



Impact of the COVID-19 pandemic on CICO agents

India report

June, 2020

CICO agents during COVID-19

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Disclaimer: This report was prepared based on a quantitative survey with a sample size of 44 agents across six states of India. The survey was further complemented with in-depth telephonic interviews of 15 agents. While effort was made to ensure diversity in the agent sample, the report and the findings are not nationally representative.



India report



Provides a detailed country-level view of the impact of COVID-19 on Business Correspondents*, their coping strategies, and recommendations for policymakers and financial service providers to support them

01

Recommendations

02

Impact of COVID-19 on business correspondents

03

Coping strategies adopted by business correspondents

Annex

*Note: The terms business correspondents (BC) is synonymous with CICO agents, while Business Correspondent Network Manager is synonymous with Agent Network Manager in the global context.



India

At the time of data collection (April, 2020), the Government of India exclusively allowed businesses classified as “essential services” to operate. All other businesses were shut. Business correspondents across the country continued their operations as they provide essential services.

Recommendations



Adopt immediate measures to provide financial support to business correspondents (BCs) and ensure health safety in agent banking operations

Support to boost the incomes of BCs

Key insights

- BCs have been incurring additional expenditure to deliver DBT announced under the *Pradhan Mantri Gareeb Kalyan Yojana* (providing emergency cash transfers and other support to beneficiaries).
- The income of BCs from non-DBT transactions have collapsed due to low economic activity.

Recommendations

- 01 Increase the commission for Direct Benefit Transfers. The current commission rate for BCs is too low to sustain the additional expenditure. Given the current [low levels of trust in BC agents](#), BCNMs and banks must seize this opportunity to persuade clients to use agents more.
- 02 Encourage banks to compensate BCs for the additional expenditure on liquidity rebalancing, PPEs, and safety protocols through a one-time payment or a monthly fixed payment for at least the next six months. [Some banks](#) have already started implementing this.
- 03 Provide insurance cover for loss of life or hospitalization due to COVID-19. [Some banks](#) have started doing this.

Precautionary measures to prevent transmission risks

Key insights

- The fear of contracting COVID19 has forced BCs to limit their interaction with customers.
- BCs reported not receiving any training on managing the risks of COVID-19, even as they continued operations.

Recommendations

- 01 Issue operational guidelines approved by [ICMR](#) on how to conduct transactions safely at BC outlets. Ensure these are quickly cascaded to BCs and customers.
- 02 Make the guidelines and communication material to agents and customers on safety measures more user-friendly and easy to understand. See here for an [example](#) of materials designed for CICO agents in Africa.
- 03 Provide clear communication on the need to specifically sanitize biometric devices after each transaction and the process to correctly sanitize the devices

Adopt measures to decentralize communication and use communication and contactless technology to promote the safety of BCs from the disease and alleviate their fears

Better coordination for safe and efficient DBT delivery

Key insights

- Centralized attempts to stagger cash withdrawals to avoid crowds at BC outlets have failed.
- The lack of clear and accurate information around “emergency cash transfers” on the ground has led to ineligible people queuing up for cash withdrawals and overcrowding at agent outlet, risking the lives of BCs.

Recommendations

- 01** Decentralize communication around “emergency cash transfers” through DBT to the district administration, including the Lead District Manager (LDM) and the District-level Review Committee headed by the District Collector to ensure swift action
- 02** Strengthen the coordination between LDM, bank branches, local administration, BCNMs, and BCs around communication strategies for COVID-19. The office of the Lead District Manager can coordinate this activity.
- 03** [Department of Financial Services](#) and [IBA](#) should closely work with BCFI (Business Correspondent Federation of India) to ensure field inputs from BCs are taken on board and implemented.

Technology interventions to streamline BC operations

Key insights

- BCs fear the risks of disease transmission associated with sharing of biometric devices, but are left with no options.
- As BCs face multiple challenges around crowd, hygiene, and liquidity management, they expect quicker turnaround time for certain requests to banks and BCNMs.

Recommendations

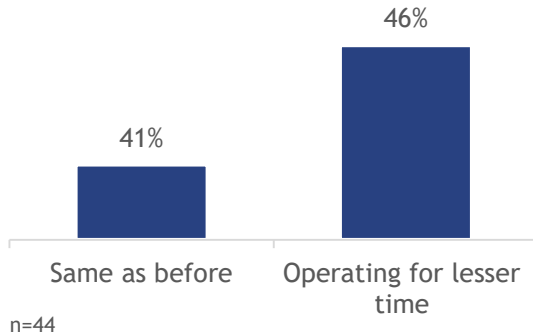
- 01** Encourage the use of additional modes of authentication apart from fingerprint biometric, such as contactless OTP, QR based transactions, or NFC (near-field communication) wherever feasible.
- 02** Encourage the use of online communication channels, such as WhatsApp, YouTube, and Zoom to provide need-based training to BCs on coping with the crisis
- 03** Banks and BCNMs should enable effective and quicker grievance resolution support for BCs and customers



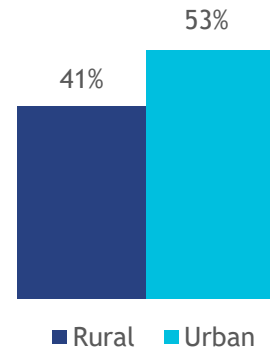
Impact of COVID-19 on business correspondents

The national lockdowns disrupted BC operations but only for a short period

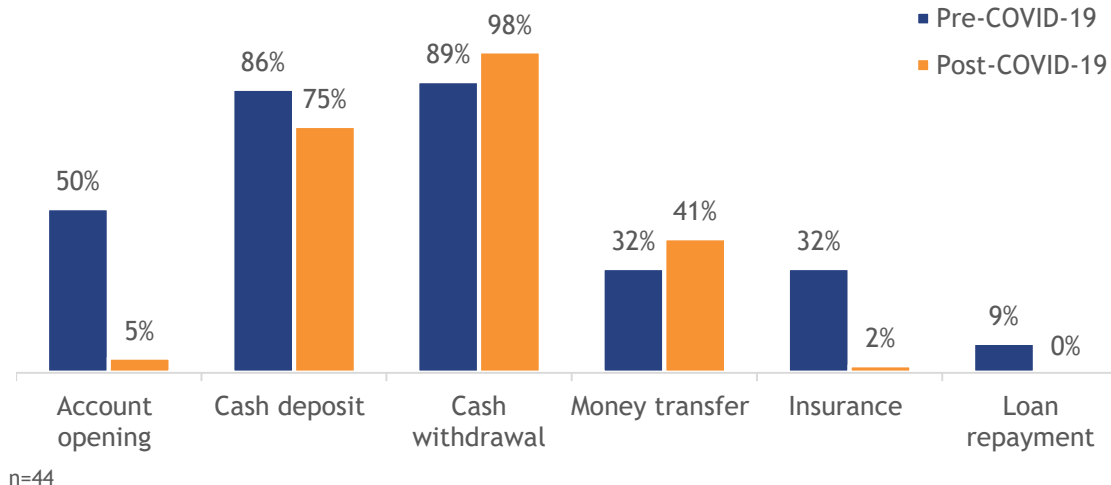
46% of BCs reported a reduction in operating hours since the lockdowns started



The daily operations of 53% urban BCs and 41% rural BCs are down to four-eight hours per day



Services other than cash-in cash-out have gone down at BC points



Confusion and fear: Key reasons for halting BC operations

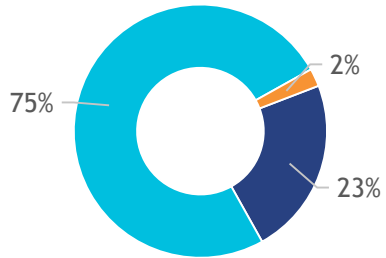
- While the Union Government announced BCs as an essential service on the second day of the lockdown (25th March), there was confusion on the ground among BCs, banks, and local authorities for over a week.
- As per the Department of Financial Services, as many as 50% of BCs could not operate on 27th March due to restrictions imposed by state and local authorities.
- The fear of contracting COVID-19 among BCs limited their interaction with customers.

“Many people have returned home from cities and have not been tested. So, there is a constant fear of getting infected while interacting with them at the kiosk.” - A male BC from a rural area

“I cannot go to the bank freely. Policemen will ask questions if we step out of our homes. We do not have any pass to show that we are carrying out banking work.” - An SHG BC (female BC) from a rural area

Emergency relief measures in Direct Benefit Transfers (DBT) announced by the government benefited BC operations

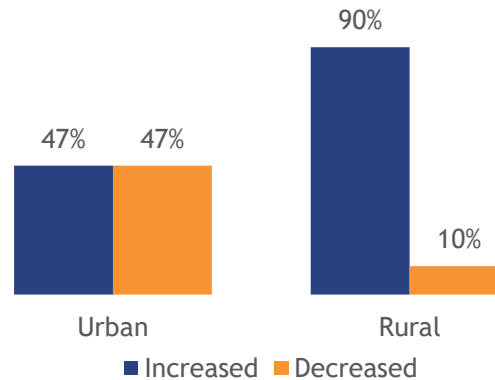
75% of BCs reported an increase in customer footfall.



■ Decreased ■ Increased ■ Same as before

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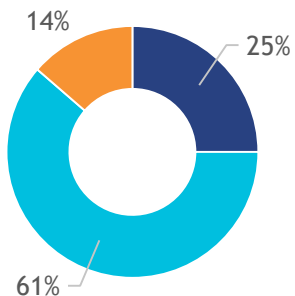
90% of rural BCs reported an increase in customer footfall



Stark difference among urban and rural BCs

- Rural BCs reported an increase in customer footfall by a median value of 50%.
- Rural BCs also reported higher cash-in cash-out transactions by a median value of 40%.
- However, urban BCs reported no median increase in either customer footfall or cash-in cash-out transactions.

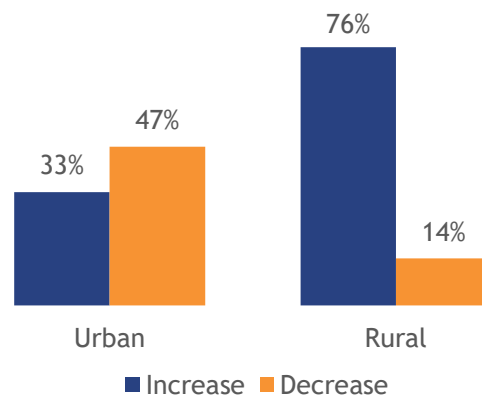
61% of BCs reported an increase in cash-in cash-out transactions



■ Decreased ■ Increased ■ Same as before

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76% of rural BCs reported an increase in cash-in cash-out transactions



“My agency is new and I barely had 25 customers coming each day. But since the lockdown, the customer footfall has doubled. People are crowding the outlet to withdraw their INR 500 DBT relief money” - A male BC from a rural area

“My income has fallen drastically. Earlier, I used to cater to 40 customers per day. This has now reduced to 1-2 customers” - A female BC from an urban area

BCs were, however, not adequately equipped to handle the increased rush

BCs were fearful of contracting COVID-19 due to:



Unequipped BCs at the forefront

- The situation was further aggravated by the rush at BC outlets to withdraw cash. This happened mainly because:
 - Centralized [plans](#) to ensure orderly crowds at BC points failed
 - Rumours spread among beneficiaries that the welfare payments will be taken back if these are not claimed soon
- BCs were not equipped adequately on safety aspects, which aggravated the risk of transmission. Neither masks nor gloves were easily available nor did the BCs have the money to buy these.

I struggle to manage agent banking operations as I work alone. It is difficult to manage transactions and ensure physical distancing at the same time in my outlet

- A male BC from a rural area

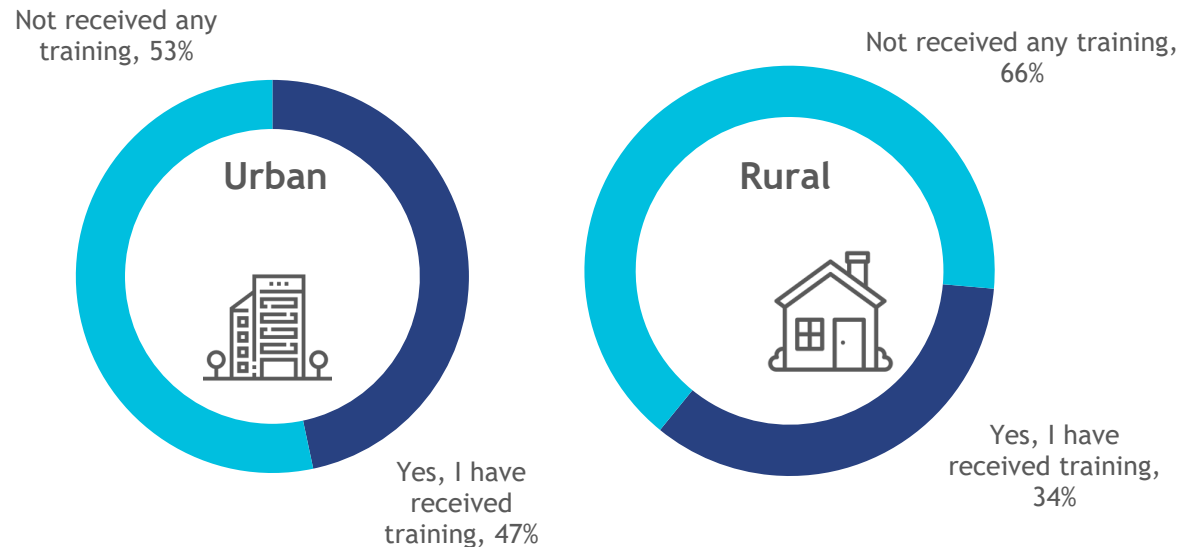
I am not aware how to manage operations during COVID-19. I will discuss it with my peers and my BCNM. I am not too confident about interacting with customers but we have no other choice

- A female BC from a rural area

Banks, BCNMs, and local administration provided only limited support to BCs

Training on preparedness measures to be taken during the COVID-29 pandemic:

Two-thirds of rural BCs have not received any training related to the COVID 19 pandemic



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Given the huge rush at outlets, BCs expect preferential treatment at bank branches where they go for cash re-balancing.

BCs are in need of immediate support

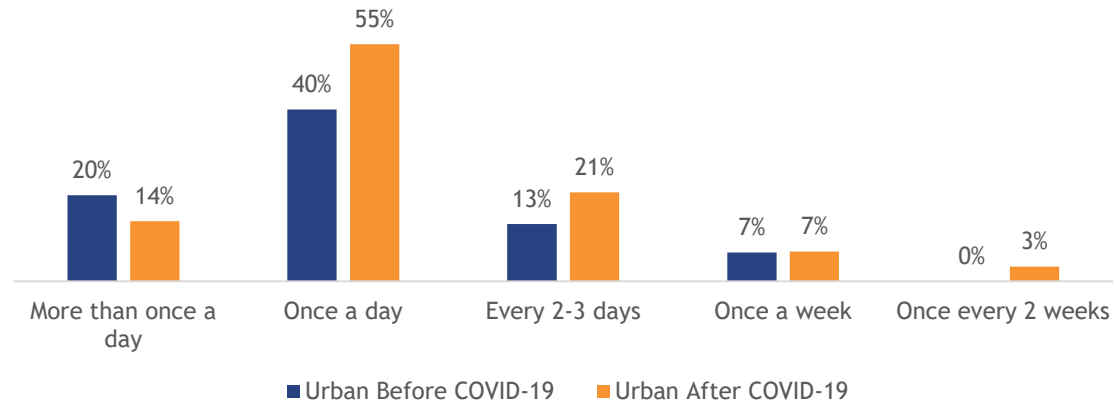
- 61% of BCs reported that they did not receive any training to mitigate the risks of COVID-19 as they continued to operate
- While some banks are already taking initiatives, there is an urgent need to standardize and scale these efforts. In most places, the support that banks and BCNMs currently offer to BCs is limited to taking stock of the physical distancing measures over WhatsApp. Crowd management is left entirely to BCs.
- While a few BCNMs have promised some form of monetary support, it is yet to reach all the BCs.

“Some BCs of other banks receive full monetary and other support from their banks while we have to beg for compensation. Why should we take up such a risky job just for the sake of a meager commission? I can earn more by stitching clothes.” - An SHG BC (female BC) from a rural area

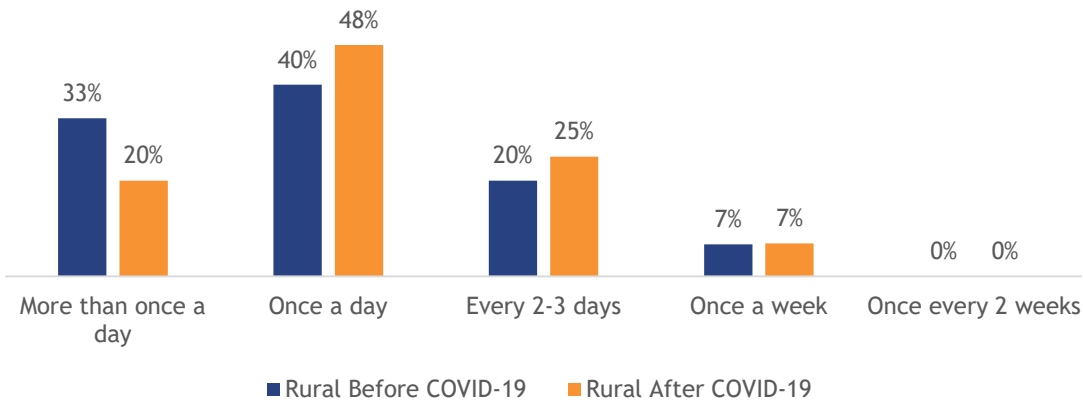
“The (District) Collector has instructed BCs to provide doorstep service. But this is not practical. I do not know where the account holders live. How can we take our laptops or desktops to customers’ homes? It seems that the administration does not know how we operate.” - A male BC from a semi-urban area

Liquidity management to support “emergency cash transfers” turned out to be a huge challenge

The frequency of travel for liquidity management increased across both urban and rural areas



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Cash is inaccessible when needed the most

A spurt in cash withdrawal transactions (specifically due to “emergency cash transfers”) in rural areas compelled BCs to rebalance cash more often than they usually do. [NPCI reported 403 million approved AePS transactions in April, 2020 compared to roughly 172 million in March, 2020.](#)

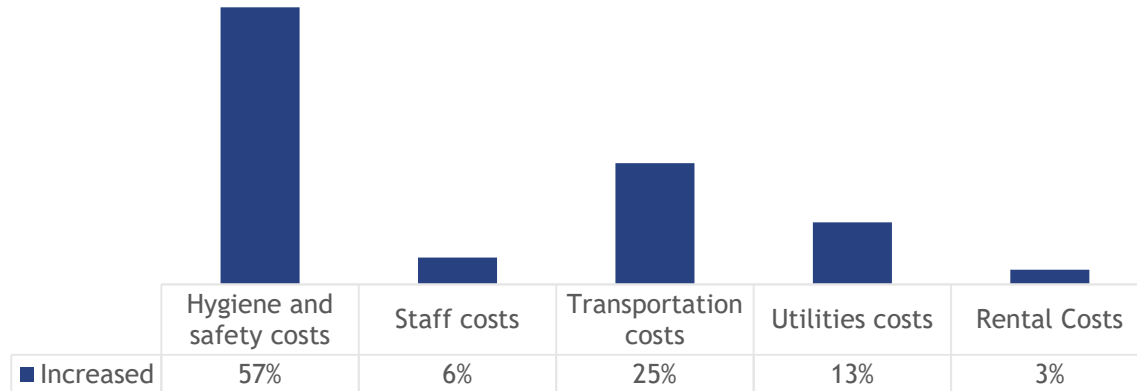
- The unavailability of transport options meant that BCs could not rebalance cash at the desired frequency.
- Further, BCs lack proper identification documents, which limited their travel to banks or ATMs to rebalance cash, since police checks require ID that shows that those who traveled were providing essential services.

“In pre-COVID times, I would receive deposits from businesses, which would help me to balance deposits and withdrawals. But now, only withdrawals are happening—I have to travel to the bank once or twice in a day to manage liquidity.” - A male BC from a rural area

“Before COVID-19, I used to travel to the bank 20 km away on public buses. Nowadays, I travel on my brother’s motorbike as the buses are unavailable. This has spiked our fuel costs considerably.” - An SHG BC (female BC) from a rural area

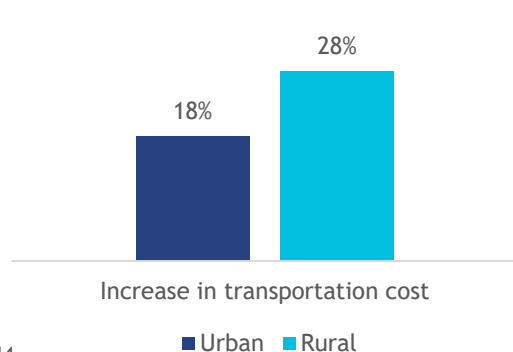
Additional expenses on transportation and hygiene or safety at the outlet escalated the overall costs

Around 25% BCs reported an increase in transportation costs, while 57% reported an increase in other costs



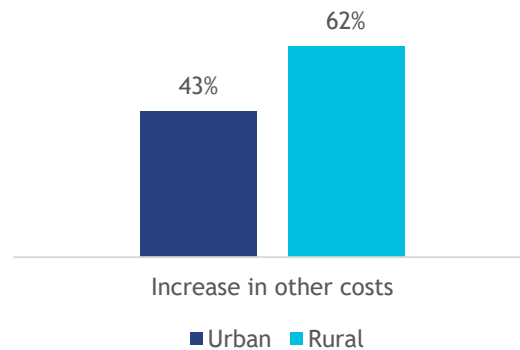
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28% of rural BCs reported an increase in transportation cost compared to 18% of urban BCs



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62% of rural BCs reported an increase in other costs compared to 43% of urban BCs



More worries due to rising costs

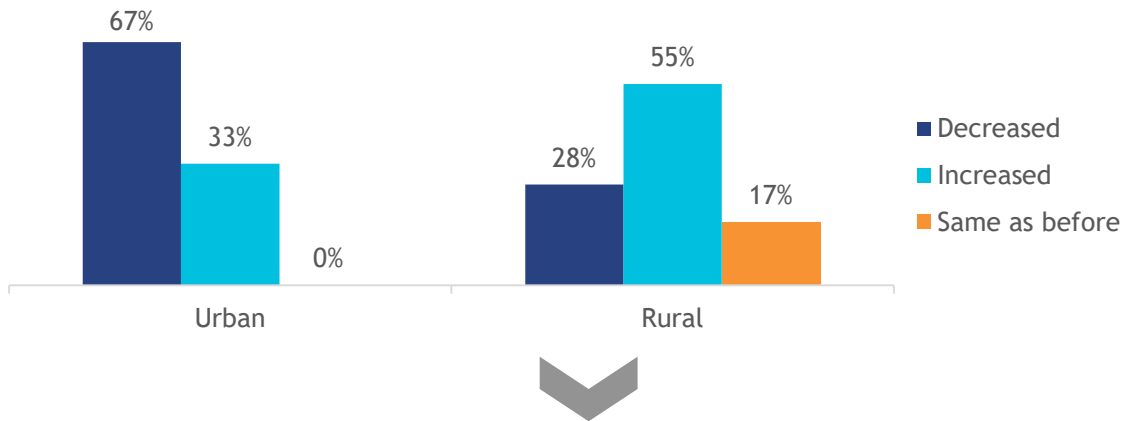
- Hygiene and safety costs, such as arranging for hand wash, masks, or sanitizer, among other safety items, have increased by a median value of 21%.
- The unavailability of public transport led to an increase in transportation costs. In rural areas, transportation costs increased by a median value of 21%.
 - BCs have to travel to different locations, such as the *panchayat* office and block office to disburse “emergency cash” instead of operating from home, which has increased their travel costs further.

“I will be sitting at the panchayat office instead of my home to facilitate emergency withdrawals, for which I need to arrange for regular travel.” - An SHG BC (female) from a rural area

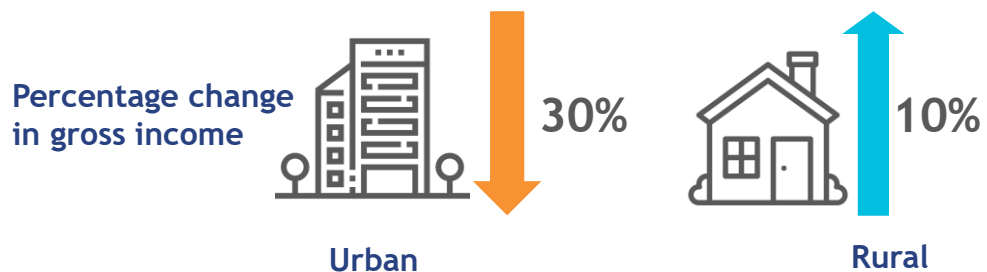
“I spend close to an additional INR 4,000 now for hygiene. I have put in place a portable water tank and a wash basin so people can wash their hands before a transaction. After washing their hands, people clean their hands with hand sanitizer.”- A male BC from a rural area

The “emergency cash transfers” resulted in a marginal increase in the gross income of rural agents; however, the gross income of urban agents fell sharply

Two-thirds of BCs in urban areas reported a decrease in gross business income



Urban BCs experienced a substantial decrease in gross business income, while rural BCs saw a marginal increase in gross business income



n=44

Emergency cash transfer was a savior, or was it?

- ▶ The impact on gross income across urban and rural areas reflects the dependence of BCs on “emergency cash transfers” and the commissions from these transactions for survival. This is especially valid since certain transactions of high value or high commission have almost stopped.
- ▶ While the customer footfall has increased, the gross incomes have only marginally increased. This suggests a sub-optimal remuneration for BCs engaged in the last-mile delivery of DBT.

“I would earn a commission of INR 13,000 in a normal business month. Currently, I have not been earning any income at all as my business has been closed for more than 10 days now.”

- A male BC from an urban area

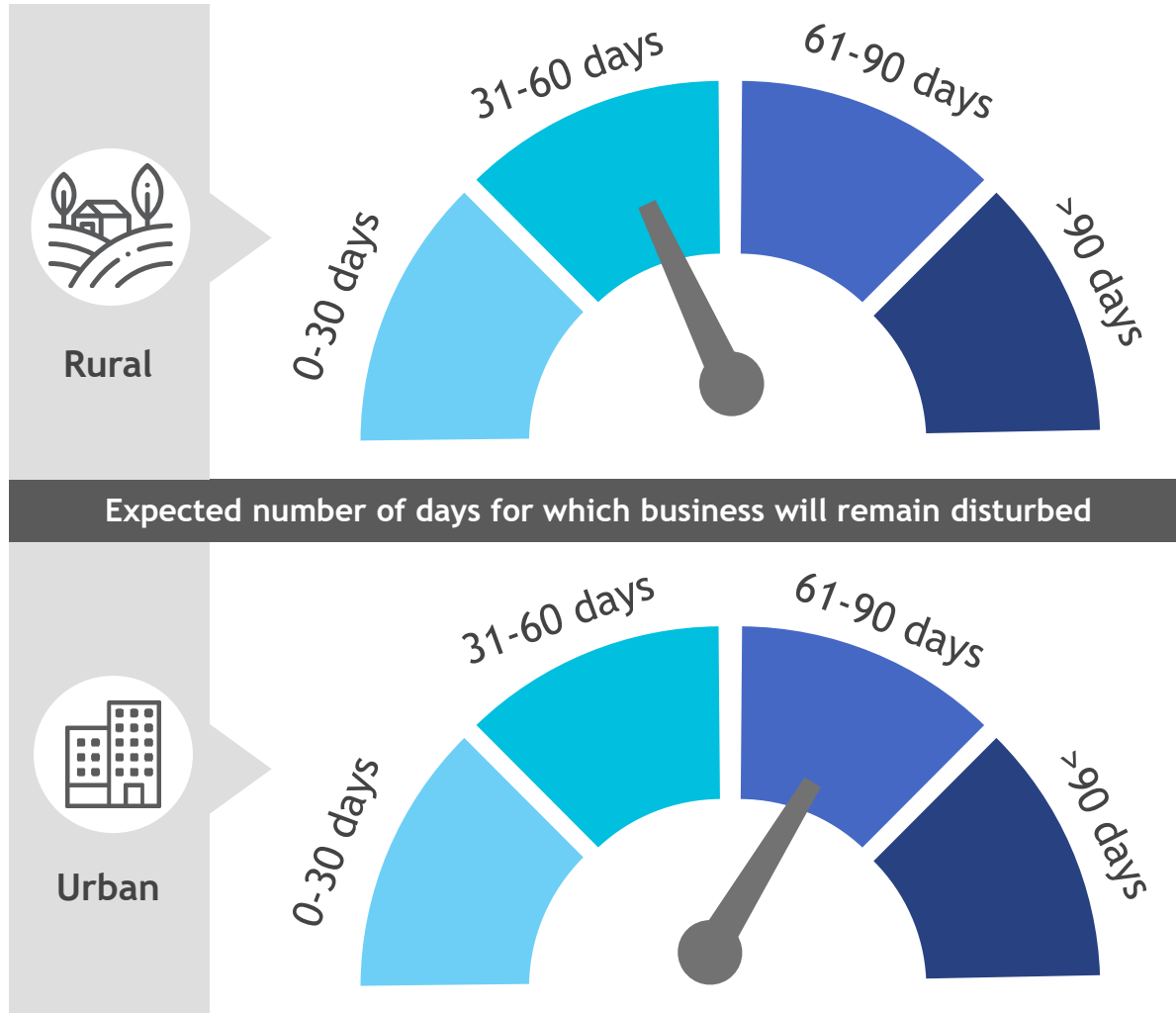
“My agency banking income is down by over 50%. I used to earn INR 2,000 in a month from agency banking but now in this month it is going to be less than INR 1,000”

- A SHG BC (female) from a rural area



**Coping strategies adopted by
business correspondents**

In the absence of necessary guidance, BCs stare at an uncertain future in the wake of the pandemic



Concerns are mounting, especially for urban BCs

- As key financial service providers, BCs in rural areas expect a faster recovery. They hope for higher DBT transactions in the future.
- Due to the higher transmission rate of the pandemic in urban areas, there is an added uncertainty about urban BCs being stuck in containment zones and having to shut down.
- The remittance transactions for urban BCs is expected to dwindle for some time due to reverse migration. There is no certainty of it rebounding anytime soon.

I do not believe the corona threat will leave us for a few months at least. I feel unemployed and am seriously thinking if the BC business was the right decision

- A female BC from an urban area

The current number of transactions that I am able to do range between 80-100, most of these are cash withdrawals. Earlier, my daily transactions included 40-50 cash withdrawal and 20-25 cash deposit transactions. So as you can see, there is not much variation in my business now

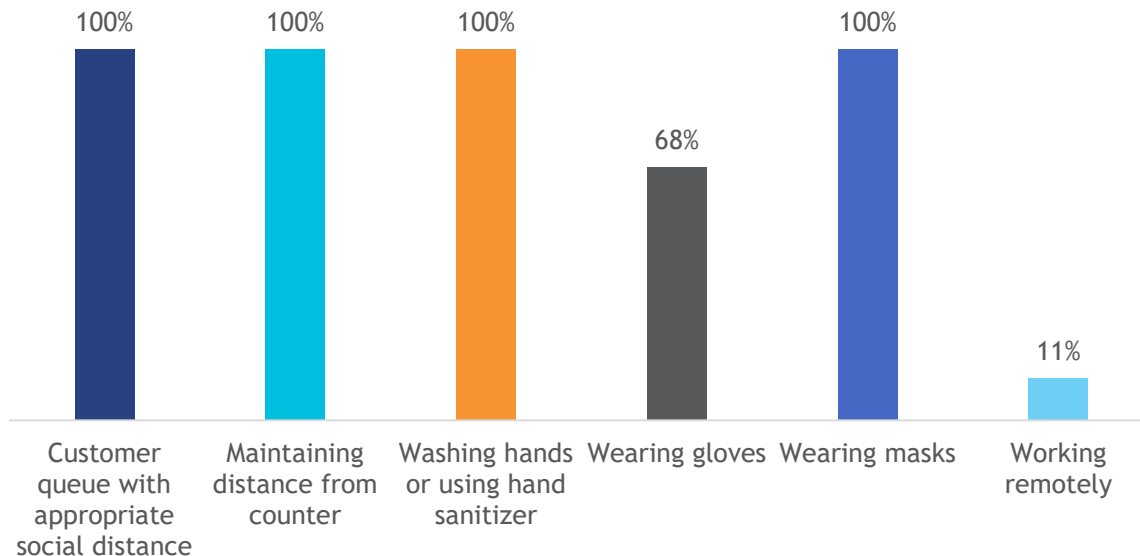
- A female BC from a rural area

#The analysis here is based on qualitative data.

Physical distancing and hygiene measures to continue while offering services

BCs mentioned that given their limited resources, placing a bucket of water and soap at their outlet and pleading with people to maintain a safe distance among themselves is the most that they can afford to do as a safety measure.

All BCs have been maintaining physical distance to avoid transmission of the disease



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BCs are ensuring physical distancing and hygiene considerations

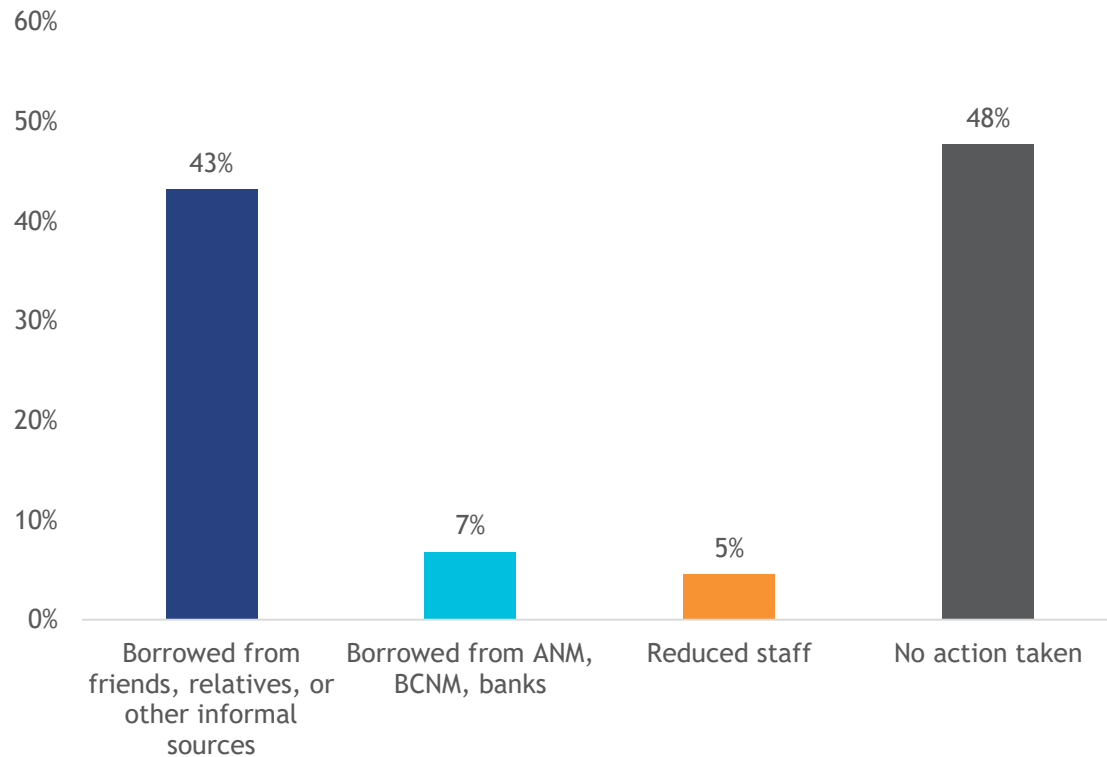
- All BCs reported enforcing physical distancing as well as mandatory hand sanitization or handwashing for customers
- More than half (59%) of the BCs started using social media channels to communicate with BCNMs or banks and more than one-third of them (36%) use social media to communicate with customers
- BCs have also moved to alternative locations, for instance, the *panchayat* office to conduct transactions, to safeguard their families from risk of exposure.

“I have purchased a new AePS device at a cost of INR 5,000 and have engaged two staff to ensure that I can serve customers as fast as possible. There should be no crowd in front of the BC point. It puts everyone's life at risk.” - A male BC in an urban area

“The police and local volunteers help me to maintain queue and physical distancing. I have also kept the Morpho (fingerprint scanner) device far away from myself and I maintain a distance from customers.” - A male BC from a rural area

Agents are taking financial as well as non-financial support to cope with the situation that has arisen post the pandemic

Around 43% of the BCs have borrowed money to manage the sudden increase in expenses



n=44

BCs seek support in all possible ways

- BCs are not in a position to prioritize transactions that will earn them the maximum revenue. Many BCs have started borrowing from their social network to meet additional expenses.
- Interviews with such BCs suggest that none of them have a concrete plan to cope with the existing challenges. They depend on financial as well as non-financial support from their social network to continue operations.
- In total, more than half (52%) of the BCs from our sample have taken at least some temporary measures to cope with the crisis, such as borrowing and reducing staff.

“We had asked for two things from service providers (banks and BCNMs) for which we have not received any reply yet: 1) Change fingerprint authentication to password authentication, 2) Provide insurance for BCs in case they get infected with this disease.”

- A female BC from a rural area



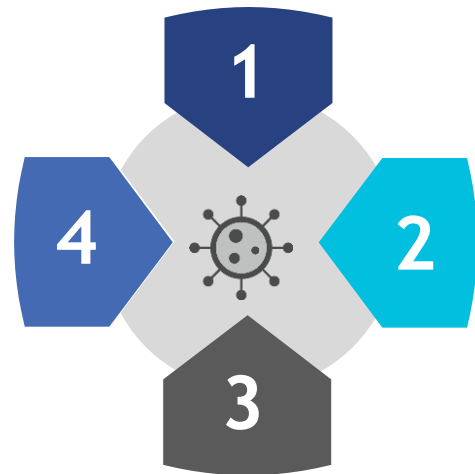
Annexes

Emergency Direct Benefit Transfers relief in cash, announced by the government benefited BC operations

COVID-19 relief measures included a number of cash transfer programs from the Government of India, including the following:

200 million women PMJDY account holders to receive INR 500 (~USD 7) for three months

30 million widows and disabled will receive INR 1,000 (~USD 13)



Front-loading of PM KISAN installment of INR 2,000 (~USD 26) for 87 million farmers

80 million households to receive subsidies to fund cooking gas refill in their bank accounts for three months

State governments provided additional cash transfers

- 35 million construction workers across the country would receive cash transfers to sustain themselves during the crisis.
- Some state governments provided cash transfers to top up the transfers from the central government or provided cash transfers to people excluded from the central government programs.
- BCs are the best choice for many beneficiaries to access these “emergency cash transfers,” especially in rural areas.

“Cash withdrawals due to programs like PMJDY, Ujjwala Yojana, and PM KISAN are the predominant type of transactions these days.” - A female BC from a rural area

“The footfall has almost doubled from 30-40 per day to 50-70 now and all of them are cash withdrawals.” - A male BC from a rural area

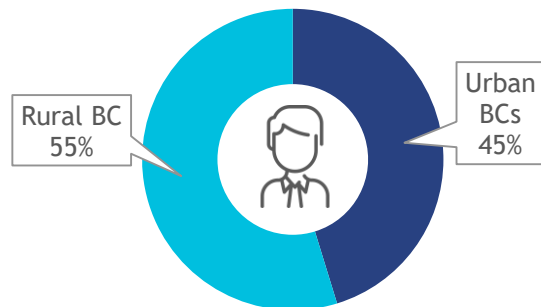
Status of business correspondents in India

Defining business correspondents^

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 BCs.

Agent networks in India became divided broadly 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.

Proportion of BCs^



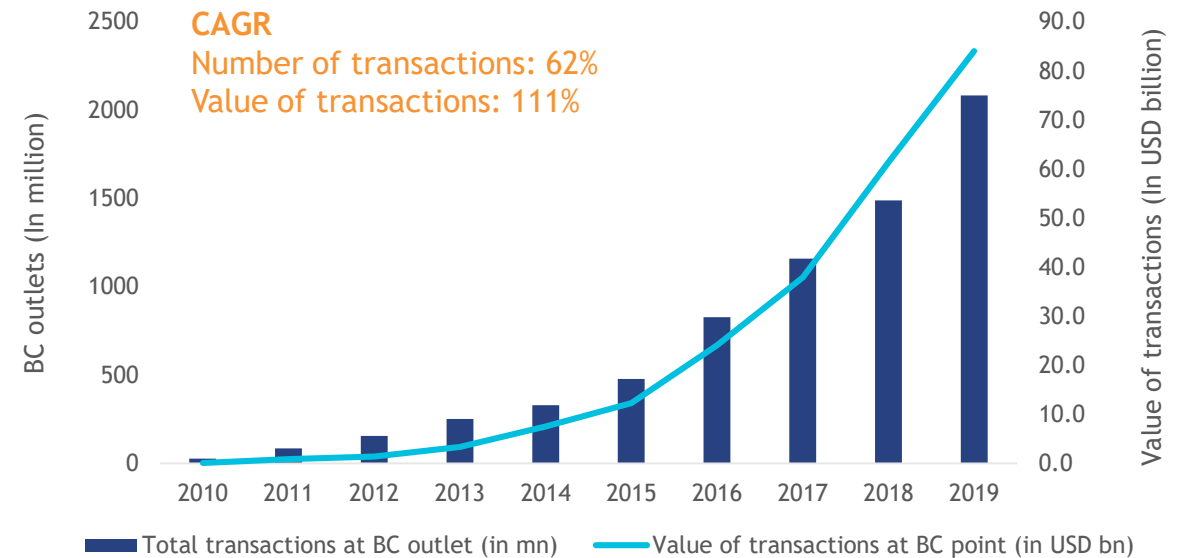
Rural

Urban

Number of BCs

988,299

Transactions at business correspondents^



Additional data on business correspondents

45%

is the CAGR of BC outlets in India^

38%

of BCs are associated with State Bank of India (SBI)*

Source: ^RBI, *The State of the Agent Network, 2017

Assessing the economic impact of COVID-19 on business correspondents

The objective of the research



- Understand and quantify the impact of COVID-19 on business correspondents
- Inform policy and support subsequent efforts to rebuild BC Network
- Assess the impact of COVID-19 on:
 - Revenues and costs
 - Business activities and ranges of products
 - Liquidity management
- Explore options to minimize threats and maximize business opportunities
- Assess gender implications
- Understand the usage of communication channels and opportunities that can be utilized
- Understand the role of BCs networks and trust and the effects of the pandemic on both
- Assess private and public sector support services

Research coverage



- Research country: India
- Locations: Rural, semi-urban, and urban areas
- Quantitative sample size: 44 respondents
- Qualitative sample size: 15 respondents

Approach











We have adopted a two-pronged approach:

1. Quantitative telephonic survey administered by District Financial Inclusion Coordinators (DFICs)* with support from a few BCNMs
2. A qualitative telephonic panel of 15 BCs interviewed by MSC staff with support from District Financial Inclusion Coordinators (DFICs)*

*DFICs are placed by MSC in the 27 aspirational districts (a program anchored by NITI Aayog. The DFICs extend their support to the district administration and bank officials to progress in the financial inclusion component in the district)

Respondents' profile

Quantitative research: Sample profile of 44 BCs				
Location of business		66%		34%
	Rural		Urban	
Gender of ownership		77%		23%
	Men		Women	
Experience of BCs	27%	18%	34%	21%
	1-3 years	3-5 years	5-7 years	>7 years

Qualitative research: Sample profile of 15 BCs				
Location of business		9		6
	Rural		Urban	
Gender of ownership		9		6
	Men		Women	
Experience of BCs	10	4	1	0
	1-3 years	3-5 years	5-7 years	>7 years
Type of BCs	6	9		

Note: The quantitative sample does not represent the overall BC population in India. We have used median values in location-wise splits because the sample size per location is low.

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Our impact so far

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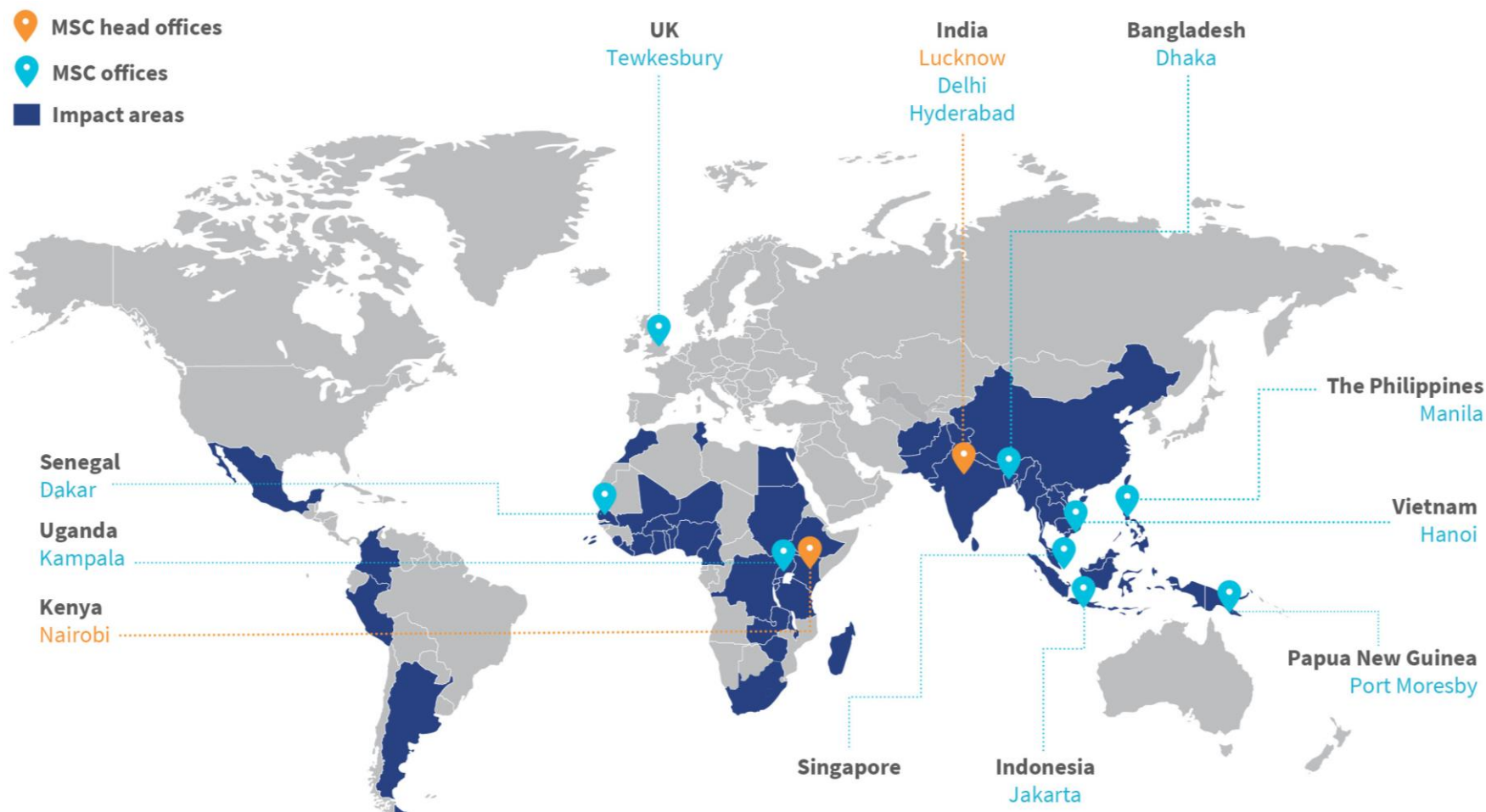
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