

Agent Networks at the Last Mile

A Guide for Digital Finance to Reach Rural Customers

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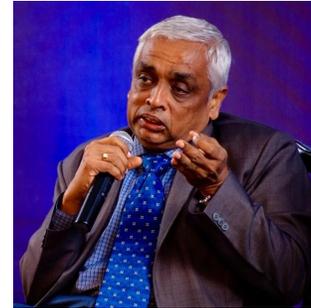
Speakers



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Why are distribution networks key to financial inclusion?

Expanding customer access to CICO agents increases uptake and usage of digital accounts by:

- Providing a bridge between digital and analog worlds for people with cash incomes and expenses
- Building customer trust in digital through agent support
- Reaching underserved areas, increasing customer base
- Stimulating DFS provider investments in new products

New generation of CICO agents is emerging



- Agent networks act as open platforms, aggregating products and services from a range financial and non-financial providers
- Agent viability improves when the network supports a range of business lines
- In some markets, agents are becoming fully fledged banking agents (e.g. Mexico, China, India)



Implications for financial inclusion and government

Linking DFS with specific real-sector needs (e.g. e-commerce, ride hailing, investments etc) increases customer value

Service aggregation improves agent viability, which can reduce the need for agent subsidies in rural areas

Policy makers should balance benefits of new CICO agent models against consumer protection and market concentration risks

Last mile remains a challenge. Public and private actors need to collaborate on further expanding the reach of CICO agents.

Guide Structure and Methodology

Guide Structure and Methodology

The guide refines lessons to date proposing an overarching goal of defining the ideal Cash-in and Cash-out (CICO) networks the industry should aspire to achieve greater financial inclusion and long-term industry sustainability.

Goal

All existing and potential rural customers have access to a CICO service point that viably provides them with convenient access to desired digital financial services in a timely, trusted and safe manner.

The guide illustrates how CICO service points linked to digital finance can be viably provided in a convenient, affordable and trusted way to more low-income customers in rural areas who are financially underserved or excluded.

The guide is built on the results based on consultations with global DFS experts representing various types of industry providers and an in-depth literature review developed over the past decade on financial service distribution networks.

The guide puts forward six emerging principles that are deemed necessary to achieve the overarching goal.

The guide concludes with a series of separate recommendations for DFS providers, policymakers, and regulators in the form of practices, policies and regulations that they can implement to follow those principles.

Principles for Inclusive Rural CICO Networks

6 Principles for Inclusive Agent Networks

Enable rural CICO agents to generate more revenue streams.



Rural agents rely on commissions from CICO transactions to turn a profit, but transaction volumes tend to be low in rural areas. Aggregating different types of transactions at the agent level creates more revenue streams and provides a stronger incentive for people in rural areas to become agents.



From 2015 to 2017, rural agents in India **more than doubled** their monthly revenues by facilitating a wide array of financial and nonfinancial services offered by the government and the private sector.

Make CICO agents more accessible to rural customers.

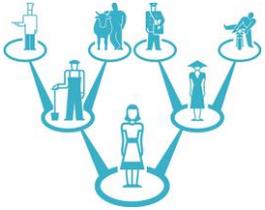


When rural, low-income customers personally know and live close to their cash-in/cash-out (CICO) agents, they are more likely to sign up for and use digital financial services (DFS).



Digital financial service providers in Tanzania could expand service coverage from **26% to 76%** of the rural population through collaborations with shops, schools and health clinics.

6 Principles for Inclusive Agent Networks



Expand the range of people who can serve as CICO agents.

Most countries require agents to be a registered business and have a physical address, but in rural areas few businesses meet these requirements.



In Indonesia, fintechs have acquired **5+ million agents** by stretching the boundaries of who can serve as an agent, even enlisting rural mom-and-pop stores and motorbike drivers as roaming agents.



Identify and manage risks posed by rural agents without stopping innovation.

Agents have been known to take advantage of customers around the world, often in rural areas where customers are more vulnerable. Regulations must protect customers without stymying innovative CICO agent networks as they reach greater scale.



China's "test-and-learn" approach to financial-sector regulations has **mitigated actual risks** while enabling e-commerce companies to scale new CICO agent networks.

6 Principles for Inclusive Agent Networks

Develop a data-driven strategy to close the gender gap in CICO access and use.



There is a global gender gap in women's access to financial services, but the variance in the gender gap suggests that women face different constraints in different countries. It is important to understand how men's and women's experiences differ as both customers and agents to create more inclusive, effective agent networks.



In the Democratic Republic of Congo, female agents at microfinance institution FINCA average **12% more transactions per month** and higher transaction values than male agents, while operating in less populated areas.

Expand public and private partnerships that share CICO agents.



Building rural agent networks at the scale necessary to really add value for customers is too big a job for any one provider or government entity. It will require the public and private sectors to work together to build a robust digital ecosystem, leveraging each other's comparative advantages.



A partnership between the Chinese government and Alibaba group has expanded rural e-commerce agents to **30,000 rural villages** since 2014, surpassing the number of branches run by some of the country's top banks.

Speakers



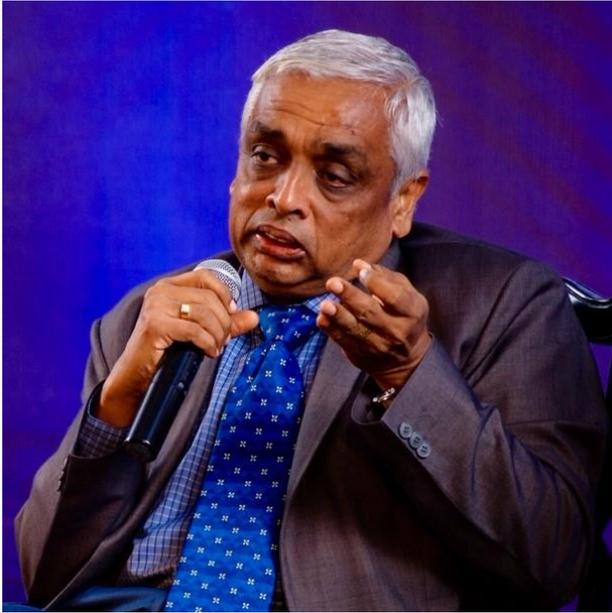
A lawyer with a Master's degree in international relations, Jerry has worked with a variety of public- and private-sector stakeholders to promote the development of safe and enabling legal and regulatory frameworks that foster financial inclusion while protecting customers.

Jeremiah Grossman



Project Lead at BCG, previously MIT Sloane and Google. On the panel as part of the work recently completed for BMGF on CICO Incentives: "Global Playbook", Developing hypotheses on interventions to drive rural expansion of agent networks for CICO/ DFS in developing markets

Marine Gerard



Previously Executive Director of the Reserve Bank of India, He was directly engaged in the elaboration of the country's current agent regulation. He remains in the Boards of several state financial institutions.

Shri G. Padmanabhan

For more information see CGAP's technical guide on Agent Networks at the Last Mile <http://www.cgap.org/cico> and related studies at cicoeconomics.bcg.com

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