

MicroSave India Focus Note 98

How to Make Optimum Use of Agent Networks (2/2)

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[India Focus Note 97](#) discussed the need for optimising the use of agent networks and enhancing the business case through undertaking business facilitation activities and leveraging the CSC infrastructure. This Note covers other potential opportunities that BCNMs can use to make their networks viable.

2. Offering Generic Payments Solutions

2.1 Over The Counter Money Transfer / Remittance

Over the counter money transfer or remittance services have witnessed significant success in the Indian e/m-banking space. State Bank of India's *Tatkal* product was an instant hit amongst the target population. It allowed walk in customers to transfer money to any SBI account in the country. Eko alone processed *Tatkal* transactions worth more than US\$120 million in 2010-11 in the Bihar-Delhi corridor.¹

Encouraged by the success of *Tatkal* other banks like Yes Bank, Union Bank, Axis Bank and so on, have started offering money transfer even outside of their bank network. Using the National Electronic Fund Transfer (NEFT) facility, they are able to transfer funds to other bank accounts on a near real time basis. These services have significant consumer pull and thereby offer immense potential to BCNMs.²

2.2 Ticketing Services / Utility Payments

Companies like Beam, ITZ, Oxigen, Suvidhaa are important players in the payment services space, aggregating for a range of utility service providers and air/road/rail transport companies. Clearly, the larger the set of utility and ticketing services on a common platform, the greater the value proposition for customers and agents alike. Agents usually receive a flat-rate commission for such transactions. Even 5-10 transactions a day can bring in an additional 5% to 20% revenue for the agents, supporting their business case.

3. Offering Customised Payments Solutions

3.1 Government Benefits Transfer and Payroll Processing

Disbursing benefits under a variety of government programmes - the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) the National Social Assistance Programme (NSAP) and scholarships for students, amongst others - have so far been focal point of many BCNMs in India. Progressive

governments in States like Andhra Pradesh have maintained the momentum by ensuring appropriate compensation is paid to the banks - typically 2% of the funds disbursed, of which 1% is normally earmarked for the BCNM. This provides steady income and greatly aids in making the ecosystem sustainable. This could however derail if the new BCNM selection process is adopted by banks.³

Some BCNMs are also exploring opportunities around processing regular government payments. One such initiative has been taken by Eko, where [salary payments to Accredited Social Health Activist \(ASHA\) workers](#), on behalf of state health department, are paid-out to their mobile accounts and accessed through a network of CSPs. Another project underway is using [FINO's distribution network to pay the tendu pata workers](#) in Uttar Pradesh. BCNMs together with their bank partners, should consider exploring similar other opportunities for undertaking salary/wage payments for government departments or even for private organisations with distributed and under-banked staff.

3.2 MFI Loan Disbursements and Repayments

Microfinance institutions (MFIs) have been contemplating how to make their operations cash-lite by processing loan repayments (if not always disbursements) leveraging BCNMs' agent networks. One such model is Eko-Saija partnership in Bihar, where the MFI, Saija, whose clients make their loan repayments through the Eko's agents.

BCNMs with extensive and well-functioning agent networks can explore managing loan disbursements and repayments for MFI institutions. The value to MFIs from outsourcing the management of disbursements would be substantive.⁴ This would, however, need tight integration between the MFI and the BCNM, with appropriate systems for risk and liquidity management. Using agent networks to receive loan repayments can be enabled more easily. This too could result in some cost savings for MFIs, while promising regular volumes and revenues for the agents. The outsourcing of disbursements could be introduced gradually through client accounts with BCNMs. Agents, due to their proximity and relationship, can even provide referrals of good clients to MFIs for a fee.

¹ See *MicroSave India Focus Note 68 "SBI Tatkal - From Cash to Cash Cow"*

² See *MicroSave Policy Brief # 3: Remittances - The Evolving Competitive Environment*

³ See *MicroSave Policy Brief # 7: Is the Business Correspondent Model in Policy Paralysis?*

⁴ Although the savings for MFIs using e/m-banking systems for loan disbursements are considerable - see [Sadana et al., "Analysis of Financial Institutions Riding the M-PESA Rails"](#)

However, such delivery models are still evolving, particularly given their likely impact on group dynamics⁵ and liquidity management at agents for high value MFI transactions (particularly disbursements). Furthermore, finding the right BCNM partners with compatible technology and agent coverage to operationalise such a delivery model remains a challenge for most MFIs.

3.3 Opportunities Around Agri-Value Chains

With much of the Indian population still dependent on agriculture and allied activities, opportunities exist to provide e/m-banking solutions to improve the efficiency of some agricultural value chains. In addition to acting as information channel for farmers, e/m-banking solutions can offer synergies as payment channels for different stakeholders in value chains. Value chains with regular payments to farmers, producers and casual labourers are best suited for such interventions. Several private sector banks (HDFC Bank, Axis Bank and ICICI Bank to name a few) in India are already leveraging their agri-branches and BC networks to offer suitably designed asset and liability products to various stakeholders in the value chain.

Potential interventions and opportunities in agri-value chains are evolving globally. A number of service providers in Africa are piloting payment solutions around coffee, milk, cocoa and tea value chains. The partnership of ZAP (now Airtel money) and Coca-Cola in Tanzania highlights how such payments solution can be used to address distribution challenges in rural areas.

The significance of such solutions for enhancing the viability of agent networks is immense as it pumps in more digital money into the ecosystem, eventually benefiting the service providers, especially the agents through increased transactions.

4. Selling Third Party Products

4.1 Insurance and Pension Products

BCNMs can also use the opportunities to sell third party insurance, pension (NPS-Lite and IIMPS), mutual funds and so on through BCs. Though there is a high risk of mis-selling complex insurance products like health, endowment plans, unit-linked insurance plans and so on. However, BCs can be effectively used for simpler insurance products like personal accident insurance, term life etc.⁶ There is high potential for these products amongst the rural and urban poor. Some insurance companies are also contemplating the appointment of exclusive microinsurance agents. If insurance companies could leverage the BC infrastructure to do this, they can avoid the pains of setting up their own agent network, and boost agents' viability.

Currently, a few BCNMs are selling insurance products in a few well-defined geographies. Out of eleven BCNM respondents in *MicroSave's* survey, five were offering insurance services. Eko has tied up with Bharti AXA to offer life insurance. FINO is providing health, life, personal accident and weather insurance under umbrella brand "FINOSURE", which has tie-ups with different third party insurance service providers. More such products can be added into the agents' offering, and this mixed product range should be extended across all geographies.

4.2 E-Top-Up for Mobile, DTH etc.

According to GSMA's [Global Mobile Money Adoption Survey \(2011\)](#), airtime top-ups (68%) and bill payments (5%) account for 73% of total mobile money transactions. With the mobile telephony revolutions starting in 2001, in more than 10 years, around 70% of Indians are using mobile phones.⁷ BCNMs are a good channel to sell talk time, particularly in rural and hard to reach markets.

The symbiotic relationship between BCNMs and telecom companies was recognised in the early days of BCNMs when retailers providing telecom recharge were appointed as BC agents. Some BCNMs like FINO, Oxigen etc. are already selling airtime top-up through their agent network. With retailer commissions ranging from 2.75% to 3% coupled with established demand, this is a good add-on to agents' revenue stream.

Conclusion

To achieve sustainability, BCNMs need to be innovative to identify opportunity areas, expand their service portfolio to drive sustainability and offer a winning consumer proposition. A focus shift to leverage agent network infrastructure more intensely is essential. This Note highlights the multiple opportunities that BCNMs can pursue. While some are evolving and more complex to implement, others are straightforward. BCNMs need to undertake the next steps to identify, assess fit, customise and roll out additional products to translate these opportunities into revenue streams.

⁵ See *MicroSave* [Briefing Note # 100 "Can Bank-led Models Really Deliver on the Promise of Mobile Money?"](#)

⁶ See *MicroSave* Briefing Note # 123, "[Agent Banking and Insurance: Is There A Value Alignment?"](#)" and # 124 "[Insurance Through Bank Agents: How Can It Be Done?](#)"

⁷ Industry estimates