

Field Note 7:

TURNING MFI DIGITAL STRATEGIES INTO REALITY



Overview

There is growing worldwide consumer demand for digital financial services, and the clients of microfinance institutions in emerging markets are no exception. For most MFIs, DFS is a completely new type of business. While potentially offering benefits and opportunities to provider and customers alike, DFS are far from the MFIs core areas of expertise and comfort zone. Well-run digital services can extend geographical outreach

"There must be a compelling business objective that the digital strategy can deliver."

and allow MFIs to scale up operations cost-effectively; they can facilitate a wider range of services and products; and they usually bring efficiency improvements and cost savings for the institution as a whole. The problem is that few MFIs have clear enough visibility of the options and implications of digital strategies to readily determine which is best suited to their particular circumstances. Meanwhile they are being pushed towards digitization by the enthusiasm of industry experts and the threat of being left behind.

The encouraging news is that new research indicates that a number of MFIs are starting to get to grips with the challenges of deploying DFS, and are on the path to success. IFC and the Mastercard Foundation conducted a four-year *MFI Longitudinal Study* to chart the journey of nine African MFI clients that are implementing new digital channels. This Field Note analyzes the outcomes of that study in terms of the strategic plans and decisions the MFIs have made while implementing digital channels, and draws conclusions and recommendations that identify successful strategic approaches and lessons learned along the way. Best practices are reviewed, and some case studies are used as illustrations.¹

We believe that this research can help guide and encourage the growing number of DFS practitioners to get through the pain barrier and on the road to success, both within MFIs and elsewhere.

Choosing appropriate strategic objectives

When an MFI decides to pursue a digital strategy, the first decision it must be clear about is "Why?" There must be a compelling business objective that the DFS can deliver and this must be backed up by a realistic and achievable business case. Common strategic objectives amongst the MFIs studied were:

1. Using DFS to access more clients than can be reached by the existing infrastructure
2. Mobilization of deposits by making it easier for clients to save regularly
3. Offering an extended range of services via a digital channel
4. Improving operational efficiencies and reducing costs by digitizing processes
5. Converting the existing client base to DFS to improve the customer experience

In the study, the MFIs initial rationale for digitization tended to have two main objectives: a) increased geographic presence and outreach to new clients, particular in rural areas, and b) while keeping the costs of this expansion low. Most of them also considered growing their deposit portfolio as a key objective for the new channel.

The most common choice for the MFIs was to use DFS to deliver an agent strategy. The MFIs with the longest running agent banking channel have been successful in attaining the original strategic goal of expanding with lower costs. Agent banking has brought other cost savings too. According to the study data, transacting at agents represents around 25 percent less in operational costs than conducting a branch transaction. Those with mature agent networks (greater than three years) significantly increased

¹ This report is based on information collected from nine Sub-Saharan MFIs during four rounds of field visits 2014-2017: Cameroon – Advans; DRC – FINCA; Madagascar – Acces Banque / Microcred; Nigeria – AB Microfinance Bank / LAPO Microfinance Bank; Rwanda – Urwego Bank; Senegal – Microcred; Tanzania – Access Bank

their outreach, both in terms of clients and locations, without having to open many branches, obtaining significant cost-savings in the process. However, the results for deposit mobilization thus far indicate that it took quite some time for any of the MFIs to see a significant increase in the size of deposit portfolios.

After gaining experience in the implementation of a digital channel, the MFIs in the study started considering the notion of providing better customer service and better products through this channel

as strategic goals, and some have started working on ways to enhance the customer experience. For example, two MFIs have developed specific nano-loan products for delivery only via agents.

Others have increased their agent service to include bill payments, transfers and mobile top-ups. Some MFIs are currently developing their own internal capacity to better analyze transactional data to improve agent performance and liquidity, and this way, indirectly improve customer experience.

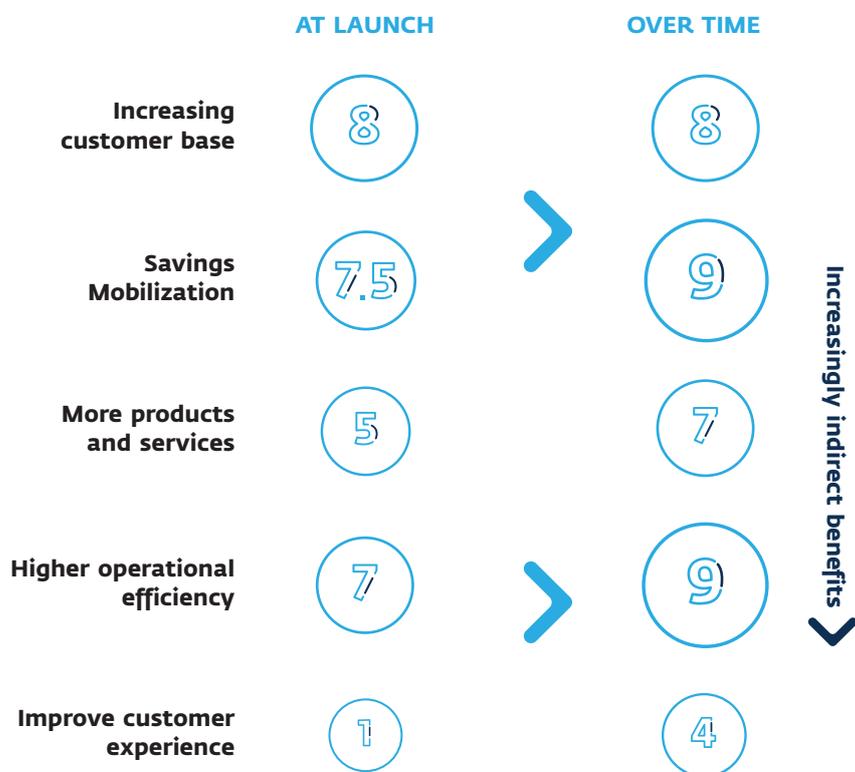


Figure 1: Evolution of the strategic DFS objectives over time amongst the nine MFIs participating in the study

Once the strategic approach and high level objectives were confirmed, the options to deliver the strategy could be considered. As mentioned above, most MFIs opted to launch agent networks. In this case, the branch network was supplemented by a network of retailers that could provide basic branch services. Agent deployments were typically used to increase deposit mobilization by existing clients, and reach new clients at lower cost than extending the branch network. The range of services permitted is governed by local regulation, and the MFIs chose to provide some or all of them. Deposits (cash in), typically for loan repayments or savings, and withdrawals (cash out) services were the normal minimum offering at launch. Where permitted, some agents registered new clients and others simply facilitated account opening.

As the service matures, agents generally start to offer other transactional services, both to supplement the agents' income and increase the MFI revenue. Over time, all the MFIs in the study introduced funds transfer, and two added bill payment services. In addition, four provided digital services directly to the clients' mobile phone allowing them to offer a wider range of services.² Most MFIs that offer these services did so in a second phase after deploying the agent channel.

For MFIs currently piloting agent networks, implementing an agent banking channel is seen as the only way to expand. Agent networks are expected to replace the opening of new branches and existing branches may become a lite-branch, with minimal staff and cash handling.

The size and location of the agent network

Having decided to create a network of agents to augment (or replace part of) the branch network, the next step was to consider where these agents should be located and how many would be needed.

Agent Location: The most successful agent networks were usually started near MFI branches. The main reason was to facilitate agent liquidity management. The most difficult aspect of managing agents is ensuring that they have sufficient funds in their account to service "cash-in" transactions, typically loan repayments and bill payments; and sufficient cash to service "cash-out" withdrawals. Liquidity is a particular issue for MFI agents because of the high amount deposited for loan repayments, which is not balanced by withdrawal transactions. In the study, consistently over 70 percent of agent transactions were deposits. Having a branch within a reasonable distance provides the agent with a ready source of liquidity. Also, issues are to be expected in the early days, and having agents close by means that these can be fixed quickly (and good relations maintained) before tackling the difficulties associated with managing agents at a distance.

The most successful agent networks were usually started near MFI branches.

This synergy between branches and agents demonstrates that even where there is a successful agent network, the MFI branches remain relevant. Indeed, one MFI found that the agent network increased transaction frequency as clients continued to use branches and, in addition, also did agent transactions.

If the digital strategy is to convert existing clients, agent proximity to a branch is obvious. But even if the main focus is attracting new clients, proximity to branches provides a ready-made

² In the study, mobile banking via an application or the USSD channel was introduced by Access Bank TZ, AB Microfinance Bank NIG, and FIN-CA DRC, and Microcred Senegal was in pilot.

customer base early on. It is important that agents get a critical mass of business in the early days, or they stop investing in the MFI business, diverting funds to other activities. This is particularly a problem in markets where retailers already provide agent services to other operators. Agents are astute in determining the most profitable ways to invest their money. If they have limited funds to invest in liquidity they may choose to support only the most popular (and profitable) DFS, which usually belong to the MNOs. An MFI in the study that had exactly this problem found that focusing on the quality of service provided by those agents that they could recruit helped greatly in mitigating lower agent numbers.

Size of agent network: Many of the MFIs fell into the trap of wanting a large agent network as quickly as possible to reassure management that the digitisation plan was being successfully deployed. This tactic is usually a mistake and the focus should be on active agents³. Inactive agents are a cost rather than a source of revenue due to wasted recruitment and POS device deployment resource; and there is reputational damage when clients have an unsatisfactory experience at these outlets. The median agent activity in this study was just 60 percent in the second quarter of 2017, but still higher than the global average for all DFS providers at 51.4 percent, which was encouraging⁴. However, two MFIs in the study reported that less than 40 percent of their agents were active.

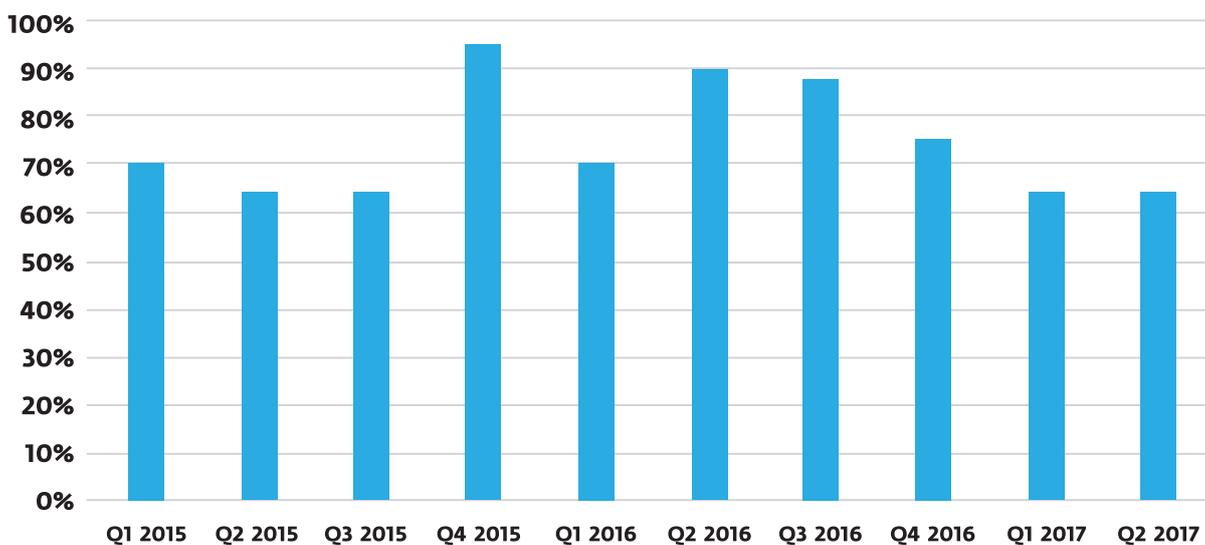


Figure 2: Median number of active agents (as % of total agents) over the duration of this study

³ There are several definitions of active agents. The most commonly used is that agents should perform at least one money movement transaction per month to be considered active.

⁴ GSMA 2015 State of the Industry Report: Mobile Money https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2016/11/SOTIR_2015.pdf

Over the three years of this study, the median number of agents across all nine MFIs grew:

- The median number of total agents grew by 14 percent per quarter whilst the median number of active agents grew by 18 percent.
- Overall, this means the proportion that was active grew by around 1 percent per quarter.

This suggests that the MFIs got better at recruiting and incentivizing quality agents over time, and that resources were allocated more effectively. Further, MFIs got better at consolidating the existing network, although inactivity levels can be improved further.

“A critical mass of agents is necessary for launch, but this can be quite small.”

A structured agent recruitment plan is necessary, growing the number of agents with client demand. This means that an average agent can expect a certain level of business and return on their investment in working capital. A critical mass of agents is necessary for launch, but this can be quite small, starting near branches and working outwards to other areas over time⁵. Two MFIs in the study started with fewer than 50 agents and are showing signs of success⁶. There is no hard rule about DFS agent numbers but recent research⁷ suggests that for established DFS, on average around 100 – 300 active clients per agent gives a profitable agent network. MFIs are expected to process relatively higher transaction values, and liquidity constraints would suggest that the MFI client to agent ratio should be at the lower end of this range. This seems to be the case - in this study the median transaction value was at US\$117, about three times the average transaction amount of US\$38 for MNOs providing DFS.^{8,9}

The number of active customers per active agent was in a range from 50 to 150, with the median at 90 for all MFIs, in line with this hypothesis.

CASE STUDY

Microcred Bank Madagascar

Microcred Group is known as a credit-focused institution, targeting the SME market. In 2016 it focused its DFS strategic goals on minimizing the cost of extending its access to new deposits by using agents in order to reduce the number of new branches needed to grow its reach; and by offering clients new products and services through the digital channel to make the agents profitable. Microcred Bank Madagascar was the first microfinance bank in the country to launch an agent network in early 2015. Deposit mobilization was the strategic driver. Despite regulatory approval for only four pilot agents, encouraged by the results and in the spirit of the new strategy, MBM decided to extend to 400 agents by March 2016. The deployment involved a number of strong features, such as user-friendly technology using agent tablets and biometric identity verification. Agent liquidity was augmented by an MNO wallet to allow agents to use the MNO agent network for liquidity, turning a potential competitor into an asset and ensuring that as far as possible agents would be able to serve customers outside banking hours. This strategic focus on creating a large, high quality agent network was expected to deliver the required deposit mobilization.

However, the central bank responded by insisting that it must perform background checks on every agent; a process that significantly slowed down the agent roll out. Later, the regulator required that financial institutions intending to operate an agent network should set up a Banking Operations Intermediary and apply for a license.

Because of this, the MBM agent network expansion had to be put on hold, and the launch of new agent-related services marketing activities postponed.

⁵ *Even the hugely successful Kenyan DFS, M-PESA, launched with less than 300 agents nationwide.*

⁶ *Both LAPO Nigeria and Advans Cameroon launched DFS with fewer than 50 agents*

⁷ <http://www.helix-institute.com/blog/benchmarking-customer-agent-ratios>

⁸ *Longitudinal study results from the second quarter of 2017*

⁹ *GSMA 2015 State of the Industry Report: Mobile Money (Usage)*

https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2016/11/SOTIR_2015.pdf

Further, MBM had to close 94 agents for being non-compliant with the new regulation. Meanwhile, MBM created an intermediary organization and applied for the required license.

MBM treated this enforced pause in its agent network expansion (and the enforced downsizing) as an opportunity to focus more on agent quality. The DFS team used the time to ensure full integration with the core business. Branches were closely involved in agent operations and incentivized to redirect clients to them. Loan officers had targets for deposit mobilization and agent usage. MBM designed a staff promotion scheme involving the DFS. To extend and improve the client offering, a tailor-made "taka lona" nano-loan product based on an automated-credit scoring was introduced, distributed only via existing agent outlets.

This strategic re-focus proved to be very successful. Over the 15 months from the start of agent restrictions being imposed, MBM's digital business actually grew. Client transactions increased by over 50 percent in both volume and value. The result of quality improvement activities was that total transactions at agents grew by around 4 percent per month even though the number of agents dropped by nearly 25 percent. This also had the effect of increasing the average revenue of the remaining agents by around US\$ 29 per month. This is an excellent demonstration of the importance of agent quality versus quantity, and how fewer strong agents can make a positive impact on business growth as a cost-effective alternative to recruiting and managing a larger network with associated costs. Agents accounted for 52 percent of all transactions by early 2017, and MBM is now moving to a model where the agent network will be the primary channel.

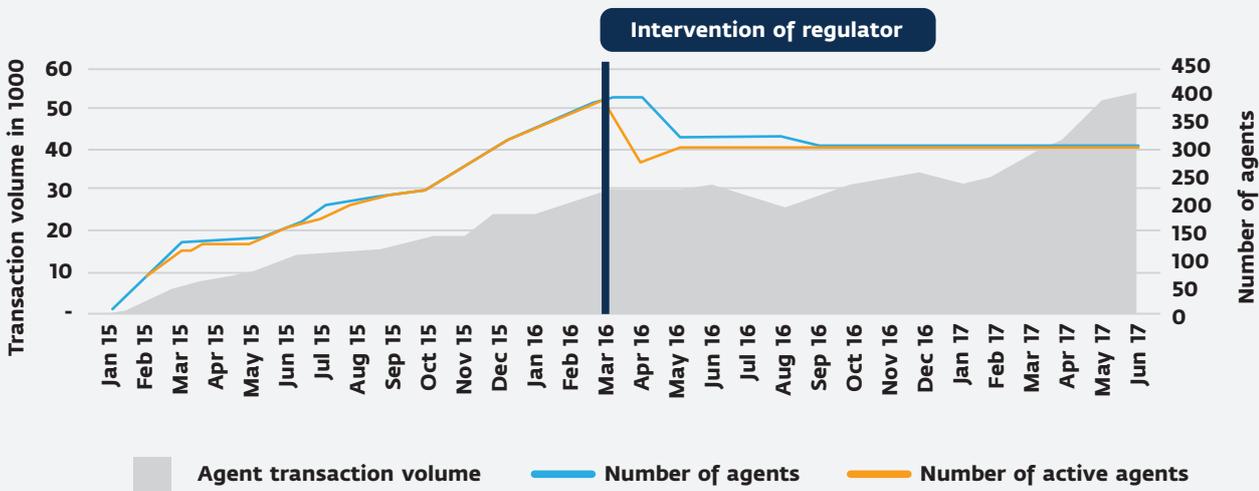


Figure 3: MBM agent transaction volume and number of agents

Agent recruitment options

The types of outlets suitable for consideration as agents may be specified by regulation to meet certain minimum standards. The MFIs also have requirements concerning the location, nature of the business, adequate funding of the agent account, and the shop assistant's ability to perform transactions and give clients assistance.

An MFI agent network study¹⁰ in DRC showed that agents are generally most successful in densely populated, low-income areas that have a lot of commercial activity, which matches well to urban MFI client locations. However, other factors were identified as being of great significance when selecting the agents most likely to be successful. Most striking was that statistically, female-run businesses significantly outperformed those run by men, performing 12 percent more transactions per month on average. Transaction volume was higher with female agents consistently performing about 20 more deposits per month than men¹¹, and women were rated higher overall for client service in FINCA's monthly monitoring scores. In addition, the study identified that service providers (e.g. hairdressers and tailors) are generally more successful agents than retailers, perhaps because agent activities involve the provision of services. Women are often more prevalent in the service sector, and this adds to the attractiveness of recruiting female run businesses as agents.

Age was also found to be significant in agent performance for both sexes, and this may be associated with trust. In the DRC research, older agents were significantly busier than younger ones. For every year the agent age increased, the number of cash-in transactions increased by roughly four. This data reinforces the importance of focusing on agent quality. Certain types of businesses and owner characteristics lead to better agent networks, and recruitment strategies should target agents based on these features, rather than mass-market signup of any outlet that meets the basic regulatory requirements.

MFIs that build successful agent networks involve their branches in the business plan. Branch members need to understand the rationale for going digital. If they are to recruit and manage local agents, this task must be reflected in both the branch and personal performance measures. They also need access to training and resources. Whatever the approach to agent recruitment, the whole organization, and especially the branches, need to buy in to the digital strategy and support it rather than considering the agents to be competitors, a threat to jobs, or simply irrelevant to their core business.

“Female agents significantly outperformed male agents.”

Agent recruitment and management is time consuming and falls outside of most MFIs core competence. For these reasons, some organizations outsourced agent management to independent businesses to act as agent aggregators (sometimes called “super-agents”). Aggregators are responsible for recruiting new agents, training and provisioning them. The aggregators often performed administrative tasks on the MFIs behalf, and assisted the agents with liquidity management. Aggregators can be particularly useful in areas where the MFI has no physical presence. However, they can also be a significant expense so the cost/benefit calculation must be performed before deciding whether to use them. One option is to use aggregators to build the agent network for a contracted period, but bring agent management in-house once good working practices and procedures have been established.

¹⁰ *The Partnership for Financial Inclusion field note 5 “Women Make the Best DFS Agents”* <http://www.ifc.org/wps/wcm/connect/16fafca1-dbbc-4e0f-be83-4daf75abadff/Field+Notes+5+-+Women+DFS+Agents.pdf?MOD=AJPERES>

¹¹ *This result was statistically significant in all models, with robust standard errors*

CASE STUDY

Urwego Bank Rwanda

Urwego Bank (formerly Urwego Opportunity Bank, or, UOB) is a Rwandan microfinance bank. In 2016 HOPE International, formerly a minority shareholder in Urwego, acquired a majority shareholding in the bank from Opportunity International. Inspired by social and commercial motives, in 2013 Urwego devised a strategy to increase financial access for the underserved population to facilitate economic and social transformation by creating an agent network. The network would also reduce the need for loan officers to engage in cash handling; thus reducing security and operational risks. An agent banking channel branded mHose subsequently launched to remove cash handling from loan officers, recruit new customers and drive efficiency.

Urwego's digital initiative was challenged as its agent network was strategically separate from the branches and the loan officers, whilst the objectives of the digital strategy focused on efficiency gains from these two areas. Neither the branches nor the field staff were involved in the creation and management of the agent network. An outsourced super-agent (aggregator) was enlisted to recruit agents, and this proved to be successful in urban areas. However, the aggregator was poorly equipped to deal with the challenges in rural areas where digital and financial literacy is lower and where the cost of recruiting and training agents was substantially higher than expected. The strategy began to falter. Because the agent channel was separate, and even viewed as competitive to the branches, additional resources could not be mobilized and the aggregator was seen as too expensive to operate independently.

Eventually, budget cuts rendered the aggregator unaffordable, and without liquidity only a third of agents remained active.

In 2017, Urwego Bank began a restructuring process. Given the high operating costs of using branches to reach remote and underserved populations in Rwanda, Urwego decided to more fully utilize its existing investment in mHose and drive an increasing amount of lower value transactions through the agent network. Urwego is using lessons learned through years of operating mHose to reinvigorate the delivery channel, strengthen its operations, reduce costs, and rehabilitate the bank to a profitable position that is aligned with the shareholders' dual bottom line of sustainability and mission achievement. With this in mind, the agent strategy has had a new makeover, which has included changing the reporting lines so that agent managers sit within the branches, and that all branch staff have new KPIs to support the agent network.

New over-the-counter fee structures are being implemented to incentivize usage of the agents rather than branches for lower value transactions, and the agents have been rebranded to better align with the bank and branch branding to improve the customer experience. Urwego will use the agent network to expand in rural areas; in underserved markets that are best suited for its products and approach. The goal of Urwego is that all group savings and loan transactions will be conducted through agents by the end of 2018; and that it will in turn see an expansion in its customer base and return to profitability.

Agent business case: To attract retailers to become agents and invest in electronic funds and possibly in POS devices, they have to be presented with a good business case. Small-scale entrepreneurs have many competing priorities and limited resources, so the MFI needs to convince them that agent activities are an attractive opportunity even if it may take some time to reach its potential. Easy access to liquidity management is particularly important to the agent business case, as agents typically wish to commit the minimum amount to the agent business and invest the rest in other ventures. The ability to manage cash and digital currency exchange quickly and efficiently means they can optimize the funds committed, providing a good agent service at minimal cost.

Over the three years of this study, the median quarterly commission per active agent grew from US\$46.49 to US\$53.25, growing at 3 percent per quarter. Even though the number of agents grew at a faster rate than active customers, there were still sufficient additional transactions taking place to provide each agent with more revenue. This result is particularly encouraging because one of the MFIs reduced its agent commission per transaction part way through the study.

Combined with the quarterly net 3 percent growth in active agents, this result shows that there was an increased client demand for agent services that overtook the growth of the active agent network. The question remains as to whether a quarterly income of US\$53 is sufficient to provide a cost-effective return to agents.

Agent management: Once agents are operational, they need to be managed either by MFI representatives or aggregators. Agents need daily statements for reconciliation purposes and to manage liquidity, reports on commission earned, and a process to access it. Processes are needed to ensure that the outlets are properly merchandised with agent signage and information; to collect and deliver documentation; to provide refresher training; to inform them of changes to the service; and critically, agents need a responsive supervisor and backup help-line they can call if there is a problem.

“MFIs strategic objectives evolve over time as they gain a more comprehensive view of the benefits of digitization.”

The Digital Financial Services team needs to maintain a strong understanding of agent activities and performance. If an agent is inactive or underperforming, this needs to be identified and resolved. There are also specific risks associated with agent services and these must be monitored and managed. As the digital business grew, some MFIs chose to introduce new services and these initiatives also had to be managed by the DFS team.

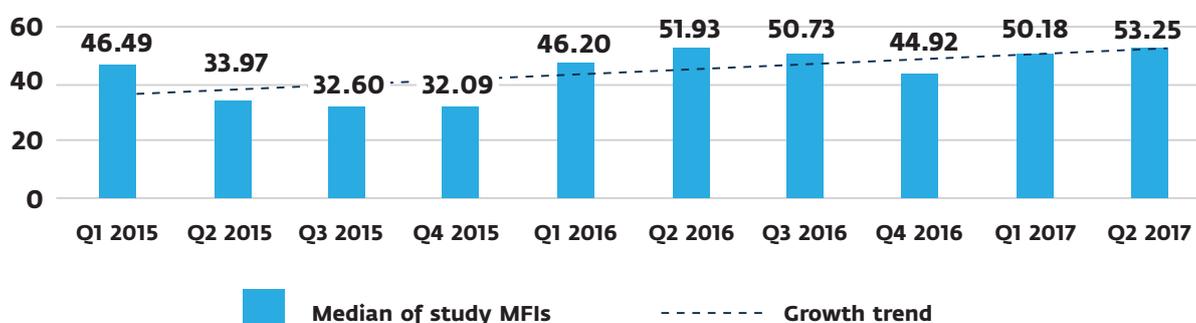


Figure 4: Median quarterly agent commission over the study period

Agent technology: A common strategic consideration is which POS device the agent should use and who pays for it. POS selection can determine the success or otherwise of the digital strategy. Conventional dedicated POS devices can be disproportionately expensive compared with the revenue and commission that they will generate, and they also have technical limitations. One MFI reported spending US\$1,250 per agent device and although the price has reduced recently, payback on this technology must be several years. Another MFI supplied cheaper, lower specification devices at under US\$200 each. Smartphones and tablets are better suited to the fast changing digital environment and are easier to update as technology changes. They can be used to create digital forms, take photographs, and are capable of transmitting digital documentation instantly. Plug-in card or biometric readers and Bluetooth printers can customize them to the agent needs. However, an MFI using tablets reported paying around US\$600 per agent POS, which seems extremely expensive even with import duties. In many instances, a personal computer or phone was used by agents at their own expense. It appears that many MFIs could benefit from more cost-effective device procurement. New low-cost Android devices and tablets could be an attractive option for consideration.

“Many MFIs could benefit from more cost-efficient device procurement.”

Most of the MFIs in the study provided POS devices to agents for free, but as dedicated devices are expensive are considering making the agent pay a contribution towards the cost. Some already offer loans for POS devices at preferential rates. Agents tend to expect the MFI to pay, given the unproven business case and the relatively low margins they can earn.

CASE STUDY

Advans Cameroun

Created in 2007, Advans Cameroun, a microfinance institution, currently has around 66,000 clients and 12,000 loans outstanding that include over 3,000 group loans. The organization's priority is to increase the savings deposit base, offer products close to clients' needs and embrace the development of alternative delivery channels.

In July 2016, Advans launched digital payment collection by field staff and at the end of 2016, started delivering its services through an agent network to extend its footprint and gain new clients at low cost. Advans' innovative strategic approach is based on market segmentation, resulting in a diverse portfolio, tailored to client needs.

Advans' internal agent ecosystem is based on a team of 27 “mobile collectors”. These Advans staff are responsible for visiting clients, who have subscribed to the service, to collect cash deposits on a daily basis using mobile devices to log transactions. Their role is similar to that of traditional “susu” collectors, and the service supports a very common local practice, but making it formal and secure by digitalizing it.

In addition, since end 2016 Advans has developed an agent network structure that is unique and strongly focused on quality of service. The direct recruitment and management started with less than ten agents, growing, as the team gained agent management experience, to 41 agents a year later. Agents are responsible for their liquidity, and in some cases benefit from the mobile collection services, which facilitates cash management with mobile collectors coming directly to the partner's point of sale. The agent network offers cash in, cash out, account to account transfers, and information inquiries.

Advans Cameroun also developed outlets, in both urban and rural areas, which are complementary to the agent ecosystem. Outlets do not handle cash. Instead, they direct clients to nearby agents for deposits and withdrawals. The personnel who operate these are responsible for client registration, loan processes, providing information about all Advans services, and other administrative tasks.

A year after launch, Advans has nearly 4,000 customers subscribed to the mobile collection service, of which 80 percent are active, and about 3,000 clients using the agent network. Mobile collectors are responsible for a hefty 38 percent of

the institutions' deposits by number, but just 4 percent in volume. This suggests that the strategy of using this channel to increase clients' deposits frequency is working. Meanwhile, the agent network accounts for 23 percent of the total number of deposits in the cities where they are implemented, and 6 percent in volume. In total, the number of deposits through mobile collectors and the agent network accounts for 47 percent of Advans Cameroun's deposits, highly contributing to the total increase in number of deposits of 62 percent over the past year. It therefore appears that the new channels main impact is the increase of clients' usage of accounts, while the core branches remain the main channel for higher volume of deposits.

Following the successful launch of its agent network, Advans plans to expand the agent network in rural areas throughout 2018, facilitating loan disbursements, repayments and general access to accounts. Advans offers a successful agri-product through cooperatives or directly to individuals, that takes into account the seasonality of income. Advans has also successfully put in place the financing of value chain since 2016, which includes cocoa producers.

In a short time, Advans has demonstrated that it is possible to create significant participation in a digital strategy based upon diversification and fine-tuning channels to the needs of different customer segments.

“Digital strategies that focus on high quality active agents, rather than high numbers of agents, are always the most successful.”

Implications

All successful DFS implementations start with a strong strategic understanding of the benefits it should deliver to both the users and the provider. Unfortunately, it is common for institutions to rush into deploying DFS with insufficient strategic planning. Sometimes this is due to internal pressure, sometimes a perceived competitive threat, or even external pressure and encouragement catalyzed by offers of funding. Few MFIs have the internal resources, skills and experience to fully map out the implications of deploying digital services upfront, and are advised to seek assistance from industry experts until the knowledge base has been built. Investing in knowledge upfront is likely to pay off in the longer run, as even small mistakes early on in a DFS deployment can have large implications. Key strategic lessons for any MFI entering this space are:

- The two most common strategic goals for digitization of MFIs are to increase deposit mobilization and to extend reach cost-effectively. Of these, the first to be achieved amongst the studied sample was greater outreach, as agents supplement the branch infrastructure and provide the MFIs service to a wider market. In this study, increased outreach, both in terms of clients and locations, was significant where the agents had been in operation for over three years.
- Many MFIs have yet to meet the other key strategic objective of increasing their deposit holding, but those that have been operating agent networks for a while are starting to see signs of net growth. It is clear that for digital strategies to be successful it takes several years and the MFIs need to be patient.
- MFIs strategic objectives evolve over time as they gain a more comprehensive view of the benefits of digitization. Indirect sources of revenue such as improving operational efficiency, better customer experience, and offering a wider range of services, gain importance.

- It is essential to secure the whole organization's understanding of, and buy-in to a digital strategy. Branches and regular staff need to be involved in agent management, with appropriate personal performance indicators to guide their engagement. If the MFI staff are not involved and supportive, particularly branch and field staff that have direct contact with clients, the DFS is likely to struggle.
- Using agents saves approximately 25 percent of the operational costs associated with branch transactions.
- When creating an agent network, it is more important to prioritize quality over quantity - the most successful agent networks are not necessarily the largest. Digital strategies that focus on high quality active agents, rather than high numbers of agents, are always the most successful. This is well demonstrated by the MBM case study, which showed that, despite external factors that forced it to close 25 percent of its agent network, a strategic decision to focus on agent quality meant that its DFS business continued to grow. There is a growing body of evidence about what characteristics to look for in a potential new agent to improve the chance of that agent being of high quality.

- There are many approaches to implementing a digital strategy. While the creation of an agent network is the most common, others, such as making agents part of a segmented structure tailored to the clients needs, such as Advans Cameroun has done, can also be effective.

MFIs have industry-specific goals for their digital strategies, and in order to deliver them, they should focus on the activities that support these goals rather than thinking in terms of "cut down" versions of the DFS offered by other (larger) organizations, such as MNOs and commercial banks. The nature of an MFI business is quite different, as are the scale and the resources available. MFIs have the advantage of regular contact with their client base, via loan officers, group meetings and in branches, where the benefits and use cases relevant to the customers' personal circumstances can be explained.

The branches can be powerful assets in recruiting and managing suitable agents, and an inclusive internal approach is the key to ensuring that the whole organization supports and promotes the digital strategy.

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