How well do Indians use cash-in & cash-out (CICO) agents, and can this usage increase?
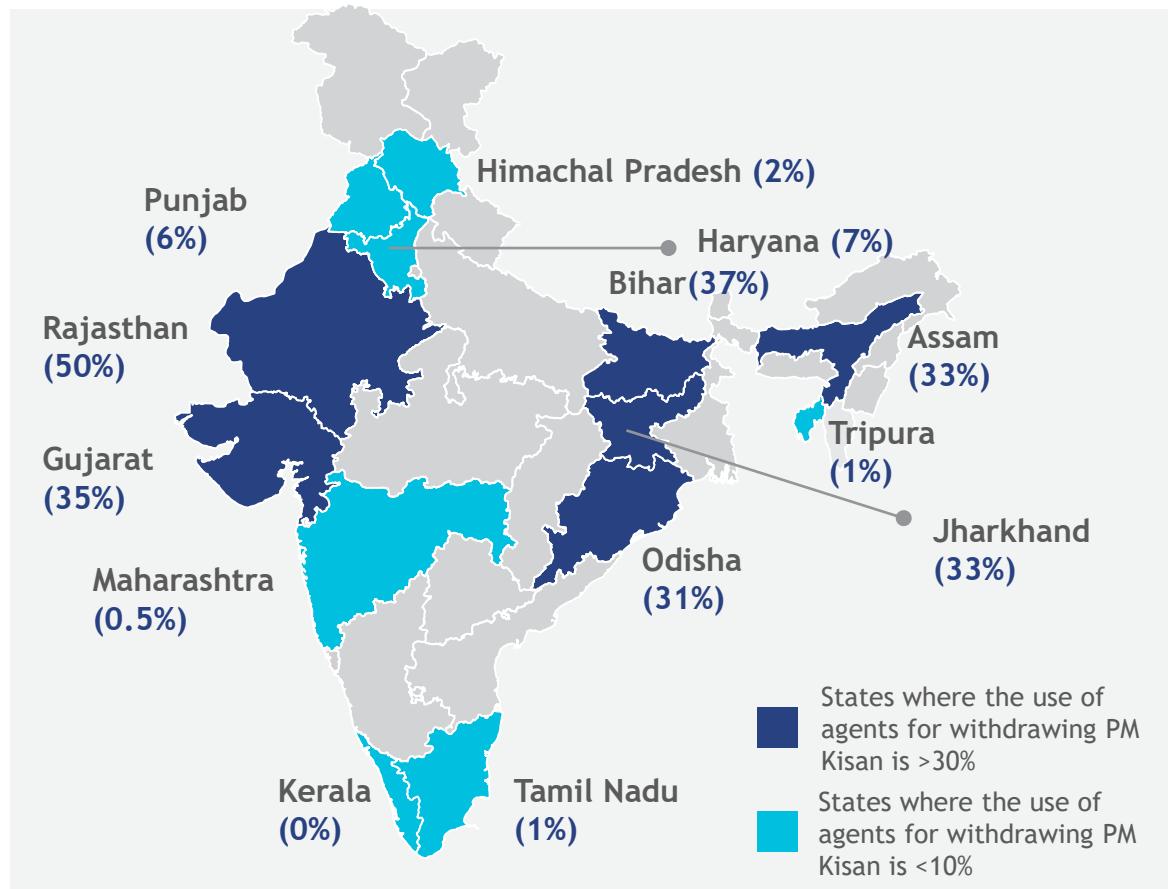
MSC Insight series 11

May 2022

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MicroSave Consulting

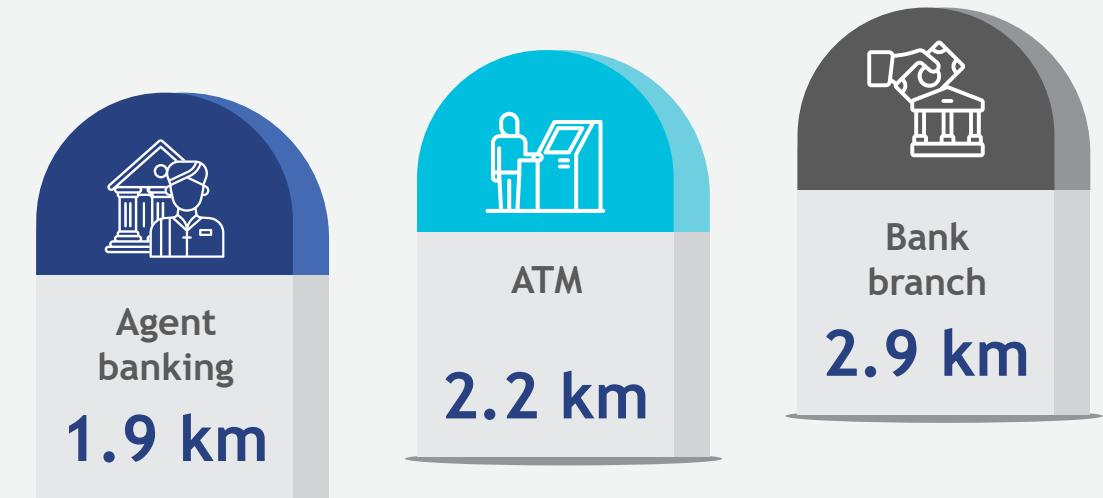# The use of agents to withdraw DBT money is generally low but the usage varies across geography

At the country level, the use of agents to withdraw DBT is quite low, at just around 8%. However, usage levels vary by geography.*

67%+ of beneficiaries prefer bank branches to withdraw DBT money, even though they have alternate withdrawal points closer to their home.

Punjab (6%)

Himachal Pradesh (2%)

Haryana (7%)

Bihar (37%)

Rajasthan (50%)

Assam (33%)

Gujarat (35%)

Tripura (1%)

Jharkhand (33%)

Maharashtra (0.5%)

Odisha (31%)

Kerala (0%)

Tamil Nadu (1%)

States where the use of agents for withdrawing PM Kisan is >30%

States where the use of agents for withdrawing PM Kisan is <10%

Average distance of the banking channel from home*

Agent banking
1.9 km

ATM
2.2 km

Bank branch
2.9 km

The number of agents in India has proliferated at a CAGR of 46.2%. As of December, 2020 India had 1.5 million+ agents#. Yet, customers still do not consider agents as a trustworthy channel.

Data source: *Evaluation of the PM Kisan scheme with a sample size of 12,455 spread across 20 states of India

RBI. (See RBI Annual report 2020-21)

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System-level bottlenecks, unauthorized charges, and technology-related issues plague agents' business, resulting in a <u>lack of trust</u> by customers

Unauthorized charges by agents are common and destroy trust—examples from our survey include:

Tamil Nadu:	Haryana & Punjab:	MP:
~INR 10-20 (USD 0.13-0.26) per transaction.	~INR 20 (USD 0.26) for INR 1,000 (USD 13)	~INR 60 (USD 0.77) per INR 1,000 (USD 13) withdrawal

A major reason for customers not using agents was overcharging by agents. MSC 2020

Fueled by these unauthorized charges, rumors of misappropriation by agents are widespread

> " I heard about one person who was sure he had INR 2,000 (USD 28) in his account, but heard from the CICO agent in my village that the account had only INR 1,000 (USD 14). The agent withdrew the rest and kept it for himself. I heard something similar from other people and hence, never used the service. I just go to the branch—it is safer. "
>
> **- Customer, Rajasthan**

Customers cannot use BC agent points regularly; hence do not rely on them

> " The agent gives excuses such as no electricity or connectivity failure; so I prefer going to the bank. "
>
> **- Customer, Rajasthan**

Agents often make such (false) excuses to customers when they fail to honor a transaction. The major actual reasons could be:

1. Agent lacks enough liquidity,
2. Server downtime or device malfunction,
3. They cannot transact because the account is not linked with the customer's *Aadhaar*

Limited services and poor marketing of agent points

> " I did not know that the agent point where I opened an account to withdraw my benefits could also be used to open a recurring deposit account*. "
>
> **- Customer, Rajasthan**

*This explains a recurring deposit account

The geographic variation in agent usage is also because of local factors like variations in the effort by the lead bank and variations in BC Agent infrastructure across states or districts. For example, SBI <u>reports</u> that transaction quantum at agents are more than 50% of that of branches.

Data source: Country wide qualitative research on evaluation of Govt. of India's response to COVID-19 in India

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Service providers can change the landscape by taking a few simple steps to increase customer footfall at agent outlets (1/3)

It is a win-win situation for all when more customer transact at agent points; it reduces costs at FSPs substantially and increases revenues for agents

1 **Build customers' trust on agents through monitoring and management**

- **Monitoring agents:** frequent visits by supervisors to ensure that agents do not levy unauthorized charges

- **Grievance management of customers:** quick resolution of any grievance that the customer lodges about the agents

- **Communication to customers:** about how to register complaints and how and where to report failed transactions, etc.

- Consistent efforts to **increase agent income** so that agents do not indulge in malpractices

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Service providers can change the landscape by taking some simple steps to increase customer footfall at agent outlets (2/3)

2 Provide a hassle-free experience to customers at the agent point by supporting agents and building their capacity

- **Training to agents:** Banks need to build the capacity of the agents on pitching products and serve customers, both women and men

- **Follow the lifecycle-of-agents approach and provide support** at each lifecycle stage:
  - agent selection and onboarding
  - training and certification
  - marketing and communication
  - liquidity management
  - grievance resolution mechanism
  - business expansion

- **Provide credit to agents** to buy assets or spend on renovations for the business and manage liquidity

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Service providers can change the landscape by taking some simple steps to increase customer footfall at agent outlets (3/3)

3 Offer an additional bouquet of services that can bring in more customers to agent points

- **Increase targeted products at agent points:** Deliver a broader range of tailored products and services for specific segments of users of agents points, such as SHG members, the elderly, DBT beneficiaries, etc.

- **Differentiated agents:** Deploy a mix of sophisticated sales agents and basic service agents to cater to the need of all types of customers.

- **Capacity building of agents:** Banks need to build capacity of the agents on how to pitch these products to customers and which use-case to be pitched to whom.

- **Behavioral communication at agents:** Using focused IEC materials at agent points highlighting these use-cases can attract more attention from customers.

Further reading:

- MSC's catalytic work on cash-in cash-out (CICO) agents
- Distribution 2.0: The future of mobile money agents

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Sectors we work in

- Banking, financial services, and insurance (BFSI)
- Water, sanitation, and hygiene (WASH)
- Government and regulators
- Micro, small, and medium enterprise (MSME)
- Social payments and refugees
- Gender
- Education and skills
- Digital and FinTech
- Agriculture
- Youth
- Climate change
- Health and nutrition

Multi-faceted expertise

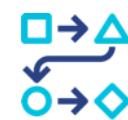Advisory that helps you succeed in a rapidly evolving market

- Policy and strategy
- Products and channels
- Research and analytics
- Organizational transformation
- Digital technology and channels
- Catalytic finance
- Design thinking and innovation
- Marketing and communication
- Training
- Government and regulations and policy
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MSC is recognized as the world's local expert in economic, social, and financial inclusion

International financial, social, and economic inclusion consulting firm with **20+** years of experience

>200 staff in **11** offices around the world

Projects in **~65** developing countries

Our impact so far

>550 clients

>1,000 publications

Assisted development of digital G2P services used by **>875 million** people

Implemented **>875 DFS projects**

Developed **>275 FI products** and channels now used by **>55 million people**

Trained >10,500 leading FI specialists globally

Some of our partners and clients

BILL & MELINDA GATES *foundation*

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IFC International Finance Corporation WORLD BANK GROUP

UNCDF

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WORLD BANK GROUP

CGAP

OMIDYAR NETWORK

ADB ASIAN DEVELOPMENT BANK

NPCI NATIONAL PAYMENTS CORPORATION OF INDIA

NITI Aayog National Institution for Transforming India Government of India

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Safaricom

Centenary Bank

m-pesa

MTN Mobile Money

Center for Global Development

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MOOV no limit

UKaid from the British people

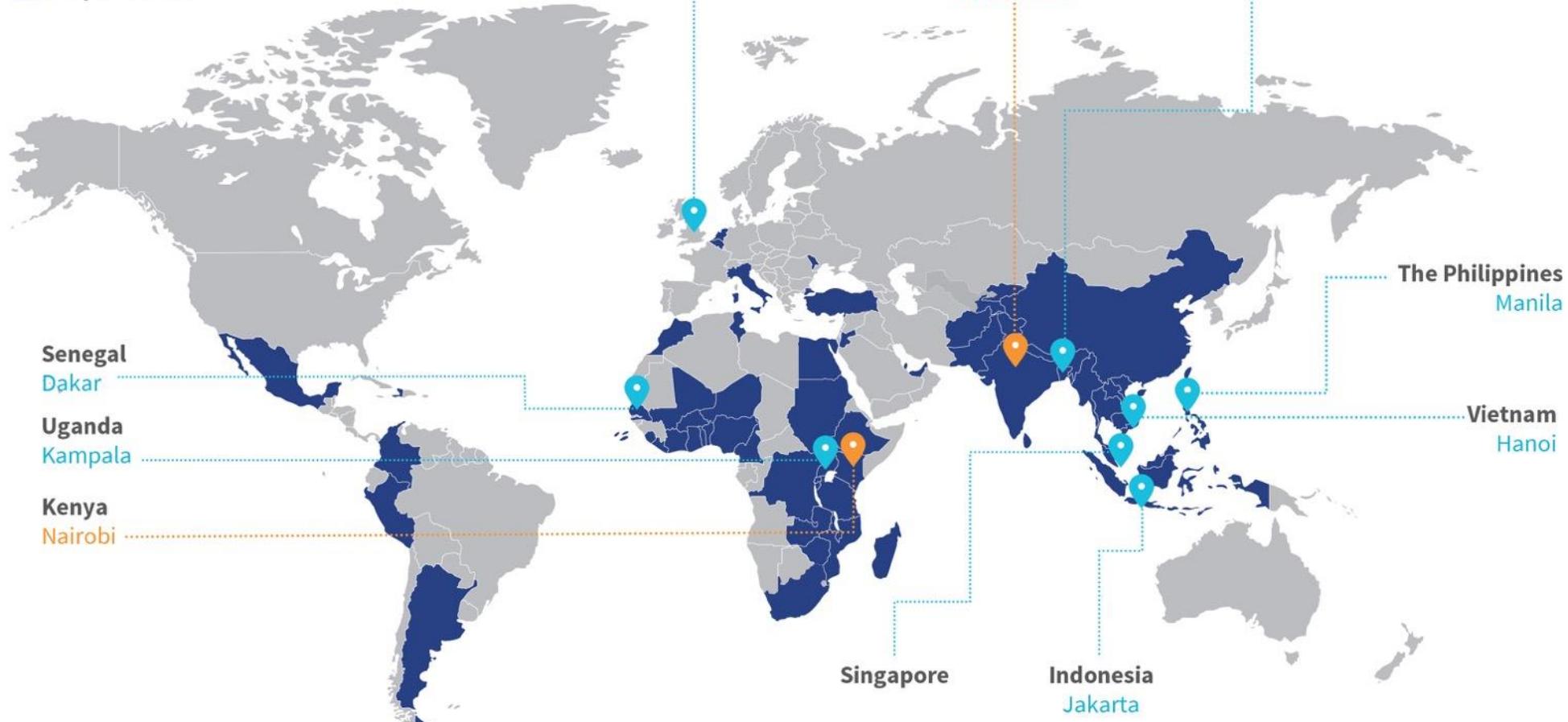Michael & Susan Dell FOUNDATION

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