



# Agent Network Accelerator Survey: Bangladesh Country Report 2014

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**MicroSave**  
Market-led solutions for financial services

BILL & MELINDA  
GATES foundation



## Project Description

Through the financial support of the Bill & Melinda Gates Foundation, *MicroSave* is conducting a four-year research project in the following eight focus countries as part of the [Agent Network Accelerator \(ANA\)](#) Project:

### Africa

- ▶ Kenya
- ▶ Nigeria
- ▶ Tanzania
- ▶ Uganda

- ▶ Bangladesh 
- ▶ India
- ▶ Indonesia
- ▶ Pakistan

### Asia

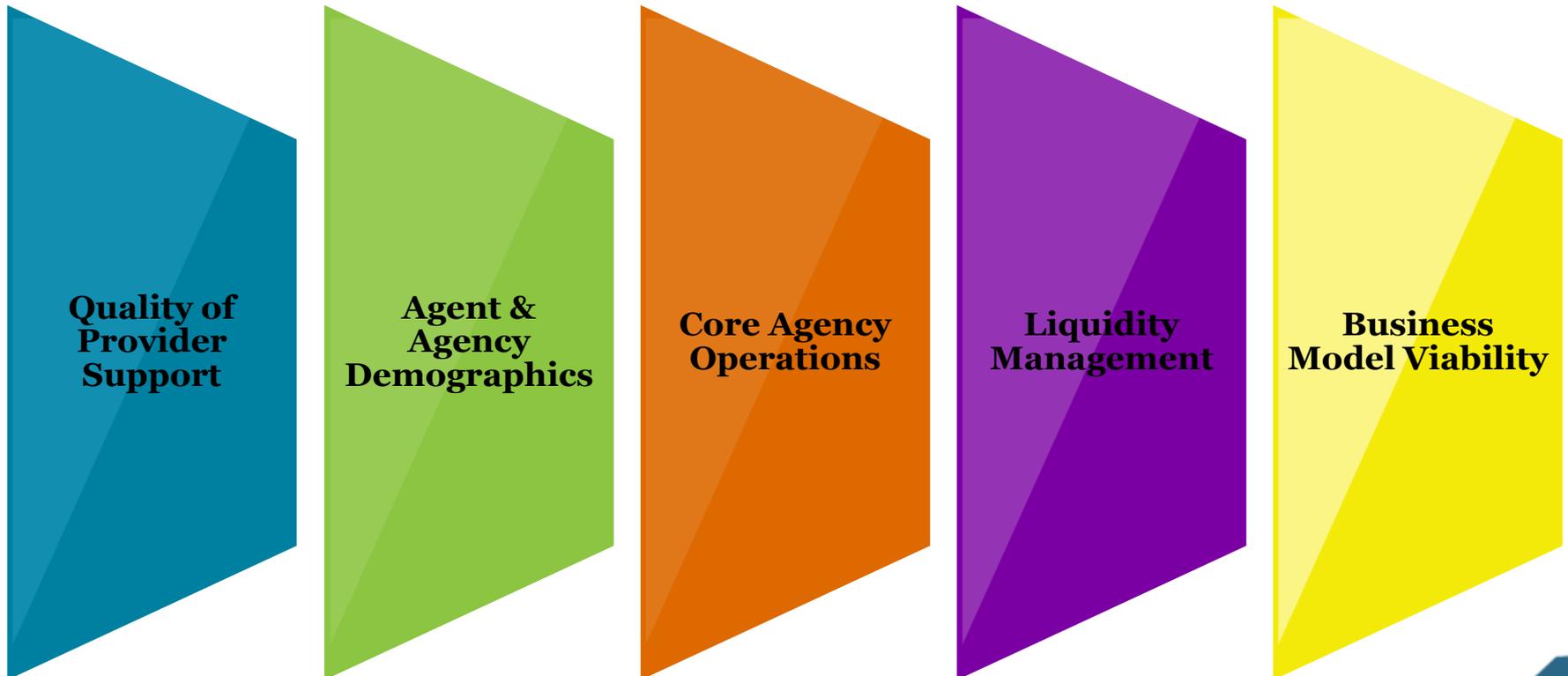
Research findings are disseminated through [The Helix Institute of Digital Finance](#). *Helix* is a world-class institution providing operational training for digital finance practitioners.



[www.helix-institute.com](http://www.helix-institute.com)

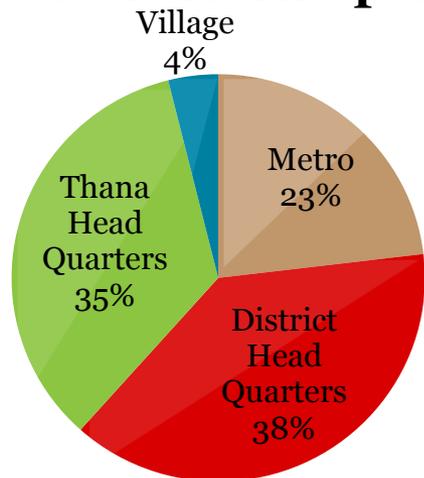
## Focus Of Research

The research focuses on operational determinants of success in agent network management, specifically:



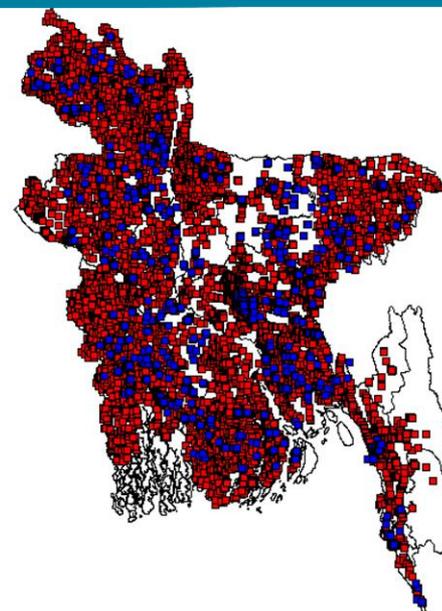
# The Research Is Based On 2,490 Nationally Representative Agent Interviews

## Achieved Sample



Data was collected between March and April 2014 employing a random route methodology based on agent census data presented on the map

Red points represent a census of agents conducted by Brand Fusion in September 2013. Blue points are the agents interviewed for this research in March 2014.



## Sample Profile\*

Total Sample Size	Location				Exclusivity		Dedication	
	Metro	District HQ	Thana HQ	Village	Exclusive	Non-Exclusive	Dedicated	Non-Dedicated
2,490	576	958	859	97	1082	1408	97	2393
	23%	38%	35%	4%	43%	57%	4%	96%

\*This table summarises agent demographics. Due to the different structure in urban and rural definitions and localities in Bangladesh, this sample is not comparable to Helix's earlier surveys in East Africa. The definitions are provided in [Appendix 1](#)

## Bangladesh Overview

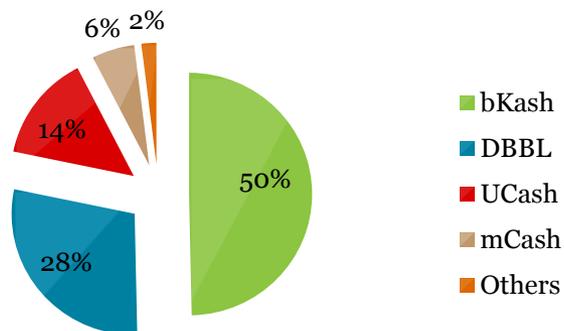
**Bangladesh has created many unique systems for agent network management which are yielding world class results especially with regards to liquidity management. However, transaction volumes and profits are low compared to East Africa and support structures are still developing.**

- ▶ Transaction volumes are very low compared to East Africa, but very low operational costs keep the majority of agents profitable.
- ▶ Most agents have rebalancing done for them at their outlets, and report rarely having to deny a transaction for lack of it.
- ▶ Almost all agents are non-dedicated, and while bKash is the dominant provider, other providers seem to be quickly building their networks on top of bKash's, meaning the majority of agents are now non-exclusive.



# Providers' Market Share\* Of National Agent Network

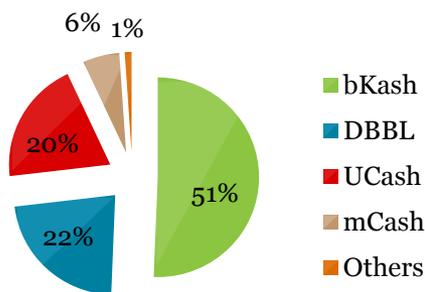
## Market Share



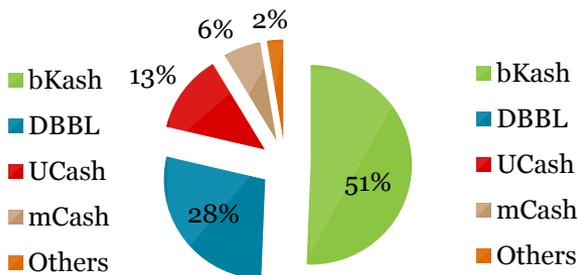
▲ bKash dominates the DFS space accounting for half of the market, followed by DBBL (28%). However, the dominance of the market leader is not as pronounced as in Kenya - with M-PESA's 90% market share.

▲ New providers like UCash are rapidly expanding across Bangladesh – especially in the urban areas.

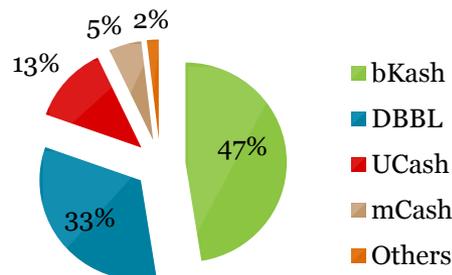
## Metro



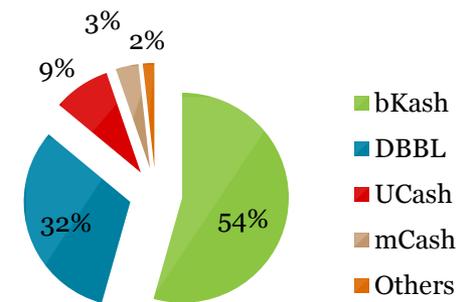
## District HQ



## Thana HQ



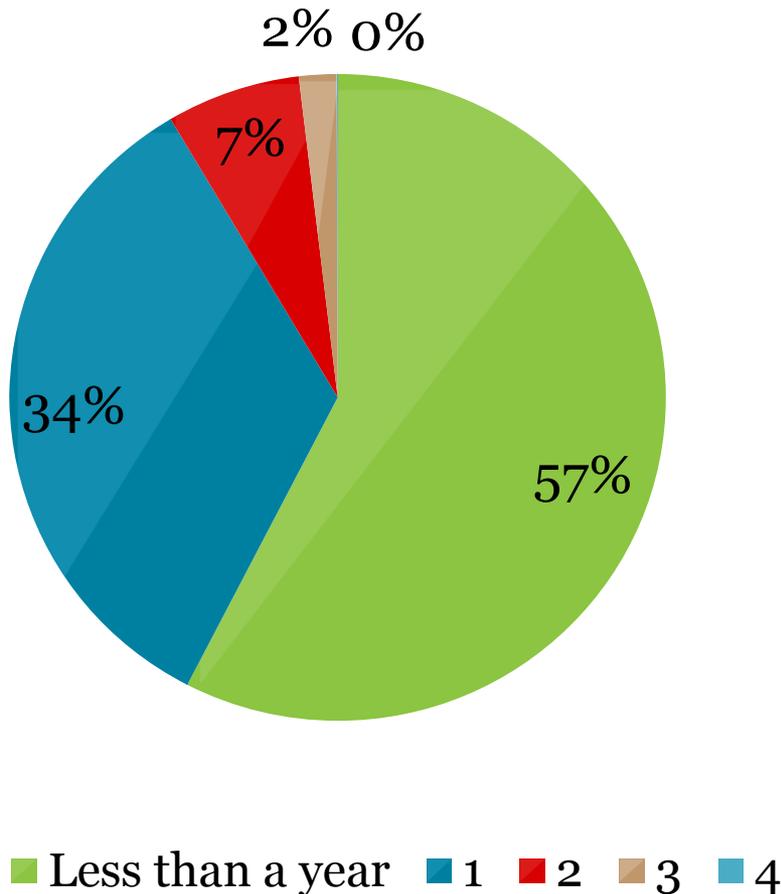
## Village



\*Agent market share is defined as the proportion of cash-in/cash-out (CICO) agents by provider. Numbers here are provided on a till basis not on the outlet level. Hence, if an agent serves three providers it is counted three times. This method therefore discounts smaller exclusive networks.

# Digital Finance Is Relatively New And So Are Most Agents

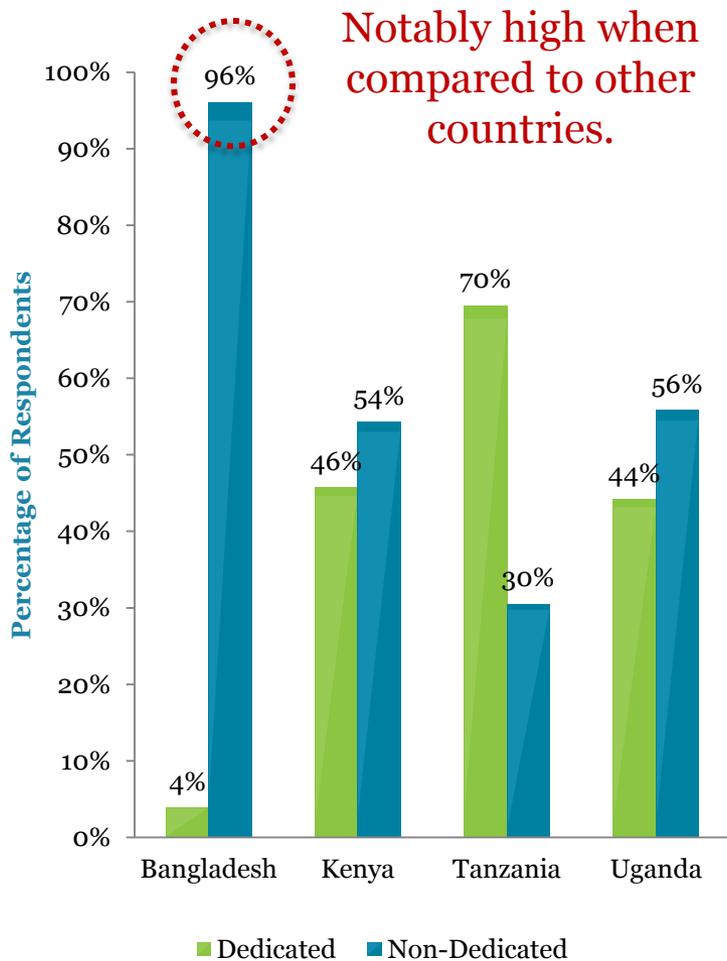
## Agents – Years in Operation



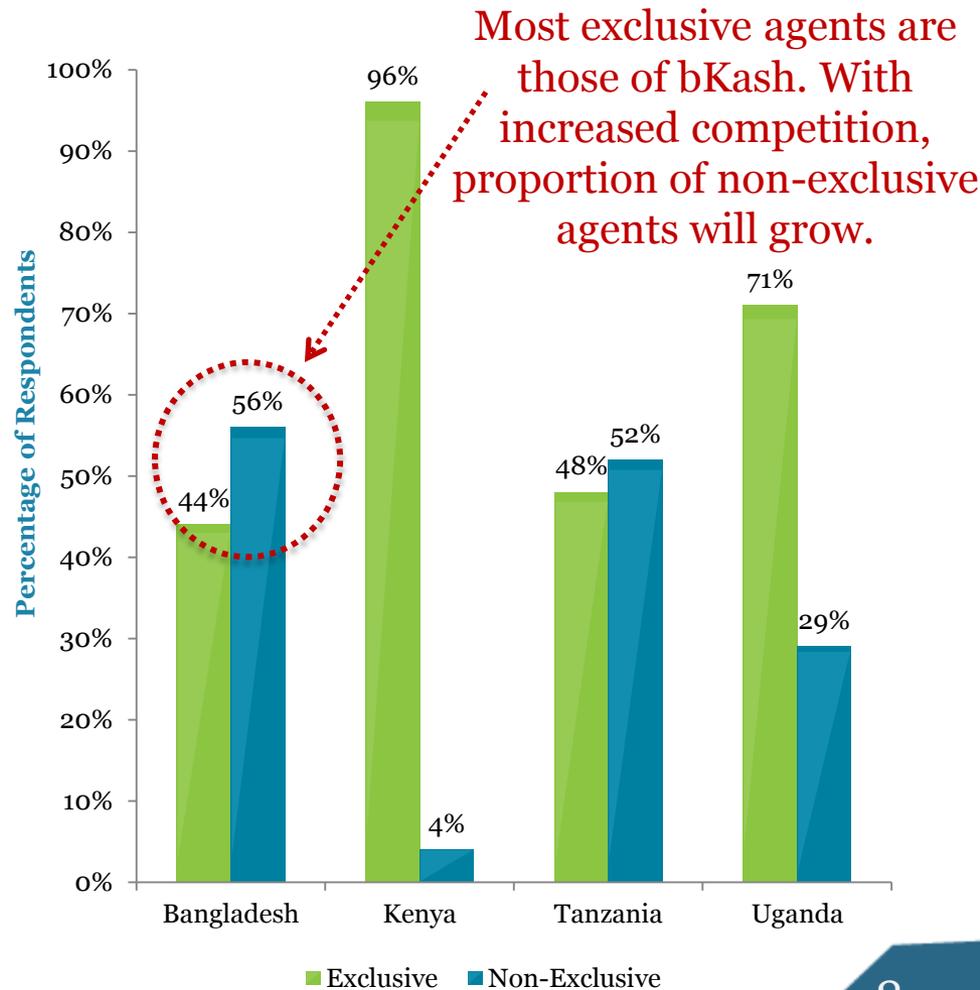
- 57% of agents are one year old or less, which is common in high growth markets.
- This can be attributed primarily to the recent expansion in digital finance– including increased competition in a market which is still dominated by a single player.
- 86% of agents indicate that they foresee themselves continuing as agents in an year, indicating high levels of satisfaction.

# Digital Finance is Non-Exclusive and Extremely Non-Dedicated

## Dedicated Vs. Non-Dedicated



## Exclusive vs. Non-Exclusive

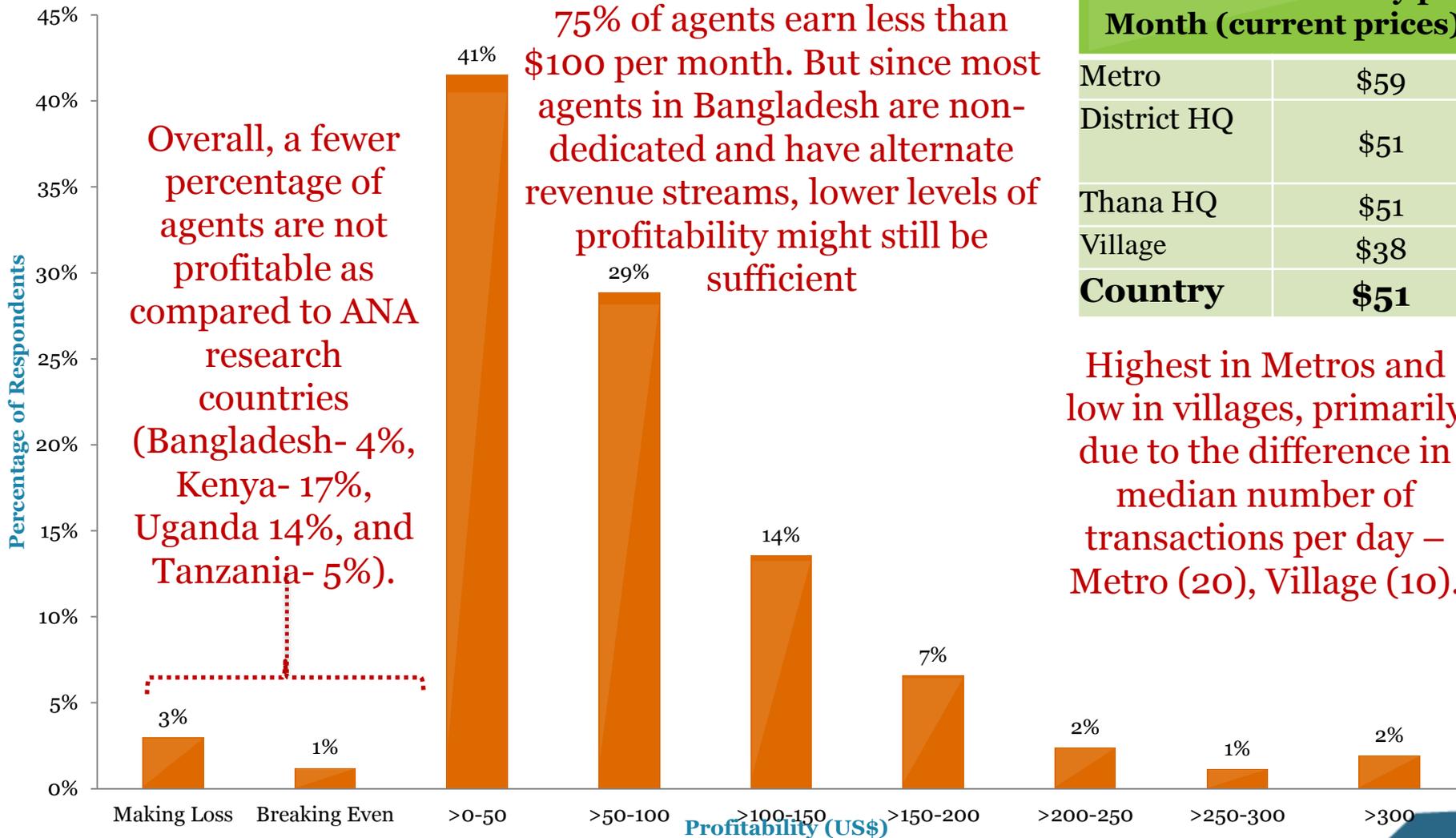


# Agents Are Profitable, But Most Earn Low Profits

## Profit Per Month (US\$)

75% of agents earn less than \$100 per month. But since most agents in Bangladesh are non-dedicated and have alternate revenue streams, lower levels of profitability might still be sufficient

Overall, a fewer percentage of agents are not profitable as compared to ANA research countries (Bangladesh- 4%, Kenya- 17%, Uganda 14%, and Tanzania- 5%).



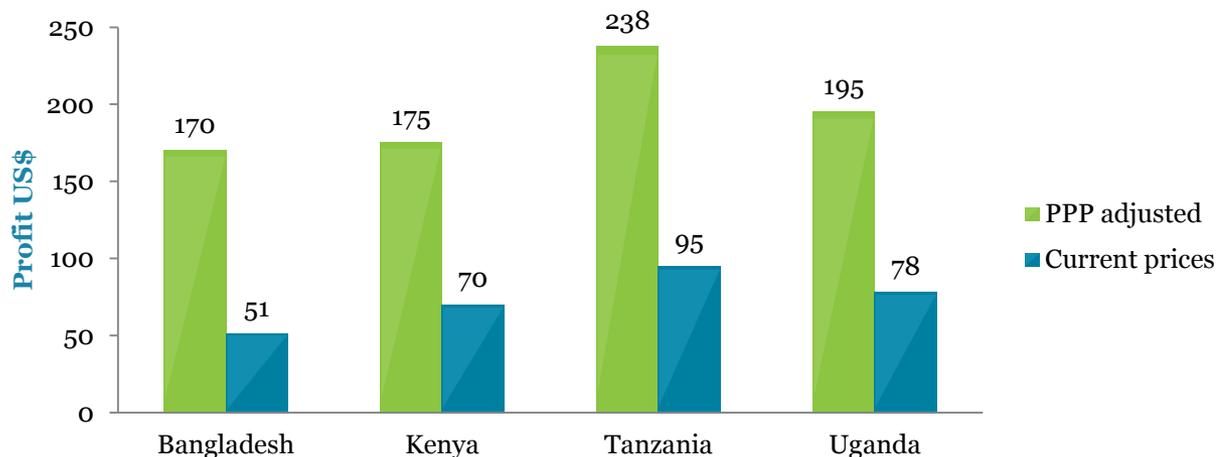
Median Profitability per Month (current prices)	
Metro	\$59
District HQ	\$51
Thana HQ	\$51
Village	\$38
<b>Country</b>	<b>\$51</b>

Highest in Metros and low in villages, primarily due to the difference in median number of transactions per day – Metro (20), Village (10).

\* Is calculated by subtracting expenses from total earnings from all the providers served. Only agents that reported both earnings and expenses are included here. There is a possibility that these figures are under-reported since most agents did not respond to questions on OTC.

# Low Commissions Are Driving Low Profit Levels Compared to Other Leading Countries

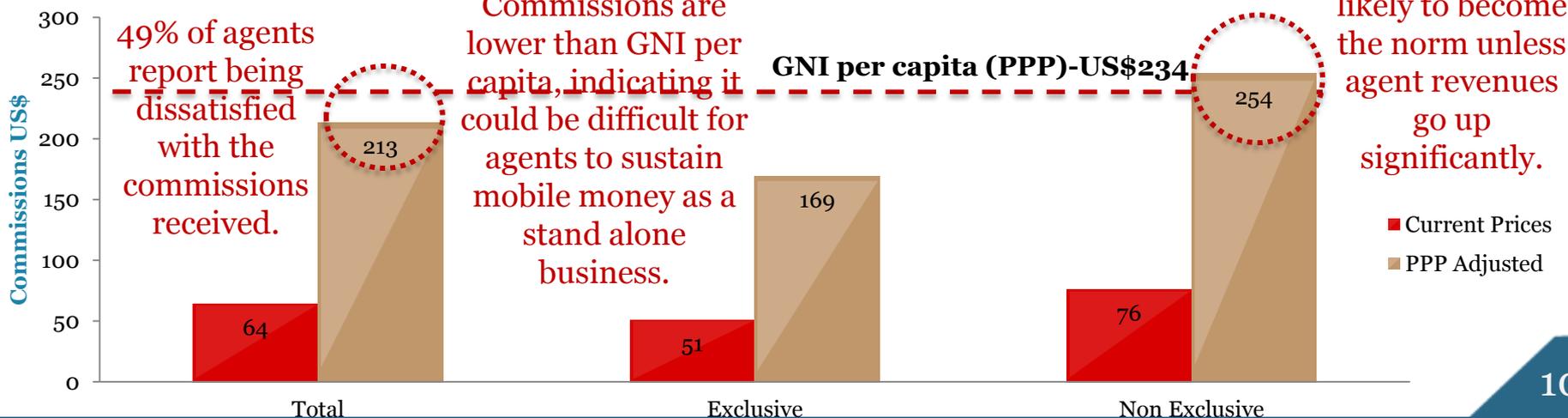
## Median Profitability - Comparison With East Africa



### Median Commissions from all providers per Month (current prices)

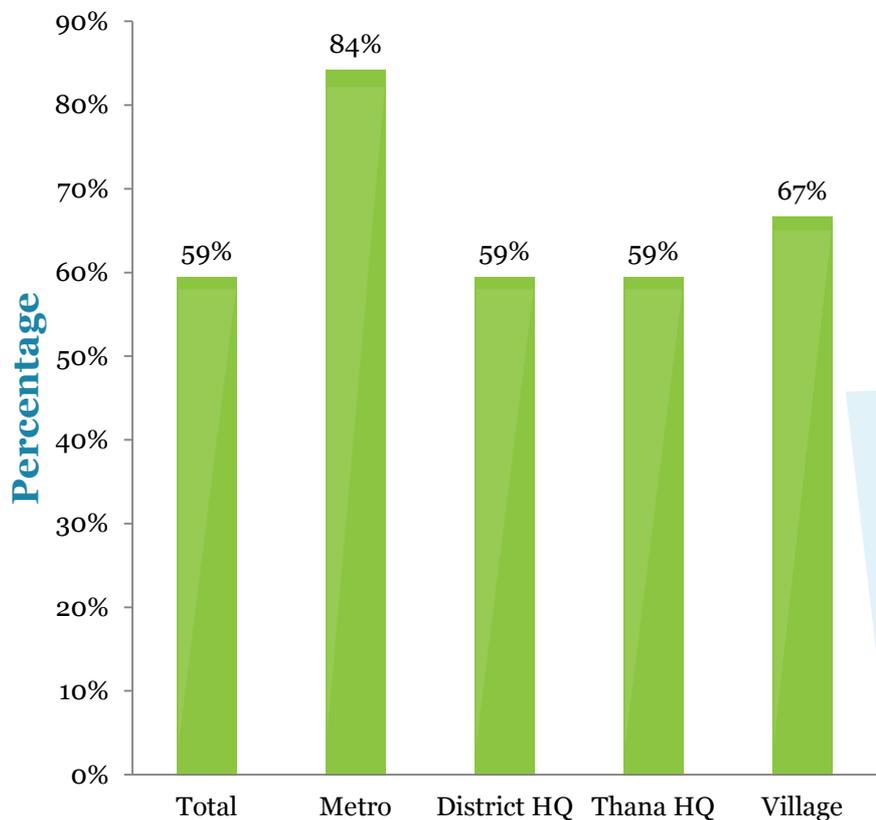
Metro	\$76
District HQ	\$64
Thana HQ	\$64
Village	\$57
<b>Country</b>	<b>\$64</b>

## Median Monthly Commissions



# Serving More Than One Provider Is A Significant Contributor to Monthly Income

## Contribution of Commissions from a Single Provider on Total Monthly Commissions



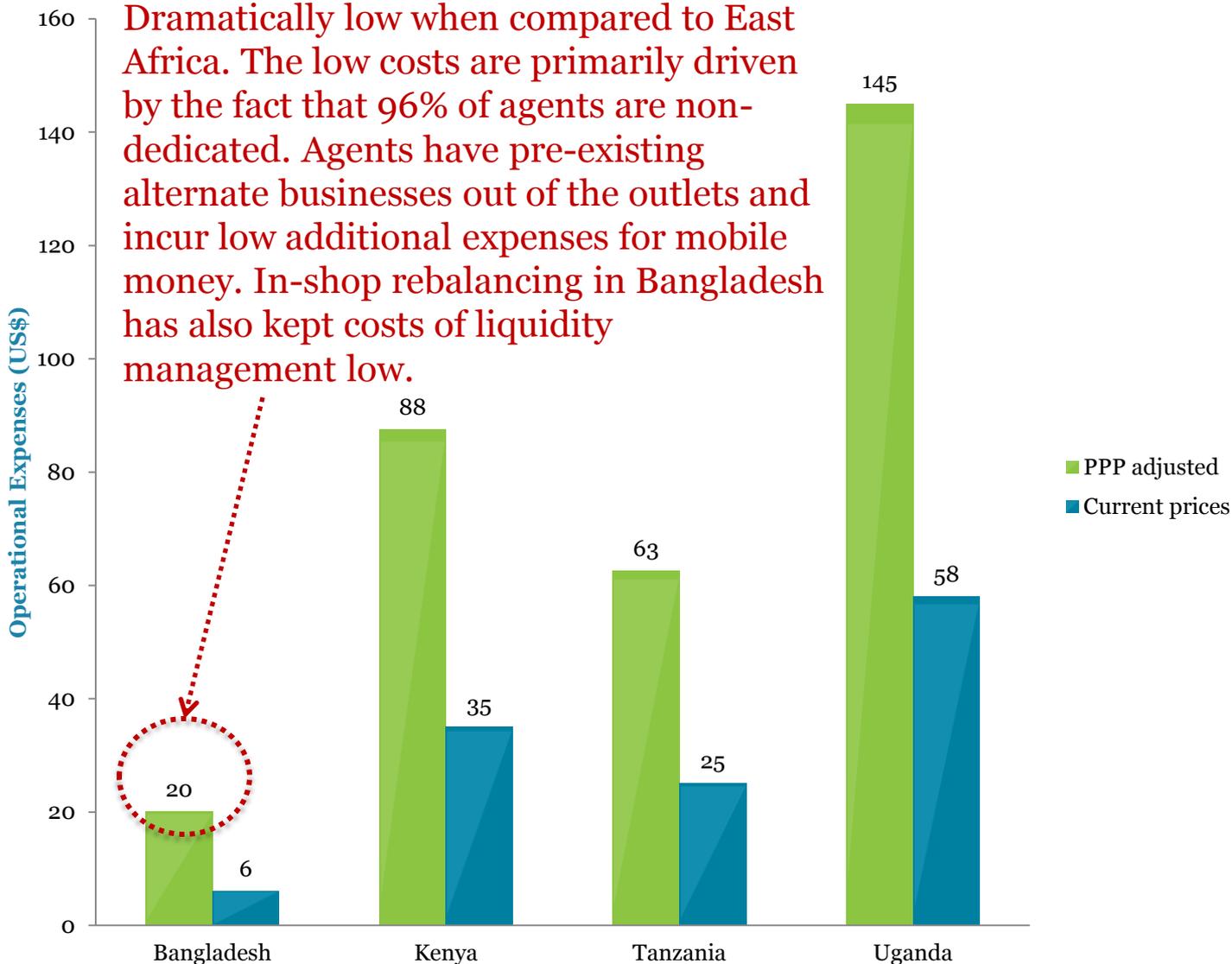
Location	Median Commission from all Providers per Month (current prices)	Median Commission from a single Providers per Month (current prices)
Metro	\$76	\$64
District HQ	\$64	\$38
Thana HQ	\$64	\$38
Village	\$57	\$38
<b>Country</b>	<b>\$64</b>	<b>\$38</b>

- Countrywide, 41% of commissions come from serving more than one provider.
- Dependence on a single provider seen primarily in metros.
- In non-metro locations , significant proportion of income comes due to non-exclusivity.

# Operational Expenses Are Low

## Median Operational Expenses per Month

Dramatically low when compared to East Africa. The low costs are primarily driven by the fact that 96% of agents are non-dedicated. Agents have pre-existing alternate businesses out of the outlets and incur low additional expenses for mobile money. In-shop rebalancing in Bangladesh has also kept costs of liquidity management low.

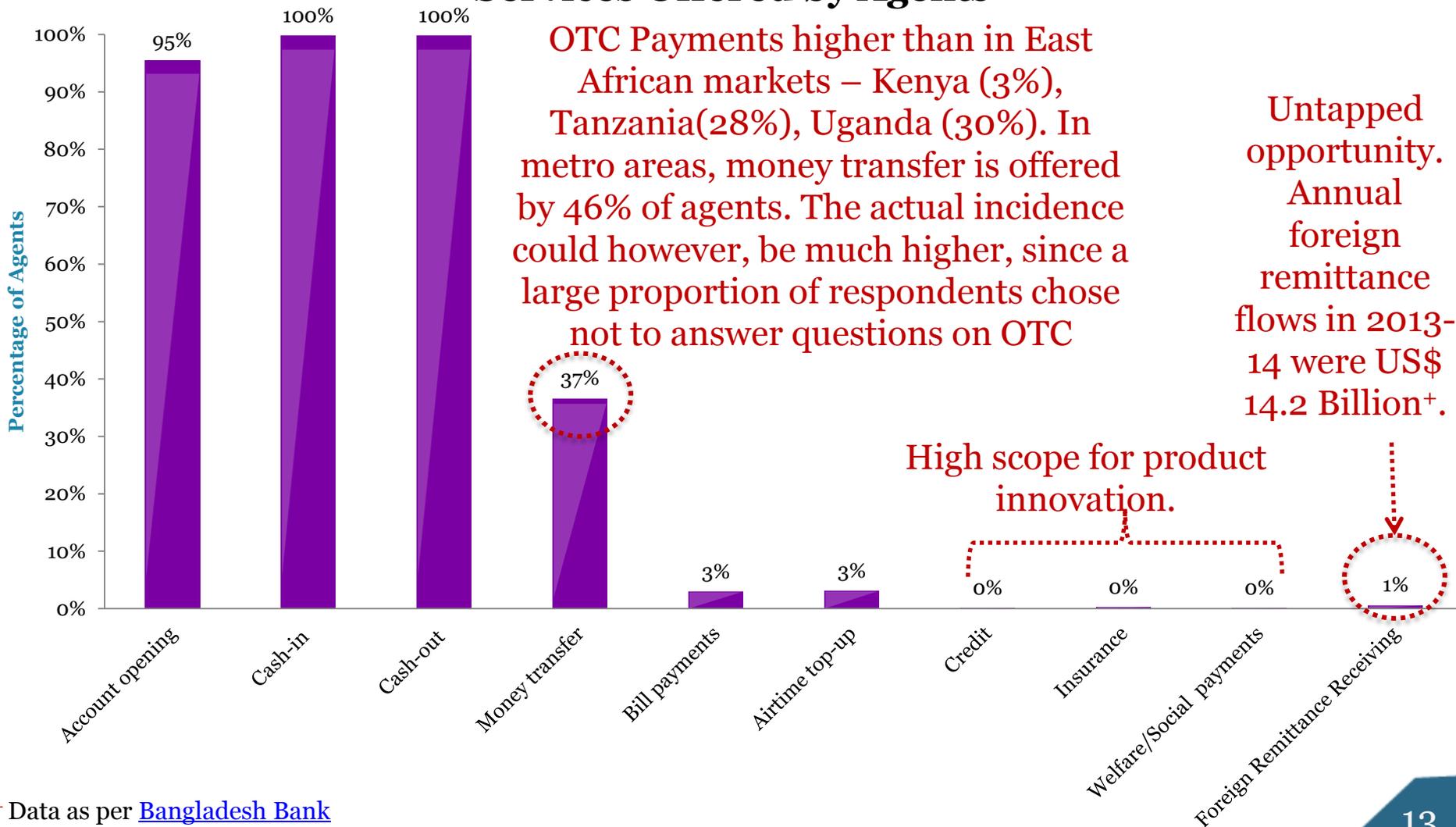


Median Operational Expenses per Month (current prices)	
Metro	\$15
District HQ	\$6
Thana HQ	\$6
Village	\$5
<b>Country</b>	<b>\$6</b>

Metro locations have significantly higher operational expenses.

# Untapped Opportunities Abound

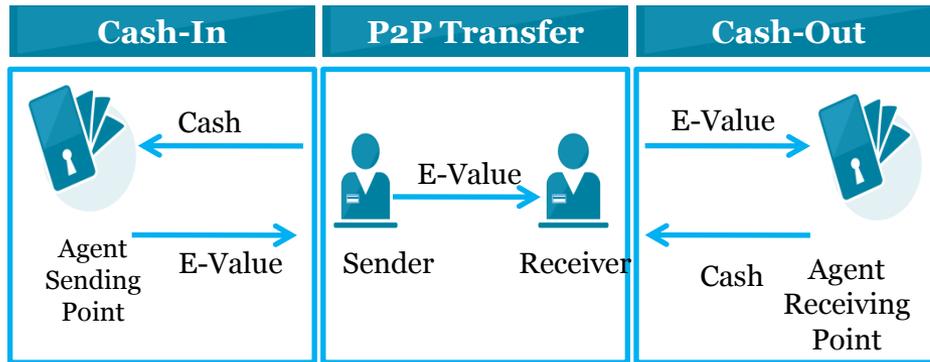
## Services Offered by Agents



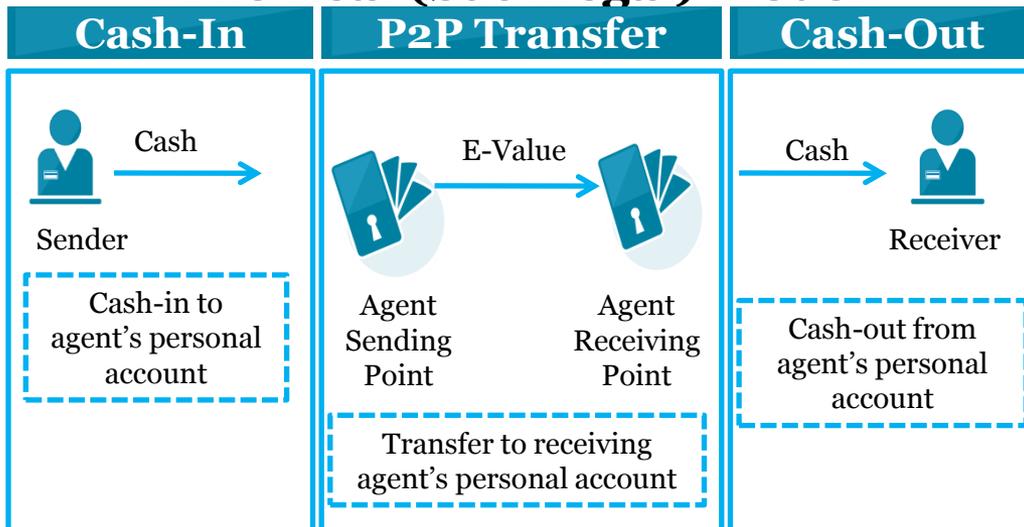
+ Data as per [Bangladesh Bank](#)

# OTC in Bangladesh – The Modus Operandi

## The Mandated Model



## The Real (but illegal) Model



- Regulation disallows OTC.
- Agent tills are not enabled to conduct transfers. So agents use their personal handsets to conduct them.
- Regulators have put in place transaction limits on mobile money accounts to combat OTC.
- Agents continue to do transfers using multiple SIM cards and personal mobile money accounts!
- During qualitative research, it was seen that overcharging customers was common in OTC – often to the range of 20-30% more than provider pricing

## OTC Transfers Are Prevalent

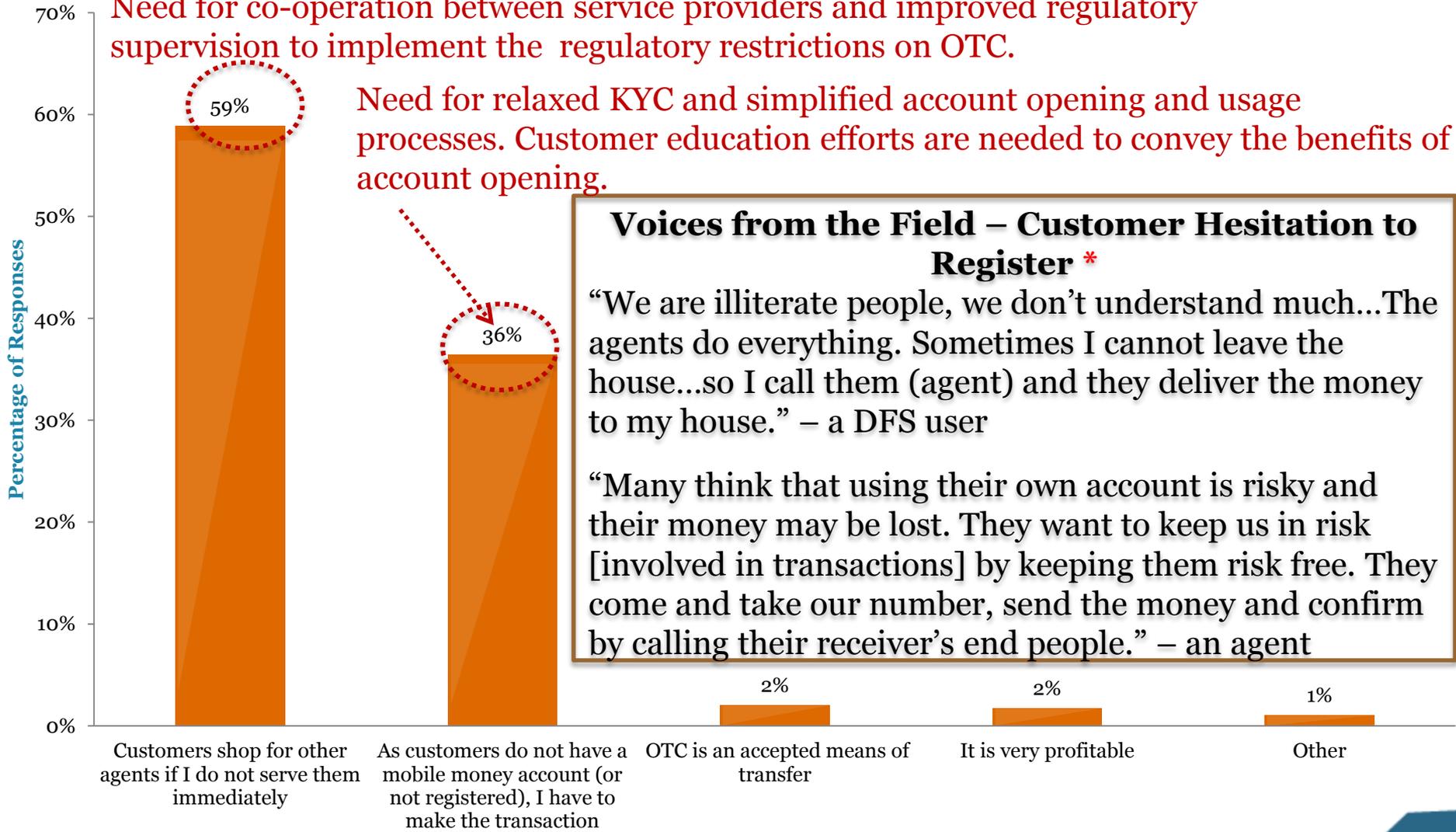
***“I have 25 accounts to conduct transfer. If they restrict it further, I’ll be forced to add more accounts. They should just allow transfers from agent to agent.”***

***“Providers have reduced the permitted number of transfers from personal accounts. The biggest losers are poor people who need to make small transactions, as agents are forced to refuse small value transactions for fear of exhausting their limits.”***

- 
 Median number of OTC transactions stated per day are 5, or 33% of all transactions.
- 
 Agents seem to be aware that OTC is not permitted. 68% of the respondents (100% in Metro) chose not to answer questions on OTC. Therefore, that the numbers quoted above should be interpreted as the lower bound. We believe the actual figures to be much higher.
- 
 Qualitative research points out that vast majority of transactions in agent locations are OTC.
- 
 Data from Intermedia survey of mobile money users in Bangladesh states that 22% of Bangladeshis use mobile money, but only 3% have mobile money accounts.

# Why Agents Facilitate OTC Transactions?

Need for co-operation between service providers and improved regulatory supervision to implement the regulatory restrictions on OTC.



Need for relaxed KYC and simplified account opening and usage processes. Customer education efforts are needed to convey the benefits of account opening.

**Voices from the Field – Customer Hesitation to Register \***

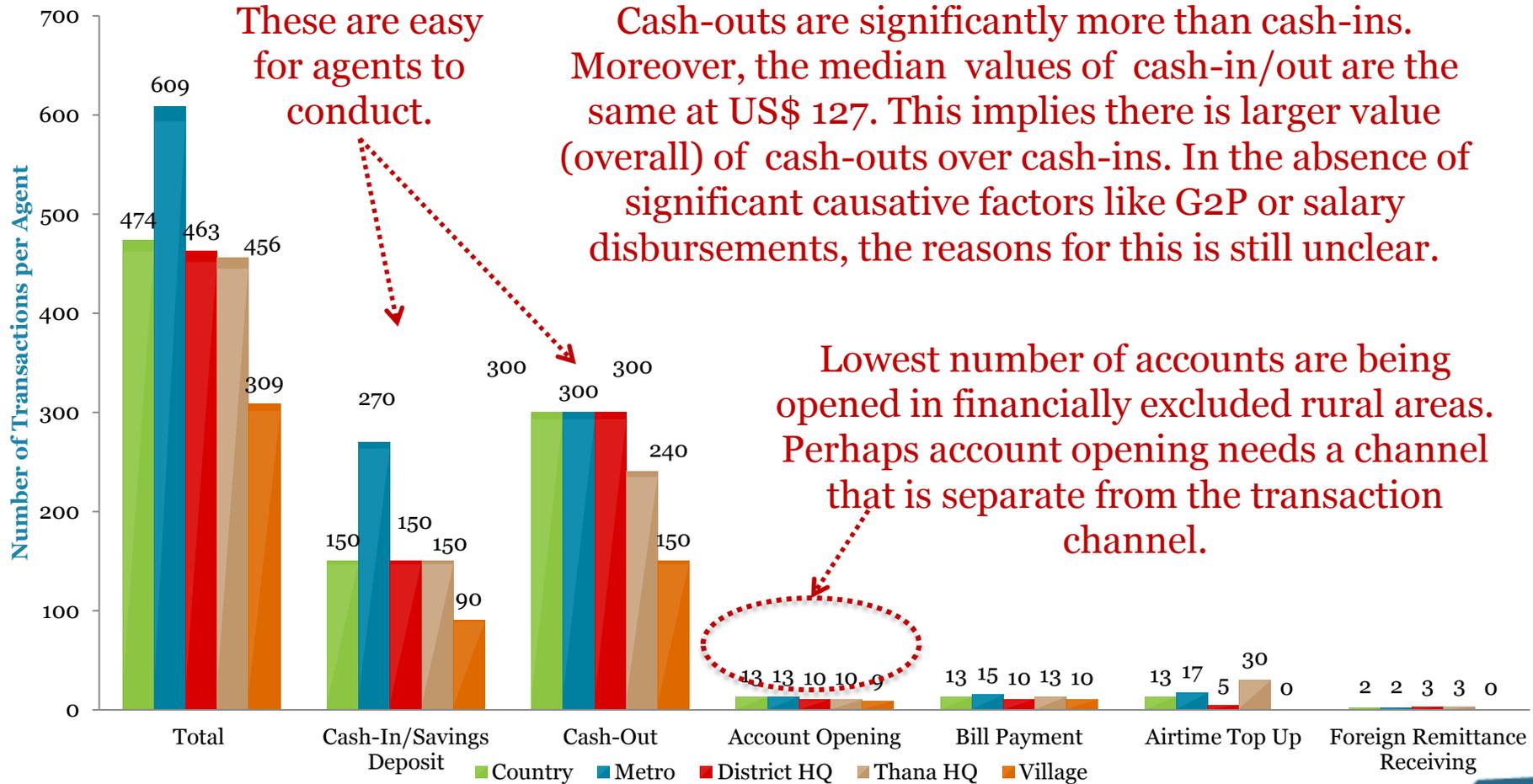
“We are illiterate people, we don’t understand much...The agents do everything. Sometimes I cannot leave the house...so I call them (agent) and they deliver the money to my house.” – a DFS user

“Many think that using their own account is risky and their money may be lost. They want to keep us in risk [involved in transactions] by keeping them risk free. They come and take our number, send the money and confirm by calling their receiver’s end people.” – an agent

\* Quoted in Intermedia [Mobile Money User and Non User Study](#) and [Consumer and Agent Experiences](#), 2014

# A Look At Transactions Highlights The Real Picture On What Products Are On Offer

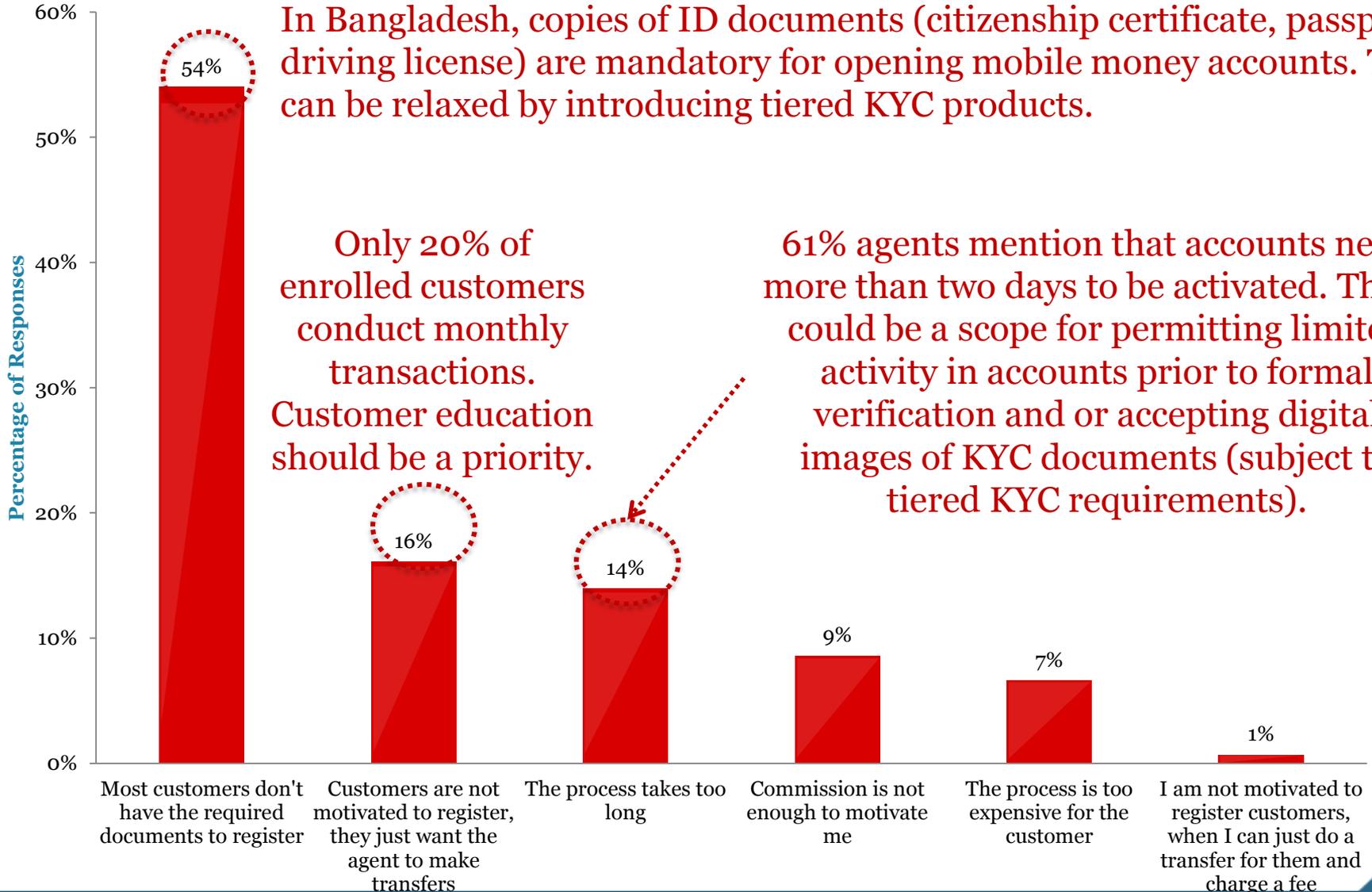
## Median Transactions per Month



\* OTC transactions are included as part of Cash-in/out since most agents did not respond to the question on OTC and the inclusion of the data obtained from a limited set of respondents could be misleading

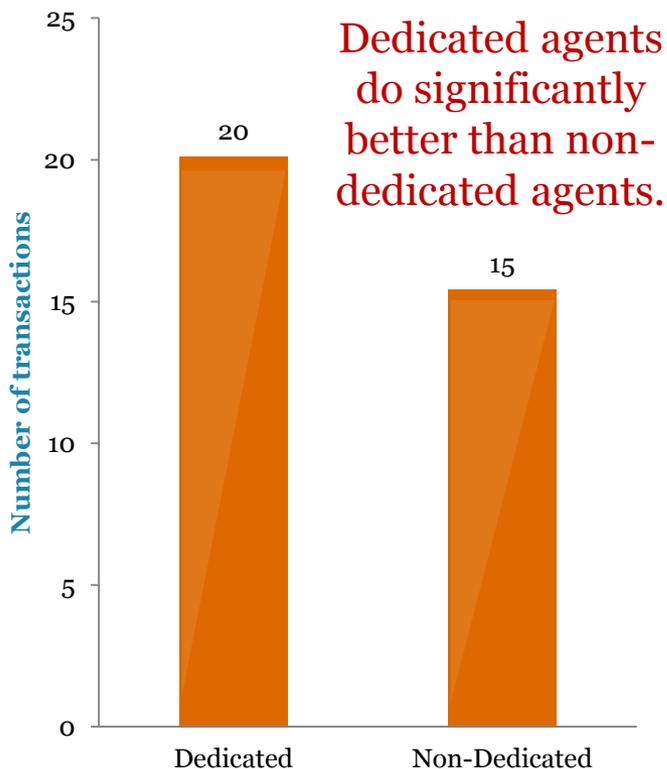
# Reasons For Low Account Opening Rates

In Bangladesh, copies of ID documents (citizenship certificate, passport, driving license) are mandatory for opening mobile money accounts. This can be relaxed by introducing tiered KYC products.

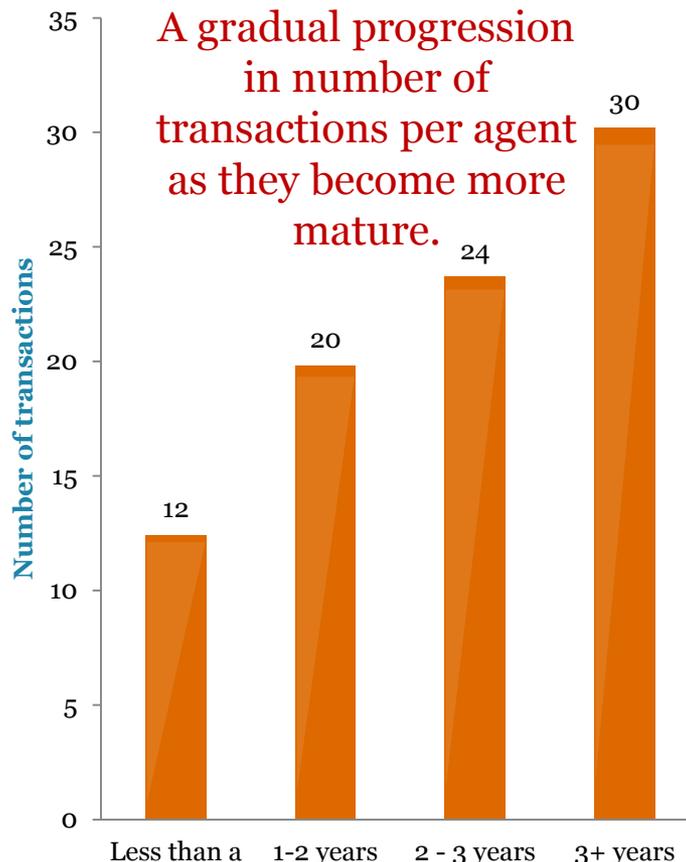


# Transactions Are Low– But There Are Significant Variations Across Different Dimensions

## Median Transactions: Dedicated vs. Non-Dedicated



## Median Transactions: Years in Operation



## Median Transactions Per Day

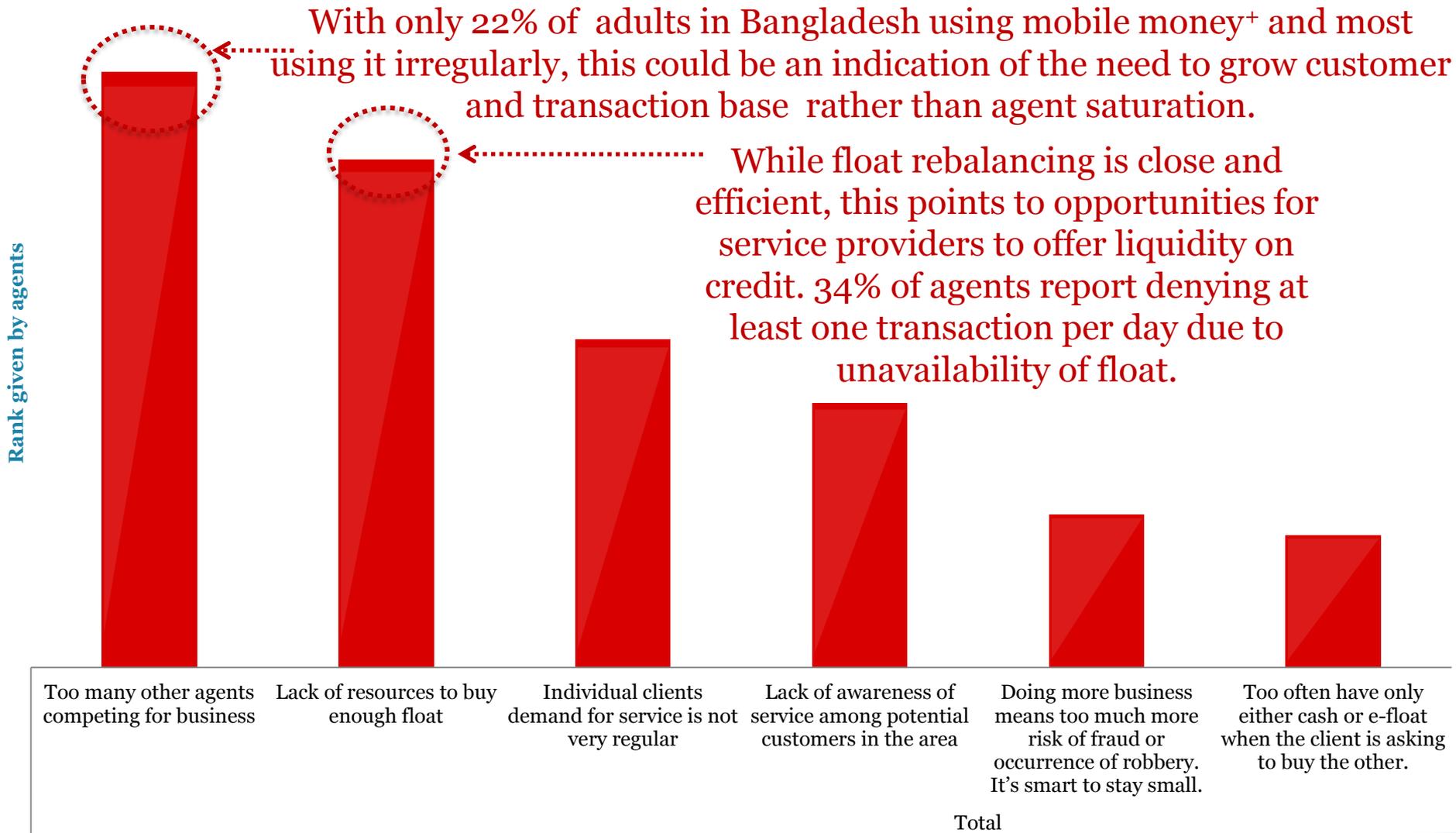
Metro	20
District HQ	15
Thana HQ	15
Village	10
<b>Country</b>	<b>15</b>

Quite low when compared to East Africa – Kenya (46), Tanzania (31), Uganda (30).

Transactions in villages are significantly lower when compared to the country median.

\* Numbers represent transactions per day by selected provider, not overall volumes for the agency. There is a possibility that these figures are under-reported since most agents did not respond to questions on OTC.

# Largest Stated Barriers To Daily Transactions\*



\* These scores are weighed averages of rankings, so that higher scores represent dimensions receiving a higher ranking.

+ Data as per Intermedia [Survey of mobile money users in Bangladesh](#), 2014

# Risk of Fraud Is Agents' Biggest Concern \*

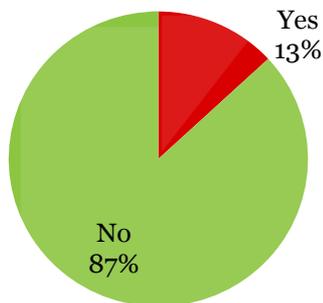
## Highest Ranked Operational Concerns



\* These scores are weighed averages of rankings, so that higher scores represent dimensions receiving a higher ranking.

# The Prevalence Of Fraud

## Experience of Fraud: Bangladesh

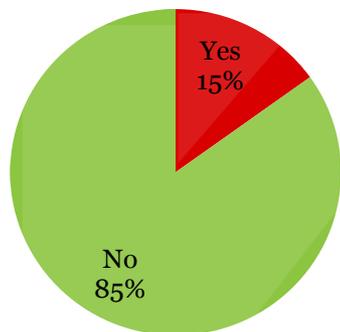


*“Someone sent me a fraudulent SMS (one which is purported to be from the service provider). Two people came and took out Tk. 24,500 (approx. US\$320). We managed to find out that the SMS was fraudulent and caught them. But, they were local people and we settled the matter internally. I complained to the provider, but have got no response yet.”*

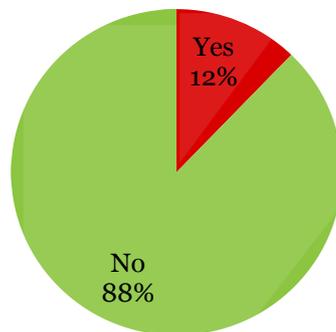
▲ A significant proportion of agents have experienced fraud.

▲ Incidence of fraud highest in rural areas.

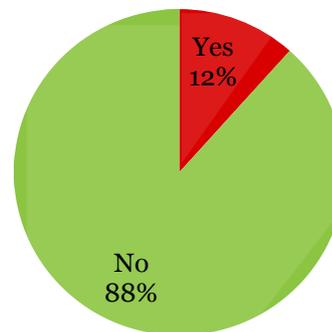
## Experience of Fraud: Metro



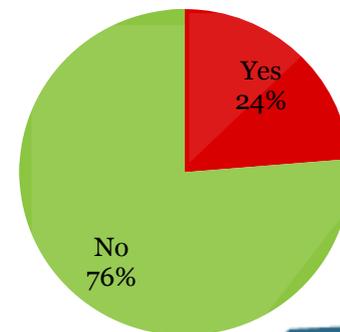
## Experience of Fraud: District HQ



## Experience of Fraud - Thana HQ

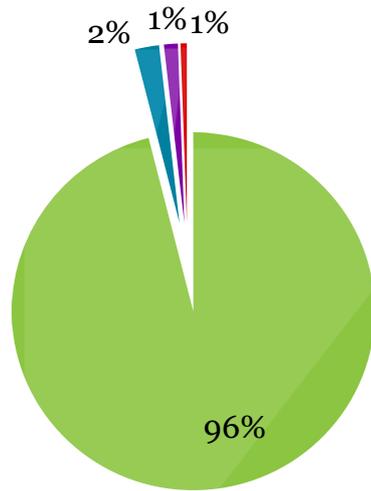


## Experience of Fraud: Village



# Rebalancing Is Convenient

## Rebalancing Points for Agents

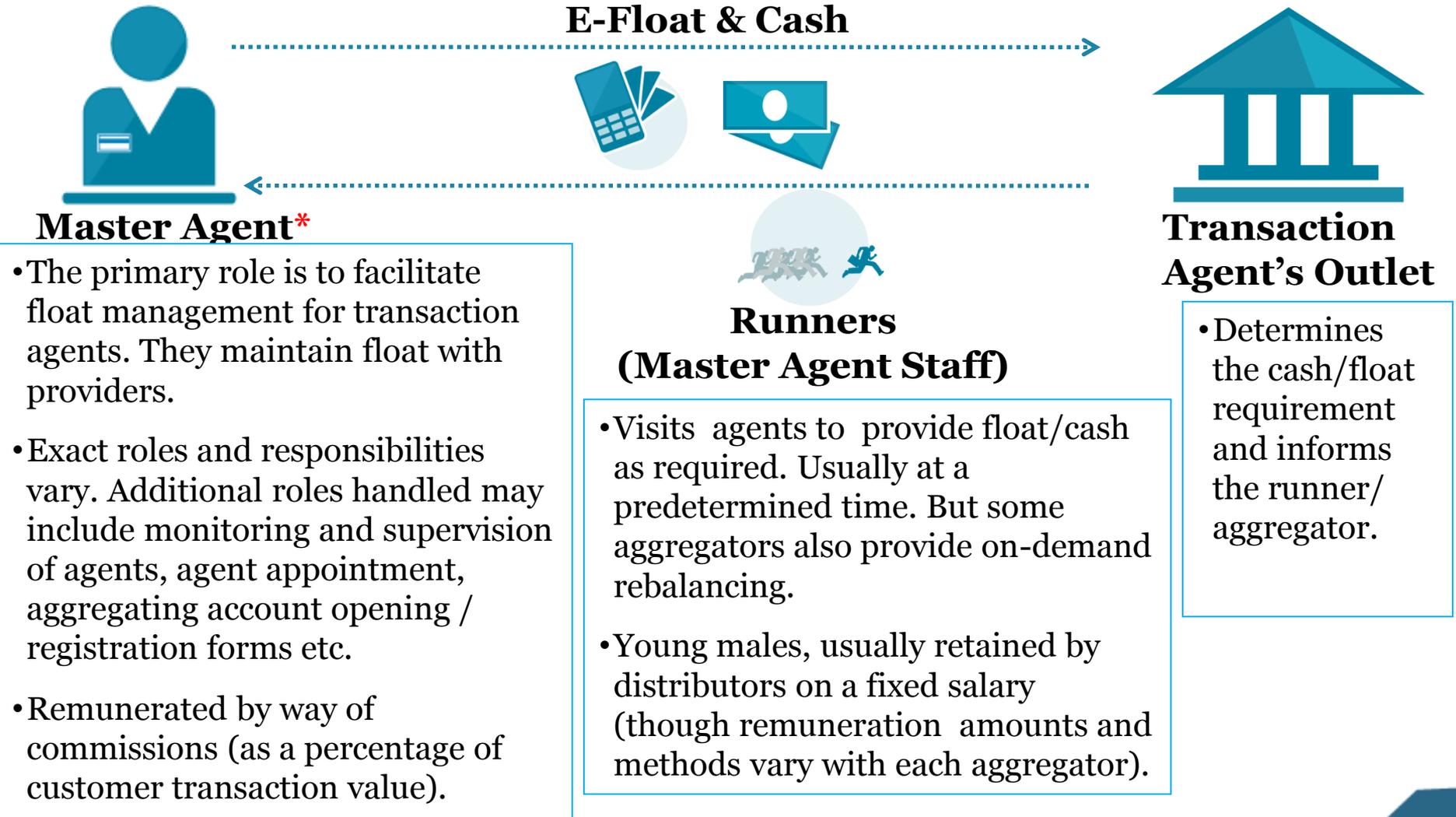


■ Provider / aggregator visits the agency ■ Bank Branch ■ Aggregator Office ■ Others



- ▶ Providers have put in place master agents (aggregators) who visit agent locations for rebalancing. While most agents rebalance at their shops, a large proportion (15%) of village based agents have to travel out.
- ▶ A median of **zero** transaction per day is denied due to lack of liquidity with agents. This is the lowest in all research countries - Uganda (3); Kenya (3); and Tanzania (5)

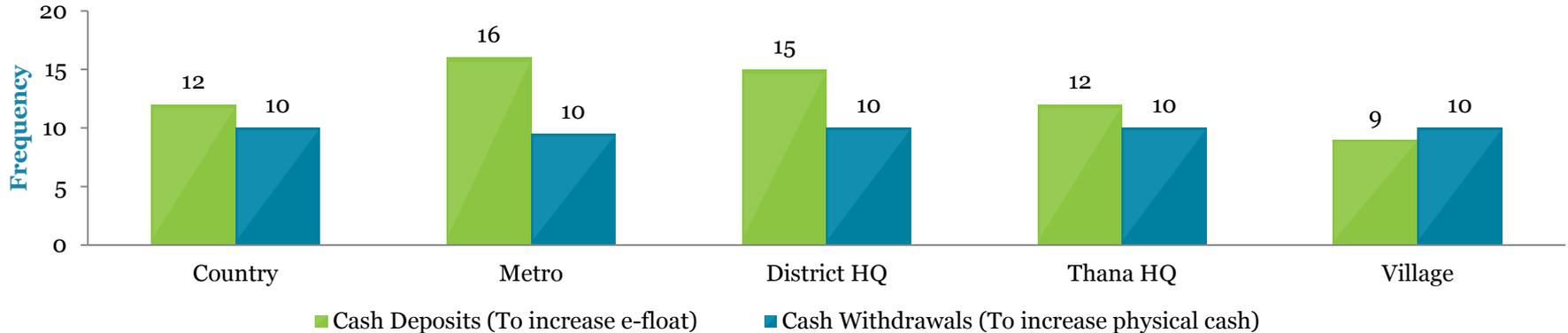
# Mechanics Of Liquidity Rebalancing In Bangladesh



\* Master agents are referred to as distributors or aggregators in Bangladesh

# Agents Require E-Float More Frequently

## Monthly Median Frequency of Cash Deposits Vs. Cash Withdrawals for Liquidity Management



High demand for e-float in Metro locations and a higher demand for physical cash in rural locations substantiate a send money home use case.

The frequency of rebalancing (both cash deposits and withdrawals), is higher than in East Africa. In Kenya, for example, agents do a median of just four cash deposits and three cash withdrawals per month (32% of the frequency in Bangladesh).

# Many Agents Were Neither Trained, Nor Receive Adequate Support in Terms of Visits from Provider Staff



## Training

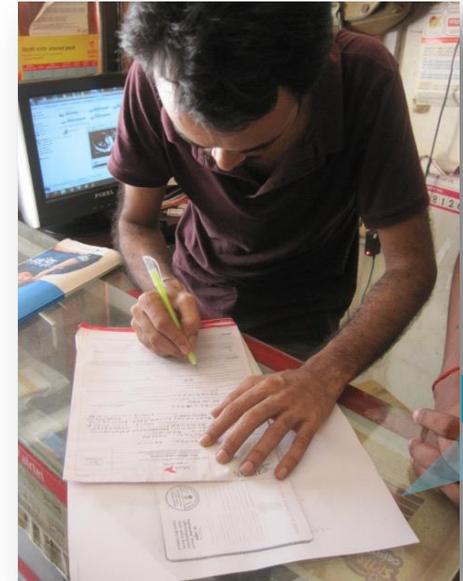
Only **69%** of agents report receiving training. This is the lowest in all research countries – Kenya (92%), Tanzania (79%), Uganda (94%).

Of those trained, 69% report receiving refresher training.

91% of agents who received training consider the training to be adequate.

## Operational Support:

Only 69% of agents report being visited. Of those visited, 46% are visited daily and 85% are visited at least weekly. The fact that a significant number of agents are not trained or receive support visits, can lead to lack of understanding on products, processes, and systems; and can lead to increased exposure to fraud.



## Call Centre:

88% of agents were aware of a call center, call it a median of three times a month and rated it a 4.3 out of 7 in terms of its ability to resolve their issues.



# Recurrent Service Downtime Is Affecting Transaction Levels

## Unreliable service is a challenge for most agents:

-  Agents report service downtime of median eight times a month.
  
-  Only 6% of agents report receiving prior warning about downtime.
  
-  Agents report turning down a median of three transactions per occasion due to service downtime which adds up to 5% of all transactions. In metro locations, agents report turning down a median of five transactions per day which is 8% of all transactions.



# Opportunities For Improvement

**Profitability and number of transactions are low for agents when compared with other markets.**

- ▶ **Low number of transactions** at agent locations call for better communication by service providers. This has led to low profitability for agents and has resulted in high dissatisfaction with commissions.
- ▶ **Limited product offerings** at the agent level have contributed to low transaction volumes and low profitability for agents. **Scope for product innovation** is tremendous.
- ▶ **OTC is prevalent, and account opening for customers given low priority** by agents. There is a need to simplify KYC norms, invest in customer education – focused on benefits on accounts and potentially adopt alternate sourcing channels for mobile money accounts.
- ▶ **Early influx of fraudsters** is visible. Providers need to be actively educating their agents and customers.
- ▶ **Training** has taken a back seat. 95% of agents operating for more than three years were trained within three months of their joining; only 64% of agents operating for less than an year were.



# Outstanding Attributes Of Agent Network Management

## High levels of provider involvement in supporting agents

- 
 High levels of agent satisfaction and near absence of dormancy among transaction agents.
  
- 
 Increased competition can help drive innovation and growth of the market. New players are aggressively expanding across Bangladesh.
  
- 
 In-shop rebalancing promoted by providers have helped ease costs and time involved in liquidity management by agents. Agents report that zero transactions are delayed for lack of liquidity.



# Appendix

# Appendix I: Definitions

Definitions			
1	<b>Locations</b>	<b>Metro</b>	Bangladesh is administratively divided into seven divisions. ‘Metro’ refers to the divisional headquarters.
2		<b>District HQ</b>	Divisions are further divided into districts. District HQ is the administrative centre for the district.
3		<b>Thana HQ</b>	Thanas are the second lowest tier of regional administration in Bangladesh. Thana HQs are the administrative centres for the Thana.
4		<b>Village</b>	Villages are rural locations which do not fall into any of the above three categories.
5	<b>Exclusivity</b>	<b>Exclusive Agents</b>	Agents who work for only one service provider.
6		<b>Non-Exclusive Agents</b>	Agents who work for more than one service provider.
7	<b>Dedication</b>	<b>Dedicated Agents</b>	Agents whose only income source is through digital financial services.
8		<b>Non-Dedicated Agents</b>	Agents who have other income sources in addition to digital financial services.

# Thank You

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