

# State of the Agent Network, India 2017

## Agent Network Accelerator Research

India Country Report  
February, 2018

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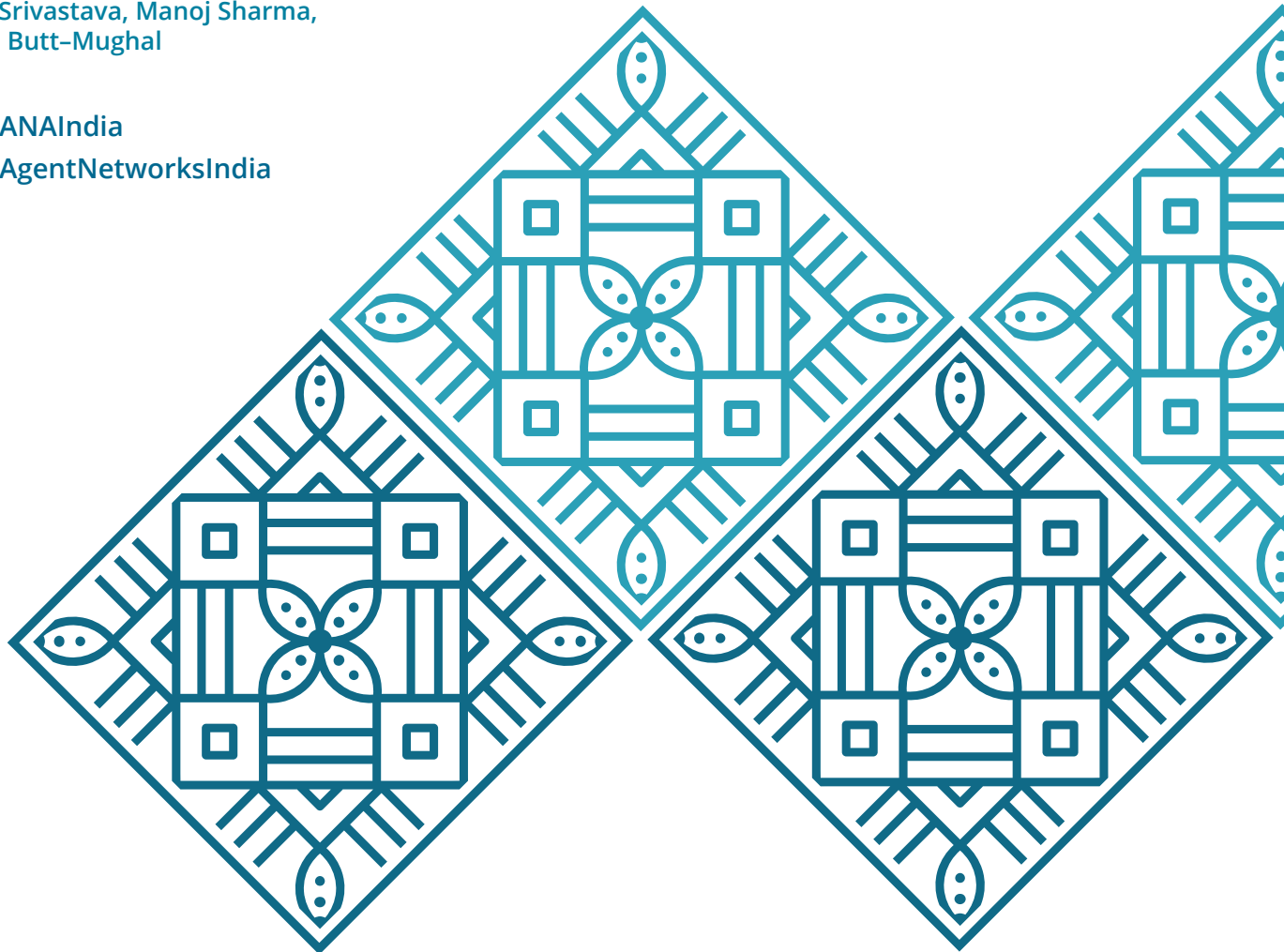
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#ANAIIndia  
#AgentNetworksIndia



## About *MicroSave*

*MicroSave* is a leading international consulting firm that offers practical, market-led solutions in the areas of Digital Financial Services, Inclusive Finance and Banking, Micro, Small and Medium Enterprises, and Private Sector Development. We focus on enhancing access to financial services to the low- and middle-income segments.

Our vision is to live in a world where everyone has access to high-quality, affordable, market-led financial services and support. For 20 years, we have worked with our clients as a locally based, international consulting firm. We have guided policy and facilitated partnerships to develop enabling ecosystems.

## About *Helix* Institute of Digital Finance

The *Helix* Institute is the training arm of *MicroSave*. *Helix* is a global leader in providing practical, market-focussed training sessions and insights on financial services.

The mission of *Helix* Institute is to support financial service practitioners with the strategies and tools they need to achieve sustainable impact and success in their business or programme objectives.








At *Helix*, we design our training modules to help organisations build effective strategies, enhance operations, and extend financial services to their clients in a profitable manner.

# Project Description

Through the financial support of the Bill & Melinda Gates Foundation and the United Nations Capital Development Fund (UNCDF), *MicroSave* conducted a four-year research project in 11 focus countries. This initiative was part of the [Agent Network Accelerator \(ANA\)](#) Project.

## Africa



-  Kenya
-  Nigeria
-  Tanzania
-  Uganda
-  Zambia
-  Senegal
-  Benin

## Asia



-  Bangladesh
-  India
-  Indonesia
-  Pakistan

The second wave of the ANA study in India builds upon the findings from the [first wave](#), which we had completed in 2015. The report describes the agency banking structure in the country and key performance metrics, such as agent viability, agent network structure, the quality of provider-support, and providers' compliance and risk.

[The Helix Institute](#) of Digital Finance has managed the ANA project. It provides financial sector stakeholders with capacity-building training to develop sustainable digital finance programmes and operations, through market analytics, operational training, and advisory services.

# Focus of Research

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



Agent Network Structure



Agent Viability



Quality of Provider Support



Provider Compliance & Risk

# Outline of the Report

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# A Short History of Digital Financial Services (DFS) in India (2014–2017)

2014

- **July:** The Reserve Bank of India (RBI) releases draft [guidelines](#) for licensing of ‘payments banks’ or ‘differentiated banks’.
- **August:** Formation of [Business Correspondents Federation of India](#)
- **August:** [Pradhan Mantri Jan Dhan Yojana \(PMJDY\)](#) launches. It aims to link every household with banking facilities. Phase II of PMJDY launches in 2015
- **November:** [Launch of PAHAL \(Direct Benefit Transfer\)](#)
- **November:** [RBI releases final guidelines for licensing of ‘payments banks’.](#)

2015

- **May:** Launch of [Pradhan Mantri Jeevan Jyoti Beema Yojana \(PMJJBY\)](#) and [Pradhan Mantri Suraksha Beema Yojana \(PMSBY\)](#). These are a universal health and accident insurance scheme, respectively.
- **May:** Launch of [Atal Pension Yojana](#)
- **August:** [RBI issues licenses to 11 Payments Banks.](#)
- **September:** [RBI grants in-principle approval to 10 applicants for Small Finance Banks.](#)
- [120 million accounts opened under PMJDY.](#)

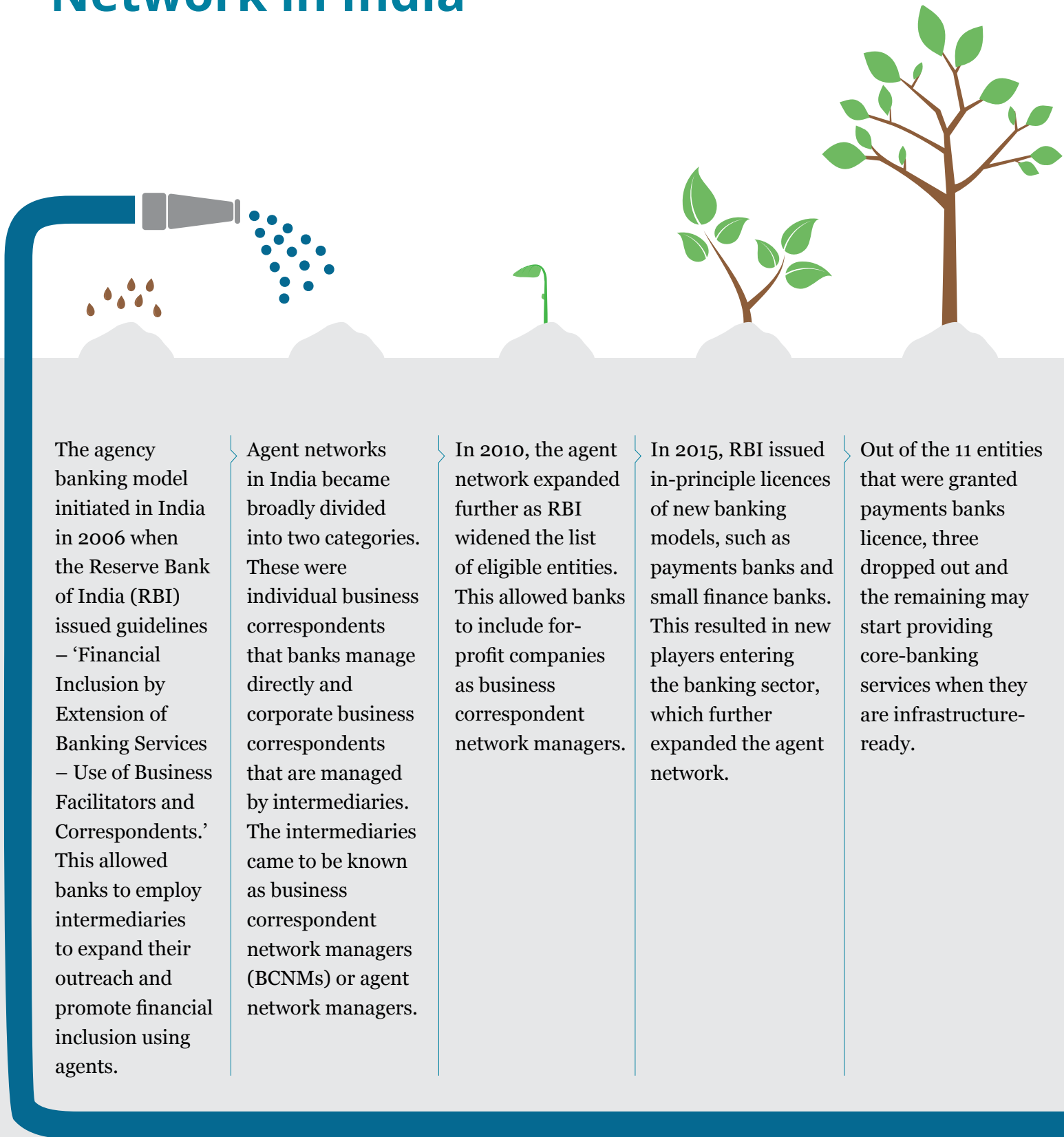
2016

- **April:** [Jan Dhan-Aadhaar-Mobile](#) Linking Plan is launched.
- **April:** The Government of India launches [UPI](#).
- **May:** Launch of [Pradhan Mantri Ujjwala Yojana \(DBT\)](#)
- **September:** RBI issues new [guidelines](#) on new card acceptance infrastructure, and on how to enable the processing of payment transactions using *Aadhaar*-based biometric authentication.
- **November:** On 8th November 2016, the Government of India announces the [demonetisation](#) of all INR 500 (USD 7.80) and INR 1,000 (USD 16) banknotes. This pushes the use of DFS delivery channels by users.
- **November:** Start of [Airtel Payments Bank](#) operations

2017

- **January:** Start of [India Post Payments Bank](#) operations
- **March:** [Aadhaar Pay](#) launched
- **May:** Start of [Paytm Payments Bank](#) operations
- **June:** The government makes the [linking](#) of *Aadhaar* with bank account mandatory.
- **July:** Start of [Fino Payments Bank](#) Operations
- **September:** RBI issues [guidelines on PPIs](#).
- **October:** Launch of DBT for [fertiliser subsidy](#)

# Evolution of the Agent Network in India



The agency banking model initiated in India in 2006 when the Reserve Bank of India (RBI) issued guidelines – ‘Financial Inclusion by Extension of Banking Services – Use of Business Facilitators and Correspondents.’ This allowed banks to employ intermediaries to expand their outreach and promote financial inclusion using agents.

Agent networks in India became broadly divided into two categories. These were individual business correspondents that banks manage directly and corporate business correspondents that are managed by intermediaries. The intermediaries came to be known as business correspondent network managers (BCNMs) or agent network managers.

In 2010, the agent network expanded further as RBI widened the list of eligible entities. This allowed banks to include for-profit companies as business correspondent network managers.

In 2015, RBI issued in-principle licences of new banking models, such as payments banks and small finance banks. This resulted in new players entering the banking sector, which further expanded the agent network.

Out of the 11 entities that were granted payments banks licence, three dropped out and the remaining may start providing core-banking services when they are infrastructure-ready.

# Agent Network Landscape

# Key Findings Around the Agent Network in India

In two years, India's story of financial inclusion has shifted from account opening to account usage. Supported by enabling technology and focused policy moves, India presents a clear example of how policy imperatives can drive the agenda of financial inclusion.

2017 was a positive shift from 2015. During this time, new models like payments banks have emerged, support systems have become better, use-cases have increased, while agent networks have strengthened to position themselves as delivery channels for various financial and non-financial services.

**1**

New players (Payments Banks, Common Service Centres) have emerged and existing banks have consolidated on agent management with a focus on refresher training.

**2**

Banking services and government-to-people (G2P) payments have offered use-cases, which has led to increased transactions and subsequently, revenues and profits.

**3**

Agent recruitment seems to have slowed, suggesting that providers increasingly look to maintain or develop existing operations in preference to further expanding footprints.

**4**

High operating costs clubbed with dedication have had an impact on profitability and requires solutions.

**5**

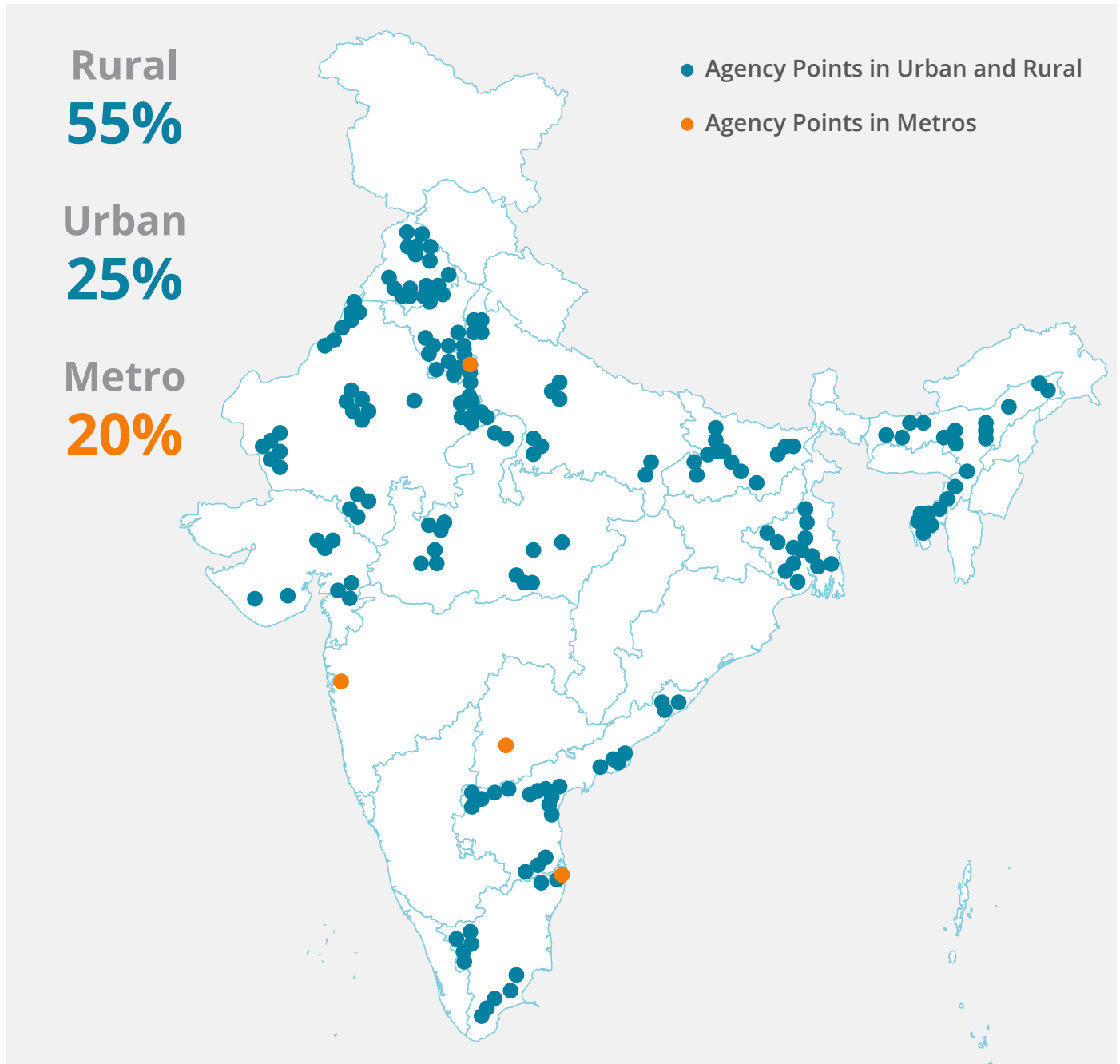
Increased instances of fraud is an area of concern.

**6**

Recent policy moves of interoperability and payments banks have started to reshape the market. We expect a lot of dynamism in the next few years.



# This Report is Based on a Nationally Representative Sample of 3,048\* Agents



| Sample Profile | Network Model  |              | Exclusivity |               | Dedication |               | Gender |        |
|----------------|----------------|--------------|-------------|---------------|------------|---------------|--------|--------|
|                | Direct to Bank | BCNM Managed | Exclusive   | Non-exclusive | Dedicated  | Non-dedicated | Male   | Female |
|                | 31%            | 69%          | 94%         | 6%            | 45%        | 55%           | 92%    | 8%     |

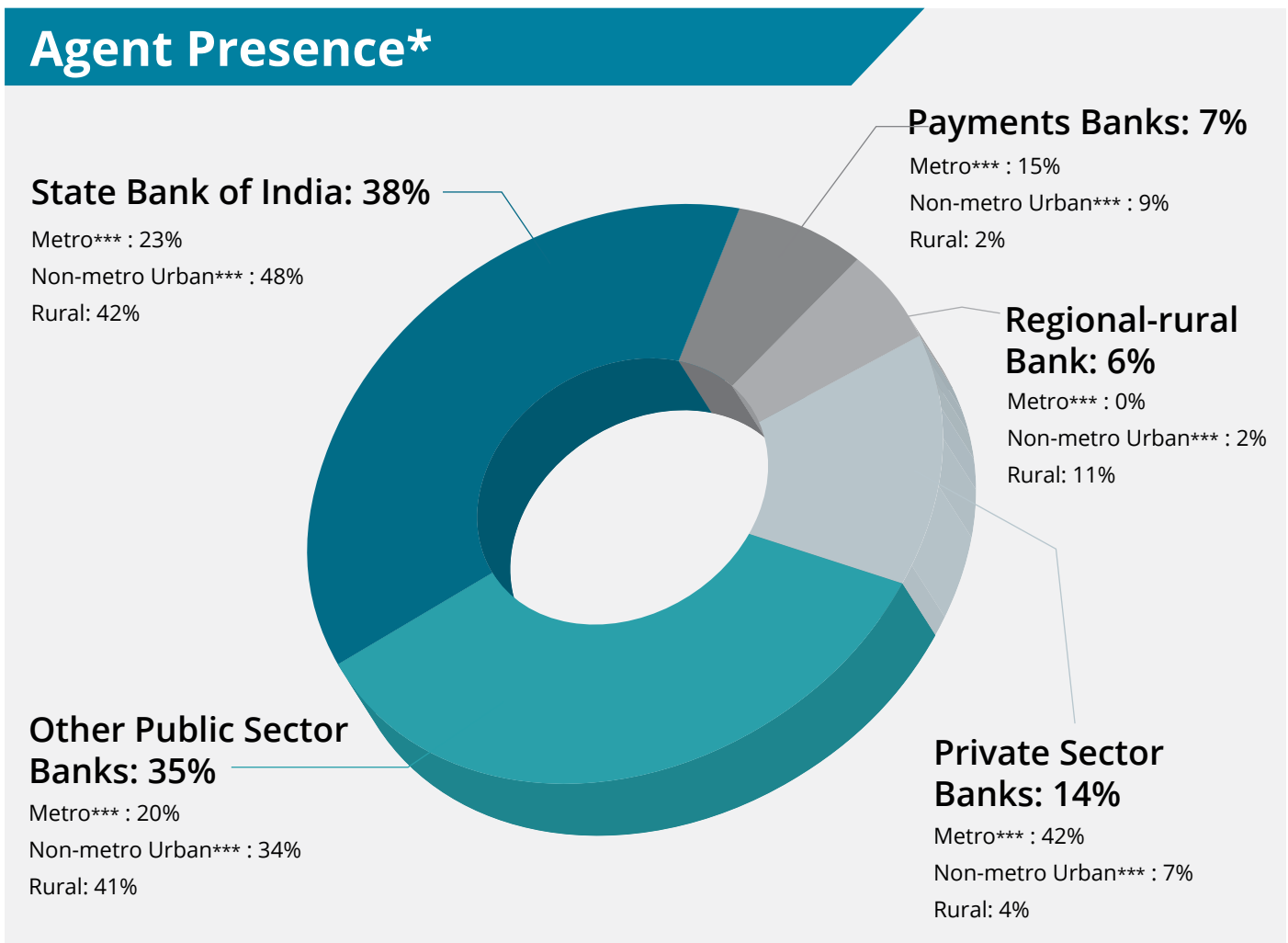
Interviews were conducted between July and September 2017

\*We interviewed agents who conducted at least one transaction in the past 30 days.

# Agent Network Structure

# New Players have Emerged but Public Sector Banks still Lead the Pack

- ▶ In 2015, the State Bank of India (SBI) dominated the market with one-third of agent share in terms of the number of agents. The bank’s presence further increased to 38% in 2017 with an increased presence in non-metro urban areas.
- ▶ The market presence of other public sector banks and private sector banks have decreased from 43% in 2015 to 35% in 2017 and 21% in 2015 to 14% in 2017 respectively. This can mostly be attributed to emerging new players like payments banks and SBI’s growing network.
- ▶ Payments banks have a better presence in metro areas (15%) than rural (2%) and non-metro urban areas (9%).
- ▶ In metro areas, private sector banks dominate and have almost the same presence as all public sector banks combined.



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

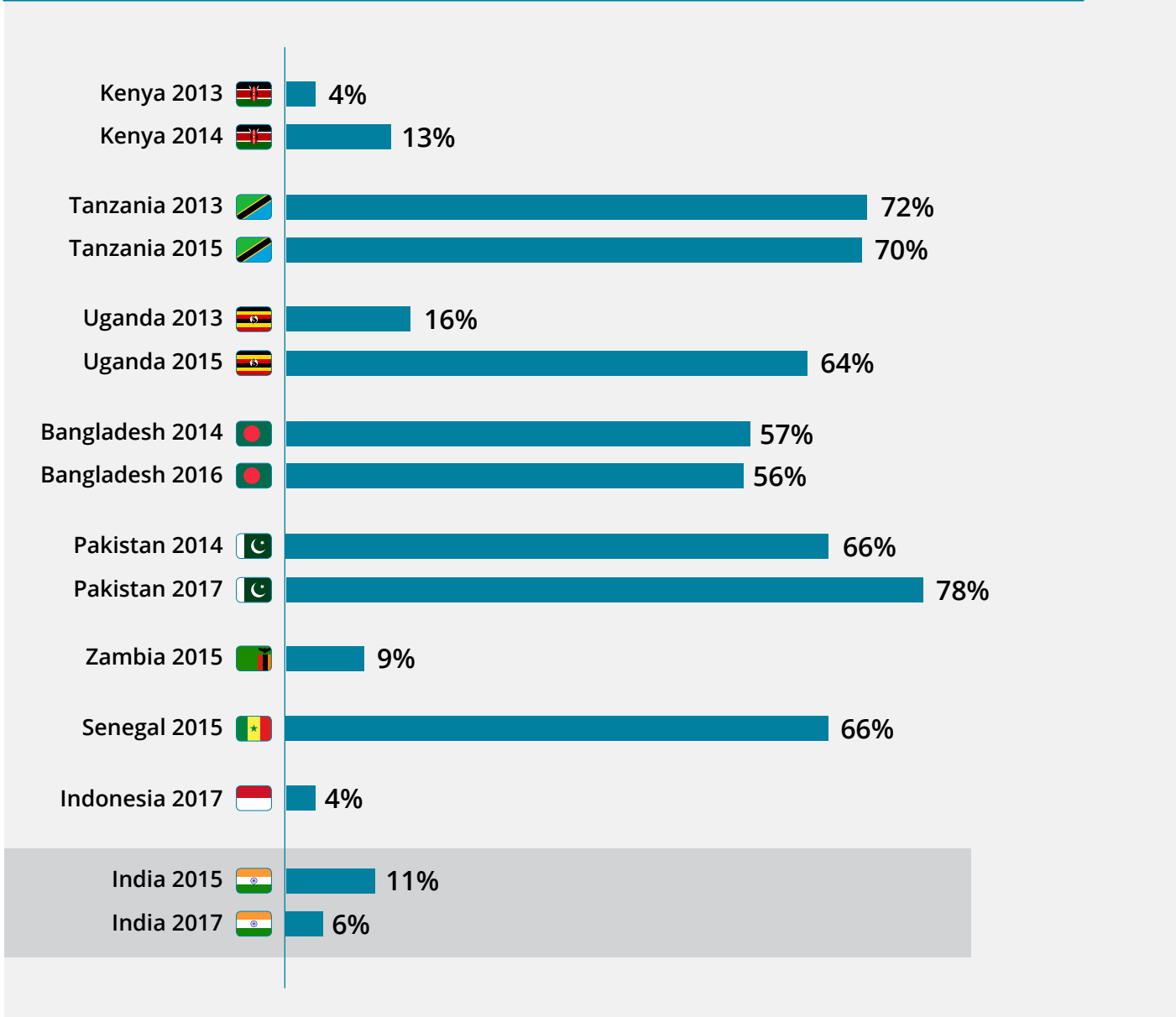
\*\* Other Public Sector Banks – Banks where a government holds the majority stake. Private Sector Banks – Banks where private shareholders hold the majority stake. Regional Rural Banks – Local-level banking organisations that serve rural areas. Payments Banks – New model of banks that can accept restricted deposit but cannot issue credit.

\*\*\* Refer Appendix 3.

# India has Less Non-exclusivity than Most ANA Countries

- ▶ Non-exclusivity has dropped further by 5% from 2015 to 2017. Other ANA countries saw an increase in non-exclusivity in subsequent rounds of ANA studies.
- ▶ Non-exclusivity is more common in metro areas (17%). However, it has almost halved when compared to 2015, when 35% of agents were non-exclusive in the metros.
- ▶ The non-exclusive agents serve a median of two providers.

## Non-exclusivity: ANA Research Countries\*

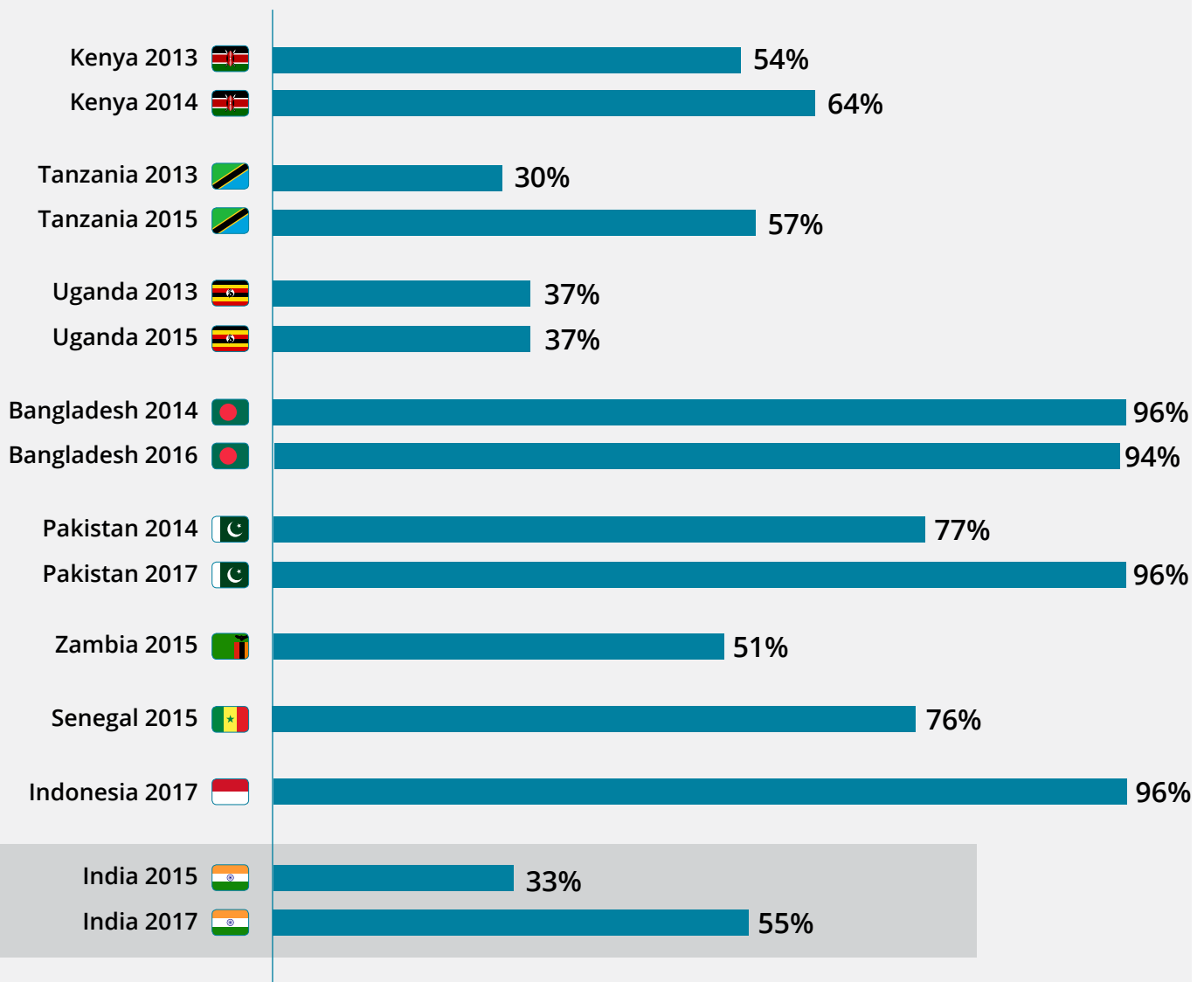


\*Please see Appendix 4.

# India has Less Non-dedication than Most ANA Countries

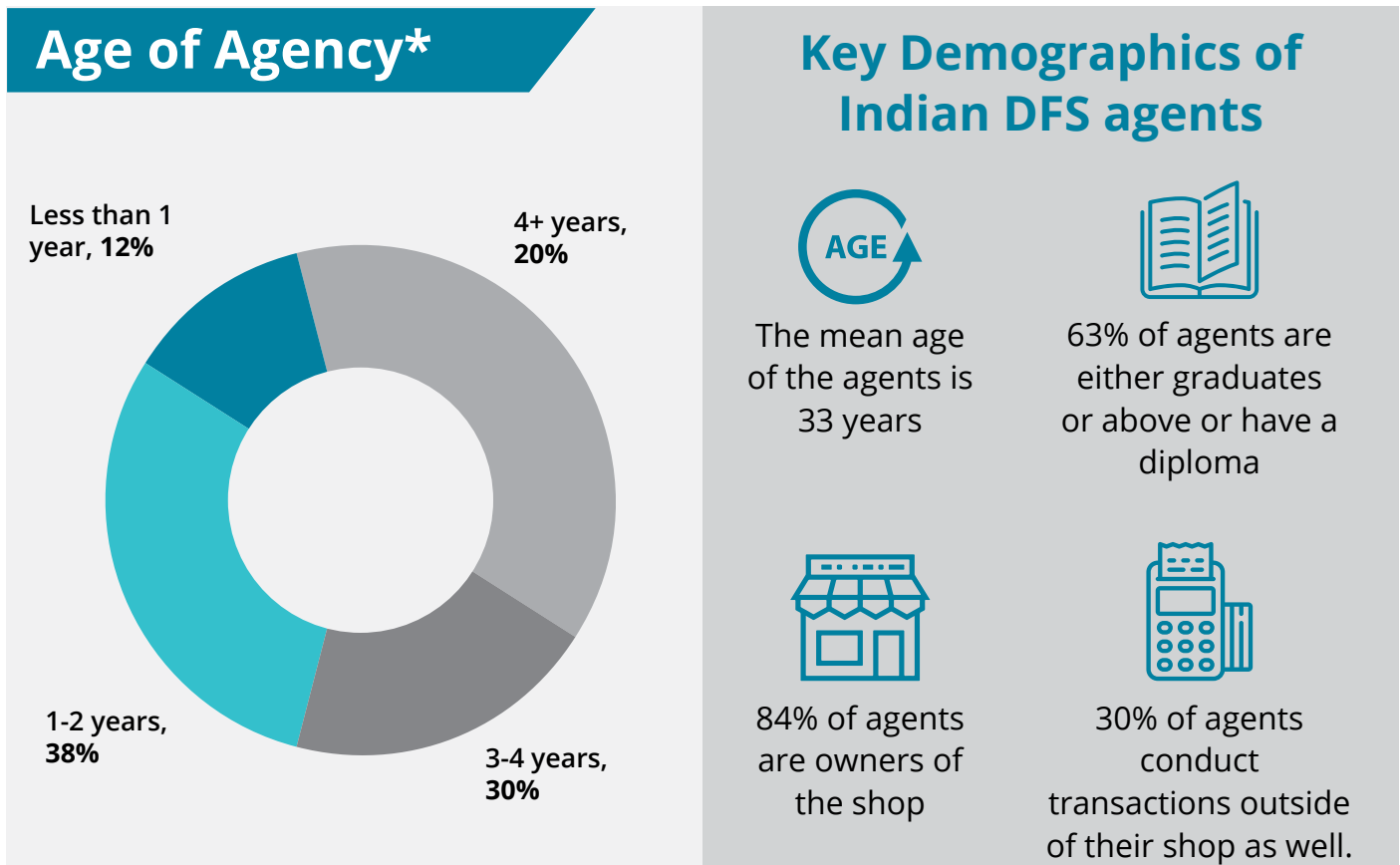
- ▶ Non-dedication has increased by 22% from 2015 to 2017. This change has been the highest in the metro areas from 65% in 2015 to 82% in 2017.
- ▶ Private banks have a higher proportion of non-dedicated agents (67%)
- ▶ Among dedicated agents, 34% have expressed their intent to start other businesses in the future. This indicates that non-dedication in the Indian market will increase further.

## Non-dedication: ANA Research Countries\*



\*Please see Appendix 4.

# The Proportion of Experienced Agents has Increased



- ▶ Half the agent outlets have been operating for three years or more as compared to just 28% in 2015. In 2014–2015, most banks were recruiting new agents to comply with [guidelines from RBI](#) to cover all unbanked villages by 2016. Since the mandate was completed in 2016, providers may not be currently recruiting new agents at a similar pace.
- ▶ Fewer agents (12%) are less than a year into their operations compared to 2015 (29%). A large proportion of this number comes from payments banks, where more than two-thirds of agents have served as agents for a year or less.
- ▶ In the metro areas, 20% of agents have been in business for less than one year (most payments banks agents are present in the metros).
- ▶ A little over half the agents in rural areas have been in business for over three years. This indicates the presence of a widespread delivery channel that providers have managed to create and nurture. They can now utilise this network to offer a varied and wider suite of financial services.

\*Only owner-agents are asked 'age of agency' questions.

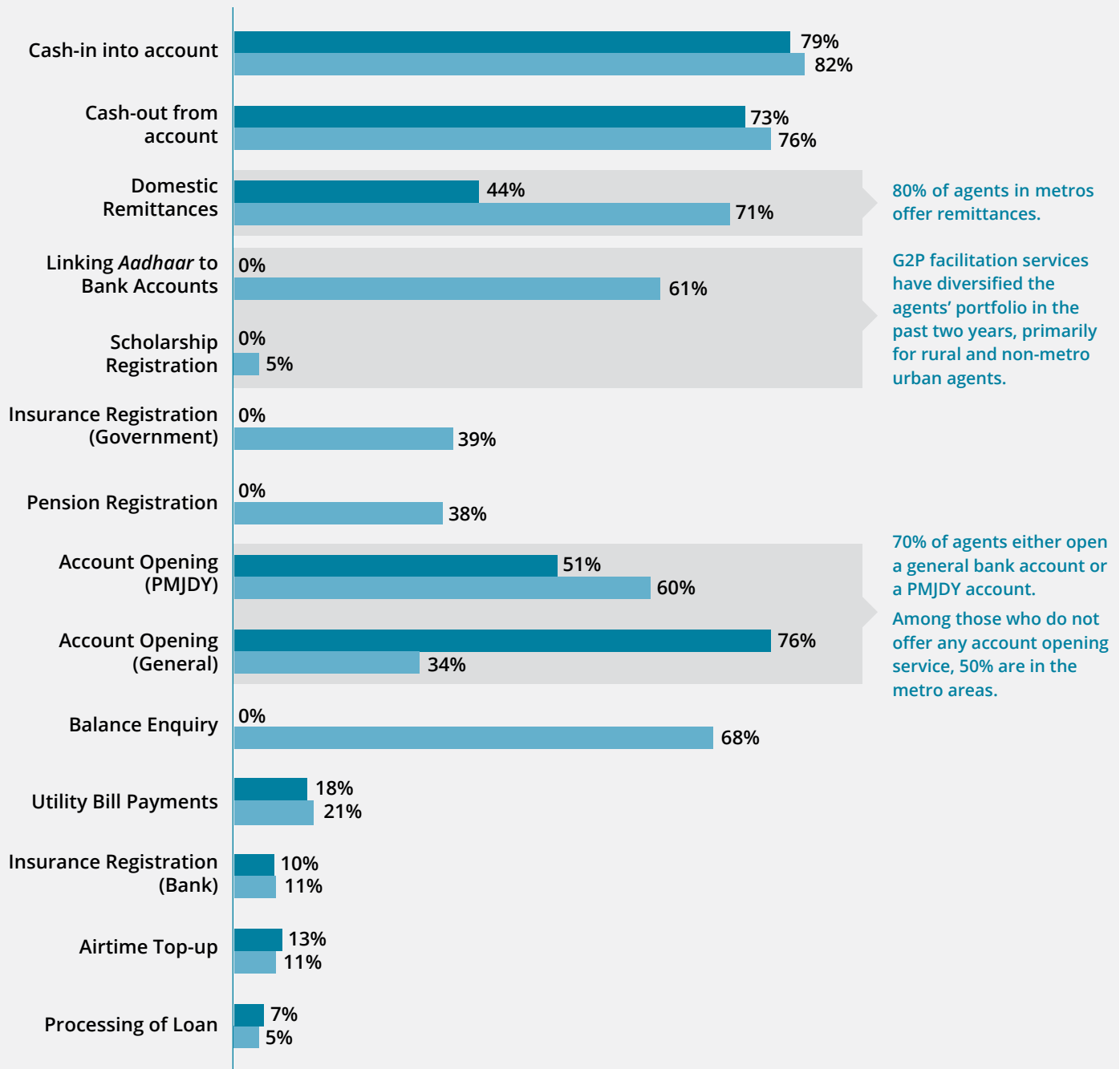
# Agent Viability

# Agents Offer More Products and Services\* Compared to 2015

## Products and Services Offered

■ 2015  
■ 2017

An agent in rural and non-metro urban areas offers a median of seven services, compared to two services that an agent in metros offer (%).



Some agents also reported that they offer to facilitate FD or RD transactions (17%), subsidy registrations (3%), ticketing (7%), and insurance premium payments (5%).

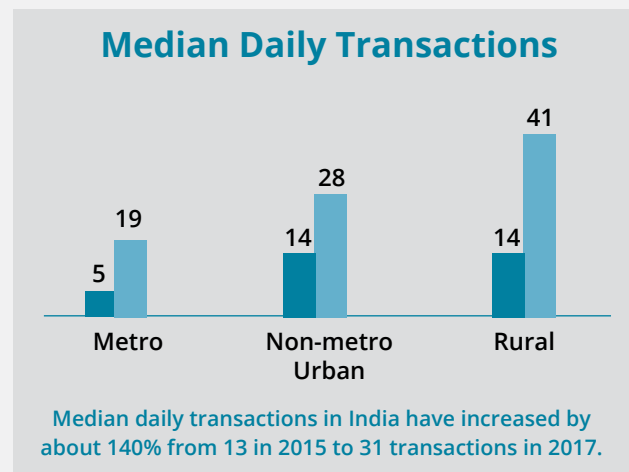
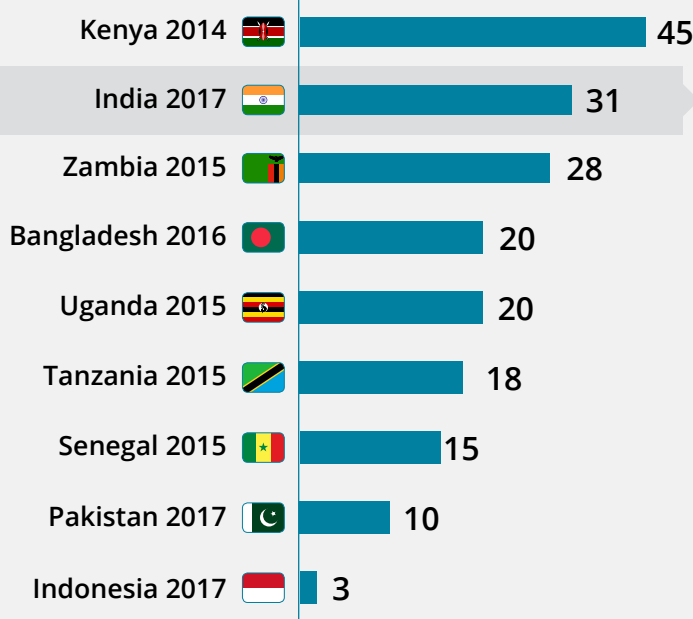
\*Please refer Appendix 5 for definitions of different products and services.



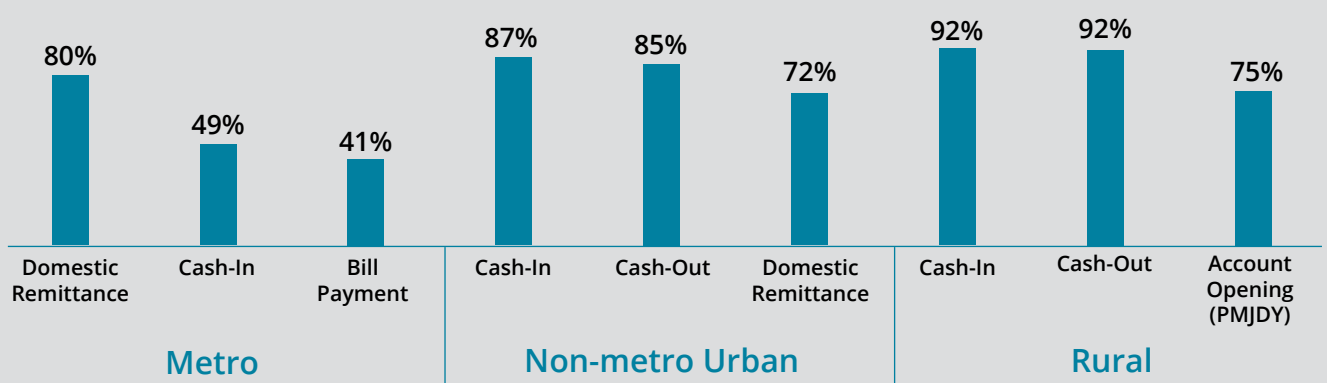
# Median Daily Transactions\* have More Than Doubled

- ▶ The number of daily median transactions conducted by agents in India is second only to Kenya. G2P-related services are a major contributor to this increase.
- ▶ Agents who have been in business for less than one year conduct a median of 20 transactions per day, compared to 40+ daily transactions that those in business for three years or more conduct.
- ▶ Agents in rural locations have witnessed an almost three-fold increase in the number of daily transactions. Most of their transactions, being account related, indicate the use of agents for banking services.

## Median Daily Transactions: ANA Research Countries



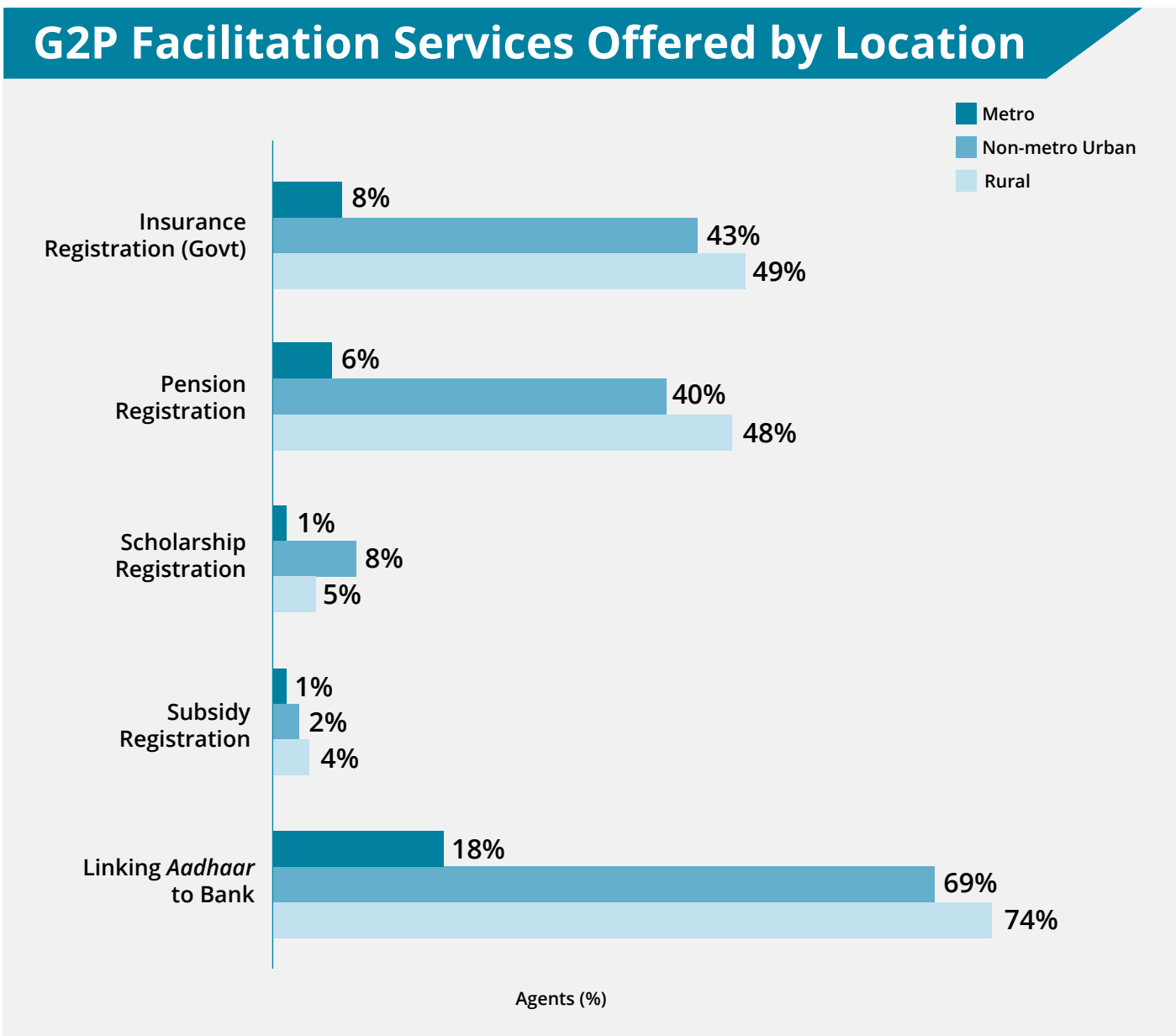
## Location-wise Top 3 Services



\*Numbers represent transactions per day at the provider-level, not overall volumes for the agency.

# G2P\* Facilitation is a Major Driver of Transactions in Rural and Non-Metro Urban Areas

- ▶ 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.
- ▶ A fifth of agents in metros offer at least one G2P service.
- ▶ Linking of *Aadhaar* to bank accounts has been the predominant service, followed by government-led insurance registrations and pension registration.

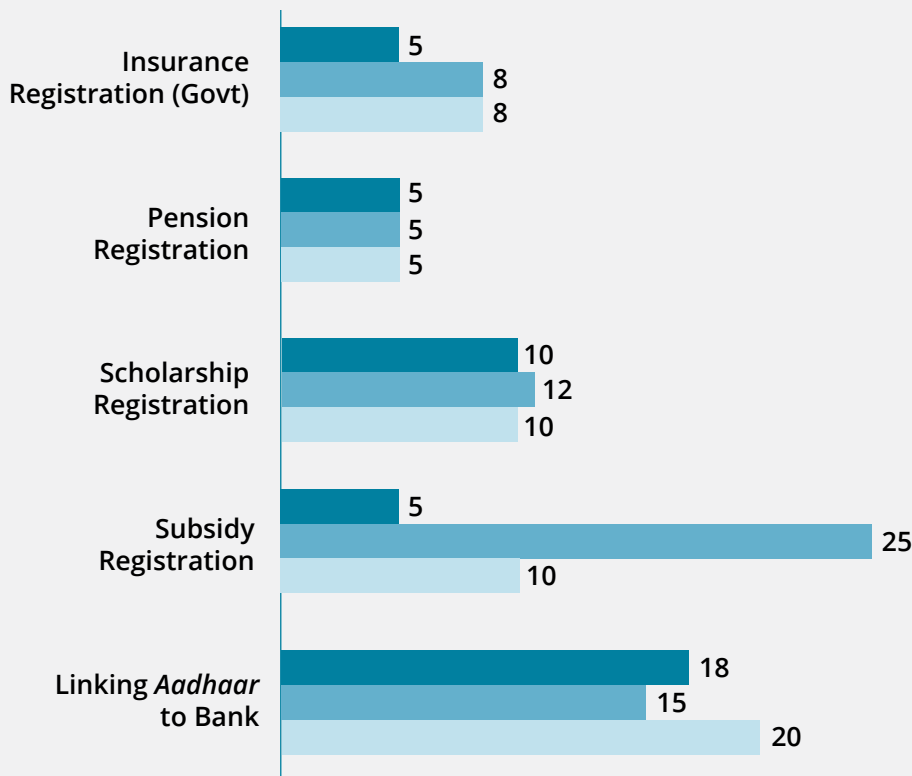


\*G2P agent is the one who offers at least one of the following services: Government Insurance, Government Pension, Scholarship, Subsidy, or Linking *Aadhaar*.

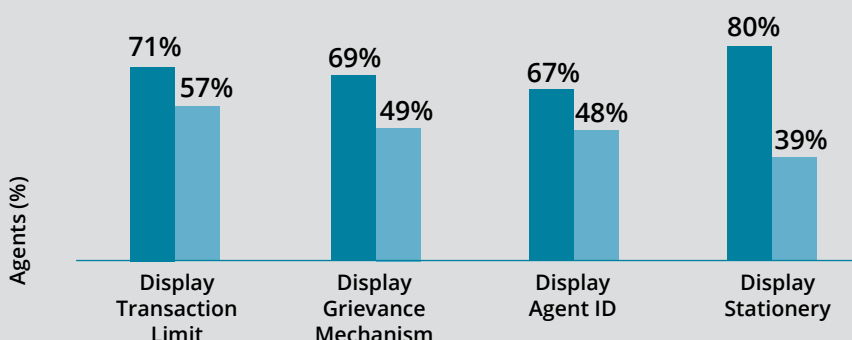
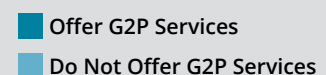
# G2P Agents Conduct More Transactions and are More Compliant

- ▶ In rural and non-metro urban areas, an agent offering G2P services conducts more than twice the number of median daily transactions (44 and 32 respectively) compared to those agents who do not offer G2P services (21 and 14 respectively).
- ▶ In metros, G2P agents conduct a median of 28 daily transactions as opposed to 15 by non-G2P agents.

## Transaction Volume (monthly) of G2P Facilitation Services by Location

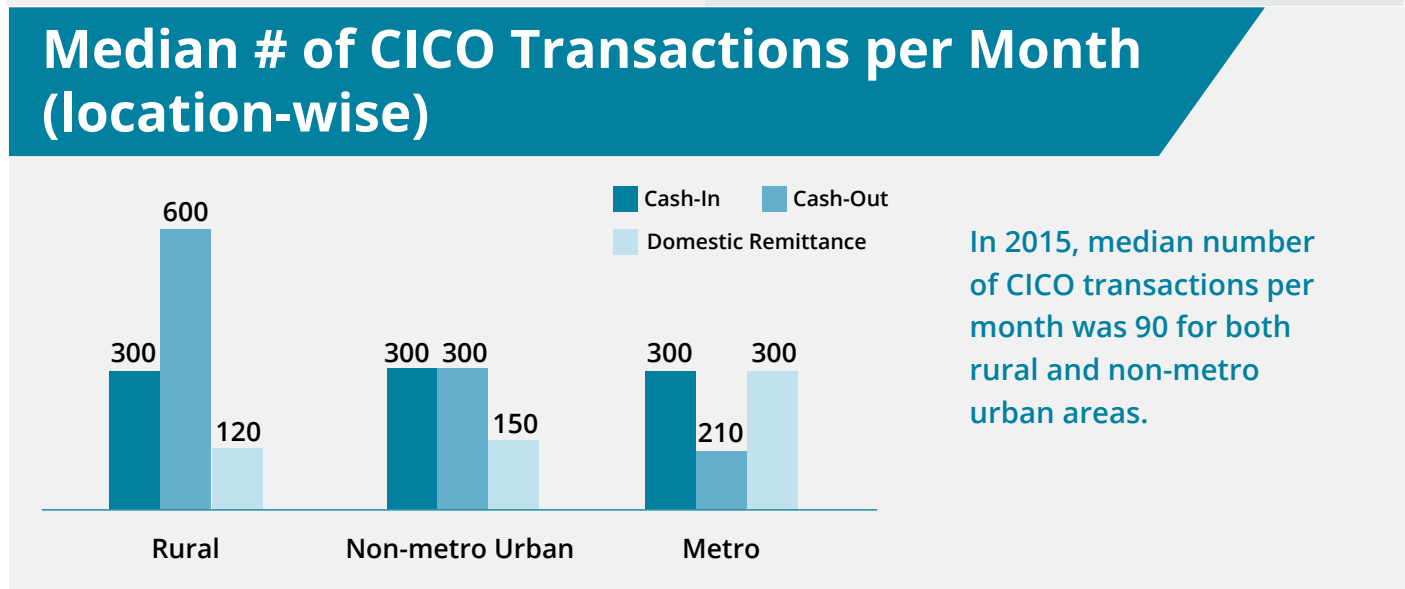
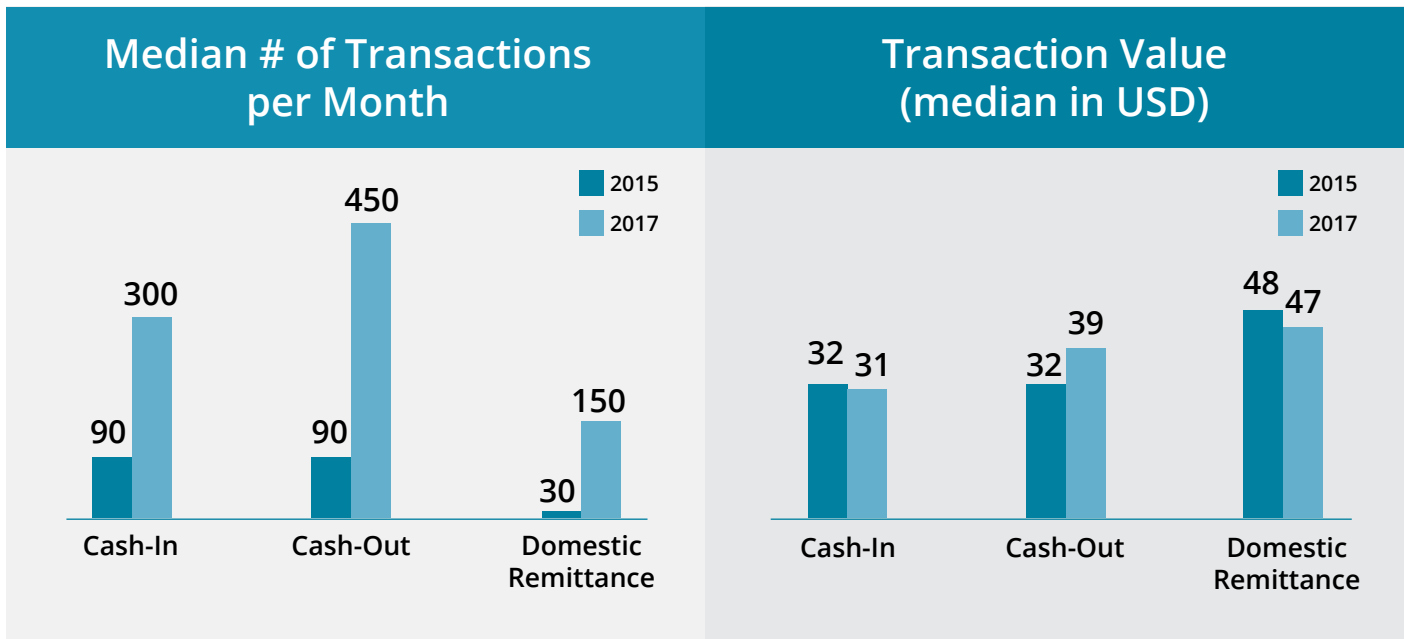


## G2P Facilitation Services Offered by Location



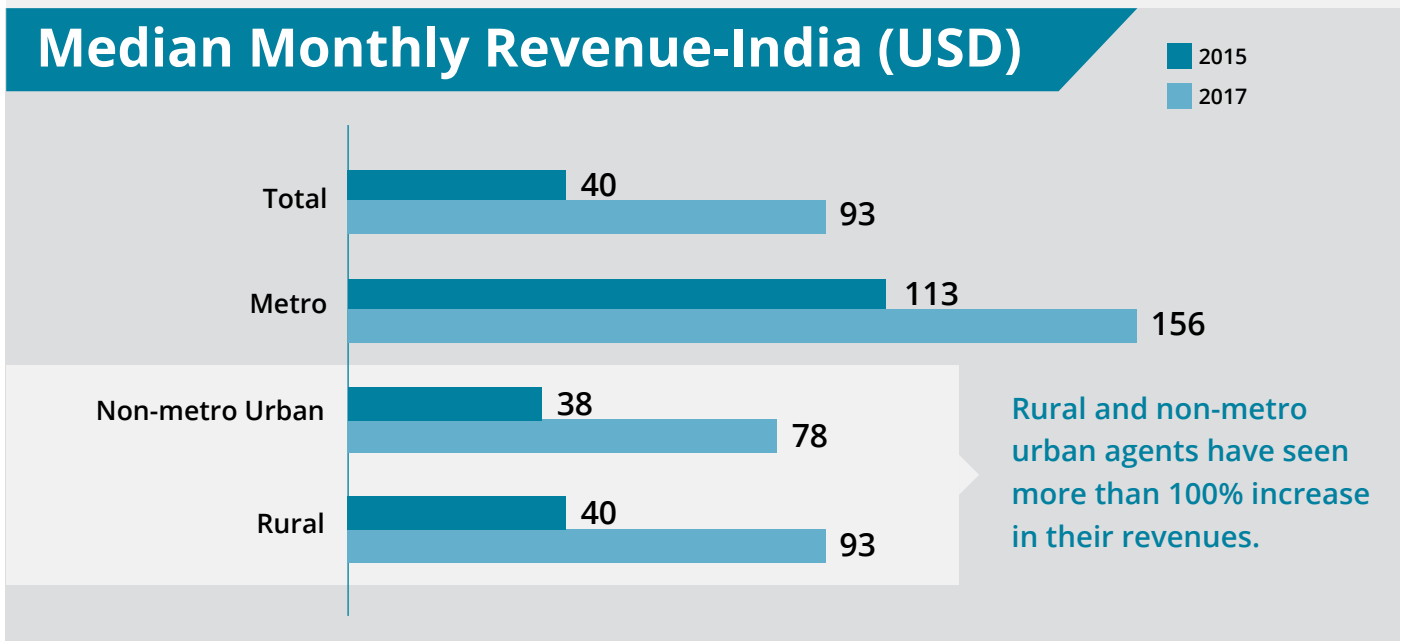
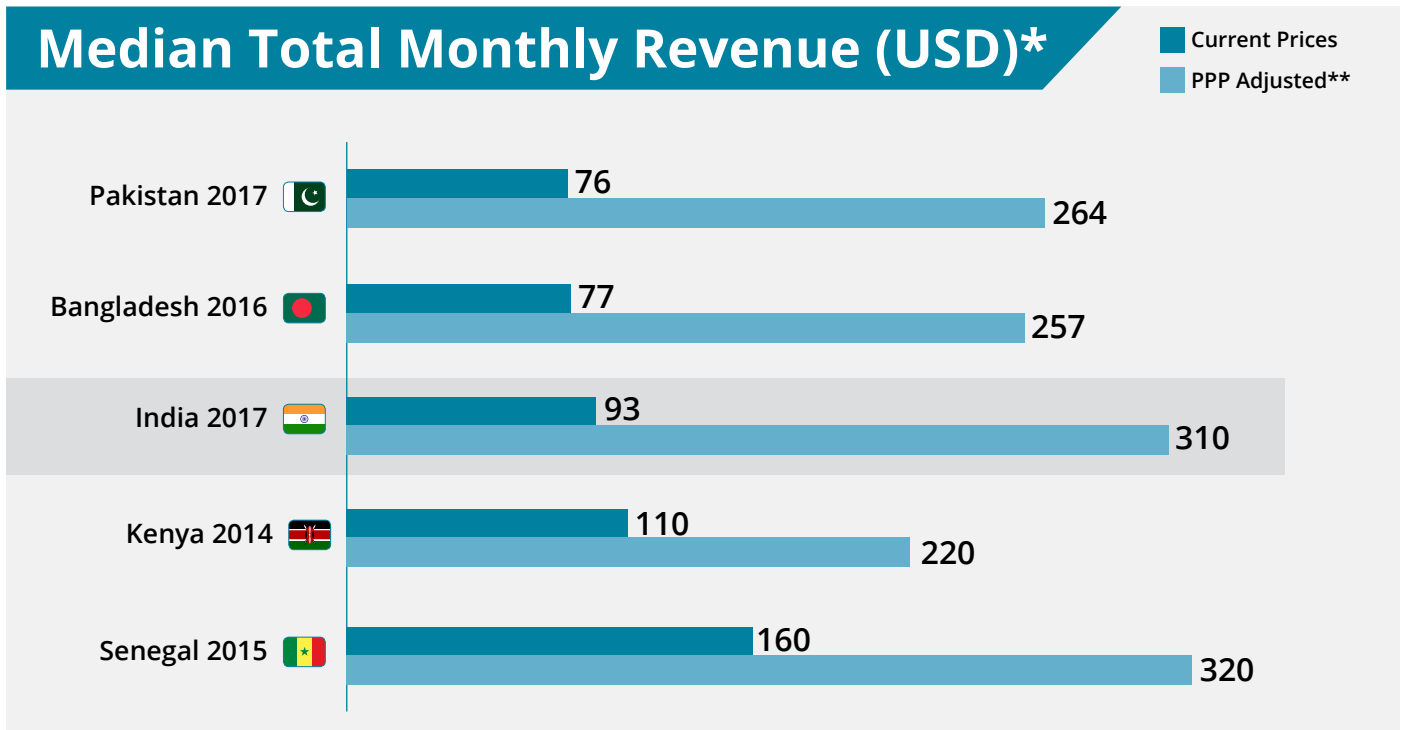
G2P agents are more compliant – a factor that has been responsible for an increase in the number of transactions.

# The Indian DFS Story has Changed from Account Opening to Account Usage



- ▶ Although the agents still offer account opening services, there has been a steep decline in the number of accounts opened under the PMJDY scheme (median 150 to 20 per month from 2015 to 2017.)
- ▶ The considerable rise in CICO (accounts for 64% of all transactions) hints that the financial inclusion drive in India has moved from building a user base to usage of services.
- ▶ The significant increases in the median volume of both cash-in and cash-out are demand-driven, which contributed to the improved viability of the agent model.

# Median Revenues have More Than Doubled



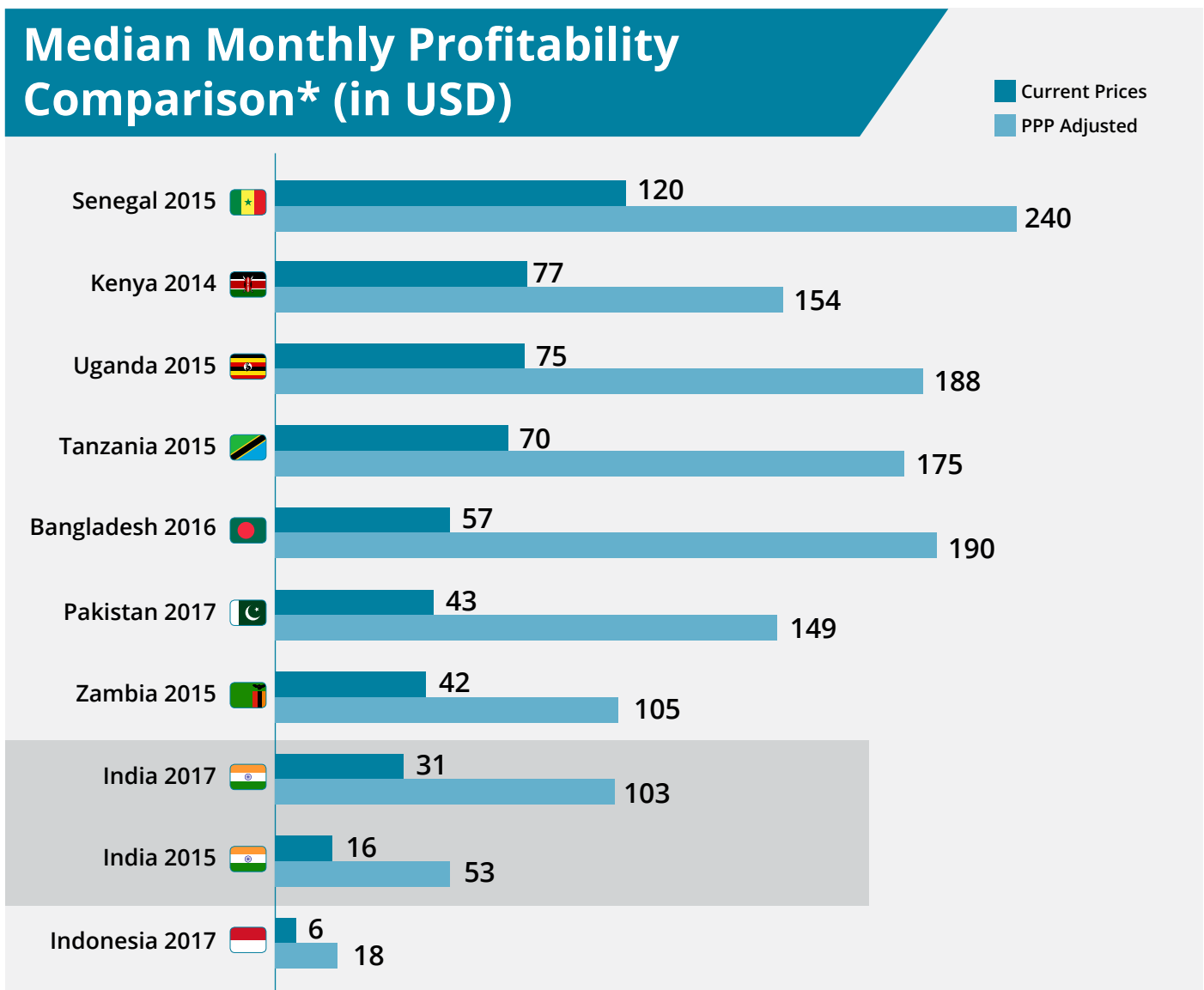
- ▶ Agents' (median) earnings have more than doubled from USD 40 in 2015 to USD 93.
- ▶ The increase in the volume of transactions, primarily CICO and G2P facilitation services, have majorly contributed to this increase in revenue.
- ▶ Domestic remittance is still the major driver of revenues in metro areas.

\* The countries have been arranged by regions to facilitate comparative representation.

\*\*PPP adjustment done based on [World Bank](http://World Bank) data.

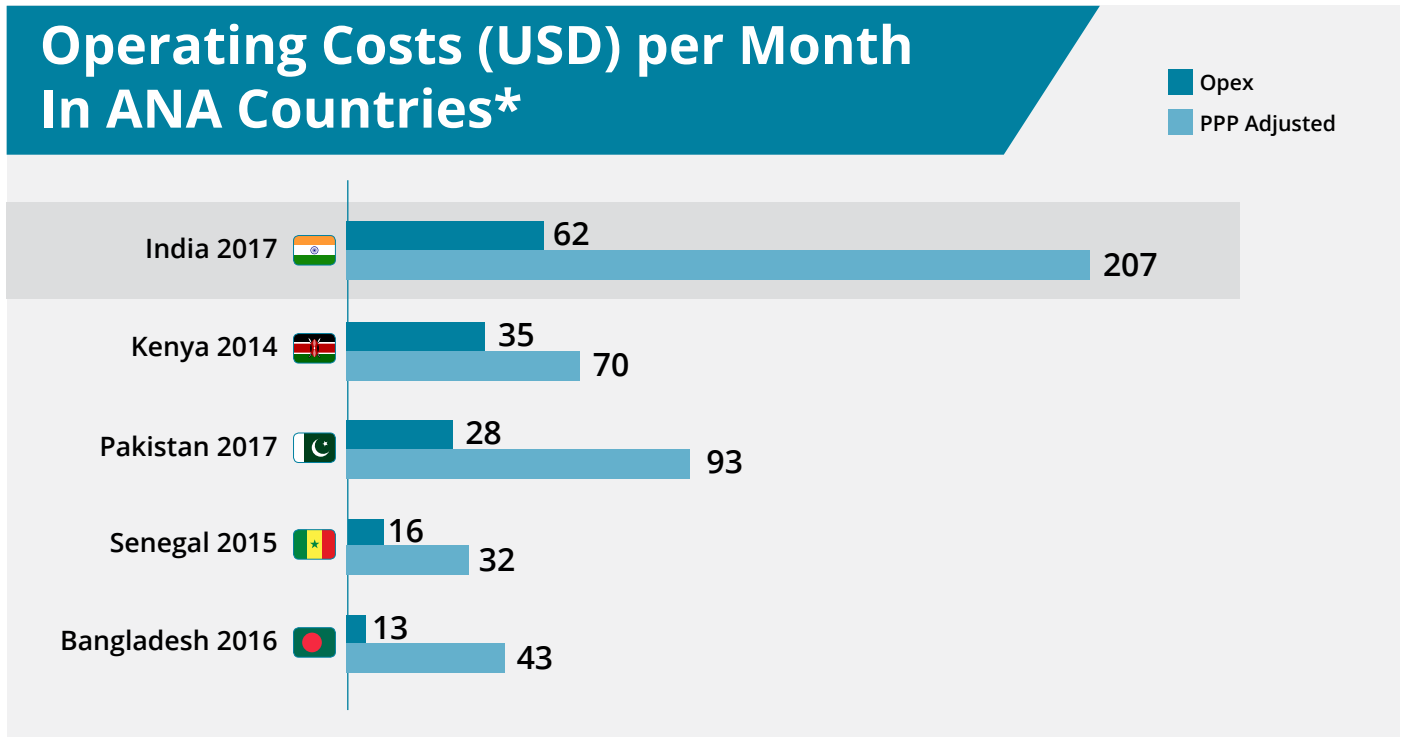
# Profits, too, have Nearly Doubled from 2015

- ▶ In India, the monthly profits of an agent have doubled in India (from USD 16 in 2015 to USD 31 in 2017) but remain the lowest among all other ANA countries. Lower profits can be attributed to high operating costs of USD 62, which have increased from USD 32 in 2015.
- ▶ Higher operating costs are predominantly being driven by rent, utility bill payments, and staff salaries, especially in the metro and some urban areas. Comparatively higher levels of dedication in rural areas also drive the higher operating costs.
- ▶ Agents from metro areas make more profits (USD 78 in 2017 compared to USD 61 in 2015), than those in rural (USD 31 in 2017 compared to USD 16 in 2015) and other urban areas (USD 19 in 2017 compared to USD 5 in 2015).
- ▶ Despite doubling of profits, about 29% of agents incur losses.

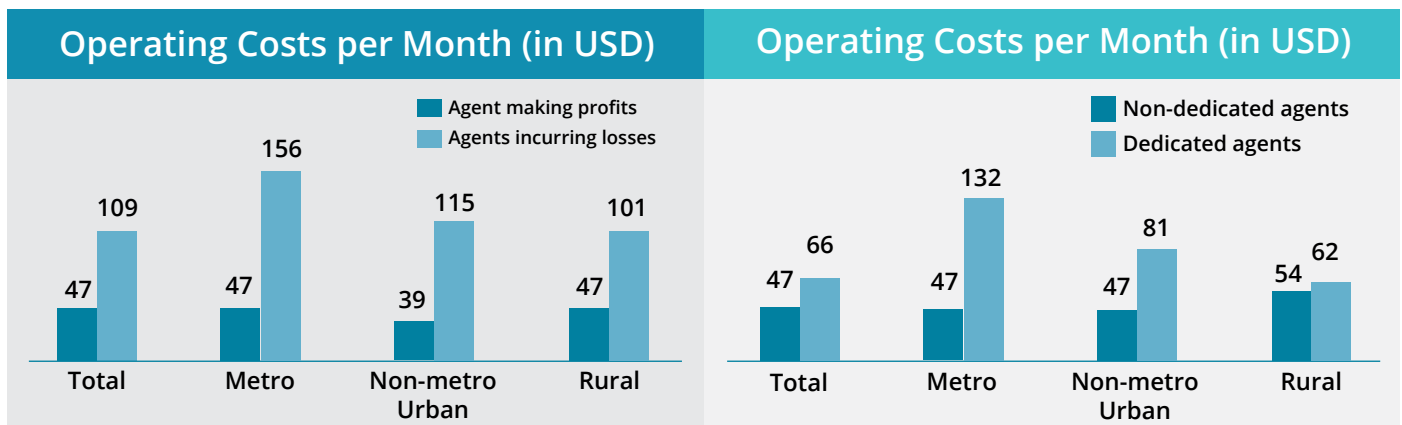


\*Profitability, as shown in the graph, is calculated as total earnings minus operating expenses for all countries, although the exact wording of the questions has changed. For all countries, profits are reported for the agent business as a whole (overall).

# High Operating Expense is a Cause for Concern



- ▶ Dedicated agents seem to have very high operating expenses in all geographies. Also, 36% dedicated agents make losses compared to just 21% non-dedicated agents.
- ▶ Among dedicated agents, 34% have expressed an intent to start other businesses in future.



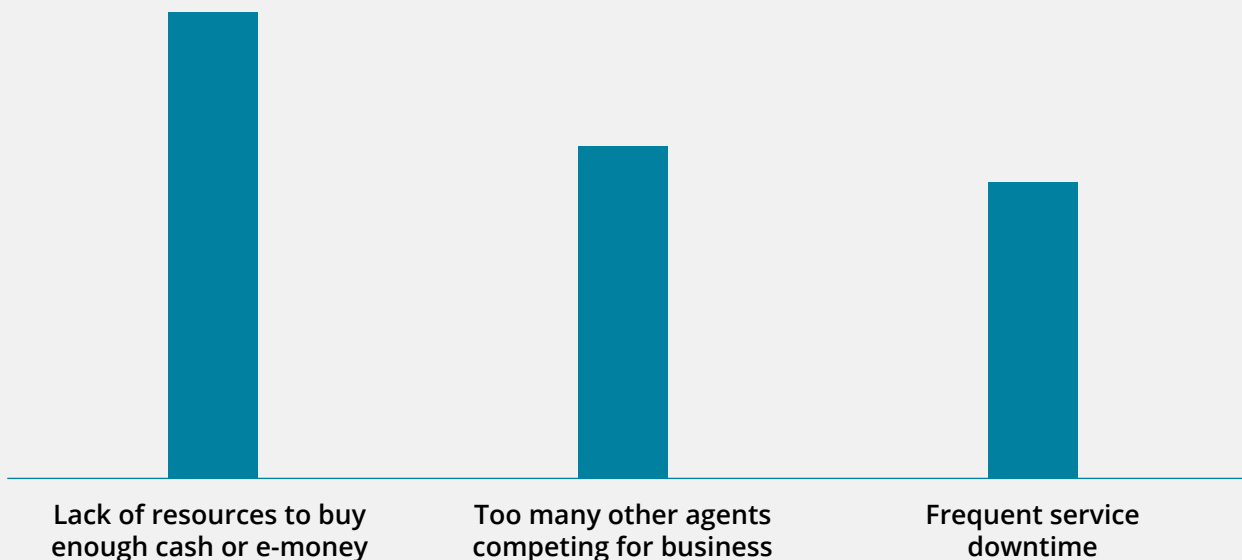
- ▶ Key contributors to high operating expenses are – monthly rent, utility payments, and even staff salaries. Yet the crux of the issues lies with dedication, which adds to the burden of operating expenses on the agent business.
- ▶ For Indian and similar markets, providers might try the concept of 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 only offer cash-in and cash-out services.

\* Our methodology for calculating total expenses has changed. Please see Appendix 2 for further details. Historical data may not be fully comparable.

# Top Barriers\* in Doing Agency Banking Business

In 2015, agents ranked 'lack of awareness of services among customers' as the topmost barrier. In 2017, this barrier no longer ranks among the topmost barriers, as comparatively better know-how among customers, increased uptake of agent services, and effective marketing by providers have led towards better customer awareness.

## Relative Ranking



- ▶ 21% of agents reported facing no barriers to doing more transactions.
- ▶ Agents in rural areas cite 'lack of resources to buy enough cash or e-money', 'frequent service downtime', and 'poor internet connectivity' as the top three barriers.
- ▶ Apart from 'lack of resources to buy enough cash/e-money', 'irregularity of demand for services from individual clients' is one of the top barriers in non-metro urban and metro areas.

\*We asked agents to select the top three barriers they face from a list of 13 options, including the option to pick 'Other'. Taller bars imply a higher relative ranking, which is a weighted average of the barriers ranked by agents.

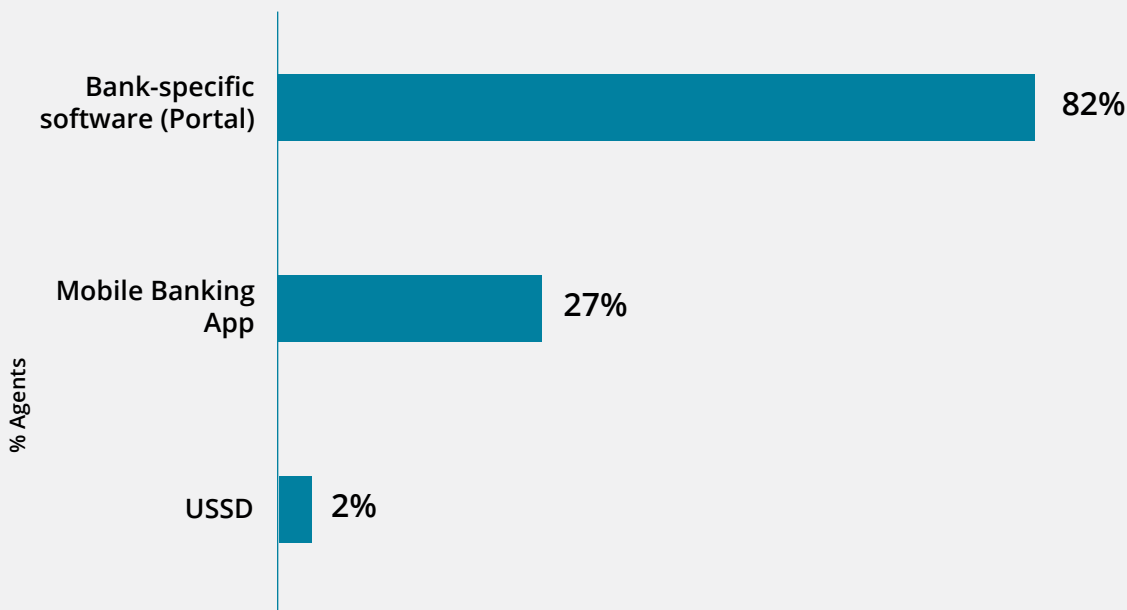


# Quality of Provider Support

# Multiple Technology Interfaces are Available to Agents

In the past few years, India has witnessed significant innovations in technology for agency business. However, most agents use bank-specific software.

## Technology Platforms Used



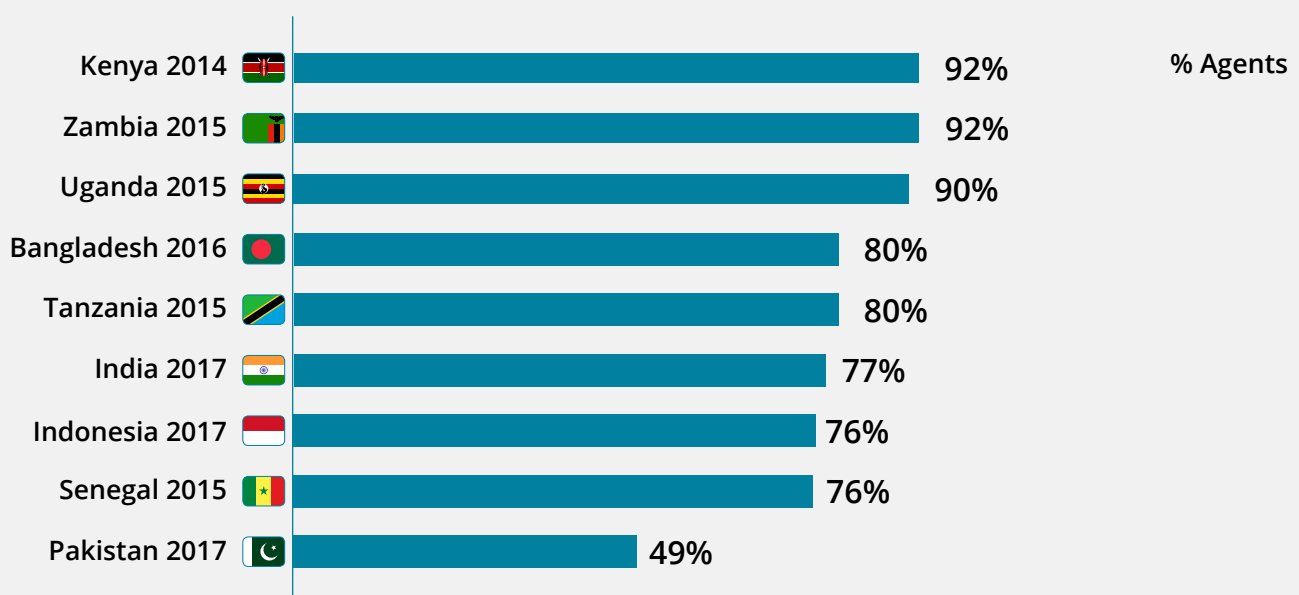
- ▶ Most of the agents (over 90%) indicated that they are comfortable using the specific technology platforms that the providers offer.
- ▶ Out of the agents who use only bank-specific software, 65% experience service downtime compared to 49% among those who use other platforms.
- ▶ Out of the agents who use only mobile banking app, 30% experience service downtime compared to 61% among others.
- ▶ Among the agents who deny at least one customer per day, 38% reported fingerprint authentication as the primary reason for denial of service.

# Instances of Training have Increased – still a Requirement

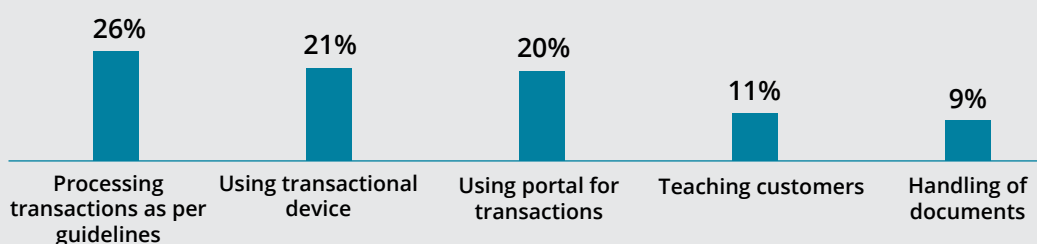
Providers in India have institutionalised inductions, in the form of training in the first three months, as well as refresher training. There has been a commendable rise in the proportion of agents who received induction and refresher training sessions in 2017 (77% and 87% respectively) compared to 2015 (59% and 61% respectively).

- ▶ Among agents who received induction training, 54% of them received it from the provider or the bank, while 47% of them received training from BCNMs.
- ▶ On an average, those agents who received the induction training from the provider conduct two more daily transactions than those who did not receive induction training.
- ▶ Agents who received refresher training from the provider conduct on an average, four more daily transactions.\*\*
- ▶ On an average, agents who received refresher training conduct 12 more daily transactions.\*\*

## Agents\* Induction Training: ANA Research Countries



## Topics in which Agents Need More Training

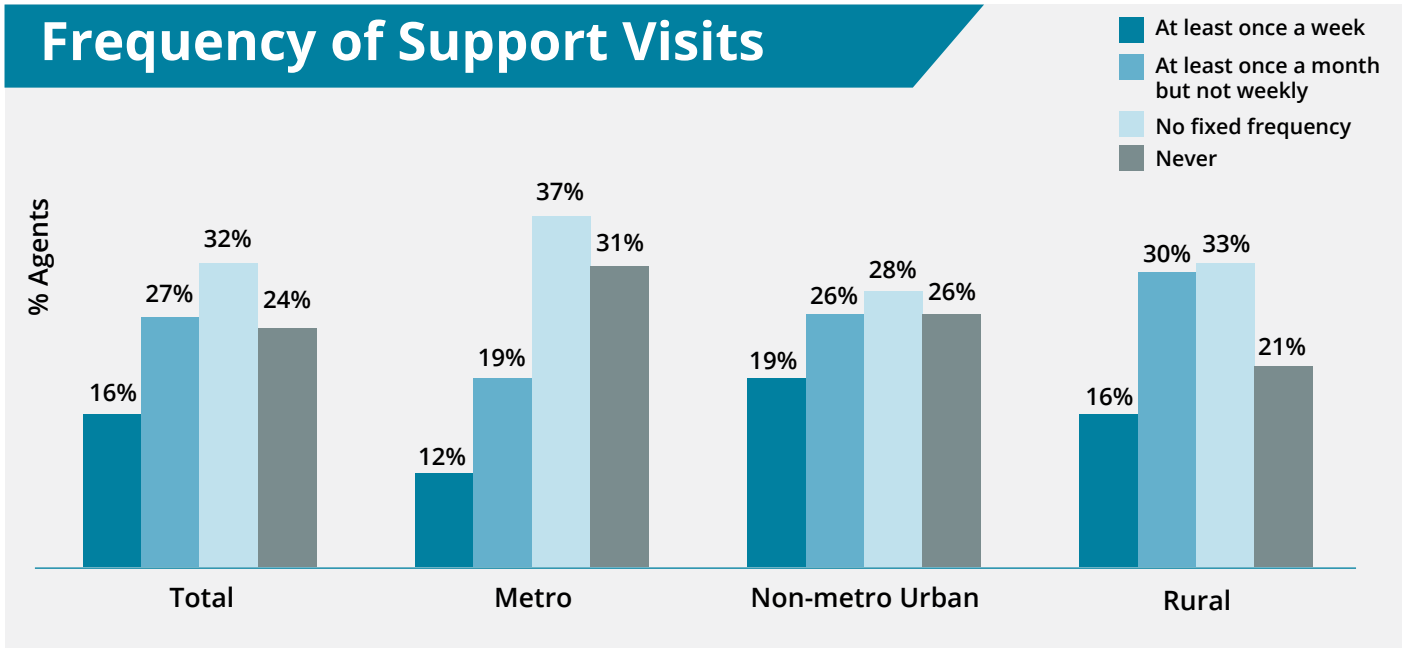


31% of agents report that they do not need any further training. The proportion is particularly high in metro areas (46%).

\*In Kenya and Zambia, we asked agents if they received any training. In India, Tanzania, Uganda, Senegal, Bangladesh, and Pakistan, we asked agents if they received any training within the first three months of becoming an agent.

\*\*Difference statistically significant at 99% levels.

# Agent Monitoring, Marketing, and Service Downtime can be Improved



- ▲ Agents who report monthly or more frequent visits have reduced (58% in 2015 to 43% in 2017). Among those visited, 90% of visits are either by a bank or BCNM representative.
- ▲ Agents who receive monitoring visits do an average of four more transactions per day than those who do not receive visits.\*
- ▲ 80% of agents are now aware of the call centres, as compared to 59% in 2015.
- ▲ 86% of those who used the call centre facility are satisfied and found it to be helpful.

## Marketing

- ▲ 84% of agents reported using some form of marketing material in their agency outlet.
- ▲ 24% of agents reported never having received any marketing materials from the provider.
- ▲ Of 76% agents who received any sort of marketing materials from providers, 15% received it only once when they started the agency business, while 40% received only when there was a change in the process or the tariff.

## Service Downtime

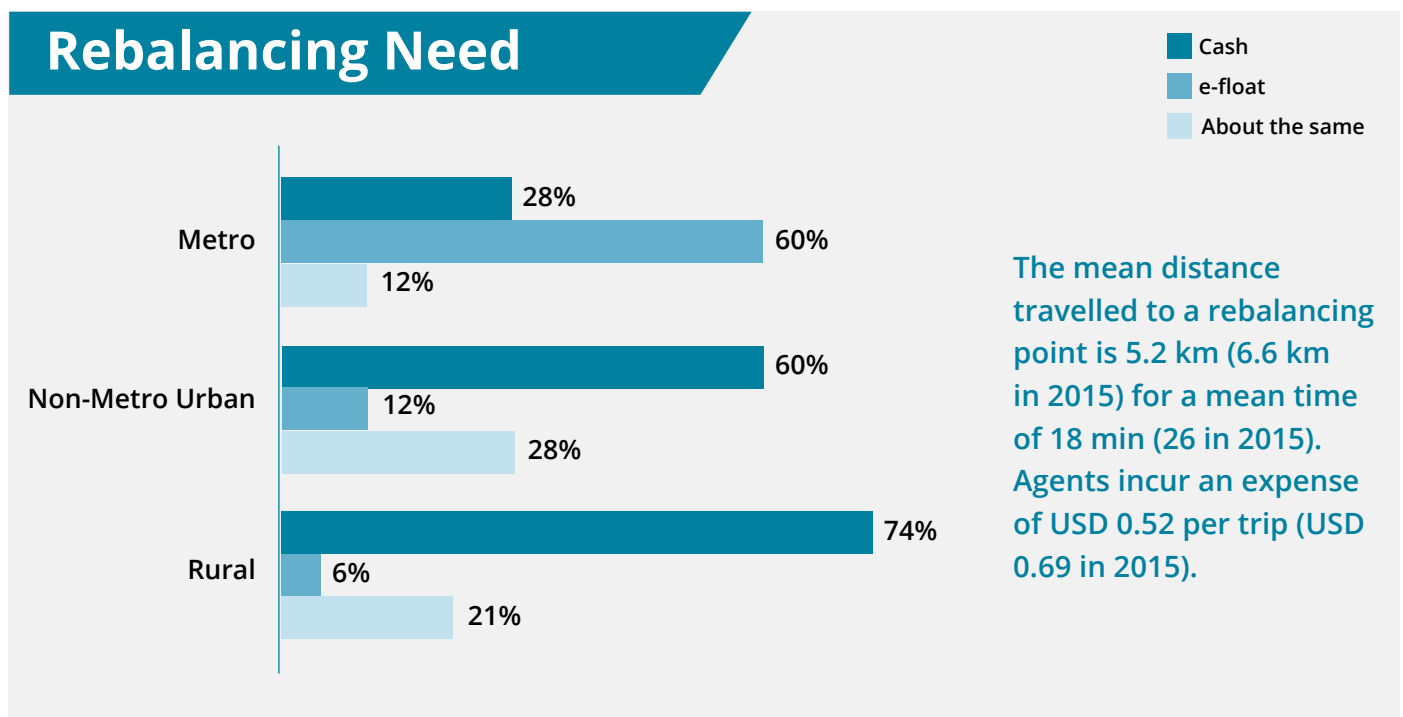
- ▲ 58% of agents reported experiencing service downtime. Agents reported an average of seven instances of service downtime every month. The average duration was one hour and 20 minutes.
- ▲ 59% reported being satisfied with the turnaround-time for addressing grievances in case of service downtime.

\*Difference statistically significant at 99% levels.

# Banks are still the Most Common Source for Rebalancing

In India, over four-fifths of agents travel to an external rebalancing point. This is in contrast to other Asian ANA countries like Pakistan and Bangladesh, where agents have the liquidity delivered to them.

| Agents who travel for rebalancing                   |      |      | Agents who have liquidity delivered                    |      |     |
|---|------|------|--|------|-----|
|   | 2015 | 2017 | 2015   | 2017 |     |
| Agents who travel (always/sometimes) to rebalance*  | 94%  | 81%  | Agents who have liquidity (always/sometimes) delivered | 6%   | 22% |
| Mean number of travel for e-float per month         | 8    | 9    | Mean number of e-float deliveries per month            | N/A  | 14  |
| Mean number of travel for cash deliveries per month | 8    | 14   | Mean number of cash deliveries per month               | N/A  | 8   |



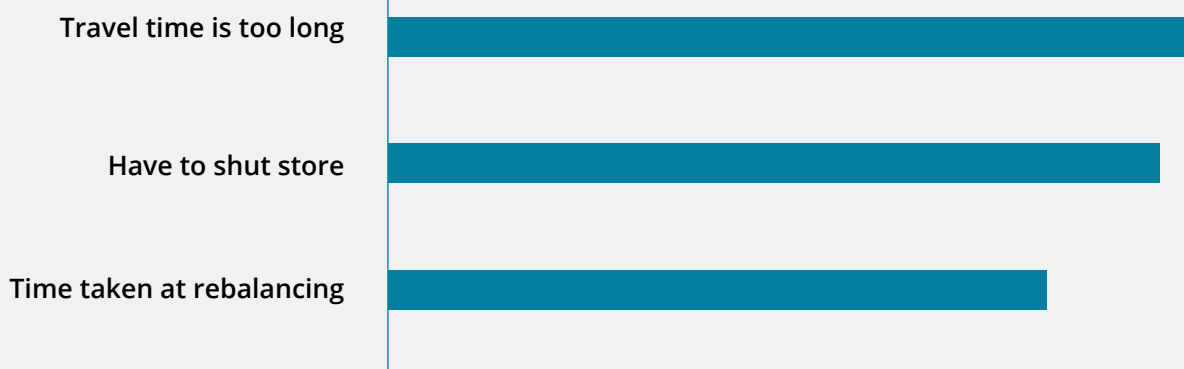
- ▶ For agents who travel, the bank is the principal rebalancing point (91%).
- ▶ 51% of agents in metro areas do not travel for rebalancing.
- ▶ 82% of agents are satisfied with the liquidity management support from their provider(s).

\*Difference statistically significant at 99% levels.

# Top Barriers\* for Agents to Managing their Liquidity

26% of agents reported facing no barriers in the rebalancing process.

## Relative Ranking of Barriers by Agents Who Only Travel from their Outlets



## Relative Ranking of Barriers by Agents Who Get e-money or Cash Delivered

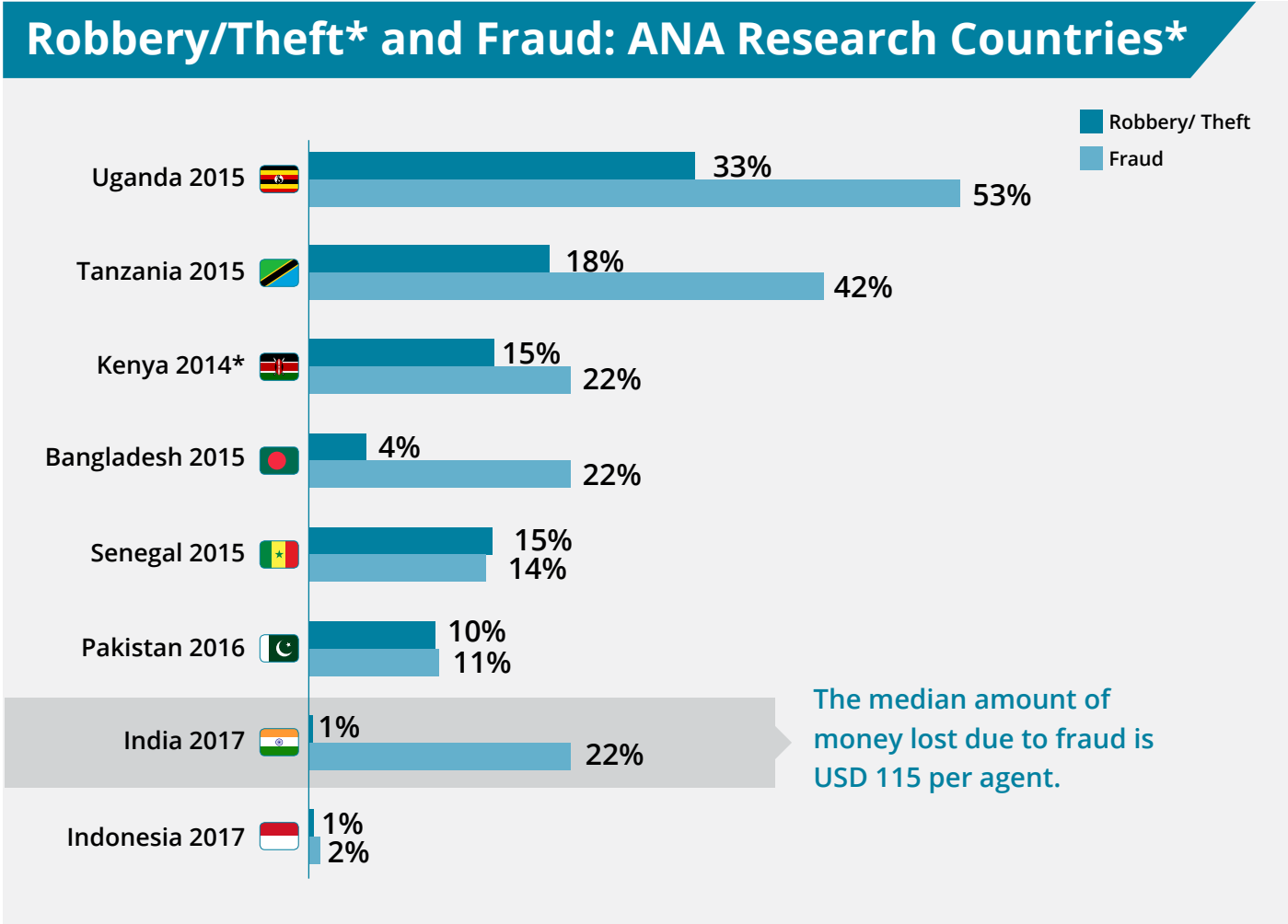


\*We asked agents to select the top three barriers they face from a list of 13 options, including the option to pick 'Other'. The taller bars imply a higher relative ranking, which is a weighted average of the barriers ranked by agents.

# Provider Compliance and Risk

# Fraud is on the Rise in India

- ▶ About 22% of agents in India faced fraud in the past one year. This is a significant jump from 2% reported in 2015. The increase in fraud might be directly related to the many-fold increase in account-related transactions.
- ▶ The incidence of fraud is higher (29%) among high-performing agents compared to others (18%). This is probably because they conduct more transactions. High-performing agents are those who conduct a median of 40 or more transactions in a day.
- ▶ Of all the types of fraud reported, the most common frauds relate to fake or demonetised currency notes (14%). This is followed closely by unauthorised reversal of transactions (9%) and customers getting more money deposited than the actual amount given to agents during transactions (6%).

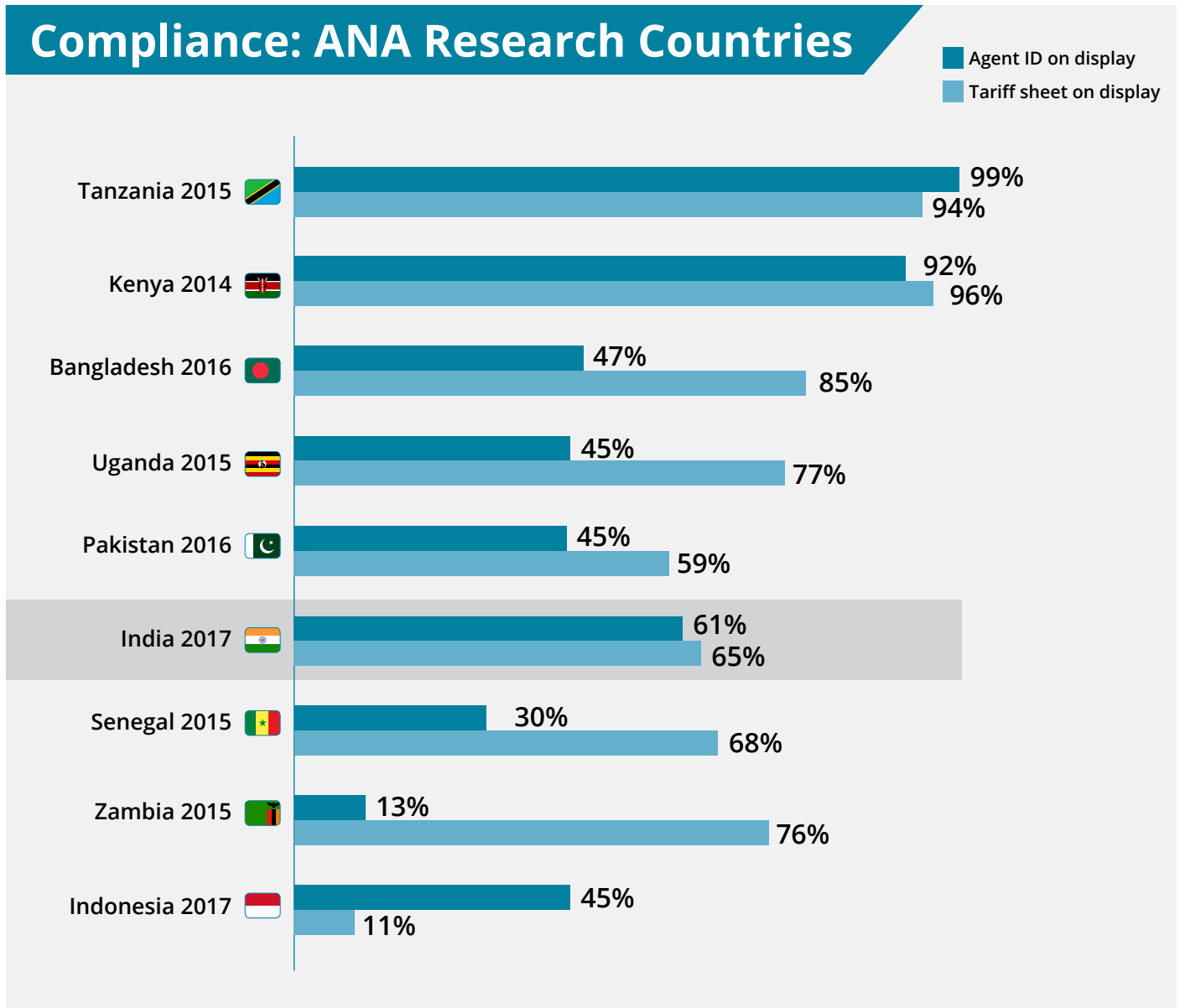


Among agents who experienced any kind of fraud, 42% did not report it to anyone, while 32% reported to the provider and 30% to the BCNM.

\*In Kenya, agents reported whether they or one of their employees had ever experienced robbery or fraud. In all the other countries, we asked agents whether they or their employees had experienced such incidents within the past one year. Thus, the data is not fully comparable.

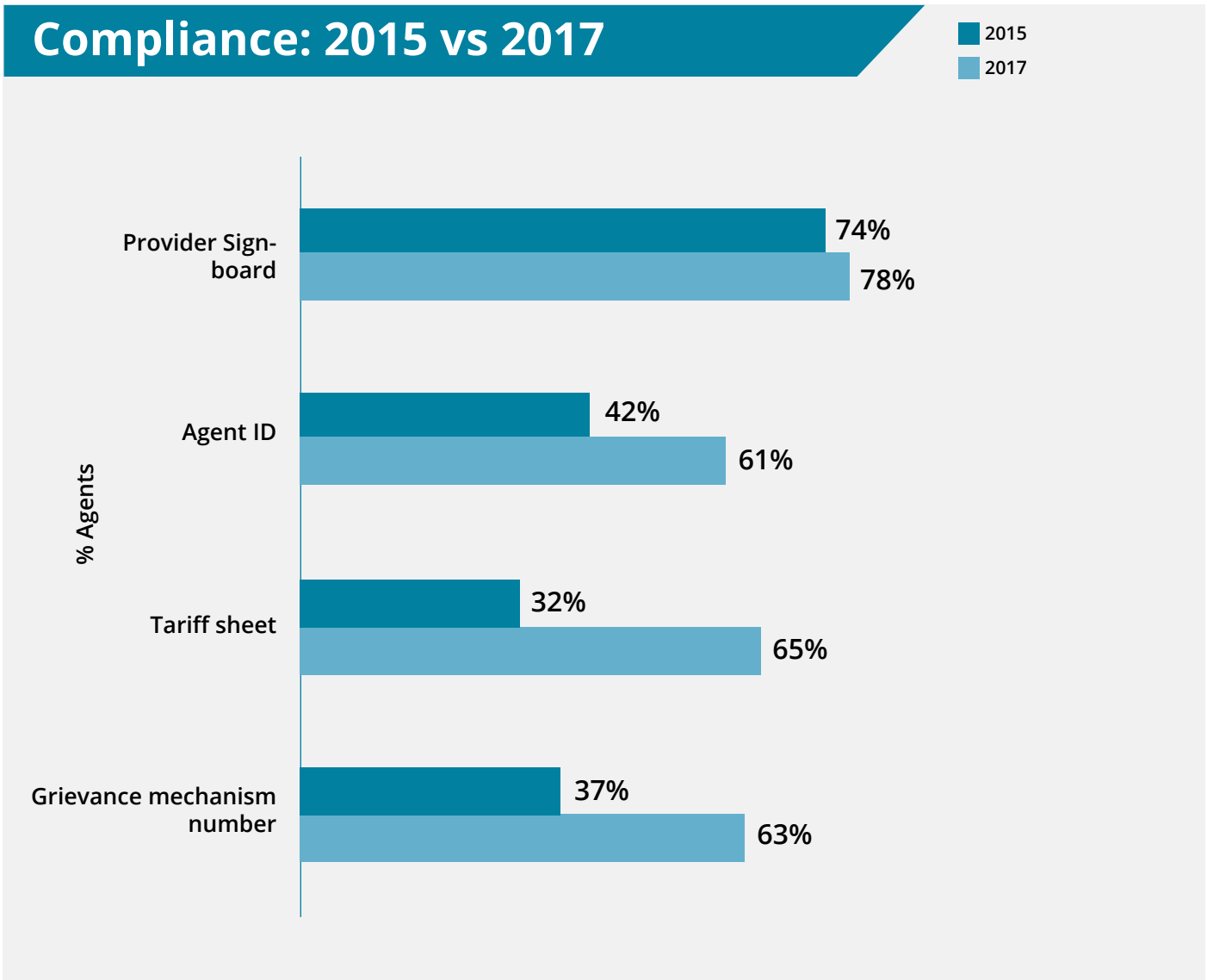


# Compliance has Improved, but New Concerns have Emerged (1/2)



- ▶ Compliance rates are the lowest in the metro areas. Only 58% of agents in urban areas display tariff sheets against 67% in rural and non-metro urban areas and 52% display their Agent ID against 64% in rural and 63% in non-metro urban areas.
- ▶ Monitoring and training improve compliance. This applies to the case of agents who are monitored regularly – 72% display their tariff sheet and 67% display agent ID.
- ▶ 68% of agents who received refresher training display tariff, 70% display their cash-limit and 65% display agent ID.

# Compliance has Improved, but New Concerns have Emerged (2/2)

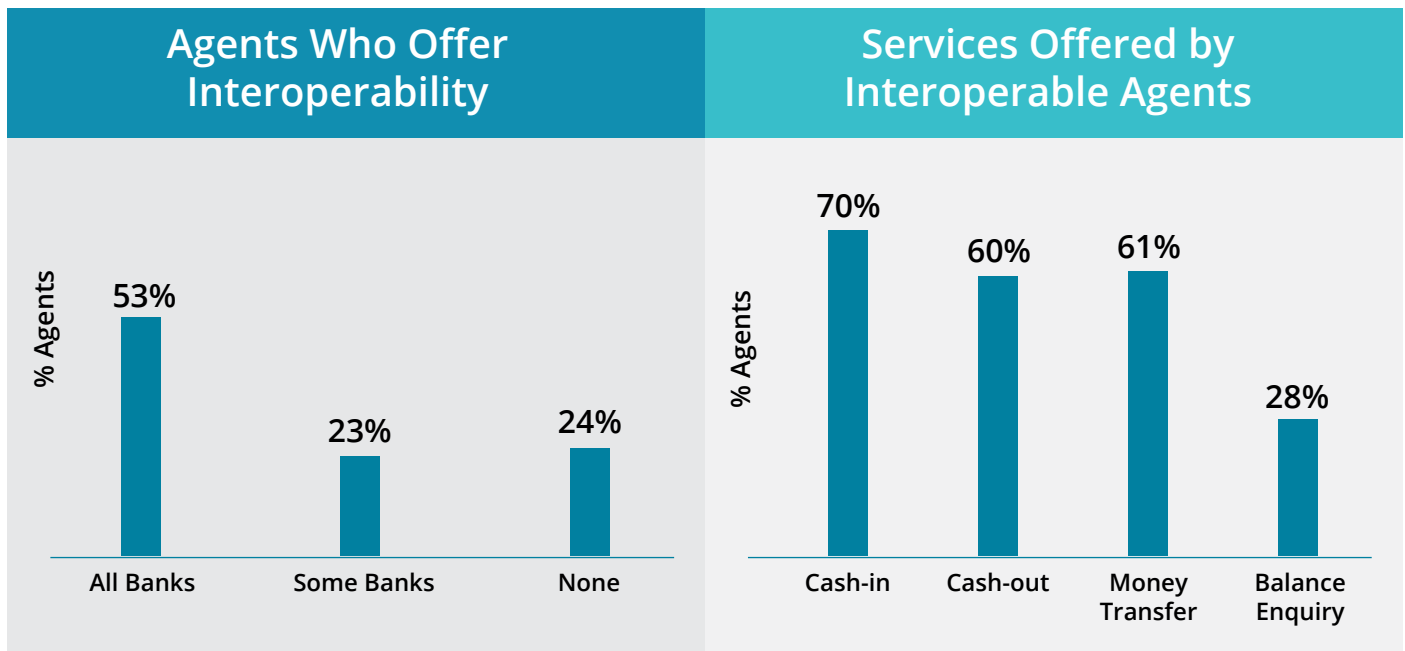


## Emerging Compliance Concerns

- ▶ 35% of agents assist the customers by entering the PIN on their behalf.
- ▶ 24% of agents give transaction slips that they have prepared themselves as proof of transaction to customers.

# Compliance with Interoperability can Prove to be a Boon for the Business

76% of agents conduct interoperable transactions – a trend which is similar across locations. This also explains the reduction in the number of non-exclusive agents in India, as agents no longer need to be associated with multiple providers to be able to serve more customers.



- ▲ Agents who offer interoperable services do a median of 25 interoperated transactions per month, which translates to 3% of their total transactions. In metros, agents conduct 60 interoperated transactions per month, which is a little over 13% of total transactions.
- ▲ Agents who offer interoperability earn higher median monthly revenues (USD 101) compared to those who do not (USD 78).

*"Now I can even serve people who are not linked to my bank. It has proven very beneficial for them."*  
- an agent in Agra

## Why do a Quarter of Agents not Comply with Interoperability?

- ▲ 41% stated that their bank does not allow interoperable transactions;
- ▲ 25% stated that no such customer who require interoperable services has ever approached them;
- ▲ 17% stated that the transaction money gets stuck;
- ▲ Other reasons were 'longer processing time', 'processing these transactions is difficult', and 'not recommended by provider or BCNM'.

# Gender Dimensions in Agent Banking

# More Women Agents on the Ground may Boost Financial Inclusion

## Profile of Women Agents in India

- ▶ 71% of women agents are located in rural areas.
- ▶ 65% of female agents are dedicated compared to 44% male agents.

Only 5% male agents think that women cannot do the job of an agent. They state the following reasons:

- ▶ Security can be an issue in public spaces for women (39%);
- ▶ Women are not tech-savvy or literate enough to work as an agent(15%).

## Business Metrics of Women Agents

Female agents do more median number of transactions but earn lower than their male counterparts. The lower earnings could be attributed to their dedication.

|                          | Male   | Female |
|--------------------------|--------|--------|
| Median # of Transactions | 31     | 37     |
| Median Revenue           | USD 93 | USD 78 |
| Median Profit            | USD 34 | USD 23 |

## Women Agents Could Further the Agenda of Financial Inclusion among Women Customers

The [FII Wave IV India report](#) finds that 33% women have active bank accounts compared to 47% men, and only 4% of Indian women are advanced active account users.

This survey highlights that women form 51% of the customer base of female agents compared to only 42% in case of male agents\*.

*"There are more chances of a woman getting her bank account opened if there is a woman agent in the village. With women, she simply feels more comfortable."*

- a woman agent in Vijayanagaram, Andhra Pradesh

*"Female agents do not get to know of opportunities as much as male agents can. Male agents can build better relationships with bank officials as against female agents."*

- woman agent in Kapoorthala, Punjab

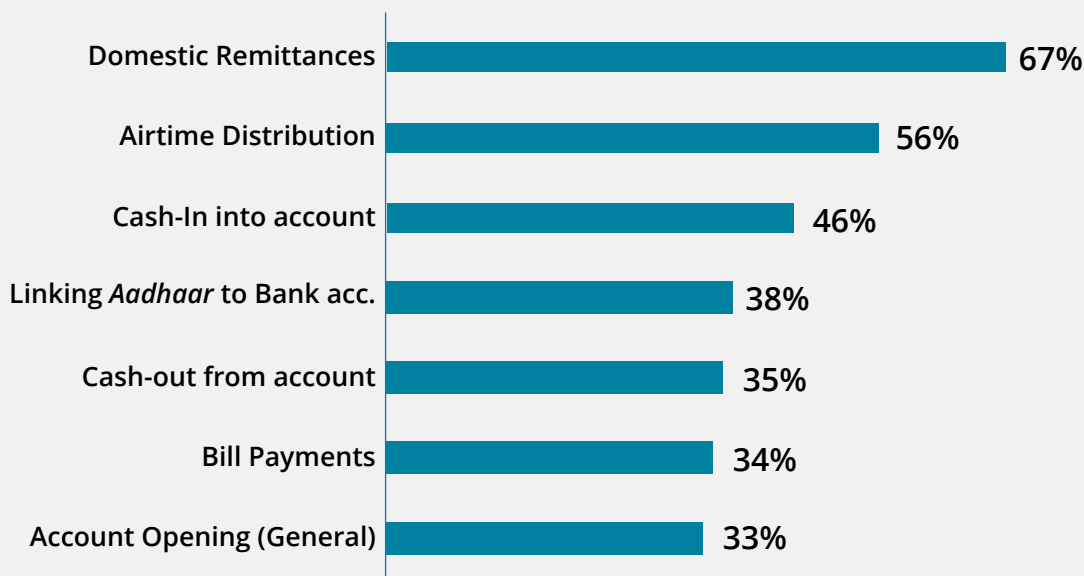
\*Statistically significant at 99% level.

# Emerging Models – Payments Banks

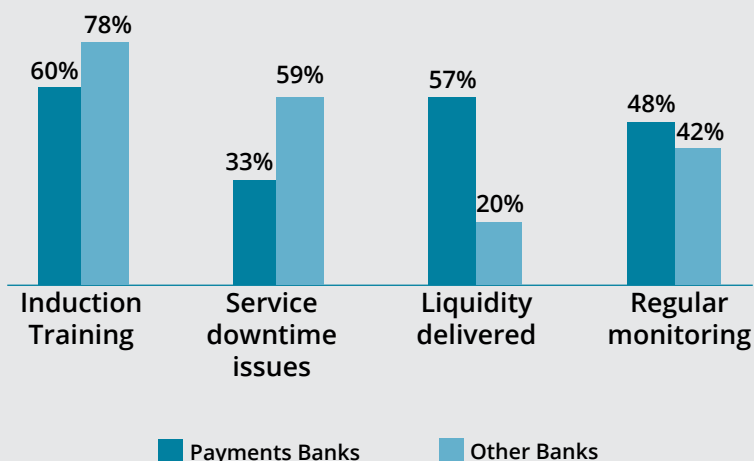
# Payments Banks\* – Gearing Up for Challenges Ahead

The quality of support from payments banks to their agents is better than the country-level. However, their agents conduct fewer transactions than the country median.

## Services Offered by Agents



## Better Monitoring and Liquidity; and Low Service Downtime Issues in Payments Bank



| Indicators                     | Payments Banks | Other Banks |
|--------------------------------|----------------|-------------|
| Median Daily Transactions      | 9              | 33          |
| Median Monthly Revenues (USD)  | 54             | 93          |
| Median Monthly Profit (USD)    | 21             | 33          |
| Median value of Cash-In (USD)  | 23             | 31          |
| Median value of Cash-Out (USD) | 23             | 39          |

\*Please see Appendix 6.

# Salient Points – Corporate BC vs Direct BC Models



# Key Highlights Across Major Agent Network Management Models

Banks directly manage 31% of the agents while BCNMs manage the remaining 69% – a trend that is similar across locations.

## Agents Managed by BCNMs

- ▶ Do a daily median transaction of 35 compared to 25 by agents managed by banks.
- ▶ Offer more services (median 7) compared to agents managed by banks (median 6).
- ▶ More agents offer interoperability (79%) compared to agents managed by banks (70%).
- ▶ More agents offer G2P services (70%) compared to agents managed by banks (67%).

## Agents Managed by Banks

- ▶ Receive refresher training (96%) more than agents managed by BCNMs (84%).
- ▶ Experience less service downtime (46%) compared to agents managed by BCNMs (63%)
- ▶ Make higher profits (39 USD) compared to agents managed by BCNMs (31 USD).
- ▶ Fewer agents managed by banks make losses (28%) compared to agents managed by BCNMs (30%).

*"Profits are higher when you are linked directly with the bank – all your commissions will come to you. But often the bank is unable to give you time, I believe having an intermediary there is good."*

– an agent in Udaipur

# Outstanding Attributes of Agent Network Model

**01**

India is presently transforming into a non-dedicated (55%) and exclusive (94%) agency banking market, which is one-of-its-kind in the DFS industry globally.

**02**

A considerable rise in CICO figures (>200% increase) coupled with increasing agent profitability (about 100% increase) indicates a healthy market.

**03**

Indian agents offer a bouquet of services. This has helped turn agency business into a one-stop shop for all financial needs. It further establishes that agent network could be a tested channel for delivery of a new line of products.

**04**

Agent training seems to have been institutionalised. More than two-thirds of agents received training within the first three months of joining, while most agents (89%) have been receiving (on-the-job) refresher training.

**05**

Provider compliance has seen a significant rise, which hints at a growing sense of professionalism in the agency banking business.

**06**

New models of liquidity management have emerged, with 22% percent of agents availing liquidity delivered at their doorstep.

# Opportunities for Improvement

Agent networks in India have proven to be resilient. Providers are able to utilise this delivery channel not only to offer innovative financial and non-financial products but also to boost the agenda of financial inclusion. Nevertheless, the existing agent network landscape in India faces risks, such as fraud and compliance issues related to interoperability. Providers will have to step up their efforts to address these risks.

01

High operating costs is a cause of concern, especially among dedicated agents. Providers could look at furthering partnerships with other financial service providers or e-commerce, thus turning dedicated agencies into agent supermarkets. This would help agents increase their earnings and counteract the effects of high operating cost.

02

With increasing business volumes at the agents' outlets, incidents of fraud have also risen. The providers need to incorporate fraud typology and mitigation measures into specialised training modules and ensure the delivery of such training to the agents.

03

Less than half the agents currently receive regular monitoring support. Findings from different countries have established the positive effects of regular monitoring of agents' business.

04

A focus on female agents could lay the foundations for the next wave of growth of agent networks in India. This is also a key requirement to further the agenda of financial inclusion among women. Providers, therefore, should lay more stress on recruiting and supporting female agents.

# Appendix

# Appendix 1: Methodology

The study is based on a nationally representative sample of 3,048 agents across India.

The sample is designed to be representative at the country level, for metro, non-metro urban, and rural agents

The sampling frame has been stratified into two broad categories – metros and others.

## Sampling for Metros:

- ▶ We developed a discrete sampling frame of all metros, defined on the basis of population. Four metros were selected using simple random sampling.
- ▶ In each metro, we arranged wards by ward numbers. We selected 15 wards using systematic random sampling.
- ▶ From each ward, we selected 10 samples using systematic random sampling.

## Sampling for Others (Non-metro Urban and Rural):

- ▶ Based on the Socio-economic Caste Census of 2011, we selected two states from the six zones, using simple random sampling.
- ▶ Each state was divided into five geographical regions to ensure spatial spread. We selected one district from each region using the Probability Proportional to Size (PPS) sampling method.
- ▶ We stratified the allocated number of 40 samples in each district as urban or rural based on the Census of India, 2011.

We used an Android-based hand-held CAPI module to perform the data collection and entry, employing rigorously tested and controlled processes.

The survey data collection module allowed for an additional level of randomisation among the providers that a sampled agent was serving, to ensure representativeness at the provider-level. The module randomly selected one provider that an agent was then interviewed for out of a list of all mentioned providers. This allocation occurred only from a pool of providers for which the agent had been active – that is, had conducted at least one transaction within the past 30 days.

# Appendix 2: Application of Weights

Our methodology applies weight to each interviewed agent using inverse probability weighting method to generate country-level representative findings. The weights were estimated using multipliers calculated from the probability of selection of the sample at all the stages of sampling.

## Weighting for Metros:

- ▶ **Metro-level** – The number of selected metros in a zone was divided by the total number of metros in a zone and the inverse was taken as weights.
- ▶ **Ward-level** – Total selected wards in the metro were divided by the total wards in the metro and the inverse was taken as weights.
- ▶ **Agent-level** – Total number of sampled agents for a particular ward were divided by the total number of agents available in particular ward and the inverse were taken as weights.

We achieved the final weights by multiplying the weights of the three levels described above.

## Weighting for Others (Non-metro Urban and Rural):

- ▶ **State-level** – The number of selected states in a zone was divided by the total number of states in the zone and the inverse was taken as weights.
- ▶ **District-level** – The total Sub-service Areas (SSAs) in the selected district were divided by the total SSA in the region and the inverse was taken as weights.
- ▶ **Agent-level** – The total number of sampled agents for a particular strata were divided by the total number of active agents available in particular strata and the inverse was taken as weights.

We arrived at the final weights by multiplying the weights of the three levels described above.

## Appendix 3: Definitions

|                                     |  |  |
|-------------------------------------|--|--|
| Exclusivity                         | Exclusive Agent  | An agent who serves only one service provider.   |
|                                     | Non-Exclusive Agent  | An agent who serves more than one service provider.  |
| Dedication                          | Dedicated Agent  | An agent who solely conducts agency banking business.                                      |
|                                     | Non-Dedicated Agent  | An agent who conducts other business from the shop in addition to agency banking services. |
| Age of Agency                       | We asked agents to report the date on which they started serving each provider. We calculated the age of the agency from the date the agent started serving the first provider.  |  |
| Monthly Earnings (Agency)           | We asked the agents, “On an average, how much do you earn per month from all the providers you serve, combined?” Only the owners reported on commissions.  |  |
| Monthly Operating Expenses (Agency) | We calculated the monthly operating expenses as the sum of reported rent, utilities, staff salaries, business travel, and other expenses. Non-dedicated agents were asked to estimate the total expenses that went toward agency banking. Non-exclusive agents were also asked to estimate the amount of total agency banking expenses that went to serving the selected provider. Only owners reported on expenses. |  |
| Profit (Agency)                     | Profit is calculated as the difference between monthly agency earnings and monthly agency operating expenses. Only owners who answered both revenues and expenses were included in this calculation.   |  |
| Exchange Rate                       | 1 INR = 0.01557 USD (as on October, 2017)  |  |
| Non-metro Urban                     | An area that has a minimum population of 5,000 and at least 75% male working in non-agriculture and population density of at least 400 per sq.km   |  |
| Metro                               | Cities with population of more than 40,00,000  |  |

## Appendix 4: Footnotes

Comparison with other ANA countries has been provided on multiple slides. We conducted ANA surveys in the following countries, year-wise:

- ▶ 2013: [Uganda](#), [Kenya](#), [Tanzania](#)
- ▶ 2014: [Bangladesh](#), [Kenya](#), [Pakistan](#)
- ▶ 2015: [Zambia](#), [Tanzania](#), [Uganda](#), [Senegal](#), [India](#)
- ▶ 2016: [Bangladesh](#)
- ▶ 2017: [Pakistan](#), [Indonesia](#), [Nigeria](#)



# Appendix 5: Products and Services

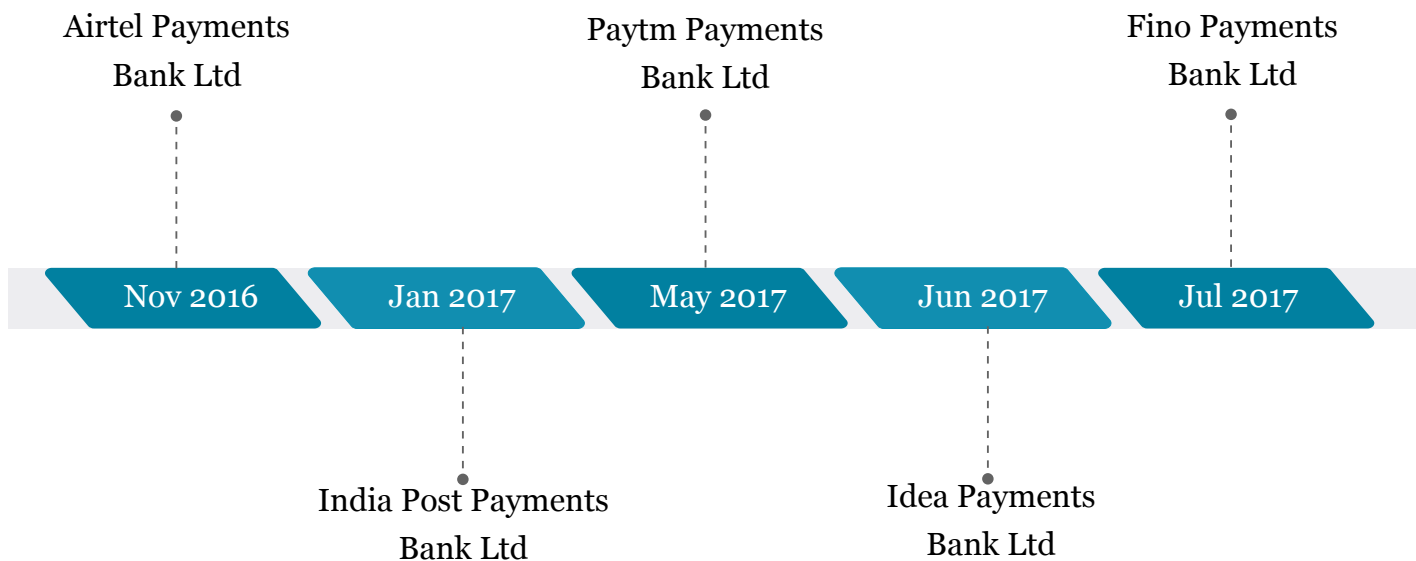
|                                     |   |
|-------------------------------------|---|
| Account Opening (General)           | General account opening   |
| Account Opening (PMJDY)             | Account opening under PMJDY (Pradhan Mantri Jan Dhan Yojana)  |
| Cash-In                             | Deposit in one's own account  |
| Cash-Out                            | Withdrawal from one's own account   |
| Domestic Remittance                 | Transfer of funds from one account to another through an agent outlet within a country.                               |
| Utility Bill Payments               | Payments of bills, such as for services like electricity and water  |
| Facilitating RD/FD                  | To facilitate the opening of recurring or fixed deposit accounts  |
| Foreign Remittance                  | To send or receive foreign remittance   |
| Processing of Cheque                | To facilitate the of cheque in customer's account   |
| Processing of Loan                  | To facilitate the processing of loan  |
| Processing of Overdraft             | To facilitate the processing of overdraft   |
| Linking <i>Aadhaar</i>              | Linking <i>Aadhaar</i> (unique identity number) to customer's bank account  |
| Insurance Registration – Bank       | Registering customers to the provider's (that is, the linked bank's) insurance products                               |
| Payment of Insurance Premium        | Premium payment for provider's insurance products   |
| Insurance Registration – Government | Registering customers for government insurance programs like Pradhan Mantri Jeevan Jyoti Bima or Suraksha Bima Yojana |
| Pension Registration                | Registering customers for Atal Pension Yojana   |
| Scholarship Registration            | Government scholarship registrations  |
| Subsidy Registration                | Government subsidy registrations  |
| Balance Enquiry                     | Checking account balances of customers or generating mini-statements  |
| Airtime Top-up                      | Adding more credit, value, or currency for mobile voice/data/SMS services through a provider platform                 |
| Ticketing                           | Booking flights, trains, or bus tickets for customers using the provider's portal                                     |

# Appendix 6: About Payments Banks

In August 2015, RBI granted in-principle approval to 11 applicants to set up payments banks to further financial inclusion in the country. Payments banks can provide:

- ▶ Small savings accounts;
- ▶ Payments or remittance services to migrant labour workforce, low-income households, small businesses, other unorganised sector entities, and other users.

## Launch of Payments Banks



## How a payments bank is different from traditional commercial banks?

- ▶ A payments bank cannot offer all the services that a commercial bank offers, particularly lending. A payments bank can accept only a restricted deposit, which is currently limited to INR 1,00,000 per customer (USD 1,560).

## Can we, therefore, consider payments banks as a revolutionary step?

- ▶ Potential to utilise the untapped market of small value, high-volume transactions
- ▶ May be more adaptive to digital platform than traditional banks
- ▶ May offer better user value proposition with the use of mobile-based systems that allow person-to-person and person-to-business payments



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