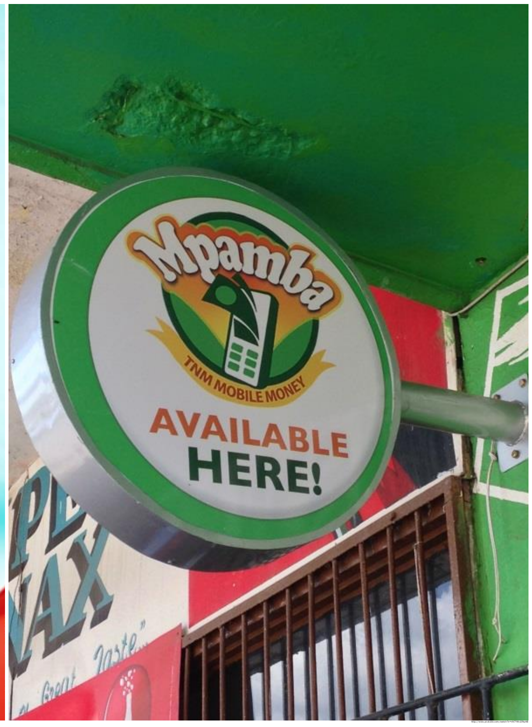

Developing successful agent networks in Malawi

June 2014

Mobile Money for the Poor in Malawi

FACTS & FIGURES

Agent network development

by Venkata N. Atluri and David Cracknell (*MicroSave*)

Malawi is a country with more than **84 percent of the population living in rural areas**. Although the country is small, the abundance of remote areas and ethnic and linguistic diversity make it a challenging environment for financial inclusion. While only **19 percent of adults have bank accounts,** more than **34 percent of the population have mobile phones**. This comparison makes a strong case for using mobile financial services to overcome the low level of financial inclusion.

Branchless banking and mobile financial services are at a start-up stage in Malawi. Both mobile network operators Airtel and Telekom Networks Malawi (TNM) have launched mobile money activities, and several banks—including UNCDF partners NBS Bank and Opportunity International Bank of Malawi—are currently piloting agency banking activities. These providers are investing considerable human and financial resources to develop and manage their agent networks under a developing and supportive regulatory environment.

The **Mobile Money for the Poor (MM4P) programme** carried out a confidential diagnosis of several of the agent networks present in Malawi. The study identified the significant challenges to developing agent networks outside urban areas. These challenges will sound familiar to most providers trying to work in developing countries, with large urban populations and marginal infrastructure. The study covered five areas:

In Malawi, providers have consistently demonstrated a can-do attitude towards resolving agent problems. With UNCDF support, they are shifting from reacting to challenges to proactively implementing new and improved solutions. This note provides an overview of the outcomes and exchanges of the assessment, and the recommended best practices for the providers.

15.9 million
Total population of Malawi

5.4 million
Number of mobile phone users

899,089
Number of mobile money subscribers

15,563
Number of agents

FOR MORE INFORMATION

Check out our website WWW.UNCDF.ORG/MM4P

and LinkedIn group MOBILE MONEY FOR THE POOR

Addressing the key areas to develop a successful agent network

Agents are the primary interface with customers and offer the best opportunity to **educate, register, activate and serve customers**. In start-up markets, agents offer more than just places to transact—they also can educate customers. They are the best placed to sell the service in ways local clientele can understand.

Agent recruitment and 'on-boarding'

The country boasts over 15,000 registered agents—174 per 100,000 adults, as compared to 3 bank branches per 100,000 adults. Although it is not reported, the number of **active** agents is only a fraction of this number.

A rush to recruit agents is a common occurrence in start-up markets and leads to a glut of inactive agents and disgruntled customers. Recruiting agents is time consuming and costly, and every agent that goes inactive represents lost investment and lost future revenue.

Poor selection leads to dormancy. Most of Malawi's agents are small shops, so it is important for providers to analyze the cash flow of a prospective agent's existing business as well as the agent's **capacity** to manage liquidity for cash-in and cash-out. Apart from this, agents must have good footfall, experience and reputation.

In Malawi, there are not enough entrepreneurs in rural areas who have the capacity and liquidity to become an agent. Hence, Malawi's regulations do not permit agent exclusivity. Good entrepreneurs have a high chance of becoming an agent for multiple providers. This situation presents management challenges for the providers but it also presents an opportunity: a busy agent is a motivated agent. Providers would do well to make it as easy as possible for rural agents to partner with all providers.

Agent training

Customer and agent inactivity create a vicious circle that is hard to escape. In the start-up phase, agent training takes repetition and constant contact to keep agents prepared and enthused in the absence of customers.

Last year, agents interviewed often reported little contact with providers after their initial training. The sales personnel that trained them were not always prepared, lacked training materials and did not check in on them or retrain them. While the business owners were trained, the employees (or other family members) were not. Providers reported that turnover of shop staff was high, making it difficult to keep track of who had been trained. Without reference materials or repeat visits, many agents forgot operational details and ceased to offer the service.

Rather than relying on busy sales staff, providers can look to dedicated trainers to improve results. Training must reach everyone who minds the store—not just the owners. For this reason, standardized training materials and manuals, perhaps DVDs, can be of great support to agents.

Liquidity management

Most agents find liquidity management the most difficult aspect of their work, as well as the greatest disincentive. Malawi's agents particularly expressed concern over missing other business opportunities should they leave the shop for rebalancing float (i.e., to get cash or buy e-money). Rural agents face greater challenges to rebalancing, due to greater distances to travel for smaller amounts. Agents often address this challenge by carefully balancing cash-in and cash-out transactions, as well as denying high value transactions—turning away clients and missing out on fee revenue.

There is a need to implement realistic maximum and minimum float levels for agents and more systematic triggers to prompt agents (and assist them) to rebalance. UNCDF's partners are now restructuring their agent networks accordingly, which includes adding super-agents and partnering with banks in order to do the following:

a) Provide finance for the agents, and/or
b) Provide push and pull services between bank account and mobile wallet, and/or
c) Provide higher value withdrawals directly to customers, for example over-the-counter or ATM networks, through the generation of a unique PIN.

Branding and marketing

Brand confusion between airtime resellers and mobile money (MM) agents has been a common problem in Malawi. Many airtime agents had MM branding, but did not offer the service. In rural areas, many MM agents lacked branding altogether. In addition, MM providers initially focused their marketing campaigns on airtime bonuses, which added to the confusion.

Since the survey, providers have refined their MM branding to better distinguish financial service agents from resellers and have increased monitoring to ensure that branded agents are still offering the service. Providers are now promoting the benefits of the financial services, rather than the associated airtime bonuses. Agents also expressed a need for materials, such as the following:

- Fliers explaining the benefits of the product to customers.
- Take-home user guides for new registrants.
- Desktop flip charts with pictures that explain the use and benefits of services.

Agent support services

Agents that are not located in major trading centres were rarely visited by field supervisors. Some agents had never been visited since they were trained, and some reported that they have to go to the provider's office to personally deliver enrolment forms, rather than having them collected.

Agents did express appreciation for the dedicated agent care line offered by providers. However, agents said they prefer to call field supervisors to avoid waiting in voice queues and prefer the personal contact.

Next steps

Since the survey, MM4P has worked with mobile network operators, banks and microfinance institutions to look at their strategies for mobile financial services. UNCDF is now offering long-term, on-site technical assistance to its partners. In 2014, MM4P will also support the sector by doing the following:

- Conducting user experience research.
- Working to transform government-to-person payments from cash to electronic.
- Promoting partnerships between banks and mobile network operators.

For more information, contact Fletcher Chilumpha, UNCDF Technical Advisor in Malawi, at fletcher.chilumpha@undp.org

This briefing note is brought to you by MM4P, a UNCDF programme funded by