



Financial agent networks in Mozambique

February 2020



Executive Summary

- The main goals of this research are to assess how companies currently manage their agent networks and how attractive of a business this is for agents
- M-pesa, by Vodacom, is by far the entity with the largest network of agents and clients base in Mozambique, although other relevant KPIs shouldn't be overlooked, namely gender split of agents, clients per agent ratio, average n° and value of transactions per agent
- Most companies in Mozambique are still at early stages in the development of their agent networks models, being the major gaps felt by agents in training and on-field assistance
- As far as commissions are concerned, we concluded that the companies providing the best commissions to agents are MNOs, while banks offer, today, less attractive proposals – an M-pesa or E-mola agent earns 2 to 3 times more than a bank agent
- We also found out that for a bank agent to earn the equivalent to minimum wage in Mozambique (4,390 MZN for those working in agriculture) he must do around 35 daily transactions while a non-bank agent needs ~13
- Comparing the estimated average income earned by agents and their estimated costs we concluded that, in Mozambique, a rural bank agent needs at least 4 transactions daily to operate at a profit, while an urban agent needs at least 13
- In the case of non-bank agents, while an urban developed agent needs at least 7 daily transactions to operate at a profit (about half the amount needed by a bank agent of the same characteristics), for the other archetypes the number of daily transactions is residual (close to zero)
- Note: the companies have been blanked out, and that on each slide they are numbered differently.

Financial agent networks in Mozambique

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	Company 1	Company 2	Company 3	Company 4	Company 5	Company 6
 Gender split of agents	30% women 	~21% women	15% women	20% women	n.a.	9% women
 Gender split of clients	n.a.	26% women	18% women	54% women 	n.a.	n.a.
 Avg. n° of transaction/month	34,478 ^a	1,855	12,408 ^a	n.a.	n.a.	2,000,000 
 Avg. value of transact./month	100,953,720 	1,662,037	12,408,000 ^a	n.a.	n.a.	n.a.

KEY RATIOS	Ratio of clients per agent	n.a.	29	99	200	240 	n.a.
	Avg. n° of transac./month/agent	95 ^a	7 ^a	22 ^a	n.a.	n.a.	571 
	Avg. value of transac./month/agent	280,427 	6,492 ^a	22,000 ^a	n.a.	n.a.	n.a.

^a Per active agents (transacted at least once in the last month/ quarter)

Agent networks models | Classification of development

Most companies are still at early stages in the development of their agent networks models, being the major gaps felt in training and on-field assistance

Main classification criteria		Company 1	Company 2	Company 3	Company 4	Company 5	Company 6
1	Existence of a dedicated recruitment and selection team and length of acceptance period	Developed	Somehow developed	Developed	Somehow developed	n.a.	Developed
2	Investment mobilized towards training of agents (e.g. existence of trainers with adequate ToT)	Underdeveloped	Somehow developed	Somehow developed	Underdeveloped	n.a.	Underdeveloped
3	Capacity to move away the risk of setting up the agent activity from the agent to the company itself ¹	Developed	Somehow developed	Somehow developed	Somehow developed	Somehow developed	Underdeveloped
4	Investment mobilized towards agents' assistance in the field (e.g. existence of dedicated support teams)	Developed	Underdeveloped	Somehow developed	Somehow developed	n.a.	Developed
5	Existence of bonus schemes or incentives on performance (on top of regular commissions)	Underdeveloped	Underdeveloped	Somehow developed	Underdeveloped	Underdeveloped	Underdeveloped

¹ Regardless of business sustainability for the company

Agent networks models | Ranking of supportiveness

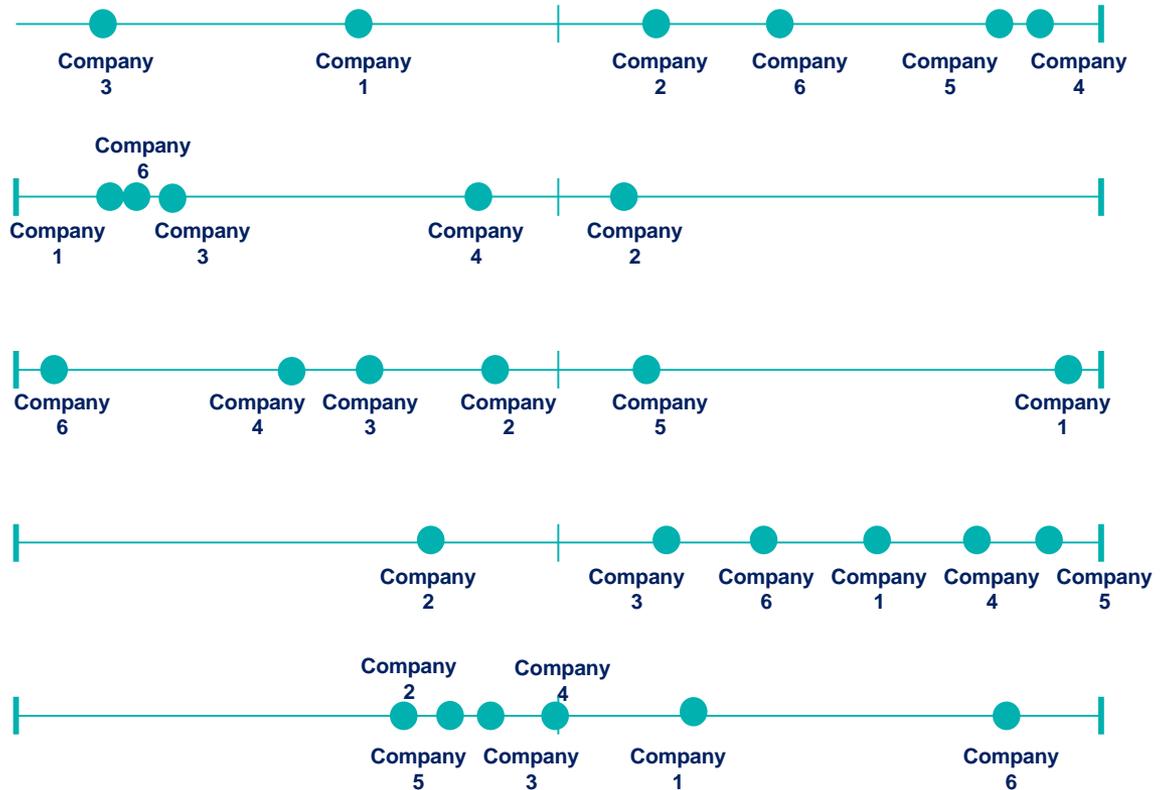
If we were to rank companies in how supportive they are to their agents, the answer could vary depending on which stage of the model we are assessing

Main classification criteria

- 1 Agent requirements and documentation
- 2 Length and comprehensiveness of training and support materials provided to agents
- 3 Cost of hardware and amount of initial cash required to the agent
- 4 Options available for support of agents in the field
- 5 Adequacy of the timing and methods of payment of commissions

Insufficiently supportive

Highly supportive



Analysis of commissions earned by agents in MZ

As far as commissions are concerned, simulations were done combining different values for two variables: type and value transactions

SCENARIOS OF ANALYSIS

		Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	
VARIABLES	Type of transactions	 Deposits	50%	50%	70%	70%	30%	30%
		 Withdrawals	50%	50%	30%	30%	70%	70%
	Value of transactions	 Low value (< 2,000 MZN)	65%	45%	65%	45%	65%	45%
		 High value (>2,000)	35%	55%	35%	55%	35%	55%

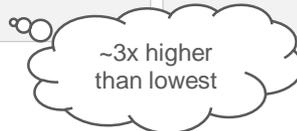
Note: Scenarios based on the 2 most common types of transactions: deposits and withdrawals

Analysis of commissions earned by agents in MZ

We concluded that an MNO agent earns today 2 to 3 times more than a bank agent in Mozambique

ANALYSIS OF SCENARIOS

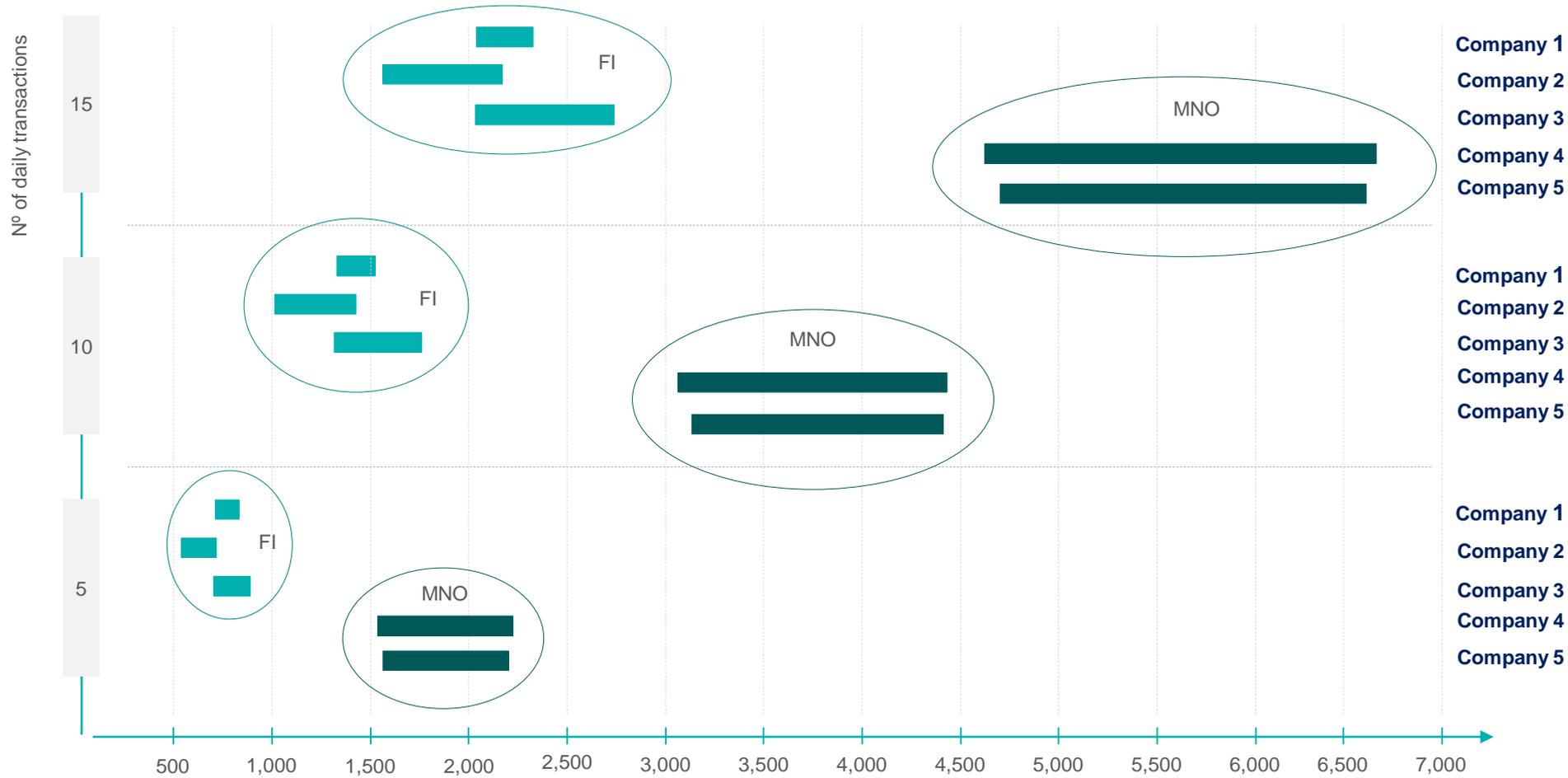
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
Company 1	2,093	2,281	2,084	2,346	2,102	2,215
Company 2	1,599	2,087	1,547	1,987	1,650	2,187
Company 3	2,043	2,745	2,043	2,745	2,043	2,745
Company 4	4,752	6,505	4,621	6,329	4,882	6,681
Company 5	4,707	6,621	4,707	6,621	4,707	6,621



Analysis of commissions earned by agents in MZ

Looking at a low-activity agent in general, while a bank agent earns between 500 and 2,750 MZN a month, a MNO agent can earn between 1,500 and 6,750

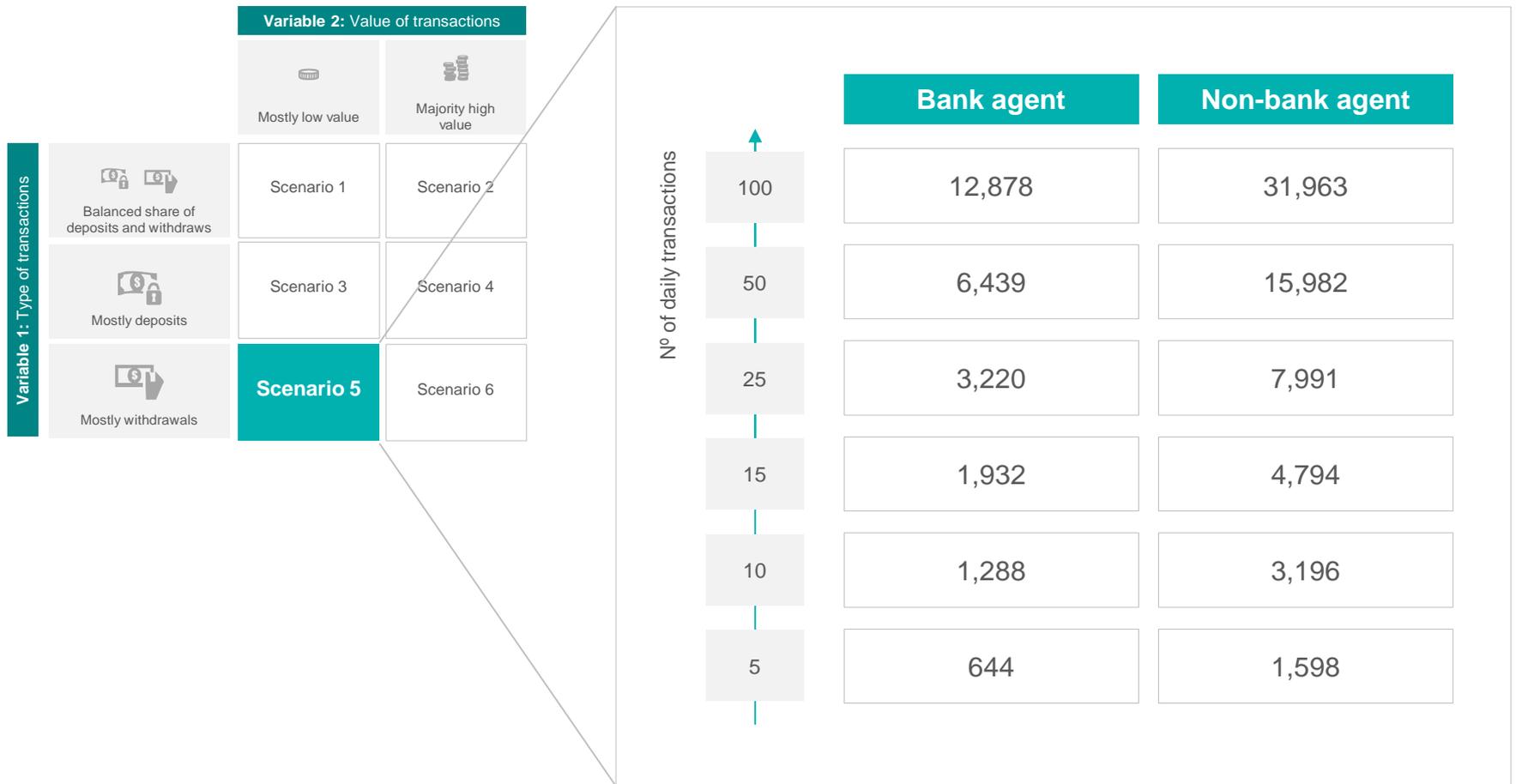
ANALYSIS OF SCENARIOS



Note: The bar represents the interval of commissions earned for all 6 scenarios | ¹ Considering 30 days per month

Analysis of commissions earned by agents in MZ

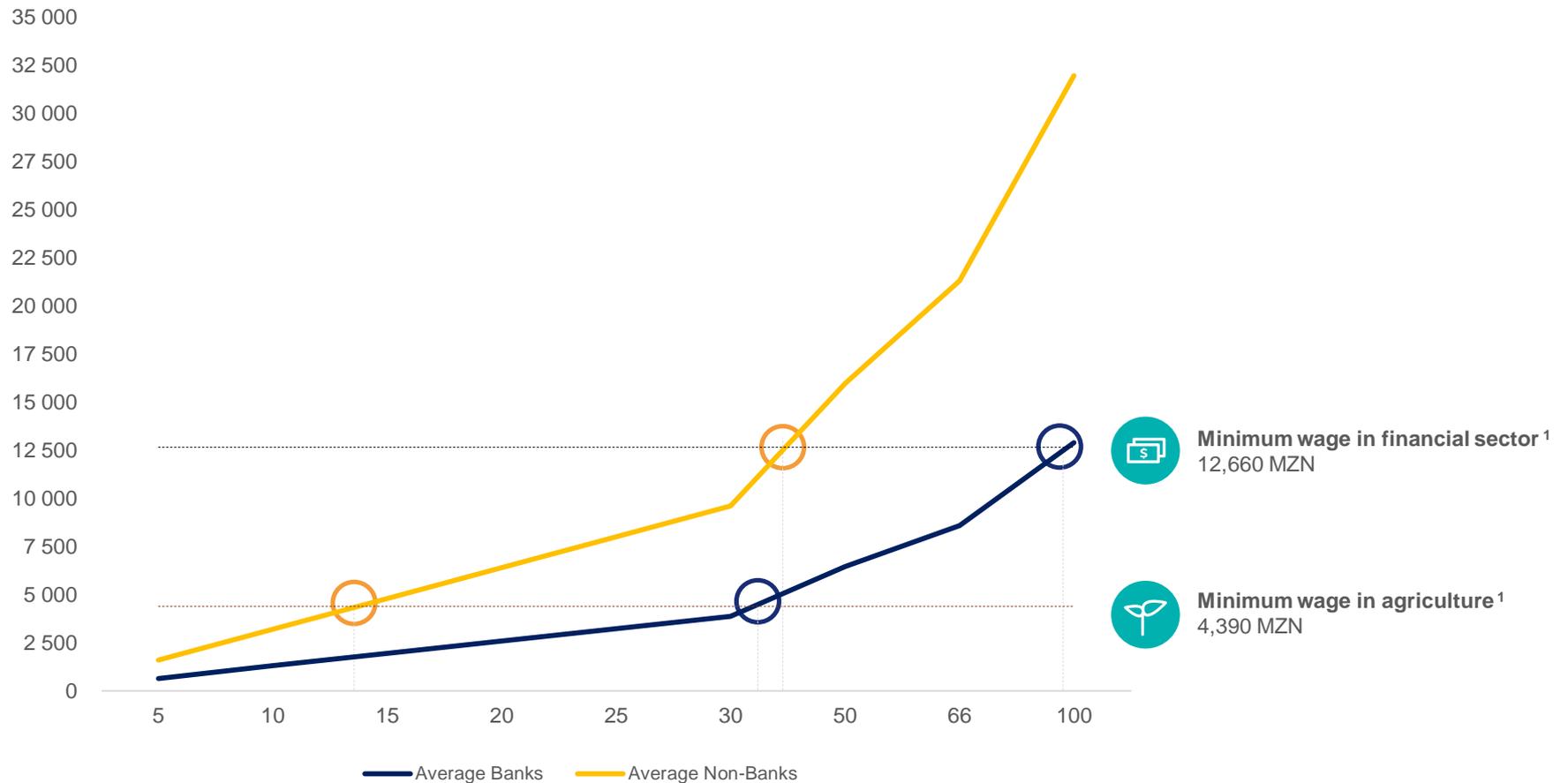
Focusing on the most likely scenario in MZ ¹, below are the average expected incomes for bank and non-bank agents, for different levels of activity



Analysis of commissions earned by agents in MZ

For a bank agent to earn the equivalent to minimum wage in Mozambique he must do around 35 daily transactions while a non-bank agent needs ~13

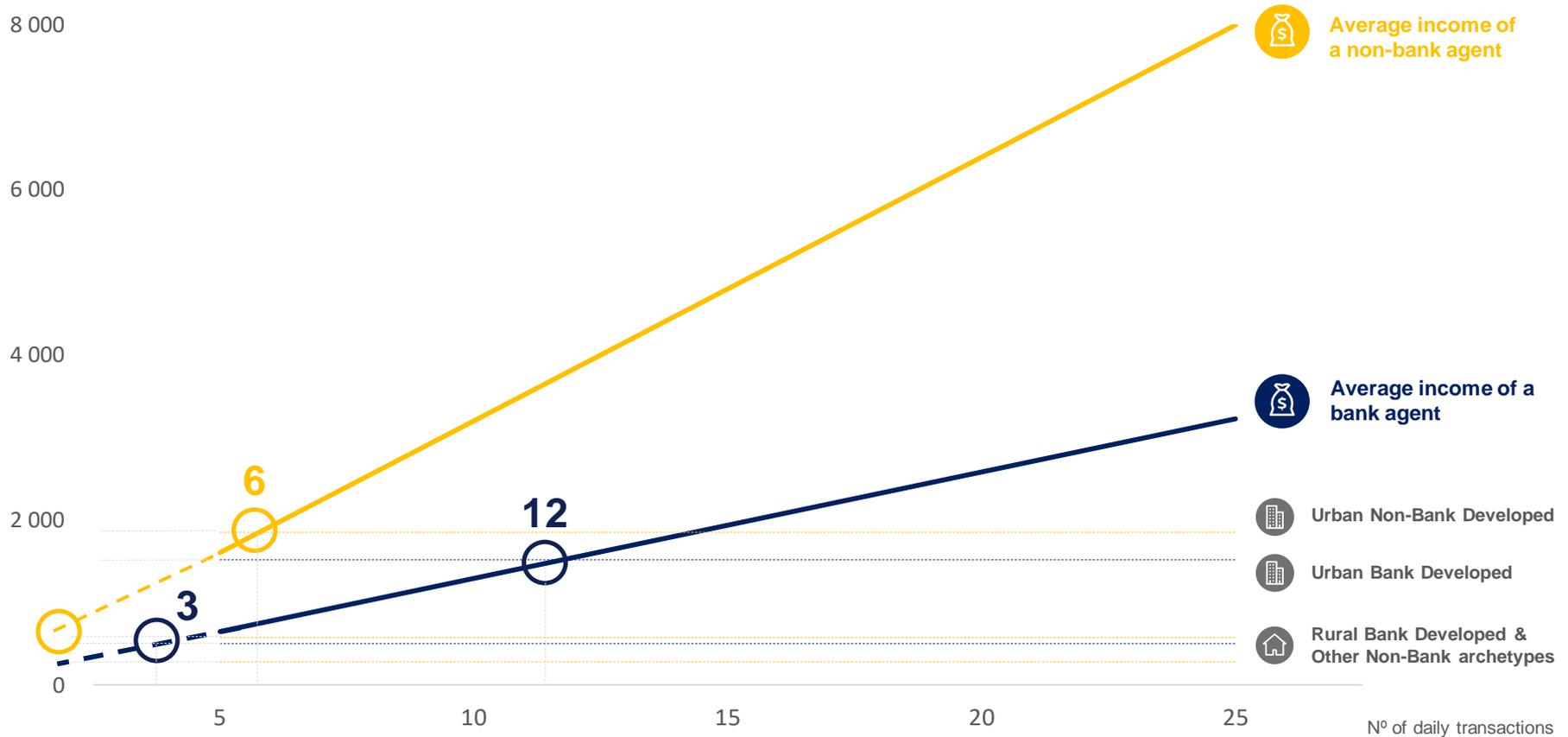
COMPARISON OF AGENTS' INCOME WITH MINIMUM WAGE IN MZ



Analysis of commissions earned by agents in MZ

We also concluded that while an urban bank agent needs ~12 daily transactions to breakeven, a non-bank agent needs just half; for rural agents this n^o is residual

N^o OF DAILY TRANSACTIONS TO BREAKEVEN ¹



¹ N^o of transactions where commissions earned = costs of operating; from that n^o of transactions on, the agent is able to operate at a profit



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