My Money is Stuck in My Phone!
The Role of Airtel Niger’s Mobile Money Agents in the Airtel Money Value Chain

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With the rapid expansion of mobile phone coverage in developing countries and the decreasing costs of mobile devices, mobile money could be a promising strategy to increase financial inclusion of those without access to traditional financial services. With the introduction of mobile money transfers in emerging markets, rural and urban households in remote places are able to send and receive money and pay for goods using money stored in their devices. In order for countries to keep up with the growing trend, however, mobile money providers need to establish a supply chain that fits the context of each country in which they are working. Perhaps most importantly, the cash distribution agents that link the provider and customers must be ubiquitous, liquid, and trustworthy. This is necessary to maximize value to the provider and themselves through profits and to the customers through a relatively low-cost, efficient, and secure way to send money.

Mobile money is an important development in Niger, where there are only 25 bank accounts for every 1,000 adults and “financial penetration” includes only 20% of the population, primarily in urban areas. With poor infrastructure, one main road, and less than 25 percent of the roads paved, Niger’s people and economy can benefit from using mobile money to make transfers to family, complete business transactions from across the country, and purchase goods and services without needing cash.

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In January 2010, Zain Niger (now Airtel) introduced Zap (Airtel Money) to meet these goals. To see how Airtel assembled its mobile money agent network and how the network fits the Nigerien context, I interviewed consumers to learn about the mobile money market, Airtel employees to understand how they implement their strategy and structure their commissions, and Airtel Money agents to better understand agents’ characteristics and their motivations for becoming agents. Based on the interviews, I created scenario analyses of cash flows for agents in urban and rural areas transacting different amounts of cash-in and cash-out to examine how the benefits might outweigh the costs of such a capital-intensive undertaking. In summary, the imbalance of capital and cash-in/cash-out transactions in urban and rural areas presents a challenge to Airtel growing their agent network at a consistent rate with their customer base.

Airtel Money in Niger has reached a current customer-agent ratio of 840 to 1. To put the ratio in perspective, it is in line with Safaricom Kenya’s M-PESA ratio in its second year of operation, but this is not sustainable in the long term. Nearly 70% of current Airtel Money agents are located in the capital, Niamey. Yet, Airtel expects that the majority of cash transfers are sent from urban to rural areas. If the benefits do not outweigh the costs, potential rural agents will not register. Without an adequate agent network in rural areas, Airtel Money will be confined to serving customers as a debit card-type instrument used to buy goods in shops, rather than also being a money transfer alternative to traditional methods or Western Union. Aside from failing to serve the population in this way, Airtel risks subsequently losing market share to Orange, its closest competitor, which launched Orange Money in June 2010.

Another way to evaluate agents, to ensure profitability for the provider, and guarantee customers a safe and low-cost way to transfer money is by using simple regression analysis to
look at “good” agent characteristics of trustworthiness, liquidity, availability, and education.

This analysis may help determine what factors will affect the number of customers with whom an agent
transacts in a given period of time. The number of customers is a proxy for potential provider and agent profitability as well as an indicator of demand and likelihood of transacting with a particular agent. In this model, I found that the number of agents per village is negatively correlated with the proportion of customers and agents who travel to “reload” have more customers than those who do not travel. Since rural consumers have less access to formal financial institutions and to passing money hand-to-hand if fewer vehicles pass their villages, this may be a reasonable result.

An additional analysis of factors such as the number of customers per month, distance to a town where the agent can “reload” cash and e-float, and the number of agents per village may help determine an agent’s ultimate profitability, which will further reflect potential profitability for the telecom. In this model, more agents per village have a negative effect on profitability and “reload” distance has a positive effect on agent profitability, likely for reasons similar to why this has a positive effect on the “good agent” model.

Going forward, Airtel should push harder to recruit agents – especially in rural areas – as quickly as possible. Even if every rural agent cannot maintain a cash balance of more than 50,000FCFA (US$100), with a large enough network of easily accessible agents, a liquid agent should always be available to help customers withdraw their cash. To increase agents’ liquidity, master-agents can play a role as “mobile banks” for other agents, although their role should be monitored by Airtel so they do not cheat illiquid agents out of their commissions. While Orange is a looming competitor, Airtel is better off concentrating on their agent and customer growth and advertising their product by emphasizing its benefits. Regardless of what external factors might affect the environment in which Airtel is operating, it should remain focused on its supply chain, where it can add value, and use qualitative and quantitative tools to measure and understand its progress.