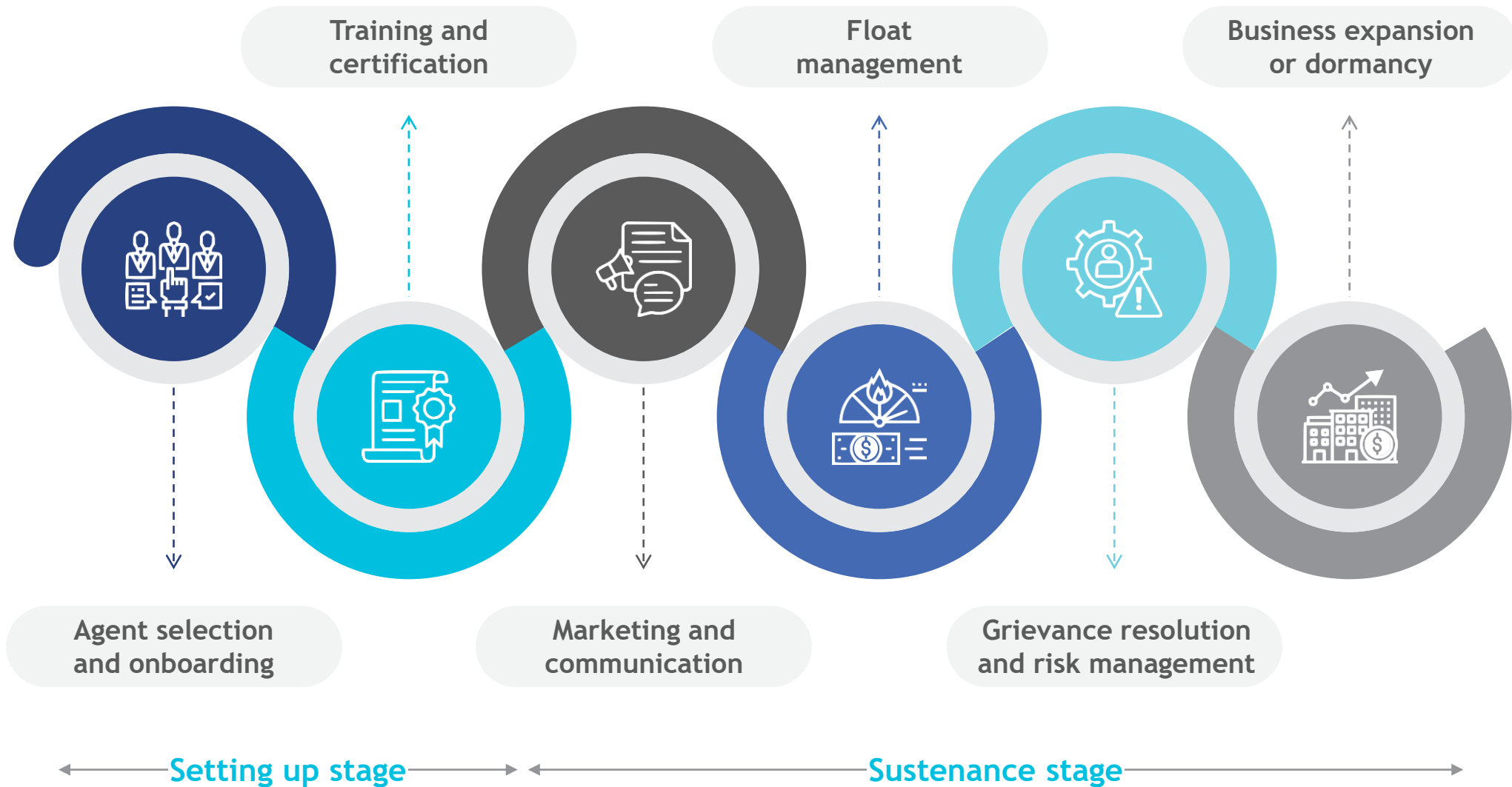# Predominant Cash-in Cash-out (CICO) models in India
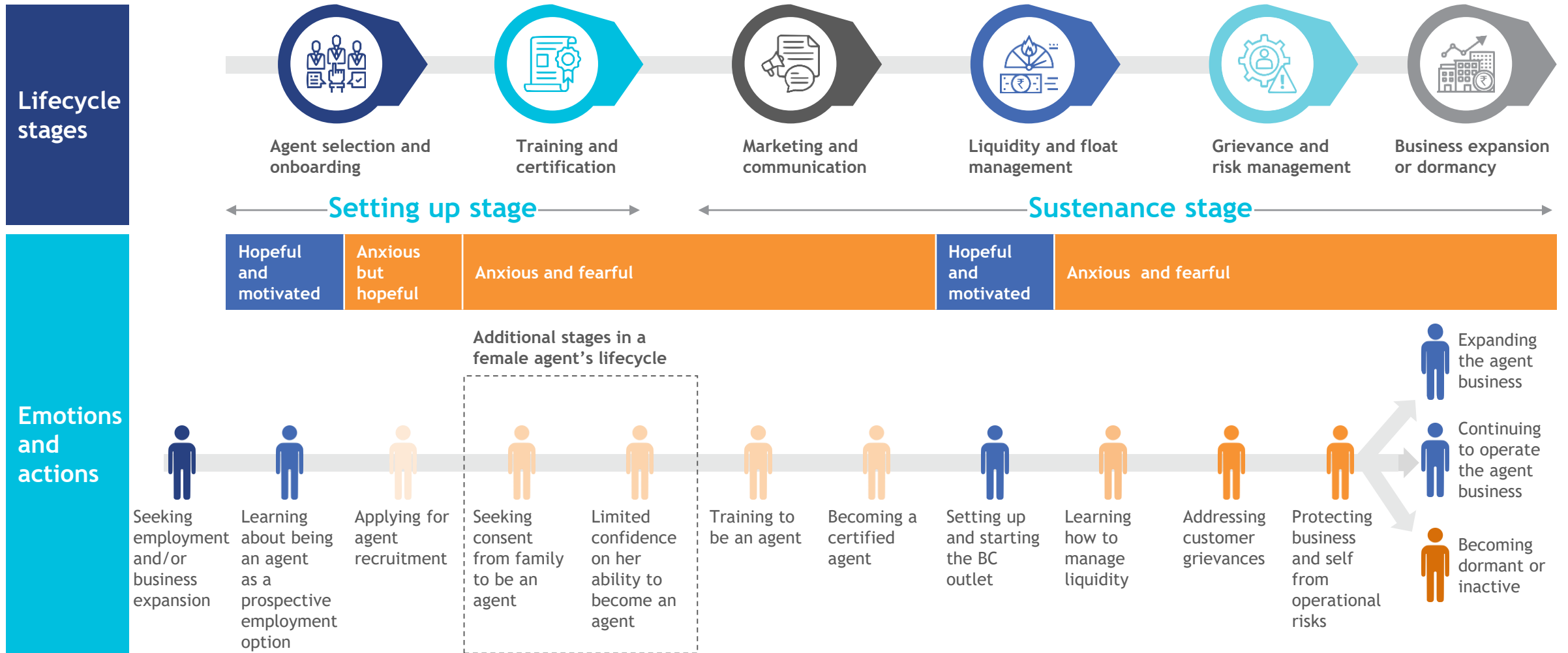
Authors: Disha Bhavnani, and Surbhi Sood

April, 2022

MSC
MicroSave Consulting

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

Training and certification
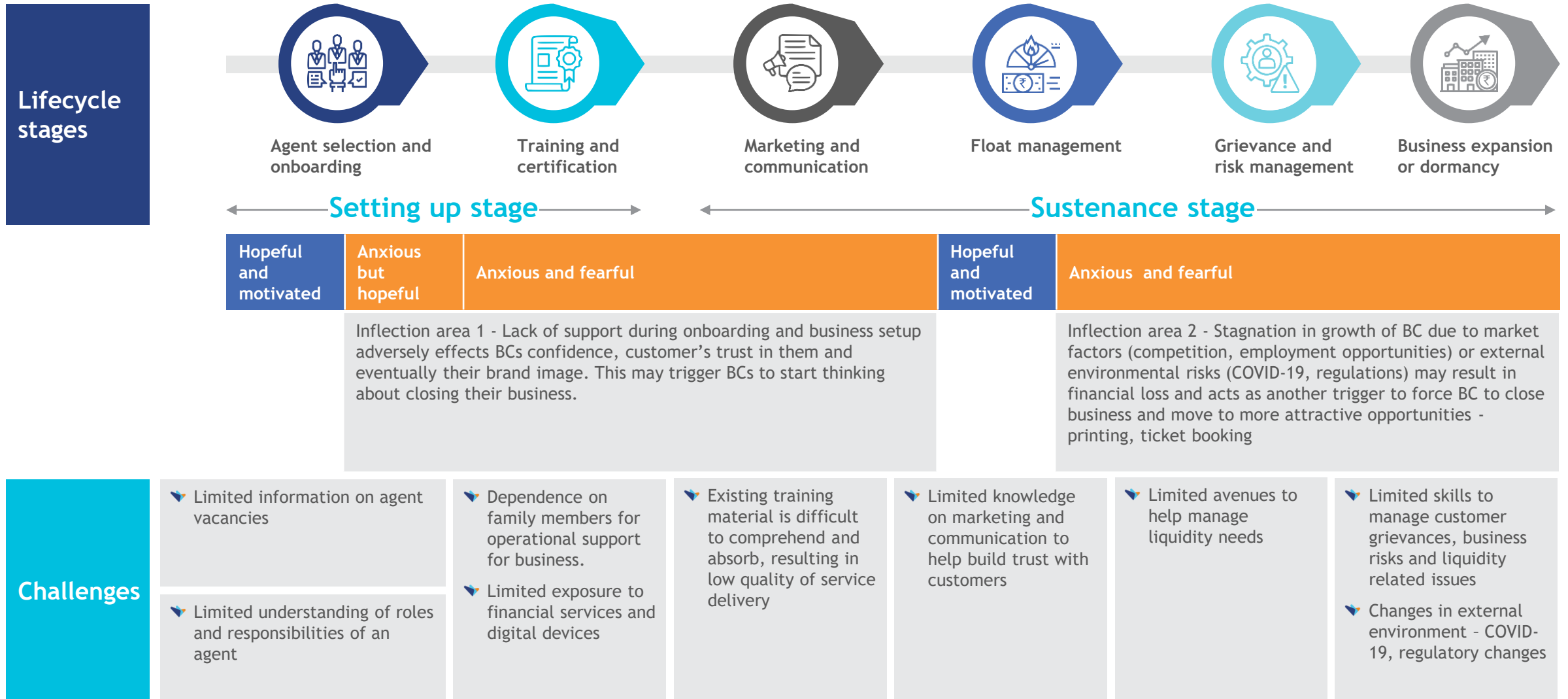
Float management

Business expansion or dormancy

Agent selection and onboarding

Marketing and communication

Grievance resolution and risk management

Setting up stage

Sustenance stage

MSC

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

Lifecycle stages

Agent selection and onboarding

Training and certification

Marketing and communication

Liquidity and float management

Grievance and risk management

Business expansion or dormancy

Setting up stage ← →

Sustenance stage ← →

Hopeful and motivated	Anxious but hopeful	Anxious and fearful	Hopeful and motivated	Anxious and fearful

Emotions and actions

Additional stages in a female agent's lifecycle

Seeking employment and/or business expansion

Learning about being an agent as a prospective employment option

Applying for agent recruitment

Seeking consent from family to be an agent

Limited confidence on her ability to become an agent

Training to be an agent

Becoming a certified agent

Setting up and starting the BC outlet

Learning how to manage liquidity

Addressing customer grievances

Protecting business and self from operational risks

Expanding the agent business

Continuing to operate the agent business

Becoming dormant or inactive

1. Shades of Blue, and Orange indicate impact (light to dark indicates low to high impact)
2. Blue icons are positive impact, and Orange icons are inflection points – points where the probability of the agent dropping from the process and choosing another profession is more likely compared to other stages

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

Lifecycle stages

Agent selection and onboarding	Training and certification	Marketing and communication	Float management	Grievance and risk management	Business expansion or dormancy

Setting up stage ← → **Sustenance stage**

Hopeful and motivated	Anxious but hopeful	Anxious and fearful	Hopeful and motivated	Anxious and fearful	
	Inflection area 1 - Lack of support during onboarding and business setup adversely effects BCs confidence, customer's trust in them and eventually their brand image. This may trigger BCs to start thinking about closing their business.			Inflection area 2 - Stagnation in growth of BC due to market factors (competition, employment opportunities) or external environmental risks (COVID-19, regulations) may result in financial loss and acts as another trigger to force BC to close business and move to more attractive opportunities - printing, ticket booking	

Challenges

Limited information on agent vacancies	Dependence on family members for operational support for business.	Existing training material is difficult to comprehend and absorb, resulting in low quality of service delivery	Limited knowledge on marketing and communication to help build trust with customers	Limited avenues to help manage liquidity needs	Limited skills to manage customer grievances, business risks and liquidity related issues
Limited understanding of roles and responsibilities of an agent	Limited exposure to financial services and digital devices				Changes in external environment – COVID-19, regulatory changes

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CICO models in India

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 *Sakhi*)	Spicemoney ("*adhikaris*"), 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

MSC

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

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

Lifecycle stages	Agent selection and onboarding	Training and certification	Marketing and communication	Float management	Grievance resolution and risk management	Business expansion or dormancy

Setting up stage → ← **Sustenance stage** →

Traditional agents	Indian Bank / ALLAHABAD; UPSRLM, SEWA BHARAT, OLM, CDOT, JRGB		SBI	JRGB, arth	Indian Bank / ALLAHABAD; UPSRLM, Mobisafar, fingpay	Indian Bank / ALLAHABAD; arth
New-age agents			FIA TECHNOLOGY SERVICES PVT. LTD.	arth	arth	
Payments bank agents			airtel Payments Bank			eko
GDS	India Post Payments Bank — IPPB	India Post Payments Bank — IPPB	India Post Payments Bank — IPPB			India Post Payments Bank — IPPB

MSC's intervention across different CICO personas

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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

Access
- Convenience
- Trust
- Customer services
- Reliability

Use-cases
- Account opening
- Assisted services
- Basic transactions
- Subscriptions
- Top-up services

Economics
- Revenue
- Cost
- Profitability

Risk
- Market-related risk
- Technology risk
- Financial risk
- Operational risk
- Strategic risk

MSC

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

MSC

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

Low → High

Convenience

(Flexible hours in providing agent services, distance from residence to agent point, queue at agent point, ease of doing transactions at agent point, range of services offered by agent)

Customer service

(Polite behavior of the agent, customized service by agents toward customers)

Reliability

(Technology downtime during agent services, grievance resolution support by agents)

The above matrix indicates a typical customer's preference for one type of agent over another
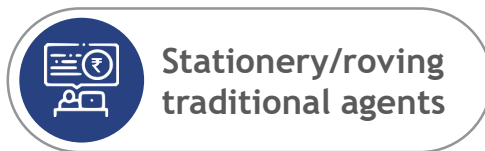
| Bank branch | Stationery/roving traditional agents | BC *Sakhi* – traditional agent | New-age agent | Payment bank agent | GDS |

MSC

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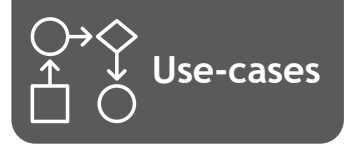
Financial services (Access to usage)

	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	3rd party products (Insurance and referral-based lending)	✦

✦ Use-cases most integral to the persona   *Most CICO transactions consist of AePS-led withdrawals

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

Monthly economics per agent (USD)

Legend: ● Profit | Cost | Revenue

Agent	Profit	Cost	Revenue
Traditional agents	200.0	66.7	266.7
BC Sakhi	40.0	23.3	63.3
New-age agents	100.0	40.0	140.0
Payment bank agents	146.7	53.3	200.0
GDS	46.7	0.0	46.7
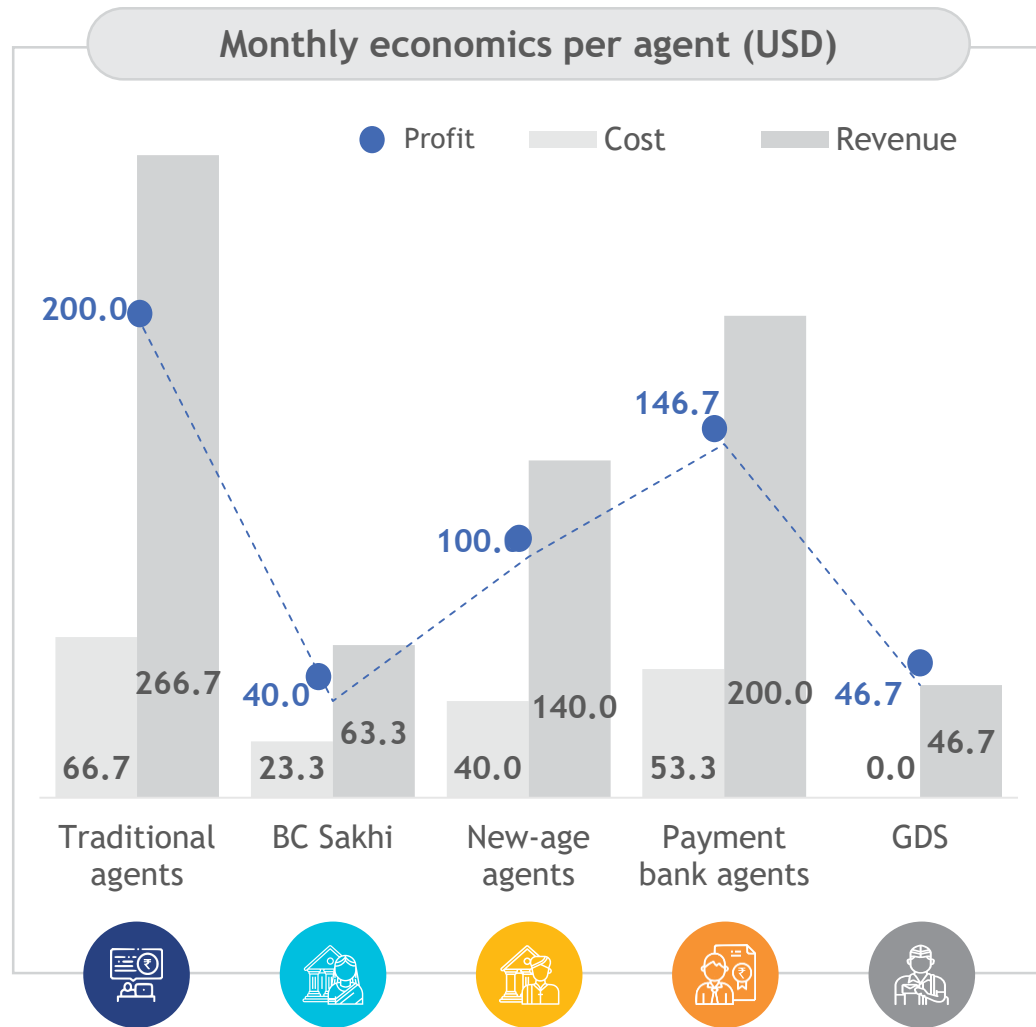
High setup costs in the traditional agent model create a major entry barrier:

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 peration:

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)

[1]Assuming they use existing smartphones for operations

Exchange rate used: USD 1= INR 75

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Risk
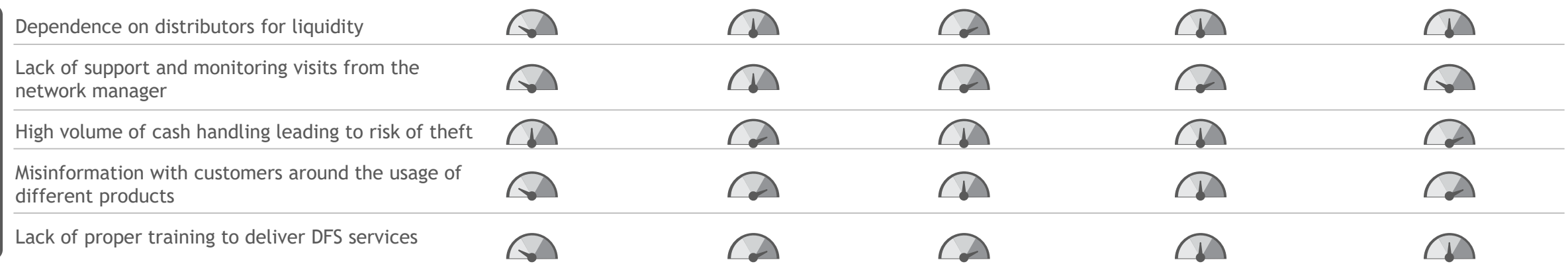
While both operational and financial risks for women BCs are high, Payments bank agents and new-age agents face much higher operational risks
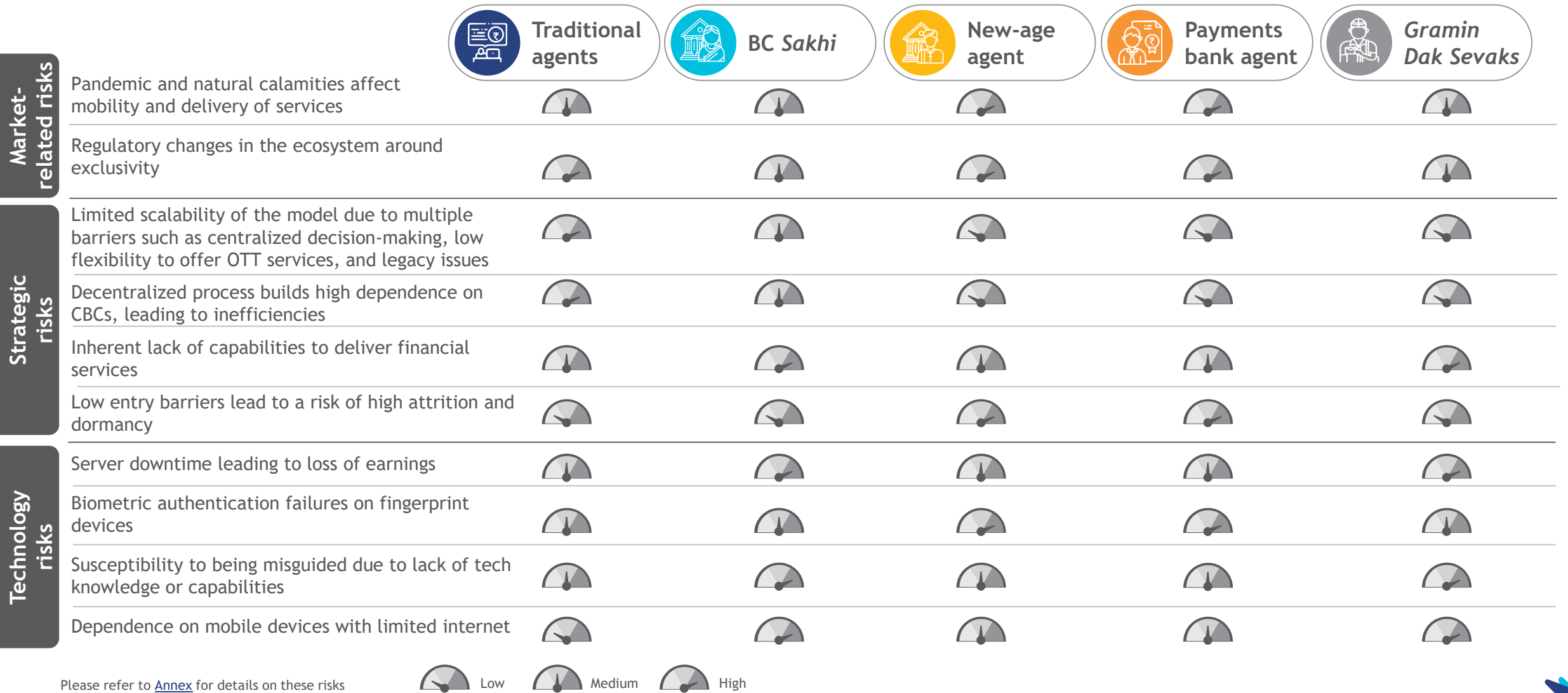
	Traditional agents	BC *Sakhi*	New-age agent	Payments bank agent	*Gramin Dak Sevaks*
Financial risks					
High setup costs and uncertainties in earning returns					
Receiving fake currency notes					
Transaction money gets stuck in the system with no visibility					
Defaults on credit provided to agents or end-customers affect the business					
Operational risks					
Dependence on distributors for liquidity					
Lack of support and monitoring visits from the network manager					
High volume of cash handling leading to risk of theft					
Misinformation with customers around the usage of different products					
Lack of proper training to deliver DFS services					

Legend: Low — Medium — High

Please refer to Annex for details on these risks

MSC

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

	Traditional agents	BC *Sakhi*	New-age agent	Payments bank agent	*Gramin Dak Sevaks*
Market-related risks					
Pandemic and natural calamities affect mobility and delivery of services	Medium	Low	Medium	Low	Low
Regulatory changes in the ecosystem around exclusivity	Low	Low	Medium	Low	Low
Strategic risks					
Limited scalability of the model due to multiple barriers such as centralized decision-making, low flexibility to offer OTT services, and legacy issues	Low	Low	Medium	High	Low
Decentralized process builds high dependence on CBCs, leading to inefficiencies	Low	Medium	Medium	High	Low
Inherent lack of capabilities to deliver financial services	Medium	Medium	Medium	Medium	Low
Low entry barriers lead to a risk of high attrition and dormancy	Low	Medium	Medium	Medium	Medium
Technology risks					
Server downtime leading to loss of earnings	Medium	Medium	Medium	Medium	Medium
Biometric authentication failures on fingerprint devices	Medium	Medium	Medium	Medium	Medium
Susceptibility to being misguided due to lack of tech knowledge or capabilities	Low	Medium	Medium	Medium	Low
Dependence on mobile devices with limited internet	Medium	High	Medium	Medium	Medium

Please refer to Annex for details on these risks — Low | Medium | High

MSC

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

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)

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.

2a The "agent index" helps us identify the skill gap among each persona, which constrain them from offering quality services to customers.

1b An in-depth understanding of the ACTA* variables and agent economics helps us understand the catalysts that drive agent transactions.

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)

MSC

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 7,000-25,000

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

MSC

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

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

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)

Challenges / Pain points

- 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**
- 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**
- 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**

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
- 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

MSC
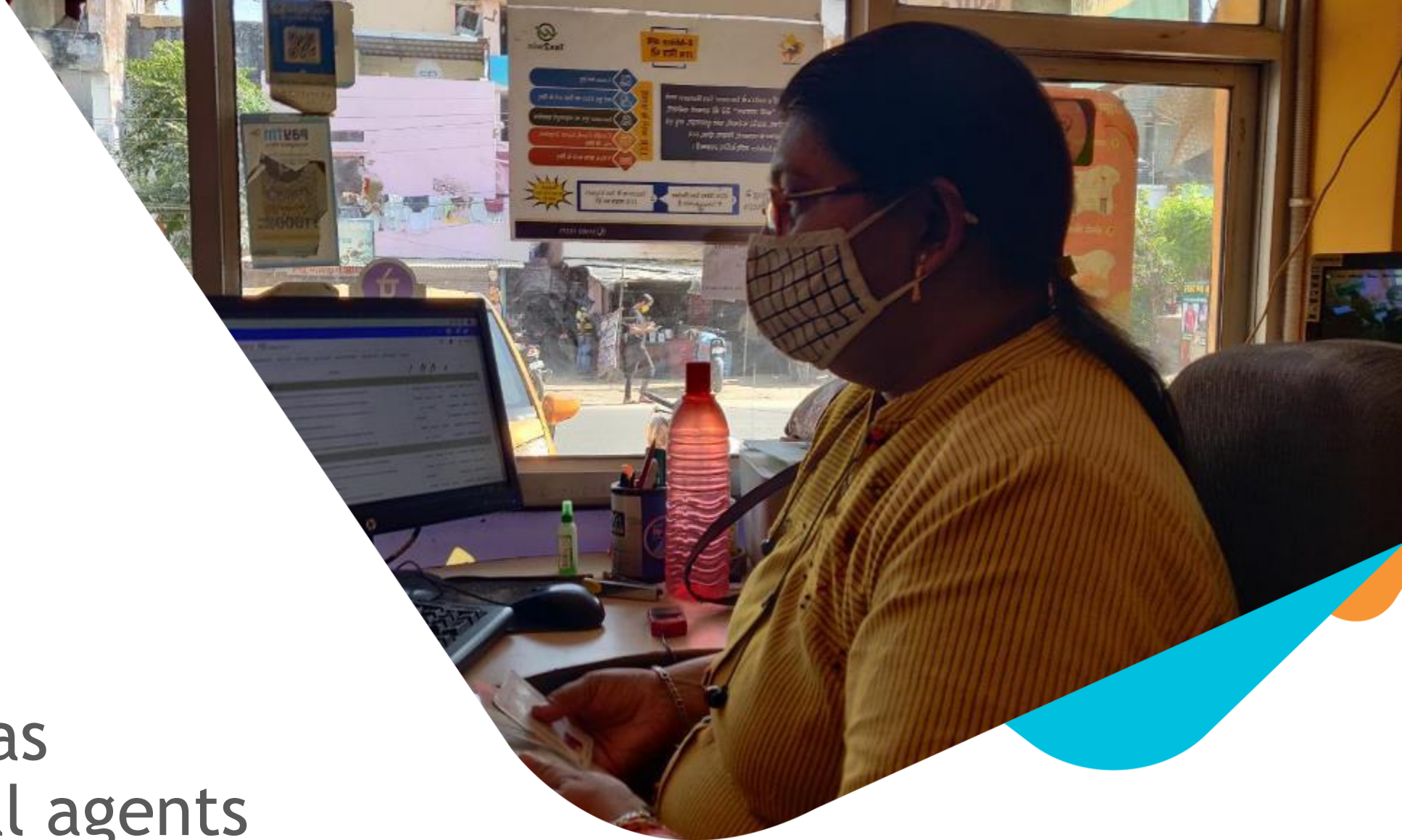
Model-1:
b) BC *Sakhi* as traditional agents

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

MSC

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*

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

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

Challenges / Pain points

Agent selection and onboarding
- 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**

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

Communication, grievance resolution. and risk management
- 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
- 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**

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

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

MSC

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				
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

■ Indicates high-priority areas covered under this model

Indicates level of focus: high, medium, low

MSC

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

- Agents operate for multiple BCNMs

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

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

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

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**

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

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

Limitation(s)

☐ MSC intervention to address this challenge

MSC

Model-3:
Payments bank agents

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

Accounts

- Opens savings and current accounts at agent outlets
- Helps in *Aadhaar* seeding to accounts
- Provides debit cards after account opening

CICO

- Provides assisted CICO transactions to the customers at outlets

Transactions

- Facilitates P2P services facility to customers
- Allows utility payments to customers

Adjacencies

- Sells various third-party products like insurance and referral-based lending options

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 20,000 to INR 30,000
- Range of costs: Biometric device and thermal printer: INR 3,000-5,000
- Range of profitability: INR 1,500 to INR 5,000

The way a BC agent operates

Moat: BC agents provide banking experience to customers through their agent outlets

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

Model followed: Non-exclusive, both dedicated and non-dedicated (varies)

USP compared to other models:

- BC agents offer most financial and non-financial payment services for customers at the nearest outlet
- Aggressive expansion and large product suite are available for the customers
- Local presence
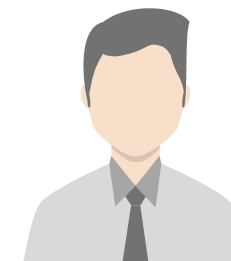
Approximate number in India:

>1 million

* 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

MSC

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

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

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

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
- 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
- Payments bank agents face cash management issues in case of high demand (especially during COVID-19)
- They have limited loyalty toward a BCNM/platform

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.)

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

Limitation(s)

MSC intervention to address this challenge

MSC

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

MSC

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

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)

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

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**

- 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**

- 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

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

- High dependence on DoP
- Building a non-DoP channel will take time and effort
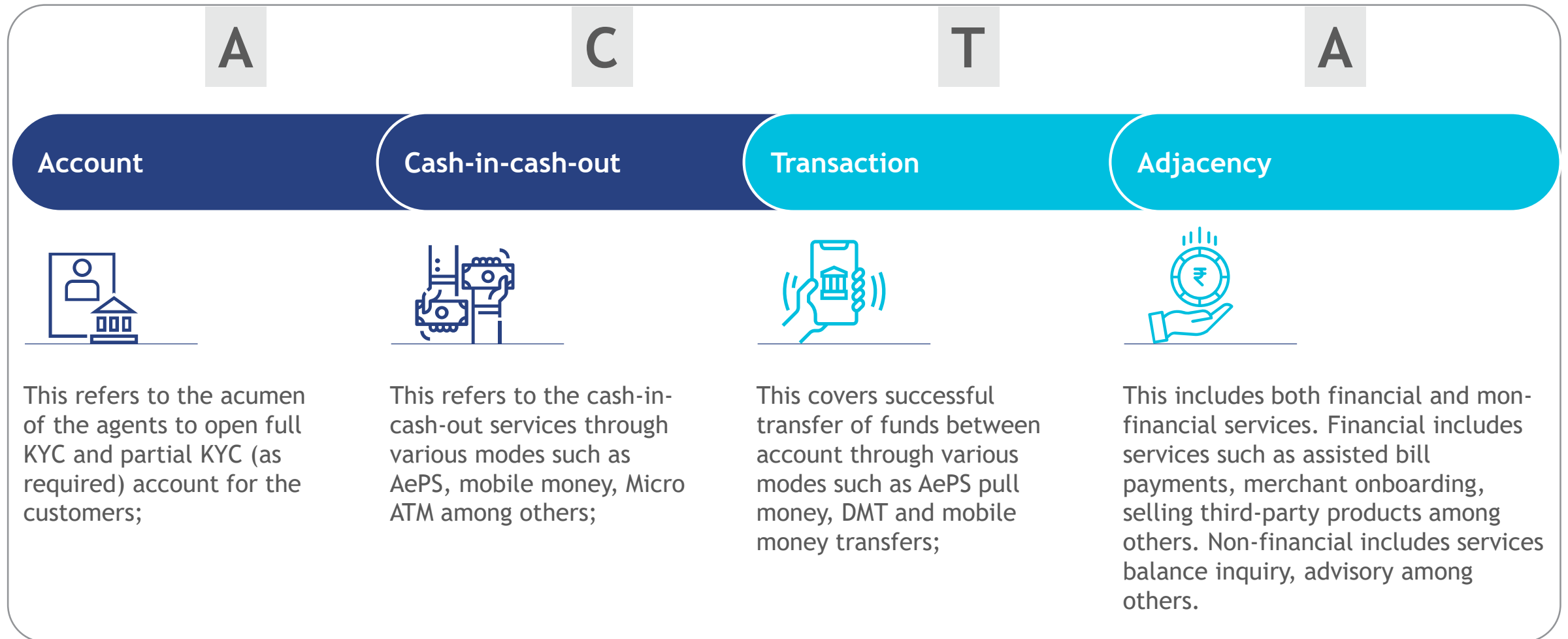
Limitation(s)

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

☐ MSC intervention to address this challenge

MSC

Annexes

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

A	C	T	A
Account	**Cash-in-cash-out**	**Transaction**	**Adjacency**

This refers to the acumen of the agents to open full KYC and partial KYC (as required) account for the customers;

This refers to the cash-in-cash-out services through various modes such as AePS, mobile money, Micro ATM among others;

This covers successful transfer of funds between account through various modes such as AePS pull money, DMT and mobile money transfers;

This includes both financial and mon-financial services. Financial includes services such as assisted bill payments, merchant onboarding, selling third-party products among others. Non-financial includes services balance inquiry, advisory among others.

*ACTA framework adopted from McKinsey

MSC

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

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 *Sakhi*s (women agents)	To increase the business development and entrepreneurship skills of BC *Sakhi*s for better business sustainability.
Rigid and manual agent management processes	Agent selection and onboarding	Dependence on manual processes for agent recruitment	Indian Bank – **R**edesigning 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

MSC

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 *Sakhi*s to enhance financial access to women customers	To digitize BC *Sakhi* 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

MSC

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

MSC

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

Back to the key risks faced by different CICO models

MSC

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

MSC

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

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*)

MSC

Acknowledgments:

Graham A Wright

Anil K Gupta

Akhand J Tiwari

Sunil S Bhat

Zeeshan Ali

Saloni Tandon

Raghuveer D Phani

Manali Jain

Copyeditor:

Rahul Ganguly

Graphic Designer:

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Water, sanitation, and hygiene (WASH)

Government and regulators

Micro, small, and medium enterprise (MSME)

Social payments and refugees

Gender

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> **>1,000 publications**

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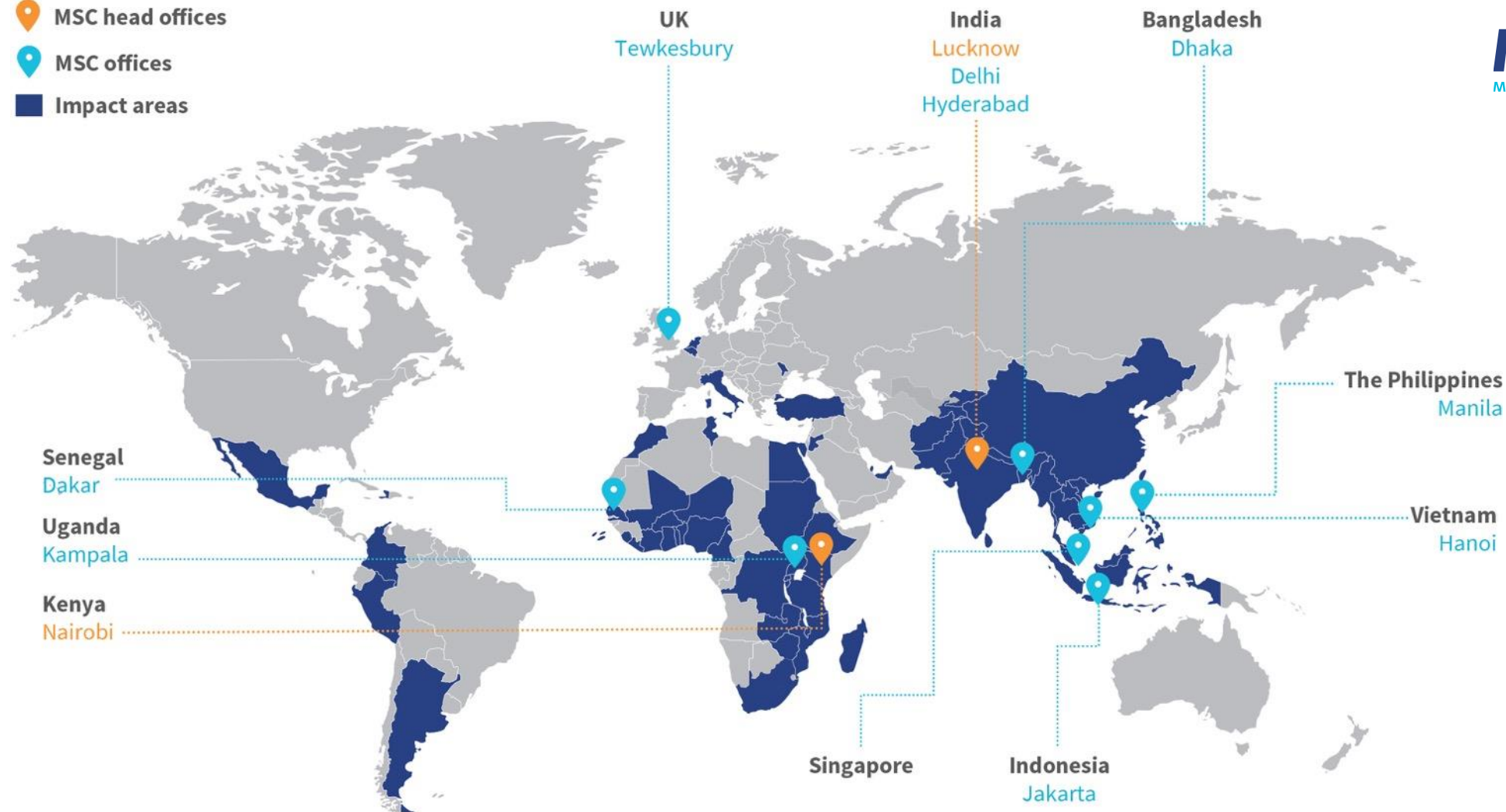Implemented **>875 DFS projects**

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