

# **EFInA Super Agents Scoping Study**

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## **Key Findings**

**August 11, 2016**

- ☐ **Research Objectives**
- ☐ **Agent Banking Evolution in Nigeria**
- ☐ **Challenges Hindering the Development of Agent Networks in Nigeria**
- ☐ **Why Super Agents?**
- ☐ **Roles of Super Agents and Benefits of Super Agents to the Industry**
- ☐ **Evaluation of Super Agent Models in Kenya, Brazil and Tanzania**
- ☐ **Comparative Analysis of Super Agent Models in Kenya, Brazil and Tanzania**
- ☐ **Expected Impact/Implications of Super Agents to the Industry**
- ☐ **Super Agents Challenges and Requirements for Super Agent Services to Work Effectively**

# Research Objectives

Evaluate and understand how agent banking has evolved in Nigeria

Evaluate Super Agent models in other agent banking landscapes and their key success factors

Identify the benefits of shared agent networks

Identify key lessons learned in other landscapes and how it can be applied in Nigeria

Provide clarity to stakeholders on implication of Super Agents to the financial services ecosystem



# Agent Banking Evolution in Nigeria

**2009**

The Central Bank of Nigeria (CBN) released guidelines for mobile money operations (MMOs), as part of strategies to achieve financial inclusion. The guidelines required MMOs to put in place detailed processes that cover the entire solution delivery, including establishment of agent networks

**2013**

CBN issued guidelines for agent banking and agent banking relationships, with the aim to provide minimum standards and requirements for agent banking operations, enhance financial inclusion and promote agent banking as a delivery channel for offering banking services in a cost effective manner

**2015**

Due to the backdrop of issues hindering the roll out of ubiquitous agent networks in Nigeria, CBN released a regulatory framework for licensing Super Agents in Nigeria, with the aim to promote shared agent networks, drive financial inclusion and increase the penetration of agent banking

# Challenges Hindering the Development of Agent Networks in Nigeria

- ☐ Low awareness
- ☐ Inadequate capital
- ☐ Liquidity management
- ☐ Unattractive commission and return on investment
- ☐ Inadequate knowledge of digital financial services
- ☐ Poor patronage
- ☐ Poor network connectivity
- ☐ Complex sign-up documentation
- ☐ Poor relationship management on the part of operators
- ☐ Lack of trust in the agent by the community
- ☐ Perceived security risk



## Why Super Agents?

- Financial 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 businesses

### Properly Manage Agent Relationships

- Super Agents are to focus on their core competence of agent recruitment, training, liquidity management
- It is believed that the Super Agent model will drive the roll-out of ubiquitous agent networks and ensure that agents remain active

### Promote Financial Inclusion Efforts

- Roll out ubiquitous agent networks to build stronger financial system with more access points
- Super Agents will deploy and roll out agent networks in rural areas; where the financially excluded population are concentrated
- The financially excluded will have financial services close to where they live

# Potential Roles of Super Agents in Nigeria

- ☐ Prospect and recruit qualified agents
- ☐ Train and continually engage agents
- ☐ Provide adequate branding for agents
- ☐ Provide and manage agent liquidity
- ☐ Provide first line support for agents
- ☐ Be responsible for monitoring and supervising the activities of the agents
- ☐ Be up to date on the volume and value of transactions carried out by each agent
- ☐ Ensure that agents operate strictly within the requirements of the law, guidelines and their contracts



# Benefits of Super Agents to the Industry

**Financial Inclusion**

**Low Set-up  
Costs**

**Enhanced Economic  
Activity**

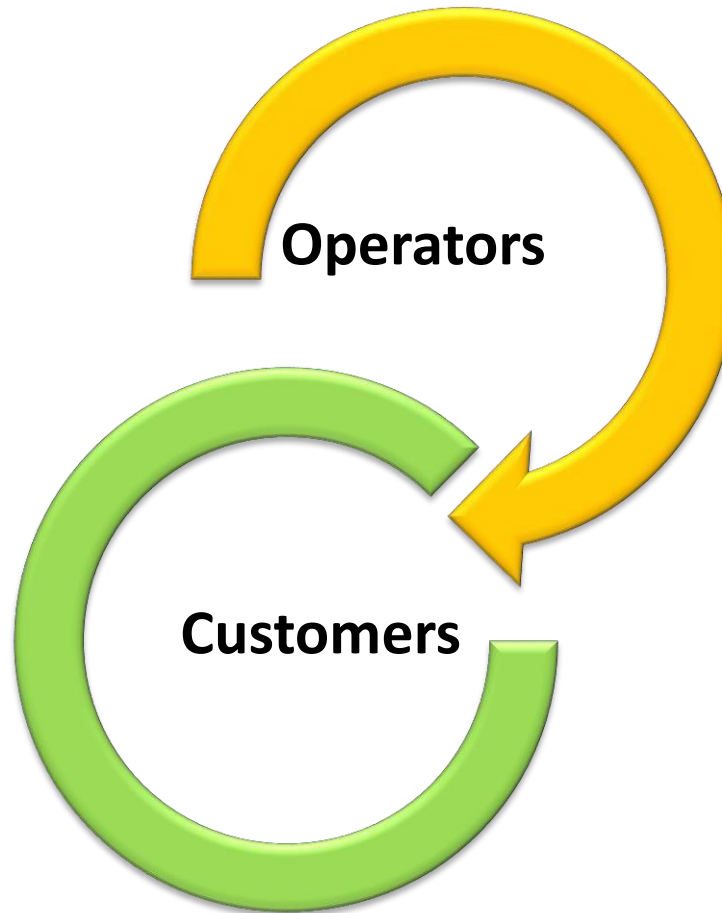
**Reduced Cash in  
the Economy**

**Enhanced  
Interoperability**

**Liquidity  
Management**

**Convenience**

**Increased Outreach**





## Brazil Model

- Brazil is recognized as a global pioneer of agent banking. In 2000, Central Bank of Brazil licensed banks to offer agent banking and offered two agent management models (direct and indirect models)
- Indirect relationship can be likened to Nigeria's Super Agent model which involves contracting an external management company to manage the entire process

<b>Roles of Agent Management Company (Super Agent)</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Agent recruitment</li> <li><input type="checkbox"/> Training and technical support</li> <li><input type="checkbox"/> Liquidity and risk management</li> <li><input type="checkbox"/> Agent monitoring and supervision</li> <li><input type="checkbox"/> Agent branding and merchandising</li> <li><input type="checkbox"/> Agent documentation archiving</li> </ul>	<b>Key Advantages</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Better technical and operational support</li> <li><input type="checkbox"/> Rapid response to agents problems</li> <li><input type="checkbox"/> Reduced operational responsibility for agent banking service providers</li> <li><input type="checkbox"/> Operators can focus on products development and awareness</li> </ul>
<b>Key Drivers</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Shared agent networks (No exclusivity)</li> <li><input type="checkbox"/> Interoperability among players</li> <li><input type="checkbox"/> Supportive regulation</li> </ul>	<b>Key Success Factors</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Supportive agent banking regulations</li> <li><input type="checkbox"/> Agents were used as Conditional Cash Transfers (CCT) payment channels</li> <li><input type="checkbox"/> Banks have been keen to use agents means of cost cutting methodologies &amp; to increase their client base through geographic expansion</li> </ul>



Sources:

- [Discussion paper on Agent banking in Latin America, AFI \(2012\)](#)
- [Conference Summary & Key Findings: Financial Services for Rural Areas, 28 – 29 October 2014, Maputo, Mozambique](#)

# Kenya Model

- Since the introduction of mobile money services in 2007, Safaricom's mobile money platform, M-Pesa, has not only transformed Kenya's financial system, but has become the dominant medium for financial transactions in Kenya and a benchmark for mobile money deployment around the world

<b>Roles of Aggregator (Super Agent)</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Agent recruitment</li> <li><input type="checkbox"/> Training and technical support</li> <li><input type="checkbox"/> Liquidity and risk management</li> <li><input type="checkbox"/> Agent monitoring and supervision</li> <li><input type="checkbox"/> Agent branding and merchandising</li> <li><input type="checkbox"/> Agent documentation archiving</li> </ul>	<b>Key Advantages</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Better technical and operational support</li> <li><input type="checkbox"/> Rapid response to agents problems</li> <li><input type="checkbox"/> Reduce operational responsibility for agent banking service providers</li> <li><input type="checkbox"/> Operators can focus on products development and awareness</li> </ul>
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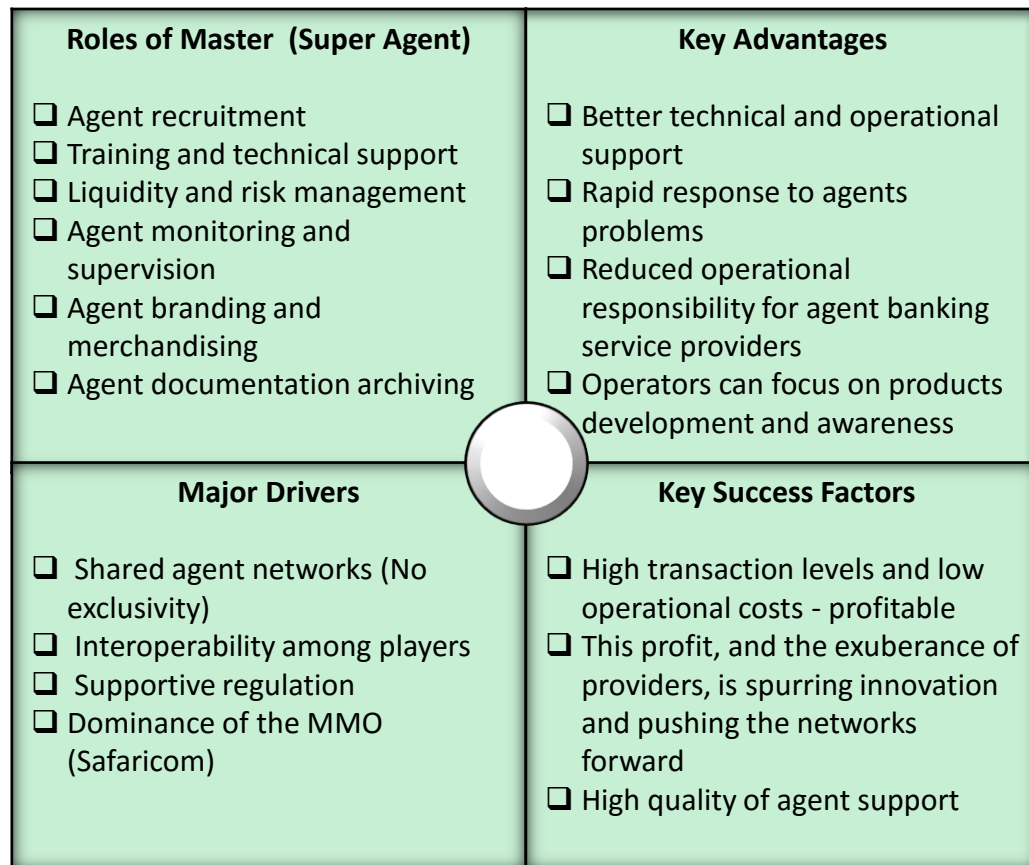


Sources:

- [Mobile Payment Systems: What Can India Adopt From Kenya's Success, CGAP \(2013\)](#)
- [Building, Incentivising and Managing a Network of Mobile Money Agents, GSMA \(2013\)](#)

## Tanzania Model

- Although Kenya is often lauded as a global pioneer when it comes to mobile money, but Tanzania is also making its mark. With growing competition and mobile money providers starting to make their systems interoperable, since its launch in 2009, Tanzania is setting an example for others



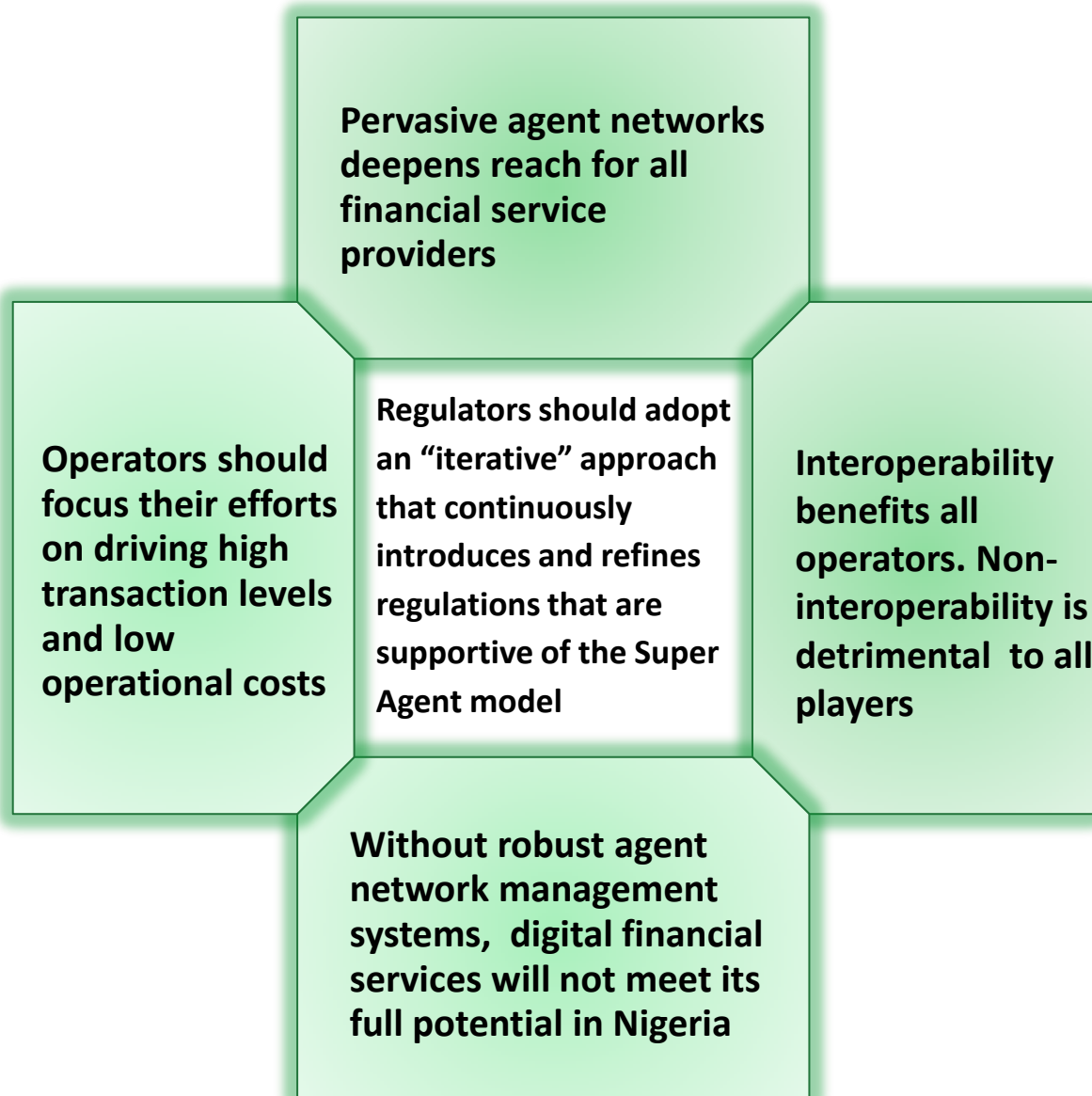
Sources:

- [Regulation and oversight of mobile payment services Generose Tabaro, Bank of Tanzania, Global Payments Week September 25, 2014](#)
- [Enabling mobile money policies in Tanzania A “test and learn” approach to enabling market-led digital financial services, GSMA \(2013\)](#)
- [Mobile Money Agents in Tanzania: How Busy, How Exclusive? CGAP \(2013\)](#)

# Comparative Analysis of Super Agents' Models in Different Landscapes

	BRAZIL	TANZANIA	KENYA
<b>Regulation</b>	The agent banking service provider contracts Super Agents	The agent banking service provider contracts Super Agents	MMOs license and provide operation guideline for Super Agents
<b>Agent Exclusivity</b>	There is no exclusivity. Bank agents can sign on to more than one operator	There is no exclusivity	There is no exclusivity
<b>Transaction Types</b>	<ul style="list-style-type: none"> <li>Agent recruitment</li> <li>Training and technical support</li> <li>Liquidity and risk management</li> <li>Agent monitoring and supervision</li> <li>Agent branding and merchandising</li> <li>Agent documentation archiving</li> </ul>	<ul style="list-style-type: none"> <li>Agent recruitment</li> <li>Training and technical support</li> <li>Liquidity and risk management</li> <li>Agent monitoring and supervision</li> <li>Agent branding and merchandising</li> <li>Agent documentation archiving</li> </ul>	<ul style="list-style-type: none"> <li>Agent recruitment</li> <li>Training of sub agents</li> <li>Liquidity management</li> <li>Agent monitoring and supervision</li> <li>Agent branding and merchandising</li> <li>Agent documentation archiving</li> </ul>
<b>Interoperability</b>	There is interoperability among players	There is interoperability among players	There is interoperability among players
<b>Number of Agents</b>	Over 329,887 as at 2014	153,369 as at 2013	122,000 Mobile Money Transfer Agents as 2014
<b>Key Success Factors</b>	<ul style="list-style-type: none"> <li>Central Bank of Brazil introduced and refined regulations which have been supportive of the Super Agent model</li> <li>Agents were used as Conditional Cash Transfers (CCT) payment channel, which drives volume</li> <li>Financial services providers embrace the Super Agent model</li> </ul>	<ul style="list-style-type: none"> <li>High transaction levels and low operational costs</li> <li>The enthusiasm of operators encouraged innovation of new agent banking related products/services</li> <li>The quality of agent support seems high</li> </ul>	<ul style="list-style-type: none"> <li>Relatively undeveloped financial infrastructure</li> <li>Massive addressable market (Unbanked)</li> <li>Availability of a nationally aggregated database, which fulfills KYC by leveraging national identity cards.</li> <li>Dominance of the MMO "degree of monopoly"</li> <li>Leverage on airtime vendors to build agent networks</li> <li>Suitable regulatory environment</li> <li>Proper agent network management structure</li> </ul>
<b>Pricing</b>	Service pricing is regulated by Central Bank of Brazil	Pricing is regulated by MMO	Pricing is regulated by MMO

# Application of Key Lessons Learned to Nigeria's Landscape



# Expected Impact/Implications of Super Agents to the Industry (Operators and Agents)

## Adequate Agent Distribution

- Super Agents will be involved in strategic and intelligent forecasting of the most appropriate number of agents to roll out agent services per location

## Customer Awareness

- Super Agents will ensure that agents register customers, educate customers and facilitate cash-in, cash-out & other transactions at agent locations

## Agent and Customer Equilibrium

- Super Agents will possess thorough market appraisal and a knowledge of transaction flows to better position the industry as demand expands

## Business Intelligence

- Super Agents will help in examining data from transactions and leverage on market knowledge to identify relevant information



## Challenges of Super Agents



**Limited understanding of the role of Super Agents in the industry**



**Insufficient incentives for agents**



**A robust platform may be expensive to procure and manage**



**Limited investment to drive Super Agent operations**



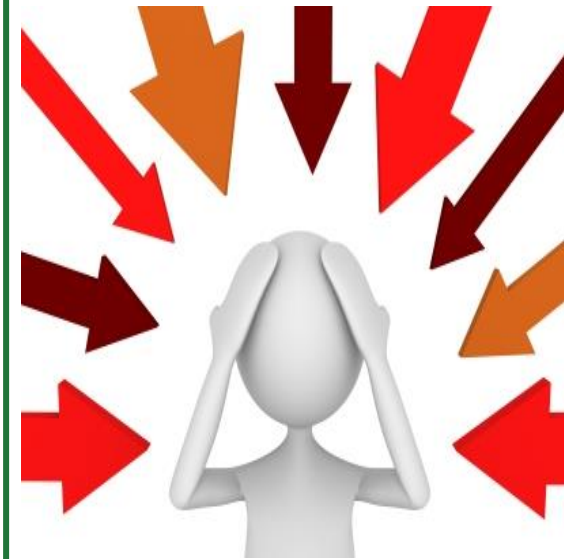
**High charges/cost for signage exposure in certain locations**



**High cost of sub-agents recruitment/deployment**



**Some operators see Super Agents as potential competitors**



# Recommendations for Super Agent Services to Work

## Operators

- Provide technical and operational support
- Ensure interoperability with other operators
- Focus on product development
- Drive customer awareness to agent locations
- Provide quick commission reconciliations
- Have a rural focus when developing product strategies

## Regulators

- Enact regulations that provide enabling environment for Operators & Super Agents to collaborate effectively
- Provide effective monitoring mechanisms

## Super Agents

- Develop robust agent management platforms
- Provide adequate agent monitoring training and support
- Develop efficient liquidity monitoring and management systems
- Manage agent relationships effectively
- Support customer education and financial literacy
- Pilot and fully understand the Agent Network Management
- Have a rural focus and grow through careful selection of agents



**THANK YOU**

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