

E/M-Banking in India: State of the Agent Network

**August 16, 2012
at CAB, Pune**

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Qualitative Survey Contours

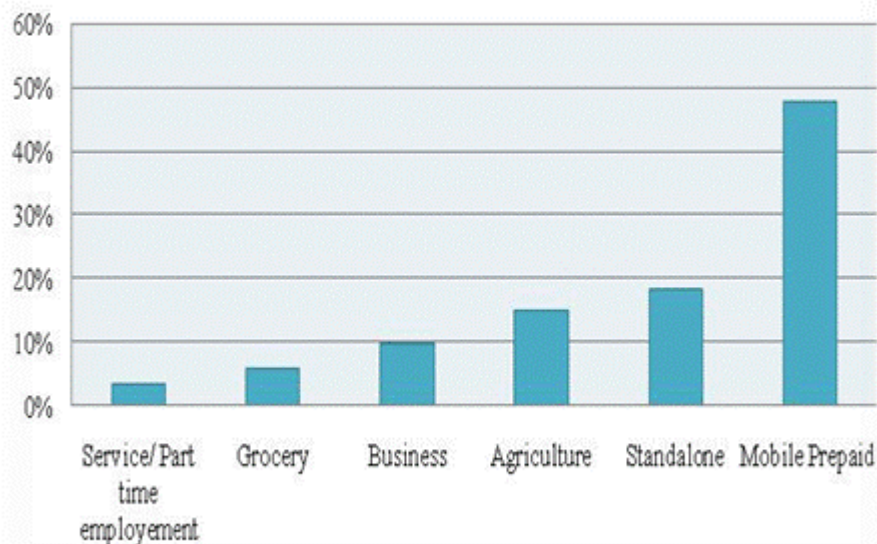
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Profile of the agents assessed

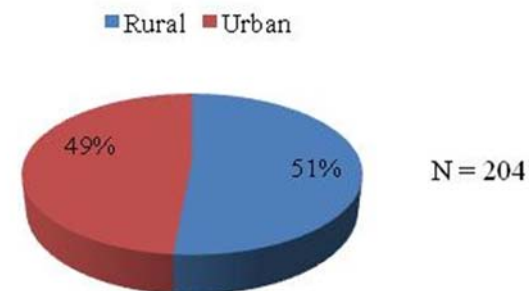
Agent's Business Profile

N=153



Most of the agents are entrepreneurs with small mobile prepaid shops or related service business such as bills payment or ticketing.

Distribution of agents



Total Agents covered under different studies: 204

Urban : 99 agents

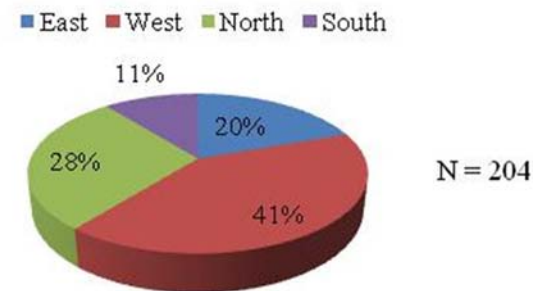
Rural: 105 agents

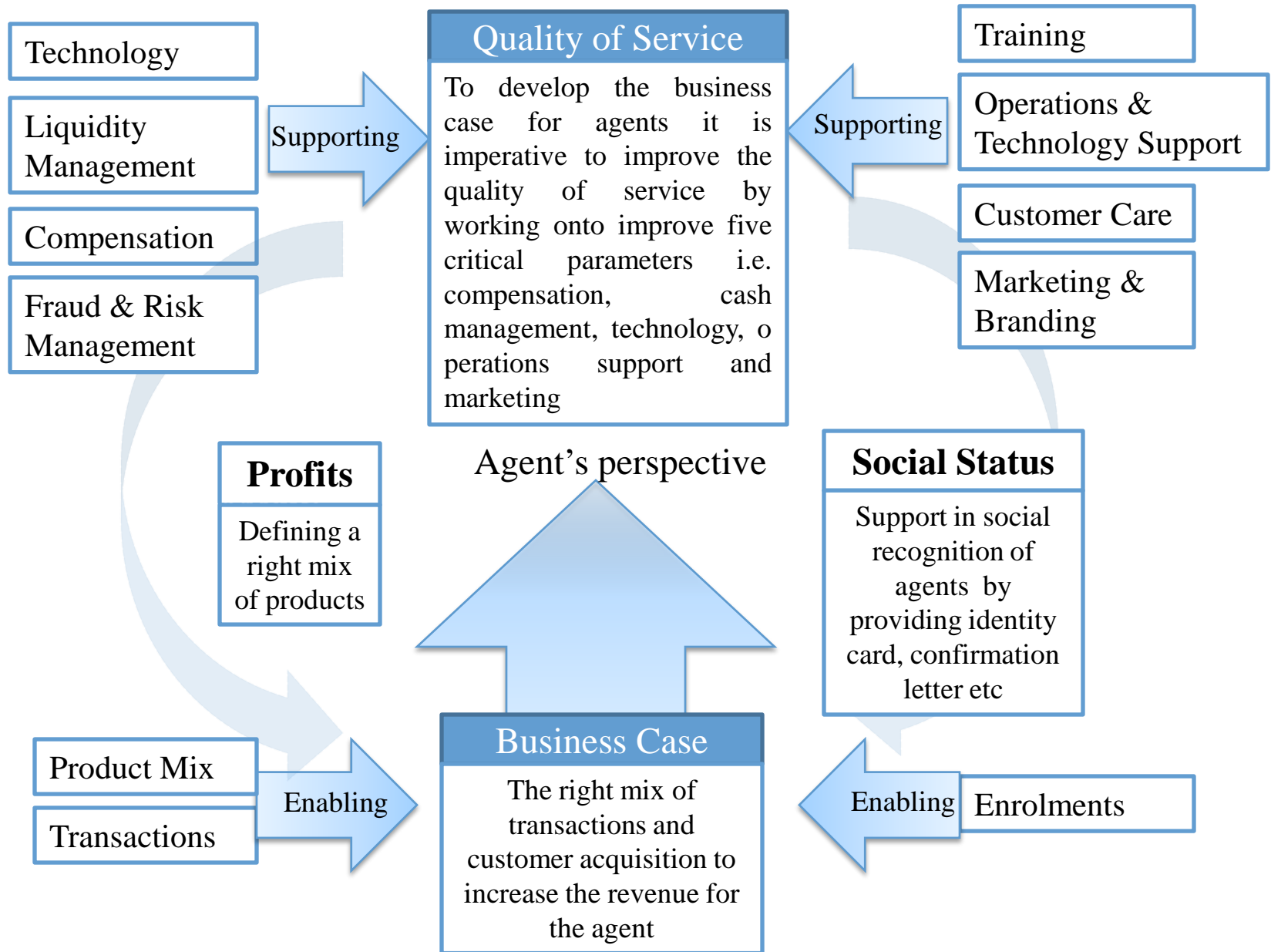
Studies across 10 states and 6 banks including 2 private sector bank

15 business correspondent network managers (BCNMs) including mobile network operators (MNOs), non government organisations (NGOs) and section 25 companies

Part of in-depth agent channel assessment exercise.

Distribution of agent - Regional



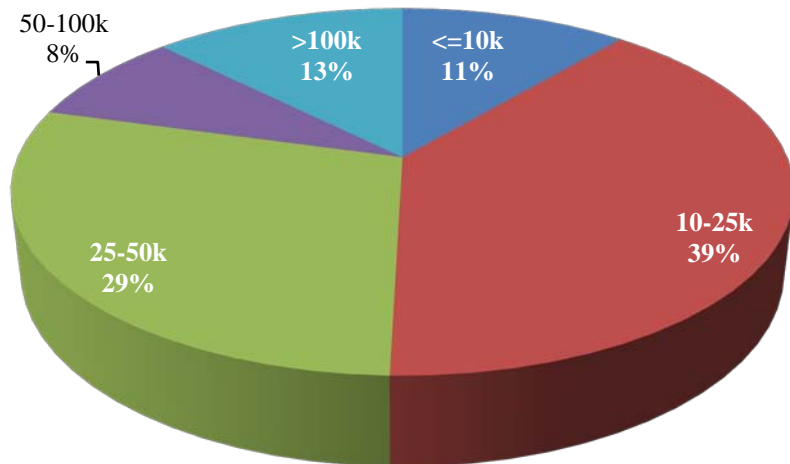


Agent Banking in Practice

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Capex of Agents

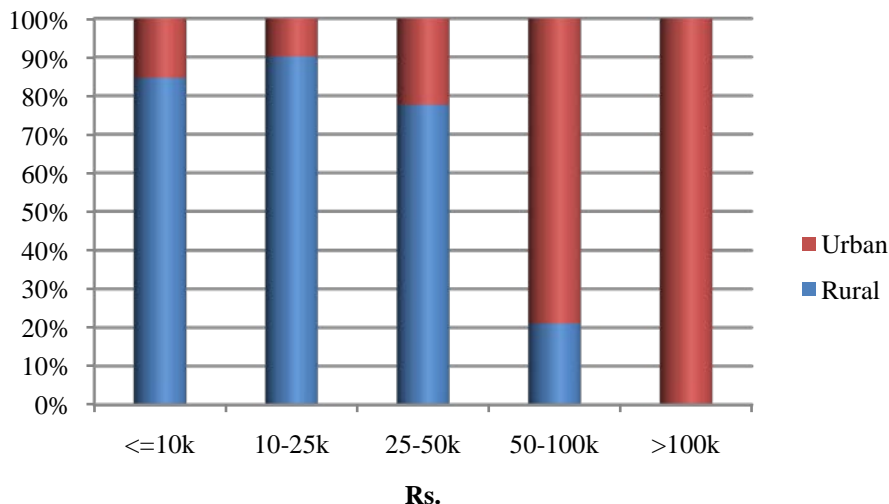


- Almost 80 percent of ANMs charge agents for the device/ asset- either upfront or as part of security deposit
- Very few deployments exist that do not call for any of these (except the working capital)

➤ The majority agents invest between Rs.10,000 and 50,000 in the business

- Investment is primarily made on:
 - ✓ Technology
 - ✓ Working Capital
 - ✓ Security Deposit
 - ✓ Promotion/ campaigns
 - ✓ Furniture/ fixtures

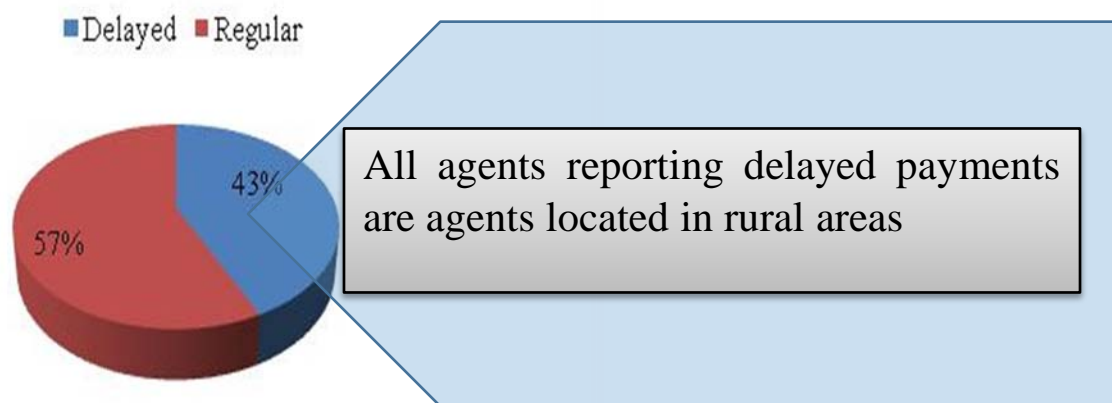
Investment by Location



Commission payouts

Agent commissions are delayed by 3-4 months for most of the rural agents. Urban agents covered under study are receiving commissions on time (typically real-time or monthly). Delay in commission is a very significant reason for limited efforts of agents in customer acquisition.

Regularity of commission payout



Commissions payout, frequency and mode of payment

The commission payout pattern seen during the study, suggests that BCNMs with urban operations are regular in commission payments.

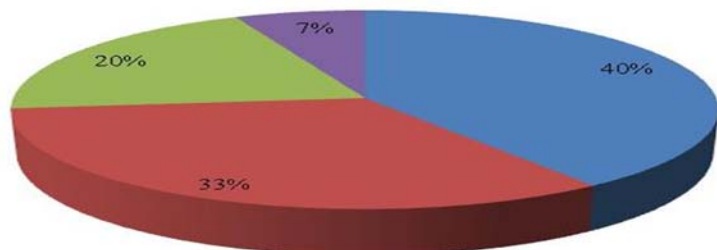
The frequency of commission payout is different with each BCNM and ranges from instant credit to agents' e float, to monthly payouts

Time required for account activations

There is typically a gap of 3-4 months in account activation from the time of submitting account opening forms. This is more prominent with smart card /POS based and kiosk platforms, that are also the two common technology platforms used by BCNMs

Technology platform used by BC

- Smart Card based/POS
- Kiosk
- Mobile
- Web based



Account activation time

Technology Platform	Time lag between enrolment to transactions
Smart Card based	2-3 month delay in receiving smart cards (in some cases, a delay of up to 6 months)
Mobile based	1-3 weeks
Kiosk	Normally 6 days duration, 3-4 month delays in some cases due to delay in uploading of data at bank

Classic case of delays in payments and smart card leading to drop out of an agent

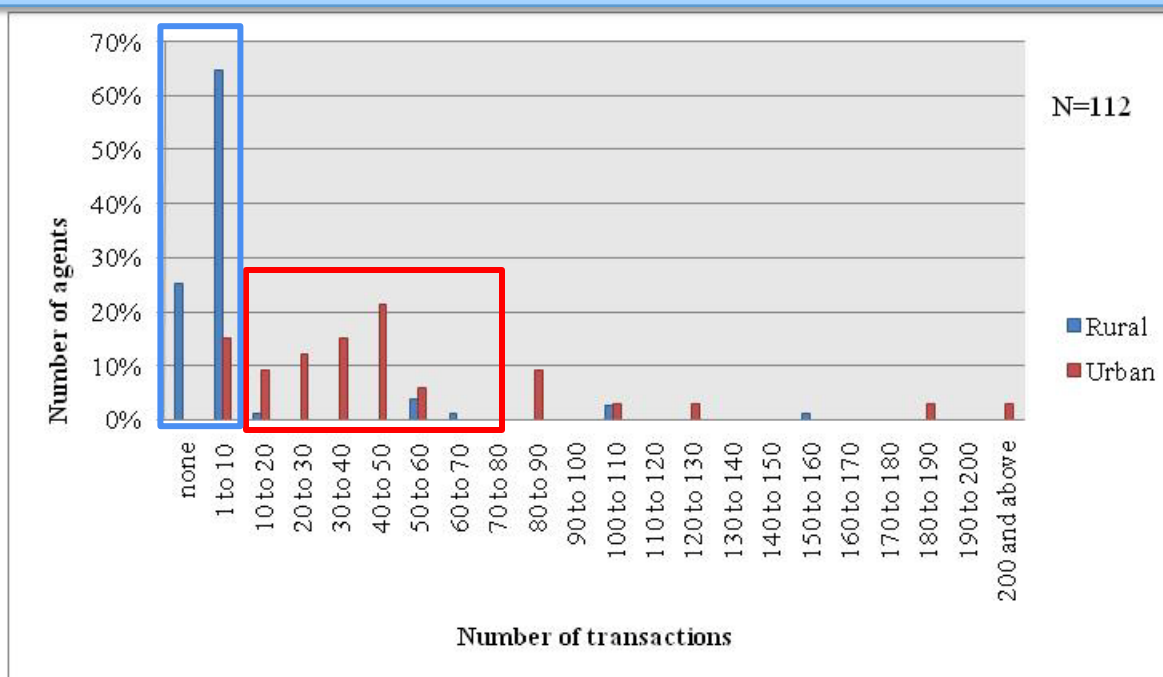
The Agent A customer service point (CSP) agent for the last one year

Context He has opened 747 NFA accounts till now with aggregated savings of Rs.200,000 in these accounts. He has not received any commission for the transactions except for account opening commission of Rs.4,000.

Case He had encouraged customers to save in their accounts and did 207 transactions with the total volume Rs.13,250 within 15 days of joining in the year 2011. Since he did not receive commissions by October, he lost hope and only did 17 transactions in November 2011 with a total volume of Rs. 2,700 and plans to quit this business.

Transaction patterns per day

The daily transactions of a rural agent is very low compared to their urban counterparts. This affects their profits and motivation.



A rural agent typically does 1 to 10 transactions per day. These transactions includes NFA based deposit and withdrawals and Social Security Payments.

Almost 25% of the agents in rural areas, though active, are not able to conduct transactions for a variety of reasons such as delay in receiving terminal, agent card or customer cards

Most of the urban agents do 10 to 60 transactions in a day, of which the majority are remittance transactions.

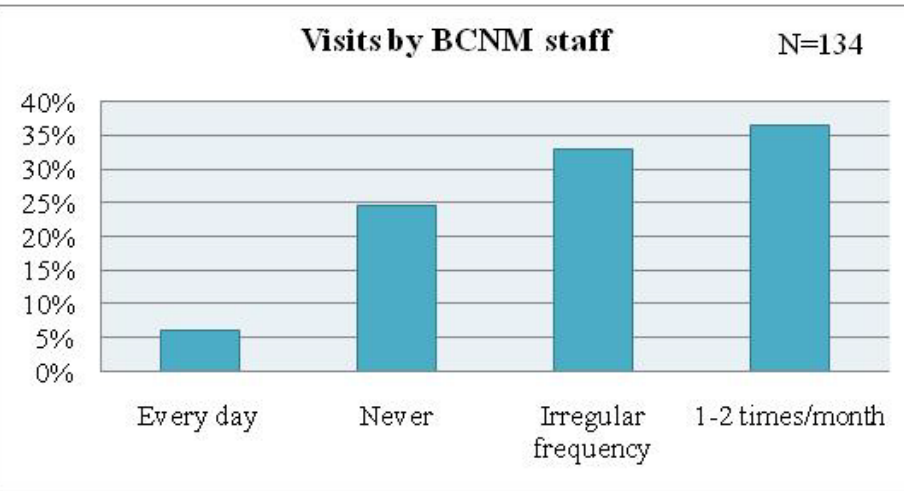
Operations support

Fewer visits by bank staff affects the credibility of the agent. Frequent visits can help in customer acquisition and business

Operations support is evaluated at two aspects: visits by bank staff and BC staff.

Urban agents constitute 80% of the total agents who have never been visited by the bank staff

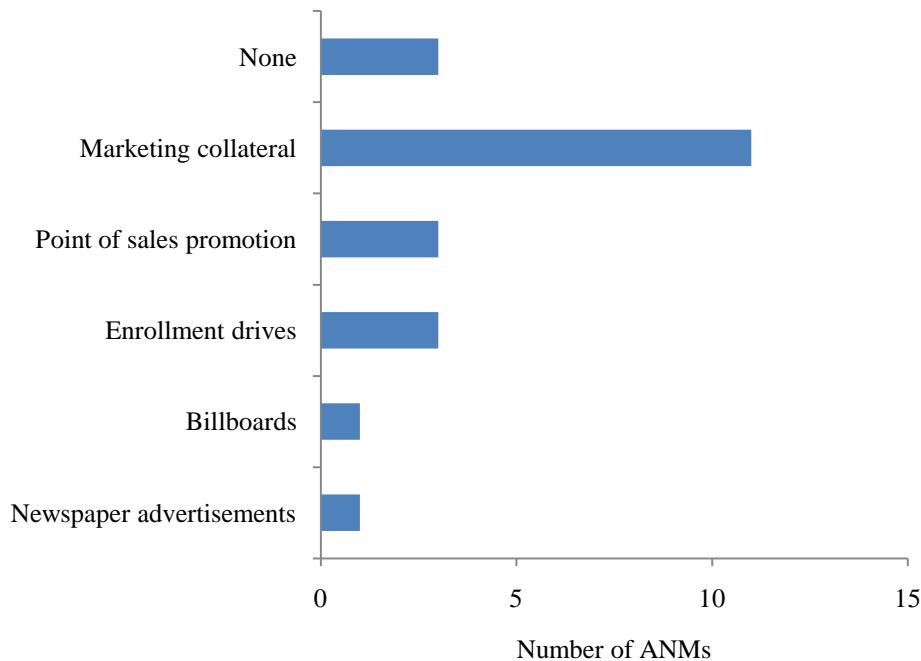
Some rural agents are visited by bank staff one –two times a month. But most rural agents have been visited only once since they started operations



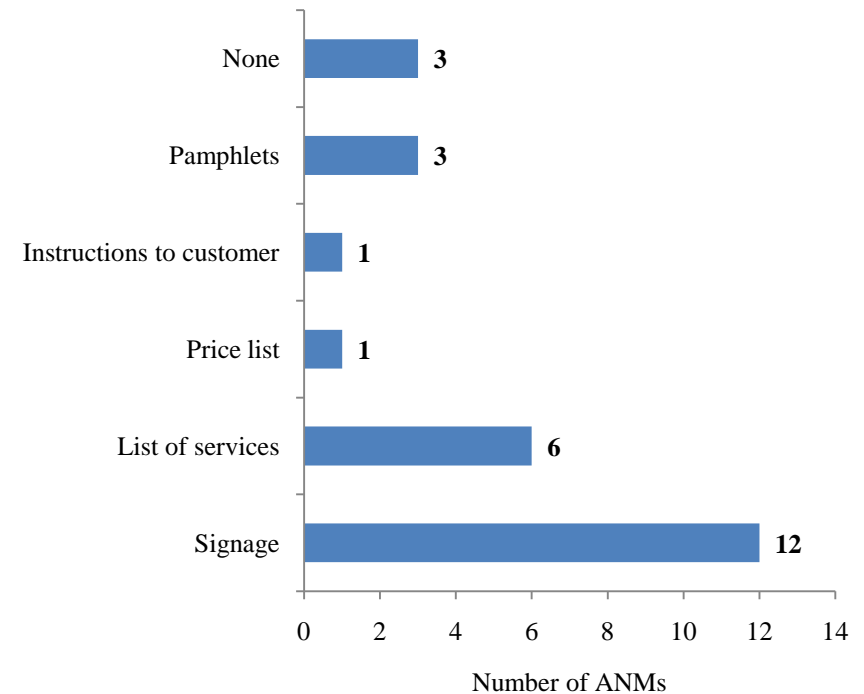
Regular monitoring of agents is a challenge for small BCNM organisations. as they do not have dedicated qualified staff and financial capabilities to manage BC operations.

In many cases, the supervisors are entrusted with responsibility for a large number of agents of different partner banks within the same district. In such cases, the staff undertake need-based visits to the agents only to solve issues and queries.

Marketing support by ANMs



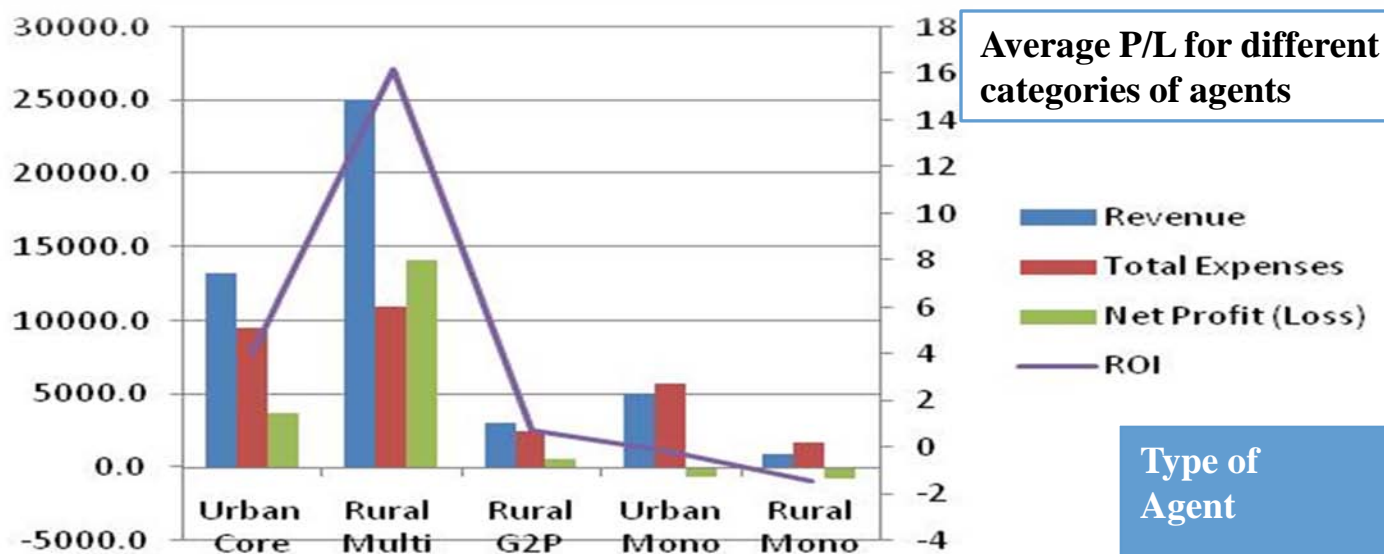
Marketing collaterals provided by ANMs



- 80% of the ANMs have conducted promotional activities for their agents, but all their efforts are limited to BTL activities.
- Some observations on marketing support
 - ✓ No standard package of marketing collaterals
 - ✓ ANMs just limit their involvement to supply of signage.
 - ✓ ANMs pay more attention to those agents who are located in district headquarters or in the urban areas. The agents located in far flung areas neither receive adequate marketing collateral nor get to participate in marketing campaigns

Agent Profitability : The right mix ?*

Agents offering mono product incur losses in their business. Multi product offerings are profitable, both in rural and urban areas.



Revenue Drivers:
 * Core deposit product (Tatkal)/ National Electronic Funds Transfer (NEFT)
 * G2P disbursements
 * Multi product offerings including credit

Type of Agent	Total Investments (US \$)	Average Float (US \$)
Urban: Core Prod	2,000	1,300
Rural: Multi Prod	1,900	777
Rural: G2P	1,800	900
Urban: Mono Prod	6,000	5,000
Rural: Mono Prod	4,000	403

Agents' ROI:

- Agents providing multi products including credit make ROI more than 10%.
- Agents providing core banking facility akin to remittances in form of outstation deposits make ROI of around 4%.
- Agents in rural areas servicing G2P disbursements make ROI between 0.5% to 1%.
- Agents in rural and urban areas with mono product offering like NFA make negative ROI.

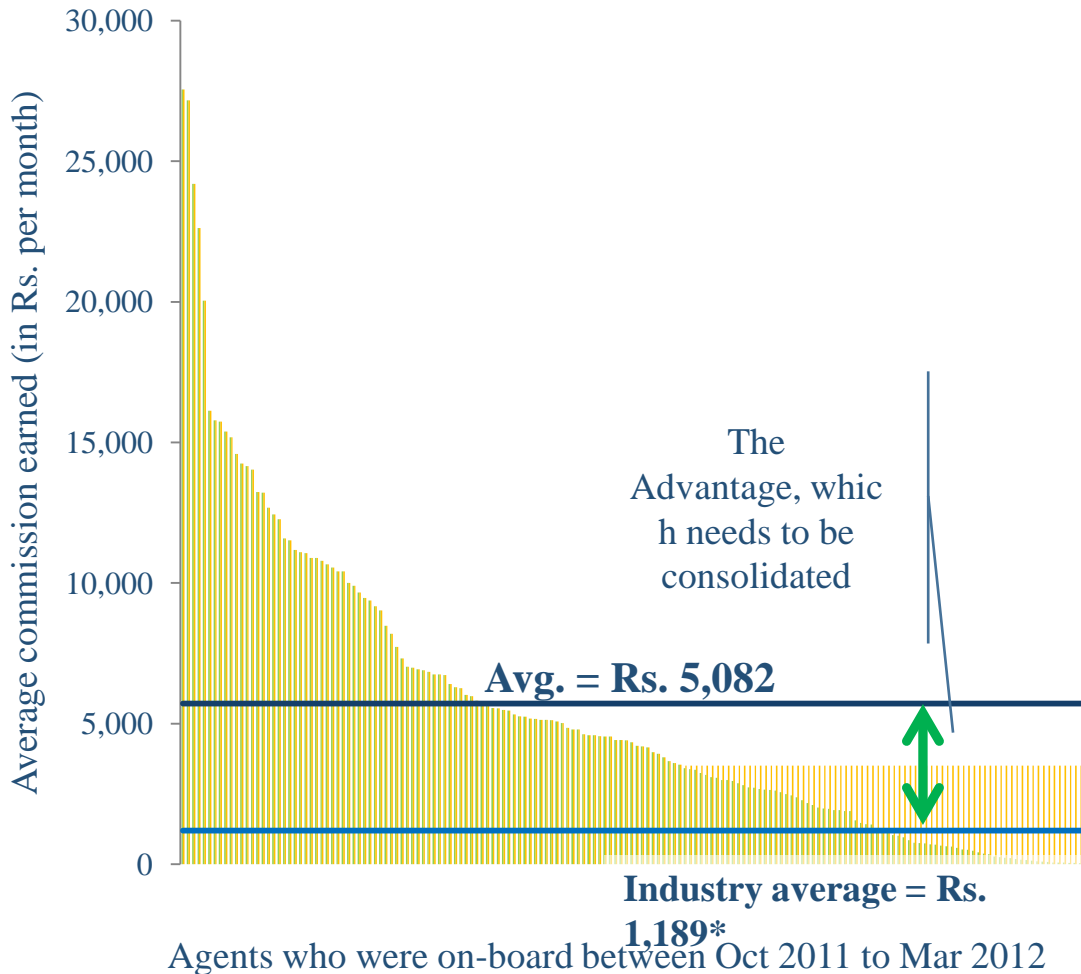
*The P/L is derived from qualitative focussed studies and might not be representative enough. The sample has been drawn as part of MicroSave qualitative research around agent assessment. For the study, 18 urban and 11 rural CSPs were considered who are using different technologies and have exclusive expenses patterns.

Agent Banking – Where is it working?

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BC agents earn handsome remuneration - significantly higher than industry average. This can be further enhanced if more products are enabled through the BCs.



Business Mix of BC

Advances mobilisation constitutes 43% of the average commission earned by agents

Deposit mobilisation constitutes 34% of the average commission earned by agents

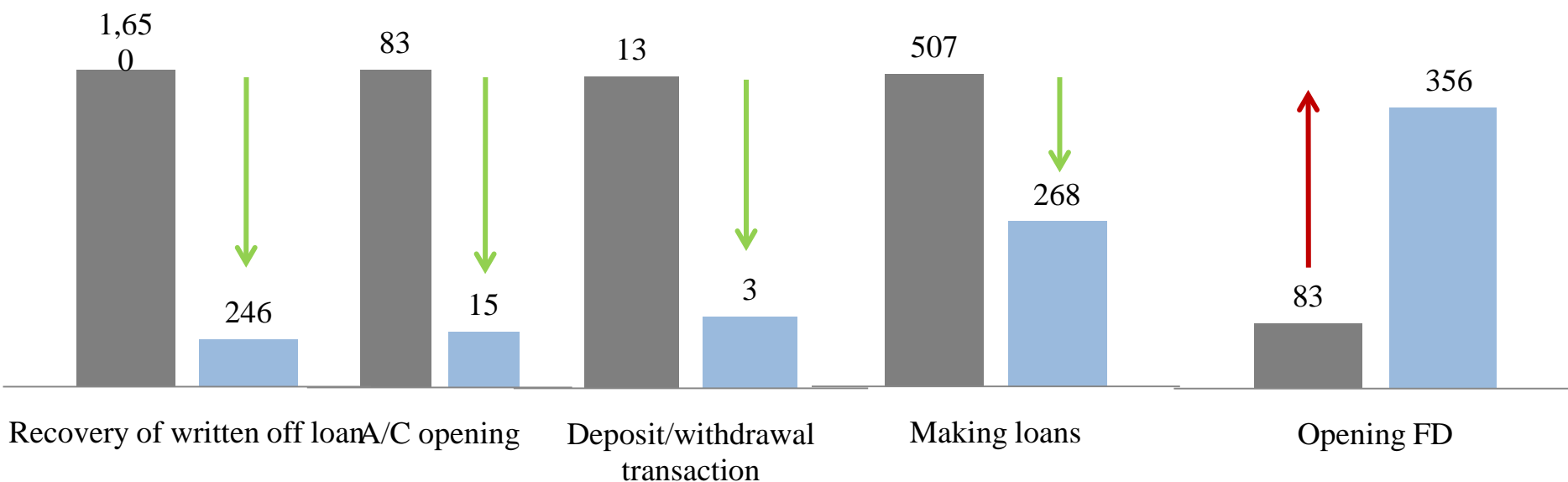
Other products (No frill a/c, SB a/c, and recovery) constitute 23% of the commission earned

*MicroSave estimates that on an average an agent of an established BCNM earns Rs.1,189 while an agent of a start-up BCNM earns Rs.510; [State of Business Correspondent Industry in India – The Supply Side Story](#), MicroSave, May 2012.

Bank saves up to 85% in the cost of doing banking transactions (deposits, advances, and account opening) through BCs as against at the branches

Comparison of average cost per transaction (in Rs.)

Branch BC



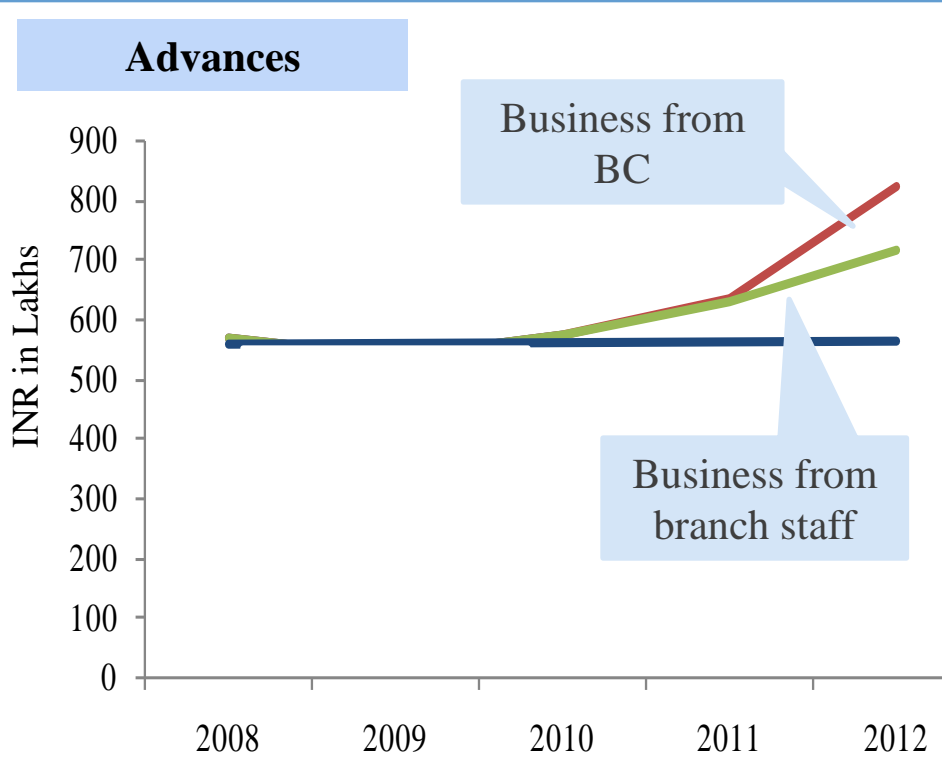
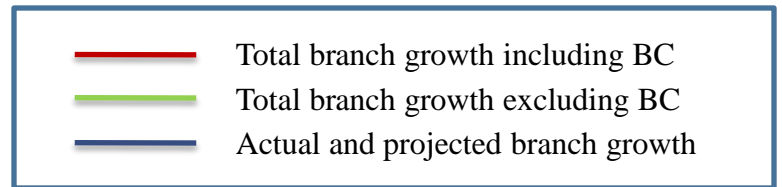
Opening savings account and doing a single transaction at a BC cost the bank up to 85% less than the cost it would incur if these transactions are done at the branches

Value based commission makes FD a costly product in case of BC involvement

Diverse Product Mix – The product mix offered through BC is very diverse and is liked by customers. The product mix also works for BCs - 60% BCs earn between Rs.2,000 to Rs.16,000 per month as commission.



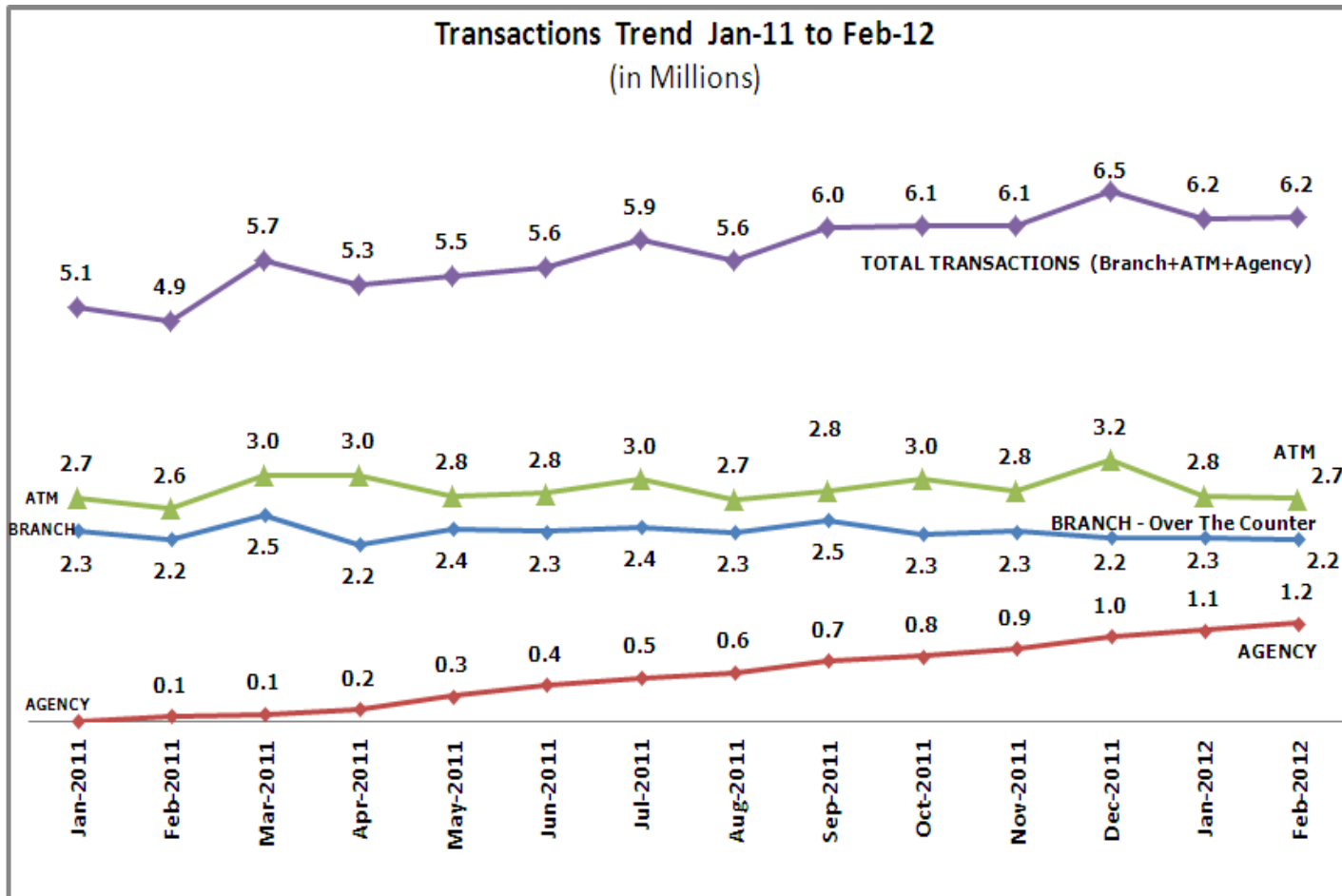
- **Business Case for BC** - The business case for BC is very good, the average commission earned by BCs is Rs. 5,716 per month which is much above the industry average of Rs.1,189 per month*.
- Use of BCs has resulted in increase in the business for branches. In one branch, overall deposits increased by 48% and advances increased by 43%.



*MicroSave estimates that on an average an agent of an established BCNM earns Rs.1,189 while an agent of a start-up BCNM earns Rs.510; **State of Business Correspondent Industry in India – The Supply Side Story**, MicroSave, May 2012.

One Bank Is Already Showing Bank-led Models Can Work ... (1/2)

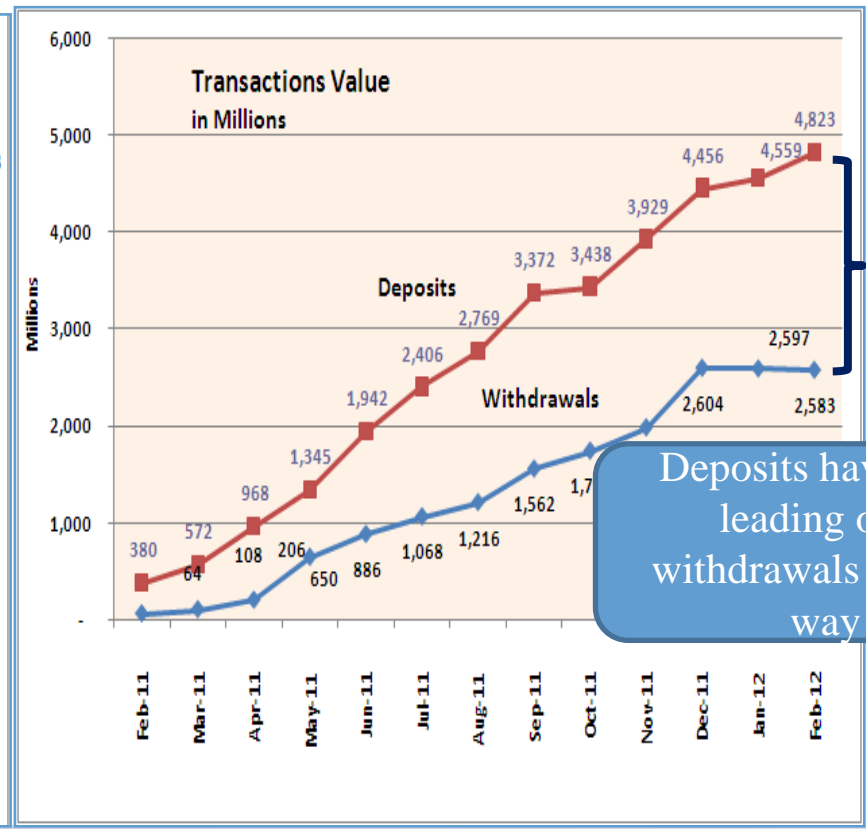
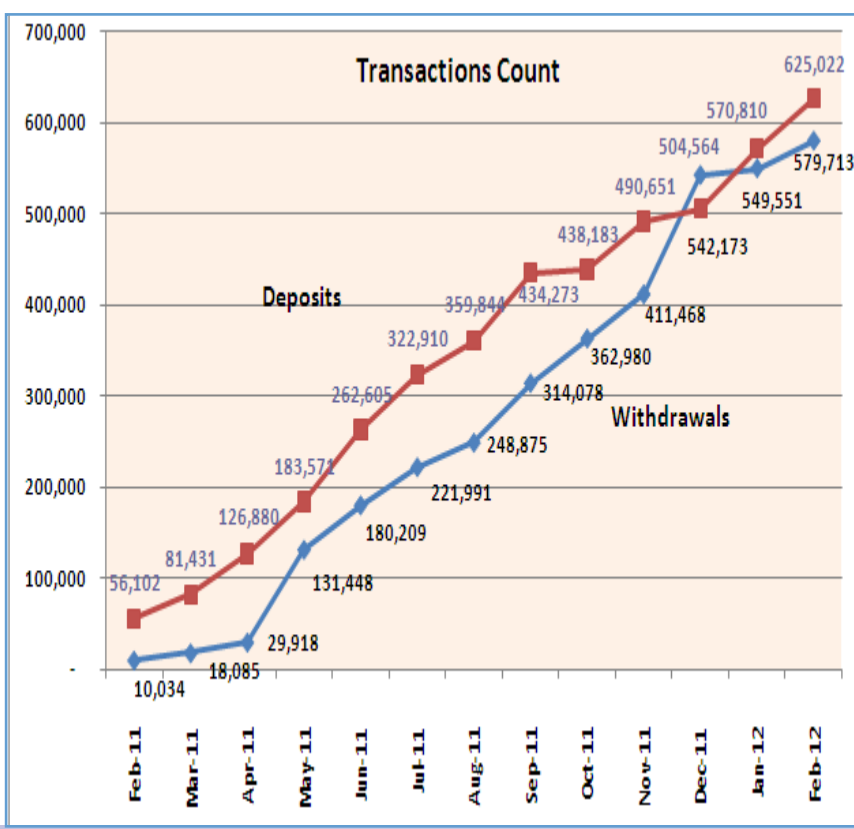
- Most successful e/m-banking systems continue to be MNO-led and thus payments/remittance dominated.
- *MicroSave* is working with this bank (on products, agent network development, training & monitoring, as well and marketing & communications) to change this ...



- Agency already 50% of branch transactions ...
- And all are additional transactions
- >700,000 accounts reactivated since the introduction of the agent-banking.
- Trend continuing, in Q1 2012 alone, 211,528 accounts were reactivated.

One Bank Is Already Showing Bank-led Models Can Work ... (2/2)

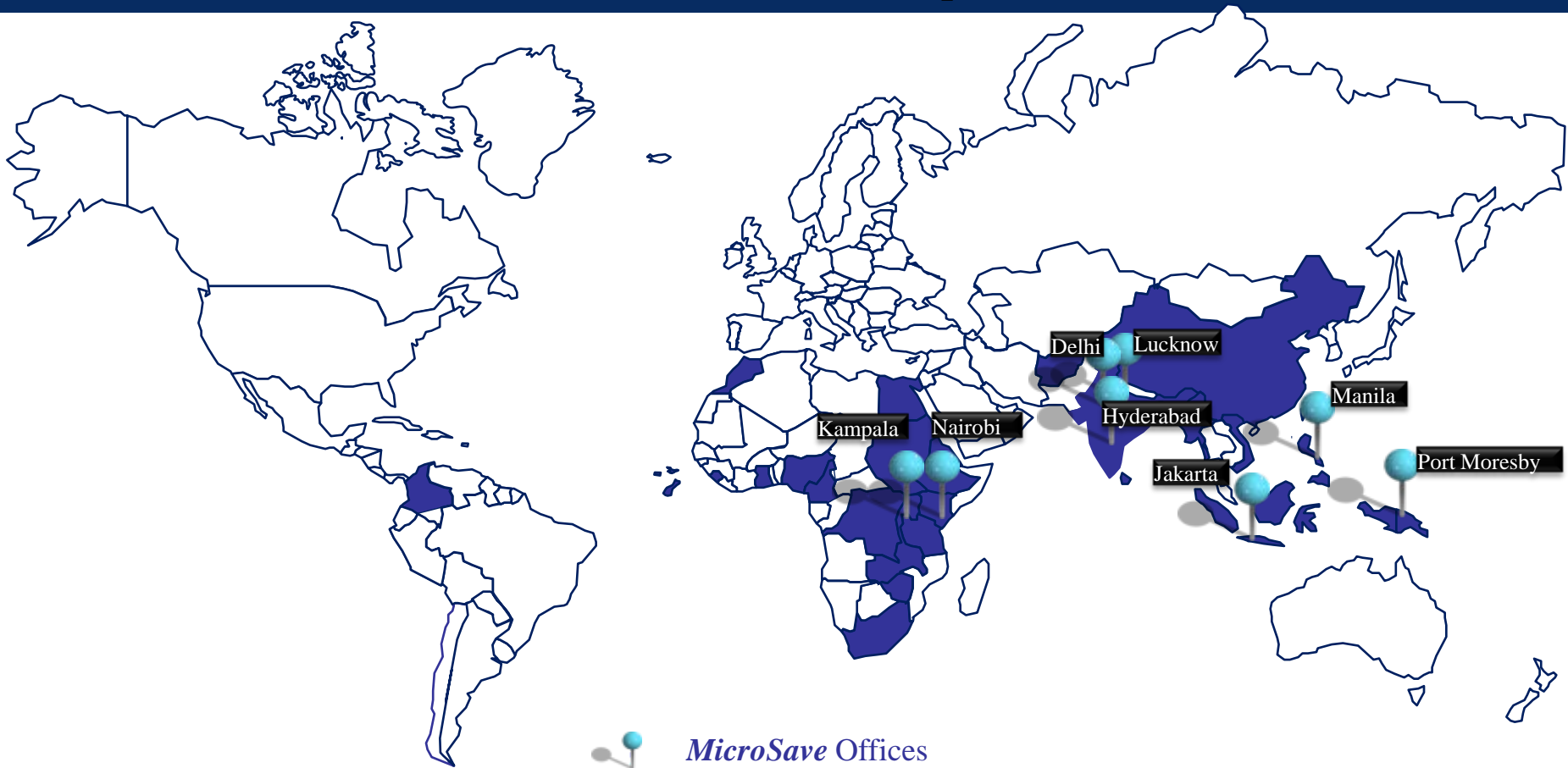
- And savings balances are growing
- Even before e/m-banking tailored products are introduced ...
- The future:
 - Products specifically designed for delivery through agents
 - Self-service pre-scored credit or credit secured by recurring deposit savings balances
 - Agents' role in loan processing, insurance sales etc. increased
 - Branch staff roles shifting from cash handlers to financial service advisers/agent managers



US\$26 million

Deposits have been leading over withdrawals in a big way

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