

EVALUATION OF BANKING AND NON-BANKING AGENT NETWORKS¹

A study on Maputo City and Maputo Province banking and non-banking agent ecosystem.
Fletcher Leadership Program on Financial Inclusion (FLPFI) Fellow's Research Prize.

EXECUTIVE SUMMARY

This brief presents the findings of a study conducted with the financial support and technical guidance of FLPFI. **The research project designed and directed by Professor Macome, studied the banking and non-banking agents' network and their usage in Maputo City and Province in Mozambique.** To perform this task the research project surveyed 498 bank and non-bank agents and 266 users of these financial services. The result of this study provides basic information of the financial services ecosystem in the Maputo region. **Data collected evidences the crucial role played by financial agents, and particularly non-banking agents, in the financial inclusion journey of the population of Mozambique.** The researchers also explain the need to redefine the profile and operation of agents as well as the need to update the existing regulations on their work. Data draws awareness to the need of joint action by the government, financial service regulators, and financial service providers allowing a continued development of Mozambique's financial ecosystem.

Background:

The financial ecosystem of Mozambique has significantly changed in the last decade. This transformation can be traced back to 2011, when the Banco de Moçambique (BM) licensed M-kesh as the first mobile money issuer (MMI). By 2016, two other major mobile money providers (M-pesa and E-Mola) had joined the arena. Because of the novelty of their services these MMIs created their own agent networks in the vacuum of specific regulation. In response to this challenge, commercial banks started growing their own (albeit non-exclusive) networks in 2015. This competition and the emergence of the new digital technologies drove the expansion of banking and non-banking agents in Mozambique. According to BM data, in 2015, there were 17,855 banking and non-banking agents. By 2019, the number of agents had more than tripled to 57,843. This increase was especially driven by MMI agents in the regions of Maputo City and Province. In fact, the two provinces account for 44.9% of all financial agents in the country.

Knowing the dynamic change in the financial agent ecosystem, the research team of University Foundation UEM and FSDMoç considered relevant

to conduct a study to assess the basic characteristics of agents and users and their interactions. The objective of the project was to provide policy makers with relevant knowledge and recommendations on how to update regulations to better deal with the changes occurred over the last decade.

With the support of FLPFI, this study proposed to understand the implementation of the agent model in Mozambique and understand its role in the improvement of financial inclusion. To perform this task the project surveyed 498 bank and non-bank agents and 266 users of these financial services in the Maputo City and Province.

The insights provided by the study grant valuable data that contributes to better understanding the financial agent ecosystem and guide policy and regulation of what remains an unregulated system.

Research question, data, and methodology:

The study aims to map the basic characteristics of banking and non-banking agents and the service they provide, in the hope of understanding the way they operate in the financial system. Furthermore, it also surveys users to comprehend the functioning

¹ This brief is based on the report presented by the researchers and students of University Foundation UEM and employees of FSDMoç. All data and comments reflect the findings of the study, and FLPFI was not responsible for data collection or analysis. The research was done independently by the report authors under the supervision of Professor Esselina Macome, Ph.D.

of financial services both from the supply and the demand side.

The data generated serves to characterize agents and users and understand their activities and perception related to their financial and economic behaviors. These data were the results of over 760 surveys collected in six districts of Maputo City and Province during February 2019. The insights gained allow the drafting of relevant recommendations to policy makers and financial regulators.

Key Findings:

This study identifies basic characteristics of financial agents. **Data shows that bank and non-bank agents operate in rural and urban areas, with a greater incidence in urban centers. Within urban settings agents tend to cluster near places that have high concentration of mainly informal commercial activities.**

The following are the most relevant characteristics of banking and non-bank financial agents:

- Most operators are men (77.5%) in their twenties (53% fall into the 20-29 years old age group)
- Most own their businesses (66.5%) and tend to operate outside of a commercial establishment (46.4% operate on a sidewalk or near a road and 23.5% in a booth in a market).
- A difference between banking and non-banking agents is that banking agents only carry their activity in commercial establishments while non-banking agents or agents with dual affiliation also carry out their activities in public spaces (markets and roads).
- Both bank and non-bank agents, in addition to their activity as financial agents, carry out other commercial activities usually related to the sale of products and services.
- Most banking and non-bank agents have been working as agents for less than three years (73.7% and 79.8% respectively).

The activities of agents focus on cash in/cash out transactions driven by informal economic activities.

This makes them particularly vulnerable to security concerns and encourages the lack of compliance to standards or regulated procedures. **However, it is clear that agents are an important platform for**

small business operators (especially informal ones) and are contributing to attract and enroll citizens into the formal financial system.

Although with significant differences, users of the agents' services make effective use of the services, regardless of age, gender, occupation, and education level. On average the users surveyed were men (63.9%) aged between 20 and 29 years (53.1%), with higher levels of education (62.4% ESG1 and 20.3% higher education degrees). When asked about the motivations for using these financial services, most users (40%) state the need to use agents to carry out simple transactions such as transfers (payment and receipt of wages and family financial assistance), payment for goods and services (purchase of electricity, purchases), deposit and savings.

On average data shows users of agents' services have benefited from agents' inclusion in the financial ecosystem. However, the level of coverage, especially in rural areas, is still limited and these services continue to exclude vulnerable populations like illiterate or disabled individuals.

Takeaways and Recommendations:

Data evidences the crucial role played by financial agents, and particularly non-banking agents, in the financial inclusion journey of the population of Mozambique. However, it is necessary to redefine the profile and operation of agents as well as the need to update the existing regulations on their activity. To assist in reaching that objective the researchers compiled the following table summarizing the most relevant recommendations for financial service operators, policy makers, and financial regulators.

Recommendations	Regulators/ Government	Financial Service Operators
Recognition of the agents' activity as an economic activity	X	
Disclosure of the role of agent	X	X
Dissemination of digital money services	X	X
Implementation of interoperability between operator systems	X	X
Review of regulation regarding types of agents	X	
Review of agent regulation and introduction of mandatory liquidity reserves for agents	X	
Inspection and awareness raising actions to comply with agent regulations	X	
Creation and maintenance of the agents' database	X	
Review of the system of incentives for agents operating in rural areas.	X	X
Introduction of incentives that encourage the participation of women as agents	X	X
Training of agents	X	X
Improvement of work conditions for non-bank agents		X
Reinventing the role of non-bank agents considering the integration of PSF systems		X
Motivating and raising awareness of agents to join associative models	X	X
Introduction of cash collection mechanisms held by agents at the end of the day	X	X
Improvement of fault resolution channels in the execution of agent services operations		X
Improved communication between the end user - agent - operator.		X