

BRAC Bank experiments with agent banking—a lesson for progressive banks across the globe

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The growing significance of agent banking channels in Bangladesh's banking ecosystem

Ever since her husband moved abroad for work, Susma Begam has struggled to receive the funds he remits to her. These delays led to constant anxieties for the family back home, and they frequently had to put their life-cycle needs on hold. Sushma's story is all too familiar for thousands of families in Bangladesh. BRAC Bank understood that this was a nationwide problem and that it could solve it.

Susma opened a savings account with BRAC bank and started transacting at the agent banking outlet close to her house. Finally, she could withdraw remittances conveniently without paying any charges. BRAC Bank has earned an image of a trustworthy institution and has worked hard to deploy an approachable and friendly agent banking network. Susma is happy with the remittance services. She has also started conducting other financial transactions at the agent outlet, including cash deposits, cash withdrawals, airtime purchases, and availed products like term deposits. Like Susma, 5.26 million customers in Bangladesh avail products and services of banks through agent banking outlets.

Bangladesh Bank issued guidelines on agent banking in 2013 and followed with guidance notes for approval and operation of agent banking activities in 2014. Bangladesh Bank finally issued prudential guidelines for agent banking operations in 2017, which laid the foundation for agent banking in Bangladesh. Agent banking provides financial and non-financial services to the underserved population. As of 2021, Bangladesh has 13,952 agents who owned 19,247 agent banking outlets from 29 banks.

Four years ago, BRAC Bank decided to strengthen banking services further to the unbanked population and its branch customers in rural and semi-urban areas. Offering services through agent banking channels was BRAC's twin-pronged strategy to improve its customer services for SME loan customers. Agent banking allowed BRAC Bank to offer customers a convenient alternative for loan disbursement and repayment while reducing dependence on other banks.

This case study charts BRAC Bank's agent banking journey. It highlights the unique steps in the journey that ultimately helped ensure channel sustainability. MSC supported BRAC in undertaking the journey under the agent banking project, funded by BRAC bank itself.





BRAC Bank’s agent banking journey

BRAC Bank offered a limited number of agent banking services during the pilot phase in 2018, including account opening, cash deposit, cash withdrawal, and loan repayment. However, BRAC Bank introduced several customer-centric products and services during the rollout phase. These services included loan disbursement, bill payment, remittance service, fund transfer, credit card bill payment, fixed and recurring deposits, biometric-based account opening and transactions, and biometric enrollment for branch customers.

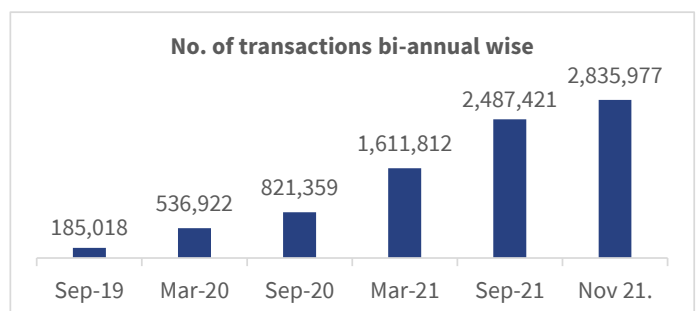
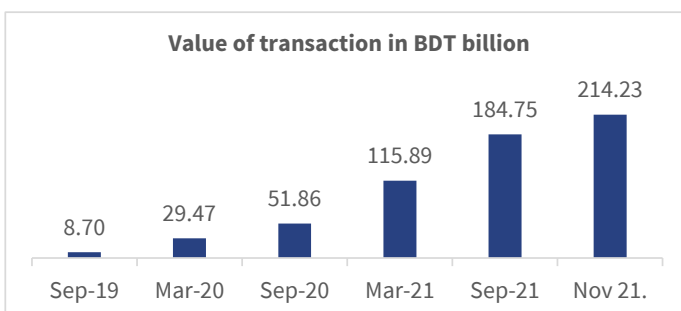
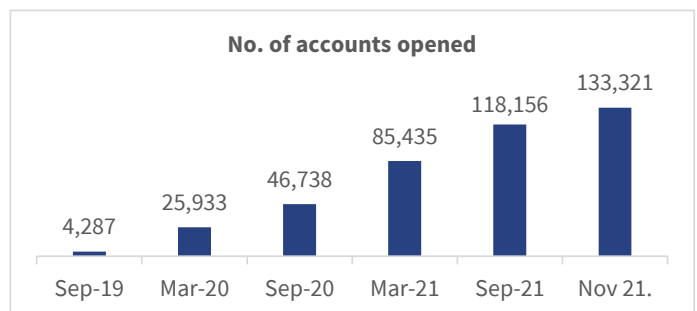
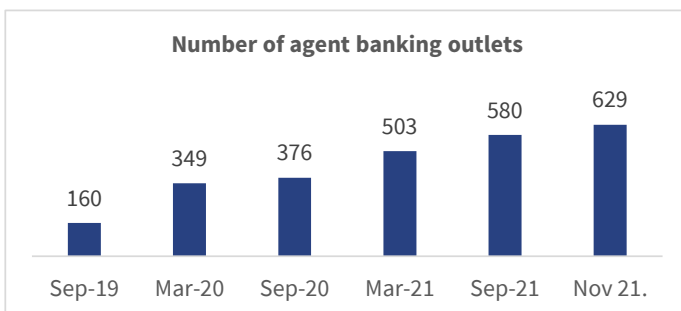
The agent banking team of BRAC Bank took MSC’s support to create several critical documents and content to expand the agent banking services. Together, we developed an agent banking strategy, an operations manual, a training module for agents, the marketing strategy, internal control systems, fraud management policy, compliance and audit policy, financial literacy program, and an assessment of the agent banking platform. These documents helped the bank build its mission and vision alongside a robust action plan with timelines. It offers agent banking services through 270 hybrid outlets and 310 standalone outlets.

Status of BRAC Bank agent banking as of November’21:

- The number of agent outlets increased by 12 times, from 50 agent banking outlets in March, 2019 to 629 agent banking outlets in November, 2021. Out of 629 agent banking outlets, 272 were SME co-located outlets.
- The total number of accounts opened by agents increased by 162 times—BRAC Bank agents opened 820 accounts by March, 2019. It had a total of 133,321 accounts by November, 2021.
- The total number of transactions at agent banking outlets increased by 81 times—agents facilitated 34,931 transactions per quarter in March, 2019. They facilitated 28,35,977 transactions per quarter by November, 2021.
- The total value of transactions at agent banking outlets increased by 148 times—agents facilitated transactions worth BDT 1.44 billion per quarter in March, 2019. They facilitated transaction worth BDT 214.23 billion per quarter in November, 2021.

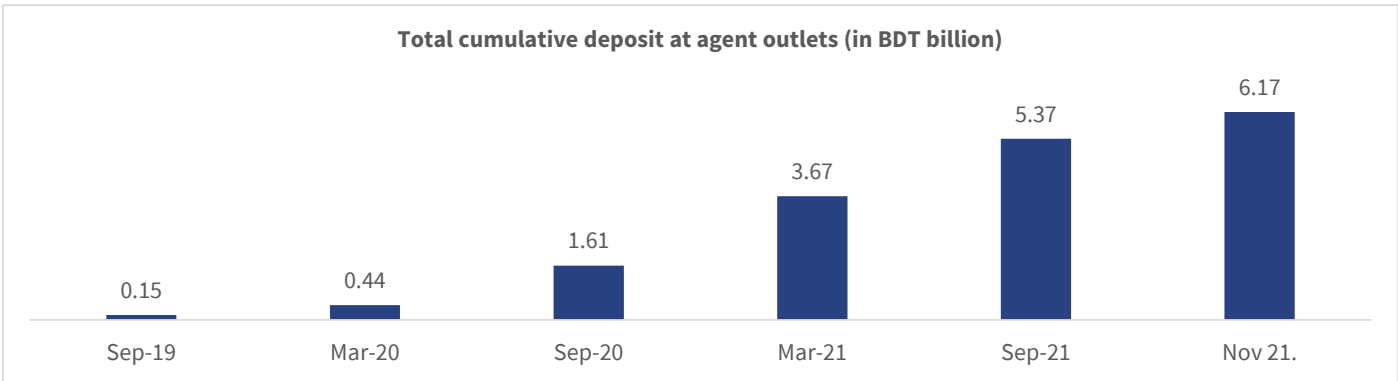


Impact and status



¹Hybrid outlets are agent outlets that share office space with BRAC Bank’s SME Unit office

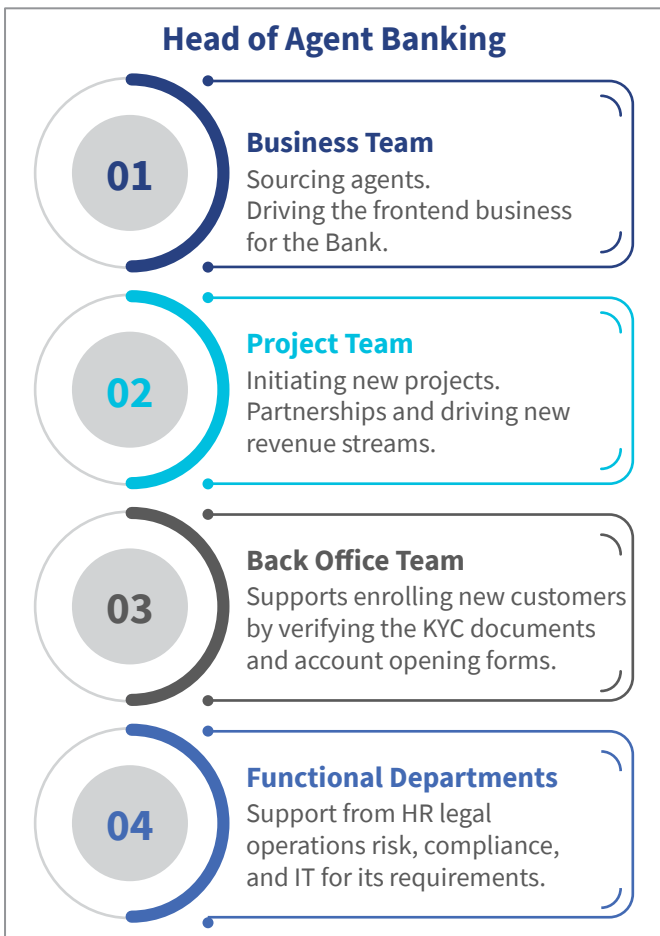
²Standalone outlets are agent outlets that are exclusive and do not share office space with any other unit



Some key differentiating factors about BRAC agent banking for its agents and customers

1. Lean and agile team for agent banking that uses the support functions:

Banks often fail to estimate the human resources requirement and determine their roles and responsibilities to run the agent banking operations. BRAC Bank decided to run its agent banking operations through dedicated teams:



2. Decentralized agent training for speed and reduction in costs:

BRAC Bank ran fresher training for agents at the linked branch or other suitable venues like regional offices depending on the number of agents and agent field officers.

BRAC Bank also decided to conduct refresher training for agents through digital platforms, such as webinars and portals, or through an Agent Banking Relationship Officer. The digital training supported BRAC Bank in conducting the agent onboarding and offering refresher training.



Figure 1: Agent collecting loan repayment from client

3. Grading the agent outlets:

Agents in Bangladesh incurs a high setup cost ranging from BDT 400,000 to BDT 800,000. The high costs of setting up the business imply that it takes agents longer to become viable or reach breakeven of operational costs. BRAC Bank decided to grade its agent banking outlets into three categories, depending on the choice of the agent, such as the area of

the agent banking outlet and the amount of cash and float the agent maintained to run the outlet. The three categories of agents include grades A, B, and C, which allow setting up agent banking outlets in any given location. For example, a grade A agent requires maintaining a higher float, more agent users, and CC TV, while a grade C agent has to keep a small float amount, maintain less number of agent users, and don't require CC TV.

4. Sharing of space between SME Unit Office and agent banking outlet:

BRAC Bank introduced a model of co-sharing office space between agents and SME Units. This initiative has helped the bank reduce the operational cost of agents and itself. The agent complements the SME business by disbursing loans, collecting loan repayment installments, and offering other banking services to SME customers. The customers also benefit as they can avail all the services under one roof.



Figure 2: Agent conducting biometric verification of client at his doorstep

5. Enabling banking transactions in the field:

BRAC Bank introduced an agent banking mobile application that helped agents conduct customer transactions, such as cash in, cash out, and remittance, among others, at the client's location. This facility proved especially helpful for the elderly, rural, semi-urban, or differently-abled customers who could now avail banking services without traveling. Even during the pandemic, when restrictions were in place, the agents assisted customers with doorstep banking.

BRAC Bank agent banking outlets are able to offer transactional services beyond the banking hours and in the holidays.

6. Supporting branch customers for biometric enrolment:

BRAC Bank helped its branch banking customers undertake biometric enrolment. This enabled the branch's banking customers to transact at the agent banking outlet using their biometrics and thus reduced their dependency on the branch.

7. Offered distributor bill collection facility:

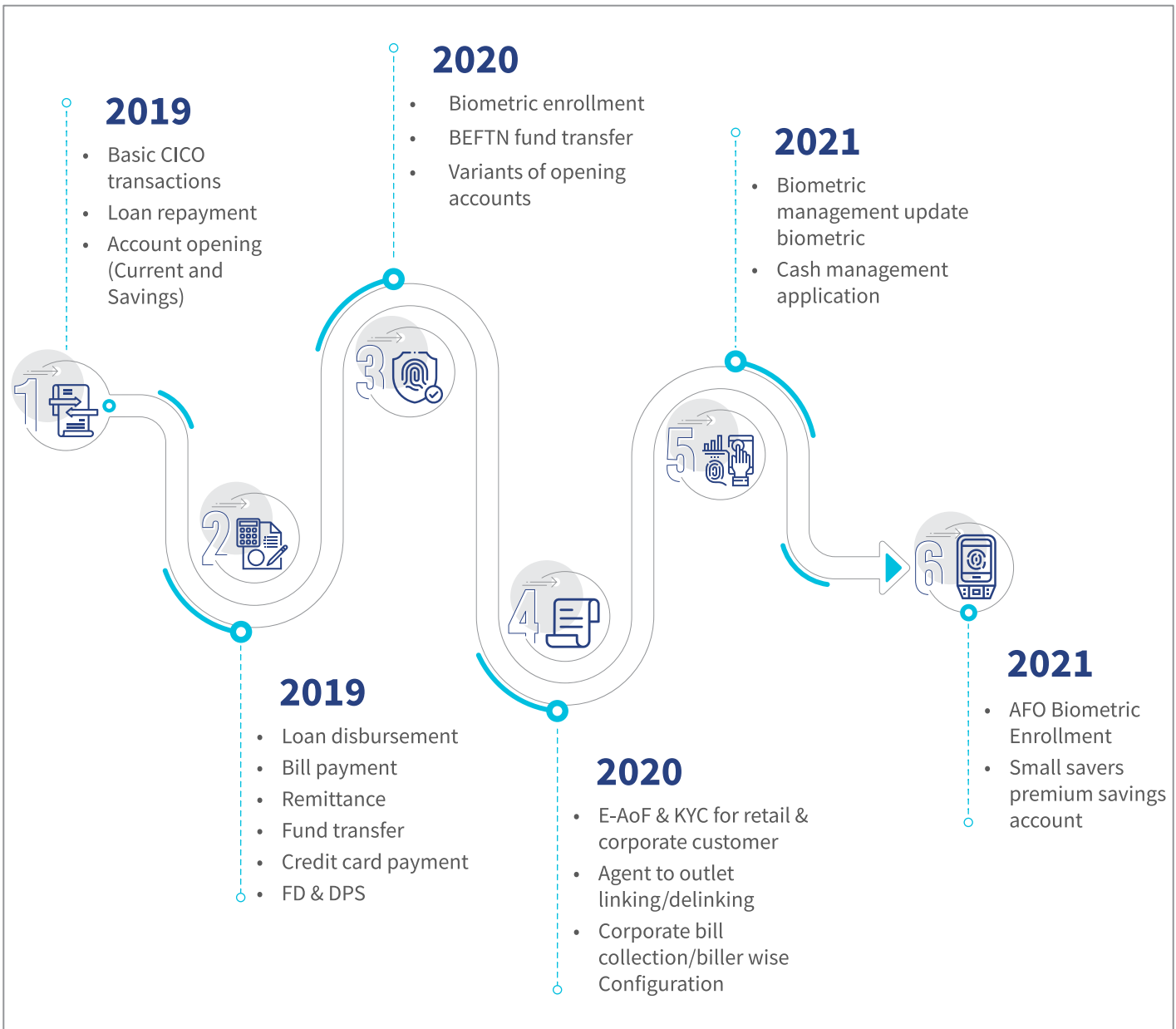
BRAC Bank agent banking pioneered bill collection from distributors of corporate entities at agent banking outlets. BRAC Bank encouraged distributors to deposit cash beyond banking hours. The agents collected the cash from the distributors, which helped them improve their liquidity management and income. At the same time, distributors benefited from the flexibility of depositing cash in the agent outlet outside normal working hours.

8. Emphasizing regulatory compliance:

Monitoring of the agent banking outlet is critical as it contributes significantly to enhancing internal controls. According to [ANA \(Agent Network Accelerator\) Bangladesh's report](#), the proportion of agents or their employees who have personally experienced fraud increased from 19% in 2014 to 22% in 2016. BRAC Bank developed various tools with MSC's support to check frauds at the agent and customer levels. Some of the tools include agent monitoring tools and transaction risk analysis tools. These help agents comply with BRAC Bank policies and offer greater customer protection.

9. Increasing the product offerings at agent banking outlets:

The bank strives to increase the number of product offerings to improve its customer service. The increase in product offerings also helps agents increase their revenue and become sustainable. The diagram below depicts the journey of product offerings from BRAC Bank from 2019 to 2021.



Way forward

Many commercial banks have been operating their agent banking channel at a loss and remain far from achieving breakeven. This case study shares lessons from BRAC Bank’s

journey and its experiments with agent banking. Other banks across the globe can learn from BRAC Bank’s unique initiatives and make the channel a profit-making proposition.