About MicroSave Consulting

MicroSave Consulting (MSC) is a boutique consulting firm that has, for 20 years, pushed the world towards meaningful financial, social, and economic inclusion. We are a globally trusted, yet locally based organization that offers high-quality, practical market-led solutions to accelerate financial, economic, and social inclusion in the digital age.

With about 190 staff of different nationalities and varied expertise, MSC is proud to be working in over 50 developing countries. We have offices in Bangladesh, India, Indonesia, Kenya, Philippines, Senegal, Singapore, Vietnam, Uganda, and the United Kingdom.

We work with participants in financial, economic, and social ecosystems to achieve sustainable performance improvements and unlock enduring value. Our clients include governments, donors, private sector corporations, and local businesses. We can help you seize the digital opportunity, address the mass market, and future-proof your operations.
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Objectives of the module

After going through this module, you will be able to understand...

01 The genesis of agents in India

02 Agent models in India and the role of various stakeholders

03 Services provided by different agents

04 How agent businesses can be viable

05 How G2P payments drive transactions at agent outlets

06 Training and capacity-building of agents

07 Challenges faced by agents and agent networks

08 Challenges faced by agent network managers

09 Insights from ANA study conducted by MSC
The genesis of agents in India

Agent banking provides an alternative to ensure access to financial services in remote areas

RBI introduced the agent banking (business correspondent) model in 2006. Banks were allowed to engage non-bank intermediaries as business correspondents (BC*) to extend basic banking services.

Factors that necessitated the agent network model

01. The low viability of the setup of bank branches in rural areas
02. The reluctance of bank staff to serve in rural areas
03. The distance of villages from bank branches
04. The high interest rates from moneylenders
05. The government’s push for financial inclusion

*Individual agents are referred to as business correspondents in India. This terminology was changed to Bank Mitr in 2014.
Agent networks

Evolution: Agent networks accelerated financial inclusion in India and the launch of PMJDY scheme improved the business case and sustainability for them

2006
RBI allowed not-for-profit organizations to become intermediaries/business facilitators (BFs) and business correspondents (BCs):
- Individual BCs (agents)
- Corporate BCs or Business Correspondent Network Managers* (BCNMs)

2008
A committee headed by former Executive Director of the RBI, R. B. Barman, recommended a framework for Electronic Benefit Transfer (EBT) for government-to-person (G2P) payments through banks and BCs.
Different state governments began pilot-testing digitization of G2P payments. BC and agent networks were also expanded to remote rural areas with the EBT initiative.

2010
RBI allowed for-profit organizations to become BC agents. Retired employees and Common Service Centers (CSCs) were also allowed to become BC agents.

2014
The national mission for financial inclusion Pradhan Mantri Jan Dhan Yojana (PMJDY)—led to a scale-up of the BC model. BCs were renamed “Bank Mitr” (bank friend) after the launch.

2015-19
RBI issued licenses to 11 payments banks and seven banks are currently operational after four surrendered their license.
Many initiatives in Direct Benefit Transfers (DBT) enabled increased transactions at BC outlets as government subsidies were credited directly to the accounts of beneficiaries.

* BCNMs are equivalent to Agent Network Managers (ANMs) in other countries
The type of agent is determined based on appointment and services provided

Appointment

Exclusivity

Dedication

Direct to banks: Agents who are appointed directly by the banks (individual)
BCNM managed: Agents who are appointed by BCNMs

Exclusive agents: Agents who provide products and services exclusively for one financial institution
Non-exclusive agents: Agents who provide products and services for more than one financial institution

Dedicated agents: Agents who work exclusively as BCs
Non-dedicated agents: BC agents who have other sources of income, such as an agent who is also a shop owner
Banks manage 31% of agents directly, while BCNMs manage the remaining 69% — a trend that is similar across locations

<table>
<thead>
<tr>
<th>Agents managed by BCNMs</th>
<th>Agents managed by banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Perform a median of 35 transactions daily compared to 25 conducted by agents managed by banks</td>
<td></td>
</tr>
<tr>
<td>- Offer more services (median 7) compared to agents managed by banks (median 6)</td>
<td></td>
</tr>
<tr>
<td>- Comprise a larger proportion of agents who offer interoperability (79%) compared to agents managed by banks (70%)</td>
<td></td>
</tr>
<tr>
<td>- Comprise a larger proportion of agents who offer G2P services (70%) compared to agents managed by banks (67%)</td>
<td></td>
</tr>
<tr>
<td>- Comprise a larger proportion of agents who receive refresher training (96%) than agents managed by BCNMs (84%)</td>
<td></td>
</tr>
<tr>
<td>- Experience less service downtime (46%) compared to agents managed by BCNMs (63%)</td>
<td></td>
</tr>
<tr>
<td>- Realize higher profits (USD 39) compared to agents managed by BCNMs (USD 31)</td>
<td></td>
</tr>
<tr>
<td>- Comprise a smaller proportion of agents who make losses (28%) compared to agents managed by BCNMs (30%)</td>
<td></td>
</tr>
</tbody>
</table>

Banks led the agent banking models with active support from BCNMs to elevate financial inclusion and support various DBT programs

Model-I: Agents managed by BCNMs

1. Bank
2. BCNM or ANM
3. Super agents
4. Agents
5. Customers
Model-II: Agents managed by banks

- In Model-I, banks contract the BCNMs or agent network managers (ANMs) to build and manage agent networks as per the policies of the bank. For example, Sanjivani Vikas Foundation is a BCNM for various banks including SBI and PNB, among others.
- Model-II is led by the banks. The bank branches are involved in the recruiting and managing of agents. For example, Syndicate Bank has its own network of agents.
- A few banks are also implementing a hybrid model by combining model-I and model-II. Example, PNB has both model I and II.
Depending on the model, banks or BCNMs help build and manage agent networks effectively

<table>
<thead>
<tr>
<th>Activity</th>
<th>Sub-activities</th>
<th>Model-I: Agents managed by BCNs</th>
<th>Model-II: Agents managed by banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agent onboarding</td>
<td>Market scoping, pitching, selection, contract execution, delivery of business tools, and branding</td>
<td>BCNM staff are responsible for onboarding the agents</td>
<td>Branch staff from the bank are involved in onboarding the agents</td>
</tr>
<tr>
<td>Agent training</td>
<td>Communicating policies, products and services, processes, customer service and education, and risk management to agents</td>
<td>BCNM staff are responsible for training the agents</td>
<td>Branch staff are responsible for training</td>
</tr>
<tr>
<td>Liquidity management</td>
<td>Maintaining sufficient e-value and cash to provide reliable services to customers</td>
<td>• BCNM staff are responsible for supporting the agents in liquidity management</td>
<td>• Branch staff are responsible for supporting the agents</td>
</tr>
<tr>
<td></td>
<td>• Agents visit bank branches to rebalance float and cash</td>
<td>• Agents visit bank branches for rebalancing float and cash</td>
<td></td>
</tr>
<tr>
<td>Agent monitoring</td>
<td>Overseeing agents’ financial performance, operations, verifying compliance with brand, policies and procedures, and providing support</td>
<td>• BCNM staff are responsible for monitoring the agents</td>
<td>• Branch staff are involved in regular monitoring</td>
</tr>
<tr>
<td></td>
<td>• Bank staff conducts random agent visits to ensure monitoring and support</td>
<td>• The Branch Manager conducts random visits to ensure monitoring and support</td>
<td></td>
</tr>
</tbody>
</table>

Agent management toolkit, CGAP
The hub-and-spoke model of banking, using agents, is working effectively within and outside India

This model is based on having a centrally located, full-service branch that is supplemented by smaller, automated locations using ATMs or kiosks to complement online banking and offer customer services.

Globally, many financial institutions have operated successfully with hub-and-spoke models using small branches, agents, and mobile vans. Some examples are Equity Bank in Kenya, Access Bank in Nigeria, DBS Bank in Singapore, United Arab Bank in UAE, Royal Bank of Scotland in the UK, and many other banks and credit unions in the USA.

The case for moving to a hub-and-spoke banking model, ARCA
Money on wheels: the hub and spoke approach, NCR, August 2014
ANMs in India are adopting emerging good practises, resulting in efficiency improvements, reduction in costs, and better quality services

**Agent onboarding**

EKO’s new agent onboarding system has an e-KYC process to onboard agents. Potential agents can visit EKO’s website for self-registration. This has reduced the time and cost that officers had to spend collecting physical documents to onboard agents.

**Agent training**

A large provider in India uses interactive voice response (IVR) to assess training effectiveness after agents have undergone a video-based training session. The IVR system asks a set of questions that agents must answer correctly. The apex organization of BCs, BCFI, also offers a training and professional certification for agents.

**Liquidity management**

FINO in India has dedicated staff members who deliver and pick up cash, relieving agents of the time and expenses associated with rebalancing. Furthermore, FINO pays “super customers”, who are usually well-off villagers, to be “on-call” to make deposits with the FINO agent if the agent requires immediate access to cash to enable other customer transactions.

**Agent monitoring**

EKO in India introduced float monitoring dashboards. EKO reports monitoring agent liquidity levels every four hours on its dashboards. NovoPay introduced a centralized command center and dashboard to monitor agent outlet activities in terms of their operations and transactions.
Committees involving government and bank officials monitor financial inclusion and government initiatives implemented through agent networks

- **State or UT-level bankers’ committee** (Population range 500,000 – 200 million)
- **District-level bankers’ committee** (Population range 80,000 – 11 million)
- **Block-level bankers’ committee** (Population range 70,000 – 100,000)

**Banking services penetration**
- Clustering or mapping of villages with base branches
- Identifying unbanked areas
- Planning for banking penetration for both branches and agents

**Monitoring and oversight**
- Monitoring and implementation of the ‘Annual Credit Plan’
- Regular reviews of the performance and conduct of the BCs
- Conduct surprise visits to monitor the implementation of DBT programs

**Awareness and training**
- Coordinate financial literacy camps, agent training, and rural bank branch staff
- Hold annual sensitization workshops for banks and Government officials
- Arrange for quarterly meetings on public awareness, feedback, and resolution of grievances
New players have emerged but public sector banks continue to lead initiatives in India

**Agent presence***

- **State Bank of India:** 38%
  - Metro: 23%
  - Non-metro urban: 8%
  - Rural: 42%

- **Other public sector banks:** 35%
  - Metro: 20%
  - Non-metro urban: 34%
  - Rural: 41%

- **Public sector banks:** 14%
  - Metro: 42%
  - Non-metro urban: 7%
  - Rural: 4%

- **Payments banks:** 7%
  - Metro: 15%
  - Non-metro urban: 9%
  - Rural: 2%

- **Regional-rural Bank:** 6%
  - Metro: 0%
  - Non-metro urban: 2%
  - Rural: 11%

- In metro areas, private sector banks dominate and have almost the same presence as all public sector banks combined.

- Public sector banks dominate the rural areas, with a total of 83% of the market share.

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*Agent market presence is defined as the proportion of provider tills. For example, if an agent serves three providers it is counted three times.

**Note:** Other public sector banks: Banks where a government holds the majority stake. Private Sector Banks: Banks where private shareholders hold the majority stake. Regional Rural Banks: Local-level banking organizations that serve rural areas. Payments Banks: A new model of banks that can accept restricted deposits, but cannot issue credit.
Services offered by different agents

Banking agents in India provide a range of services to customers. They are allowed to conduct basic transactions such as: Account opening, cash-in/cash-out, bank transfer, recurring deposit, fixed deposit, loan repayment etc. They also provide services for extended products like insurance and pension. Depending on the type of BC, they can help the banks in creating awareness about basic financial products, and collection of applications and documents for the products. BCs in India can also provide services for registration under various government schemes, utility bill payments, and mobile phone top-up.
Rural agents offer a median of seven services compared to two services offered by metro agents.

G2P facilitation services have diversified the portfolios of agents in the past two years, primarily for rural and non-metro urban agents.

70% of agents either open a general bank account or a PMJDY account. Among those who do not offer any account opening services, 50% are in the metro areas.

Some agents also reported that they facilitate fixed deposits or recurring (contractual) deposit transactions (17%), subsidy registrations (3%), ticketing (7%), and insurance premium payments (5%).
India has fewer non-exclusive agents compared to most countries

Non-exclusivity: ANA research countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>4%</td>
<td>13%</td>
<td>72%</td>
<td>70%</td>
<td>64%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>4%</td>
<td>13%</td>
<td>72%</td>
<td>70%</td>
<td>64%</td>
</tr>
<tr>
<td>Uganda</td>
<td>16%</td>
<td>64%</td>
<td>66%</td>
<td>78%</td>
<td>72%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>57%</td>
<td>56%</td>
<td>66%</td>
<td>78%</td>
<td>72%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>66%</td>
<td>78%</td>
<td>72%</td>
<td>78%</td>
<td>72%</td>
</tr>
<tr>
<td>Zambia</td>
<td>9%</td>
<td>66%</td>
<td>66%</td>
<td>78%</td>
<td>72%</td>
</tr>
<tr>
<td>Senegal</td>
<td>66%</td>
<td>78%</td>
<td>72%</td>
<td>78%</td>
<td>72%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>4%</td>
<td>66%</td>
<td>66%</td>
<td>78%</td>
<td>72%</td>
</tr>
<tr>
<td>India</td>
<td>11%</td>
<td>6%</td>
<td>66%</td>
<td>78%</td>
<td>72%</td>
</tr>
</tbody>
</table>

Non-exclusive agents are agents who provide products and services for more than one financial institution.
India has fewer non-dedicated agents compared to most countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>54%</td>
<td>64%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>30%</td>
<td>57%</td>
</tr>
<tr>
<td>Uganda</td>
<td>37%</td>
<td>37%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>96%</td>
<td>94%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>77%</td>
<td>96%</td>
</tr>
<tr>
<td>Zambia</td>
<td>51%</td>
<td></td>
</tr>
<tr>
<td>Senegal</td>
<td></td>
<td>76%</td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
<td>96%</td>
</tr>
<tr>
<td>India</td>
<td>33%</td>
<td>55%</td>
</tr>
</tbody>
</table>

Non-dedicated agents are BC agents who have other sources of income, such as an agent who is also a shop owner.
G2P payment facilitation and CICO have helped Indian agents to more than double their median daily transactions and revenues in two years.

- Rural agents have witnessed an almost three-fold increase in the number of daily transactions—indicating the growing use of agents for banking services
- Government-to-person (G2P)-related services are a major contributor to this increase

The median earnings of Indian agents has more than doubled from USD 40 in 2015 to USD 93 in 2017.

The increase in the volume of transactions, primarily cash-in and cash-out (CICO) and G2P payment facilitation services, have driven much of the increase in revenue.
RBI has established clear guidelines for agreement on the cash limits, receipts, records, and responsibility of banks

- Limit on cash holding by BCs
- Limit on individual customer cash payments, deposits, and withdrawal
- Issuing receipts for all cash collected from the customers on behalf of the bank
- Maintaining records for all offline transactions
- By end of the month, ensure that the books provided by the bank reflect all records
- All BC agreements should clearly specify that the bank is responsible to the customer for any issue faced by them and the commission paid to the agent

Agent networks
Agent viability and remuneration structure

The agent remuneration system varies depending on the type of BCs

1. Individual BCs and corporate BCs have different compensation structures

2. All BCs have a fixed component (salary), a variable component based on the number of transactions, and a product-specific component

3. Indian Banks’ Association (IBA), RBI, NPCI, BCFI, and TCS decided that a minimum monthly remuneration of USD 71 (INR 5,000) should be given to all bank-appointed BCs

4. Banks may pay a reasonable commission or fee to the BC, the rate and quantum of which may be reviewed periodically
Some part of the variable remuneration could be deferred or clawed back in case services are determined to be deficient.

In the case of BCNM-appointed BCs, the commission is paid to the BCNM and BCs receive their share from this. The BC’s share depends on the agreement between the BCNM and BC; the bank plays no role in determining this.

Banks (and not BCs) are permitted to collect reasonable service charges from the customers in a transparent manner.

For a few services, BCs are permitted to charge a small fee based on the agreement with the bank. Such fees should be clearly communicated to the customers through brochures or posters.
G2P facilitation is the major driver of transactions for rural and non-metro urban agents and has also helped improve compliance.

<table>
<thead>
<tr>
<th>G2P facilitation services offered by location</th>
<th>Metro</th>
<th>Non-metro urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance Registration (government)</td>
<td>8%</td>
<td>43%</td>
<td>49%</td>
</tr>
<tr>
<td>Pension registration</td>
<td>6%</td>
<td>40%</td>
<td>48%</td>
</tr>
<tr>
<td>Scholarship registration</td>
<td>1%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>Subsidy registration</td>
<td>1%</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Linking Aadhaar to bank</td>
<td>18%</td>
<td>69%</td>
<td>74%</td>
</tr>
</tbody>
</table>

- At the country-level, 69% of agents offer at least one of the government services.
- Close to four-fifths of agents in rural and non-metro urban areas offer a G2P service.

Compliance of agents offering G2P services against agents that do not offer G2P services

<table>
<thead>
<tr>
<th>Compliance of agents offering G2P services against agents that do not offer G2P services</th>
<th>Agents (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Display transaction limit</td>
<td>71%</td>
</tr>
<tr>
<td>Display grievance mechanism</td>
<td>69%</td>
</tr>
<tr>
<td>Display agent ID</td>
<td>67%</td>
</tr>
<tr>
<td>Display stationery</td>
<td>80%</td>
</tr>
</tbody>
</table>

G2P agents are more compliant—a factor that has contributed to the increase in the number of transactions.
PMJDY accounts and DBT transactions for G2P programs drive transactions and customer activity, especially in rural areas.

### Median number of transactions per month

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash-in</strong></td>
<td>90</td>
<td>300</td>
</tr>
<tr>
<td><strong>Cash-out</strong></td>
<td>90</td>
<td>450</td>
</tr>
<tr>
<td><strong>Domestic remittance</strong></td>
<td>30</td>
<td>150</td>
</tr>
</tbody>
</table>

### Median number of CICO Transactions per month (location-wise)

<table>
<thead>
<tr>
<th>Location</th>
<th>Cash-In</th>
<th>Cash-Out</th>
<th>Domestic Remittance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>300</td>
<td>600</td>
<td>120</td>
</tr>
<tr>
<td>Non-metro urban</td>
<td>300</td>
<td>300</td>
<td>150</td>
</tr>
<tr>
<td>Metro</td>
<td>300</td>
<td>300</td>
<td>210</td>
</tr>
</tbody>
</table>

#### Cash-In, Cash-Out, Domestic Remittance
High operating expenses are still a **cause for concern** for the Indian agents

### Operating costs (USD) per month

<table>
<thead>
<tr>
<th>Country</th>
<th>Opex</th>
<th>PPP Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>India 2017</td>
<td>62%</td>
<td>207%</td>
</tr>
<tr>
<td>Kenya 2014</td>
<td>35%</td>
<td>70%</td>
</tr>
<tr>
<td>Pakistan 2017</td>
<td>28%</td>
<td>93%</td>
</tr>
<tr>
<td>Senegal 2015</td>
<td>16%</td>
<td>32%</td>
</tr>
<tr>
<td>Bangladesh 2016</td>
<td>13%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Key contributors to high operating expenses are monthly rent, utility payments, and staff salaries, as well as the high cost of technology, such as computers or tablets and power back-up systems that agents are required to maintain. Yet, the crux of the issue lies with dedication. The agency business must be able to cover the operating expenses of dedicated agents; whereas agency is an additional line of business for non-dedicated agents, and thus represents a marginal cost.

Dedicated agents seem to have significantly high operating expenses in all geographies. Also, 36% of dedicated agents realize losses compared to just 21% of non-dedicated agents.

For Indian and similar markets, providers might try the concept of **service and sales agents**. In this model, sales agents offer a full range of services including new registrations and non-financial services, while service agents offer CICO services alone.
Agent networks

Training and capacity-building of agents

Agent training has been institutionalized to ensure effective capacity-building

1. Banks are responsible for proper training and capacity-building of all agents hired by them. In the case of corporate BCs, the BCNM is responsible for the training sessions with bank support.

2. The nearest bank branch to which the BC is attached also plays an important role in capacity-building of BCs.

To strengthen the capacity-building of BCs

3. The Indian Institute of Banking and Finance (IIBF) offers a certification course for BCs, while BCFI offers an online training and professional certification for agents.

4. NABARD advised banks that the Financial Inclusion Fund will help successful candidates meet a portion of their setup cost to start BC services.

5. e-Paathshala is another initiative that comprises an innovative and transformative library of financial literacy digital assets created for capacity-building of Bank Mitrs, bank officials, and customers.
Instances of training have increased

However, more training is still required

<table>
<thead>
<tr>
<th>Topics in which agents need more training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processing transactions as per guidelines</td>
</tr>
<tr>
<td>Using transactional device</td>
</tr>
<tr>
<td>Using portal for transactions</td>
</tr>
<tr>
<td>Teaching customers</td>
</tr>
<tr>
<td>Handling of documents</td>
</tr>
</tbody>
</table>

31% of agents report that they do not need any further training. This proportion is particularly high in metro areas (46%).

Banks or BCNMds are responsible for ensuring BCS operate efficiently in the field

Day-to-day operations
- Operating POS or biometric device
- Troubleshooting common errors
- Cash handling and security measures
- Compliance around KYC and customer services
- Agent outlet branding

Products
- Deposit and withdrawal transactions
- Savings products (FD or RD accounts)
- Remittances to customer accounts
- Types of bank accounts
- Investment products: Micro-insurance, pension, mutual funds
- Credit or loan products
- Limit on services Fees relating to different products

Financial education
- Compensation or remuneration structure
- Principles of lending with special reference to rural and retail lending
- Budgeting
- Reconciliation and preparation of daily reports
- Recording of transactions
- Tax compliance from an agent perspective

Customer grievance
- Principles of good customer service
- Using an escalation matrix to manage grievances
- Receipt and documentation of customer grievances
- Escalation to the bank branch
- Communication, relationship management or soft skills
- Reporting channels and their use

Topics in which agents need more training

- 26% Processing transactions as per guidelines
- 21% Using transactional device
- 20% Using portal for transactions
- 11% Teaching customers
- 9% Handling of documents

31% of agents report that they do not need any further training. This proportion is particularly high in metro areas (46%).
Challenges faced by agent networks and agents

Agent sustainability and density remain causes of concern

Commissions paid for G2P payments (DBT transactions) are extremely low at 1%. Instead, an adequate commission would be 3%.

The presence of an active agent network depends solely on healthy transactional agent economics. It is understandable that agents who do not reach a critical mass of customers become dormant or leave the agency business.

Agents in India earn far less than their counterparts in other countries in Asia and Africa. Worryingly, even though agent profitability in India has doubled in the past two years, about one-third of agents continue to make losses.

Transaction volumes, and in turn, agent commissions decrease when customers use ATMs or bank branches to manage transactions.

Service downtime continues to rise, causing dissatisfaction among agents and customers. The average downtime duration was one hour and 20 minutes per day.

Although monitoring visits help to increase transactions, regular monthly monitoring of agents is deteriorating, which has resulted in a lack of compliance.

Inadequate “financial access points” in India, especially agents, continue to be a challenge for low-income segments—both in terms of numbers and geospatial distribution.
BCs face various other challenges that affect financial inclusion

Operational and technical challenges

**Security, fraud and data management risks**
- Handling of high volumes of cash
- Risk of fraud to agents and customers
- Customer data protection

**Insufficient training around**
- The use of POS devices and clearing of minor errors
- Financial products at agent outlets
- Operational procedures

**Slow adoption of agency banking**
- Prevalence of low-income segments
- Inadequate consumer education
- Distance from agent locations
- Low Internet penetration

**Inadequate support from the bank branch**
- Lack of recognition of or referral to agents
- Lack of visits to agent locations
- Delay in account activation
- Delay in grievance resolution

**Technological challenges**
- Service downtime
- Network unavailability
- Device breakdowns
- Biometric denials

**Inadequate capacity**
- Literacy levels of agent staff
- Inability of BCNMs to manage BC operations due to limited scale or lack of resources

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*Business Correspondents and Facilitators: Pathway to Financial Inclusion?, Inclusive Finance India*
*PMJDY wave III assessment, MSC*
*Indian DFS landscape is changing: Insights from State of the Agent Network India, 2017 (ANA) Wave II Research, MSC*
Female BC agents have added challenges, though they do help ensure that more women are financially included and use their bank accounts actively.

The Financial Inclusion Insights Wave IV India report reveals a significant gender gap in terms of access to formal financial services. In 2016, 33% of women had active bank accounts as compared to 47% of men, but advanced active* usage was seen in only 6% and 10% accounts for women and men respectively.

Female agents in India perform at par with male agents in terms of running the business, especially in rural areas. Still, they face various challenges.

- They do not receive similar levels of support from providers in terms of cash or e-money delivery, and training sessions.
- They find it difficult to establish a good rapport with the staff of service providers, who are mostly male.
- They find it challenging to handle difficult customers, particularly men.

Some steps that could increase participation from women agents:

- Parity in terms of onboarding efforts, monitoring, and support offered to male and female agents.
- Training the service providers’ male staff on soft skills as it pertains to gender sensitivity.
- Utilizing the SHG model to get more women agents onboarded in the village.

Women agents in India:

- Have acquired 51% of the women customer base
- Enjoy a presence of 71% in rural areas, of which 65% are dedicated solely to agency banking services
- Conduct 37 median number of transactions against 31 for male agents
- Earn a median revenue of USD 78 against the median revenue of USD 93 for male agents
- Bring in a median profit of USD 23 against a profit of USD 34 for male agents

*Accounts using advanced features such as bill pay, buy airtime, save or set aside money, pay for goods or groceries, loan activity, etc.
### A brief overview of ANA India conducted by MSC in 2017

**Agent Network Accelerator** (ANA) was a four-year research project on Agent network models conducted by MSC in 11 focus countries with the financial support of the Bill & Melinda Gates Foundation and the United Nations Capital Development Fund (UNCDF), with the objective of understanding agent models employed in different jurisdictions.

### Key findings on Agent networks in India

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>1</td>
<td>New players, such as payments banks and common service centers, have emerged as banks consolidate agent management and focus on refresher training.</td>
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<tr>
<td>2</td>
<td>Transactions, revenues, and profitability have increased as a result of use-cases provided by banking services and G2P payments.</td>
</tr>
<tr>
<td>3</td>
<td>Agent recruitment has reduced, as providers increasingly look to enhance existing operations.</td>
</tr>
<tr>
<td>4</td>
<td>High operating costs and agent dedication have an impact on profitability.</td>
</tr>
<tr>
<td>5</td>
<td>Increased instances of fraud is an area of concern.</td>
</tr>
<tr>
<td>6</td>
<td>Policy moves of interoperability and payment banks are reshaping the market.</td>
</tr>
</tbody>
</table>
In India, interoperability has led to higher revenues for agents though fraud is still a major concern

Agent interoperability in India

- 25 interoperated transactions per month
- Higher median monthly revenues (USD 101 vs USD 78 for those who are not interoperable)
- 61% offer money transfer services
- 28% offer balance inquiry services
- 70% offer cash-in services
- 60% offer cash-out services

76% of agents conduct interoperable transactions
**Fraud and theft**

USD 115 is the median amount of loss per agent due to fraud in 2017.

**Reporting of fraud**

- 42% did not report
- 32% reported to provider
- 30% reported to BCNM

**Most common frauds reported**

- 14% Fake or demonetized currency notes
- 9% Unauthorized reversal of transactions
- 6% Higher than actual amount deposited for customers

**Emerging compliance concerns**

- 35% Agents entering the PIN on behalf of customers
- 24% Manually prepared transaction slips by agents

**Reasons for agent non-compliance with interoperability**

- Bank does not allow interoperable transactions (41%)
- Customers do not request interoperable services (25%)
- The transaction money gets stuck somewhere and agents do not have visibility on it (17%)
  - Longer transaction time
  - Difficulty in processing
  - Not recommended by provider or BCNM
BCNMs or corporate BCs are the intermediaries appointed by banks to recruit and manage BC agents

Procedure to appoint a BCNM, an example from Central Bank of India

- Check eligibility
- Analyze security deposit provision and performance bank guarantee
- Select the lowest bidder who fits all criteria

Scheduled commercial banks, including Regional Rural Banks* (RRBs) and Local Area Banks** (LABs), are allowed to appoint BCNMs or corporate BCs, subject to compliance with specific guidelines.

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*RRBs are Indian scheduled banks that operate at a regional level created to serve primarily the rural areas with basic banking and financial services.

**LABs are small private banks that provide financial intermediation services in rural and semi-urban areas, comprising three contiguous districts.
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ANA</td>
<td>Agent Network Accelerator</td>
</tr>
<tr>
<td>BC</td>
<td>Business Correspondents</td>
</tr>
<tr>
<td>BF</td>
<td>Business Facilitator</td>
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<tr>
<td>BM</td>
<td>Bank <em>Mitr</em></td>
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<tr>
<td>BCNM</td>
<td>Business Correspondent Network Managers</td>
</tr>
<tr>
<td>BCFI</td>
<td>Business Correspondent Federation of India</td>
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<tr>
<td>CICO</td>
<td>Cash-in/ cash-out</td>
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<tr>
<td>CSC</td>
<td>Common Service Centers</td>
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<td>DBT</td>
<td>Direct Benefit Transfers</td>
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<td>EBT</td>
<td>Electronic Benefit Transfers</td>
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<td>FD</td>
<td>Fixed Deposit</td>
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<td>FLCC</td>
<td>Financial Literacy and Credit Counseling</td>
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<td>G2P</td>
<td>Government-to-Person</td>
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<td>IBA</td>
<td>Indian Banking Association</td>
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<tr>
<td>IVR</td>
<td>Interactive Voice Response</td>
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<td>KYC</td>
<td>Know Your Customer</td>
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<tr>
<td>NPCI</td>
<td>National Payments Corporation of India</td>
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<tr>
<td>PMJDY</td>
<td><em>Pradhan Mantri Jan Dhan Yojana</em></td>
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<td>PNB</td>
<td>Punjab National Bank</td>
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<td>PoS</td>
<td>Point of Sale</td>
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<td>RD</td>
<td>Recurring Deposit</td>
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<td>RBI</td>
<td>Reserve Bank of India</td>
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<tr>
<td>SHG</td>
<td>Self-Help Group</td>
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<td>SBI</td>
<td>State Bank of India</td>
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<tr>
<td>TCS</td>
<td>Tata Consultancy Services</td>
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<td>USD</td>
<td>United States Dollar</td>
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Asia head office
28/35, Ground Floor, Princeton Business Park, 16 Ashok Marg,
Lucknow, Uttar Pradesh, India 226001
Tel : +91-522-228-8783 | Fax : +91-522-406-3773
Email : manoj@microsave.net

Africa head office
Shelter Afrique House, Mamlaka Road, P.O. Box 76436,
Yaya 00508, Nairobi, Kenya
Tel : +25-420-272-4801 | Fax : +25-420-272-0133
Email : anup@microsave.net

www.microsave.net