MicroSave India Focus Note 103

Implementing a Bank Supervised Agent Network

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In the India Focus Note 102 we highlighted some of the challenges associated with pursuing a "bank managed/supervised" approach to agent networks in the business correspondent model. In this Note, we explore how banks can potentially address some of these challenges.

Operational Integration with Bank Branches

Branches are the most visible markers of the bank; especially in rural areas. So involving branches is perhaps one of the most important steps to be taken while promoting a bank supervised agent network.

Agent selection is one area where branches can contribute effectively; taking advantage of their local presence and understanding of local circumstances. Early involvement through participation in the selection process will help generate buy-in of branch staff in the initial stages.

Bank branches can also provide **back-office support** for account opening and enrolments by way of KYC verifications and account number generation. This was widely practiced in one major public sector bank in Maharashtra, where accounts were opened in a matter of hours. In the same bank, in locations where branches were not directly involved in account opening, the process took days, and in some instances, even months.

Branches can support agents by acting as **information channels**, directing customers to agent locations and providing contact information of agents by way of notices, posters etc. Branch staff can also potentially participate in promotional campaigns and provide information through *Gramsabhas, Kisan Clubs* etc.

Equipping Branch Staff

It is easy to insist that agent networks need to be closely integrated with local bank branches. But this will be pragmatic only if banks take proactive steps to ensure that this approach is followed in practice.

One disturbing notion observed during one of our field studies was that branch staff viewed agents as potential threats to their employment. These attitudes and beliefs necessitate careful, organisation wide **communication**.

Training should be provided to branch staff in order to keep them informed of their operational roles, processes and the business model. Given that an effective agent banking model pre-supposes conduct of most low value transactions outside the branch, staff may also need skills training for effectively redeploying them in new roles.

Action planning needs to be done with respect to branch staff responsibilities, timelines and expected results. Responsibilities relating to the BC model need to be clearly defined and allocated among branch staff. **Monitoring mechanisms** for branch staff need to be developed to ensure that action plans are adhered to.

Incentive structures and performance management mechanisms for branch staff may need to be realigned to promote the agent channel. Incentives should be oriented to push low value transactions out of the branches and to the agents. Assigning targets to bank branch staff can help. For instance, in Tanzania, one bank assigned targets for their branch managers on the number of account holders who register for e-banking; business generated through agent; and the percentage of transactions happening at branches compared to those at agents.

One end result of the BC model might be that low value transactions are pushed out of the branches, reducing the staff workload. But, there is likely to be an interim period where transactions happen in the branches while the workload of branch staff increases due to new enrolments by agents. Banks can explore putting in place **temporary operations support mechanisms** to prevent the branch staff from being overwhelmed. For instance, in a pilot conducted by a major public sector bank, two staff members from zonal office were delegated to process account opening applications generated by the agents.

Integration of Technology Platforms

Enabling a branch's core customers to transact using agents and BC sourced customers through branches is a logical first step to decongest branches and build trust in the system-for customers, agents and even branch staff. Many banks provide direct core banking system (CBS) access to agents to help bridge the divide between financial inclusion and mainstream banking. The bottom-of-the-pyramid is increasingly becoming important as a customer segment, necessitating strategic measures such as technology integration in order to reduce transaction pressure on branches as well as cost outlays.

Agent Support Systems

One of the core advantages of engaging an institutional BC is the availability of a well-oiled support system for enabling service delivery. In directly managed agent networks, banks need to replicate, refine and modify these structures and mechanisms in order to enable high quality and continuity of service delivery.

A **well-defined structure** is essential. In many banks, there are at least three different units involved in agent management-a centralised financial inclusion department; a specialised cell or unit at the zonal/regional level; and link branches. At each of these levels, job descriptions of staff involved need to be clearly defined, documented and communicated. Agents should be informed of organisational contact points, their roles and provided a mechanism to escalate their issues in the event of non-resolution.

Specialised staff may be deputed for oversight and supervision. A major public sector bank employs part time staff for managing and supervising its directly managed agents; and for facilitating co-ordination between the agents and the link branch. Often banks make the mistake of recruiting retired staff members for this purpose. This is a mistake, since they often lack the focus and energy needed for the job.

Liquidity management is sometimes better handled in institutional agent networks since they have dedicated structures to address liquidity needs. Banks should evaluate their agent networks to decide on the extent of support to be provided to agents in this respect. Support may be in terms of providing cash collection mechanisms, assigning overdraft limits to enable float management, or by enabling cash-in-transit insurance.

Technology is an area where banks are not necessarily capable or qualified to extend support. This can be addressed by entering into carefully developed service level agreements (SLAs) with technology service providers (TSPs). A major national bank, for instance, had negotiated for and secured the services of a TSP staff member to be assigned to each of its zonal offices.

Agent training is another aspect which requires attention. Training is often a specialised function; one in which banks may not have adequate internal capacity. In this context it may be prudent for banks to outsource this function to specialised agencies.[1]

Agent Monitoring Systems

Institutional ANMs often have clearly defined functions related to monitoring agents. Banks should seek to adapt these systems to suit their organisational structure and hierarchy. Local branch staff, as well as staff in the financial inclusion department, should have specific roles with regard to agent monitoring. Branch staff could be assigned specific agents/ locations and an agent visit schedule can be fixed. Agents should be monitored regularly, through visits to the agent location as well as by way of monitoring agent activity through MIS reports.

A monitoring protocol should detail out the activities to be done and checks to be conducted by staff while on monitoring visits. A feedback loop, in which observations during the monitoring visits are documented and reported on a regular basis, should be built.

State Bank of India (SBI) is perhaps the forerunner in implementing a strong self-managed agent network in the country. The case outlined below illustrates the best practices followed by SBI.

State Bank of India – The Pioneer

As of March 31 2012, SBI had a network comprising of 3,201 directly managed agents.[2] This is the largest bank supervised e/m-banking agent network in India now.

SBI's agents are mapped to a bank branch and **report to the bank manager**. Agent contact information is always displayed at the branch.

Link branches **act as the bridge** between the bank and agents. This provides agents with a sense of belonging and builds trust among the customers. Managers proactively redirect transactions and new customers to the agents. This reduces congestion in branches and increases agent profitability.

Agents managed by SBI have **direct access to the CBS** through an easy to use web portal. This enables agent-branch interoperability. As the platform was developed in-house, it can be easily customised. As a result, SBI has a better control on its design, maintenance, and update/up-gradation. Staffs at the regional offices are trained in and capable of basic trouble shooting, which helps bring down the time involved for rectifying basic technology issues.

SBI offers a higher proportion as **commission** to its agents since the amount need not be shared with ANMs. Agents managed directly by SBI branches also have a **wider product suite** when compared to ANM managed agents. This significantly improves the value proposition for customers and increases revenue for the agents.

A **financial inclusion cell** at the regional level and at the block level handles all support functions. The link branch and financial inclusion cell (block and regional level) support agents. Contact details of key persons are readily available and agents can directly reach out to them with complaints and grievances. The agents are also trained by the financial inclusion cell.

All **processes** are well defined, transparent and communicated clearly. A **Channel Management Facilitator** (CMF) is also appointed to complement monitoring and support the activities of the branch.

SBI's experience shows that it is possible to implement a self-managed agent network by instituting strong support and monitoring systems, technology and proper integration with the branches.

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[1]Refer Briefing Note 135: Training E/M-Banking Agents: What is Missing?,*MicroSave,* November 2012and Briefing Note 138: Implementing Training for E/M-Banking Agents, *MicroSave,* January 2013.
[2]SBI financial inclusion portal