An analysis of Peru's "cajeros corresponsales"

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Peruvian banks have been establishing networks of banking agents, or "cajeros corresponsales" since December 2005.With over 2,400 agents, Peru ranks fourth worldwide after Brazil, the Philippines and South Africa.

Most banks in Peru have tended to use banking agents fundamentally to shift low-value transactions away from the more costly branch channel and to extend the reach of their existing branches. Accordingly, many are located within a block or two of a branch of the same bank. Banks do not charge customers at all for use of the agent channel (and do not allow agents themselves to charge customers either), thus positioning it as the lowest-cost channel. Banco de Crédito del Peru (BCP) is the bank which is experimenting most aggressively with using agents to establish a presence away from its existing retail network. BCP is now creating sales support channel for agents, with some 33 business development people assigned to promote and sell credit among customers within a set radius of an agent.

Since most of the agent traffic is generated from the bank branch, non-client awareness of the channel is low. Banks provide signage for their agents, with a sub-brand to indicate affiliation with the bank, e.g. "Agente BCP", "Interbank Direct", "Agente Express" (Banco Continental), and "Cajero Express" (Scotiabank). The different generic terms for agents used by each bank limits public awareness of the concept. Indeed, most people do not seem to be aware of the kind of activities they can conduct at the agent.

So where have banks chosen to establish their agents?[1] As shown in table A, agent networks are dominated by four big banks. 51 percent of agents are in the Lima metropolitan area, and a further 31 percent in the remaining 24 departmental capital cities. BCP has the highest population coverage with its branch network (48 percent), but also has achieved the highest level of population coverage by agents (64 percent), representing a 33 percent increase in its population coverage using the agent channel. This is because 58 percent of its agents are in districts where there is no BCP branch. The other three major banks have located a lower proportion of agents in districts without an own branch (35-41 percent).

Table A: Number of branches and agents by bank

	BCP	BBVA	INTER BANK	SCOTIABANK	TRBJO	MI BANCO	TOTAL
BANK BRANCHES							
Total	261	198	156	144	96	82	937
In metropolitan Lima	150	129	105	104	42	41	571
In other departmental capital cities	66	45	39	29	32	28	239
In smaller towns / rural areas	45	24	12	11	22	13	127
Population in districts with branches, as % of total population	48%	44%	39%	36%	38%	39%	
BANKING AGENTS							
Total	1220	268	586	299	39	3	2415
In metropolitan Lima	549	75	423	155	34	1	1237
In other departmental capital cities	382	133	131	98	4	2	750
In smaller towns / rural areas	289	60	32	46	1	0	428
Population in districts with agents, as % of total population	64%	45%	46%	44%	18%	5%	
SUMMARY							
Agents as % of total retail (branch + agent) points of presence	82%	58%	79%	67%	29%	4%	72%
% of agents in districts with no branches	58%	41%	43%	35%	22%	0%	

[1] The geographic analysis in this section has been conducted at the district level. There are 1800 municipalities in Peru, grouped into 195 provinces, and in turn composing 25 departments. The data on bank branches and agents is from the Superintendencia de Banca, Seguros y AFP.

Table B shows that at one extreme, 86 percent of districts, accounting for 34 percent of the population, have no bank presence at all (cell "0,0" in the Table). At the other extreme, 4 percent of districts accounting for 42 percent of the population have a competitive retail banking presence, with at least three branches and at least three agents (cell ">3, >3"). As can be expected, the districts in the latter category exhibit the lowest average needs index (0.05), whereas the districts in the former category exhibit the highest needs index (0.56).[2]

So what has been the contribution of agents in terms of increasing the physical presence of banking services in the country? Roughly 8 percent of the districts, accounting for 16 percent of the population, have now banking presence exclusively through agent channels (sum of cells "0,1" through "0,>3"). This is a pretty good achievement in just over two years; but let's keep in mind that expanded physical coverage of banking services does not necessarily translate into take-up of banking services by those previously unbanked. If we divide these figures by the total number of districts with an agent (the sum of all cells except in column "0"), we get that 55 percent of districts where there are agents, corresponding to 24% of the population, have no bank branches.[3] This suggests that banks have indeed deliberately targeted underserved areas to a significant degree. Even within this subset of districts, we see a larger number of agents going into districts with lower needs index.

Table B: Impact of agents on banking competition

Districts with bank branches	Districts with banking agents: 0	1	2	3	> 3	
0	86%	4%	1%	1%	1%	of districts
	34%	6%	3%	3%	4%	of population
	0.56	*0.27*	*0.22*	*0.19*	*0.08*	*Needs index*
1	0%	0%	0%	0%	0%	of districts
	0%	1%	2%	0%	1%	of population
	0.14	*0.21*	*0.13*	*0.33*	*0.13*	*Needs index*
2		0%	0%	0%	0%	of districts
		0%	0%	0%	2%	of population
		0.11	*0.20*	*0.06*	*0.08*	*Needs index*
3			0%	0%	0%	of districts
			0%	1%	0%	of population
			0.03	*0.10*	*0.06*	*Needs index*
> 3				0%	4%	of districts
				0%	42%	of population
				0.15	*0.05*	*Needs index*

[2] The needs index, which ranges between 0 and 1, is based on principal component analysis across a range of socioeconomic variables. For a description of the methodology, see http://www.foncodes.gob.pe/mapapobreza/

[3]