

A Banking Agent in Every Village: The Last Mile Challenges

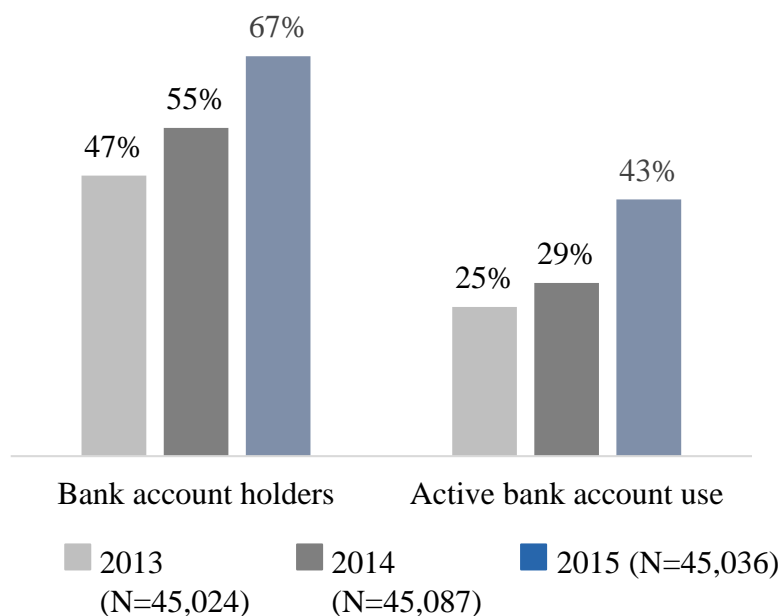
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BANK ACCOUNTS – OWNERSHIP & USE

Bank account holders and active use

(Shown: Percentage of Indian adults who fall into each category.)



- In August 2014, India launched “Pradhan Mantri Jan-Dhan Yojana” (PMJDY) to bring at least one basic bank account, with credit and insurance features, to every household.
- FII survey findings demonstrate the results of this program. Bank account ownership increased from 47% in 2013 to 55% in 2014, and the 2015 survey continues the trend to 67% account ownership. However, account dormancy remains an issue, despite increases in active use.

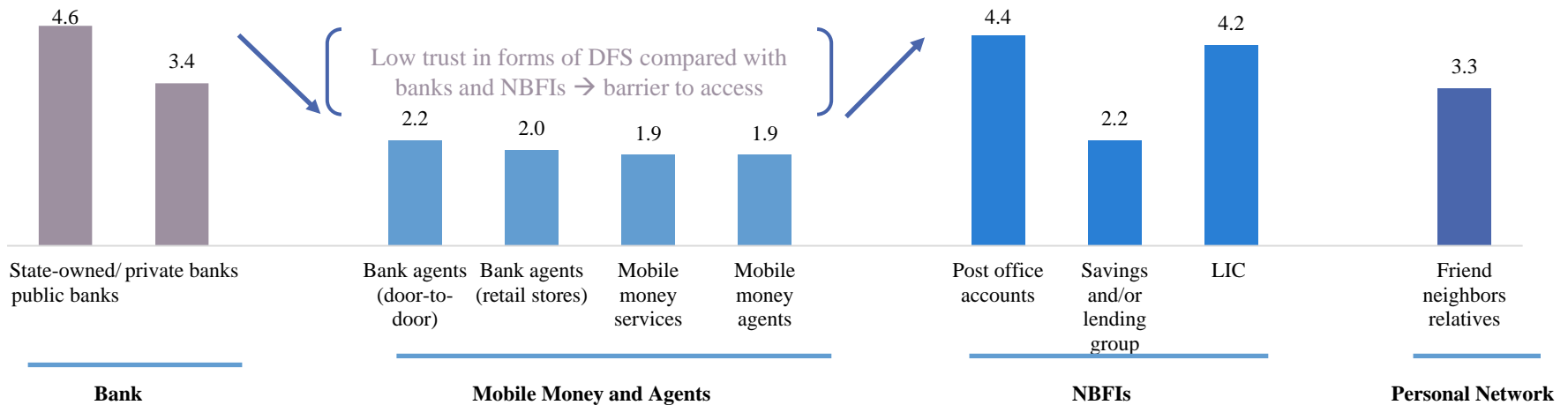
INDIA

Some forms of DFS such as mobile money and retail agents face a trust deficit

Level of trust towards financial services

(Shown: Rating for each category provided by Indian adults who provided a trust rating; respondents were allowed to respond “don’t know/refused”)

Trust levels: 1 = Don't trust at all; 5 = Fully trust



There Are Three Major Agent Network Models In India

Banks Directly Manage Agent Networks



Banks

- Product ownership
- Agent network establishment and day to day management
- Agent remuneration
- Liquidity management
- Customer and agent support
- Monitoring and supervision



Agents

- Customer acquisition
- Transaction facilitation
- Last mile customer support

Specialised ANMs (BCNMs)* Manage Agent Networks



Banks

- Product ownership
- Remuneration to BCNMs
- Liquidity management
- Customer support
- Monitoring and supervision of BCNMs



BCNMs

- Agent network establishment and day to day management
- Marketing and promotion
- Agent remuneration
- Liquidity management
- Customer and agent support
- Monitoring and supervision of agents



Agents

- Customer acquisition
- Transaction facilitation
- Last mile customer support

MNOs Manage Agent Networks



Banks

- Product ownership
- Remuneration to MNOs
- Monitoring and supervision of MNOs



MNOs

- Working with banks to assist in product design
- Agent network establishment and day to day management
- Marketing and promotion
- Agent remuneration
- Liquidity management
- Customer and agent support
- Monitoring and supervision of agents



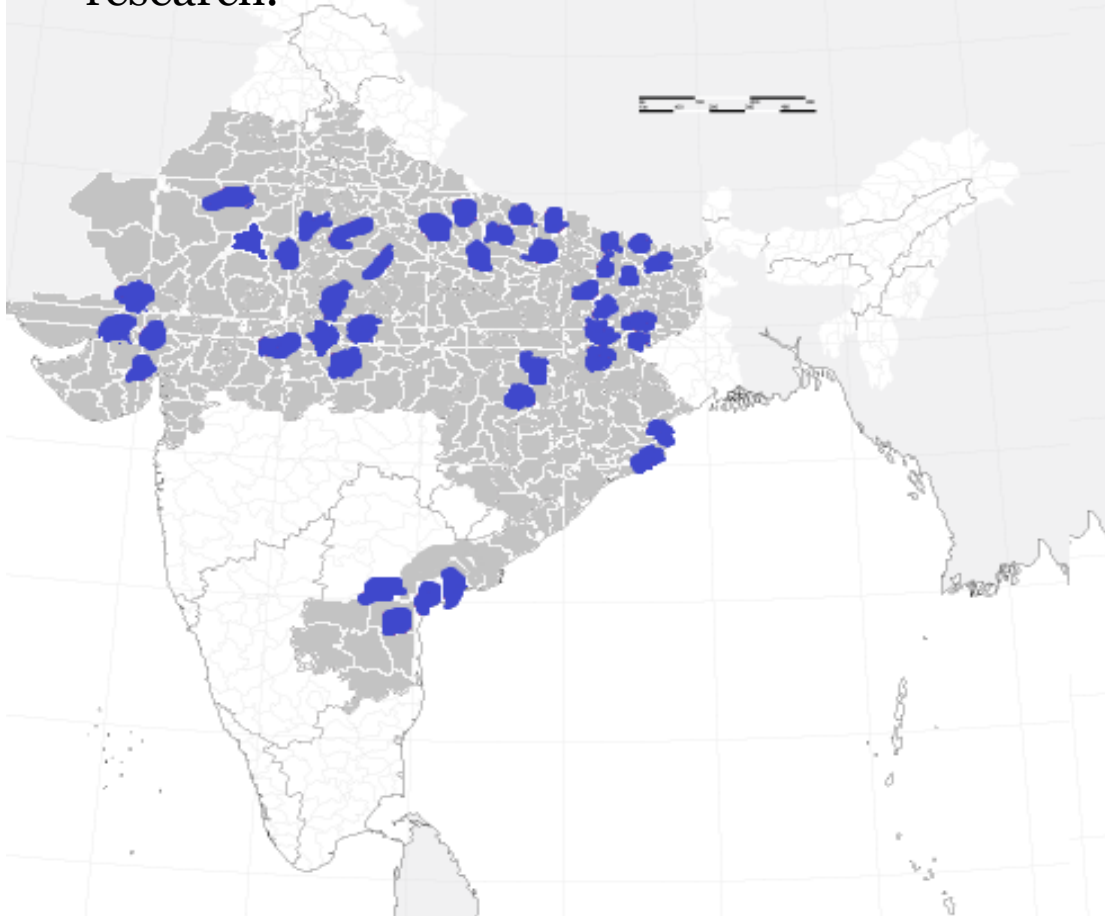
Agents

- Customer acquisition
- Transaction facilitation
- Last mile customer support

* BCNM= Business Correspondent Network Manager

DFS Survey: Sample and Districts Covered

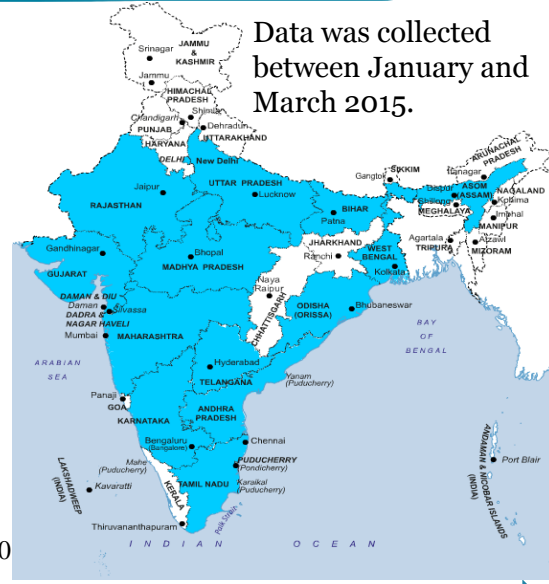
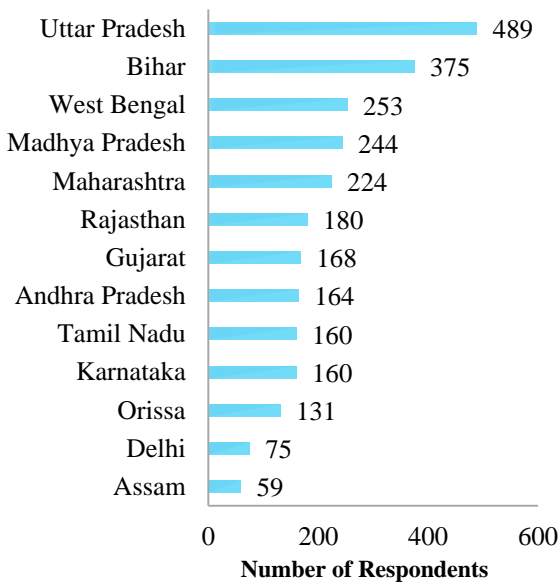
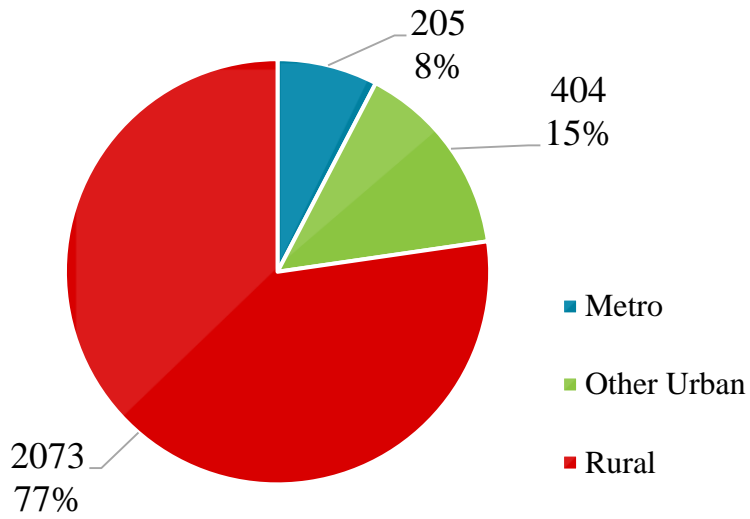
- 1,700 *Bank Mitras* (BMs) and 4,514 customers were covered by the quantitative survey
- 74 BMs were interviewed during the qualitative research.



State	Districts Surveyed
Andhra Pradesh	4
Bihar	7
Chhattisgarh	2
Gujarat	4
Jharkhand	4
Madhya Pradesh	6
Odisha	2
Rajasthan	5
Uttar Pradesh	7
Total	41

ANA Research Is Based On 2,682 Nationally Representative Agent Interviews*

Achieved Sample*



Sample Profile**

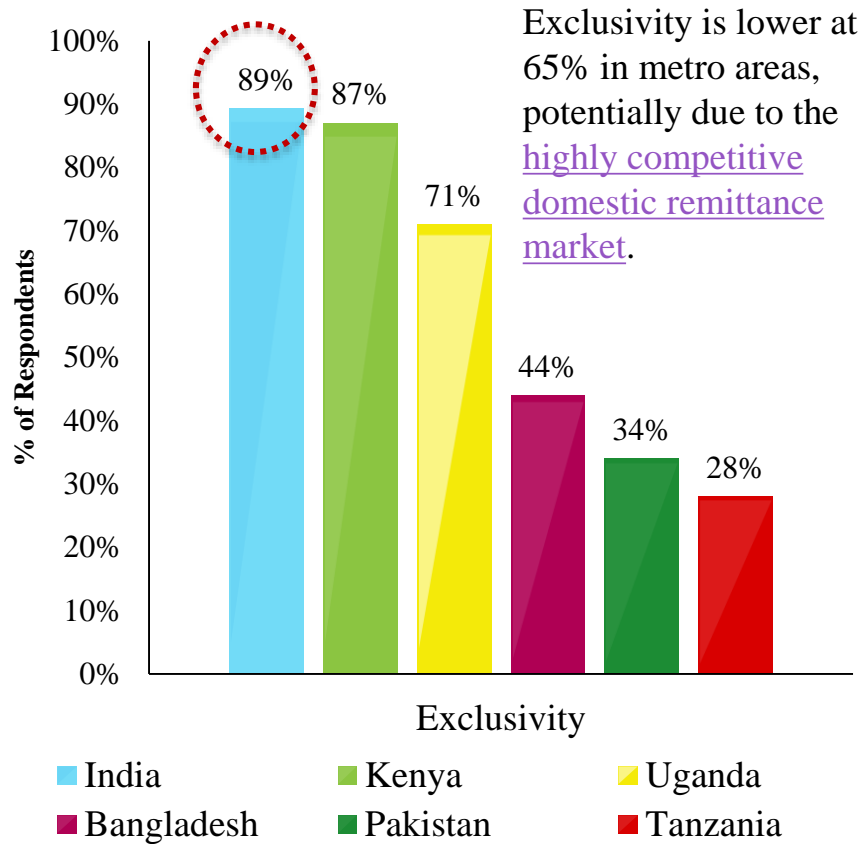
Total Sample Size	Agent Network Model			Exclusivity		Dedication	
	Directly Linked To Bank	BCNM	MNO	Exclusive	Non-Exclusive	Dedicated	Non-Dedicated
2,682	463 17%	1,730 65%	489 18%	2,393 89%	289 11%	1,786 67%	896 33%

*Only those agents that conduct at least one transaction per month (active agents) were interviewed as part of the ANA survey.
 **This table summarises agent demographics. Due to the different structure in urban and rural definitions and the sampling methodology adopted in India, please be cautious while comparing it with earlier surveys of Helix. The details are provided in [Appendix 1](#)

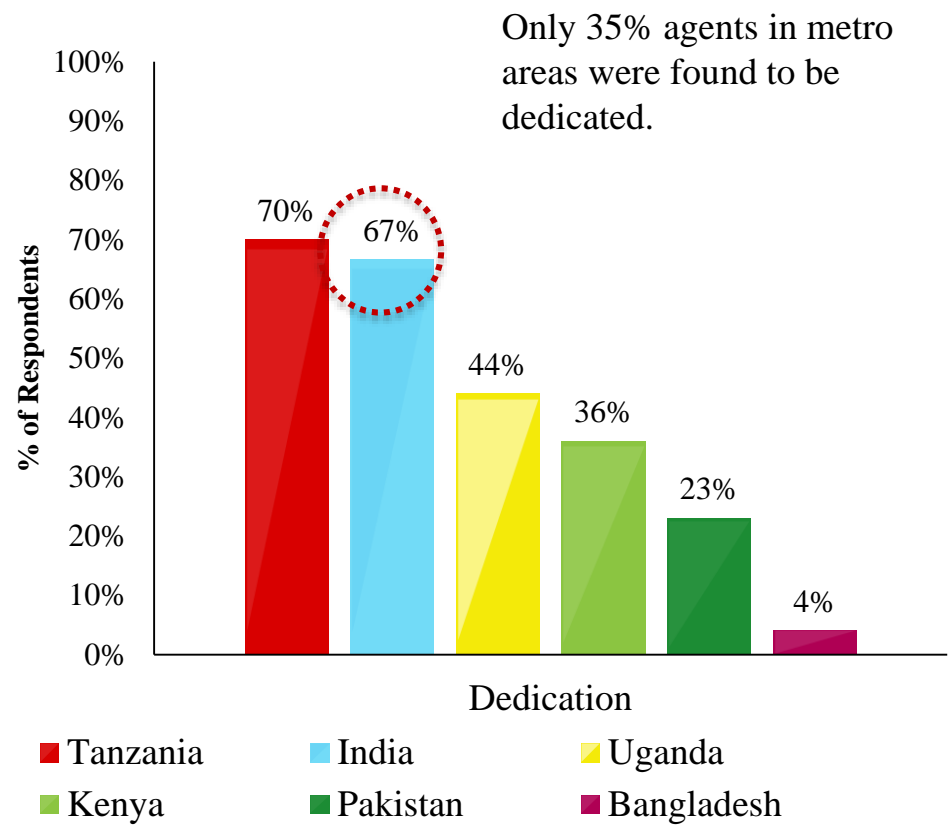
Extent Of Exclusivity And Dedication Is High

Both exclusivity and dedication are extremely high compared to most other countries. The confluence of these factors makes business model viability difficult.

Exclusivity In ANA Countries

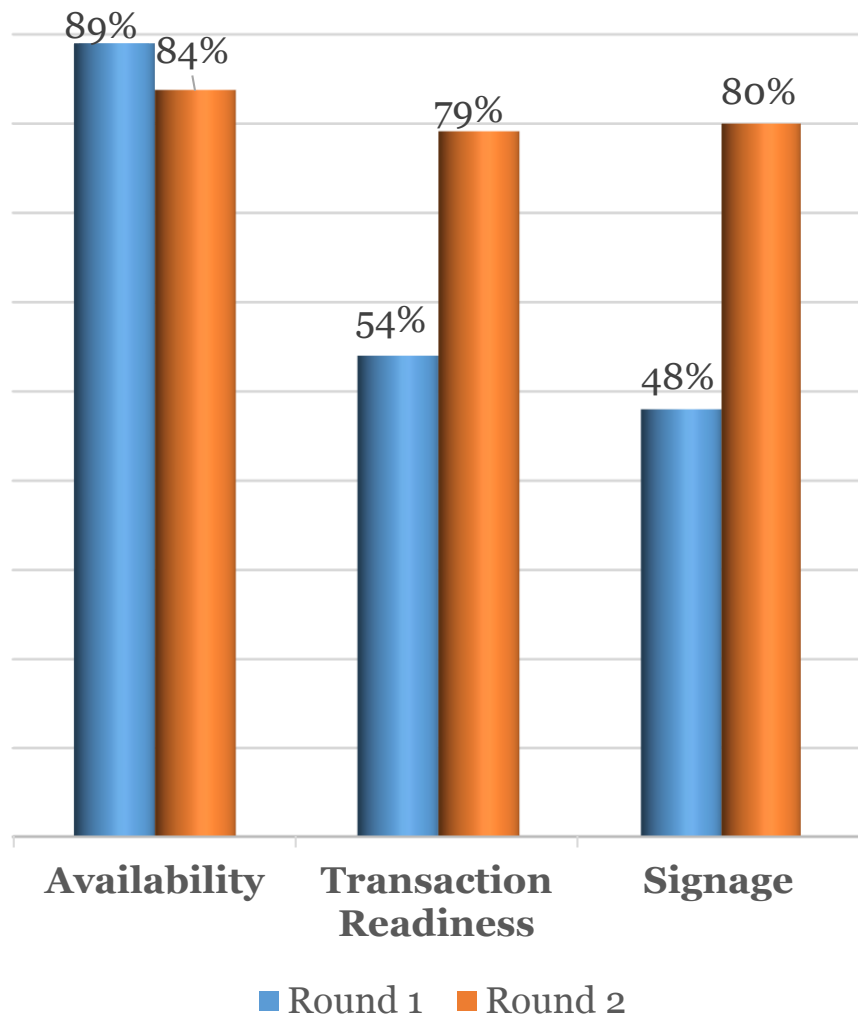


Dedication In ANA Countries

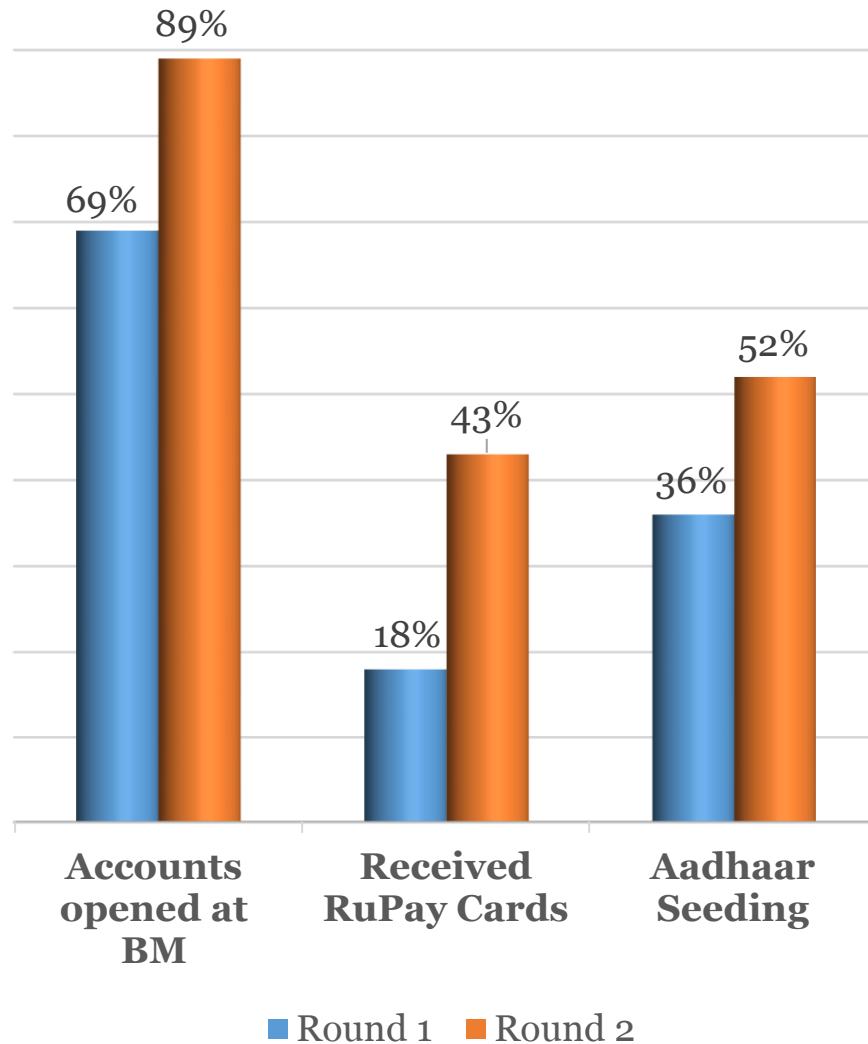


Positive Signs Emerging

Comparison: BM level indicators



Comparison: A/C holder level indicators

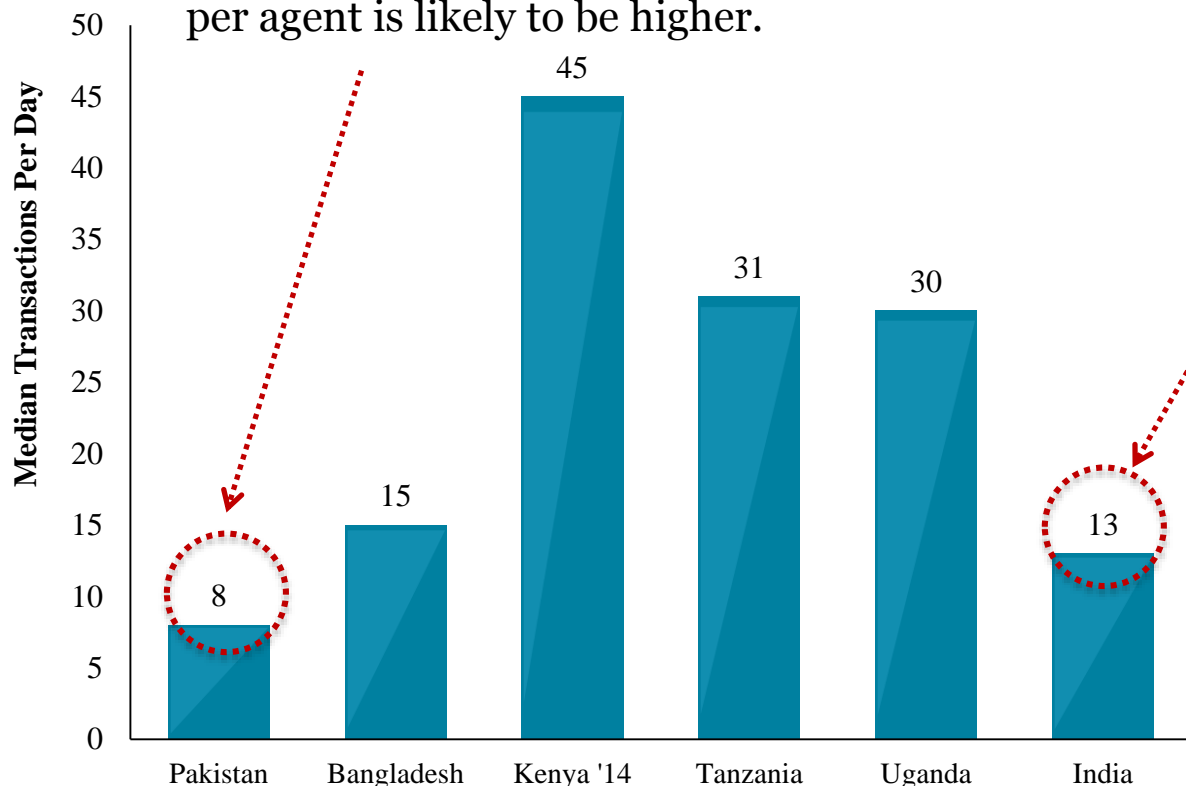


BMs' indicators are for 1,424 BMs those were interviewed
A/C holders sample is 4,514

Median Transaction Volumes Are Low When Compared To Other Countries

Transaction volumes are lowest among all ANA countries except Pakistan

Non-exclusivity is high in Pakistan (66%) and therefore the actual number of transactions per agent is likely to be higher.



Median Transactions per Day

Metro	5
Other Urban	14
Rural	14
Country	13

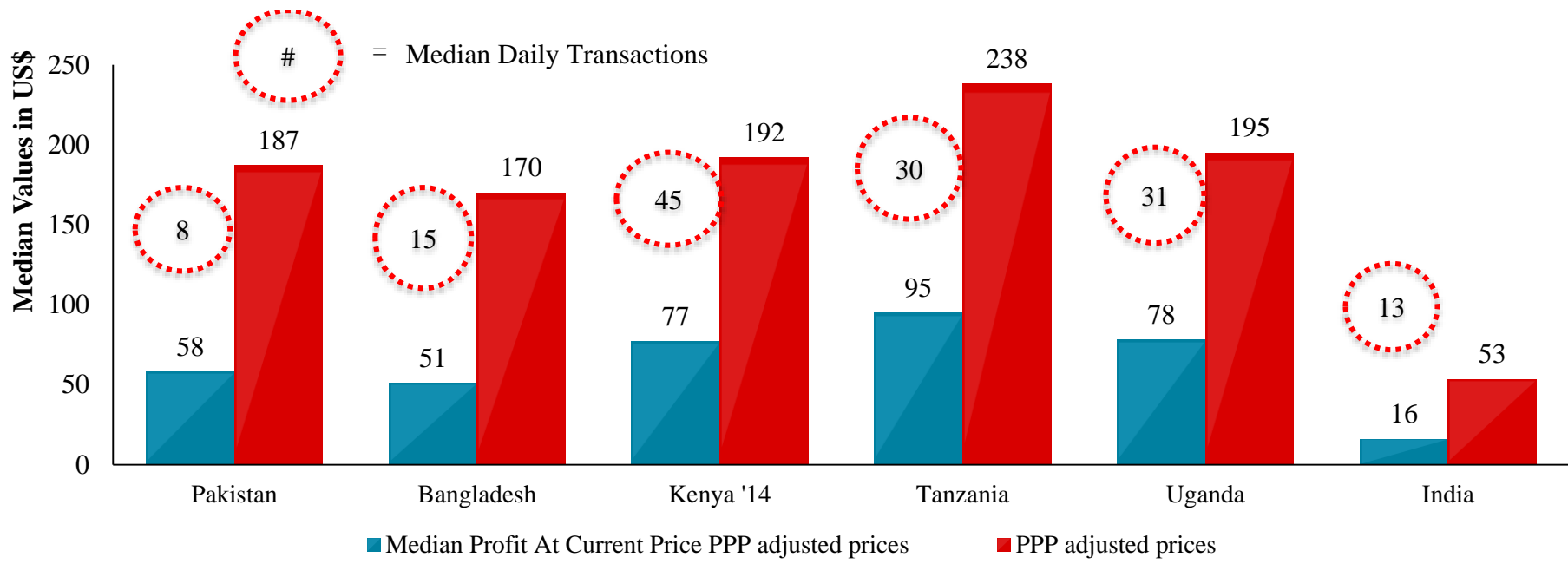
Median transaction volumes are impacted by PMJDY. 51% of agents reported opening PMJDY accounts and the median number of PMJDY accounts opened per day was 5. If PMJDY and other account opening is excluded, median transaction volumes are lower in India than in all other ANA countries.

Profitability Is Lowest Among All Research Countries

Recent MicroSave research suggests that while dissatisfaction is high, dormancy/dropouts are still relatively low at 20%:

- Hope that the PMJDY will increase the volume of business,
- Prestige of being associated with banks, and
- Connect with community

However, if profitability does not rise to sustainable levels, there is a high likelihood of agent dormancy and dropout.



*Profitability as shown in the graph is calculated as earnings – operating expenses for all countries. In case of India, the fixed monthly component given to agents has also been considered in this calculation. This is different from other ANA countries where commissions earned makes up the total earnings of the agent. The profits reported in India are at an outlet level as opposed to other countries where they are at a provider level

A Significant Proportion Of Agents Make Losses

24% of agents receive a fixed monthly component from service providers (median of US\$55), shoring up their revenue.

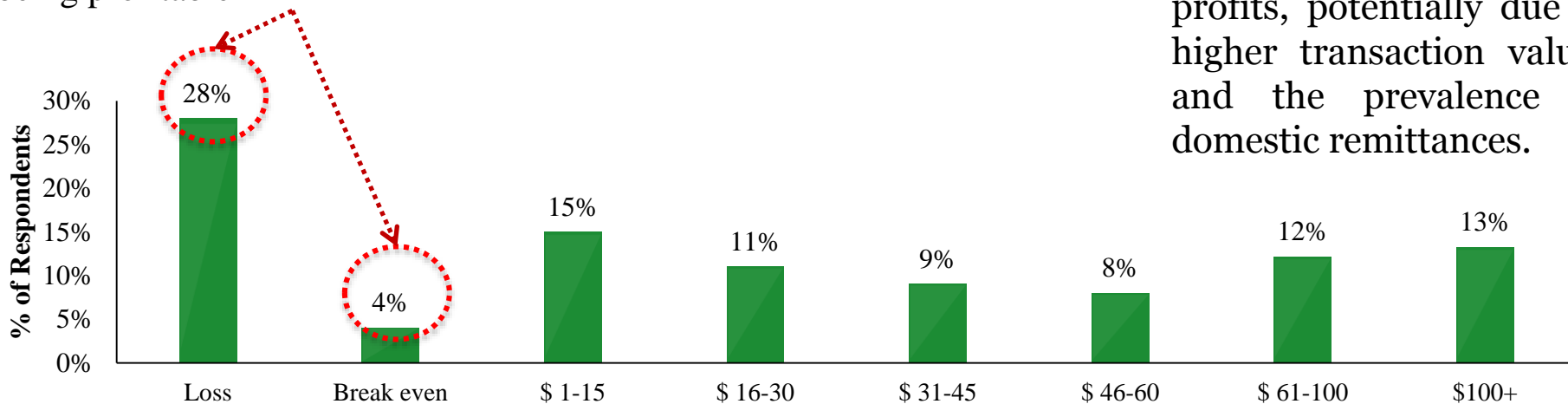
52% of agents report profits below US\$18 and 44% report profits below US\$11, the PPP adjusted monthly equivalents of UN defined poverty line of US\$2 and extreme poverty line of US\$1.25 per day respectively

Median Profitability per Month in US\$ (Including the fixed component)

Metro	61
Other Urban	5
Rural	16
Country	16

Agents in metros make significantly higher profits, potentially due to higher transaction values and the prevalence of domestic remittances.

32% of agents report not being profitable



*Profitability as shown in the graph is calculated as earnings – operating expenses for all countries. In case of India, the fixed monthly component given to agents has also been considered in this calculation.

Product Mix Has A Significant Impact on Agent Revenues

Earnings for agents offering G2P payments were the lowest, reflecting the low commissions paid on G2P.

Agents who offered credit and/or insurance earn the highest revenues but are fewer in number. Only 7% and 10% of respondents offered credit and/or insurance respectively.



Quality Of Agent Support Is Low Compared to Other Countries

Training:

59% of agents **received training**. This percentage is **the lowest** compared to the baselines done in other ANA research countries*.

- Of those trained, **61% agents have undergone a refresher training**. 36% of these have received refresher training only once.

Operational Support:

58% of agents reported regular visits** (68% in major cities). This percentage is low compared to all other ANA countries except Uganda. Of those visited, 60% are visited at least monthly and 32% reported 'no fixed frequency' of visits.

Call Center:

Only 59% of agents know that there is a call center to resolve their queries and call it a median of 2 times a month. This implies low awareness and usage of call center.

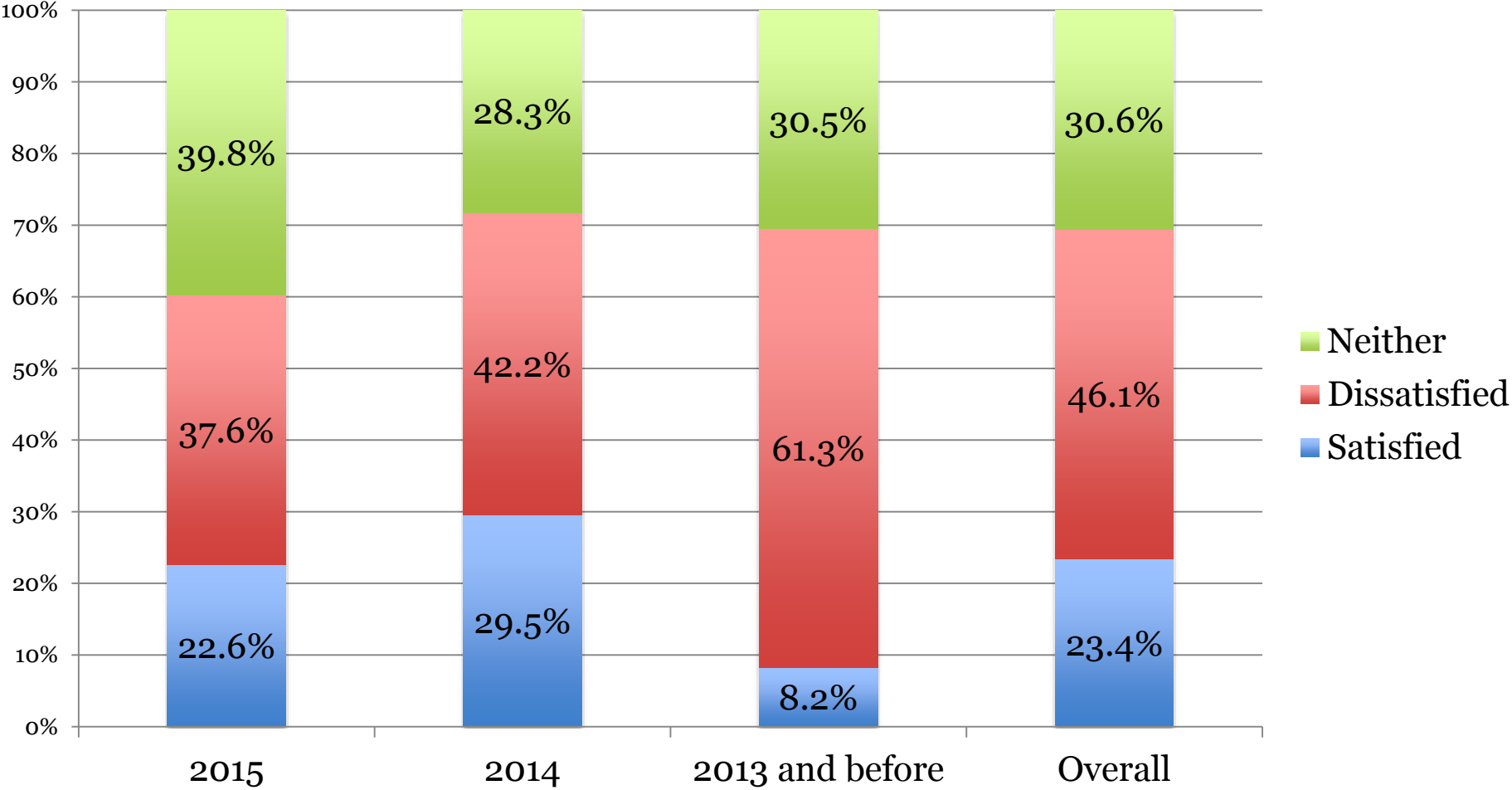
*Bangladesh (68%), Pakistan (62%) Kenya II (92%), Tanzania (79%), and Uganda (94%)

**Bangladesh (69%), Pakistan (76%), Kenya II (86%) Tanzania (76%) and Uganda (33%)

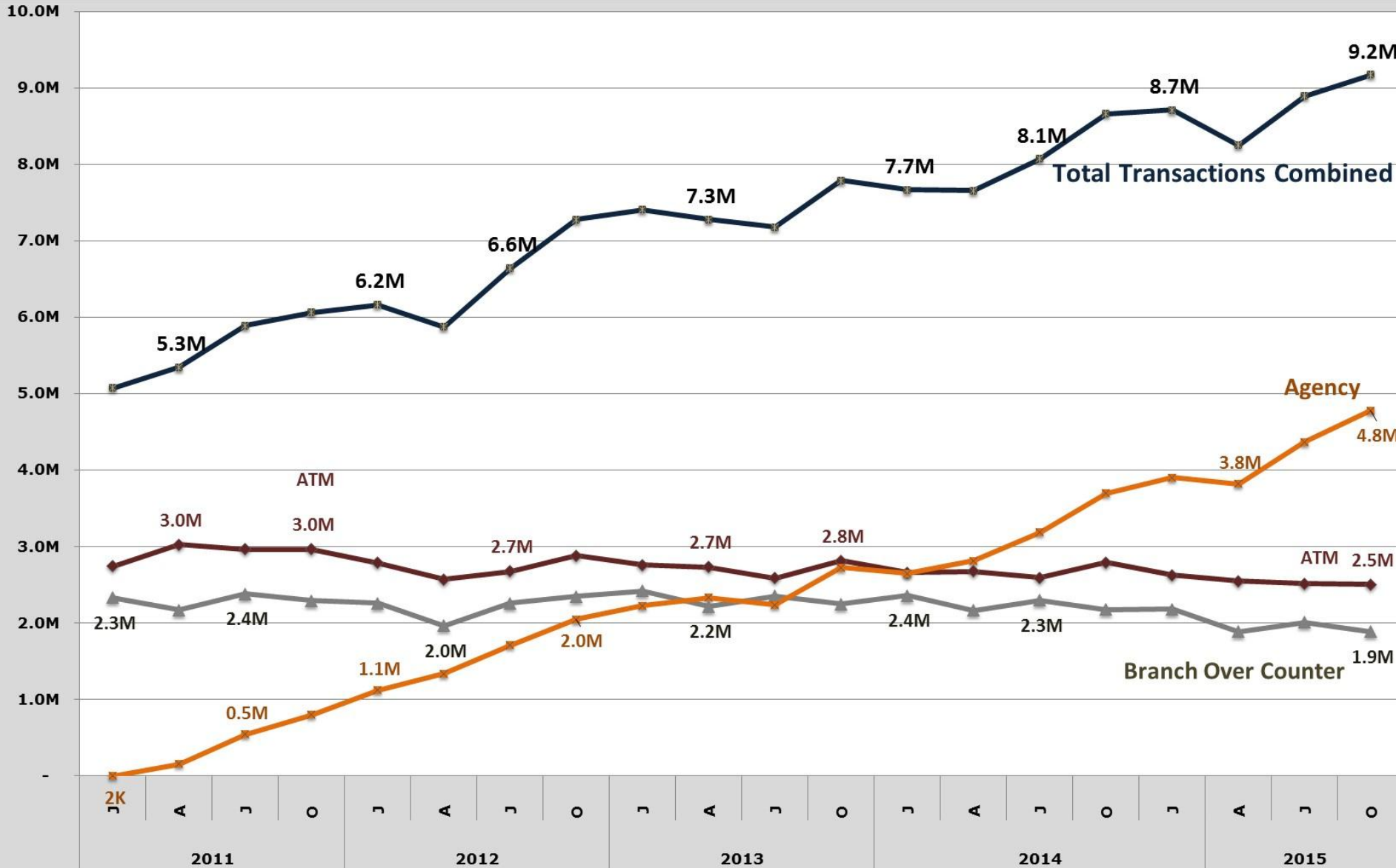
Agent Expectations Are Not Being Met – Dissatisfaction Is Growing

BM expected earnings Rs.12,444 – actual earning Rs.3,951

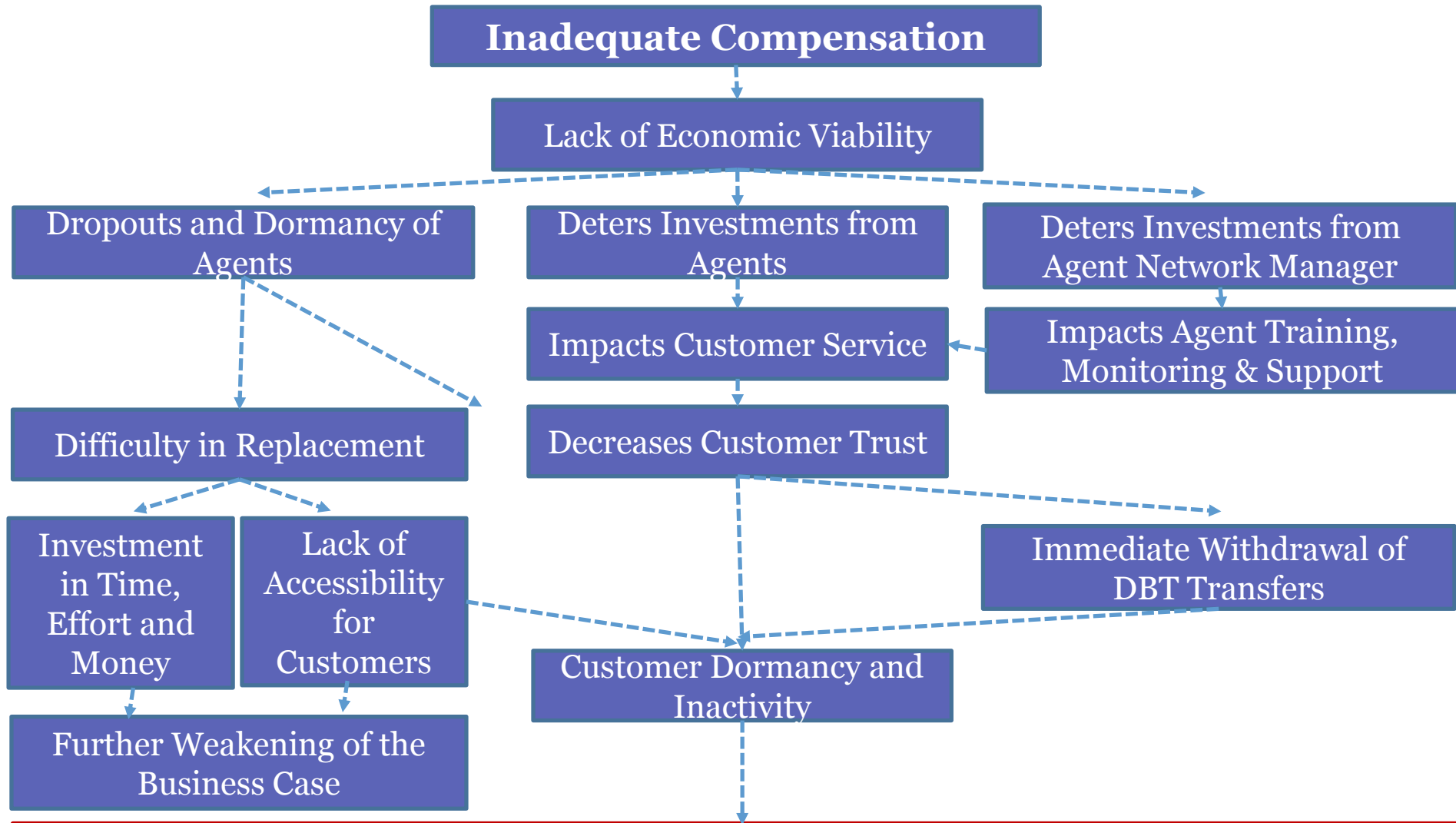
BM satisfaction level and time spent as BM



Successful Agency Banking Is Possible



Impact and Consequences: A Vicious Cycle?



Defeats the Financial Inclusion Objective of PMJDY and DBT Programmes