

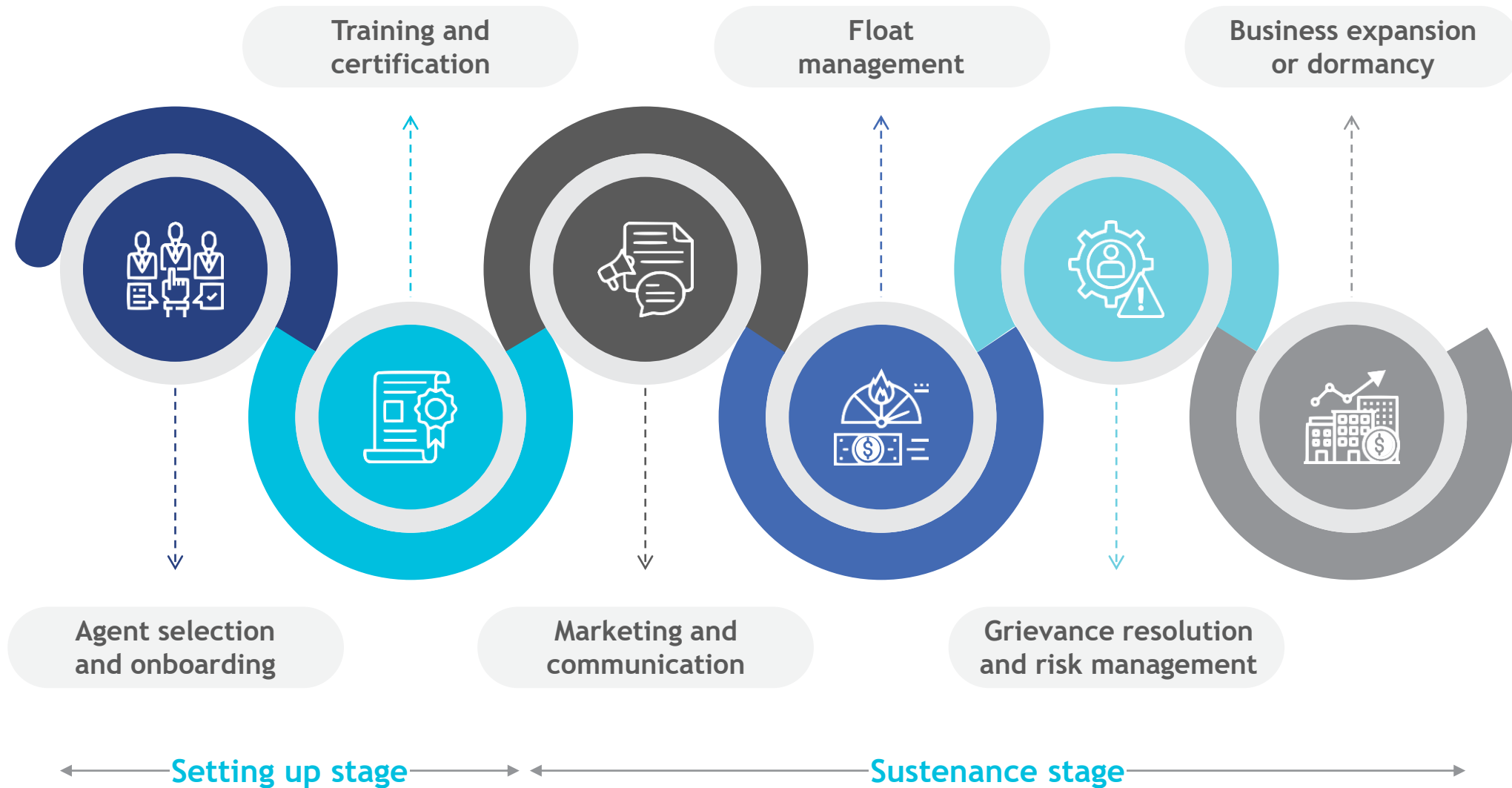
Predominant Cash-in Cash-out (CICO) models in India

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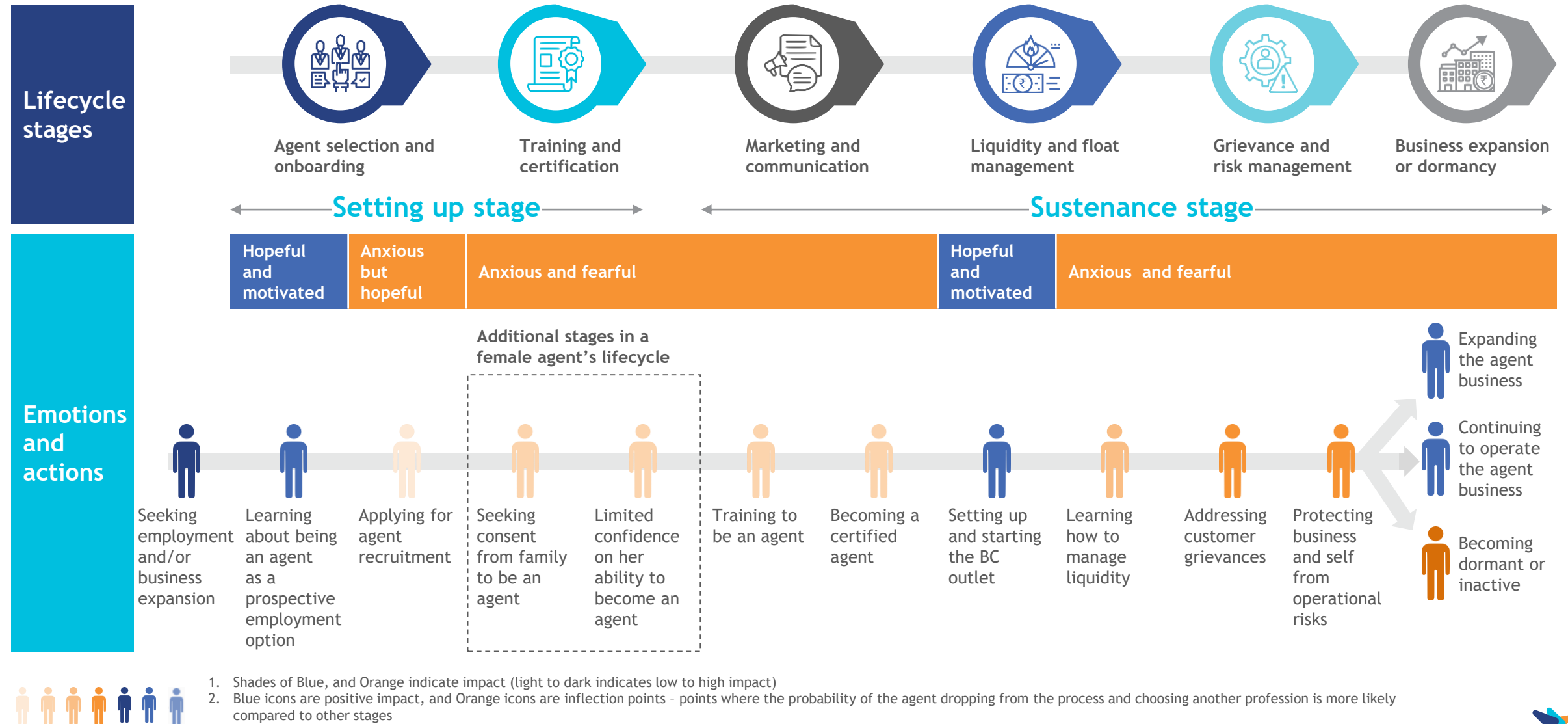
April, 2022



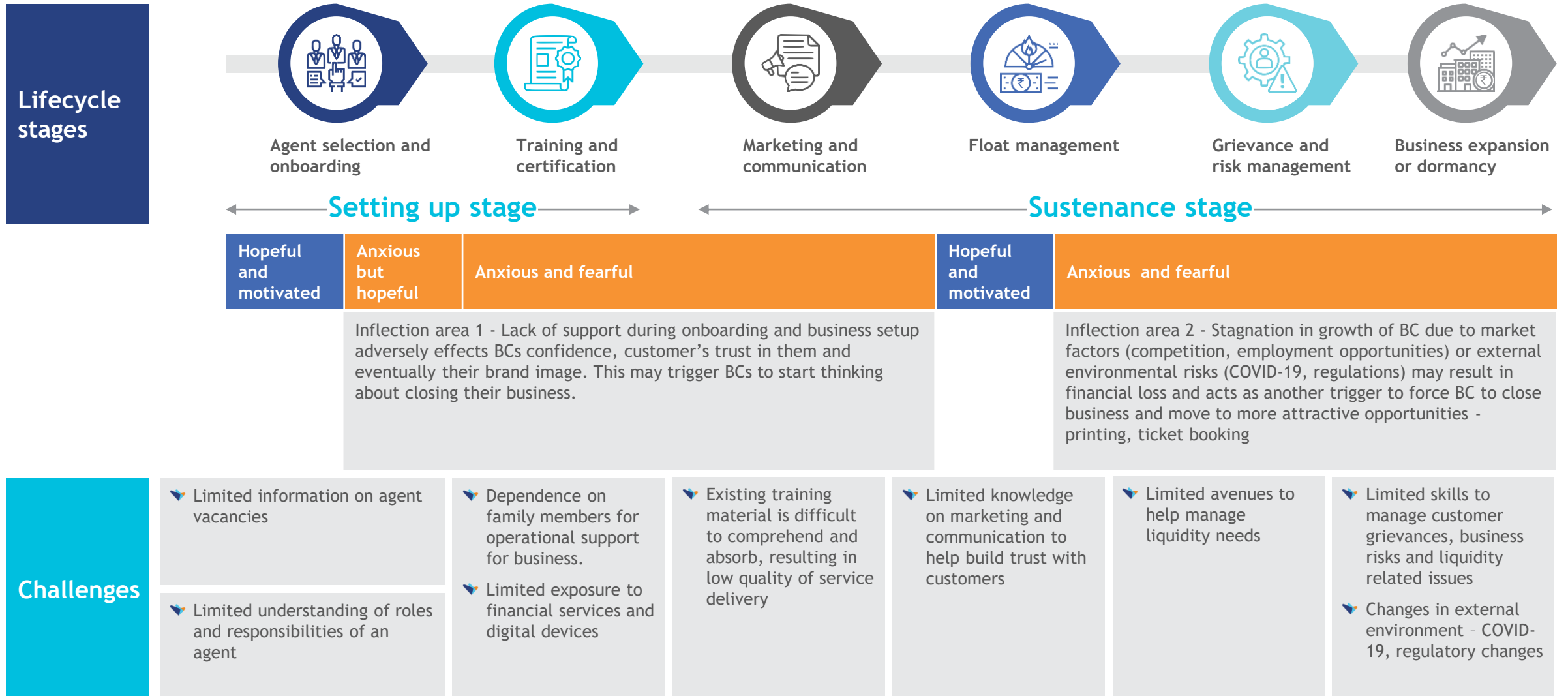
Across the globe, a typical CICO agent goes through a range of experiences across various stages of the agent lifecycle (ALC)



A typical CICO agent experiences multiple emotions and conducts multiple actions across each of these stages of the ALC







These emotions result from multiple challenges the CICO agent faces at each stage, which lead to inflection points forcing them to leave the business





CICO models in India

India has four types of business correspondents (BCs) or agents models (1/2)





| Attributes | Traditional agents  | New-age agents  | Payments bank (PB) agents  | Post Office Gramin Dak Sevak (GDS)  |
|---------------------------------------|--|--|---|--|
| Relationship and tiers | PSU banks to corporate BCs to BCs or agents | Private banks to corporate BCs to distributors to BCs or agents | Respective PB to distributors to BCs or agents | IPPB to DoP to GDS |
| Nature of relationship | Typically exclusive and dedicated | Potentially non-exclusive, and non-dedicated | Add-on service | Exclusive but non-dedicated |
| Example | SBI - FIA - CICO agent | RBL - Paynearby - Retailer | APB - Distributor - CICO agent | IPPB - DoP - GDS |
| Major BCNMs and number of agents^ | Vakrangee (14,000), Fingpay (50,000); SAVE (8,500) | Spice (500,000), PayNearby (400,000), Eko (250,000) | Fino (600,000), Paytm (10,000), APB (500,000) | DoP 200,000 |
| Nomenclature for the agent | PMJDY (BM), SBI (CSP), IB (BC), SHG (BC <i>Sakhi</i>) | Spicemoney (" <i>adhikaris</i> "), Paynearby (agent), Eko (merchant), | Fino (agent/merchant), APB (agent) | IPPB (GDS) |
| Gender of agents | 8-10% female | N/A | N/A | N/A |
| Technology service provider | Third-party TSP in most cases | BCNM doubles up as TSP | Payments bank's CBS | IPPB's CBS |
| Dominant interface at the agent level | Stationary at machine | Mobile app, web interfaces | Laptops, mobile app | Roving device such as tablets |

Numbers are estimates, and have plenty of overlaps across the different types as non-exclusivity means that one agents may serve multiple providers

N/A: Not available

Please refer to the [glossary](#) here

India has four types of business correspondents (BCs) or agents models (2/2)

| Attributes | Traditional agents  | New-age agents  | Payments bank (PB) agents  | Post Office Gramin Dak Sevak (GDS)  |
|-------------------------------------|--|--|---|--|
| Types of devices used at BC outlets | Desktop or laptops + micro ATM micro ATM only | Laptops, smartphone with biometric | Laptops, smartphone | Micro-ATM |
| Connectivity means | Wireless, leased line / VSAT, dongle, mobile data | Mobile data, wireless | Mobile data, wireless | Mobile data |
| Agent location | Stationary, roving | Stationary | Stationary, roving in some payments banks | Flexible in their beat, stationary for counter PAs |
| Types of services | All banking services offered (as allowed by banks) | Limited transactional services + Add on services from third parties | All banking services offered or allowed by payments banks | All banking services offered / allowed by DoP and IPPB |
| Process of on-boarding agent | Mostly contractual through a long process and physical training | Remote onboarding and online training | Identifying potential agents through references of village influencers | Existing pool and physical training |
| Monitoring by providers | Physical control through field staff of BCNM and technology enabled mechanisms | Technology enabled with conditions | Periodic visits by bank staff | Monitored by India Post |
| Customer authentication | Two-factor (K, P and I)*: PIN or card or biometric | Two-factor (K and I)*: ID or biometric | Two-factor (K and I)*: ID/bank alias or biometric | Two-factor (K and I)*: PIN or biometric |

* K: Knowledge, P: Possession, I: Information

Please refer to the [glossary](#) here

MSC has been conducting research and testing a variety of concepts to increase the efficacy of CICO personas across the ALC in India



MSC's intervention across different CICO personas

Agent persona analysis across CICO models



We conducted an in-depth analysis to compare all agent personas across common parameters, as detailed in the subsequent slides



All the five personas under the four models showcase unique limitations as well as unique opportunities they offer to varied customer segments



Traditional agents - stationary and roving

- Operates as an extension of bank branches; build high customer trust compared to other models
- High setup costs with an extensive onboarding process
- High-touch model with physical monitoring and high operational costs



Traditional agents - BC Sakhi

- Brings convenience by providing banking at the doorstep for SHG women
- Requires limited investment, with a low level of earnings
- Low training support does not build their capabilities, and thus hurts their operations



New-age BC agents

- Aggressive expansion with easy onboarding through FoS (on-ground sales staff), similar to new-age BCNMs. High competition across PBs and new-age BCNMs
- Location-based selection of agents to increase revenues at outlets
- Monitoring through periodic visits by payments bank staff



Payments bank agents

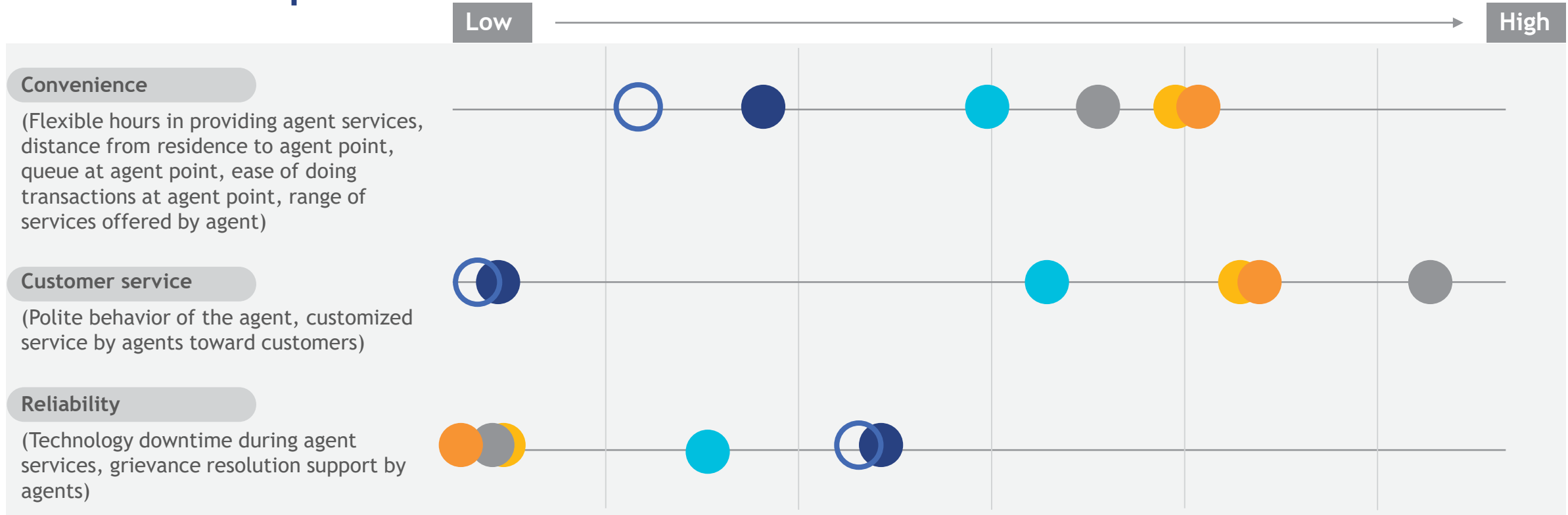
- Agile model with BC-centric operations and digital training
- Easy onboarding with low entry barriers and setup costs
- Online agent support and technology-based monitoring



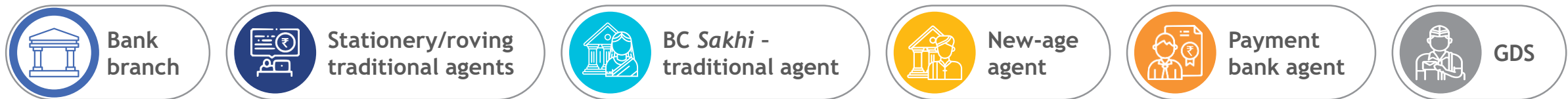
Gramin Dak Sevaks

- High dependence on DoP with limited motivation to provide DFS through IPPB
- Extensive experience and lineage of DoP builds high customer trust in the model
- Limited tech knowledge and capabilities to offer banking services

While most agent personas offer better convenience and customer service than bank branches, the reliability of agents is an area that can be improved













The above matrix indicates a typical customer's preference for one type of agent over another



Agents need to expand the range of services they offer beyond traditional services to bring about change in the usage levels of financial services

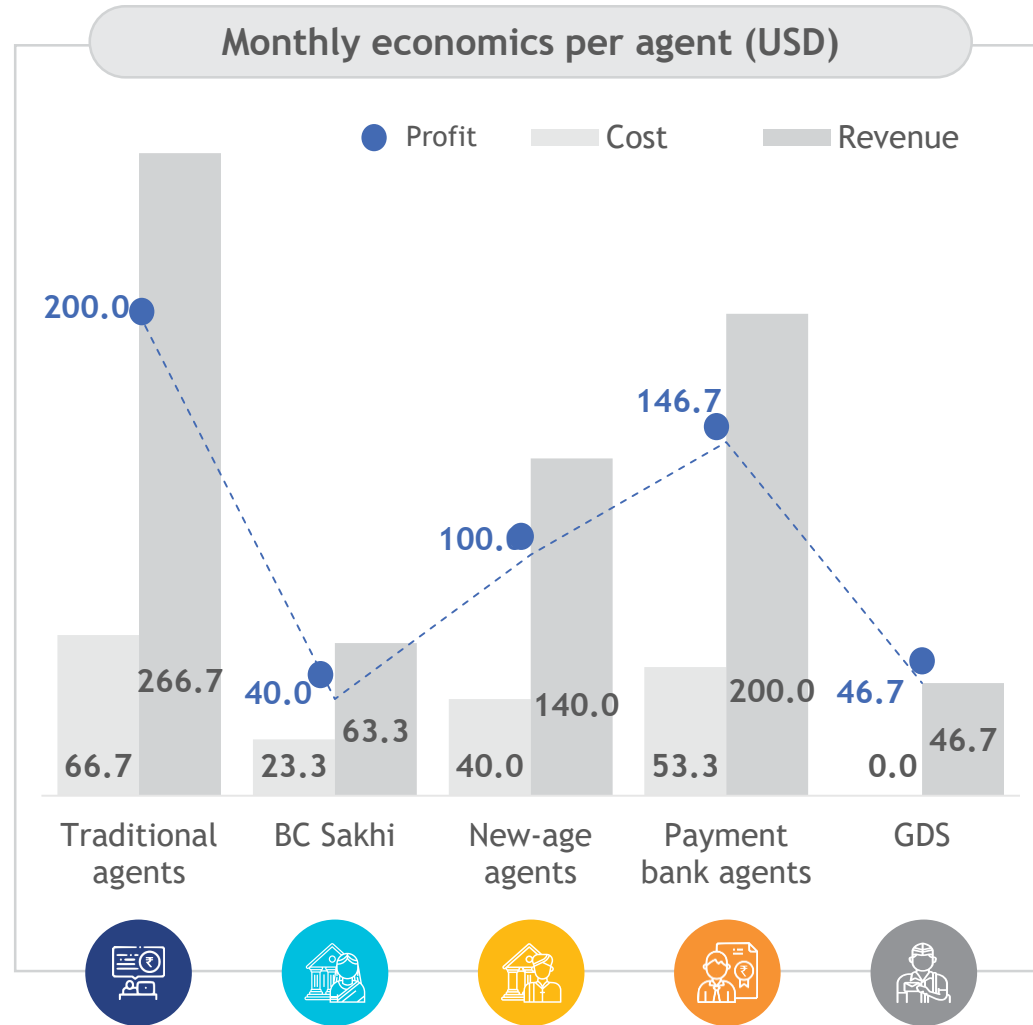


| | Financial services (Access to usage) | | | | |
|---|---|---|---|---|---|
| | Account opening  | Assisted services  | Basic transactions*  | Subscriptions  | Top-up services  |
|  Stationary/roving traditional agents | Open normal bank a/c | E-KYC assistance, balance check | Assisted CICO, P2P | FD, RD, PMSBY, PMJJBY, APY ★ | Loan repayments ★ |
|  BC Sakhi - traditional agent | Open PMJDY bank a/c | E-KYC assistance | Assisted CICO through dual authentication ★ | PMSBY, PMJJBY, APY ★ | SHG loan repayments, utility bill payments ★ |
|  New-age agent | | Aadhaar seeding | P2P - DMT transactions ★ | | Utility bill payments |
|  Payments bank agent | Savings and current a/c opening ★ | Aadhaar seeding, debit card subscription ★ | Assisted CICO, P2P | | Utility bill payments |
|  GDS | Doorstep paperless a/c opening ★ | e-KYC assistance | Assisted CICO, P2P | 3 rd party products (Insurance and referral-based lending) ★ | |

★ Use-cases most integral to the persona

*Most CICO transactions consist of AePS-led withdrawals

Traditional agents earn higher revenue, however payments banks and new-age agents showcase higher profitability



High setup costs in the traditional agent model create a major entry barrier:

High CAPEX (range INR 75,000 to 200,000 (USD 1,000 to 2,700)) during onboarding alongside the additional costs of operations make it challenging for a traditional agent to onboard this model. Traditional agents take around eight months to achieve breakeven.

BC Sakhi has lower earnings than other agents:

Limited ability (float value) and lower demand in certain areas with few transactions lead to lower earnings for BC *Sakhis* than agents of other categories

New-age and payments bank agents achieve breakeven within two to three months of operation:

Setup that only involves buying biometric or mATM device¹ reduces the overall setup costs for these agents and makes onboarding easier. The aggregate net returns become positive from the second month in contrast to almost eight months for a traditional BC.

Gramin Dak Sevaks (GDS) have consistent income with zero costs:

With a highly centralized model, GDS are provided with all the equipment and incur no fixed or operational costs. The median net returns remain in the range of INR 2,000 to 5,000 (USD 27 to 67)

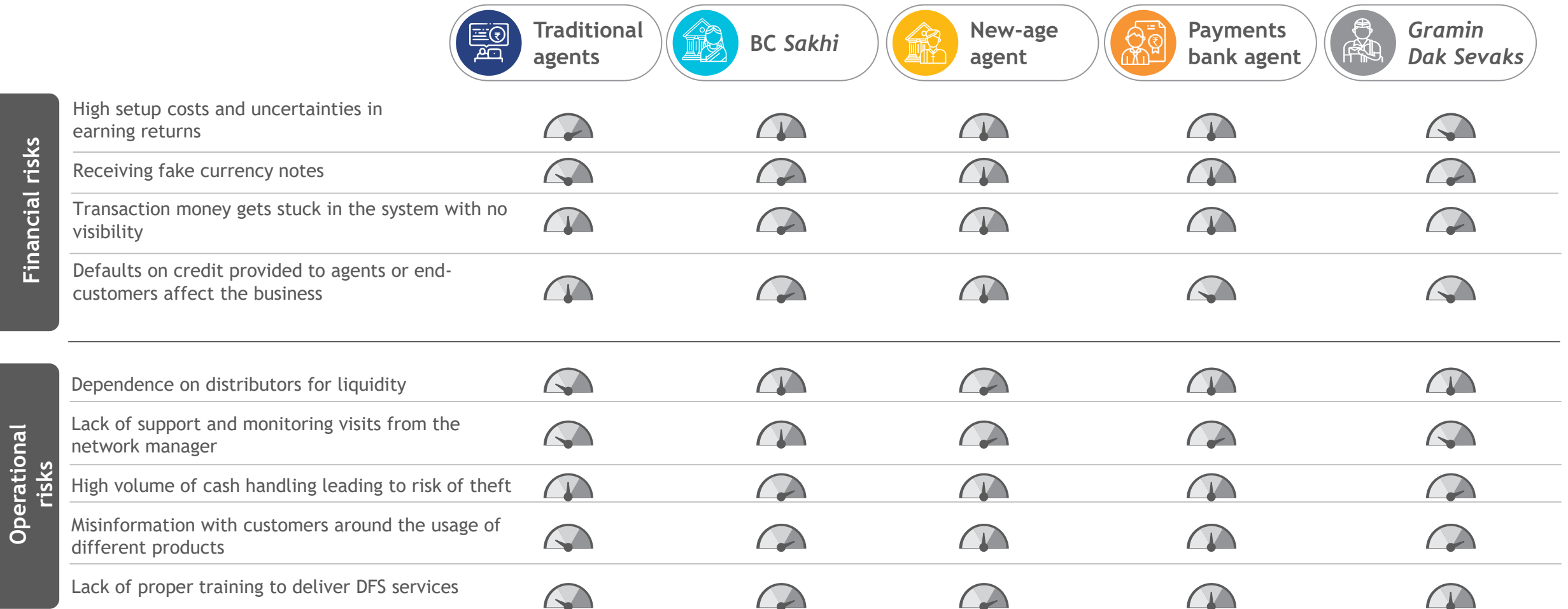
¹Assuming they use existing smartphones for operations

Exchange rate used: USD 1= INR 75

The risks in the agent business vary for these different models (1/2)



While both operational and financial risks for women BCs are high, Payments bank agents and new-age agents face much higher operational risks



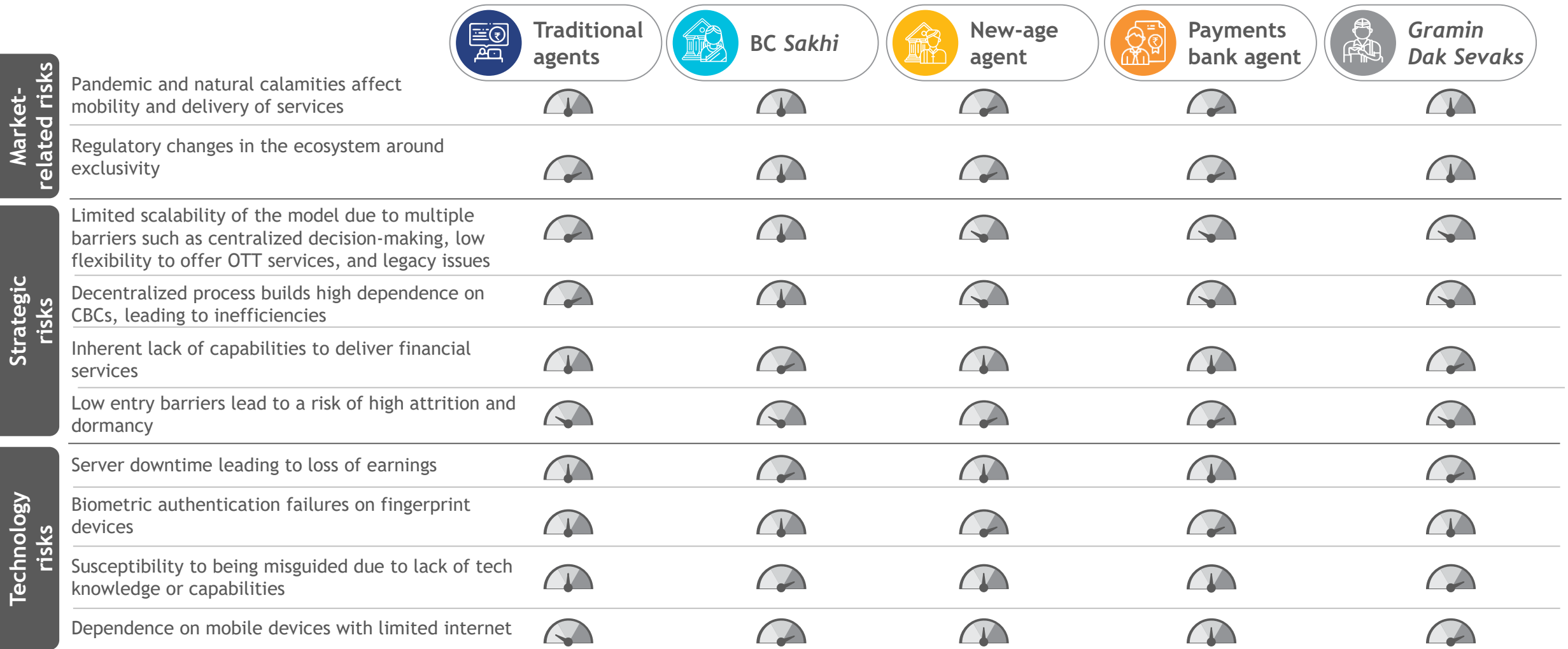
Please refer to [Annex](#) for details on these risks



The risks in the agent business vary for these different models (2/2)



While most agents face higher technology risks due to the centralization of tech systems, new-age agents, Payments bank agents largely face high strategic, and market-related risks as they offer basic financial services




Please refer to [Annex](#) for details on these risks



Providers and policymakers need to understand the nuances of agent personas to offer optimal services to the network and customers

An in-depth understanding of the personas of each Indian CICO agent detailed in subsequent slides is integral because:

1



It helps us understand agents' motivations and needs and how these can be used to deliver financial services efficiently and, ultimately, drive usage among customers

1a




The model, engagement levels, and USP of each persona helps us identify the environment in which the persona operates. It helps us identify the sort of language, messages, imagery that agents will associate with and respond to around their aspirations, hopes, and needs.

1b



An in-depth understanding of the ACTA* variables and agent economics helps us understand the catalysts that drive agent transactions.

2



It helps us understand issues, such as perceived obstacles or problems each persona faces, helping the service providers deliver customized support to agents (limiting agent attrition)

2a



The “agent index” helps us identify the skill gap among each persona, which constrain them from offering quality services to customers.

2b



Knowledge of the challenges or pain points that agents experience across their lifecycle helps providers prioritize the specific support system agents need and the required communications, designs, and structures that best suit each agent persona.

*ACTA variables are explained in [the Annex \(Slide 34\)](#)

Model-1:

a) Typical traditional agents



Overview of traditional BC agents (stationary + roving agents)

Accounts



- Opens bank accounts for customers at the agent outlet and helps in checking balance for customers.
- Some BC agents are eligible to provide leads for credit-eligible customers
- Assists in e-KYC services at the outlet, and provides FD/RD services

Cico



- Provides assisted CICO transactions to customers

Transactions



- Facilitates P2P services to its customers

Adjacencies



*

- Provides third-party services, such as insurance, loan repayments around government related schemes—although the product suite is limited in comparison to new-age BCNMs

Agent index

Determining parameters

Level of proficiency

| | | | | | |
|--|--|--|--|--|--|
| Education | | | | | |
| Soft skills to pitch products | | | | | |
| Digital savviness | | | | | |
| Motivation to offer financial products | | | | | |
| Ability to identify target customers | | | | | |
| Sustainability | | | | | |

Agent economics**

Monthly median economics per agent:

- Range of revenue: INR 10,000 to INR 20,000
- Range of costs: One-time setup cost (INR 50,000 to 200,000) + incremental operations (varies based on bank model)
- Range of profitability: INR 7,000-15,000

The way a BC agent operates

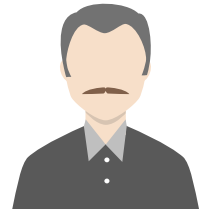
Moat: BC agents provide essential financial services in rural areas and reduce the loan of bank branches

Engagement: They are available during business hours; they may be stationary (laptop-based) and roving (PoS)

Model followed: Exclusive, and dedicated

USP compared to other models:

- Existing relationship and large customer base of the banks
- Extensive experience and lineage



Approximate number in India:

250,000

*Roving agents fall on the lower side of the spectrum in cost and revenue

** Numbers based on MSC analysis

■ Indicates high-priority areas covered under this model



Indicates level of focus: high, medium, low

Traditional agent persona: Lifecycle

Setting-up stage



Agent selection and onboarding

- Institutions contract CBCs, who manage the complete the onboarding and application process
- CBCs use their field staff, local CSPs, and advertisements to generate awareness
- Each agent is mapped to a specific bank branch and is monitored by the manager of the base branch

Training, and certification

- Largely training sessions conducted in a physical set-up. In COVID, hybrid models have been followed by some
- Training material developed by banks and CBCs
- Training sessions provided either by the BC coordinator (employed by CBCs) or materials are provided directly

➤ Higher onboarding timelines, from three weeks to six months (over-dependence on the CBC and the bank): supported **Indian Bank**

➤ Training quality and delivery are inconsistent, resulting in limited training recall for the trainees: supported **CDOT**

Challenges / Pain points

Competitive advantage(s)

- Trusted brand of banks help traditional agents maintain customer trust in using the services
- Traditional agents benefit from the banks' wide and deep outreach, especially in case of established banks like SBI, which operate with the largest customer base

Sustenance stage



Communication, grievance resolution, and risk management

- Agents mostly handle marketing activities, banks provide them with some banners, signage, etc.
- BC coordinators employed by CBCs in every area provide support to agents over WhatsApp groups or phone calls
- Technical service providers also develop a platform or provide helpline number in case of some banks for GRM

➤ Agents depend on phone calls and WhatsApp to solve grievances, with multiple stakeholders such as distributors, BCNM's FoS, and so on which is low on efficiency and has high TAT: supported **Arth**

Float management Business expansion / dormancy

- CBC employed field staff monitor the agents through monthly visits. They mainly use laptops or PoS devices
- Overdraft facility by bank or own funds managed by the agent. Varies across different models
- Commission involves fixed component (monthly) and variable component (depending on services offered)

➤ Agents are unable to deposit excess cash on time or find that the overdraft is inadequate to manage liquidity: supported **JRGB, and Arth**

➤ In-house technology skills is limited; the complete process is left for multiple CBCs to manage, making it inconsistent: supported **MobiSafar, and Fingpay**

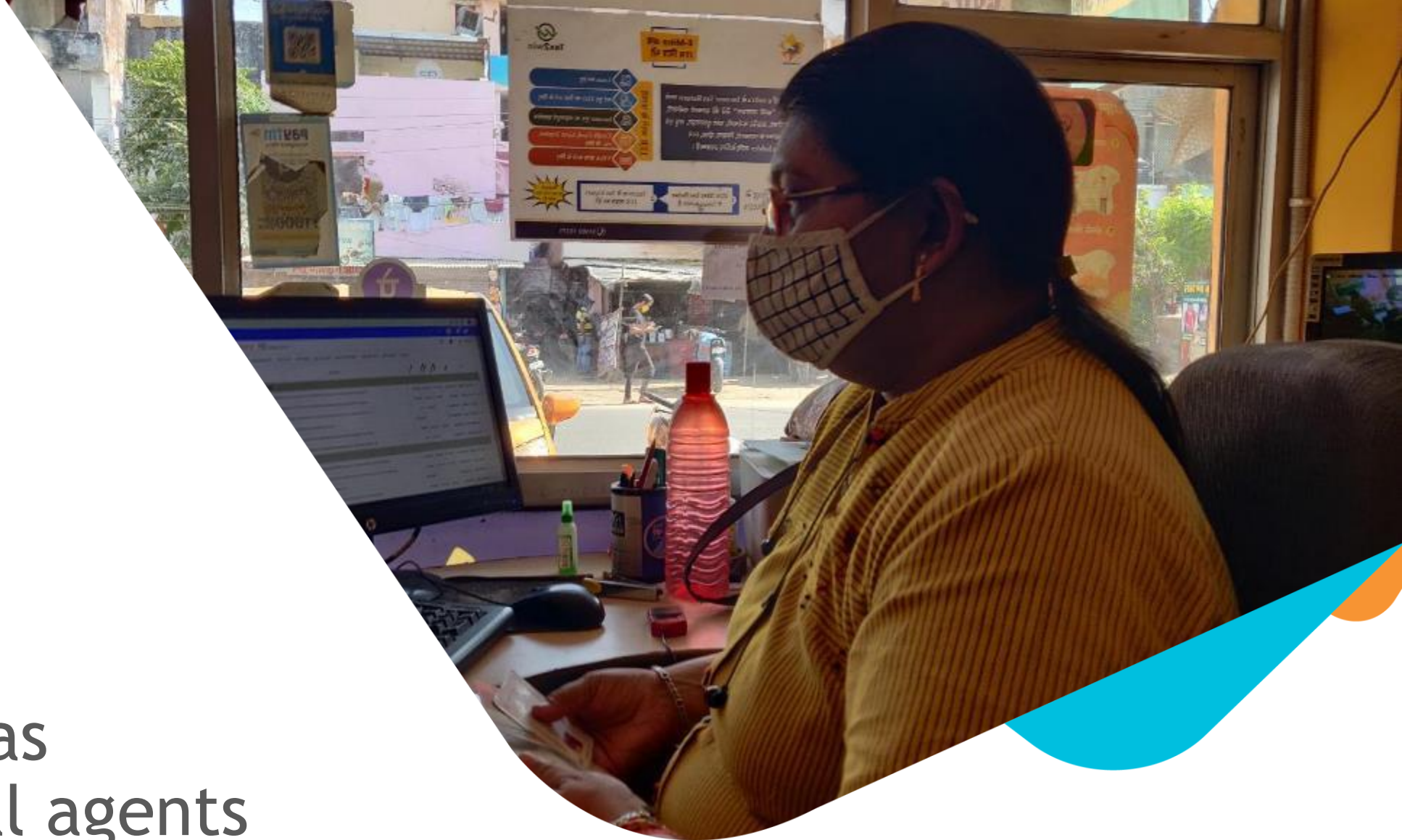
- Agents depend extensively on CBCs
- Processes, such as training, support, and device management are inconsistent due to different CBCs operating

Limitation(s)

MSC intervention to address this challenge

Model-1:

b) BC *Sakhi* as traditional agents



Overview of BC Sakhi as a BC agent

Accounts



- Facilitates e-KYC accounts for the SHG women and the villagers
- Carries out PMJDY account opening on behalf of banks

CICO



- Provides assisted CICO transactions to SHG members and other villagers
- Facilitates CICO through dual-authentication for SHG groups

Transactions



- Facilitates P2P services to its customers
- Allows utility bill payments

Adjacencies



*

- Facilitates government flagship products like insurance, pension, etc.

Agent index

Determining parameters

Level of proficiency

| | | | | | |
|--|---|---|---|---|---|
| Education | ■ | ■ | ■ | ■ | ■ |
| Soft skills to pitch products | ■ | ■ | ■ | ■ | ■ |
| Digital savviness | ■ | ■ | ■ | ■ | ■ |
| Motivation to offer financial products | ■ | ■ | ■ | ■ | ■ |
| Ability to identify target customers | ■ | ■ | ■ | ■ | ■ |
| Sustainability | ■ | ■ | ■ | ■ | ■ |

Agent economics**

Monthly economics per agent:

- Range of revenue: INR 3,500 to INR 6,000
- Range of costs: INR 1,500 to INR 2,500
- Range of profitability: INR 2,000 to INR 4,000

The way a BC agent operates

Moat: Brings financial services closer to the doorsteps of customers, and thrives on the community trust among LMI and SHG customers

Engagement: Mostly available round the clock, even outside business hours

Model followed: Most are exclusive, and non-dedicated

USP compared to other models:

- Offers the convenience of banking for SHG women and the local community
- Facilitate SHG transactions through dual-authentication mode
- Vital workforce for the government's flagship products—PMJJBY, PMSBY, APY etc.



Approximate number in India:

>50,000

*Few SRLMs in initial stage pay a fixed monthly commission to its BC Sakhis

** Numbers based on MSC analysis

■ Indicates high priority areas covered under this model



Indicates level of focus: high, medium, low

BC Sakhi persona: Lifecycle

Setting-up stage



Agent selection and onboarding

- SRLM staff primarily carry out the agent selection.
- The SRLMs pass on the list of potential candidates to the respective FI partners for onboarding

Training, and certification

- SRLMs have tied up with the Rural Self Employment Training Institute (RSETI) for certification
- RSETI provides residential training to selected BC Sakhi and supports them in IIBF certification
- The Ministry of RD bears the cost of training and certification of BC Sakhis

Challenges / Pain points

- Most BC Sakhis operate out of their home, which results in low visibility
- Lack of customized process and support to recruit and onboard women agent, thus inactive ratio remains high: supported UPSRLM

- Limited prior exposure to technology or financial services is not addressed during training: supported OLM, and UPSRLM
 - Device troubleshooting knowledge remains limited

Competitive advantage(s)

- Local communities trust BC Sakhis, as they are from the SHG pool
- BC Sakhis enjoy community-driven customer traction
- Facilitate SHG transactions through dual-authentication model
- Preferred agent network for govt. flagship programs i.e. PMJDY, PMJJBY, PMSBY, APY, etc.
- Initial fund support from SRLMs

Sustenance stage



Communication, grievance resolution, and risk management

- Limited efforts on the marketing of products and services by the SRLMs and BCNMs
- Limited support on grievance resolution by banks and BCNMs
- SRLMs play an intermediary role in case of hardware failure
- Marketing support is negligible, which makes it difficult for new agents to get traction
- Technical issues related to network, device, and apps are widespread: supported UPSRLM
- BC Sakhis have to depend extensively on SRLM's on-ground support and BCNMs

Float management Business expansion / dormancy

- Few SRLMs provide collateral-free loan for purchase of device and as initial fund for working capital
- Multiple layers of monitoring by banks and SRLMs
- Few SRLMs offer fixed remuneration along with transaction-based commission
- Knowledge of liquidity management and options available is absent, dependence on family members for support: supported SEWA Sarthak, and Arth
- Awareness of risk management practices is absent: supported OLM

Limitation(s)

- Dearth of eligible candidates among SHG members as potential BCs
- High dependency on SRLMs for operational issues
- Sometimes transactions are limited exclusively to SHG members

■ MSC intervention to address this challenge



Model-2:

New-age BC agents

Overview of new-age BC agents

Accounts



- Only link customer accounts at a low charge to transact at an agent outlet
- High focus on assisted service

Cico



- Provides CICO transactions in their locality
- High market share in DMT and AePS

Transactions



- Facilitates P2P services to their customers
- Allows utility bill payments

Adjacencies



*

- Have scope to partner with multiple players in the market to provide use-cases to earn higher income

Agent index

Determining parameters

Level of proficiency

| Determining parameters | Level of proficiency | | | | |
|--|----------------------|---|---|---|---|
| Education | ■ | ■ | ■ | ■ | ■ |
| Soft skills to pitch products | ■ | ■ | ■ | ■ | ■ |
| Digital savviness | ■ | ■ | ■ | ■ | ■ |
| Motivation to offer financial products | ■ | ■ | ■ | ■ | ■ |
| Ability to identify target customers | ■ | ■ | ■ | ■ | ■ |
| Sustainability | ■ | ■ | ■ | ■ | ■ |

Agent economics**

Monthly economics per agent:

- Range of revenue: INR 6,000 to INR 15,000
- Range of costs: INR 2,000 to INR 4,000
- Range of profitability: INR 4,000 to INR 11,000

The way a BC agent operates

Moat: CICO agents bring financial services closer to the doorsteps of customers, and thrive on the community trust among LMI customers

Engagement: They are mostly available round the clock, even outside business hours

Model followed: Most are non-exclusive, and non-dedicated

USP compared to other models:

- Better footfall of customers for existing services
- Decent level of trust
- Low capex with no entry barrier; most sustainable model and promotion of DFS across urban or rural areas



Approximate number in India:

>1.4 million

*Eko has an additional cost for its BC agents in form of subscription cost to avail services on EkoConnect

** Numbers based on MSC analysis



Indicates high-priority areas covered under this model



Indicates level of focus: high, medium, low

New-age BC agent persona: Lifecycle

Setting-up stage



Agent selection and onboarding

- Predominantly the onboarding is self-initiated based on word of mouth or SEO
- FoS is another way of onboarding, however this is sparse

Training, and certification

- Training is provided on app or digital platforms
- Digital training content developed by providers
- Providers are not sure of requirement of any specific certification

- Agents operate for multiple BCNMs

➤ Troubleshooting knowledge is limited: supported **CDOT**, and **SpiceMoney**

- A strong selection criteria is lacking, thus the density of agents in an area may be high

Challenges / Pain points

Competitive advantage(s)

- Low entry barriers, quick onboarding
- Community-driven customer traction
- Doubles up as a secondary source of income
- DMT remains competitive, specifically in migrant corridors

Sustenance stage



Communication, grievance resolution, and risk management

- Limited efforts on marketing of products and services by the BCNMs
- Strong support, and grievance mechanisms through toll-free numbers or distributor networks
- Support provided by TSPs for issues related to devices, such as biometric device used for AePS

➤ Agents receive negligible marketing support, which makes it difficult for new agents to gain traction: supported **FIA Global**

- Technical issues related to network, device, and apps persist

➤ Limited customer trust in agents compared to bank branches: supported **FIA Global**

Float management Business expansion / dormancy

- Agents use their own funds, and receive sporadic support from distributors for e-float
- Monitoring at central level to nudge the merchants for relevant products or services and control them
- Commission based service offering; no fixed remuneration

➤ Agents have over-dependence on distributors, and the dropout of distributors impacts agent business adversely

➤ Limited incentives for agents to drive their business: supported **EKO**

➤ Limited products/services to fulfill financing needs of agents: supported **JRGB**, and **Arth**

- Agile models, thus low switching barriers
- Multiple players entering the market with better commissions

Limitation(s)

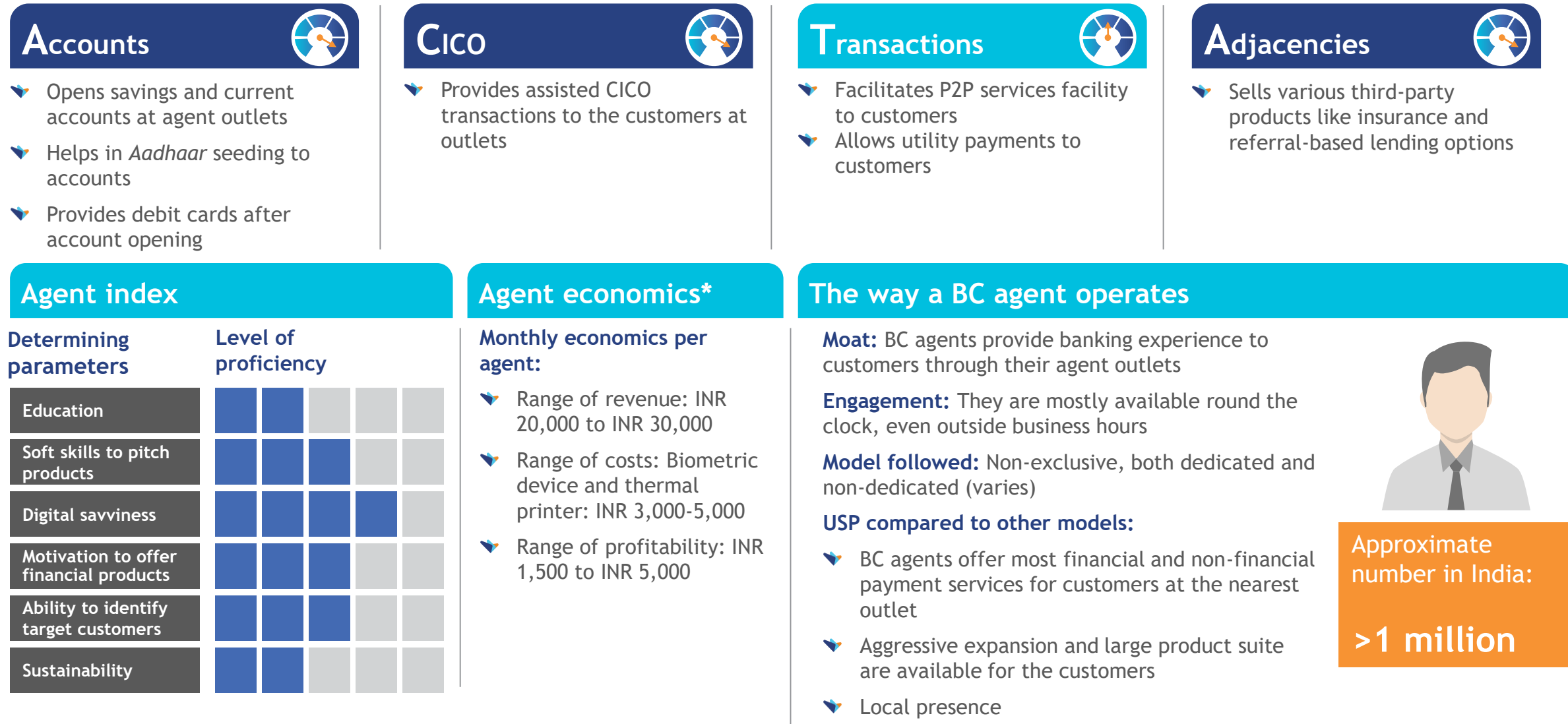
MSC intervention to address this challenge



Model-3:

Payments bank agents

Overview of payments bank agents (excluding IPPB's agents)



* Numbers based on MSC analysis
Indicates high priority areas covered under this model

■ Indicates high priority areas covered under this model



Indicates level of focus: high, medium, low

Payments bank agent persona: Lifecycle

Setting-up stage



Agent selection and onboarding

- ▶ Village-level influencers or leaders are taken into confidence while entering an area
- ▶ Field staff select the agents, based on an agent's tech capabilities and basic aptitude skills. Usually agents have mobile or computer-related shops
- ▶ Locations are selected based on the low availability of banking outlets

Training, and certification

- ▶ Digital modules are shared with the agent through the app or portal
- ▶ Handholding support provided by field staff
- ▶ No requirement felt for any specific certification

Challenges / Pain points

- ▶ A strong selection criterion is lacking. Major assessment involves tech-savviness and capabilities of the agent
- ▶ Clear and comprehensive training is missing, which leads to poor knowledge especially in case of troubleshooting

Competitive advantage(s)

- ▶ The existing network of merchants (as in the case of Airtel) helps expand financial services easily through them in remote areas. This works well for mobile top-up providers as a secondary source of income
- ▶ Low entry barriers, easy onboarding
- ▶ Customer demand-led growth (location based expansion especially in high DMT remittance corridors, subsidy-receiving rural areas, etc.)

Sustenance stage



Communication, grievance resolution, and risk management

- ▶ Agents are provided with various marketing collaterals to promote their services at outlet
- ▶ Grievance resolution done is through WhatsApp groups and area field staff

- ▶ Payments bank agents depend on phone calls and WhatsApp to solve grievances
- ▶ Inability to reach inaccessible customer segments (e.g. rural women): supported APB
- ▶ They grapple with technical issues related to network, device and apps

Float management Business expansion / dormancy

- ▶ Agents manage the liquidity themselves
- ▶ Monthly monitoring and visit by the field staff of payments bank at agent outlet
- ▶ Commission-based service offering
- ▶ Payments bank agents face cash management issues in case of high demand (especially during COVID-19)
- ▶ They have limited loyalty toward a BCNM/platform

Limitation(s)

- ▶ Multiple players in the market providing better commissions and support
- ▶ Building loyalty of the agent to the platform

MSC intervention to address this challenge



Model-4: *Gramin Dak Sevaks*

IPPB- Overview of GDS (Gramin Dak Sevak) as a BC agent

Accounts



- Opens paperless customer accounts at the doorstep
- Helps conversion of partial KYC to full KYC accounts
- Services accounts

CICO



- Provides assisted CICO transactions to IPPB and non-IPPB customers

Transactions



- Facilitates P2P services facility to customers

Adjacencies



- Struggles to sell insurance (third party), bill payments, merchant onboarding, etc.

Agent index

Determining parameters

Level of proficiency

| | | | | | |
|--|---|---|---|---|---|
| Education | ■ | ■ | ■ | ■ | ■ |
| Soft skills to pitch products | ■ | ■ | ■ | ■ | ■ |
| Digital savviness | ■ | ■ | ■ | ■ | ■ |
| Motivation to offer financial products | ■ | ■ | ■ | ■ | ■ |
| Ability to identify target customers | ■ | ■ | ■ | ■ | ■ |
| Sustainability | ■ | ■ | ■ | ■ | ■ |

Agent economics*

Monthly economics per agent:

- Range of revenue: INR 2,000 to INR 5,000
- Range of costs: Zero (all borne by provider)
- Range of profitability: INR 2,000 to INR 5,000

The way a BC agent operates

Moat: GDS as BC agents offer financial services to the remotest corners of the country. Suitable for rural areas

Engagement: They are mostly part-time (2-4 hours in a day) along with postal services work

Model followed: Exclusive, and non-dedicated (works primarily for DoP)

USP compared to other models:

- Doorstep banking of financial services, AePS at no charges
- Existing relationship of customers with the DoP
- Extensive experience and lineage



Approximate number in India:

200,000

* Numbers based on MSC analysis
Indicates high priority areas covered under this model

■ Indicates high priority areas covered under this model



Indicates level of focus: high, medium, low

IPPB agent (GDS) persona: Lifecycle

Setting-up stage



Agent selection and onboarding

- Primarily selected by DoP. IPPB works with that pool and does not have a direct role
- Onboarding of the agent is done through a formal recruitment process, which is routed through DoP and is time consuming

Training, and certification

- Largely training sessions conducted in a physical set-up
- Training material developed by IPPB
- No requirement felt for any specific certification

Challenges / Pain points

- Many have less than secondary education
- A strong selection criterion is lacking. Most agents are above 30 years of age
- Lack of digital readiness: supported IPPB

- Obsolete training design and dissemination, leading to poor knowledge especially in case of troubleshooting: supported IPPB

Competitive advantage(s)

- The DoP is a trusted brand, which support assisted transactions (>80%)
- Wide and deep outreach, which enables doorstep banking (DSB)
- Limited investment from IPPB, since the channel rides on DoP infrastructure

Sustenance stage



Communication, grievance resolution, and risk management

- Agents mostly handle marketing activities at their own, and take limited support from the IPPB
- Grievance resolution is through channels, such as internal WhatsApp groups (Informal practice)

- GDSs depend on phone calls and WhatsApp to solve grievances
- They face technical issues related to network, device, and apps: supported IPPB
- Due to dual control*, agents are less inclined to prioritize IPPB services: supported IPPB

Float management Business expansion / dormancy

- Agents take support of base post offices for liquidity management
- Three layer monitoring as per established protocol: CO, circle, and branch (frontline to branch respectively)
- Commission based service offering. No fixed remuneration

- Agents struggle with liquidity issues, at times, with inadequate support: supported IPPB
- Limited expansion opportunities for agents: supported IPPB
- Their motivation is limited due to lower commission structure and delays in receiving commission

Limitation(s)

- High dependence on DoP
- Building a non-DoP channel will take time and effort

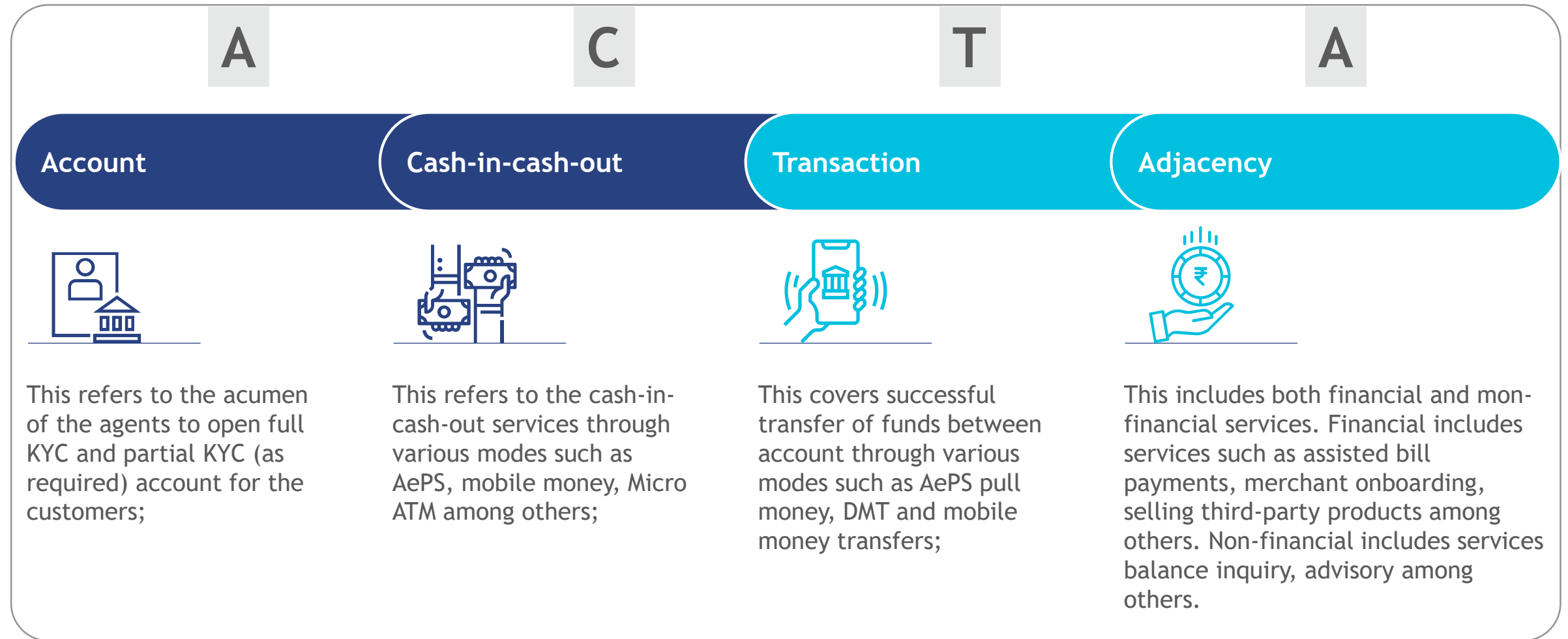
* IPPB agents are selected by DoP but also work for IPPB

MSC intervention to address this challenge



Annexes

We have used the ACTA framework* to map the services provided by the agents in India






*ACTA framework adopted from McKinsey

Abbreviations used in the report

| Abbreviation | Full form | Abbreviation | Full form |
|--------------|---|--------------|--|
| AePS | Aadhaar Enabled Payment System | IIBF | Indian Institute of Banking and Finance |
| ALC | Agent lifecycle | IPPB | India Post Payments Bank |
| APB | Airtel Payments Bank | KYC | Know Your Customer |
| APY | Atal Pension Yojna | LMI | Lower and middle income |
| ATM | Automated teller machine | MoRD | Ministry of Rural Development |
| BC | Business Correspondent | MT | Money Transfer |
| BCNM | Business Correspondent Network Manager | LM | Odisha Livelihood Mission |
| BM | Branch Manager | PIN | Personal Identification Number |
| CAPEX | Capital expenditures | PMJDY | Pradhan Mantri Jan-Dhan Yojna |
| CBC | Corporate Business Correspondent | PMJJBY | Pradhan Mantri Jeevan Jyoti Bima Yojna |
| CBS | Core banking solutions | PMSBY | Pradhan Mantri Suraksha Bima Yojna |
| CDOT | Centre for Development Orientation and Training | PO | Post office |
| CICO | Cash-in cash-out | PoS | Point of sale |
| CSP | Customer Service Point | PSU | Public sector units |
| DMT | Domestic Money Transfer | RBL | Ratnakar Bank Limited |
| DoP | Department of Post | RD | Recurring deposit |
| DSB | Doorstep banking | RSETI | Rural Self Employment Training Institute |
| FD | Fixed deposit | SBI | State Bank of India |
| FoS | Feet on street | SEO | Search Engine Optimization |
| FSP | Financial Service Providers | SHG | Self-help group |
| GDS | Gramin Dak Sevak | SRLM | State Rural Livelihoods Mission |
| GRM | Grievance Redressal Mechanism | TAT | Turnaround time |
| IB | Indian Bank | TSP | Technical service providers |
| ID | Identity | VSAT | Very Small Aperture Terminal |




[Back](#) to CICO models in India

MSC is working on multiple interventions to support different CICO models to overcome their challenges across ALC (1/3)

| Category | ALC stage | Specific challenge | MSC intervention | Objective of intervention |
|---|--|---|---|--|
| Limited agent knowledge and awareness  | Training and certification | Obsolete training design and dissemination | CDOT: Training and mentoring support to agents on IIBF module | To increase the pass percentage of mandatory IIBF examination/certification of agents by redesigning the content and adding a component of mentorship to the delivery. |
| | | Obsolete training design and dissemination | IPPB: Capacity enhancement for IPPB agents | To increase agent knowledge of IPPB products, enhance skills to use MATM, and provide better service to customers. |
| | | Obsolete training design and dissemination | OLM - Improving business skills of BC <i>Sakhis</i> (women agents) | To increase the business development and entrepreneurship skills of BC <i>Sakhis</i> for better business sustainability. |
| Rigid and manual agent management processes  | Agent selection and onboarding | Dependence on manual processes for agent recruitment | Indian Bank - Redesigning the financial inclusion (FI) architecture | Streamlining of Indian Bank's agent network operations spread across parallel systems operating on two different models - mobile and fixed kiosk. |
| | Grievance resolution and risk management | Dependence on manual processes for agent management | UPSRLM - Enabling dual authentication | Provide convenience to SHG women through digitization of SHG transactions (digital authentication by two members of the group) |
| Inadequate financing for agents  | Float management | Limited awareness and knowledge of agent's credit needs, and associated risks | JRGB - Credit model for JRGB agents | Assess the creditworthiness of BC agents to extend credit for liquidity management and working capital needs |
| | | Limited products/services to fulfill financing needs of agents | Arth - Women purchase financing product | Design a credit product customized specifically for women BC's to increase their credit access |


[Back](#) to summary of MSC's pilots

MSC is working on multiple interventions to support different CICO models to overcome their challenges across ALC (2/3)

| Category | ALC stage | Specific challenge | MSC intervention | Objective of intervention |
|--|--|--|---|---|
| Limited gender sensitivity and equality within the agent pool  | Agent selection and onboarding | Limited gender equality within the agent pool (fewer women agents) | UPSRLM - Enabling recruitment of 58,000 BC <i>Sakhis</i> to enhance financial access to women customers | To digitize BC <i>Sakhi</i> recruitment and onboarding process while ensuring transparency among all stakeholders |
| | | Identifying mechanisms to recruit women agent candidates | SEWA-Sarthak - Strengthening their operations and agent recruitment strategy | SEWA-Sarthak - onboarding women BC's, understand the operations of Sarthak SEWA and suggest possible ways to improve the financial sustainability of agents, the participation of women in the agent banking business, and the geographical expansion of the business within India. |
| Infrastructure challenges  | Grievance resolution and risk management | Limited versatility of devices - overuse of fingerprint as the authentication mode | MobiSafar, FingPay - Iris authentication modes | Evaluating the effectiveness of using alternative authentication modes such as iris devices |
| Poor agent economics  | Business expansion or dormancy | Limited incentives for agents to drive their business | Eko - Pricing plans for Eko agents | Redesigning subscription plans for agents to help reduce agent dormancy |
| | | Limited expansion opportunities for agents | IPPB: Digitize and develop credit models for digital lending | Supporting development and launch of new products such as digital lending and digital gold |

[Back](#) to summary of MSC's pilots

MSC is working on multiple interventions to support different CICO models to overcome their challenges across ALC (3/3)

| Category | ALC stage | Specific challenge | MSC intervention | Objective of intervention |
|---|---|---|---|---|
| Limited capability around enhancing agent-customer engagement#  | Marketing, communication and grievance resolution | Inability to reach inaccessible customer segments | IPPB - Agent management system and associated processes | To help build systems which will enable DoP and non-DoP agent networks to coexist |
| | | Limited ability to sell other non-CICO products - insurance, FD, RD etc. | FIA - Communication toolbox for agents | Creating low-cost marketing collaterals to help increase awareness and uptake of social security schemes and other products at the agent outlet |
| | | Limited preference for transacting at agent outlets compared to bank branch | Arth - Chatbot and audiobot for BC's | Design intuitive chatbot and audiobot to help provide query and grievance support to BC's |
| | | Limited preference for transacting at agent outlets compared to bank branch | SBI - Increase trust among agents and customers | Devising solutions to decongest branches by increasing the trust of customers in the agent banking channel |
| | | Inability to reach inaccessible customer segments (e.g. rural women) | APB - Communication for small deposits at BC | Help APB agents sharpen their communication to rural women customers to nudge them to make small deposits through BC points |

We have defined risks based on various parameters and factors

| Risks | Factors determining risk |
|---------------------|---|
| Operational risk | Dependence on distributors |
| | Support and monitoring visits |
| | Training provided and delivering capacity of agents |
| | Cash handling (volume and value) |
| | Information availability on financial products and services |
| Technological risk | Network and internet connection |
| | Transaction failures, biometric authentication challenges |
| | Server downtime |
| | Susceptibility to being misguided while using tech-based products and devices |
| Strategic risk | Scalability of the model |
| | Level of centralization in the processes and role of different stakeholders |
| | Entry barriers affecting attrition and dormancy rates |
| Financial risk | Uncertainty of returns |
| | Fraud, such as fake currency, etc. |
| | Time taken in refunds of failed transactions in the system |
| Market-related risk | Regulatory changes |
| | Pandemic- or natural calamities-induced risks |

Rationale for intensity and extent of risks each persona faces while operating as an agent (1)

Low risk

High risk

Operational risks include the risk of losses due to lack of liquidity, theft, loss of cash, or information asymmetry, which affect day-to-day operations and delivery of DFS services



Operational risk

GDS face the least operational challenges with everyday support and information provided at PO

Traditional agents face limited operational risks in day-to-day operations with regular support from banks or CBCs that are in close proximity to the agent outlet

Payments bank and new-age BC agents receive minimal training, have high dependency on distributors, receive limited support and monitoring, and handle large amounts of cash, which leads to multiple operational risks

BC *Sakhis* face the highest operational risks due to limited training, misinformation, and need to handle large amounts of cash for day-to-day work

Technology risks results from issues in usage of devices, equipments, mobile applications or portals and availability of internet and network connections leading to transaction delays or failures



Technology risk

Traditional agents face minimal tech risks, as they work at locations with stable internet connectivity, and utilize multiple equipments such as desktops, printers with power back-up. They receive trainings and tech support from CBCs or tech partners of banks

Payment bank and new-age BC agents face certain technology risks with biometric authentication failures in *Aadhaar*-based payments and server downtime or inter-bank txn failures leading to loss of earnings

GDS and BC *Sakhi* face high tech risks; are dependent on movable devices with limited internet in remote areas and susceptible to misguidance due to lack of tech knowledge and capabilities

Traditional agents BC Sakhi New-age agent PB agent GDS

[Back](#) to the key risks faced by different CICO models

Rationale for intensity and extent of risks each persona faces while operating as an agent (2)

Low risk

High risk

Strategic risks arise from the business decisions and models that the agent networks, banks, and others follow and may have varying consequences on various stakeholders in the long run



Strategic risk

Limited strategic risks but low entry barriers have increased dormancy rates over time for different BCNMs and PBs

Inherent lack of capabilities to deliver DFS in GDS and postal management

Multiple partners make stakeholder management challenging with misinformation around roles and responsibilities

The limited scalability of the traditional agent model due to multiple barriers and legacy issues that pose high strategic risk

Financial risks involve risks of losing money during transactions, loss of the capital invested as well as the risk of default in models that provide access to credit



Financial risk

GDS have zero investment and no loss in their primary earnings from post office, and therefore face negligible financial risks

PB, new-age BC agents and BC Sakhi face financial risks with medium severity. This includes receiving fake currency, money getting stuck in the system during transactions and high variability in earnings due to festivities and salary cycles

High setup costs with uncertainty in earning returns pose high financial risk for traditional agents

Market-related risks include any external ecosystem or industry level risks that affect the business of agents across different CICO models



Market-related risk

Low market-related risks due to systems that have been operating over years for other services














System failures due to transformative changes, such as banks/BCNMs like mergers, core banking system change, etc.

High risks due to the pandemic and natural calamities affecting mobility and delivery of services. Regulatory changes add to additional challenges and restrict them from providing multiple services

Traditional agents BC Sakhi New-age agent PB agent GDS

[Back](#) to the key risks faced by different CICO models

MSC's partners plan to scale each intervention across their networks, covering as many agents and customers as possible

| Partner | Partner name | Number of customers | Number of states of operation | Number of agents |
|---|----------------------|---------------------|--|--|
|  | Airtel Payments Bank | 60 million | 28 states | 500,000 (20,000 are under the “unbanked villages program”) |
|  | Arth Digital | 3.5 million | Three states (UP, Bihar, Rajasthan) | 13,000 |
|  | CDOT | 1.8 million | Eight states | 3,000 |
|  | Eko | 50 million | Pan-India | 200,000 |
|  | FIA | 47 million | Pan-India | 25,000+ |
|  | Indian Bank | 16 million | Pan-India | 5,000 |
|  | IPPB | 49 million | Pan-India | 174,000 |
|  | JRGB | 7 million | One state Jharkhand (all 24 districts) | 4,300 |
|  | MobiSafar, FingPay | 66 million (AePS) | Pan-India | 200,000 |
|  | OLM | 5 million | One state - Odisha | 649 |
|  | Sarthak SEWA | 13,000 | 2 states - Uttrakhand and Punjab | 192 |
|  | SBI | 450+ million | Pan-India | 72,000 |
|  | UPSRLM | 100 million | One state - Uttar Pradesh | 58,000 (SHG members as BC Sakhis) |

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Digital and FinTech



Agriculture



Youth



Climate change



Health and nutrition

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Advisory that helps you succeed in a rapidly evolving market



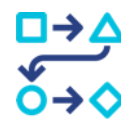
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clients

>1,000
publications

Assisted development of digital G2P services used by **>875 million** people

Implemented **>875 DFS** projects

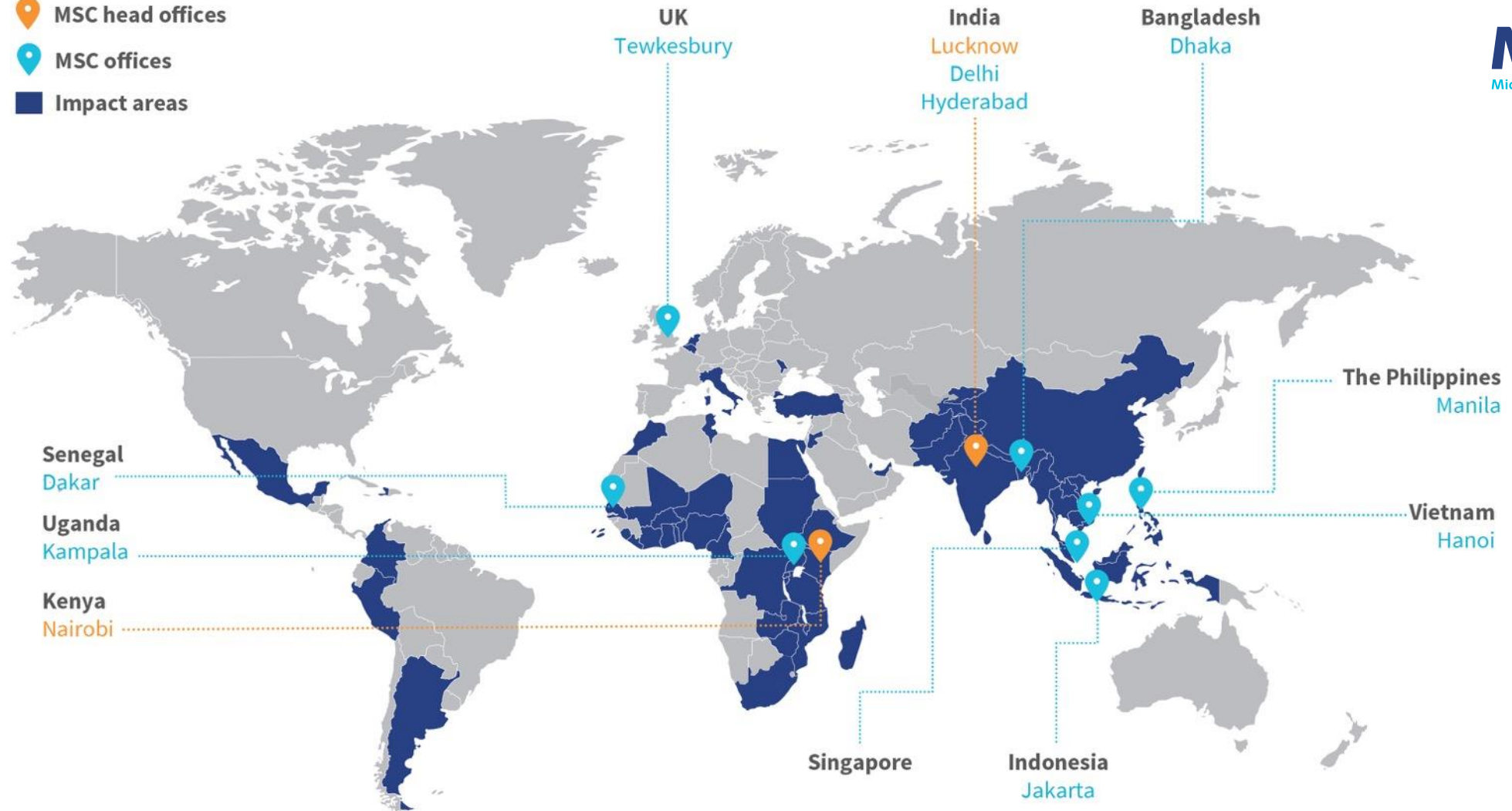
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