

Agent Network Accelerator Research

Nigeria Country Report: December, 2017

Contributing Authors: Jacqueline Jumah & Irene Wagaki

With support from: David Cracknell



#ANANigeria

#AgentNetworksNigeria



In partnership with

BILL & MELINDA
GATES *foundation*

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Project Description

With the financial support of the Bill & Melinda Gates Foundation, the United Nations Capital Development Fund (UNCDF) and other regional stakeholders, *MicroSave* is conducting a four-year research project in the following eleven focus countries as part of the [Agent Network Accelerator \(ANA\) Project](#):

Africa



Asia



The *Helix* Institute of Digital Finance, which manages the ANA project, provides financial sector stakeholders with capacity building trainings to develop sustainable digital finance programmes and operations, through market analytics, operational training and advisory services.

This report focuses on the findings from the second wave of ANA research conducted in Nigeria in 2016. The [first wave](#) of the study was previously completed in 2014.

Nigeria: Wave 1 and Wave 2 Overview

Wave 1: 2014

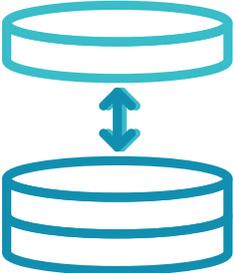
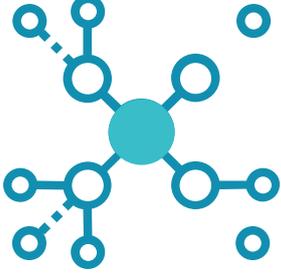
A qualitative survey that focused on operational determinants of success in agent network management, specifically:

- ▶ Agent network structure
- ▶ Agent viability
- ▶ Quality of provider support
- ▶ Provider compliance & risk

Wave 2: 2017

A qualitative survey that focused on: Identifying strategic gaps and opportunities for scaling-up DFS, with highlights on implementation progress following the Helix Institute’s recommendations in the ANA Nigeria research in 2014

Research Focus

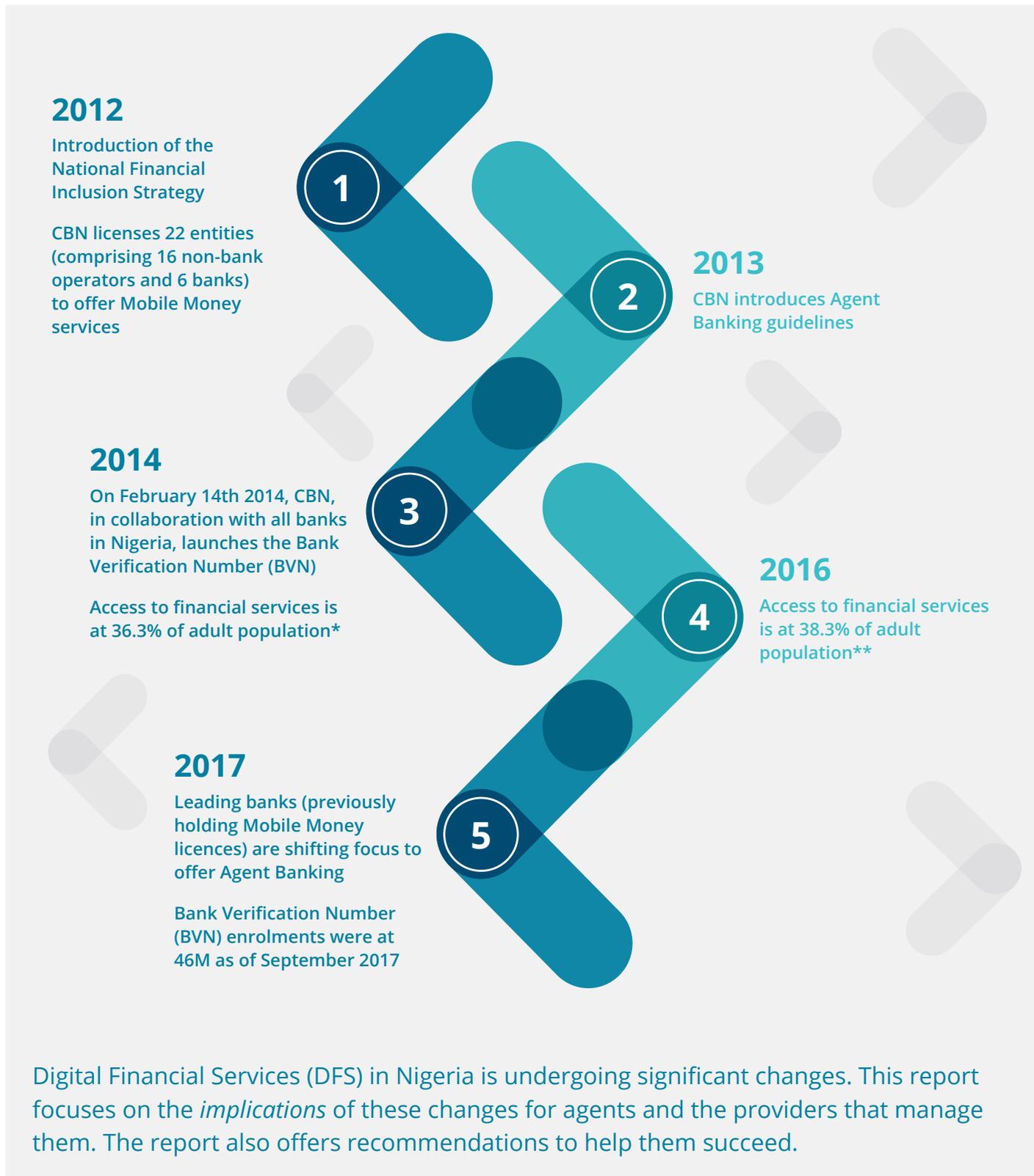
 <p data-bbox="181 752 469 860">Institutional Alignment</p>	 <p data-bbox="657 752 935 860">Distribution Strategy</p>	 <p data-bbox="1107 752 1426 860">Customer Development</p>
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Activities

- 1** Key informant interviews with heads of Agent Banking and key support departments.
- 2** Central Bank, Mobile Money and Agent Banking guidelines review.
- 3** Review of international best practices on Agent Banking in leading markets.
- 4** In-depth interviews with bank agents in Lagos and rural regions.

Field research was undertaken between September and October 2016; supplemented with secondary analysis up until September 2017

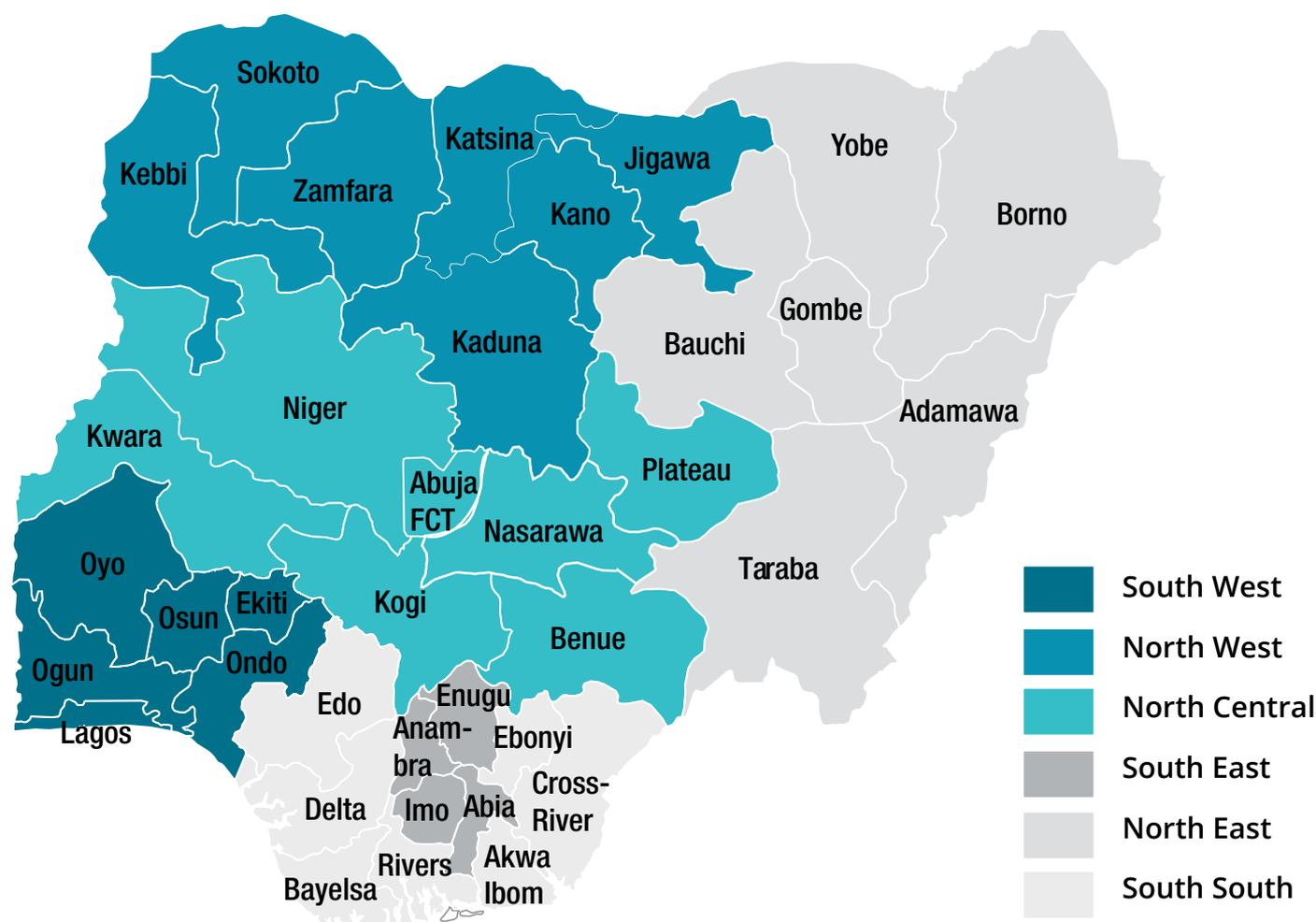
Evolution of Financial Inclusion in Nigeria



* The EFinA Access to Financial Services in Nigeria 2014 Survey

** The EFinA Access to Financial Services in Nigeria 2016 Survey

Nigeria Financial Inclusion Status: 2016



	Formally Included		Informal only		Financially Excluded	
	2014	2016	2014	2016	2014	2016
South West	63%	78%	13%	4%	25%	18%
North West	35%	24%	9%	6%	56%	70%
North Central	49%	48%	19%	14%	33%	18%
South East	63%	59%	11%	13%	25%	28%
North East	26%	25%	5%	14%	68%	62%
South South	52%	55%	15%	14%	33%	31%

Source: EFINA Access to Financial Services in Nigeria 2016 Survey

Significant Regulatory and Industry Changes Since 2014

1. Regulation

The Central Bank of Nigeria (CBN) Biometric Verification Number (BVN) initiative requires all bank account holders to:

- ▶ Be registered and provided with a unique number for easy identification and verification at point of banking operations, despite the number of accounts held at different banks.
- ▶ Visit bank branches to create BVNs, in order to open bank accounts. Unbanked, potential customers may be discouraged by this process given that many have shied away from using bank services.

Elimination of the bank-focused DFS business model. The CBN is now providing Mobile Money Operator (MMO) licences to both bank-led and non-bank led DFS business models to provide financial services.

The issuance of ‘approval-in-principle’ super agent licences to develop and manage agent networks on behalf of licensed providers. Inter-switch and Innovectics are the two key licence holders, and thus agent network managers (ANMs).

2. The Emergence of Agent Banking

Leading banks, such as [First City Monument Bank](#), [Heritage Bank](#), [Sterling Bank](#) etc. have already launched Agent Banking services. A few banks, like [Ecobank](#), that had previously rolled out Mobile Money, have shifted their focus to introducing Agent Banking.

Most current Mobile Money agents interviewed during this research reported that they had been approached by different banks to become banking agents. These banks are seeking to leverage their vast branch networks to support agents in the new DFS business framework.

3. Evolution of Mobile Money

Fintechs in Nigeria are [driving change](#) in the Mobile Money space through the introduction of solutions attributed to a surge in e-commerce and smartphone penetration. A few companies like [Osusu mobile](#) are leveraging Mobile Money to provide savings and credit solutions.

Adoption of Agent Banking Needs to Overcome Market Challenges

Two strategic objectives of Agent Banking by leading banks in Nigeria are to:

- ▶ Penetrate new customer segments by extending their banking offerings to rural areas
- ▶ Offer closer/more convenient access to banking services for their existing customers.



Customers

- ▶ **Low awareness** of digital financial services in Nigeria.
- ▶ Deposit money banks are **perceived** by low income segment customers to **only offer transactional accounts**.



Banks

- ▶ **A limited understanding of the expected role of telcos**, which will not be the issuance of electronic value, but rather facilitating distribution of products to enable penetration of banking services in the market.
- ▶ **A bias towards traditional corporate banking strategies**, since banks have not historically optimally offered products and services to mass market customer segments.



Strategically, the Banks have to...

- ▶ Reorient their organisational structures, product development, channel demographics and customer development strategies, to propel the new Agent Banking venture.
- ▶ Establish synergies with the fintech companies and telcos to leverage transactional and alternative data for the development of products and services for the targeted low income segments.
- ▶ Adopt a model that allows partners to focus on their core strength and banks to have account holders who do not actually have relationships with them. A good example is [CBA Bank's M-Shwari](#) offering.



Organisational Structures

What factors should be considered to ensure effective management of the new business?



Product Development

What's the customer value proposition?



Channel Demographics

Who is an ideal bank agent and what is in it for the agent?



Customer Development

How can they retain customers?



Institutional Alignment

Banks Achieved Strategic Commitment to Agent Banking

Demonstrated by:

Setting-up of independent Agent Banking departments or teams; and

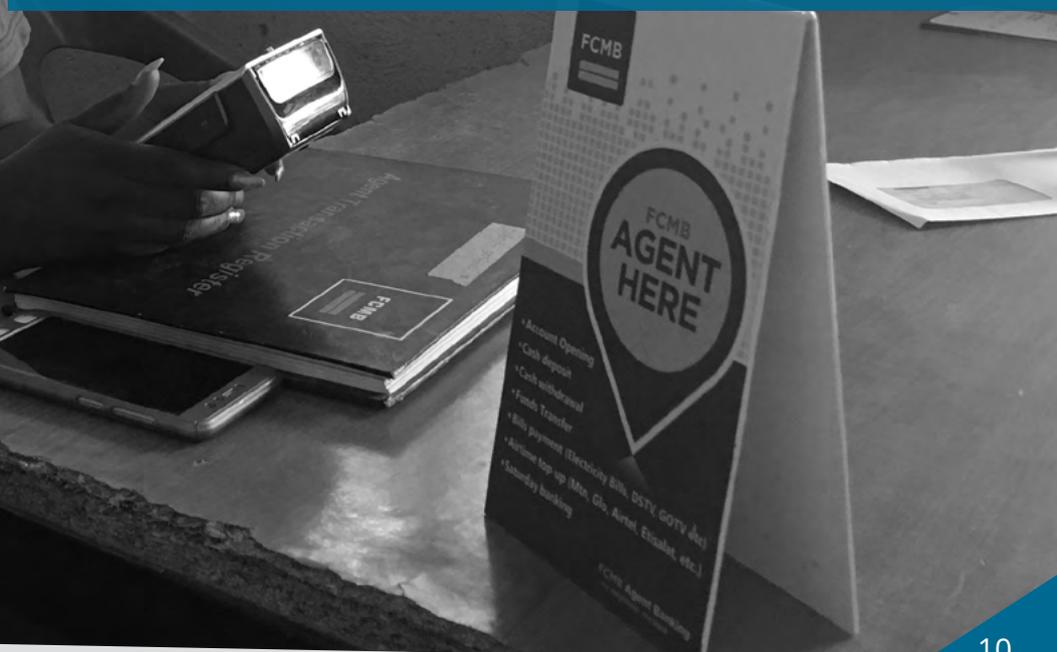
Separate Agent Banking budgets with distended profit projections

Deposit Money Banks in Nigeria have achieved critical corporate level buy-in and commitment to Agent Banking as the ‘flagship’ financial inclusion project. Nevertheless, the buy-in is tied to high expectations of additional profits to be generated from an increase in customer numbers.

The above calls for a **deeper understanding of the Agent Banking business case and complete commitment at all levels of the banks**. These are essential to successful implementation of the Agent Banking model.

The Agent Banking business case requires banks to:

- ▶ Design aggressive and creative measures to drive customer on-boarding, considering the complexities of getting a BVN. An example would be to take BVN creation directly to the customer – outside the banking halls.
- ▶ Develop savings and credit products beyond transactional accounts, to attract customers from high potential lower income segments.



Current Views on Deposit Money Banks and Microfinance Banks (MfBs)

Perceptions	Opportunity
<ul style="list-style-type: none"> ▶ Customers perceive the Deposit Money Banks as savings units and Microfinance Banks as providers of credit. ▶ MfBs have customer relations beyond owning accounts. ▶ This has implications for Agent Banking rollout, in terms of the value proposition to customers. 	<p>Banks establishing partnerships with the MfBs to improve on their offering to the segment, leveraging the existing commitment by customers on products beyond transactional accounts.</p>

Agent Banking Requires Banks to be “Market Focused”

- ▶ **Customers are demanding value:** Banks need to understand the customers’ needs and design solutions and processes that offer customer value.
- ▶ **Customers are getting sophisticated:** there is a demand for modified or new products and processes.
- ▶ **Customers are advocating for proximity of services:** Banks are responding through innovative agency channels to reach new and existing customers.



Recommendations for Strengthening Alignment to Agent Banking

Avail key support functions for Agent Banking

- ▶ Agent Banking departments should be **adequately staffed** with a dedicated and qualified team. The team should be well-trained and provided with the technical support to stay motivated in delivering Agent Banking.
- ▶ Key Agent Banking functions should be established, either as standalone or shared services.
- ▶ Branches should also receive **adequate training**. Agent Banking targets should be included in the branch **Key Performance Indicators (KPIs)**.

Key Agent Banking Functions

- ▶ Business development
- ▶ Agent network distribution
- ▶ Training
- ▶ Internal audit
- ▶ Risk management
- ▶ Product development
- ▶ Technology and system support
- ▶ Customer experience
- ▶ Marketing communication

Understanding the Agent Banking business case

Agent Banking is **not only** about banks generating profit by increasing revenue, but also about how the channel can drive cost savings and unlock additional benefits, given more efficient operations and decongested branches. This understanding is critical to enable senior management to prepare appropriate budgets and KPIs for the operational staff driving the business.

Notional benefit example: A bank in Kenya - with fully utilised branches

$$\left[\begin{array}{l} \text{Unit cost of} \\ \text{servicing a} \\ \text{customer at} \\ \text{branch} \end{array} \right] \$2 - \left[\begin{array}{l} \text{Unit cost of} \\ \text{servicing a} \\ \text{customer} \\ \text{at agent} \\ \text{premises} \end{array} \right] \$0.1 + \left[\begin{array}{l} \text{Unlocked} \\ \text{additional} \\ \text{benefits to} \\ \text{the bank} \end{array} \right] \$X = \left[\begin{array}{l} \text{Notional} \\ \text{benefit/unit} \end{array} \right] \$(X + 1.90)$$

Examples of additional benefits to banks

- ▶ Increased customer acquisition and deposits raised
- ▶ Penetration or representation into new geographies through agency
- ▶ Shift in branch utilisation to higher value branch/sales operations
- ▶ Contained infrastructure costs – reduced physical channels over time



Distribution Strategies

Agent Banking to Offer a Stronger Agent Value Proposition

The ANA Nigeria 2014 survey noted the lack of an agent business case as a key impediment for partnerships and success of agent networks in the Nigerian market. The Mobile Money agent business case was worsened by low awareness of Mobile Money services (12%) in Nigeria at the time.

Bank agents will do more for improved financial remuneration

Wider scope of services, leading to higher volumes for agents

- ▶ **Current services** - Basic cash-in, cash-out, bill payment and airtime top up services.
- ▶ **Additional services** - account opening (for tier 1 accounts), intra and inter bank account transfers, balance enquiries, and initiation of more sophisticated services, such as loan applications, insurance and others over time.

Other benefits for bank agents

- ▶ Increased customer traffic to the agent premises
- ▶ Improved status in the community through bank brand affiliation
- ▶ Exposure to training
- ▶ Future credit facilities for agents' parallel business from established Agent Banking relationships

Inherent Challenges of Agent Network Deployment Strategies

Banks in Nigeria are rethinking their agent network deployment models, with an emphasis on leveraging branch infrastructure (as service hubs) and outsourcing direct management to licensed super agents.

1 Limited regional representation of the agent network management team

The agent networks began to shrink significantly as a result of limited network management team representation. Most agents did not receive regular monitoring visits, were not branded and used improvised collateral because they did not received any.

2 Third party engagement in agent network management through super agents was introduced too early in the Mobile Money life-cycle

Agents reported frustrations around under-remuneration. There were fewer customers leading to a diminished agent and super agent business case.

3 Banks struggled to leverage branch infrastructure. Agents are not linked to branches for support such as cash and e-value management

Agents reported that the branches did not understand the Mobile Money products and agent operations. Agents often called the head office teams directly for support and would be forced to join long customer queues to access cash and e-value rebalancing services.

Recommendations for Managing Agent Banking Deployments

1 Start with small agent networks and involve third party ANMs during the scale-up stage

- ▶ The banks need to have a member of staff dedicated to supporting and/or monitoring agents at branch level to leverage the branch infrastructure for agent recruitment and manage agents in geographical proximity.
- ▶ Growth in branch staff required to support the agent network growth should follow the agent network strategy and vary with the bank's desired level of agent network control.
- ▶ The banks should consider involving third party ANMs - the super agents - in the rapid growth phase and not before.

2 Standardise all agent management processes and ensure seamless service

- ▶ Agent Banking also requires a dedicated quality control function, adequate [supervisor-agent ratios and defined Key Performance Indicators \(KPIs\)](#) throughout the ANM process.
- ▶ The new business model requires highly structured and predetermined operations to ensure uniformity of agent on-boarding and support operations across the agent network. Banks need to ensure that agent management teams and agents are adequately trained.
- ▶ It will be important to select the right type of agents who can be proper brand ambassadors for the banks at the last mile.
- ▶ Ensure functional SLAs with third party providers to maintain consistent service availability.

3 Match agent network growth to customer activity

Banks should **invest in monitoring customer activity in the form of transaction volumes, type, frequency and values per region**. This will generate customer insights that can inform the desired regional agent network size and spread, as well as marketing communication.

4 Agent support policies

Map agents under branches in their locations and communicate the support or (separate) **grievance redressal channels** available to both customers and agents.

5 Effective agent on-boarding

Agent on-boarding strategy should clearly **define the profile of agents required** in accordance with the Agent Banking regulations. Banks should ensure that agents within the existing Mobile Money framework, who will be upgraded to become Agent Banking agents, should have registered and licensed business. This was a requirement that was not strictly implemented by many banks.



Customer Development

A Compelling Customer Value Proposition is Needed

During the Mobile Money deployments, banks communicated the P2P offering (fund transfers among wallet customers) as their value proposition, whereas agents reported that customers perceived the value proposition as “sending money to my bank” – meaning bank cash deposits.

This was because the majority of the Mobile Money wallet customers were existing bank account users.

Recommendations

- ▶ Different customer segments have different needs for financial services and hence differentiated value propositions for the segments will hold the key for channel success.
- ▶ As banks transition into Agent Banking, they must engage in robust research to consider addressable customer needs, in order to provide compelling solutions beyond the transactional cash deposit and cash withdrawal banking services.
- ▶ The messaging of the value proposition should be fine-tuned to the local market context to connect with customers.
- ▶ Agents’ training should focus on empowering agents to clearly articulate the compelling customer value proposition.



Payments: An Important Customer Value Proposition

Harnessing digital payment opportunities

		Government	Business	Person (Individual)
		Payee		
Payer	Government (G)	G2G Budgetary allocations, funding	G2B Grants, payments of goods and services	G2P Welfare programmes, salaries, pensions
	Business (B)	B2G Taxes, fees for licences	B2B Payments for goods and services	B2P Salaries and benefits
	Person/ Individual (P)	P2G Taxes, utilities	P2B Purchases	P2P Remittance, gifts
	Development Community (D)	D2G Taxes	D2B Payment for goods and services	D2P Cash transfers

The Central Bank of Nigeria (CBN) has some influence over banks and other payment stakeholders, but further adoption of digitised use cases will depend on how incentives align for DFS providers and customers – to date, these have been limited.

The CBN bank has put up favourable policies like [The Payment System Vision 2020 Version 2](#), which offers guiding principles on providing safe and efficient mechanisms for making and receiving payments with minimal risks to stakeholders. This policy also extends the availability and usage of these mechanisms to all sectors and geographies while conforming to internationally accepted regulatory, technical and operational standards.

Agents Use Improvised Customer Development Mechanisms Due to Lack of Support From Banks (1/2)

Due to the poor customer development support offered by banks, agents created coping mechanisms to promote the uptake and usage of Mobile Money to drive higher transaction volumes.

- ▶ **Door-to-door and market place selling:** Procuring employees to move about recruiting customers, reportedly having borrowed this concept from the microfinance banks' Esusu model customer acquisition strategies.
- ▶ Use of **improvised branding and marketing collateral.** Agents who did not receive support and monitoring visits from the banks' staff used self-branded gift items, such as branded calendars and diaries. These had varied branding, look and feel from the relevant banks.
- ▶ Agents in sub-urban areas **use customer transaction information** to offer extended credit/loan facilities as small 'microfinance banks'. Other agents use the customer details to send them reminders and promotional messages relating to other business or community activities.

'We tell them this service is better than the microfinance banks' micro-savings, where the officer records in a book. With Mobile Money, one gets a confirmation message instantly and you can withdraw your money any time'

Agent interview

These agent activities demonstrate how the entrepreneurial potential of agents can be further utilised. There are opportunities for the banks to develop "Esusu" and "Ajoo" like savings and credit products in the market, and to ramp up their marketing communication activities to showcase strong brands. This is also an opportunity for banks to enhance agent loyalty, as these products may be seen as support for them.

Agents Use Improvised Customer Development Mechanisms Due to Lack of Support From Banks (2/2)



Loretta – a former banker, is an agent to multiple banks and runs a small office-like establishment in Ikotun on the outskirts of Lagos.

Due to low customer awareness of Mobile Money in her location, she spends her mornings moving about distributing fliers to create awareness. She educates customers on the services available at her premises and the value of Mobile Money.

At times, Loretta provides gift items, such as calendars (her own initiative), to her customers after transactions to show appreciation and encourage repeat business.

Sometimes she moves from door to door to her known customers to facilitate transactions. She refers to herself as “an agent on call”.

Loretta wishes the banks would support her customer development efforts as there are high costs involved.



Mr. Suleiman is an agent to one bank and operates a small grocery shop in the Apapa area in Lagos.

He has two employees who go into the market to register customers (mostly market women) and to facilitate cash deposit transactions. He claims to have borrowed this concept from the microfinance Esusu cash collection model.

Suleiman also prints small branded passbooks for the market women to help them keep transaction records.

He provides fliers to every customer who visits his shop to buy groceries as a means of creating awareness on Mobile Money service availability.

Suleiman provides small loans to some of his customers who conduct cash deposit on a daily basis and claims that there are no defaulters as he has good relationships with them.

He wishes the bank could do more to support customer development through robust marketing activities.

Support agents to recruit bank account customers

- ▶ Banks should identify agents who are enthusiastic about educating customers about Agent Banking. These agents may require extra training, branding and remuneration to build the clientele in new market locations.
- ▶ Banks could research ideas like adopting the Esusu collections model and incorporating this into the Agent Banking framework as it appears there is demand for this. The Esusu collections model could also be bundled with additional products to help in overcoming the inertia of customers not wanting to just sign-up for accounts.
- ▶ Banks should provide agents with branded gift items for customers to ensure consistency of brand look and feel. Marketing collateral should also be provided.

"I cannot continue to do all this marketing by myself. I need the bank to back me up."

Agent interview

"You need to synergise with agents to drive Agent Banking, if you empower agents to be the face of the bank on the ground, it will be a success."

Key informant interview with the Agent Banking department.

Recommended Activities to Boost Customer Development

1 Introduce Bank Verification Number (BVN) creation mechanisms for the unbanked without the need to visit branches.

Conduct BVN registration campaigns in the markets and drive communication to potential customers to open bank accounts at the agent premises. It is expected that potential customers would reciprocate by opening bank accounts at the specific banks where their BVNs were created.

This will reduce frustration from customers who open accounts at the agent premises to find that they are only allowed to deposit funds and not withdraw without BVN registration.

2 Introduce clearly defined and well-articulated marketing communication strategies

With an external audience (customers) to drive uptake and usage of the products offered via the agent channel. These should include above-the-line (ATL) activities, below-the-line (BTL) activities and branches promoting the use of agent outlets by introducing notices within banking halls.

With an internal audience (all bank staff) to ensure staff buy-in and to address concerns that may arise around Agent Banking and the perceptions of competition between agents and the bank branches. These should include the use of emails, memos and branch champions to highlight the benefits of Agent Banking.

3 Provide agent incentives to drive transactions

- ▶ To attract new customers
- ▶ To on-board new customers and
- ▶ To carry out all types of transactions

State of Play: Considering ANA Wave I Recommendations

Key Recommendations from ANA Wave I (Mobile Money focus)	ANA Wave II State of Play (a shift towards Agent Banking)
Providers should grow their financial and human resources and define clear roles and responsibilities to manage agent core operations.	Banks have allocated adequate budgets. They are in the process of structuring their staff teams to adequately define roles to effectively manage Agent Banking operations.
The agent selection process should be more focused and rely on a clear set of criteria.	Providers are ensuring that agent selection processes are currently more focused and are guided by stringent Agent Banking guidelines.
Providers should communicate the value proposition to agents beyond profit only.	Providers are developing agent pitches to communicate the value proposition. These are still commission driven.
Providers should manage their customer and agent growth concurrently in order to ensure adequate customer demand at the agent premises.	There have been no significant changes observed.
Agents need to be guided and incentivised to drive regular Mobile Money customers to the banks to upgrade to tiers 2 and 3 levels.	Leading banks are yet to introduce incentives to agents for facilitating customer upgrades from tier to tier.
Providers will need to invest in 24/7 customer support specifically for agents and Mobile Money customers to provide guidance and reassurance during downtime.	Support to agents and customers is not yet available post business hours on weekdays or over the weekends.
<p>How providers should monitor agents</p> <ul style="list-style-type: none"> ▶ Onsite visits at the agent locations to monitor their compliance with guidelines. ▶ Periodic monitoring visits by internal audit and control department (quarterly basis). ▶ Provision for regular MIS and monitoring reports. ▶ Quantitative parameters should be monitored in real time through MIS. ▶ Daily transaction monitoring on the platform should be performed by a dedicated audit team. ▶ Call centres should be leveraged for collecting customer feedback. 	<ul style="list-style-type: none"> ▶ Providers have improved on onsite agent monitoring, despite having leaner field teams. ▶ Internal audit teams periodically conduct spontaneous checks. ▶ Regular MIS reports are not being adequately used to guide agent monitoring. ▶ Quantitative parameters such as the volumes and values of transactions, liquidity levels, etc. are currently being monitored though not on real time basis. ▶ Transaction monitoring is done by the operations teams who have reporting lines to finance and audit departments. ▶ Call centres are now being used for the collection of feedback. The banks now have teams that focus on agents.
<p>Liquidity management and monitoring strategies should be adopted, including:</p> <ul style="list-style-type: none"> ▶ Choosing retail agents that already handle cash. ▶ Using master/super agents to provide liquidity management support. ▶ Giving agents priority service at the banks to speed up rebalancing. ▶ Ensuring accurate real time transactions happen for prompt liquidity distribution. ▶ Diversifying range of services e.g. staggering payment (salaries, G2P payments). ▶ Setting up bank credits and overdrafts. 	<ul style="list-style-type: none"> ▶ There are more agents with cash float but the majority are not registered as required by law. ▶ Liquidity is still being accessed from the bank branches. ▶ Agents now report prompt liquidity distribution. ▶ Banks are diversifying services e.g. school fees payments, G2P services, etc. ▶ Agents still lack access to liquidity overdraft facilities.

Way Forward for Agent Banking in Nigeria

Digital Financial Services in Nigeria have stagnated with low uptake of Mobile Money and shrinking agent networks. The strategic shift to Agent Banking by leading banks should increase their market penetration in rural areas and offer closer customer touch points for new and existing clientele. However, to ensure this outcome, banks **must** deepen their focus in the following areas:

1

Strengthen strategic commitment to Agent Banking

2

Engage in full and independent resourcing of key Agent Banking functions

3

Understand customer needs to refine customer value proposition

4

Enhance customer development strategies

5

Ramp-up growth of agent networks in tandem with customer growth

6

Leverage bank branches to support agents



For more information about this report, please email
Jacqueline@MicroSave.net or Irene@MicroSave.net

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