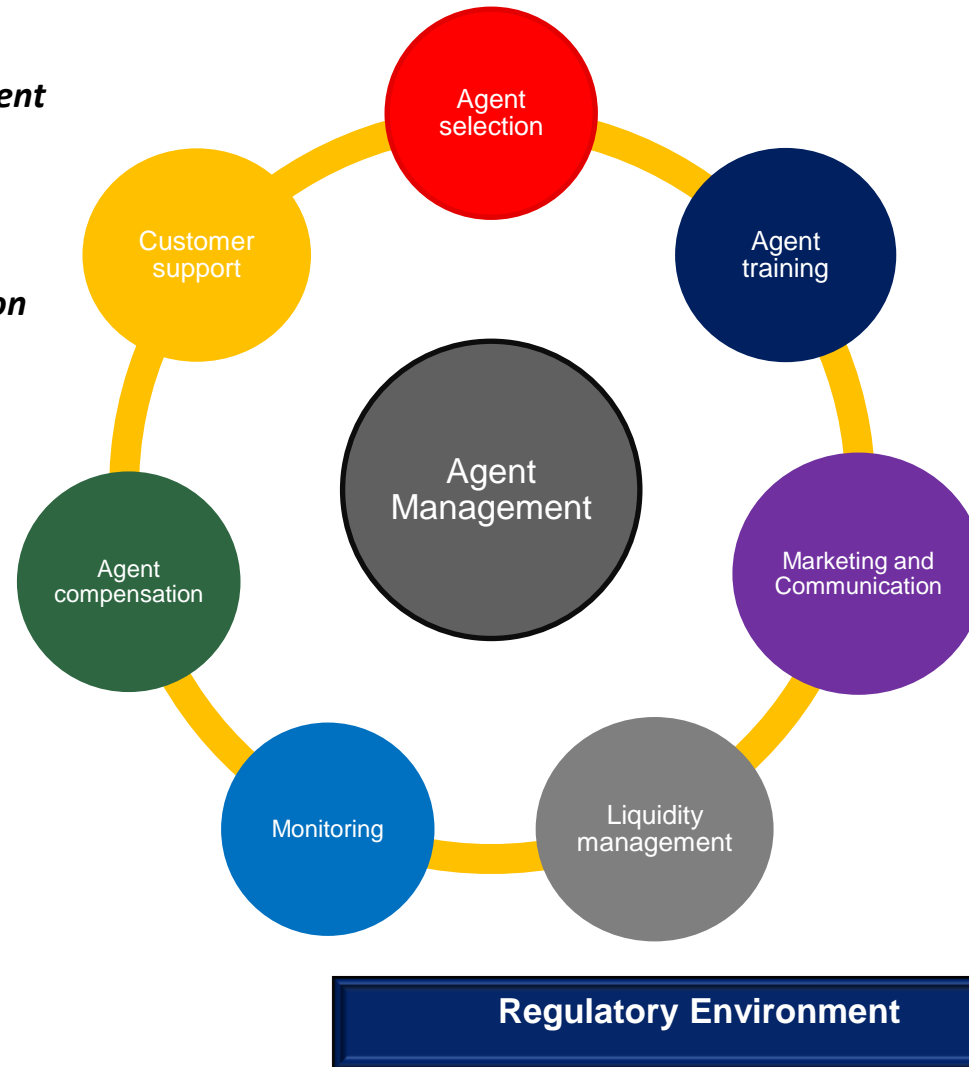
- Central Bank of Nigeria will issue guidelines for regulation for agent banking in Nigeria
- Mobile money and the Point of Sale will solve the cash limit challenges being faced by players on the retail distribution value chain
- Low set-up and operational cost when compared to cost of handling cash
- Opportunity to reach new market segment, especially the youth, hinterlands (increased customer base, market share, and transactional efficiency)
- Source of additional income for distributors and retailers



# Implementing an Agent Network

While there is no single formula to building a viable agent network, certain key elements have become clear, and they are:

- ***Agent selection and recruitment***
- ***Training***
- ***Compensation structure***
- ***Liquidity management***
- ***Monitoring***
- ***Marketing and communication***
- ***Customer support***



# Implementing an agent network

**Agent selection** is the starting point for the agent management process. Customers require confidence from the service Provider. The capacity of a potential agent to provide adequate services in a convenient and secure manner is critical

**Training of agents** will ensure efficient and consistent operations. Clients prefer agents that are educated and knowledgeable

**Compensation** is usually the key motive for a business to join an agent network. Dissatisfaction on this front can lead to mobile money being left as a non-priority.

**Liquidity management** refers to the movement and location of cash between the agent, Agent Network Manager and the banks. Customers make it clear that they would not use an agent network in which requests failed due to a lack of cash / e-float.

**Monitoring** ensures that service standards are maintained adequately and consistently at all levels of the business, especially helping to keep checks on agent activities and reduce chances of fraud or misappropriation.

**Good customer support** ensures a long and fruitful relationship with the end customer but is just as important for the agents. They need extensive support in the beginning to address operational and technical issues (and basic education about the products and how they work).

**Marketing and communication** joint campaigns by corporate, Mobile Money Operators, Agent Network Aggregators to inform customers about products and model.

- Strategic alliances between financial institutions, MMOs, large corporate organisations and less formal/informal financial systems will create new possibilities for delivering financial services to the un(der)banked in a profitable and sustainable manner
- Bus terminal locations, distributors, Pharmacies, supermarkets, convenience stores, lottery outlets, post offices, petrol stations and other retail outlets can act as agent network access points
- Licensed Mobile Money Operators are allowed to contract local supermarkets, distributors and pharmacies as agents to manage their operations in rural areas
- Agents Network managers can collect and disburse cash and can also open bank accounts for new clients and complete credit applications

# Responsibility

Tasks	Responsibility	Comments
<b>Agent selection</b>	<i>Joint</i>	<i>Existing distributors of corporates</i>
<b>Training</b>	<i>Joint</i>	
<b>Compensation</b>	<i>Mobile Money operator</i>	<i>Commission based</i>
<b>Liquidity Management</b>	<i>Corporate</i>	<i>Aggregators can spring up from the agents</i>
<b>Monitoring</b>	<i>Mobile Money operator</i>	<i>Field monitoring</i>
<b>Customer support</b>	<i>Joint</i>	<i>Call center</i>
<b>Marketing &amp; communication</b>	<i>Joint</i>	<i>Sales promos and campaigns</i>

**Thank you**

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