



AGENT NETWORKS AT THE LAST MILE

A Guide for Digital Finance to Reach Rural Customers

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Consultative Group to Assist the Poor

1818 H Street, NW, MSN F3K-306

Washington, DC 20433

Internet: www.cgap.org

Email: cgap@worldbank.org

Telephone: +1 202 473 9594

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CONTENTS

Executive Summary	1
Section 1: Background	3
Section 2: Principles	5
Section 3: Recommendations	15
Digital Financial Services Providers	16
Policy Makers	19
Regulators	21
Annex	23
References	25

EXECUTIVE SUMMARY

THE PROVERB THAT NECESSITY IS the mother of invention aptly describes the evolution of cash-in/cash-out (CICO) networks for digital financial services (DFS). Except in a few countries like Sweden, Norway, and China, where physical money is increasingly a thing of the past, most DFS users around the world require a trusted, affordable, and easy way to convert their cash to digital money and vice versa. Evidence to date shows CICO networks with greater reach cause faster uptake and use of DFS in a growing customer base. Various types of local storeowners double as CICO agents and typically serve as customers' main gateway to DFS. But providers have struggled to extend these agent networks to customers at the last mile—those in rural areas, where sparse populations lead to lower transaction volumes and weaker financial incentives for businesses to serve as agents. Out of these struggles have come innovations that are helping providers reach more rural customers.

Global evidence gathered by CGAP and the Bill & Melinda Gates Foundation (BMGF) shows that a variety of emerging CICO agent business models used by DFS providers are improving agent viability in rural areas through greater service aggregation. By diversifying the range of services offered through their agent networks, DFS providers are improving their agents' ability to generate more CICO transactions per customer. Each customer can make CICO requests associated with a broader set of services offered through the agent. This in turn favors the viability of rural agents who face fewer customers in their service area, relative to their urban counterparts.

DFS providers that promote this type of service aggregation among their agents have effectively generated new business models that incentivize them to share their agent networks with other financial and nonfinancial services providers. DFS providers can monetize the distribution of those services offered by partner providers. Digital technology that allows for some level of integration of services in a single electronic platform is making it easier to implement emerging CICO agent models.

From the customer perspective, the aggregation of valued financial and nonfinancial services at the agent level can be highly convenient. Agents who are normally part of the customer's community and offer convenient access to valued services are perceived as highly reliable and



Photo Credit: Allison Shelley

trustworthy. They can leverage existing relationships with customers to gain physical as well as social proximity. Furthermore, agents may offer financial services that are often specifically designed to acquire nonfinancial services and goods that customers want, thereby raising customers' perceived value of financial services offered.

These new CICO agent business models vary depending on the types of providers leading them. Innovative mobile network operators (MNOs) and banks are enabling financial and nonfinancial services from carefully selected commercial partners to be distributed through their CICO agent networks, even if their agent networks are exclusive. By contrast, various types of independent agent network managers (e.g., retailers of fast-moving consumer goods, merchant networks, and agribusinesses) have built CICO agent networks that are shared among various public and private services providers and are progressively used to deliver financial and nonfinancial services as well as goods. Leading e-commerce companies are also developing CICO agent networks that are open to any service provider and that were built originally to deliver goods and services traded on e-platforms. These e-commerce players are showing the fastest rate of service aggregation at the agent level compared to other players and are quickly becoming active distributors of DFS.

Although leading DFS providers are increasing CICO network reach and quality in urban and peri-urban areas and larger rural towns, their presence in remote rural areas is limited. Where there is quality CICO network coverage in these hard-to-reach areas, various forms of government support through policies and enabling regulations is also present. These policies provide direct or indirect support (i) to rural CICO agent networks to start operations and (ii) to innovate better business models among DFS providers based on new collaborations. These policies also leverage social programs and public infrastructure to add public services to the mix offered by private DFS providers, which contributes to service aggregation. Finally, regulations set by financial authorities that allow many types of providers to experiment with innovative CICO agent business models also favor CICO network reach and quality at the last mile.

CGAP and BMGF are collaborating on a global effort to distill recommendations on how networks of convenient, affordable, and trusted CICO service points linked to digital finance can be provided to low-income customers in rural areas where financially underserved or excluded people tend to live. Our research on the evolution of CICO networks is based on consultations with global DFS experts and industry leaders, select field visits, and an in-depth literature review. It reveals six principles that lead to CICO networks with greater reach and quality. In this guide, we present the principles along with recommendations for how DFS providers, policy makers, and regulators can put them into practice.

The principles and recommendations aim to provide greater clarity of thinking on the general direction that relevant stakeholders can take to achieve more inclusive rural CICO networks. While based on global insights, the recommendations will have to be adapted to be context specific once they are applied. They need to recognize the unique customer needs, market conditions, and risk levels prevalent in a given country and its different subregions.

SECTION 1

BACKGROUND

A CASH-IN/CASH-OUT (CICO) SERVICE point is defined as the place where customers can convert their e-money into cash or vice versa to facilitate their use of digital financial services (DFS). CICO services are some of the potentially many services offered at the service point. Various CICO network types exist: bank branches, ATMs, and banking, mobile money, and other types of agents. This paper focuses on agents that provide CICO because of their large geographic coverage relative to branches and ATMs in developing countries, although this coverage is limited in rural areas.¹

There is growing evidence that CICO services enable digital financial inclusion, at least in the short run.² After years of growth in digital financial markets, especially in mobile money,³ research indicates a causal relationship between proximity of CICO service points to customers and those customers' uptake and use of digital financial accounts.⁴

To explain the relationship between CICO service points and the use of DFS, it is useful to look at the global trends in digital versus cash transactions. A Bank of International Settlements (BIS) study highlights that cash and digital payments transactions are growing side by side in most countries (Bech et al. 2018). The study shows that CICO networks expand, plateau, and decrease as digital financial markets develop. In countries where DFS is growing from a

low base, CICO networks are necessary to get more people to use and become familiar with digital financial products without disrupting their many other cash transactions.

A full transition to digital occurs only when *both* income and expense-related transactions are digitized for most people, such that their need for cash is greatly reduced. While DFS providers work on digitizing people's many income- and expense-related transactions, greater reach in CICO networks enables the DFS customer base to expand in developing financial markets. This growing customer base helps DFS providers understand customers' needs. It also motivates investments to develop more and better financial products that digitize a wider array of customer transactions and reduce the need for cash. The speed with which this process happens determines how soon a country transitions away from CICO and into a fully digital financial system. Data indicate that only China, Sweden, and Norway show a reduction in CICO infrastructure. In the rest of the world, CICO infrastructure is increasing or stable, showing its relevance in the development of digital financial markets.

The current challenge in developing countries is to expand CICO networks beyond urban strongholds. The number of CICO-enabled agents has increased significantly in urban areas, while their operation in rural areas remains limited

1 The significant geographic coverage of agent networks in developing countries is illustrated by Anderson, Klawitter, and Reynolds (2018) and supported by data from the 2018 Financial Access Survey of the International Monetary Fund (IMF 2018) and GSMA's 10-year industry assessment (GSMA 2018).

2 See, e.g., Hernandez (2019).

3 Mobile money refers to one type of DFS provided by MNOs. Mobile money leverages mobile phones in addition to agents to facilitate access to a stored-value account as well as a variety of services, including CICO, remittances, and bill payments. Other types of DFS include card-based services offered by banks, which also leverage CICO points, including agents, ATMs, and bank branches.

4 See, e.g., Mexico's study (CNBV 2018) on the impact the country's banking agent networks has had on financial inclusion; Suri and Jack (2016) on the impact on mobile money on poverty in Kenya, which shows CICO agents as the driver of clients' mobile money uptake in their econometric analysis; and Garcia-Arabehty, McKay, and Zetterli (2018) on agent proximity and its relationship with mobile money use.

given difficulties in making rural agents profitable with current business models (Garcia-Arabehty, McKay, and Zetterli 2018). This helps explain the lower uptake and use of DFS services among rural customers.⁵

This paper considers the increasingly diverse CICO network experience around the globe. While the dominant DFS CICO agent models have been built by MNOs and banks, there has been a recent increase in the number of new CICO agent models built by e-commerce and fintechs and fast-moving consumer goods (FMCG) companies and agribusinesses, which increasingly enable CICO service points and access to DFS. These new types of CICO agents blur service boundaries by offering a greater diversity of financial and nonfinancial services at the agent level. Lessons from these newer and distinct CICO agent business models are discussed in this paper.

Our research—a consultative process with a wide range of global experts and an extensive literature review—revealed a set of principles that CICO networks should follow to serve rural areas with greater reach and quality over time. The paper puts forth these principles and recommendations for DFS providers, policy makers, and regulators. The consultative process showed how important it is to restrict the scope of this paper in order to make its analysis feasible, given the diverse and complex global CICO agent experience. Hence, analyses in this paper focus on the following:

- **Rural areas.** Historically, most of the financially underserved and excluded populations are in rural areas. The financial inclusion gap in rural areas is exemplified by China, which has the largest financially excluded population in the world at 225 million, of which 200 million live in rural areas. Global Findex 2017 reports this rural gap holds for the 1.7 billion people globally that are financially excluded (Demirgüç-Kunt et al. 2018). This is despite a latent demand for financial services in rural areas as shown by the sizable informal financial transactions being made.⁶ Principles, practices, policies, and regulations put forth

in this paper apply to the rural context and may not be relevant for urban areas.

- **Short- to medium-term solutions.** While emerging technologies offer the potential to drastically transform the landscape of rural financial services in the long term, this paper focuses on improving CICO reach and quality in the near future (5–10 years). This is based on the assumptions that (i) CICO networks will remain critical for customer uptake and use of DFS, (ii) widespread digital income and expense-related payments will not be a reality in many low- and middle-income countries, and (iii) the rural population will remain a majority of those financially excluded.
- **Supply side.** The recommendations proposed in this paper are directed at DFS providers and the policy makers and regulators who work with them. These stakeholders are seeking effective responses to address the needs of financially excluded people. Therefore, the analysis in the paper comes from a supply-side perspective. However, customers remain critically important and a customer-centric perspective is embedded throughout the paper.⁷
- **Microlevel distribution channels.** This paper addresses DFS distribution channels that have direct customer contact. Although meso-level financial infrastructure like unified digital payment systems help to enable digital financial transactions, the recommendations in this paper address microlevel distribution channels that reach individual customers and that are also needed for DFS to reach financially excluded people.

5 See Demirgüç-Kunt et al. (2018) on the rural-urban gap.

6 Several data points that reflect the unmet demand for financial services in rural areas: Garcia-Arabehty, McKay, and Zetterli (2018) estimated a significant latent demand for mobile money in rural Tanzania based on income and other transactional information among rural dwellers, who were not served by agent networks. The Demirgüç-Kunt et al. (2018) Global Findex 2017 data set shows a regional trend in Sub-Saharan Africa and South Asia where the percentage of people in rural areas that use credit and savings services from formal financial institutions represents a small fraction of the total number of rural dwellers that report using these financial services, thus implying large informal financial markets. Dalberg (2016) estimated the unmet global demand for rural financial services coming from rural households engaged in agriculture, despite their ability to pay for these services.

7 For more information on demand-side analyses informing this work see the CGAP Customer-Centricity Guide (<https://customersguide.cgap.org/>).

SECTION 2

PRINCIPLES

Our research indicates that inclusive rural CICO networks generally embrace the following principles (see Figure 1):

1. Enable rural CICO agents to generate more revenue streams.
2. Make CICO agents more accessible to rural customers, as defined by the local context.
3. Expand the range of people that can serve as CICO agents.
4. Identify and manage consumer protection and other risks posed by rural agents without stopping innovation.
5. Develop a data-driven strategy to close the gender gap in CICO access and use.
6. Expand public and private partnerships that share CICO agent networks.

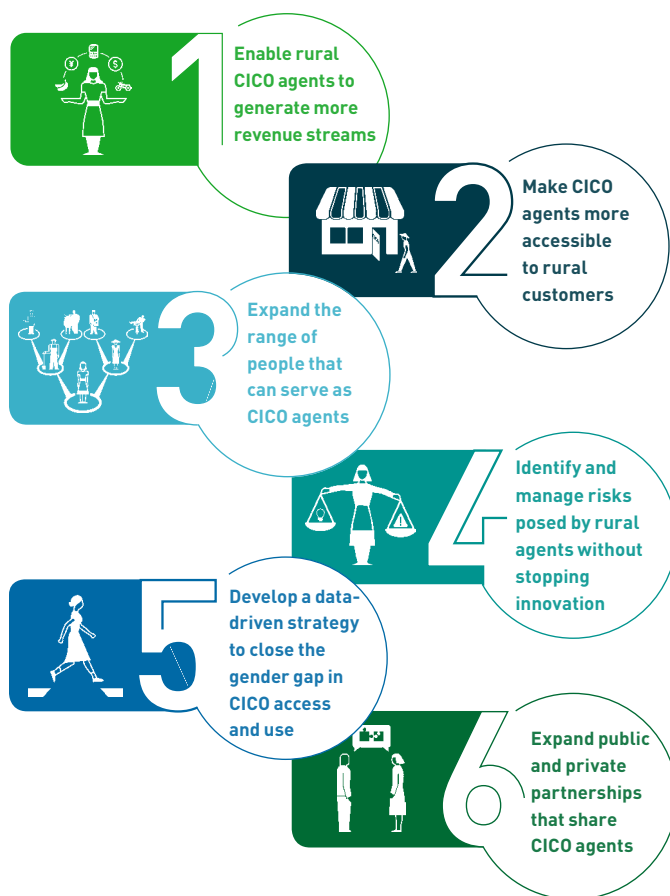
PRINCIPLE 1

Enable Rural CICO Agents to Generate More Revenue Streams

Rural CICO agents have only a few customers in their service area, therefore these agents tend to make few transactions. New agent models that aggregate different types of transactions, from financial and nonfinancial services, at the agent level create more revenue streams per customer and provide a stronger incentive for people in rural areas to become CICO agents.

For CICO networks to be sustainable, agents and DFS providers need to be profitable. A study on mobile money agent economics by Unnikrishnan et al. (2019) suggests

FIGURE 1. 6 Principles for inclusive agent networks



that DFS providers have an incentive to expand their CICO agent networks in rural areas where there is a latent demand for financial services. However, the dominant CICO agent business model struggles with low profitability in rural areas where population density is low. This is because, in the dominant agent model, DFS providers offer a single service or few services, like air time top-up and person-to-person money transfers, from which each agent can generate transaction fees. Given the lower number of customers

within the rural agent's service area and the few services from which to generate transactions, the fee revenue that this rural agent can generate is low. This contrasts with the circumstances of urban agents, who can make more transactions given the greater number of customers they can reach in their urban service area. This is true even though urban CICO agents also show few transactions per customer given few services offered by DFS providers.

New CICO agent business models are being deployed by different types of providers—fintechs, e-commerce firms, independent agent network managers, FMCG companies, and agribusinesses—that are expanding into rural areas. These new types of agent networks can provide a wider breadth of revenue-generating services per customer, allowing rural agents to generate more CICO transactions per customer. The broader set of services offered by agents may include DFS, goods, and nonfinancial services (e.g., commerce and transport) sold by several providers. This service aggregation brings greater value to customers because they can access the goods and the financial and nonfinancial services they want through the same agent.

Services offered by agents tend to be integrated in a single digital platform, which allows them to use a single e-float (i.e., the e-wallet balance used by the agent to honor CICO requests in real time). This is true even when those goods and nonfinancial services are offered by other businesses that have partnered with the DFS provider. Service integration in a single digital platform makes rebalancing convenient for the agent and favors better liquidity management. This is especially the case when a more diverse service offer allows for a more balanced number of CICO requests by customers.

An example of this new CICO agent model would be an e-commerce firm that enables its agents to fulfill customer CICO requests associated with the payment of goods traded online, money transfers, and the purchase of FMCG and airtime top-ups. The e-commerce firm can enable its agents to offer these services under a single digital platform that uses a single e-float by partnering and integrating its management systems with those of other services providers such as telecommunication companies, banks, and FMCG companies.

Another example would be an agribusiness whose agents allow customers to do CICO transactions associated with various services, such as purchasing seeds and fertilizer, acquiring

agricultural insurance/credit, making money transfers, or receiving their agricultural payments digitally. As in the previous example, the agribusiness can enable its agents to offer these services using a single digital platform by partnering with insurance companies, payments companies, or banks.

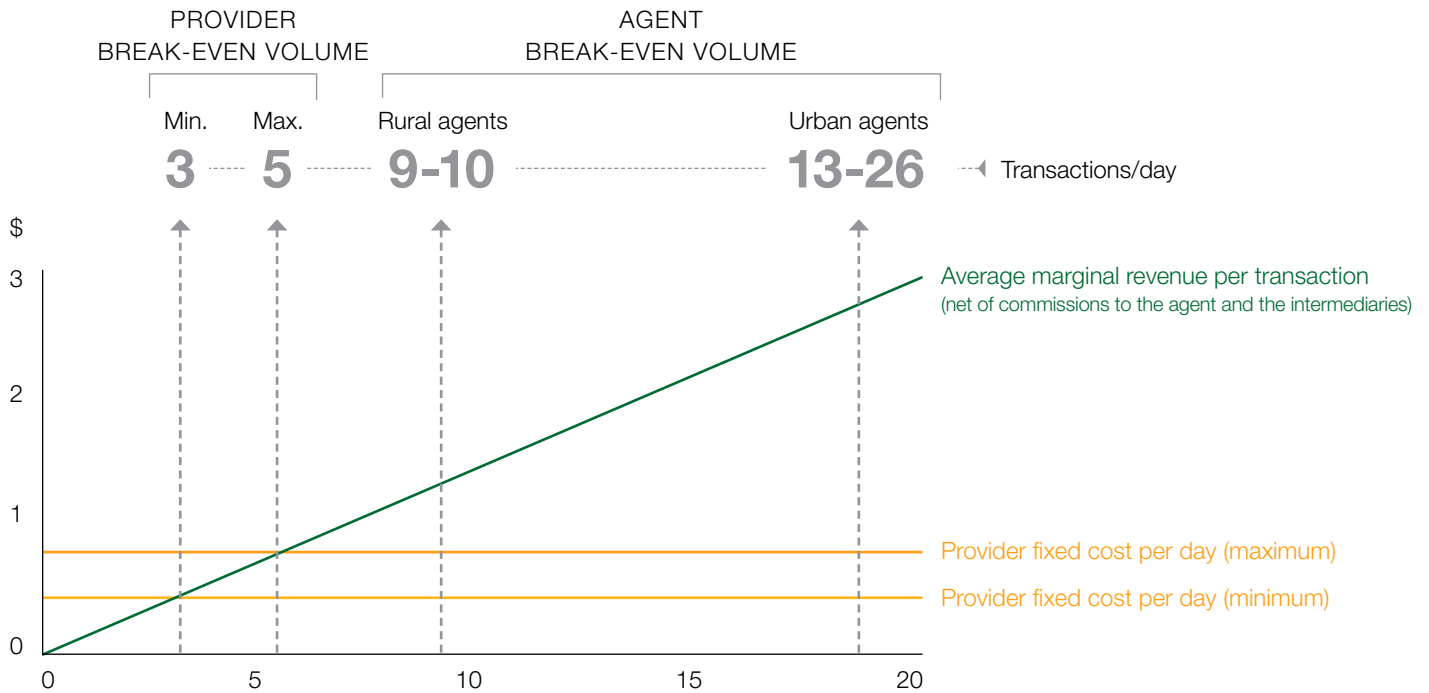
These new CICO agent models show that aggregating more services helps rural agents reach break-even points faster because they can generate more revenue through more transactions per customer. This is especially relevant for the viability of rural CICO agents who face fewer customers in their service area. The additional revenue streams allow rural agents to cover costs and generate profits faster. These new agent business models can also benefit DFS providers through fees paid by other commercial partners who use the provider's CICO network and through analysis of the diverse transactional data collected by the CICO network, which can be used to design new services for customers and agents. See Figure 2.

DFS providers' optimal service aggregation at the agent level will depend on market context and dominant competition strategies. Generally, DFS providers should invest in finding commercial partners that offer services that complement their own. These partnerships enable various services to be distributed through the same agent network—a win-win for agents and providers involved. In addition, providers could focus on expanding their current DFS offer and enable agents to support activities such as client on-boarding, marketing, or customer due diligence (CDD), thereby facilitating more transactions per customer for agents and providers.

However, there are limits to service aggregation. DFS providers and their commercial partners need to assess these limitations—which mainly relate to agent capacity—and determine how they will share the costs of developing the agent skills needed to manage a wider suite of services. These new types of CICO networks are proving it is viable and effective to invest in agent skills if costs are shared.

There are many ways to turn CICO agent networks into multiservice platforms. For example, nonexclusive agent network managers may be allowed to serve as distribution channels for financial and nonfinancial providers. Alternatively, a DFS provider that wishes to retain its exclusive agent network can form strategic partnerships with other businesses that allows the partners to use the DFS provider's agent network for a fee.

FIGURE 2. Break-even points for DFS providers and rural and urban agents



Note: Rural agents tend to have low break-even points but struggle to meet the minimum number of transactions per customer to break even. Providers tend to reach break-even points faster than agents, therefore more transactions per customer done by the agent benefits providers as well. Source: Unnikrishnan et al., 2019.

DFS providers can also cross-subsidize the operation of their agent network to make rural agents viable. In this case, part of the profits DFS providers get from well-performing agents in urban areas are used to subsidize agent operations in remote rural areas. Over time, rural agents will see their overall transactions increase thanks to network effects that spread services to new rural customers and improve the viability of rural agents.

In addition to service aggregation and cross-subsidization, data analytics and artificial intelligence can help DFS providers increase overall agent network efficiency and, consequently, improve viability. DFS providers can use data analytics and artificial intelligence to:

- Determine when and where to send cash to agents with liquidity problems.
- Assess working capital credit or overdraft services to agents.
- Create digital platforms that connect clients to anyone in the surrounding areas who is willing to act as a cash-out point.

Governments have an important role in making rural agents viable. Public subsidies and incentives can spark private investment in rural CICO network innovation.⁸ Public incentives may take several forms:

- Time-bound direct incentives to CICO agents or customers to cover costs or fees.
- Support of innovations on collaborative CICO agent models through subsidies for research and development based on brokering new partnerships and developing new use cases.
- Investment in physical and banking infrastructure and technology, such as mobile connectivity, national ID systems, and central payments switches.

⁸ Boston Consulting Group will be analyzing how effective different policies used around the world have been in promoting greater rural CICO network coverage.

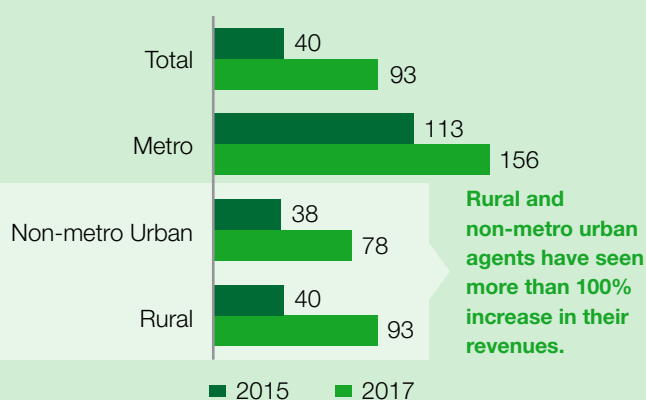
Principle 1 in Action

Agent banking has grown quickly in India's urban and rural areas. However, rural agents find it harder than their urban counterparts to do enough transactions to be profitable. India's government has been instrumental in supporting an increase in agent networks' rural coverage, at least in the short term.



Government public transfers distributed through agent networks are an important addition to the financial services that agents offer on behalf of private services providers. Public and private services aggregated through a common rural agent network, often coordinated by independent agent network managers such as Oxygen or PayNearBy,^a have enabled agents to increase the number of income streams and transactions per customer (see Figure B1-1) (Helix Institute of Digital Finance 2018). This example shows how service aggregation can help improve the viability of rural agents.

FIGURE B1-1: Revenue growth for agents in India



Source: MicroSave, 2018.

a. See Garcia-Arabehehy, McKay, and Zetterli (2018) for examples of agent network managers enabling new CICO business models.

PRINCIPLE 2 Make CICO Agents More Accessible to Rural Customers

When rural, low-income customers personally know and live close to their CICO agents, they are more likely to sign up for and use DFS. How close do agents need to be to make a difference? The answer depends on many factors, including population density, existing infrastructure, and the type of transactions made by rural clients.

CICO agents need to be close to their customers and operate during times that are convenient for their customers. Close agent proximity to customers increases the rate of adoption and use of DFS—it reduces the time and cost to access and learn about DFS. In addition, customers see local CICO agents as trusted individuals from their own community, religion, or gender who can support their financial services needs. Agents located near customers can benefit DFS providers by identifying new customers and by teaching existing customers how financial products can help them reach their livelihood goals.

How close CICO agents should be to their customers depends on context. There is no single global agent proximity target. Optimal targets need to be defined locally and should be determined by considering variables such as population density, commonly used transportation modes, and the dominant types of customers' financial transactions. This analysis needs to balance the client's needs with what is viable for the DFS provider. For example, the provider should estimate the minimum number of customers an agent should have based on the DFS offered and the purchasing power of customers in that community.

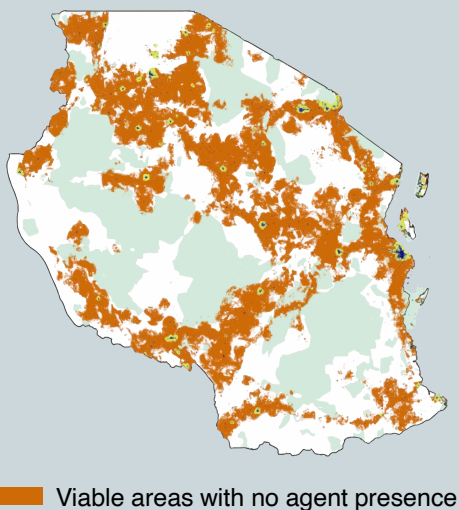
The nature of the financial transaction can influence the maximum distance a customer is willing to travel to a CICO agent. If a rural customer has e-money and needs to cash out so that she can make small-value, high-frequency cash transactions, such as buying food and consumer goods and paying for hired labor, she may need an agent who is nearby. Similarly, customers who receive income in cash and would like to cash in to make digital small-value, frequent purchases like air time and transfers would also value a nearby agent. In contrast, customers who make infrequent, higher-value transactions, such as receiving a monthly subsidy, remittance, or a wage deposit, may be willing to

Principle 2 in Action

CGAP and Flowminder conducted geospatial research in Tanzania and Bangladesh that identified rural areas with latent demand for DFS but no agents (see orange areas in Figure B2-1 for Tanzania). In this case, agents would be expected to be commercially viable because there is enough demand given local economic activity despite lower population density. Initially, the Bank of Tanzania planned to set a standard agent proximity target in which all households would have an agent within 5 km of their home. However, a consultative process concluded that this common target was unrealistic. Instead, the bank decided that the common proximity target for urban areas would be 0.5 km, and for rural areas, it would be 12 km. While these specific targets are unlikely to work for other countries, the process highlights how policy makers can approach the idea of setting proximity targets through tiers. For example, in a country like Bangladesh, which is densely populated even in rural areas, Flowminder modelling exercises suggest that agents can be at 1.5 km from all rural dwellers.



FIGURE B2-1: **Latent demand in Tanzania**



Source: Garcia-Arabehehy, McKay, and Zetterli, 2018.

travel farther to a CICO agent in a larger town or city. Many will visit the agent and do other errands while visiting larger towns. Pulling together client and agent transaction data from various sources in rural areas can help to identify ideal proximity tiers (e.g., for urban, peri-urban, or rural areas) that can help set targets for different DFS markets.

PRINCIPLE 3

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 few businesses in rural areas meet these requirements. These types of requirements can limit the reach of DFS. Regulators, policy makers, and DFS providers should support the recruitment of new types of agents in rural areas, while they ensure that risks are adequately managed.

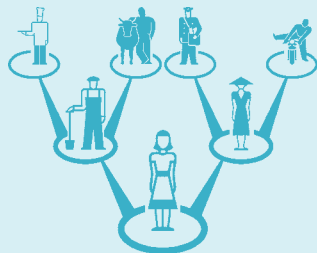
Some countries require all agents to be a registered business and to have a physical address. However, this requirement can limit CICO services for rural clients, especially because few rural businesses can provide the necessary paperwork for formal registration (Staschen and Meagher 2018). This may also limit the range of CICO agent models, such as roaming agents, that could provide door-step services, and it may exclude women, who often run informal businesses that do not meet regulatory requirements.

The new CICO agent models not only improve agent economics, they also bring in rural agents that do not fit the traditional MNO or bank agent profile. These new types of agents include, for example, rural delivery drivers, warehouse managers, and rural micro-merchants who distribute FMCG, agribusiness products, or household appliances. Many of these agents operate semi-formally. E-commerce-led and independent agent network managers who provide DFS have been identifying and recruiting these new types of agents, which have favored their CICO network outreach. These DFS providers have invested in developing agent skills to manage all their business lines, not just their CICO- or DFS-related services. This support contributes to overall rural agent viability. And it makes economic sense for DFS providers because they are able to monetize the distribution of goods and both financial and nonfinancial services traded on their platforms.

To improve CICO networks' reach and quality in rural areas, the policy and regulatory framework should be flexible enough to allow DFS providers to explore these new types of rural agents and to make it easier to on-board them.

Principle 3 in Action

E-commerce companies are recruiting a diverse range of agents—from little-known rural mom-and-pop stores, warehouse



operators, agridealers, to motorbike drivers. In some cases, agents act as roaming agents. These new types of rural CICO agents are blurring service boundaries by offering a greater diversity of financial and nonfinancial services at the agent level relative to those offered by traditional banking and mobile money agents.

In Indonesia, e-commerce platforms are experimenting with new CICO agent models to address their customers' low bank account ownership and high dependence on cash. Providers like Go-Jek, Grab, and Bukalapak are creating platforms that allow cash-in or over-the-counter transactions for DFS to be facilitated by their agents—which may include taxi drivers, small rural FMCG shops, warehouse owners who engage in e-commerce, agridealers, and individual village leaders in savings-and-loans groups.

These types of agents are common in rural areas, and e-commerce firms are investing time and resources to understand their needs and to offer them appealing agent contracts. DFS providers want their agents to be allowed by regulation to perform full CICO services and other DFS support functions. This agent model allows for the growth of offline to online transactions and of mobile wallet use in rural areas. DFS providers in African countries that are trying to expand rural agent network reach can look at these examples for inspiration for leveraging their agent network managers or e-commerce platforms (Deng 2018).

PRINCIPLE 4 Identify and Manage Consumer Protection and Other Risks Posed by Rural Agents Without Stopping Innovation

Rural customers can sometimes be more vulnerable to agent abuse than their urban counterparts, given their lower access to information and lower literacy levels. Customer protection regulations should first identify risks that are unique to new rural CICO agent models and then respond in ways that do not hamper innovation.

In some cases, rural consumers may be at relatively higher risk than urban consumers if consumer protection measures are not properly implemented. Rural consumers may have lower literacy levels, less access to market information, or less experience with formal financial products. In addition, emerging innovations that seek to make rural agents viable, such as agent-level service aggregation and support functions like account opening, DFS marketing, and facilitation of know-your-customer (KYC) processes, may spark regulatory concerns about competition, conflict of interest, and potential abusive practices.

Recent experiences suggest that regulators should carefully identify and manage specific risks these new types of CICO agent models may pose (Meagher forthcoming). This can be done by using a test-and-learn approach that allows providers to experiment on a small scale while monitoring the type of risks customers may face and the type of systemic market risk that these models may pose as they reach scale. After this assessment, regulators are better positioned to develop adequate regulatory measures that do not hinder innovation.

Potential risks observed in new CICO agent models relate to consumer protection and market power. As CICO agent networks become more open to distributing many services and reach significant scale, providers may be tempted to lock customers into services that are profitable for the provider but not in the best interest of customers. If DFS providers with dominant CICO agent networks have significant market power, they may also be tempted to crowd out competitors with better products and services (Meagher, forthcoming).

Principle 4 in Action

Experiences in China provide insights on regulatory responses to innovations in rural agent networks. Disruptive e-commerce firms, such as Alibaba's Rural Taobao Program, leveraged vast agent networks, which were originally created to distribute goods and services traded online, to distribute DFS. This "platform model" had several years to develop and mature before regulators intervened.



After monitoring how these new DFS players were developing in financial markets, the country's regulator took measures to bring e-commerce-led DFS providers under a comprehensive regulatory framework and to link them tightly to the banking system and required credit data to be shared with all financial-sector players through a common credit information system. In parallel, the physical distribution network for financial services expanded rapidly into underserved rural areas. This growth was enabled by policy initiatives and large public- and private-sector investments that helped to develop rural agent capacity to responsibly offer a wide suite of services traded on e-platforms.

The government matched the high level of service aggregation achieved by DFS providers with its own form of public service integration. This brought together multiple regulators, ministries, and levels of state administration related to the financial, commerce, manufacturing, and social welfare sectors to create a "whole of government" approach. The approach serves to formalize and monitor the economic activities of these new CICO agent networks to ensure adequate customer protection. It includes features to protect against profiling, product tying, abuse of market power to restrict competition, and some complaints-handling rules. This regulatory approach enabled CICO agent model innovation to flourish and scale, while it ensured adequate regulatory norms could be developed.

Some regulators are addressing these concerns by ensuring that DFS providers with CICO networks that scale operate within the main banking system and avoid any single provider having unique access to data on financial transactions. In addition, DFS providers are also actively monitoring rural agents' following of established and appropriate market conduct standards. Overarching market conduct requirements include:

- Transparent pricing and terms and conditions.
- Effective and appropriate recourse mechanisms offered by providers.
- Nondiscriminatory treatment of customers.

PRINCIPLE 5 Develop a Data-Driven Strategy to Close the Gender Gap in CICO Access and Use

The variance in the global gender gap in women's access to financial services suggests that women face different constraints in different countries. To create CICO networks that are more inclusive of women, it is important first to understand the experiences of women and men as customers and agents.

Evidence points to a strong and persistent gender gap in access to financial services. Globally, between 2014 and 2017, the gender gap in total financial account ownership, including bank and mobile money accounts, was 9 percentage points for developing countries (El-Zoghbi 2018).

Although the average financial inclusion gender gap in African countries is lower for mobile money accounts than for bank accounts—9 percent versus 15 percent, respectively—according to Findex, there is a lot of variance within countries (Demirgüç-Kunt et al. 2018). Despite well-developed mobile money markets in Uganda and Ghana, the gender gap in mobile money accounts in these two countries is greater than the gap in bank accounts. This is also the case in other countries, like Bangladesh and Iran, that also have strong digital financial markets. These cases suggest that, although DFS might enable better ways to reach women and serve their needs, there are other important factors to understand to ensure DFS can reduce the gender gap in financial inclusion.

CICO networks have important roles in facilitating people's uptake and use of DFS. As such, it is critical to understand how the experiences of women and men differ as both customers and agents, which can help to identify ways to make CICO networks more inclusive of rural women. The inclusion of rural women makes economic sense for DFS providers because it would significantly increase their rural customer base and improve agent and DFS provider profitability.

Global emerging lessons suggest that to reduce the gender gap, it is important first to develop a strategy to collect sex-disaggregated data on customer and agent transactions and then to use it to identify specific gender-based constraints.⁹ This is crucial because these constraints vary from case to case. The analysis will help DFS providers and public and private support organizations to develop better strategies to address gender gaps in CICO access and use.

Examples of gender-based constraints include differences between men's and women's transaction purposes, agent performance, and challenges in using DFS. After identifying specific gender gaps, providers can conduct deeper qualitative analyses to find ways to overcome barriers women face as DFS customers and agents.¹⁰ Barriers can be rooted in several different areas. For example, in some countries, women do not have a formal education or access to market information, which makes it difficult for them to be financially included. In other countries, it may be that harassment by male agents turns away female customers. Understanding these factors, which change significantly with context, will point to specific strategies for reaching women—and many of these strategies will likely involve agents because they are often the most direct contact point for female customers. For instance, if education is an issue, providers or public-sector organizations should consider developing digital solutions that work for semi-literate or illiterate women. If harassment is an issue, recruiting more female agents may help. Subsidy programs may consider offering incentives, such as higher commissions, to agents to encourage them to explain services to female customers.

Principle 5 in Action

FINCA conducted a gender-sensitive analysis of its agent network in the Democratic Republic of Congo to determine whether there were significant differences between male and female agent constraints and performance.^a The analysis revealed that FINCA's female agents had similar levels of education but had fewer years in operation than male agents. Female agents tended to operate in peri-urban areas, whereas male agents operated mainly in urban ones. Female agents processed more transactions of lower average value than male agents.

Despite these differences, female agents were 16 percent more profitable than male agents. Their businesses tended to focus on services, whereas male agents focus on commerce.

Taken together, these data enabled FINCA to identify how female agents were able to cater to the low-value and high-frequency DFS transactions that dominated in relatively less densely populated areas, such as peri-urban regions. One of several important constraints was that married women require spousal permission to take up employment, sign a contract, initiate any type of legal proceedings, or open a bank account. With this knowledge, FINCA has begun to target the recruitment of more women as agents and enable liquidity management support that adapts to the type of transactions they mostly do.

a. See IFC (2016).



9 See, e.g., <https://data2x.org/what-is-gender-data/>

10 See, e.g., IDEO.org's assessment on opportunities and barriers for women to use CICO <https://www.ideo.org/perspective/women-first-dfs>

PRINCIPLE 6

Expand Public and Private Partnerships That Share CICO Networks

Building rural CICO networks at the scale necessary to add value for customers is too big a job for any one provider or government entity. Public and private sectors will need to leverage each other's comparative advantages and build open CICO networks that function as a shared platform.

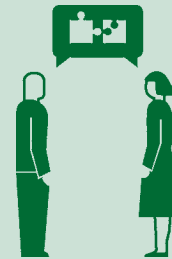
While leading DFS providers are making progress in furthering CICO network reach and quality in urban, peri-urban, and main rural towns, their presence in remote rural areas is limited. When there is quality CICO network coverage in these hard-to-reach areas, various forms of government support is present, through policies and enabling regulations that favor public and private partnerships. These policies can provide direct or indirect support to rural CICO agent networks to start operations and, over time, to create innovative business models that work with different private services providers. These policies also leverage social programs and public infrastructure to add public services to the mix offered by CICO agents. Regulation set by financial authorities that allows many types of providers to experiment with innovative CICO agent business models also favors CICO reach and quality.

These public-private partnerships can leverage rural customer knowledge or physical reach that partners like FMCG merchants, agribusinesses, household appliance chains, schools, health clinics, and government extension offices may have. The goal is to enable rural customers to use DFS for many of their most valued livelihood transactions through the closest CICO agent. Digital technology is a key enabler to this end. It is making it easier for multiple providers to share agent networks and data, as well as to integrate information systems to reduce unit costs to set up services, do CICO and marketing, and on-board clients.

Private and public actors need to understand how their products and services complement each other to reduce costs and increase service value, which would enable a rural digital service ecosystem to expand. For example, a partnership that uses a common CICO agent network to

Principle 6 in Action

In China, Alibaba's Rural Taobao program has rapidly expanded distribution and use of the Alipay platform and the financial services offered through Ant Financial



(Alibaba's financial spinoff) (Luo 2019). Launched in 2014, Taobao has established a rural agent network that serves 30,000 rural villages where customers can use cash to pay for goods and services they buy through the Taobao network. Customers without smartphones can make cash withdrawals and can pay for services such as credit, savings, and insurance through agents. To get a sense of the relative scale of this coverage, the state-owned Agricultural Development Bank of China—one of the country's top three banks in terms of assets and rural coverage—reports having 24,000 domestic branch outlets in 2017.

The scale of the Taobao agent network is due, in part, to strong links between the various financial and nonfinancial services aggregated at the agent, which add value for customers. The government of China has facilitated the expansion of the Taobao agent network indirectly through rural capacity development programs. These programs help rural entrepreneurs to understand the economic opportunities new digital economies bring for agents and customers and to develop general agent management skills and internet literacy. This government support to agents' capacity to offer various services has been key to the expansion of CICO networks in rural China ^a

a. See Luo, Wang, and Zhang (2019).

offer FMCG, household appliance, or agribusiness products and services along with DFS can be complemented with public services like government-to-person (G2P) or person-to-government (P2G) payments. The aggregation of public and private services helps the viability of rural agents. It can also bring in new types of agents from the public sector, such as schools, health clinics, and extension offices.



Photo Credit: Allison Shelley

Donors and development actors can help speed up the process of establishing these complex public-private partnerships, which have significant up-front costs for private providers.¹¹ Support can be in the form of direct or indirect subsidies to rural CICO agents to start operations as well as subsidies for research and development that lead to better business models among DFS and other providers.

11 Examples of such donor initiatives include IDEO's CoLab Last Mile Money Program (<https://www.lastmilemoneymakeathon.com/>) and Mercy Corps' Agrifin program to develop DigiFarm (https://mercycorpsagrifin.org/wp-content/uploads/2019/05/DigiFarm-Platform-Case_Final_.pdf).

SECTION 3

RECOMMENDATIONS

The overarching goal of these principles is as follows:

Customers have convenient and affordable access to a CICO network that viably provides relevant DFS transactions in a reliable, trusted, and safe manner.

This goal has several important dimensions, which are described in the Annex. Each dimension is measurable so that progress toward the goal can be quantified.

If all target stakeholders—DFS providers, policy makers, and regulators (see Box 1)—share the proposed overarching goal, they will be able to align their actions and achieve a significant increase in financial inclusion rates and in the use of financial services.

The following are recommendations for stakeholders to help them to adopt the proposed principles and meet the overarching goal. They are the result of our analysis of the vast literature and consultations with industry leaders from around the world.

They include practices, policies, and regulations that help stakeholders take appropriate actions. While based on global insights, the recommendations need to be adapted to account for differences in the context of a specific country and its subregions—unique customer needs, market conditions, and risk level.

Ultimately, the principles and related recommendations proposed enable stakeholders to steer their work in a direction that, over time, has shown to expand CICO networks into rural areas, where most financially excluded people live, and enable rural customers to use DFS that they value and that help them to achieve their livelihood goals and aspirations.

BOX 1. Who are our target stakeholders?

DFS providers include e-money issuers, banks, microfinance institutions, and new players that provide DFS services. The new players are fintechs, e-commerce, or agribusiness firms that have established agent networks that provide CICO to facilitate the use of DFS. These providers' industry associations are also target stakeholders.

Policy makers include local government organizations or ministries responsible for defining and implementing various policies through public programs across different economic sectors (e.g., telecommunications, banking, trade, agribusiness, or social benefits) that can influence DFS markets broadly and promote financial inclusion. These recommendations are also for development organizations that support policy makers like donors, nongovernmental organizations, and multilateral organizations.

Regulators include central banks, telecommunication authorities, and other government authorities responsible for defining and enforcing industry regulations on competition, market stability, and consumer protection and safety.

RECOMMENDATIONS FOR DFS PROVIDERS

PRINCIPLE 1

Enable Rural CICO Agents to Generate More Revenue Streams

- In rural contexts, look for strategies that are conducive to agent nonexclusivity (i.e., representation of more than one DFS provider) or nondedication (i.e., offer more than CICO services) because these types of strategies allow agents to maximize revenue streams given fewer rural customers (Unnikrishnan et al. 2019). In some markets, dominant competition strategies make it difficult for DFS providers to allow agent nonexclusivity. In these cases, DFS providers that strategically share their agent network with services providers outside of their industry—to support agent nondedication—enable service aggregation and rural agent viability.
- Promote the integration of services offered by the CICO agent into a single platform such that the agent can use one e-float account for various services. These may include remittances and G2P and person-to-person (P2P) transfers mixed with purchases of goods offered by different providers. This integration makes it easier for agents to rebalance transactions and favors better liquidity management. This is especially true when a diverse service offer allows for a more balanced number of CICO requests by customers.
- Set up systems that track all agent transactions of the financial and nonfinancial services they facilitate, and use these data to develop services for agents, such as credit lines and business advice, that help to improve agent and provider performance and profitability.
- Explore data analytics and artificial intelligence applications to improve agent liquidity management and to identify new value-added services for agents, all of which can improve agent viability.¹²
- Design product interfaces, terms and conditions, and marketing materials for nonliterate and non-numerate people who are likely to live in rural areas. Of the estimated 758 million illiterate people in the world, most of them live in rural areas and are women (UNESCO 2017). They represent a sizable potential customer base, and most of them are likely to be financially excluded. DFS providers can share costs with public-sector partners to act on this recommendation.

PRINCIPLE 2

Make Agents More Accessible to Rural Customers

- Proximity increases uptake and use. Geotag agent performance data to analyze coverage gaps and supplement other transactional data—for example, data from other services providers or census data—to identify rural areas with unmet DFS demand and to inform agent expansion strategies.

¹² See, e.g., Juma and Wasunna (2018) and Kiarie and Bersudskaya (2018).

- Identify and set proximity goals using a tiered system to account for changes in customers' willingness to travel to an agent (which may change depending on the type of transaction needed, population density, etc.), average consumer travel time, and cost of transport to nearby agents. Based on tiers, offer agents operating in lower density areas lower barriers to entry—for example, by lowering start-up costs or offering greater initial incentives while they develop their customer base.

PRINCIPLE 3

Expand the Range of People Who Can Serve as CICO Agents

- Invest in understanding the needs of rural customers to identify how to tweak existing DFS products or design new ones that can bring value to the livelihoods of rural customers. This will help you to identify links with other nonfinancial services that rural customers value—for example, frequent purchases of foodstuff, household appliances, agricultural inputs, school fees, and so forth. This analysis will point to specific potential partners that can bring value to those DFS offered and help aggregate services at the agent level.
- Identify and leverage rural leaders—individuals or small and medium enterprises—that are respected and have deep ties in their communities. Provide them with the skills and tools to become agents and to help expand agent networks across rural communities. These new types of agents may be rural transportation workers, warehouse managers, agridealers and processors, FMCG distributors, village savings and loans group members, household appliance store owners, among others.

PRINCIPLE 4

Identify and Manage Different Risks Posed by Rural Agents

- Work with other providers in a given market to develop and agree on a joint agent code of conduct that considers the potential risks of rural agents performing not only CICO services, but also other functions such as low-tier account opening, marketing or KYC supporting processes, and CDD facilitation. Work with local industry associations or other relevant local actors to offer agents customer protection certification.
- Implement complaint handling mechanisms that (i) are easy for customers to access and use, (ii) track all complaints at low cost, (iii) have clear standards for appropriate response and resolution times, and (iv) allow providers to identify, resolve, and prevent issues with customers and agents.
- Agree on feasible mechanisms to share data related to consumer protection between providers, agents, or other key partners. Collaborate with them to identify and manage risks associated with fraud and other abuses. This may include conducting proper due diligence on a third party with whom customer data will be shared and considering encryption and anonymization of customer data that are sent electronically.

PRINCIPLE 5

Develop a Data-Driven Strategy to Close the DFS Gender Gap

- Develop a data collection plan informed by gender experts that defines the most relevant gender disaggregated data to collect throughout CICO networks (i) to measure customer and agent gender gaps and then (ii) to identify ways to reduce the gaps. Relevant gender-disaggregated data may include transaction purpose, agent performance, and reported challenges to using the services, among others.
- Use relevant gender-disaggregated data to develop ways to better reach women, where gender gaps exist, such as bundling DFS with other services that support women's needs. View gender holistically: it is not just about reaching women; it is about understanding a range of factors that differentiate how men and women interact with products and services. This understanding can be used to design products and marketing strategies that foster more CICO transactions and help agent networks scale.
- Help women to become successful agents to increase DFS provider and agent profitability, starting by understanding key capital and training constraints faced by business women in developing countries.



Photo Credit: Vered Konijnendijk

PRINCIPLE 6

Expand Public-Private Partnerships That Share CICO Networks

- Create a team that champions strategies to expand agent networks. The team could, for example, develop incentives or accountability systems to help senior management identify and pursue innovative commercial partnerships with private or public services providers that favor sustainable service aggregation through a common agent network. Without these incentives, senior management may tend to prioritize short-term performance indicators that draw away time and resources devoted to innovating CICO agent models.
- Develop partnership models with private or public actors that incentivize sharing the costs of building and maintaining a common agent network. Costs will include resources to help rural agents develop comprehensive business skills, such as liquidity management, code of conduct, bookkeeping, stock management, and so forth, so that they are able to manage multiple product and service lines. These trainings should be delivered through multiple channels that balance the need for face-to-face training with digital tools that allow for low-cost, on-going, and iterative learning.

RECOMMENDATIONS FOR POLICY MAKERS

PRINCIPLE 1

Enable Rural CICO Agents to Generate More Revenue Streams

- Allow existing social programs that provide government transfers or collect fiscal payments to be made through CICO agent networks that are shared with other financial and nonfinancial providers. This will facilitate service aggregation at the agent level.

PRINCIPLE 2

Make Agents More Accessible to Rural Customers

- Create a process in which DFS providers propose ways to collect and report data on agent geolocation over time. Use these data to build an agent registry that can be used to design policies to increase agent network coverage. Use the registry to track active and dormant CICO locations on a national and regional level, contrast it to other types of distribution networks, and identify potentially viable areas in coverage gaps. Set goals for context-specific proximity tiers that account for regional variance. These would likely relate to a combination of average distance, time, and cost to reach the nearest agent.
- Depending on government fiscal capacity, develop subsidy programs that promote greater agent network reach and quality with short- and mid-term objectives. In the short term, use direct and time-bound subsidies to cover CICO fees and reduce agent start-up costs to enable agents to begin operating in previously unserved rural areas. This also allows providers to start learning about new customer behavior and needs that can translate into better products and provider partnerships.

PRINCIPLE 3

Expand the Range of People Who Can Serve as CICO Agents

- Recognize that policies that promote mobile, electricity, and internet coverage are key enablers of vast and diverse CICO networks used by many types of providers. The policies include cost-sharing arrangements between private or public service providers to build the communication infrastructure needed in rural areas where there is a demand for DFS.
- For agents in remote rural areas where distribution can be particularly challenging, engage with DFS providers to identify strategies to promote agent nondedication or nonexclusivity. This will help to ensure that various types of agents can work with multiple financial and nonfinancial services providers as well as public services providers, thereby increasing their potential to offer a

wider array of services and to be viable. Explore the possibility of using rural public service points as agents like schools, health clinics or agriculture extension offices.

PRINCIPLE 4

Identify and Manage Different Risks Posed by Rural Agents

- Require various government agencies to share information with each other to identify potential risks regarding consumer protection, anti-competitive practices, and fraud in emerging rural CICO agent models. As cross-industry partnerships develop to form more inclusive CICO networks, government agencies that monitor e-commerce, telecommunication, or the financial and agricultural sectors should share market intelligence on customer risks and concentration of market power.



Photo Credit: Vered Konijnendijk

PRINCIPLE 5

Develop a Data-Driven Strategy to Close the DFS Gender Gap

- Explore how gaps in women's access to national IDs or requirements to operate DFS agents may impact women's ability to access financial services or to be DFS agents. Where constraints exist, enable mechanisms that address those gaps, such as universal ID access or risk-based KYC to facilitate women's account ownership, and simplify requirements to become a DFS agent.
- Ensure key government agencies collect gender-disaggregated financial data at the national level to understand if and where a gender gap exists in terms of access to financial services, mobile phones, and connectivity. These areas affect women's ability to access DFS via agents. Coordinate with other government agencies to remove constraints on education, legal, or other national systems that prevent women's financial inclusion.

PRINCIPLE 6

Expand Public-Private Partnerships That Share CICO Networks

- Depending on government fiscal capacity, task relevant government agencies to implement subsidy programs that focus on CICO network innovation and expansion. Time-bound subsidies can facilitate and speed up new types of provider partnerships that improve profitability by offering greater customer value, increasing agent revenue streams, and reducing costs. These types of subsidies are ideally part of a two-pronged strategy that includes (i) short-term direct support to cover agent operating costs in remote frontier areas and (ii) mid-term support for research and development in new business models based on provider collaboration that allows for viable CICO network operations in those frontier areas.

RECOMMENDATIONS FOR REGULATORS

PRINCIPLE 1

Enable Rural CICO Agents to Generate More Revenue Streams

- Take a risk-based approach to CICO agent network regulation. The approach should allow DFS providers to explore different levels of service aggregation by agents. Consider more flexible regulation for lower-risk agent tiers—for example, agents who conduct only CICO services—and develop adequate risk management mechanisms for agents that provide more services. Consider that the more services agents provide, their potential to viably operate in rural areas improves.

PRINCIPLE 2

Make Agents More Accessible to Rural Customers

- Work with providers to develop a strategy for agent interoperability that will enable customers to perform DFS transactions between multiple providers using the most accessible CICO agent. This could be done in several ways, including having agents representing multiple DFS providers or exclusive agents enabling transactions between interoperable DFS accounts, among other ways.
- Avoid dictating fees or price caps for CICO transactions to ensure market prices reflect provider costs. For example, caps on fees for G2P transfers going to rural areas that do not allow providers to cover costs may discourage other payment services in rural areas and drive out private DFS providers. This would limit the product mix offered to rural customers and could leave a DFS vacuum if G2P programs are discontinued.

PRINCIPLE 3

Expand the Range of People Who Can Serve as CICO Agents

- Create a level playing field for the different types of providers building CICO agent networks. Enable regulation by service type, rather than provider type, to increase competition and reward innovation. This may allow for innovations such as roaming CICO agents established by players like fintechs or e-commerce firms at the last mile or the aggregation of services from several financial and nonfinancial providers by third-party agent network managers.

PRINCIPLE 4

Identify and Manage Different Risks Posed by Rural Agents

- Document any evidence of harm to consumers as revealed during the early implementation of new CICO network models. Then propose practical mechanisms to manage these risks. For example, in addition to more conventional reporting mechanisms set up by providers, regulators can monitor customer complaints directly through social media tools. Make regulatory decisions for CICO networks that are based on documented actual risks rather than hypothetical risks.
- Focus on root risk management concerns, such as making the provider accountable for the actions of its agents, rather than defining up front who and where agents should be. Allowing DFS providers to define the best type of agents to deliver their services enables CICO network innovation.
- Give providers time to experiment with new risk-mitigation mechanisms in a controlled environment by agreeing not to impose heavy regulatory norms and not to implement sanctions immediately while models are being tested. This allows innovations to scale and actual risks to be revealed and addressed.

PRINCIPLE 5

Develop a Data-Driven Strategy to Close the DFS Gender gap

- Based on gender gaps revealed by policy analyses, review KYC and ID regulatory requirements for CICO agents to ensure that they do not unintentionally discriminate against female agents and clients.
- Establish a process with DFS providers to promote an interoperable digital payments infrastructure so that customers can transact with different services providers. This enables greater participation of women in digital financial markets.

PRINCIPLE 6

Expand Public-Private Partnerships That Share CICO Networks

- Allow DFS players to experiment with new CICO agent models based on provider collaboration. For example, regulators may take a test-and-learn approach to regulate new collaborative CICO agent models or they may consider other approaches, such as sandboxes. In this way, regulators allow DFS providers and their partners to fine-tune their model and assess its potential for scale. During this time, regulators can identify more precisely the type of regulatory risks that these new models may bring. This learning process allows for evidence-based regulation instead of regulations based on hypothetical risks. It also prevents stymying innovation by allowing DFS providers to prove concepts and refine CICO agent models.

ANNEX

KEY DIMENSIONS OF AN IDEAL CICO AGENT NETWORK

What is the overarching goal for a CICO network? Clarity on this helps define the ideal CICO network features that the six principles enable. Based on the global consultation we conducted, the following overarching goal is proposed:

Customers have convenient and affordable access to a CICO network that viably provides relevant DFS transactions in a reliable, trusted, and safe manner.

What Does the Goal Mean? How Do We Measure It?

The goal has several important dimensions. Each dimension is measurable so that progress toward the goal can be monitored. General measurement concepts are suggested to help stakeholders refine progress metrics according to their context, building on their financial inclusion measurement frameworks.

CUSTOMERS

All current and potential DFS customers. CICO networks should expand to reach customers who are underserved. They should also reach potential customers who are financially excluded but still can afford financial services. These customers may not be using formal financial products for many reasons, including inaccessibility, high transaction costs, low trust and awareness, and lack of a compelling value proposition. Progress would be indicated by, for example, an increase in the number of new customers with e-accounts and in the frequency of account use by customers living in rural communities.

CONVENIENT ACCESS

Convenience from the customer's perspective. CICO points should be close enough to customers to make it easy for customers to make transactions. Progress would be indicated by a decrease in objective measures, such as distance, time, and monetary costs to reach the CICO point, and subjective measures, such as customer expectations of what that proximity should be. Subjective measures may depend on contextual factors like the type of transaction the customer wants to perform (e.g., low value or high value) and mode of transport used (e.g., by foot, bicycle, or motor vehicle).

AFFORDABLE ACCESS

Affordability from the customer's perspective. The total cost of accessing a CICO service point would need to be within the customer's willingness to pay. Total costs include any fees the customer needs to pay in addition to the transaction and opportunity costs incurred by the customer to reach the CICO service point. Progress would be indicated, for example, by an increase in frequency of account use of customers living in rural communities.

VIABLE PROVISION

The ability of the DFS provider and the associated agent to profitably deliver CICO services to customers. Eventually, agents need to provide services in a profitable manner for the service to be sustainable. This means the CICO service point's business model needs to generate enough revenue from DFS transactions to at least cover costs and up-front investments, while generating a profit as transactions grow.



Photo Credit: Vered Konijnendijk

This is true even if the agent has other sources of revenue, including government subsidies. DFS providers who depend on agent networks need the overall network, including rural networks, to be profitable, even after any potential cross-subsidization. Progress could be indicated by an increase in the number and percentage of active agents in rural areas.

RELEVANT DFS TRANSACTIONS IN A RELIABLE MANNER

Relevant transactions refer to those that enable e-money customers to use the DFS they want (e.g., cash out a remittance or G2P payment, or cash-in to buy airtime, transfer money, or pay a loan). CICO service points should be able to reliably conduct transactions to support customers' use of DFS, such as payments, savings, credit, or insurance, that facilitates their livelihood activities and goals. Rural agents who can support not only CICO, but also account opening, marketing, and KYC and CDD processes are particularly effective in on-boarding financially excluded customers. These agents need the tools and skills to manage liquidity and access to support processes that enable them to satisfy customer requests on the spot. Progress would be indicated by, for example, a decrease in the average rate of CICO and other customer request rejections by the agent.

TRUSTED AGENT

Customers trust agents who act in the customer's best interest when making transactions. Trust can be built in

several ways, including, for example, recruiting agents that are socially or culturally close to customers, which helps customers to not feel intimidated by differences in gender, religion, socioeconomic status, or other social factors. They are more willing to trust information given by an agent that is similar to them. In addition, to inspire customer trust in a product, agents should be able to explain transactions (and products when relevant) clearly. Trusted agents can differ by customer segment, for example, smallholder women or the elderly. Progress would be indicated by an increase in customer-reported trust in agents in satisfaction surveys.

SAFE TRANSACTIONS

Customers should be kept safe when they conduct transactions at CICO service points. This is especially true for lower-income rural customers who tend to have less education and information relative to urban dwellers. DFS providers should establish mechanisms to prevent agent abuse and fraud based on understanding the risks prevalent in rural settings. Agents should follow provider-established processes that keep client information safe. Progress would be indicated by a decrease in the rate of fraud cases. DFS providers should use fraud detection controls that are based on their analyses of transactional data of rural agents. Another indication of progress may be an increase in the rate of agent adherence to the DFS provider's code of conduct as indicated in agent performance surveys.

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