



# Impact of the COVID-19 pandemic on CICO agents

Kenya report (Round 2)

October, 2020



SWISS CAPACITY BUILDING FACILITY  
Innovating Financial Inclusion





# CICO agents during COVID-19

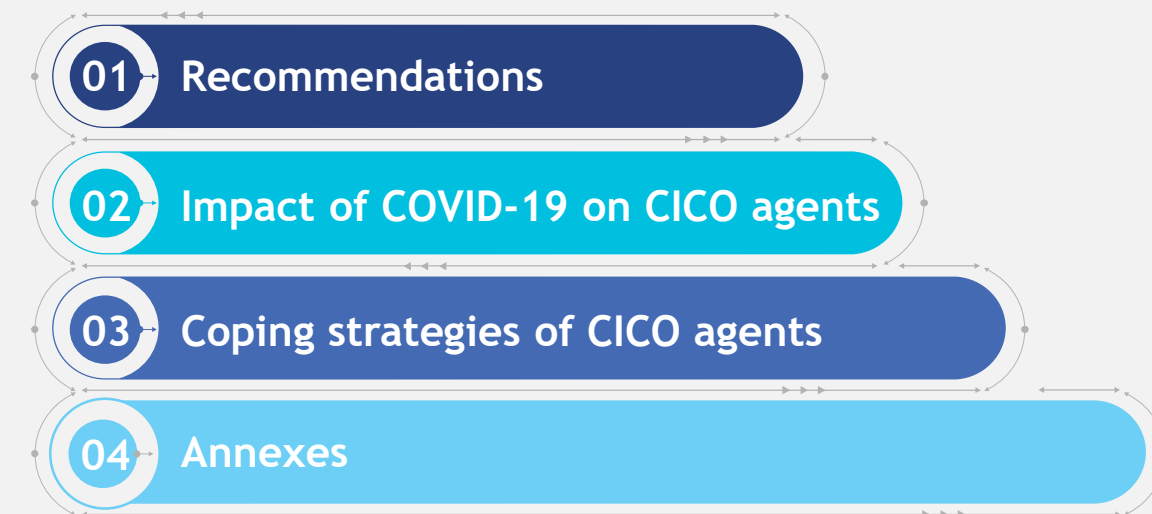
## Kenya round 2 report

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## Kenya report

Provides a detailed country-level view of the impact of COVID-19 on CICO agents\*, their coping strategies, and recommendations for policymakers and financial service providers to support them



\*The sample size is, clearly, too small to be representative and therefore the percentages throughout this report should be seen as indicative.

# About this report

- This report presents the findings, analysis, insights, and recommendations on the impact of the COVID-19 outbreak on CICO agents in Kenya. We have also documented changes since the last survey that was conducted in July, 2020.
- Kenya's first COVID-19 case was detected on 12th March, 2020. The effect of the pandemic on cash-in and cash-out (CICO) agents in Kenya, has been profound. CICO agents are under considerable strain due to a decline in the income generated through commissions.
- CICO agents are uncertain of the duration of the pandemic and the future of their businesses. However, considering their critical role in digital financial services, it is important for providers and stakeholders in the ecosystem to develop appropriate responses to support them in the aftermath of the crisis. Thus, MSC's research assessed the nature and extent of the pandemic's impact on CICO agents. The overall objective was to identify areas that require short-, medium-, and long-term support. The specific objectives of the research were to:
  - Understand and quantify the impact of COVID-19 on CICO agents
  - Inform policy and support subsequent efforts to rebuild the nationwide CICO network
  - Assess the impact of COVID-19 on:
    - Revenues and costs
    - Business activities and ranges of products
    - Liquidity management
  - Explore options to minimize threats and maximize business opportunities
  - Assess gender implications
  - Understand the usage of communication channels and identify opportunities that can be utilized
  - Understand the role of CICO agent networks and the impact of the pandemic on these networks and customers' trust
  - Assess the current experience with private and public sector support services
- In round 2, we conducted qualitative interviews with 15 CICO agents across Kenya to assess their perspective and response on the COVID-19 situation. We have synthesized the findings to provide recommendations and opportunities for policymakers and financial service providers to strengthen their efforts. Please see [Annex 3 for the sample characteristics](#).

## Study sponsor

SCBF and MSC co-funded this joint research proposed by MSC to understand the impact of the COVID-19 pandemic on needs, attitudes, perceptions, and behavior of CICO agents in Kenya.



At the time of data collection in September, 2020, the Government of Kenya had lifted the inter-county ban on movement, although night-time curfew remained from 9pm to 4am.

\*The curfew has been extended till January 3,2021 with two hours of relaxation in starting time (11pm to 4 am) with effect from 28<sup>th</sup> September,2020.

## Recommendations



# CICO agents have continued to struggle with reduced income and require immediate support to recover

## Support to minimize losses and enhance income

### Key insights

- Agents continued to experience low profits due to the reduction in customer footfall. Consequently, commissions have been low. Inter-county movement restrictions have been relaxed but curfew has also been extended.
- Agent viability has been on the decline. More customers are doing self-initiated digital transactions due to the waiver in fees on bank-to-bank and bank-to-mobile-wallet transfers.
- Bank agents have been the front end of the government's social cash transfer program for vulnerable segments. This has provided agents with additional income during the pandemic.

### Recommendations

01

Financial service providers should review the commission structure. Agents need support and a margin across all types of transactions. While this may be a temporary solution to enable agents to recover during the pandemic. In the medium-to-long-term, providers should take a strategic call on utilizing the COVID-19 crisis to create new products and services that agents can offer to increase their revenue and improve their viability.

02

In Kenya, bank agent networks are fewer in number and thus have a lower reach compared to that of the MNOs. Policymakers and regulators should consider utilizing MNO agents in addition to bank agents for G2P transfers under the [Inua Jamii program](#) of Kenya. Given the outreach of MNO agents in remote rural pockets of the country, it will be more convenient for beneficiaries and will also serve to augment agent commissions.

## Measures to reduce vulnerability

### Key insights

- Agents have observed and applied safety measures to safeguard against the risk of infection. However, they are at higher risk given the frontline nature of the business, which requires them to interact directly with customers.
- Agents are exposed to security and fraud risks in the course of their business operations. They often have to take precautions to protect themselves at their own initiative and cost.

### Recommendations

01

DFS providers should help agents increase compliance with safety measures at agent premises and consider subsidizing the cost of sanitizer and personal protective equipment (PPE). They should educate both agents and customers on the importance of hygiene and social distancing through audio-visuals and SMS blasts.

02

DFS providers should develop a [three-pronged approach to help agents](#) mitigate the risks of fraud. This includes training agents, monitoring fraud trends, and establishing clear guidelines and frameworks to identify, report, and manage fraud. Providers need a system to alert agents on instances of fraud and activate a rapid response mechanism to deal with them.

# CICO agents need support to optimize efficiency in operations and access to affordable credit

## Measures to enhance efficiency

### Key insights

- ▶ Bank agents have been earning additional income through the Inua Jamii program. However, improvements can be made to ensure efficiency as agents disburse payments to beneficiaries. Besides, bank agents are required to support beneficiaries to conduct transactions without any incentives.
- ▶ Monitoring and supervisory visits to agent outlets by DFS providers have declined significantly during the pandemic. Although the reduction of visits is necessary to curb the spread of the virus, agents are left with minimal or no support to manage their operations. This also hampers their compliance.

### Recommendations

01

The government should work with providers to improve the Inua Jamii program, especially in terms of KYC identification. It has an opportunity to utilize agents, who would encourage clients to adopt digital transactions through training sessions, especially in rural and remote areas. This investment will help enhance digital literacy.

02

The pandemic has offered an opportunity to DFS providers to incorporate the use of digital channels to monitor and support agents as physical visits are not viable. For example, [WhatsApp groups](#) can be used as a cost-effective tool to ease communication and troubleshoot (at least) basic issues.

## Measures to enhance access to credit

### Key insights

- ▶ Liquidity is still a top concern for many agents as they lack adequate resources. Agents manage by transferring float between the different providers through mobile or internet banking. Agents require access to credit to top up their float levels as they seek to revive their operations.
- ▶ Access to affordable credit is difficult for many agents. Agents therefore need access to concessionary loans or stimulus packages offered by the government to help them revive their businesses as the economy gradually reboots.

### Recommendations

01

The present situation offers an opportunity to innovate solutions for agents to access short-term capital to reinvest in float. DFS providers should digitally collect and monitor data of agent transactions. This will help assess the ability of agents to repay loans and in turn, providers can extend short-term credit. Examples include [Bloom Finance](#) and [PesaKit](#).

02

The government can include agents as beneficiaries under the credit stimulus package, which at present is meant solely for MSMEs. The government should also recognize agents as essential service providers. As key frontline players in the DFS ecosystem, they should have access to concessionary loans.





## Impact of COVID-19 on CICO agents

# Agency operations are yet to return to normal despite relaxed government measures

## Agent revenues continue to remain low (compared to the pre-COVID-19 period) due to low customer footfall

- In our first survey on the impact of COVID-19 conducted in June, 2020, we noted that agents reported a decline of 40% in customer footfall due to the curfew measures put in place by the government. When the government reduced the curfew hours to 9 pm to 4 am with effect from 7th June 2020 (which was further relaxed to 11 pm to 4 am starting from October 2020), most agents extended their operational hours. However, this did not improve customer footfall.
- Most agents reported that their revenues were still low due to reduced transactions. We had noted in our [report](#) with Caribou Digital that the commission structures of some providers are skewed to lower-value transactions, which affects agent commissions.
- As revenues remained low, a few agents took loans from informal and formal sources to keep the business afloat. Some agents focussed their efforts on other businesses. In some cases, agents focused on reducing operational and recurrent expenses wherever possible, such as reducing staff costs.

“Customers have been spending conservatively due to reduced purchasing power. It does not matter much even if we operate for more hours as we do not have customers to serve. The absence of movement on the border between Kenya and Somalia has had an impact on trade and consequently affected customer footfall.”

- An agent in Garissa

“Before COVID-19, I used to earn a monthly commission of KES 30,000 (~USD 300) in my role as a manager. I oversee operations in the agency business. Since business went down I do not earn enough to meet my expenses. I have let out my premises, which gives me an additional income of KES 20,000 (~USD 200).”

- An agent from Nakuru



# Facilitating payments for social cash transfer programs provides bank agents with additional income

## Agents earned additional income through the Inua Jamii program

- Agents who provide services for Kenya Commercial Bank, Post Bank, Equity Bank, and Co-operative Bank carried out social transfer payments to beneficiaries under the [Inua Jamii](#) program. The government disbursed [KES 8.75 billion](#) (~USD 87.5 million) and each beneficiary received KES 8,000 (~USD 80). This provided an additional income as agents received a commission based on the number of transactions.
- Although the program provides income for agents, we observed several areas that require attention. These are highlighted below:
  - The identification of beneficiaries is not seamless in some cases due to system downtime-related issues and the absence of a system to authenticate the identity of beneficiaries. Additionally, some beneficiaries have been unable to collect their payments due to issues, such as health complications. Some others rely on caregivers to take them to payment locations and hence have to depend on their availability to withdraw the benefits.
  - Agents are required to carry out additional duties beyond making payments to beneficiaries that they do not receive compensation for. These duties include supporting and educating illiterate clients.
  - The risks of security-related issues and fraud were among the major obstacles for agents involved in social transfer payments, particularly while carrying cash to designated locations. Some agents had to incur additional costs toward transport and security for which they were not compensated by the government or the providers.

# Risks related to security issues and fraud remain a top concern for agents

## Agents are exposed to additional risks as the effects of the pandemic persist

- Agents have been exposed to several key risks since the onset of the pandemic. The biggest risk is declining revenues from the business while managing relatively fixed business expenses.
- Fraud and security risks have persisted. While cash transfer to the bank has always been a risk for agents, especially in remote locations, the pandemic has exacerbated this concern. The post-pandemic period has also seen increased security-related incidents. Rising unemployment has also been exacerbating security concerns. There is a need to support agents to mitigate fraud and security risks.
- The risk of fraud is also high as more users turn to the use of mobile and agent transactions. This has especially affected illiterate or innumerate and rural users who lack sufficient knowledge to protect themselves against fraud. Increased incidences of fraud may affect the trust of users and thus lead to lower usage of digital transactions or channels.

“The risk of low income is the biggest concern. I can barely break even to have enough revenue to pay rent and salary at one of my agency banking outlets. At the other two, the business is low. With a huge investment and such low returns, I will be forced to look for alternatives that can generate revenue on this investment. I will wait for another three months before I decide if I wish to continue with the agency banking business.”

- An agent from Industrial Area, Nairobi

“Carrying cash to the bank has always been a huge risk for agents and now it is even more so. Secondly, I received fake currency on two occasions. It was a loss for me and I have to be even more careful.”

- An agent from rural Lokichogio

“Earlier customers used to sign the logbook but after COVID-19, we discontinued the logbook service in the interest of hygiene. This is a risk in case we need to follow up with a customer to authenticate any transaction.”

-An agent from rural Lokichar

# Agent monitoring from DFS providers remains low with limited support to deal with the new realities of the business due to the pandemic

## Agent monitoring support is crucial to help agents cope with the effects of the pandemic on the business

- Most agents reported limited visits by supervisors during the pandemic. Even after relaxations by the government, including a reduction in curfew hours, supervisory visits are few and far between. According to the respondents, supervisors made visits only to ensure regular compliance of agency operations.
- Rural agents in remote areas reported even lower levels of monitoring support as compared to their urban counterparts.
- Agents received minimal or no support or recovery mechanisms to cope during the pandemic. The support was limited to training.
  - Monitoring visits to agents have reduced due to the safety measures that advocate reduced physical contact. Most providers have also been closing for business early, which has reduced the scope to conduct monitoring visits to agents frequently.
  - The costs of monitoring agents, particularly in the rural and remote areas, are high. Additionally, many providers are yet to utilize or digital or online tools to monitor and support their agents.

“The agent visits have become less frequent since the onset of the pandemic. We have been left to manage with the present situation on our own.”

- An agent in Nairobi

“Our area does not have a designated agent supervisor. We rely on the branch manager or other staff in the branch. However, the branch staff often cannot assist on technical issues, which are escalated to the Head Office.”

- An agent in Garissa

# Agents have implemented safety measures to guard against infection. However, it is difficult to control customer behavior to maintain social distancing and standards of hygiene

## The cost of implementing safety measures has reduced but it remains an additional expense for the business

- Most agents reported that they have implemented safety measures to protect themselves and their staff. This includes the use of masks, maintaining hygienic standards, and observing social distancing. During the initial months of the pandemic, it was costly to purchase masks and sanitizers. However, the supply of personal protective equipment (PPE) has become relatively less expensive over time and most agents reported maintaining the bare minimum protective measures.
- There is no enforcement to ensure that agents comply with the safety directives issued by the government. Reduced adherence to safety measures increases the risk of exposure for CICO agents and their customers. In addition, providers have conducted limited training for agents on safety measures.
- Agents also cited concerns around difficulties in enforcing the use of PPE and ensuring that customers who visit their outlets adhere to rules, such as social distancing. Some agents opted to serve customers without enforcing safety standards. This exposes agents to higher risks of infection. There is a need for greater sensitization for both customers and agents on the spread of the virus and the importance of adhering to safety and personal protective measures.

“At the onset of COVID-19, I took various safety measures including rearranging the waiting area at the outlet to enforce social distancing. I also bought sanitizers and installed a water drum outside the outlet. As time went by, I stopped buying sanitizers and only rely on the water point (movable water drums with a tap that can be filled with water and used to wash hands). I used to buy masks for my staff. However, since the costs of masks have reduced, I requested them to buy on their own.”

- An agent in Nakuru

“In general, people have become complacent. Some people come to the outlet without a mask. During peak hours, it is also hard for us to enforce social distancing since some customers will not listen to instructions. This puts us at risk.”

- An agent in Nairobi



# CICO agents are yet to receive any support from the government despite a critical need

## Agents require support from the government for business recovery during and after the pandemic

- Agents reported that they wanted support from both the Kenyan government and DFS providers. Most agents noted that they would like the waiver of fees to be extended for bank-to-bank transfers. This facility would allow them to move float electronically without incurring costs.
- Some DFS providers have made provisions for agents to access advance float. However, more agents seek credit support to maintain business liquidity.
- DFS providers have provided minimal support to agents in terms of provision of protective equipment, such as facemasks or sanitizers.
- Agents mentioned that they would like to receive access to affordable credit to revive their business during and after the pandemic.

“We should be provided credit support and support in replenishing stocks for our other business.”

- An agent in Lokichar, rural Kenya

“Providers should give us sanitizers and PPEs. They should also increase the percentage of our commissions or reduce the amount of taxes on our incomes. This will go a long way for us.”

- An agent in CBD, Nairobi

“What I need now is financial support to boost my business.”

- An agent in rural Bungoma



## Coping mechanisms

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# Agents use diverse coping mechanisms to maintain liquidity and cash levels

## Agents use alternative ways to rebalance float and cash

- Most agents indicated that rebalancing float and cash levels through the bank branches still consumes a lot of time and is costly. In addition, agents reported that they do not receive preferential treatment when they visit the branches to rebalance.
- The [waiver of fees between bank-to-bank and wallet-bank](#) by the Central Bank of Kenya encouraged agents to rebalance through online channels. In our [report with Caribou Digital](#), we observed that agents would move float electronically. We noted in this study that the trend continues where agents transfer float through mobile or internet banking.
- Additional coping mechanisms include:
  - Withdrawal of cash from Automated Teller Machines (ATMs) to avoid going to the branch since agents do not have dedicated counters at the branches to perform transactions.
  - Rebalancing float through the Master Agent and other agents at a cost.
  - Transferring float from personal funds or other businesses to the agency business.

“When we go to rebalance at the branches, we do not receive any special treatment. We have to queue like everybody else unless we have a working relationship with a staff member in the bank.”

- An agent in Nairobi

“Customer withdrawals are more in demand compared to deposits in our areas. During weekends, I struggle to look for adequate cash levels since the banks close early. I estimate the demand for cash before the weekend and I withhold the physical cash for the day and use it over the weekend. But it is a security risk for me.”

- An agent in Garissa



## Annexes

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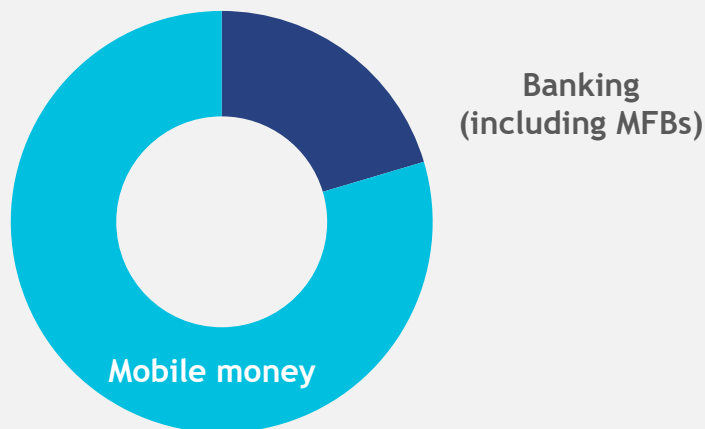


# Annex 1: Status of the CICO agents in Kenya

## Definition of CICO agent

Cash-in Cash-out or CICO agents are agents who offer cash deposit and withdrawal services to customers.

### Proportion of agents



Number of agents  
**301,865**

## Distribution of CICO agent network across major service providers

Name of service providers	Number of CICO agents
Equity Bank	<b>29,723</b>
Safaricom's M-PESA	<b>&gt;167,000</b>

### Data on CICO agents

**75%**  
own another business

**73%**  
increase in mobile money accounts in the past three years, from 33.9 to 58.7 million as on March, 2020

**>KES 1.5 trillion**  
(~USD 15 billion) transaction value, with a ~24% share of mobile money

# Annex 2: Unprecedented support during an unprecedented crisis

## Government



- The government through the Ministry of Labour and Social Protection expanded the [Inua Jamii\\*](#) program to disburse cash transfers to cushion the elderly and vulnerable during the pandemic period.
- The ministry has disbursed [KES 13 billion \(USD 130 million\)](#) through contracted financial service providers including Co-operative Bank, Equity Bank Ltd, Kenya Commercial Bank, and Post Bank. The payments have been disbursed to beneficiaries through agents from January to June 2020.

## Regulator and financial service providers



- On 16<sup>th</sup> March, 2020, the Central Bank of Kenya (CBK) issued a set of directives to facilitate the increased use of mobile money transactions instead of cash. These measures were initially applicable until 30th June, 2020 but later extended to be in force until 31st December, 2020 and include the following:
  - No charges for mobile money transactions up to KES 1,000 (~USD 10)
  - Transaction limit for mobile money increased from KES 70,000 (~USD 700) to KES 150,000 (~USD 1,500)
  - Limit of mobile money wallets increased from KES 140,000 (~USD 1,400) to KES 300,000 (~USD 3,000)
  - Elimination of monthly total limit for mobile money transactions.
  - The tariff previously levied on transactions up to KES 70,000 (~USD 700) would now apply to transactions up to 150,000 (~USD 1,500)
  - Removal of charges by Payment Service Provider and Commercial Banks for transfers between mobile money wallets and bank accounts

## Private sector commitments



- Payment service providers and commercial banks eliminated charges on transfers between mobile money wallets and bank accounts.
- Financial institutions waived the fees for online fund transfers.

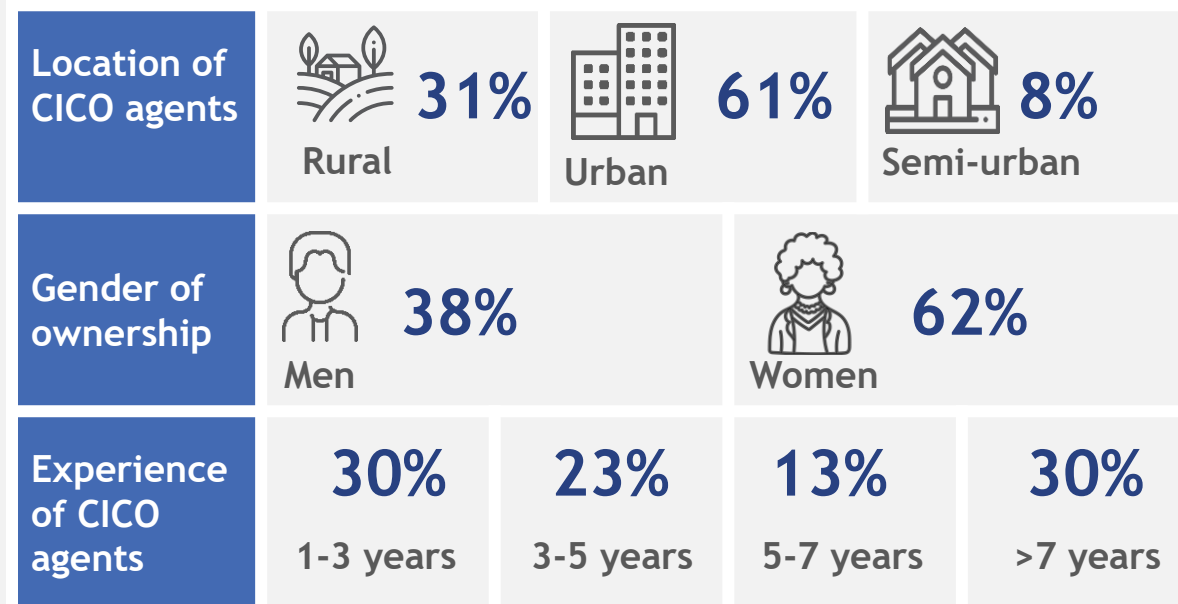
### Note:

Inua Jamii\* - This refers to the Government of Kenya's (GoK's) flagship National Safety Net Program (NSNP) designed to support vulnerable beneficiaries including the elderly, orphans and vulnerable children, and persons with severe disabilities. The objective of Inua Jamii is to improve the lives of poor and vulnerable citizens of Kenya through regular and reliable bi-monthly cash transfers.

This is not an exhaustive list of the measures taken to provide relief against COVID-19; Details are based on information available till September 2020; Source: Government of Kenya; Central Bank of Kenya; others

## Annex 3: Respondents' profile

### Qualitative research: A sample profile of 13 CICO agents



### Qualitative research: A sample profile of 13 CICO agents



Notes:

- All CICO agents in the sample are non-exclusive
- The sample does not represent the overall CICO agents in Kenya

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**550+**  
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publications

Assisted development of digital G2P services used by **875 million+** people

Implemented **>850 DFS projects**

Developed **275+ FI products** and channels now used by **55 million+** people

**Trained 9,000+** leading FI specialists globally

## Some of our partners and clients





## This is SCBF...

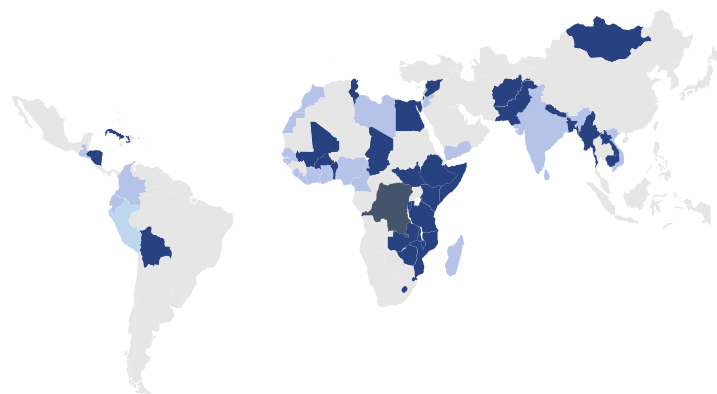
- SCBF co-funds **technical assistance (TA) grants** to develop client-centric **financial products, channels and services** for the low-income clients in developing countries
- Target end-clients:** low-income populations; particularly, women, smallholder farmers, micro, small and medium enterprises (MSMEs) and rural populations
- Goals:** Build resilience, economic empowerment, and access to essential services



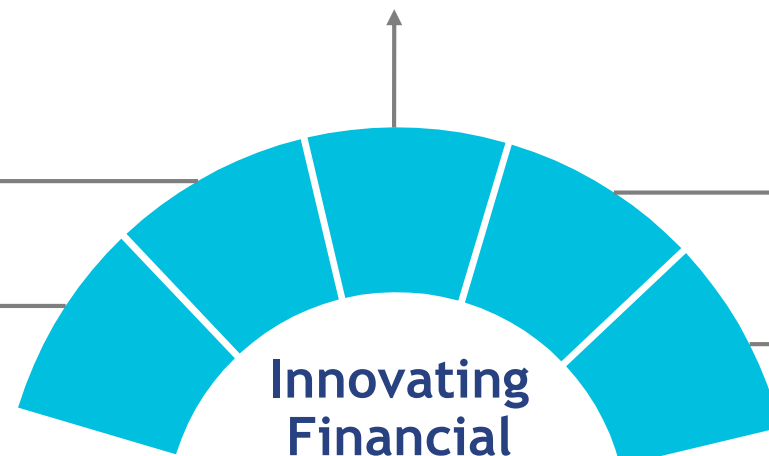
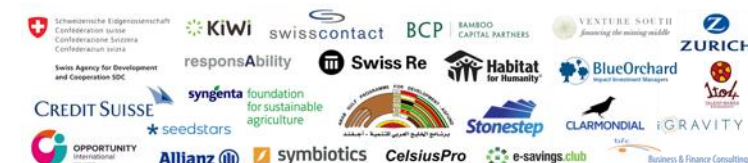
## Outreach

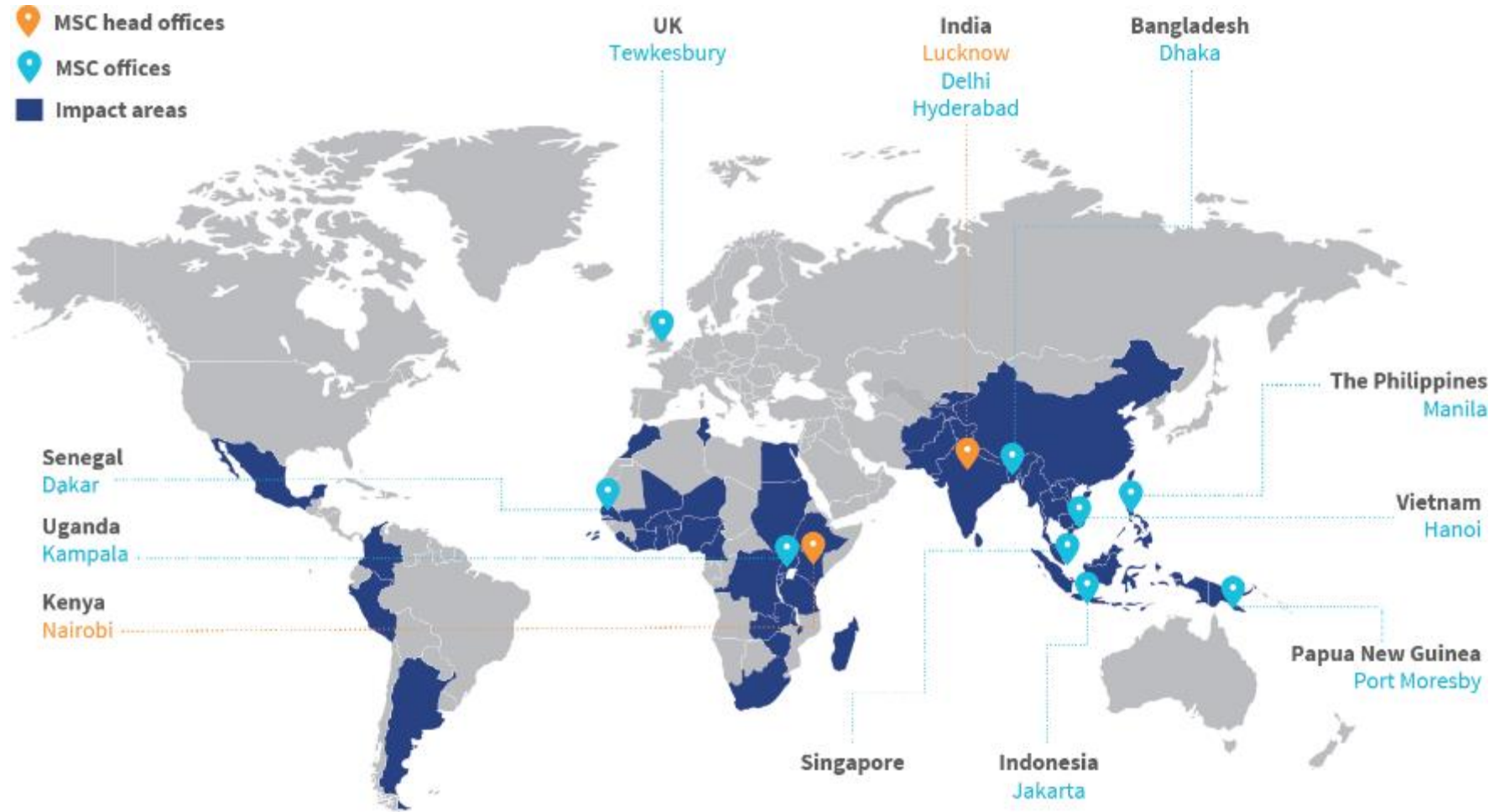
<b>2.1M+</b> Low-income clients	<b>91+</b> Partner Financial Institutions	<b>43</b> Countries
<b>59%</b> Low-income women	<b>36+</b> Technical Assistance Providers	<b>55%</b> Rural clients

## Eligible Countries



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