



# Release of Agent Network Accelerator Bangladesh Research Report

10<sup>th</sup> November, 2014



**MicroSave**  
Market-led solutions for financial services

BILL & MELINDA  
GATES foundation





# Health and Profitability of Agent Networks in Bangladesh

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**MicroSave**  
Market-led solutions for financial services

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## Project Description

Through the financial support of the Bill & Melinda Gates Foundation, *MicroSave* is conducting a four-year research project in the following eight focus countries as part of the [Agent Network Accelerator \(ANA\)](#) Project:

### Africa

- ▶ Kenya
- ▶ Nigeria
- ▶ Tanzania
- ▶ Uganda

- ▶ Bangladesh 
- ▶ India
- ▶ Indonesia
- ▶ Pakistan

### Asia

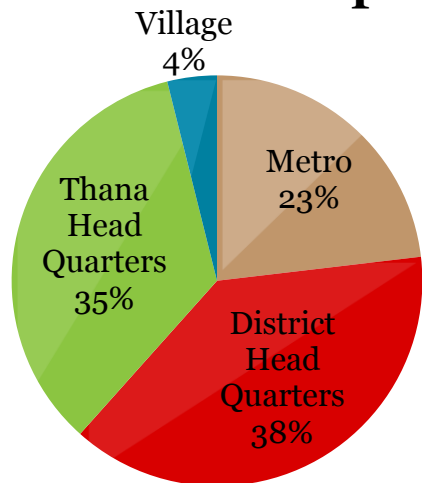
Research findings are disseminated through [The Helix Institute of Digital Finance](#). *Helix* is a world-class institution providing operational training for digital finance practitioners.



[www.helix-institute.com](http://www.helix-institute.com)

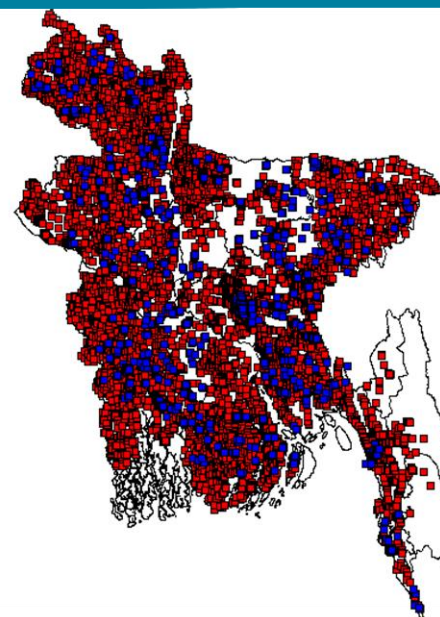
# The Research Is Based On 2,490 Nationally Representative Agent Interviews

## Achieved Sample



Data was collected between March and April 2014 employing a random route methodology based on agent census data presented on the map

Red points represent a census of agents conducted by Brand Fusion in September 2013. Blue points are the agents interviewed for this research in March 2014.



## Sample Profile\*

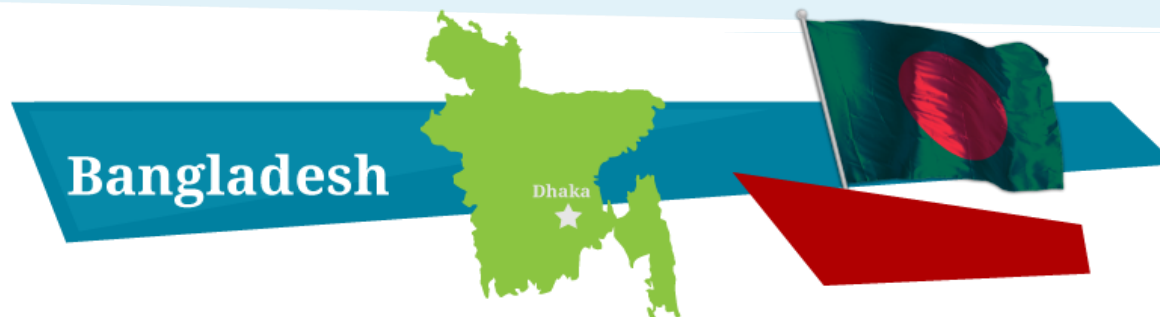
Total Sample Size	Location				Exclusivity		Dedication	
	Metro	District HQ	Thana HQ	Village	Exclusive	Non-Exclusive	Dedicated	Non-Dedicated
2,490	576	958	859	97	1082	1408	97	2393
	23%	38%	35%	4%	43%	57%	4%	96%

\*This table summarises agent demographics. Due to the different structure in urban and rural definitions and localities in Bangladesh, this sample is not comparable to Helix's earlier surveys in East Africa.

## Bangladesh Overview

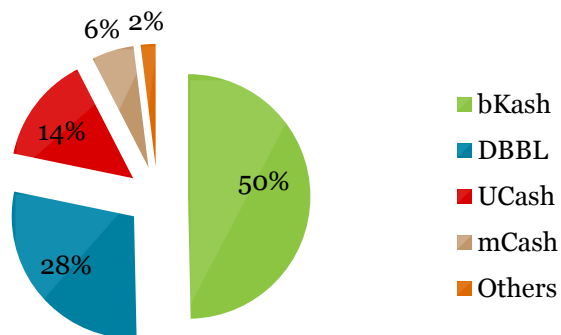
**Unique systems for agent network management yielding world class results especially with regards to liquidity management. However, transaction volumes and profits are low compared to East Africa and support structures are still developing.**

- ▶ Transaction volumes are very low compared to East Africa, but very low operational costs keep the majority of agents profitable.
- ▶ Most agents have rebalancing done for them at their outlets, and report rarely having to deny a transaction for lack of it.
- ▶ Almost all agents are non-dedicated, and while bKash is the dominant provider, other providers seem to be quickly building their networks on top of bKash's, meaning the majority of agents are now non-exclusive.



# Providers' Market Share\* Of National Agent Network

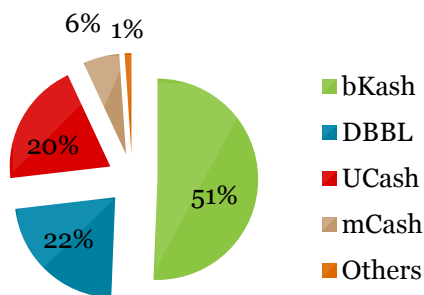
## Market Share



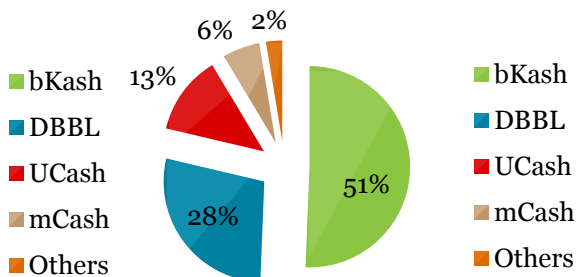
▲ bKash accounts for half of the market, followed by DBBL (28%).

▲ New providers like UCash are rapidly expanding across Bangladesh – especially in the urban areas.

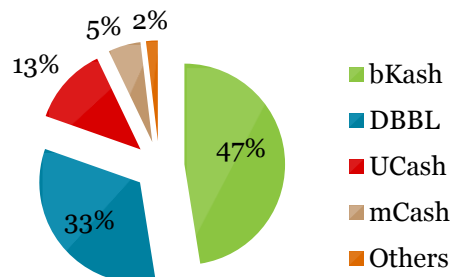
## Metro



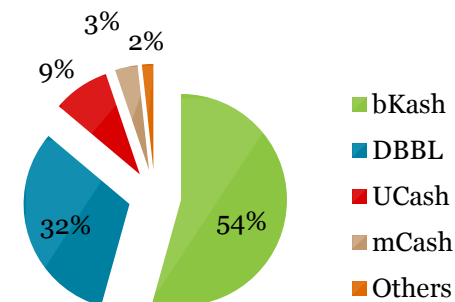
## District HQ



## Thana HQ



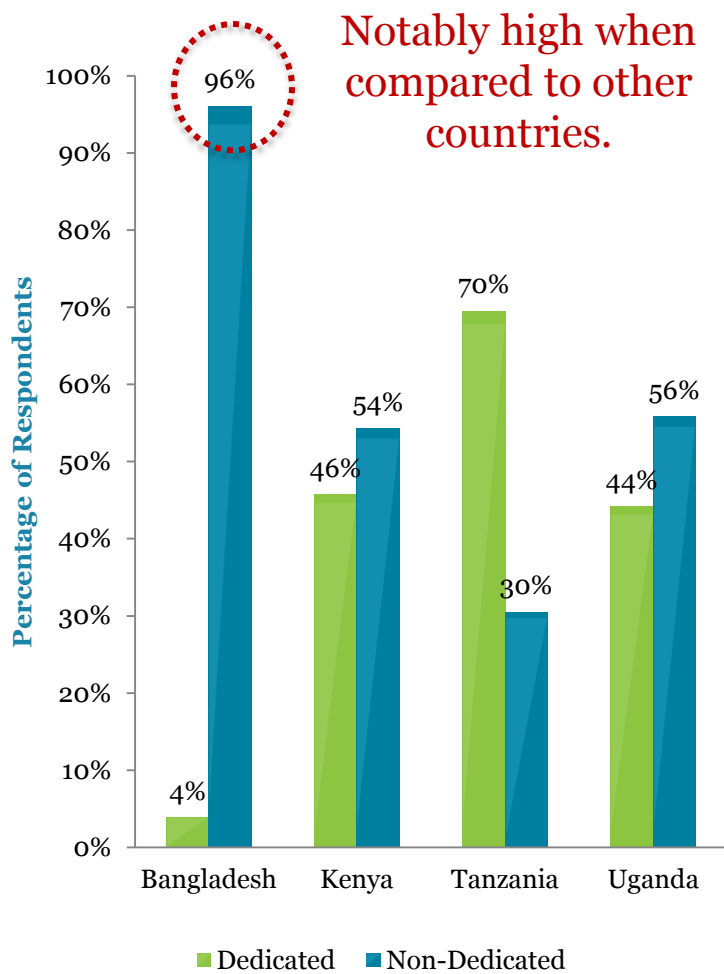
## Village



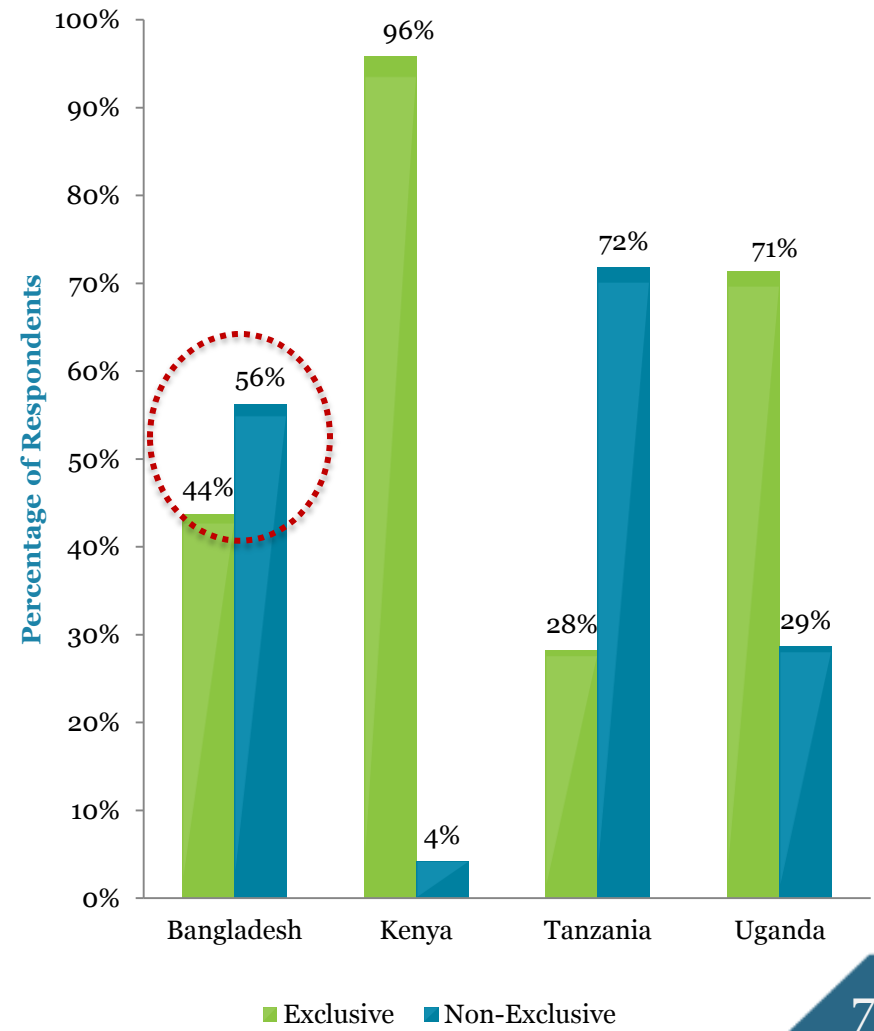
\*Agent market share is defined as the proportion of cash-in/cash-out (CICO) agents by provider. Numbers here are provided on a till basis not on the outlet level. Hence, if an agent serves three providers it is counted three times. This method therefore discounts smaller exclusive networks.

# Digital Finance is Non-Exclusive and Extremely Non-Dedicated

## Dedicated Vs. Non-Dedicated

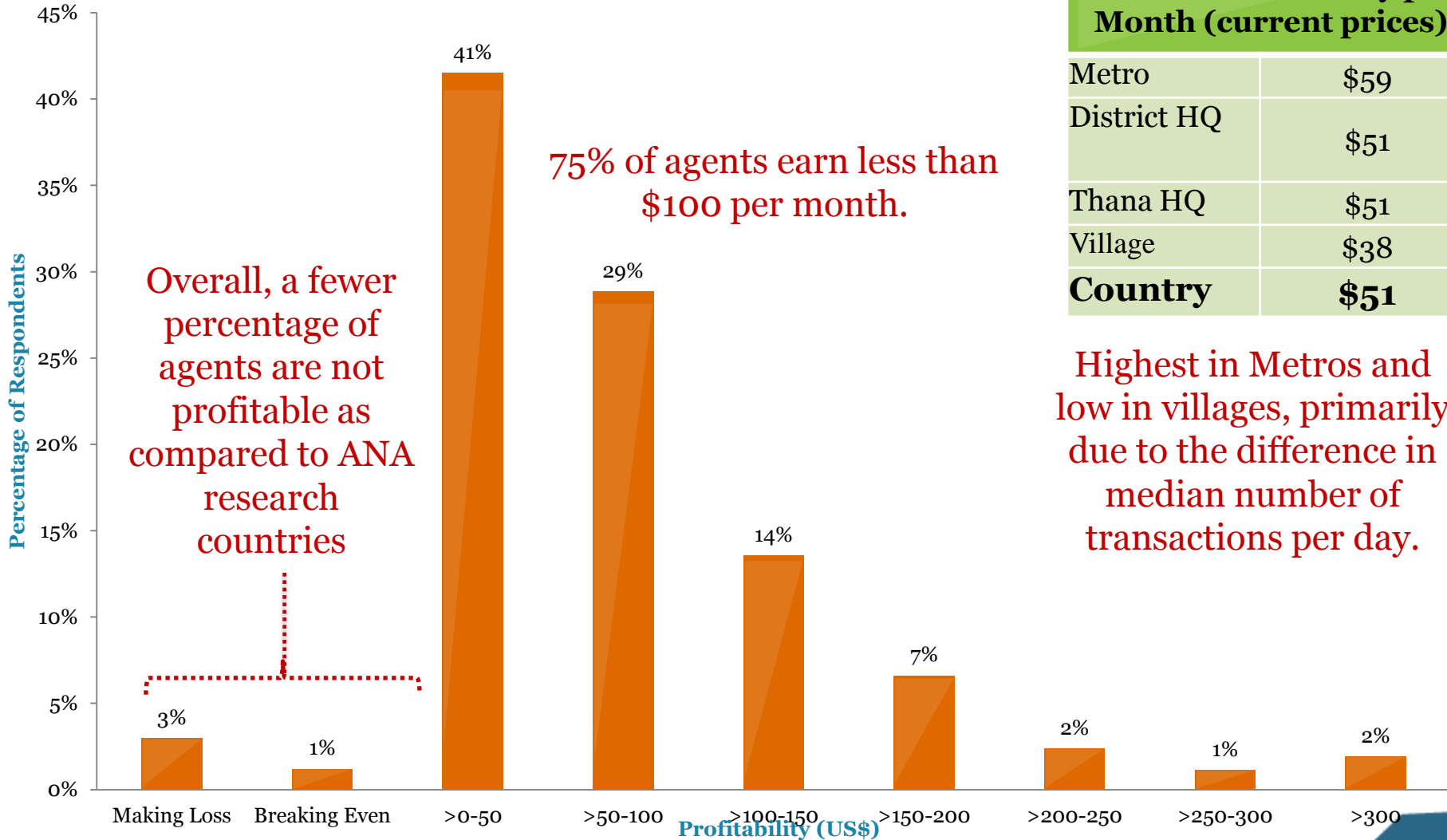


## Exclusive vs. Non-Exclusive



# Agents Are Profitable, But Most Earn Low Profits

## Profit Per Month (US\$)



Median Profitability per Month (current prices)	
Metro	\$59
District HQ	\$51
Thana HQ	\$51
Village	\$38
<b>Country</b>	<b>\$51</b>

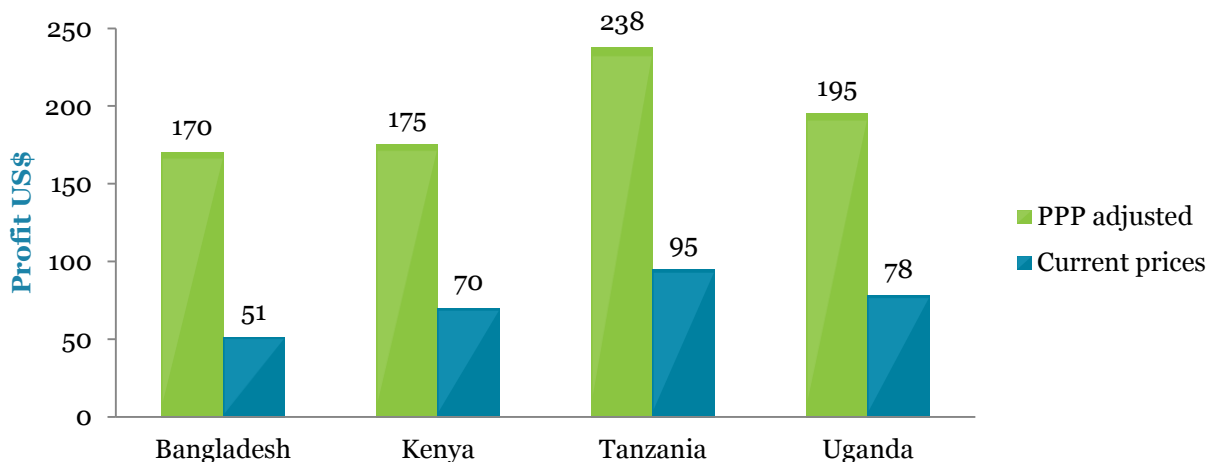
Highest in Metros and low in villages, primarily due to the difference in median number of transactions per day.

\* Is calculated by subtracting expenses from total earnings from all the providers served. Only agents that reported both earnings and expenses are included here. There is a possibility that these figures are under-reported since most agents did not respond to questions on OTC.



# Low Commissions Are Driving Low Profit Levels Compared to Other Leading Countries

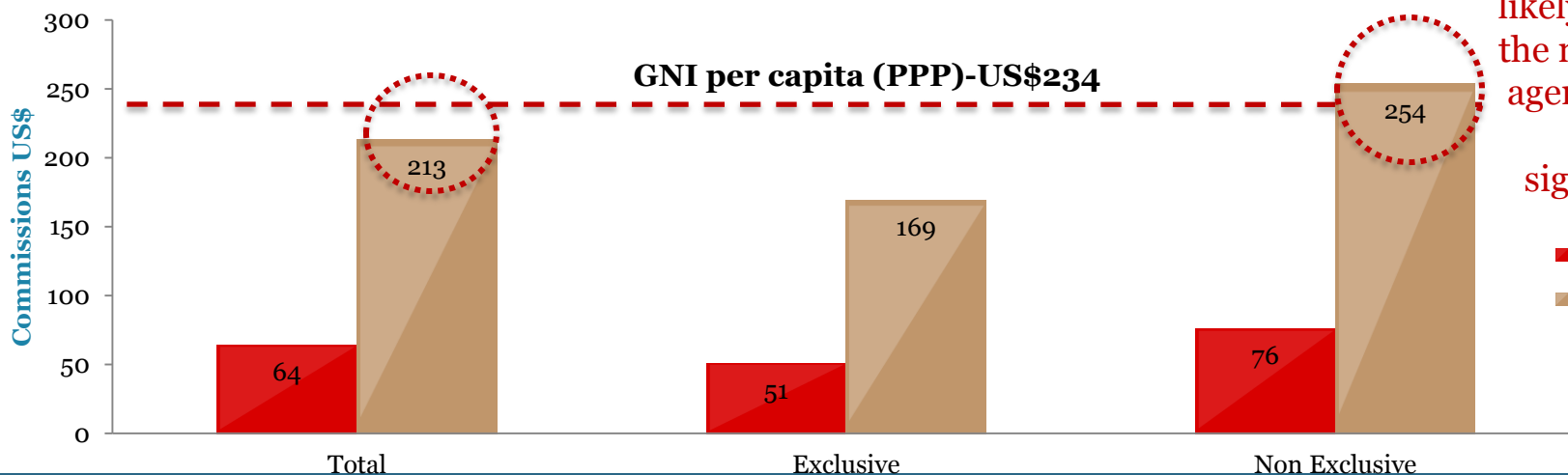
## Median Profitability - Comparison With East Africa



### Median Commissions from all providers per Month (current prices)

Metro	\$76
District HQ	\$64
Thana HQ	\$64
Village	\$57
<b>Country</b>	<b>\$64</b>

## Median Monthly Commissions

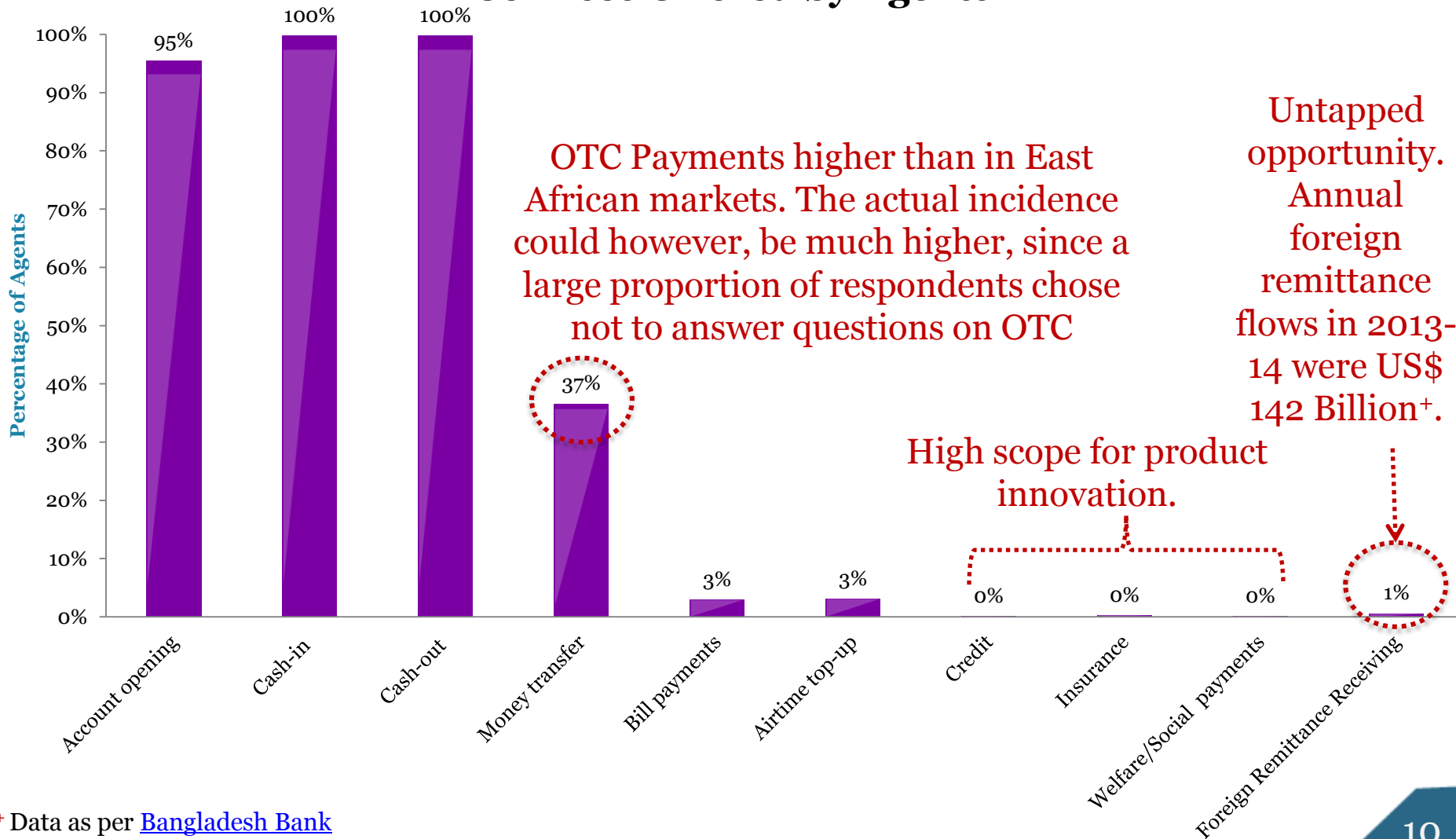


Non-exclusivity likely to become the norm unless agent revenues go up significantly.

■ Current Prices  
■ PPP Adjusted

# Untapped Opportunities Abound

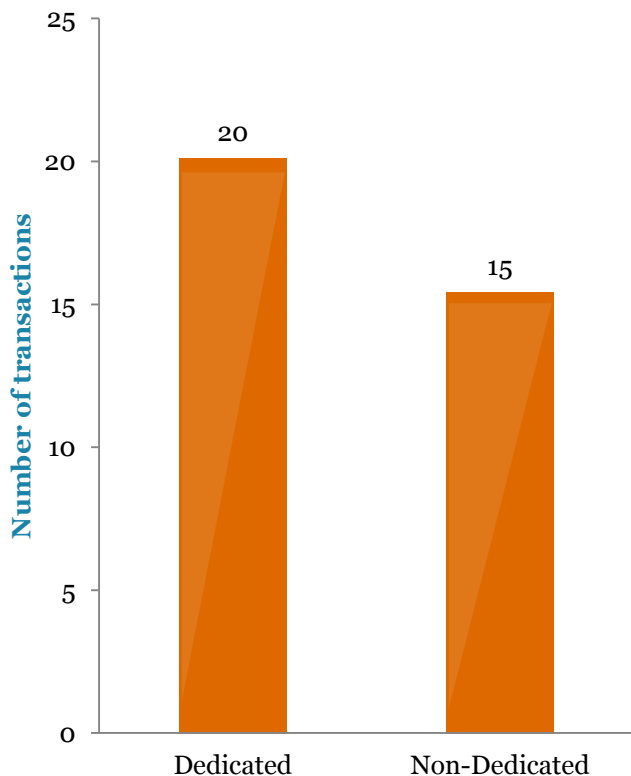
## Services Offered by Agents



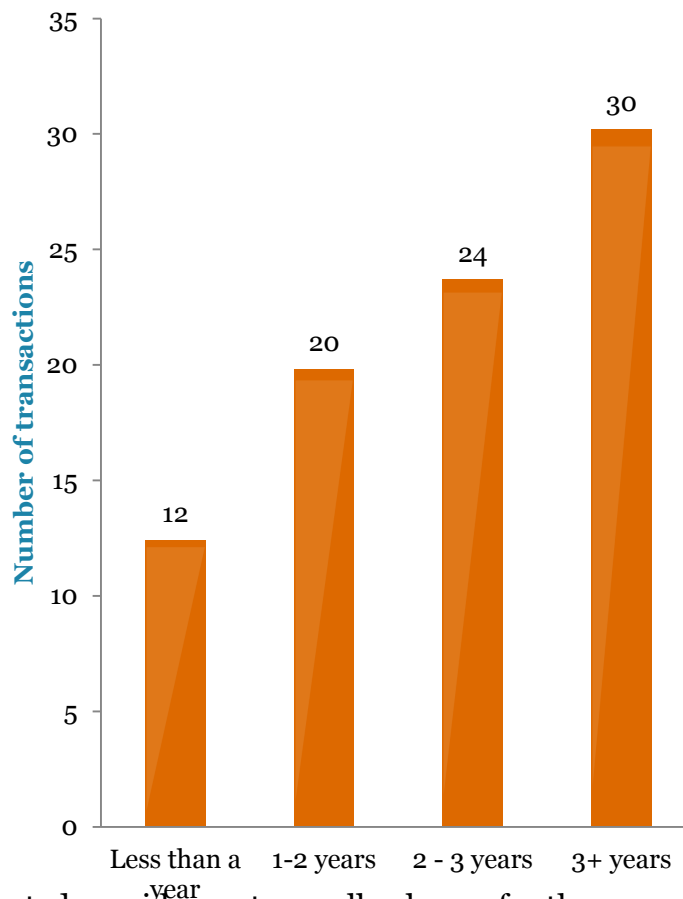
+ Data as per [Bangladesh Bank](#)

# Transactions Are Low– But There Are Significant Variations Across Different Dimensions

### Median Transactions: Dedicated vs. Non-Dedicated



### Median Transactions: Years in Operation



### Median Transactions Per Day

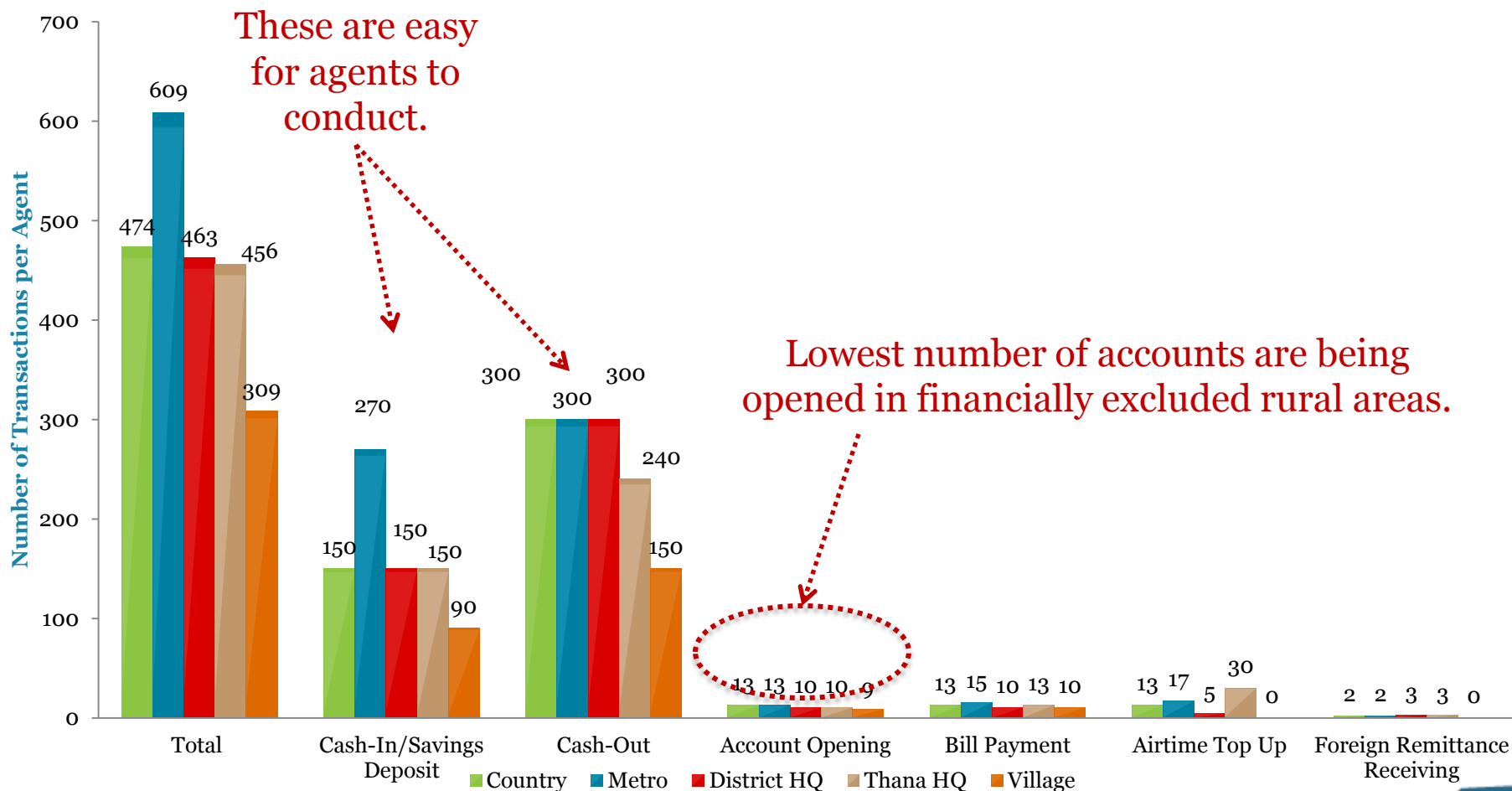
Metro	20
District HQ	15
Thana HQ	15
Village	10
<b>Country</b>	<b>15</b>

Quite low when compared to East Africa – Kenya (46), Tanzania (31), Uganda (30).

\* Numbers represent transactions per day by selected provider, not overall volumes for the agency. There is a possibility that these figures are under-reported since most agents did not respond to questions on OTC.

# A Look At Transactions Highlights The Real Picture On What Products Are On Offer





## Median Transactions per Month



\* OTC transactions are included as part of Cash-in/out since most agents did not respond to the question on OTC and the inclusion of the data obtained from a limited set of respondents could be misleading

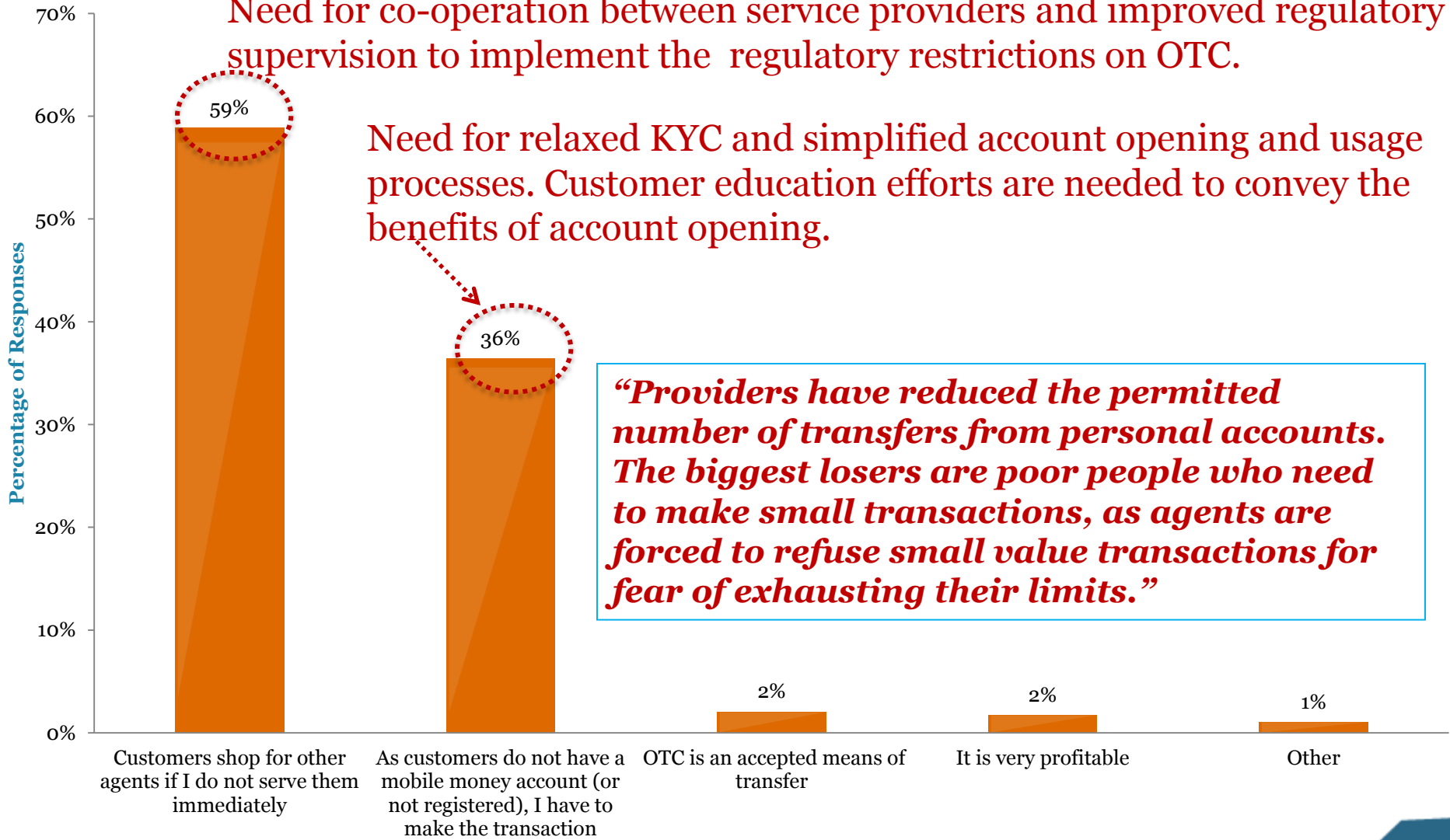
## OTC Transfers Are Prevalent

***“I have 25 accounts to conduct transfer. If they restrict it further, I’ll be forced to add more accounts. They should just allow transfers from agent to agent.”***

- 
 Median number of OTC transactions stated per day are 5, or 33% of all transactions.
- 
 Agents seem to be aware that OTC is not permitted. 68% of the respondents (100% in Metro) chose not to answer questions on OTC.
- 
 Qualitative research points out that vast majority of transactions in agent locations are OTC.
- 
 Data from Intermedia survey of mobile money users in Bangladesh states that 22% of Bangladeshis use mobile money, but only 3% have mobile money accounts.

# Why Agents Facilitate OTC Transactions?

Need for co-operation between service providers and improved regulatory supervision to implement the regulatory restrictions on OTC.



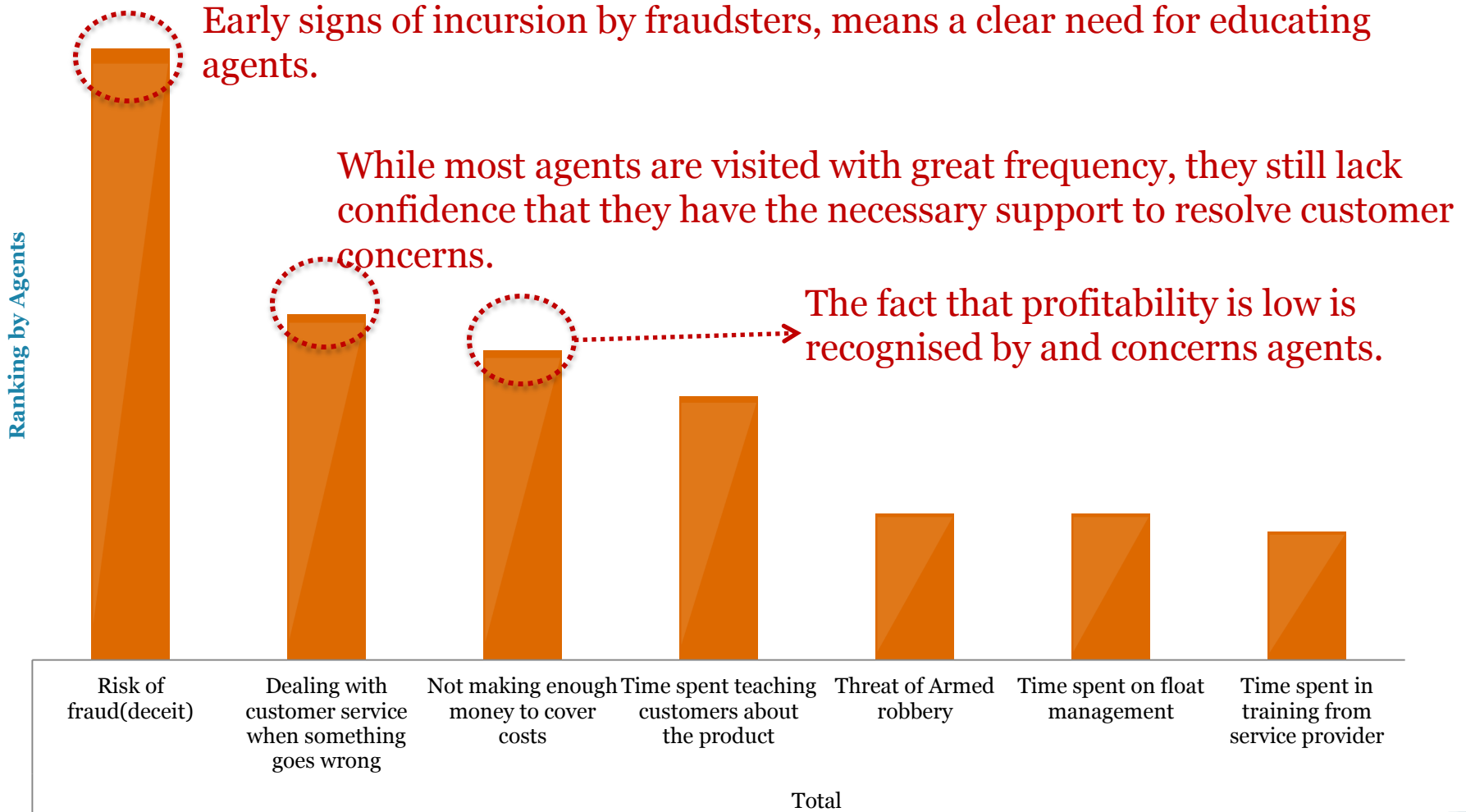
Need for relaxed KYC and simplified account opening and usage processes. Customer education efforts are needed to convey the benefits of account opening.

*“Providers have reduced the permitted number of transfers from personal accounts. The biggest losers are poor people who need to make small transactions, as agents are forced to refuse small value transactions for fear of exhausting their limits.”*

\* Quoted in Intermedia [Mobile Money User and Non User Study](#) and [Consumer and Agent Experiences](#), 2014

# Risk of Fraud Is Agents' Biggest Concern \*

## Highest Ranked Operational Concerns



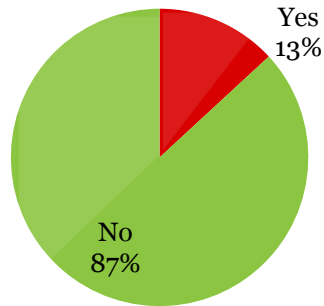
\* These scores are weighed averages of rankings, so that higher scores represent dimensions receiving a higher ranking.

# The Prevalence Of Fraud

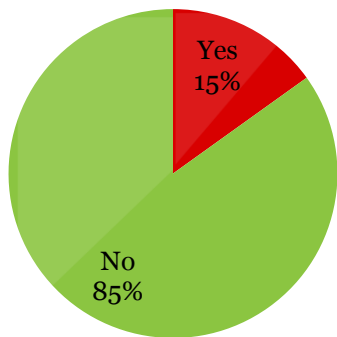
***“Someone sent me a fraudulent SMS (one which is purported to be from the service provider). Two people came and took out Tk. 24,500 (approx. US\$320). We managed to find out that the SMS was fraudulent and caught them. But, they were local people and we settled the matter internally. I complained to the provider, but have got no response yet.”***

- A significant proportion of agents have experienced fraud.
- Incidence of fraud highest in rural areas.

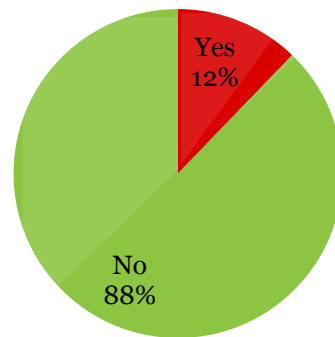
## Experience of Fraud: Bangladesh



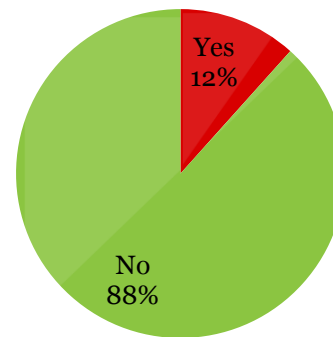
## Experience of Fraud: Metro



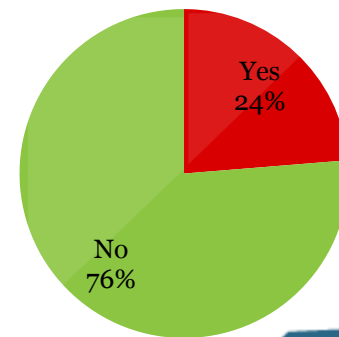
## Experience of Fraud: District HQ



## Experience of Fraud - Thana HQ



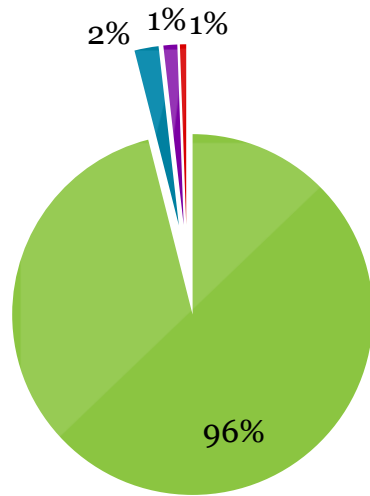
## Experience of Fraud: Village





# Rebalancing Is Convenient

## Rebalancing Points for Agents



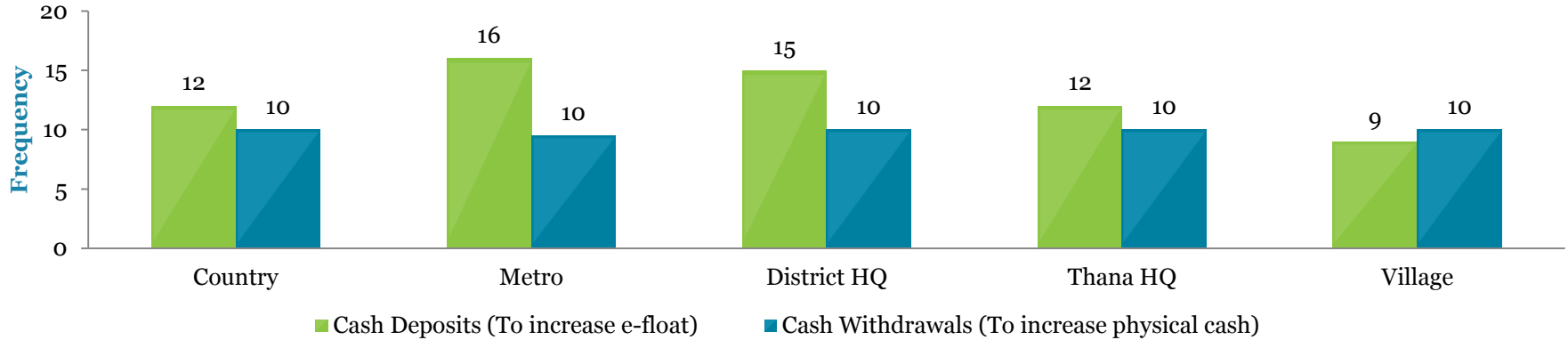
■ Provider / aggregator visits the agency 
 ■ Bank Branch 
 ■ Aggregator Office 
 ■ Others



- ▶ Providers have put in place master agents (aggregators) who visit agent locations for rebalancing.
- ▶ A median of **zero** transaction per day is denied due to lack of liquidity with agents. This is the lowest in all research countries - Uganda (3); Kenya (3); and Tanzania (5)

# Agents Require E-Float More Frequently

## Monthly Median Frequency of Cash Deposits Vs. Cash Withdrawals for Liquidity Management



High demand for e-float in Metro locations and a higher demand for physical cash in rural locations substantiate a send money home use case.

The frequency of rebalancing (both cash deposits and withdrawals), is higher than in East Africa.

# Many Agents Were Neither Trained, Nor Receive Adequate Support in Terms of Visits from Provider Staff



## Training

Only 69% of agents report receiving training. This is the lowest in all research countries – Kenya (92%), Tanzania (79%), Uganda (94%).



## Operational Support:

Only 69% of agents report being visited. Of those visited, 46% are visited daily and 85% are visited at least weekly.



## Call Centre:

88% of agents were aware of a call center, call it a median of three times a month and rated it a 4.3 out of 7 in terms of its ability to resolve their issues.



# Opportunities For Improvement




**Profitability and number of transactions are low for agents when compared with other markets.**

- ▶ **Low number of transactions**
- ▶ **Limited product offerings**
- ▶ **OTC is prevalent, and account opening for customers given low priority** by agents.
- ▶ **Early influx of fraudsters** is visible. Providers need to be actively educating their agents and customers.
- ▶ **Training** has taken a back seat.



# Outstanding Attributes Of Agent Network Management

## High levels of provider involvement in supporting agents

- 
 High levels of agent satisfaction and near absence of dormancy among transaction agents.
  
- 
 Increased competition
  
- 
 In-shop rebalancing promoted by providers



# Thank You

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