



# INSIGHTS from the BUSINESS LEADERS' DIALOGUE#1

Understanding  
Rural Cash Dynamics  
& Agent Viability



**LAGOS  
BUSINESS  
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# Introduction

In 2019, the Sustainable and Inclusive Digital Financial Services (SIDFS) initiative of the Lagos Business School explored rural cash dynamics and geospatial modeling of financial services agents. The objectives of the study were to:

1. Assess the current level of financial access across Nigeria and identify locations that lack access.
2. Understand settlement-level economics and its effects on the CICO business model and agent viability.
3. Geospatially assess and model CICO viability for currently underserved areas at settlement-level granularity.

On the 27th of February, 2020, 41 delegates from across the Nigerian financial service ecosystem including deposit money banks, microfinance banks, fintechs, mobile money operators and financial sector

development organisations attended a Business Leaders' Dialogue (BLD) organized by SIDFS titled Understanding Rural Cash Dynamics & Agent Viability. The purpose of the BLD was to gain valuable feedback and insights from industry stakeholders based on findings from our research.

**This document contains the insights gleaned from the BLD.**



# Summary Findings from the Cash Dynamics & Geospatial Modeling Study

## Urbanicity Segments



Urban



Peri-Urban



Rural

Rural Town

Rural Oases

Rural Frontiers

## Financial Services Coverage



## Viability



Low population



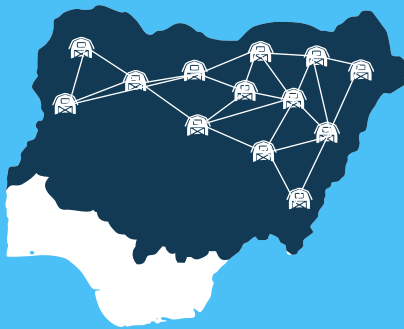
Proximity to bank



Cell tower coverage



Low demand



**THE LARGEST COVERAGE GAPS**  
are observed mostly within rural areas  
in the north



**40,000  
MORE  
AGENTS  
REQUIRED**

to achieve **sufficient**  
financial service coverage  
of excluded people



**40,000**  
agents needed

**10,000**  
of these  
agents  
will be viable  
without subsidies



**30,000  
AGENTS**  
will require  
subsidies

# Increasing Financial Service Coverage

*Rural frontiers  
and oases are  
priority areas  
for agent  
deployment*



In spite of viability challenges, there are agents willing to venture into rural frontiers given the right financial and technological support.



There are unregistered agents operating in different parts of the country. They should be officially admitted into the agent ecosystem, rather than clamping down on them.



Some Super Agents mitigate the viability challenge with “roaming agents”. These agents travel from area to area, serving customers.



# Improving Agent Business Viability

## **A Collaborative Effort**

Tackling agent viability individually will be too expensive. Collective action and strategies, much like “colocation” should be explored.



## **Tackling the Rural Frontiers**

Consumers in rural frontiers may not be able to afford the cost of CICO services based on current fee structures. Subsidies may be necessary.



## **Prioritize Access Over Viability**

With the knowledge that agents cannot survive solely on proceeds from agency operations, the ecosystem can collaborate to create a support facility via funds, tools etc that will expand the entrepreneur's suite of businesses and sustain agency operations.

## **Improve Agent Quality**

Beyond recruiting agents to meet a quota, the quality of agents recruited matters.



A quality agent is one who can offer other services or value beyond just payments. A quality agent should be able to survive even without the CICO business.

***To improve agent quality, build value chains around agents beyond CICO.***

To build relevant value chains, ideation must begin with a blank slate. What do consumers in these unserved and underserved regions need and how much are they willing to pay? What are their everyday realities?

***Beyond banking, what other values can agents offer that would improve their business sustainability?***

# Improving Agent Business Viability

***Digital payments is not an inherently viable value proposition for this market.***

## **Business Case For Financial Inclusion**

Digitizing more processes along health, energy and agriculture value chains should create greater demand for digital payments, CICO services etc.



## **Central Bank - FSP Collaboration**

The viability challenge presents a win-win opportunity for the Central Bank of Nigeria (CBN) and for FSPs.

- The CBN wants to increase financial inclusion.
- Providers are interested in increasing their revenue.

What support do FSPs require from the CBN in order to commit to venturing into these nonviable areas?

## **BLD Participants**

Accion Microfinance Bank

AjoCard Limited

Al-Barakah Microfinance Bank

Association of Mobile Money Agents in Nigeria

Bank of Industry

Boston Consulting Group

Busara Nigeria

Central Bank of Nigeria

Enhancing Financial Innovation & Access (EFInA)

Electronic Esusu

eTranzact

Firstbank Nigeria

Great Nigeria Insurance

Guaranty Trust Bank

Lotus Capital Limited

Mamamoni

MTN Nigeria

Nigeria Inter-Bank Settlement System (NIBSS)

Shared Agent Network Facility (SANEF)

Stanbic IBTC Bank

Sterling Bank Plc

United Bank of Africa (UBA)

Unity Bank

Zenith Bank





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