Financial Services Agent Survey

Key Findings

June 2020

About EFInA

Enhancing Financial Innovation & Access (EFInA) is a financial sector development organisation that promotes financial inclusion in Nigeria. Established in late 2007, our mission is to make the Nigerian financial system work better, especially for the poor. EFInA works through four pillars:

EFInA is funded by UK Government's Department for International Development (DFID) and the Bill & Melinda Gates Foundation.

CONTENT

Introduction 1

- Background & Objectives
- Methodology

Detailed Findings 2

- Agents profile
- Business operations
- Agent Pricing
- Float Management
- Challenges Experienced
- Possible Solutions
- Impact of Covid-19 on Agents' operation

Summary & Recommendations 3

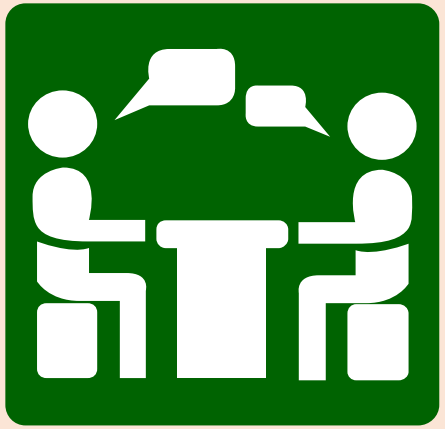
- Recommendations

BACKGROUND & METHODOLOGY

Research Objectives

- Understand and highlight some of the operational determinants of a sustainable financial services agent network
- Understand what agents are charging, price determination mechanism, compliance with price regulation
- Identify some of the factors driving the uptake of or hampering agent services in Nigeria,
- Identify agents' motivation
- Capture agent perceptions on how to increase the uptake and usage of agent services
- Understand the impact of the COVID-19 pandemic on financial services agent's business.

Research Methodology

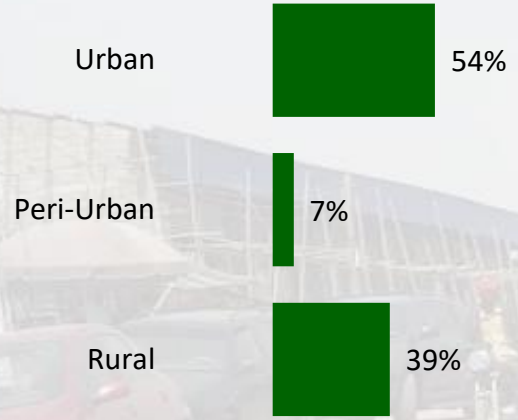


- Face to Face interviews with financial services agents
- Agents were located through their branding materials and based on referrals
- 1618 financial service agents were randomly selected (based on proportion of agents per region and by provider type in the SANEF database) and interviewed by Nielsen.
- Interviews were conducted in February 2020
- The COVID-19 impact survey covers a sample of 735 agents from the previous survey who indicated willingness to participate in subsequent surveys.
- Data collection was done in May 2020 using Computer Assisted Telephone Interviews

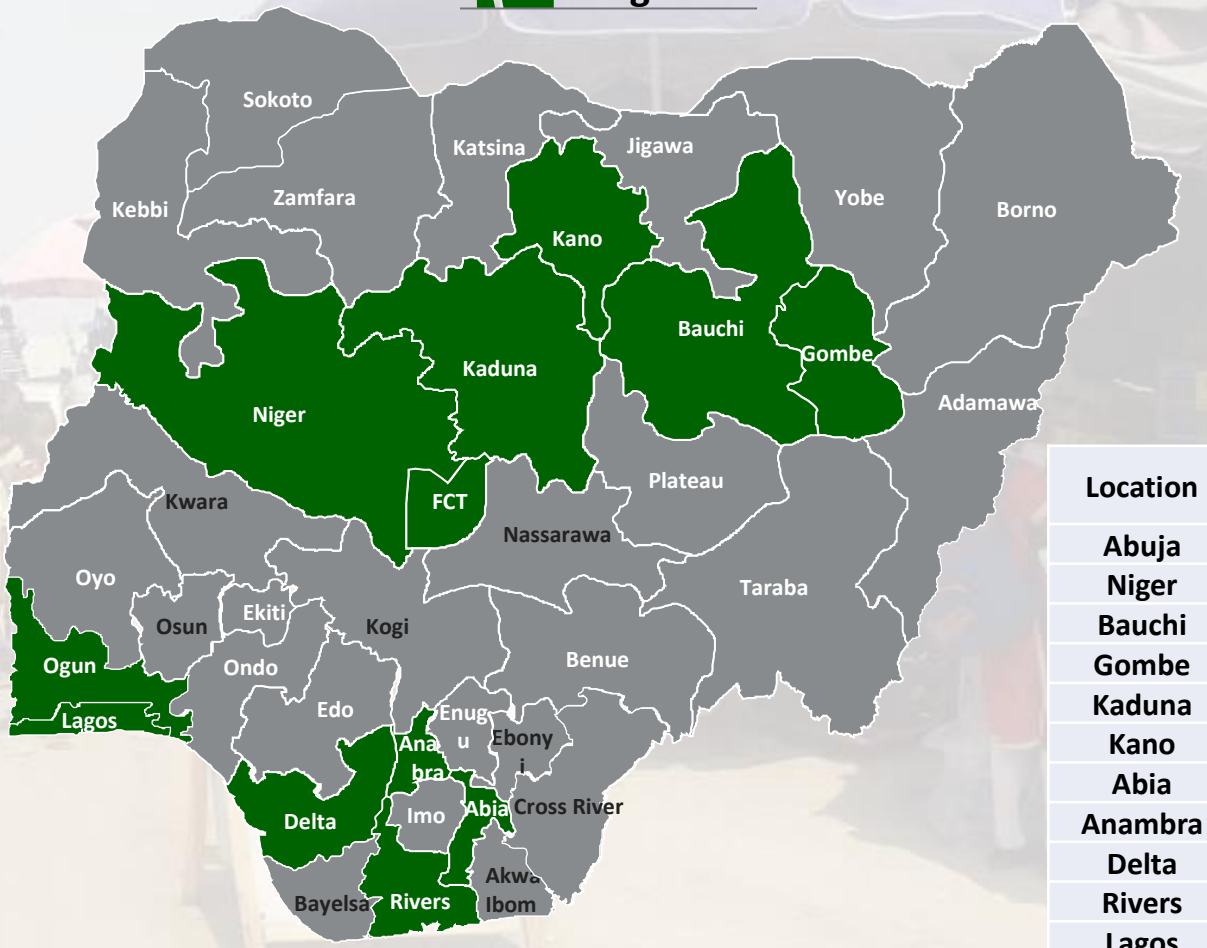
EFInA
Enhancing Financial Innovation & Access

Spread across the regions but mostly found in the urban regions.

Location Classification (FSAS)



Region



Sample

Location	FSAS	COVID Impact
Abuja	182	88
Niger	84	40
Bauchi	84	40
Gombe	72	37
Kaduna	123	64
Kano	203	98
Abia	66	33
Anambra	57	24
Delta	117	50
Rivers	78	34
Lagos	452	179
Ogun	100	48
Total sample	1618	735

Base: 1618

CONTENT

Introduction 1

- Background & Objectives
- Methodology

Detailed Findings 2

- Agents profile
- Business operations
- Agent Pricing & Economics
- Float Management
- Challenges Experienced
- Possible Solutions
- Impact of Covid-19 on agents' operation

Summary & Recommendations 3

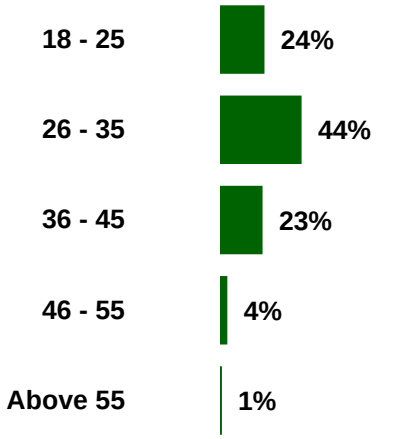
- Executive Summary
- Recommendations

EFInA
Enhancing Financial Innovation & Access

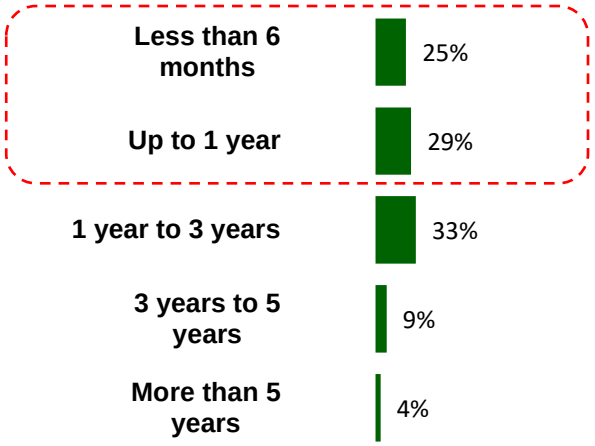
Agents surveyed are predominantly male, youthful and new to the business. Nearly one-third of agents are dedicated

Gender

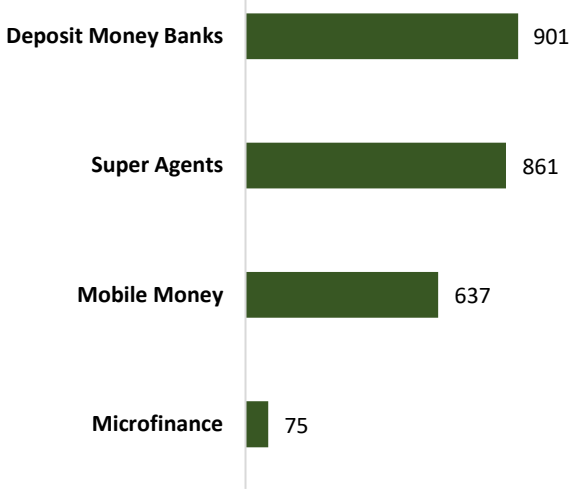
Age



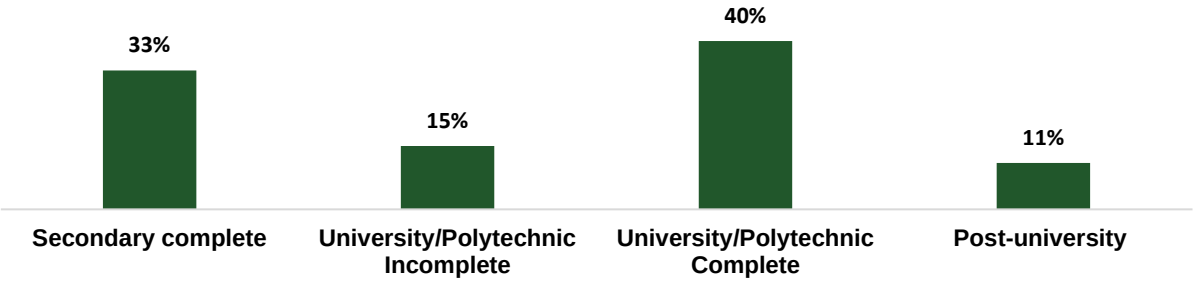
Time in Business



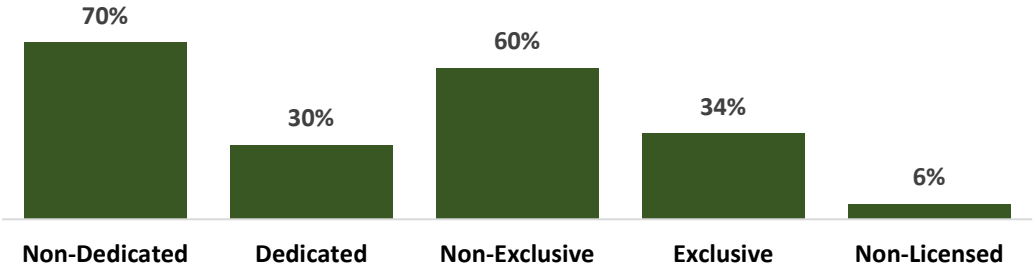
Provider Type



Education



Status



Base: 1618
The sample includes agents who had performed at least one transaction in the past 30 days

CONTENT

Introduction 1

- Background & Objectives
- Methodology

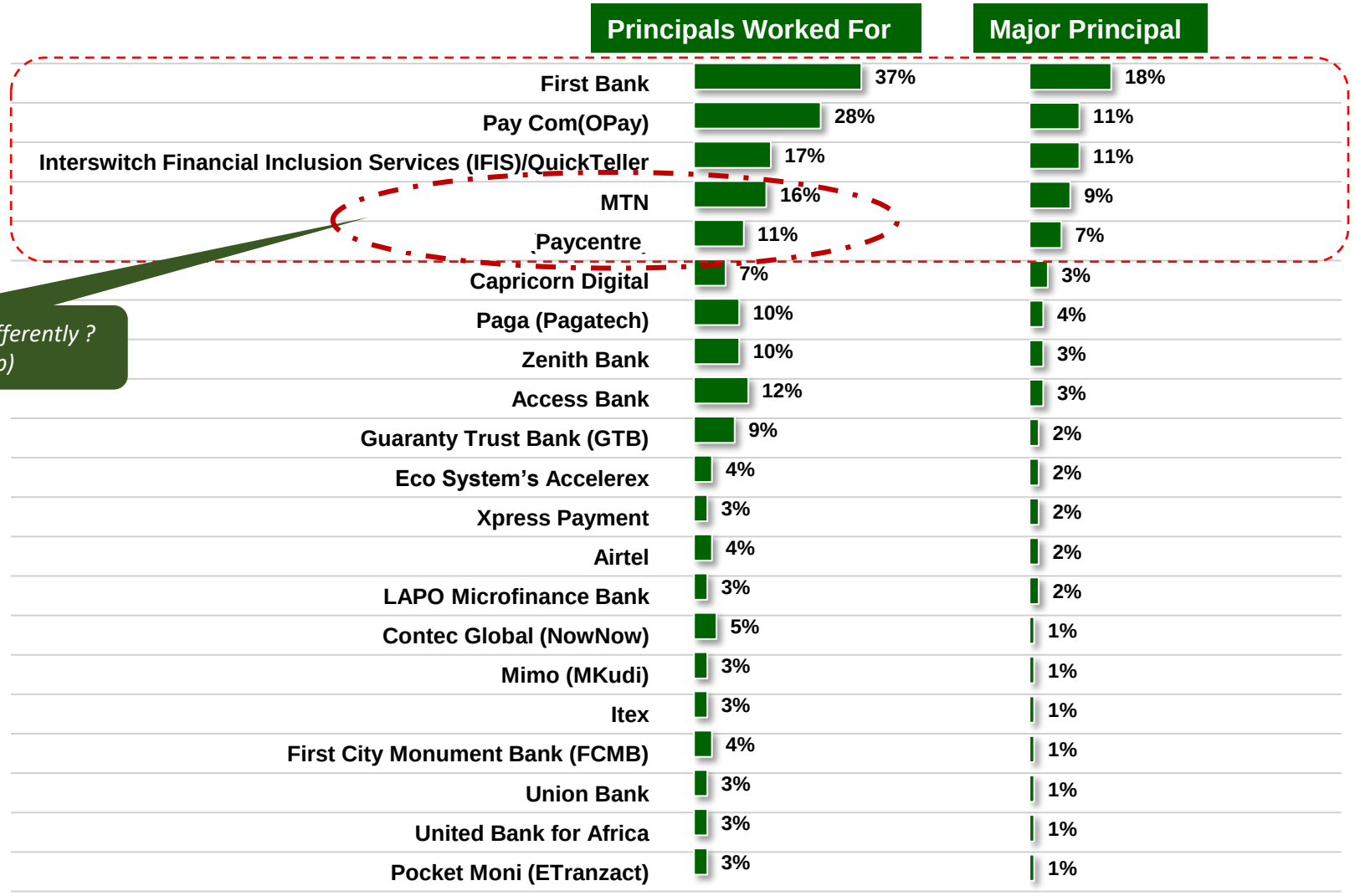
Detailed Findings 2

- Agents profile
- Business operations
- Agent Pricing & Economics
- Float Management
- Challenges Experienced
- Possible Solutions
- Impact of Covid-19 on agents' operation

Summary & Recommendations 3

- Executive Summary
- Recommendations

Agents surveyed work for different principals/service providers. Nevertheless, First Bank (First Monie), OPay, QuickTeller, and MTN top the list of principals worked for.



What are these firms doing differently ? (new entrants playing catch up)

Base: 1618

A8a. Please mention all the providers you are registered with?

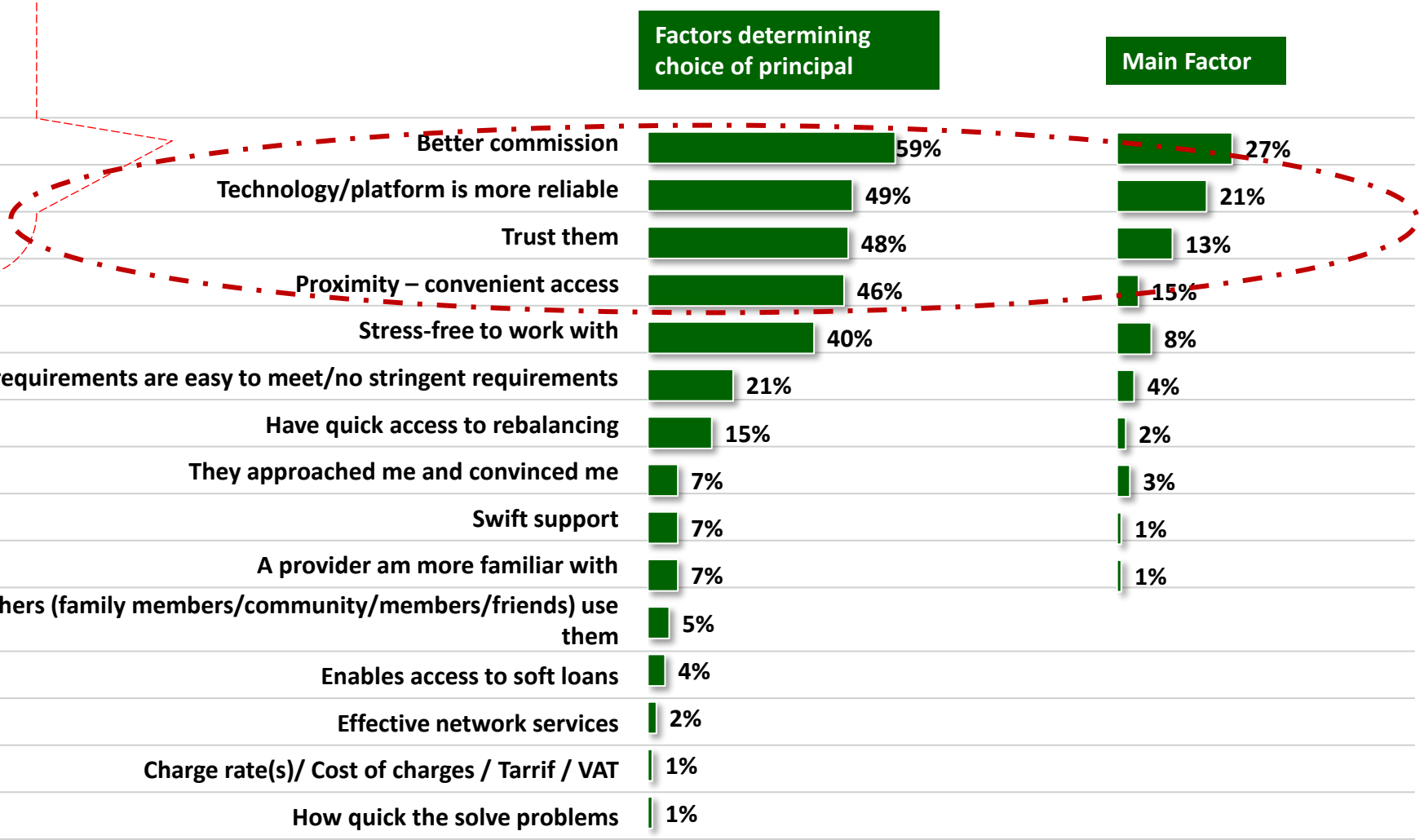
A9. Which of these providers platform do you process most transaction on?

EFInA
Enhancing Financial Innovation & Access

Agents' choice of principal is determined by some critical business model attributes. Other factors were reliability of platform, trust, proximity and ease of usage.

69%

Additional income is the main reason for becoming an agent

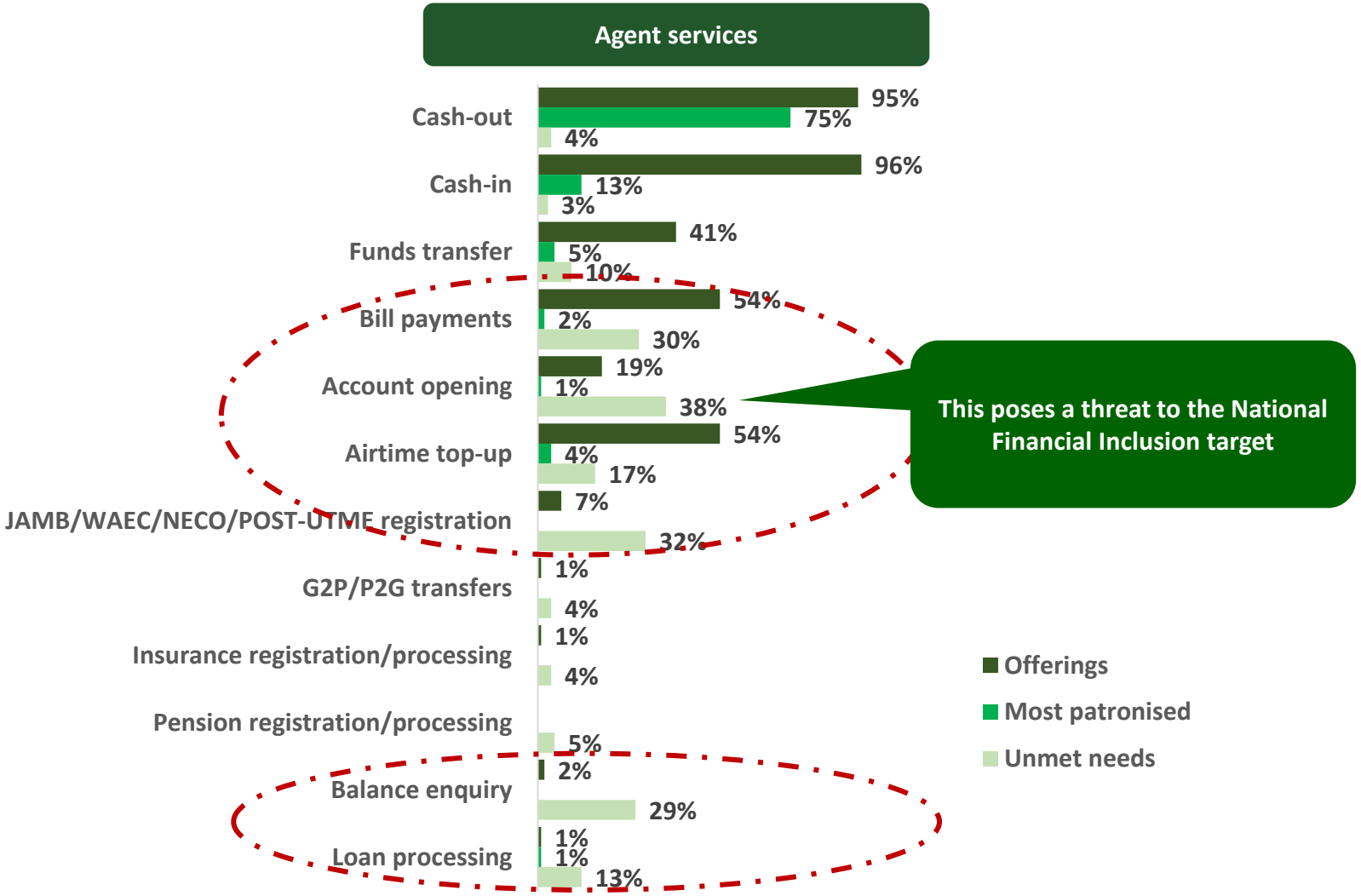


Base: 1618

A8a. Please mention all the providers you are registered with?

A9. Which of these providers platform do you process most transaction on?

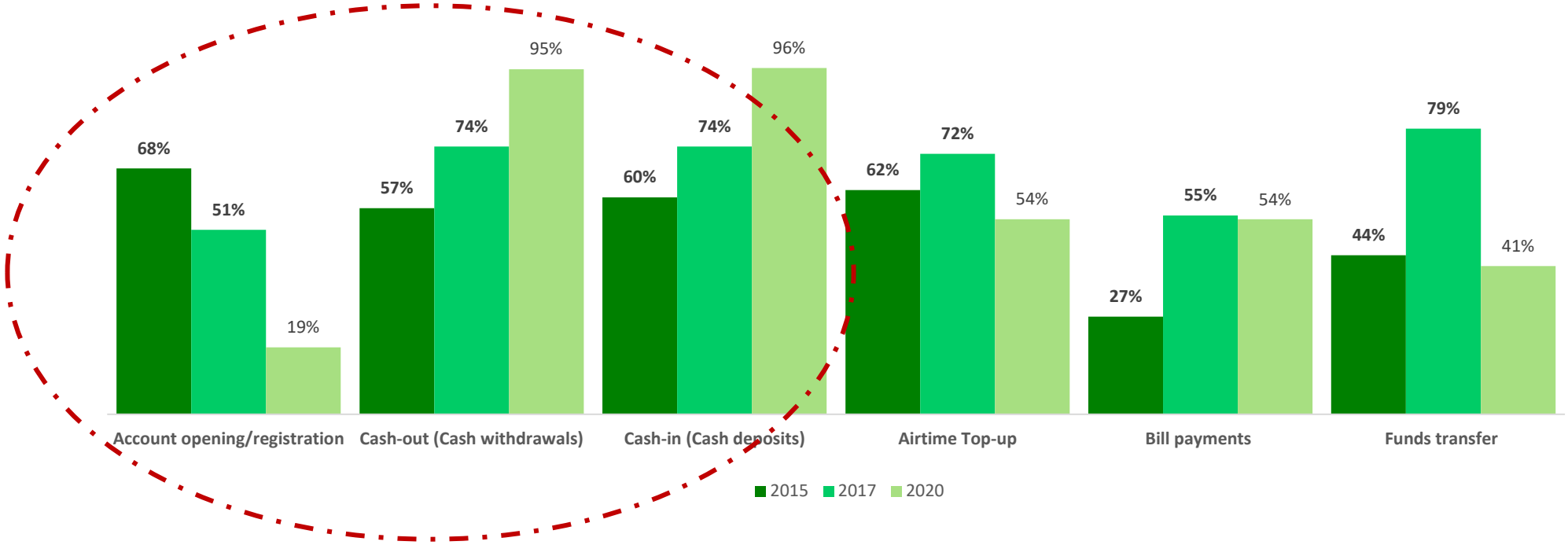
Account opening, institutional registration, bill payments and balance enquiry top the list of sought-after transactions by customers although not commonly offered by agents



Base: 1618
A6a. Which of the following services did you offer to your customers?
A6b. Which of the service did your customers use the most?
Which services do customers demand for that you do not currently offer?

The percentage of agents who offer account opening services has decreased significantly since 2015. Over the same period, the percentage of agents who offer CICO transactions has increased significantly

% of agents who provide these services



Base: 1618
A6a. Which of the following services did you offer to your customers?

CONTENT

Introduction 1
- Background & Objectives
- Methodology

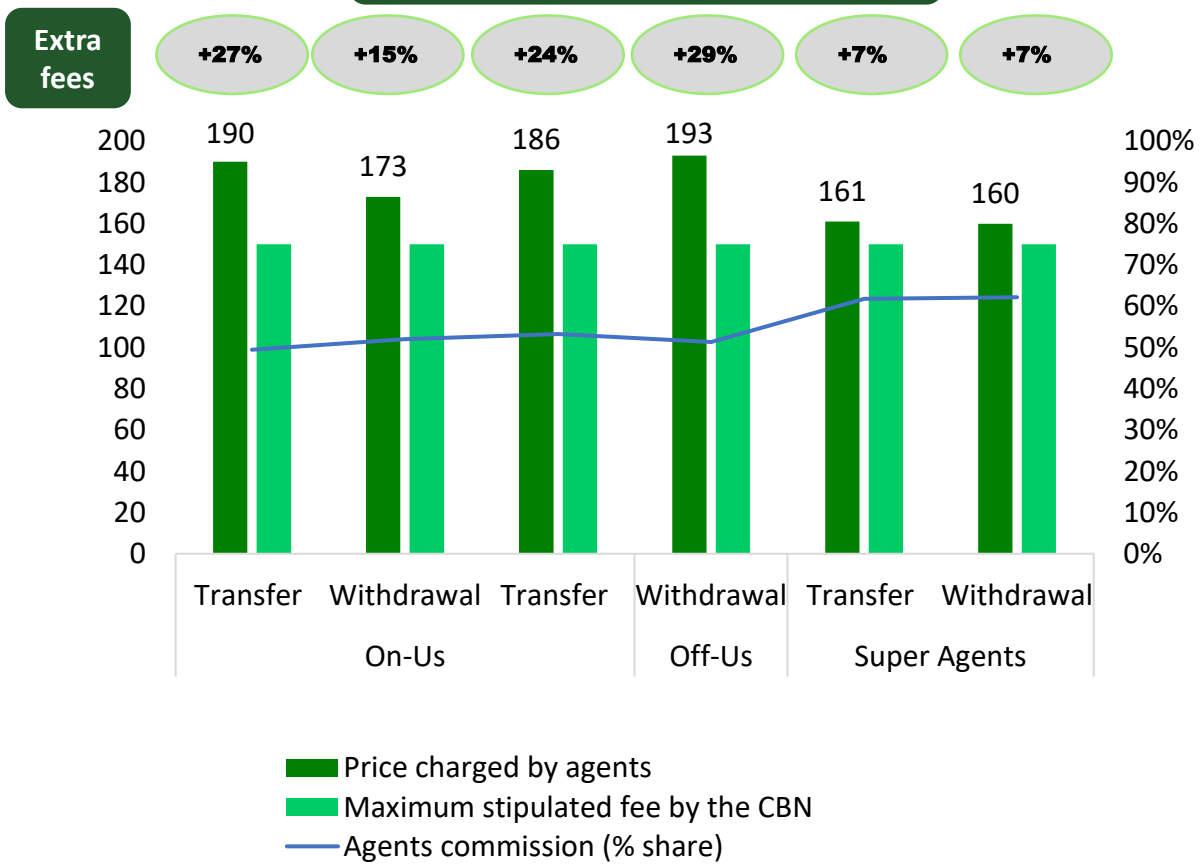
Detailed Findings 2
- Agents profile
- Business operations
- Agent Pricing & Economics
- Float Management
- Challenges Experienced
- Possible Solutions

Summary & Recommendations 3
- Executive Summary
- Recommendations

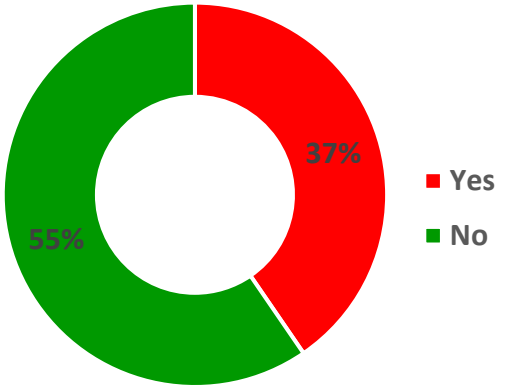
EFInA
Enhancing Financial Innovation & Access

Nearly 2 out of 5 agents charge above the maximum fees stipulated by CBN. Agents Of these, one-third charge extra fees to stay in business while others do so to make extra money. On the average, agent commission make up 55% of the price charged.

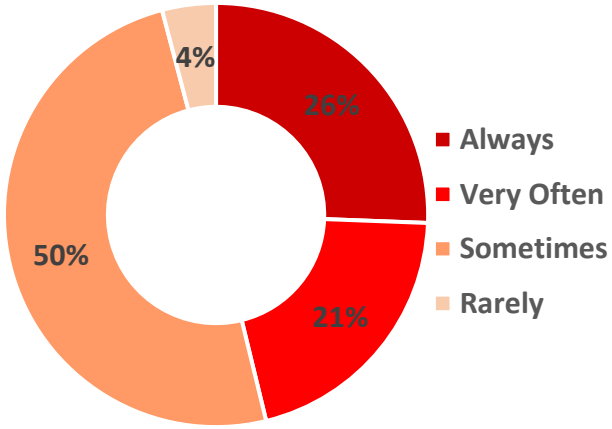
Median price charged for a transaction of N10,000



Ever charge higher prices than stipulated by Provider?

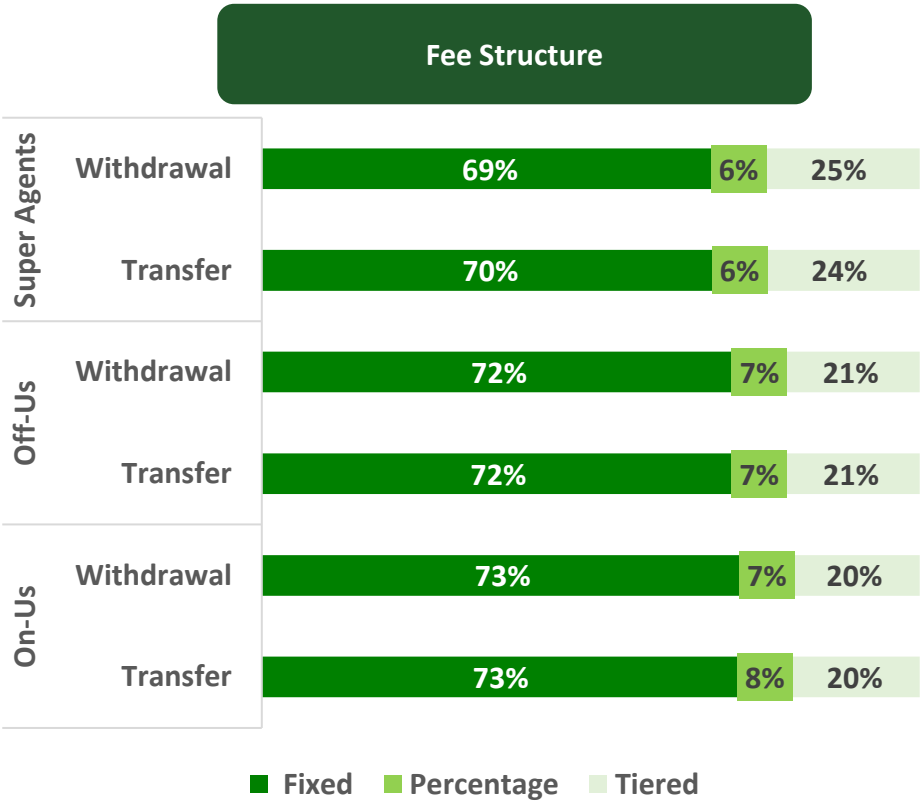


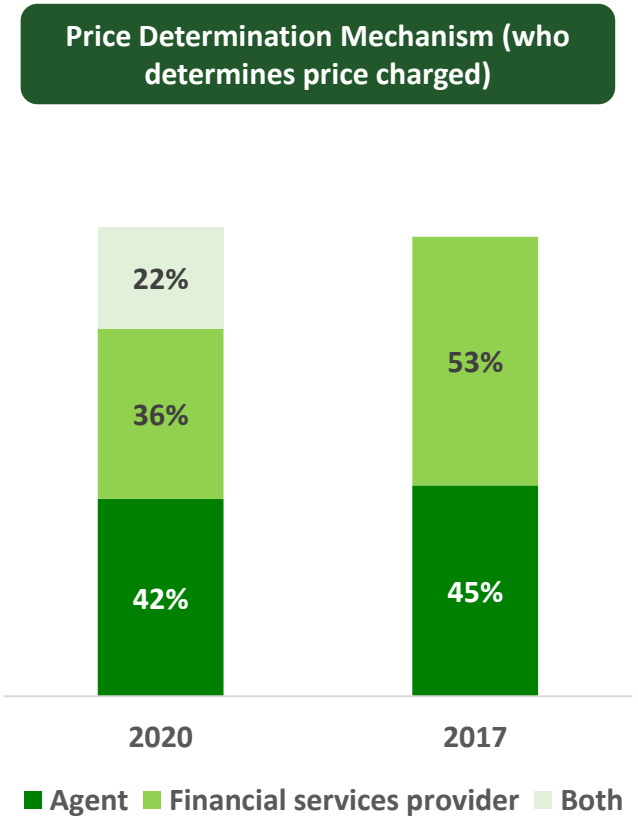
How often do you charge higher fees (% of those who charge higher fees)



P1: What is the typical price charged?
Price cap based on regulation:1.5% of transaction value or N500, whichever is lower

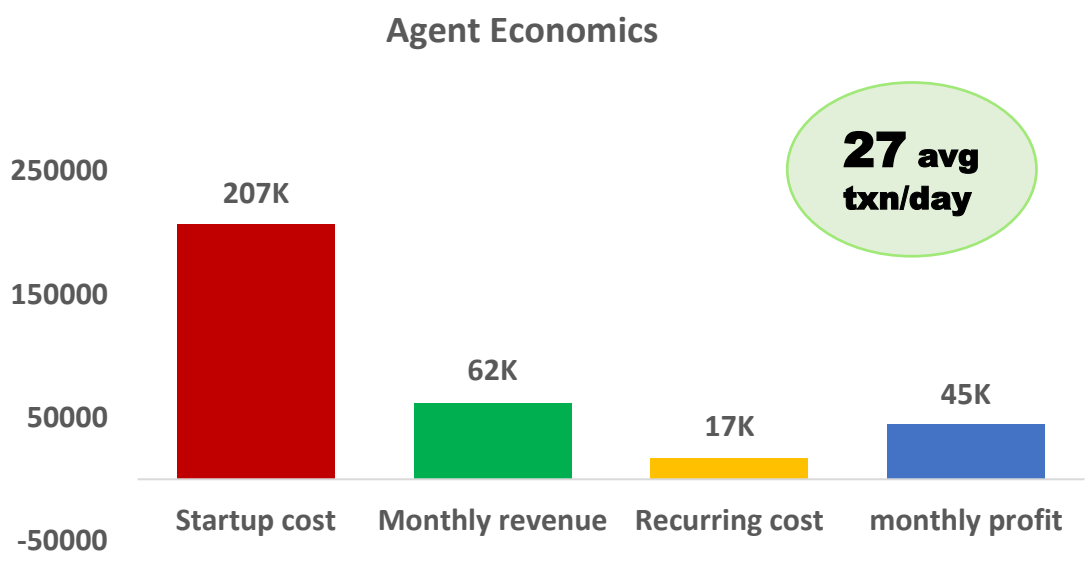
Majority of agents charge a fixed fee structure even as financial service providers lose majority control of the price determination mechanism



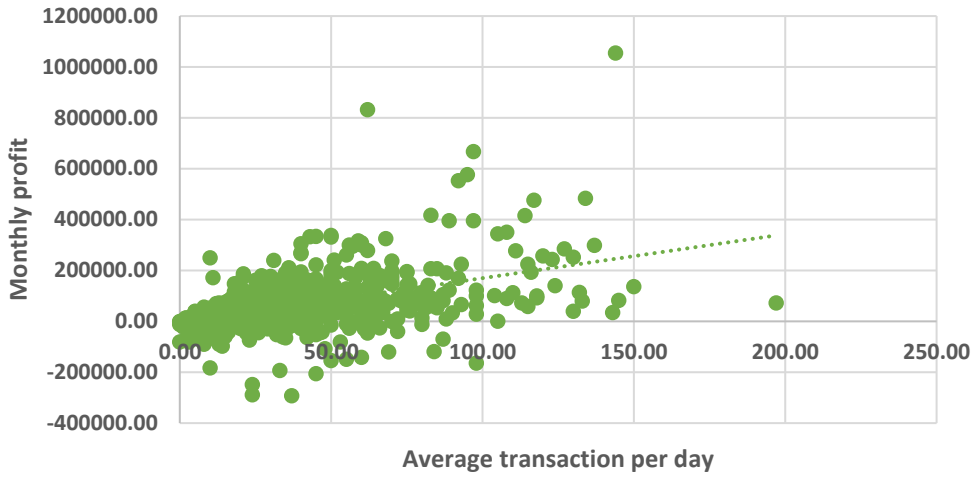


P2: How do you arrive at the typical price charged?
P4: Are the charges set by you or the Financial Service Provider you work for?

Financial services agents are profitable with an average of 27 transaction per day and a 73% profit margin



Agents profit closely correlated with daily transactions



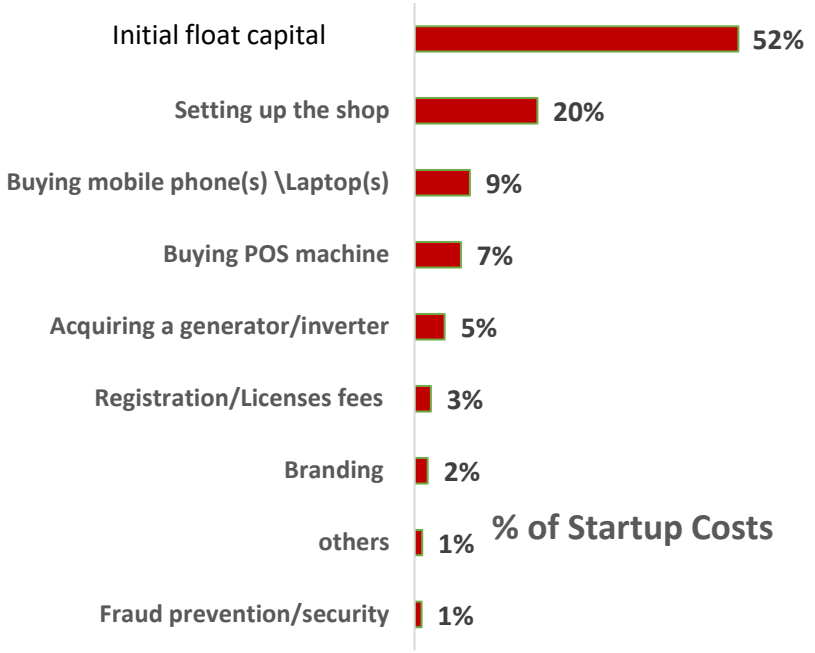
Recurring revenue is calculated assuming 25 working days in a month and is the sum of commissions received across all financial services offered. Daily revenue is estimated as the typical commission received on each financial service offered multiplied by the total number of that transaction performed on a typical day

Average revenue excludes extra fees (upcharges); Average cost blends dedicated and non-dedicated agents (note: Non-dedicated costs do not include rent, utilities, or store maintenance);

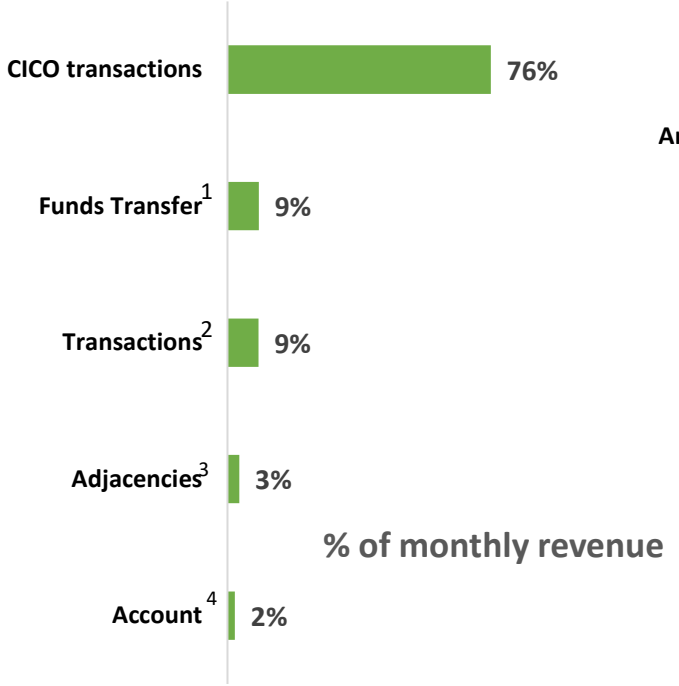
EFInA
Enhancing Financial Innovation & Access

Agent profitability is a function of several cost and revenue drivers.

Start-up costs



Recurring revenue



Recurring cost[5]

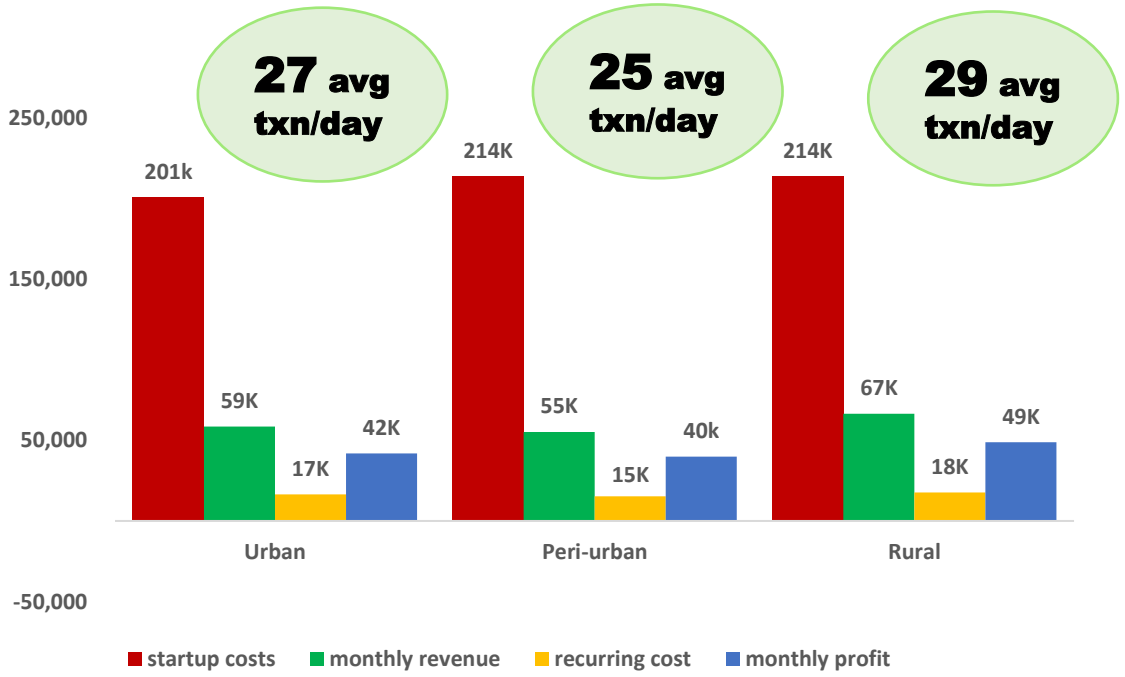
1. between people, businesses or between people/businesses and the government; 2.Bill payments and JAMB/WAEC registrations; 3. SIM registrations, SIM replacements, and airtime; 4. Account openings; 5: Recurring cost includes rent, utilities, and maintenance for all agents (excl. non-dedicated agents); 6. Utilities Electricity, water, generator (fuel & maintenance)

EFInA
Enhancing Financial Innovation & Access

Viability of agents across geographical zone varies but remain profitable on the average across all zones, with rural agents reporting relatively higher revenue and profits despite higher startup costs.

Geographical location	Description	Viability
Urban	Higher DFS penetration Higher banked population Higher proximity to bank branch	Viable
Peri-Urban	High DFS Penetration High banked population High proximity to bank branch	Viable
Rural	Low DFS penetration Low banked population Low proximity to bank branch	Viable

Agent economics by geographical location

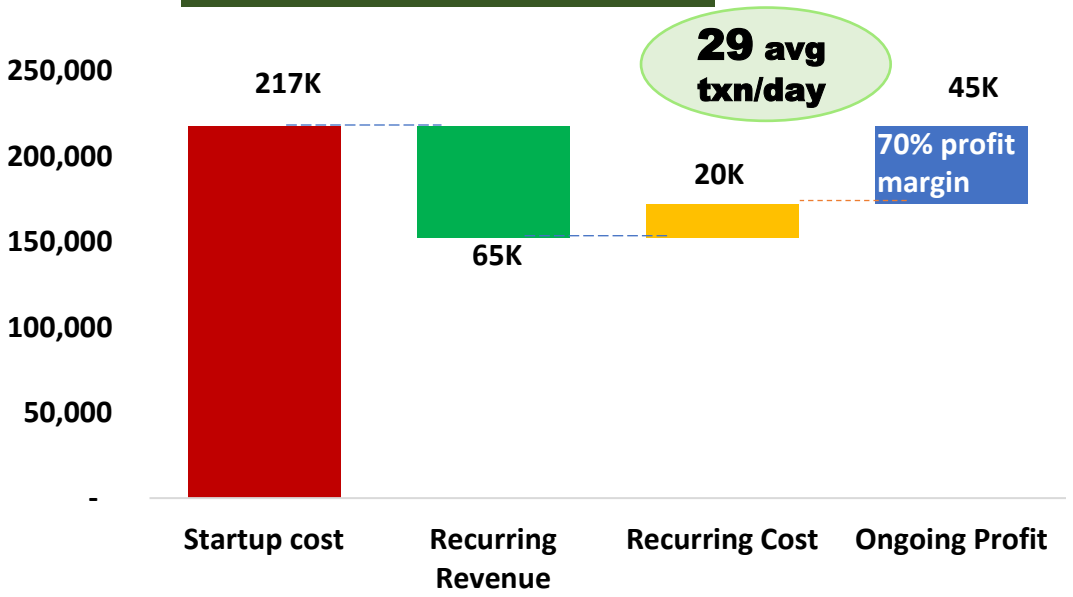


Rural agents have higher marginal costs (+6% startup and +6% recurring); but also relatively higher monthly profits (+17%) driven by CICO services and higher transaction volumes.[1]

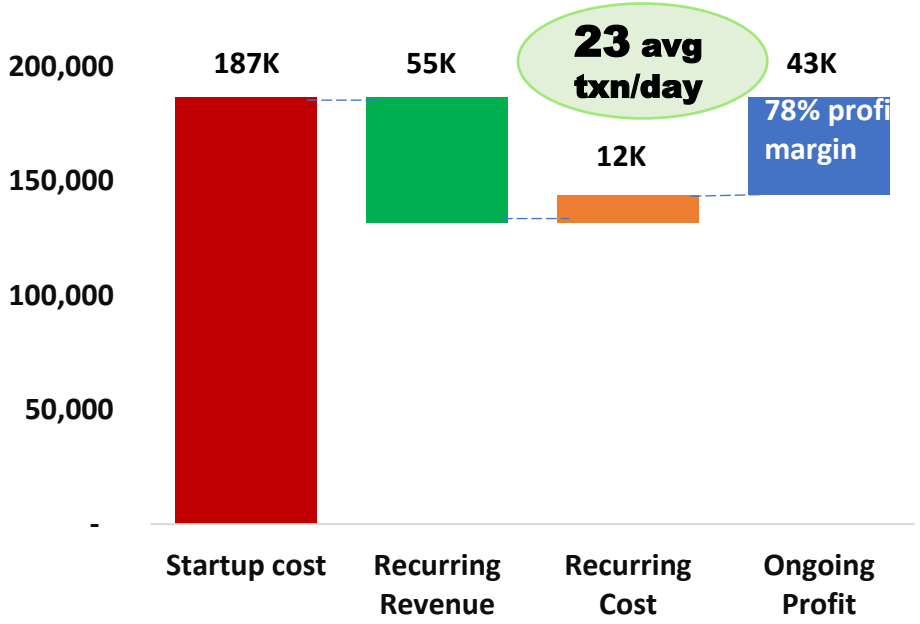
1.Bill payments and JAMB/WAEC registrations

While higher transaction volumes drive profitability for male agents, female agents leverage on lower marginal costs (-14% startup and -40% recurring) for profitability

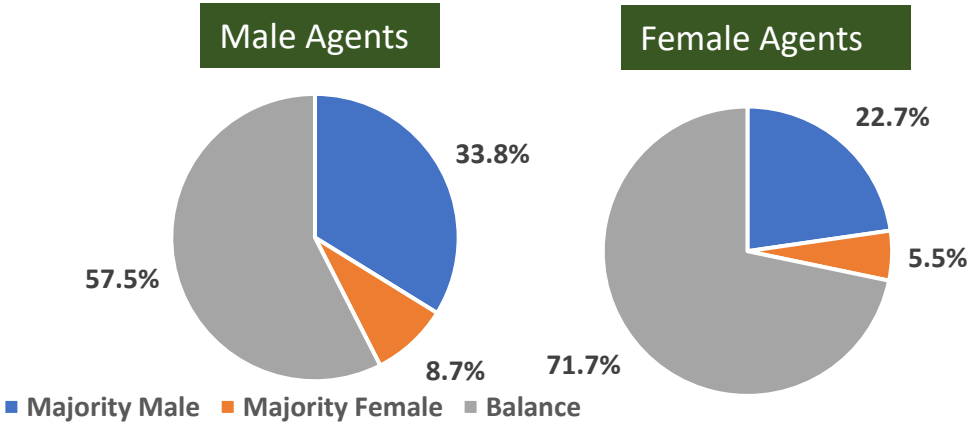
Male Agent Economics



Female Agent Economics



Other gender dynamics



Female agents appear to be more gender neutral in their customer reach

13% of agents report that customers prefer to engage with a specific gender or agent
- 48% opposite gender
- 34% same gender

A19. What are the gender balance of customers that come in?

EFInA
Enhancing Financial Innovation & Access

CONTENT

Introduction 1

- Background & Objectives
- Methodology

Detailed Findings 2

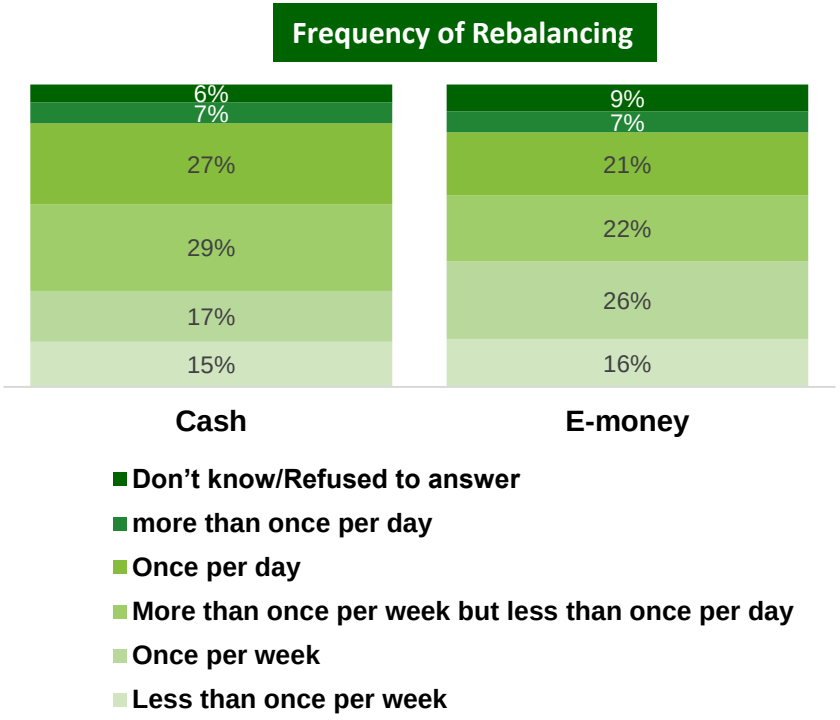
- Agents profile
- Business operations
- Agent Pricing & Economics
- Float Management
- Challenges Experienced
- Possible Solutions
- Impact of Covid-19 on agents' operation

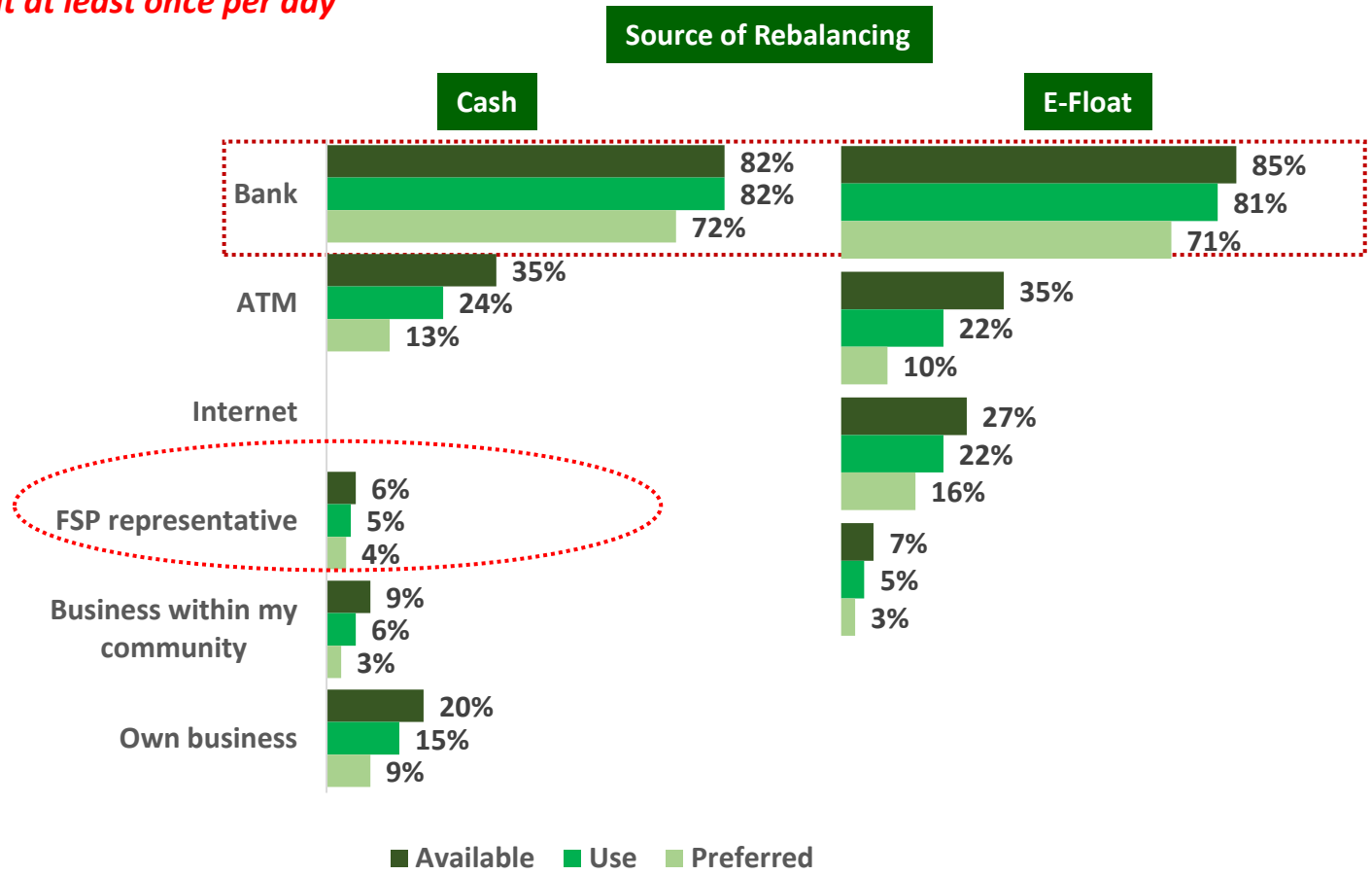
Summary & Recommendations 3

- Executive Summary
- Recommendations

Banks remain the most common and preferred source of rebalancing as 7 out of 10 agents prefer to rebalance their floats from banks. This method of rebalancing involves associated costs as 4 out of 5 agents get to their nearest rebalancing point through transport.

- The median amount of cash float and E-float kept as trading float is N77500 and N95000 respectively
- ***Nearly 3 out of 5 agents rebalance their cash float at least once per day***





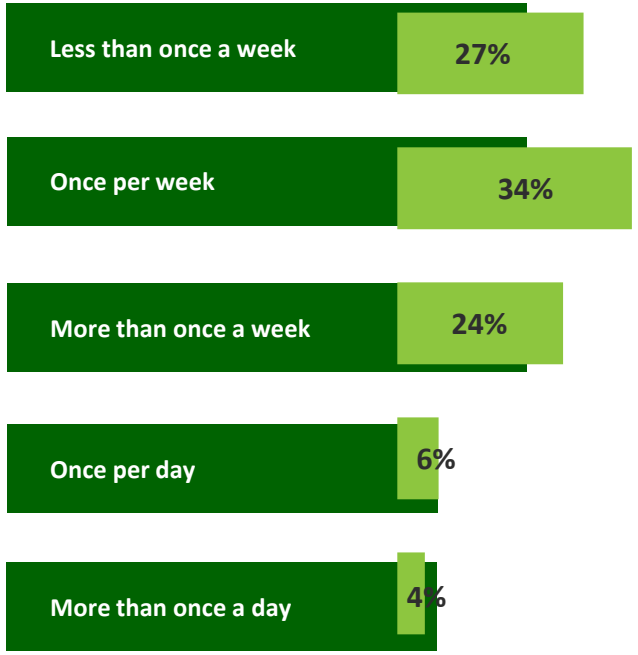
Base: 1618
L2: How regularly do you reload your trading float?
L4. Among all the reloading options available to manage your e-float/cash, which do you use?
L3: What rebalancing options are available to you to manage the money in your float?
L8: Among all the reloading options available to manage your e-float/cash, which do you prefer to use?

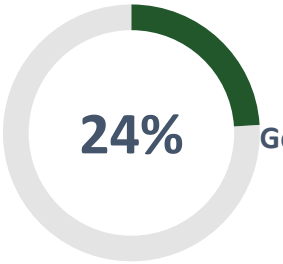
EFInA
Enhancing Financial Innovation & Access

6 out of 10 agents run out of cash usually weekly. This is unsurprising given the most patronized agent service is cash withdrawal.

63%
Run out of cash

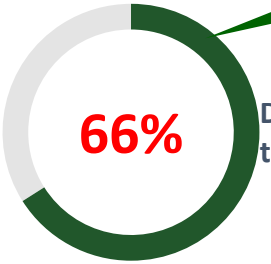
This underlines the important of float management training and aiding agents with cash advances/loans to prevent disruption to their services.





Get charged for rebalancing

Similarly, access to loans is for a select few which again highlights importance of providing financial support for agents.



Do not have access to loans to balance their float

Base: 1618
L11: Do you ever run out of float?

CONTENT

Introduction 1

- Background & Objectives
- Methodology

Detailed Findings 2

- Agents profile
- Business operations
- Agent Pricing & Economics
- Float management
- Challenges & possible solutions
- Impact of Covid-19 on agents' operation

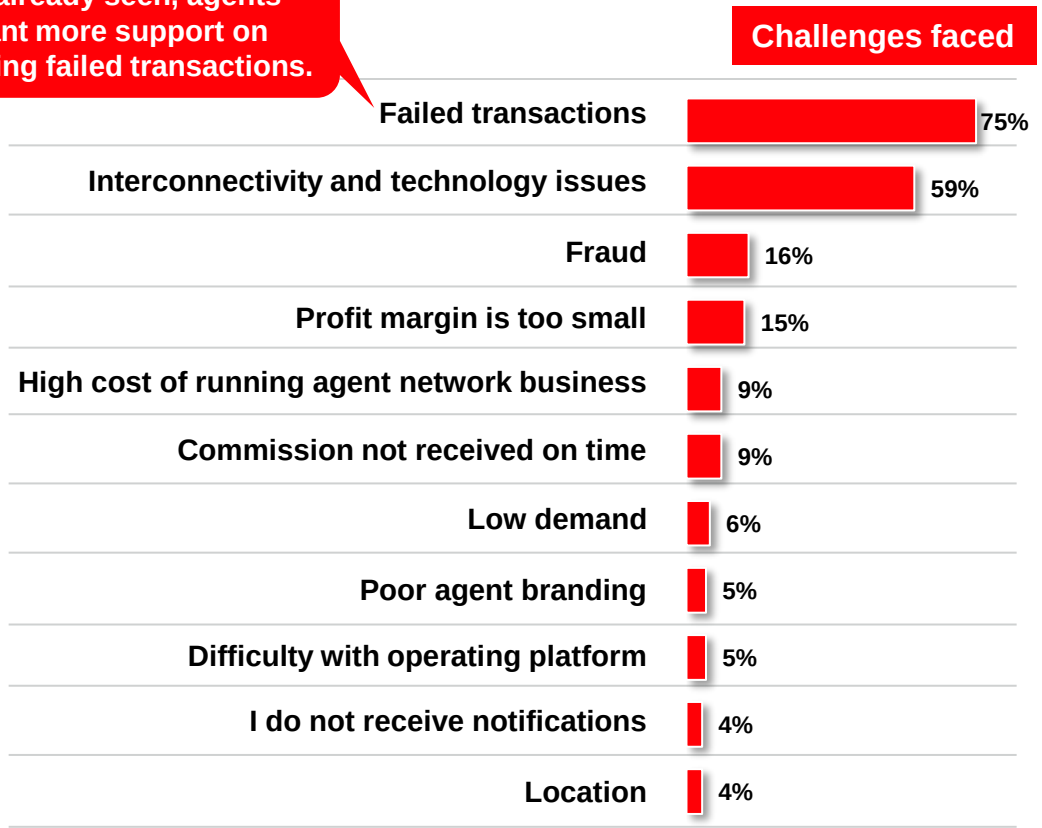
Summary & Recommendations 3

- Executive Summary
- Recommendations

Failed transactions and issues with the platform are the top challenges faced by agents. More than half are relatively new to the business (6 months up to 1 year) and may need hand-holding from principals to solve some of these challenges.

As already seen, agents want more support on handling failed transactions.

2 out of 5 agents experienced fraud issues. Of these, a little over one-third did nothing



Complaints By Customers	
Transaction failures	64%
Service being unavailable	57%
Platform is slow	24%
Do not receive notifications (e,g, SMS alerts)	20%
Cost of transaction	14%

Base: 1618

C1: What are the challenges you face as a financial service agent?

C2: What issues do customers frequently complain about?

EFInA
Enhancing Financial Innovation & Access

Principals need to provide the relevant support for agents as there seems to be a mismatch between what is needed and what is provided. Agents want more support in handling failed transactions, providing liquidity as well as liquidity management.

Support Received from Principals

36%	36%	43%	34%	9%	3%
Handling failed transactions	Training	Branding material	Physical visits to business	Cash advances/credit	Liquidity management

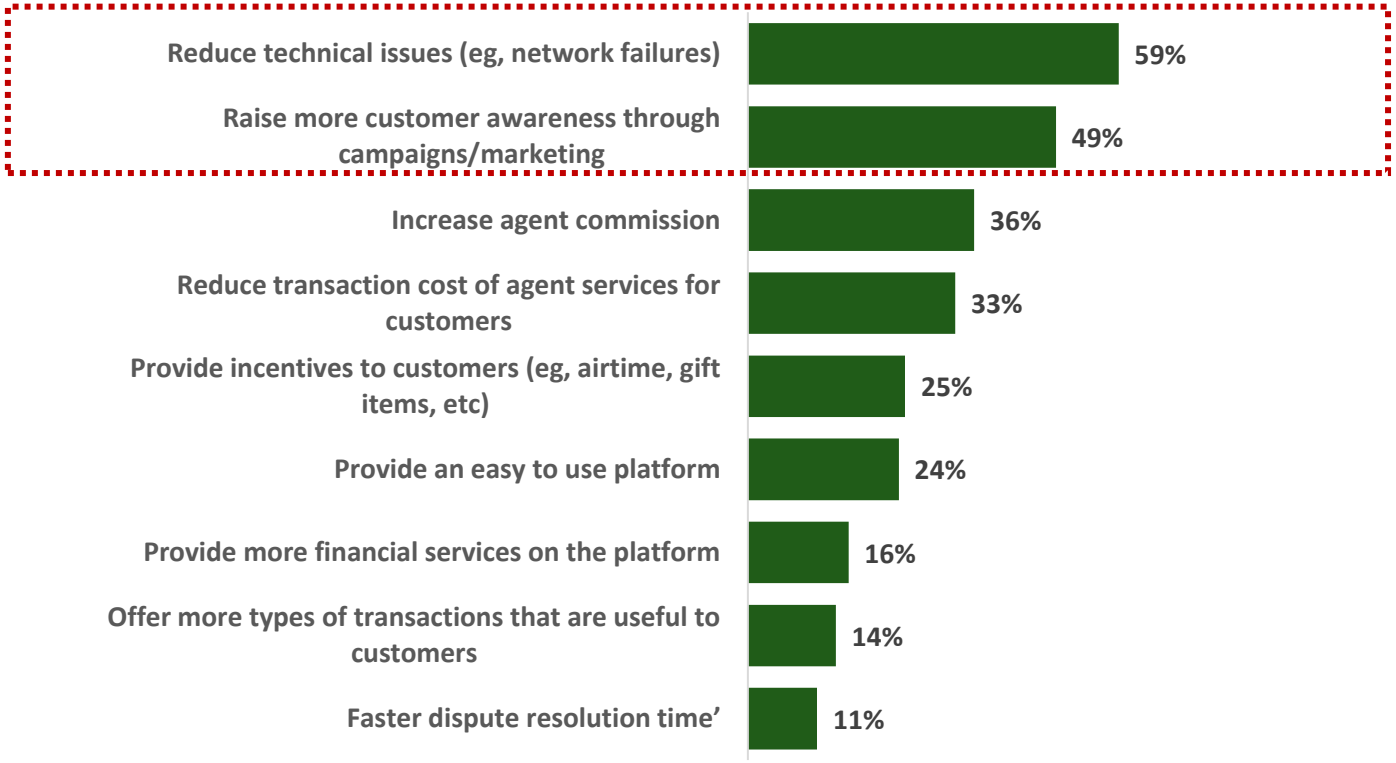
Support Needed from Principals

55%	51%	36%	27%	24%	16%
Handling failed transactions	Cash advances/credit	Branding material	Training	Physical visits to business	Liquidity management

Base: 1618
S1: In the past 6 months, which of the following support services have you received from your provider?
S2: List all types of support that you want more of.

Eliminating challenges with the platform is key to driving usage and adoption of agent services. Creating awareness with customers is also important as people can only use what they are aware of.

Agents recommendations for driving uptake of agent services



Base: 1618
C4: In your opinion, what should be done to drive the usage and uptake of agent networks in Nigeria?

EFInA
Enhancing Financial Innovation & Access

CONTENT

Introduction

- Background & Objectives
- Methodology

Detailed Findings 2

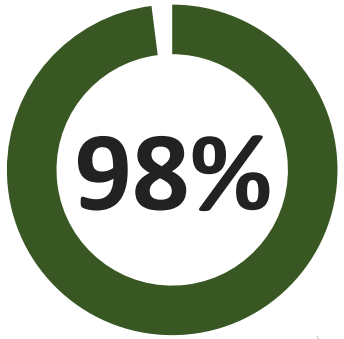
- Agents profile
- Business operations
- Agent Pricing & Economics
- Float management
- Challenges & possible solutions
- Impact of Covid-19 on agents' operation

Summary & Recommendations

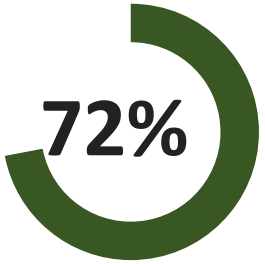
- Executive Summary
- Recommendations

EFInA
Enhancing Financial Innovation & Access

High awareness level and understanding of Coronavirus is seen amongst the contacted financial agents. This is no surprise as about 82% of Nigerians get information on COVID-19 multiple times a day through different sources



Aware of Coronavirus



Afraid of getting infected

Measures taken towards customer safety

86%

Ensure customers wash or sanitize hands before entering the store.

24%

Limit the number of customers inside the store at a time

15%

Educating employees/customers on how to stay safe

Measures taken towards Self & Employees

78%

Use face masks self & employees

25%

Use hand gloves to operate POS machine or other agents related functions

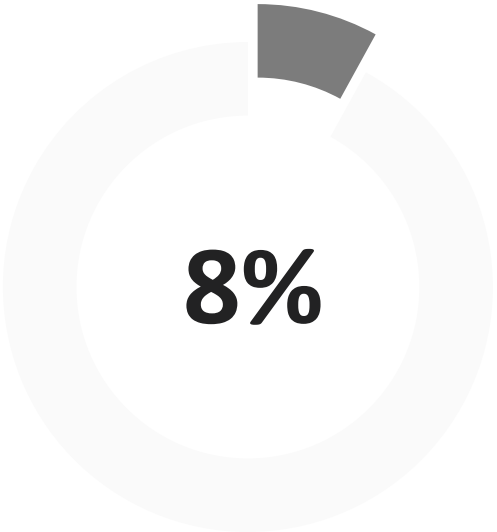
18%

Avoid Shaking hands

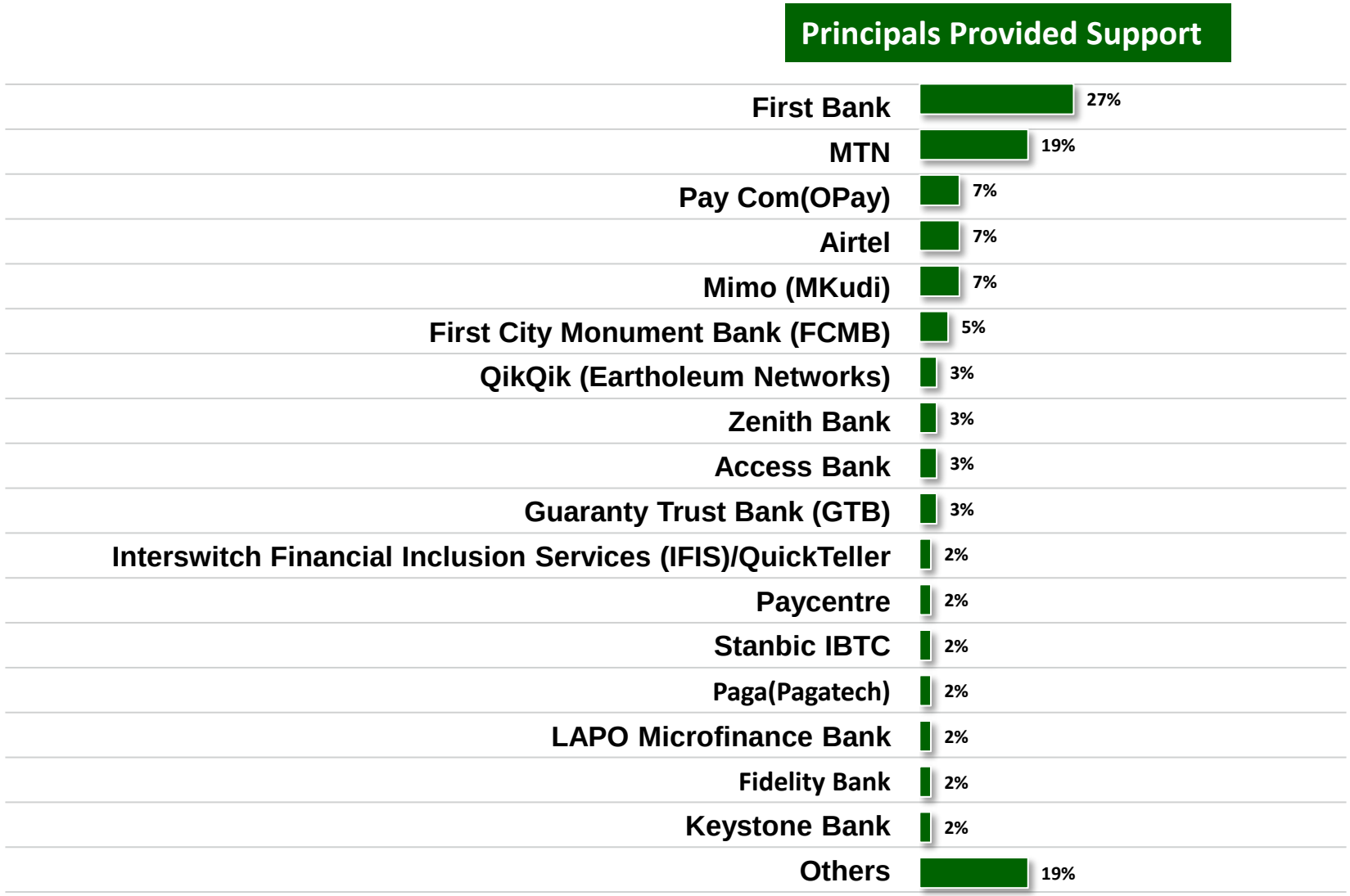
Base: n=735
Q1. Are you aware of Corona Virus Disease 2019? [SA]
Q2. What do you understand about Corona Virus Disease 2019 / COVID-19? VERBATIM RESPONSE
Source: Impact of COVID-19 on consumer behavior Nigeria report 2020

Poor support received from providers/principals so far. Only 8% claimed to have received support from FSPs since the pandemic began.

- ***First Bank (First Monie), MTN, OPay, Airtel & Mimo(Mkudi) top the list of principals who have provided support .***



Have Received Support From Providers



Base:n= 631
Q4. Have you received any kind of support from the service providers you work for since the Coronavirus / COVID-19 pandemic began? SA.
Q4a. From which service providers have you received support? MULTIPLE RESPONSE.

EFInA
Enhancing Financial Innovation & Access

Required support at this time is skewed towards items required to survive the pandemic; Safety materials 47%, and financial support, 35% with current support levels not sufficient

Others(received sms educating about the virus, First Bank allows agents to enter the bank, food items, free data/airtime etc **(39%)**

Support Received from Principals

47%	3%	3%	2%	2%	2%
Safety materials	Training during the pandemic	Cash advances/credit	Rebates/reduction in charges	Physical visits to business	Increase commission %

About **37%** of the agents mentioned Palliatives such as financial aids & Food items, Improve network for smooth transactions, resolve queries in time)

Support Needed from Principals

58%	35%	6%	4%	4%	3%
Safety materials	Cash advances/credit	Training during the pandemic	Rebates/reduction in charges	Increase Commission %	Branding materials

Base: n=631
Q5. What kind of support have you received from your service providers? MA. (n=49)
Q8. What kind of support would you like to receive from your service provider during this period? (n=582)

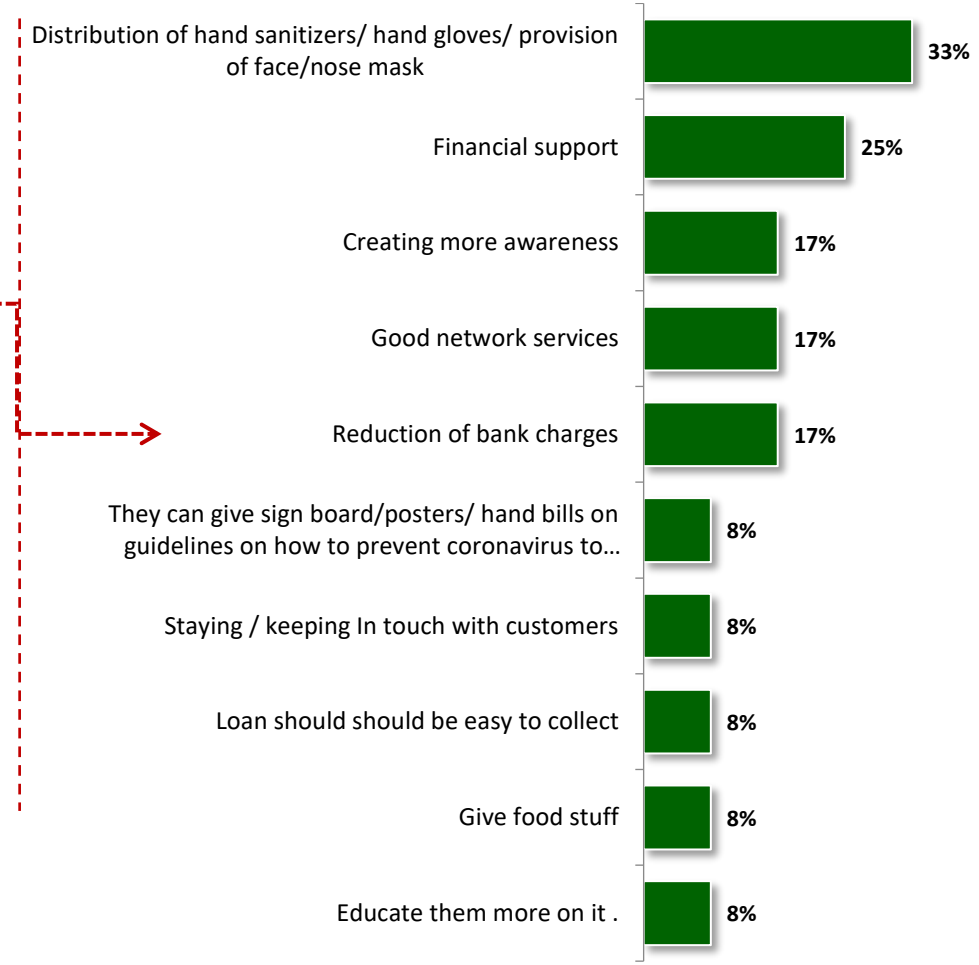
EFInA
Enhancing Financial Innovation & Access

Over 70% of the agents who received support are satisfied with the level of support received. However more can be done towards improving the level of support given to the agents.

Overall Satisfaction Level

4%	Very Dissatisfied
5%	Dissatisfied
14%	Neither Satisfied nor dissatisfied
38%	Satisfied
38%	Very Satisfied

What can be done to improve Support received from providers?



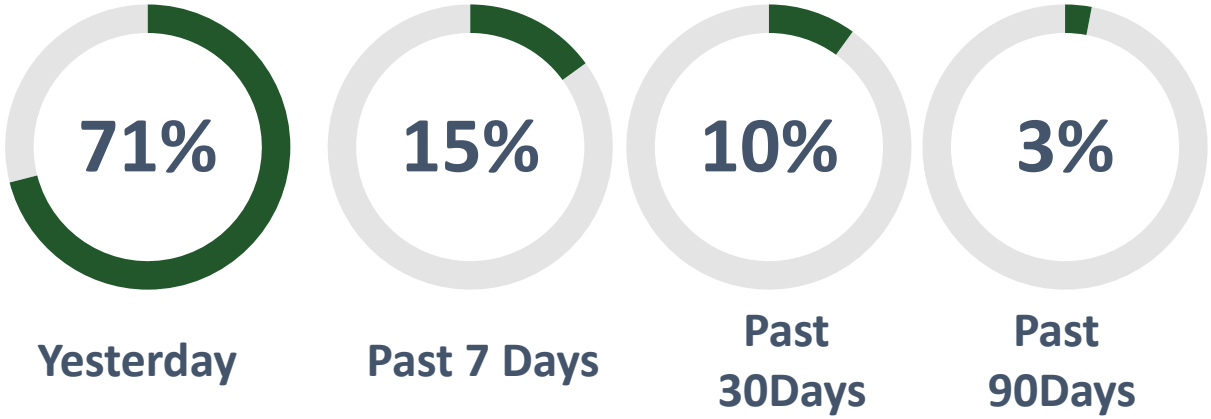
Base: n=53
Q6. Can you please tell me how satisfied you are with the support given by your service provider?
Q7. What can be done to improve on the support that you have received/ are receiving from your service provider? (n=12**)

EFInA
Enhancing Financial Innovation & Access

80% of agents' businesses have been negatively impacted by the pandemic yet only 8% of these agents claim to have received any support from the providers since the pandemic started but majority are still transacting..

41%	39%	4%	11%	5%
Business is much worse	Business is slightly worse	Business is still the same	Business is slightly better	Business is Much Better

Last agent transaction performed

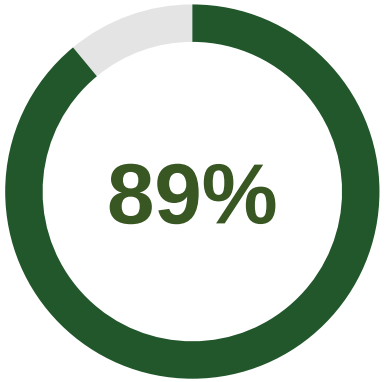


Even though business is deeply impacted by the virus, they are still trading.
The more reason why support is required not only to keep up with the business but to cater to their family needs.

Base: n=631
Q9. How has your agency business been affected since the Corona virus / COVID-19 pandemic started? SA.
Q10. When did you last perform a transaction as a financial service agent? SA.

EFInA
Enhancing Financial Innovation & Access

Limited hours of operation and low patronage have impacted monthly income of 89% of agents. Current monthly earning is less than previous earning by almost 50%.



Monthly Income has changed since the pandemic

Monthly Income _ Pre-Pandemic Period

54,662 NGN

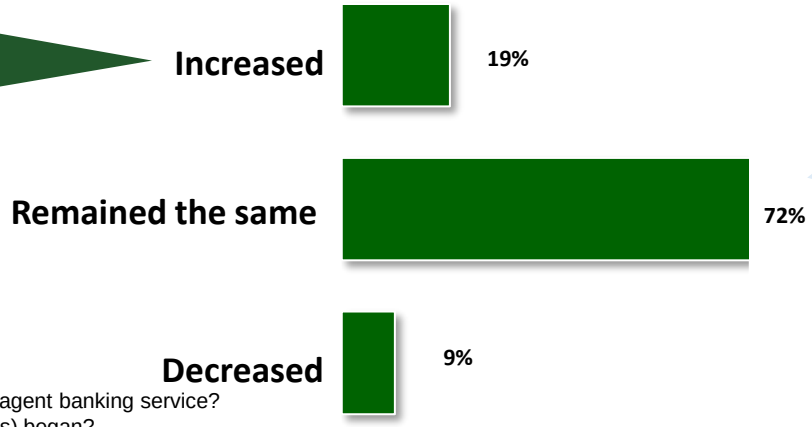
Typical Income (Avg)

Monthly Income _ Pandemic Period

27,944 NGN

Income Per Month (Avg)

Price Charged to Customers



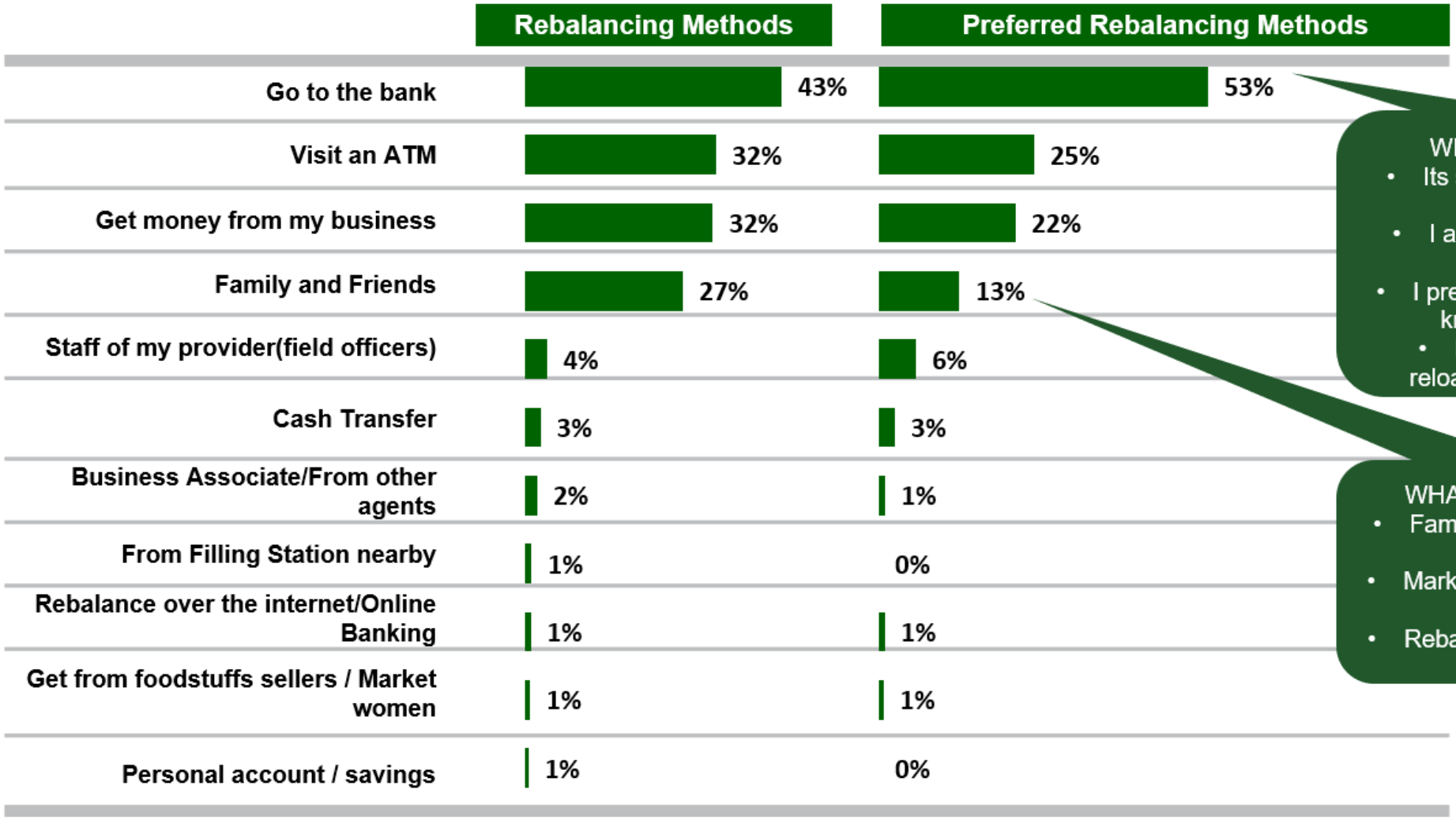
Those who have increased price are likely to be part of those who have gained more customers due to the restriction of movement. And those who wish to make more money during this period.
.

mainly as a result of customers complaints of high charges, inability to pay the price charged due to cases of low/no income during the pandemic. In order to accommodate the customers the agents tend to perform the transaction at a lower price or for free

Base: n=735
Q12 Could you tell us how much total income you make per typical month from your agent banking service?
Q13a. Has the monthly income changed since the pandemic (COVID 19/Corona virus) began?
Q13b. If YES? How much do you make now? (n=657)
Q15a. Has there been any change in the price you charge to customers? (Has it increased, decreased or remained the same)

EFInA
Enhancing Financial Innovation & Access

Banks, ATM & money from own business remains the preferred methods of rebalancing at this time. Banks are generally perceived as being safe and reliable.



WHY VISIT THE BANK?
- Its safer for me to collect bulk money.
- I am used to it. That's what I have been doing.
- I prefer it so that people will not know how I get my money
- I cannot get that kind of reloading money anywhere else

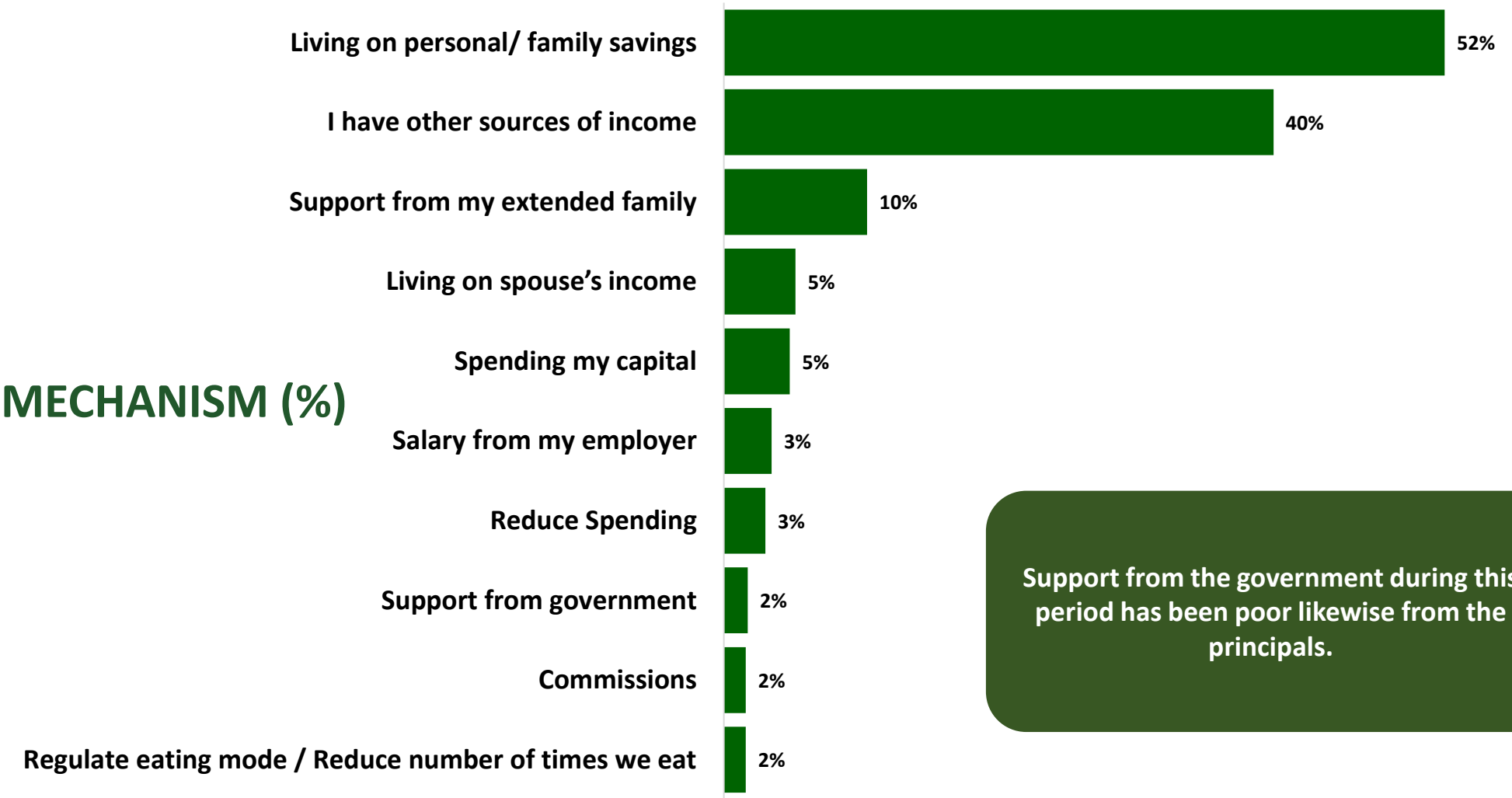
WHAT'S DIFFERENT NOW?
- Family and friends come to play during the pandemic
- Market women since they handle more cash.
- Rebalance through other agents.

Base: n=735
Q14a. What methods do you use in managing your rebalancing of float since the pandemic started? (Multiple Response)
Q14b. What methods/options of rebalancing would you prefer? (Multiple Response)

EFInA
Enhancing Financial Innovation & Access

Personal savings and other sources of income have been instrumental to agent's resilience to the pandemic

COPING MECHANISM (%)

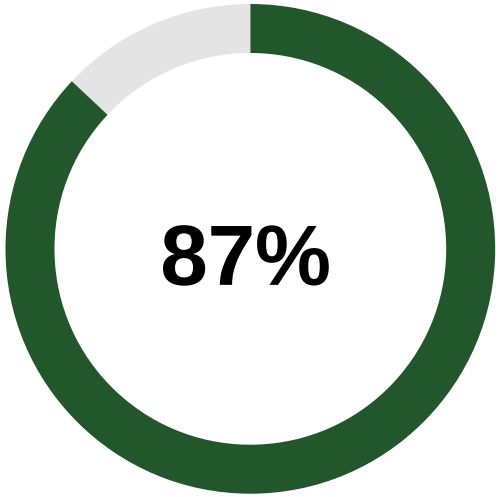


Support from the government during this period has been poor likewise from the principals.

Base: n=63 (Those whose price/charges have decreased)
Q15b.How have you and your household been coping financially since the Corona virus / COVID-19 pandemic started? MA.

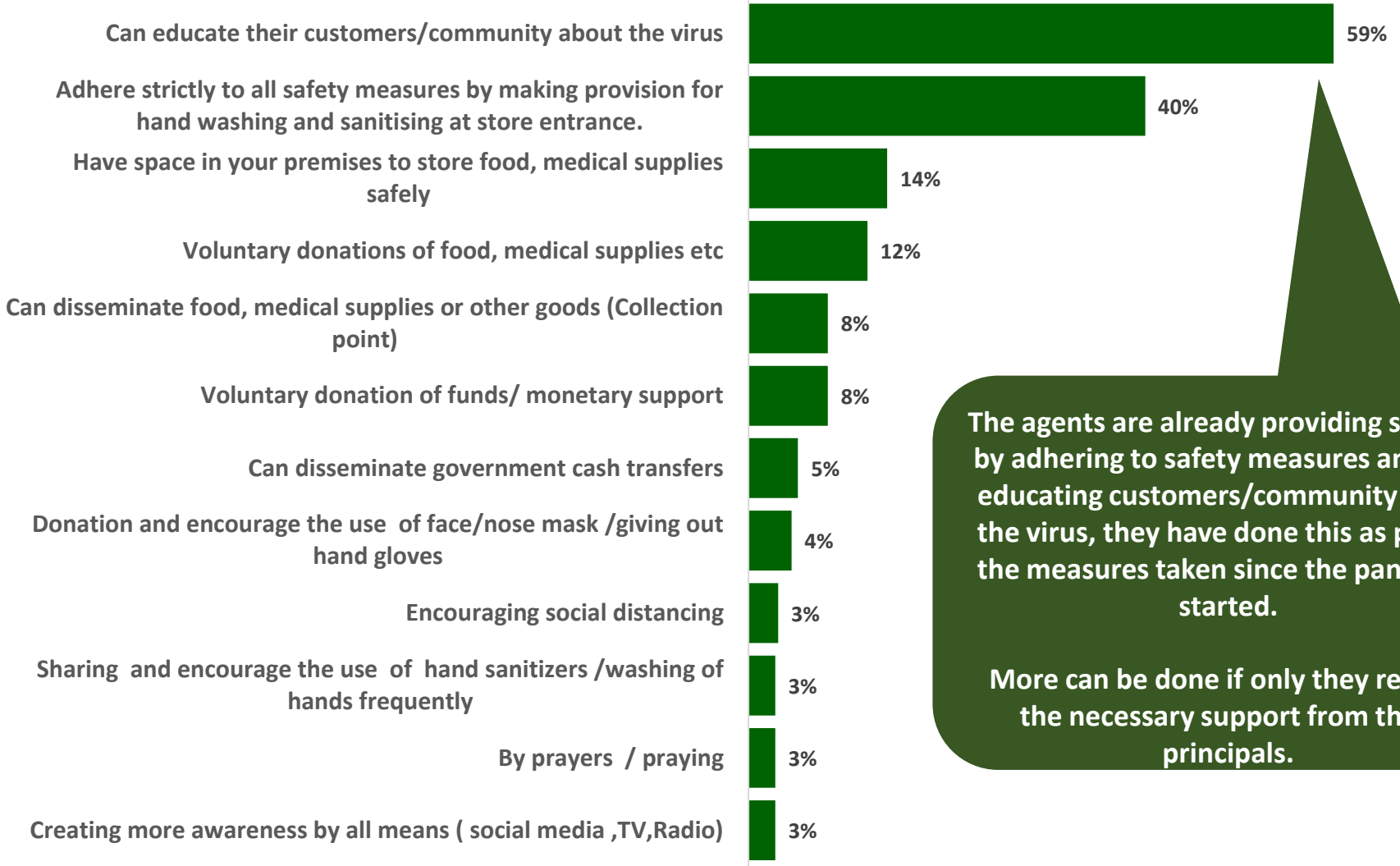
EFInA
Enhancing Financial Innovation & Access

Despite bad business conditions and little or no support received from principals, the agent are still willing to render support hence should be activated to aid the fight against the spread.



Willing to be part of the support system in the fight against the Corona Virus disease

How Can You Support the fight against the Corona Virus?



The agents are already providing support by adhering to safety measures and also educating customers/community about the virus, they have done this as part of the measures taken since the pandemic started.

More can be done if only they receive the necessary support from their principals.

Base: n=735
Q18. Are you willing to be part of a support system in the fight against the Corona virus disease/ COVID-19 SA
Q19. In your opinion, how can you support the fight against the Corona virus disease/COVID-19?

EFInA
Enhancing Financial Innovation & Access

Introduction 1

- Background & Objectives
- Methodology

Detailed Findings 2

- Awareness of covid-19 & coping mechanisms
- Provider/principal's support mechanism
- Impact on agent's business
- Impact on agent's customers
- Business continuity/coping mechanism

Summary & Recommendations 3

- Summary and Recommendations

RECOMMENDATIONS

- The findings shows 30% of agents are standalone and profitable. This highlights the need for the regulator to consider reviewing the current guidelines for agent eligibility

- There are several unmet needs which agents have shown capacity to deliver. Financial service providers(FSPs)/stakeholders should consider exploiting the agents' capacity to extend more financial/non-financial services to users. These non CICO transactions are particularly relevant to profitability in rural areas

- The percentage of agents who offer account opening services has decreased by about 70% since 2015. This speaks to gaps in product development and financial inclusion efforts. FSPs should offer more incentives to agents to drive account opening and push financial inclusion from commercially viable business models

- The findings revealed that agents are winning the pricing determination mechanism. This shows market maturity and the regulator should consider deregulation of agent pricing and allow market-based pricing

- Liquidity management has continued to be a huge problem for agents. The report shows that 6 out of 10 agents run out of cash usually weekly. FSPs should explore partnerships that will support agents' liquidity management

- There is need for better alignment in support provided by principals, as the study result shows a mismatch between what is needed and what is provided

- Platform instability /failed transactions is still a big challenge hampering agents' operation. There is need to identify these challenges and collaboratively build initiatives to address this bottleneck

EFInA

Thank You