



Agent Network Accelerator Survey: India Country Report 2015



August, 2015

Contributing Authors: Aakash Mehrotra and Denny George

With Special Thanks To: Mike McCaffrey, Leena A.M Anthony, and Dorieke Kuijpers

MicroSave
Market-led solutions for financial services

**BILL & MELINDA
GATES foundation**



Project Description

Through the financial support of the Bill & Melinda Gates Foundation, *MicroSave* is conducting a four-year research project in the following eight focus countries as part of the [Agent Network Accelerator \(ANA\)](#) Project:

Africa

- ▶ Kenya
- ▶ Nigeria
- ▶ Tanzania
- ▶ Uganda

- ▶ Bangladesh
- ▶ India
- ▶ Indonesia
- ▶ Pakistan



Asia

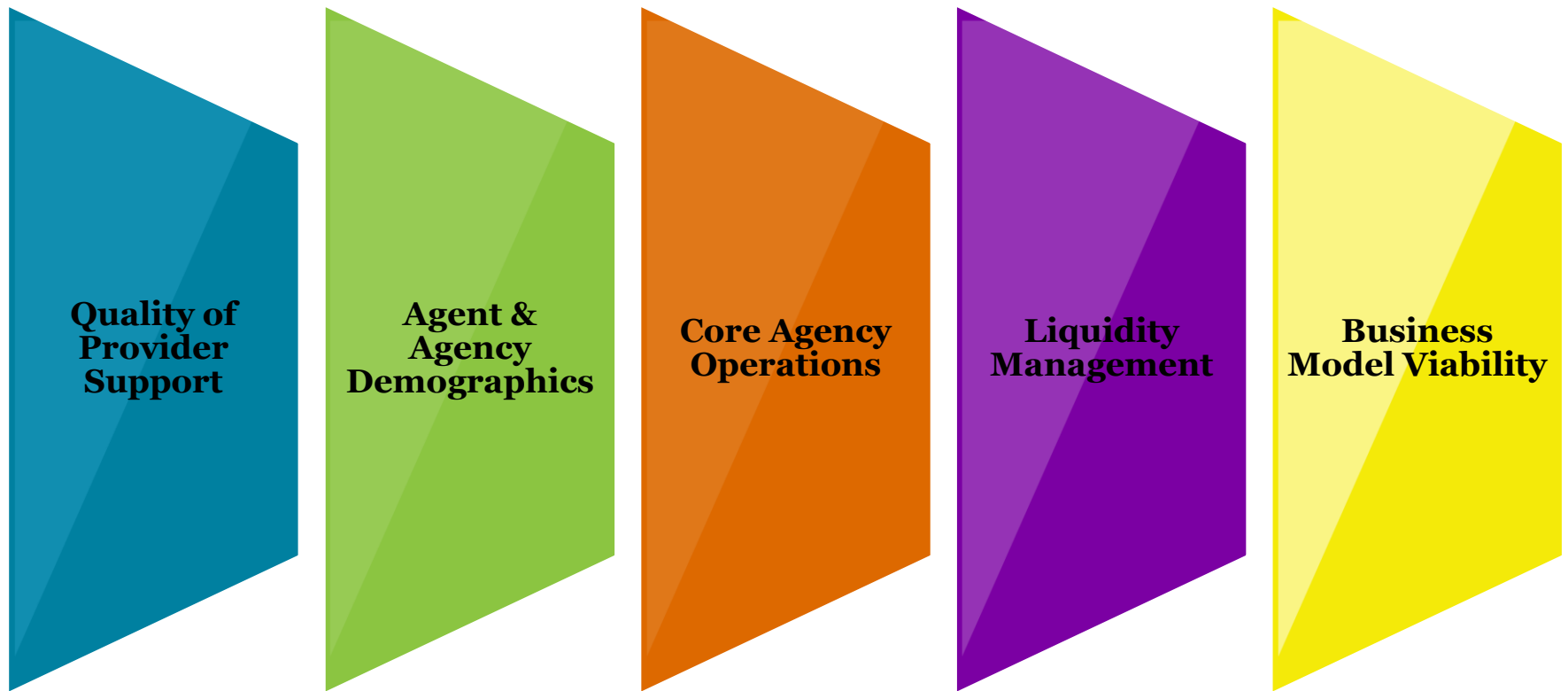
Research findings are disseminated through [The Helix Institute of Digital Finance](#). *Helix* is a world-class institution providing operational training for digital finance practitioners.



www.helix-institute.com

Focus Of Research

The research focuses on operational determinants of success in agent network management, specifically:



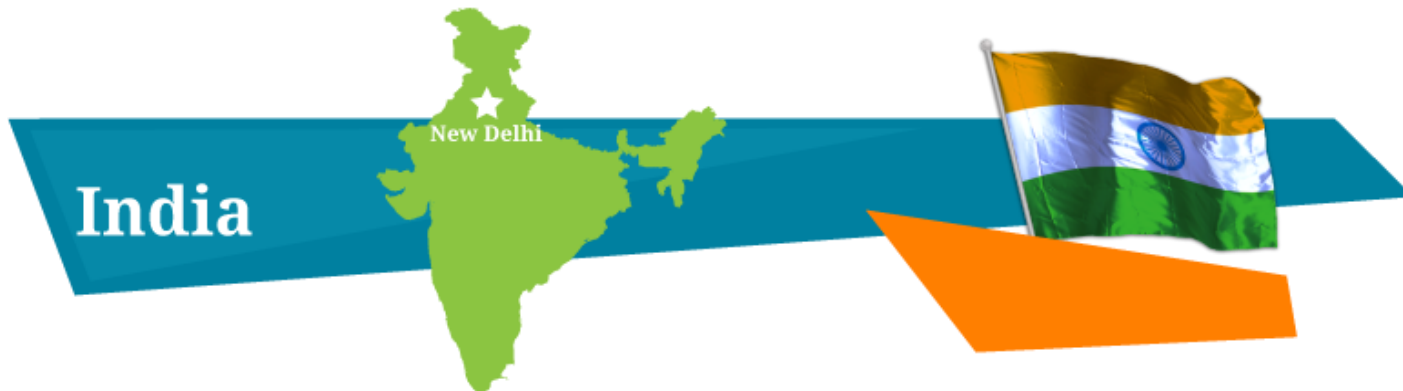
India Overview

Agent networks in India are still nascent and differ from most other countries in that their proliferation has been driven primarily by government policy (as opposed to business considerations).

This has led to an extremely high proportion of agents in rural areas, agents conducting transactions for government programs like PMJDY, and some of the agents being paid a monthly salary.

India is a country with 1.2 billion people, 28 states, 100+ [Agent Network Managers](#) (ANMs), five major telecoms, 27 public sector banks, 23 private banks, and 100+ rural and cooperative banks participating in delivery of Digital Financial Services (DFS).

These factors have led to significant variations in the models providers have used to generate revenue, and build agent networks. Therefore while overall country metrics for India may be roughly compared to other nations, it must be clearly understood that these metrics often mask large variations across multiple dimensions, many of which are presented and explained in this report.



DFS/Financial Inclusion (FI) Timeline India

2007: [6 million new accounts added and 2.6 million SHGs linked to banks touching 40 million households.](#)

2015: [120 million accounts opened under PMJDY. 100% household gets financially included.](#)

November 2005 : Reserve Bank of India (RBI) advised banks to provide “no frills” accounts and expand banking outreach to larger sections of population.

2007-08: Two funds created by GoI: 1) Financial Inclusion Fund, 2) Financial Inclusion Technology Fund worth \$ 125 million each.

August 2014: [Pradhan Mantri Jan Dhan Yojana \(PMJDY\)](#) launched with the aim of linking every household with banking facilities. Phase II of PMJDY launched in 2015.

April 2014: [RBI released draft guidelines for licensing of ‘payment banks’ or ‘differentiated banks’.](#)

2005

2006

2007-2008

2010

2011-2012

2013

2014-2015

January 2006: Banks allowed to use services of NGOs, SHGs, MFIs as business correspondents to extend banking services.

September 2010: [RBI allowed for-profit companies excluding NBFCs to act as BC.](#)

December 2013: [The Committee on Comprehensive Financial Services for Small Businesses and Low Income Households](#) (Chairperson: Dr. Nachiket Mor) submitted its final report.

April 2006 : 1 district in each state identified by SLBC for 100% FI.

August 2010: [Unique Identification Development Authority of India \(UIDAI\)](#) based Aadhaar project initiated to provide ‘identity infrastructure’ for financial inclusion.

2011: [Swabhimaan scheme](#) launched to cover more than 74,000 villages with a population over 2,000 with banking facilities. [Number of bank accounts increased by approx. 100 million in 2011-2013.](#)

There Are Three Major Agent Network Models In India

Banks Directly Manage Agent Networks



Banks

- Product ownership
- Agent network establishment and day to day management
- Agent remuneration
- Liquidity management
- Customer and agent support
- Monitoring and supervision



Agents

- Customer acquisition
- Transaction facilitation
- Last mile customer support

Specialised ANMs (BCNMs)* Manage Agent Networks



Banks

- Product ownership
- Remuneration to BCNMs
- Liquidity management
- Customer support
- Monitoring and supervision of BCNMs



BCNMs

- Agent network establishment and day to day management
- Marketing and promotion
- Agent remuneration
- Liquidity management
- Customer and agent support
- Monitoring and supervision of agents



Agents

- Customer acquisition
- Transaction facilitation
- Last mile customer support

MNOs Manage Agent Networks



Banks

- Product ownership
- Remuneration to MNOs
- Monitoring and supervision of MNOs



MNOs

- Working with banks to assist in product design
- Agent network establishment and day to day management
- Marketing and promotion
- Agent remuneration
- Liquidity management
- Customer and agent support
- Monitoring and supervision of agents



Agents

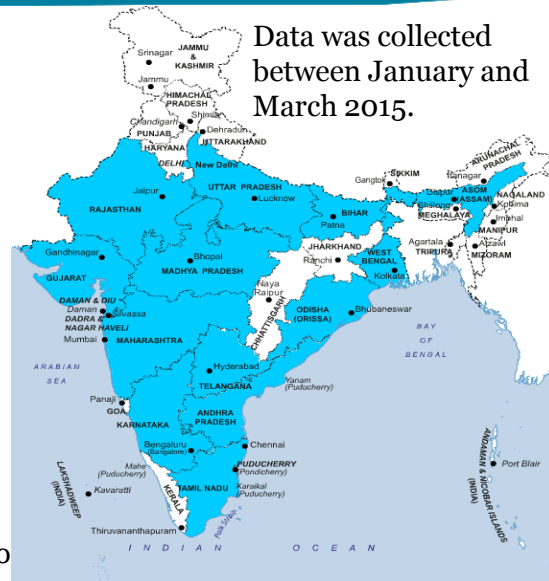
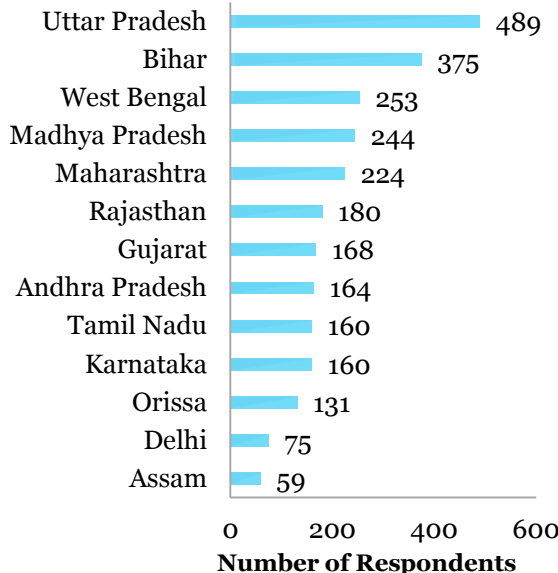
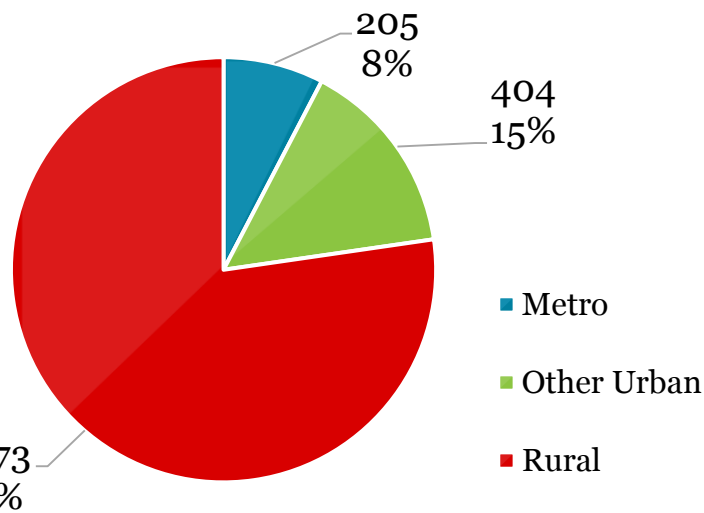
- Customer acquisition
- Transaction facilitation
- Last mile customer support

* BCNM= Business Correspondent Network Manager

Agent and Agency Demographics

The Research Is Based On 2,682 Nationally Representative Agent Interviews*

Achieved Sample*



Sample Profile**

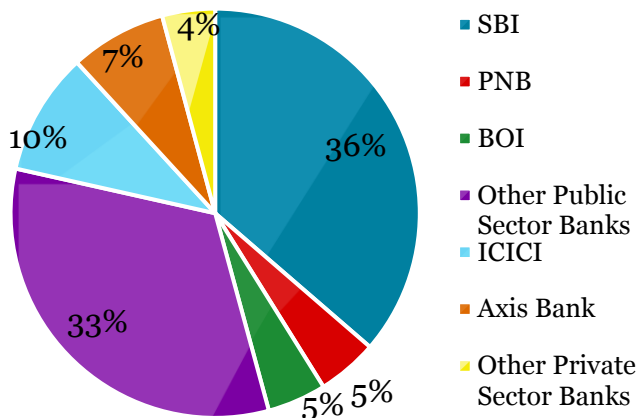
Total Sample Size	Agent Network Model			Exclusivity		Dedication	
	Directly Linked To Bank	BCNM	MNO	Exclusive	Non-Exclusive	Dedicated	Non-Dedicated
2,682	463 17%	1,730 65%	489 18%	2,393 89%	289 11%	1,786 67%	896 33%

*Only those agents that conduct at least one transaction per month (active agents) were interviewed as part of the ANA survey.

**This table summarises agent demographics. Due to the different structure in urban and rural definitions and the sampling methodology adopted in India, please be cautious while comparing it with earlier surveys of Helix. The details are provided in [Appendix 1](#)

Market Presence* Of Major Banks

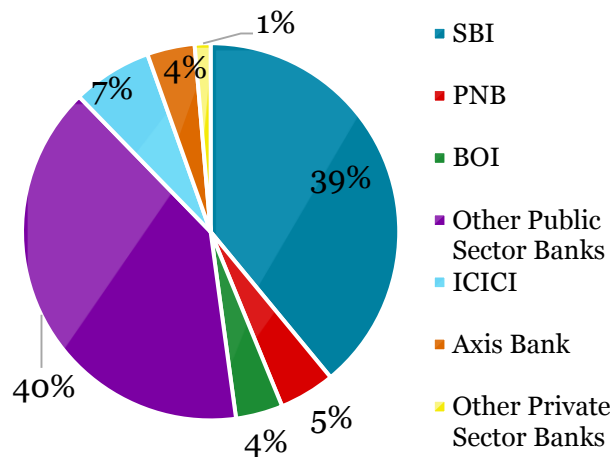
Market Presence**



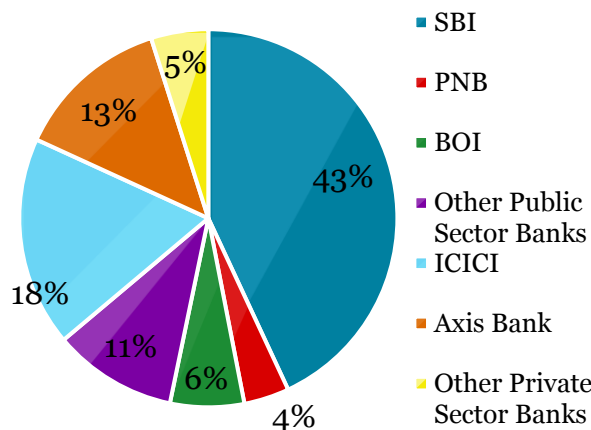
Public sector banks, led by SBI, account for 79% of all agents surveyed. In rural areas this is even more predominant with 88% of rural agents linked to public sector banks. This is associated with the government mandate driven approach to agent network establishment and expansion in India.

In metro areas, private sector banks account for more than half of agents (53%) – possibly with a focus on the remittance market.

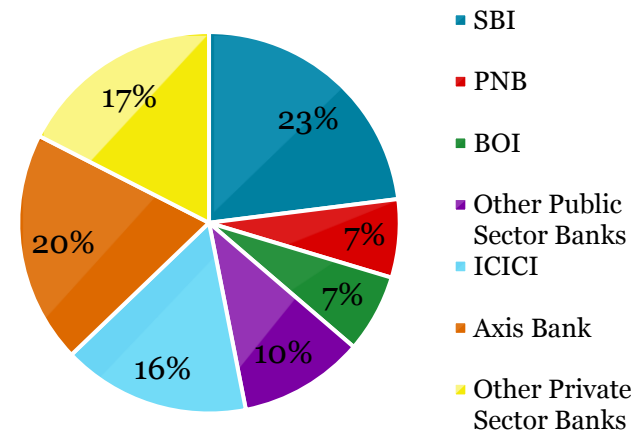
Market Presence - Rural



Market Presence - Urban



Market Presence - Metro



*Agent market presence is defined as the proportion of cash-in/cash-out (CICO) agents by provider. Numbers here are provided on a till basis not on the outlet level. Hence, if an agent serves three providers it is counted three times. This method therefore discounts smaller exclusive networks.

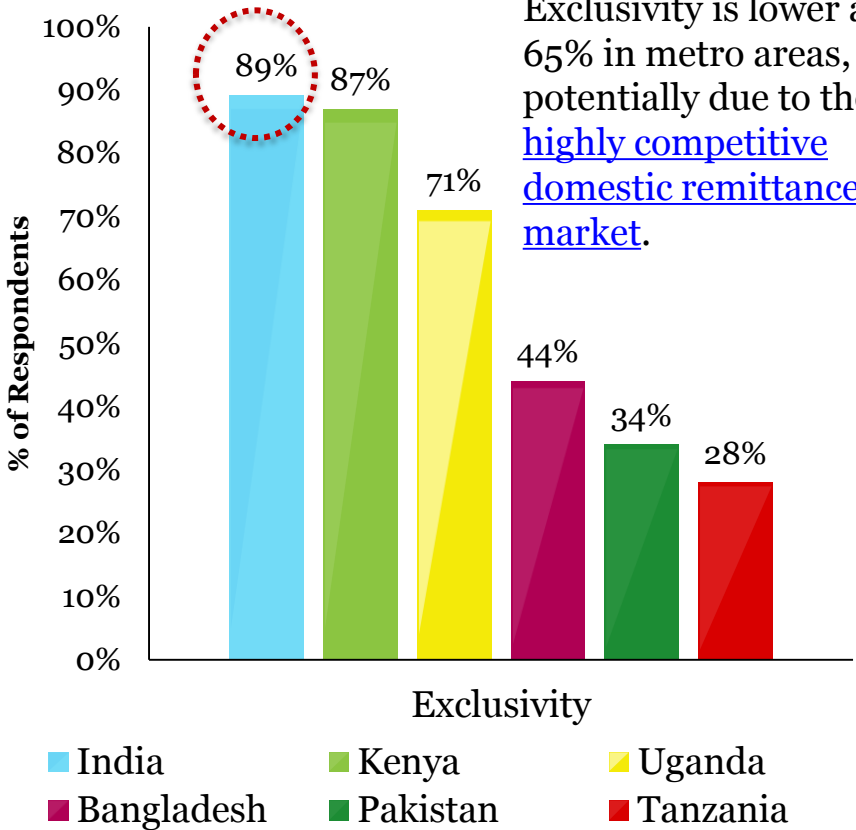
**The seven providers with the highest market presence are presented in the pie charts on this page, with the categories 'public sector banks' and 'other private sector banks' consisting of a number of banks that have a market presence of less than 4% each.

Extent Of Exclusivity And Dedication Is High

Both exclusivity and dedication are extremely high compared to most other countries. The confluence of these factors makes business model viability difficult.

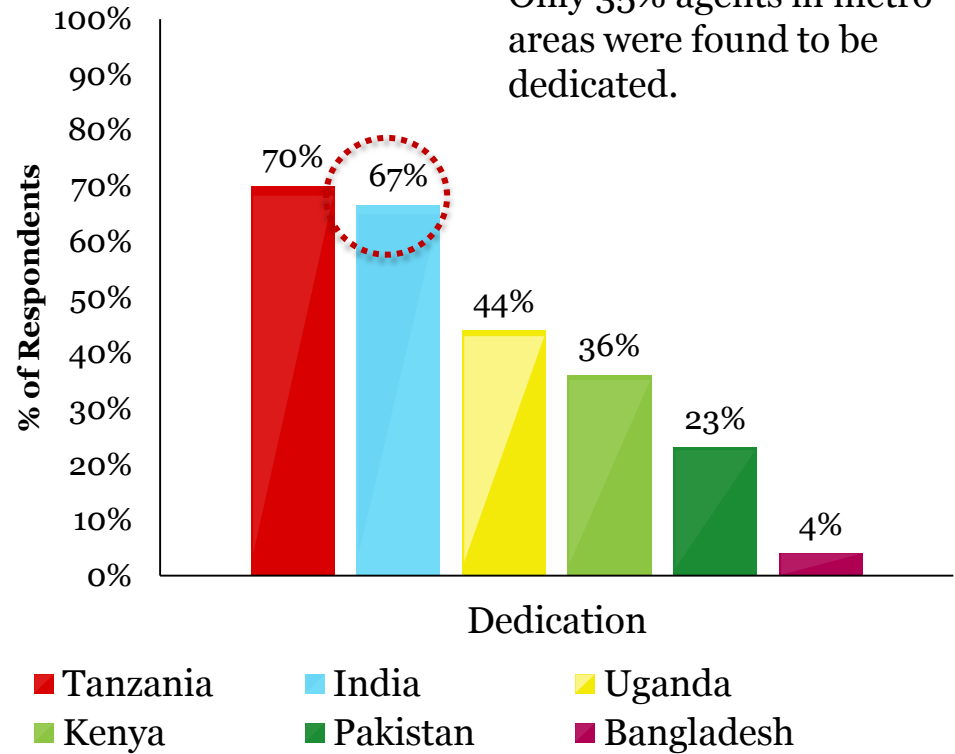
Exclusivity In ANA Countries

Exclusivity is lower at 65% in metro areas, potentially due to the [highly competitive domestic remittance market](#).



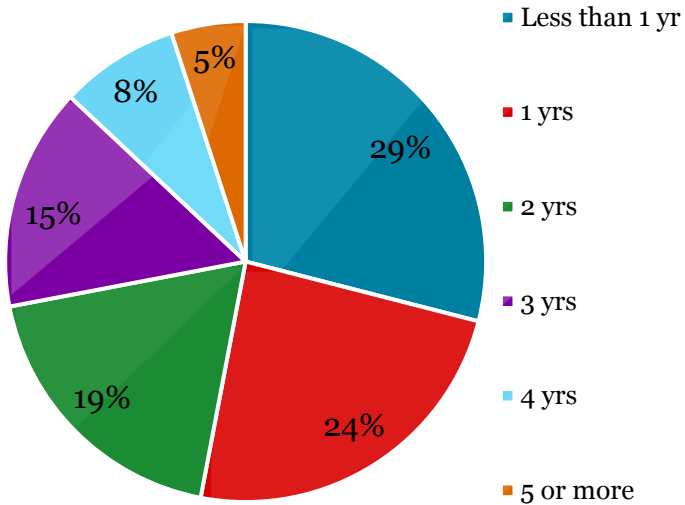
Dedication In ANA Countries

Only 35% agents in metro areas were found to be dedicated.



Most Agents In Business For Less Than Two Years

Agent – Years of Operation



- ▶ More than half of agents have been operating less than two years.
- ▶ 66% of MNO agents are less than two years old.
- ▶ 64% of agents in metro areas, 62% in other urban and 51% in rural areas are less than two years old.
- ▶ This is comparable to more mature markets like Kenya where 61% of agents are less than 2 years old. However, in Kenya this seems to be driven by growth in business potential, whereas in India, this is largely a result of government mandated agent network expansion in recent years.

Agent Demographics

- ▶ 22% agents interviewed were mobile agents.
- ▶ 91% agents interviewed were male.
- ▶ 86% agents interviewed were owners of the shop.
- ▶ More than half of agents (57%) interviewed had attained at least a tertiary education.

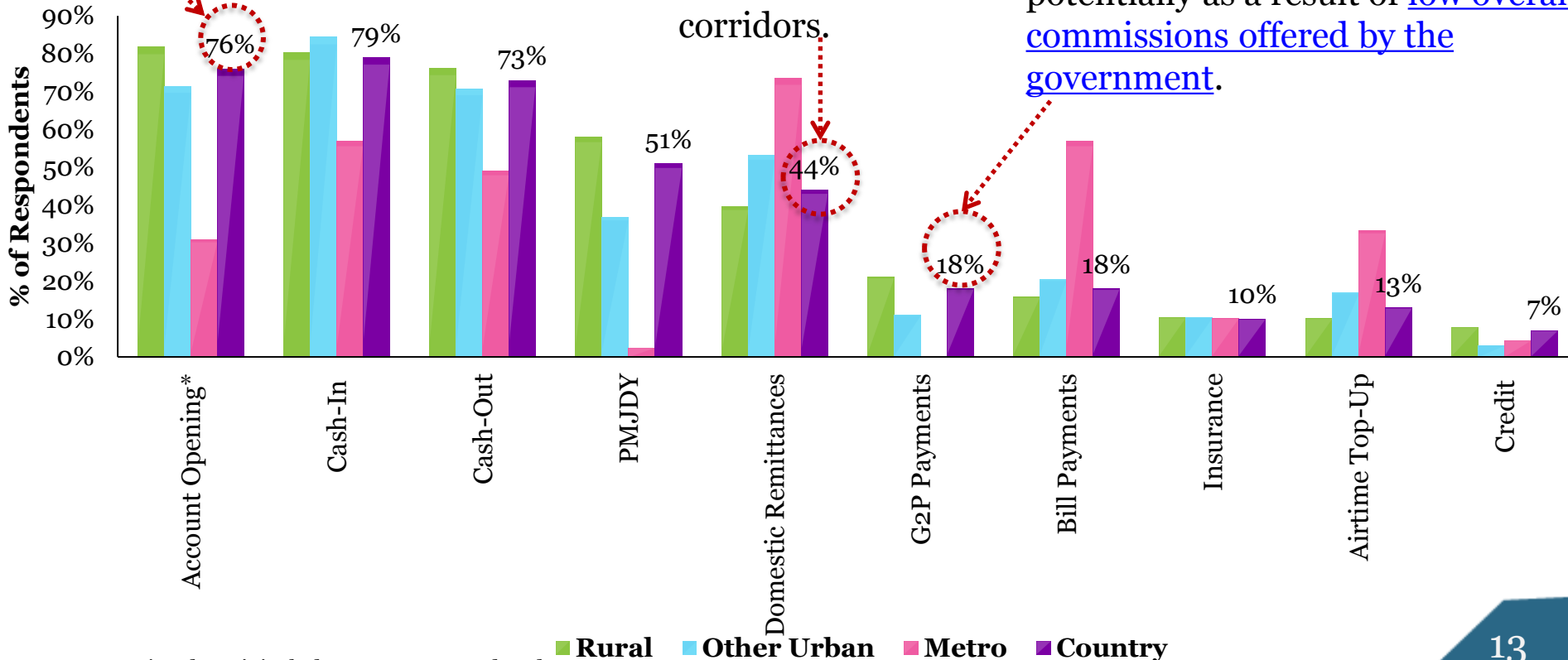
Core Agency Operations

Products And Services Offered Differ Across Locations

Government mandates have contributed to the increase of the number of agents offering account opening services.

These are high value transactions concentrated mostly on the remittance corridors.

Only a fifth of agents interviewed were offering G2P payments, potentially as a result of low overall commissions offered by the government.

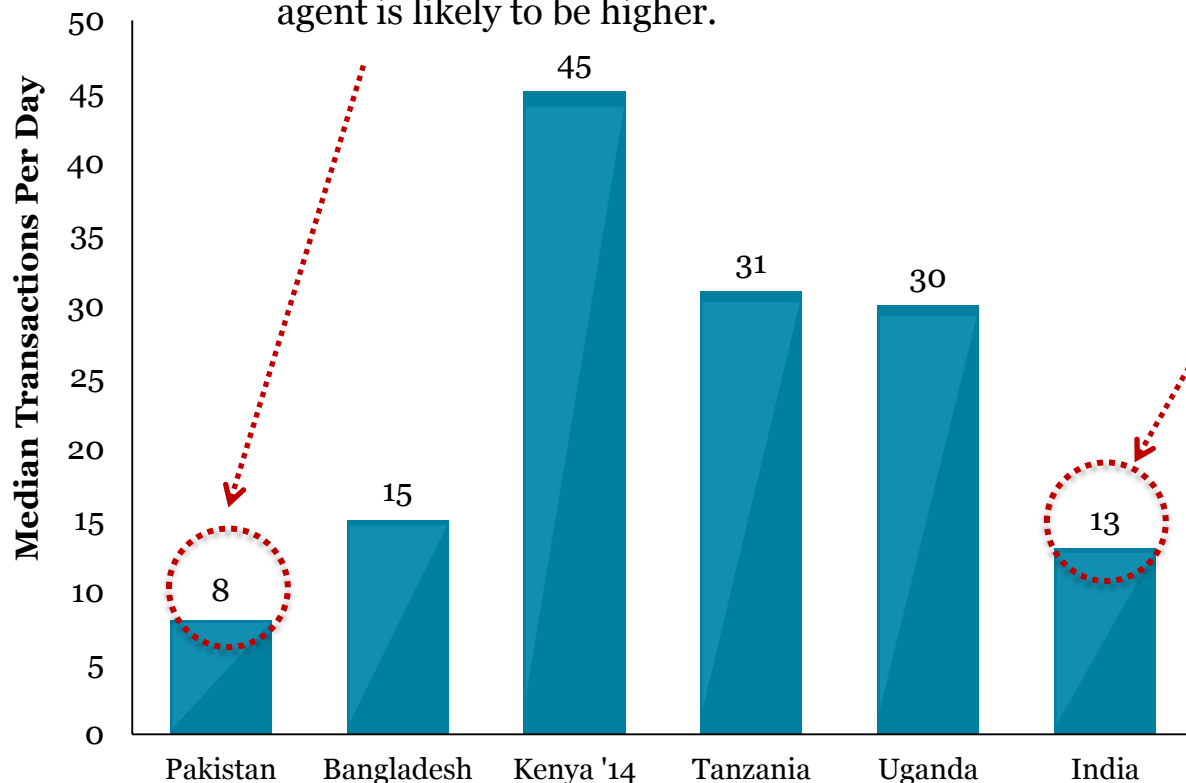


*Account opening doesn't include accounts opened under PMJDY.

Median Transaction Volumes Are Low When Compared To Other Countries

Transaction volumes are lowest among all ANA countries except Pakistan

Non-exclusivity is high in Pakistan (66%) and therefore the actual number of transactions per agent is likely to be higher.



Median Transactions per Day

Metro	5
Other Urban	14
Rural	14
Country	13

Median transaction volumes are impacted by PMJDY which was in progress during data collection. 51% of agents reported opening PMJDY accounts and the median number of PMJDY accounts opened per day was 5. If PMJDY and other account opening is excluded, median transaction volumes are lower in India than in all other ANA countries.

Transaction Volumes And Values Of Products Offered

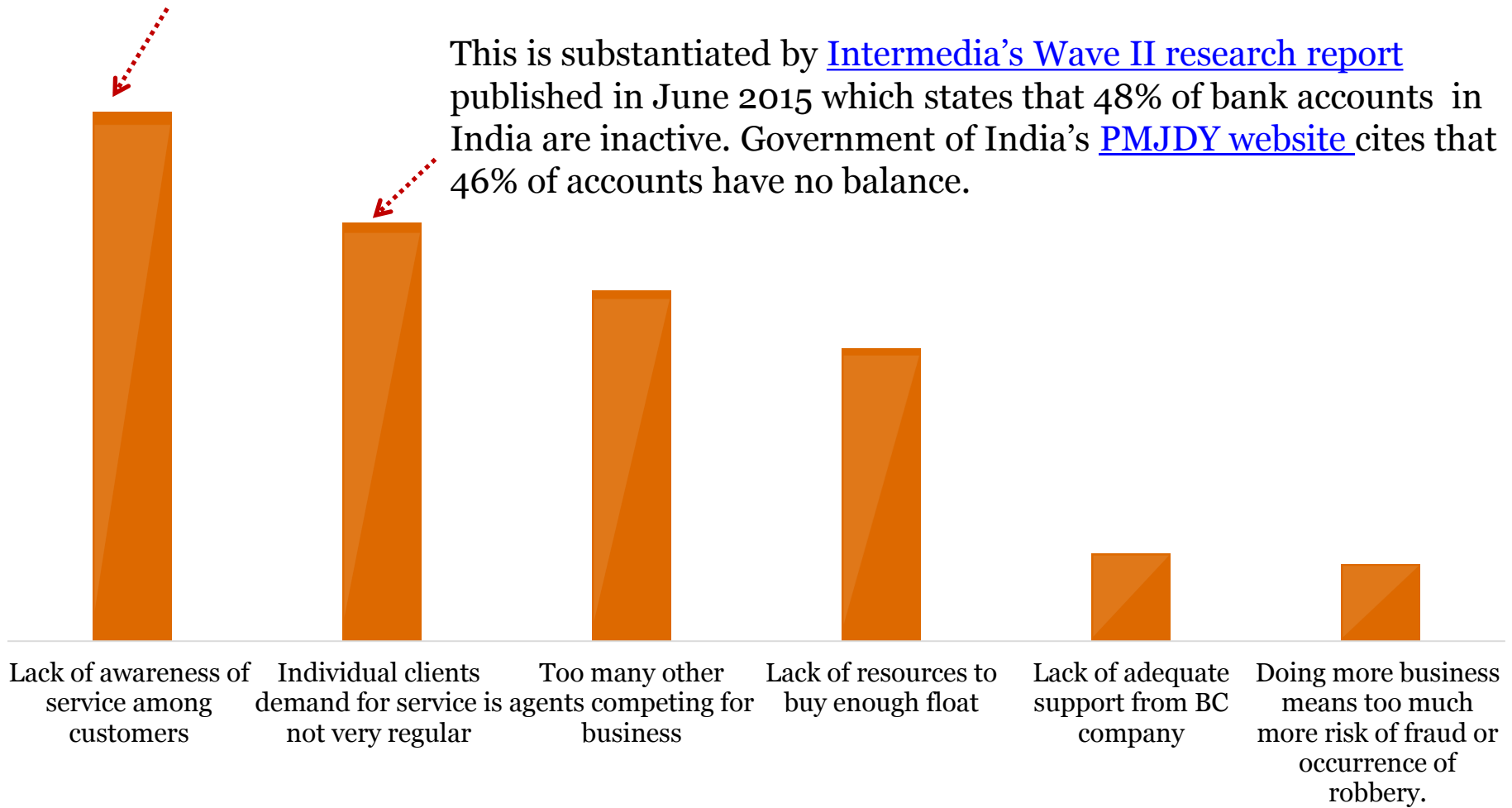
	Transaction Volume (median/month)				Transaction Value (median in US\$)			
	India	Rural	Other Urban	Metro	India	Rural	Other Urban	Metro
Cash-in	90	90	90	50	32	32	32	81
Cash-out	90	90	90	30	32	32	32	81
Domestic Remittances	30	25	21	60	48	40	81	161
Account Opening	86	86	97	25				

- Cash-in volume in metro areas is 56% of the country median, while cash-out volume is only 33%, and the volume of domestic remittances is twice as high.
- CICO values in metro areas are 2.5 times the country median; and the metro median value of domestic remittances is almost 3.5 times the country median.
- These factors highlight the fact that metros are the origination points for domestic remittances across the country.

The variations in volumes and values of different transaction types (especially account opening) provide an understanding of how complicated a predictor of revenue they can be.

Largest Stated Barriers To Doing More Business*

This points at a need for more aggressive marketing activities to increase awareness among potential customers.



* Agents ranked a minimum of three of these seven dimensions. The above figures are a weighted average of the first three choices, where taller bars mean a higher relative ranking.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched on August 28, 2014 with the goal to provide all households in the country with banking facilities by January 26, 2015. PMJDY consists of six pillars:

- ▶ Universal access to banking facilities,
- ▶ Providing basic bank accounts with overdraft facility and RuPay Debit card to all households,
- ▶ Financial literacy to enable use of financial products,
- ▶ A credit guarantee fund to mitigate risks stemming from overdraft facilities extended to these accounts,
- ▶ [Microinsurance](#) for all account holders under PMJDY, and
- ▶ Pension schemes such as Atal Pension Yojana.

	Median Transaction Volume (Monthly)			
	India	Rural	Other Urban	Metro
PMJDY	150	150	300	N/A*

During the time of data collection, account opening for PMJDY was being promoted and accounted for 38% of all transactions.

However significant account opening is also happening for non-PMJDY accounts. These two transaction types account for 60% of all transactions by volumes in India.

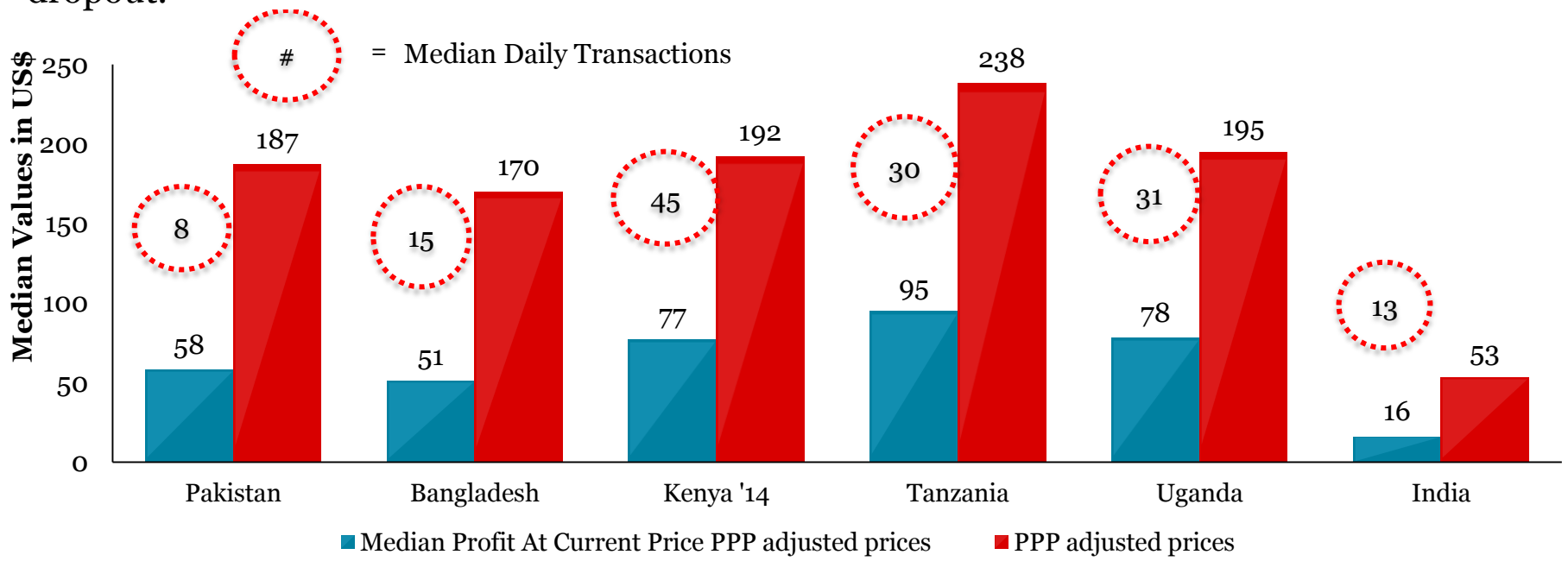
Since account opening is not prevalent in metro areas, metro areas show much lower transaction volumes.

*Sample count in metro areas for PMJDY was only 5, which is not large enough to report on.

Business Model Viability

Profitability Is Lowest Among All Research Countries

Agents earn a median of less than US\$2 a day which is lower than the UN defined poverty line. This is especially significant since a large proportion is dedicated, meaning the agency business is their only source of income. Recent [MicroSave research](#) suggests that while dissatisfaction is high, dormancy/dropouts are still relatively low at 20%, potentially due to factors like hope that the PMJDY will increase the volume of business, the prestige of being associated with banks, and the connect with community since agents typically come from the villages they serve. However, if profitability does not rise to sustainable levels, there is a high likelihood of agent dormancy and dropout.



*Profitability as shown in the graph is calculated as earnings – operating expenses for all countries. In case of India, the fixed monthly component given to agents has also been considered in this calculation. This is different from other ANA countries where commissions earned makes up the total earnings of the agent. The profits reported in India are at an outlet level as opposed to other countries where they are at a provider level

A Significant Proportion Of Agents Make Losses

24% of agents receive a fixed monthly component from service providers (median of US\$55), shoring up their revenue. If we exclude this factor from the analysis, median profits fall to US\$11, PPP adjusted monthly equivalent of the UN defined extreme poverty level of US\$1.25 per day.

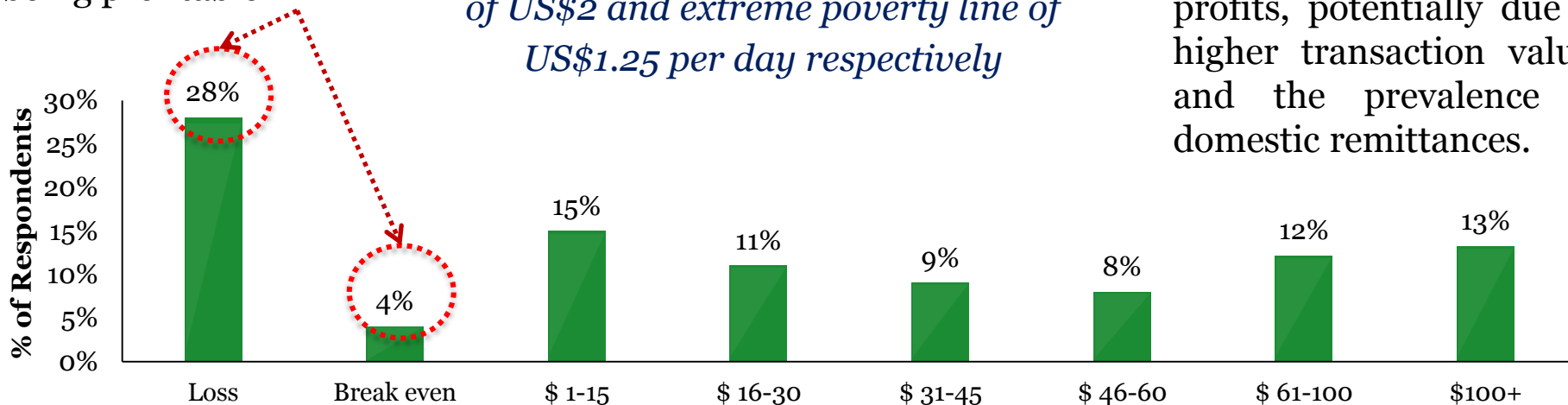
52% of agents report profits below US\$18 and 44% report profits below US\$11, the PPP adjusted monthly equivalents of UN defined poverty line of US\$2 and extreme poverty line of US\$1.25 per day respectively

Median Profitability per Month in US\$ (Including the fixed component)

Metro	61
Other Urban	5
Rural	16
Country	16

Agents in metros make significantly higher profits, potentially due to higher transaction values and the prevalence of domestic remittances.

32% of agents report not being profitable

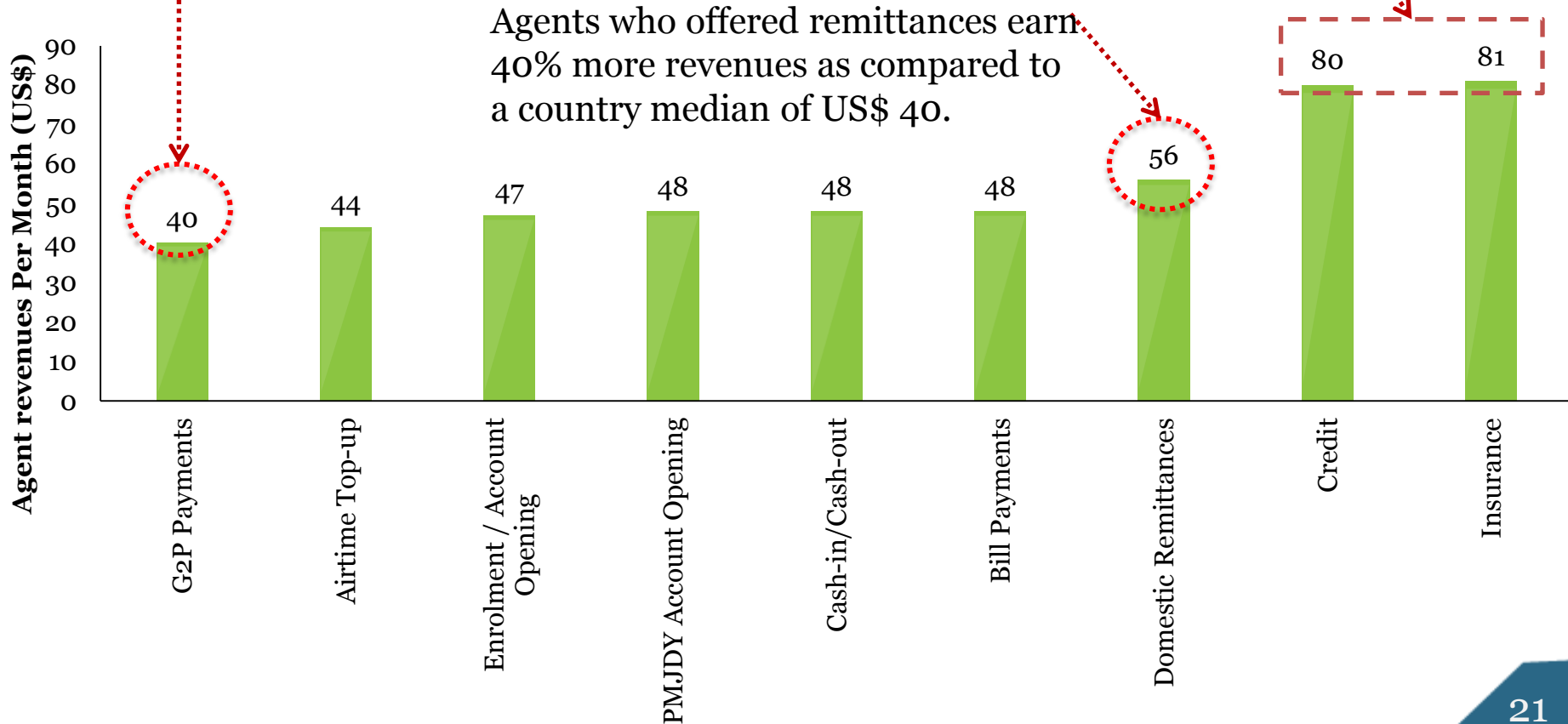


*Profitability as shown in the graph is calculated as earnings – operating expenses for all countries. In case of India, the fixed monthly component given to agents has also been considered in this calculation.

Product Mix Has A Significant Impact on Agent Revenues

Earnings for agents offering G2P payments were the lowest, reflecting the [low commissions paid on G2P](#).

Agents who offered credit and/or insurance earn the highest revenues but are fewer in number. Only 7% and 10% of respondents offered credit and/or insurance respectively.

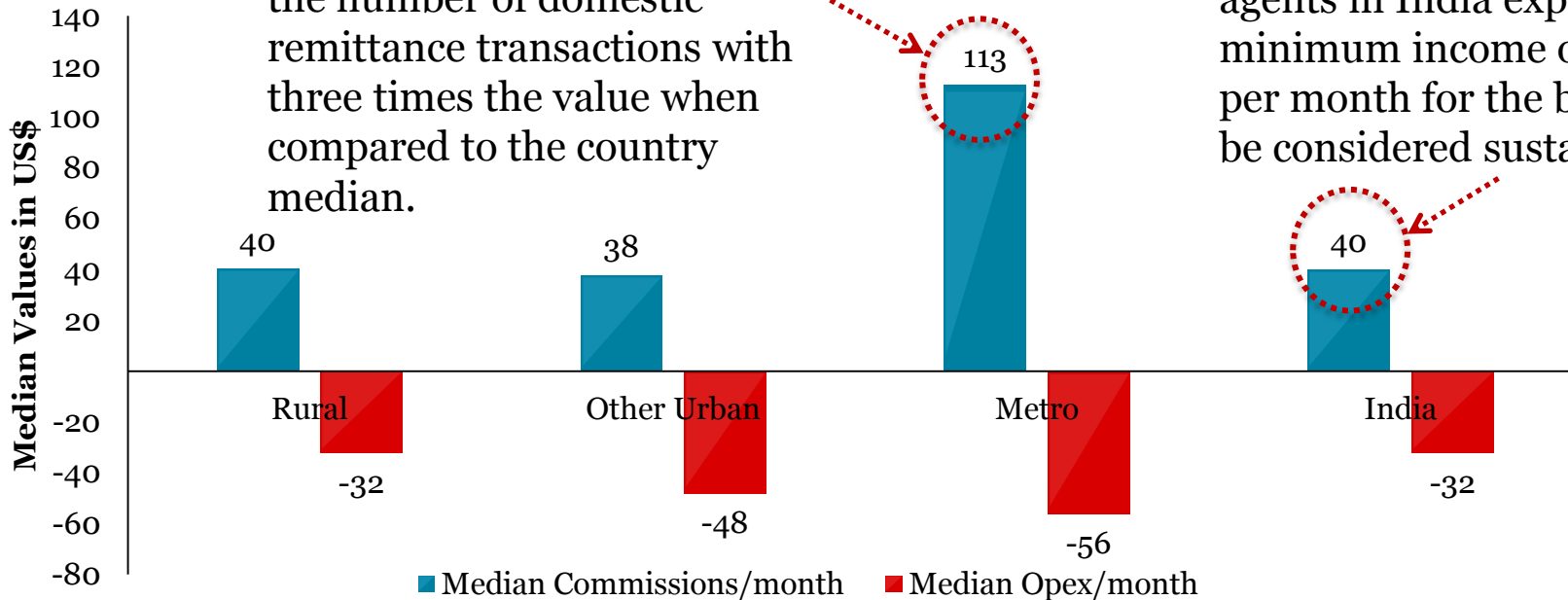


Operating Expenses Are High In India

In part because of liquidity management challenges (see below) operating expenses in India are higher than in other South Asian countries (Pakistan: US\$3), Bangladesh: US\$6) and comparable to those in East African nations (Kenya-2014:US\$35, Tanzania: US\$25, Uganda: US\$58).

Agents in metros conduct double the number of domestic remittance transactions with three times the value when compared to the country median.

[Previous studies](#) indicate that agents in India expect a minimum income of US\$ 118 per month for the business to be considered sustainable.



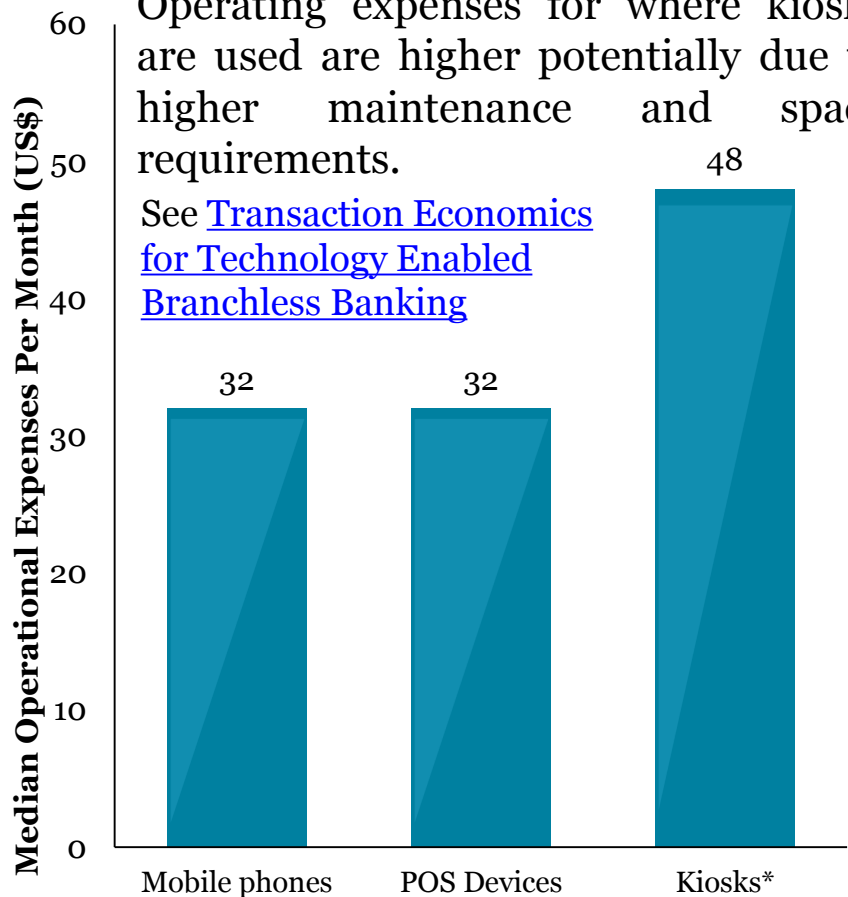
Past [MicroSave research](#) indicates out that rent, electricity and travel expenses for liquidity management constitute bulk of the operational expenses for agents. The expenses are high compared to other South Asian countries since agents in India are primarily dedicated as opposed to Pakistan (77% non-dedicated) and Bangladesh (96% non-dedicated), and Indian agents have to allocate full costs of the outlet to the agency business.

Front End Devices Used And Extent Of Dedication Are Influencers Of Operating Expenses

Front End Devices Used

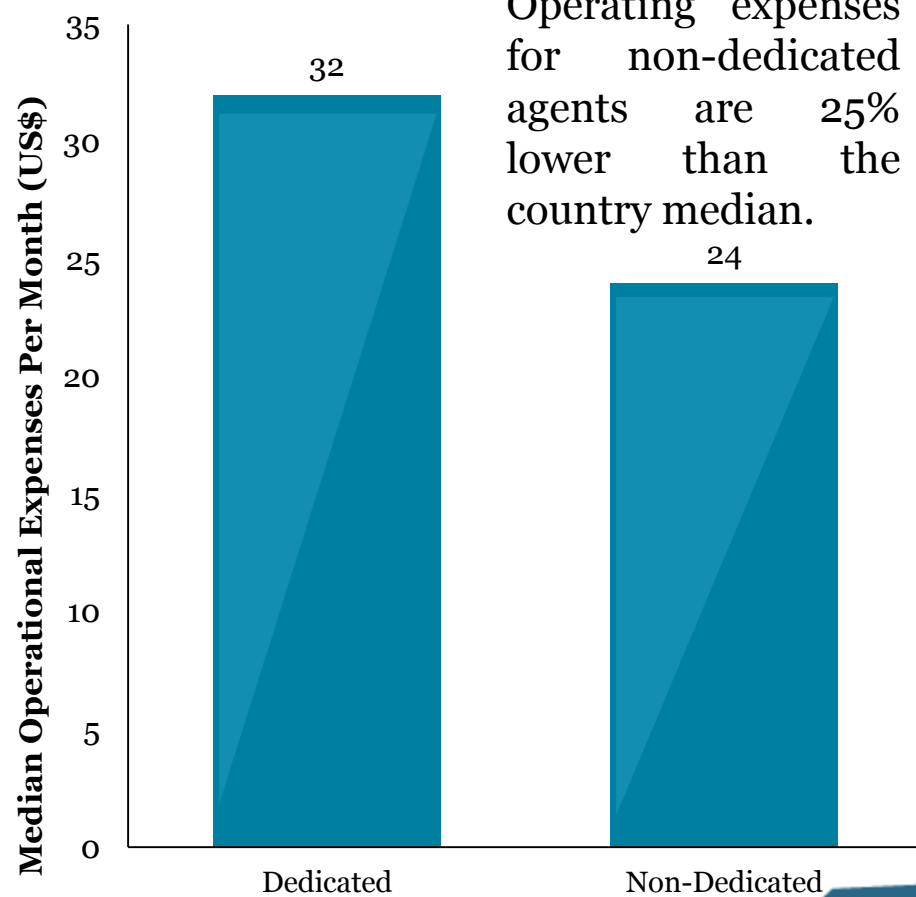
Operating expenses for where kiosks are used are higher potentially due to higher maintenance and space requirements.

See [Transaction Economics for Technology Enabled Branchless Banking](#)



Dedication

Operating expenses for non-dedicated agents are 25% lower than the country median.



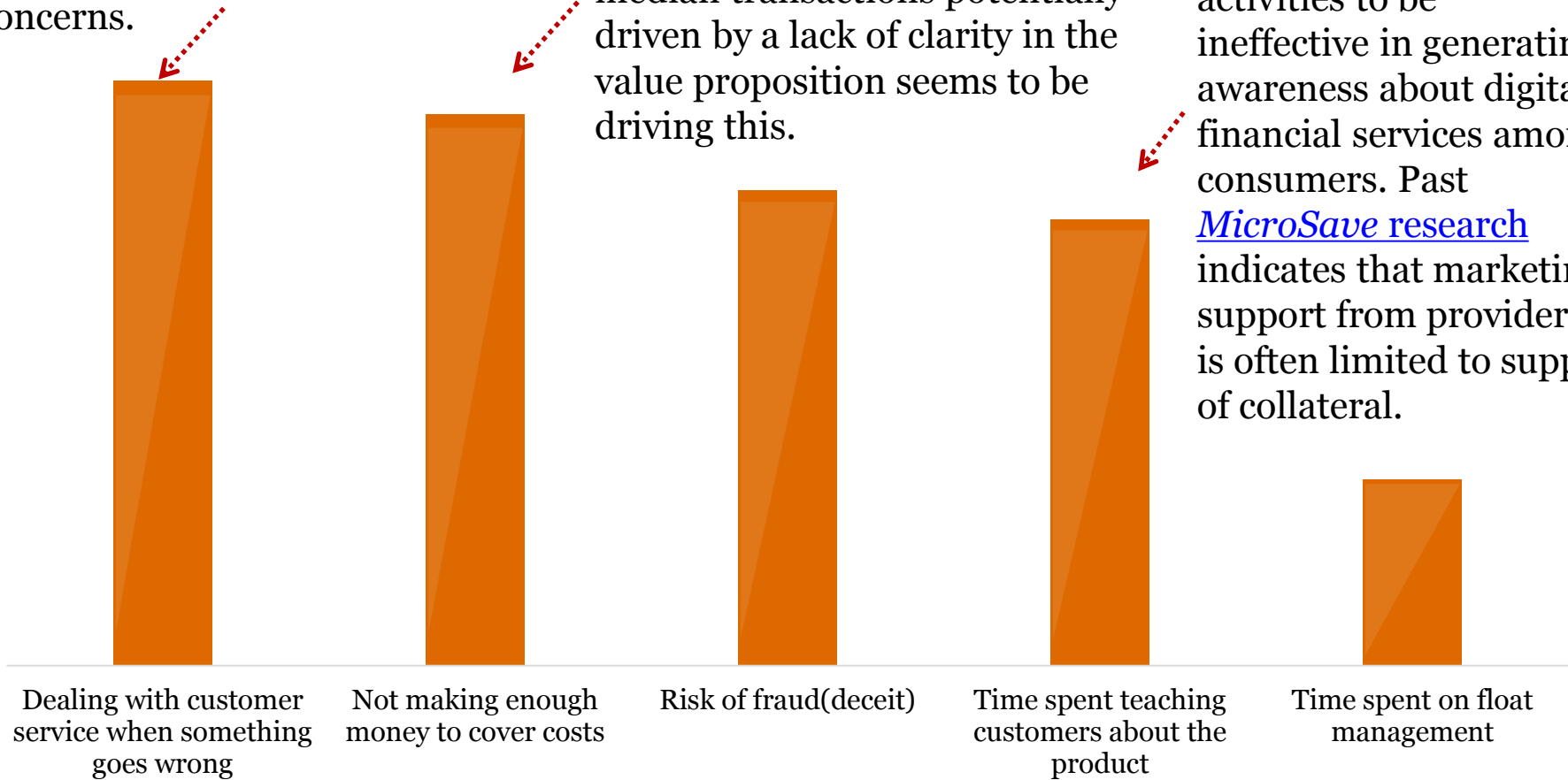
*Kiosks often use desktops or laptops along with biometric authentication devices.

Top Challenges To An Agent's Business*

Agents seem to lack confidence that they have the necessary support to resolve customer concerns.

High operating costs and low median transactions potentially driven by a lack of clarity in the value proposition seems to be driving this.

52% agents reported providers' marketing activities to be ineffective in generating awareness about digital financial services among consumers. Past [MicroSave research](#) indicates that marketing support from providers is often limited to supply of collateral.



*Agents ranked a minimum of three of these five dimensions. The above figures are a weighted average of the first three choices, where taller bars mean a higher relative ranking.

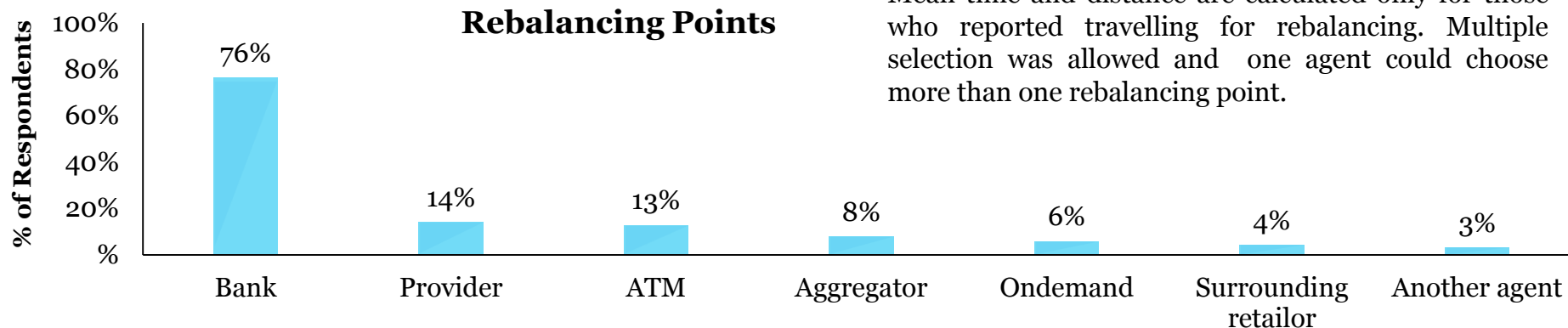
Liquidity Management

Liquidity Rebalancing

Two-thirds of agents reported not denying transactions because of liquidity issues, which is not surprising considering transaction volumes are low.

The frequency of travelling for CICO in India (16 times/month) is higher than that in any other ANA country where agents reported having to travel to rebalance (Kenya: 8 times, Tanzania: 6 times and Uganda: 10 times). This may be due to banks requiring their agents to report to branches regularly.

Rebalancing Points	
Percentage of agents who reported traveling for rebalancing	94%
Mean travel time taken to go to rebalancing point*	26 mins
Mean distance travelled for rebalancing*	6.6 Km
Frequency of cash-in per month (buying e-float)*	8
Frequency of cash-out in per month (selling e-float)*	8
Cost incurred in going to rebalancing point	US\$0.69



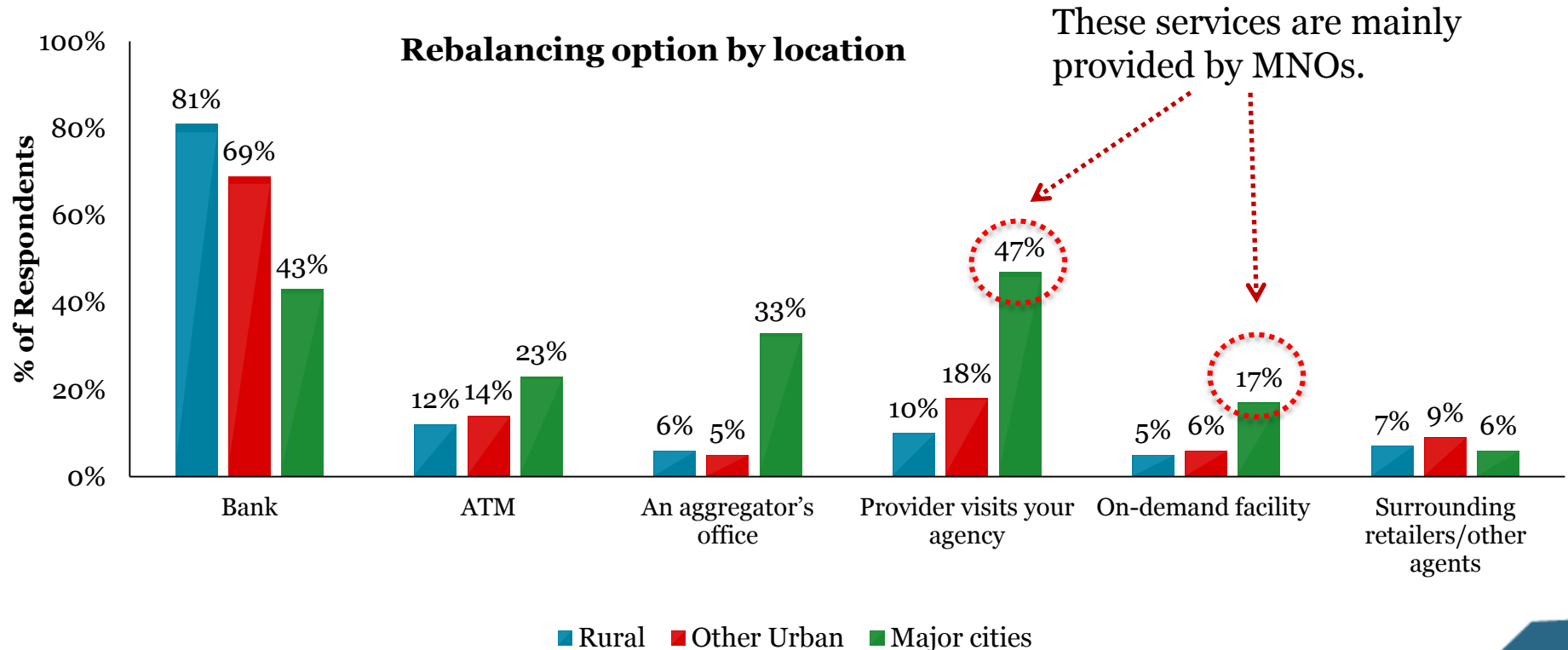
Mean time and distance are calculated only for those who reported travelling for rebalancing. Multiple selection was allowed and one agent could choose more than one rebalancing point.

* Since an agent can chose more than one options for rebalancing, these variables were calculated as weighted means of all the options reported by the agent.

Rural Agents Have Fewer Rebalancing Options

Rural agents for whom rebalancing is the most difficult are provided with the least number of options.

Rural agents take longest to reach rebalancing points (a mean of 28 mins) compared to agents in other urban (a mean of 20 mins) and metro areas (a mean of 14 mins).

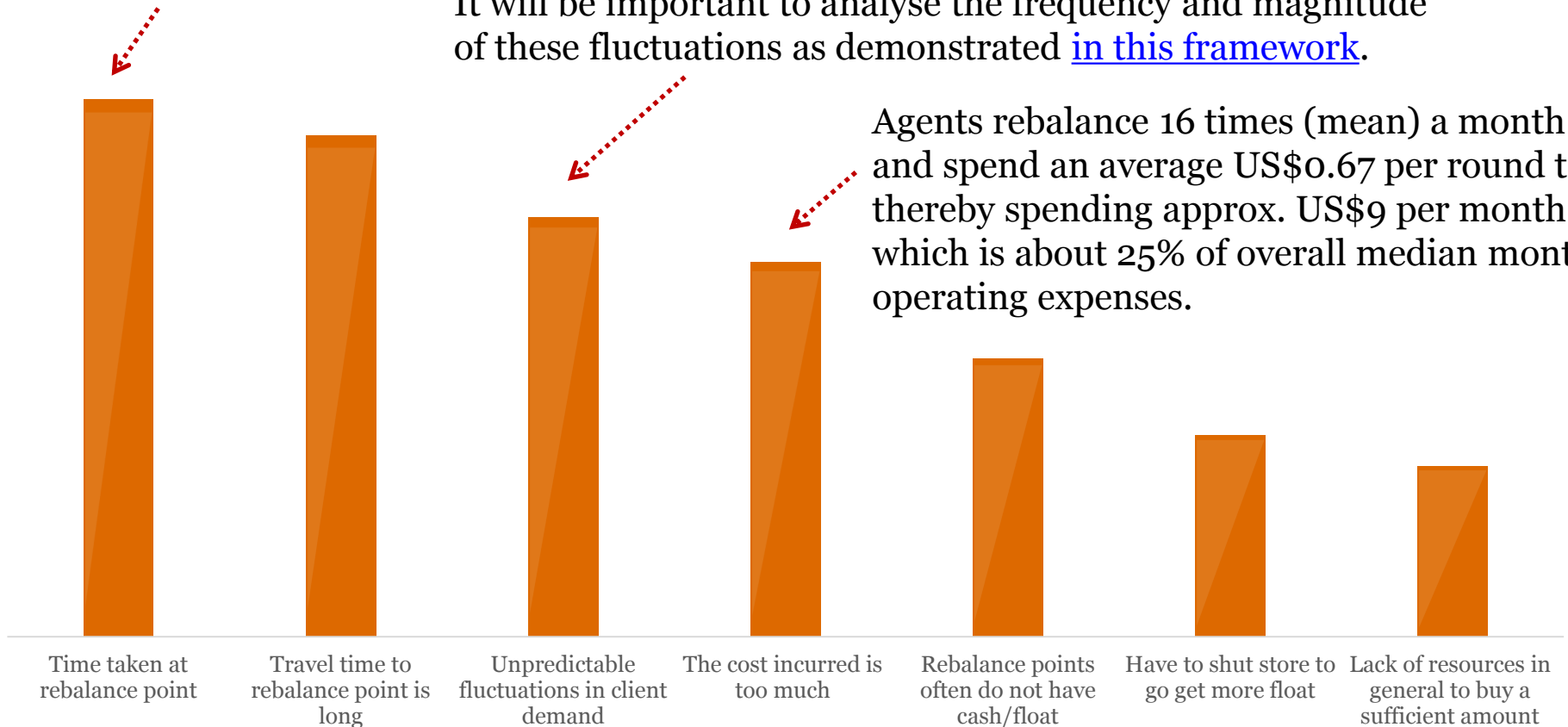


Agents' Top Barriers To Managing Their Liquidity*

In India long queues are a commonplace sight in banks and agents do not receive any special considerations when they go for rebalancing.

It will be important to analyse the frequency and magnitude of these fluctuations as demonstrated [in this framework](#).

Agents rebalance 16 times (mean) a month and spend an average US\$0.67 per round trip, thereby spending approx. US\$9 per month which is about 25% of overall median monthly operating expenses.



*Agents were asked to rank top three barriers they face. The above figures are a weighted average of the barriers ranked by agents, where taller bars mean a higher relative ranking.

Quality of Provider Support

Quality Of Agent Support Is Low Compared to Other Countries

Training:

59% of agents **received training**. This percentage is **the lowest** compared to the baselines done in other ANA research countries*.

- Of those trained, **61% agents have undergone a refresher training**. 36% of these have received refresher training only once.

Operational Support:

58% of agents reported regular visits** (68% in major cities). This percentage is low compared to all other ANA countries except Uganda. Of those visited, 60% are visited at least monthly and 32% reported ‘no fixed frequency’ of visits.

Call Center:

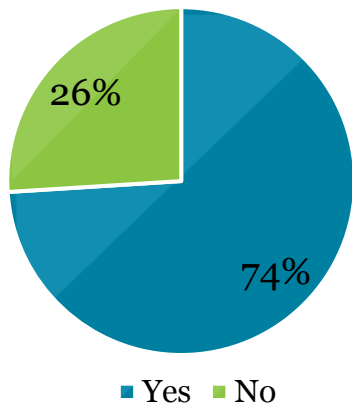
Only 59% of agents know that there is a call center to resolve their queries and call it a median of 2 times a month. This implies low awareness and usage of call center.

*Bangladesh (68%), Pakistan (62%) Kenya II (92%), Tanzania (79%), and Uganda (94%)

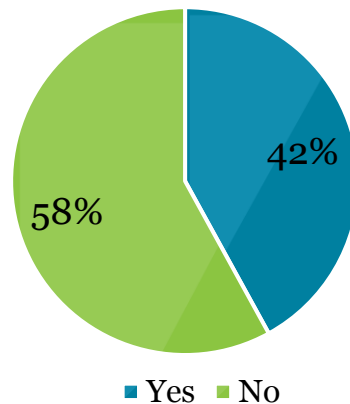
**Bangladesh (69%), Pakistan (76%), Kenya II (86%) Tanzania (76%) and Uganda (33%)

Compliance With Mandatory Requirements Is Low

Provider Sign Displayed



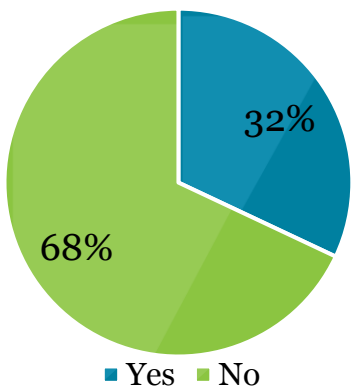
Agent Code Displayed



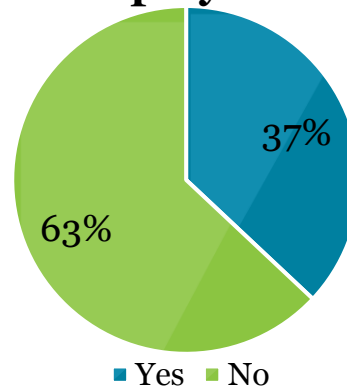
Mandatory displays other than the provider signboard are often not present in agent outlets.

Display of information including tariff rates and grievance redressal numbers are vital to ensure customer protection.

Tariff Rates Displayed



Grievance Redressal Number Displayed



There is a clear need for better monitoring and supervision of transaction agents by service providers.

Service Downtime

Unreliable service is a challenge for most agents:

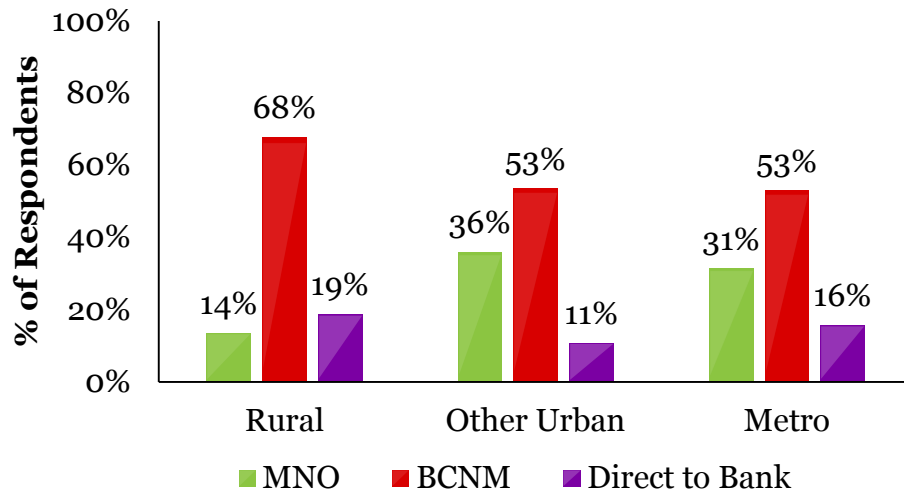
- ▶ 32% agents reported incidents of service downtime.
- ▶ Agents reported a median of eight occurrences of service downtime per month for a median of two hours per occurrence.
- ▶ Only 23% of agents reported receiving prior warning of downtime.
- ▶ Agents reported of denying a median of two transactions per downtime instance. This amounts to 4% of total monthly transactions conducted by an agent.



Key Highlights Across Major Agent Network Management Models

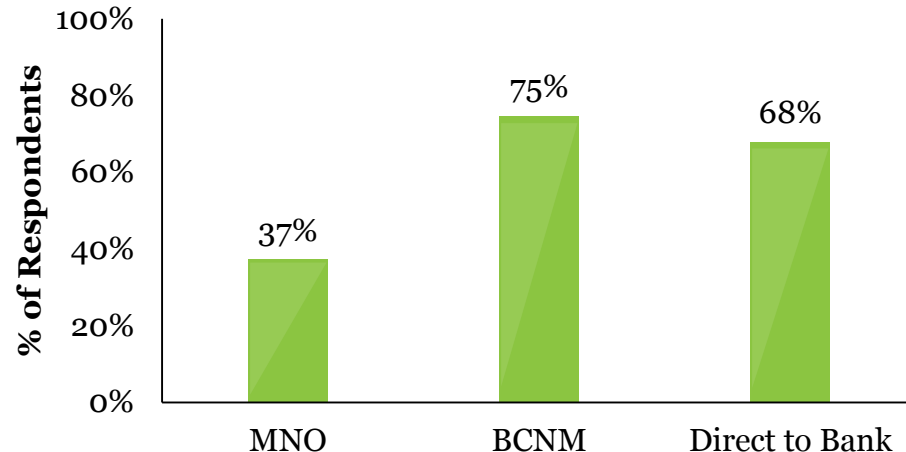
Differences Between The Three Models

ANM Model Location Wise

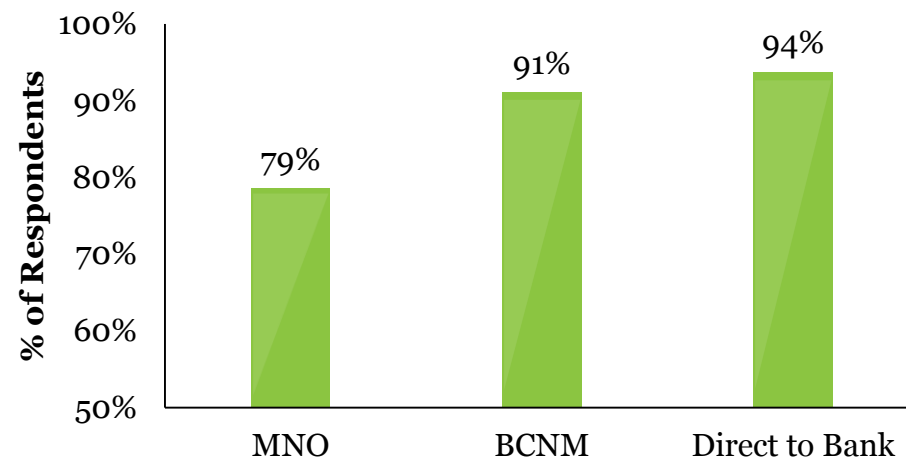


- ▲ Across locations, a majority of agents are managed by BCNMs.
- ▲ Close to one third of agents in urban areas are MNO agents.
- ▲ MNOs have seen limited success in making inroads to rural areas.

Dedication



Exclusivity



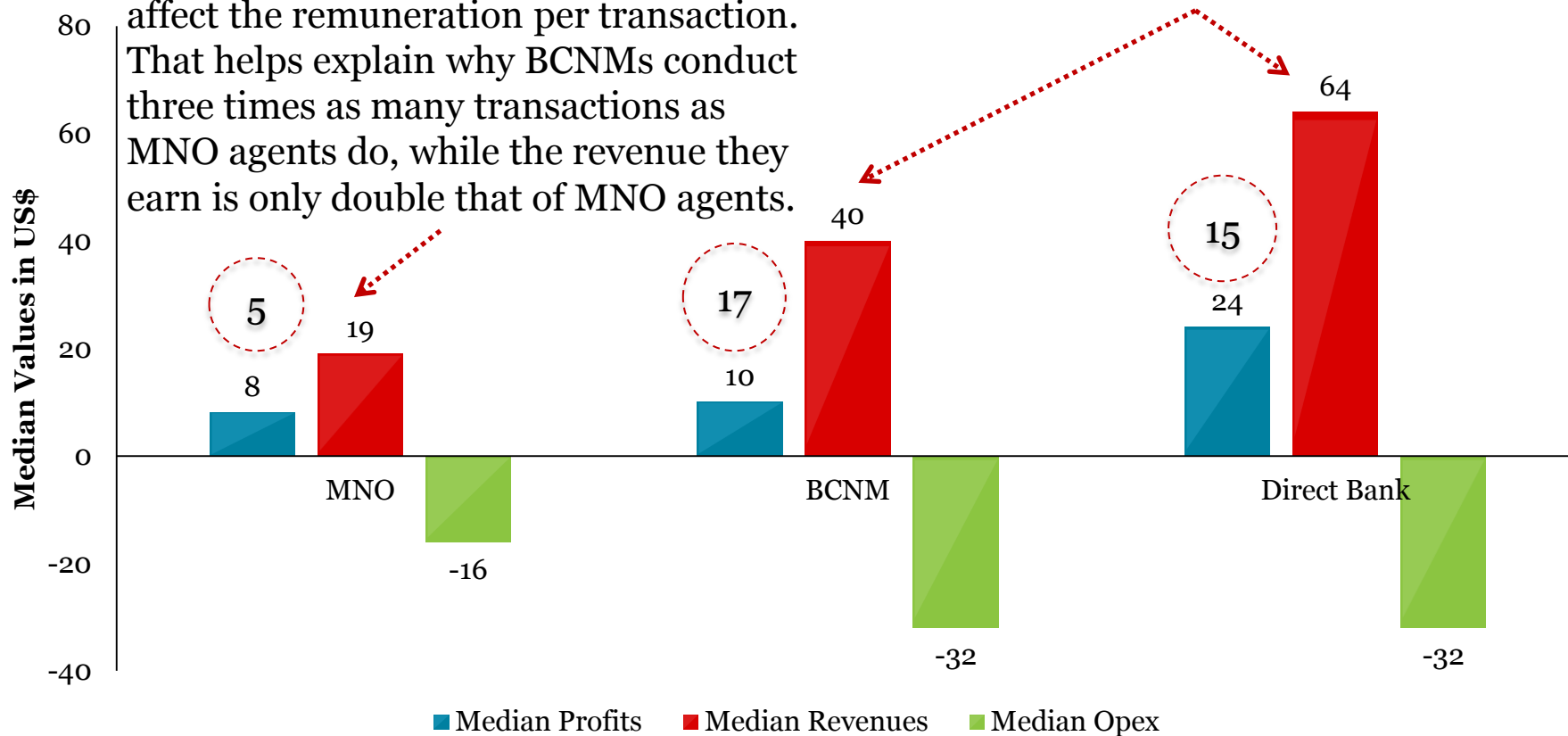
Profitability* By Model

#

Monthly median transactions

Since revenues of agents directly linked to banks are not shared with ANMs (as in the case of BCNMs), their revenues are higher despite lower transaction volumes.

Transaction type, volume and value affect the remuneration per transaction. That helps explain why BCNMs conduct three times as many transactions as MNO agents do, while the revenue they earn is only double that of MNO agents.



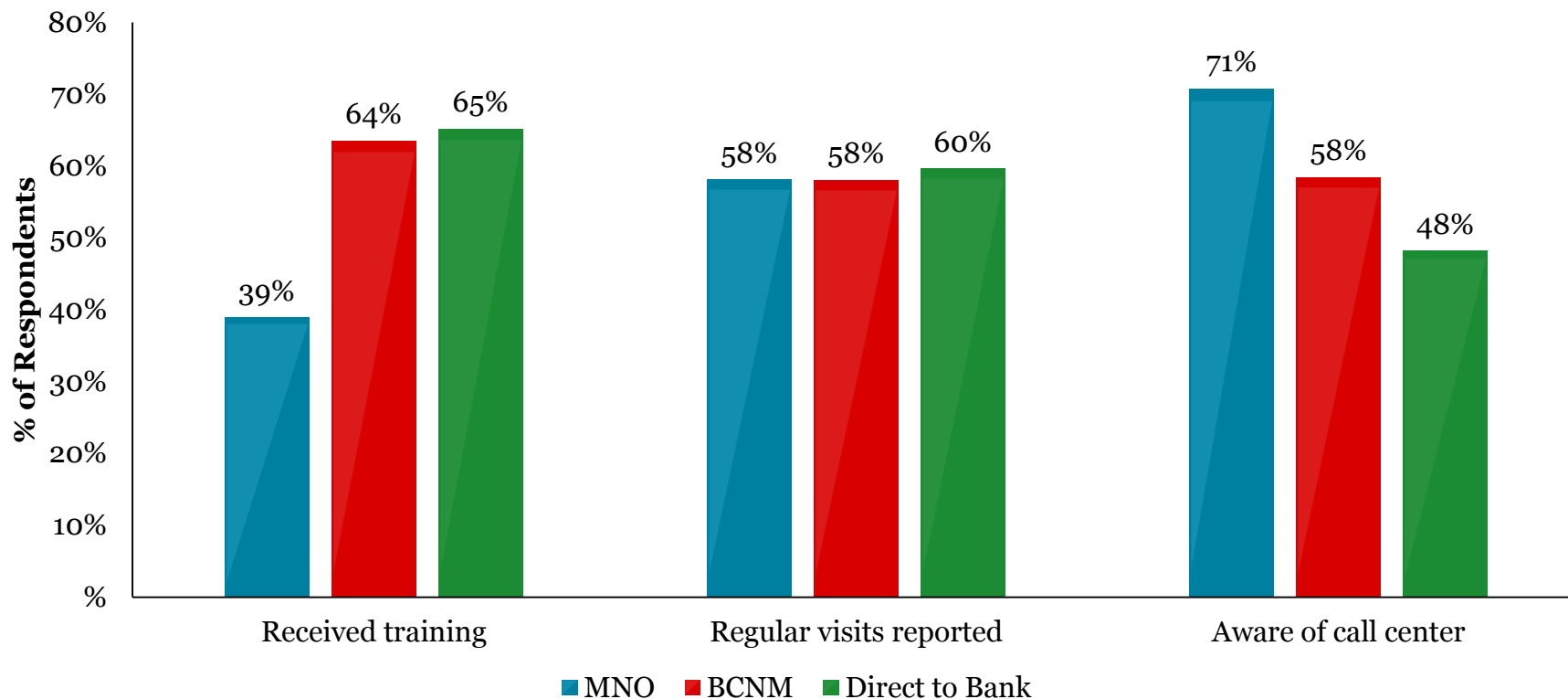
*Since MNOs do not get a fixed monthly component, to bring in parity while comparing profitability among the three models, the fixed component has not been included in profit calculations.

Transaction Volumes And Values Per Model

	Transaction Volume (median/month)				Transaction Value (median in US\$)			
	India	MNO	BCNM	Direct to Bank	India	MNO	BCNM	Direct to Bank
Cash-in	90	30	100	90	32	32	32	32
Cash-out	90	30	100	90	32	32	32	32
Domestic Remittances	30	17	32	30	48	32	81	40
Account opening	86	15	100	67				
PMJDY	150	0	150	129				

Unlike other geographies where MNOs tend to dominate, MNOs seem to be struggling to drive transaction volumes in India. Even in domestic remittances, globally a key revenue driver for MNOs, specialised BCNMs conduct twice as many transactions as MNOs. Some of the reasons for this were highlighted [here](#) and the potential of MNOs as providers in India was discussed [here](#).

Quality Of Provider Support Varies Per Model



▶ Banks and BCNMs conducted formal onboarding training for most of the agents while the majority of the MNO agents have not been trained.

▶ MNOs fare better on customer support related aspects. 55% of MNO agent outlets displayed the call centre number as opposed to 43% of the country sample.


Factors Likely To Promote Growth of Digital Financial Services in India


Through its mandates, the government of India has played an important role in developing the DFS supply side and is now taking on a more supportive role:


- ▶ The PMJDY scheme was launched with the goal to provide all households in the country with banking facilities.
- ▶ The government has issued payment bank licenses which effectively creates a more equitable playing field for MNOs and BCNMs.
- ▶ The government of India has stressed the importance of government payment digitisation, thus giving DFS providers an opportunity to capitalise on this.



Opportunities For Improvement

- 

Transaction levels and profitability for agents in India are too low for the model to be viable. There is a clear need to **revisit the value proposition to customers and the business case for agents** to ensure stability of agent networks and continued service availability for customers.
- 

Agents in India receive less training and less support visits than agents in other ANA countries. Dealing with customer service when something goes wrong is indicated to be the biggest challenge by agents. There needs to be a concerted effort to **engage agents more effectively and to provide a client and agent recourse mechanism.**
- 

Mandated requirements such as agent codes, tariff rates, and grievance redressal numbers are not being displayed at agent outlets. This calls for more **effective monitoring and supervision** of agents by service providers.



Appendix

Appendix I: Acronyms

Acronyms		
1	SBI	State Bank of India
2	PNB	Punjab National Bank
3	BOI	Bank of India
4	ICICI	Industrial Credit and Investment Corporation of India
5	RBI	Reserve Bank of India
6	PMJDY	Pradhan Mantri Jan Dhan Yojana

Appendix II: Definitions

Definitions			
1	Location	Metro	Comprises sample drawn from major cities of India: Delhi, Mumbai, Kolkata, Chennai, Bangaluru and Hyderabad.
2		Other Urban	Comprises sample drawn from other cities of India which includes state capitals other than the ones covered in Metro.
3		Rural	Sample drawn from villages (as mentioned in Census data).
5	Dedication	Dedicated agent	Agents whose only income source is through digital financial services.
6		Non-dedicated agent	Agents who have other income sources in addition to digital financial services.
7	Exclusivity	Exclusive agent	Agents who work for only one service provider.
8		Non-exclusive agent	Agents who work for more than one service provider.
9	BC Model	Agent Network Managers	ANMs are hired by banks to build, incentivise and manage agent networks. Examples include FINO, EKO, SAVE, ALW etcetera.

Thank You

www.helix-institute.com

info@helix-institute.com



Helix Institute of Digital Finance



Helix Institute