Mobile Money agents: sustainability in a digital era

Findings from Kenya

The GSMA is a global organisation unifying the mobile ecosystem to discover, develop and deliver innovation foundational to positive business environments and societal change. Our vision is to unlock the full power of connectivity so that people, industry, and society thrive. Representing mobile operators and organisations across the mobile ecosystem and adjacent industries, the GSMA delivers for its members across three broad pillars: Connectivity for Good, Industry Services and Solutions, and Outreach. This activity includes advancing policy, tackling today's biggest societal challenges, underpinning the technology and interoperability that make mobile work, and providing the world's largest platform to convene the mobile ecosystem at the MWC and M360 series of events.

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GSMA Mobile Money

The GSMA's Mobile Money programme works to accelerate the development of the mobile money ecosystem for the underserved.

For more information, please contact us:

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MSC (MicroSave Consulting) is a global consulting firm that enables social, financial, and economic inclusion for everyone in the digital age. They have been at the center of the digital finance revolution since its early days.

They work with governments, banks, telecommunication companies, and third-party service providers across Africa and Asia. They offer strategic and operational advice and help implement programs using insights from meticulous field-based research rooted in a deep understanding of clients, their needs, perceptions, aspirations, and behavior.

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Executive summary

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- Agent networks remain the sector's backbone, digitising over USD 700 million per day in 2020. Mobile money agents play an essential role in enabling unbanked and underbanked populations access financial services, thanks to their relatively more robust geographic reach than the traditional banking system.
- However, several factors challenge agents and their much-needed network in the future, particularly in Sub-Saharan Africa:
  - While the number of agents keeps growing consistently, the number of active agents has been growing faster than the combined value of cash-in and cash-out transactions, upon which agent revenue depends (via commissions), in Sub-Saharan Africa. This suggests that individual agent revenues could deteriorate if the trend carries on.
  - Reports of decreasing withdrawal fees in several markets could also result in reduced agent commissions.
  - Increased digitisation of the industry, particularly in mature markets, could potentially threaten the growth in cash-in/cash-out (CICO) transactions. This could be the case especially in urban areas, where banked populations and ecosystem transactions may be more prevalent.
  - Agent distribution networks remain relatively low in many rural areas in low-and-middle-income countries.
- In light of quickly maturing mobile money markets, growing digitisation and competition, the GSMA commissioned MicroSave Consulting to research CICO agent circumstances in three markets in Sub-Saharan Africa. This includes Kenya, where 79 agents were surveyed between December 2021 and January 2022. Surveys were conducted in nine localities across five counties: Nairobi, Nakuru, Machakos, Kilifi, Turkana.
- As one of the most mature mobile money markets in the world, Kenya counts close to 300,000 mobile money agents in 2021.

Executive summary

- Most interviewed agents have multiple revenue sources and do not fully rely on mobile money commissions, though these still make up an important part of their income. Overall, 55% of agents stated that the majority of their income comes from non-mobile money activities.

- The majority of agents, 68% in rural areas and 83% in urban ones, are satisfied with their agent-related revenues. Moreover, a vast majority of agents (87%) intend to continue their agent activity in the coming years.

- However, when asked how their commission levels had evolved since they started working as agents, mixed responses were received, with less than half reporting an increase in commissions (45% in rural areas and 41% in urban areas), and an overall 25% reporting either constant or fluctuating levels of commission. Moreover, a majority of responding agents see a decrease in commission rates as a potential challenge (59%).

- Growing competition was reported as a challenge by 59% of agents, including 12% who find it "very challenging". Rural agents were more likely to report competition as a challenge (62%).

- Anecdotally, a number of agents also cited growing digitisation as a potential concern, finding that their CICO activity is challenged by growing use cases such as bank-to-mobile and mobile-to-bank transfers or merchant payments. These types of transactions were quoted by some as potentially substituting account owners' needs for cashing in or out.

- Close to half of agents find the rising costs of managing their outlets challenging. This is particularly the case in rural areas, where 24% of respondents find this to be a "very challenging" issue, and 30% find it "challenging". It is worth noting that more agency outlet owners, as opposed to employed staff, were interviewed in rural areas (74%) compared to urban areas (54%), which may explain their concerns relating to high costs.

Executive summary

- Rural agents often have to rely on alternative float rebalancing methods, such as agent-to-agent loans (19%) or even digital credit apps (19%). Most urban agents mostly replenish their float through more formal channels, such as financial institutions (68%) or super-agents (60%). In contrast, only 39% rural agents use formal financial institutions for float rebalancing, and 42% use the help of super-agents. Moreover, rural respondents take on average 42 minutes to replenish their float, whereas urban ones take 26 minutes.

- The majority of agent respondents (78%) admit to encountering risks while serving customers. However, these views vary according to rural/urban geographies. Fraud was listed as the main risk encountered by agents, both urban and rural. 42% of rural agents view theft as a risk, compared to 29% of urban agents. Identification-related risks (which can equate to fraud), such as a lack of ID, or fake identification were mentioned by 17% of urban agents, but only 3% of rural ones.

- Respondent's overall satisfaction and willingness to continue their activity, despite various challenges quoted, could be in part explained by the fact that agents accumulate multiple sources of revenue. Agents' business diversification can help mitigate revenue-related risks, but also help address potential float shortages, where and when those occur.

Context and objectives

Context

- Even as the mobile money industry becomes increasingly digital, transitioning to a 'payments-as-a-platform' model, agent networks remain the sector's backbone, digitising over USD 500 million per day in 2020. Mobile money agents play an essential role in enabling unbanked and underbanked populations access financial services, thanks to their relatively more robust geographic reach than the traditional banking system. As of 2019, the global density of the agent network reached an average of 228 active mobile money agents per 100,000 adults, seven times more than ATMs and 20 times more than bank branches.

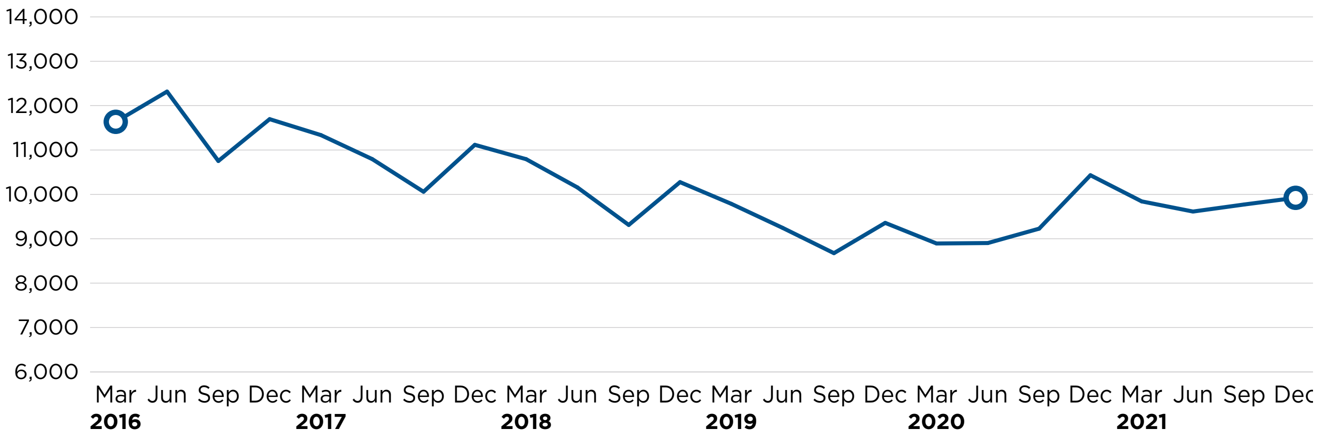
- Previous research has suggested that expanding agent networks have a causal relationship with digital financial inclusion (e.g. CGAP, 2019). In addition to converting cash to a digital value and vice versa, they are also the face of mobile money services worldwide, performing crucial tasks like on-boarding, supporting, and educating millions of customers.

- Besides advancing financial inclusion, agent activity is also an important income-generating activity for over 5.2 million agents and their households, who partly or wholly depend on commissions to sustain their livelihoods. However, several factors challenge agents and their much-needed network in the future, particularly in Sub-Saharan Africa:
  - While the number of agents keeps growing consistently, the number of active agents has been growing faster than the combined value of cash-in and cash-out transactions, upon which agent revenue depends (via commissions), in Sub-Saharan Africa. This suggests that individual agent revenues could deteriorate if the trend carries on.
  - Reports of decreasing withdrawal fees in several markets could also result in reduced agent commissions.
  - Increased digitisation of the industry, particularly in mature markets, could potentially threaten the growth in CICO transactions, particularly in urban areas, where banked populations and ecosystem transactions may be more prevalent.
  - Agent distribution networks remain relatively low in many rural areas in low-and-middle-income countries.

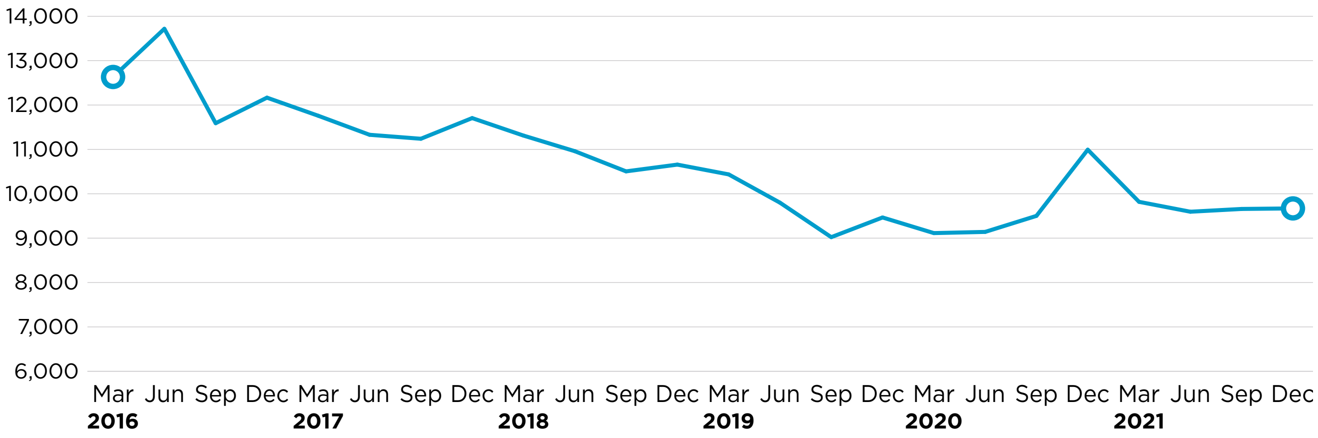
On average, active agents in Sub-Saharan Africa process about $2,000 less of CICO transactions per month in 2021 than they did in 2016

- With an increase in agent footprint, particularly in urban areas, the average amount digitised and cashed out at agent points has been decreasing
- As observed on the line charts, CICO transactions follow seasonal trends within each year (e.g. higher in December). In December 2016, each agent in Sub-Saharan Africa processed about USD 11,700 per month (cash-in + cash-out). As of December 2021, this had fallen to about USD 9,900.
- In East Africa, similar trends can be observed.

CICO transaction values per active agents (SSA), 2016–2021



CICO transaction values per active agents (East Africa), 2016–2021



Objectives

As a result of these observations, the GSMA Mobile Money programme commissioned MicroSave Consulting (MSC) to research current agent circumstances in three key selected mobile money markets to:

- Assess current satisfaction levels with their agent activity, particularly their income, and their confidence in the future of their livelihoods.
- Identify challenges and opportunities perceived by agents themselves.
- In collaboration with the GSMA team, run additional research through additional means such as expert interviews, geographic information, data collected through the mobile money program's Global Adoption Survey.
- Based on findings from the above research and GSMA data, explore strategies to sustainably maintain/expand mobile money agent networks, comparing learnings from focus markets.

In order to assess agent circumstances in light of the challenges described early, our research focuses on three maturing mobile money markets in Sub-Saharan Africa, spread across different regions.

This current report focuses on Kenya

Methodology

Research methodology

MSC team conducted the study using qualitative research methodology. The qualitative approach of this research provided in-depth and nuanced analysis that emerged from the stories, perspectives and experiences of the target populations in our sample (agents and super-agents).

Questionnaire development

A conceptual framework was developed to guide the research and create research tools. The framework highlights the various aspects (socio-demographics, market, regulator, service providers, clients assessment, and impact of COVID-19) to gauge the perception of agents and super-agents.

Field study

The primary study took place in 5 counties, covering both urban and rural areas: Nairobi, Nakuru, Machakos, Kilifi, Turkana.

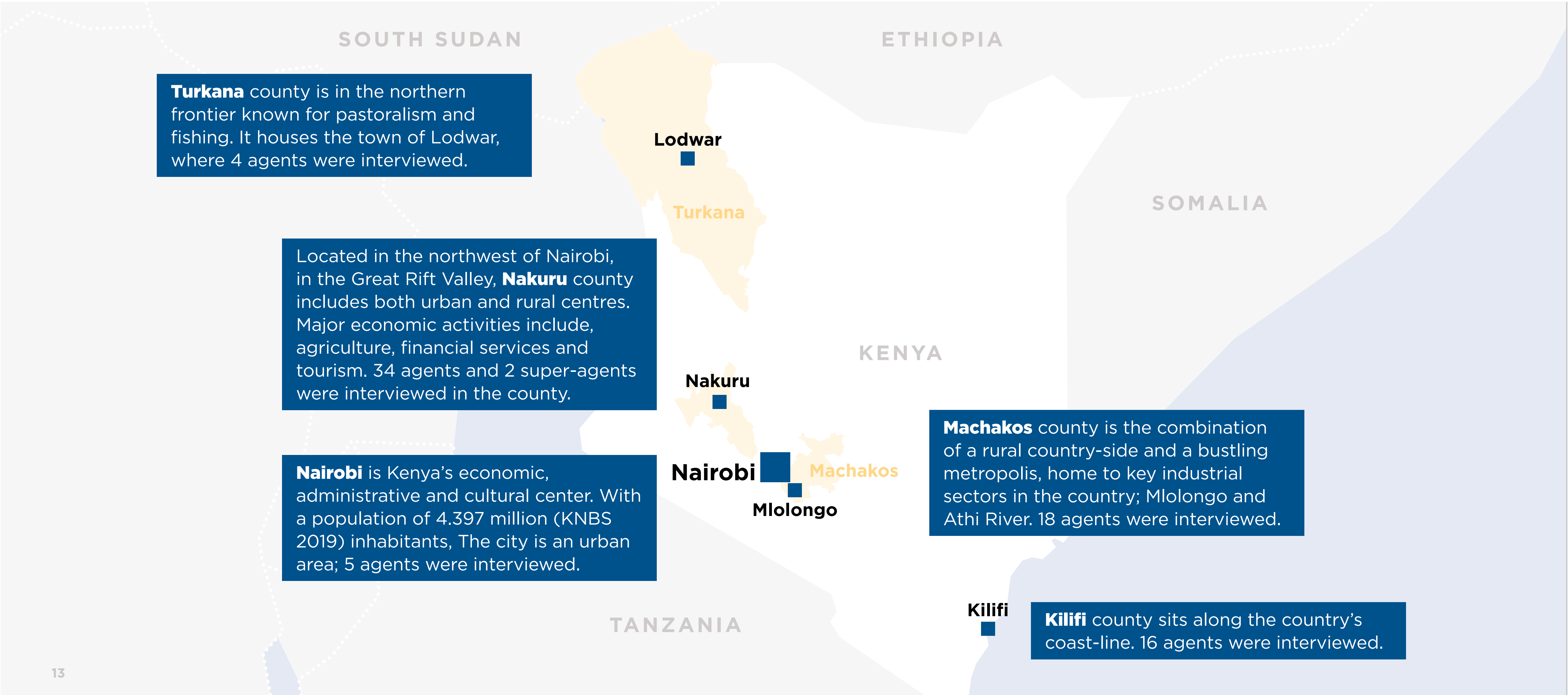
Data entry, analysis, and reporting

MSC conducted semi-directive interviews with respondents using the questionnaire. Data was encoded in Excel for quick processing. Comments from respondents were used to support the summary figures.

Sampling

The study covers a sample of 79 respondents (77 agents and 2 super-agents). Details of the sampling and geographical coverage is presented on the next slide.

77 agents and 2 super agents were interviewed in Nairobi, Nakuru, Machakos, Kilifi and Turkana counties



Turkana county is in the northern frontier known for pastoralism and fishing. It houses the town of Lodwar, where 4 agents were interviewed.

Located in the northwest of Nairobi, in the Great Rift Valley, **Nakuru** county includes both urban and rural centres. Major economic activities include, agriculture, financial services and tourism. 34 agents and 2 super-agents were interviewed in the county.

Nairobi is Kenya's economic, administrative and cultural center. With a population of 4.397 million (KNBS 2019) inhabitants, The city is an urban area; 5 agents were interviewed.

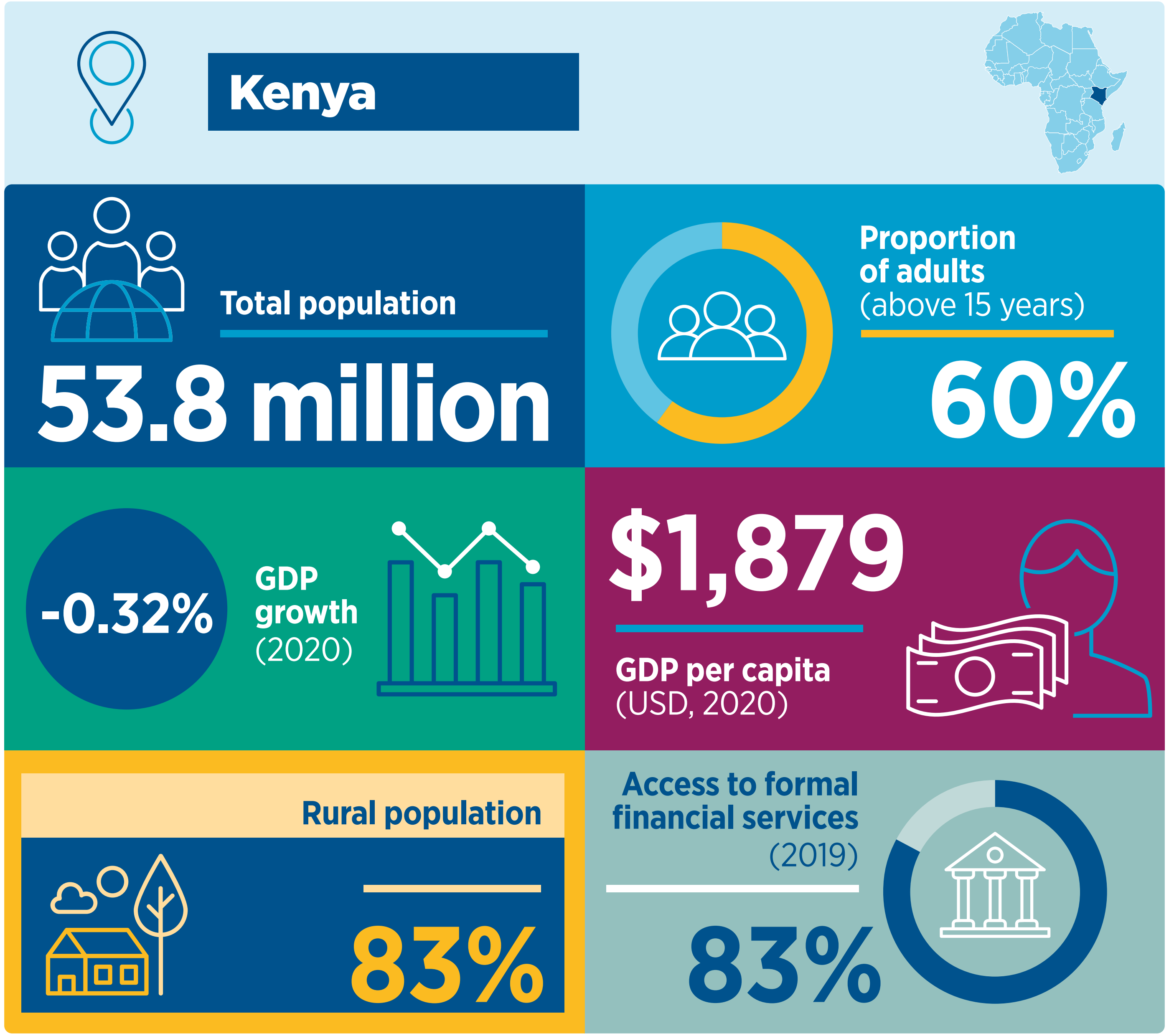
Machakos county is the combination of a rural country-side and a bustling metropolis, home to key industrial sectors in the country; Mlolongo and Athi River. 18 agents were interviewed.

Kilifi county sits along the country's coast-line. 16 agents were interviewed.

Country overview

Country overview

- The World Bank expects growth to rebound to 5% in 2021, highlighting the country's economic resilience.
- Kenya saw an increased financial access from 27% in 2006 to 83% in 2019 – an increase of 56% in the past 13 years – notably thanks to the near ubiquity of mobile money in the country.
- Kenya is a member of the East African Community (EAC), with the Kenya Shilling as a currency, and its banking and mobile money industries are regulated by the Central Bank of Kenya (CBK)



Source: https://data.worldbank.org/indicator, Fin acces survey 2019

A maturing and highly competitive mobile money market

Key mobile money figures in 2021:

- **68.03 m registered accounts**, of which **35.2 m are active** on a 90-day basis (December 2021)
- **292k active cash-in/cash-out (CICO) agents** (December 2021)
- **189.8m cash-in and cash-out transactions, worth $5.5 bn**

Mobile Money providers (MMPs)

MNO-led

airtel money

T-kash

M-PESA

Non-MNO-led

Equitel

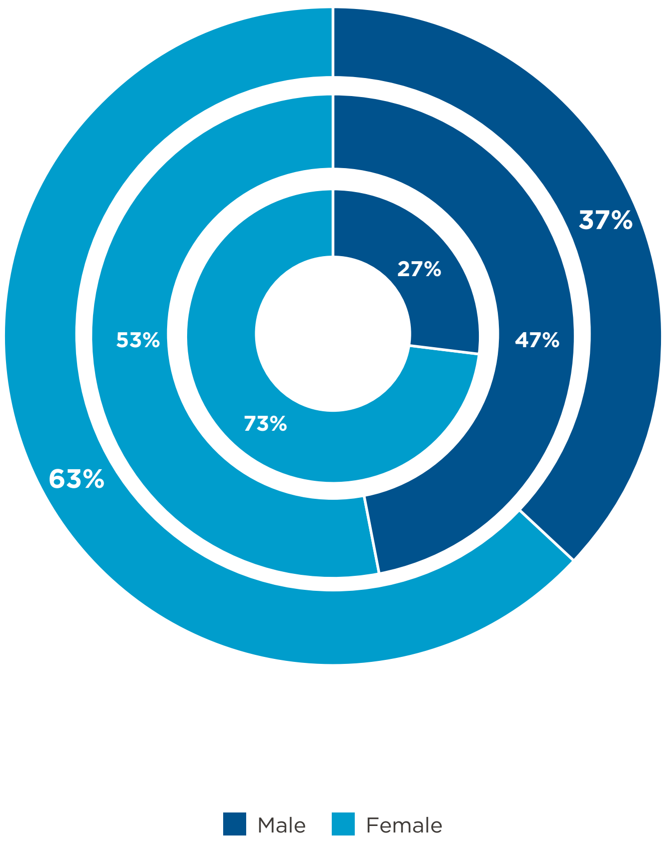
tangaza

Source: Central Bank of Kenya, Kenya Communication Authority

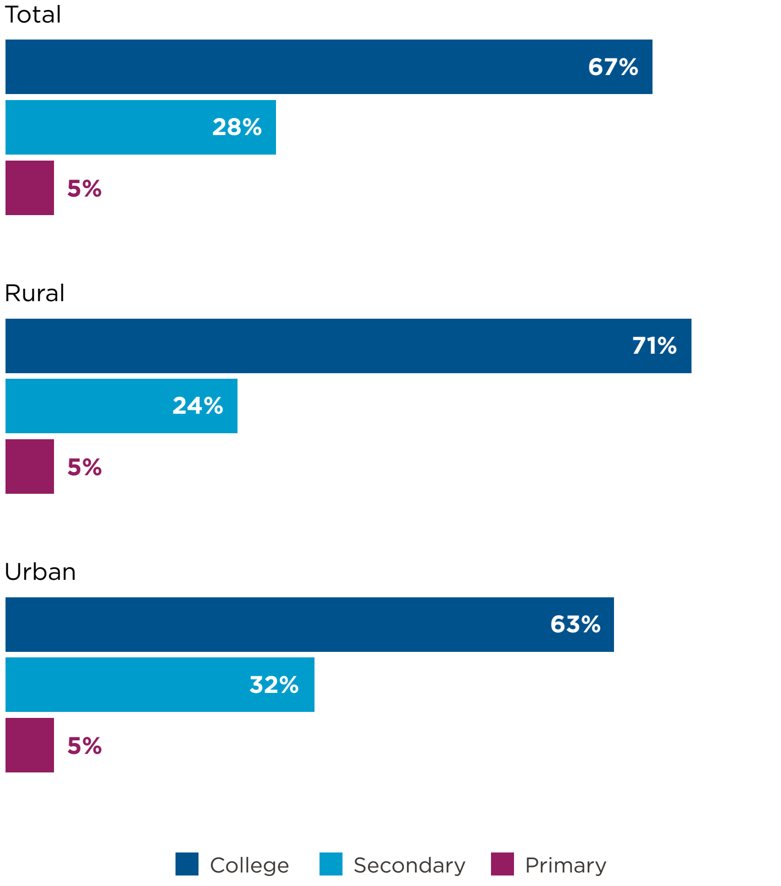
Agent income and economic profiles

The majority of interviewed agents were women, with two thirds having achieved college education. Most interviewees owned their agency outlet

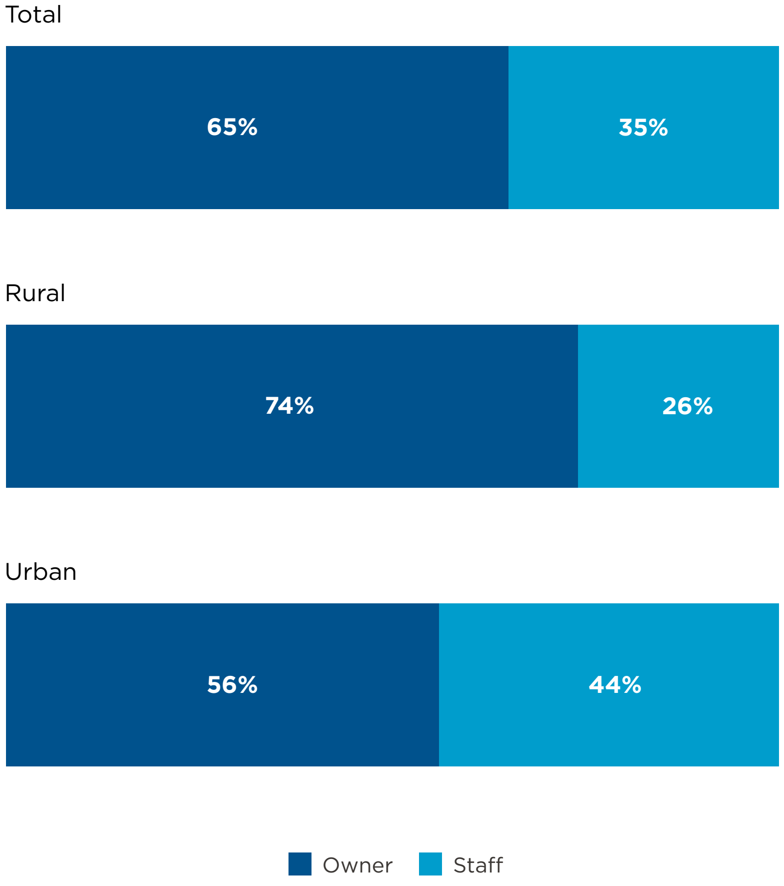
Gender*



Education



Employment status

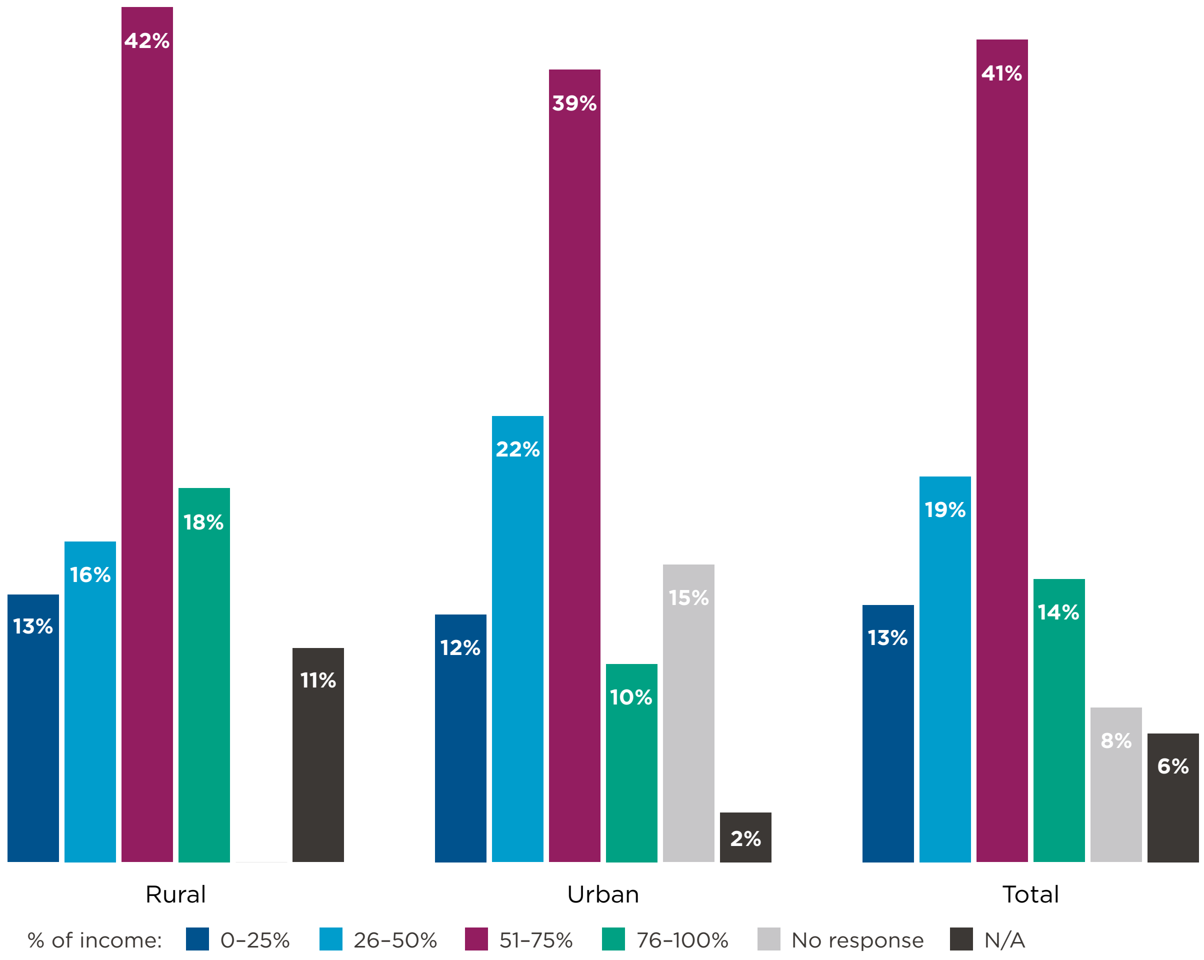


*Inner circle: urban, middle circle: rural, outer circle: total

For most agents, mobile money-related revenue makes up less than half of their income

- Agents often accumulate multiple sources of income, with CICO operations constituting a relatively small proportion.
- High revenue (51-100%) from secondary activities is particularly prevalent in rural areas (60%), compared to urban areas (49%).

Income from non-mobile money activities, urban vs. rural

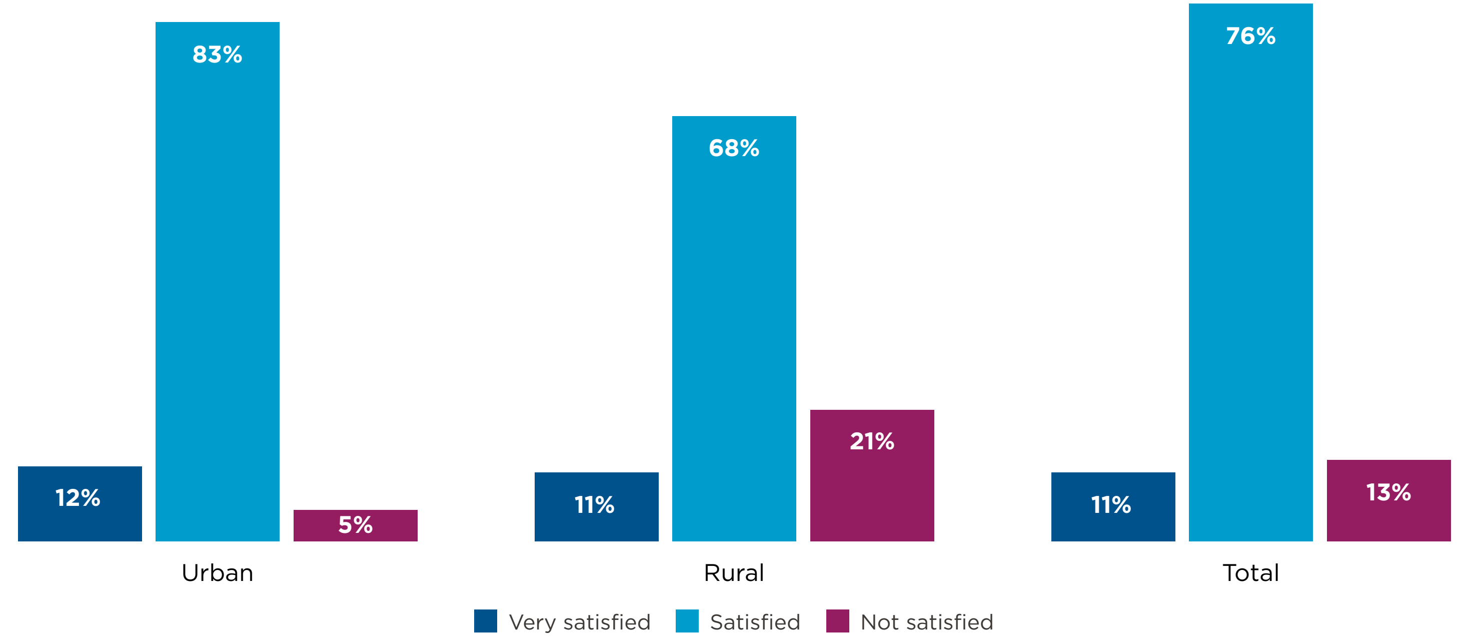


Business confidence and future outlook

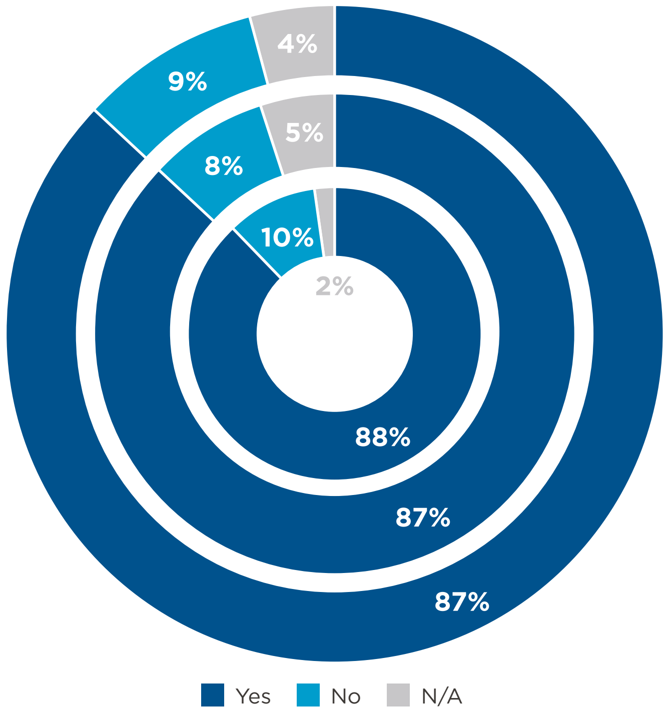
While they often have different activities, most respondents feel that their agent business provides them with a suitable source of income

- Overall, 87% of agents are either “satisfied” or “very satisfied” with their agent income, despite having other commercial activities.
- 21% of rural agents claim they are “not satisfied” with their agent income.
- Additionally, 87% of respondents stated that they see themselves in the agent business in the next 1–3 years, with almost no difference between urban and rural areas.

Satisfaction with commission earned from agent business, urban vs. rural



“Do you see yourself in the agent business in the next 1–3 years?”, urban vs. rural*

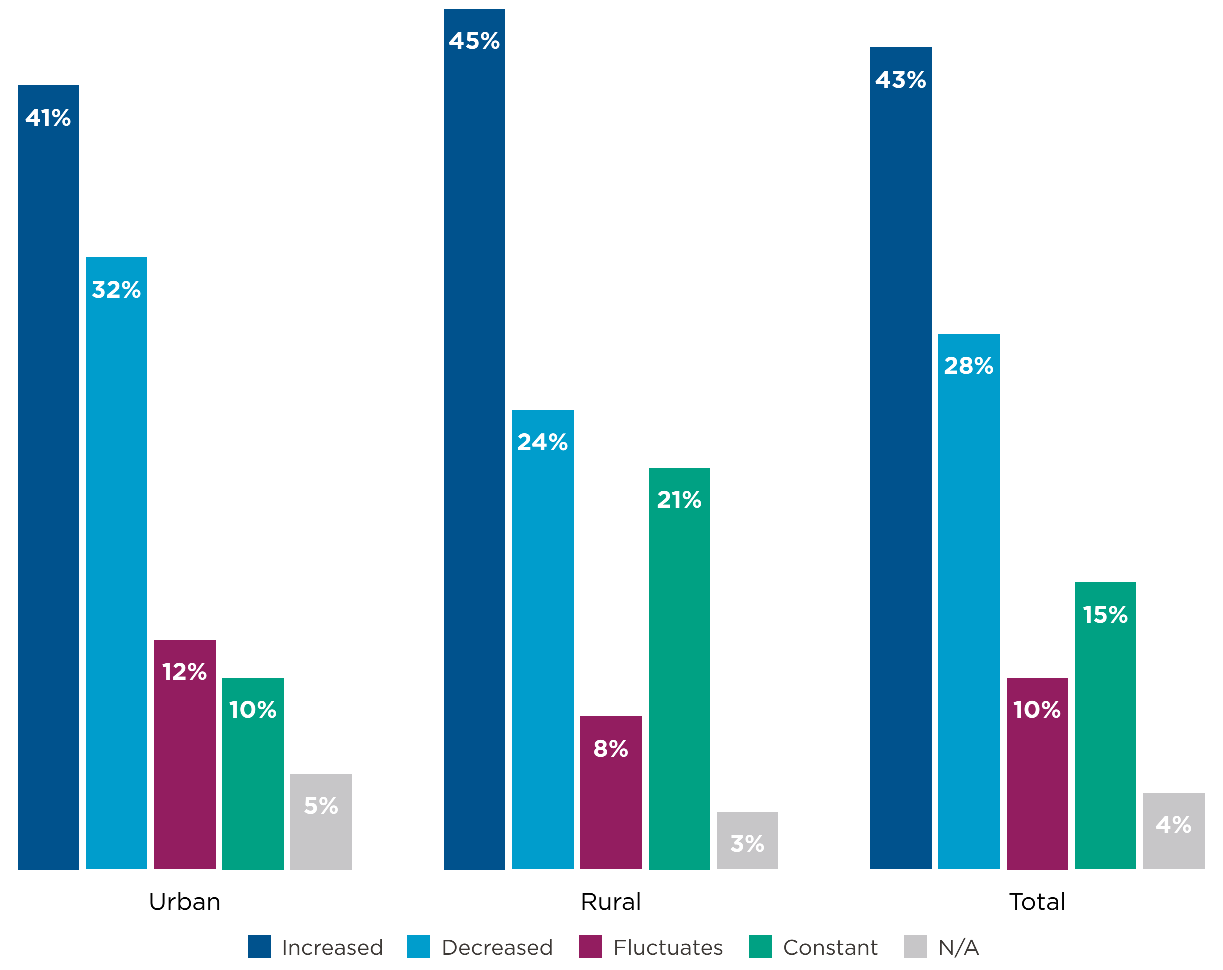


*Inner circle: urban, middle circle: rural, outer circle: total

Respondents gave mixed responses when asked if their commissions have increased since they started working as agents

- 45% of rural respondents stated that their commissions have increased, compared to 41% for urban respondents.
- 21% of rural respondents stated that their commission levels have been constant since they started working as agents.

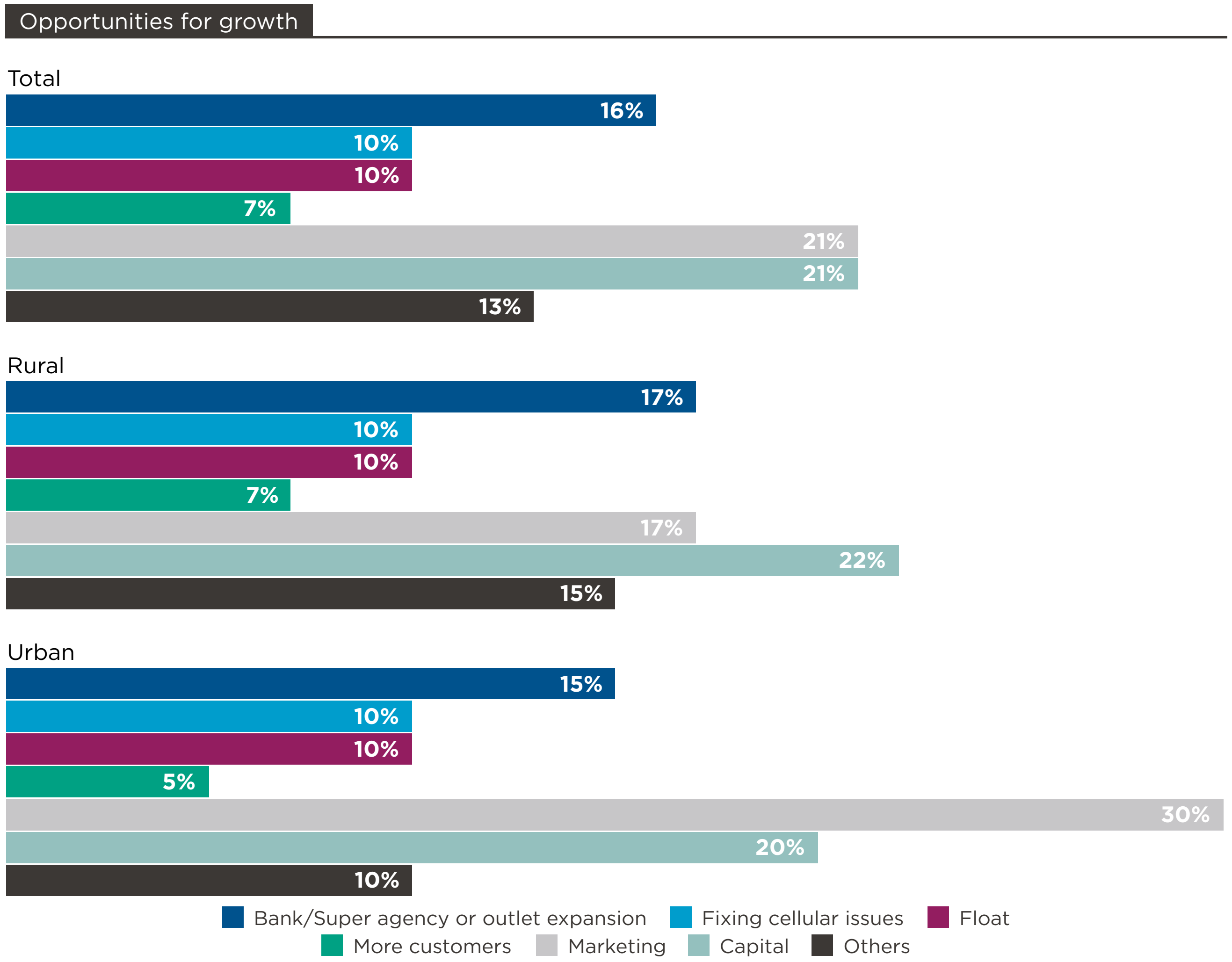
Have your commissions increased or decreased since you started working as an agent? Urban vs. rural



Respondents have diverse views on growth prospects for their business

- When prompted about growth opportunities, 30% of urban agents mentioned marketing as a key factor, almost double of their rural counterparts.

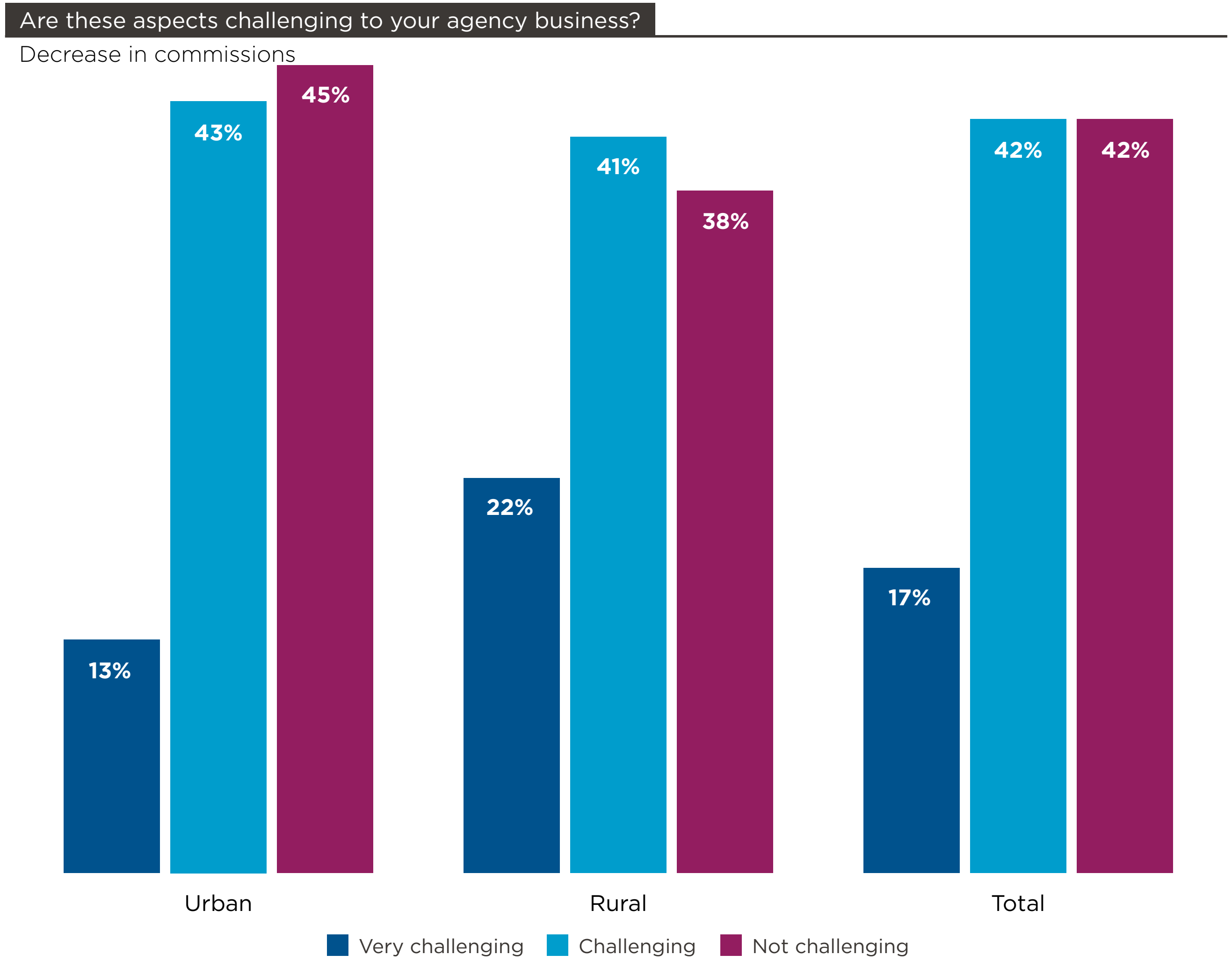
- Doubling up as a bank agent, outlet expansion or becoming a super-agent was of relatively average popularity, ranging from 15% to 17% of respondents.



Perception of challenges

A potential decrease in commission rates by mobile money providers was perceived as a challenge among over half of respondents

- Potential reductions in commission rates was reported as a concern by 59% of respondents who find it a "challenging" or "very challenging" issue)



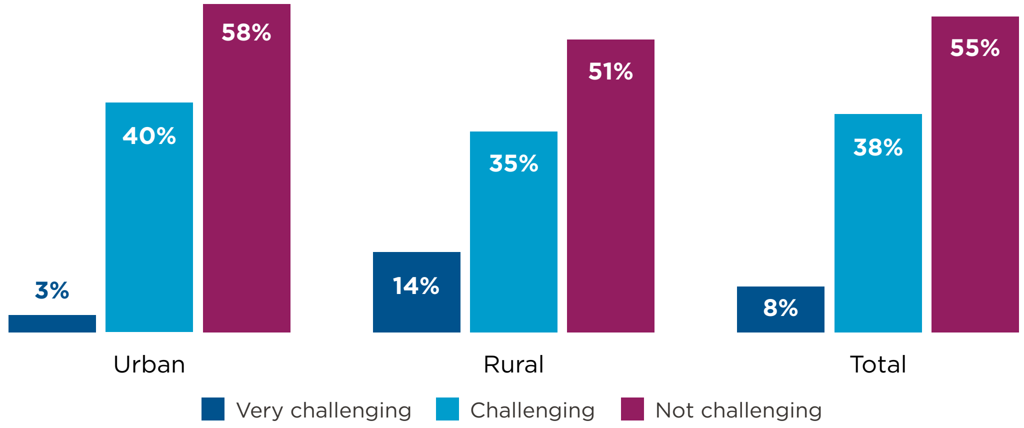
Competition between agents is seen as a challenge by the majority of respondents, while a decrease in activity is a concern for close to half

- The majority of respondents (55%) do not feel that the low number of transactions is concerning they face, but close to half of agents in rural areas did report it as a challenge.
- Growing competition was reported as a challenge by 59% of agents, including 12% who find it "very challenging". As per lower activity, rural agents were more likely to report competition as a challenge (62%).
- Overall, the perception of these challenges, which can both directly affect individual agents' revenue, was a polarizing issue, with a slight rural bias in the proportion of agents who feel concerned by them.

  A potential explanation for this could be that agents in urban areas have already integrated these challenges, whereas they may have started occurring more recently in rural areas.

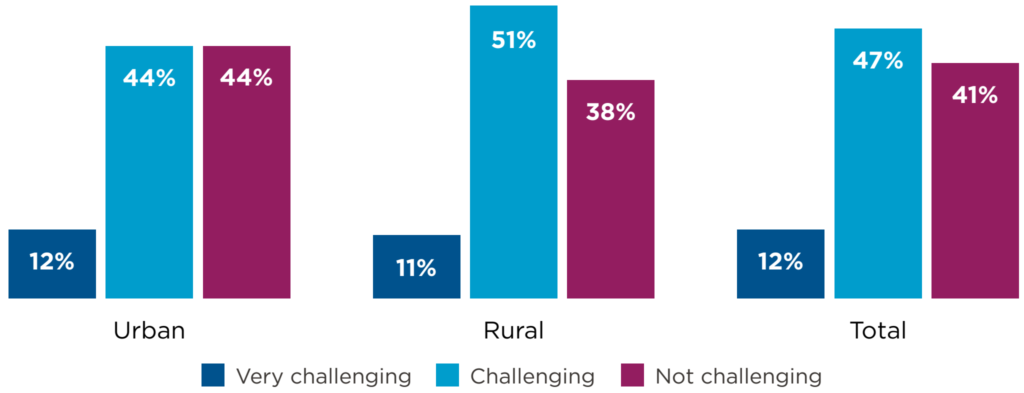
Are these aspects challenging to your agency business?

Lower transaction volumes/values per day



Are these aspects challenging to your agency business?

Growing competition between agents

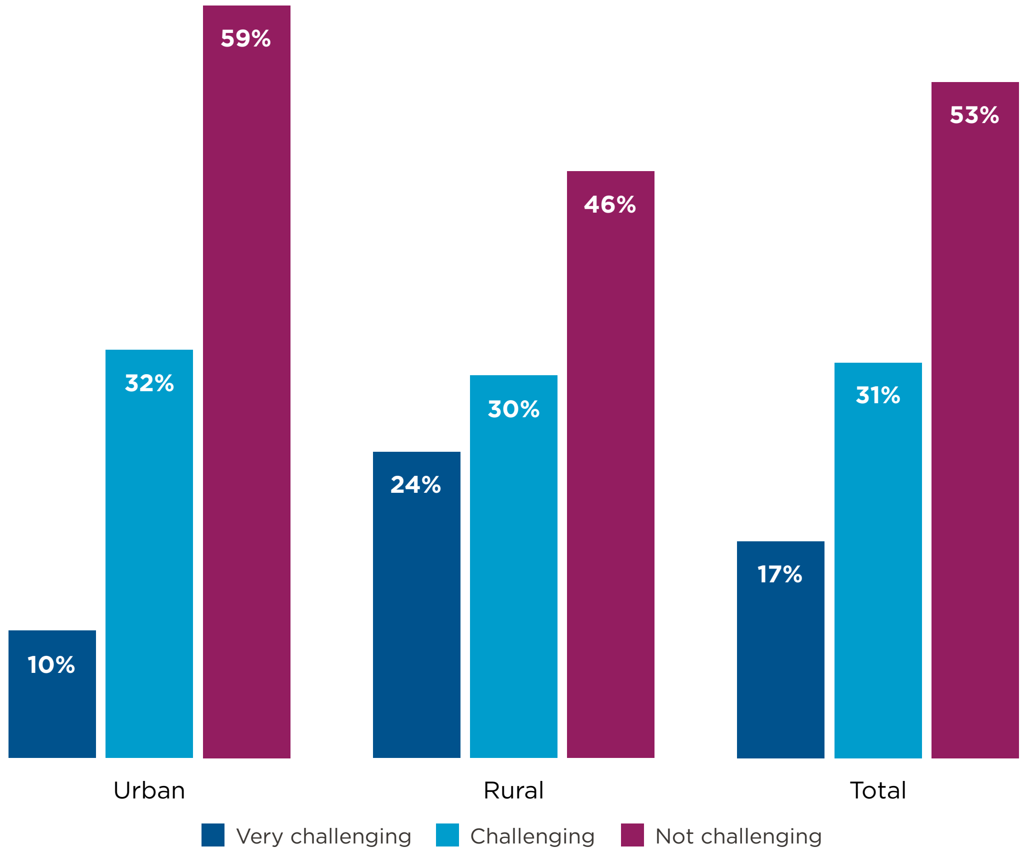


Most agents in rural areas see the growth of operating costs as a critical challenge

- Composed of expenses such as rent, salaries and taxes, rural agents expressed disproportionately higher concerns about growing costs over the past 1-2 years. 54% consider this a very challenging issue, whereas 59% of urban agents do not consider it a challenge at all.

Are these aspects challenging to your agency business?

Operating cost increase*



*Figures may not add up to 100% due to rounding

Other challenges and risks

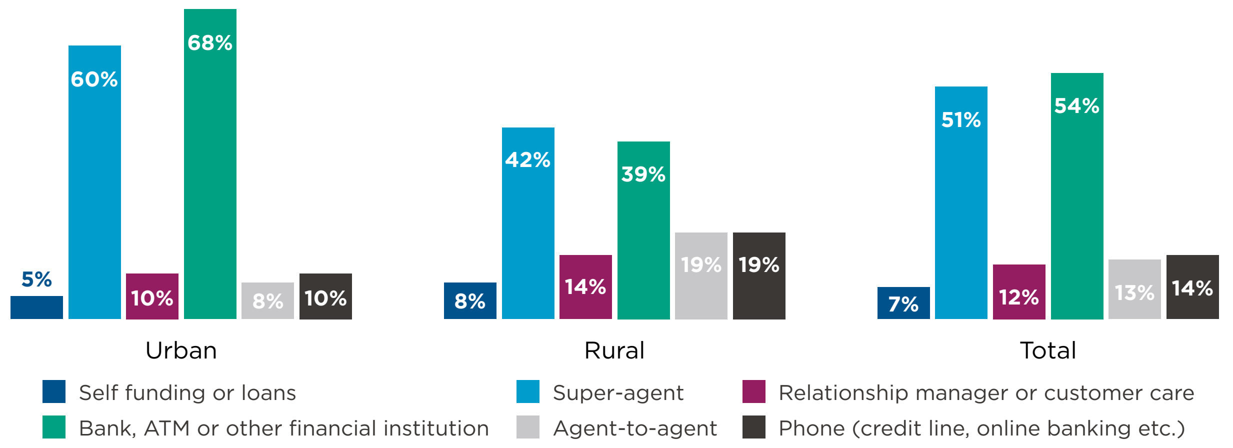
Rural agents often rely on alternative float rebalancing options, relative to urban agents

- Most urban agents replenish their float through financial institutions (68%) or through super-agents (60%), whereas rural agents are more likely to use other means, such as agent-to-agent loans or digital credit apps.

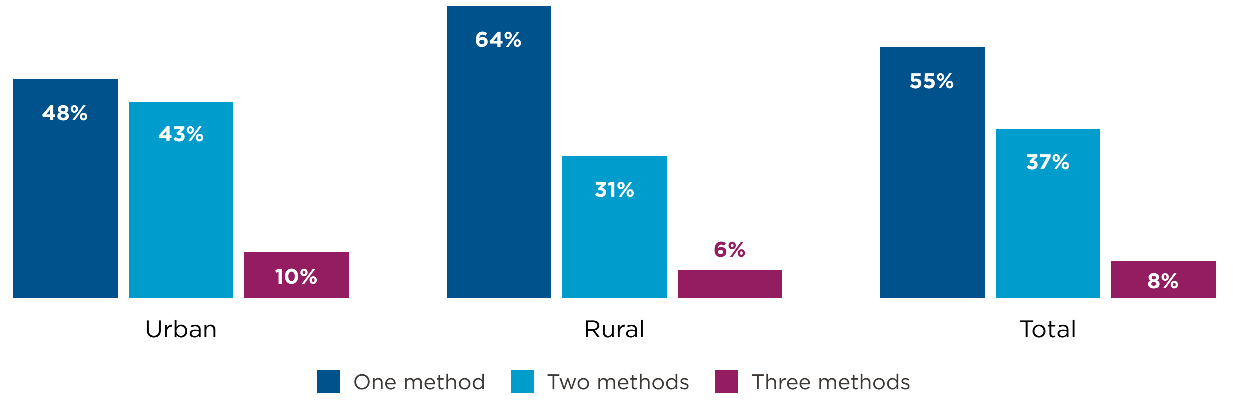
- Rural agents are more likely to use a single float rebalancing method (64%), as opposed to urban ones (48%).

- On average, rural respondents take 42 minutes to replenish their float, whereas urban ones take 26 minutes.

Float rebalancing methods, urban vs. rural



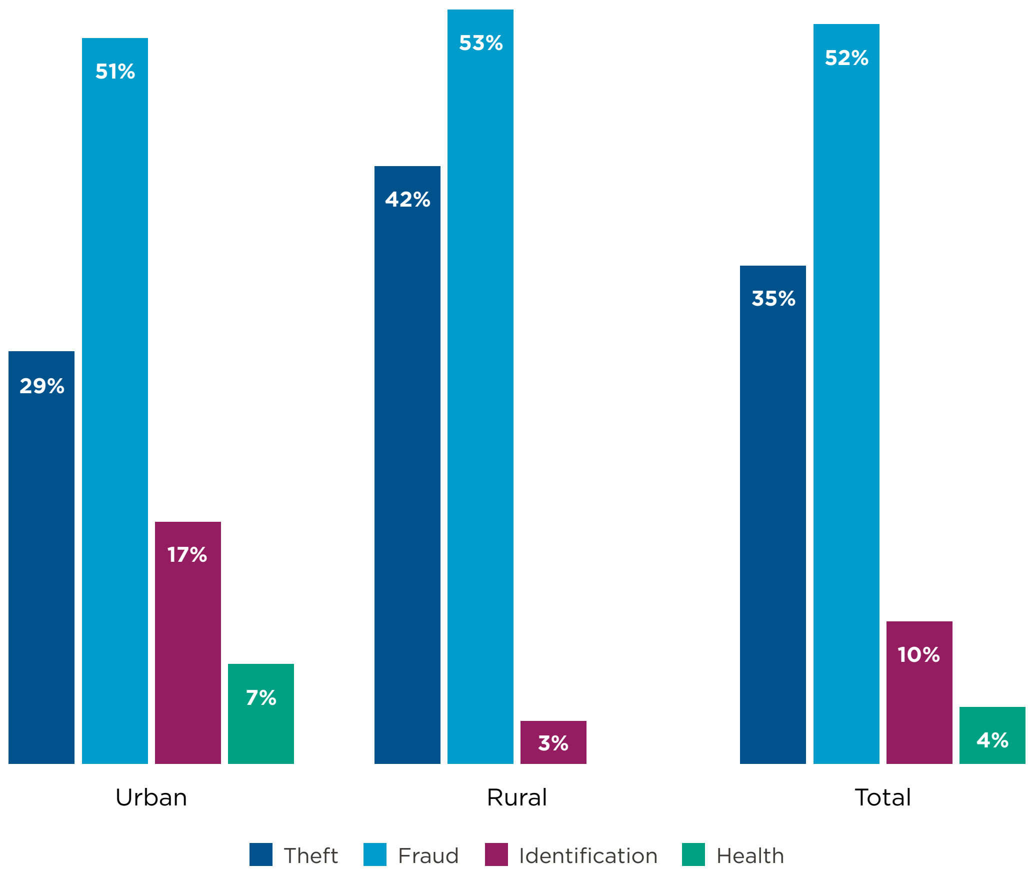
Variety of float rebalancing methods



Most agents report customer-related risks as they operate, particularly fraud

- The majority of agent respondents (78%) admit to encountering risks while serving customers. However, these views vary according to rural/urban geographies.
- Fraud was listed as the main risk encountered by agents, both urban and rural.
- 42% of rural agents view theft as a risk, compared to 29% of urban agents.
- Identification-related risks (which can equate to fraud), such as a lack of ID, or fake identification were mentioned by 17% of urban agents.

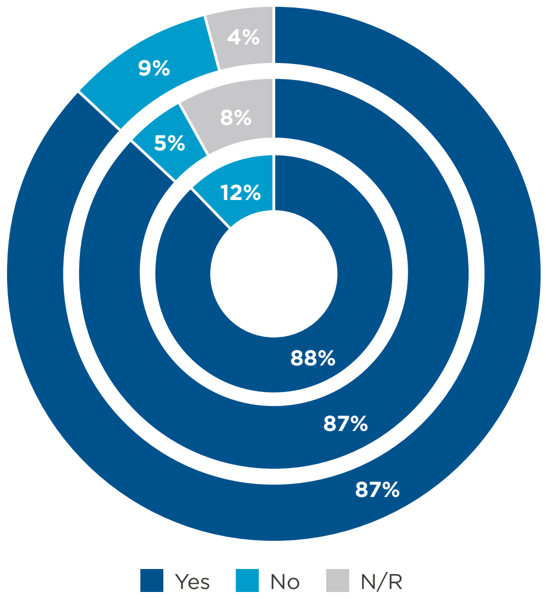
Main risks encountered by the agents, % of agents



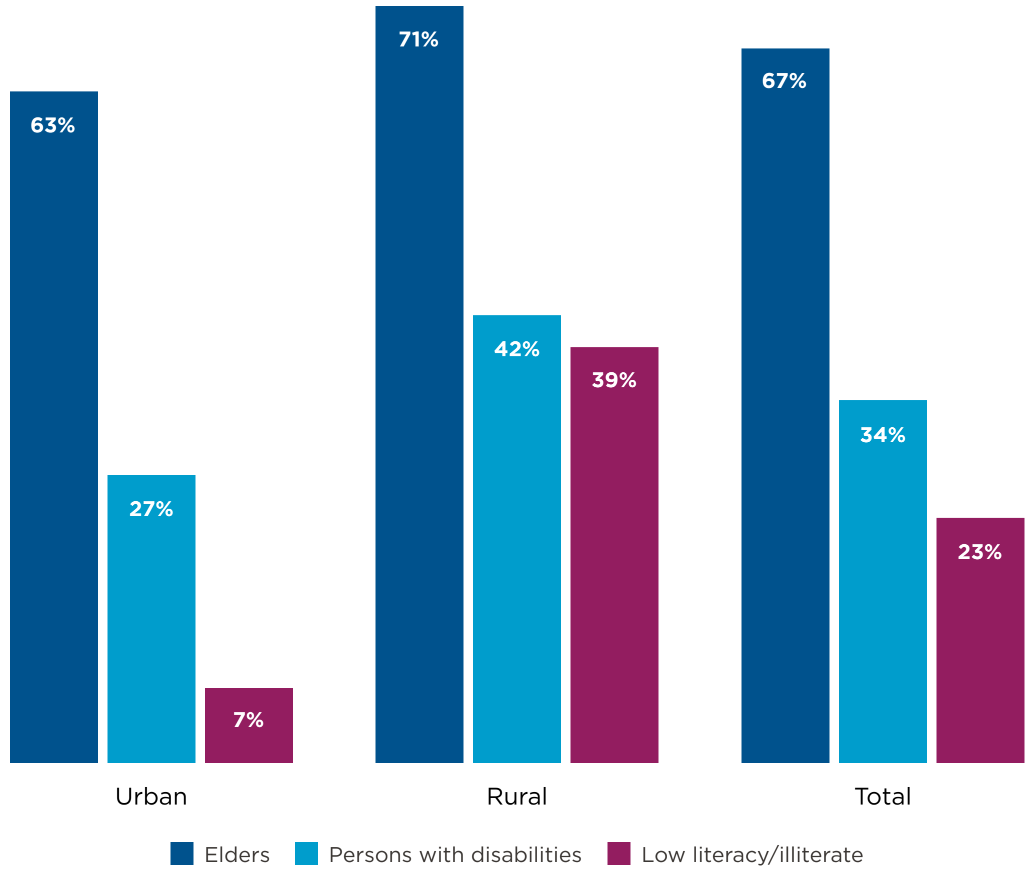
In addition to their formal function, agents play a crucial role in assisting customers with transactions, particularly for the elderly

- 87% of respondents help clients with their transactions. The most quoted group among those who require help is the elderly.
- While assistance levels provided to the elderly are slightly higher in rural areas, rural agents are significantly more likely to assist to persons with disabilities or with low literacy (or illiterate).

Are customers helped with transactions?*



Which customers need help?



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