

Decoding the practices of CICO agents in Indonesia



The CICO agents landscape in Indonesia is fast evolving

The service aggregation levels at an individual agent point are limited, even though agent networks in Indonesia offer diverse use cases that range from CICO services to e-commerce services.

Transaction categories	Use cases offered	Banking agents (<i>Laku Pandai</i> agents)	G2P agents (subset of banking agents)	FinTechs, e-commerce agents, or both
Core banking services	Bank account opening		×	×
	Cash-in			
	Cash-out			×
	Loans	×	×	
	OTC money transfer			
	Money transfer (A2A)			N/A*
	Bill payments and top ups			
Other services	E-commerce and supply chain solutions	×		
	Third-party products (insurance, mutual funds, gold savings, game vouchers)			

Green indicates the use case that agents currently offer.

Red indicates agents offer the use case in a restricted manner or through partnerships.

×

The cross sign indicates use cases agents currently do not offer, either due to regulatory restrictions or as part of the service provider's business strategy

Low, medium, and high (Harvey balls)—these are indicative and intends to show the uptake of different type of transactions that agent networks currently offer.

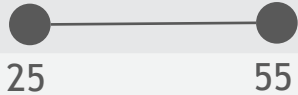
The three major agent types have their distinct personas



Banking agent
(Laku Pandai)
Trustworthy

Located in rural and urban areas and handles a large volume of transactions

Age



Digital Savviness

High

Skills—soft and technical

High

Community focus

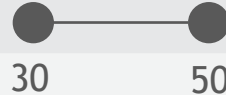
Medium



G2P agent
Community leader

Located in rural areas and has a good reputation in their locality

Age



Digital Savviness

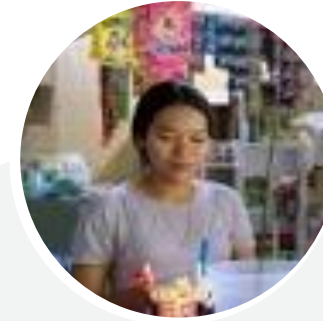
Low

Skills—soft and technical

Medium

Community focus

High



Fintech agent
Tech-savvy

Located in urban and peri-urban areas; usually serves multiple providers and hence has two or three apps to conduct transactions

Age



Digital Savviness

High

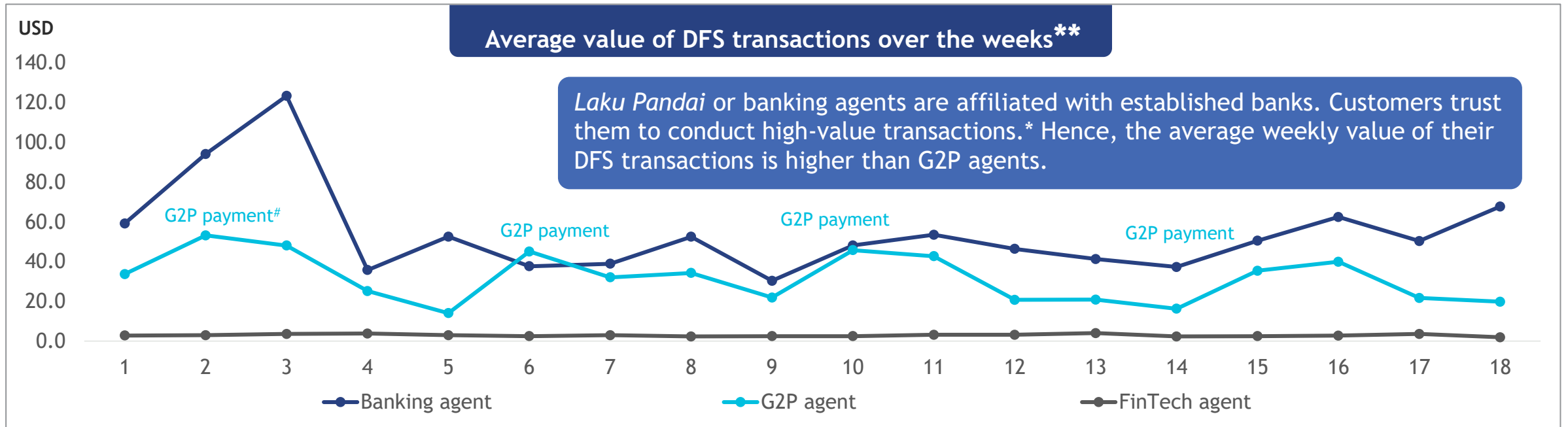
Skills—soft and technical

Low

Community focus

Low

Agent Diaries research shows that customers seem to prefer *Laku Pandai* or banking agents and G2P agents for money transfer and CICO transactions



#The spikes in the graph for G2P agent is because of G2P disbursements, especially *Bansos*

Please refer to [Annexure 1](#) for more about Agent Diaries methodology

Frequent use cases of...

Banking agent (*Laku Pandai* agent)

1. OTC money transfer (30%)
2. Phone and internet top-up (24%)
3. Electricity (PLN) (20%)
4. E-wallet top-ups (14%)

G2P agent

1. Cash-out, including G2P withdrawal (34%)
2. OTC money transfers (28%)
3. Electricity (PLN) (12%)
4. Water (PDAM) (9%)

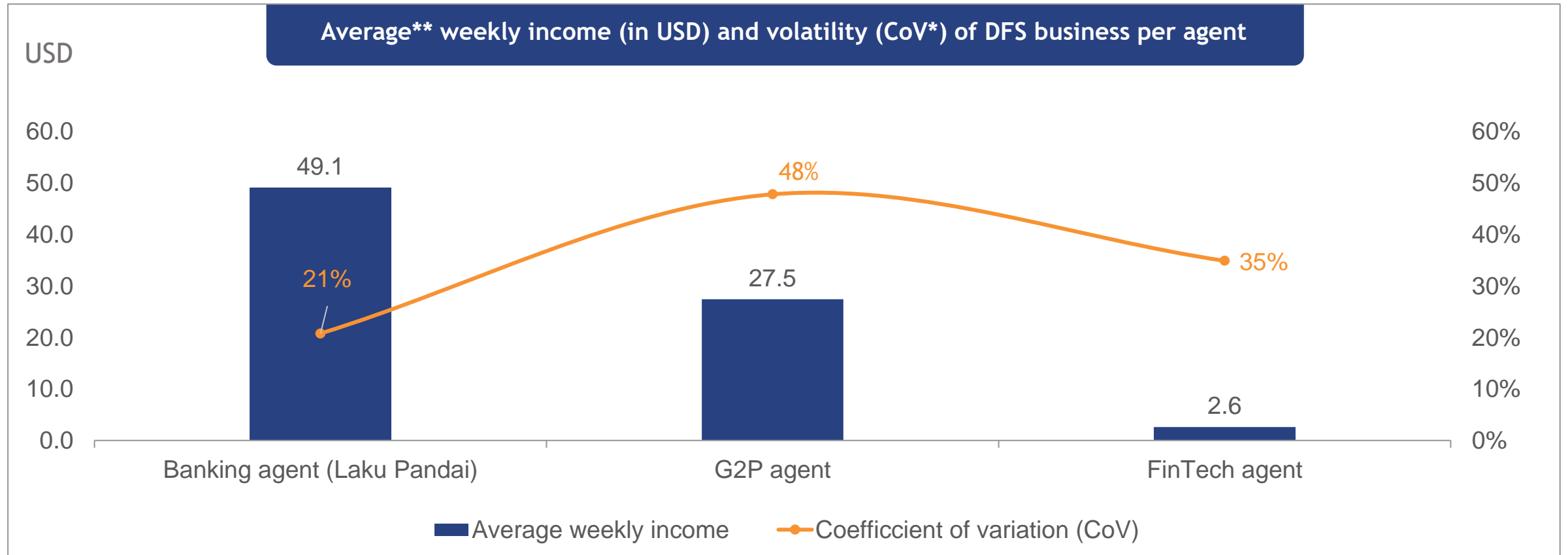
FinTech agent

1. Phone and internet top-up (52%)
2. Electricity (PLN) (35%)
3. OTC money transfer (7%)
4. E-wallet top-ups (6%)

*Based on qualitative interviews with agents **Average values for three banking agents, two G2P agents, and three FinTech agents. Week 1 is 18th-27th July 2022 and week 18 is 14th -17th Nov 2022.

Agents struggle with volatile incomes (1/2)

Banking agents (*Laku Pandai* agents) who have more stable and higher net DFS income are least affected by volatility. G2P agents have the highest volatility. Agents adopt various strategies (eg. cross-selling, charging an unauthorized fee, splitting transactions) to earn more commission to augment DFS income.



*CoV: Coefficient of variation is the ratio of standard deviation to the mean. The higher the CoV, the greater the level of dispersion around the mean (more volatility).

**Average values for three banking agents, two G2P agents, and three FinTech agents.

Agents struggle with volatile incomes (2/2)

G2P Agents

High volatility of G2P agents is due to their dependency on G2P payments (*Bansos*) disbursement.

High volatility of G2P and FinTech agents

FinTech agents have moderately high volatility from the agency business since they offer limited products, which also limits their revenue from the DFS business. Their high volatility also stems from the highly commoditized nature of their most-used products—top-ups and bill payments—which do not encourage customer loyalty.

FinTech agents



Bansos distribution

G2P agents rely on social assistance distribution to increase their average income by more than 150% once every two or three months.

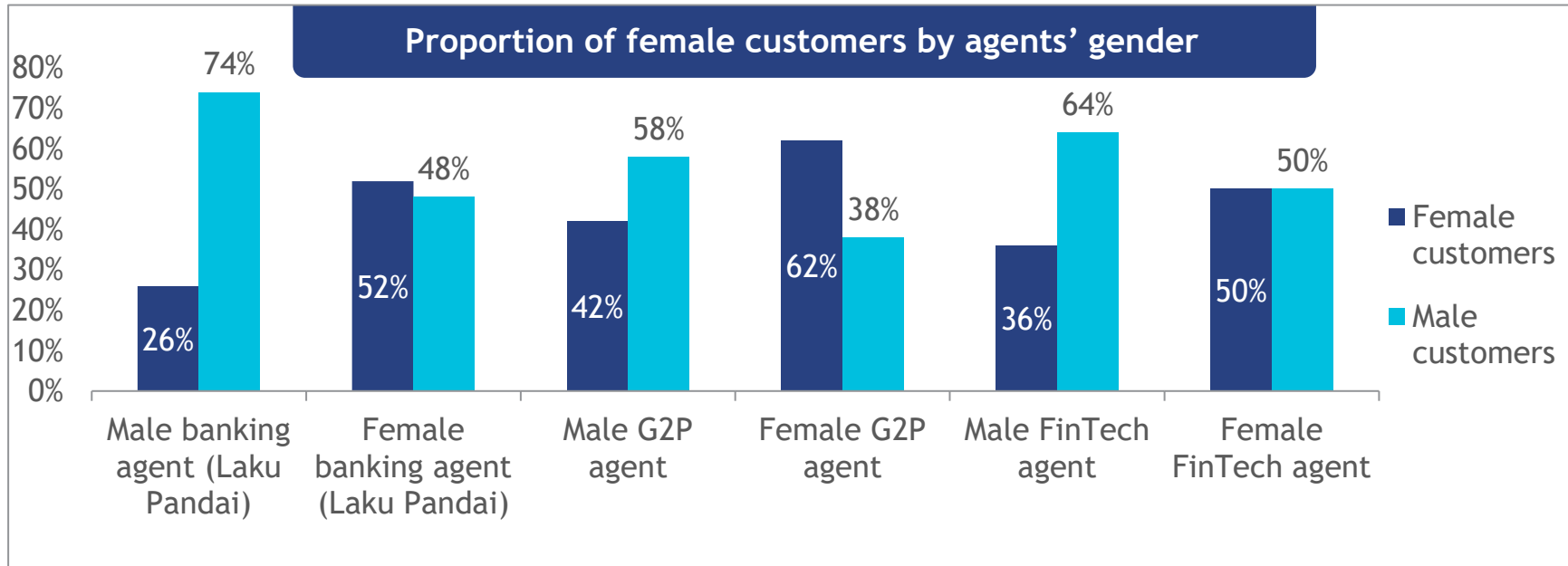


DFS income share of agents

The income from the DFS business is 7%, 12%, and 2% of the weekly total income of *Laku Pandai* agents, G2P agents, and FinTech agents respectively.

Female agents attract more female customers than male agents, and the trend remains consistent over time (see [Annexure 2](#))

At least 50% of female agents' customers are women. They are mostly homemakers who come to agents to pay for household utilities.



- G2P agents have the highest proportion of female customers since most G2P beneficiaries are women.
- Female agents suffer from social norms, such as being responsible for all domestic chores (unpaid work) and security issues.

The proportion of female customers among female agents is 24% more than the proportion of female customers among male agents. The difference is most prominent among *Laku Pandai* agents, where the difference in the proportion of female customers between female and male agents is 26%.

Gender-wise agent	Proportion of male customers	Proportion of female customers
Female	44%	56%
Male	68%	32%

What can we do to help CICO agents? (1/2)

How can agents manage the volatility of their DFS business?



- Policymakers and financial service providers (FSPs) shall broaden the role and product mix of agents. In Bangladesh, agents started to provide logistics and delivery services in collaboration with e-commerce sites. This is an opportunity for DFS agents in Indonesia since the country saw e-commerce grow by more than 40%.
- Some agents live in areas with high non-native populations. They can use their location as an opportunity to provide ticket booking services, such as ferry, train, and bus.
- Financial institutions could provide loans to agents to invest in the DFS business.

Prospective use cases for Indonesian agents based on an analysis of banking agents (*Laku Pandai* and G2P agents)



Referrals of micro-loans



Logistics services



Assisted e-commerce

Prospective use cases for Indonesian agents based on an analysis of FinTech agents



Money transfer



Savings or deposits



Credit

What can we do to help CICO agents? (2/2)



How can we use female agents to serve women better?

- ❖ Women need greater access to gender-centric financial products and services. Many more product innovations have scope to emerge, especially for products or services that target women.
 - (i) These could be goal-based savings for education and health emergencies, among others.
 - (ii) They could also be credit products that specifically target women

- ❖ As female agents are more likely to attract female customers, this is an opportunity. Financial service providers (FSPs) can channel gender-centric financial products through female agents to help reach more female customers and drive the agenda of women's financial inclusion.

Annexure 1: We piloted the Agent Diaries research in Indonesia on a small scale to establish the proof of concept

We tracked the daily financial data of two banking agents and two FinTech agents for four months.



Financial diary

Financial diaries method to track the daily financial transactions in the agency business and other business



Qualitative discussions

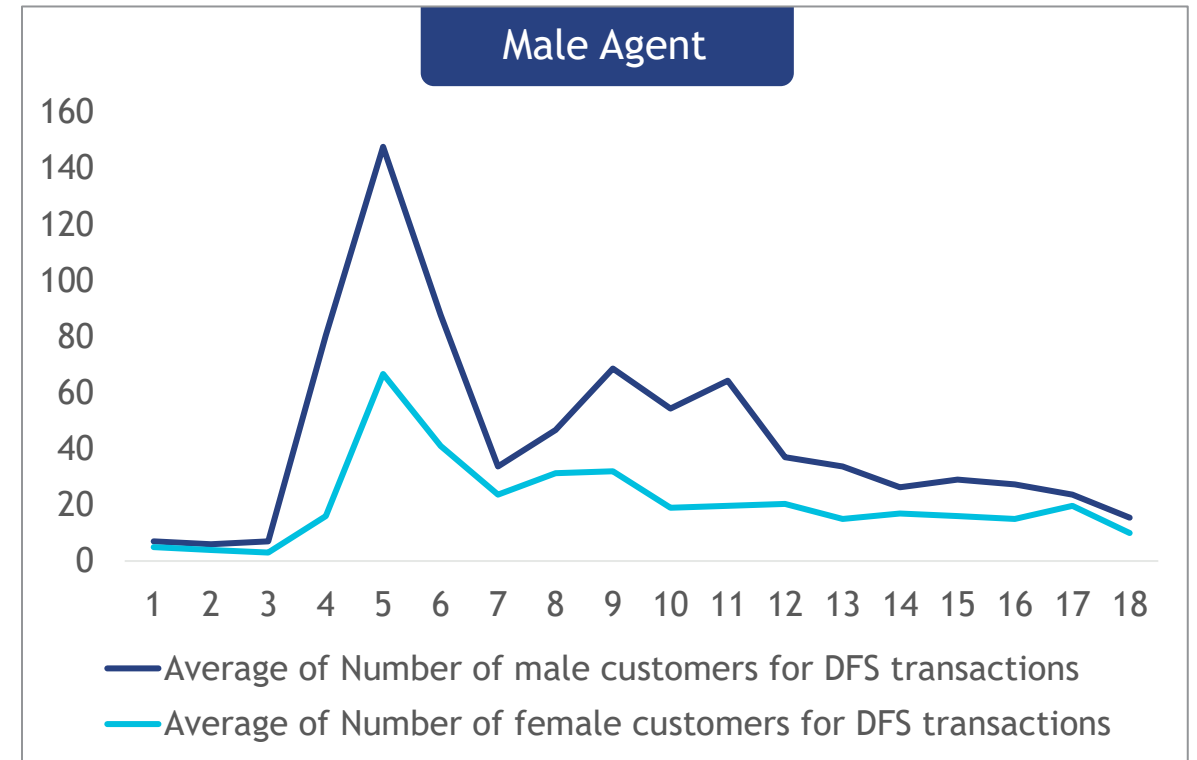
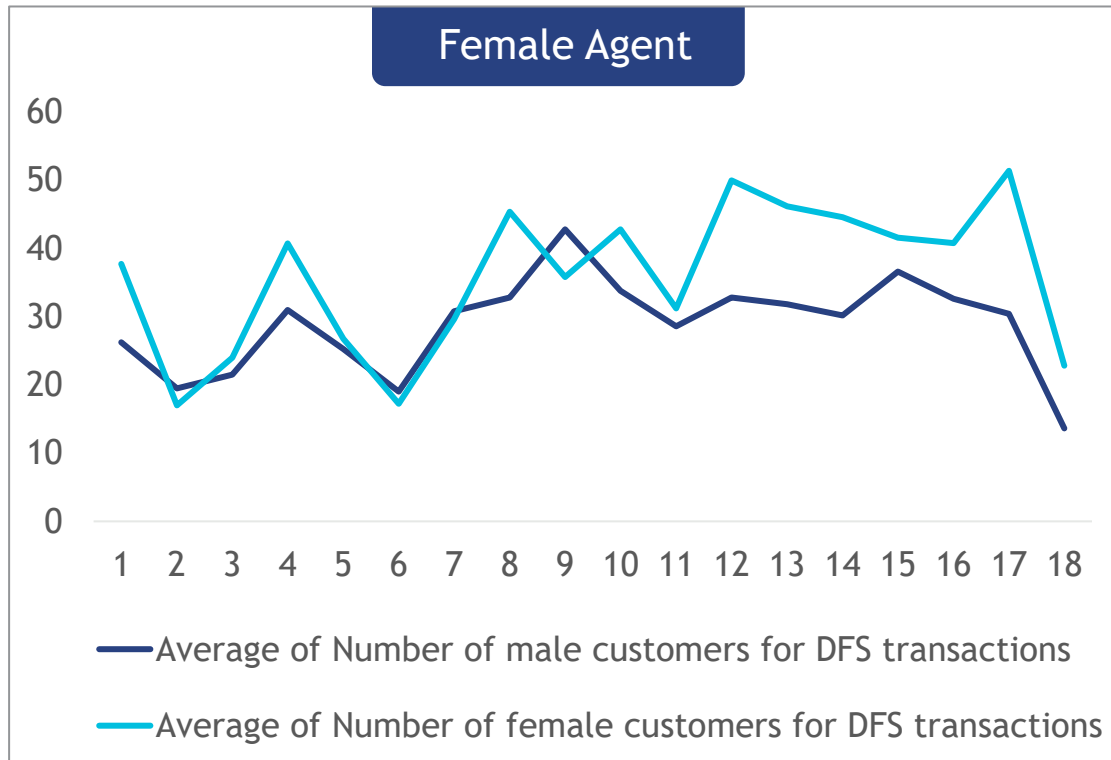
In-depth qualitative discussions with data collectors, supervisors, and agent diarists to understand the data recorded in agents' financial diaries

Indonesia sample

- Total agents = eight
- Banking agents (Laku Pandai) = three (two female, one male)
- G2P agents = two (one female, one male)
- FinTech agents = three (two female, one male)
- Data collection period: Late January-early June 2022



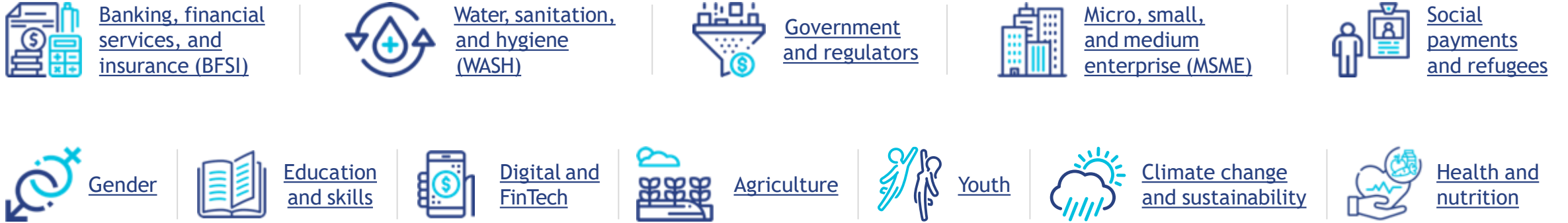
Annexure 2: Weekly trends show female agents consistently have more female customers than male customers



The trend for the average number of female or male customers of both female and male agents reinforces our previous analysis on the proportion of customer types for them. On average, a typical female agent attracts more female customers than male customers over time. For male agents, the situation reverses.

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publications

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

Implemented **>875 DFS** projects

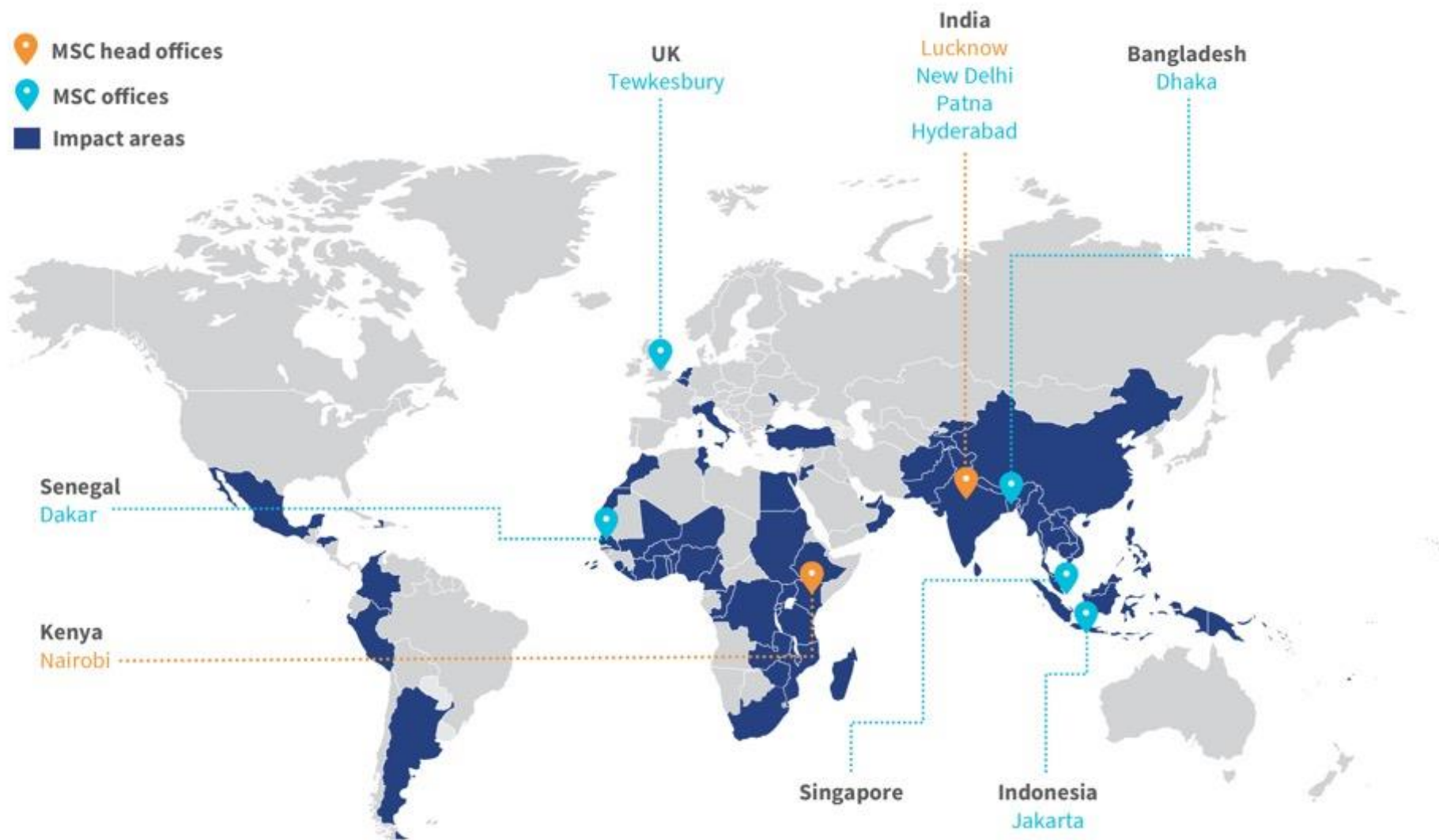
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