



**PRESS RELEASE
FOR IMMEDIATE RELEASE**

ISSER calls on MoMo stakeholders to dialogue on finding a fair and sustainable compensation model for MoMo agents without jeopardizing financial inclusion

This is a position paper by the Retail Finance Distribution Network (ReFinD), ISSER on the 30th of November press release by the Mobile Money Agents Association of Ghana. The press statement, titled “**Fair Compensation to Mobile Money Agents**” announced a decision to restrict withdrawals to a maximum of GHS1,000.00 per transaction for a month, with the possibility for further action if no favorable adjustment is made to their compensation by the Telcos. ISSER is primarily of the view that MoMo agents have become one of the most important drivers of financial inclusion in Ghana and this action has the potential to derail the gains made so far. There is therefore a need for dialogue to address the impasse.

Mobile Money (MoMo) has become the lead driver of financial inclusion in Ghana - accounting for about two-thirds of Ghana’s remarkable achievement of 95% financial inclusion rate, according to the Ghana Financial Sector 2021 Demand Side Survey. Mobile Money Agents have remained the wheels for extending the reach of MoMo across the country. It highlights that MoMo agents represent the closest formal financial service provider to consumers across the country with 92% and 76% of adults reaching a MoMo agent in less than 30 minutes in the urban and rural areas, respectively. Hence, MoMo agents have become integral to the financial inclusion architecture of the country. Therefore, any change to their operations will impact the country’s financial inclusion progress.

ISSER understands that the recent industrial action hinges on a demand for fair compensation for a sustainable business case by the agents. Under the current compensation structure, a flat fee of GHS10.00 is deducted from transactions of GHS1000.00 and above. The GHS10.00 is then shared between the agent (40%) and the MoMo provider (60%). Thus, a transaction of GHS5000 will earn the MoMo agent a commission of GHS 4 under the old model. With this new action by the agents, a withdrawal of GHS 5000 will earn the agents GHS 20 since the customer has to make 5 withdrawals of GHS 1,000 each to receive the desired GHS 5,000. However, this will cost the customer GHS 50, an increase of GHS 40 from the old rates.

ISSER is of the view that a unilateral action has the potential to derail the gains made in financial inclusion and the development of a cash-lite economy as detailed below:

(i) *The potential impact could be extensive, especially to underserved and last mile communities*

On average, 76% of mobile money agents are within 30 minutes of reach of consumers in rural areas. On the other hand, it takes 2 hours for over 50% of rural dwellers to reach an ATM, with only about 40% being able to reach a bank or microfinance in 2 hours.

This shows that for many consumers in rural areas, ATMs, banks, and Microfinance Institutions are not an option, and will be confronted with the options of either enduring the high transaction costs or resorting to cash.

(ii) *The action could derail gains made in the digitization of MSMEs and progress in cash lite economy*

We acknowledge that the proposed rate will have minimal impact on small-value transactions. However, it stands to adversely impact micro, small and medium, enterprises who rely on MoMo for their financial transactions. Worthy of attention is the potential impact on micro and small enterprises, especially traders and farmers within the agricultural value chains concentrated in rural areas. For these segments, especially traders/transporters of foodstuffs who rely on MoMo to address security concerns with carrying cash across the country - an increase in cost is likely to be transferred to consumers. This can be a trigger for both food and non-food inflation. Beyond this, the developing social media-driven e-commerce ecosystem which relies on MoMo for payment will also see the transfer of this % charge to consumers.

(iii) *A need for regulatory guidance on market dominance and competition in the agent network industry.*

Increasingly, the delivery of financial services by MoMo agents is becoming a critical social and economic utility service, with a direct impact on the livelihood of consumers and, to some extent, the stability of the country's financial system.

While an industry group (through the unionization of the regional associations into one national entity) can be beneficial to capacity development, negotiations, and peer management, the current industrial action highlights the potential for undue market power by a sole entity. ISSER calls on relevant regulators with oversight on the agent network industry and competition to be informed by this action to take steps to develop further guidance on issues around market dominance and competition within the agent network industry.

(iv) *Call for an evidence-based dialogue on improving incentives for MoMo agents*

We acknowledge that the regulator does not have a role to play in the negotiation of business between MoMo providers and their agents. However, given the scale and extensive potential of the operation of agents on the livelihoods and welfare of consumers, ISSER calls on the regulator to intervene as a referee to bring the two parties to the negotiating table.

We encourage all parties to be guided and informed by evidence in negotiations to ensure equity and fairness in the structuring of compensation and value sharing between MoMo providers and their agents. Negotiated outcomes should aim to keep agents in business without jeopardizing gains made in financial inclusion. Parties should take into consideration the cost of operation for agents, the pricing mechanisms of the providers and agents, and the profitability and security of agents among others. Stakeholders could also consider the compensation structure across peer markets within Africa and Asia to serve as benchmarks. To this end, ISSER, through its [Retail Finance Distribution \(ReFinD\) research initiative](#), is committed to serve as a research partner to support the process.

Conclusion

In conclusion, ISSER acknowledges the concern of MoMo agents for an improvement in compensation. However, we wish to caution that the current unilateral action can be detrimental to gains made in financial inclusion and the transition to a cash-lite economy. In the medium to long term, the sharp increase in the cost of withdrawal will drive customers away and inadvertently reduce the profitability of agents. We call on all stakeholders to resort to evidence-based dialogue for a fair compensation model that will not jeopardize gains made in financial inclusion.

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