MicroSave India Focus Note 102

Bank Managed Agent Networks – The Challenges

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February 2013

Banks are now increasingly adopting/testing self-managed agent networks. India Focus Note [101](#) highlights the advantages of this model. However, building and managing an agent network independently is not an easy task. The task is challenging since banks have to develop competencies and support systems required to build and manage the network, address standardisation and scalability issues, reduce dependency and workload of branch staff, balance roles and responsibilities, reduce turnaround time, and train agents and staff.

This paper discusses the challenges banks are likely to face in building and managing their own agent networks.

Scaling the Agent Network

Institutional agent network managers (ANMs) have access to dedicated resources and a trained work force. This is vital to rapidly establish a scaled up agent network. Banks, on the other hand, seldom have this capability and have limited dedicated resources. Generally, existing branch staff, with other responsibilities, builds the network under the supervision of a centralised, dedicated team. Limited availability of dedicated resources means that agent networks managed by banks cannot be scaled at the same pace as ANM managed networks. If a bank wants to scale its network quickly, it will have to invest considerably in building internal competencies and support systems. This, given other competing organisational priorities, may not always be possible.

Achieving Standardisation

Institutional ANMs often have structured and pre-determined operational hierarchies and processes. The level of flexibility available to local officials (including bank branch officials) is often negligible. While the relative merits of this can be debated, this does ensure that there is a high level of uniformity and standardisation across the organisation.

In bank managed models, by contrast, there are often multiple stakeholders with managerial and supervisory responsibilities. Furthermore, branches have relatively higher levels of autonomy. Different stakeholders may interpret guidelines differently; or in extreme cases, even ignore them completely. This means that in spite of clear communication, circulars, and guidelines, it is difficult to ensure uniformity/standardisation across the network.

Co-ordination Challenges

A centralised, regional financial inclusion team usually coordinates service requests pertaining to hardware, marketing collaterals, smart cards etc. Though some nationalised banks have a block level Financial Inclusion Centre to coordinate with agents, their support (except in training and acting as a communication channel) is typically nominal at best. The actual processing of requests happens at the Regional Office level.

Since a single team is responsible for managing a huge network of agents spread across different geographies and mapped to various branches, there is a delay in processing requests. Service requests that involve liaising with the technology service provider (TSP), including re-registering fingerprints, card reissue etc., are severely delayed. *MicroSave*'s study of a bank's directly managed agent network showed that there was acute delay in distribution of hand held devices and operator cards. In a period of over 6 months, only 18% of customers interviewed had received their smart cards.[1] Even in instances where cards are not required, account opening for customers is delayed significantly.

The communication gap between regional offices, link branches, TSPs and agents is a major issue. Studies show that in case of bank supervised agent networks, there are regular and prevalent inconsistencies in communication.[2]

Information loss and delay in approvals is prevalent due to the number of units and stakeholders present in the hierarchy. These issues, in turn, affect agent morale and customer trust in the system.

Dependence on Branch Staff

The success of bank managed agent networks is highly dependent on the motivation and attitude of the bank staff. However, the reality is that not all branch staff appreciates the role and benefits of the agent channel. Branches are treated as profit centres, and even in the best-case scenario, branch manager's focus only on activities that will make the branch profitable. As a result, it is often difficult to convince branch managers of the business case for agent banking.

MicroSave's research on a major bank's directly managed agent network shows that agents have a mixed response regarding their level of satisfaction with the support provided by the bank. This is primarily because the quality

[1] *MicroSave* 2012 study of a public sector bank
[2] *MicroSave* 2012 study of a public sector bank

of support often depends on the level of interest of the branch manager.

Branches are typically responsible for account opening and processing applications for products such as KCC, FD, RD and loans. Branch staffs barely have enough time to service walk-in customers due to under staffing and the high workload. As a result, they may not be able to process the requests generated by agents/or on behalf of their customers on time. Most staffs are concerned about the added work of monitoring and managing agents, and processing applications, and would prefer to do away with the channel altogether.

"Not Our Concern"

An unusually candid branch manager interviewed by *MicroSave* said, *"Branch staff is not concerned about driving business. They are oriented towards operations. They will anyway be paid (salaries) and are only concerned about their workload. Branch managers are in a branch for only two years and have other important things (such as audit scores) to be concerned with. Their business targets are anyway easily achievable. They are not bothered about the agent channel since they don't have the need to be dependent on agents and can generate the business to meet their targets just from walk-in customers."*

Agents who are appointed by, and report directly to, the branch are sometimes used as back-end staff for that branch. The reason for this is that the agent (particularly when they receive a base salary in addition to commissions) usually has no option but to follow the instructions of the branch staff. As a result, the congestion in the bank remains the same, the customer value proposition is lost, and the agent is unable to carry out his actual responsibilities. The study of one major nationalised bank's directly managed agents showed that 73% of them worked in branches as additional staff.[3] By contrast, in the case of an institutional ANM model, the direct dependency on, and interaction between, the branch staff and the agent is less, and this restricts such situations. Banks need to ensure that agents are used as generation/servicing points in allotted rural/urban areas and not as branch sub-staff. This requires structured and independent monitoring.

Establishing Support and Monitoring Systems

Directly managing the agent network means that the bank branch will have to take on the role of the ANM on itself. The usual banking structures and systems are hardly conducive for this purpose.

Branch staff's limited **understanding of technology** limits their capability to supervise and support agents. Even though branch staffs are usually assigned to be point persons, their limited capability means that issues will be redirected to regional offices. This, in turn, is likely to increase the workload of the dedicated team, and cause delay in processing requests.

Training is another critical task. Typical in-house trainers in banks are oriented towards operations, which is just a part of the training curriculum for agents. Furthermore, in-house trainers are unlikely to have the competencies required to train people who have very little exposure to banking or financial services. This may necessitate hiring external agencies. In addition to training agents, the bank will also have to train the branch staff so that they can handle the operations effectively. This is likely to stress training budgets significantly.

In case of ANM managed agent networks, agents have support structures for **cash management**. Many ANMs adopt a aggregator or super-agent model to facilitate cash management. Some ANMs even have online liquidity management options. But in case of bank-managed networks, though the bank may offer overdraft facility, the bank does not have the resources to support agent cash management and the cash risk is often borne by the agent.

One-reason banks opt for a self-managed network is to have direct control over agents. This means that the bank should have a robust **monitoring** system. Generally, it is the duty of the overworked linked branch staff to monitor the agents.[4] This, of course, risks poor monitoring due to insufficient time and excess workload.

Building Information Systems

Real time information capture is critical in agent banking systems. Information systems should be in place to track inventory, despatch, movement of materials, and status of service requests. For example, an ANM working in Uttar Pradesh has software to track application forms, status of cards, and movement of materials (forms, handheld devices, cards, collaterals etc.) which is critical to avoid mismanagement and strengthen internal processes.

Though banks do have means to capture account related information real time/near real time, there is often no provision for electronic capture of agent administration information. This will result in delays in processing service requests and loss of information. Banks tend to ignore this aspect, as they are hesitant to invest time and resources in a channel that is not a major part of their operations. If proper information tracking systems are not in place, this will become a bottleneck impeding expansion.

Conclusion

Banks will need to build their competencies to effectively act as their own ANM. To build a strong network, banks have to address these challenges in a cost effective manner. India Focus Note 103 will discuss how bank managed agent networks can be implemented effectively.

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[3] *MicroSave* 2012 study of a public sector bank

[4] India Focus Note 77—Individual or Institutional BCs: The Banker's Perspective, *MicroSave*, September 2011