



FINCA: Easing Access to Liquidity for Mobile Money Agents

This paper is the first of a 4-part series that will document progress by FINCA in designing a relevant liquidity management product for mobile money agents in Zambia.

In Zambian agents' shoes

Although there is ample demand for mobile money services across Zambia, one of the key contributors to slow uptake of these services among customers is the challenge of liquidity management that agents have continuously faced. It leads to situations where agents 'bounce' customers when they do not have enough float (cash or e-value) to handle the customers' requests to deposit or withdraw money. Bouncing of customers in turn leads to low trust by customers, less traffic of customers, lower commissions for agents and slower business growth for agents.

Understanding agents' challenges

FINCA Zambia, with the support of the United Nations Capital Development Fund, decided to explore the current challenges confronting agents and whether FINCA could provide a solution to them. To properly understand the contexts in which mobile money agents (specifically those of Airtel Money and MTN Mobile Money) work, the FINCA research team met with **331** agents in **16** locations across the country between May and June 2017 to understand their varied processes, constraints and financial lives.

Testing agents' appetite for a credit line

FINCA is currently building 'push-pull' functionality for its customers to link their accounts to their Airtel Money or MTN Mobile Money wallets, allowing movement of money between the accounts and enabling greater access. The research FINCA completed with agents would help the organization define how to adapt that platform so that agents could access money from a linked overdraft facility that could give them instant e-value or capital to inject into their business (see box at back) as well as what interest rate would be acceptable to agents.

Research findings

The majority of agents interviewed were optimistic about the growth of the mobile money business in the country and confirmed that their main challenges are liquidity management and low capital. These issues were reflected across all demographics and agent segments.

Three challenges to liquidity management

The research team found that the agents encounter the following challenges regardless of geographic location or business size (whether operating at a single location versus in multiple locations). Each contributes to agents not being able to consistently serve customers:

1: ACCESS—It is not convenient to rebalance

Agents need to travel to rebalancing points, leaving their shops or kiosks to wait in bank or service-centre queues, and incur transport costs and lose time to do so. Agents operating with lower float amounts (below K3,000 [[US\\$296](#)]) often have to rebalance several times a day. Banks, aggregators and super-dealers are not open at the times some agents need them (e.g., after 5 p.m. or on weekends).



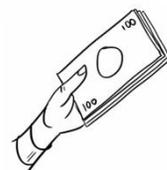
2: DELAYS—Getting float is not instant

Agents often wait 15–30 minutes for the bank system to credit e-value into their agent line. Delays of several hours or even days are also common, with the agents unable to operate in the meantime. When using aggregators or super-dealers, agents are dependent on their availability, delivery schedules and response times.



3: CAPITAL—It takes time to build up savings

Capital is hard to accumulate when agents rely on their savings and commissions to reinvest in the business. Small agents do not have easy access to credit, and requirements by banks or microfinance institutions are often daunting.



A snapshot of the research

16 locations	8 provinces	331 mobile money agents	
40% female / 60% male	78% kiosks / 22% shops	Av. float	K2000–K5000 [\$198–\$494]
34% of agents new (≤1 year) to mobile money business		Av. commissions	K1000–K2500 [\$99–\$247]
33% urban / 28% peri-urban / 39% rural		Av. no. of customers bounced	9 per day

The FINCA concept: Instant e-value through a linked overdraft facility



1

Agent signs up for a FINCA account, which is then linked to the agent line
A credit limit is assigned based on the agent's performance data

2

Agent rebalances from phone (e-value)
For additional e-value, agent pulls amount from FINCA account (from savings or overdraft) into agent line (e-value)
For additional cash, agent uses existing channels to liquidate e-value to cash or withdraws from FINCA branch/agent

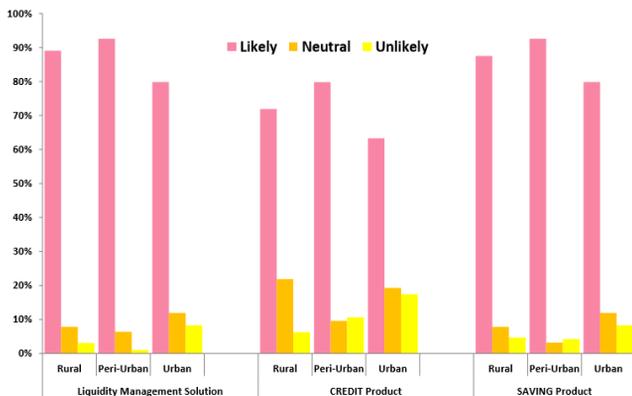
3

Agent repays from phone (e-value)
Agent pushes e-value (amount + interest) from agent line into FINCA account

Research overview



The research covered 16 locations in 8 provinces in Zambia.



Agent feedback with regard to product features was an overwhelming YES for liquidity management, credit and savings.

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Reception from agents

Through one-on-one interviews and focus-group sessions, the FINCA concept was pitched to agents in order to understand their requirements and concerns.

Problem: Inadequate agent rebalancing options

The majority of agents interviewed face issues with current rebalancing options and would like more options. The agents were excited when they were told that, with the FINCA product, they would have the ability to rebalance e-value instantly (using push-and-pull functionality). Agents recognized that it would significantly reduce their headaches when they rebalance using existing options (e.g., having to close their shops and travel long distances). Of those agents interviewed, 86% indicated a willingness to take up the proposed liquidity management solution.

Problem: Negative perception of a potential solution—loans/credit

A large number of the interviewed agents resisted the idea of getting loans/taking credit, partly from a lack of understanding and partly from the perception that they are difficult to obtain (e.g., citing difficult requirements such as documentation and collateral). Most did not have any prior experience with a loan/credit and were reluctant to access it, taking pride in their achievements in having built their business thus far by relying solely on their savings. FINCA will need to be respectful of the agents' sensitivities when presenting the product.

Solution: Improve comprehension and communication around loans/credit and overdraft

Agents were often unable to comprehend or clearly articulate how loans/credit or interest rates (especially in percentage form) worked, and they only started to understand when the concept was explained in the context of their current operations and in timeframes of their choosing. Communication and marketing will be key elements for the successful uptake of this product.

Why yes? (86%)	Why no? (14%)
<ul style="list-style-type: none"> Is instant Provides stop-gap when regular sources are unavailable Offers additional float Can be returned if business 'not moving,' reduces costs Can help with getting cash and change 	<ul style="list-style-type: none"> Do not like loans; prefer to use own money Have no need since business already established Have no FINCA branch nearby Do not trust FINCA/systems

The next summary reports will cover progress in product development.