Agent Network Accelerator Survey: Tanzania Country Report 2015

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Project Description

Through the financial support of the Bill & Melinda Gates Foundation and the United Nations Capital Development Fund (UNCDF), *MicroSave i*s conducting a four-year research project in the following eleven focus countries as part of the **Agent Network Accelerator (ANA)** Project:

Africa

- Kenya
- Nigeria
- Tanzania
- Uganda
- Zambia
- Senegal
- Benin

Asia

- Bangladesh
- India
- Indonesia
- Pakistan

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Focus of Research

The research focuses on operational determinants of success in agent network management, specifically:

Network Structure

Network Operational Efficiency

Agent Viability

Quality of Service

Control and Compliance

Agent Network Overview

Tanzania's market is increasingly competitive, as Tigo and Airtel are catching up with the market leader Vodacom, in terms of market presence. Tanzania is witnessing a steady, progressive evolution of the market with increased self-initiated customer transactions. While this has led to a decrease in transactions at the agent level, it represents an opportunity for providers to design products to enhance the trend. More agents are non-exclusive and non-dedicated compared to 2013, which is necessary and desirable. Providers will want to maintain agent profitability, and ensure that agent network growth does not outpace customer growth.

➤ Non-exclusive agents are serving more providers than in 2013. While revenues at the agency level have decreased compared to 2013, agents are the second most profitable among the ANA East African countries.

➤ Agents suffer high rates of crime and fraud, and their support metrics are lower than 2013.

➤ Liquidity management is more convenient for agents, as a little more than a third of agents do not travel to rebalance—up from 6% in 2013.

➤ Agents are optimistic: the vast majority foresee themselves being an agent in a year's time, but worry about competition and unpredictable client demand.

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Network Structure

Tanzania
Dodoma

The Research Is Based On 2,066 Nationally Representative Agent Interviews

Achieved Sample

- 304, 15% — Dar es Salaam
- 991, 48% — Other Urban
- 771, 37% — Rural
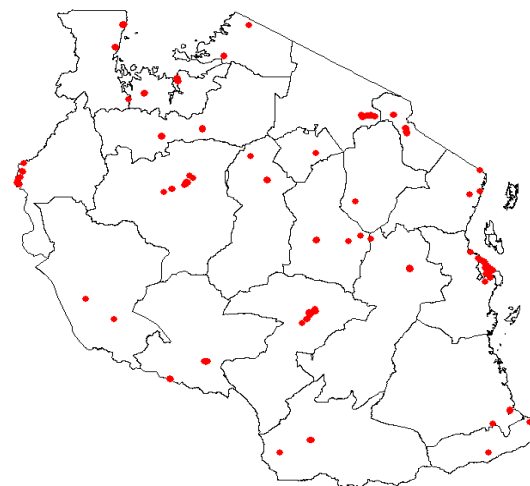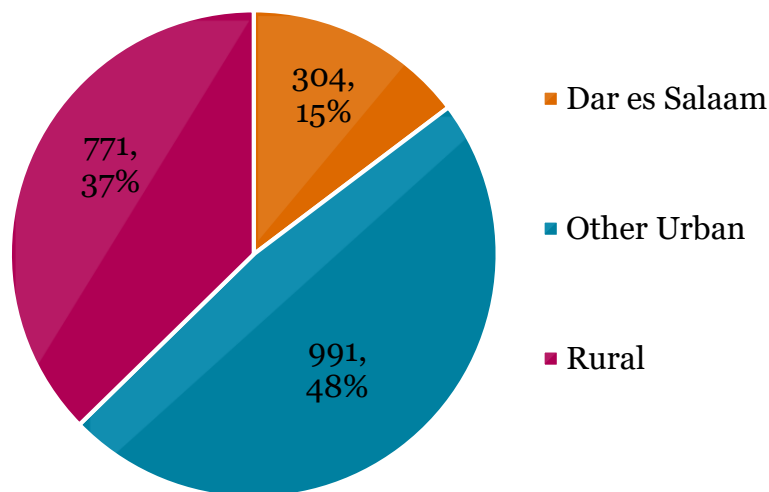
- Red dots represent the sample distribution of agents interviewed in September and October 2015 using a random route methodology.

Sample Profile

| Total Sample Size	Ownership Of DFS Business		Exclusivity		Dedication		Gender	
	Owner	Operator	Exclusive	Non-Exclusive	Dedicated	Non-Dedicated	Male	Female
2,066	644, 31%	1,422, 69%	628, 30%	1,438, 70%	880, 43%	1,186, 57%	1,096, 53%	970, 47%

*Only agents who conduct at least one transaction per month (active agents) were interviewed as part of the ANA survey.
Definitions for exclusivity and dedication can be found in the Appendix.
The nationally representative sample is also representative at the capital, other urban, and rural levels.

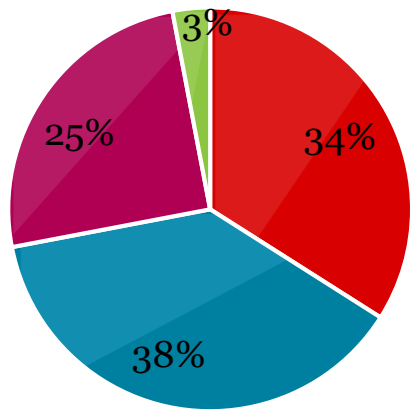# Tigo And Airtel Are Catching Up To Market Leader Vodacom

Market Presence*

- Vodacom — 43%
- Tigo — 31%
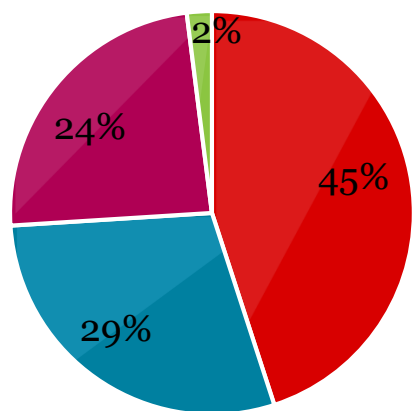- Airtel — 24%
- Other Providers — 2%
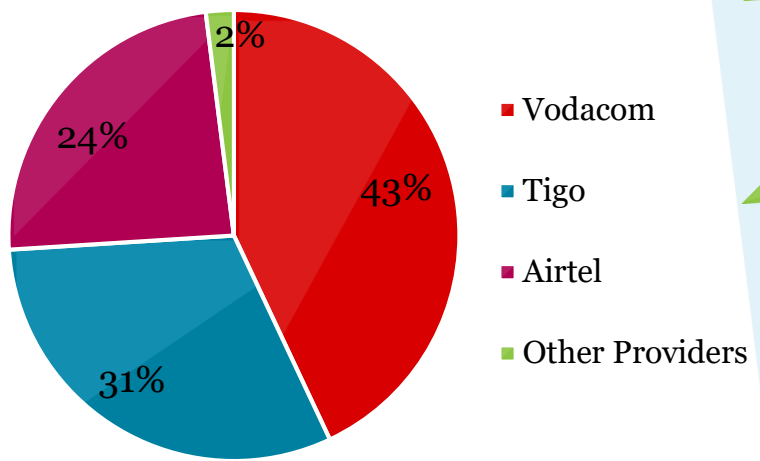
Tanzania's market is becoming **increasingly competitive**, with Airtel growing its share of presence by 8% and Tigo by 4% since 2013.

Market leader Vodacom's share of presence dropped from 55% in 2013 to 43% in 2015. It's presence dropped most significantly in rural areas (-20%). In Dar es Salaam, Vodacom's share of presence dropped by 7%, **making Tigo the market leader there.**
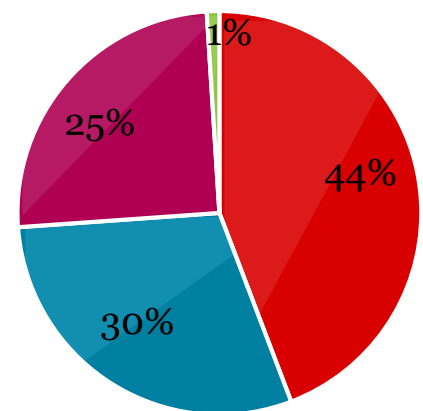
Dar es Salaam

- 34% Vodacom
- 38% Tigo
- 25% Airtel
- 3% Other Providers

Other Urban

- 45% Vodacom
- 29% Tigo
- 24% Airtel
- 2% Other Providers

Rural

- 44% Vodacom
- 30% Tigo
- 25% Airtel
- 1% Other Providers

Legend:
- Vodacom
- Tigo
- Airtel
- Other Providers

*Agent market presence is defined as the proportion of cash-in/cash-out (CICO) agents by provider. Numbers here are provided on a till basis, therefore if an agent serves three providers the agency is counted three times.

Network Operational Efficiency

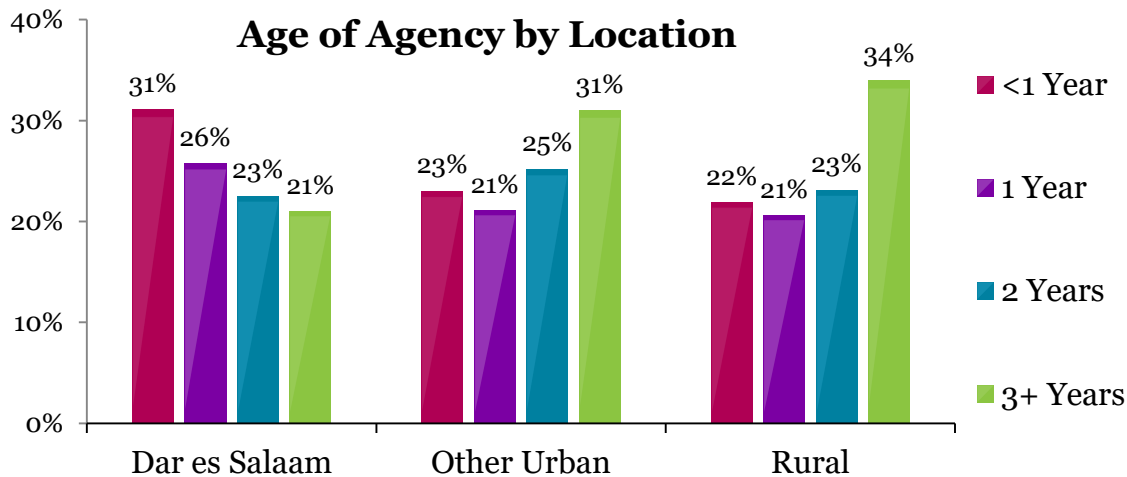# Agents Are Optimistic And Eager To Join Agency Banking

Age of Agency

- 408, 24% — <1 Year
- 371, 21% — 1 Year
- 415, 24% — 2 Years
- 262, 15% — 3 Years
- 270, 16% — 4+ Years
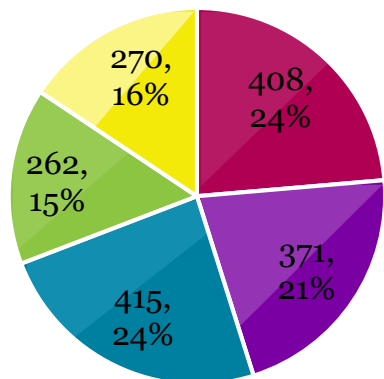
<1 Year   **1 Year**   **2 Years**   **3 Years**   **4+ Years**

▶ Though mobile money was launched in 2008, almost half (45%) of agents have been in business one year or less, indicating **rapid growth and/or high churn rates**. Concurrently, the proportion of agents in business for two years plus has more than doubled since 2013, indicating that **the market is maturing but still attracting new entrants.**

▶ **Agents are optimistic**: 96% of agents foresee themselves serving as an agent in one year's time.

▶ 84% of agents expressed desire to serve an additional provider, with CRDB Bank being the most popular. This could indicate **eagerness to join agency banking**. Currently, less than 1% is serving a bank.

Age of Agency by Location

Dar es Salaam: <1 Year 31%, 1 Year 26%, 2 Years 23%, 3+ Years 21%
Other Urban: <1 Year 23%, 1 Year 21%, 2 Years 25%, 3+ Years 31%
Rural: <1 Year 22%, 1 Year 21%, 2 Years 23%, 3+ Years 34%
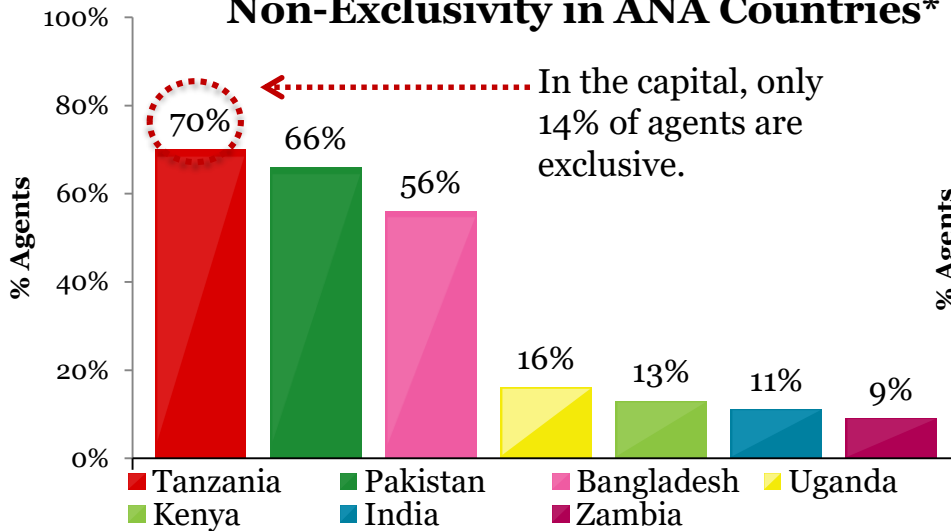
- <1 Year
- 1 Year
- 2 Years
- 3+ Years

There is a **higher concentration of new agents in Dar es Salaam** as compared to other urban and rural areas: 57% of agents in the capital have been operating for one year or less, versus 43% in rural areas. This suggests that those providers that are **increasing their presence** are **using existing agents**, particularly in **rural areas.**
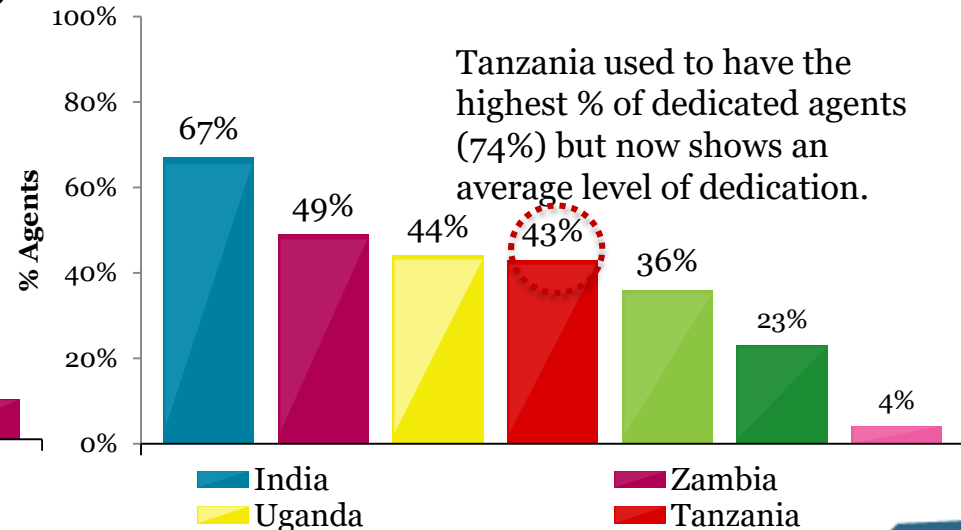
Tanzania Ranks The Most Non-Exclusive Market

Tanzania's **non-exclusivity levels increased** from 52% to 70% and is the highest among ANA countries. Exclusivity levels drop with age of agency, indicating a portion of agents start exclusive before choosing to serve other providers. Agents now **serve more providers**—a median of 3 providers versus 2 in 2013.

43% of agents are now dedicated as compared to 74% in 2013. Agents are **diversifying their income** by running other businesses in parallel—most of them small general stores—and there are now fewer full-time DFS agents. The combination of non-exclusivity and non-dedication is desirable, given the increase in self-initiated transactions. This puts less pressure on providers to ensure their agents' profitability.
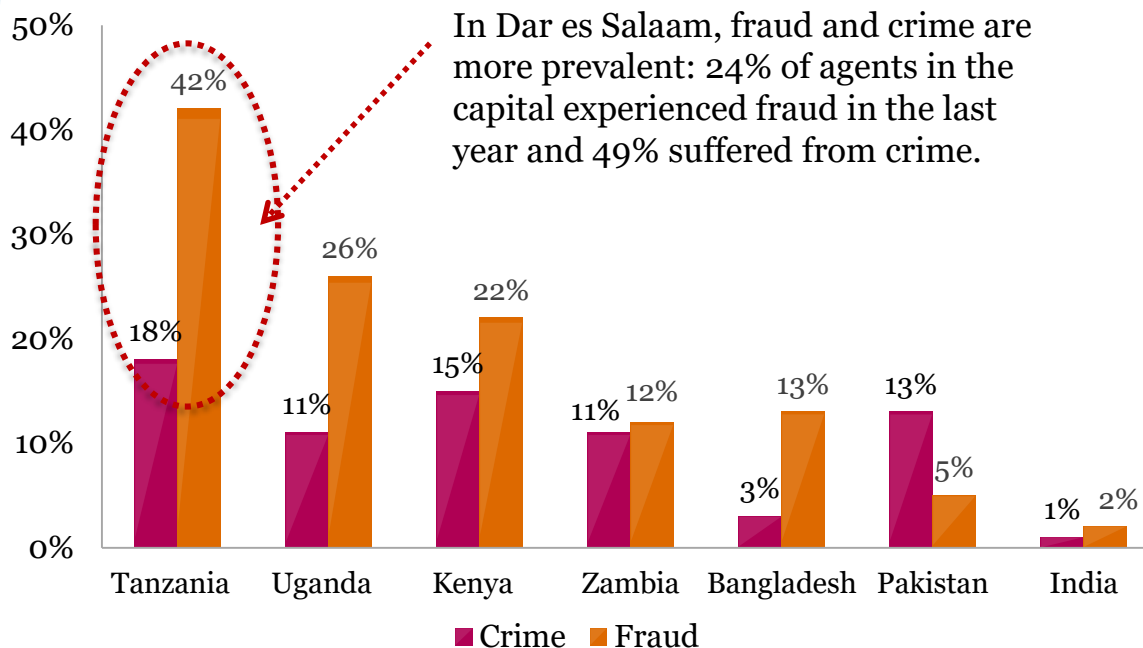
Non-Exclusivity in ANA Countries*

In the capital, only 14% of agents are exclusive.

% Agents

- Tanzania: 70%
- Pakistan: 66%
- Bangladesh: 56%
- Uganda: 16%
- Kenya: 13%
- India: 11%
- Zambia: 9%

Legend: Tanzania, Pakistan, Bangladesh, Uganda, Kenya, India, Zambia

Dedication in ANA Countries*

Tanzania used to have the highest % of dedicated agents (74%) but now shows an average level of dedication.

% Agents

- India: 67%
- Zambia: 49%
- Uganda: 44%
- Tanzania: 43%
- 36%
- 23%
- 4%

Legend: India, Zambia, Uganda, Tanzania

*ANA surveys were conducted in 2013 in Uganda, Kenya, and Tanzania; in 2014 in Bangladesh, Kenya, Pakistan, and India; and in 2015 in Zambia and Tanzania. Country comparison graphs contain most recent data available.

Crime And Fraud Are Very Prevalent Among Agents In Tanzania

Almost a fifth of agents in Tanzania indicate that they personally, or one of their employees, experienced robbery or theft in the last year, and more than 40% of agents have experienced cases of fraud in the last year. These numbers are **much higher than in any other ANA country.**

In order to help agents prevent and better cope with crime and fraud, **they require more targeted training and support.** Given the high prevalence, this should be considered a priority focus area.

Agents Reporting Robbery/Theft* and Fraud

In Dar es Salaam, fraud and crime are more prevalent: 24% of agents in the capital experienced fraud in the last year and 49% suffered from crime.

**InterMedia research indicates that security concerns are among the primary drivers of mobile money non-use.
Interestingly, customers report more security concerns when transacting at non-dedicated agent outlets.**

*Robbery/theft can include theft by people external to the agency business (armed robbery) and internal theft by staff.

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Agent Viability

New Products Are Launched, But There Is Less Focus On Registration

This decrease can be attributed to self-registration as well as dedicated sales agents to register customers.

The decrease points to a drop in agent-assisted Over the Counter (OTC) transactions and/or direct deposits. This may be due to interoperability, which enables customers to send and receive money from different e-wallets, agents underreporting offering this service, and/or providers' increased vigilance towards agents conducting direct deposits.
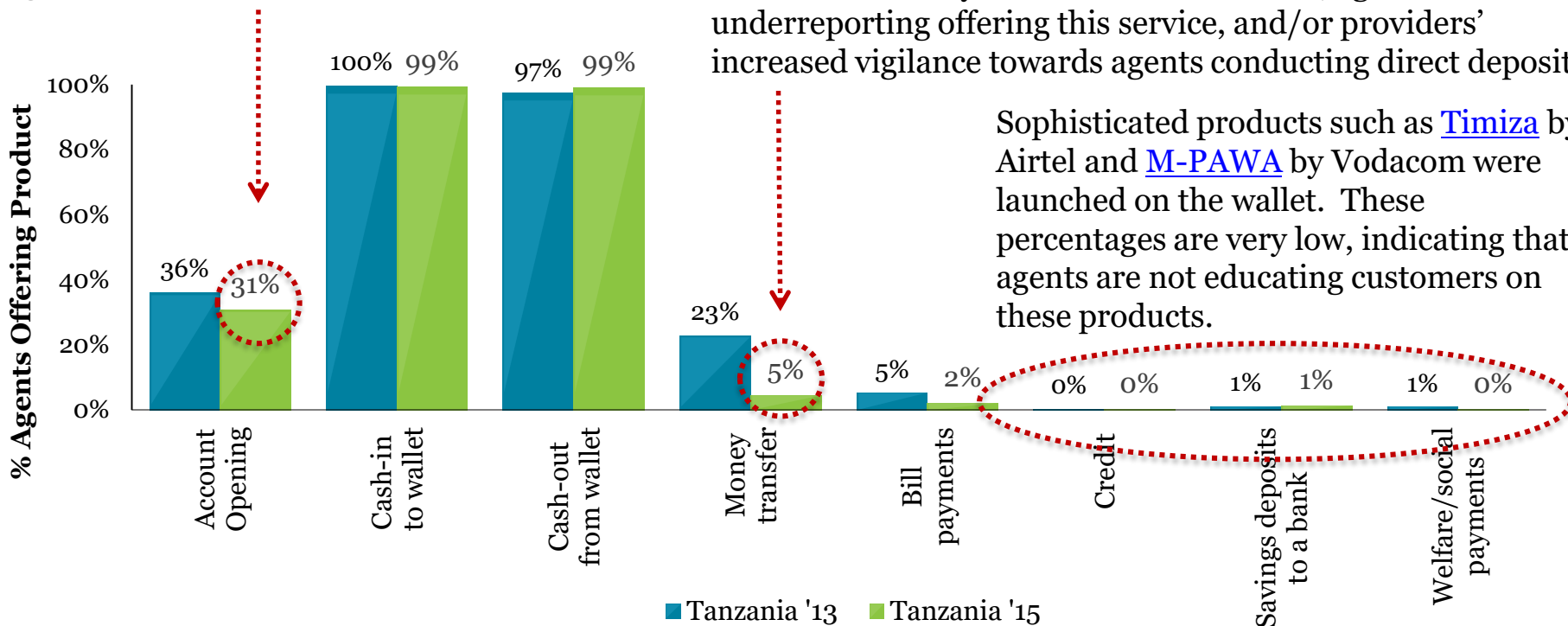
Sophisticated products such as Timiza by Airtel and M-PAWA by Vodacom were launched on the wallet. These percentages are very low, indicating that agents are not educating customers on these products.

% Agents Offering Product

Product	Tanzania '13	Tanzania '15
Account Opening	36%	31%
Cash-in to wallet	100%	99%
Cash-out from wallet	97%	99%
Money transfer	23%	5%
Bill payments	5%	2%
Credit	0%	0%
Savings deposits to a bank	1%	1%
Welfare/social payments	1%	0%

New wallet-based products mean that customers only have to use the agent for cash-ins and cash-outs. Nonetheless, providers will want to develop strategies to empower and encourage their **agents to educate customers on the new products** as they are providers' brand ambassadors. Ultimately, these new products lead to **greater cash-in and cash-outs for the agents.**

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Daily Transactions* Are Now Lowest Among ANA African Countries

Median Daily Transactions: ANA Research Countries
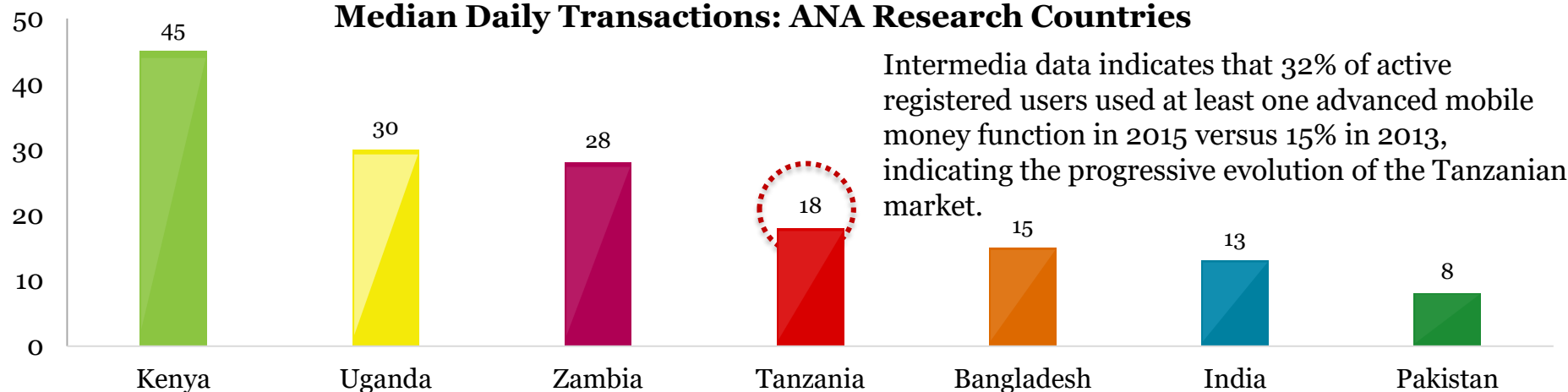
Intermedia data indicates that 32% of active registered users used at least one advanced mobile money function in 2015 versus 15% in 2013, indicating the progressive evolution of the Tanzanian market.

Kenya	Uganda	Zambia	Tanzania	Bangladesh	India	Pakistan
45	30	28	18	15	13	8

- Median daily provider-level transactions an agent performs dropped from 30 in 2013 to 18 in 2015. However, agents are now serving a **median of 3 providers as compared to 2 in 2013, and conduct a median of 30 transactions a day at the agency level.**

- The decrease in provider-level transactions an agent conducts can be attributed to the following:
  - FAS data indicates that the number of agents per 100,000 adults has increased from 565 in 2013 to 851 in 2014 suggesting an **overall increase of agents in Tanzania**. It will be judicious for providers to ensure that agent-customer growth ratio is balanced;
  - The **drop in the number of dedicated agents**: non-dedicated agents transact less as they likely spend time on their other parallel business as well; and
  - An increase in self-initiated wallet based transactions, including self-registration, as well as customers pulling money from their bank accounts (Intermedia, 2015).

*Numbers represent transactions per day at the provider level, not overall volumes for the agency. Methodology for calculating provider-level transactions has slightly changed, please see Appendix for further detail.

Transaction Volumes* And Values Have Decreased Since 2013

Transaction Type	Tanzania '13		Tanzania '15	
	Median Volume of Transactions	Median Value of a Transaction	Median Volume of Transactions	Median Value of a Transaction
Money Transfer/Day	-	-	4	$25
Cash-In/Day	15	$32	8	$18
Cash-Out/Day	16	$32	9	$20
Bill Payment/Month	-	-	7	$10
Enrolment/Month	26	N/A	20	N/A

- For a single provider, agents conduct **fewer cash-in/cash-out transactions (CICO)** than in 2013. At the agency level, CICO are likely higher than in the table since non-exclusive agents serve a median of 3 providers. Nonetheless, the drivers of per-agent transaction drop can be attributed to: the maturity of the market (61% of Tanzanians have a registered account thus less enrollments, more self-initiated transactions bypassing the agents, Intermedia 2015), an increase in agent network growth, and the drop in dedication levels.

- The **median value of a single transaction has decreased**, which may be partly attributed to the depreciation of the Tanzanian shilling in 2015 (0.0005 vs. 0.000624 in 2013). However, this decrease warrants further research as it may reflect evolving patterns of use as customers begin to move digital money around the ecosystem.

- The median number of cash-outs is slightly **higher than cash-ins conducted** by an agent for a single provider. It points to users pulling money from their bank accounts to their wallets, instead of solely relying on the agent.
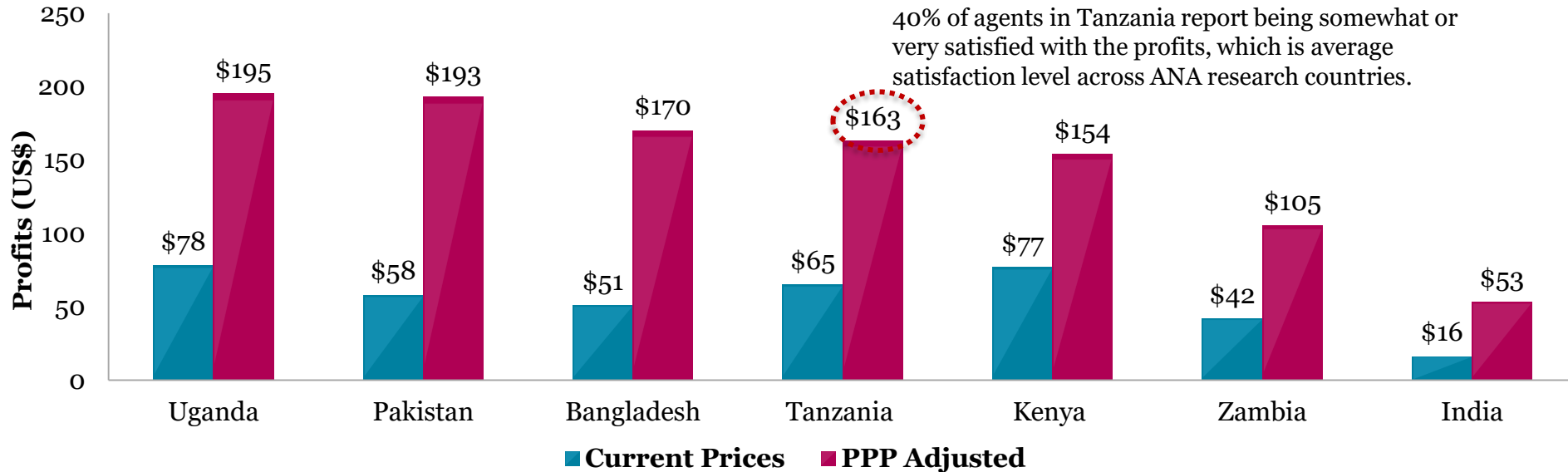
*Numbers represent transactions per day at the provider level, not overall volumes for the agency. Methodology for calculating provider-level transactions has changed, please see Appendix for further detail.

Tanzanian Agents' Profitability Is Decreasing

Median profits of Tanzanian agents have dropped by $75 (PPP adjusted) since 2013. This can be partially attributed to the lower number of median transactions an agent conducts, the type of transactions conducted and median values which may impact commissions, and the dramatic drop in the number of dedicated agents.

Non-dedicated agents make less ($150 PPP adjusted) than dedicated agents ($188 PPP adjusted). The difference is more prominent in Dar es Salaam, where dedicated agents earn three times as much ($365 PPP adjusted) as non-dedicated agents ($138 PPP adjusted).
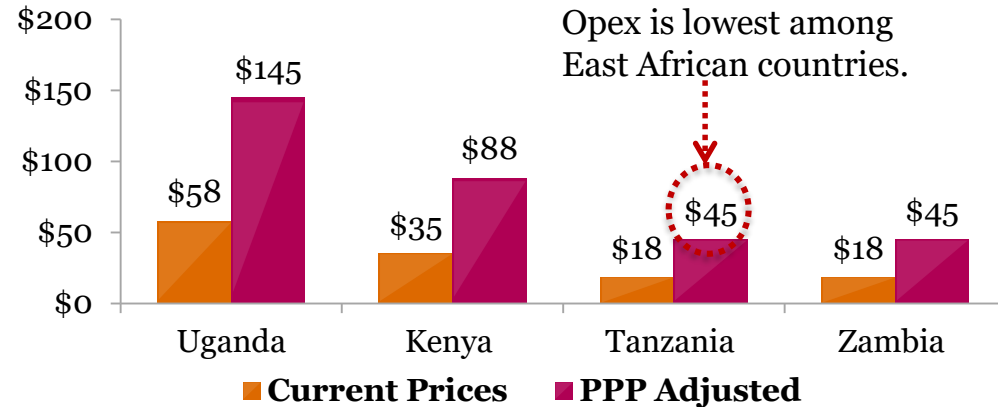
Median Profitability: ANA Research Countries

40% of agents in Tanzania report being somewhat or very satisfied with the profits, which is average satisfaction level across ANA research countries.
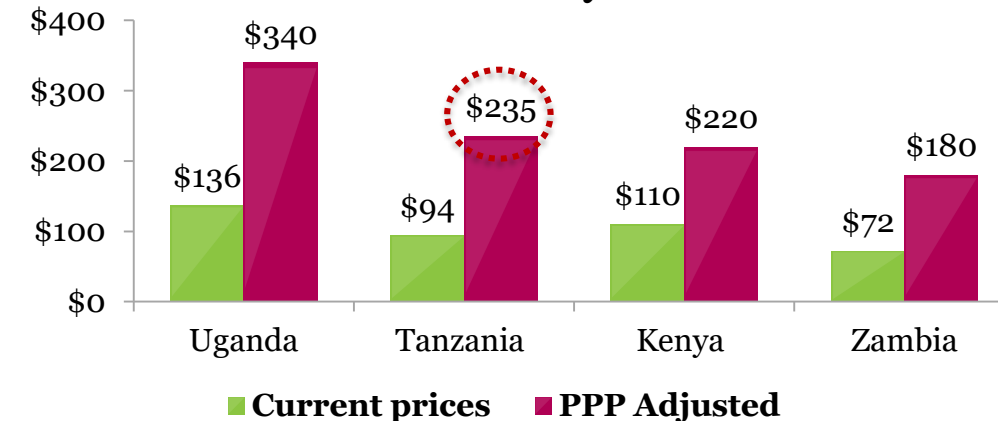

*Profitability as shown in the graph is calculated as agent reported total earnings minus operating expenses for all countries. In the case of India, the fixed monthly component given to agents has also been considered in this calculation. This is different from other ANA countries where commissions earned makes up the total earnings of the agent. For all countries, profits are reported for overall agent business.

Low Monthly Earnings* Drive Low Profitability Despite Low OpEx*

Median Monthly OpEx

Opex is lowest among East African countries.

Bar chart — Median Monthly OpEx (Current Prices vs PPP Adjusted):
- Uganda: $58 / $145
- Kenya: $35 / $88
- Tanzania: $18 / $45
- Zambia: $18 / $45

■ **Current Prices** ■ **PPP Adjusted**

Total Monthly Revenue

Bar chart — Total Monthly Revenue (Current prices vs PPP Adjusted):
- Uganda: $136 / $340
- Tanzania: $94 / $235
- Kenya: $110 / $220
- Zambia: $72 / $180

■ **Current prices** ■ **PPP Adjusted**

▸ **Operating expenses decreased** from $25 in 2013 to $18 in 2015. Dedicated agents spend ten times more (median of $30) than non-dedicated agents (median of $3).

▸ In 2013, the PPP adjusted earnings for Tanzanian agents were higher than those in other African ANA countries, but the **median earnings at the outlet level have decreased** from $126 in 2013 to $94 in 2015. In the capital, agents earn much more: $150.

▸ 17% of agents are making losses. This percentage is **high when compared to Kenya and Uganda (both 11%).**

*Our methodology for calculating earnings and operating expenses has changed, please see Appendix for further detail.

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Agents' Top Three Barriers To Conducting More Transactions*

Agents are feeling the pressure of competition. 59% know of any mobile money agent within 1 km from their home, indicating high agent density (Intermedia 2015). Providers may want to look into the agent acquisition to customer registration ratio.

This barrier includes customers not showing their ID and could be overcome by conducting customer education campaigns.

This irregularity can reflect the increase in the number of self initiated transactions, where customers are no longer solely dependent on the agent. This may also be a result of interoperability, where customers can move e-float between wallets.

Too many other agents competing for business

Customers not following my instructions

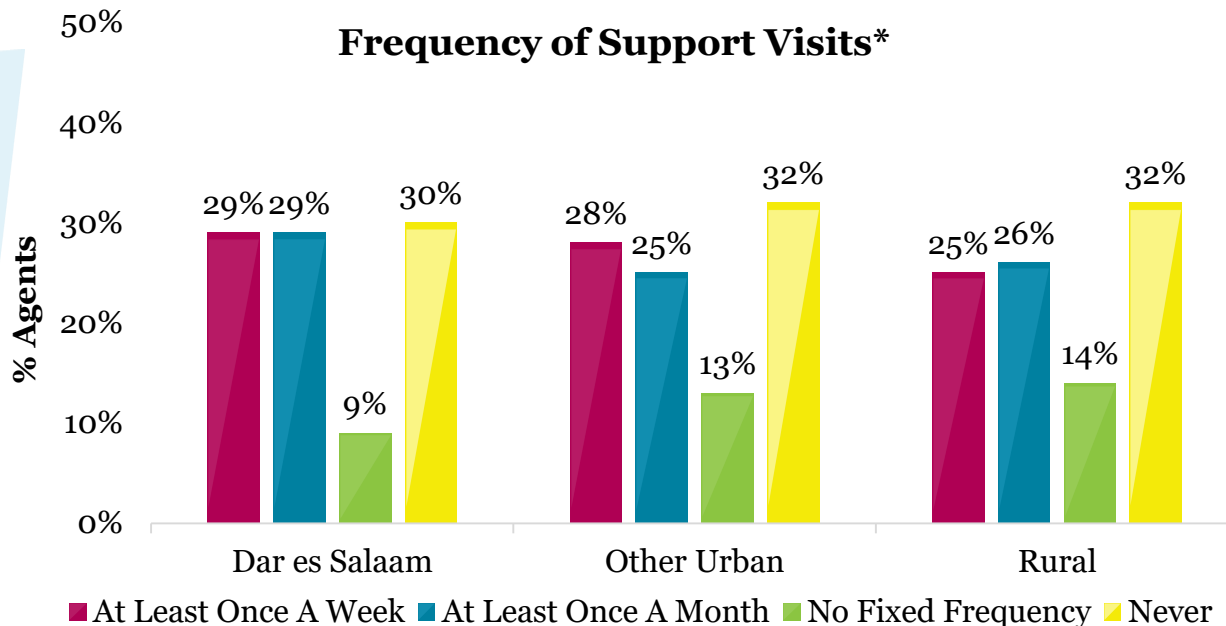Individual clients demand for service is not very regular

*Agents were asked to select top three barriers to conducting more transactions from a list of 10 options, including the option to pick "Other". The above figures are a weighted average of the barriers ranked by agents, where taller bars mean a higher relative ranking.

Quality of Service

Nearly A Third Of Agents Never Receive Support Visits

A little more than half of Tanzanian agents receive regular visits, while **32% are never visited.**

82% of agents are aware of the provider's call center. This percentage is low as compared to Zambia (90%), Uganda (93%) and Kenya (95%). Some 88% find the call center helpful.

Frequency of Support Visits*

% Agents

Dar es Salaam: At Least Once A Week 29%, At Least Once A Month 29%, No Fixed Frequency 9%, Never 30%

Other Urban: At Least Once A Week 28%, At Least Once A Month 25%, No Fixed Frequency 13%, Never 32%

Rural: At Least Once A Week 25%, At Least Once A Month 26%, No Fixed Frequency 14%, Never 32%

■ At Least Once A Week ■ At Least Once A Month ■ No Fixed Frequency ■ Never

Agents could benefit from more regular support from their providers. These visits can help answer agents' questions, solve technical problems, and educate agents on new products so that they can in turn promote them. Regular support visits may also be used as a means to **collect business intelligence on ground realities.**

*2.4% who answered "Don't know" or "Other" are not shown in the graph, therefore bars do not add up to 100%.

Training Rates Are The Lowest Among East Africa And Zambia

Trained Agents: ANA Research Countries

The percentage of trained agents is slightly higher in other urban areas (83%), while in rural areas only 76% of agents are trained.

% Agents

- Uganda: 94%
- Zambia: 92%
- Kenya: 89%
- Tanzania: 80%
- Bangladesh: 68%
- Pakistan: 62%
- India: 59%
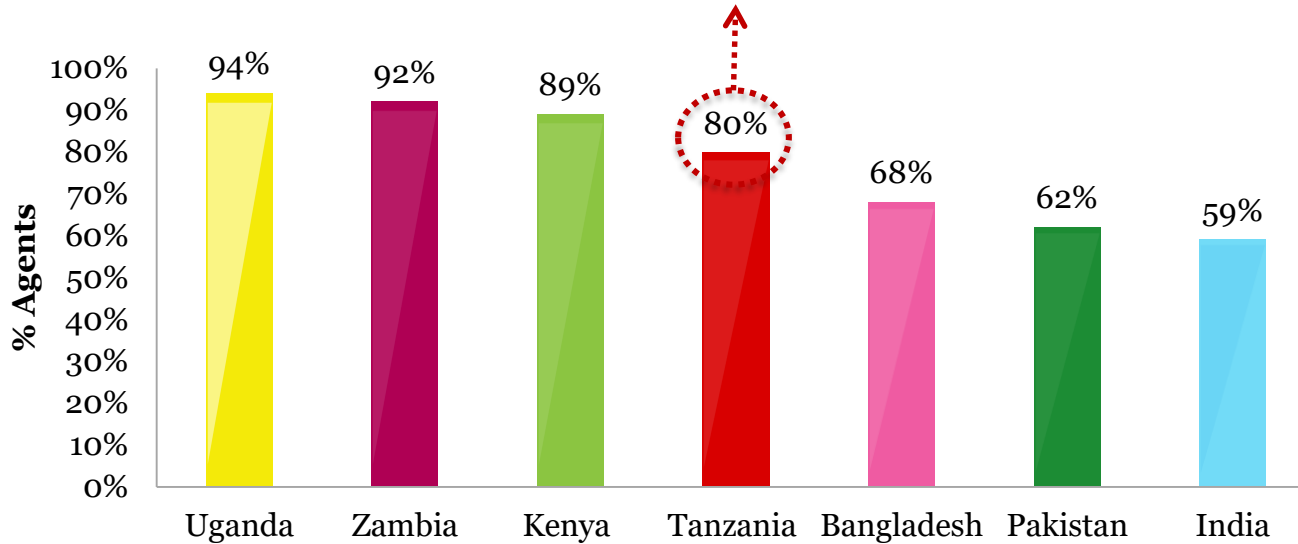
Only 33% of agents are initially trained by their provider. This percentage is low as compared to Kenya (37%) and Zambia (47%).

27% was trained by an aggregator. In Kenya, only 10% of agents are trained by an aggregator.

73% of trained agents have received a refresher training. In Dar es Salaam, this figure is only 56%. With providers launching sophisticated DFS products, **more frequent and in-depth training of agents will be required** to ensure they can conduct complex transactions and educate their customers. Agents could also benefit from more training and support in dealing with crime and fraud.

Those Agents Who Travel For Rebalancing Mostly Use Banks

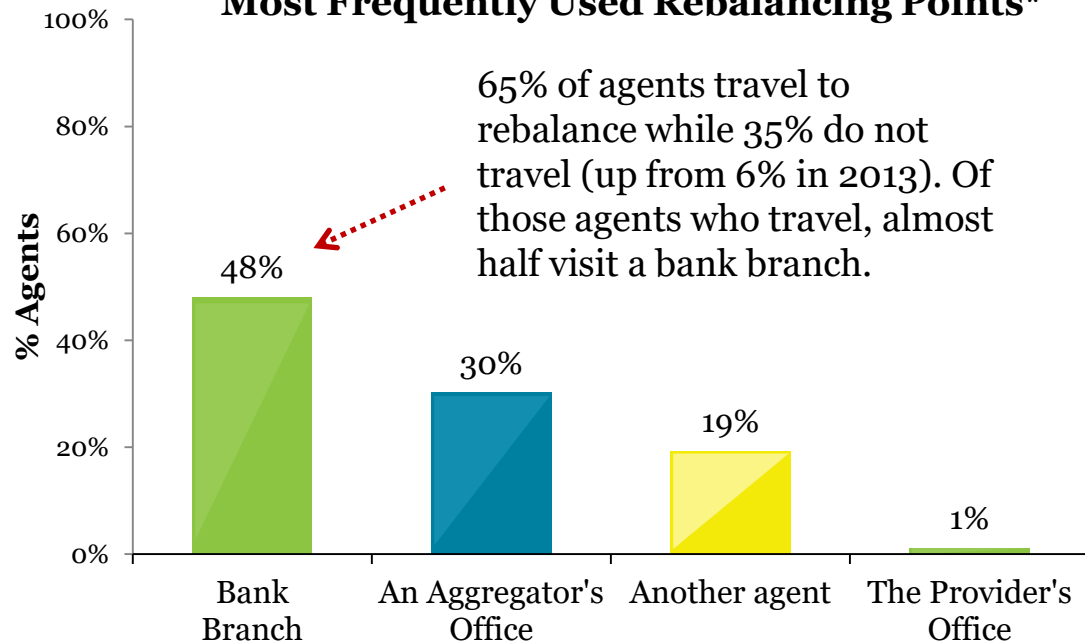| Characteristics Of The Most Frequently Used Rebalancing Option	
Median travel time taken for rebalancing (in mins)	10
Median frequency of CI (getting e-float) per month	4
Median frequency of CO (getting cash) per month	4
Percentage transactions denied/day due to lack of liquidity	17%

These are similar levels to 2013.

The median frequency for on-demand cash-in and cash-out are 4 and 3, respectively.

This may be because agents have to hold multiple currencies for the different providers they serve, and are having trouble maintaining it.

Most Frequently Used Rebalancing Points*

65% of agents travel to rebalance while 35% do not travel (up from 6% in 2013). Of those agents who travel, almost half visit a bank branch.

% Agents

- Bank Branch: 48%
- An Aggregator's Office: 30%
- Another agent: 19%
- The Provider's Office: 1%

40% of agents now say they have cash or e-float delivered to them, indicating a significant increase in the use of the doorstep liquidity option.

69% of agents report being somewhat or very satisfied with the rebalancing options available to them.

*1.3% who mainly rebalance at ATMs, MFIs or in other locations are not shown in the graph, therefore bards do not add up to 100%.

More agents have access to doorstep liquidity, but **agents still deny 17% of transactions** a day due to unavailability of cash or e-float, which can erode trust in the system.

It will be important to analyse the frequency and magnitude of these fluctuations as demonstrated by this analytical framework.

Providers may consider giving the option of dedicated counters at banks for agents.

Doorstep liquidity is a common service offered by providers in Pakistan and Bangladesh, where the majority of agents are not denying transactions because of liquidity issues.

Unpredictable fluctuations in client demand

Time taken at rebalance point is too long

Have to shut store to go get more float

*Agents were asked to rank top three barriers they face from a list of 12 options, including the option to pick "Other". The above figures are a weighted average of the barriers ranked by agents, where taller bars mean a higher relative ranking.

Control and Compliance

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Almost All Agents Comply To Regulations

▶ **Agents in Tanzania are much more compliant** than in other ANA research countries: almost all agents display an agent ID and tariff sheets. ANA Research conducted with the Harvard Business School found that the presence of a tariff sheet by an agent increases customer demand by 12%. In Tanzania, agents who display their tariff sheets serve on **average 4 more customers per day.**

▶ The vast majority of agents (95%) display provider signs, while 70% show provider colors. Additionally, a third of agents display a call center number and 21% show the grievance redressal number. Only 7% of agents display their business hours.

▶ A median of 10 customers per day at the country level try to conduct a transaction **without showing their ID,** indicating **a need to better educate customers.**

Agent Compliance: ANA Research Countries

Country	Agent ID on Display	Tariff Sheet on Display
Tanzania	99%	94%
Kenya	92%	96%
Uganda	15%	88%
India	42%	32%
Bangladesh	42%	52%
Pakistan	25%	38%
Zambia	13%	76%

■ Agent ID on Display   ■ Tariff Sheet on Display
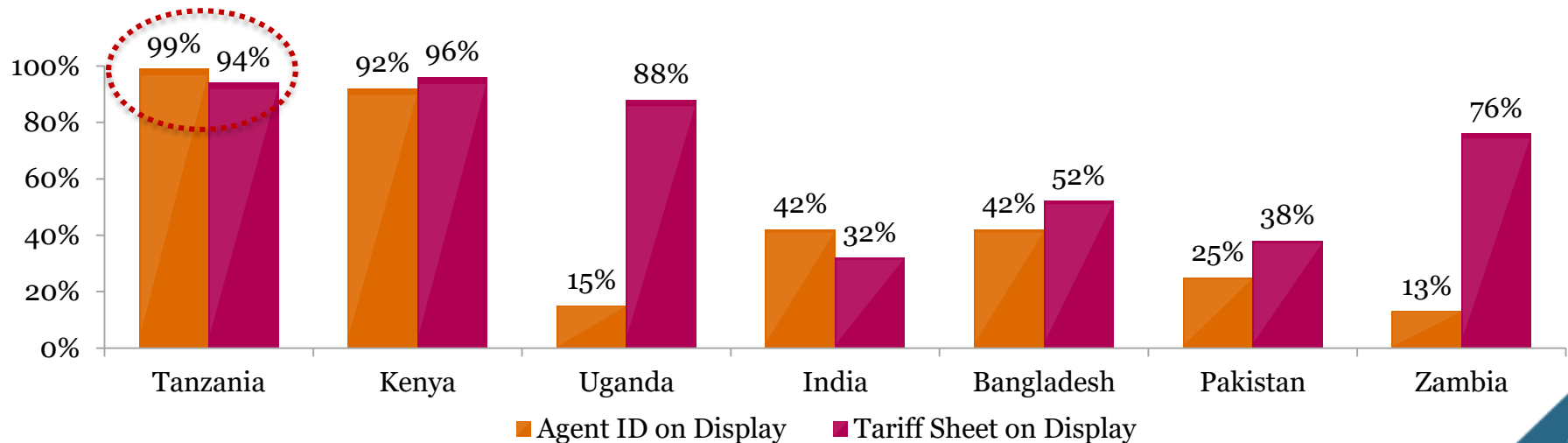
➤ Tanzania's market is becoming more competitive with Tigo and Airtel increasing their shares of market presence. There is a great **potential for agency banking** as agents are keen to serve banks.

➤ The percentage of agents offering money transfer services (OTC) **have decreased** compared to 2013—a positive trend for a MNO dominated market.

➤ **New, innovative products and services have been launched** such as interest paid over e-float held in mobile wallets as well as sophisticated savings and credit products, and preliminary demand side data indicates users maturing by conducting self-initiated transactions on their handsets.

➤ Agents **are profitable** compared to ANA research countries in Asia and Zambia. Agents also **serve more providers than in 2013.**

➤ **More agents now have access to on-demand rebalancing**, and over two-thirds are satisfied with the liquidity management options available to them.

The **number of transactions an agent conducts has decreased** as compared to 2013, which is partly attributed to the **growth in the agent network** as well as the **increase in the number of self-initiated transactions**. It would be prudent for providers to ensure that the agent network growth is not outpacing the customer base, and to design incentives and products for both customers and agents aimed at enhancing the progressive evolution of the market.

Agents receive **less training and support** compared to ANA Research East African countries. In the face of increased competition, training enables agents to provide **consistent, high quality customer experience**, and in certain cases also help with **sales of accounts and new products**. Regular support ensures agents are well informed, and helps build **agent loyalty** to the brand.

➤ Tanzanian agents suffer from **high incidents of crime and fraud**. Providers will want to **incorporate fraud typology and mitigation measures into specialised training modules** for agents to assist them in tackling these issues.

➤ While more agents receive doorstep liquidity, they still deny a median 17% of transactions per day due to the lack of cash and/or e-float. With agents serving more providers and thus needing to maintain differentiated float pools, providers may want to think about a **shared agent model** to help them alleviate some of their concerns.

Appendices

Appendix 1 - Methodology

➤ The study is based on a **nationally representative sample of 2,066 DFS agents**, designed to be representative at the country level, for urban and rural agents, and for the selected providers.

➤ The **latest census of mobile money agent available** at the time of data collection (Brandfusion 2013) was used as a sample frame. The sampling strategy used was **stratified cluster random sampling of Tanzanian districts**.

➤ Data were collected using the **random walk methodology** with the skip pattern proportional to the desired sample count for a particular location. Data collection and entry was performed using an Android device.

➤ The use of an Android device allows for an **additional level of randomisation to ensure the survey representativeness at the provider level**. The provider an agent is interviewed for is randomly assigned by the application out of the list of all providers, for which the agent is active (i.e. has conducted at least one transaction within the last 30 days).

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Appendix 2 - Definitions

	Definitions		
1	**Exclusivity**	**Exclusive Agent**	Agent who serves only one mobile money service provider.
2		**Non-Exclusive Agent**	Agent who serves more than one mobile money service provider.
3	**Dedication**	**Dedicated Agent**	Agent who conducts solely mobile money services or solely mobile money and airtime distribution from the shop.
4		**Non-Dedicated Agent**	Agent who conducts other business from the shop, in addition to mobile money services (and airtime distribution).
5	**Transactions (Provider)**	In 2013, transactions were calculated as the sum of reported average enrolment, cash-in, cash-out, bill payments, and "other" transactions; in 2015 transactions were calculated as the sum of reported average enrolment, cash-in, cash-out, money transfer, bill payments, remittances, social payments, salary, credit, insurance payments and "other" transactions the agent conducts for the particular provider. Values of zero were excluded from analysis.		
6	**Monthly Earnings (Agency)**	In 2013, agents were asked "What is your total monthly commission from all providers combined?". In 2015, this question was rephrased slightly: "On average, how much do you earn per month from all the providers you serve, combined?". Only owners reported on commissions.		
7	**Monthly Operating Expenses (Agency)**	In 2013, agents were asked "How much on average do you spend per month as an agent to cover operational expenses?". In 2015, monthly operating expenses were calculated as the sum of reported rent, utilities, loan interest, staff salaries, business travel and other expenses. For non-dedicated agents, they were calculated as the sum of the difference between reported costs for the entire business and costs without mobile money. With this approach, we calculate just the marginal cost of mobile money for non-dedicated agents (and for 46% this was zero). Only owners reported on expenses.		
8	**Profit (Agency)**	Profit is calculated as the difference between monthly agency earnings and monthly agency operating expenses. Only owners who answered both revenue and expense questions were included in this calculation.		

Thank You

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