

Uninterrupted Cash In Cash Out (CICO): An Agent Success Model



21st March 2024

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Background

Business correspondent (BC) agents are crucial last-mile infrastructure that support India's vision for efficient, population-scale delivery of financial and other government services using Digital Public Infrastructure (DPI). These agents primarily facilitate cash deposits, cash withdrawals (together known as cash-in cash-out or CICO), and optionally facilitate access to insurance, savings products, and various welfare schemes for rural and low-income India. They bridge the gap between a digitized and futuristic vision of India, where services are instantaneously delivered digitally; and an India which is still cash-reliant and prefers face-to-face interaction.

The power of the micro-ATM, combined with the ability to use an individual's Aadhaar data to verify their identity, is sufficient to transform the humble kirana store into a local bank branch in every village in India. The simplicity of this idea lends itself beautifully to building a large-scale banking network across the country, one that will usher every Indian into the formal financial sector.

- *Rebooting India: Realizing a Billion Aspirations*, by Nandan Nilekani & Viral Shah, 2016

The crucial role played by BC agents became apparent during the pandemic, as CICO agent networks facilitated emergency support withdrawals for low-income individuals nationwide. Agents provide access to a variety of financial services, though the most important among them is arguably cash deposits and withdrawals through the Aadhaar-enabled Payment System (AePS). While the idea of the BC business took birth in 2006 with RBI's guidelines Over the past few years, the AePS system has emerged as the predominant mode of accessing one's bank account, especially in remote and rural India. It has enabled the banking system to transform itself into a utility provider, ensuring individuals can access their funds kept in custody of their banks, conveniently and securely. Online access (as opposed to offline physical bank branch), interoperability, and the permissions to for-profit corporates to enter the BC business to manage agent networks, have been three instrumental landmarks in the growth of the business correspondent network in the country.

Recognizing the pivotal role of CICO agents in facilitating access to digital payments, it is imperative to assess the quality of this infrastructure supporting easy access to one's own funds for India's citizens. Reliability of this access is a non-negotiable precondition for building trust in the banking system to power the real economy that exists in large parts of rural India. As the Government of India's Digital Public Infrastructure (DPI) push, led by the Unified Payments Interface (UPI), makes tremendous strides across the country, the last-mile citizen can be expected to continue to need access to cash and also transact in cash for at least a decade more, and hence the significance of the CICO network to them. This interface where cash converts to digital currency and vice versa is the defining character of last-mile basic banking and with the success of the Prime Minister's Jan Dhan Yojana, we believe the vision of a fully banked citizenry is in close reach.

However, despite the achievements so far towards the goal of making basic banking accessible nationwide, hurdles persist in the CICO agent's network's provision of reliable CICO services. A survey reveals that 52.6% of users facing withdrawal issues cite distant cash-out points, highlighting ongoing challenges in

accessing their own monies through CICO agents¹. While the RBI notes increased outlets, the lack of public data on agent numbers and their distribution complicates assessing the extent of the access problem, despite evidence of its existence. In addition to the distances to be covered by the customer for cash transactions, operational issues hinder successful transactions. Between January and July 2020, 46% of households who faced difficulty while withdrawing cash from their accounts cited transaction failures, according to a study that covered 80,000 - 85,000 households.² This not only induces anxiety and uncertainty for customers but also results in tangible costs to the system. Besides lost wages and travel costs, when a successful debit does not translate to a completed transaction, customers must wait for automatic reimbursement, the timing of which is typically not within the same day, adding further inconvenience.

The CICO network business has proven to be a scalable and cost-effective way of improving the last-mile delivery of digital payment services. However, challenges faced by both Network Managers (NMs)/corporate BCs (BCNMs) and CICO agents have made it difficult to conduct successful operations. This in turn affects the customer's ability to avail trustworthy, reliable, and continuous financial services, especially in deep rural locations.

Against the approximately 6.5 lakh inhabited villages in India, we have 179,958 fixed location business correspondent points, of which 66% are in rural locations³. It is likely⁴ that all villages with population 5000 and above (23,333 in number) are covered by at least one fixed location BC agent. However, the challenge that lies ahead is to ensure that villages with population 2000-4999 (96428 in number) now get covered by at least one BC agent. It is unclear to what extent this is a reality today. The challenge is immense but so is the ambition.

To achieve this, it is imperative to examine the hurdles preventing the CICO ecosystem from permeating such locations successfully and profitably but most importantly, in a customer-centric way that engenders trust in the network.

¹ Results from the [Dvara-CMIE Survey on Access to Cash and Coping Mechanisms during COVID-19](#), a nationally representative survey.

² During the wave of May-Aug 2020, Dvara Research collaborated with CMIE to document households' access to cash and coping mechanisms employed during the COVID pandemic. This exercise covered (approx.) 80,000 - 85,000 households selected as part of a nationally representative sample of households between the months of May and September 2020. More details regarding the study can be accessed from: <https://dvararesearch.com/dvara-cmie-survey-on-access-to-cash-and-coping-mechanisms-during-covid-19/>

³ Data accessed from the [RBI Database on Indian Economy](#) on March 3, 2024.

⁴ Reserve Bank of India. (2017). Aligning Roadmap for unbanked villages having population more than 5000 with revised guidelines on Branch Authorisation Policy. *RBI Notification*. Accessible from: <https://www.rbi.org.in/CommonPerson/english/scripts/Notification.aspx?Id=2358>

What we found

The potential of the BC network business to bring basic banking to rural India and improve the DBT delivery pipelines is apparent, and yet, existing studies indicate that the CICO experience falls short for customers and agents alike, on various fronts. As advocates for the financial well-being of low-income households, our objective for this study is to help the industry move towards providing uninterrupted access to CICO services across the length and breadth of the country. Below we offer three high-impact solution sets that will help the industry achieve the same.

Our study began with a mapping of India’s BC network business to help us identify the levers available to policymakers, banks, or corporate BCs/NMs to support agents in offering uninterrupted CICO services to their customers. We first constructed a theoretical model for BC agent networks based on literature reviews and conversations with experts. This model was then recursively refined with inputs from a primary study in the form of field interactions with 26 BC agents across 3 states and comprising privately operating customer service points (CSPs) supported by NMs and bank dedicated CSPs⁵. Our methodology permitted a focus on the agent’s actual experience and the environment they function in daily – which are oft-overlooked elements in other studies pertaining to the BC industry. These interviews provided valuable insight into the daily operations of BC agents, their perspectives, and actions. Through a thematic analysis of interview transcripts, we arrived at a four-layered model for agent ‘success’. Our definition of agent success encapsulates their ability to facilitate access to uninterrupted CICO services for their customers. After completing a thematic analysis of interview transcripts, our findings were categorized according to the on-ground context, agent actions and perspectives, and implications for agents and customers. The agent success model and some of our key findings are briefly discussed below.

Layers	Description	Components
Layer 1: Core Business Model	Factors related to the agent’s core business model, such as revenues and costs which have direct bearing on their earning potential	<ul style="list-style-type: none"> • Compensation Schedule • Other sources of income • Customer charges • Transaction limits on AePS transactions • Customer trust • Cost of remaining in business • Credit • Risk perceptions and insurance costs
Layer 2: Network Management	Dissects the relationship between the agent and the provider/bank by contextualizing their interactions into products and services, agent’s ability to manage float, and their access to support.	<ul style="list-style-type: none"> • Services • Agent choice of provider • Performance Targets • User Interface • Training and Capacity Building • Agent Grievance Management

⁵ We use the term ‘BC agents’ to denote CSPs since it is the more popular descriptor.

		<ul style="list-style-type: none"> • Liquidity Management
Layer 3: External Environment	Captures factors that are outside the agent’s direct control but feed into outcomes of daily operations. This includes their susceptibility to fraud or theft, transaction failures arising out of technological issues, degree of competition, agent location and individual agent characteristics that the agent cannot control.	<ul style="list-style-type: none"> • Fraud/theft • Transaction Failures • Location • Competition • Agent characteristics
Layer 4: Policy Environment⁶	Reflects existing policies and regulations, such as with respect to tax exemptions, subsidies and credit schemes, price setting for products and services, agent interoperability and certification requirements.	<ul style="list-style-type: none"> • Tax exemptions • Subsidies & credit schemes • Price setting • Interoperability

Our key findings are listed below:

- **Agents feel they are not compensated in a manner commensurate to the effort required to provide CICO services.** Different types of agents are paid as per compensation structures set by their respective banks/NMs, implying that there is considerable variation of compensation within the industry.
- **Customers typically pay a token service charge to agents valued at 1% of the transaction value for most AePS transactions.** This charge may be solicited directly by the agent, or voluntarily offered by the customer as a token of their appreciation. While this norm is in direct contradiction to the Reserve Bank of India’s business correspondent guidelines⁷, it seems as though the price is mutually accepted by customers and agents alike.
- **The transaction limit of INR 10,000 for AePS transactions is restrictive for both agent and customer** – it limits the agent’s earning capability and requires the customer to make additional efforts to withdraw larger amounts.
- **Agents make consistent efforts to cultivate trust and maintain their reputation with customers.** When transactions fail, customers may believe that they are being defrauded by the agent. A customer alleging fraud can adversely impact the agent’s reputation and reduce footfall, ultimately impacting their earning capabilities. To mitigate this, agents take great pains to cultivate trust in their customer base. Among other efforts, agents build and maintain personal relationships to assuage customer anxieties (when transactions fail) and build trust.
- **Agents offer a variety of services to customers,** and the exact mix of services offered depends on their choice of partner bank/corporate BCNM. While all agents offer CICO services through the

⁶ Our field visits did not yield sufficient information regarding the policy environment, possibly because agents are less likely to have as much knowledge about Layer 4 as they would for the other three layers. Hence, layer 4 remains out of scope for this report.

⁷ Reserve Bank of India. (2010). Financial Inclusion by Extension of Banking Services – Use of Business Correspondents (BCs). Accessed from <https://www.rbi.org.in/scripts/NotificationUser.aspx?Mode=0&Id=6017>

Aadhaar enabled Payment System (AePS), agents may also offer products other than these standard CICO services such as bike/car/life insurance, credit programs, ticket booking, and so on.

- **Agents may work with multiple providers simultaneously** to offer a greater variety of services than a single provider may allow.
- **Resolving customer grievances (especially pertaining to failed transactions) is difficult for agents.** In the absence of robust grievance mechanisms, agents rely on their communication channels with the corporate BC (NM)/bank. When customers have complaints, especially regarding failed transactions, agents often act as a go-between for customers and service providers – which is time-consuming and inconvenient for all parties involved. There does not appear to be a dedicated grievance channel that either agents or customers can rely on for grievance resolution.
- **Transaction failures (due to server errors/failures) are a frequently recurring experience for all agents and hamper their regular operations.** Agents have strategically employed workarounds to the issues of servers being down by holding licenses with multiple providers. This strategy permits them to access AePS servers using alternate providers during such failure. Further, failed transactions can be damaging for the agent, as these instances erode trust that has been built up painstakingly over time with the customer.

We observe that the issues discussed above are widespread enough that they prevent meaningful and reliable access to CICO for customers across the country. Action is urgently needed to resolve these growing pains to ensure that customers can access CICO and other financial services.

However, some aspects of the BC network business are working considerably well on the ground and though some reform may be due, we believe that identifying and preserving these softer aspects may be worthwhile. Agents and customers have adapted well to local contexts and their mutual requirements. Agents take great pride in their work and believe that they are supporting their community with an essential service. They know that, to be successful, they must act in a manner that reflects their trustworthiness and reliability. In their communities, they are viewed as a dependable source of information on financial services and welfare schemes.

They cultivate long-standing relationships within the community – with other agents, customers, and with their corporate BCNMs as well. Agents rely on these relationships for their own convenience and also the wellbeing of their business. For example, agents in the same area may extend their surplus liquidity to another agent who needs the same. We also spoke to agents who told us they would not engage in transactions with unfamiliar customers due to the risk of being defrauded. Agents may also extend temporary, informal lines of credit (in the case of transaction failures) to customers they know well and trust. It seems that successful BC agents understand the need for maintaining local relationships and fostering a sense of trust at the point of transaction. In local contexts, markets are not operating purely on a price-mechanism. Most agents understand that customers will be loyal to those agents whom they trust and are comfortable with. They act accordingly – and try to build relationships of transparency and trust with customers over a period of time.

When policy makers, banks or BCNMs consider methods to optimize the BC network business, it would be useful to account for these ground realities. Stakeholders must strive to preserve these efforts of agents in a formal manner.

Way Forward

From our study, several promising avenues emerge for further exploration. First, investigating the impact of white labeling of BC agents on the ability of agents to offer access to CICO services uninterrupted by server failures is a potential solution we look forward to working on in subsequent phases of this work. Additionally, studying and designing an accessible, community-driven rating-cum-review mechanism could improve transparency for the customer and BC agent alike. Below we present three potential solutions for the BC industry to consider for the purpose of achieving uninterrupted CICO services.

High-impact Solution #1: Exploring white labeling of BC agents

What did we see on the ground that motivates this solution?

One of the most commonly occurring issues which is preventing the CICO industry from realizing its potential is that of failed transactions. Failed transactions are disappointing for the customer who has an immediate need for cash, and for agents who lose out on the service charge and commission from that transaction. While failed transactions are automatically reversed to the customer account, the reversal may take up to 5 days, may be delayed, and is difficult to track. According to agents, customers become distressed when transactions fail, since money may have been debited from their account. Distressed customers may question the validity of a transaction failure and accuse agents of fraudulent withdrawals – damaging the trust and legitimacy that agents have built over time.

Though transactions may fail for a variety of reasons ranging from biometric mismatches and network errors to insufficient balance, agents tell us that **transactions often fail due to server errors or failures**. Agents have employed a strategic workaround for such failures - many agents were in possession of BC licenses from multiple providers at a time. While this is not officially permitted, this allows agents to switch across servers when one bank's infrastructure is not working. For instance, an agent operating a customer service point of a public sector bank will hold a private license to operate as a BC agent for a private NM/corporate BC and use that infrastructure when their bank's servers are down.

Why this solution?

If BC agents could operate as white-label entities, they could formally leverage whichever bank's server provides them with the highest possibility of a successful transaction. In this manner, inefficiencies for both agents and customers due to failed transactions can be resolved, leading to much better outcomes for uninterrupted CICO across the length and breadth of the country. White labeling of the agent touchpoints delinks the transaction status from the ability of the acquiring bank infrastructure to complete a transaction.

How can we action this solution?

At present, the way agents switch across servers (by holding licenses with multiple providers) is disallowed by the RBI guidelines, which prescribe that, "at the point of customer interface, a retail outlet or a sub-agent of a BC shall represent and provide banking services of only one bank."⁸ These agents may come

⁸ Reserve Bank of India. (2010). Financial Inclusion by Extension of Banking Services – Use of Business Correspondents (BCs). Accessed from <https://www.rbi.org.in/scripts/NotificationUser.aspx?Mode=0&Id=6017>

under the RBI's scrutiny for defying its guidelines - for engaging in a practice that is actually beneficial for both themselves and the customer. Since the NPCI collects various transaction-related details (such as unique terminal ID, name, address, and location)⁹ from member banks, it may appear to them that agents are attempting to defraud customers by routing their transactions through different servers and holding multiple licenses. However, it seems that relaxing the requirement for BCs to represent only one bank at the point of service could result in improved outcomes for both agent and customer.

We propose a partnership with a corporate BCNM to test the efficacy and safety of white labelling on a pilot basis in the RBI's regulatory sandbox. Further deliberation is required on the unintended consequences of such a pilot, and the requisite safeguards (which may be procedural or technological) that need to be considered to provide comfort to the RBI and NPCI. Some examples of such unintended consequences may be - undermining the ongoing fraud prevention and monitoring efforts of the NPCI, or perhaps incentivizing some agents to earn more through increasing the volume of OFF-US transactions¹⁰, etc. This experiment can benefit from Dvara Research's expertise in the financial lives of low-income customers, as well as our experience in creating publicly accessible research from an industry standpoint.

High-impact Solution #2: Building an accessible community-driven participatory rating cum review mechanism

What did we see on the ground that motivates this solution?

Agents play a key role in their communities by extending financial services to rural and remote locations. While the AePS system attracts many customers, transaction failures are common. This is especially problematic because some agents commit fraud as well. Thus, for example, if a customer's account has been debited and yet the transaction fails, then the customer is doubly hassled – they do not have the liquidity that they desperately need, and they also cannot tell if they are being defrauded by the agent or if the system has genuinely encountered a glitch. Alongside the customer, an honest agent also suffers in this scenario. Therefore, an honest agent has a clear incentive to signal their trustworthiness to customers by acting in a trustworthy manner and also allowing this trustworthy behaviour to reflect in their ratings that new customers will see. For instance, we met agents who would provide customers with cash if a transaction failed but they knew of a legitimate need. Agents may also provide a transaction receipt to their customers, to prove that they are not fraudulent actors. We see great value in acknowledging the efforts of agents in building trust at the point of transaction through the establishment of an accessible community-driven participatory rating cum review mechanism. Such a mechanism can provide visibility regarding the BC agent's activities to the customer and bank alike. This is detailed out below.

Why is this solution appropriate?

⁹ NPCI. (2023). Business Correspondent (BC) Agent/CSP details in AePS online transactions. Circular No. 83 - NPCI/2022-23/AePS/083. Accessed from [https://www.npci.org.in/PDF/AePS/circular/2023-24/23-June-2023-NPCI-2022-23-AePS-083-Circular-83-Business-Correspondent-\(BC\)-Agent-CSP-details-in-AePS-online-transactions.pdf](https://www.npci.org.in/PDF/AePS/circular/2023-24/23-June-2023-NPCI-2022-23-AePS-083-Circular-83-Business-Correspondent-(BC)-Agent-CSP-details-in-AePS-online-transactions.pdf)

¹⁰ The [State Bank of India has noted that](#) "BCs convert AePS ON-US transactions of one set of bank customers, to AePS OFF-US issuer transactions and also carry out multiple AePS ON-US and AePS OFF-US transactions on the primary bank application/software." This, they purport has caused public sector banks to be net payers of the interchange fee.

We envisage the community-driven participatory rating cum review mechanism to have the following characteristics:

A) Design elements of the mechanism are detailed below:

- A. **“Accessible”**: The ratings and reviews pertaining to a BC agent are to be accessible to all stakeholders such as citizens, government departments, regulators such as the RBI, the NPCI, banks and BNCMs. This data must be available easily to a customer such as when deciding which agent to choose in a region or when deciding what to watch out for while engaging with a given agent (we acknowledge that a lack of internet and mobile network connectivity could be barriers to easy access and more work may be needed to make available an offline or IVR-based mechanism). However, minimal entry barriers may be instituted to ensure that the authenticity of the contributors to the mechanism can be maintained.

- B. **“Community-driven”**: The mechanism will rely on a combination of inputs from the community of customers that a BC agent serves. The community here could be a sparsely populated rural community with a captive customer-base, or one that is a densely populated urban one with a significant floating population. It is to be noted that the ‘community’ has been chosen over the ‘individual’, to indicate who must adopt the rating cum review mechanism. In most parts of India, whether to trust or mistrust a product or service (or agent, in this case) are collective decisions where the perspectives of family, friends, community members are taken into account. A participatory mechanism for agent ratings formally accommodates this typical Indian trait by not only providing a collective community voice for customers to rely on, but also by giving banks and corporate BCNMs better visibility over the community’s impressions of and experiences with the agent. How this will materialize into a practical mechanism is to be worked out carefully and is to be undertaken in the next phases. Some questions that will need careful deliberation are:
 - i. Should the demarcations or boundaries of the community be left to the users to define? Or should it be fluid and without boundaries?
 - ii. Should the input from certain members of the community be over-represented because they are the dominant users of CICO services?
 - iii. Should historically or commonly underrepresented members (such as women from poorer sections, the poor elderly, unmarried young adults) be mandatorily included even if the community may not explicitly recognize the need to include them as participants?
 - iv. Should every individual who rates/reviews get a vote = 1 irrespective of quantum of funds transacted?
 - v. How to populate the ratings and reviews? Should every customer be required to rate/review the service before exit? What hooks might work to incentivize their contribution (say discounts or cashbacks on future transactions)? What about crowding in inputs from one-off customers to BC agents? What is the role for the Government of India’s *Jan Bhagidari* movement in this regard?

At present, a new customer knows nearly nothing about the agent's track record, especially in busy locations with high footfall (like around a bus terminal or central market). This is because in these locations, customers are not captive to the locality of the agent and so the possibility of the agents and customers developing long-standing relationships with each other, which can in turn act as a natural restrainer against fraudulent practices, is minimal. A rating and review mechanism can solve the customer's information asymmetry in such locations.

In a remote and rural context, CICO markets will not operate purely on price-based or even reputation-based competition. The unit economics may not make sense for having more BC touchpoints in a given area that can bring down the price for CICO transactions. An ill-reputed CICO agent can continue to extract high rents or defraud and remain in operation for much longer. This may happen because the tradeoffs for the community, between going to a bad agent close to home and a bank branch located much far away is tilted much in favor of the agent. There may also be situations where the weaker or poorer sections of the community internalize these problems due to existing inter-generational power-asymmetries. An accessible community-driven participatory rating cum review mechanism can provide the customers with some confidence, voice and control over outcomes that matter to them, create a track record of sorts on the agent which can then become available to the corporate BC or bank to monitor over time.

- C. **“Participatory”**: The rating cum review mechanism is to be designed in a participatory manner that will actively involve the users of the mechanism (customers, BCNMs, banks, NPCI, RBI, Government). At steady state, the community members are both contributors to the mechanism and the consumers of the mechanism:
- **Community members as contributors to the mechanism**: Customers, when given the option to engage in rating and reviewing the quality of and experience with the service of the agent, are presented with a set of questions to consider in reflecting on their experience of engaging with the agent – will introduce a platform for collecting feedback from them in ways they would so far have not had an opportunity to do.
 - **Community members as users of the mechanism**: Ratings and reviews which when made accessible and visible to customers can help customers to quickly discern an agent's track record and determine whether they want to engage the agent's services or not. It empowers the customer with information on agents that have any history of fraudulent activity or other forms of malpractices and incentivizes higher quality customer-centric service on the part of agents.
- D. **“Rating cum review”**: The mechanism will contain both a rating and a review component to it, either separately or in combination (to be designed). Many popular listing platforms offer users the ability to both rate and review a listing (such as in Zomato, Tripadvisor, Google Maps, etc). The rating cum review mechanism for BC agents must do the same but must be designed carefully to suit the sensibilities of the customer-base for CICO services and incorporate learnings from UX design and testing strategies.

An accessible participatory community-driven rating cum review mechanism can also empower corporate BCNMs and banks to support and push for customer-centric practices both at the monitoring branch level and at the agent's level. This mechanism can serve as a strong complement to the NPCI's efforts in weeding out bad actors among agents (in their monthly blacklisting exercise¹¹ that requires banks to ensure that blacklisted agents are removed from their networks).

Further, some aspects of agents' efforts to provide a high-quality service experience to customers are usually invisible to their corporate BCs/NMs and banks, the entities who determine agent compensation. For instance, in the present paradigm, it is not possible for a network manager to identify which agents are highly focused on customer service versus those who take undue advantage of their roles. At an aggregate level, such data can be leveraged to discern (and potentially reward/recognize) highly trusted and favorable agents.

The 2010 RBI guidelines on use of BC agents¹² for extension of banking services also recognize the need for a local forum where members of the public can express their concerns regarding BCs that are operating in the area. The guidelines call for a periodic block level meeting convening members of the public, BC agents, and branch managers – indicating that the RBI already recognizes the need for participation of the community, and involvement of multiple stakeholders in feedback mechanisms. We propose that this foundational idea be revisited to be more suitable to how the industry has evolved in the past decade.

How can we action this solution?

We propose designing and piloting an accessible participatory community-driven rating cum review mechanism in a select location, covering all agents across a number of providers. The experiment should ideally be agnostic to providers and cover agents of all corporate BCNMs and banks in the area – as a closed-loop ratings system run by a single BCNM or bank would only serve to understand what is happening with own agents but does not serve to indicate what is happening in the area in terms of overall experience of CICO. Customers must be able to access ratings of all BC agents in their area. The effort is to be supported by participatory consultations with customers, agents, BCNMs, banks, RBI, IDRBT, and NPCI to gain a comprehensive understanding of the ecosystem. We are cognizant of the risks of getting the design of the mechanism wrong and will bring in carefully chosen experts to assuage the same.

High-impact Solution #3: Introducing a context-sensitive pricing model for cash-out services

What did we see on the ground that motivates this solution?

Our extensive conversations with agents indicated that agents are currently not entirely satisfied that their remuneration can compensate for efforts taken and costs incurred in dealing with many contingencies

¹¹ The NPCI has instituted various protocols to monitor fraudulent activity using the AePS infrastructure. It has guidelines for handling such fraud transactions which place the liability of fraud committed by a BC agent on the acquirer bank. Every month, the [NPCI circulates a BC negative registry](#), containing details of all BCs known to have engaged in fraudulent activities. Banks are instructed not to hire agents from the BC negative registry. Further, the [NPCI also requires member banks to collect](#) various information pertaining to BC agents such as the unique terminal ID, name, address, merchant name, etc.

¹² Reserve Bank of India. (2010). Financial Inclusion by Extension of Banking Services – Use of Business Correspondents (BCs). Accessed from <https://www.rbi.org.in/scripts/NotificationUser.aspx?Mode=0&Id=6017>

faced in offering services. The commission for transactions is fixed by banks as a percentage of the volume transacted. Where corporate BCNMs are involved, some tend to pay an additional remuneration for attracting traffic over their respective systems. Agents are also irked by the fact that commission rates have been reduced over the years. At present, agents can improve their profitability by:

- a. cross-selling other financial products and services to customers,
- b. by setting and increasing, without the knowledge of the regulator, the service charges paid by customers to them, and
- c. by adding alternative income streams outside of the BC business.

The first two of these options for agents have concerning implications for customers – financial products may be aggressively mis-sold to customers without adequate pre-sale care and post-sale support in servicing, or higher and unjustified service charges may be extracted from customers (even small token payments from customer to agent are currently not permitted by the RBI). Any direct charging to the customer is a bilaterally negotiated verbal contract that may or may not have the customer as the price-setter, but it certainly endows the BC agent with a bargaining advantage. The more honest actors or those under strict supervision by their parent corporate BCNM or bank today, do not or cannot charge customers– and they are at a significant disadvantage relative to fellow-agents who do charge customers. This leaves them feeling disgruntled and powerless.

In the third option, it is not uncommon for BC agents to provide CSC services or be engaged in collecting loan repayments for which they earn additional commissions. In such cases, there may be opportunities for conflicting incentives to drive behaviors that both customers and agents would not otherwise have undertaken when not faced with such conflicts. BC agents who undertake loan overdue collections on behalf of a bank mentioned that customers with overdue loans may be hesitant to visit them for CICO transactions. Commissions on loan repayment collections, especially from overdue customers, are linked to amounts collected, and can potentially be much higher than commissions from pure CICO. Other anecdotal evidence from customer stories obtained by Dvara Research indicated instances of such BC agents seeking considerable rent by demanding a sizeable part of the total scheme benefit that he/she helps the customer obtain into their bank accounts and subsequently withdraw.

Why this solution?

Pricing of services in the informal sectors in India, such as while hailing an autorickshaw ride, purchasing seasonal vegetables and fruits from street hawkers or mandis, etc., is heavily context sensitive. Contingencies like a rainy night, a festival that spikes demand for certain flowers or fruits, commodity price shocks such as of onions and tomatoes, traffic congestions, cyclones and floods, a road shutdown are all events that have a bearing on how a final price gets negotiated and discovered between the buyer and the seller. Pricing is always discovered as a contingent outcome of the situation under which the transaction is happening. In a similar manner, the charges for CICO services are driven by many variables that are currently not acknowledged in the way remuneration is set, and many of these variables (though not all) are in the form of predictable contingencies. We posit that providing an environment where a) the charges asked of the customer by the BC agent are disclosed publicly and b) having pricing frameworks that incorporate the drivers of these charges - can introduce much better standards of transparency and fairness to pricing in last-mile CICO markets, especially for cash-out services.

We are proposing, in other words, a "context-sensitive pricing" mechanism for cash-out services. Such a mechanism would acknowledge that agents are already engaging in situational or contingent pricing at the time of a transaction and will attempt to bring some of these pricing heuristics into the fold of a formal framework. Some of the inputs into such a framework would be the contingent variables that we have documented in our fieldwork - such as time of day, the quantum of cash needed for cash-out and hence cost of precautions to be taken by the agent, drivers of liquidity costs such as bank holidays, formal vs informal arrangements, demands for cash around festivals and during cash-strapped periods, and distance and terrain-related difficulties. In addition to these, the more unpredictable variables pertain to localized natural disasters like floods and storms that disrupt infrastructure, connectivity, and banking services for more prolonged periods of time (some of these costs are best borne by the Government on behalf of the citizen). Today, much of these costs are already borne by the customer when he/she pays any charge the BC agent demands. But this is not set in a transparent manner as the agent is free to decide what this cost is – customers may be unfairly charged. This pricing is also invisible to the system and is a hidden cost in accessing basic banking services for the citizen.

Current remuneration practices run contrary to the RBI's guidelines on use of BCs, which suggests that commissions be "devised in a manner that mere increase in the number of clients served or the transaction volume does not drive the commission."¹³ The RBI also prescribes that agent remuneration should be dependent on "some indication or measure of customer satisfaction, and some part of the variable remuneration could be deferred or clawed back in case of deficiency of service." If price-discovery through a context-sensitive pricing mechanism can be introduced, variable remuneration can be driven purely by the agents' own characteristics in relation to serving the customer, such as integrity, customer-centricity, service-minded orientation, and related metrics of customer satisfaction.

It is possible that even after introducing context-sensitive pricing, unscrupulous CICO agents will continue to over-charge as before given that this charging is bilaterally negotiated and is usually paid out with cash by the customer (and therefore has no paper or digital trail). However, this solution when coupled with the disclosure of context-sensitive pricing charts at each CICO location and implemented along with Solution 2 (accessible community-driven participatory rating cum reviews mechanism), can be a game-changer for last-mile accountability on the banking system and for impactful DBT delivery. Current remuneration practices run contrary to the RBI's guidelines on use of BCs, which suggests that commissions be "devised in a manner that mere increase in the number of clients served or the transaction volume does not drive the commission." – which is the case today. The RBI also prescribes that agent remuneration should be dependent on "some indication or measure of customer satisfaction, and some part of the variable remuneration could be deferred or clawed back in case of deficiency of service." A context-sensitive pricing mechanism for cash-out services can bring more balance and fairness to CICO markets as they continue to evolve, break new ground, and mature.

How can we action this solution?

We believe that this is a very challenging solution to action at scale because it involves much more than just the right technology components. It requires a much stronger alignment of stakeholder incentives with customer-centric outcomes for achieving uninterrupted CICO in a foolproof and transparent manner.

¹³ See section 9 of the [RBI guidelines \(2010\) on use of business correspondents for extension of banking services](#).

To operationalize and pilot a context-sensitive pricing mechanism would require coordination between the various stakeholders involved (RBI, banks, corporate BCNMs, and BC agents) as well as sophisticated technological solutions to support the mechanism. We are open to collaboration with stakeholders to design and pilot a suite of pricing mechanisms towards this end. The RBI regulatory sandbox may be a potential avenue to test the efficacy of select pricing mechanisms in a controlled environment.

Further deliberation is required to consider unintended consequences of such pilots, and the requisite safeguards (which may be procedural or technological) need to be carefully implemented.

Supplementary Material

Methodology

This report is based on three phases of exploratory analysis to study and evaluate the landscape of the Business Correspondent (BC) network business.

Phase 1: Secondary Research

In Phase 1 we mapped the CICO ecosystem by deconstructing the flows of cash, service charges and commissions between the various stakeholders. This mapping is supported by a review of case studies, market interventions, and results from existing quantitative and qualitative surveys. The literature survey improved our understanding of the current state of CICO markets in India and the envisioned future directions for the industry. Overall, we found that most research in the space is focused on increasing the agent's profitability but does not assign priority to improving customer satisfaction and protection outcomes. Further conversations with industry experts and academicians led us to discover that the BC network business continues to exhibit many frictions for most key stakeholders - customers, agents, banks, BCNMs, and regulators.

After completing the ecosystem mapping, we developed an early version of the 'Agent Success Framework', results of which are present in this report. This framework compiled all factors determining the ability of an agent to provide reliable and uninterrupted access to CICO services for customers. The Agent Success Framework aims to capture the nuances of successful BC operations in the CICO market. The framework comprises of 4 layers:

- **Layer 1: The Core Business Model** captures revenue and cost structures of the BC business at the level of the BC agent. It emphasizes the role of customer charges, commission structures, expenditures, alternate sources of income, credit availability, the agent's choice of provider, and AePS transaction limits in defining agent profitability.
- **Layer 2: Network Management** looks at the relationship between the agent and the provider(s) by contextualizing their interactions into products and services, agent's ability to manage float, and their access to support.
- **Layer 3: The External Environment** consists of factors that are outside the agent's direct control but feed into outcomes of daily operations. This includes their susceptibility to fraud or theft, transaction failures arising out of technological issues, degree of competition, agent location and individual agent characteristics that the agent cannot control.
- **Layer 4: The Policy Environment** reflects existing policies and regulations, such as with respect to tax exemptions, subsidies and credit schemes, price setting for products and services, agent interoperability and certification requirements.

Phase 2: Primary Research

The objective of Phase 2 was to validate our conceptual framework through field work and update it to reflect the current state of the BC industry. We undertook semi-structured, in-depth interviews with 30 BC

agents across select districts of Tamil Nadu, Bihar, and Uttar Pradesh. The BC agents we spoke to comprised privately operating agents as well as bank dedicated CSPs. These conversations, ranging 25-60 minutes, delved into various aspects of the CICO landscape such as participants' personal experiences, their social networks, commission structures and revenue streams, expenditures, products and services offered and demanded, strategies for liquidity management and channels of grievance redress. Agents were also asked to provide their perspective on topics such as the customer experience, relationship with BCNMs/banks, and the regulatory environment.

The sample selection for Phase 2 was undertaken separately for the field work in Tamil Nadu versus for the interviews in Bihar and Uttar Pradesh. The Tamil Nadu sample was selected based on information available on the Find My Bank portal maintained by The Ministry of Finance¹⁴. Interviews in Bihar and Uttar Pradesh were facilitated by Spicemoney, a rural fintech company that operates a network of BC agents across the country.

Phase 3: Thematic Analysis

The interviews were transcribed, translated into English, and analyzed to document and build narratives on various aspects of the CICO industry. The transcripts were analyzed thematically using a reflexive approach – identifying themes and patterns in the data helped us sharpen components of the agent success framework. Thematic analysis is a type of qualitative data analysis that involves reading through the data to recognize patterns and identify themes. Given the nature of the qualitative survey, we adopted a reflexive approach that enabled a deep exploration of the complexities of the data to uncover its inherent meaning. By taking such an approach, the researcher is expected to actively participate in self-reflection and iterate through multiple assumptions and interpretations.

After the data from the interviews was coded into a final list of themes, information was deconstructed into four interdependent factors - context, action, agent perspective, and implications. The **context** provided the backdrop of a theme and broadly described our findings. We collated information regarding the agent's responses and reactions to this context in the subsequent **action** category. To understand the agent's actions, we captured participant attitudes and feelings in the **agent perspective** category. Ultimately, we could theorize some **implications** of a particular theme. These implications helped in formulating recommendations.

Study Limitations

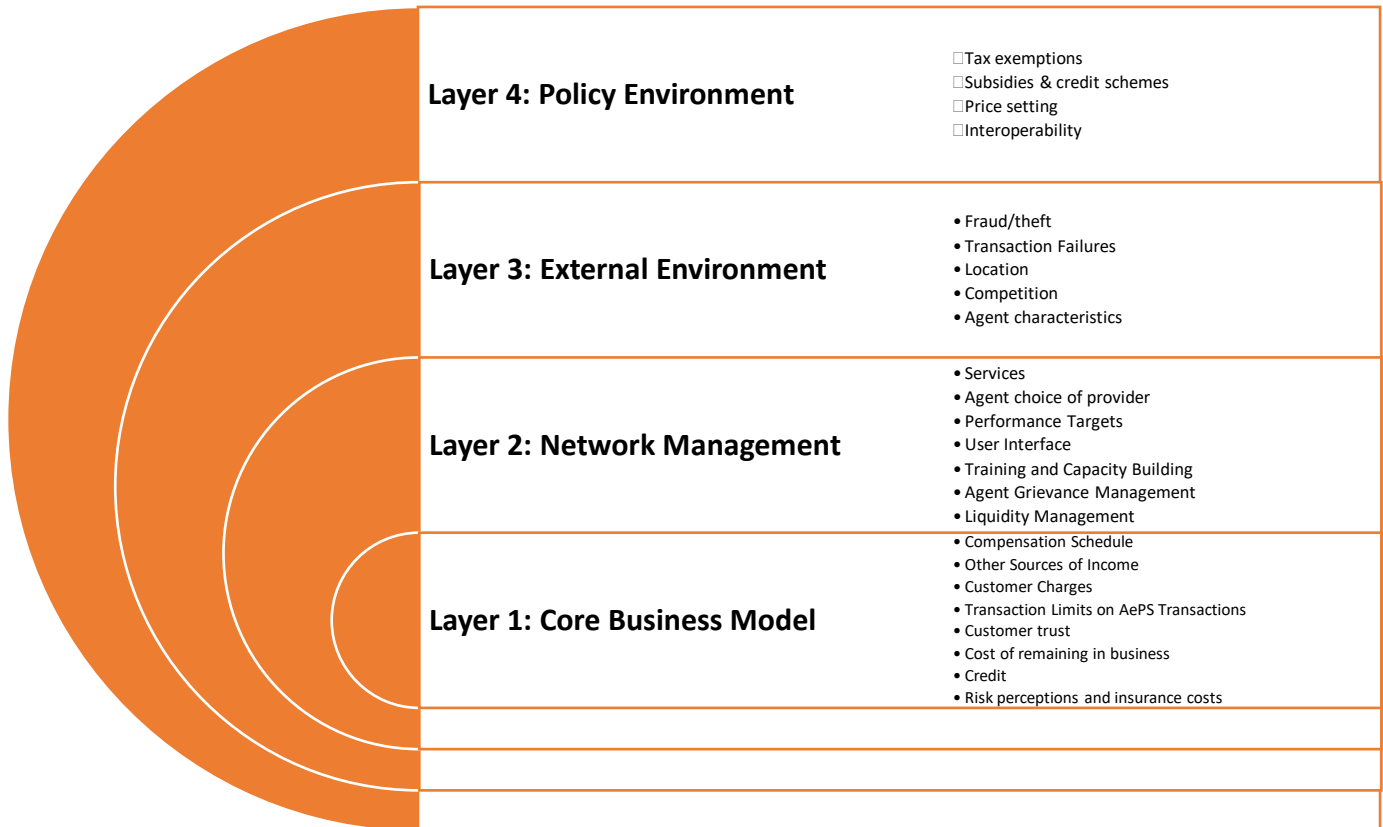
Our findings are based on in-depth interviews with a limited sample size of 26 BC agents across 3 Indian states conducted between November 2022 – January 2023. Repeating this exercise with a more representative sample could yield more comprehensive and nationally representative findings regarding the state of the BC industry. This research could also additionally benefit from stakeholder interviews with customers, banks, and BCNMs.

Findings: Building a Framework for Agent Success

In this section, we discuss observations from the field which are pertinent to our objective of uninterrupted CICO for the customer. Only principal findings which have some implication for the agent's ability to provide uninterrupted CICO are covered in this report. The full-length findings corresponding to

¹⁴ Find My Bank. (n.d.). Accessible from: <https://findmybank.gov.in/FMB/>

each layer of the success framework are detailed in tables in the subsequent sub-sections, for the more engaged reader.¹⁵



Layer 1: Core Business Model

Agent's revenues and costs

Understanding how agents make money and run their daily operations is important for relevant stakeholders to support agents in facilitating uninterrupted access to CICO services for customers. Revenues and costs incurred determine the agents' earning capabilities, and therefore influence their incentives to remain in and improve their business.

¹⁵ Some portions of these tables are left empty where our interviews did not yield sufficient content to contribute to the narrative.

Agents' earning capabilities are primarily determined by the [compensation schedule](#) they receive from their associated BCNMs or bank in exchange for providing financial services. There are considerable differences between payment structures for different types of agents. Some agents receive a commission for every transaction performed or financial product sold, while others receive a fixed component in addition to variable commissions. Only the agents operating customer service points of public sector banks, among all the agents we spoke to, received such fixed components (the highest such salary was approx. INR 2000 per month). Overall, agents express that they did not feel they were paid commensurate to the effort required to provide these services. Agents also say that commission structures have changed over the years - at least two agents who had been in the business for over four years told us that earning capacities used to be much higher in the past.

"The commission rates are low. [Network Manager] should be more considerate as the agents are the lower-most rung of the ladder. It would be good if we received a salary."

-Corporate BC Agent, Male, Patna District of Bihar

When agents engage with customers in AePS transactions, customers often must pay for the services availed. This practice of [customer service charges](#) was observed to be common knowledge among both agents and customers – and was prevalent in all the locations we visited. The customer service charge was found to be a well-established component of the agent's overall earnings but was described as a token payment or tip for services rendered. This service charge was typically 1% of the transaction value. Some agents were found to use some heuristic in deciding whom to charge. For instance, the agent may charge only other-bank customers, may charge a fixed fee for providing services at the customer's home, or not charge regular customers well-known to them. This norm of paying customer service charges is in direct contradiction to the Reserve Bank of India's business correspondent guidelines, 2010¹⁶ which state that 'The agreement with the BC should specifically prohibit them from charging any fee to the customers directly for services rendered by them on behalf of the bank.' Agents justify that the service charge they levy on customers is reasonable to ask in exchange for the convenience of services provided to the customer and because it saves them bus fares to the nearest bank branch during official working hours. Some agents also justify the service charge with the argument that their commissions were insufficient to cover the costs they incur offering CICO services.

"To maintain my business without any loss I have to take charges from customers. There is no other option as there are other expenses that I need to take care of."

-Public sector bank agent (Male), Gorakhpur District of Uttar Pradesh

¹⁶ Reserve Bank of India. (2010). Financial Inclusion by Extension of Banking Services – Use of Business Correspondents (BCs). Accessed from <https://www.rbi.org.in/scripts/NotificationUser.aspx?Mode=0&Id=6017>

“In a day if you see I get a commission of around INR 200 to 250, but my expenses are more than that. I am putting my own time here also. So, you can understand if a person is taking such a big risk, it is problematic for them. If I had to live just on that, I would have shut it down by now.”

-Corporate BC Agent (Male), Gorakhpur District of Uttar Pradesh

However, not all agents claim to engage in this practice of charging customers. Approximately a third of all agents we spoke to maintained that they did not levy charges on customers for any service whatsoever. Some agents (of public sector banks) even express that their ability to charge/overcharge customers is kept in check by constant monitoring and supervision by the local bank branch manager and by the threat of their ID being confiscated if a customer complains. Nevertheless, we conclude that customers are exposed to potentially more risky agent behavior due to these norms on customer charges. For instance, we encountered agents who charge customers a token service fee for non-CICO services such as UPI transfers. The justifications agents provide to customers for this service charge could be extended to various other services as well, and this ambiguity can be expensive for the customer, even if one were to acknowledge the merit of bilaterally negotiated price-setting in such contexts.

“If you go to the bank, then it’ll cost you petrol and time. Time is money.”

-Corporate BC Agent (Male), Patna District of Bihar

The [major expenses agents incur to keep their businesses up and running](#) are on rent and equipment. Agents pay rent in the range of INR 1500-3000 per month, which varies depending on the location and nature of rental property¹⁷. While some agents receive assistance from the bank branch in identifying an office space or in the form of a makeshift space at the bank branch to work out of, none receive support in paying the rent.

“It would be decent if I were to make 40 or 50 thousand rupees but at the moment I am not making enough. The only reason I am able to run this shop is because I do not have to pay rent. Right now, all the money is spent on the staff maintenance and other basic expenses. If I had to adjust for a monthly rent too then my only way out would be to shut the shop down.”

-Corporate BC Agent (Male); Patna District of Bihar

All agents have had to purchase equipment such as mobile phones, laptops, biometric devices, passbook printers, PoS devices, etc. for their business. In some cases, agents are asked (by the bank/NM) to upgrade

¹⁷ For instance, some agents may use a portion of their residence as the CICO outlet, while others prefer commercial spaces in town centres.

their equipment to newer versions or purchase additional equipment – agents express that this is burdensome and feel they have no say in the matter. One agent-cum-CSC (Customer Service Centre) who wanted to qualify as an Aadhaar enrolment centre purchased equipment worth INR 100,000~, after which regulations changed and private entities were no longer allowed to take up Aadhaar enrolment services. This became a sunk cost for him.

The ability to offer uninterrupted CICO, and consequently, agent profitability for the primary business of CICO, is also impacted by factors which affect the volume and value of transactions that agents can process. Two themes arise from our conversations with agents – (1) the restrictive nature of [transaction limits in AePS](#), and (2) the impact of transaction failures on [agent reputation and trustworthiness](#) and consequently on customer loyalty and transaction volume.

The National Payments Corporation of India (NPCI) has set a maximum transaction limit of INR 10,000 on a single AePS financial transaction, as well as a cumulative limit of up to INR 50,000 per month^{18,19}. Agents remark that customers often approach them for transactions of bigger ticket sizes, especially in emergency situations or during festival seasons. The transaction limits are restrictive for both agent and customer. When customers approach them to withdraw larger amounts, agents may employ workarounds such as asking customers to transfer money to an account of another known person or even facilitating withdrawals using UPI (providing cash in exchange for a UPI transfer to the agent). These informal methods can be inconvenient for the customer, add more friction and expose the agent to further risk of non-compliance²⁰. While there are protocols for (say) failed transactions in the AePS system, transaction failures using these modes could be difficult to resolve.

“The withdrawal limit should be more than ten thousand. If anyone comes to deposit 50000, he/she can't and it is a loss for us. Now they can deposit only up to 20000. All these restrictions have caused a problem to the customers as well as the agents. People always ask for more than 10000. If somebody has to deposit 50000 then they have to come for 5 days and could be subject to network failure etc. so the process gets tedious.”

-Corporate BC Agent (Male & Female); Patna District of Bihar

A commonly recurring theme in agent interviews was the need for cultivating trust and maintaining one's reputation. Since transaction failures are commonplace and reversal of funds is unpredictable and time-consuming, customers are weary of transaction failures since there is a non-trivial chance of losing their money given the opacity of the situation to the agent, the opacity of the agent's intentions and the time taken for reversal. In some cases, customers become skeptical, believe that they are being defrauded by the agent and may become aggressive with agents. Customer alleging fraud can adversely impact the

¹⁸ National Payments Corporation of India. (2016). Implementation of per transaction limit for AePS transactions. Accessed via https://www.npci.org.in/PDF/AePS/circular/2016-17/Circular3_0_0.pdf

¹⁹ National Payments Corporation of India. (2023). AePS Transaction Limits. Accessed via <https://www.npci.org.in/PDF/aeps/circular/2023-24/AePS-OC-87-AePS-transaction-limits.pdf>

²⁰ The UPI ecosystem only permits up to 20 P2P transactions per day, possibly to discourage commercial usage of the UPI P2P payments service.

agent's reputation and reduce the footfall into their business (ultimately impacting the agents' earning capabilities). To mitigate this, agents take great pains to cultivate trust in their customer base. They build and maintain personal relationships through conversations to assuage customer anxieties (when transactions fail), provision of receipts as proof of legitimacy of transactions, and remaining open to service customers beyond working hours, among other measures.

Components of Layer 1: Core Business Model

Compensation Schedule: The fixed and variable components of an agent's earnings, paid out by the bank or network manager.

Context	Action	Agent Perspective	Implication
<ul style="list-style-type: none"> Agents affiliated to corporate BCs/NMs earn only through commissions, whereas agents that act as CSPs of (public sector) banks also typically receive a fixed monthly income in addition to commissions. Some agents are only eligible for variable pay upon completion of a minimum volume of transactions. 	Agents feel they are not paid commensurate to the effort required to provide these services.	<ul style="list-style-type: none"> Current remuneration policies do not capture the extent of value being created by the agent, which could lead to agents being disillusioned by their remuneration. Commission structures have changed over the years - at least two agents who have been in the business for over 4-5 years report that their earning capacities used to be much higher in the past. 	<ul style="list-style-type: none"> It is opportune for the RBI to rethink commission structures at this point in evolution of the BC ecosystem in India in a way that takes cognizance of the diversity of contexts in which CSPs operate and the need for context-sensitive pricing of CICO services. Further, the RBI may also incorporate the rubric of customer satisfaction into the agent's remuneration structure as prescribed in the RBI BC Guidelines.

Other Sources of Income: Income earned by the agent from sources other than their agent business.

Context	Action	Agent Perspective	Implication
<ul style="list-style-type: none"> Most agents have other sources of income apart from their work as an agent. This is especially the case for agents affiliated to corporate BCNMs, while some bank-agent are more likely not to have alternate sources of income. Many agents are in 	Agents say they spend a greater amount of time servicing their agent business than other components of their income.		

<p>occupations which require similar equipment and capital - such as CSCs, xerox shops, medical shops, grocery shop, hardware store, etc.</p> <ul style="list-style-type: none"> Some agents belong to families where agriculture is the primary occupation - and their CICO service business helps them even out their income flow during dry periods. 			
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Customer Charges: Per transaction service charges solicited from the customer.

Context	Action	Agent Perspective	Implication
<p>Customer paying for the services availed (withdrawal/deposit/other) seems to be the norm. Customers typically pay a service charge worth 1% of the transaction value. This charge may be solicited by the agent or offered voluntarily by the customer (as a token/gift).</p>	<p>Some agents who levy the 1% service charge do so with some protocols. For instance, the agent may charge only other-bank customers, may charge a fixed fee for providing services at the customer home, or not charge regular customers well-known to them.</p>	<p>Agents justify the service charge they levy on customers in the following ways:</p> <ul style="list-style-type: none"> Customers save on travel fares required to approach a bank branch, Provision of convenience for the customer. <p>Some agents also justify the service charge in the context of their commissions being insufficient to cover costs.</p>	<ul style="list-style-type: none"> <i>For the agent:</i> Additional earning capacity over and above commissions (which are shared with the corporate BCNM). <i>For the customer:</i> Provision of a key service at a nominal fee that they are typically ready and willing to pay.

Transaction Limits on AePS transactions: Agent's experiences with the per transaction cap on value of AePS transactions.

Context	Action	Agent Perspective	Implication
<p>Agents are not permitted to withdraw more than INR 10,000 per AePS transaction or more than INR 50,000 per month.</p>	<p>Some workarounds for these transaction limits:</p> <ul style="list-style-type: none"> Some bank agents can use the Customer Identification File (CIF) number²¹ for 	<p>Agents find the transaction limit to be an inconvenience, as they can provide withdrawal services only for a limited value, while there is often</p>	<p>The transaction limit is an inconvenience for customers (who may need to withdraw a larger amount of cash), and for agents (whose earning</p>

²¹ Banks assign each customer a unique CIF code which contains all account data and relevant personal information in a digital format. Some agents of public sector banks told us that they were able to transfer money (P2P) using the CIF number.

	<p>withdrawals in addition to AePS (which gives these agents an advantage over others - in one case, agents told us that customers prefer bank agents for larger-ticket size transactions, and private agents for smaller ticket size.)</p> <ul style="list-style-type: none"> • Agent asking customers to transfer money to another account and to withdraw from there. • Agent sending customers to the bank to withdraw from there. • Withdrawal using UPI (asking customers to transfer money to the agent using UPI and providing them cash in exchange). • Withdrawal using Aadhaar Pay. 	demand for bigger-ticket transactions.	capacity is limited by the transaction limit).
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Customer trust: The trust cultivated by the agent in their customers.

Context	Action	Agent Perspective	Implication
<p>Customers feeling they have been cheated/duped due to transaction failures is a common scenario. The concept of trust is closely related to the issue of transaction failures.</p>	<p>Agents take great pains to cultivate trust in their customer base to overcome this challenge - personal relationships and conversations to assuage customers, provision of printed receipts, staying open to service customers at all hours, etc. Agents who speak of trust seem to take pride in how they are the trusted agent of choice for their customers.</p>	<ul style="list-style-type: none"> • Agents speak of the importance of building and retaining customers' trust. Customers become skeptical if transactions fail - they often believe that they are being defrauded by the agent, even in cases of a genuine transaction failure. Even a single customer alleging fraud can cause the agent's reputation to crumble in the community. • Skeptical customers can raise police complaints 	<p>There is a need to a) reduce the informational gaps that exist that lead to a destruction of hard-earned trust in the agent's intentions in the event of transaction failures, and b) to make it easier to pinpoint and remove bad actors that bring disrepute to agent business.</p>

		against the agent, become (verbally or otherwise) aggressive with the agents, etc.	
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Cost of remaining in business: The costs incurred by the agent in the normal course of business, such as rent and equipment costs.

Context	Action	Agent Perspective	Implication
<ul style="list-style-type: none"> Agents pay rent in the ranges of INR 1500-3000 per month, and rent is one of the major expenses for agents. While some agents may receive assistance from the bank branch in identifying an office space or a makeshift space at the bank branch to work out of, none receive support in paying the rent. All business set-up costs and equipment upgradation costs are to be borne fully by the agents themselves. 	<ul style="list-style-type: none"> Agents often pay registration charges to an intermediary/ representative of bank/ corporate BCNM to obtain their agent license (ranging between INR 10,000 - 50,000). Agents purchase all equipment required for the business (mobile phones, laptops, biometric devices, passbook printers, PoS devices, etc.) themselves without any monetary support.²² 	<ul style="list-style-type: none"> Agents feel burdened by the extent of costs they must bear to keep the business running (for equipment and rent). Rent: Those agents who need not pay rent (they may own the premises/be seated at the bank branch) find it less burdensome to keep their business running. Equipment costs: Agents are especially irked by the constant need to upgrade their equipment to newer versions/ purchase additional equipment (like a mobile ATM device or voicebox). In some cases, agents are pressurised to do so by the bank/NM. 	<ul style="list-style-type: none"> It is unclear whether the registration charges are legitimately solicited or are instances of middlemen taking advantage of the situation. The latter is problematic and indicates the need for better ways to educate and protect agents. The expenses made on equipment are burdensome and agents feel they have no say in the matter.

²² BC Agents have been seeking out [subsidies for purchasing PoS devices](#) and other equipment from regulators such as the NPCI. Similar PoS subsidy schemes exist at present, but their benefits are enjoyed by banks and not individual agents.

<ul style="list-style-type: none"> In some cases, agents are asked to upgrade their equipment to newer versions/ purchase additional equipment - this is burdensome and agents feel they have no say in the matter. One agent-cum-CSC who wanted to qualify as an Aadhaar enrolment centre purchased equipment worth ~INR 100,000, after which regulations changed and private entities were no longer allowed to take up Aadhaar enrolment services. 			
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Credit: Any loans availed for setting up or expansion of the agent business.

Context	Action	Agent Perspective	Implication
Agents may or may not avail loans – this depends on their financial position while setting up, and on interest rates offered.			

Risk perceptions and Insurance costs: The agents’ perceptions regarding the risk of theft and the perceived costs of any mitigation strategies.

Context	Action	Agent Perspective	Implication
Overall, most agents have heard second-hand cases of robbery, related violence in neighbouring areas, or to other agents they may know - indicating that theft risk does exist. However, most agents do not know of any insurance products that can protect them against such risk. Only one (SBI) agent was provided an insurance cover by the bank, in the aftermath of a robbery incident nearby.	To mitigate risks of fraud, theft, etc., agents employ various strategies: using a machine to check for counterfeit currency notes, visually observing notes before accepting them, maintaining a register of all transactions, installing cameras, interacting with the customer/checking mini statement to enquire about the nature and purpose of a transaction, etc.	Some consider it risky to store and transport cash, for fear of being stolen from. Others maintain that they know and trust the residents of the areas they serve and are less concerned. One agent mentions that the risk 'exists but that it is his responsibility to manage' - perhaps indicating that this risk has been internalized by the agent.	With adequate insurance cover, agents can exercise their role with more confidence. They could increase their cash reserves and provide an improved level of service to the customer.

Layer 2: Network Management

Factors determined by the agent's affiliation to a network manager/bank.

The agent's choice of service provider in the form of a partner bank/ corporate BCNM has a bearing on some important factors affecting their daily operations – such as the services they can offer and the support available to them to offer uninterrupted CICO.

Agents offer a variety of [services](#) to customers – based on their choice of partner bank/corporate BC. All agents (no matter their type) offer CICO services through the AePS – and it is for these services that customers typically approach agents. Other services also provided by agents are:

- ❖ Financial (loans, bike/car/life insurance, credit programs, others) and non-financial (facilitating e-commerce transactions, ticket booking, applications for government schemes, certificate provision, Aadhaar services, CSC services, etc.).
- ❖ Fixed/recurring deposits and account opening, typically offered only by BC agents of public sector banks.
- ❖ Loan recovery, also performed only by BC agents of public sector banks.
- ❖ Supplemental services to customers such as assisting them in filling out forms, providing information on schemes/financial services, etc. These services are often not formally provided nor officially remunerated.

Whether agents offer products/services other than the standard CICO services depends largely on their existing technical knowledge, confidence, and their disposition to learning new things, in addition to the additional demand/earning capacity from those products/services. Two of the agents we spoke to, who were women, expressed some reluctance to offer financial products such as loans or collections services as they had either not attempted the requisite exams, or did not have enough information regarding the same.

"I do not provide other services like loans because I do not know about that. Once I get to know about that then I will give the service."

-Corporate BC Agent (Male & Female); Patna District of Bihar

"The app has a ticket booking option but I don't use it. Sometimes the tickets get booked and sometimes not so when it is not getting booked, customers fight with us."

-Public Sector Bank Agent (Female); Thanjavur District of Tamil Nadu

Overall, however, agents believe that offering services that are useful to customers in their localities helps them build trusting relationships which can in turn have a bearing on managing any issues while providing CICO services. Agents may work with multiple providers at a time, in order to offer a greater variety of services than what a license with just one provider would allow them to. One agent described how he would change the provider used according to his needs – he uses Rapipay to sell bike and car insurance, Airtel for cash collection services, and the corporate BCNM for AePS services. Agents manage multiple licenses at a time, across private white-label network providers (corporate BCNM) and public or private

banks. To illustrate, an agent may operate a CICO point with the signage of a public sector bank, while also holding some licenses of other BCNMs. Another reason agents may hold multiple licenses is to circumvent frequent server failures. Agents also mentioned preferring some providers for the ease of usage/convenience, commission rates, support provided, etc. Overall, managing multiple licenses is an important part of being an agent.

“For AePS, at the time, I was using Provider Y. In Provider X, there were services that Provider Y did not have. Their cash collection service is pretty good. Customer support is also good. In the market also, people are aware of Provider X.”

-Corporate BC Agent (Male), Vikram, Bihar

“I have two IDs – one for using the counter in my shop and the other for when I go door-to-door in the panchayat. If there is only one ID then I might get confused about the transactions that happen at the same time. Other than that, there is often an issue with getting OTPs and when there are two IDs to choose from, I have more flexibility as I can try from both to see where the OTP actually works.”

- Corporate BC Agent (Male), Patna District of Bihar

The network manager (whether bank or corporate BC) may also exert pressure on agents to meet performance targets for account opening, sales of insurance products/government schemes, or loan recovery. We spoke to agents operating customer service points of public sector banks who had been set targets on the monthly number of customers enrolled into the PMJJBY scheme, as well as on loan recoveries. Agents feel demotivated when they are unable to meet targets – convincing customers to purchase insurance or repay their loans is not easy.

Clearly, the choice of network manager has great bearing on how agents conduct their business operations. This is especially true when agents or customers require some grievance-redressal support. Typically, agents need grievance redressal support on two occasions: first, when the agents themselves are experiencing an issue requiring resolution; or when their customers request some official complaint redressal process (typically for failed transactions). Most such grievances are customers seeking to reconcile their accounts post server errors or failed transactions – these are usually beyond the agent’s scope to resolve immediately. Agents rely on their communication channels with the corporate BCNM/bank to provide them with additional information or instruction for resolution of the grievance. While some agents find it easy to reach the concerned representative, others report that it is very difficult to get ahold of centralized customer-care helplines or their distributor directly.²³ While the NPCI has established best practices²⁴ on handling both customer and agent complaints, our field work indicates that they are yet to take effect. Agents become a go-between for customers and service providers – which is time-consuming, frustrating, and inconvenient for all parties involved. Navigating customer grievances

²³ Some agents share a good rapport with their distributor and are in constant contact.

²⁴ NPCI. (2020). Circular on AePS Best Practices. Accessible at <https://www.npci.org.in/PDF/AePS/circular/2020-21/Circular-AePS-Best-Practices..pdf>

without formal support from the bank/corporate BC may be challenging for the agent and damaging to the trust that he/she might have built with the customer.

“I raised a complaint but even the agents have no time. I have dialled many numbers but no solutions. I have dialled the number which I have received from the group also, still no solution. If they are picking the call also they will not give proper solution.”

- Corporate BC Agent (Male); Gorakhpur District of Uttar Pradesh

“It is troublesome to register a complaint. There should be a facility in the app through which I can complain. Sometimes it happens that it shows the transaction was successful, but the customer’s money gets stuck for 5-7 days. The women especially, in the rural areas, are unwilling to understand this. They abuse me then. Then I feel like this work is not worth it. “

- Corporate BC Agent (Male); Patna District of Bihar

Finally, agents must manage their liquidity and ensure they have enough liquid (or digital) cash to facilitate withdrawal (or deposit) transactions. Agents estimate the volume of cash they must retain based on the demand for services in their location. Most agents have (sometimes with the support of their distributor/bank representative) figured out a liquidity management strategy that works for them. The liquidity strategies employed differ based on the agents' transaction volume - agents who operate at a lower daily transaction volume may not require much additional effort in terms of liquidity management. Hence, the liquidity management problem is highly localized and specific to each agent's context. Agents may visit local bank branches/ATMs for cash withdrawals, ask their social network (neighbouring agents, petrol bunks, shopkeepers) for additional cash-on-hand, or rely on the cash management service provided by their network manager. Some agents hold a current account with their bank which relaxes the withdrawal limits and charges. In deciding their preferred mode of liquidity management, agents consider the processing charges they must incur, proximity of the withdrawal point, time taken, etc. A proximate and context-appropriate liquidity management method can make the agents’ daily operations smoother, especially as they grow their businesses.

Components of Layer 2: Network Management

Services: The basket of services (CICO-related and others) offered by each agent to their customers with the support of the corporate BC/bank, and targets placed on agents to provide such services.

Context	Action	Agent Perspective	Implication
<ul style="list-style-type: none"> The selection and decision on which services to provide, is exercised through the 	BCs also provide various supplemental services to customers - such as assisting them in filling of	The agent believes that offering services that are in high demand helps them build relationships and	<ul style="list-style-type: none"> Agents end up charging the customers for most of the services. For services that they do

<p>agent's choice of a partner bank/corporate BC - each offers a basket of services that the agent can offer to their customers.</p> <ul style="list-style-type: none"> • Most customers approach agents (we spoke to) to avail AePS withdrawal services to withdraw cash from their bank accounts. The services demanded by customers also depend on the characteristics of the agent location. For instance, agents in remote and rural areas will process more withdrawal transactions while areas near industrial corridors with large migrant populations may process more transfers and deposits. 	<p>forms, providing information on schemes/financial services, etc.</p>	<p>trust with their customers. Not being equipped to provide the services demanded by customers is seen as unsuitable.</p>	<p>not provide, they end up directing the customer to the bank.</p>
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Agent choice of provider: The agent's affiliations to a bank or service provider.

Context	Action	Agent Perspective	Implication
<ul style="list-style-type: none"> • A common practice is for the agent to obtain licenses from multiple providers for operating a single BC point. Agents may manage licenses across private white-label providers, public banks, private banks, etc. • This practice is common despite the RBI BC guidelines, which prescribe that, "at the point of customer interface, a retail outlet 	<p>These licenses are often registered in the names of close family members of the agent.</p>	<p>Agents have various reasons for doing the same: for tracking transactions by segregating certain types of transactions in separate apps, to circumvent server failures, to enjoy better and more convenient/intuitive user interfaces, to offer more products/services, to take advantage of better commission rates, to get better support from network manager, to avoid the pressure of meeting targets from primary</p>	<ul style="list-style-type: none"> • Agents view juggling multiple licenses as a requirement to run a successful BC business. • Presence of multiple providers at any given customer-facing outlet/area - Customer receives a greater variety of services at the BC point, more competition and innovation among network managers.

or a sub-agent of a BC shall represent and provide banking services of only one bank.” ²⁵		provider, etc.	
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Performance Targets: Agents may have to meet targets on account opening, loan recovery, or insurance sales, as set by the corporate BC/bank.

Context	Action	Agent Perspective	Implication
Some agents reported being given targets for insurance sales and account opening.	Agents try to meet targets, but often fall short.	Agents find the pressure exerted by their corporate BC/bank to be frustrating and find it difficult to meet these targets. Some agents say that customers are not interested in these services, while others mention frictions during enrolment which make it difficult to meet targets.	Agents do not experience any implications on their compensation for failing to do so.

User Interface: The user interface of the digital platform provided by the network manager (or bank) to help the agent facilitate transactions.

Context	Action	Agent Perspective	Implication
All apps of private providers (corporate BC/NM) come with multiple layers of security where agents have to enter passwords or PIN as well as provide biometric authentication at several steps.	Agents prefer applications which are swift, fast to use, and have minimal delays at the point of transaction. Such delays may cause long waiting times for customers.	Agents can find the multiple rounds of authentication time consuming. Some see it as a hindrance in providing their customers with speedy services.	

Capacity Building: Any onboarding procedures and related training provided to the agent as well as recurring efforts to improve agent’s capacity to service customers (such as training courses).

Context	Action	Agent Perspective	Implication
<ul style="list-style-type: none"> While some agents received training, some learned to navigate the platforms themselves. Capacity building efforts vary based on the 	<ul style="list-style-type: none"> Agents who did not receive training learned to navigate the applications on their own. Despite initial hiccups, they found it to be straightforward. 		

²⁵ Reserve Bank of India. (2010). Financial Inclusion by Extension of Banking Services – Use of Business Correspondents (BCs). Accessed from <https://www.rbi.org.in/scripts/NotificationUser.aspx?Mode=0&Id=6017>

<p>network manager/bank that the agent is affiliated to. Some agents report receiving intermittent training that is mostly done over group video calls. Others report no such initiative from the providers side.</p>	<ul style="list-style-type: none"> Agents take their own initiative to learn about new products, features, or regulatory changes which affect their businesses. They may rely on social media, their social networks (other agents), or the network manager/bank representative to address their queries. 		
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Agent Grievance Management: How agents facilitate (for customers) and access (for themselves) grievance redressal.

Context	Action	Agent Perspective	Implication
<p>Agents require grievance redressal support on two occasions: first, when they themselves are experiencing an issue requiring resolution; or when their customers request some official complaint redressal process (typically for failed transactions).</p>	<ul style="list-style-type: none"> Agents may reach out to customer care helplines operated by their network manager or directly to the network manager/bank representatives. To handle customer grievances, agents may carefully explain the issue, and also provide transaction slips which prove the transaction status to the customer. One agent has put up signage indicating to customers that money deducted in a failed transaction would be reversed automatically within 7 days. 	<p>While in some cases, agents have received resolution support from customer care helplines, many found them to be inoperative or slow in responsiveness.</p>	<p>Navigating customer grievances without formal support from the bank/network manager may be challenging for the agent and damaging to the trust that they have built with the customer.</p>

Liquidity Management: Strategies employed by the agent to manage their cash balances.

Context	Action	Agent Perspective	Implication
<p>Agents estimate the volume of cash they must retain based on the demand for services in their location. Most agents have (sometimes with the support of their</p>	<p>Agents may visit local bank branches/ATMs for cash withdrawals, ask their social network (neighboring agents, petrol bunks, shopkeepers) for additional cash-on-hand, or rely on</p>	<p>In deciding their preferred mode of liquidity management, agents consider the processing charges they must incur, proximity of the withdrawal point, time taken, etc.</p>	<p>A proximate and context-appropriate liquidity management method can make the agents daily operations smoother, especially as they grow their businesses.</p>

<p>distributor/bank representative) figured out a liquidity management strategy that works for them. The liquidity strategies employed differ based on the agents' transaction volume - agents who operate at a lower daily transaction volume may not require much additional effort in terms of liquidity management. Hence, the liquidity management problem is highly localised and specific to each agent's context.</p>	<p>the cash management service provided by their network manager. Some agents hold a current account with their bank which relaxes the withdrawal limits and charges.</p>		
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Layer 3: External Environment

Factors affecting an agent's business which are outside their locus of control.

Of all factors from the external environment, [transaction failures](#) stood out as a commonly recurring experience for all agents which hampered their regular operations and over which they had no control over. Agents attribute most such failures to server failures, though transactions may fail for other reasons as well such as network/connectivity problems. While failed transactions are automatically reversed to the customer in due course, customers do become distressed when money is debited from their accounts. Agents may put up notices citing the RBI's guidelines to reassure customers of reversal, but this has had limited success.

Agents have strategically employed workarounds to the issues of servers being down by holding licenses with multiple providers. This strategy (also discussed earlier) permits them to access AePS servers using an alternate provider. This strategy appears to be successful for agents since server errors are usually a bank-specific issue, hence routing the transaction through the infrastructure of a different bank provides an alternate channel for the CICO transaction to succeed. We observed multiple instances of agents operating customer service points (of public banks) who were also in possession of a private license for operating when their bank servers are down.

"Recently I faced one issue. I have withdrawn the money through spice money, and the customer's account was an SBI account. But I did not receive the amount in my account even though it got deducted. It was because of server issues. Customer filed complaint against me in the Bank. Even I have given written complaint to bank but they didn't trust me. After that I am having the printer machine to avoid these kinds of issues. Now I am giving receipt to customers."

- Public Sector Bank Agent (Male); Gorakhpur District of Uttar Pradesh

Agents are very concerned about the frequent occurrence of such transaction failures. Failed transactions can be damaging for the agent’s reputation and business prospects, as they erode trust that has been built up over time with the customer. Agents say that customers may accuse them of fraudulent behavior even when a legitimate failure occurs. In some cases, customers berate them and may even approach the police to pursue formal action. From the customer’s perspective too, frequent failures are concerning as they may require the customer to re-visit to attempt a repeat of the same transaction. Agents may provide familiar customers with cash in good faith when a transaction fails or may re-direct the customer to the bank to follow up on the transaction. Overall, however, agents lose out on transactions and customers (and hence potential commissions) due to server failures.

Components of Layer 3: External Environment

Fraud/theft: The risk of agents falling prey to theft or fraud.

Context	Action	Agent Perspective	Implication
<ul style="list-style-type: none"> Most agents haven't faced any instances of fraud being attempted by the customer. Since most agents are familiar with the area and the people in it, they don't see it as a major issue. But agents are vulnerable to fraud attempted by providers/agents selling BC licenses for money. 	<ul style="list-style-type: none"> Agents try to stay vigilant against fraud attempted by customers by verifying the currency notes, verifying the customer's identity and checking their account statements. Agents are not very keen on trying new apps/providers. Even when they do, they usually start with small amounts. 	<ul style="list-style-type: none"> 	

Transaction Failures: Failure of transactions due to biometric authentication failure or server errors.

Context	Action	Agent Perspective	Implication
<ul style="list-style-type: none"> Agents commonly experience transaction failures of various types (though server failures are the most frequently occurring) and often disturb their regular operations. While transaction failures are automatically reversed to the customer, customers still become distressed when money 	<ul style="list-style-type: none"> Agents typically hold licenses with multiple providers. This allows them to use a different provider to access AePS services as server failures are usually a bank-specific issue. For example, agents operating customer service points (of public banks) will also hold a private license to rely on when their bank 	<ul style="list-style-type: none"> Agents lose out on transactions and customers (and hence potential commissions) due to server failures. Agents also express that server failures are damaging to the relationships they have built with customers over time. At the same time, it is these relationships which help them navigate the 	

is debited from their accounts.	<p>servers are down.</p> <ul style="list-style-type: none"> Agents play an important role in pacifying and reassuring customers when transactions fail. They may provide a copy of the transaction slip to produce to the bank for a formal complaint, or even provide familiar customers with cash in good faith before the reversal has been effected. 	transaction failures.	
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Location: Agent's local contexts have a bearing on their business operations.

Context	Action	Agent Perspective	Implication
Agents' choice of location depends on their preference for proximity to their own home, the footfall at their location, and proximity to the bank branch (sometimes at the behest of the branch manager).			

Competition: How local competition amongst agents can affect business operations.

Context	Action	Agent Perspective	Implication
<ul style="list-style-type: none"> Agents are approached by multiple providers who ask the agent to try their services. Some agents referred to scenarios in the past where they had tried AePS applications of new providers, but were unable to access these services shortly after, and lost the money stored in these wallets. Most agents do not feel threatened by the 	<ul style="list-style-type: none"> Agents may or may not take up offers from new providers - depends on their level of satisfaction with the current provider and the trust with which they regard the new offers. Anecdotal evidence also indicates that the family members of local government officials (panchayat level) often also hold BC licenses. Agents who have 	Agents believe that customers will ultimately approach those agents whom they trust and have built relationships with. Since the services being offered are identical, it is the agent's behavior that will help them stand out.	

presence of other agents in their area.	obtained their licenses in this manner often facilitate withdrawals of MGNREGA wages and enjoy informational advantages (and captive clients that come along with this).		
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Agent characteristics: Characteristics observed in agents such as their motivations, long-term goals, and work history.

Context	Action	Agent Perspective	Implication
<ul style="list-style-type: none"> Agents having prior relevant work experience find it easier to take up this business and, in some cases, are also recruited as agents. Most agents are quite entrepreneurial in nature and leverage their digital skills/prior work experience to succeed as an agent. 	Often, agents must supplement their commissions earned with another source of income to sustain themselves.	Though agents express that their commissions are low commensurate to the effort they put into the business, there is a sense of satisfaction they receive from providing a helpful service to those in their community.	