



Agency Banking in Uganda: An Assessment of the Potential Challenges and Opportunities

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FSD Uganda is an independent, not for profit company. We support innovation, conduct research and help promote and improve policy, laws and regulation that shape the financial sector. Our objective is a deeper, broader and more inclusive financial sector in Uganda. We contribute to improving the livelihoods of Uganda's low income households and support economic growth across the country. For more information visit our website www.fsduganda.or.ug or follow us on twitter @fsduganda



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This research is a dipstick study aimed at providing a baseline for future research activities.

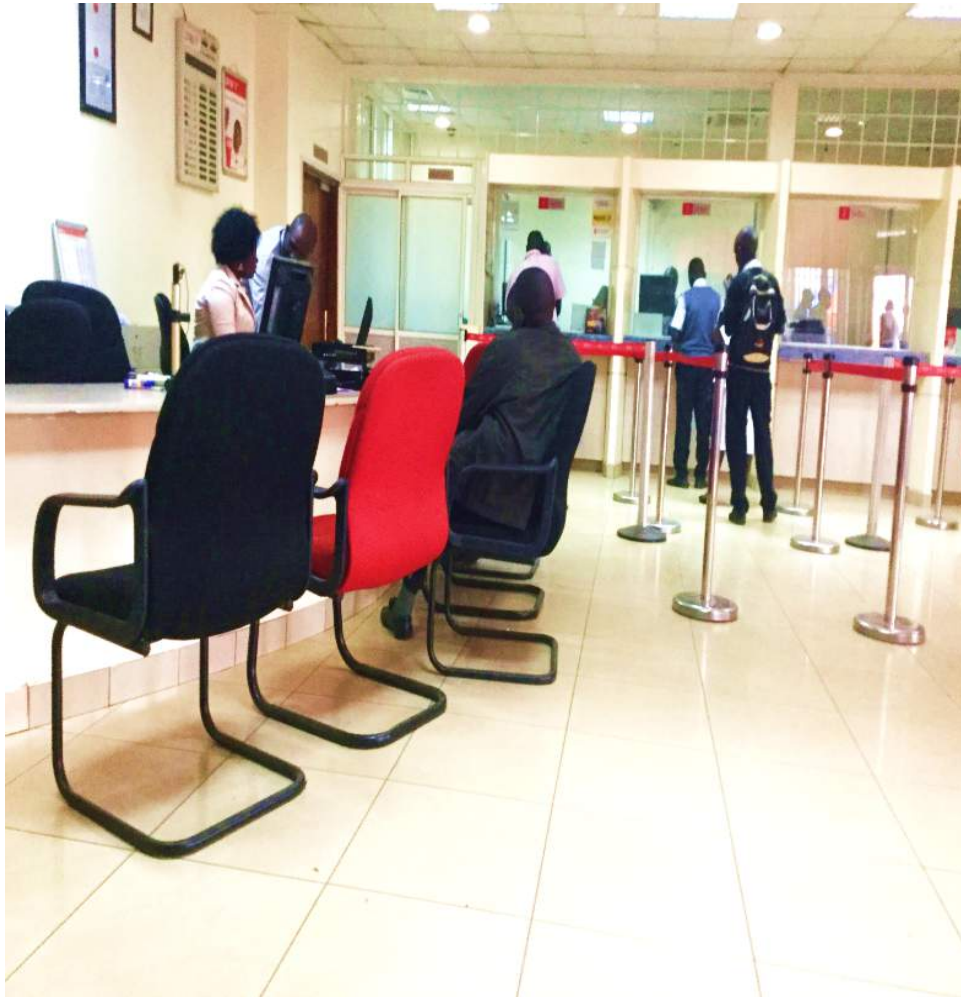


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List of Acronyms

ANA	Agent Network Accelerator	POS	Point of Sale
AFI	Automated Clearing House	PIN	Personal Identification Number
ATM	Automated Teller Machine	P2P	Person to person
BOP	Base Of Pyramid	ROSCA	Rotating Service And Credit Association
BoU	Bank of Uganda	SACCOs	Savings and Credit Cooperative Organisations
CICO	Cash in Cash Out	SFI's	Supervised Financial Institutions
DFS	Digital Financial Services	SMS	Short Messages Services
EFT	Electronic Fund Transfer	TOR	Terms of Reference
FIA	Financial Institutions Act	OTC	Over The Counter
FII	Financial Inclusion Indicators	UBOS	Uganda Bureau of Statistics
FSDU	Financial Sector Deepening Uganda	UGX	Uganda shillings
FSP	Financial Service Provider	VSLA's	Village Savings and Loan associations
GDP	Gross Domestic Product	BB	Branchless Banking
KYC	Know Your Customer	MFS	Mobile Financial Services
MFI	Microfinance Institution	RTGS	Real Time Gross Settlement
MM	Mobile Money	P2B	Person to Bank
MNO	Mobile Network Operator	G2P	Government to Persons
NPL	Non performing loans	EFT	Electronic Funds Transfer



Introduction

Introduction – Project Context

FSD Uganda is a company limited by guarantee promoting greater access to financial services in Uganda. FSD Uganda commenced operations in early 2015. The company is funded by grants from DFID.



FSD Uganda's overall goal is to develop sustainable improvements in the livelihoods of poor people through reduced vulnerability to shocks, increased incomes and employment creation., specifically increasing access to financial services for poor rural and urban people (especially women) and micro, small and medium enterprises (MSMEs).

In January 2016, the Ugandan Parliament passed an amendment to the Financial Institutions Act of 2004. This act allowed banks to offer agency banking services in the country. New entrants and banks with lower footprint need not invest in slow-to-scale brick and mortar branch networks. Instead, they can focus on capturing market share based on better products, customer experience and price, while leveraging the (operationally) lower-cost agent networks.

As such, banks in Uganda are keen to adopt the agency banking model, although they are at different stages of readiness to do so. As agency banking is soon expected, it is important to provide financial service providers (FSPs), primarily banks, with insights into consumer segments they may want to target with agency banking services and related products.



Introduction – Market Context

Country profile



Economic Activities

- Agriculture is the main industry
- It employs 80 percent of the workforce
- Coffee exports bring in 20% of total export earnings and a third of foreign exchange earnings
- Uganda's wealthiest groups are the residents of the Central region's urban areas
- The poorest people are farmers in remote areas in the north and northeast regions
- The remoteness limits the poor population's access to produce markets and financial services



Population

- Uganda's population is 34.6 million (2014 NPHC)
- 87 percent of the population live in rural areas
- According to the World Bank Poverty Assessment Report 2016, the proportion of the Ugandan population living below the national poverty line stood at 19.7% in 2013



Macro-economic outlook

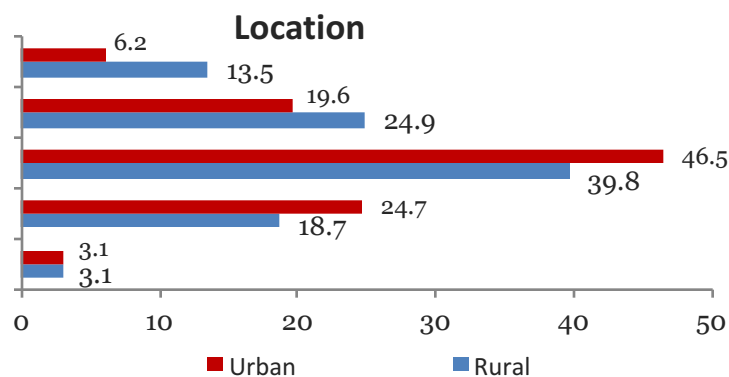
- GDP Per Capita USD 579.833(2013). An equivalent of daily per capita expenditure of US\$ 1.50
- Gross National Savings (% of GDP) for Uganda in year 2013 is 8.26 % compared to Global average of 18.95%; Uganda is 154 in Global Rankings
- Total Government Gross Debt (% of GDP) 37.61 %

Introduction – Market Context

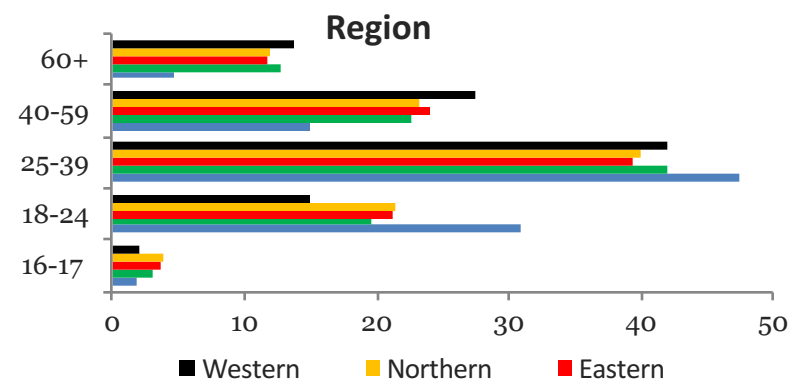
Demographic characteristics by age of population

Population was 34.6 million in 2014 and was estimated to be 36.5 million (CIA Factbook 2016 by World Bank)

Adult Population Characteristics by Location



Adult Population Characteristics by Region



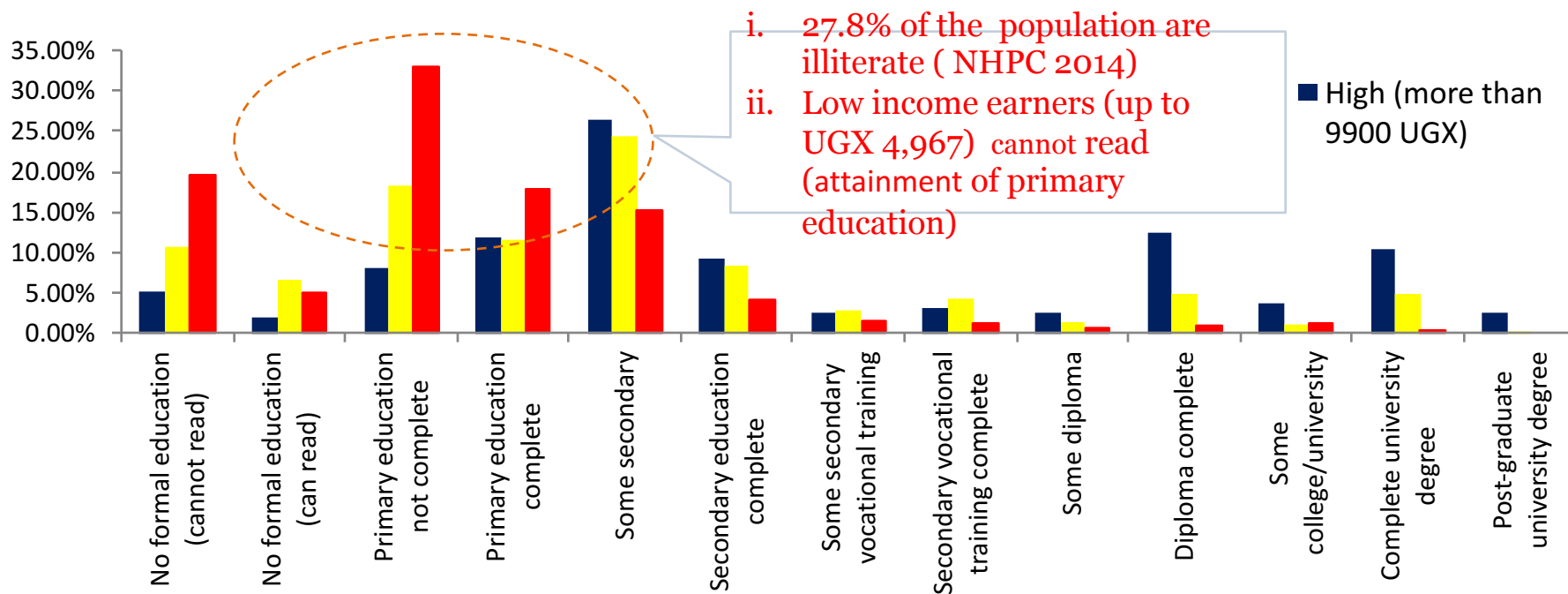
55 % of Uganda's Population is below 18 years of age (NPHC 2014 data)

- 23% of population are youth youths (18- 30 years) , majority living in Kampala
- 25% of the population live in urban areas

- The youth present a sizeable and growing market for agency banking
- Youth do not save much banks will have to ensure they develop products that encourage the youth to save
- The majority of the population (75%) live in rural areas – agency banking could narrow their exclusion gap

Introduction – Market Context

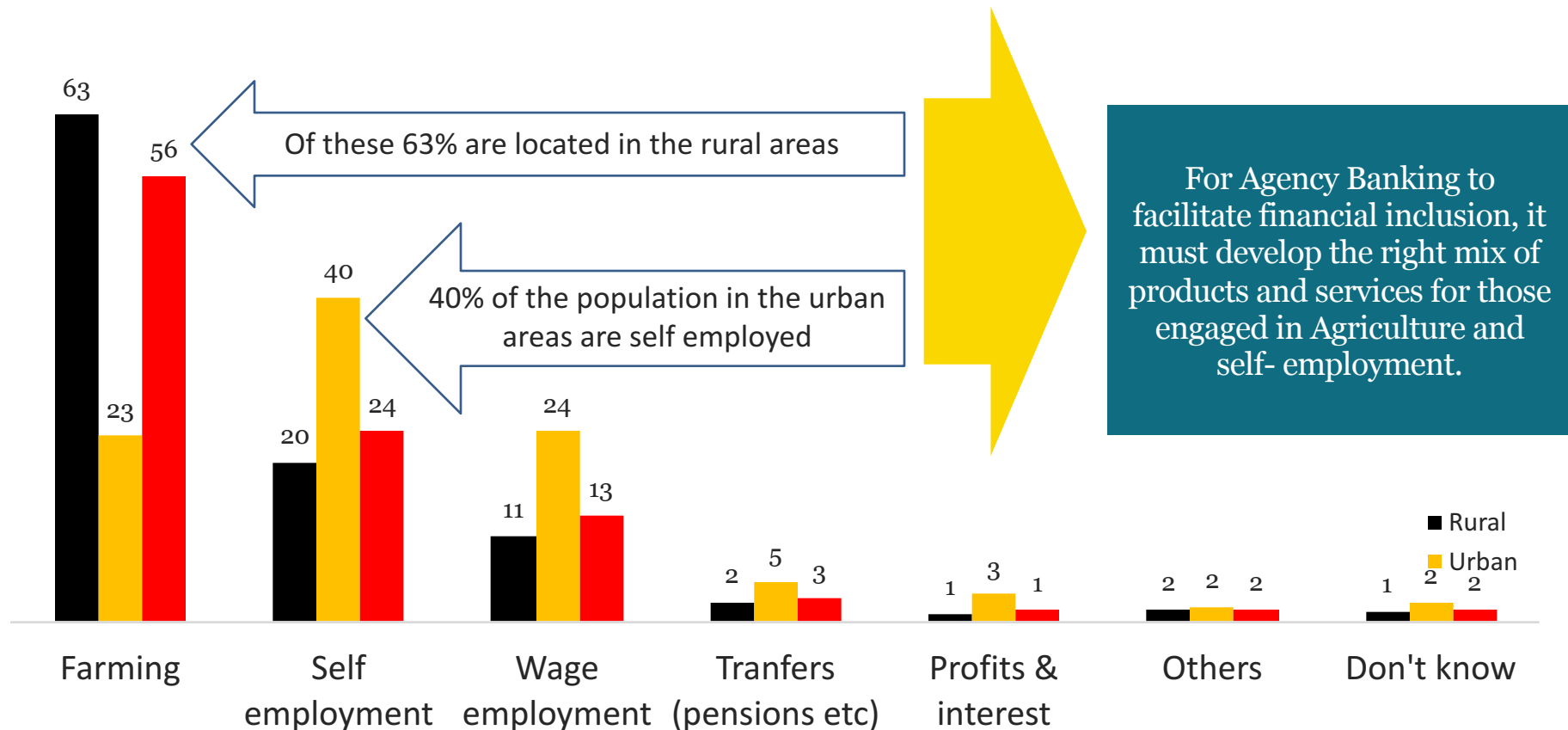
Demographic characteristics – literacy and education levels



- The right packaging of Agency banking information required for this audience
- Financial literacy will be required to boost Agency banking uptake for this segment

Demographic Characteristics – Income Sources

56% of the population in Uganda depends on agriculture, as a source of income



Introduction – Market Context

The legal framework for agency banking

The FIA (amended 2016)

- “Agent” means a person contracted by a financial institution to provide financial institution business on behalf of the financial institution
- “Agent banking” means the conduct by a person of financial institution business on behalf of a financial institution as may be approved by the Central Bank” *Section 3a*;

Agency Banking Guidelines (BOU 2016)

Approval for Agency Banking business

- Requirements for licensing include strategy, proposed technology platforms, agent selection due diligence, policies and procedures, services intended, agreements *Regulation 6 (1)(g)*

Bank Agent Eligibility

- Sole proprietorships; (b) Partnerships; (c) Limited liability companies; (d) Cooperative Societies; (e) Microfinance Institutions; (f) Any other entity which the Central Bank may deem fit

Operational Regulations

- An agent must have a physical address 7 (2) ©
- Transactions must include physical/hard copy receipt. *Regulation 8 (1) ©*
- Any outlet or branch managed from the head office and with no legal existence separate from the entity shall be deemed to be part of the entity. (10) (1)
- Real time online transactions. *Regulation 12 (a)*

Introduction – Market Context

Access to and use of financial services

Commercial bank branches per 1,000 km ²	2.45	Commercial bank branches per 100,000 adults	2.62
ATMs per 1,000 km ²	3.74	ATMs per 100,000 adults	4
Outstanding deposits with commercial banks (% of GDP)	17.2	Outstanding loans from commercial banks (% of GDP)	15.64
Deposit accounts with commercial banks per 1,000 adults	194.39	Loan accounts with commercial banks per 1,000 adults	18.32
Accounts with supervised Financial Institutions (SFI's) per 10,000 adults	5,367,512	Loan accounts with SFI's per 10,000 adults	8095.1 billion



Research Objectives and Methodology

Introduction – Market Context

Research objectives

This research highlights the opportunities presented by the enactment of the FIA (amendment 2016) and the draft agency banking regulation with a view of providing a baseline for future research activities. The overall purpose of the research is twofold:

- a. **Demand side**– to provide financial service providers (FSPs), primarily banks, with insights into consumer segments they may want to target with agency banking services and related products
- b. **Supply side**– to assess the interest in and readiness to adopt agency banking

The question areas (annexure 1) have been grouped into general themes, summarised into general research objectives below

- 1 To understand the potential for agency banking
- 2 To understand the current usage of Bank and MNO products and services
- 3 To gauge the attitudes, perceptions and likelihood of potential customers adopting the agency banking channel
- 4 To understand the potential customers banking and mobile money user experiences in relation to adopting the agency banking channel
- 5 To assess the current capacity of mobile money agents and businesses to serve as bank agents
- 6 To understand the challenges faced by current mobile money agents and potential agents and proposed solutions
- 7 To assess the banks interest in and level of readiness to adopt agency banking

Research Objectives and Methodology

Where we went

- **Lira:** A district affected by the 20 year Lord's Resistance army (LRA) insurgency.

Location visited: Ngeta, Amach, Adekokwok, Ogur and Bar

- **Kyenjojo:** A predominantly tea growing area.

Location visited: Katoosa, Kinyaara, Kabagunda, Hakatoma and Nyakabura

- **Mukono:** Typically peri urban, with fair access to financial institutions

Location visited: Nakifuma and Nabuti

- **Seguku / Kajansi:** Typically peri urban, near Kampala

Location visited: Makyindye Sabagabo and Kajjansi Town council



Research location - selected on basis of overall stakeholder focus on increasing financial access within the rural and peri-urban areas

Research Objectives and Methodology

What we did

We used a qualitative research approach, utilising FGD Guides, KIIs to gather views from a range of respondents. Below are the research phases, tools used and the respective respondents



Supply Side Interview (Banks and MNO)

Interacted with Agency banking channel managers to assess their levels of preparedness, the MNOs on how they perceive entry of banks and Uganda Bankers Association for its expertise knowledge



Secondary Desk Research and FinScope data analysis

Reviewed secondary sources and analysed FinScope 2013 data sets to answer a number the research questions.



Focus Group Discussions (banked and non MM users)

Interacted with potential Agency Banking customers (banked and non banked MM users). This enabled us to obtain their views, preferences, perception and their level of understanding and awareness of agency banking



Key Informant Interviews (current MM agents and Potential businesses)

Interacted with current MM agents and potential business in order to assess their capacity, anticipated challenges and expectations in becoming bank agents.

Preamble/Research Limitations and Mitigations

The research team faced some limitations and devised strategies to mitigate against them. The Key one is highlighted below

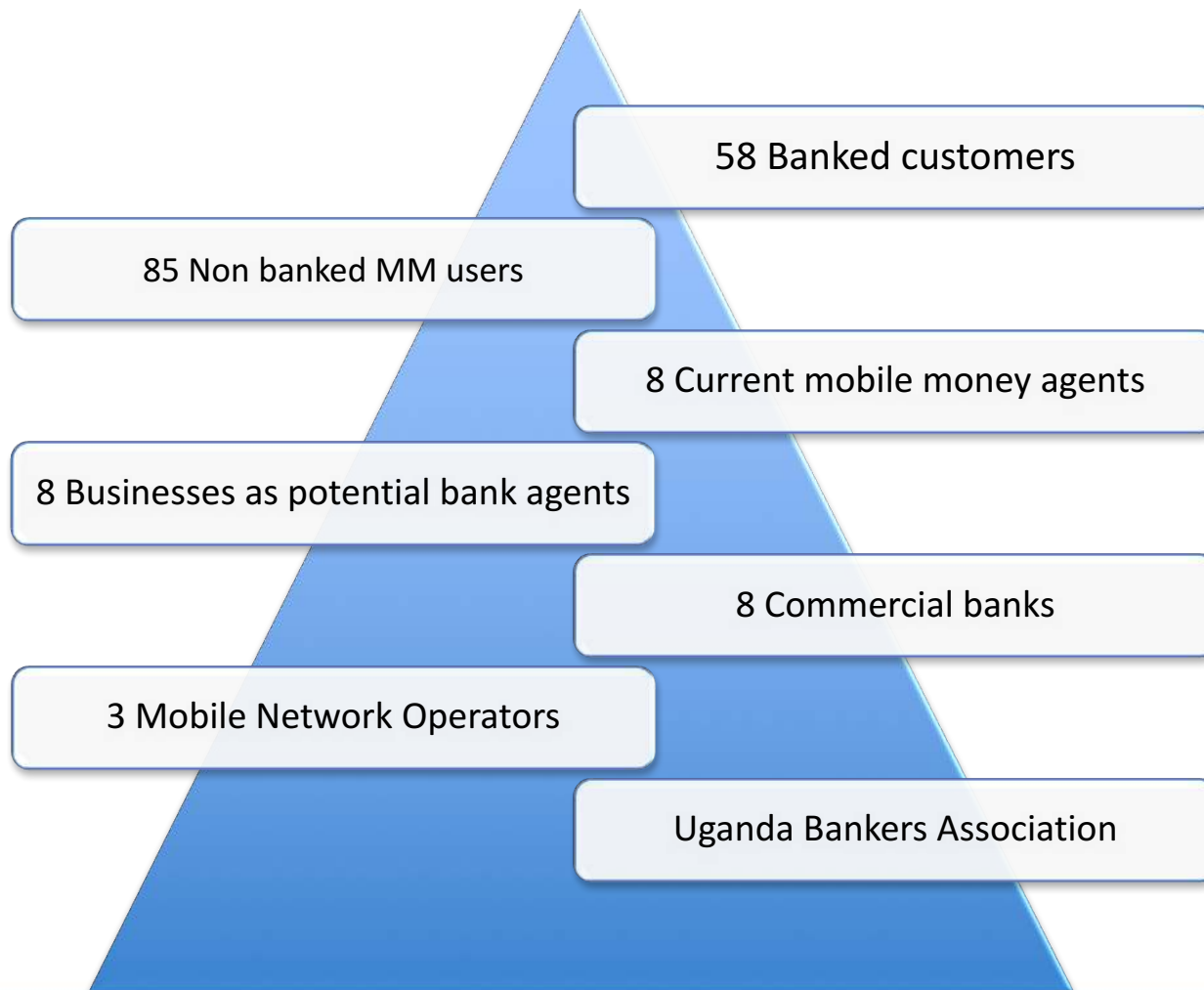
Limitation



1. Agency banking is yet to be introduced. Therefore adequate and relevant explanations and examples were in built within the question guide to inform potential users about the service they are yet to see

Research Objectives and Methodology

Who we talked to





Research Findings

Meet our Typical Personas: Banks will have to Cater to Diverse Needs using the Agency Banking Channel

1. Tumwesigye - the banked teacher



“ I have to travel 15km to Bank of Africa Mukono branch to withdraw cash using an ATM or over the counter. I am aware I can use mobile banking to access my balance... ”

Biography

- ✓ 32 years, married with two children
- ✓ A primary school teacher in Nakifuma
- ✓ He lives and teaches 15 kms away from his bank located in Mukono town

Financial portfolio

- He earns UGX 300,000 per month
- He has a salary account
- Currently services a salary loan.
- He also runs a grocery shop with the help of his wife

Needs and Aspirations

“We are working hard to ensure that we can build our own home and also see our children go to the University. An accessible and convenient way to deposit small amounts of money would be helpful”

Meet our Typical Personas

2. Kerodia Engola - The non banked mobile money user



“ I am slowly getting used to saving and borrowing from the VSLA. I also receive money on my mobile phone which I can keep there until when I need it or when I go to the trading centre where there is an agent. I am however not very sure whether my money is safe on the phone, and in the VSLA ”

Needs and Aspirations

“The VSLA serves well my short term savings and credit needs. I however need a safe place to save my money to buy land, and have access to credit at any time when sending my son to school”.

Biography

- ✓ Kerodia Engola, 39 years, married with four children
- ✓ A subsistence farmer growing food for consumption but also sells some for family upkeep.
- ✓ She lives in Amach which is 12 km from Lira town

Financial portfolio

- Kerodia belongs to Nen Anyim Village Savings and Loan Association (VSLA) that meets every Saturday.
- She can save between UGX 1,000 - 10,000 per week mainly towards school fees.
- She is eligible to borrow three times the amount of her savings

Meet our Typical Personas

3. Patrick Kaboyo - The mobile money agent



“ Fraud is increasing, emanating from the handlers as well as fraudsters. Training and closer supervision is the only way I am trying to contain this problem ”

Biography

- ✓ 37 years, operating 6 mobile money outlets and employing 12 handlers.
- ✓ Trading as Rubrima Company Africa, located in Kyenjojo town.

Financial portfolio

- In his MM business, he handles an average of 50 transactions per outlet per day, with an average transaction amount of UGX 300,000
- He is operating with an approximate capital of UGX 10,000,000 per outlet
- He runs other business that include selling coffee seedlings and money lending.

Opportunities

“In the last year alone, Patrick added three MM outlets, and is on the lookout to increase level of business in those outlets. In the last year, he replaced three handlers who lost money to fraudsters and he is now doing the rebalancing himself.

Meet our Typical Personas

4. Timwe Filling Station (Evelyne Kamakune): Potential bank agent



“ Business is about having the right amount of footprint, that is why I have a super market at this station and guest house nearby. People also want to transact where they feel safe and ample parking space ”

Opportunities...

“ Evelyne hopes to grow and expand her businesses through leveraging customers accessing the range of services available”

Biography

- The business has been in operation for 6 years
- Employs 12 staff.

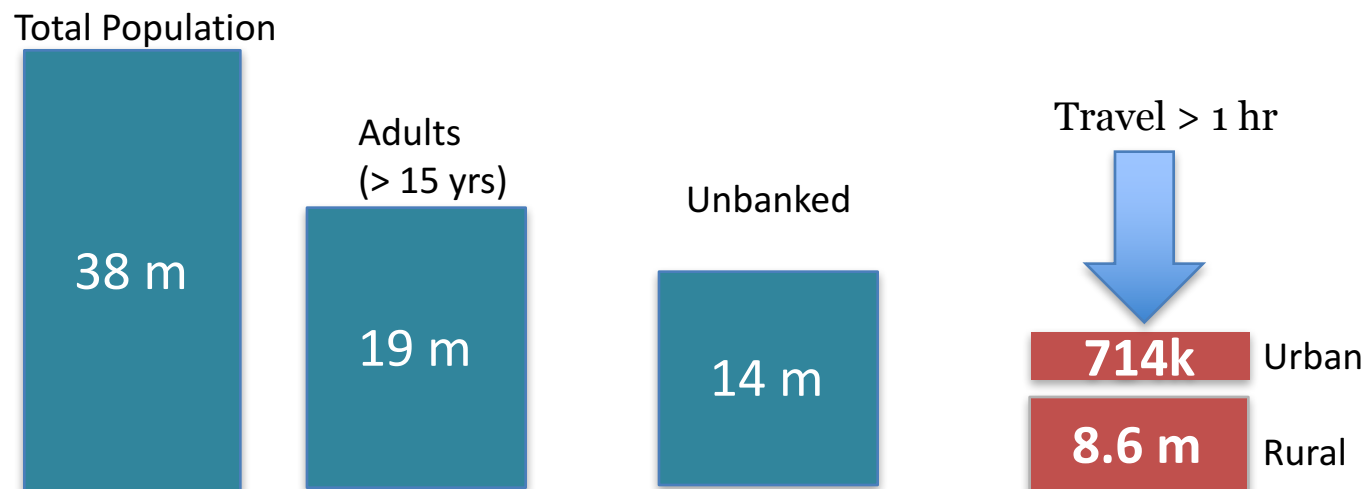
Financial portfolio

- The filling station has a sales turnover of about UGX 3,000,000 per day.
- She runs other businesses that include a super market and guest houses.



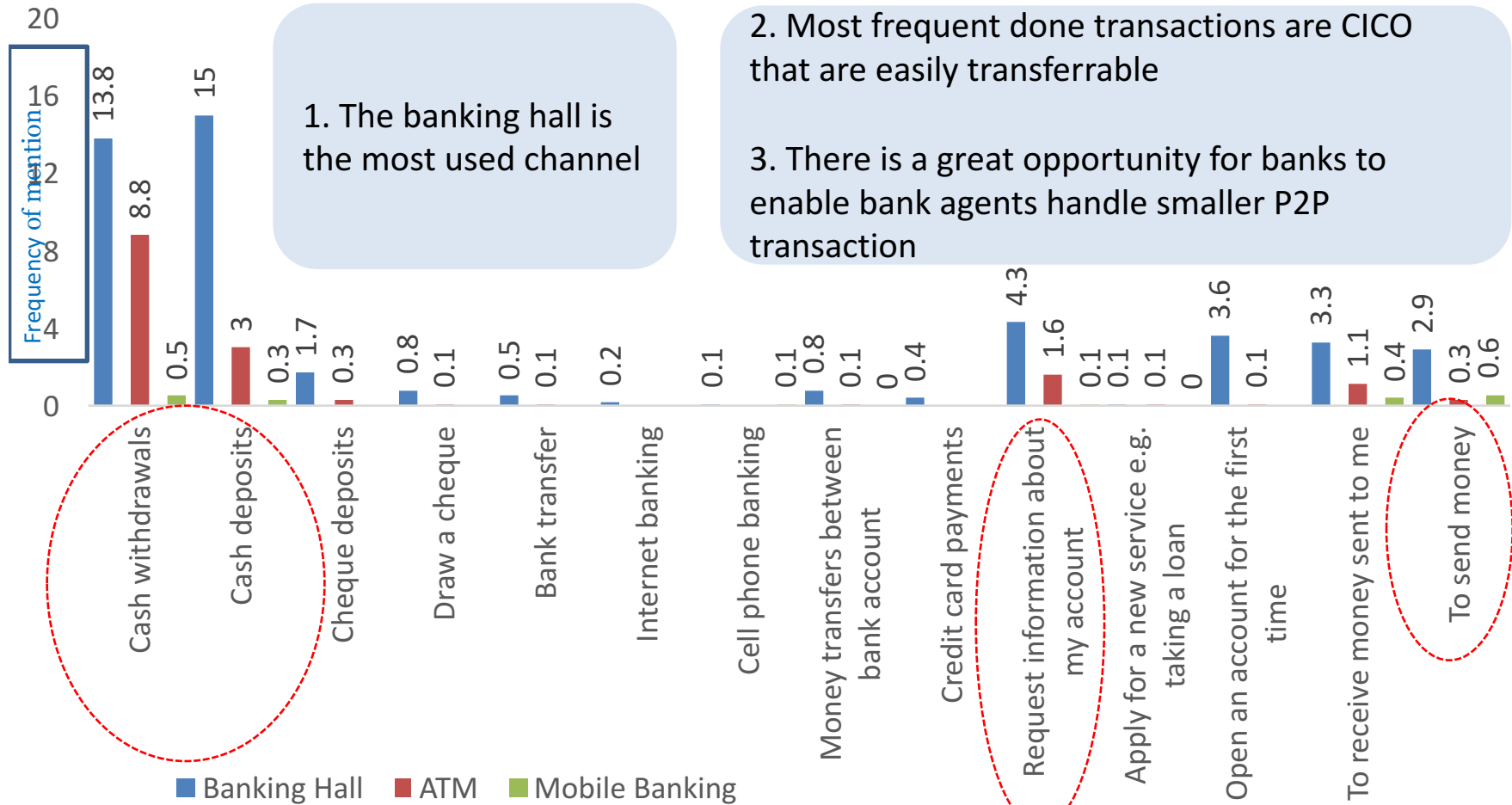
The Potential for Agency Banking

58% Of Uganda's Adult Population are Potential Users of Agency Banking



9.3 million adults need to travel for more than 1 hour to access a bank branch. Agency banking provides a strong value proposition for this group

Most Product and Service User Cases can be Supported at the Bank Agent

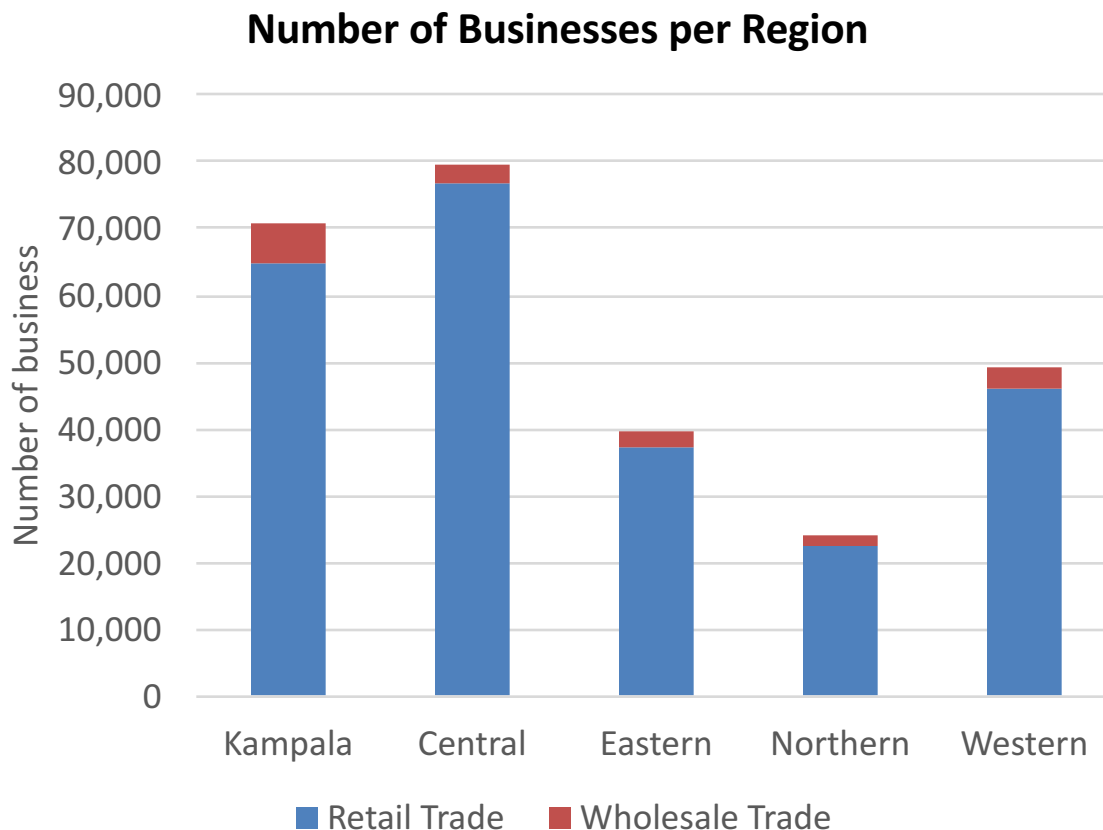


1. The banking hall is the most used channel

2. Most frequent done transactions are CICO that are easily transferrable

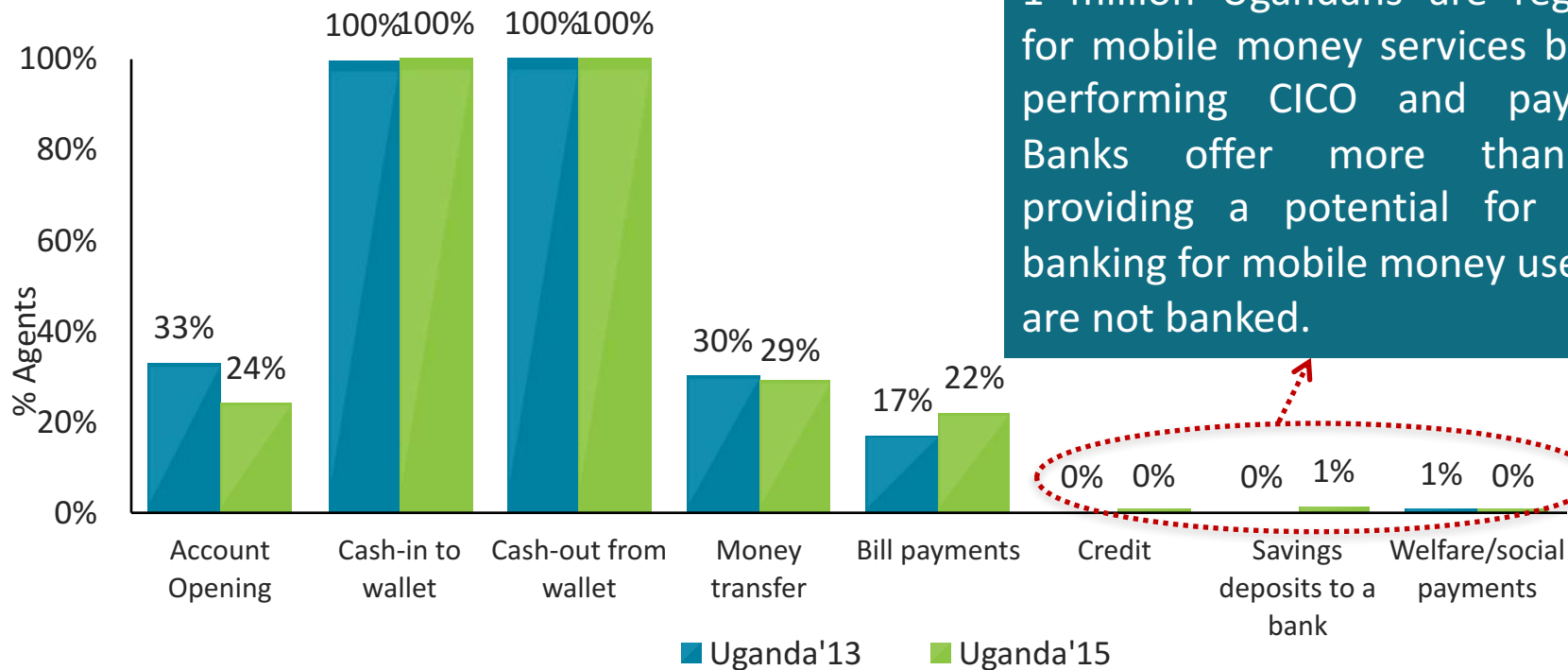
3. There is a great opportunity for banks to enable bank agents handle smaller P2P transaction

It will be More Challenging to Develop Viable Agent Networks in Rural Areas



- i) Agents will mostly come from among the businesses (retail and wholesale)
- ii) Most business are located in urban areas
- iii) FinScope 2013 also indicates that 73% of viable business are within 1 Km from potential customers
- iv) Banks are likely to build agents around the current branch networks rather than far away from them – due to liquidity management requirements.
- v) There is opportunity to work with a Shared Agent Network in rural areas where viable businesses fewer

Banks can offer Products and Services Beyond Mobile Money Offerings

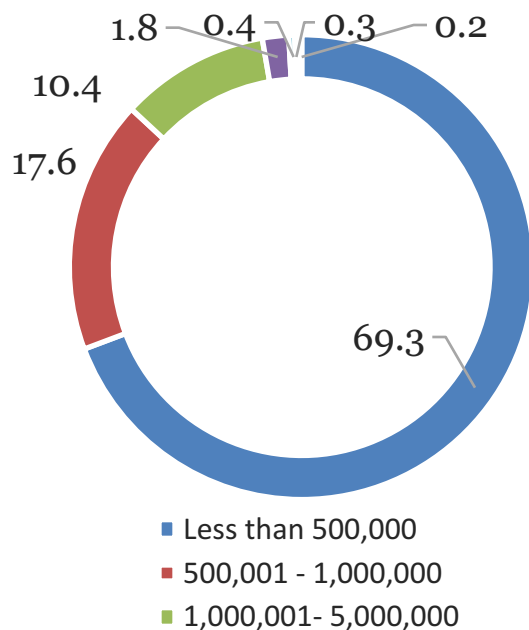


According to a Bank of Uganda Report by Ivan Ssetimba (2016), 21.1 million Ugandans are registered for mobile money services basically performing CICO and payments. Banks offer more than this, providing a potential for agency banking for mobile money users that are not banked.

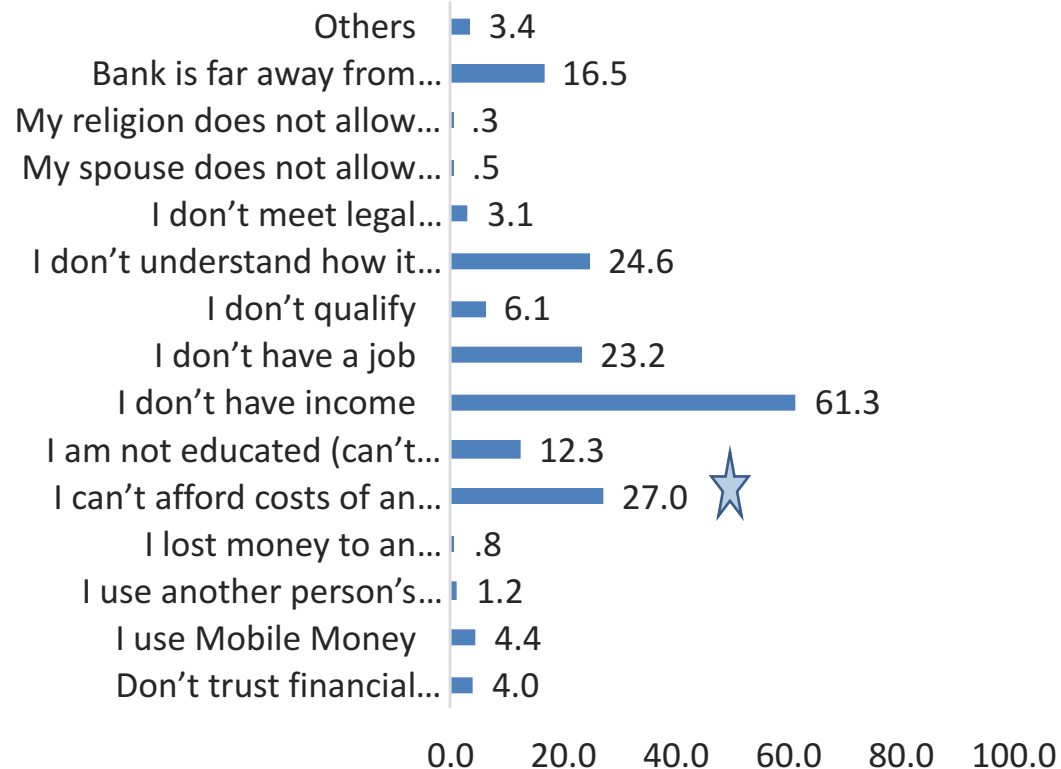
- The bank can extend these services through the bank agents.
- These present a high potential for the banks.

Banks need to Innovate Products for Ugandan Earning less than UGX 500,000 Annually

Percentage distribution of respondents engaging in economic activities by income during past 12 months



Reasons for not having a bank account



69.3% of Ugandans earn less than UGX 500,000 annually

It is possible to design suitable products for those who have other reasons for not having a bank account besides no income/ job



Bank Channels, Products / Services and Usage

Agency Banking at this Point

Government



THE PARLIAMENT
of the Republic of Uganda

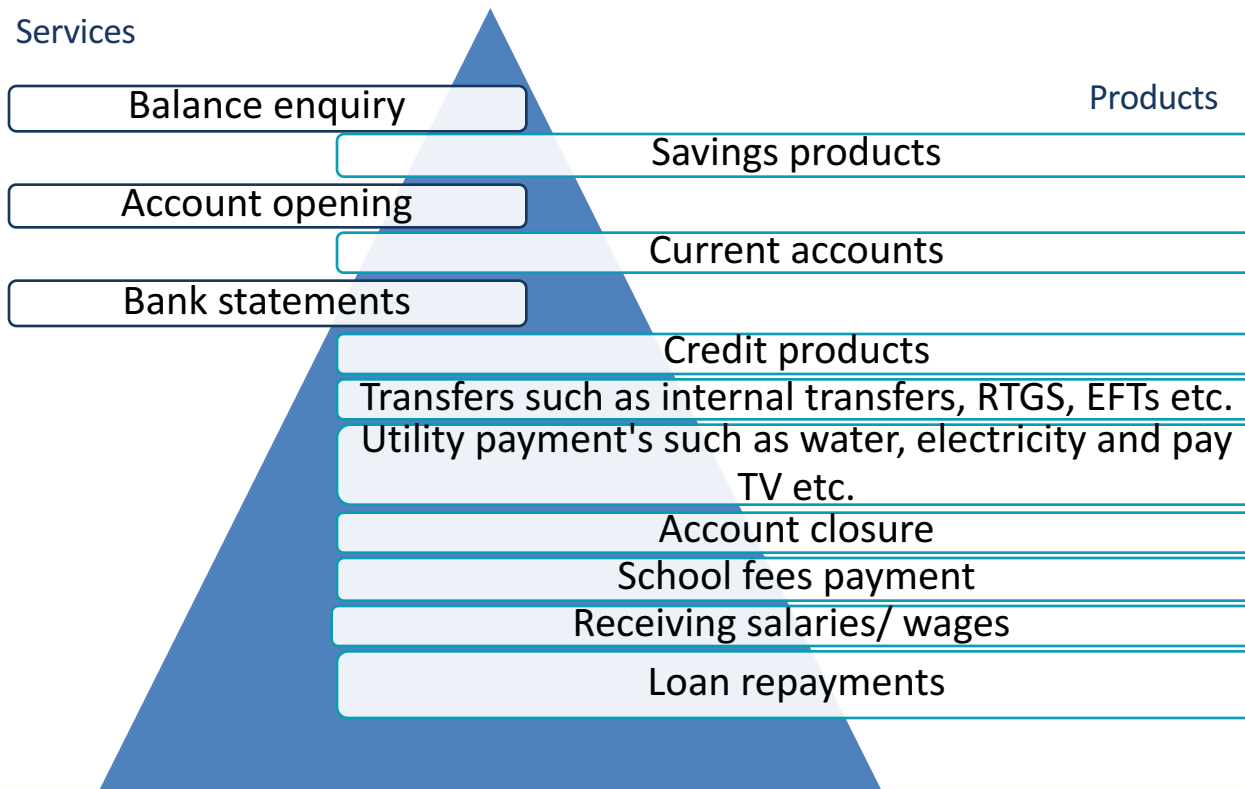


- i. The Banking sector is supervised and regulated by the Central bank of Uganda
- ii. There are currently 24 commercial banks categorised as Tier 1 financial institutions (can recruit bank agents) , and two development banks; East African Development Bank and Uganda Development Bank
- iii. Only Centenary Bank is local, the others are foreign owned

On January 6, 2016, Parliament passes the [Financial Institution Act \(Amendment\) 2016](#), authorising commercial banks to appoint agents without setting up their own brick and mortar structures, and introduces new products including Islamic banking and mobile insurance. The agency banking regulations are due for release

Products / Services that Customers Commonly Access at the Bank

- The table below highlights the products and services that are being accessed
- Majority of the respondents have savings accounts and have accessed loans from their various financial institutions



Cash Deposits and Withdrawals will be the Main Transactions at the Bank Agent

Type of Transactions (Frequency)	B		Mobile
	Banking Hall	ATM	Banking
A Cash withdrawals	13.8	8.8	.5
Cash deposits	15.0	3.0	.3
Cheque deposits	1.7	.3	-
Draw a cheque	.8	.1	-
Bank transfer	.5	.1	-
Internet banking	.2	-	-
Cell phone banking	.1	-	.1
Money transfers between bank account	.8	.1	-
A Credit card payments	.4	-	-
Request information about my account	4.3	1.6	.1
A Apply for a new service e.g. taking a loan	.1	.1	-
Open an account for the first time	3.6	.1	-
To receive money sent to me	3.3	1.1	.4
To send money	2.9	.3	.6

A

Majority of transactions remain

1. CICO
2. Request for information
3. Opening account
4. Sending money

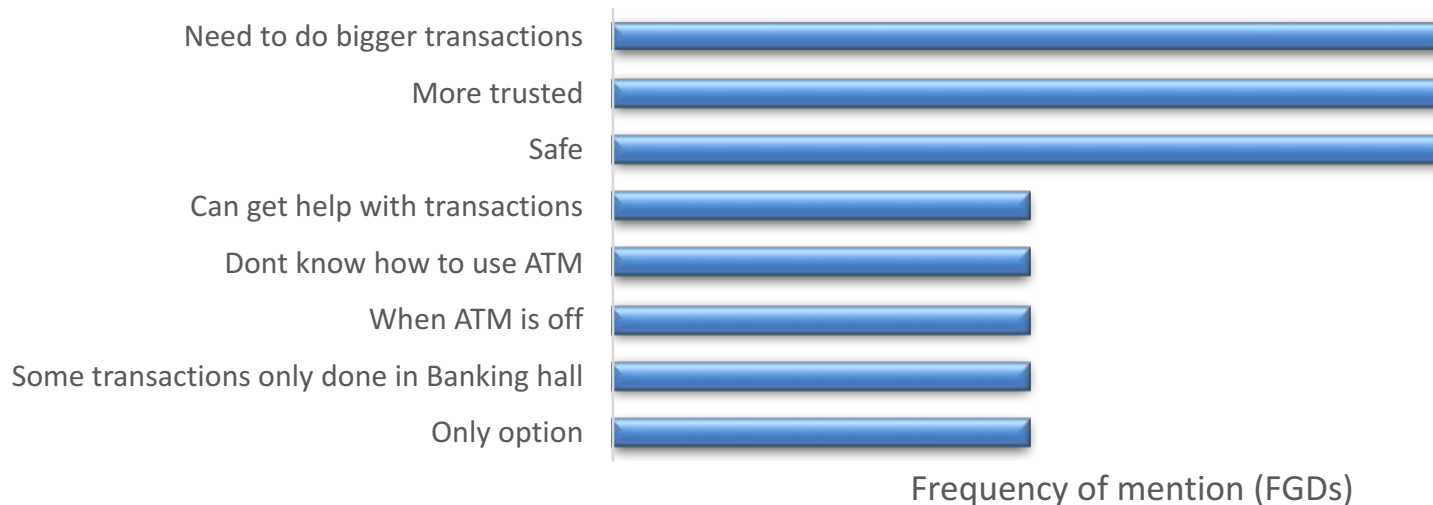
B

The banking hall remains the predominant channel, allowing face to face interaction (a form of preference) followed by the ATM

Transaction Size, Trust and Safety are key Drivers for Moving Customers from Banking Halls to Agency Banking Channel

The research on the use of bank channels to access the banking services revealed that the banking hall remains the most predominantly used channel

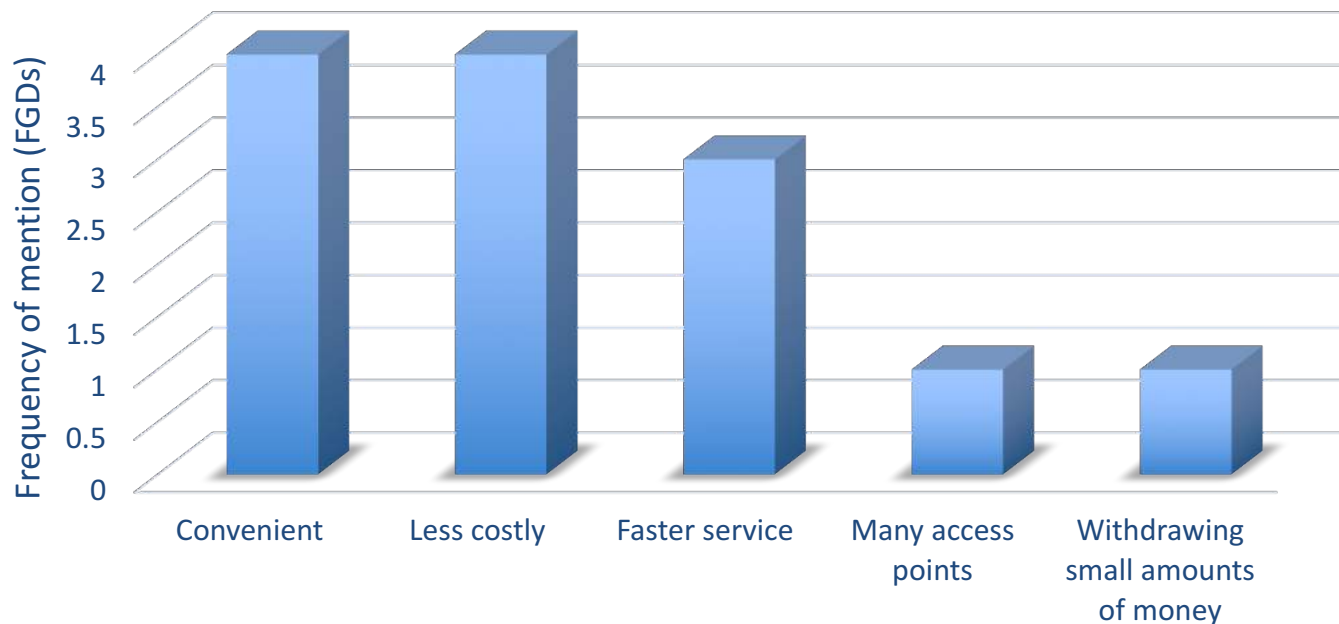
Key Drivers of Choice for Banking Halls



- i. The need for acceptable transaction amounts, trust and safety of the premises will be key drivers for use of agency channel
- ii. Liquidity management to cater required cash needs will remain a critical factor for success of the agency channel

Convenience, Cost and Fast Service are the Key Drivers for Moving Customers from ATMs to Agency Banking Channel

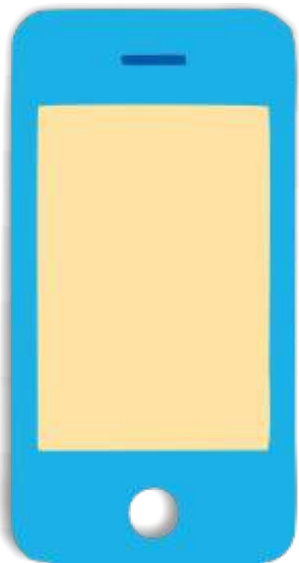
Key drivers of choice for ATM



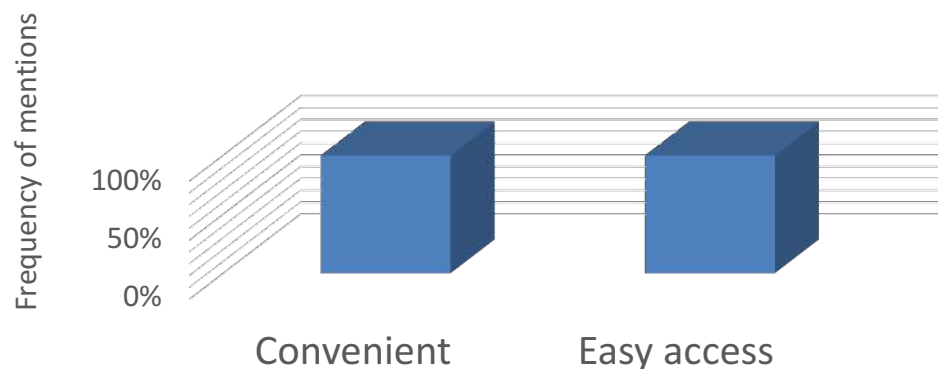
The ATM as a channel is perceived as offering fast service, less costly and convenient.

- It will be easier to drive the ATM customers to adopt and use the agency banking channel if the services offered by the agents are fast, convenient and less costly

Convenience and Accessibility are the key Drivers for Moving Customers from Mobile Banking to Agency Banking Channel



Key Drivers of Choice for Agency Banking



Mobile banking was least used by the respondents. However, users find it convenient and accessible

The convenience and access factors are important to banked customers. These two factors must feature to enhance adoption and usage of the agency banking channel

Transaction Pricing at the Different Bank Channels

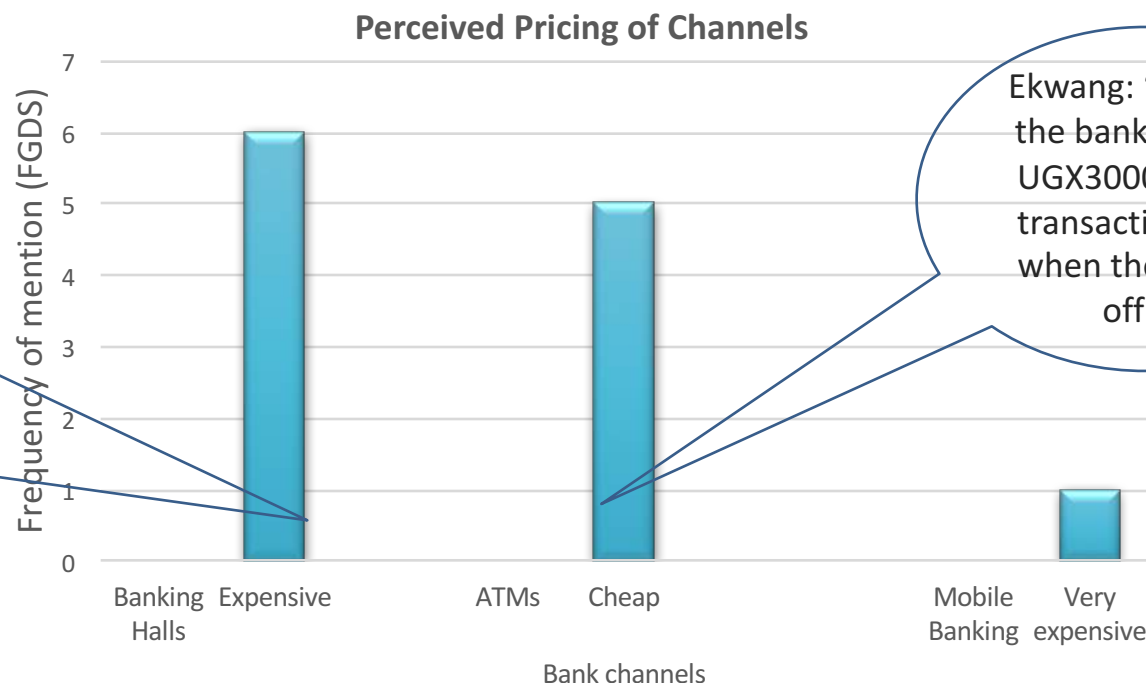
Bank charges for most transactions						
		Transaction Type	Nature	Charge within Industry		
				Minimum	Maximum	
Basic Uses	Withdraw Money	Cash	Ugx	Nil	35000	
		Bulk Cash	Forex	Nil	0.1%	
		Bulk Cash	Ugx	Nil	35000	
	Deposit money	Bulk Cash	Forex	Nil	0.50%	
		Coins	Ugx	Nil	1.00%	
		Bulk Cash		Nil	0.11%	
	P2P transfers	EFT	Outward		2000	20000
			Inward		2000	2750
		RTGS	Outward		10000	23100
			Inward		2000	20000
TT		Inward		2750	50000	
Advanced uses	Bill pay	Utilities collection		Nil	3000	
	Save/ Set aside Money	Minimum Balance	50000	Nil	300000	
			10000	Nil	100000	
			500000		10000000	
		Below minimum	Savings	Nil	20000	
			Current	Nil	41%	
	Ledger fees	Per entry	Nil	2500		
		Per Month	Nil	25000		
	ATM	Issue	New card	Nil	15000	
		Deposit	Transaction	Nil	1000	
Replacement		New card	10000	50000		
Receive Wages	Withdraws	Transaction	600	1000		
			Nil	,4000		

	Top uses for Active Bank accounts (n=328)	%
Basic Uses	Withdraw money	97
	Deposit money	90
	P2P transfers	26
Advanced Uses	Bill pay	33
	Save/set aside money	23
	Receive wages	23
	Loan activity	12
	Receive G2P payments	10
	Make MM2MM / MM2Bank transfer	9

1. Costs associated with deposits (90%) and withdrawals (97%) using the branch and ATM channel range from 0-1.00% of value of transactions
2. The pricing question for the banks in relation to the agency channel is how it will compare with the current channels, willingness and ability of the users to pay

Adoption and Usage of Agency Banking Could be Achieved Faster if it is Perceived to be Competitive or Cheaper than Alternative Options

Banked customers perceive mobile banking as being most expensive as compared to the banking hall and ATMs. The costs come in the forms of fees between the bank, MNO and aggregator



Akuku: "Imagine each time you check your account balance, you are charged UGX 200. This will easily cost you UGX 1,000 if you checked 5 times..."

Ekwang: "imagine the bank charges UGX3000 as OTC transaction even when the ATM is off..."

Mobile banking is perceived as being expensive because consumers consider all the costs until when cash is withdrawn or deposited



Mobile Money Products / Services and Usage

Existing Digital Financial Services Products in Uganda

Product	Details
Domestic money transfers	Cash in/Cash outs
International money transfers	MTN with Western Union
Airtime top up	Prepaid & post paid
Data top up	Purchase of data bundles
School fees payments	Remittance to schools
Utility payments	UMEME
	NW&SC
	Pay TV (DSTV, GO TV, Star times, Zuku TV)
Bulk payments	B2P, G2P
Cash collection	P2B
ATM withdrawals	Cardless mobile money withdrawal
Mobile ticketing	Airline tickets
	Sport bettings
	Play lotto
Merchant payments	Paying for fuel, buying goods, clinics
Mobile wallet linked to bank account	Pull and Push

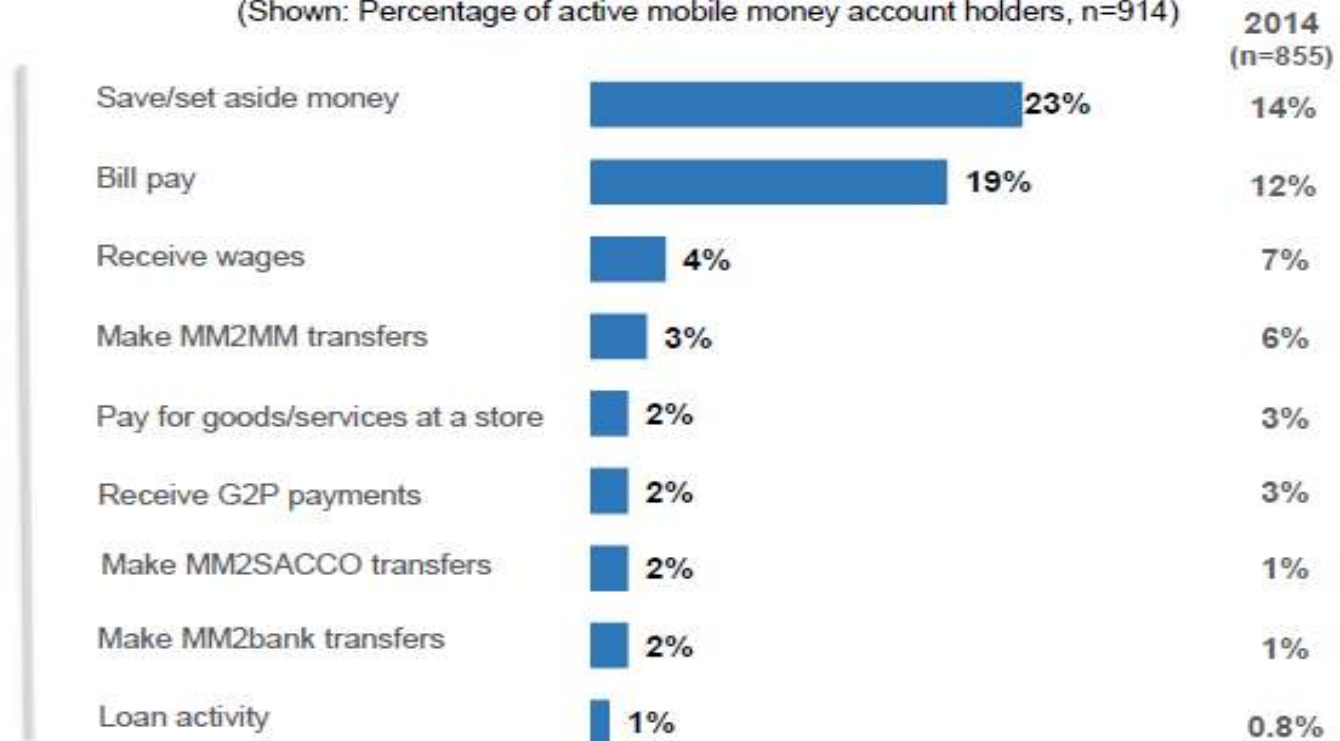
Level of Usage of Products and Services

40%

of active registered users have used at least one advanced mobile money function

(vs. 27% in 2014 and 19% in 2013)

2015: Advanced mobile money account uses
 (Shown: Percentage of active mobile money account holders, n=914)



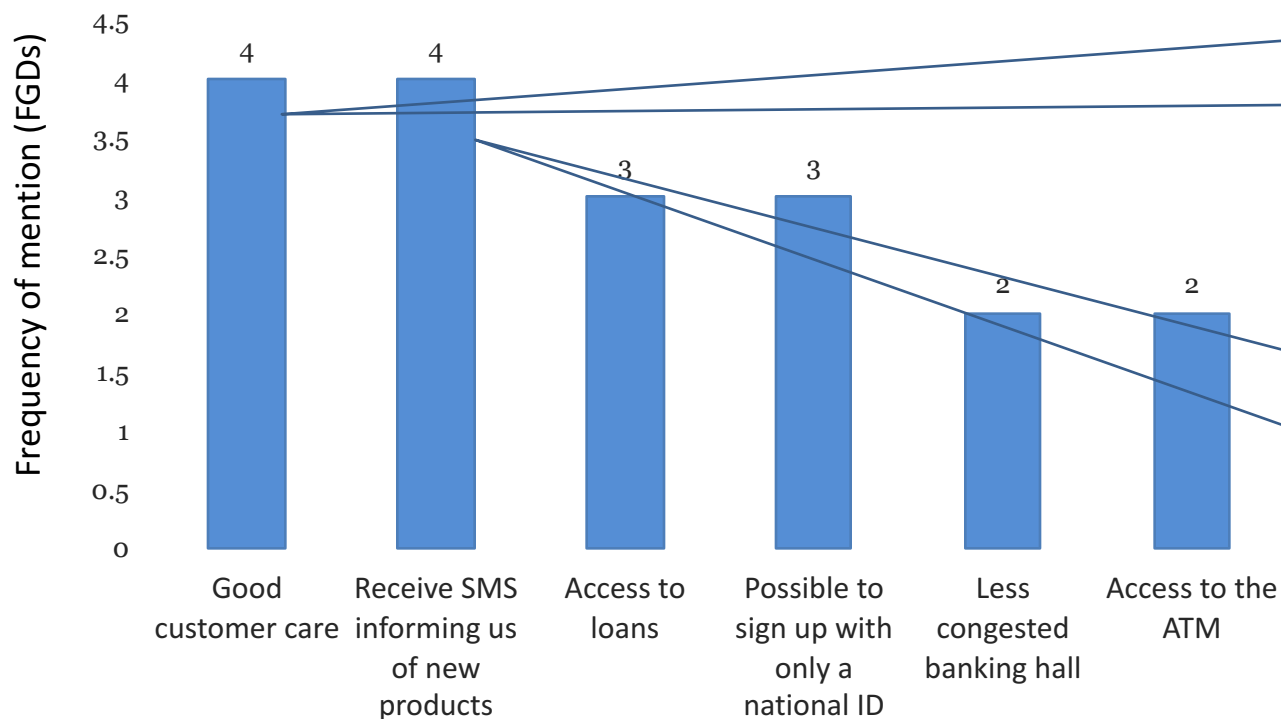
Most mobile money users are still drawn to the service as a remittance channel; P2P transfers and CICO drive the service use (FII 2015).

The agency banking channel will be able to allow more than CICO with products such as savings and credit.



Customer's Banking and Mobile Money User Experiences in Relation to Agency Banking

Quality of Service, Communication and Access to Other Services that can Drive Agency Banking

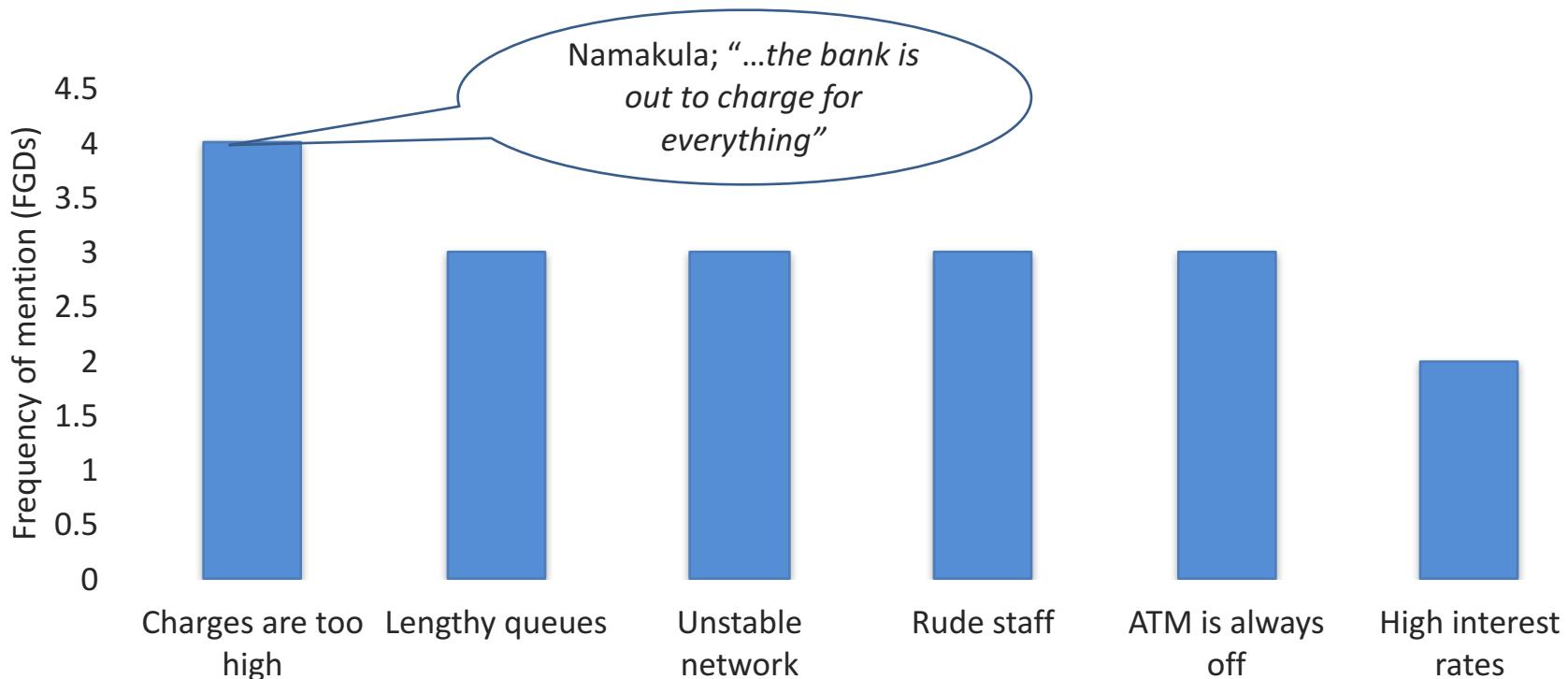


Okaka; “...the staff at my bank treat me with a lot of respect, are always smiling”.

Tumwasigye: “...access to SMS and multiple products. My bank offers mobile banking, inter-switch services and SMS notifications for any transactions”.

The positive experiences above enhance usage of products and services. The banks should ensure these positive experiences are inbuilt with the agency services

High Charges, Lengthy Queues and Unstable Network can Hinder Usage of Agency Banking



Painful user experiences of banked customers paint a likely scenario for agency banking. Other than unstable networks and to some extent the high interest rates, all other pain points are internal to the bank. These require internal strategies to resolve while the other can take industry approach. Pricing will be the key concern for the banks as well as the customers, and will ultimately have a direct influence on the adoption and usage of the channel.

Quality of Service, Communication and Access to Other Services that can Drive Agency Banking

	How they hear about MM	Sign Up	MM Usage
Process	<ul style="list-style-type: none"> • Radio • Promotions drives • Relatives and Friends • Agents 	Provision of KYC requirements at: <ul style="list-style-type: none"> • Agent • Master Agents • Service centre • Self registration • Promotion drives 	<ul style="list-style-type: none"> • Access at agent, using PIN
Positive Experiences	<ul style="list-style-type: none"> • Good customer care 	<ul style="list-style-type: none"> • Safe and secure place to save 	<ul style="list-style-type: none"> • No queues • Saves on transport costs • Saves on expenditures
Pain Points		<ul style="list-style-type: none"> • Unstable network • Sending money to a wrong number • Untrustworthy agents 	<ul style="list-style-type: none"> • High charges • Poor customer care • Fraudsters

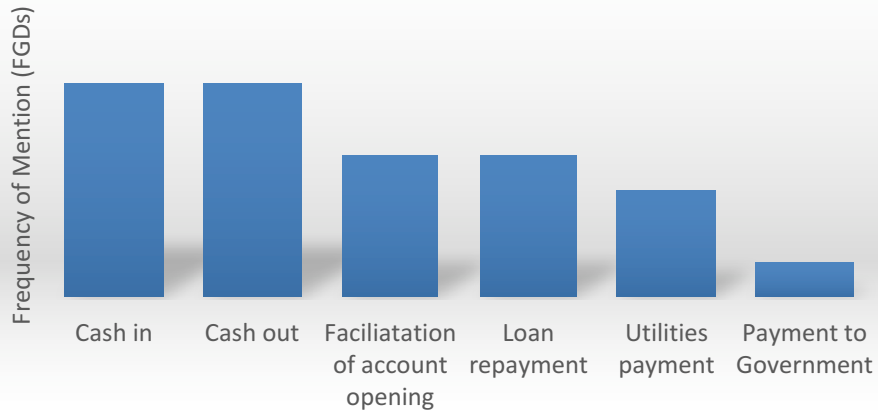
Mobile money users consider mobile money to be safe and secure in addition to saving on transport costs. Banks must address key pain points such as:- high charges, fraudsters unstable network and untrustworthy agents in their agency banking programme.



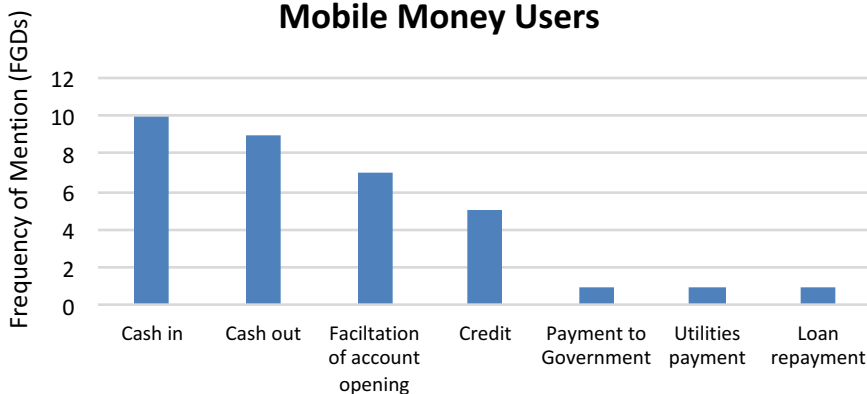
Customer Attitudes, Perceptions and Likelihood of Adopting Agency Banking

Products and Services Desired through Agency Banking

Desired Products/Services by the Banked Customers



Desired Products/ Services by Non Banked Mobile Money Users



Ranking by order of Importance

Product Functions/ Services	Ranking
Cash in	1
Cash out	2
Filling of account opening forms	3
Loan repayment	4
Pay utilities	5
Keeping of securities and other documents	6
Pay taxes	7

The product functions and services desired by banked customers and non-banked mobile money users are similar (cash in/out is as well refer to as P2P/ transfers)

This compares well with the services that banks anticipate to put onto the agency banking channel in the short term

This gives the banks ample time to test the channel and later refine the current product suite / develop new ones

Products and Services Desired through Agency Banking



Banked customers	Non-banked mobile money users
✓ Custodial services (keeping documents)	✓ Financial education
✓ Loan application	✓ Loan application
	✓ Issue of financial card
	✓ Whatever the bank may come out with.



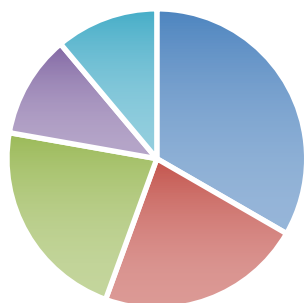
Besides what is provided for under the draft agency banking regulations potential customers desire other products and services

Petrol Stations, SACCO's and Grocery Shops are Most Preferred Type of Bank Agents

Bank Agent Eligibility (Regulation 3b): Sole proprietorships; (b) Partnerships; (c) Limited liability companies; (d) Cooperative Societies; (e) Microfinance Institutions; (f) Any other entity which the Central Bank may deem fit

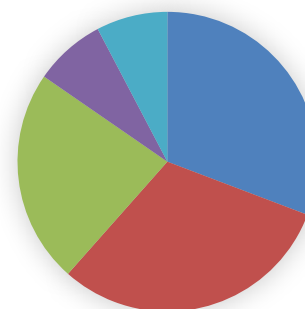
The pie charts below show the choice of bank agents amongst the banked and non- banked mobile money users

Preferred type of bank agent: banked customers



- Petrol station
- Grocery shop
- SACCOs
- Pharmacy / drug shops

Preferred type of bank agent: non-banked mobile money users

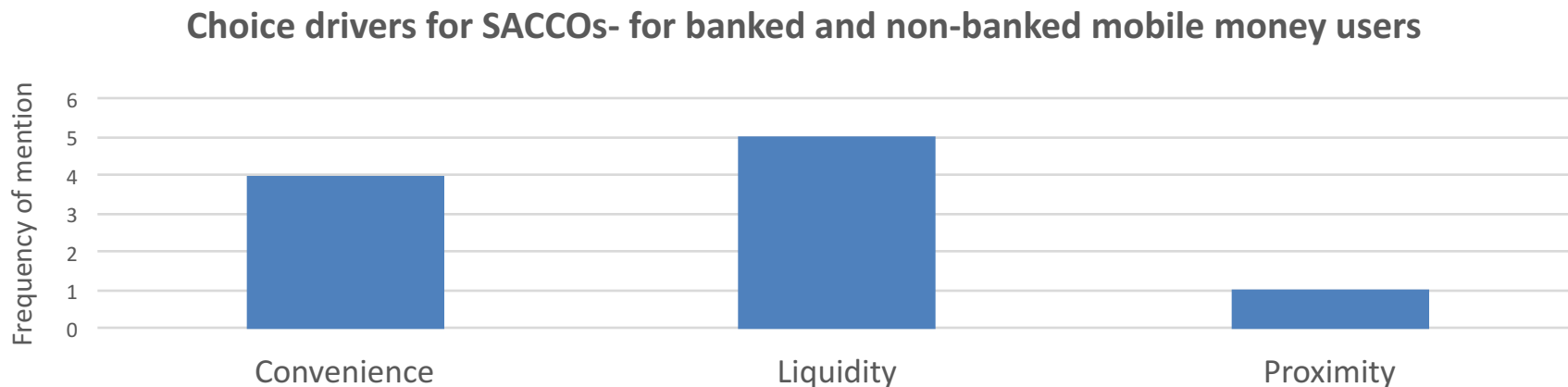
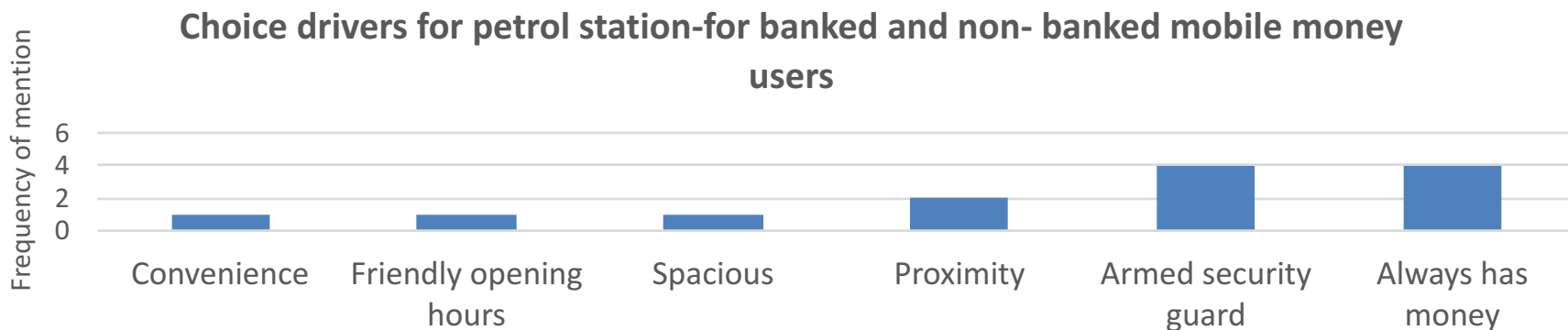


- Petrol Station
- SACCOs
- Grocery Shop
- Hardware Shop
- Health Centre

- ✓ There is consistency between the banked and non banked mobile money users, so it no specific arrangements have to be done to attract the banked customers and current mobile money users
- ✓ Reliance on Head Office by international brand petrol stations may affect how they can be engaged as agents

Liquidity, Access and Security are the key Choice Drivers for Petrol Stations, SACCOs and Grocery Shops

Agency Banking Guidelines (BOU 2016), 7 (2) Eligibility of an Agent (b) The entity is a registered and licensed business; (c) The entity has a physical address; (d) The entity has adequate and secure premises; (e) The entity has been engaged in a commercial activity for at least 12 months.



English, Regional Language and Permanent Secure Premises are Key Choice Drivers for Engagement with Bank Agent

Agency Banking Guidelines (BOU 2016), 7 (2) Eligibility of an Agent (c) The entity has a physical address; and (d) The entity has adequate and secure premises.

Theme	Banked customer	Non-banked mobile money users
1) Agent appearance	<ul style="list-style-type: none"> Permanent business premise 	<ul style="list-style-type: none"> Permanent business premise
2) Agent location	<ul style="list-style-type: none"> On a high way Strategic location for easy access 	<ul style="list-style-type: none"> On a highway Not too congested area Public but quiet place
3) Agent language engagement	<ul style="list-style-type: none"> English and regional language 	<ul style="list-style-type: none"> English and regional language
4) Language for product promotion	<ul style="list-style-type: none"> English and regional language 	<ul style="list-style-type: none"> English and regional language

Akite Christine, a non-banked MM user in Ogur; *"...the premises should have very strong doors and windows with good security"*

Preferences of how an agent should appear, where they should be located, and what language used for engagement and promotion were similar among the banked and non banked mobile money users. These preferences are consistent with the BoU draft guidelines.

Mobile Phones and PoS are Preferred Tools for Transactions for the Banked whilst Mobile Phones are Preferred by non-Banked Mobile Money Users

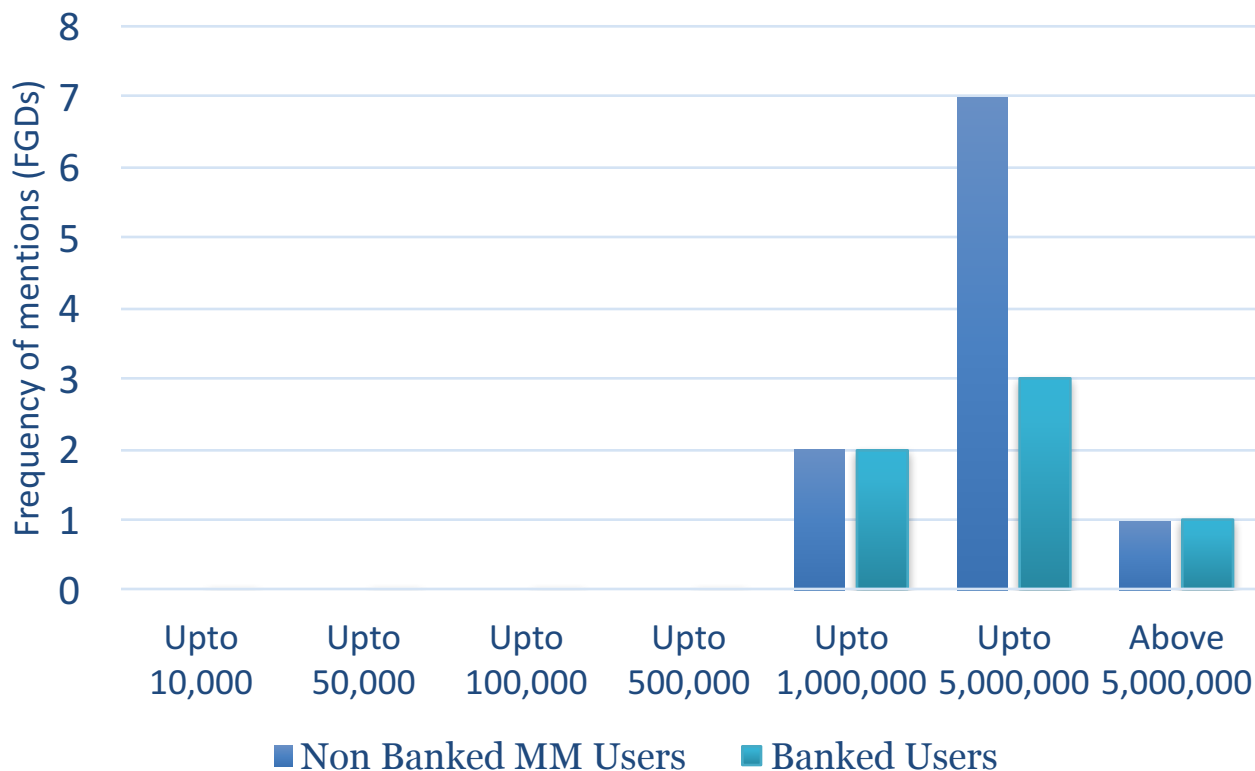
Agency Banking Guidelines (BOU 2016), Principal Agent Relationship 8 (1) (b), (c), (e), (f) and (h) provide for how the principle and agent will handle the issues highlighted below. Below are views from the Banked customers and non banked MM users.

Theme	Banked customer	Non- Banked MM Users
1. Tools of Transaction	<ul style="list-style-type: none"> Both mobile phone and POS 	<ul style="list-style-type: none"> Mobile phone
2. Type of Notification	<ul style="list-style-type: none"> Receipts 	<ul style="list-style-type: none"> SMS
3. Reasons for Choice	<ul style="list-style-type: none"> Physical evidence can be obtained and retained as a transaction evidence 	<ul style="list-style-type: none"> There is familiarity with mobile phones There is confidentiality with the phone

The banked customers made no specific preference between mobile phone and PoS while the non- banked mobile money users preferred mobile phones

Transaction Limits up to UGX 5,000,000 Were Most Preferred Amongst the Banked and Non-banked Mobile Money Users

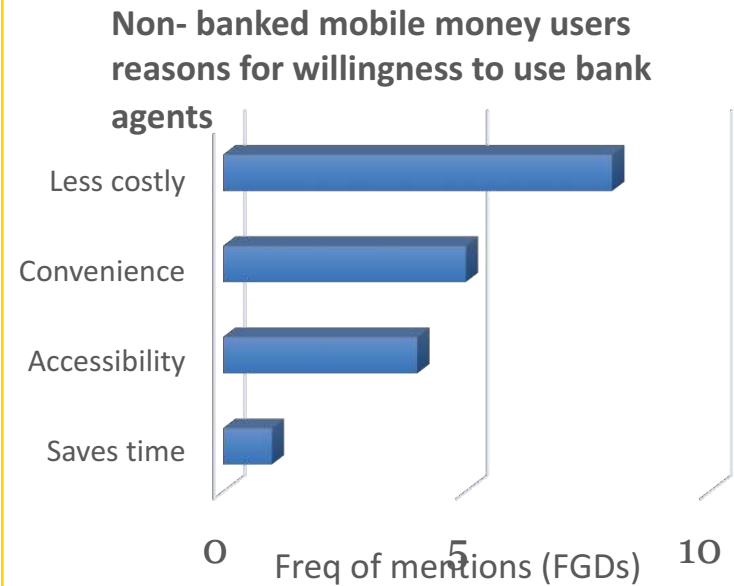
Preferred Transaction Limits at a Bank Agent



The appropriate size of transaction was the same across both the banked and non-banked. The most important reason for this preference was that the transactional limit should not be too small nor too large but more than what the Bank ATM and MM Agent can offer

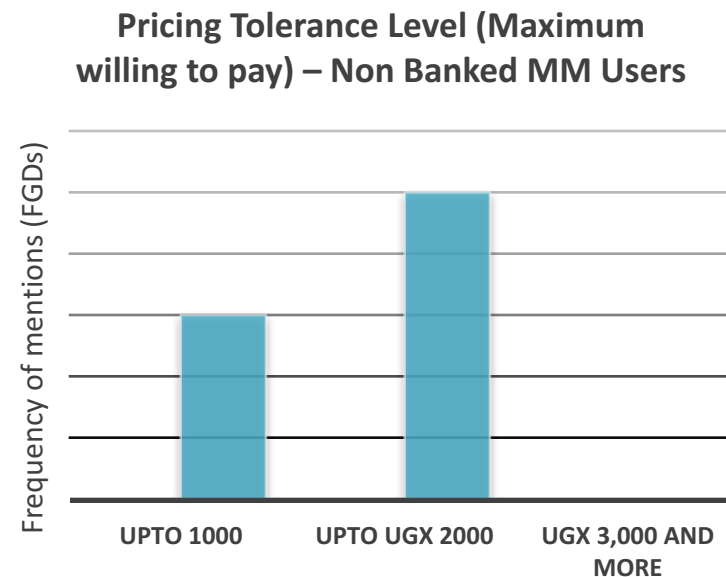
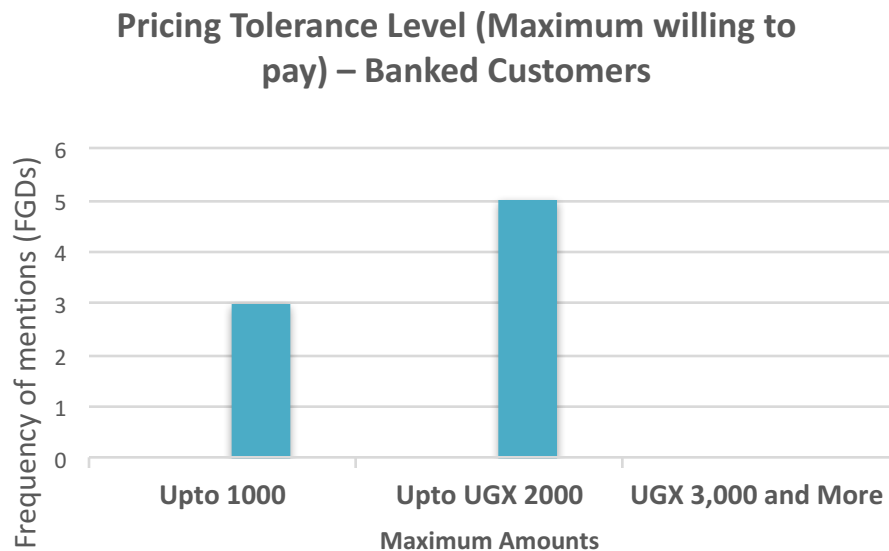
Convenience and Cost are the Key Choice Drivers for Willingness to Use Bank Agents

All the banked and non banked MM users expressed willingness to use agency banking. Below are the reasons for their willingness to use the channel.



For the banked customers the most important reason for willingness to use a bank agent is the convenience factor. While for the non- banked mobile money users, cost is the most important reason advanced for willingness to use a bank agent for transactions. This therefore implies that the potential customers will be willing to use the bank agents if they are perceived to be convenient, less costly in comparison to the other channels, are accessible and reduces the time spent in the banking halls.

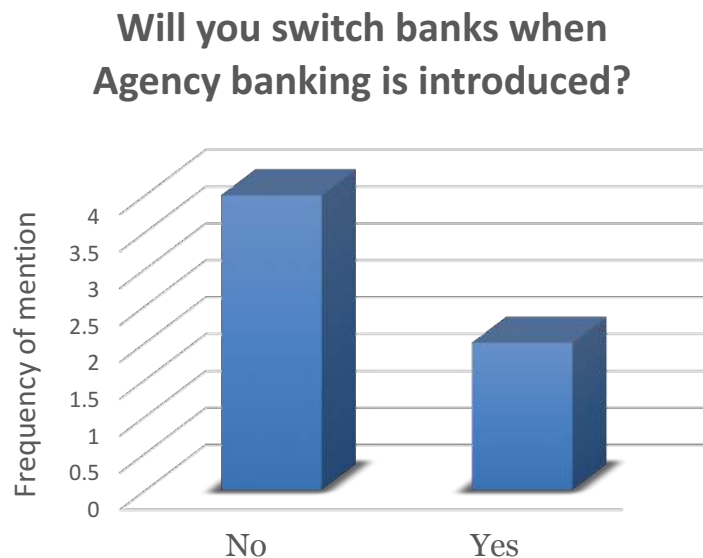
Pricing Tolerance levels of UGX 2000 will be a Key Factor for use of Bank Agents



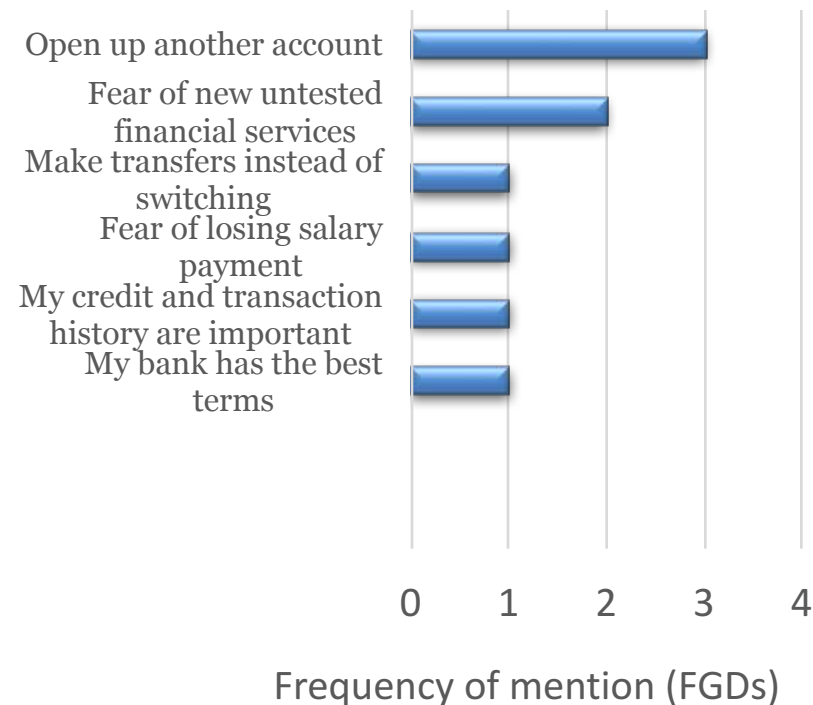
- Pricing at a channel is directly linked to the adoption and usage. Tolerance to different maximum pricing bands showed that both the banked customers and non banked mobile money users were not willing to pay anything more than UGX 2,000
- The non banked mobile money users didn't want to pay any charges equal or higher than they are paying for mobile money

Challenges to open up Another Bank Account and fear of Using Untested Financial Services are Reasons for not Switching Banks

Overall, the banked customers don't want to switch banks even if another bank's agents is close by. The graph below shows the reasons why they would not switch between banks.



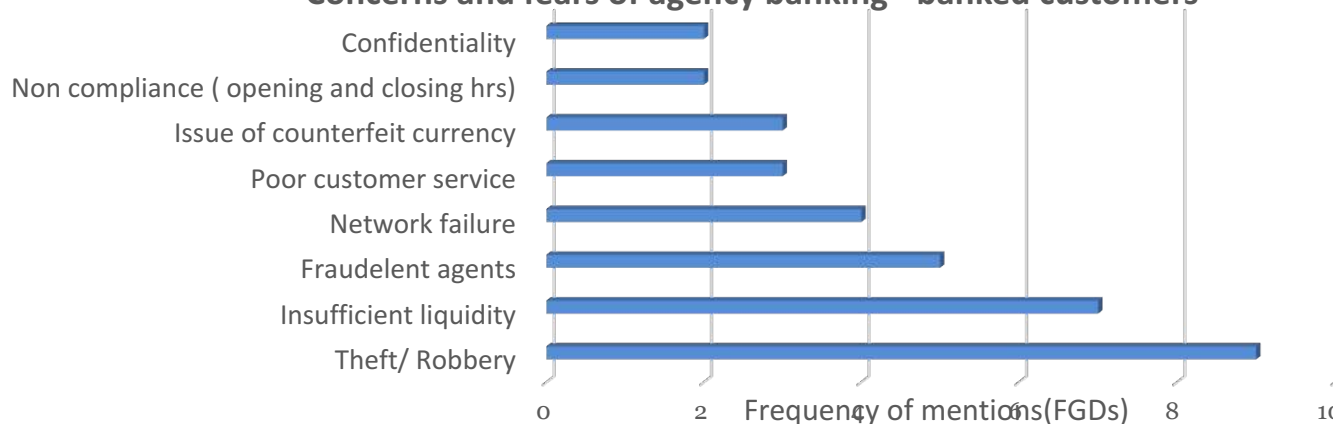
Reasons for not switching Banks



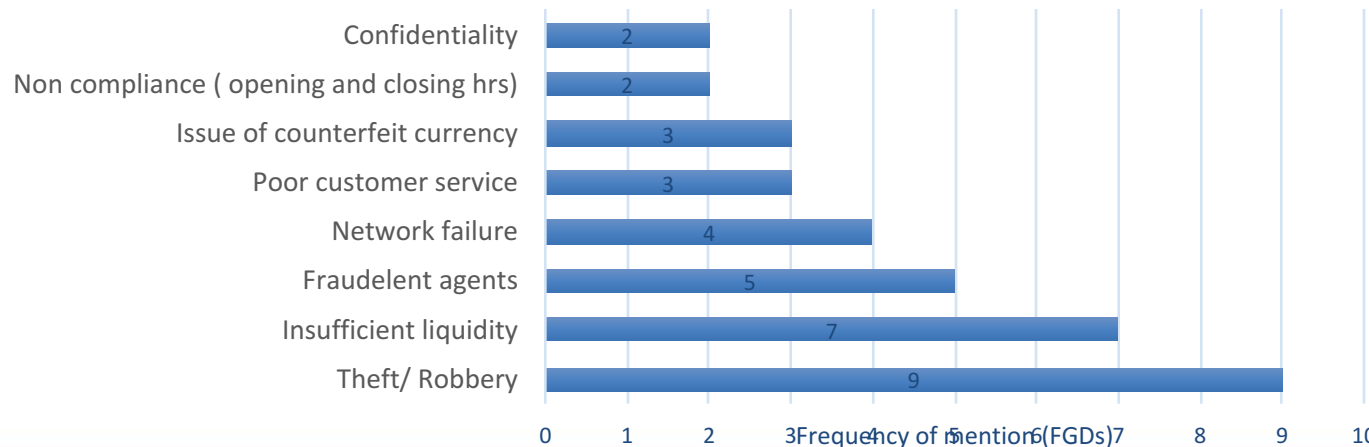
- ✓ The banked customers don't want to switch banks even if another bank's agents is close by
- ✓ Opportunity for banks to acquire customers from competition by addressing account opening barriers, building trust in service stability

Potential Agency Banking Customers are Apprehensive of Fraud, Insufficient Liquidity and Network Instability

Concerns and fears of agency banking - banked customers



Non-banked customers concerns about bank agents



The concerns and fears of agency banking are similar for both the banked and non banked MM users

The key difference is the extent of each

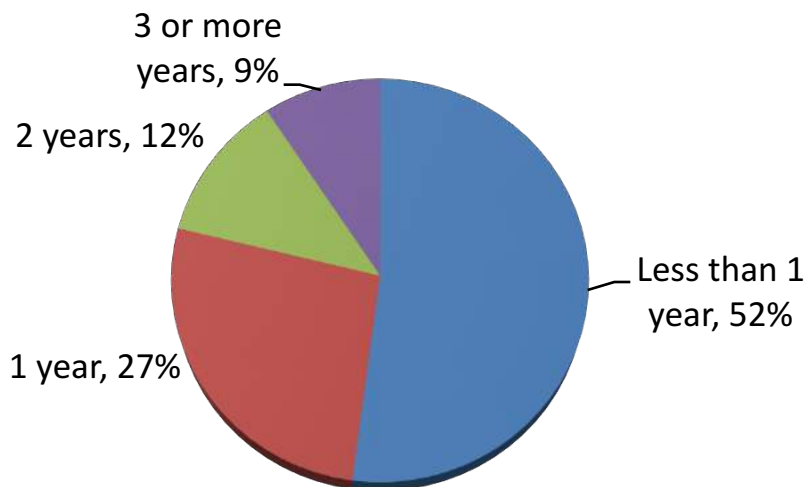
These fears must be addressed by the banks (see suggested aggregated solutions to the risks / fears of agency banking)



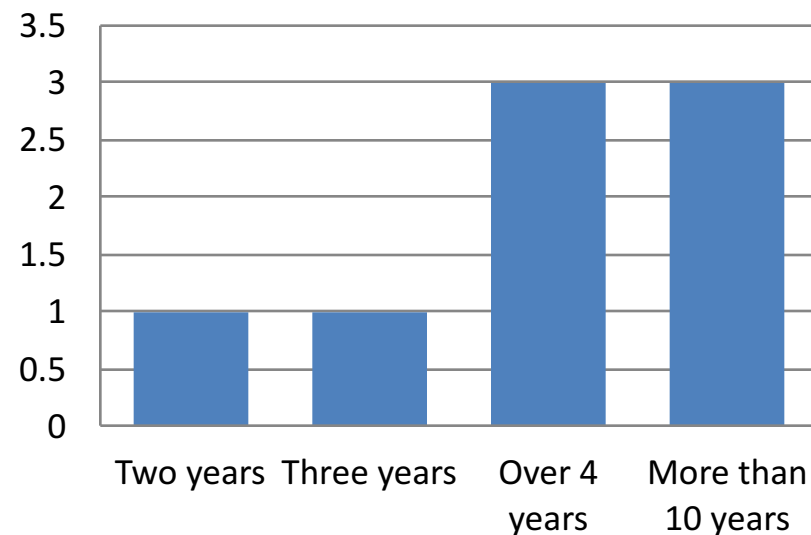
The Current Capacity of Mobile Money Agents and Businesses to Serve as Bank Agents

Businesses Present Higher potential for Bank Agents Compared to Current Mobile Money Agents

Age Distribution of Agencies (ANA 2015)



Length of time in Business - Businesses

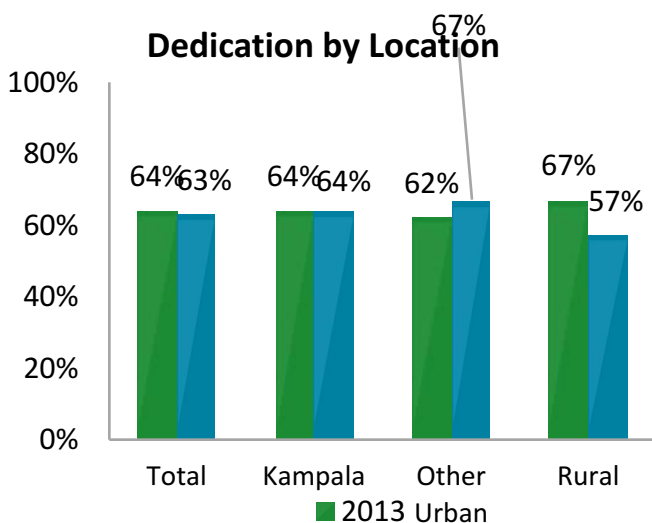


- 52% of mobile money agents are less than one year in business (ANA 2015)
- Mature mobile money agents are more profitable and can handle fraud better
- This suggests that businesses that have existed longer will make better bank agents

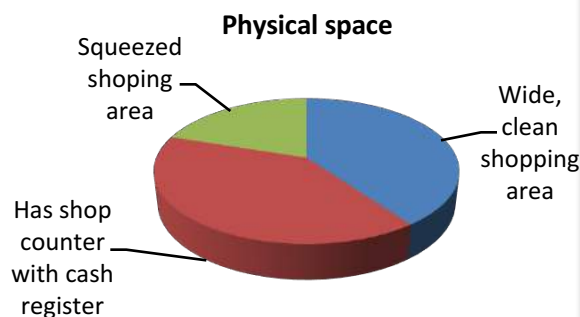
Dedicated Mobile Money Agents have Staff with Skillsets for Agency Banking, Businesses often have Better Physical Space

In line with the eligibility criteria for bank agents laid out in the draft agency banking regulations, all the mobile money agents and potential businesses interviewed operated in an adequate and secure premise.

- ANA report (2015) indicates that 63% of agents are dedicated
- Dedicated MM agents employ an average of at least two
- Potential businesses such as petrol stations, hardware shops, grocery shops in urban locations operate in more permanent buildings as compared to dedicated MM agents who can even operate under an umbrella / kiosk
- In the rural, potential businesses rarely own spacious and secure premises, and employ the owner who must divide his time and attention between his ordinary business and potentially the bank agency customers



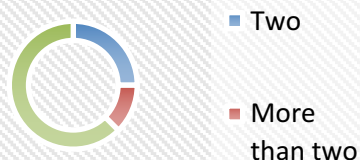
Physical space (businesses)



Number of personnel employed by MM Agents



Number of personnel employed by Potential Businesses



Businesses have Better Financial Management and Legal Compliance Compared to Mobile Money Agents

	Current Mobile Money Agents	Businesses
Audited books of accounts	×	✓
Trading Licence	✓	✓
Tax returns	×	✓
Profitable	✓	✓

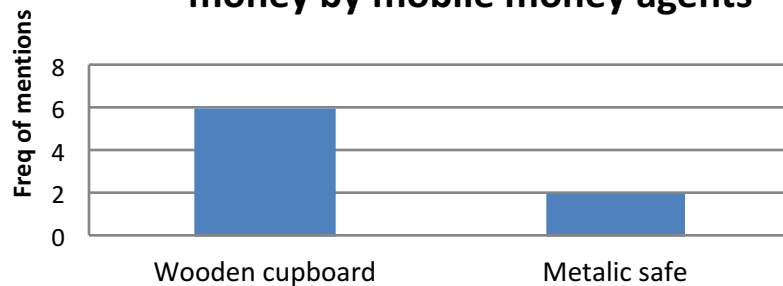
➤ Both mobile money agents and businesses have trading licences and report making a profit out of their business operations

➤ Current mobile money agents score low on audited books of accounts and filing of tax returns compared to businesses (potential agents)

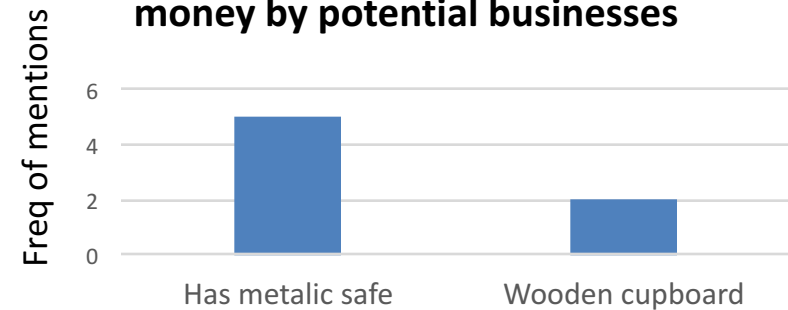
- Both mobile money agents and businesses have trading licences and report making a profit out of their business operations
- Current mobile money agents score low on audited books of accounts and filing of tax returns compared to businesses (potential agents)
- Overall businesses have an edge over mobile money agents for financial accountability resources

Businesses Have a Higher Capacity for Handling Volumes of Cash and Ensuring Safety of Customer Documents

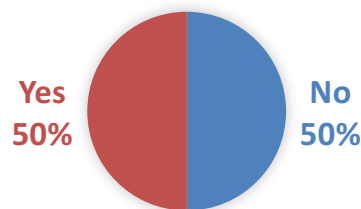
Methods of securing documents and money by mobile money agents



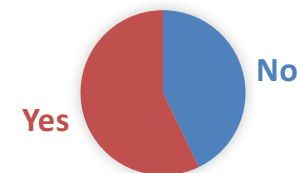
Methods of securing documents and money by potential businesses



Ability to manage Large cash (50M) MM agents



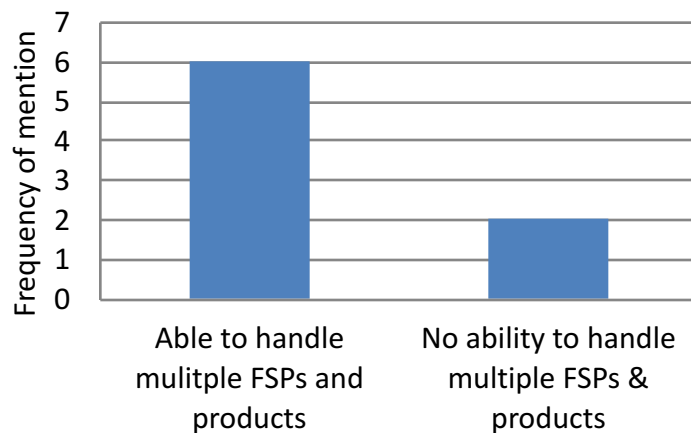
Ability to manage Large cash (50M) Businesses



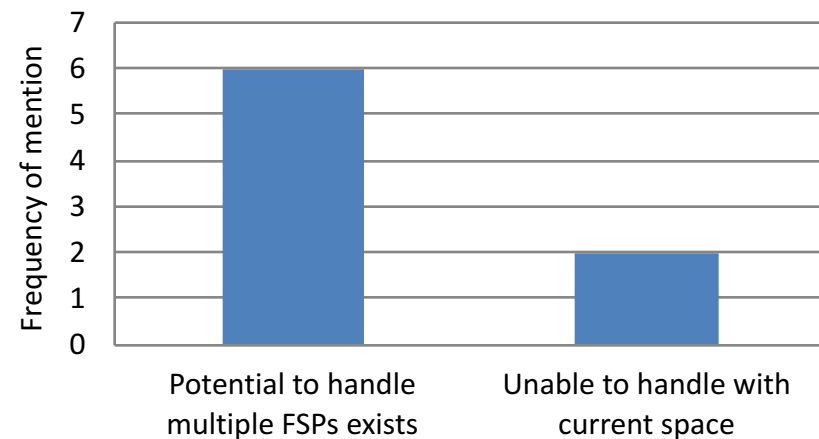
Businesses have a higher capacity for safety of customer documents compared to mobile money agents. The majority of businesses have a metallic safes where bank agents could potentially store customer documents whereas most mobile money operators store their money and documents in wooden drawers and cupboards. In addition businesses have slightly better capacity to handle large cash deposits (say 50m) compared to mobile money agents

Business and Mobile Money Agents' Staff can be Trained to Handle Multiple Financial Service Providers and Products

Ability of mobile money agents to handle multiple FSP & products



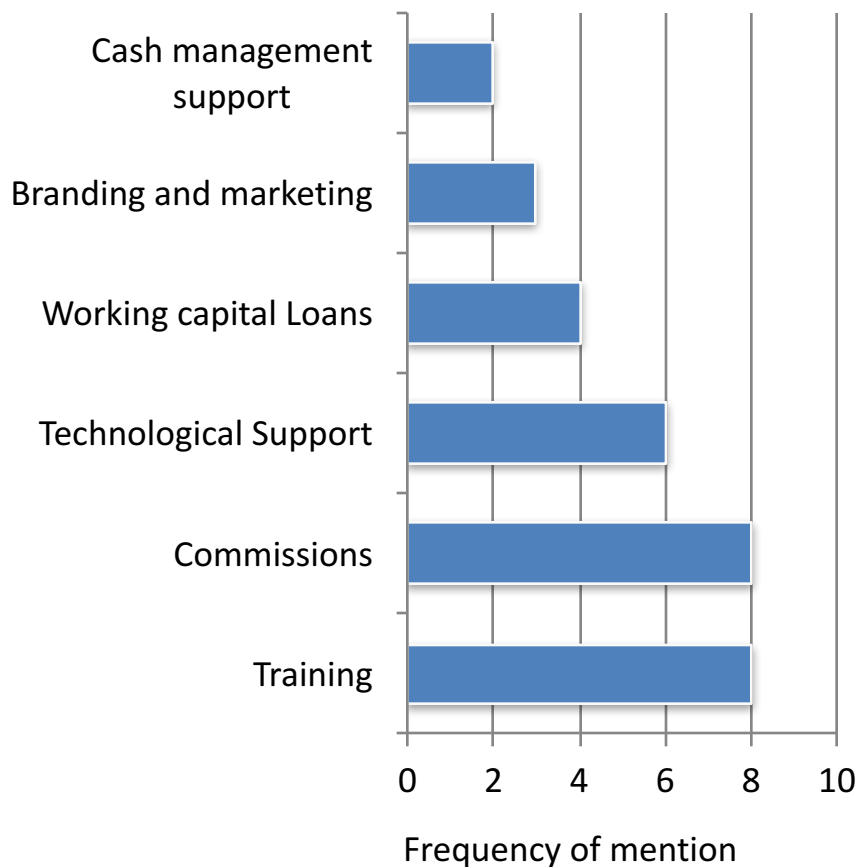
Ability of businesses to handle multiple FSP & Products



- Both mobile money agents and businesses (potential agents) believe they have the capacity to handle the complexity of explaining bank products when skill sets of employees are considered. (The employees can be trained to deliver bank product knowledge)
- Businesses often have more skilled staff who can be trained to take on agency banking work and have more capacity to explain multiple products and services

Mobile Money Agents Expect Banks to Match or Exceed MNO Support for Training, Technology, Branding and Commissions

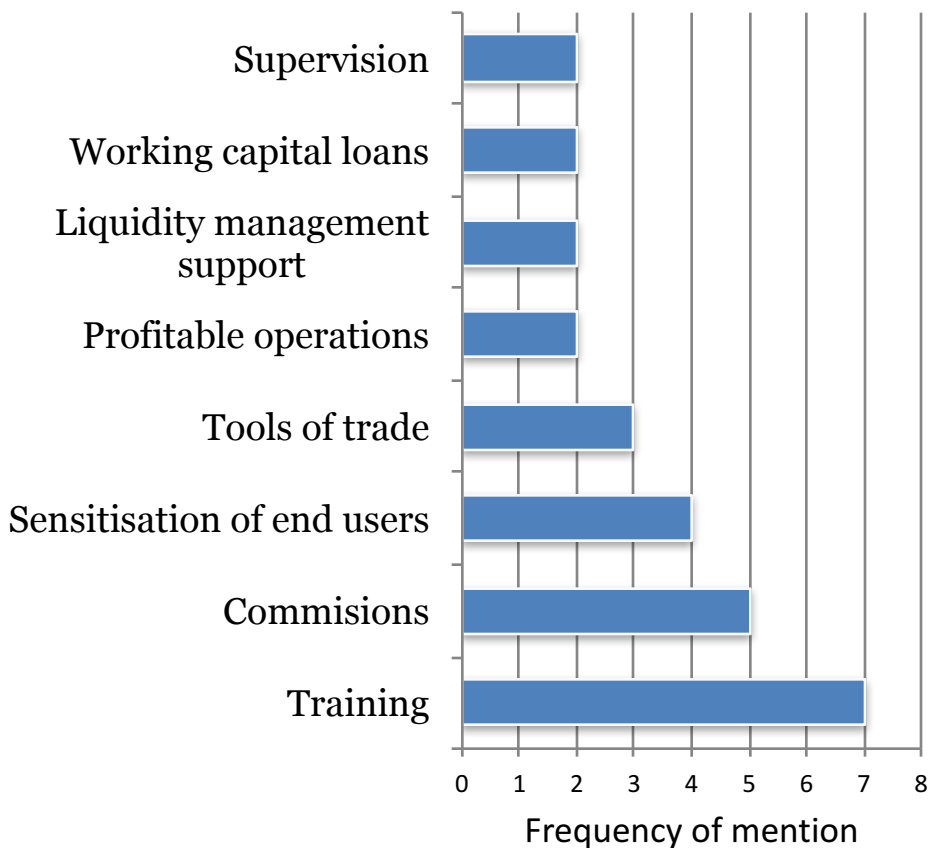
Mobile Money Agents expectations as Bank Agents



- Training : Agents expect banks to train them on simple banking operations such as cashiering, bank products knowledge, business ethics (including customer confidentiality issues), as well as controlling and managing fraud. *“...We should get high level training from the banks such as that provided by the MNOs.’*
- Commissions: Agents expect the banks to pay them a commission per transaction handled.
- Technological support: Agents want to be supported with technology that can enable them become more efficient, (perform transactions faster and more conveniently) and reduce exposure/ possibilities of fraud. *“...we expect a high level of support on the technology to use so that it is safe to do (customer)transactions’*
- Branding and marketing: Whereas agents in upscale urban areas expect banks to help them manage the challenge of ‘not having enough space for the multiple brands (banks, MNOs, and payment aggregators), MM agents in urban and peri- urban centres expect more support from the Banks to brand their shops

Training, commissions and sensitization of users are the most important expectations of potential businesses

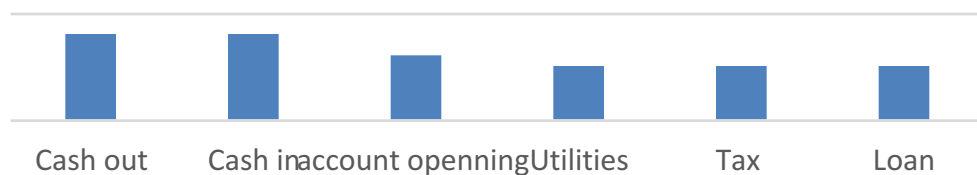
Potential Businesses expectations as Bank agents



- Training -*We would expect our staff to be trained to the level of bank cashiers'*
- Commissions: *'We expect to earn a commission per transaction'*
- Working capital loans: *'We expect the Banks to give us working capital loans.'*
- Liquidity management support -In addition they expect agency operations to be profitable right from the start (month one)
- Tools of the trade: Expect banks' to provide free of charge the basic tools of the trade that enable them to connect to the bank's operating system to enable them perform transactions. Key of these are the mobile phone / Point of sale machines
- Sensitisation of end users- This is expected in the form of promotions and training on user interface navigation . *'We would like the community to be sensitised on the new channel'* They expect the banks to teach people how to use the agency banking interface before the channel is rolled out

There is a Convergence Between Main Products and Services Potential Bank Agents are Willing to Support if the Motivation is Right

Products and services potential agents are willing to support



Benefits for becoming a Bank Agent



- Both the current mobile money agents and potential businesses showed a preference to support similar products and services that banks plan to roll out on the agency banking channel
- The CICO is most preferred on basis of current experience by mobile money agents as well a belief of ability on the side of businesses
- Potential businesses believe filling account opening forms and collecting KYC documents could be cumbersome, yet mobile money agents think it is easy considering the experience they have in supporting mobile money registration. *'We would not have a challenge facilitating account opening because we are already doing this for one bank free of charge.'*
- Overall both the potential businesses and mobile money agents say they would be willing to offer all the services as long they are trained and obtain the anticipated benefits

Both Mobile Money Agents and Business Owners Expressed Willingness to Become Bank Agents

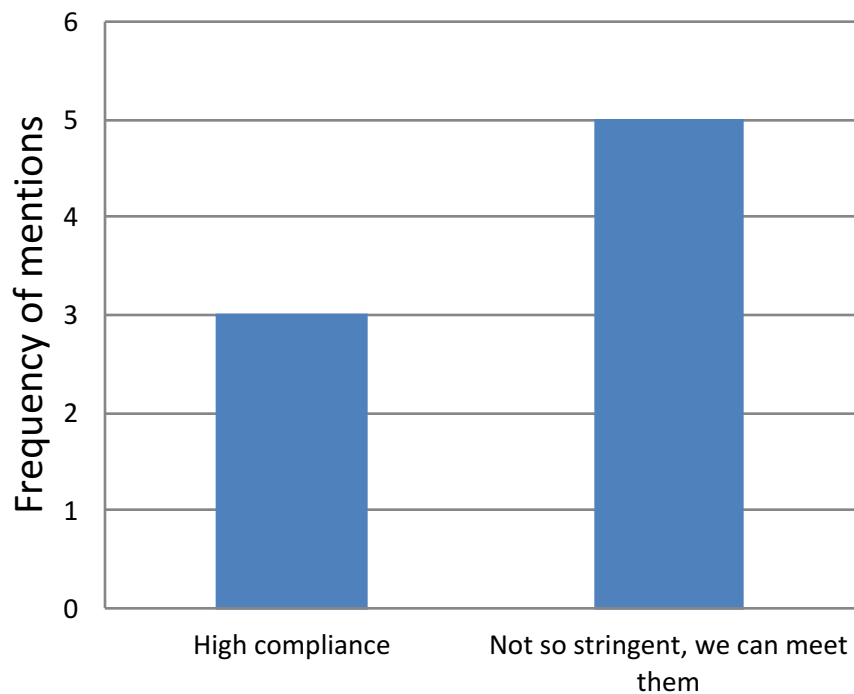


Six in seven potential agents interviewed (both businesses and MM agents) are willing to become a bank agent
One MM Super Agent that was not willing to become an agent cited reasons below:

- The banks will have higher compliance standards unlike the MNOs
- Some businesses such as fuel stations operate as a franchise and would require permission to include a new, heavily branded service

Overall, Potential Bank Agents do not Consider Requirements as Stringent but Franchisees and Mobile Money Super Agents need Special Attention

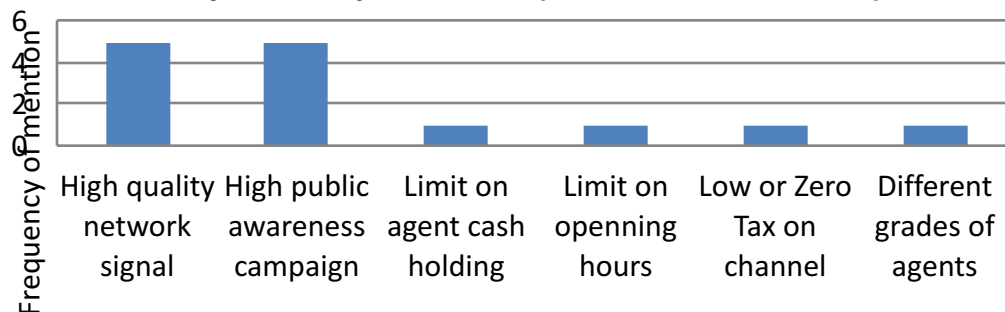
Views on requirements for bank agent versus mobile money agent



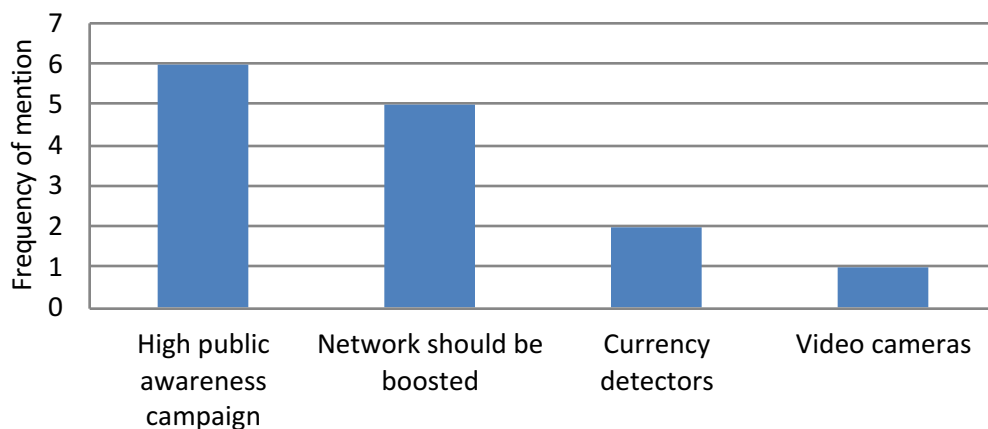
Five in eight potential agents view requirements for bank agency as 'not stringent' and therefore can meet them. There is a tendency however for large operators such as super agents and franchise operators such as TOTAL and SHELL petrol stations to think of the requirements as stringent because of the nature of the relationship they are already in with other business entities. Whereas these entities are desirable as potential bank agents due to the nature of number and volumes of transactions they attract and the infrastructure they own, existing relationships could limit their potential to become bank agents

High Public Awareness and a Quality Network Signal are Considered Core Ecosystem Requirements for Seamless Agency Banking Service by Potential Agents

Ecosystem requirements (Potential Businesses)



Ecosystem requirements MM agents



- Potential Bank agents point to the Local regional language, e.g. Luo. network quality (network coverage, signal strength). This is more of a challenge in rural areas
- Both current mobile money agents and business owners see high public awareness as being important and a way of building consumer knowledge and confidence in the channel
- The potential agents preferred use a combination of English and the regional language



Current MM Agents Commissions and Anticipated Challenges



Mobile Network Operators Have Similar Commission Structures

Transaction Tiers (UGX), Deposit, Withdrawal and ATM					
Min- Max	MTN		Airtel		
	Deposit	Withdrawal	ATM (MTN)		
500- 2,500	0	150	100	100	N/A
2,501-5000	0	150	125	125	N/A
5,001-15,000	285	285	450	450	600
15,001-30,000	285	285	500	500	600
30,001-45,000	285	285	525	525	600
45,001-60,000	285	285	575	575	600
60,001-125,000	440	440	700	700	740
125,001-250,000	520	520	1,300	1,300	1,050
250,001-500,000	850	850	2,600	2,600	1,750
500,001-1,000,1000	2,500	2,500	5,000	5,000	2,100
1,000,001-2,000,000	4,500	4,500	7,500	7,500	3,920
2,000,001-4,000,000	8,000	8000	12,500	12,500	7,100
4,000,001-5,000,000	N/A	9,000	N/A	15,000	N/A

- The two main mobile money players pay exactly the same amount of agent commissions
- The major difference being that MTN stops at UGX 4,000,000 as a threshold.
- Commissions are paid on a monthly basis
- Consumers have a tolerance level of up to UGX 2,000 and yet the Potential Bank Agents express commission as a #1 motivation for becoming a bank agent. Banks will have an uphill task to either match or pay higher commissions and yet charge lower than the MNOs.

Liquidity Management, Fraud and Lack of Support are the Current Challenges being Faced by Mobile Money Agents

Mobile Money Agent challenges continue to evolve. Whereas many of the challenges faced by mobile money agents today are similar to those mentioned by the ANA 2013 report, their form and presentation keeps on changing e.g. nature of fraud is changing by the day. Agents still struggle with Liquidity management (cash rebalancing), fraud, lack of support from MNOs, theft and poor connectivity in that order of importance. Bank agents are likely to face the same or similar challenges. Liquidity management is still a major challenge but with most mobile money agents serving multiple providers, one provider is viewed to be performing better on liquidity management than the others.

Liquidity Management

'Sometimes you need either cash or float and the process of getting either can be very long.' Tomas, Kyenjonjo

'One operator has super agents who help with rebalancing while the others do not have' Stella, Mukono.

Sometimes we run out of cash but we have float and there is no time to run to the bank Frank, Seguku

Fraud

'We now classify fraud as Hardware and software oriented.

Hardware is where someone uses physical means such as forcefully grabbing cash. Software is where someone convinces you to part with your money and we suffer from both' Patrick, Kyenjojo

Lack of support from MNOs

'The single biggest challenge is the delayed or and lack of technical support from the MNO especially in the area of customer related problems.' Hadad, Seguku

Theft

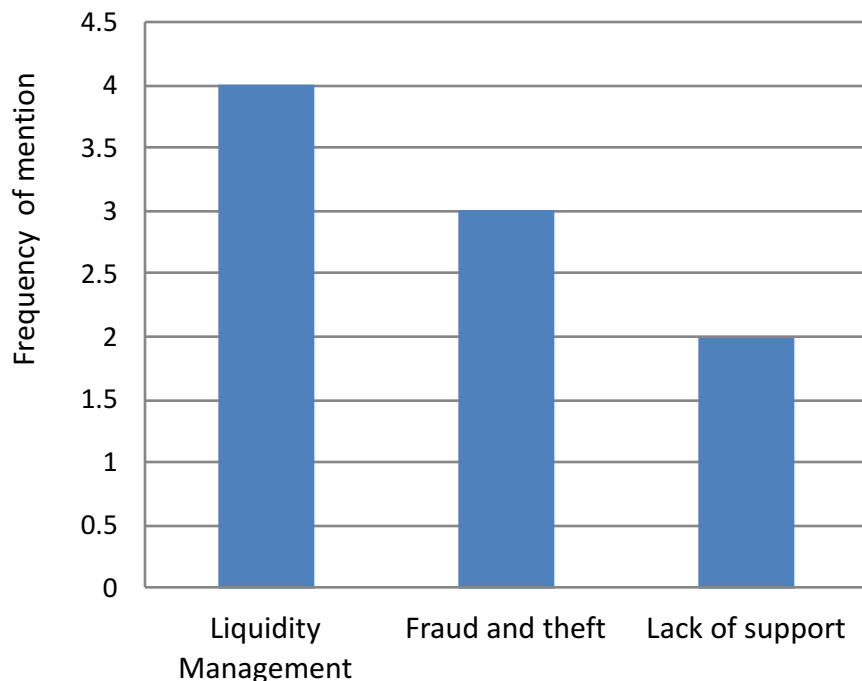
'Theft comes in different forms. We face the challenge of counterfeit currency. Last month our neighbour received counterfeit notes equivalent to Ugx 1,000,000'

Poor Connectivity

'The single biggest challenge is the network because once it is off you can't do anything about it.

Liquidity Management, Fraud and Lack of Support are Considered the Most Critical Challenges by Mobile Money Agents

Biggest challenges faced by Mobile Money Agents

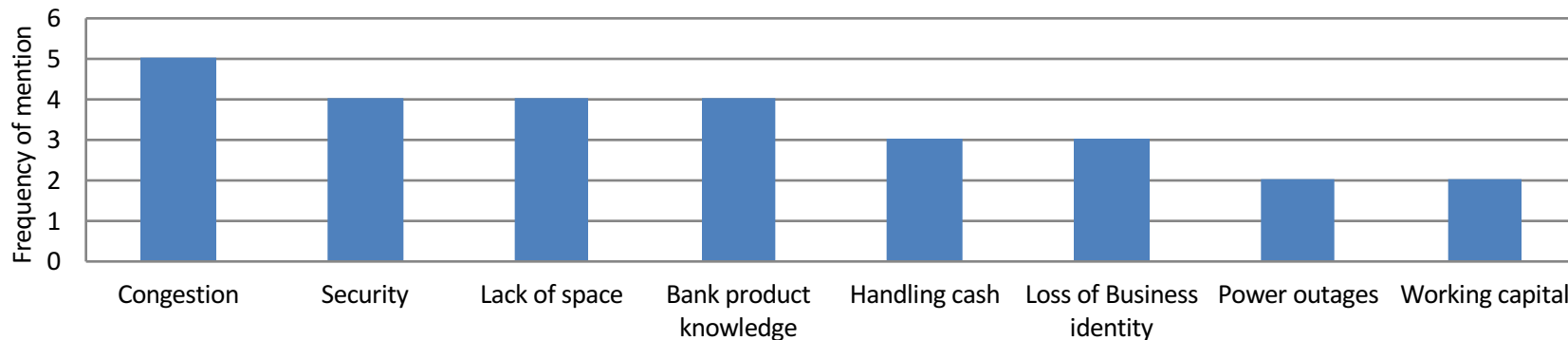


- **Liquidity management:** Current mobile money agents say liquidity management is their biggest challenge because it is a lengthy and unfriendly process. *'Going to the Bank is time wasting and sometimes even after depositing cash in the bank, it takes a long time to receive the float'*
- **Fraud:** Fraud is considered a big challenges because fraudsters are becoming more sophisticated. *'Fraudsters used to call us and pretend they are calling from the MNOs . They would try to lure us into sending them money in exchange for promises of rewards e.tc. Now they realise this doesn't work anymore and have learnt to hack the system.'*
- **Lack of support from MNOs:** Agents want more support on branding, solving customer problems, and training. *'We do not get support from the MNO on branding so we do it ourselves'*

The capacity of current MM agents to become bank agents could be limited by difficulty in managing liquidity, fraud and inadequate support from the MNOs. These challenges have to be handled for current MM agents to be effective as bank agents.

Congestion, Security, Lack of Space and Product Knowledge are the Anticipated Challenges of Potential Bank Agents

Foreseen Challenges as Bank Agent



How Potential Agents Suggest to Deal with these Challenges

- **Congestion:** Hire more staff to mop up growth in number of transactions as a result of becoming bank agent
- **Security:** Hire an armed security to discourage opportunistic physical robberies and build customer confidence for transactions
- **Lack of space:** Expand/ rent more spacious premises to avoid congestion and to create privacy of transaction
- **Product knowledge:** Training on bank products/ services to ensure that customers get all the information they need to access and use bank services through the agent
- **Fraud:** Banks should put in place mechanisms for monitoring and supporting agents to avoid fraud. They should work in hand with other stakeholders such as police to avert and manage fraud.
- **Liquidity Management:** The majority of the potential agents believe that the Banks should help them with moving cash (CIT) services.



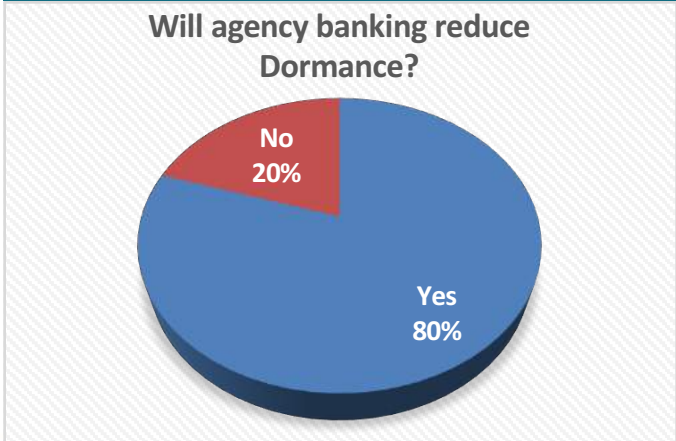
Level of interest and Readiness in Adopting Agency Banking

Agency Banking is Expected to Significantly Increase the Number of Bank Accounts

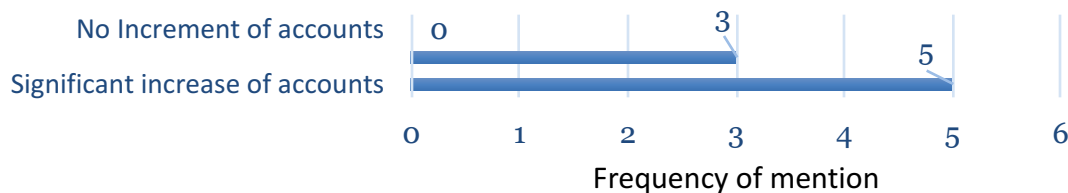
All banks anticipate agency banking will increase number of accounts. While some think this increment will be significant, others think it will be a gradual

80% of the banks expect reduction in account dormancy (from an estimated 40%)

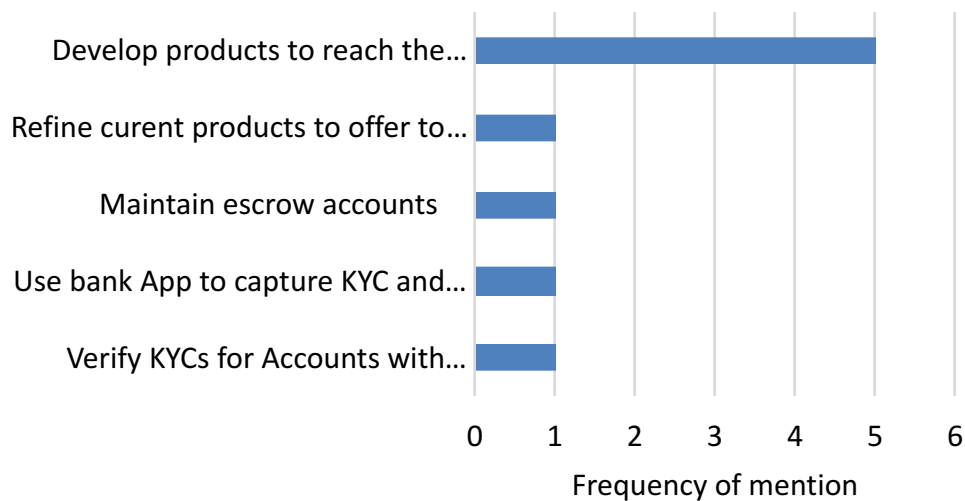
Development of appropriate products especially for banks with financial inclusion agenda is anticipated to be a critical requirement



Anticipated Effect of Agency Banking on Number of Bank Accounts



What the banks hope to do reduce dormancy

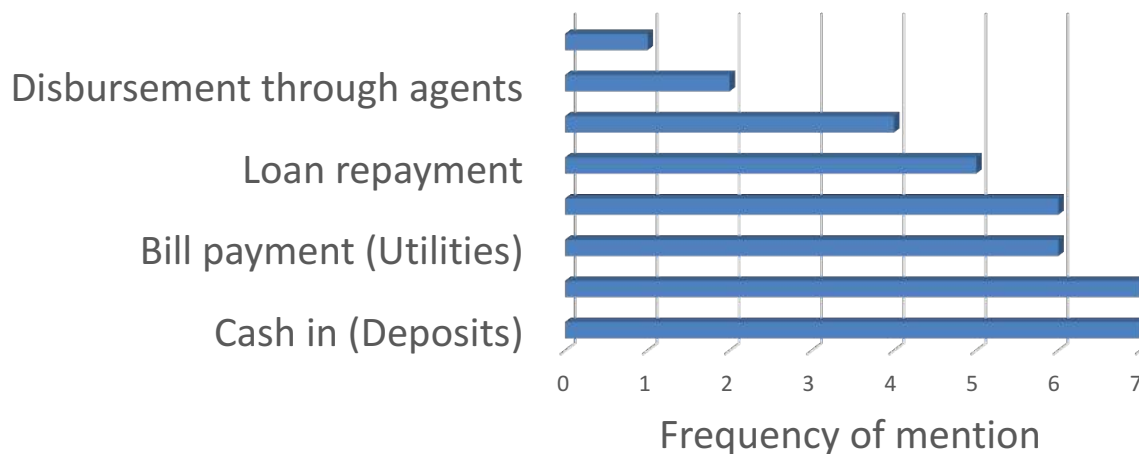


Agency Banking will Start with ‘Vanilla Products’, with Development of More Products Expected

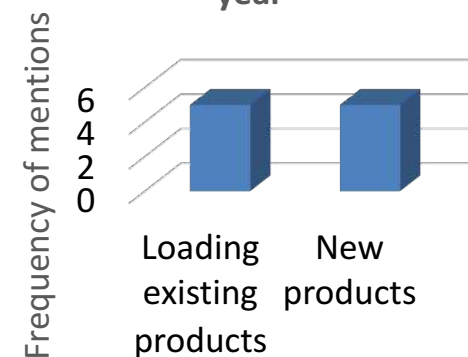
All banks anticipate an increased access to financial services.

- **During the pilot phases**, banks anticipate to start with “*Vanilla products*”, mainly comprised of CICO, payments and facilitating account opening
- **After the pilots**, banks expect to load more products on the agency banking channel (existing and new products). Careful product refinement and developments research is anticipated as banks plan to drive more products on the agency banking channel.

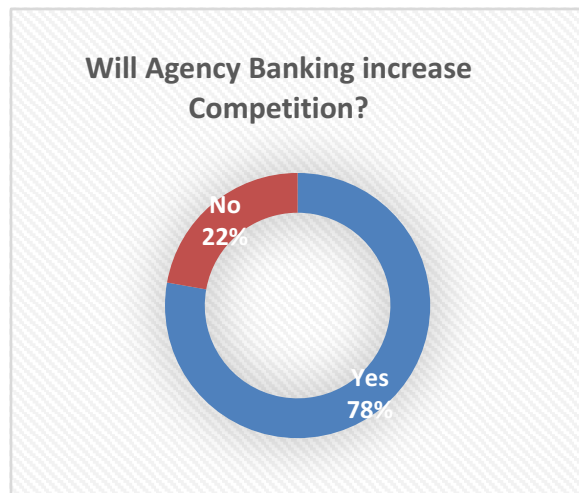
Likely products to be offered on agency banking channel



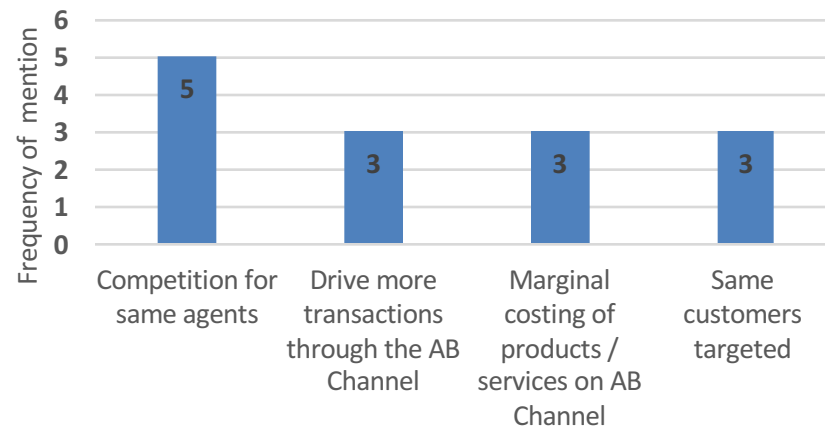
Additional products after 1 year



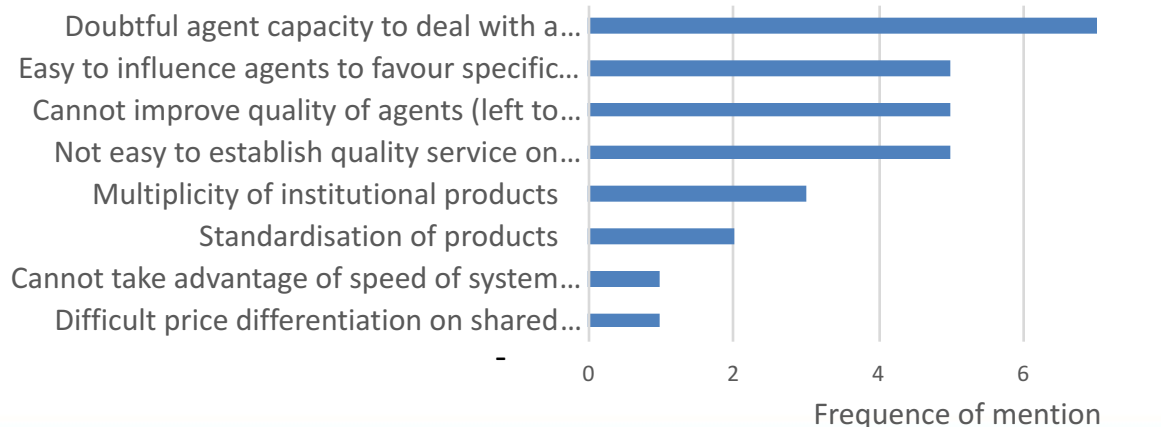
Agency Banking is Expected to Increase Competition



Why competition may increase



Conditions under which competition can reduce under agency banking

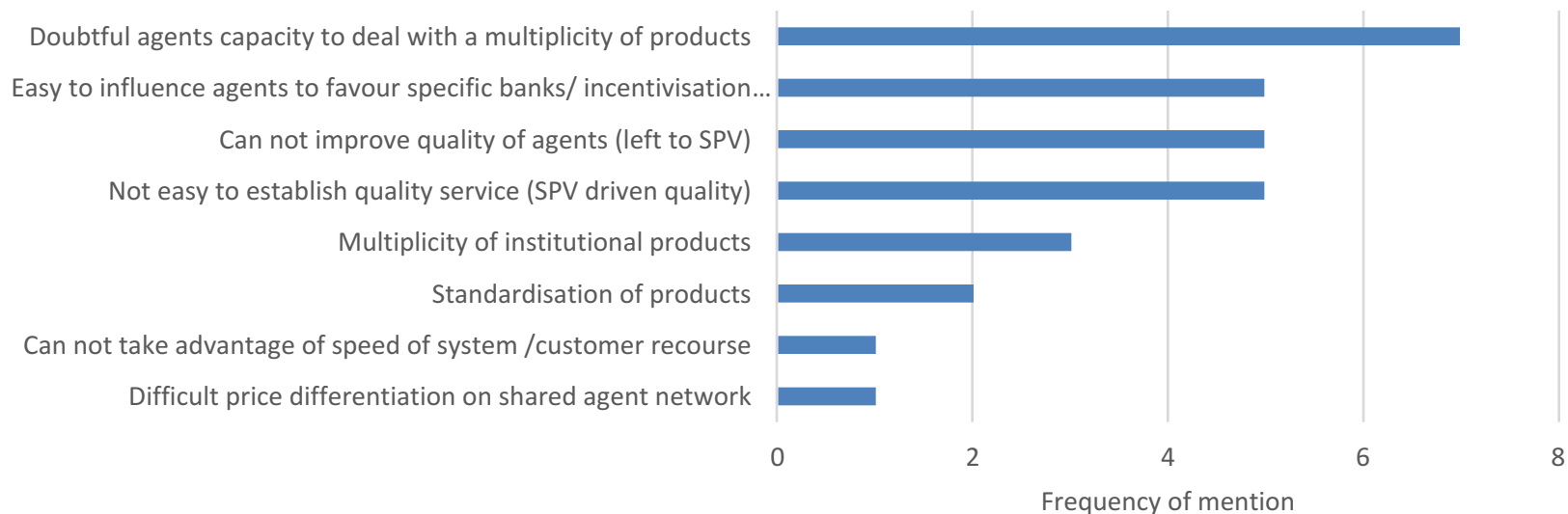


It is anticipated bank agents will have challenges dealing with multiple FSPs and products due to:

- i. Low literacy levels of the potential agents to comprehend lots of different products
- ii. Limited focus to bank customers besides the core business clients
- iii. FSP undue influence to the agents, including bribing agents to market specific institutional products

Conditions under which Agency Banking may Reduce Competition

Conditions under which competition can reduce under agency banking



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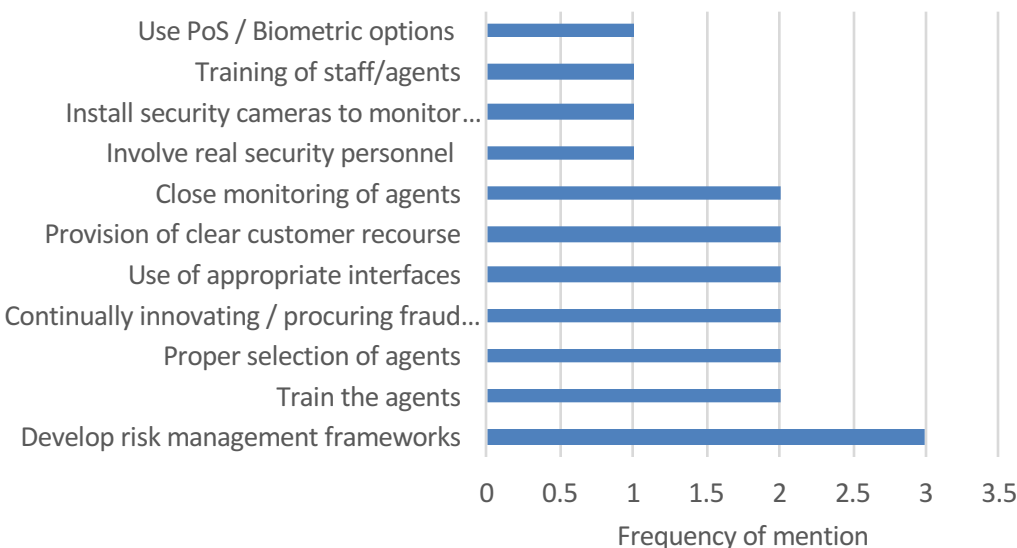
- i. Low literacy levels of the potential agents to comprehend lots of different products
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Banks Expect Fraud to Increase, and have Ideas to Deal with it

It is anticipated bank agents will have challenges dealing with multiple FSPs and products due to:

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What Banks can do to contain Fraud?



What can be done to contain fraud at industry level?

Industry level public sensitisation on fraud	6
Create and enact law to address agency banking crimes	4
Sharing of best practices among banks (under coordination of UBA)	3
Development of agents standard training curriculum	2
Carry out proper risk profiling of agents	2
Client education	2
Judicial enlightenment on agency banking crimes	1
Tap into the NIRA database to solve KYC related problems	1
Use up to date technologies	1
Legislate on finger print usage	1
Finalise the national ID registration	1
Government set up special court agency banking crimes	1

Banks see a Replay of the Challenges Affecting Mobile Money Agents

Agents struggle with a number of challenges reflected below (ANA Country Report 2013). Some of these are being addressed, key among them is liquidity management, through the agent to agent rebalancing options (ANA Country Report 2015)

- Large challenges on **fraud** and other **security** issues
- Lack of **product diversity** – very large majority of transactions are CICO
- **Service down-time** limits number of transactions per day
- **Customer service support** is not adequately attended to
- Agents allow frequent **direct deposits** as shown by the money transfer incidence
- High incidents of **young agents need close support** that is not forthcoming
- Most agents are close to rebalancing points resulting in **limited geographical reach** and financial inclusion
- **Agent selection** seems to be a significant challenge and barrier to increased transactions



Similar challenges will likely afflict AB Agents

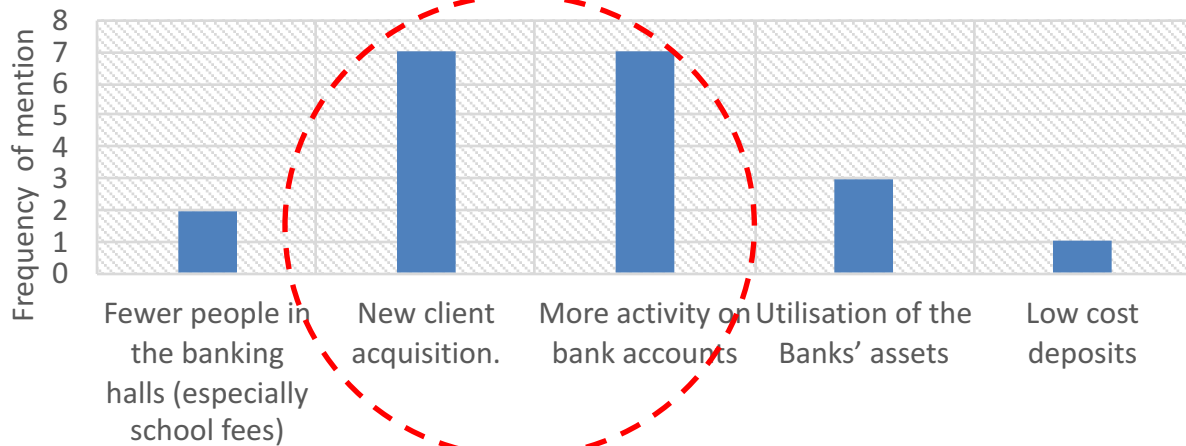


Challenges continue to rapidly evolve

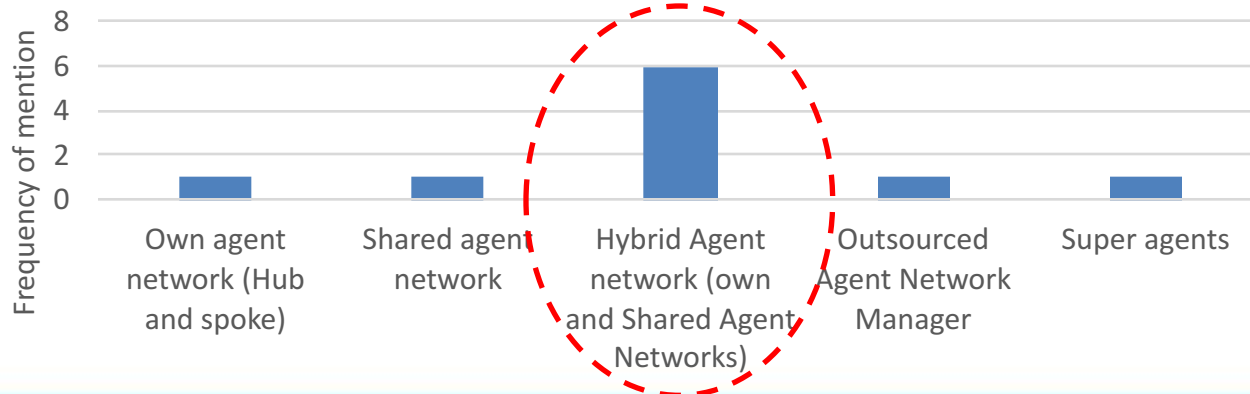
- Opportunities for collaboration in dealing with common challenges

Client Acquisition and Increased Account Activity are the Biggest Motivations for Banks Considering Agency Banking

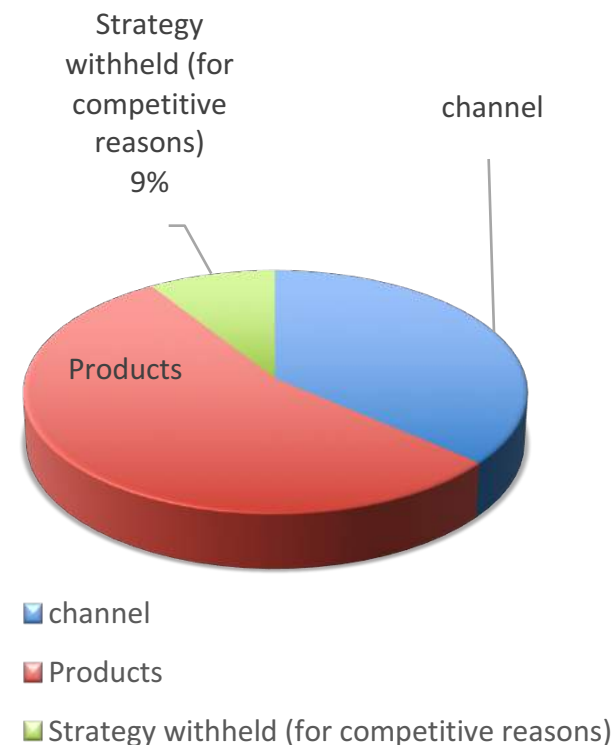
AB Motivation for Banks



AB Models Under Consideration



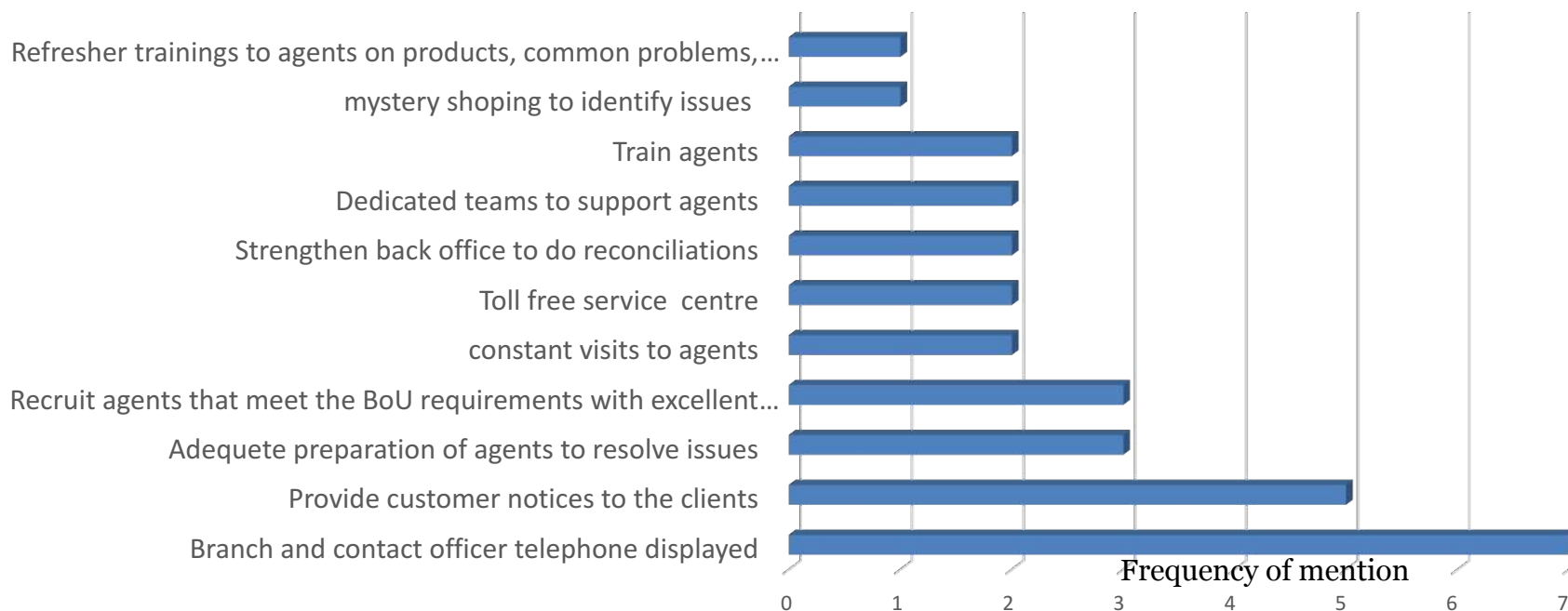
Basis of Competition



Banks will rely more on Displayed Telephone Contacts and Customer Notices to Manage Customer Recourse

Agency Banking Guidelines (BOU 2016), Consumer protection and recourse 15 (1), (2) and (3) provide for the how transactions can be handled, transparency and complaints handling. The table below highlights the mechanisms that banks are doing to handle customer recourse.

Customer Recourse Handling



Banks are at Different Levels of Institutional Preparedness for Agency Banking and gaps still Exist

- Two out of eight banks interviewed are ready to launch agency banking if the regulations were released today.
- Others are at different levels of preparation, with own or technical support from donors, mostly UNCDF under its MM4P Project. Graph below shows the institutional gaps / needs for implementation of the Agency Banking programmes.

Institutional AB Gaps /Needs

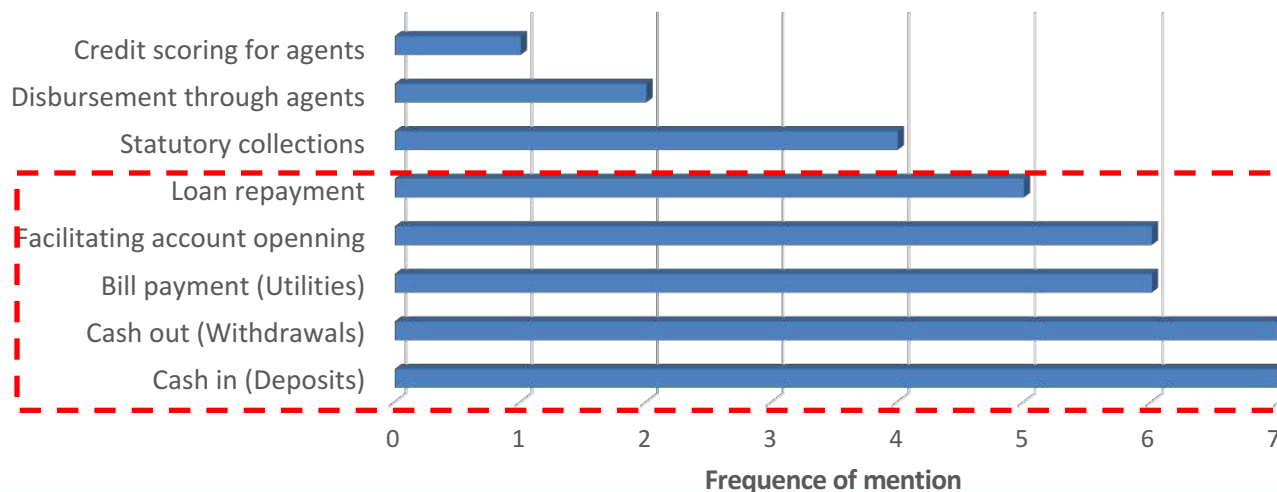


Anticipated Products to be Offered on Agency Banking Channel

Ranking by Order of Importance (by banked and non banked mobile money users)

Product Functions/ Services	Ranking
Cash in	1
Cash out	2
Filling of account opening forms	3
Loan repayment	4
Pay utilities	5
Keeping of securities and other documents	6
Pay taxes	7

Likely Products to be Offered on Agency Banking Channel



- Both the potential agency banking customers and the banks have a convergence on the anticipated products to be run on the channel, at least in the short term.
- However, the customers needs are beyond the basic products, that will require banks to refine its current product offering to match the customer needs.

Annexures

Annexure 2: Eligibility Criteria for Bank Agents

1. The following entities shall be eligible to be appointed as agents:
 - (a) Sole proprietorships;
 - (b) Partnerships;
 - (c) Limited liability companies;
 - (d) Cooperative Societies;
 - (e) Microfinance Institutions;
 - (f) Any other entity which the Central Bank may deem fit.

2. An institution shall, before seeking to contract an agent, establish that
 - (a) The entity has an account in a financial institution licensed by the Central Bank;
 - (b) The entity is a registered and licensed business;
 - (c) The entity has a physical address;
 - (d) The entity has adequate and secure premises;
 - (e) The entity has been engaged in a commercial activity for at least 12 months

Annexure 3: Research Question Areas

Banked	
1	What are the current financial products and services being used
2	What channels are being used by bank customers? (banking halls, mobile banking (phone / PoS) and ATMs)
3	What transactions do they undertake at the different banking channels, and frequency of usage
4	How much do they pay at the different channels?
Non Banked	
5	What types of products and services are being accessed from the MMOs and frequency of their use
6	What are the non-banked mobile money users' customer journey experiences with mobile money –positive and painful
7	What are their reasons for not having a bank account?
Current Mobile Money Agents	
8	What are their current commissions (if they are mobile money or other relevant agents
9	What are the current challenges that current mobile money agents face (for the current mobile money agents) (refer to the ANA report for more hurdles): <ul style="list-style-type: none"> • Liquidity management, • fraud, • product complexity for the agents • revenue expectations • support from MNOs • branding
10	How do agents propose to deal with the above mentioned challenges - specifically liquidity and fraud

Annexure 3: Research Question Areas

SN	Questions Areas
Banked Customers	
1	What are the user profiles of the banked on the basis of behaviours and perceptions
2	Why do they use or not use those channels
3	Establish the 'customer journey experiences (delights and pain points) of using the different channels
4	How do they rate the costs of using the different channels (i.e. very expensive or expensive or fair or cheap or very cheap
5	Post explaining the products and services that banks intend to offer through agency banking, what products and services do they want extended through the agency banking channel
6	Are the banked clients willing to use agency channel to access products and services – establish for each sub category. In addition, it is possible to obtain indicative measure (ratio) of those willing to use agents and pay for the service from the number of respondents interviewed in the qualitative research)
7	<p>What are the banked consumer views, and reasons for the preferences of the different types of agents (pharmacy, grocery, retail chain stores, petrol station, etc.). . Investigate preference in respect to:</p> <p>Choice of language for agent engagement, channel/financial product promotion (i.e. preference for English, local, regional language)</p> <p>agent location, selection, profile and branding – perception on what an agent should look like (i.e. kiosk vs shop vs petrol station), taking into account security, consumer confidence, etc.</p> <p>Level of comfort in relation to size of transaction – i.e. transaction thresholds consumers perceive as being acceptable at an agent location</p> <p>Transactional tools – mobile vs. point of sale (POS)</p>
8	<p>Establish customers' willingness to pay and use agents for transactions, including the following:</p> <ol style="list-style-type: none"> i. The percentage of those willing to use and pay ii. Their level of price sensitivity in respect to discrete amounts like UGX 2,000. 3,000 etc)
9	Establishing the specific concerns / fears of the banked in using the bank agents? – (any concerns about the process, over-the-counter transactions (OTC), fraud, liquidity and other risks).

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Annexure 3: Research Question Areas

SN **Questions Areas**

Non- Banked Mobile Money Users

- 1 What are the user profiles of the non-banked mobile money users (on basis of behaviours and perceptions)
2. What is the attitudes of the none banked mobile money users towards banking
- 3 What are the non-banked mobile money users' views and preferences for the different types of agents (pharmacy, petrol station, etc.) in respect to:
 - i. Choice of language for agent engagement, channel/financial product promotion (i.e. preference for English, local, regional language)
 - ii. Agent type and location, selection, profile and branding – perception on what an agent should look like (i.e. kiosk vs. shop vs. petrol station), taking into account security, consumer confidence, etc.
 - iii. Level of comfort in relation to size of transaction – i.e. transaction thresholds consumers perceive as being acceptable at an agent location
 - iv. Transactional tools – mobile vs. point of sale (POS)
 - v. Kind of notifications (SMS or hard copy receipts)
4. Willingness to pay and use agents for transactions(Probability of using agent channel for banking transactions as well)
 - i. Their willingness to pay similar charges as those of the MNOs
 - ii. The percentage of those willing to use and pay
 - iii. Their level of price sensitivity in respect to discrete amounts like UGX 2,000. 3,000 etc)
5. Establishing the specific concerns non banked mobile money users have about agent's process, over-the-counter transactions (OTC), fraud, liquidity and other risks
- 6 Post explaining the products and services that banks intend to offer through agency banking, What products and services do they want extended through the agency banking channel? In addition, obtain indicative measure (ratio) of those willing to use agents and pay for the service

Annexure 3: Research Question Areas

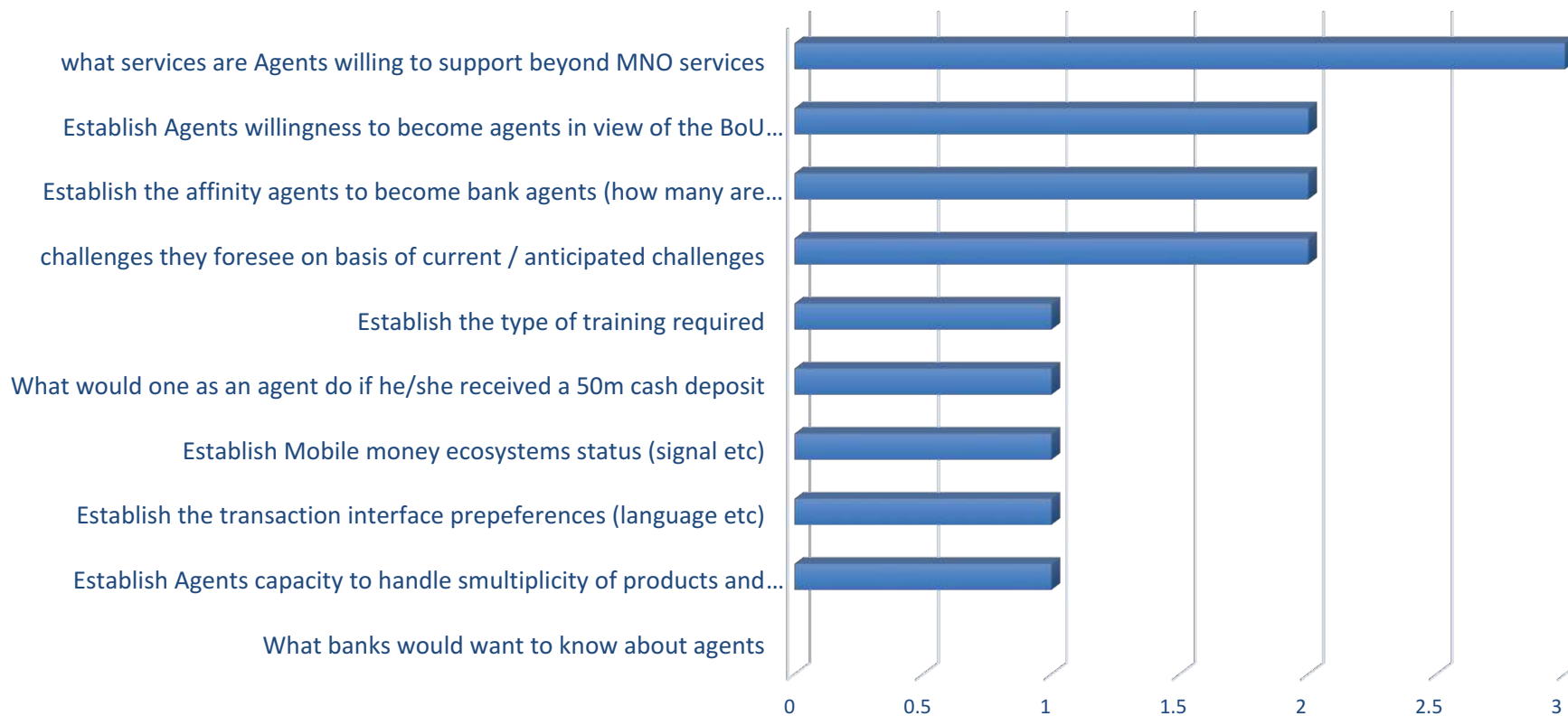
Questions Areas

Current Mobile Money Agents /Potential Agents (businesses)

- 1 What products and services are agents willing to support?
- 2 Do the agents have the capacity to provide the banking services currently accessed in the banking halls and or ATMs? In specific reference to:
 - i. Number and skill- sets of the personnel
 - ii. Number of current clients (i.e level of foot print in the business premises)
 - iii. Financial resources, soundness and integrity(business turnover and profitability, accountability (i.e. audited books of accounts and tax and trading license compliance)
 - iv. Technological capability
 - v. Physical space
 - vi. Safety of documents, money, personnel and clients
 - vii. Ability to manage large amounts of cash
 - viii. Ability to handle multiple FSPs and multiplicity of products
- 3 What are the current challenges that current mobile money agents and potential agents
- 4 Establish the seamless ecosystem requirements
- 5 Establish the transaction interface preferences
- 6 Establish their expectations with regard to
 - i. Type and level of training agents may require (on basis of MM experience)
 - ii. Revenue expectations
- 7 How do agents propose to deal with the above mentioned challenges - specifically liquidity and fraud
- 8 What is their willingness to become agents for the bank(s). Also obtaining the indicative measure (ratio) of those willing to become bank agents (affinity).

Annexure 4: What Banks and MNOs Wanted to Know About Agents?

What Banks would want to know about the Agents



Annexure 5 :Snapshot of Other Features of the Banked Population

Characteristic	Withdraws	Deposits	Bank transfers	Other services
Uganda	17	16	4.8	9
<i>Gender</i>				
Female	13.4	12.2	2.2	5.1
Male	20.8	20.1	7.6	13.1
<i>Age group</i>				
Below 18	1.7	4.4	0	1
18-24	11.9	11.5	4.1	7.2
25-39	20.2	18.5	5.2	10.3
40-59	20.7	20.5	6.7	11.1
60+	9.8	8	1.8	4.6
<i>Educational attainment</i>				
No formal education	5.4	4.4	0.3	2.4
Some Primary	9.1	8.7	1.3	5
Completed Primary	13.1	11.7	4.5	7.4
Some Secondary	21.4	22.6	6.7	10.4
O'Level+	49.3	46.1	17.4	26.3
<i>Employment Status</i>				
Self Employed	14.2	13.8	3.6	7.6
Paid employees	33	27.6	10.9	16.8
Contr. Family worker	7.9	7.2	1.5	6.5
Not working	13.1	15	4.3	6.7

<i>Wealth quintile</i>				
Lowest	5.6	5.5	0.4	3.3
Second	6.5	6.3	0.8	3.5
Middle	10.2	8.9	1.9	5
Fourth	19	17	3	8.5
Highest	40.8	39.7	17	23
<i>Place of residence</i>				
Rural	13.5	12.5	3.2	7.7
Urban	30.3	29.6	11	13.9
<i>Region</i>				
Kampala	40.3	42.8	18	18.1
Central	15.3	15	4.4	7.6
Eastern	9.3	7.9	2.2	6
Northern	11	9.9	2.8	5.1
Western	24.2	22.3	5.9	13.6

Regardless of the transaction

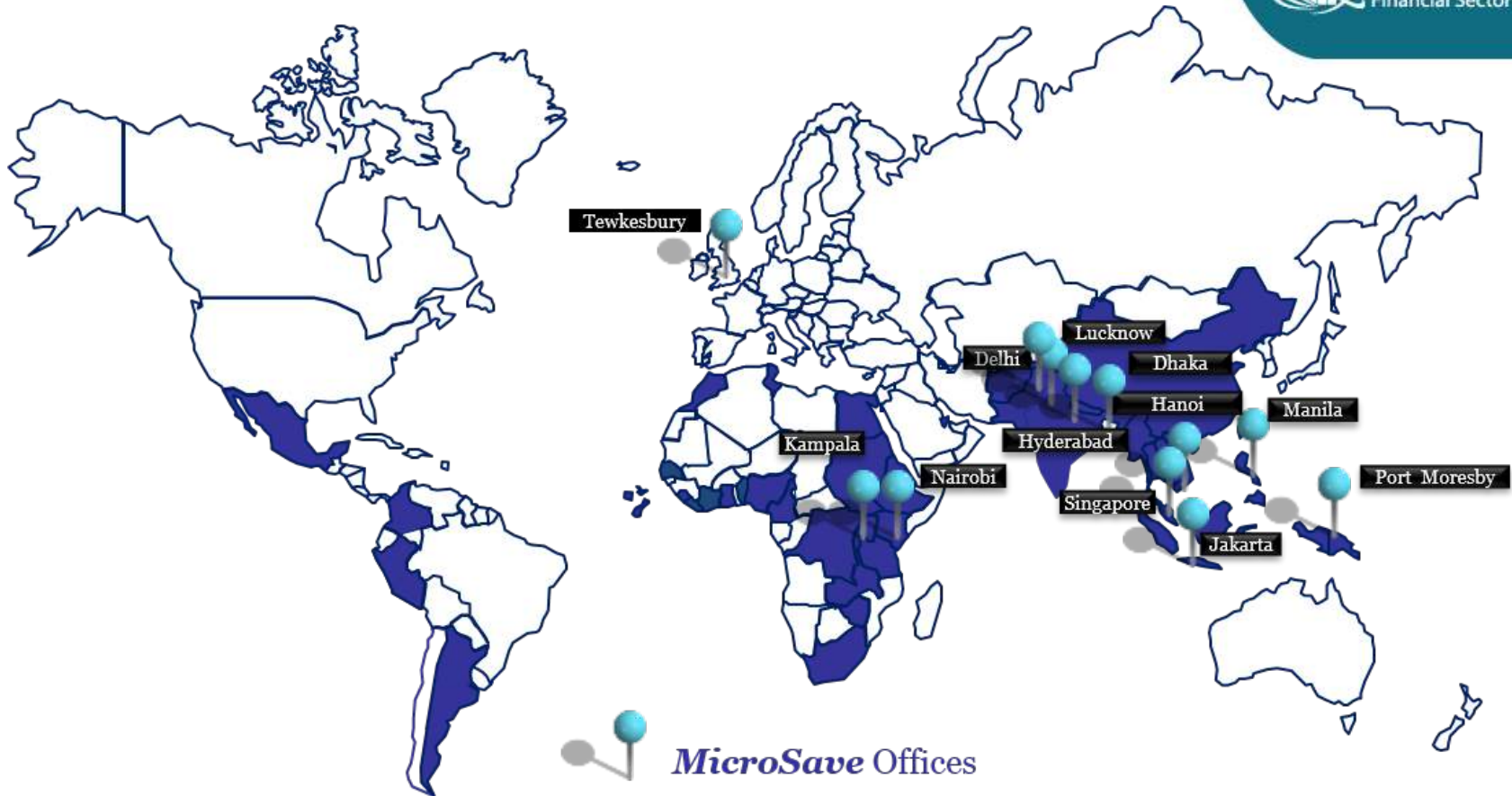
- i. The most actively banked are between 25 – 59 years (engaged in gainful economic activities)
- ii. The level of transactions is higher among the urban residents compared to their rural counterparts.
- iii. The incidence of making transactions at banking points is positively associated with education level and wealth status.
- iv. There are more withdrawals than deposits (likely withdrawn in bits). This is true regardless of adult characteristics and geographical location

Annexure 6: Transaction Pricing at the Different Bank Channels

Bank charges for most transactions						
		Transaction Type	Nature	Charge within Industry		
				Minimum	Maximum	
Basic Uses	Withdraw Money	Cash	Ugx	Nil	35000	
		Bulk Cash	Forex	Nil	0.1%	
		Bulk Cash	Ugx	Nil	35000	
	Deposit money	Bulk Cash	Forex	Nil	0.50%	
		Coins	Ugx	Nil	1.00%	
		Bulk Cash		Nil	0.11%	
	P2P transfers	EFT	Outward		2000	20000
			Inward		2000	2750
		RTGS	Outward		10000	23100
			Inward		2000	20000
TT		Outward		2750	\$100	
Inward		2750	50000			
Advanced uses	Bill pay	Utilities collection		Nil	3000	
	Save/ Set aside Money	Minimum Balance		50000	Nil	300000
				10000	Nil	100000
				500000		10000000
		Below minimum	Savings	Nil	20000	
			Current	Nil	41%	
	Ledger fees	Per entry	Nil	2500		
		Per Month	Nil	25000		
	ATM	Issue	New card	Nil	15000	
		Deposit	Transaction	Nil	1000	
Replacement		New card	10000	50000		
Withdraws		Transaction	600	1000		
Receive Wages			Nil	,4000		

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