



How Social Dynamics Influence Agent Operations in Nigeria

May 6, 2021

About EFInA

EFInA (Enhancing Financial Innovation & Access) is a Financial Sector Deepening (FSD) organisation that promotes inclusive finance in Nigeria. The FSD Network is a family of nine Financial Sector Deepening, or FSD, programmes operating across Africa. EFInA was established with support from the UK's Foreign Commonwealth & Development Office (FCDO) in 2007 and began receiving funding support from the Bill & Melinda Gates Foundation in 2009.

Our Work

Research: We provide credible market information about the Nigerian financial sector



Promote the scale of Digital Financial Services (DFS) to expand the access and reach of basic financial services to the un(der) banked population in Nigeria



Innovation: Facilitate the development and implementation of innovative financial products and services through funding



Catalyzing the Growth of Fintech in Nigeria to support the development of a digital ecosystem



Advocacy and Capacity Building: We advocate for the development and implementation of policies that create an enabling environment for financial inclusion



Content



Introduction



Key findings



Recommendations



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Recommendations

Background, Objectives and Methodology



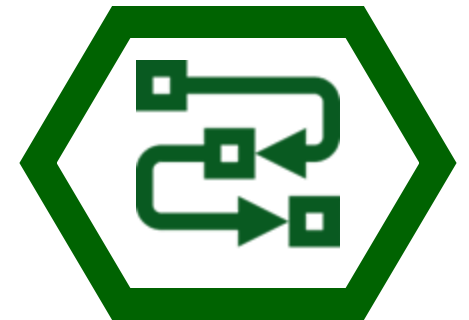
EFInA commissioned an ethnographic study on financial services agents to probe some of the findings from the 2020 financial services agent survey.



We sought to document typical agent operations to inform policy reforms and strategic interventions, supporting ubiquitous and sustainable agent networks

Specific Objectives:

- ☐ How social factors impact financial services agents' operation and influences customer engagement/interactions
- ☐ Gain insights on important social dynamics to consider in developing agent deployment models
- ☐ Understand how gender dynamics impact customer experience
- ☐ Understand the extent of agents' compliance to existing policies/regulations
- ☐ Understand the impact of COVID-19 on agent businesses and their road to recovery



Ethnographic method of data collection – field researchers covertly & overtly participated in a typical day in the life of the financial service agent. The researcher became embedded in the ongoing relationship with the research participants for the purpose of observing, recording talk & behavior.



Introduction



Key findings



Recommendations

Meet Agent Tinuade Adesina...

Beyond additional income, agents are motivated into business by people in their social circles



Why become an agent?

- ☐ Introduced to the business by a neighbour – entrusted the neighbour to open the agent account and linked it to her personal account
- ☐ Meeting the needs of the community members
 - ☐ Opportunity to operate side business

FSPs could leverage the use of staff referral systems for agent onboarding. There is an opportunity to adequately incentivize staff members to scope and pitch to potential high performing agents.

From our Financial Services Agent 2020 Survey, 9% of agents were on-boarded like Tinuade



The Basis for most agent transactions is trust



“...A lot of children do come to withdraw money, most times their parents do send them...”

...Tinuade Adesina

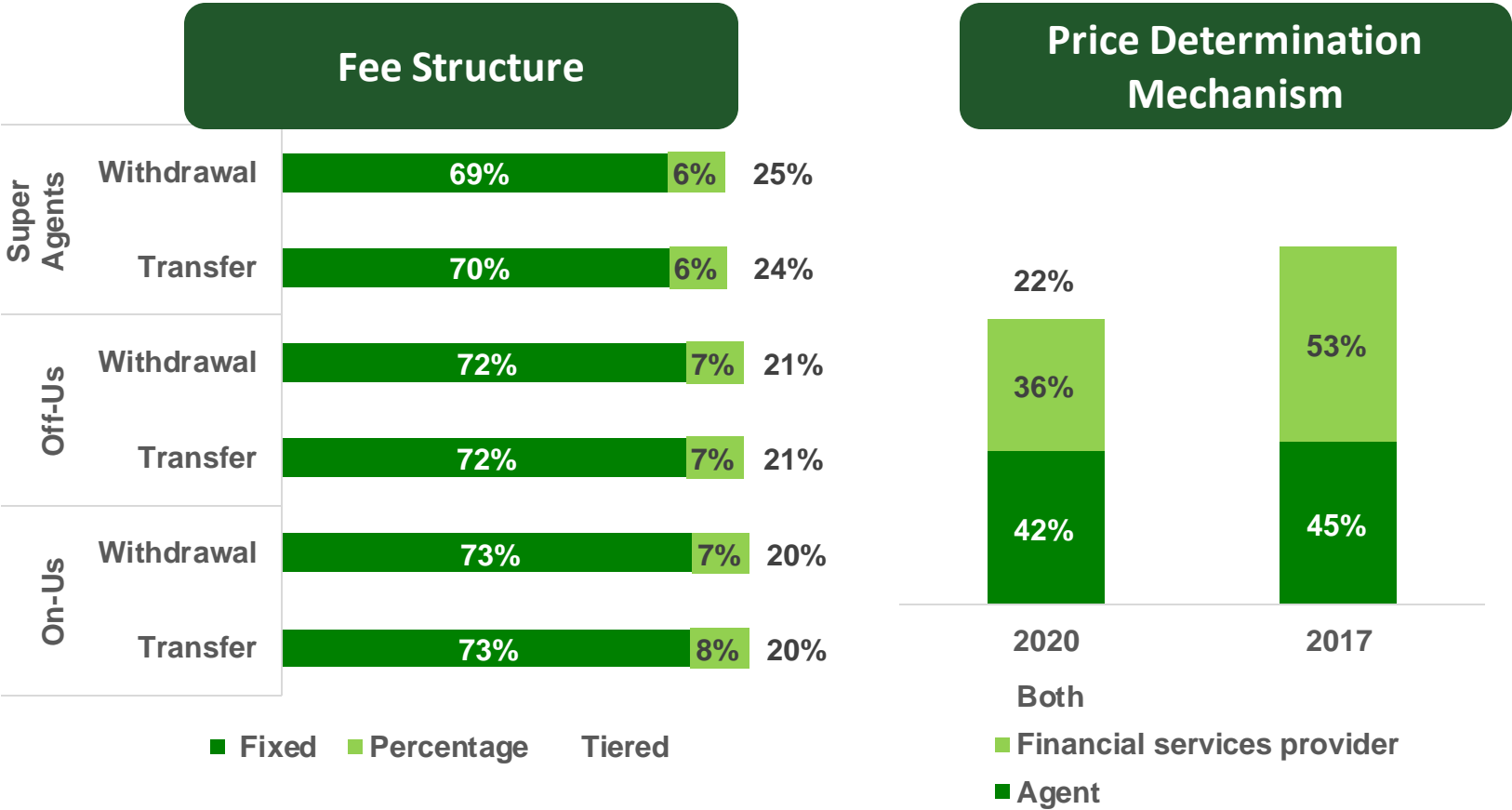
Female agents are preferred

- ❑ Studies have shown that women prefer to make twice the number of interactions than men before they feel comfortable independently using financial services technologies.
- ❑ Female agents enhance the communication and comfort level for women customers, especially in a gender-segregated societies
- ❑ Female agents create reassuring environment for transactions for both male and female clients. customers feel that female agents have more patience and are more willing to spend time to address queries or explain the features of a new product.
- ❑ Studies have shown that female agents help clients stick with a provider and more actively use their accounts.
- ❑ More than 150 countries have cultural and regulatory barriers that prevent women from accessing financial services and direct communication with male agents.



In price determination, new customers are charged higher fees than regular and familiar customers

Majority of agents charge customers using a fixed fee structure, as financial service providers lose significant control of price determination



“...it depends on the customer, like I have my major customers that come on a regular basis but there are some that just walk in, people like this, I can add money for them, because they are not my major customers, they are just like walk-in customers and they really have to do that, they don’t have choice....”

... Financial services agent in Lagos

Agent communities are handy in facilitating rebalancing, either through peer to peer transfers or peer education on available options



Peer to peer agent transfers

“...I will just give a call informing him that money has finished in my account, and he should please transfer a certain amount I want him to transfer, then I will transfer the equivalent amount from my personal account to his, we have been doing this form of transaction with him for a while now...”



Funds transfer from personal accounts into bank agent account

“...If I want to use my account, I will use my phone to do it by using USSD code, I will tick the transfer code among other options like airtime etc. then I will transfer it to my agent account. It is the same procedure when you want to carry out other transactions like airtime, etc.....”



Use of ATMs to fund agent accounts

“..... It is just once, as I said, it is AMINU who took me to the ATM and showed me how it is done but am not comfortable using the ATM card, I prefer to use USSD code on my phone...”



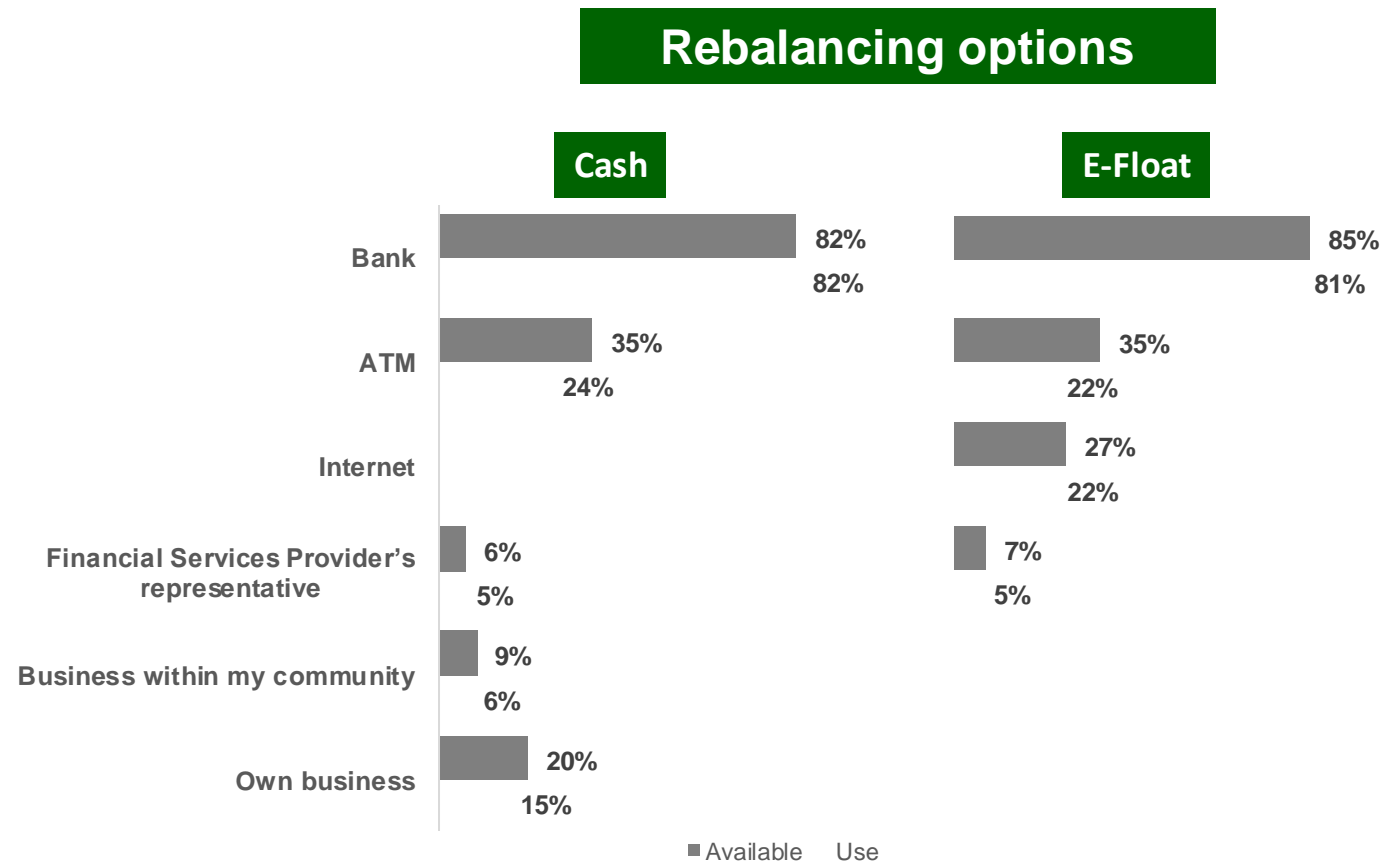
Go to banking hall

“...Bank is most preferred option for cash reloading. Ability to withdraw larger sum at once, unlike ATM which has limits. When there is excess cash float, it is sometimes taken to the bank to be credited as e-float. This comes in handy especially when there is a need for larger amount of funds transfer...”



There is an opportunity for innovation to facilitate agent peer to peer rebalancing and education

Banks remain the most common rebalancing option as 7 out of 10 agents use this option. However, this option involves associated direct and indirect costs as 4 out of 5 agents incur transportation costs.



A boost in agent peer to peer rebalancing and education through innovation will bring down the agents' cost to serve

'Uberisation' of agents tools



Key challenges that lead to poor customer relationships

Poor customer financial and digital literacy

Customers providing wrong transaction details leading to unsuccessful transactions, etc.

Power-related challenges

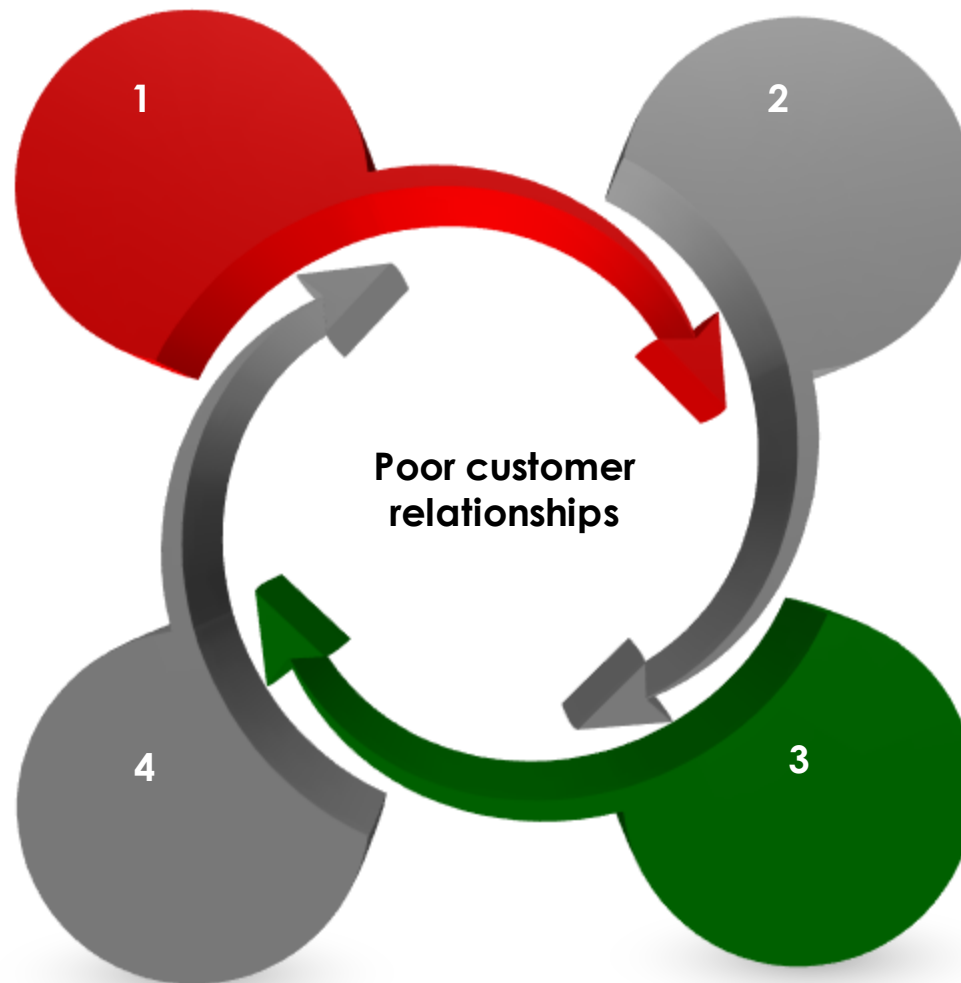
Scenarios where agents are not empowered to facilitate transactions due to inability to charge their gadgets – leading to increased denied transactions

Interrupted/service downtimes

Scenarios where customers would be forced to revisit the agent premises to complete the transactions

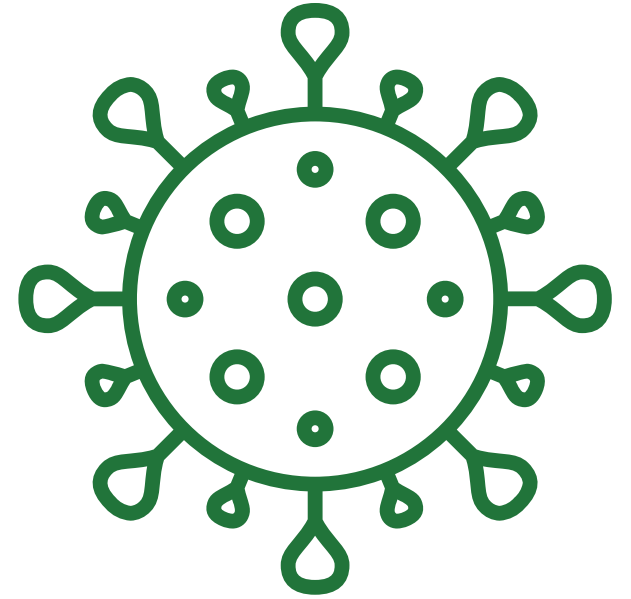
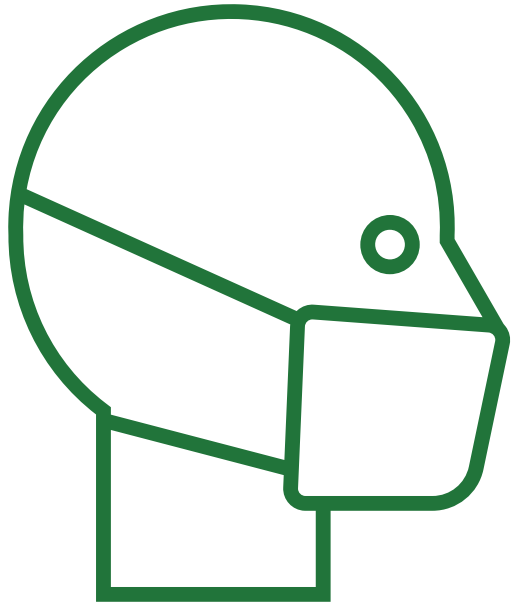
Unaffordable customer charges

Customers charges high fees, especially for cash withdrawal transactions



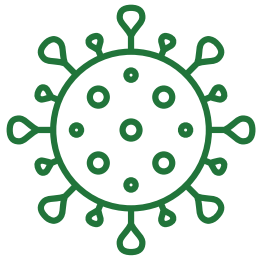
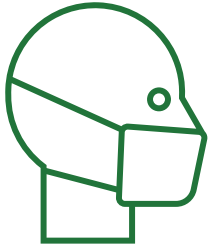
"...In my knowledge If the phone number is not complete, transaction is not possible...."

".....Sometimes when you make a transfer it will not be successful due to connectivity problem. But we plead with the customers to exercise patience for some minutes, that the customer should go, since we have his/ her number already then we will resend it..."



The COVID-19 Impact on Agent Businesses & the road to recovery post-pandemic

The Pandemic has been a blessing in disguise to agents



Impact on financial service agents

- Higher monthly revenue due to increase patronage
- Availability of cash float was a major driver for the high number of transaction, as most transactions involved cash withdrawals at that time

Impact on customers

- Availability & proximity of agent banking services since the banks were either closed, operated partially or had long queues
- Ease of performing banking transaction as well as payment of bills etc. conveniently

...Transactions peaked during the lockdown periods

- ❑ Business for them is not currently at the worst However, the number of transactions has reduced compared to during the period of movement restrictions, including monthly revenue
- ❑ Customers are now open to multiple banking channels for transactions.

“.....I wouldn't say the business is getting worst , I just feel that, that time, people were at home, but now people go out, so probably on their way from work they do their withdrawal through the ATM ...”

Financial Agent





Introduction



Key findings



Recommendations

Key takeaways/recommendations

- ❑ Social factors intersect with agent business operations, affect customer experience and price determination. Providers should consider these social factors in their deployment strategies
- ❑ The drivers of relationships between agents and customers should be identified and supported to scale DFS
- ❑ Trust is a key driver of uptake and usage of agent services. Providers should consider recognizing and rewarding for earning trust, this assures business growth
- ❑ Majority of agents determine the charged fees on transactions depending on the prevailing services pricing in their location. There is need for more research to determine the true cost to serve and cost to consume, followed by robust pricing strategies that are favourable to both the demand and supply sides of the industry
- ❑ There is the need/opportunity to innovate to provide more rebalancing options and structures
- ❑ Poor network connectivity, fraudulent behaviour from some customers, and lack of power are still the prevailing challenges affecting agents' business . What should we do as regards building the necessary infrastructure?

For more details on this ethnographic study

Check out the full videos on the EFInA Social media Handles

☐ YouTube: EFInA Nigeria

☐ Facebook: EFInA

The shorter clips on

☐ Twitter: EFInA_Nigeria

☐ Instagram: efina_nigeria



*Thank
you!*