

CENTRAL BANK OF EGYPT
Egyptian Banking Institute



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December 2022

Current Trends

Agent Banking

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Background

According to the World Bank's statistics, globally, some 1.4 billion adults remain unbanked. These people are hardest to reach – and more commonly women, poorer, less educated, and living in rural areas¹. Despite the tremendous efforts by all the stakeholders to reach out the unbanked, still the matter is challenging and calling for more efforts. Thereby, it is widely understandable that availing banking services is not easy for all. Additionally, the documentation process added to the difficulty of enrolling all the unbanked population and boosting the levels of financial inclusion.

However, on the other hand, a new driving force is changing the equation: the inclusion of the technology to the financial sector. This trend made it much easier to reach out for the unbanked through their access to internet and smartphones. That also empowered the banks to expand their offering regardless the physical locations of their branches. This new phenomenon can be referred to as Agent Banking.

Defining the Concept: Agent Banking

Agent Banking means providing limited scale banking and financial services to the underserved population through engaged agents under a valid agency agreement, rather than a teller/ cashier.

It can be also defined as the banking services provided outside of regular bank branches by engaged agents under a valid agency agreement.

In brief, Agent banking is a delivery channel that holds high potential for closing the location gap.

It is the owner of an outlet who conducts banking transactions on behalf of a bank. Globally these retailers are being increasingly utilized as important distribution channels for financial inclusion. That is attributed to the fact that agent banking allows the traditional banks to extend their network of branches and services in a cost-efficient manner, it is also gaining more popularity for its merits of availing more products at a wider scale, contributing to the enhancement of Financial Inclusion² and for its efficiency in reducing costs while containing risk.

¹ The World Bank, "COVID- 19 Boosted the Adoption of Digital Financial Services ", Website:

<https://www.worldbank.org/en/news/feature/2022/07/21/covid-19-boosted-the-adoption-of-digital-financial-services#:~:text=Reaching%20the%201.4%20billion%20people%20who%20remain%20unbanked&text=Governments%2C%20private%20employers%20and%20financial,physical%2C%20data%20and%20financial%20infrastructure.>

² " Guidelines of Agent for Banks", Central Bank of Bangladesh, 2010

Agency Banking Ecosystem

Agent Banking ecosystem, can be classified as follows:

- Agent banking service provider: these are the entities responsible for managing various banking agents. They might be also responsible for operating services, marketing cash handling branding ..e.t.c
- Banks/Financial institutions: they are the entities through which the actual monetary transaction takes place, whether cash in or out. They are the host of both the accounts of the end user customer and the agent accounts.
- Banking agents: these are the retailers that are authorized to perform various banking services on behalf of the banks/financial institutions. These services might be related to: cash in/out, balance inquiry, generating mini statement, collection of documents, microloans, bill payments, P2P transfer.
- Super/sub-agents: these are the agents that can be formed under the banking agents, with a commitment of paying additional commissions for the banking agent for every transaction they make.
- Mobile operators: they offer their networks to facilitate mobile transactions , USSD connectivity , SMS, bill payments and other processes required to finalize the transaction.
- End-user customers. These are the targeted segments to which the agent banking is expanding to serve them, despite that they may not have bank accounts. They usually, though, have access to mobile phones.

How it works?

- Implementing the agent banking, agency banking utilizes a network of local merchants and shopkeepers, in areas where the bank usually doesn't have a presence, to provide basic banking services.
- The agents are equipped with POS (Point of Sale) machines, a portable device that securely connects to the bank
- The agent bank role is to be authorized to provide basic banking services of accepting deposits and facilitating withdrawals. Other basic banking services that can be provided by the agents are fund transfers, bill payments and financing repayments.
- All transactions are conducted on a real-time basis to protect the interest of the public.



Potential Roles for Delegation to Agents

Agents can play a vital role in a range of services, as such:

- Account opening.
- Cash-in and cash-out services (including cash disbursement of bank-approved loans and repayment collection)
- Payment and transfer services (including international remittances and person-to-person domestic transfers).
- Credit underwriting (sometimes).

It is worth mentioning that some regulators are even considering different categories of agents based on the services offered, as for example less stringent eligibility standards for those agents offering only basic services, such as cash-in and cash-out services.

Advantages of Agent Banking

Agent banking is of a dual benefit for both: the end- user, by making the banking services remote and available in all the districts that lack banks' branches, and also to the banks.

For the banks, the benefits can be considered as follows:

- Reducing costs: agency banking reduces banks' costs of extending their services in the areas of low banks' branches penetration. Reducing the cost of setting up a physical branch in such areas reflects on eliminating costs related to operations, infrastructure, maintenance .et.c.
- Increasing customer base: agent banking proved to be an efficient tool in reaching the unbanked population through providing a wide array of financial services. This will lead to expanding the customer base and hence the profits.
- Building trust and awareness with the end user customer: providing an agent dedicated to serve the customers, build trust with those customers, especially if they still favor interacting with humans when it comes to taking financial decisions. Additionally, having the agents next to the customer's door steps saves their time and effort of traveling to branches of some banks, which might not be located at their neighborhood. That

will lead to more comfort for the customers and establishing banks trust with the agents and hence the bank.

- Enhancing customer's experience: agency banking enhances the end user's customer experience through providing various banking solutions for the unbanked population with the easy use of phones, card readers points of sales, and many other technologies, in addition to the simple agent providers who are accessible across the country.

Global Experiences of Agent Banking

Agent banking contributed to financial inclusion by making the services available at the door steps of the end user customer. Examples are numerous in various countries, of such:

- Agent banking was first introduced in Bangladesh by Bangladesh Bank (BB) in 2013, with the aim of providing financial services to the underserved and poor segments of the population. According to Bangladesh Bank, 7.6 million accounts associated with agent banking in July 2020: representing year-over-year growth of 114 percent. As of September 2022, the total number of agents and outlets reached 14,663 and 20,177 respectively for 31 banks.
- Agent Banking is introduced in Kenya in 2010 by the Central Bank of Kenya (CBK) the main objective was to increase financial services outreach. As per Margaret (2019), the 43 licensed commercial banks, in addition to the 12 Micro Finance banks and the one mortgage finance bank had 38,297 agents and that surged the financial inclusion rates in 2019. The roles undertaken by agents are related to cash in/cash out, verifying customer identity for account opening purposes,

balance inquiry, generation and issuance of mini bank statements, collection of documents in relation to loan application, agent mobile banking services..e.t.c.

- Bank Negara Malaysia introduced the framework for agent banking in 2012, allowing financial institutions to reach out to the underserved segments of the population particularly in rural areas. Mostly, the banking services that were provided by agent banking are fund transfers, bill payments and financing repayments in a real time basis.

- Mexico first introduced agent banking in 2009, Banking agents also play a part by helping diminish the informal market of financial services in Mexico

- Agent Banking was introduced in Nigeria in 2009, as per EMUVEYAN (2021), the application of Agent Banking will in no doubt enhance customers' accessibility and profitability of banks (most especially the ATM), thereby leading to economic growth of a Nigeria.

- Agent banking is introduced in India in 2006 by the Reserve bank of India, with the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, through enabling banks to use the services of Non-Governmental Organizations/ Self Help Groups (NGOs/ SHGs), Micro Finance Institutions (MFIs) and other Civil Society Organizations (CSOs) as intermediaries in providing financial and banking services through the use of Business Facilitator and Correspondent models.

Agent Banking Examples in Egypt

Fawry is providing Agent banking services; by using Fawry Plus service.

For Enterprises, Fawry is providing agent banking services as such:

- KYC and Customer Acquisition,
- Cash in/out: where customers can cash in/ out with various banks and telecom operator digital wallets, that service is even facilitated using Fawry ATMs.
- Remittances: with Fawry Plus, banks have the potential to increase the amounts of remittances they receive from abroad.

Website: <https://www.fawry.com/fawry-for-business/enterprises/agent-banking-services/>

Illustrative Videos on Agent banking

- Future of Banking : Agent banking as alternative delivery channel to reach the last minute

<https://www.youtube.com/watch?v=GNixvtIRZIo>

- Agency Banking:

<https://www.youtube.com/watch?v=nhYFqUvKdm4>

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