

# State of the agent network in Indonesia

Agent Network Accelerator  
(ANA) Research - 2023



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# Preface



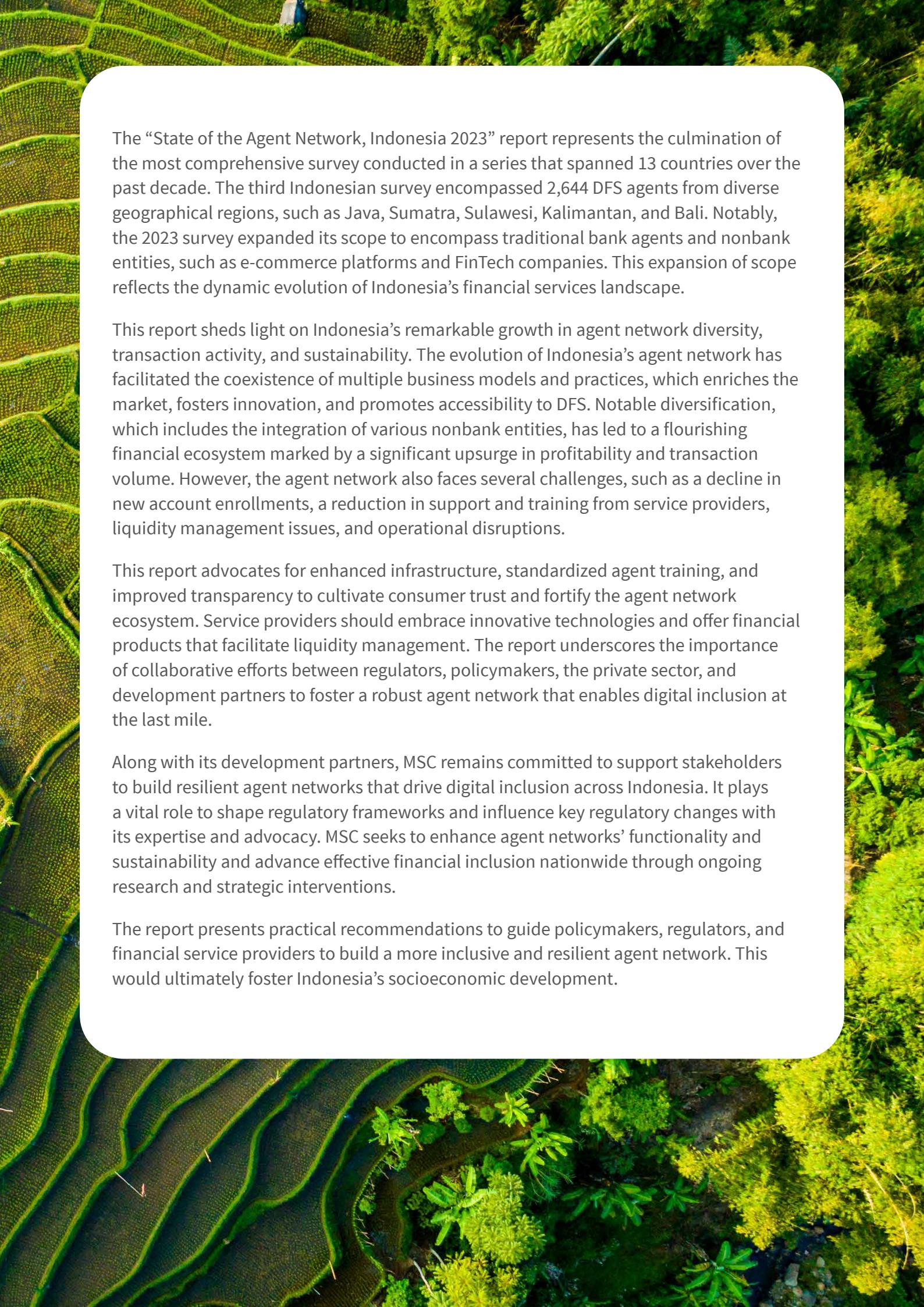
**Graham A.N. Wright**

Group Managing Director  
MSC

Financial inclusion has emerged as a strategic imperative for the Government of Indonesia (GoI) since the inception of the National Financial Inclusion Strategy (SNKI) in 2016. Over the past six years, Indonesia has made significant strides to advance financial inclusion for previously underserved population segments. As per the Financial Inclusion Insights (FII) survey, the percentage of adults in the country with access to financial accounts nearly doubled from 31.3% in 2014 to 61.7% in 2020. Notably, Indonesia has witnessed substantial improvements in the accessibility and quality of last-mile financial services delivery, particularly through the proliferation of banking and nonbanking agents.

The number of banking agents in the country increased even as traditional banking channels, such as branches and ATMs, experienced stagnant growth. As per the National Financial Inclusion Strategy (SNKI) data, more than 1.5 million banking agents were in operation as of 2022. Banking agents have more than tripled from approximately 400,000 in 2017 at a compounded annual growth rate (CAGR) of approximately 30%. Bolstered by these achievements, the Government of Indonesia has set an ambitious target to achieve 90% financial inclusion by 2024.

Digital financial services (DFS) agents are poised to play a pivotal role in the extension of formal financial services to underserved populations across emerging markets. This will complement the digital economy's expansion and ensure inclusivity across all segments of society. Despite the rapid evolution of digital technology, many individuals, especially in rural and remote areas, still prefer face-to-face interactions when they conduct financial transactions. Moreover, population segments with limited digital literacy or technological access rely on DFS agents for guidance and support, which enhances accessibility to financial services.



The “State of the Agent Network, Indonesia 2023” report represents the culmination of the most comprehensive survey conducted in a series that spanned 13 countries over the past decade. The third Indonesian survey encompassed 2,644 DFS agents from diverse geographical regions, such as Java, Sumatra, Sulawesi, Kalimantan, and Bali. Notably, the 2023 survey expanded its scope to encompass traditional bank agents and nonbank entities, such as e-commerce platforms and FinTech companies. This expansion of scope reflects the dynamic evolution of Indonesia’s financial services landscape.

This report sheds light on Indonesia’s remarkable growth in agent network diversity, transaction activity, and sustainability. The evolution of Indonesia’s agent network has facilitated the coexistence of multiple business models and practices, which enriches the market, fosters innovation, and promotes accessibility to DFS. Notable diversification, which includes the integration of various nonbank entities, has led to a flourishing financial ecosystem marked by a significant upsurge in profitability and transaction volume. However, the agent network also faces several challenges, such as a decline in new account enrollments, a reduction in support and training from service providers, liquidity management issues, and operational disruptions.

This report advocates for enhanced infrastructure, standardized agent training, and improved transparency to cultivate consumer trust and fortify the agent network ecosystem. Service providers should embrace innovative technologies and offer financial products that facilitate liquidity management. The report underscores the importance of collaborative efforts between regulators, policymakers, the private sector, and development partners to foster a robust agent network that enables digital inclusion at the last mile.

Along with its development partners, MSC remains committed to support stakeholders to build resilient agent networks that drive digital inclusion across Indonesia. It plays a vital role to shape regulatory frameworks and influence key regulatory changes with its expertise and advocacy. MSC seeks to enhance agent networks’ functionality and sustainability and advance effective financial inclusion nationwide through ongoing research and strategic interventions.

The report presents practical recommendations to guide policymakers, regulators, and financial service providers to build a more inclusive and resilient agent network. This would ultimately foster Indonesia’s socioeconomic development.

# Authors

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Bianda specializes in research targeting low-income population segments in Indonesia. She led the secondary research component in the ANA research and provided technical support to the project team through secondary analysis and report writing.

# Acknowledgments

We express our sincere gratitude to all those who contributed to the successful completion of this research report.

First and foremost, we thank the Bill & Melinda Gates Foundation for its support and funding for this project. We also appreciate the guidance and support from Brooke Patterson on this project.

We thank the DFS agents across Indonesia who agreed to participate in the survey and share details of their agency banking operations. Their valuable insights and inputs have been instrumental to the report's findings.

Our appreciation also goes to the officials from Coordinating Ministry for Economic Affairs, Otoritas Jasa Keuangan (OJK), the financial services authority, Bank Rakyat Indonesia (BRI), and Asosiasi Fintech Indonesia (AFTECH) for sharing their time and expertise with us during the research process.

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Many MSC colleagues contributed to this report. We recognize the contributions of Rhifa Ayudhia, and Jilan Jauhara to the project. Aakash Mehrotra and Ritika Gupta conducted the data analysis for the project. The report was copyedited by Rahul Ganguly and designed by Kamiya Satija. We are grateful to all of them for their support.

We also thank Grace Retnowati, Country Director, MSC Indonesia, and Graham A.N. Wright, Group Managing Director, MSC, for reviewing the report and providing valuable guidance.

Finally, we hope this report provides meaningful insights for stakeholders to support and contribute to the growth of agent networks in Indonesia.



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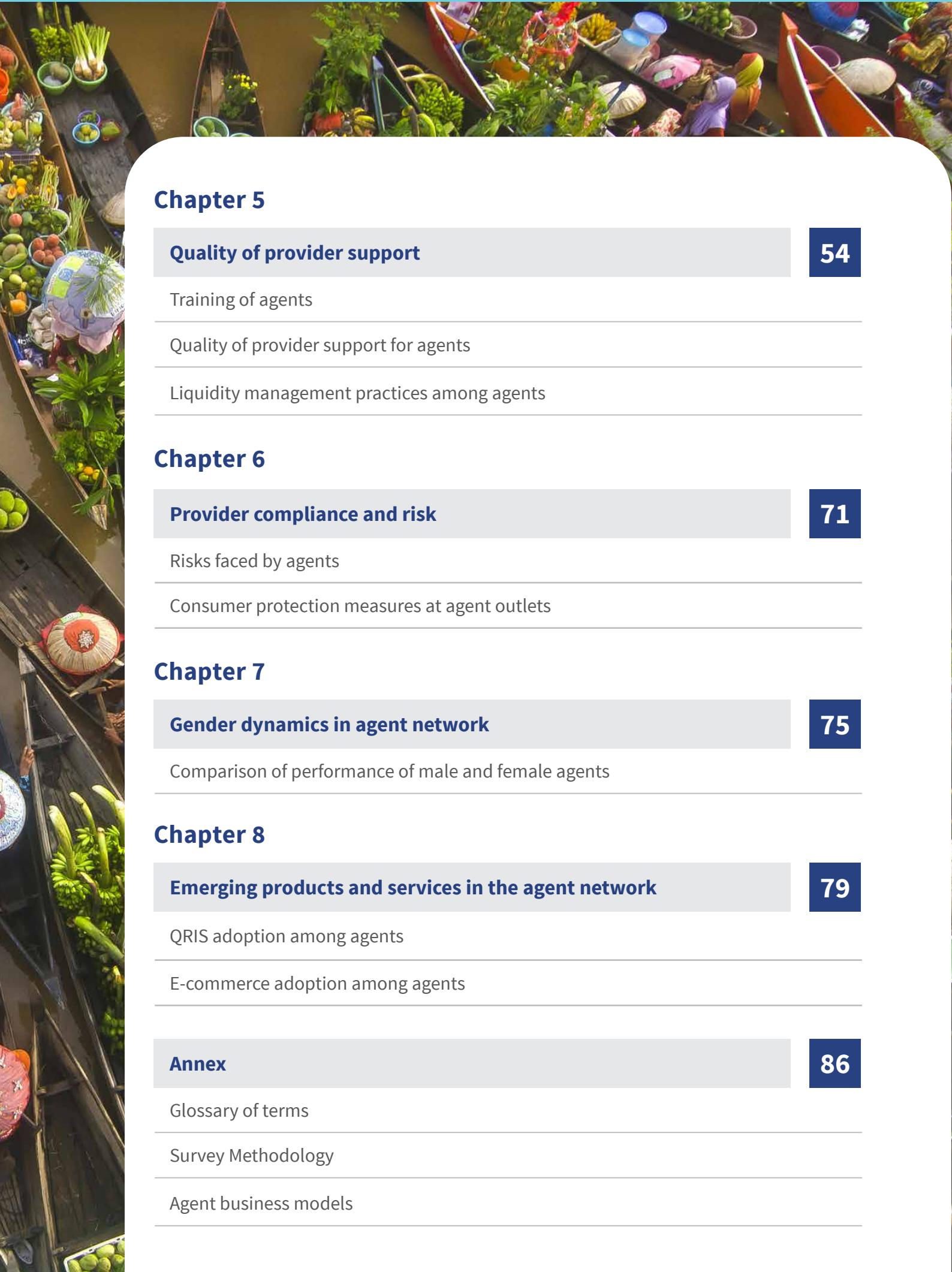
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# Introduction to Agent Network Accelerator (ANA) Research



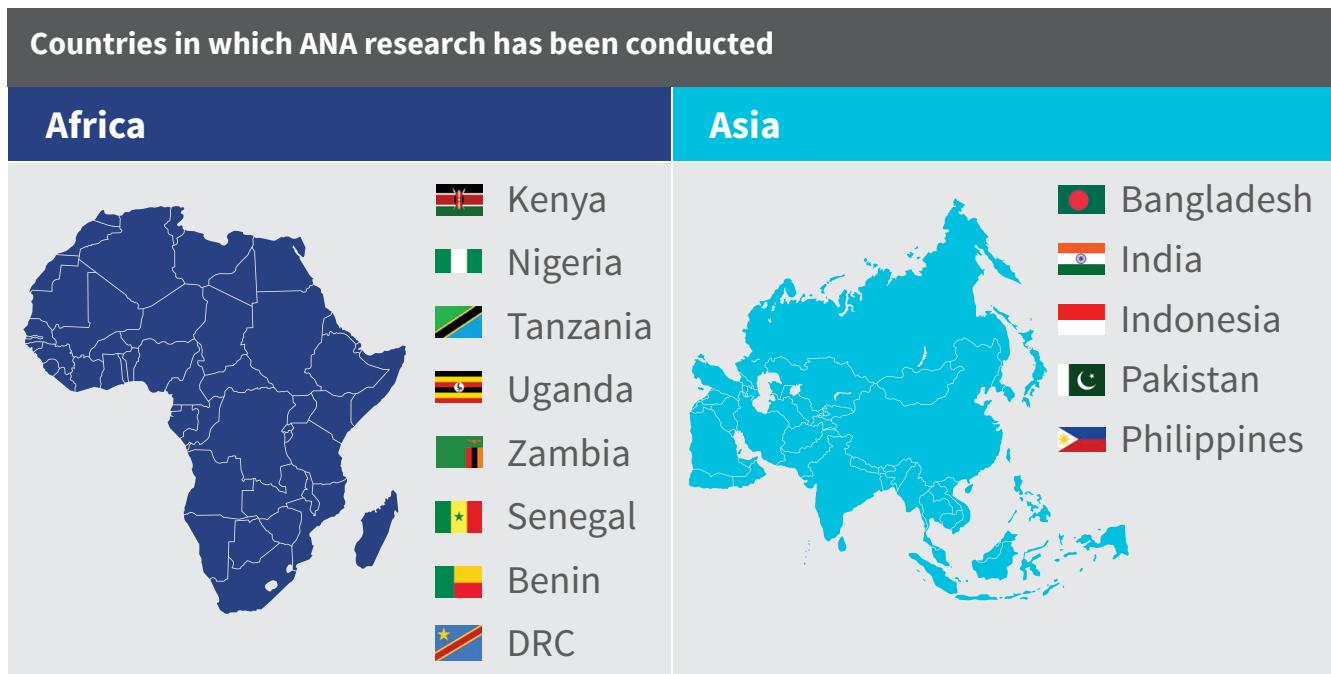


# Project description

MSC's ANA research project is a multi-year, multi-country research on the state of agent networks in 13 countries across Asia and Africa. The ANA project received financial support from the Bill & Melinda Gates Foundation, the United Nations Capital Development Fund (UNCDF), and other regional stakeholders. Since its inception, MSC's ANA research has analyzed the business operations in agent networks of 81 providers and has interviewed 34,100 agents.

The 2023 Agent Network Accelerator (ANA) research in Indonesia sought to enhance understanding of the condition of agent networks in the country and gauge advancements since the 2017 research.

The Bill & Melinda Gates Foundation funded the Indonesia ANA 2023 research.



# Focus of the research

The research focuses on the operational determinants of success in agent network management.



## Agent network structure

The prevailing business and operating models for DFS delivery through the agent networks.



## Agent viability

The cost incurred and revenues earned by agents in different business models.



## Products and services

The product and services mix offered through agent networks of banks and non-banks.



## Quality of provider support

The level of support agents receive from providers and their effectiveness.



## Provider compliance, risks and fraud

The compliance levels of agents on best practices in consumer protection and transparency, and incidences of fraud and robbery.

# Agent network models have undergone significant changes since 2017; for the 2023 assessment, we have standardized the definition for who qualifies as an active agent



## Operates a physical kiosk

The research excludes institutional DFS agents, such as staff in convenience stores e.g. Indomaret, Alfamart.

Individuals who have downloaded a DFS application and may be doing payment transactions for themselves or others in their friends and family are also excluded.

## Offers digital financial services

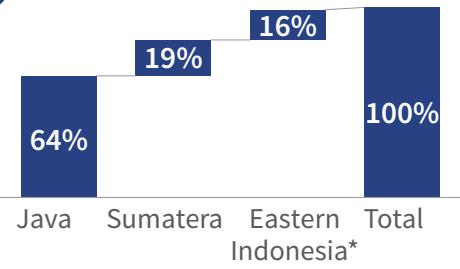
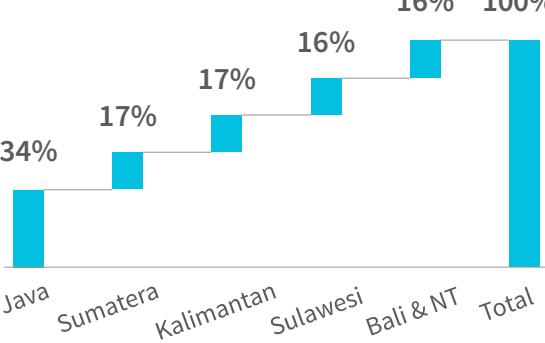
Engages in the sale of some form of financial or payment services.

## Is active

Has conducted at least one transaction in the past 30 days.



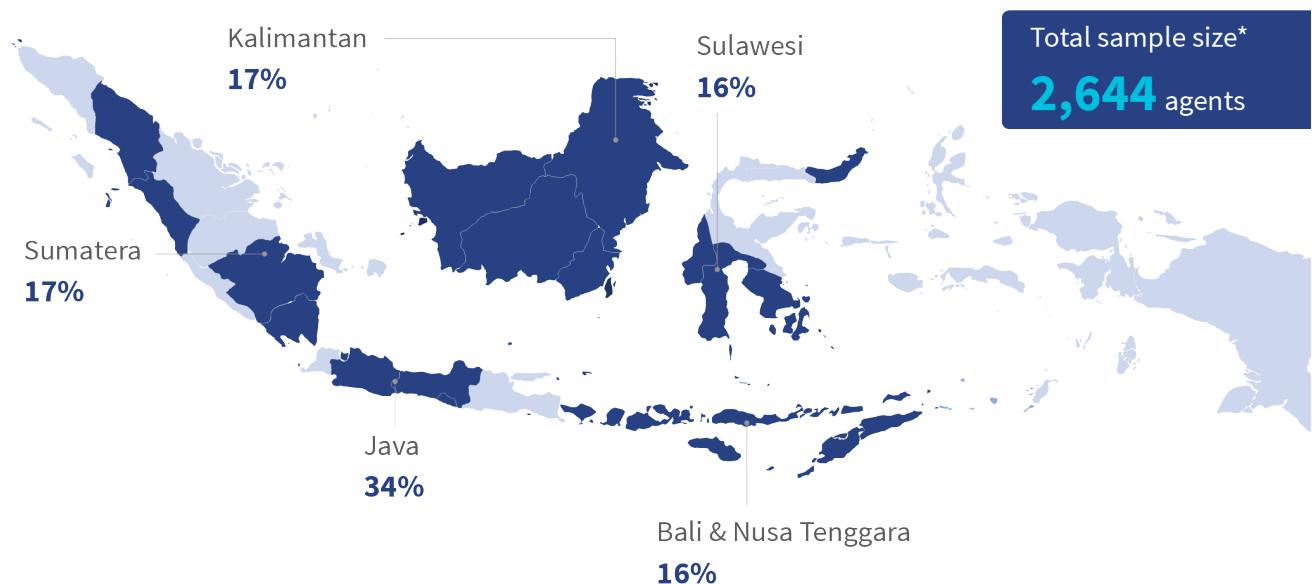
# The ANA 2023 assessment design has been updated to reflect the changes in the agent network since 2017

	ANA 2017	ANA 2023																								
																										
<b>Sample size and coverage</b>	<b>1,300</b> agents interviewed Across <b>15</b> provinces	<b>2,644</b> agents interviewed Across <b>19</b> provinces																								
	ANA 2017 represented the agent network of that time. Hence, the sample had focused more on Java and Sumatra islands.	ANA 2023 sampled a higher proportion of agents from non-Java islands, in line with the expansion of agent networks.																								
<b>Sample distribution</b>	 <table border="1"> <thead> <tr> <th>Region</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Java</td> <td>64%</td> </tr> <tr> <td>Sumatera</td> <td>19%</td> </tr> <tr> <td>Eastern Indonesia*</td> <td>16%</td> </tr> <tr> <td>Total Indonesia*</td> <td>100%</td> </tr> </tbody> </table>	Region	Percentage	Java	64%	Sumatera	19%	Eastern Indonesia*	16%	Total Indonesia*	100%	 <table border="1"> <thead> <tr> <th>Region</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Java</td> <td>34%</td> </tr> <tr> <td>Sumatera</td> <td>17%</td> </tr> <tr> <td>Kalimantan</td> <td>17%</td> </tr> <tr> <td>Sulawesi</td> <td>16%</td> </tr> <tr> <td>Bali &amp; NT</td> <td>16%</td> </tr> <tr> <td>Total</td> <td>100%</td> </tr> </tbody> </table>	Region	Percentage	Java	34%	Sumatera	17%	Kalimantan	17%	Sulawesi	16%	Bali & NT	16%	Total	100%
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Total	100%																									
<small>*Eastern Indonesia included agents from the islands of Kalimantan, Sulawesi, and Bali &amp; NTT</small>																										
	The sample included <i>Laku Pandai</i> (92%) and LKD agents (8%)	The ANA 2023 sample included bank and non-bank agents as the two broad classifications.																								
<b>Agent classification</b>		Bank agents include agents of national banks and regional development banks (BPDs). While Non-bank agents include agents from FinTech, e-commerce, and Payment Point Online Bank (PPOB) providers.																								
		The reclassification of agent types incorporates the prevailing diversity of the agent network in Indonesia in 2023. The annex contains more details of entities for bank agents and non-bank agents.																								



	ANA 2017	ANA 2023
 <b>Locations</b>	<p>The ANA 2017 report had used <i>Jabodetabek</i> (Greater Jakarta), non-<i>Jabodetabek</i> Urban, and Rural as the key geographical classifications.</p>	<p>We have used Urban and Rural as the primary geographical classifications to report the ANA 2023 data.</p>
 <b>Additional report sections</b>		<p>In line with the changes in the types of service providers and new forms of transactions, the ANA 2023 report includes additional sections on QRIS adoption, e-commerce, credit access, and gender.</p>
 <b>Comparability across countries</b>	<p>The ANA 2017 report compared Indonesia with eight other countries where ANA research was conducted between 2014 and 2016.</p>	<p>The findings of ANA 2023 research are not directly comparable with different countries because research in other countries was conducted quite some time back. The primary aim of ANA 2023 was to assess the evolution of the agent networks in Indonesia over the past six years, as the previous ANA research in Indonesia was carried out in 2017.</p>

# The assessment covered 19 provinces across five island groups in Indonesia

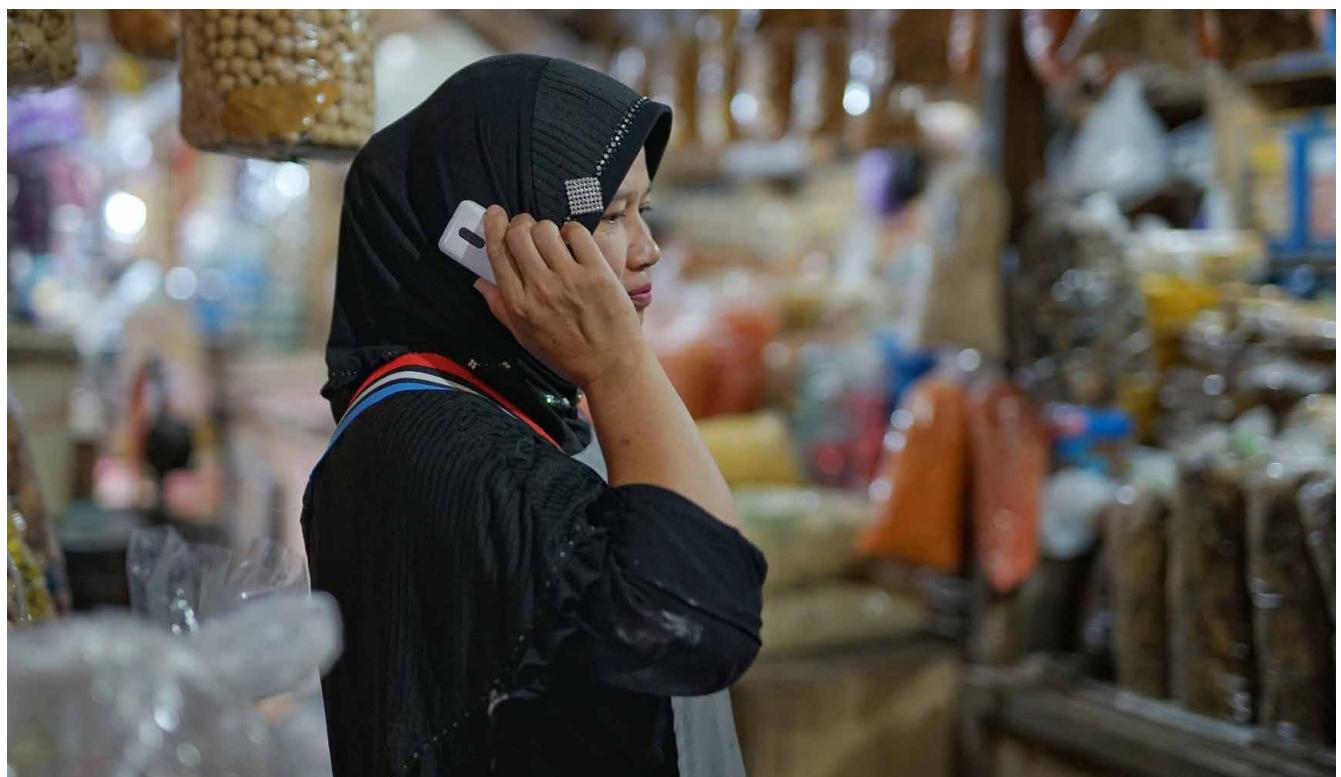


Types		Location	
Bank	Non-bank	Urban	Rural
<b>70%</b>	<b>30%</b>	<b>61%</b>	<b>39%</b>

Exclusivity**		Dedication**	
Exclusive	Non-exclusive	Dedicated	Non-dedicated
<b>75%</b>	<b>25%</b>	<b>12%</b>	<b>88%</b>

\* The sample size (n) for ANA 2023 is 2,644. The default n value for all charts and analysis presented in this report is 2,644, unless stated explicitly otherwise.

\*\* For the definition of exclusivity and dedication please refer to the glossary of terms in the annex.





## Limitations of the study

**Sampling of bank agents:** We sampled an equal and representative number of agents at the island level. Consequently, some islands may have an overrepresentation, while others may have an underrepresentation in our sample.



**Sampling of non-bank agents:** We relied on MSC research, which estimates that 75% of non-bank agents operate on Java island and 80% of them are concentrated in urban areas. Our non-bank sample reflects this distribution.



**Using quotas in the sample for some categories:** We set a deliberate quota for non-bank agents and agents from regional development banks (BPDs) in the sample to ensure sufficient representation from both agent categories.



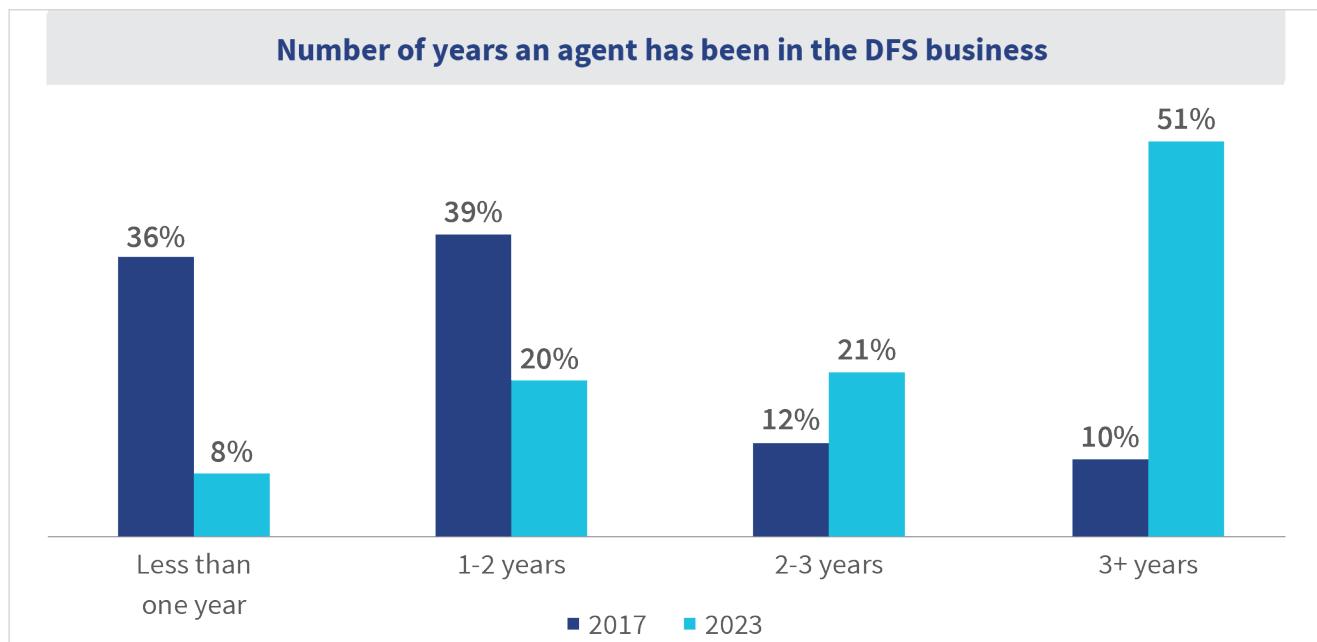
**Challenges in surveying agents from BPDs:** We encountered difficulties in obtaining a comprehensive sample of BPD agents, despite our best efforts. This was mainly due to the absence of a database of BPD agents and the limited size of the BPD agent network.



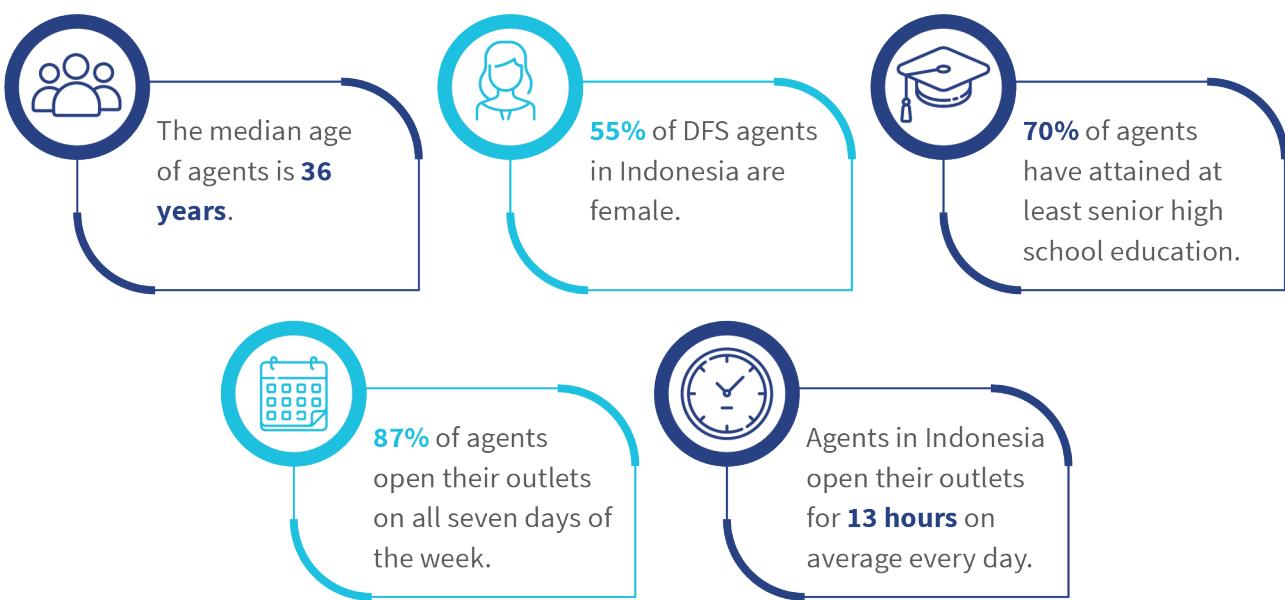
# Agent network landscape in Indonesia



# DFS agents in Indonesia: A snapshot



- Despite the potential for attrition of agents after the pandemic, the proportion of agents with more than two years of experience tripled between 2017 and 2023.
- More than 30% of agents in Indonesia have been in the agency business for at least five years.



# A short history of digital financial services (DFS) in Indonesia

Timeline	Milestone
<b>2007 – 2017</b>	<ul style="list-style-type: none"> <li>The <a href="#">ANA 2017 report</a> detailed the evolution of agent networks in Indonesia between 2007 and 2017.</li> </ul>
<b>2017</b>	<ul style="list-style-type: none"> <li>Social assistance delivery (BPNT and PKH) is <a href="#">piloted</a> in 44 cities through public sector banks (<i>Himbara</i>)* agents.</li> <li>Two of the largest e-commerce players, <a href="#">Bukalapak</a> and <a href="#">Shopee</a>, started to offer digital commerce and payments services.</li> </ul>
<b>2018</b>	<ul style="list-style-type: none"> <li>BI <a href="#">launched</a> the National Payment Gateway (GPN) to improve interconnection and interoperability among payment system service providers.</li> <li>OJK and BI <a href="#">integrated</a> <i>Laku Pandai</i> and LKD programs** into a common system and infrastructure.</li> <li>Tokopedia, another large e-commerce player, <a href="#">started</a> to offer digital commerce and payments services through agents.</li> <li>OJK <a href="#">reported more than 1 million</a> <i>Laku Pandai</i> agents.</li> </ul>
<b>2019</b>	<ul style="list-style-type: none"> <li><a href="#">Tax payment</a> transactions via agents were piloted between the Ministry of Finance, BRI, and BNI.</li> <li>LinkAja, a consolidated e-money service of Himbara banks, was <a href="#">launched</a>. The consolidation allowed public sector banks to compete with the private sector in the e-money segment.</li> <li>The Financial Inclusion National Committee (DNKI) and Bank Mandiri, with MSC's support, conducted a pilot test on account opening at agent points using the Ministry of Home Affairs (<i>Dukcapil</i>)'s biometric authentication services.</li> </ul>
<b>2020</b>	<ul style="list-style-type: none"> <li>The Indonesian government <a href="#">issued</a> the 2<sup>nd</sup> National Strategy for Financial Inclusion (SNKI) to reach a target of financial inclusivity of 90% in 2024.</li> <li>BI <a href="#">launched</a> QRIS (QR Code Indonesian Standard) for merchant payments.</li> </ul>
<b>2021</b>	<ul style="list-style-type: none"> <li>BI <a href="#">launched</a> BI-FAST (Bank Indonesia Fast Payment), a digital payment infrastructure that seeks to facilitate retail payment transactions and reduce transaction costs.</li> <li>OJK <a href="#">unveiled</a> the National Financial Literacy Strategy of Indonesia (SNLKI) 2021-2025.</li> <li>The Ministry of Social Affairs <a href="#">reallocates***</a> some social assistance delivery mandates to the post office.</li> </ul>
<b>2022</b>	<ul style="list-style-type: none"> <li>OJK issued a <a href="#">regulation</a> to allow banks to use third parties to deliver agent banking services. The regulation also emphasized that banks should limit the partnership of individual agents to only one bank, except for entities in the same banking group.</li> <li>BTPN and BCA discontinued their <i>Laku Pandai</i> services.</li> </ul>
<b>2023</b>	<ul style="list-style-type: none"> <li>BI <a href="#">planned</a> to launch QRIS TUNTAS to allow seamless transactions for cash withdrawals, transfers, and cash deposits using QRIS. This move would potentially allow many QRIS merchants to offer basic banking services, and thus blur the boundaries between a merchant and an agent.</li> </ul>

\**Himbara*: Association of state-owned enterprises in the banking sector, initiated by Indonesia's Ministry of State-Owned Enterprises consisted of four banks; Bank Mandiri, Bank BRI, Bank BNI, and Bank BTN.

\*\*Previously, *Laku Pandai* agents regulated by OJK sought to increase access through Basic Saving Account (BSA) opening while *LKD* agents regulated by BI sought to increase the usage of financial services.

\*\*\*Before 2017, social assistance delivery was already delivered through the [post office](#) before being shifted to *Himbara* bank agents.

# Agent networks in Indonesia have grown phenomenally in the past six years

- The agent network's expansion in Indonesia has progressed significantly from 2017 to 2023. While banks have traditionally been the major players in the agency business, this period **witnessed the emergence of various non-bank entities that** provide financial services through agent networks.
- In ANA 2017, agents expressed a strong sense of optimism regarding their agency business's potential. This optimism has translated into remarkable success, as the **median daily transactions of an active agent have surged fivefold since 2017**. Furthermore, in 2023, 95% of all agents are now profitable, which is a significant improvement compared to the 74% profitability recorded in 2017.
- ANA 2023 shows that agent networks in Indonesia have expanded and become

stronger. In a reversal of the trend in 2017, **agents in rural areas are more profitable than agents in urban areas**. The median monthly profits of rural agents are USD 166, while the median monthly profits of urban agents are USD 117.

- Agent networks in Indonesia continue to be gender balanced, **with no disparities reported in terms of performance or income levels** of male and female agents.
- **Signs of diversification in products and services** have appeared as more agents now offer services, such as insurance and online virtual account payments. Additionally, the expansion of e-commerce entities that use agent networks to facilitate transactions in rural areas has the potential to boost agent incomes.



## However, gaps continue to hobble the growth of agent networks in the country

- Alarmingly, the percentage of agents who provide new account enrollments declined significantly, **from 28% in 2017 to just 2% in 2023**. Moreover, the time and costs associated with activating an account through an agent remain prohibitively high.
- Support from providers to agents has declined since 2017. Agents today **receive less training and experience fewer visits from support staff in 2023**. The ANA 2023 report indicates a connection between higher revenue and increased profits for agents who are monitored by the service provider through staff visits.
- In 2023, just as in 2017, 60% of agents still encounter challenges when it comes to liquidity management. Therefore, forcing **more agents to decline transactions**. This issue is particularly acute in rural areas.
- Since 2017, **network downtime and server issues have increased marginally**, although agents claim that the impact of such disruptions on their operations is minimal.
- Risk management indicators for agents, such as incidents of customer fraud or instances of agents being robbed, have with increased since 2017. In the same period, agent practices have improved only marginally, such as the display of tariffs, which can increase the quality of services for customers.





## Recommendations for policymakers and regulators

Recommendations	Benchmarks	Priority
<p><b>1. Promote the use of e-KYC procedures to empower DFS agents to onboard customers for bank accounts and various other products and services</b></p> <p>The ANA survey showed that only 3% of agents open bank accounts. Even the ones that do offer such service, the process is manual and requires physical documents movement to branches. The entire process can take 1-2 weeks to complete. <u>Lack of efficient e-KYC processes</u>, makes the account opening or signing up process at the agent level resource-intensive. Given the substantial portion of the Indonesian populace still devoid of bank access, agents hold significant potential in bridging this gap by facilitating account openings for the marginalized communities. Moreover, leveraging e-KYC could empower agents to enroll customers in various other services like insurance, investments, and loans.</p> <p>With the recent improvements to the e-KYC infrastructure (<u>launch of IKD and face recognition services</u>), the time is ripe for regulators and policymakers to promote the application of agent assisted e-KYC processes to accelerate account openings for the marginalized population. It's imperative for regulators and policymakers to ensure the reliability of e-KYC services while mitigating any additional costs associated with conducting e-KYC transactions, such as expenses for biometric devices, to prevent hindrances to adoption.</p>	<p>Regulators in India successfully completed large account opening drives by allowing e-KYC linked to national ID systems, which <u>reduced the cost and time required</u> for account registration.</p> <p>Countries, such as <u>India, Thailand, Malaysia, and Pakistan adopted pricing strategies that allowed free or nominal prices for e-KYC transactions</u> to ensure wide usage.</p>	

## Recommendations for policymakers and regulators

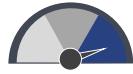
Recommendations	Benchmarks	Priority
<p><b>2. Improve agents' capability through standardized training</b></p> <p>With the expansion of agent networks in Indonesia, service providers have struggled to deliver training sessions to agents. This issue becomes more critical when service providers introduce complex products and the rising cases of digital frauds. Service quality offered to customers can decline in the absence of proper training.</p> <p>Regulators should strive to standardize training modules for agents to maintain consistent levels of service delivery, at least for the full service banking agents. Although service providers are responsible for training agents, regulators must oversee the training process through regular audits to ensure compliance and effectiveness.</p>	<p>Regulators in India have introduced <u>mandatory agent certification</u> to equip all agents with the skills and knowledge needed to offer financial services.</p>	
<p><b>3. Encourage greater transparency at the agent outlet</b></p> <p>A majority of agents in Indonesia neither display official tariff sheets nor agent IDs.</p> <p>As the agent network in Indonesia continues to grow, regulators should insist on customer protection and transparent service and demand disclosure of transaction fees, product-related information, and customer grievance resolution mechanisms.</p>	<p>Mandatory <u>disclosures</u> of product pricing and customer grievance-related processes have worked well in digital financial inclusion initiatives worldwide.</p>	



## Recommendations for policymakers and regulators

Recommendations	Benchmarks	Priority
<p><b>4. Develop a supply-side database on DFS agents in Indonesia</b></p> <p>Currently, the supply-side data regarding agents in Indonesia is notably sparse. Only a limited amount of data on bank agents is accessible, and even that hasn't been updated for several years. This lack of up-to-date and comprehensive information on the actual number, whereabouts, and effectiveness of agents, coupled with the absence of gender-disaggregated data, obstructs the development of impactful policies within the country.</p> <p>To tackle this issue, regulators ought to institute a structured mechanism for routinely gathering data from service providers. This comprehensive database should furnish insights into the accessibility, presence, and performance of agents across various regions, facilitating informed policymaking and targeted interventions. Also, arrangements should be made to also collect such information for non-bank agents. Non-bank agents data is not documented by any agency at the moment.</p>	<p>Central banks in <u>India</u>, <u>Pakistan</u> and <u>the Philippines</u> have created agent registries as a public database that helps customers locate the nearest accredited agents and provides reliable estimates of the number of agents in the country.</p>	

## Recommendations for service providers

Recommendations	Global benchmarking	Priority
<p><b>1. Test e-KYC services to deliver a wider suite of products and services to customers</b></p> <p>Since 2017, agent networks in Indonesia have witnessed remarkable growth in transaction volumes and values, driven primarily by a restricted range of services, such as top-ups, bill payments, money transfers, and cash-in and cash-outs. However, agents have not played an active role in providing access to formal accounts for the general population. Less than 3% of agents offer account opening services. Even in case of e-money providers, less than 20% of e-money accounts in Indonesia are registered which restricts the kind of transactions a user can initiate through such accounts.</p> <p>Service providers should use the recent advancements in the e-KYC infrastructure to expand the products and services delivered through agents, enhancing the sustainability of the agent network as well as leveraging the reach of agents to bring especially the marginalized and excluded communities in the formal financial system.</p>	<p>Service providers in India offer more than <u>30 products and services</u> through the agent network and the e-KYC infrastructure.</p> <p>Providers in Kenya, Tanzania, Uganda, and India offer credit products and source credit applications through their agent networks.</p>	
<p><b>2. Improve agents' capability through standardized training</b></p> <p>As agent networks continue to expand, service providers that directly oversee these growing networks encounter challenges in recruitment, monitoring, training, and liquidity management.</p> <p>Service providers should capitalize on <u>recent regulatory changes</u>, which permit the engagement of third-party agent network managers that can provide comprehensive agent management services.</p>	<p>Regulators in India have introduced <u>mandatory agent certification</u> to equip all agents with the skills and knowledge needed to offer financial services.</p>	



## Recommendations for service providers

Recommendations	Global benchmarking	Priority
<p><b>3. Offer lending products to their agents</b></p> <p>In Indonesia, only 9% of agents have access to working capital credit to manage liquidity, even though more than 30% of agents identify challenges in liquidity management as their primary barrier. This situation often leads to instances where agents decline high-ticket transactions to conserve cash, as highlighted in this research. An agent typically requires loan for – starting up the DFS business, grow the DFS business or grow their adjacent (non-DFS) business.</p> <p>Service providers have a <u>compelling opportunity</u> for providing loans to DFS agent. The digital nature of the agent business eliminates the information asymmetry often associated with small businesses and offers digital trails required for credit assessment. According to MSC research conducted in 2022, lending to DFS agents is a USD 0.5-1 billion opportunity in Indonesia and is set to grow to a USD 1.2 - 2.3 billion opportunity by 2027.</p> <p>Service providers can support agents if they innovate internally or collaborate with lending institutions to offer affordable and predictable credit solutions. Such solutions can include working capital credit, startup capital, and lending for their adjacent businesses.</p>	<p>Service providers in <u>Indonesia, India, and Uganda</u> have started to experiment with different models to tap agents as a target segment for lending, but such initiatives have not scaled yet.</p> <p>Bank Rakyat Indonesia (BRI) and some other providers have been piloting agent lending products to help agents manage their liquidity needs.</p>	
<p><b>4. Increase capability of agents to mitigate frauds</b></p> <p>Between 2017 and 2023, incidents of fraud against agents in Indonesia have increased sevenfold in rural areas and tenfold in urban areas. A major cause of concern is that 65% of agents are wary that their own customers are most likely to commit fraud against them.</p> <p>As more people use DFS, the risk of fraud for and by the agents goes up. Service providers <u>should help improve</u> their agent's capabilities in spotting fraud. They should also use digital media and refresher trainings to alert their agents about newer types of frauds and make them aware and better protected against frauds.</p>	<p>Service providers in <u>Uganda and Tanzania</u> conduct periodic mass education campaigns for agents in addition to factoring in fraud into the product design.</p>	

## Recommendations for development agencies

Recommendations	Priority
<p><b>1. Catalyze and de-risk innovations on new use-cases for product or services available at the agent point</b></p> <p>Despite the growth in agent transactions, the majority of transactions are limited to a small set of services, such as cash-in, cash-out, top-ups, and bill payments. In addition, approximately 80% of money transfer transactions in Indonesia occur over the counter. The true potential of agent networks will be fully realized when more people get access to accounts, can initiate digital transactions independently and eventually get access to a comprehensive suite of credit and other product and services.</p> <p>Development agencies can play a role to support the development of new use cases that improve the usage of digital financial services in the country. This support can promote research, help develop proof of concepts, and catalyze pilots to test new products and services. These efforts should share the burden of risks and costs associated with developing these new financial products, while also enhancing the operational efficiency and sustainability of agent networks.</p>	
<p><b>2. Provide knowledge support to regulators, policymakers, and service providers</b></p> <p>Findings from ANA 2023 point to a need for the policy focus in Indonesia to shift from ensuring access to increasing usage and quality of financial services. Consequently, regulators and policymakers need to improve their regulatory and supervisory capacities to guide and oversee financial inclusion measures in the country effectively.</p> <p>Development agencies can help improve regulatory and supervisory capability on agent networks by supporting research and development, providing capacity-building support, and facilitating exposure to international best practices for the regulators and policy makers. Such knowledge support should also be provided to the private sector stakeholders willing to test innovative approaches to build and management their agent networks.</p>	

# Agent network structure



# Agent networks in Indonesia have grown rapidly since 2017

**3X**

Growth of the agent network of public sector banks since 2017



**12%**

The proportion of dedicated agents in Indonesia, a threefold increase since 2017



**75%**

The proportion of exclusive agents, a 22% reduction since 2017



## Bank agent growth

However, the size of agent networks associated with BPDs is minuscule. Collectively, BPDs represent a mere 1% of all agents in Indonesia.

## Dedication among agents

14% of female agents in Indonesia are dedicated as compared to 10% of male agents.

## Agent exclusivity

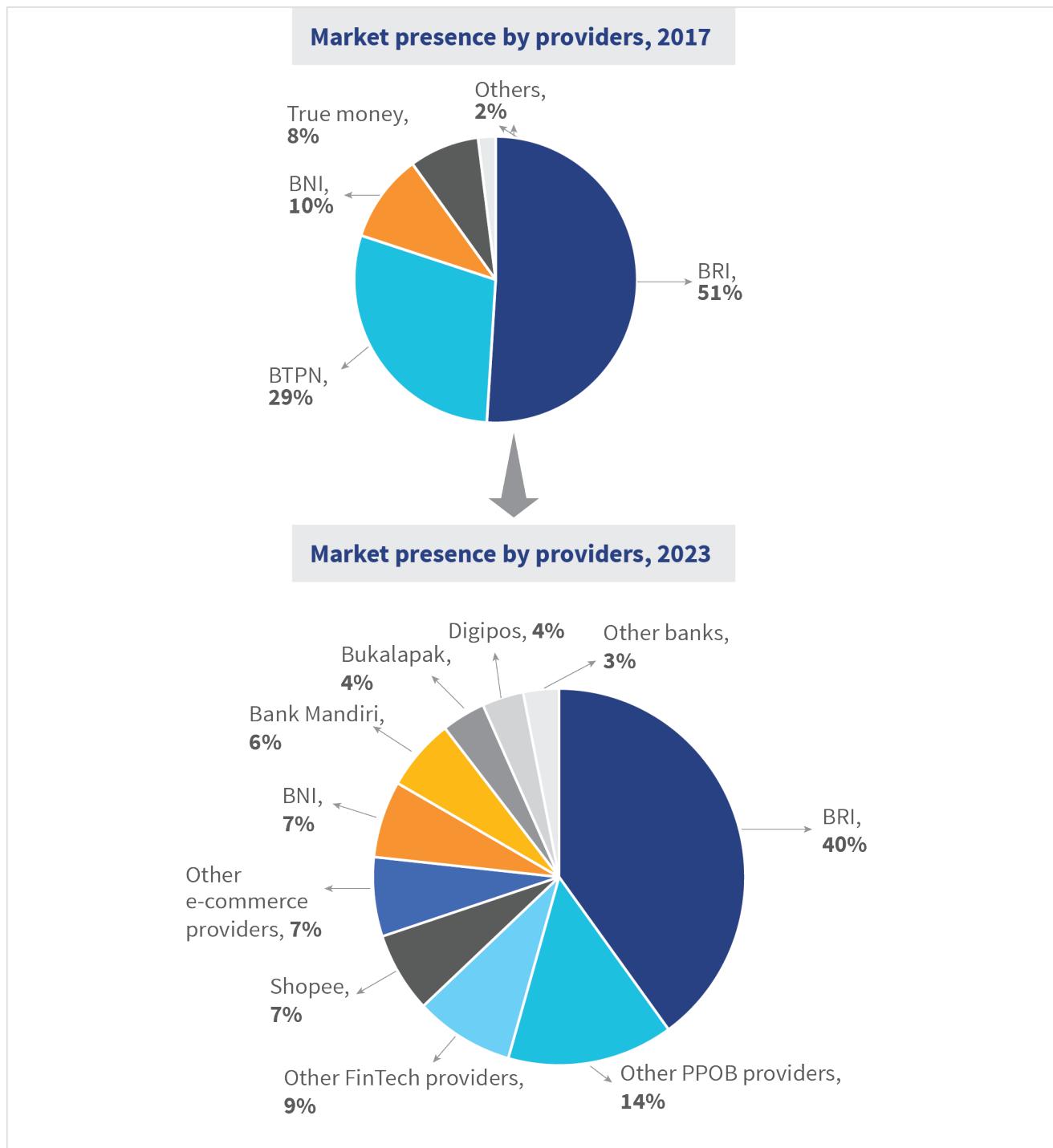
83% of dedicated agents are exclusive as compared to 73% of non-dedicated agents who are exclusive.





# Agent networks in Indonesia are more diverse in 2023 than 2017

BRI continues to dominate the agent network, despite the growing diversity of service providers, particularly non-bank entities.

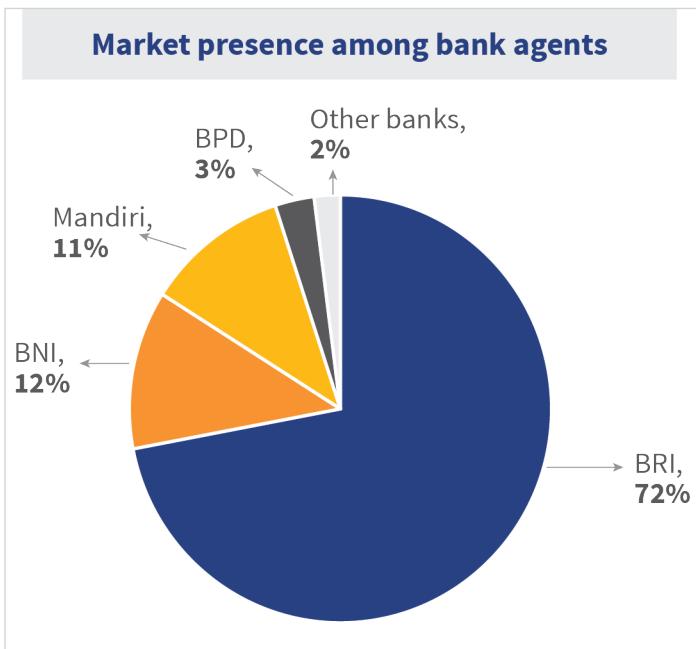


## Note:

- Agent market presence is defined as the proportion of provider tills, for instance, if an agent serves three providers it is counted three times.
- The 2023 ANA assessment's inclusion of non-bank agents through a deliberate quota in the sample distribution may result in an underrepresentation of banking agents when calculating the market presence.

# Bank agent network in Indonesia is primarily led by public sector banks

The period between 2017 and 2023 saw banks like [BTPN](#) and [BCA](#) discontinue their agent networks.



- Agent networks owned by public sector banks such as BRI, BNI, Mandiri, and BSI grew at a CAGR of 17% between 2017 and 2023.
- Even though 24 BPDs have *Laku Pandai* licenses, it has not led to an expansion of the agent network for BPDs.
- The main factors contributing to the limited growth of BPD agent networks are their restricted technical capacities and lack of exposure to best practices of building and managing agent networks.

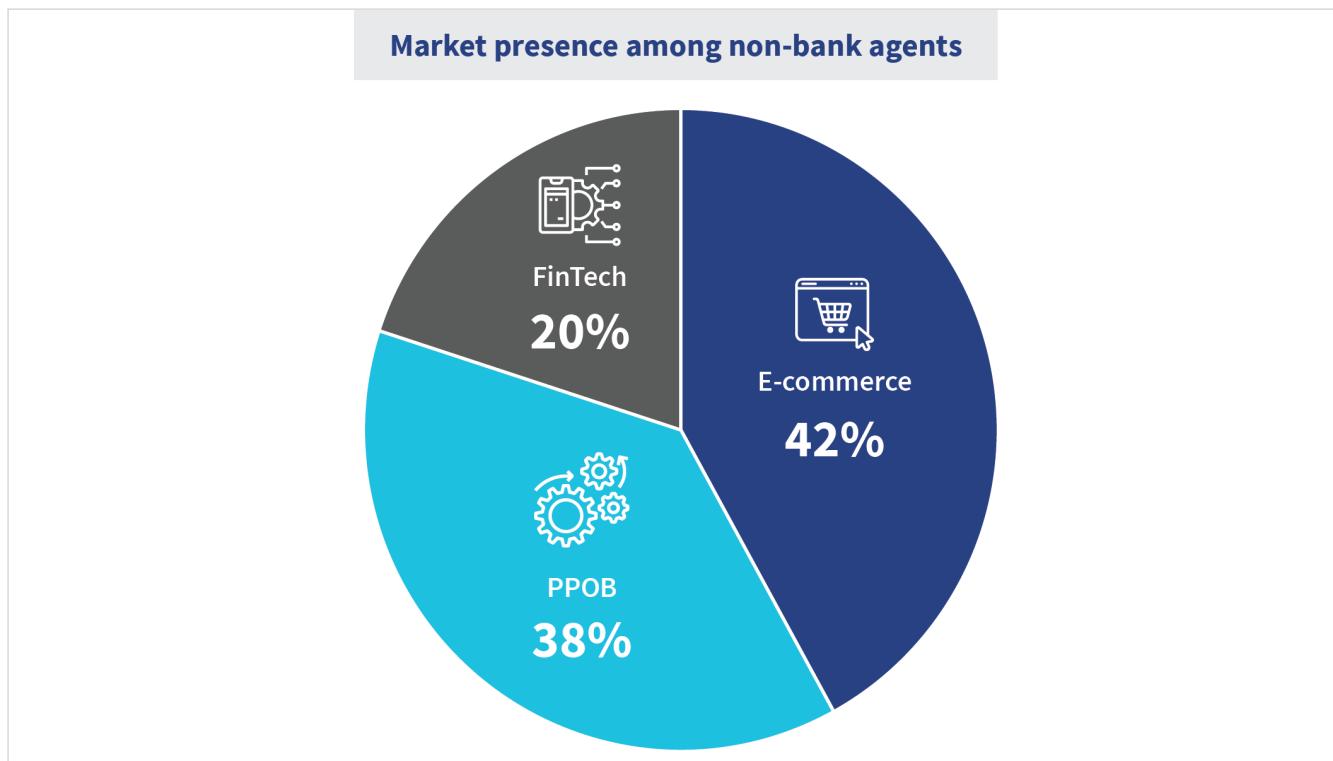
## Note:

- BPDs that are included in the charts are Bank Jabar-Banten (BBJ), Bank DKI, BPD Lampung, BPD Sumut, Bank NTT, Bank DIY, and Bank NTB Syariah.
- Other banks include BSI, BTN, Bank Bukopin, CIMB, Neobank, and Bank Permata.



# Non-bank agent networks have grown exponentially on the back of an asset-light business model that enables quick scale-up

However, the non-bank agent network market is fragmented and comprises numerous entities with varied business models.



- In Indonesia, there is no supply-side database of non-bank agents
- Based on discussions with service providers and industry associations, it is estimated that there are approximately 3-4 million non-bank agents in Indonesia.
- However, this number may include a combination of physical shops and individuals who serve as agents or individuals who use the service provider application for personal use.
- MSC estimates that the actual number of non-bank active agents that operate out of a physical kiosk may be significantly lower (5-15% of the number reported by service providers).
- Non-bank providers that offer agency banking services include e-commerce companies, payment point online banks (PPOBs), and FinTechs.

**Note:**

- Agent market presence is defined as the proportion of provider tills, so, for instance, if an agent serves three providers it is counted three times. In this case, the total number of responses is 1,610.

# Non-banking entities in Indonesia come from diverse sectors

In ANA 2023, non-banking entities see a refined classification into three categories, which differs from the single non-bank agent classification (LKD) in 2017.



## E-commerce players

E-commerce players are companies primarily engaged in online retail and commerce. They use the O2O distribution infrastructure to offer financial services to customers.

Some examples of e-commerce players include Shopee, Bukalapak, and SRC.



## FinTech companies

For the purpose of this research, Fintech companies are financial service providers that primarily focus on providing digital payments services to consumers. They usually possess electronic money licenses from Bank Indonesia. While their primary target are end consumers, they may also provide digital payment solutions to merchants for offering digital payment solutions over the counter to end consumers.

Some examples of FinTechs include DANA, Fastpay and Fazz.



## PPOB providers

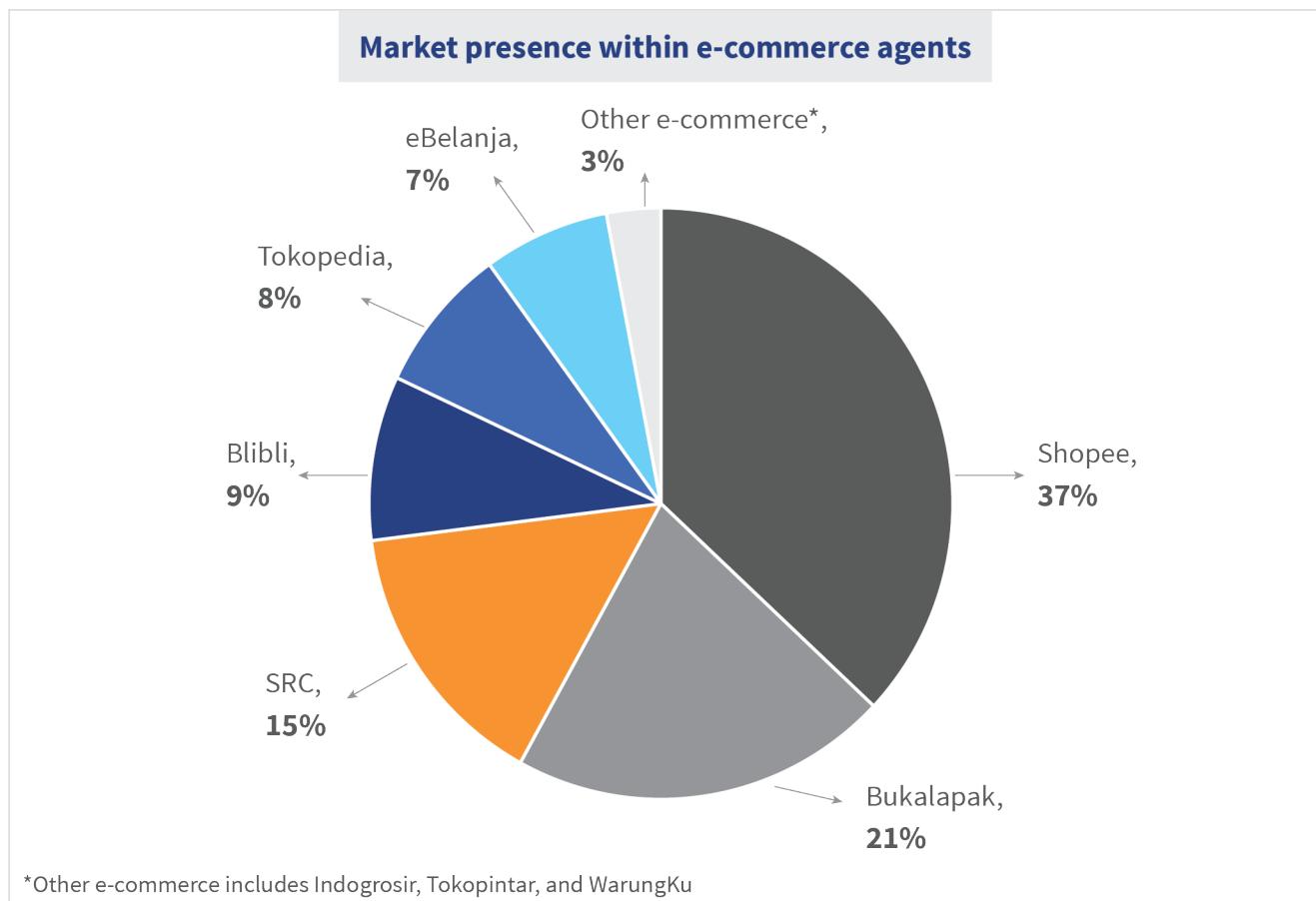
PPOBs can also technically qualify as fintech companies; however, for our research, we have classified them as companies that primarily provide digital payment solutions for merchants, enabling them to offer services like top-ups and bill payments to end consumers. Some PPOB companies also have a consumer-facing application; however, for the large majority, the primary target segment is the merchants.

Some examples of PPOBs of PPOBs include DigiPOS Aja! Topindoku and Pospay.



## E-commerce platforms comprise the largest component of the non-bank agent network

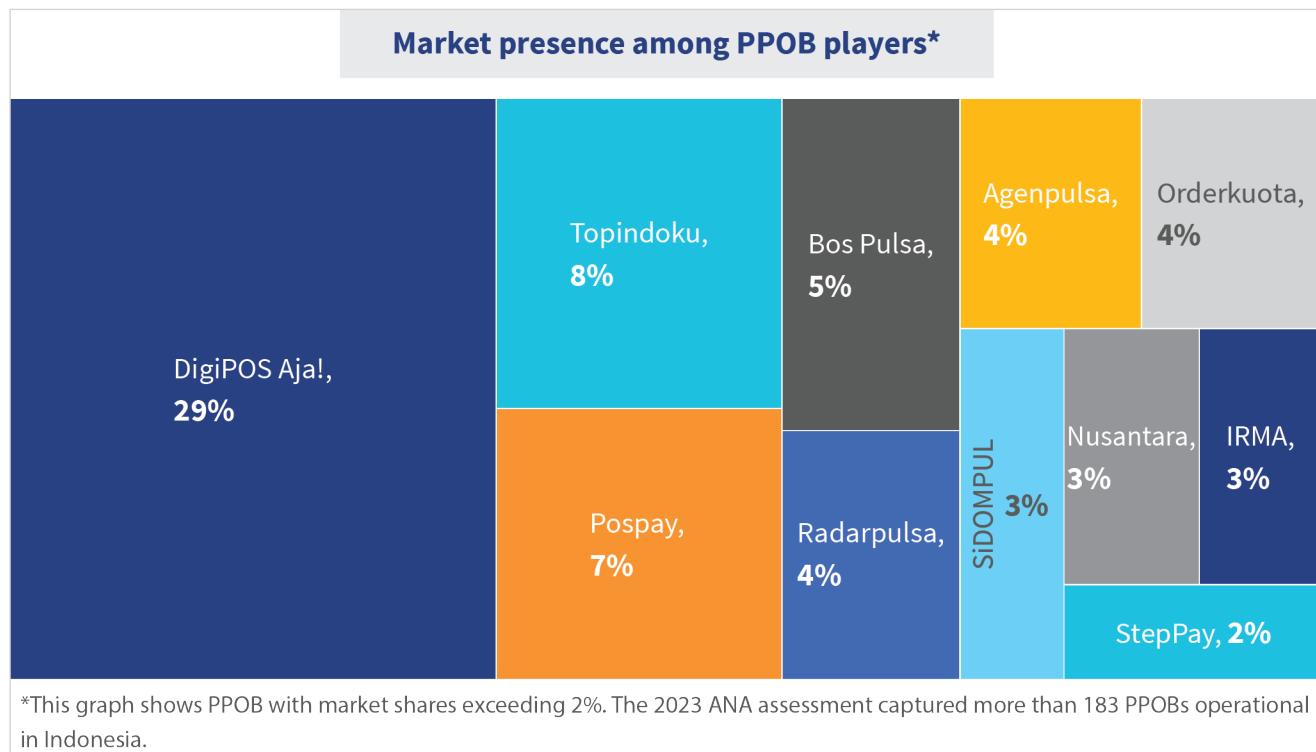
Shopee, which entered the digital financial services business in 2020, has outperformed competitors and cemented its leadership in providing access to DFS among e-commerce players



- Shopee has successfully translated its strong brand dominance in e-commerce to create the most prominent agent network in the e-commerce category within a short time.
- Mitra Bukalapak (O2O) accounts for about 50% of the Total Processing Value of Bukalapak, while SRC has digitized 90% of its stores to offer DFS products.
- The market presence of Mitra Tokopedia is lower, most likely due to the announced closure of many agents in March 2023 and the reduction of the Mitra Tokopedia team.

# Even though they operate on a small scale and are highly localized, PPOBs command a significant 38% market presence

Digipos and Pospay stand out among PPOBs with a national footprint, thanks to their partnerships with Telkomsel and Pos Indonesia.

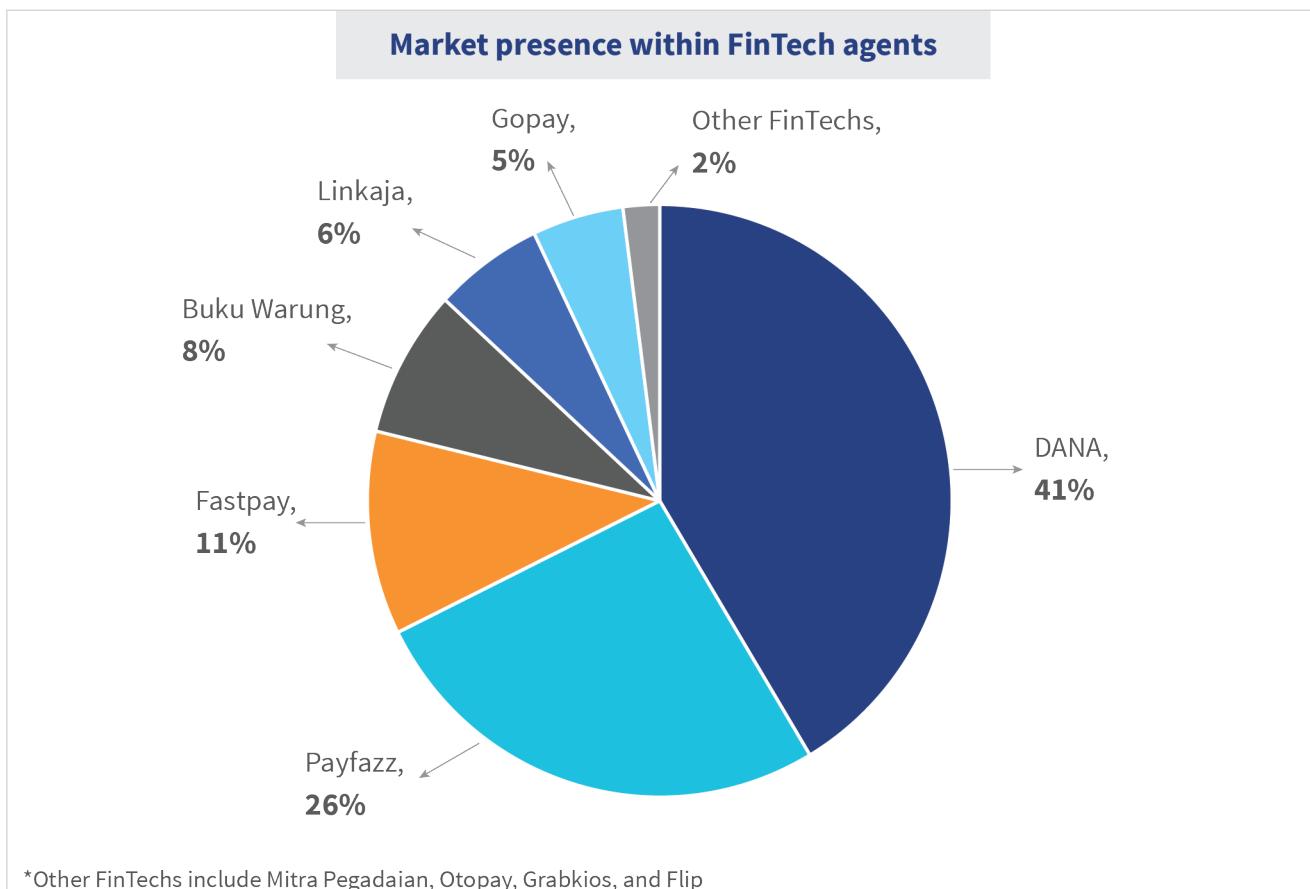


- Although PPOBs command one-third of the market presence among non-banks, the market is crowded with more than 180 players and just DigiPOS AJA! and Pospay have some form of national presence.
- DigiPOS Aja! uses Telkomsel's extensive national network and is thus popular in both rural and urban areas. Similarly, Pospay uses the strengths of Pos Indonesia.



## FinTechs account for 20% market presence and represent the smallest segment within the non-bank universe

DANA's remarkable 42% user growth with 135 million users in 2022 likely drives agents to use its services and cater to a broader customer base.

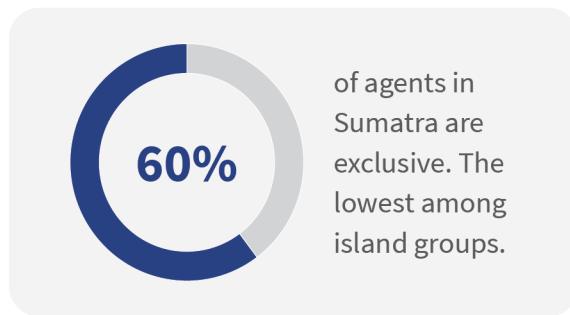


- Agents favor the DANA app due to its rapid growth in Indonesia and promotions, such as free daily transfers, which have boosted agent-level app usage.
- Dana is also quite popular among the younger generation primarily for purchasing gaming vouchers.
- Prominent players, such as Payfazz (recently renamed to Fazz) and Fastpay have also tried to expand their customer base by offering services beyond PPOB, particularly through digital lending.

## While exclusivity among agents has decreased significantly, a large majority of bank agents continue to remain exclusive due to *Laku Pandai* regulations



- *Laku Pandai* regulations mandate agent-level exclusivity for banks. This means bank agents must represent only one bank. However, the regulations do not cover non-bank entities or do not restrict bank agents from offering services to non-banks entities.
- As a result, between 2017 and 2023, exclusivity among bank agents decreased at a slower rate (5%) compared to the overall decrease among all agents (22%).



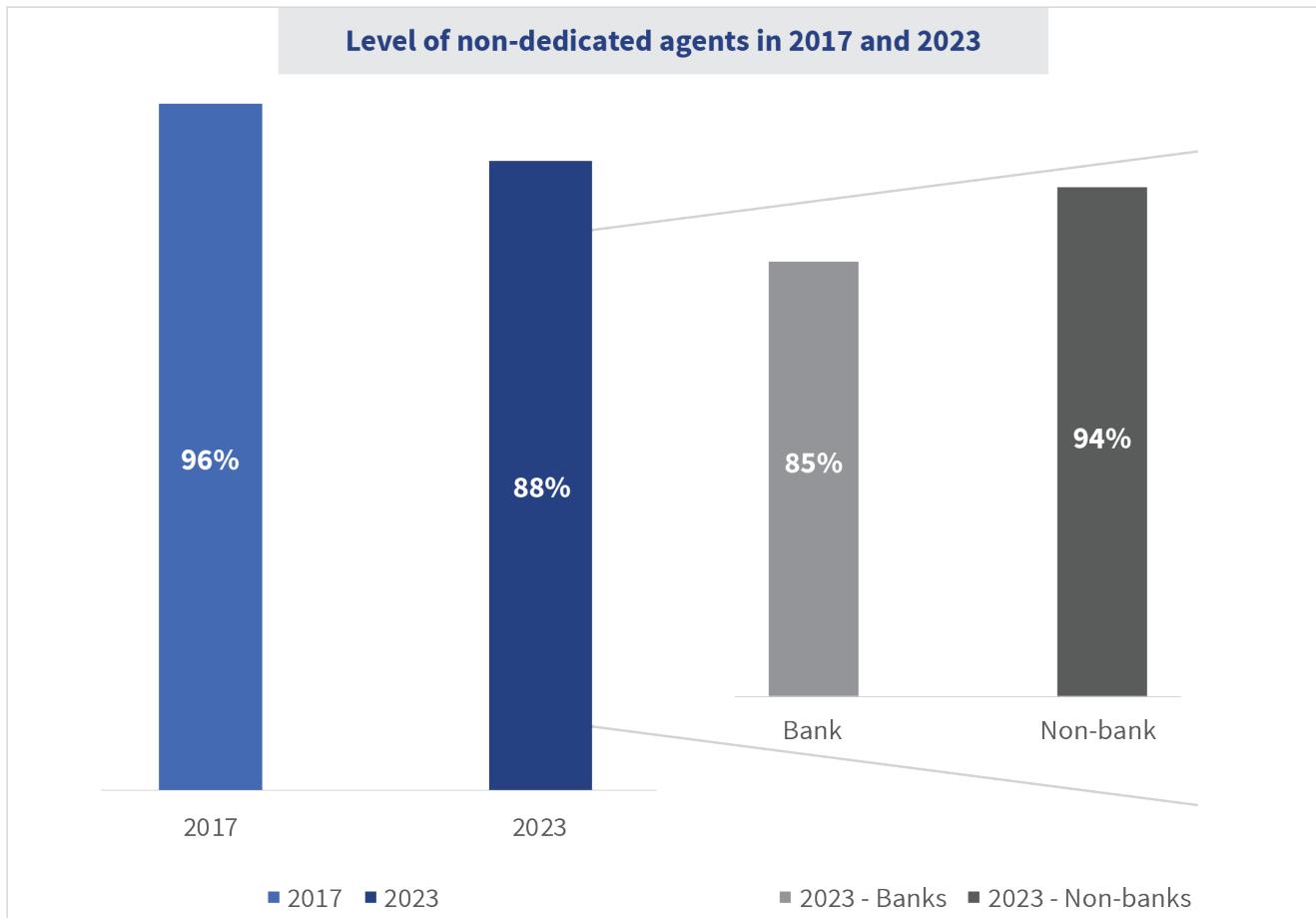
“

I use several applications to serve customers based on transaction needs. For withdrawals, I seek to use the same bank's EDC as the customer account to lower my cost. I have EDC from BRI, BNI, and Mandiri. I use non-bank applications for top-ups or bill payments due to lower costs.

- Male bank agent in urban Sumatra

”

## A majority of agents remain non-dedicated, yet islands outside Java have a noticeable prevalence of dedicated agents



This figure may be slightly underrepresented in the actual count, as limitations in accessing respondents' phones may affect surveyors' reliance solely on immediate recall.

- While OJK regulations stipulate that the agent should have other adjacent businesses, around 12% of agents are dedicated.
- More than two-thirds of non-dedicated agents either run a general store or operate as airtime distributors.
- Dedicated agents may also own multiple outlets to offer DFS products and services.

**20%**

of agents in Sumatra, Sulawesi, and Bali & Nusa Tenggara are dedicated, compared to 5% in Java island.

**27%**

Of agents in Bali & Nusa Tenggara are dedicated, which is the highest among the provinces.

## Case study: Dedicated agents

Dedicated agents are the most profitable-subgroup among agents in Indonesia. They are profitable even though they rely solely on DFS business income and incur high operational costs. They are mostly located outside of Java and usually operate more than one outlet.

“

### Zaki, 38 year-old male agent from rural Padang

Zaki is a dedicated agent who has designed his kiosk to imitate the look and feel of a bank branch, in line with the guidelines of his service provider. He conducts up to 500 transactions per day and earns a profit of USD 1,900 per month. He has further built on his success and opened three additional outlets that his employees operate. He calls them “tellers.” Though his operational costs were high at USD 600 per month, his robust business and profits more than made up for the costs.

However, he fears that his business can struggle with the rise of mobile banking, as customers move away from agent-assisted transactions.

### Agent characteristics:



Serves multiple providers



Kiosk mirrors a bank branch in how it looks and feels



Well-versed in banking products and regulations



#### Agency business started

Joined as banking agent in 2018.



#### Transactions

**Average:** 300 transactions per day

**Most frequent:** Cash deposit, money transfer, bill payments



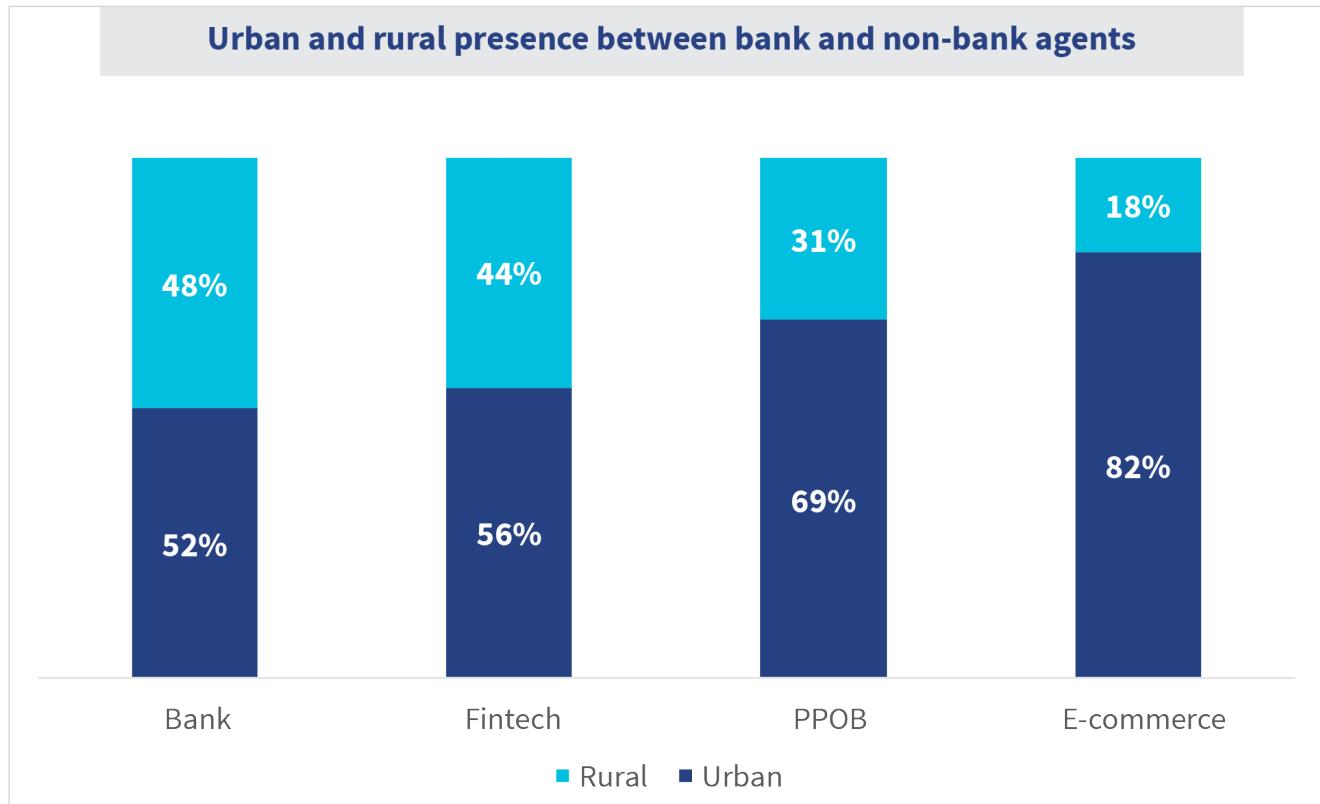
#### Provider served

Serves three *laku pandai* providers



# Bank agents are spread evenly across urban and rural areas while non-bank agents predominantly serve urban segments

Bank agents' penetration likely mirrors the broad customer base and are further pushed by government initiatives for financial inclusion, including social assistance programs.



- State-owned banks, such as BRI prioritize the ultra-micro segment and tailor products and services for rural areas. BRI boasts a presence across more than 60,000 villages (80% of total villages in Indonesia).
- FinTech companies have a more balanced network as their business model also targets rural areas, such as underserved rural communities and rural MSMEs. In contrast, most PPOB players are geographically

fragmented and have localized distribution networks. Only national players like DigiPOS and Pospay use their parent companies' vast distribution networks to enter urban and rural areas.

- A large majority of e-commerce agents are present in urban areas due to the nature of their supply chains, which primarily serve urban consumers and MSMEs.

# Agent viability





## Agents are more viable and sustainable, fueled by a surge in transactions at the agent point

**5X**

Growth of transaction volume at agent points between 2017 and 2023



### Transaction volumes

Bank agents reported a median transaction volume of 24 per day while non-bank agents reported a median of 15 transactions per day.

**68%**

CAGR of median monthly operational profits between 2017 and 2023



### Agent profits

Agents in non-Java islands, dedicated agents, and rural agents are more profitable.

**95%**

Agents profitable in 2023 as compared to 76% in 2017

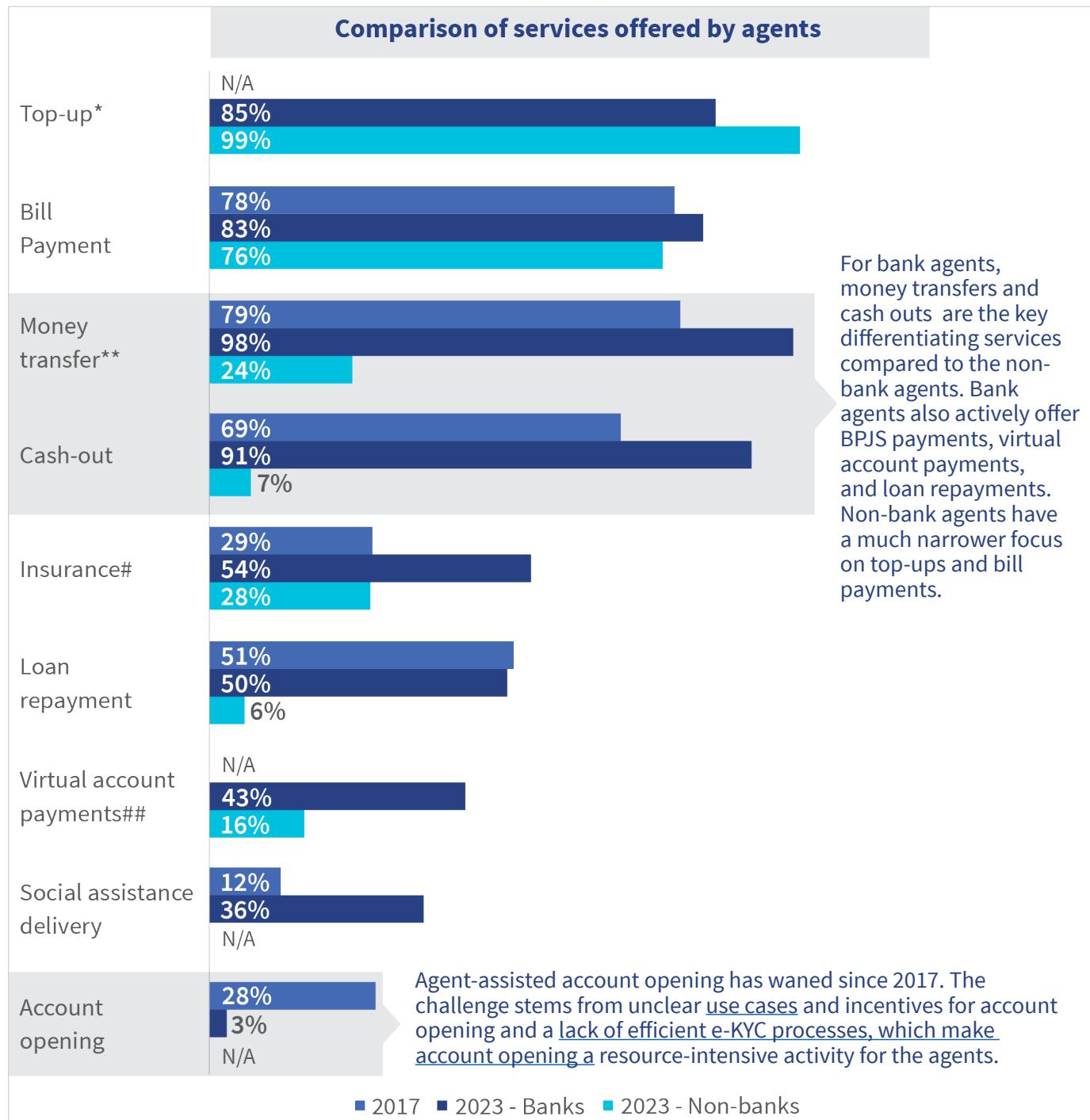


### Profitability distribution

In 2017, 6% of agents earned profits of more than USD 100 per month. In 2023, 73% of bank agents and 28% of non-bank agents earned more than USD 100 per month.

# Top-ups, bill payments, money transfers, and cash-outs continue to be the primary services offered by agents

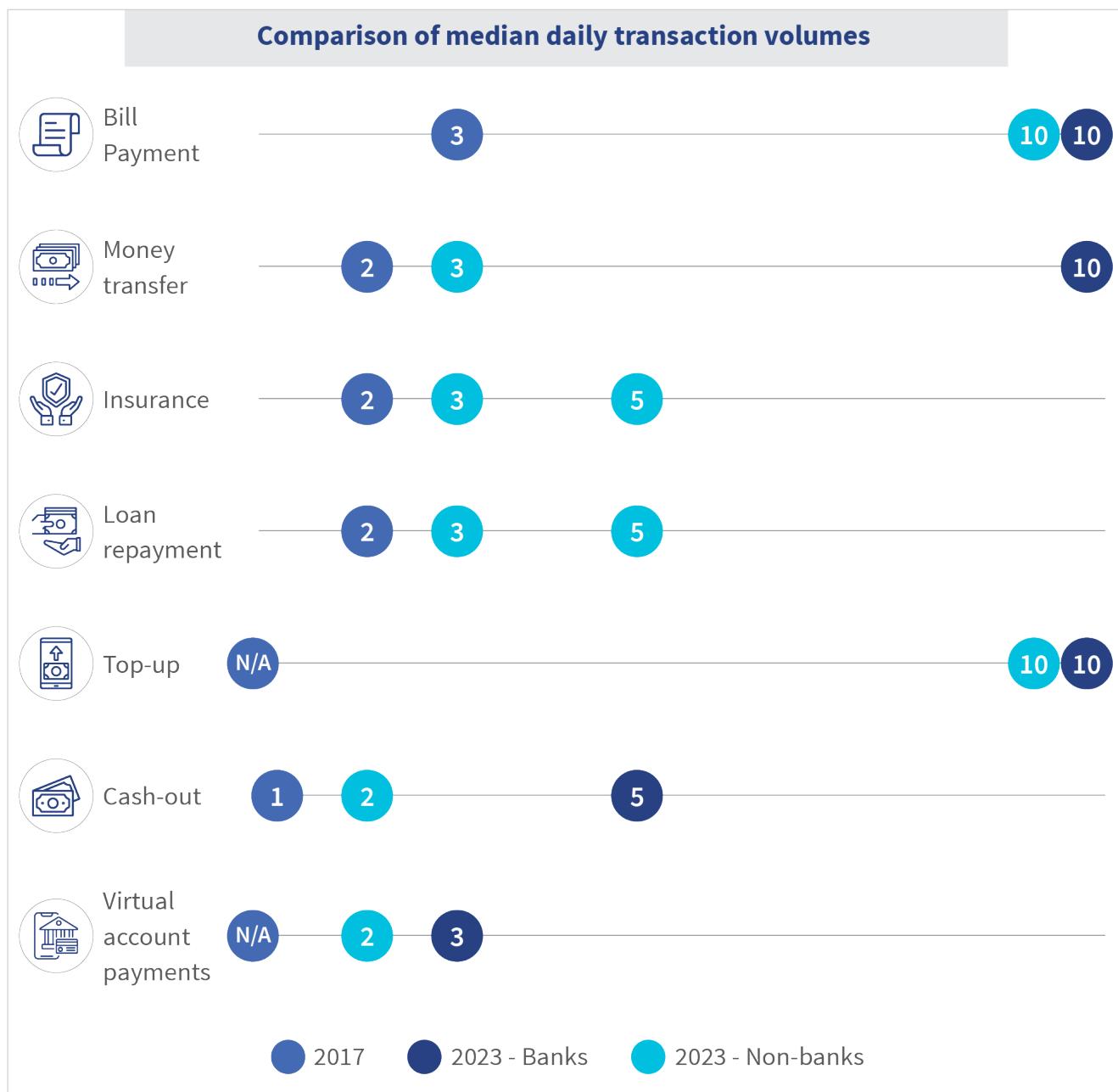
Top-ups and bill payments are the core services offered by non-bank agents, whereas bank agents offer a broader array of services, which include money transfers, cash-outs, and virtual account payments.



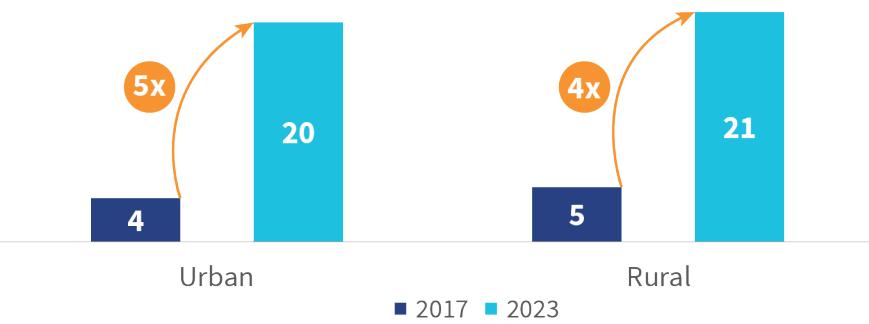


# The median daily transactions for active agents jumped fivefold in six years

The transaction volumes through DFS agents in 2023 point to deepening access and usage of financial services.



### Comparison of median daily transaction volumes by agent location

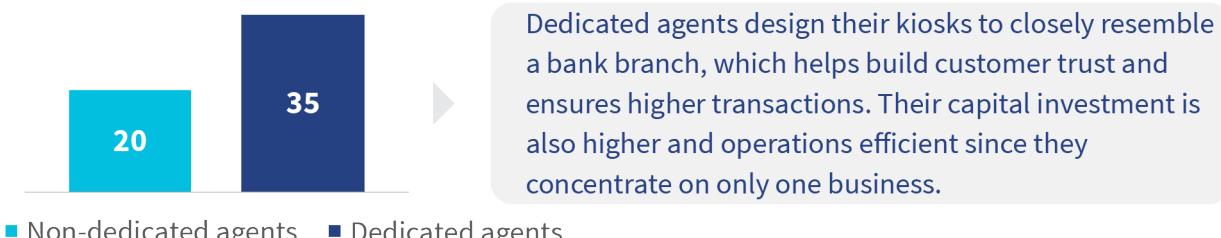


### Reasons for the increase in agent transactions

- Agent networks have stabilized after they weathered uncertainty during the pandemic, with 72% of the agents operating for more than two years. This has improved the trust levels between agents and customers. Only 8% of agents are less than a year old.
- Transactions in rural areas have quadrupled between 2017 and 2023, which indicates increased access and usage of agent networks.
- The primary reasons for increased transactions are the slow growth of brick-and-mortar branches in the past six years and the expansion of agent networks in unserved and underserved areas.

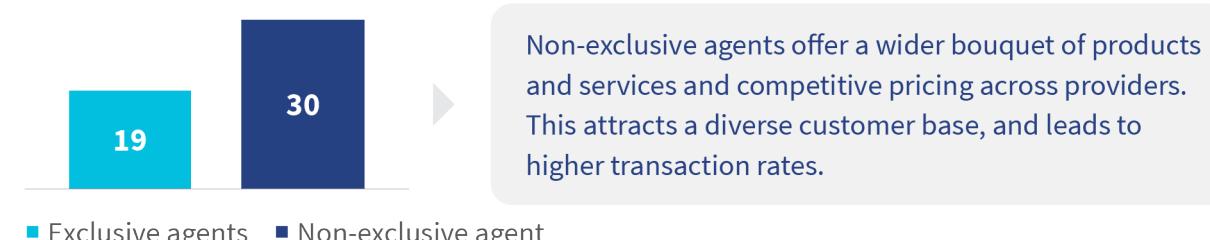
## Dedicated agents, non-exclusive agents, and agents located outside of Java achieved higher median transaction volumes

### Median daily transaction volumes among dedicated and non-dedicated agents



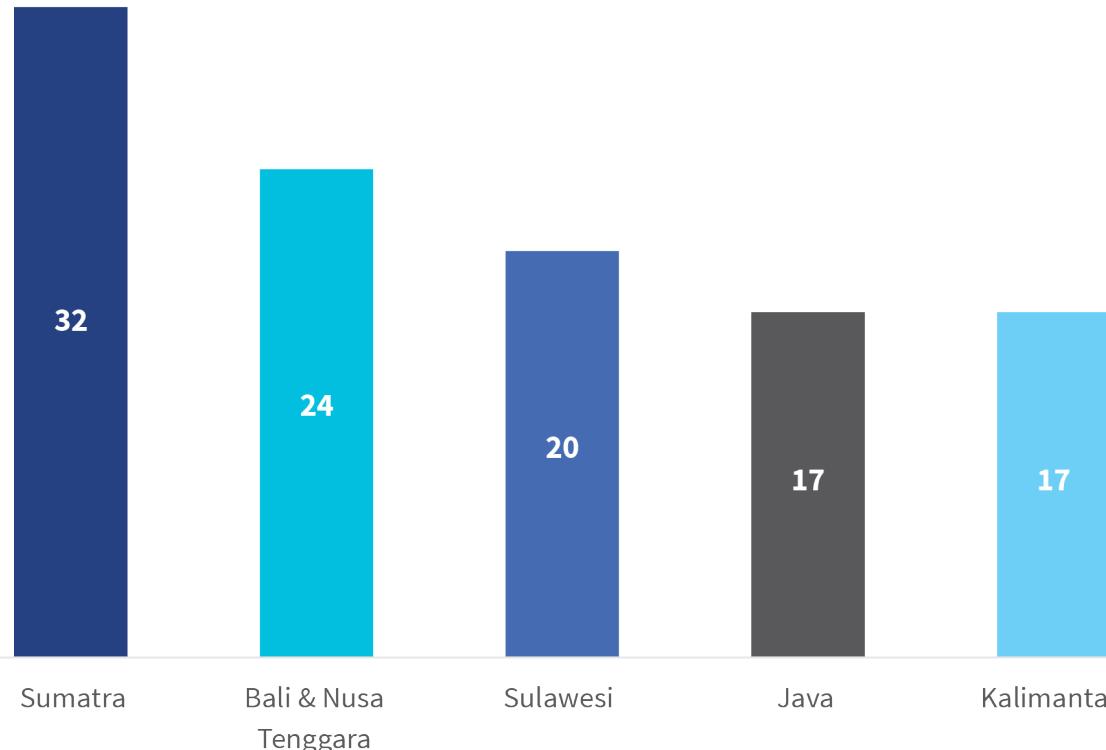
■ Non-dedicated agents ■ Dedicated agents

### Median daily transaction volumes among exclusive and non-exclusive agents



■ Exclusive agents ■ Non-exclusive agent

### Median daily transaction volumes per agent across different islands



- As DFS deepens in Indonesia, agents in non-Java islands experience more daily transactions due to the sparse agent network there.
- Agents in Java report lower daily transactions due to increased competition.
- 95% of dedicated agents are located outside Java. Dedicated agents are predominantly bank agents (82%) and can handle higher transaction values.

### Comparison of agent density across the major island groups\*

Island	Agent density (Agents per square kilometer)	Agent density (Agents per 100,000 people)
Java	7.32	130
Sumatra	0.6	104
Bali & Nusa Tenggara	0.8	146
Sulawesi	0.04	86
Kalimantan	0.08	74
Maluku and Papua	0.04	28

\*OJK Data 2019 and MSC analysis

# The median daily transaction value for active agents jumped fivefold to USD 80 in 2023

Although the per-transaction value for each service remained relatively constant, cash-out experienced a notable 43% growth from 2017 to 2023, which indicates the better liquidity positions of DFS agents.

Comparison of median transaction values (in USD)				
	2017	Bank, 2023	Non-bank, 2023	Net growth*
 Loan repayment	43	52	46	 21%
 Money transfer	30	33	13	 10%
 Cash-out	23	33	13	 43%
 Bill Payment	9	10	10	 11%
 Insurance	6	7	7	 16%
 Virtual account payments	N/A	7	7	N/A
 Top-up	N/A	3	3	N/A

Note: The net growth calculation compares the median transaction values in 2017 and the total median transaction values which include both banks and non-banks in 2023.

- The median transaction values for small ticket-size transactions, such as bill payments and top-ups **remain similar across agent types**.
- Bank agents process **high-value transactions**, such as money transfers and cash-outs, as they invest more capital in the DFS business than non-bank agents.

## The majority of DFS transactions at agent outlets are done over-the-counter (OTC)\*

Despite lower fees for transactions done via bank accounts, 80% of transactions\*\* happen over the counter (OTC)

OTC transactions are common in other Asian markets like India, Pakistan, and Bangladesh. This indicates that agents may not be playing a significant role in promoting account ownership and usage. High OTC transactions also suggest that technology adoption challenges persist among underserved and unserved populations.

**01**



Customers lack ownership of a bank account to conduct transactions.

“

A lot of my customers are sailors (migrants) in the shipping industry and do not have a bank account. They request me to do the transaction on their behalf.

- A bank agent in Samarinda

”

**02**



Customers have an account but do not have balance in the account. They are reluctant to add balance to their account as they fear deductions for not maintaining the minimum balance.

“

Most of my consumers have loans and do not want to deposit money in the account as they fear that the loan repayments will be deducted from the account. Some also fear deductions due to not maintaining the minimum balance.

- A bank agent in Lampung

”

**03**



Customers prefer to avail of personalized service from agents, especially when they conduct high-value transactions.

“

The agent has become my go-to person to handle big-ticket transactions. He has been a life-saver. He gets the job done and also goes the extra mile to ensure the transaction process is smooth. Also, if anything goes wrong, it will be the agent's responsibility.

- A middle-aged customer in rural Lampung

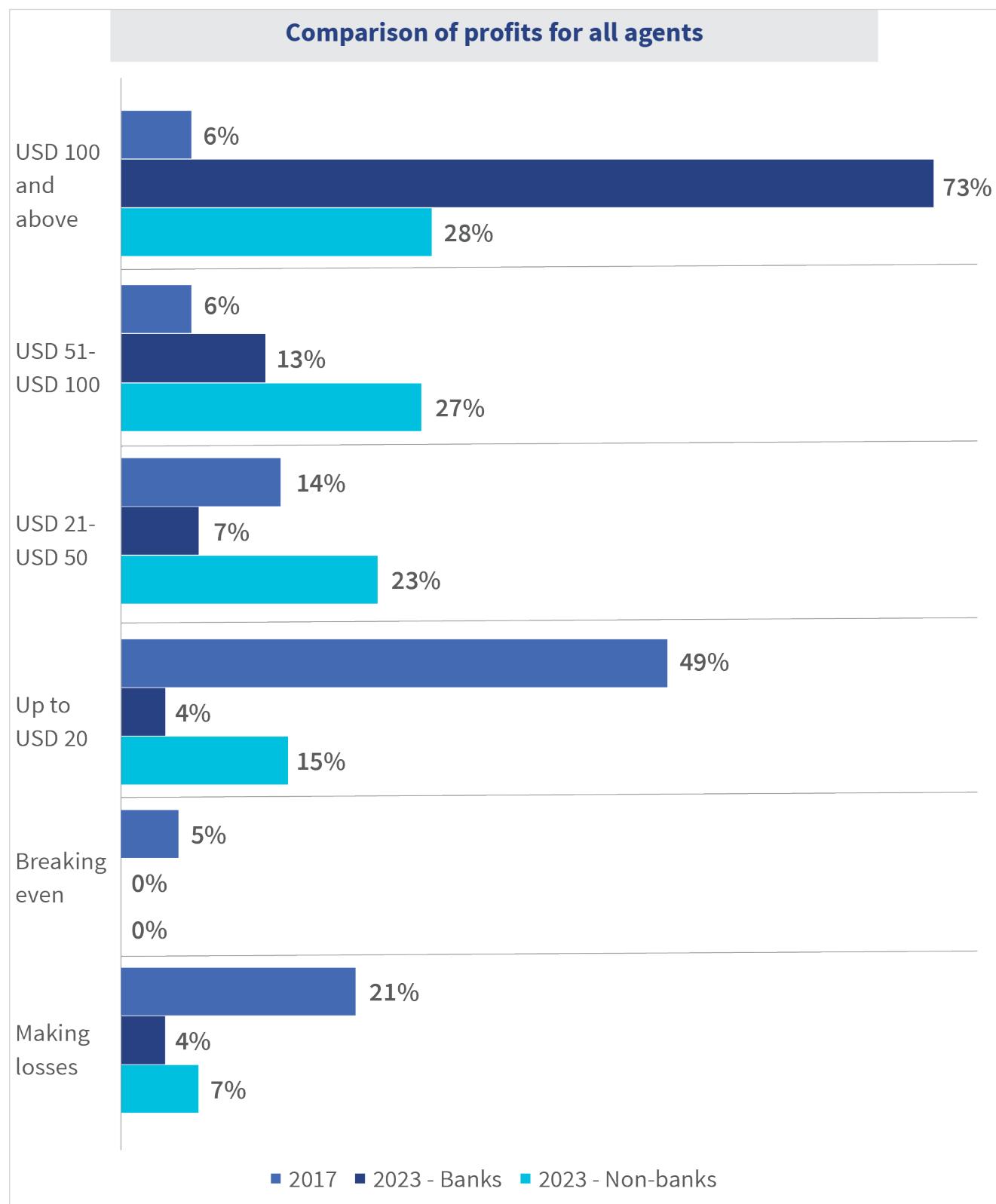
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\* For the purposes of this report, we define an OTC transaction as a transaction that the agent conducts on behalf of the customer from the agent's own account.

\*\* Agents were asked to mention the proportion of OTC transactions for money-transfer transactions.

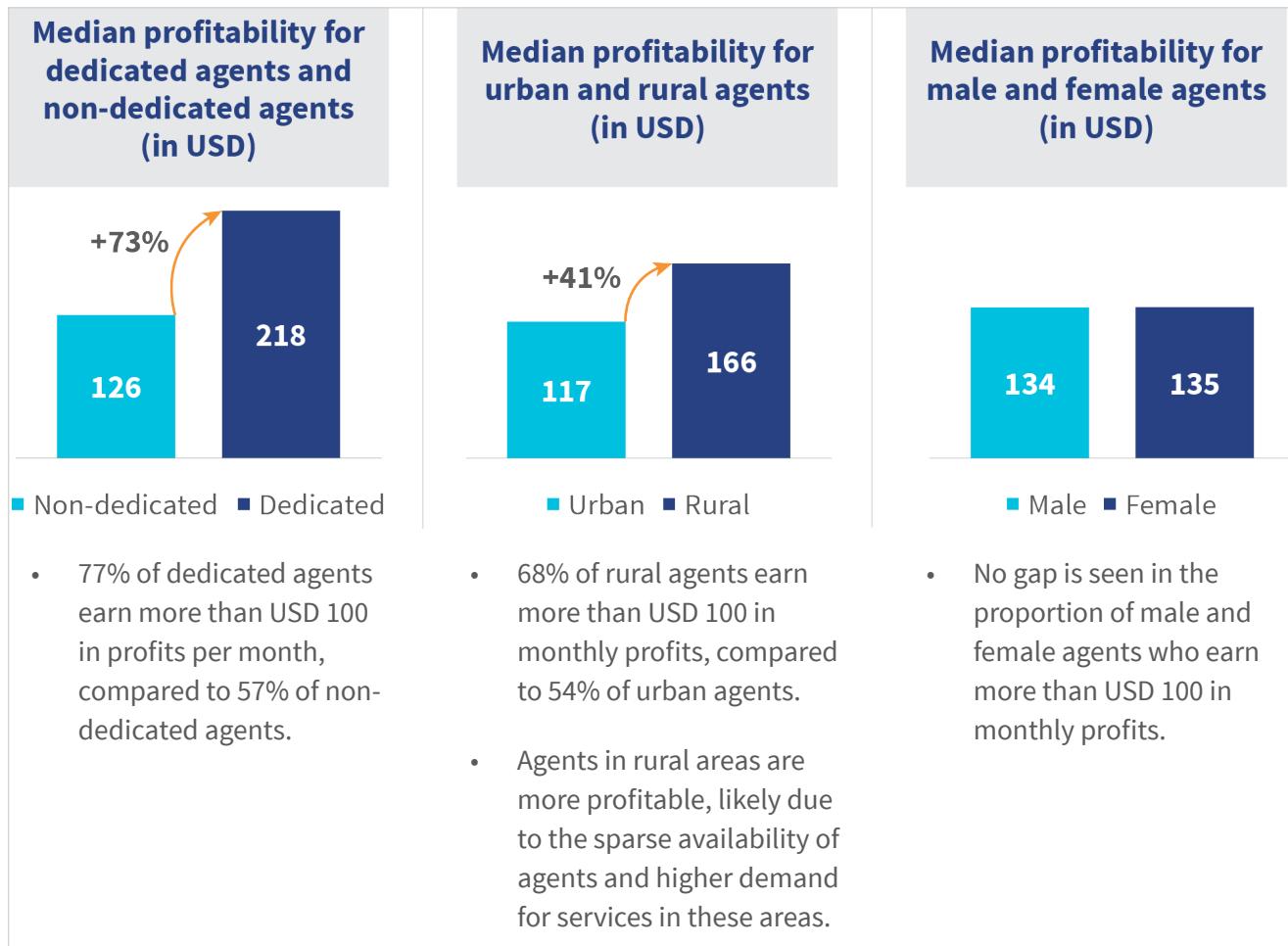
## 95% of active agents in Indonesia are operationally profitable

The median monthly profitability\* of active agents increased at a CAGR of 68% from USD 6 in 2017 to USD 134 in 2023.



\*Profit is measured as the difference between monthly revenues and monthly operational expenses. The set-up costs and costs of working capital are not taken into account for the calculation of operational profit.

# Dedicated agents and agents in rural areas are more profitable than non-dedicated agents and agents in urban areas



# The median profitability\* of bank agents is three times that of non-bank agents

The median monthly profits of bank agents outside Java are 10% higher than those in Java. However, no difference is seen in the median profitability for non-bank agents in Java and non-Java islands.

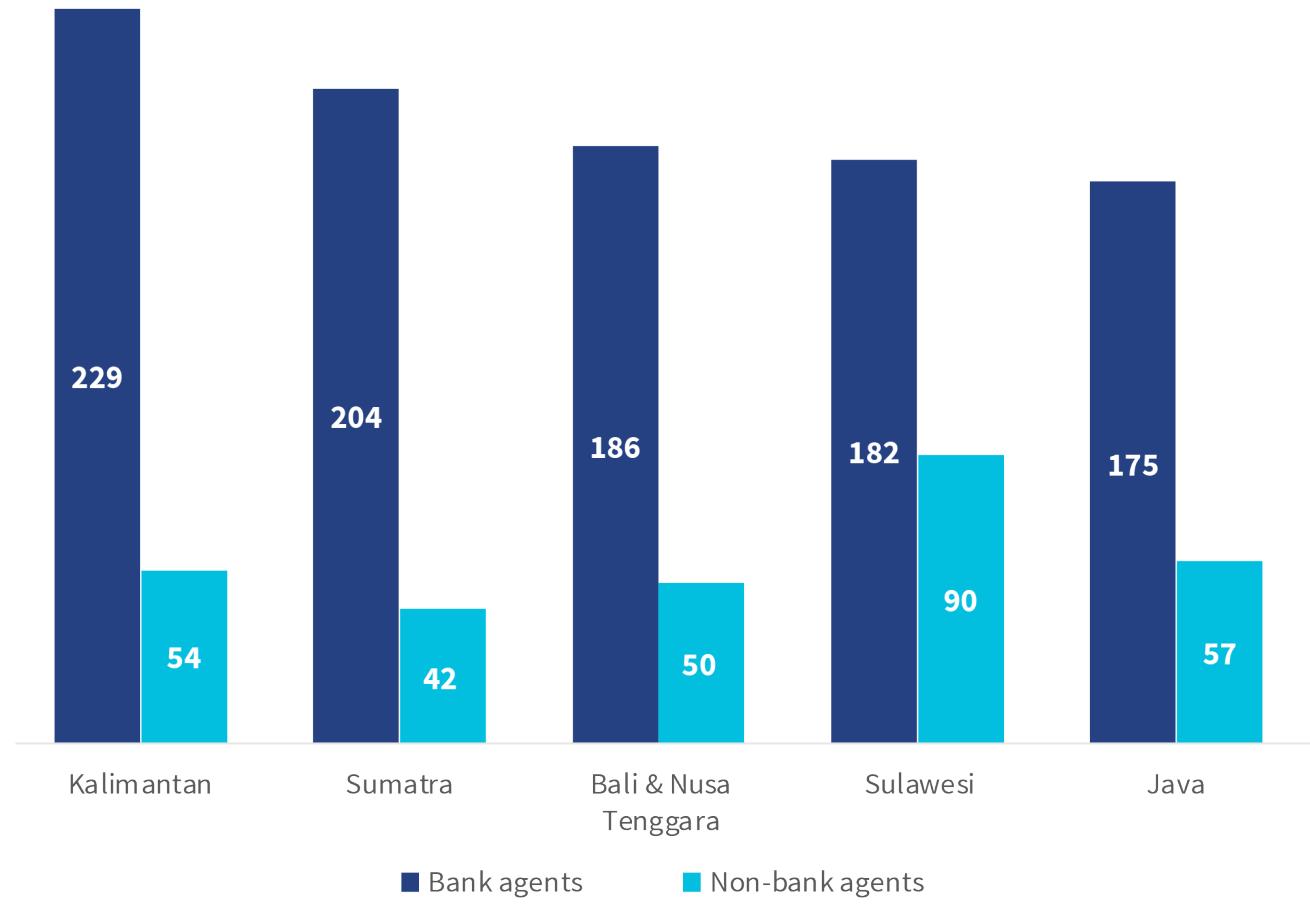
Median profitability of bank agents and non-bank agents across island groups in Indonesia

## Median profitability of bank agents

- Agents in Java island: **USD 175**
- Agents in non-Java islands: **USD 193**

## Median profitability of non-bank agents

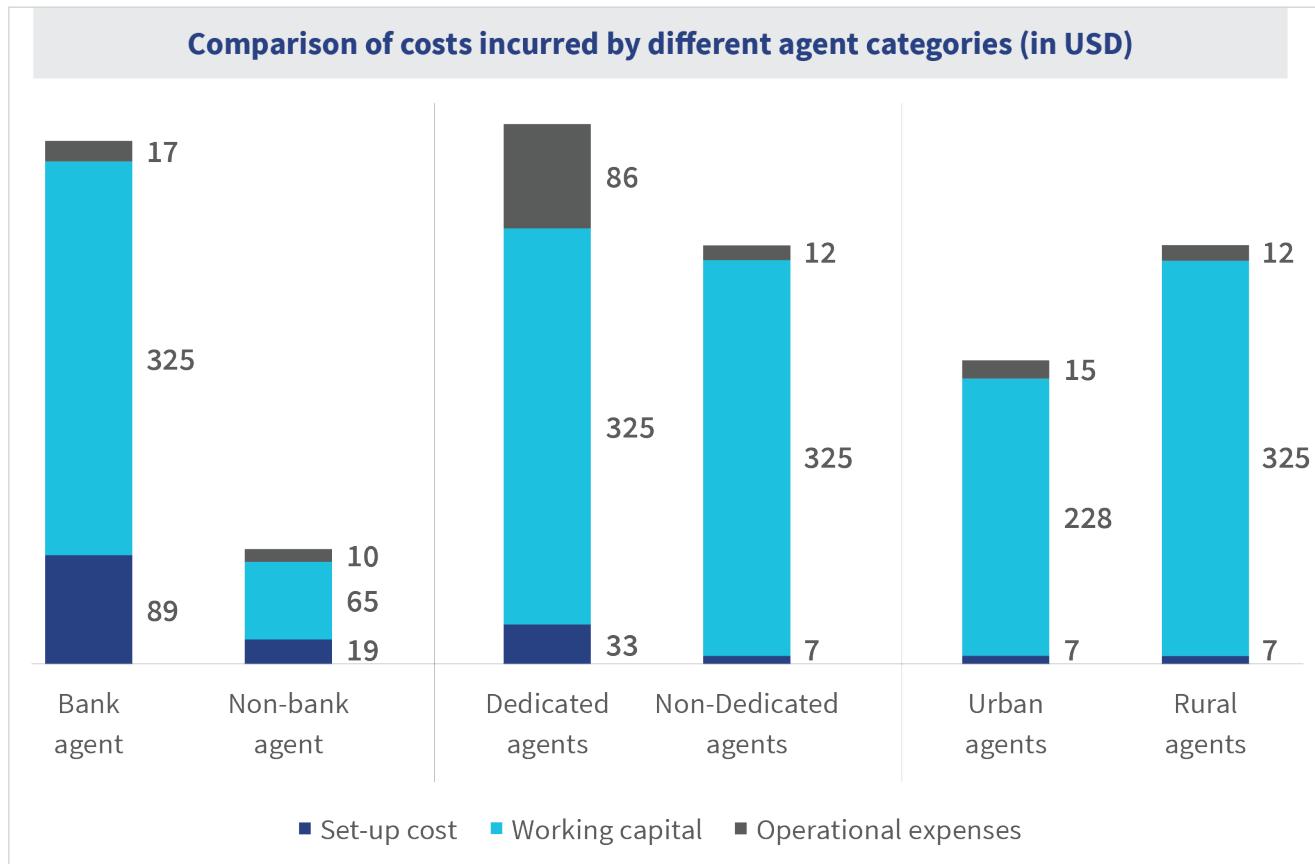
- Agents in Java island: **USD 57**
- Agents in non-Java islands: **USD 56**



\*Profitability is measured as the difference between monthly revenues and monthly operational expenses of the DFS business.

## However, bank agents also incur significant costs when they start and operate their outlet as compared to non-bank agents

Working capital costs are the biggest cost component for agents across different categories.



- Bank agents have high set-up costs due to the need for security deposits and achieving minimum transactions to get an EDC device. Their working capital needs are also higher due to larger ticket-size transactions.
- Non-bank agents operate in a mobile-first environment and focus on small-ticket-size transactions. Thus, their capital requirements are low.
- Dedicated agents need to allocate for higher operational expenses as they do not have an adjacent business to absorb part of the operational expenses, such as salaries.
- Agents in urban areas allocate lower working capital as they can access rebalancing points faster and cheaper.

## Case study: High-performing agent

**High-performing agents boost daily transactions by using services from both banks and non-bank entities. This strategy allows them to match financial products or services to customer needs, which enhances the service quality in a competitive landscape.**

“

### Azkia, female non-bank agent in a peri-urban area in Kalimantan

I use multiple providers to maximize the daily transactions. I currently use BRI, Shopee, Topindo, Digipos, Dana, Bima+, and LinkAja. Despite being a non-bank agent, I provide cash-out services using Mandiri EDC (as a merchant). On average, I handle 100-200 customers daily with peak periods that align with paydays. Therefore, I need to rebalance sometimes up to five times a day by traveling to the nearest ATM, followed by topping up my Shopee wallet. Usually, the customers are sailors and other informal workers who need to send money home.

### Agent characteristics:



Serves multiple providers



Tech-savvy



Offer cash-related transactions



### Agency business started

Started the business in 2016 as a Topindo agent (PPOB)



### Transactions

**Average:** 200 transactions per day

**Most frequent:** Money transfer



### Providers

**Bank:** BRI, Mandiri (as merchant)

**Non-bank:** Shopee, Topindo, Digipos, Bima+, and LinkAja



# Quality of provider support



## The quality of provider support has reduced compared to 2017, as agent networks scaled in Indonesia



### Virtual support

As agent networks scale, providers rely more on online support, such as call centers or WhatsApp groups to support agents.



### Access to credit for liquidity management

Only 9% of agents access credit for liquidity management, others conserve working capital by avoiding high-value transactions.

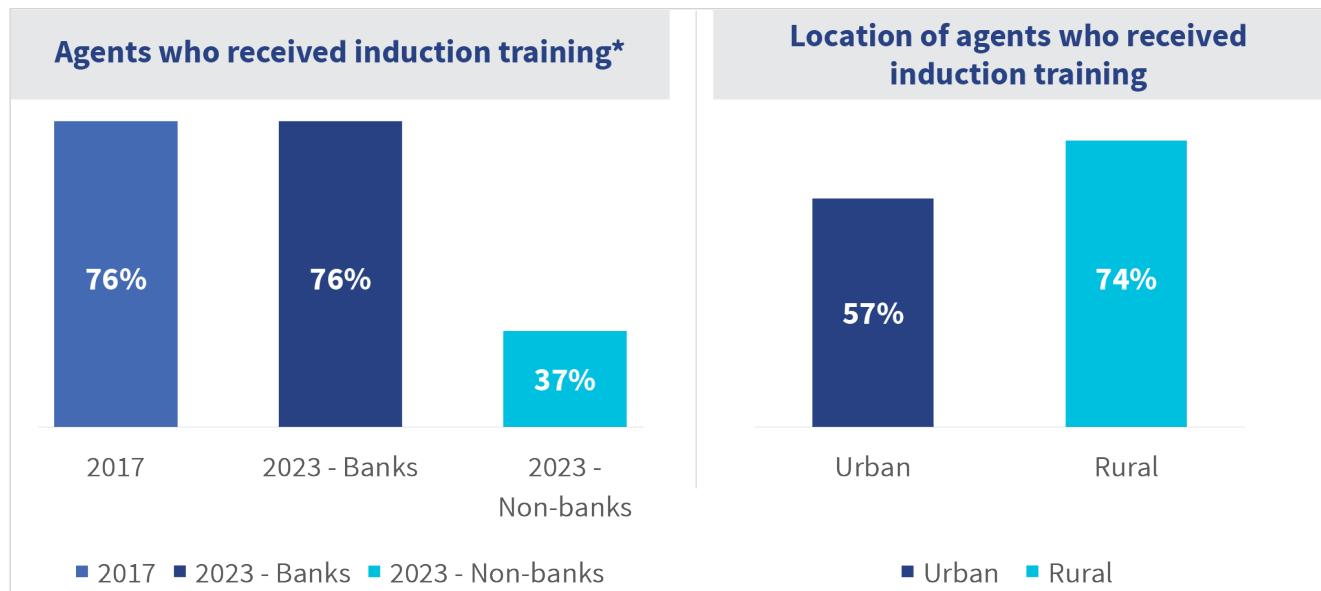


### Lack of refresher training

Refresher training is the most affected. Only 15% of agents received any training in the past one year.

## Despite a rapid rise in the number of bank agents, banks can train only three-quarters of their agents, a proportion similar to 2017

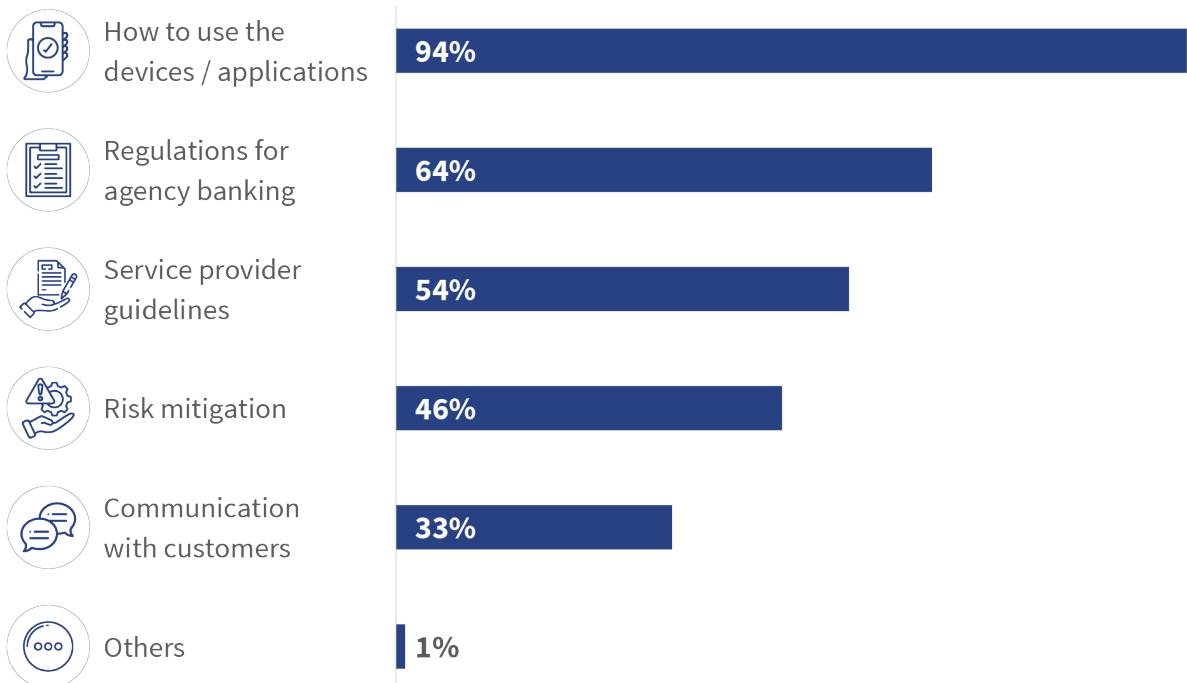
However, non-banks struggle to provide adequate induction training because of their quick scale-up and lack of dedicated field teams.



#### Note:

\*Induction training refers to the training of agents within three months of joining a service provider.

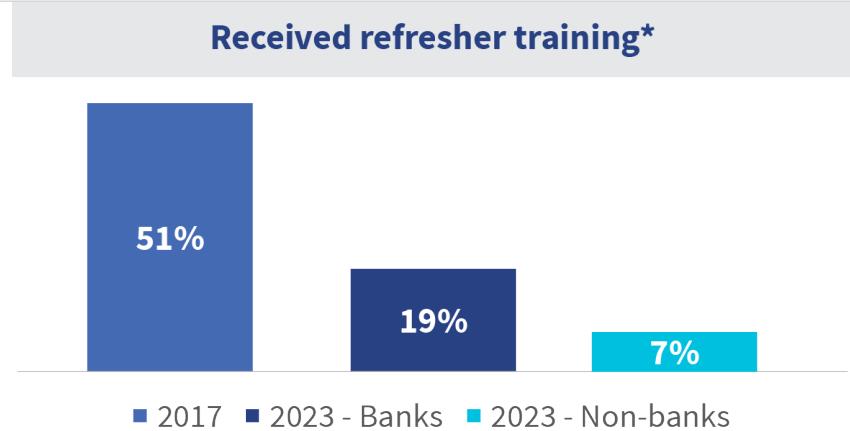
### Topic covered in induction training (Multiple choice)



- The lack of training among non-bank agents can be attributed to the self-service models to onboard agents and the lack of field teams to train the agents.
- Non-bank providers, such as Bukalapak and Blibli, rely on training agents virtually through digital platforms, like Shopee, use their community platform to share knowledge with agents.



## Service providers struggle to provide adequate refresher training to their expanding agent networks



\*Refresher training: Refers to training received by agents in the last year but does not include induction training.

“

With our agent numbers skyrocketing in the past six years, ensuring comprehensive training has become challenging for our field team. While we try to meet this demand, we also encourage agents to engage through dedicated platforms, such as WhatsApp groups, for knowledge sharing with the bank's representatives to resolve issues on the field. We are exploring options to involve a third party for this activity.

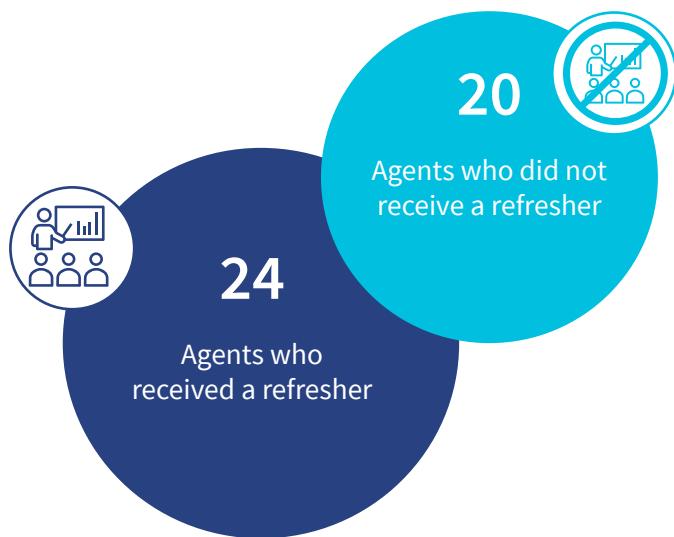
– Representative of a commercial bank

“

I have had a few customers ask me about insurance. The thing is, I have not dealt with it before, so I told them I could not handle it here. I vaguely remember learning how to do it when I started, but there were so many steps that I forgot. Figured it is better to say no than mess it up.

– Bank agent in Urban Semarang

- Agents who have received refresher training in the past year reported higher daily transaction rates.
- Agents who lack refresher training choose to sell only familiar products or services, even when they have access to a broader range of offerings, due to the fear of committing mistakes.

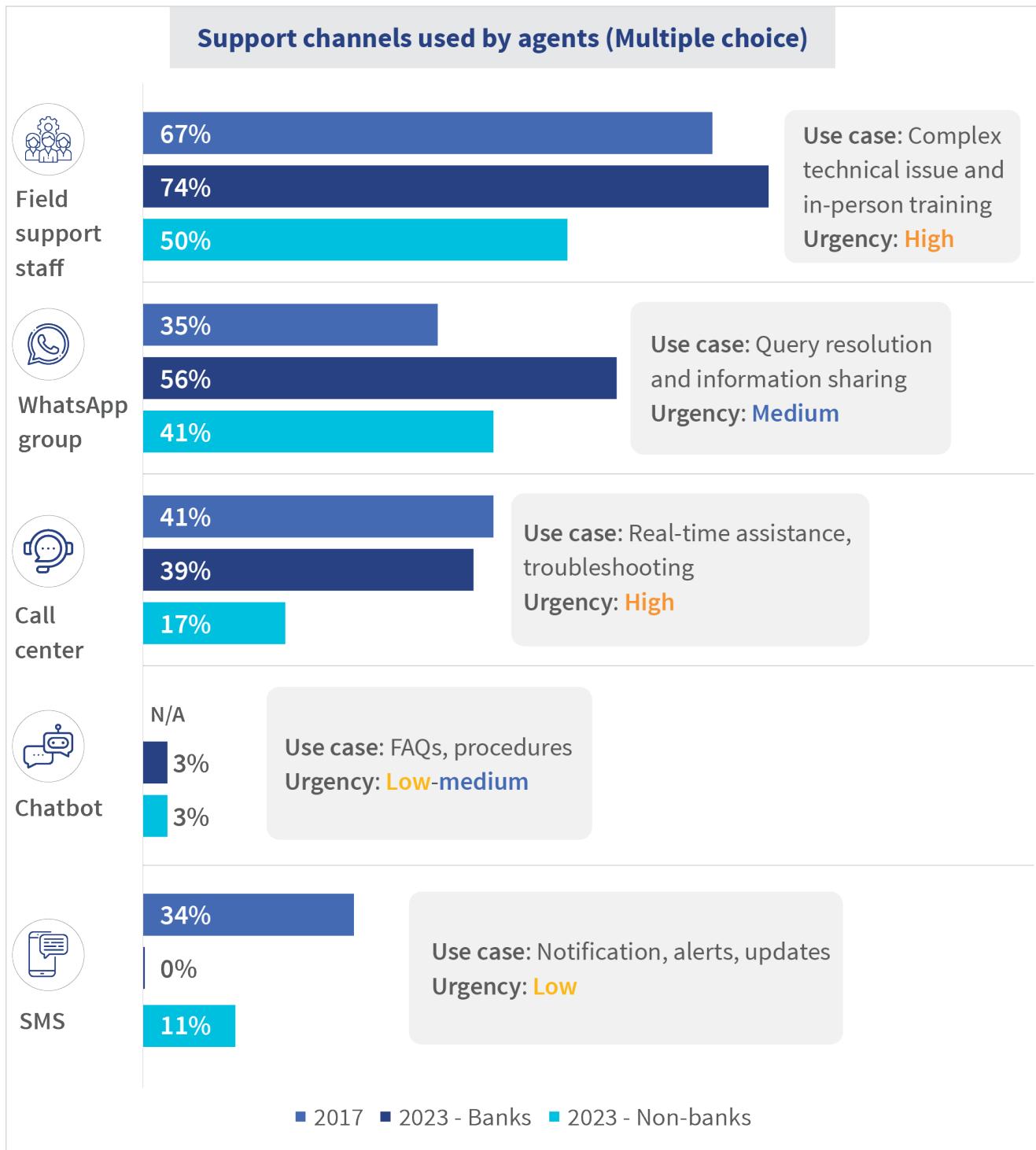
**Median daily transactions of agents**

## **Most agents prefer service provider staff for support, but the use of virtual channels for support has been on the rise**

**Support from provider staff includes visits, calls, and WhatsApp groups created for agents.**

Agents receive quick responses on WhatsApp and prefer to use it for queries that can be easily answered.





- Banking agents have relatively better access to field staff for the resolution of grievances, as banks usually have dedicated field teams to onboard and monitor their agents.
- Rural agents prefer support staff as they prefer in-person support and are familiar with the staff.

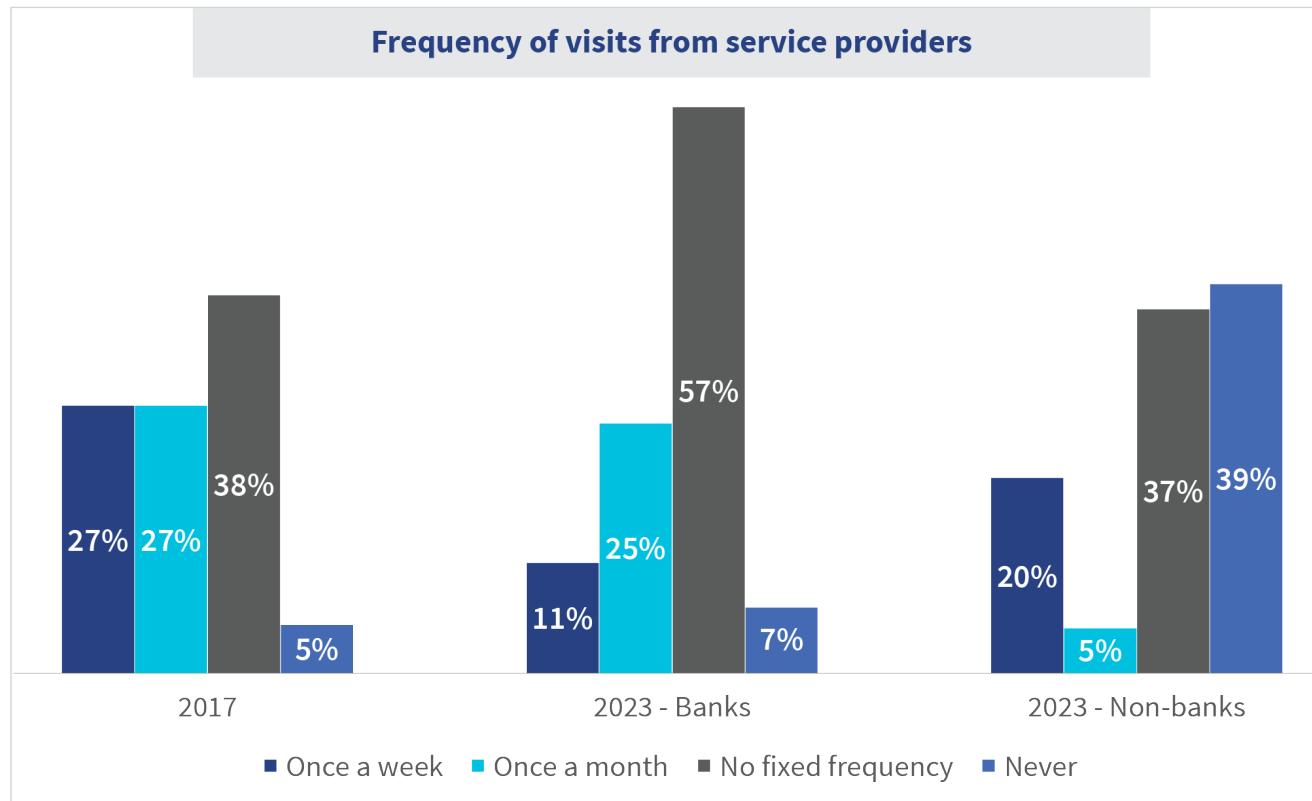
“

The service provider staff are very helpful, always responsive, and ready to assist me with any difficulties. These days, I reach out to them frequently via WhatsApp for a quicker response, although they still occasionally visit in person.

– Bank agent in Makassar

”

## As agent networks scaled, support staff visits have become less frequent



- Given the relatively infrequent visits, banks strive to maintain relationships with agents through alternate channels. BRI, for example, uses social media or video calls to ensure sustained support.
- Meanwhile, a majority of non-bank agents never received staff visits. This is potentially due to digital operating models of non-bank providers, which lack physical touchpoints with the agents and have limited investment in field teams.

**64%**

Agents in non-Java islands reported that visits from providers are irregular.



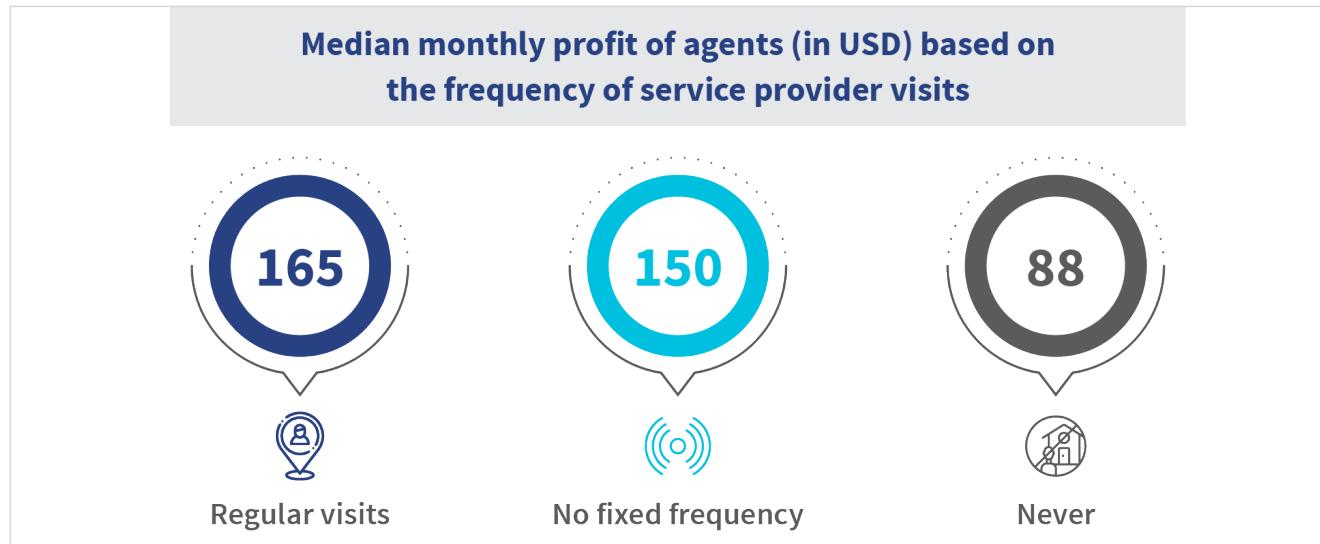
**25%**

Agents in Java island never received support visit from providers.



## Regular provider visits correlate with higher revenue and profit, which highlights their vital role to boost agent performance

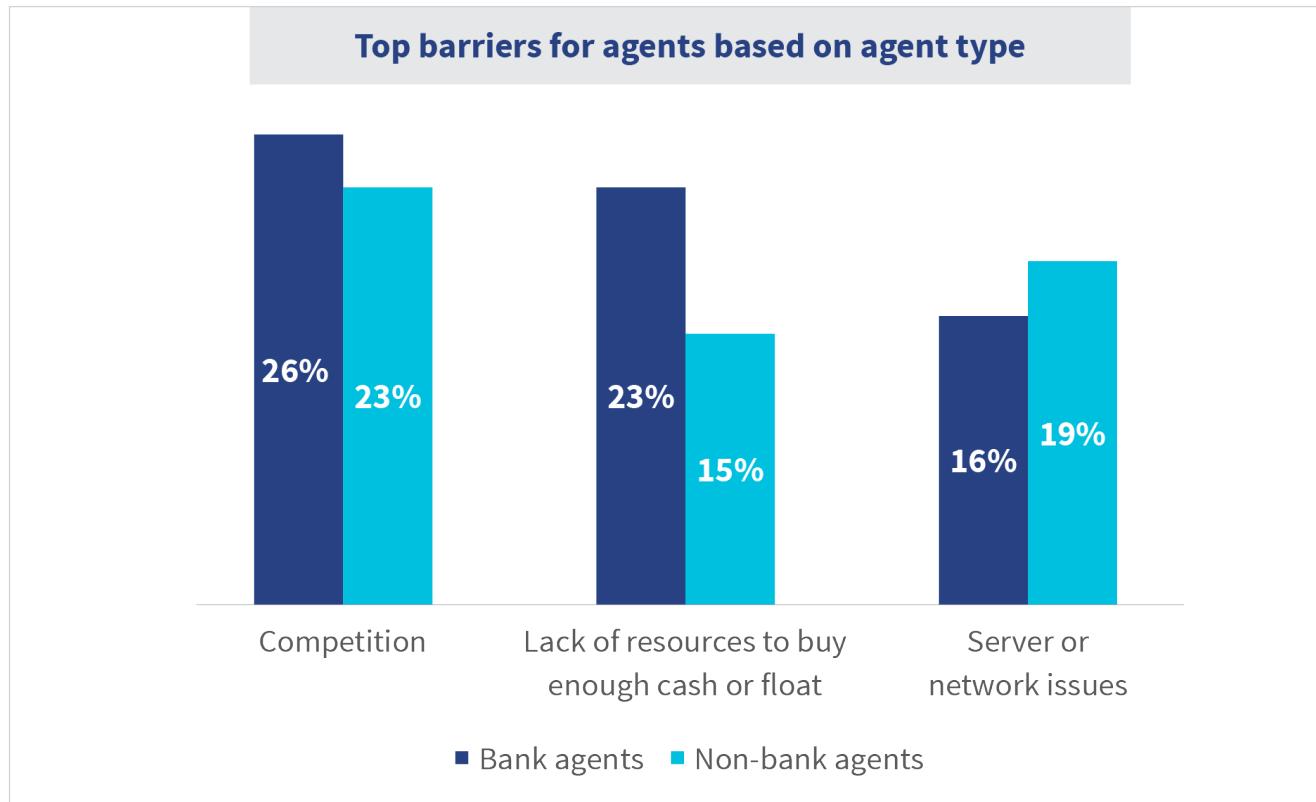
Regular visits allows agents to voice and resolve issues and enhances their performance\*. This builds customer trust and reliability, and potentially leads to increased revenue and profit.



**Note:**

For the purpose of this analysis, regular visits refers to visits by providers “once a week” and “once a month.”

## Most agents perceive increased competition and lack of capital as key obstacles to their growth



- Some providers mandate a minimum distance of 500 meters between agent locations, but it is rarely enforced on the ground.
- Java has a high concentration of agents, with approximately 7.6 bank agents per square kilometer\*.

“

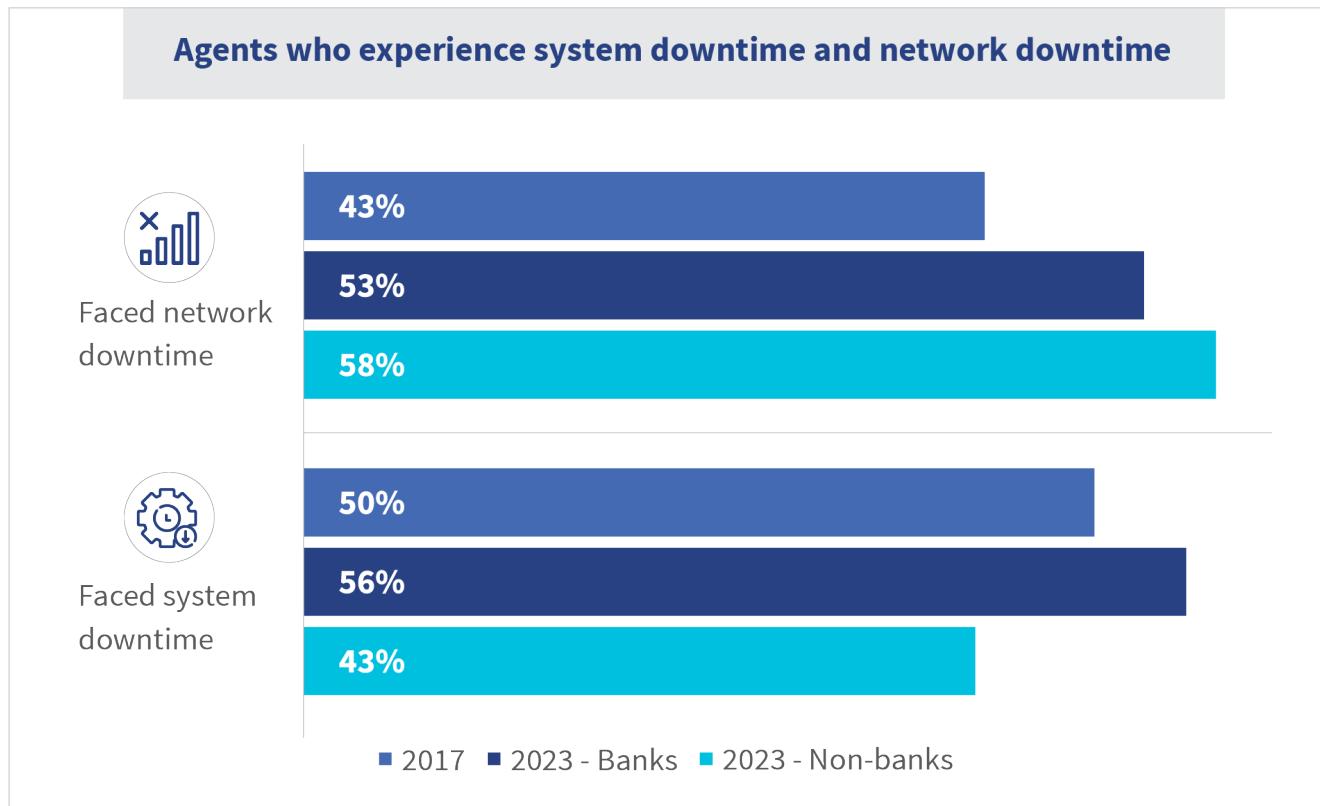
Competition among agents has been fiercer than ever. When I opened this in 2019, I was the only agent here. But now, five more agents from the same provider are operational within 2km. I do not know how the provider allows this.

– Bank agent in urban Semarang

”

\*OJK Data 2019 and MSC analysis

## Despite a rise in system and network issues since 2017, agents view the impact as minimal



- Agents in urban and rural areas alike experience network issues. Both bank and non-bank agents experience server issues, such as service provider application issues, transaction failures, or glitches in the application.
- On average, agents in both urban and rural areas report four disruptions per month, with two arising from system downtime and two from network downtime.

“

System glitches or network problems happen rarely, maybe once or twice a month. Often, it happens during social assistance distribution and lasts for one to two hours.

– Bank agent in rural Lampung

”

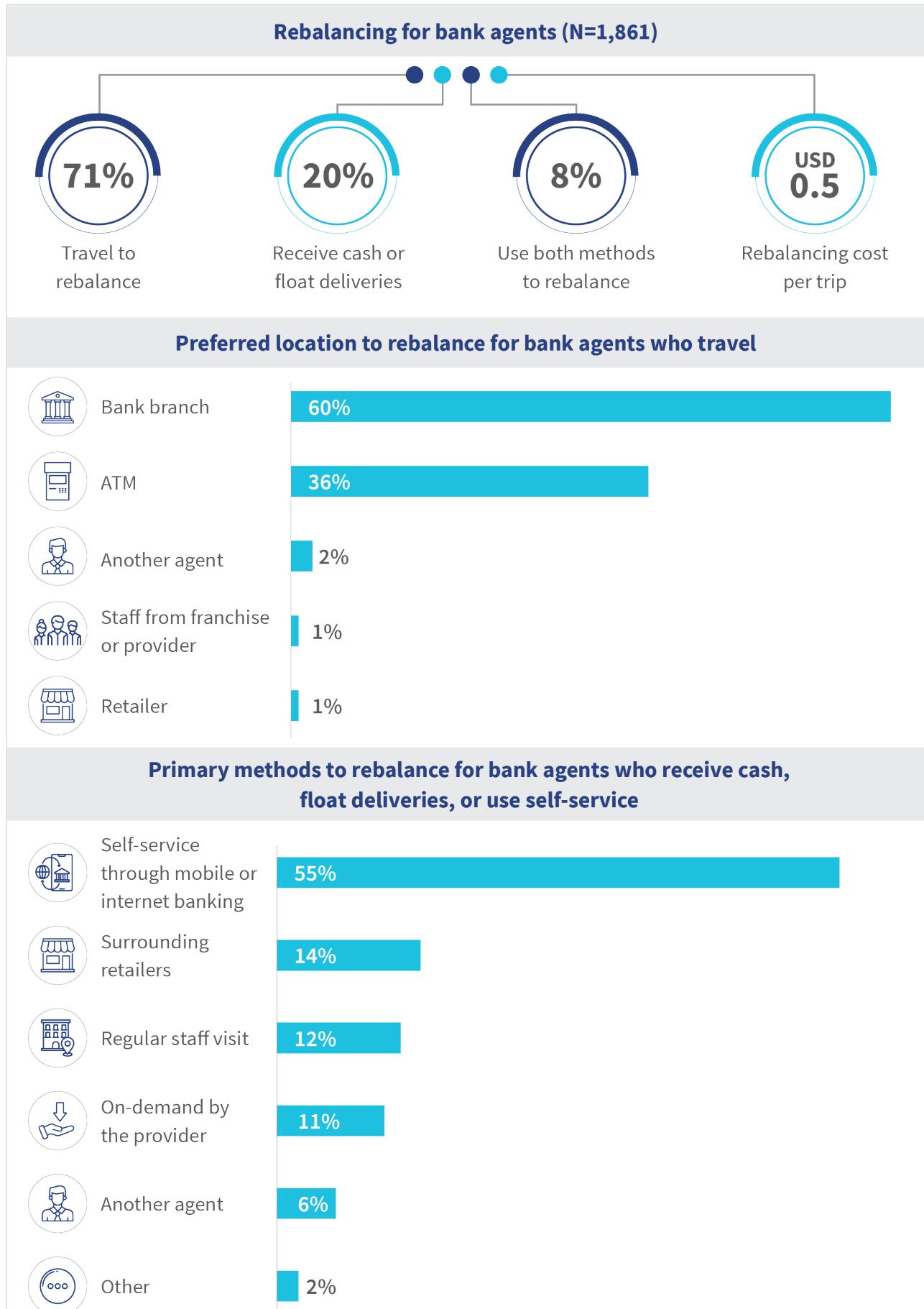
“

Usually, if an app is down, I switch to another one. But sometimes, I check with the customers if they are okay to wait until the network is back. If they are regulars, they usually trust me to update them later.

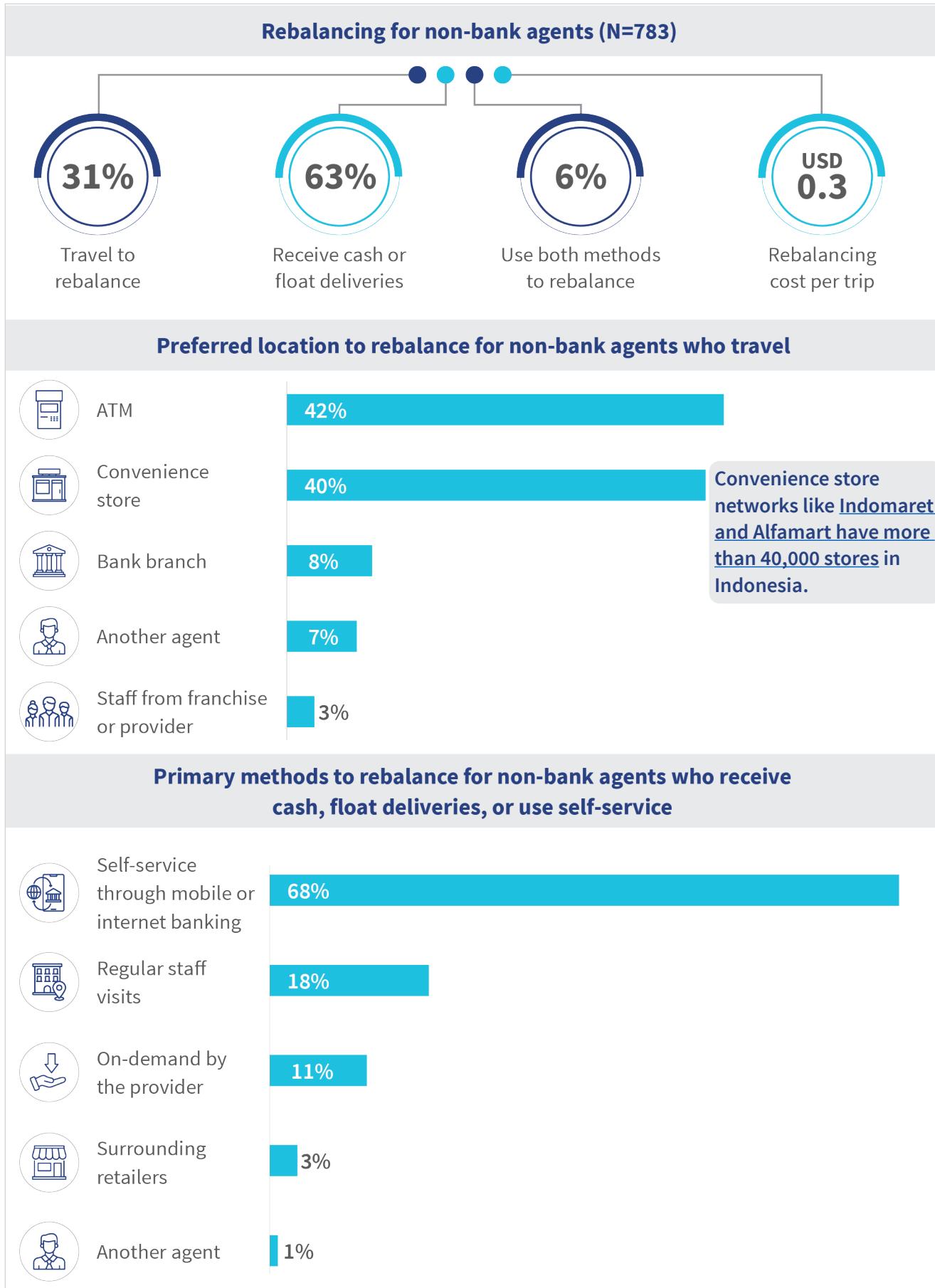
– Non-bank agent in urban Padang

”

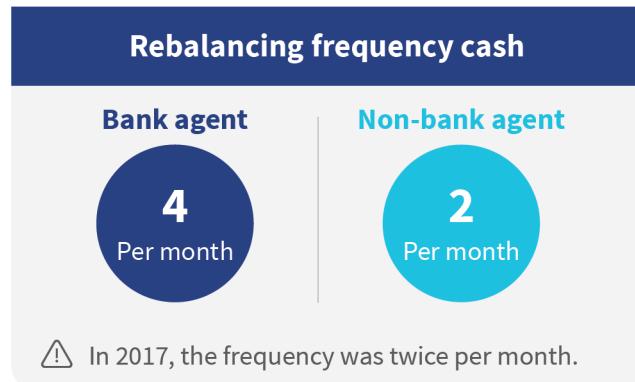
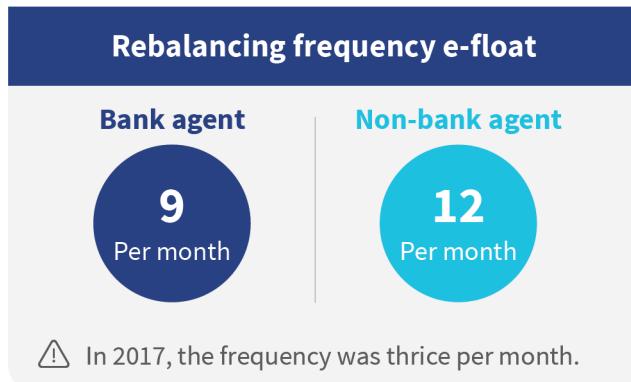
# A majority of bank agents travel to the bank branch to rebalance their accounts



# Most non-bank agents rebalance their accounts at ATMs and convenience stores



## In 2023, the frequency of rebalancing has increased in line with the rise in transactions as compared to 2017



- Non-bank agents often deal with a lower transaction volume than bank agents. This lower volume may prompt more frequent e-float rebalancing as they manage smaller pools of funds in their account.
- Some agents use non-bank providers that offer float deliveries, which enables uninterrupted transactions at their shops without the need to leave the premises.

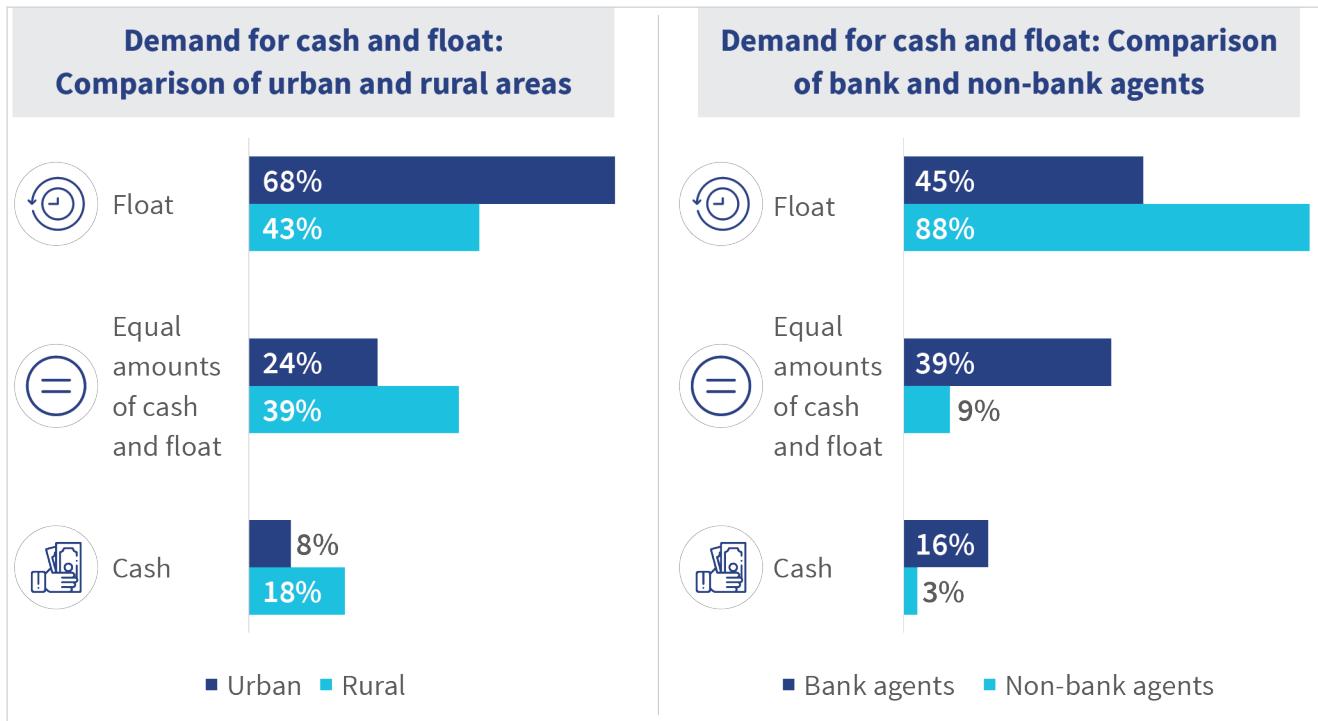
“

I have multiple accounts to support my DFS business. BRI is used for non-card transactions, while BNI is for card transactions. I also use DeltaPayment for bill-related transactions. I work alone, so I cannot leave my outlet to rebalance freely. Therefore, I use this service provider that allows rebalancing on demand through its staff. It is useful and definitely cheaper. I pay IDR 1,000 per IDR 1 million to rebalance my account.

– Non-exclusive agent in rural Padang

”

# Agents in urban areas and non-bank agents typically exhibit a higher demand for float

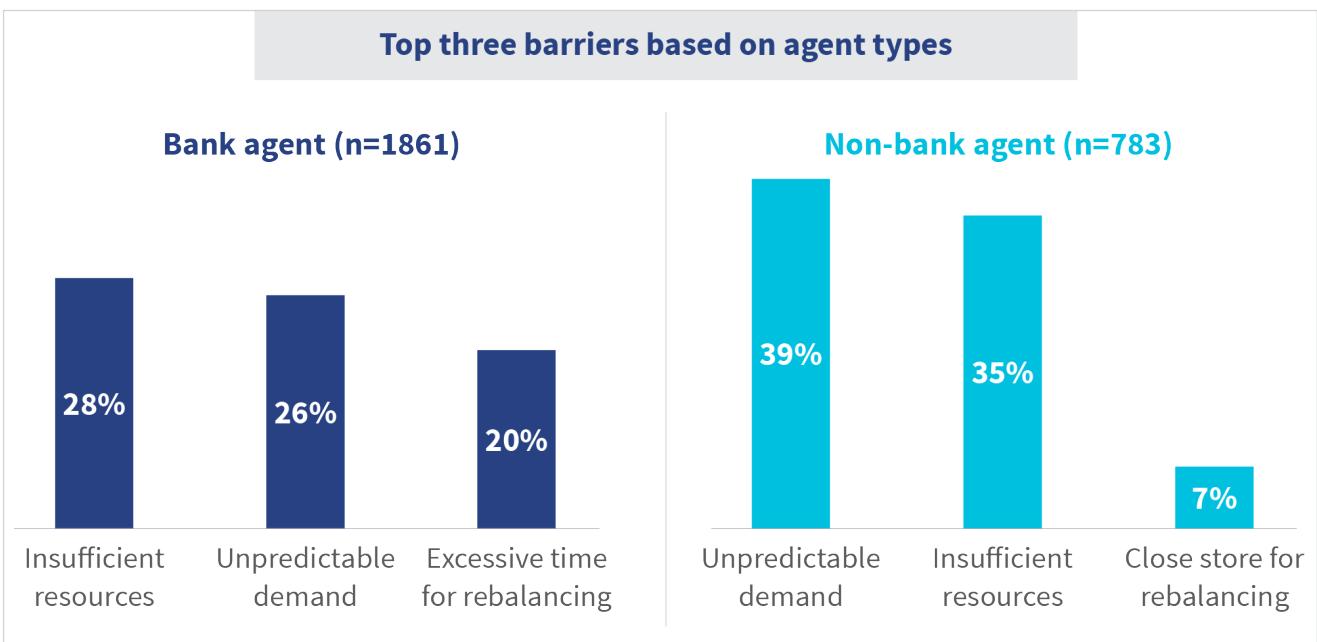
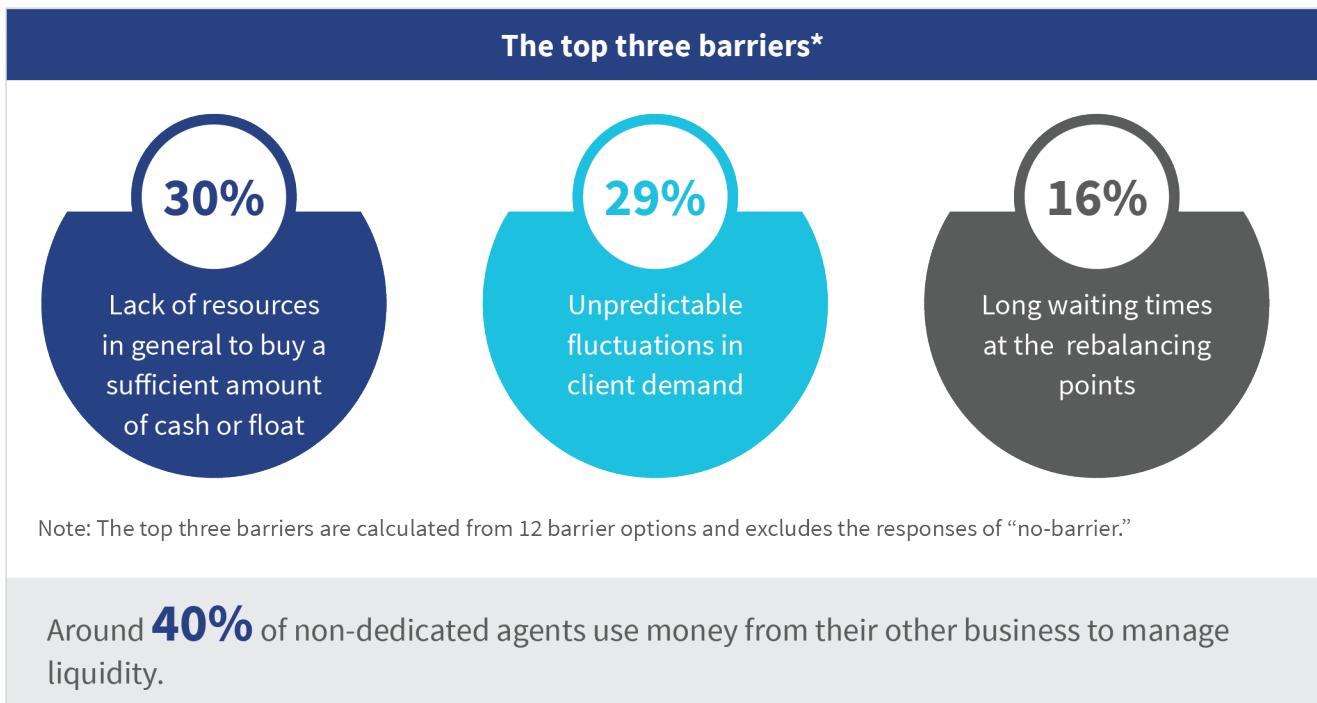


- 58% of agents need float more often. The demand for float is higher in urban areas, due to the higher concentration of non-bank agents who allocate lower working capital but conduct transactions (top-ups, bill payments etc.) that lead to faster float depletion.
- More non-bank agents require float as most of their transactions tend to be top-ups.

- Banking agents are able to manage their cash and float better since they deal in varied types of transactions at their agent point, such as cash outs, which helps them balance their liquidity position. However, agents that handle high volumes of over-the-counter (OTC) money transfers may have to deposit excess cash to balance their accounts.



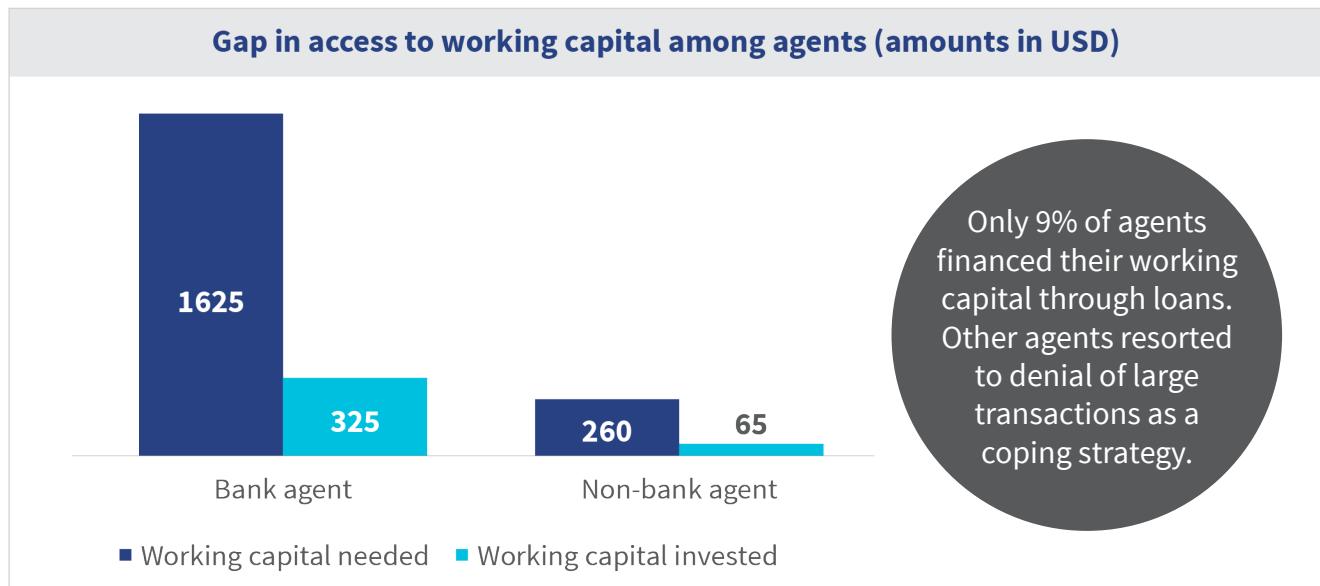
## More than 60% of agents face barriers in liquidity management



- The volatility of demand in DFS remains a consistent challenge in Indonesia. An [MSC study on agent volatility](#), highlights the interconnectedness between volatile demand and agent incomes.
- Various local non-bank providers, such as [RMW](#) or [DeltaPayment](#), offer on-demand rebalancing services for their agents.

## Lack of access to working capital credit to manage liquidity remains a key barrier for many agents

30% of agents mention that a lack of resources to arrange sufficient cash or float is a major barrier for their business.



“

I usually decline high ticket size transactions which are above IDR 500k, I would rather have small transactions worth IDR 50k each due to limited balance.

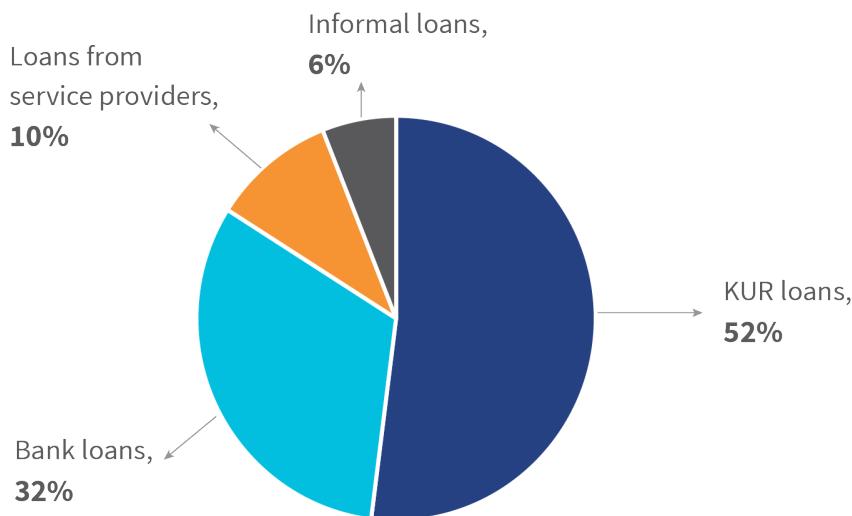
– Vina, a non-bank agent in Sumatera

”





### Type of working capital credit accessed by agents (n=234)



Merely 11% of bank agents and 4% of non-bank agents accessed loans for working capital. While the process takes time, agents preferred KUR due to its lower interest rates.

“

I usually ask for loans from friends to manage a temporary liquidity problem, as applying for loans take a long time. We (agents) do not get special treatment when we apply for loans from our providers.

– Hendro, an agent in Semarang

”

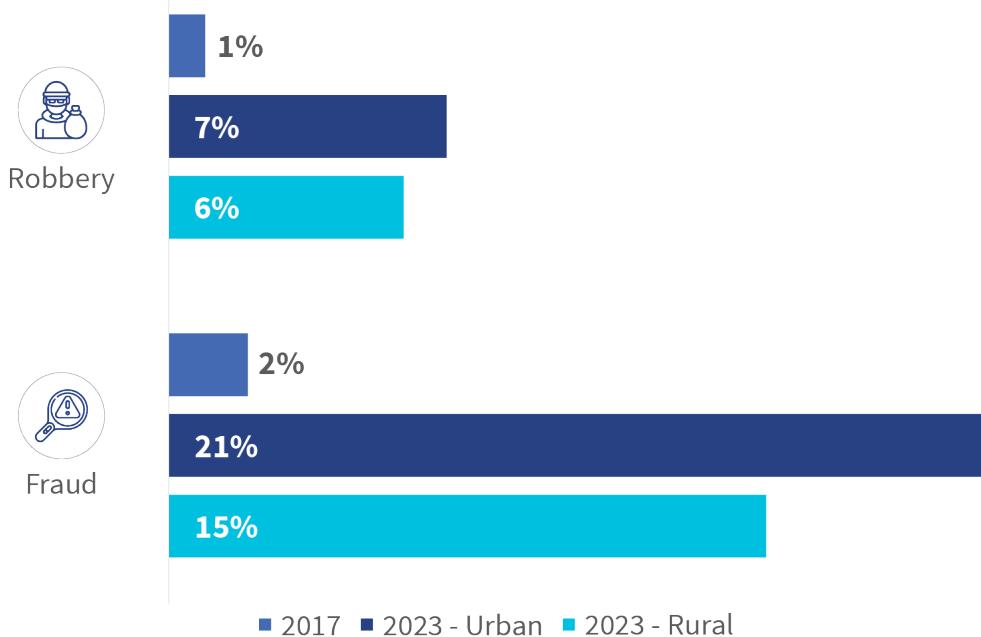
# Provider compliance and risk





## Instances of fraud and robbery have gone up since 2017, Fraud committed by customers is the biggest concern for agents

Agents who experienced robbery and fraud in the past year



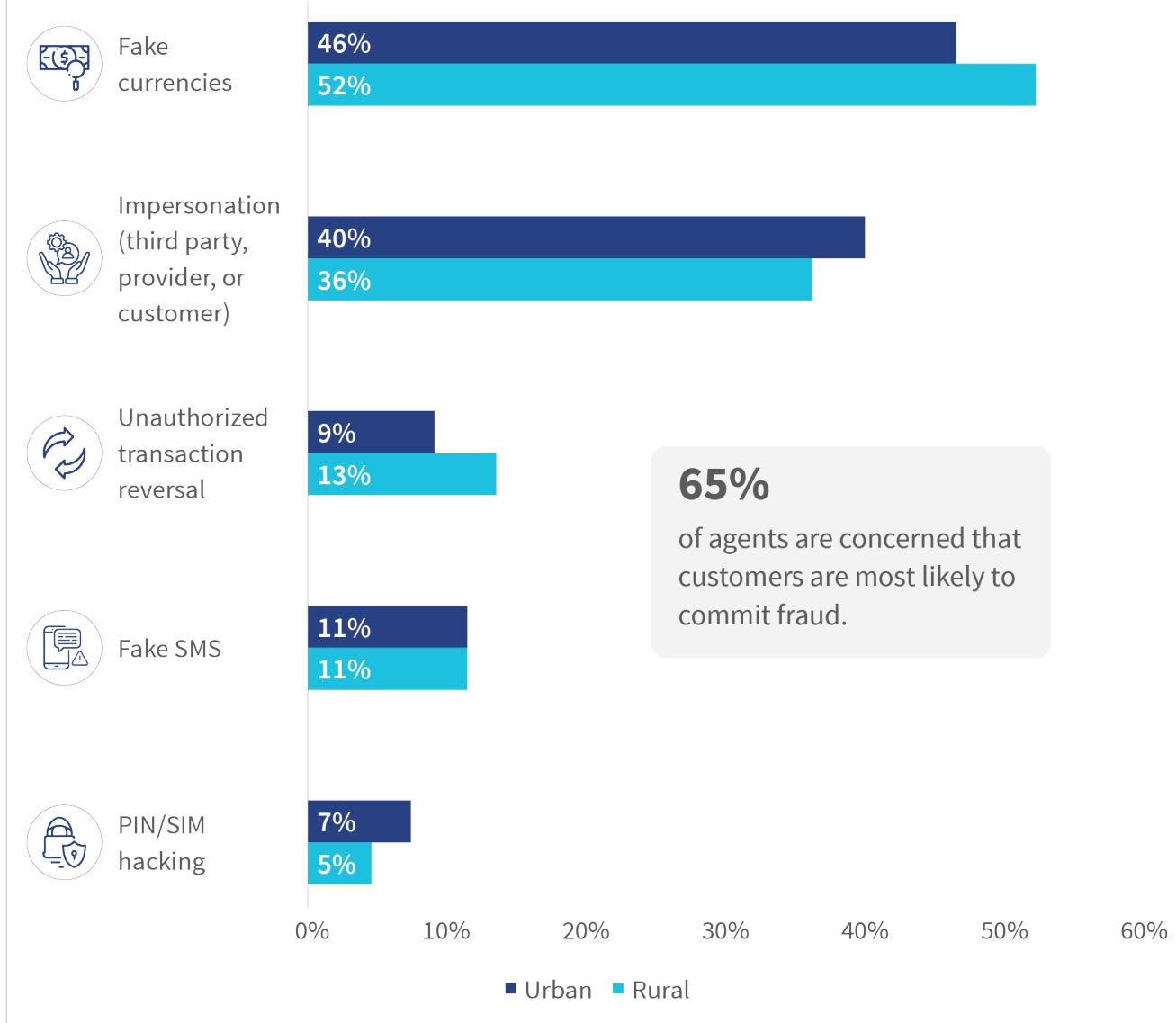
“

In several incidents, customers said they have paid before the transaction but had not actually done so. I then observed bank tellers and mimicked their procedure: First receive the money, verify it, and then proceed with the transaction.

– Bank agent in Padang

”

### Types of fraud experienced by agents (n=501, multiple choice)



## Measures to ensure consumer protection at the agent outlets are poor, particularly at non-bank agent outlets

### Display tariff



Urban **16%**  
Bank **16%**

**14%**

Rural **11%**  
Non-bank **10%**

### Display call center number



Urban **27%**  
Bank **38%**

**28%**

Rural **30%**  
Non-bank **3%**

### Provider details for complaints



Urban **4%**  
Bank **7%**

**5%**

Rural **7%**  
Non-bank **1%**

### Display agent ID



Urban **36%**  
Bank **59%**

**42%**

Rural **50%**  
Non-bank **2%**

### Display business hours



Urban **3%**  
Bank **5%**

**4%**

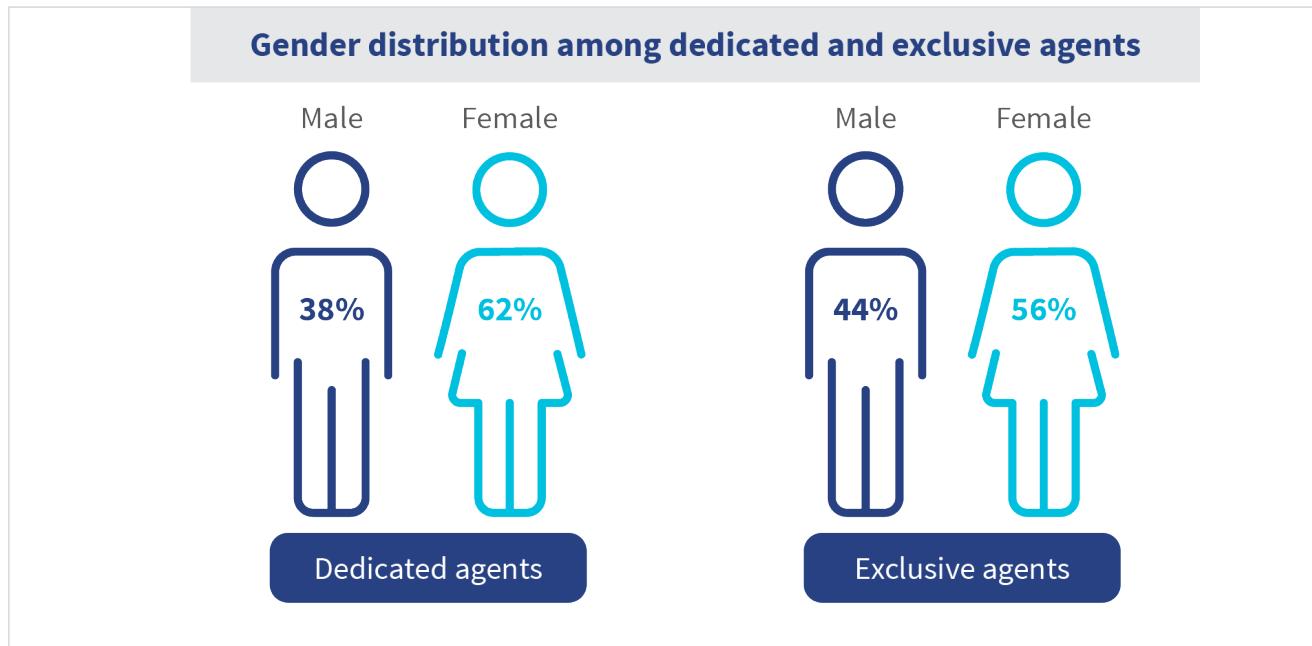
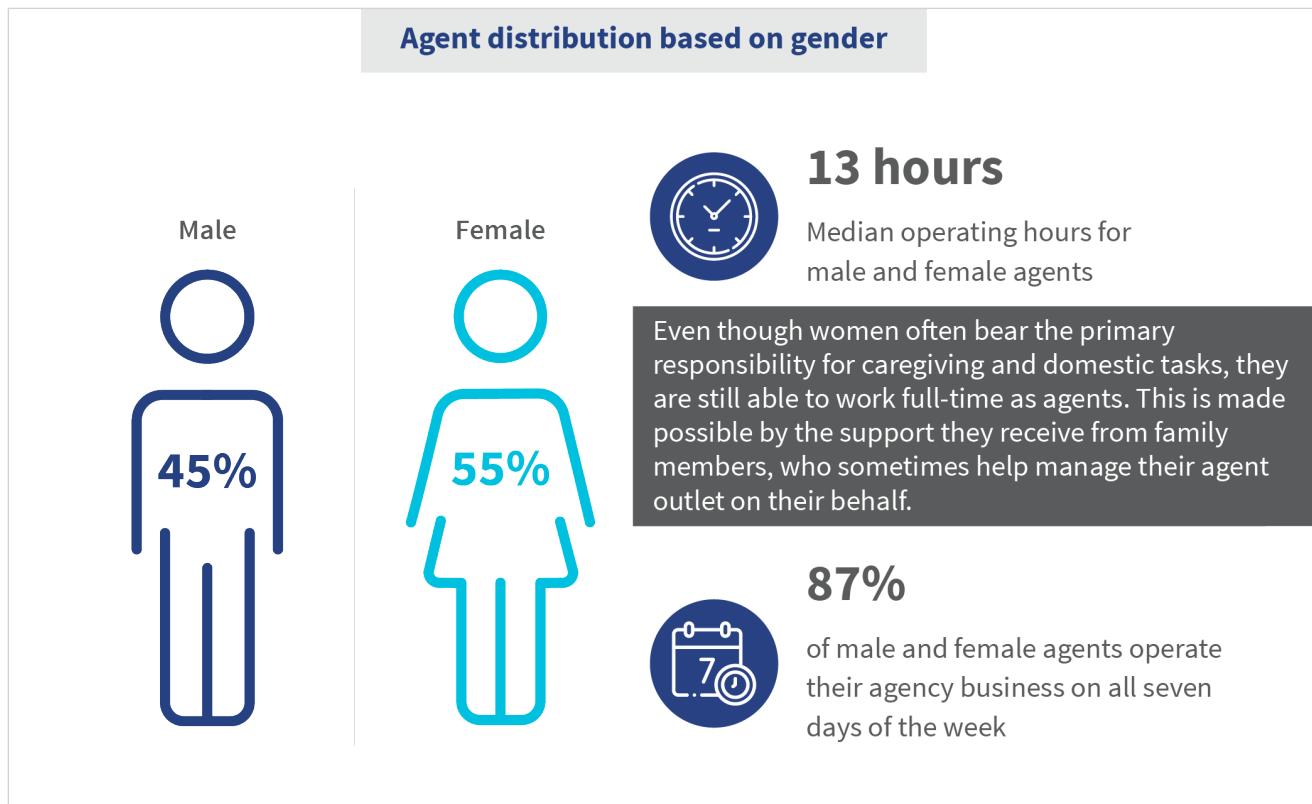
Rural **6%**  
Non-bank **2%**

# Gender dynamics in agent networks

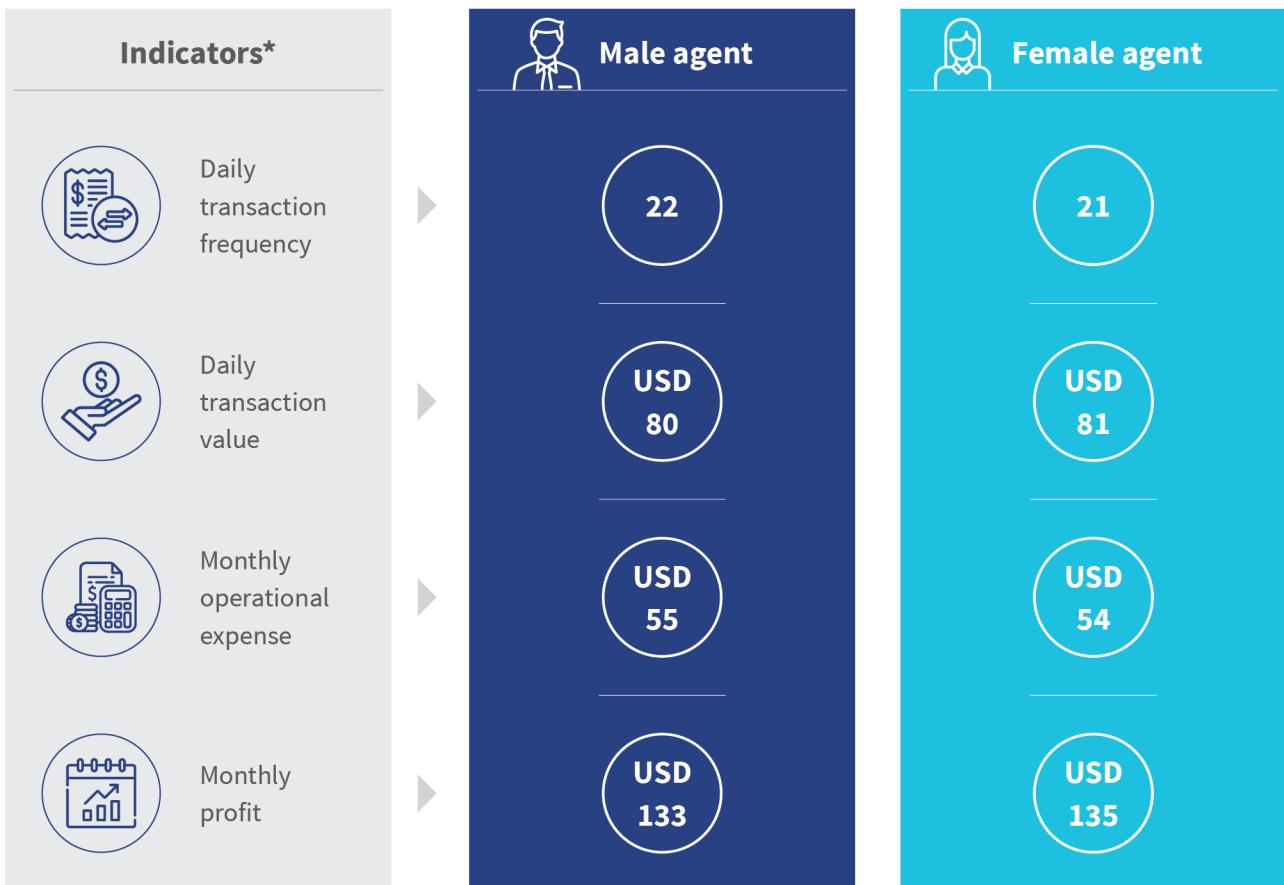


# Agents in Indonesia exhibit gender balance across various general parameters

The gender balance in the agent network mirrors the general trend of women running the majority (64%) of micro-enterprises in Indonesia.



## In terms of performance, female agents are at par with their male counterparts



\*Note: All values are median values

- 35% of female agents noted a profit of more than USD 200 as compared to 37% of male agents.
- Many service providers reported a trend where male agents are registered as the agency owners, while female family members are actually running the agency.
- The regulatory emphasis to address the gender gap, coupled with unbiased support from providers that do not favor any specific gender, has facilitated an environment where female agents can compete effectively with their male counterparts.

# Female agents are more likely to be the victims of robbery

## Robbery incidents among male and female agents



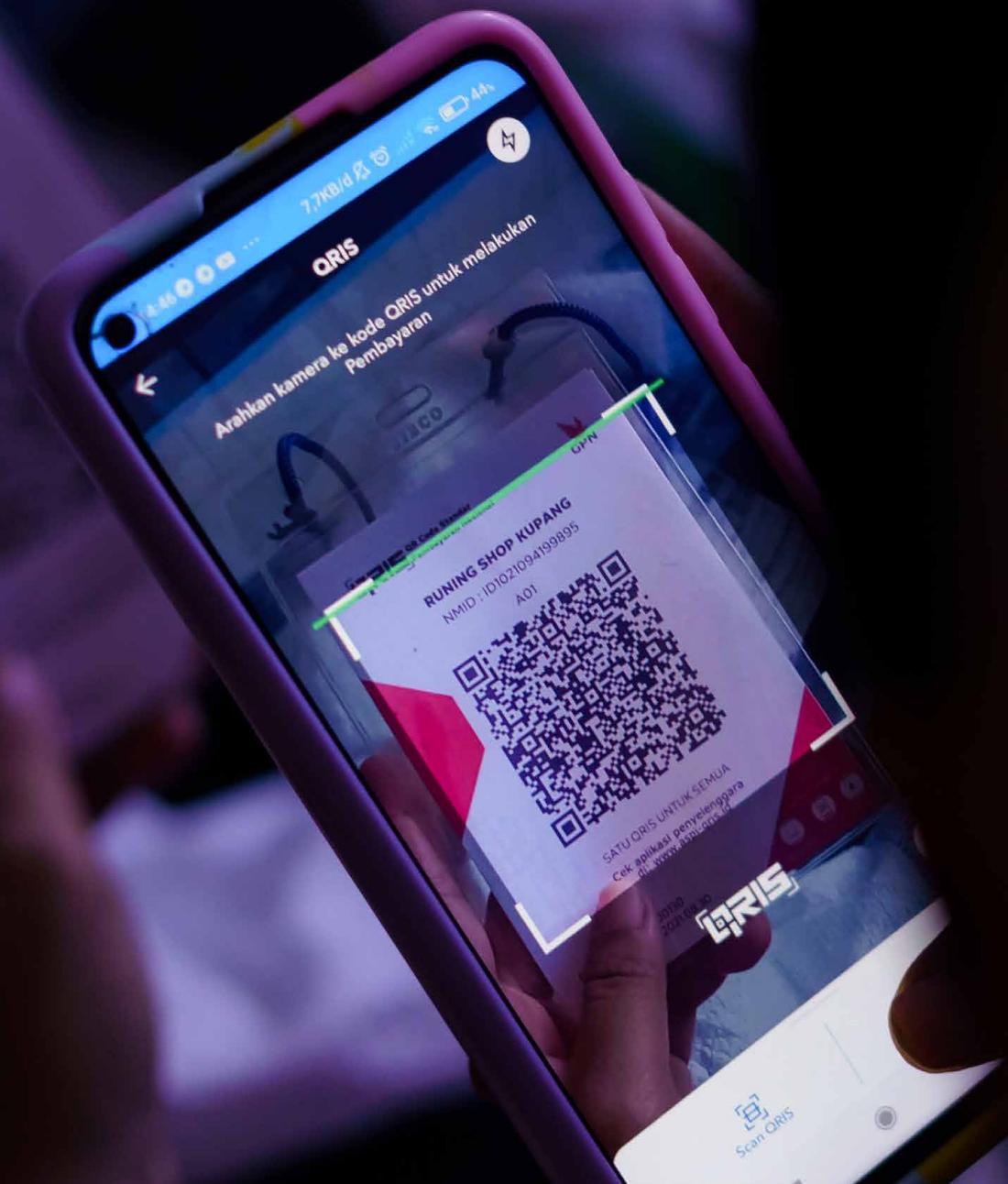
- Certain banks mitigate the impact of robbery incidents through cash-in-safe (CIS) and cash-in-transit (CIT) microinsurance coverage for agents.
- Many female agents reported that they bought counterfeit note detector machines to avoid fraud cases and conduct transactions only after they received money.



## Fraud incidents among male and female agents



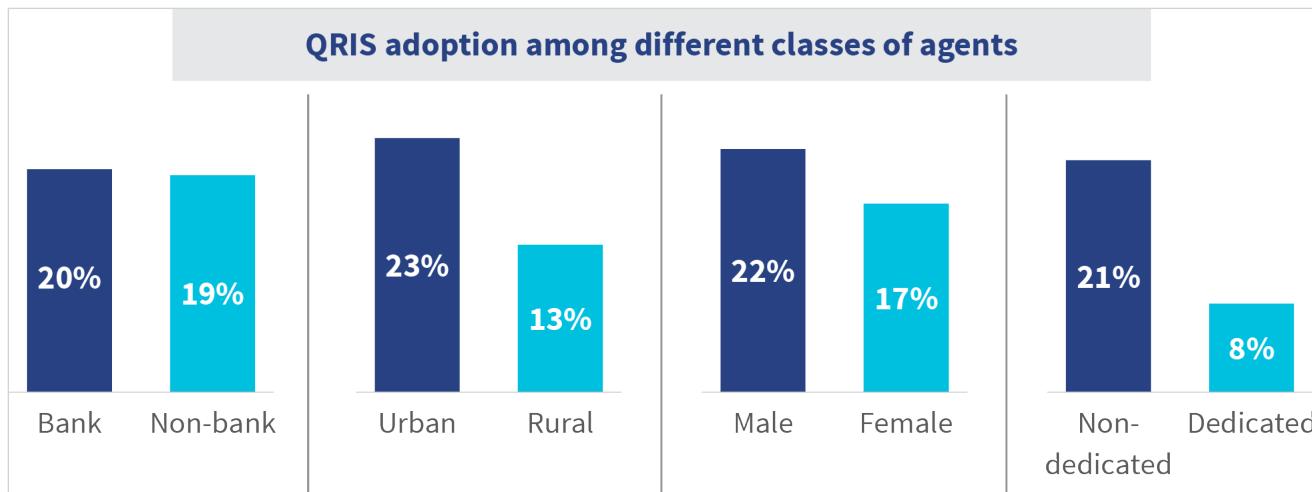
# Emerging products and services in the agent network





## 20% of agents in Indonesia have adopted QRIS payments

DFS agents are a prime target segment for QRIS adoption due to their ties to financial service providers, and their adjacent businesses that require digital payments.



- Several banks, such as BRI and Bank NTB Syariah, specifically set QRIS adoption targets for agents.
- Some agents hesitate to embrace QRIS due to long settlement processes that hinder their liquidity.

“

I used QRIS because Mandiri staff visited me and encouraged me to try it. In the first two months, I received regular visits from him to make sure I used QRIS frequently.

- Bank agent

”

“

I have static QRIS and the number of transaction is not high. Though I placed the QR code in front of the outlet, I rarely encourage customers to use QRIS because the settlement process is not in real-time.

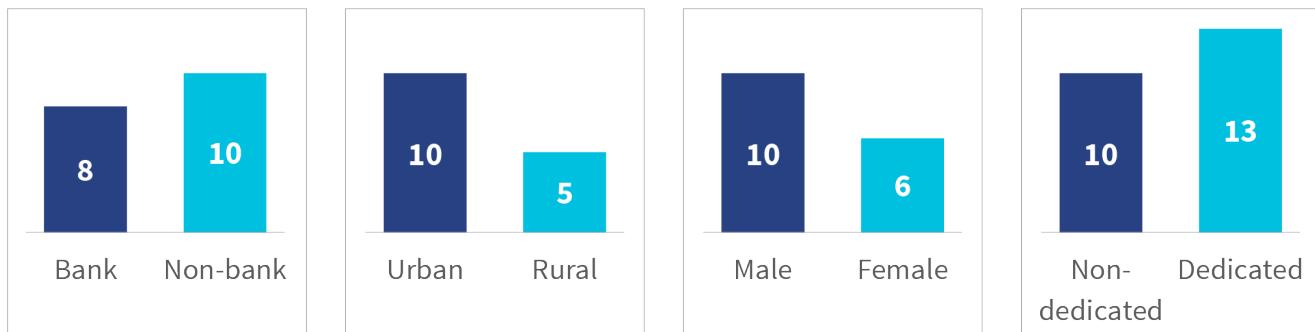
- Bank agent

”

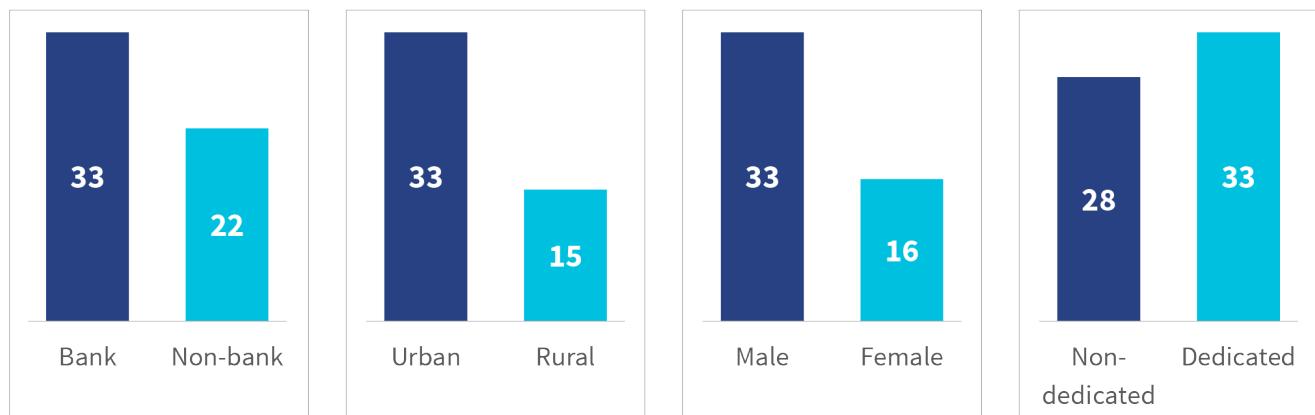
## QRIS transaction volumes and value remain limited as QRIS is not the agent's primary payment option

Agents conduct a median of 10 transactions per month worth USD 33 (median) per month.

Monthly median QRIS transaction volume (N= 398)



Monthly median QRIS transaction value (in USD)



“

While I placed a static QRIS code in my outlet, only a few transactions were conducted through it. I like QRIS, but I prefer cash mainly because it allows me to maintain liquidity.

– Indah, bank agent

”

If the settlement process was to happen instantly, I would consider using QRIS more frequently.

– Denny, bank agent

The figures align with the findings reported by ASPI in 2022 with volumes ranging from three to five transactions per month and values between USD 19 to USD 33.

## Case study: An agent who frequently uses QRIS

**While the adoption of QRIS among agents remains limited, it can increase if providers enhance communication on the merchant discount rate (MDR), emphasize the benefits of QRIS, and innovate on use cases through QRIS TUNTAS.**

“

**Emir, 38 years old male agent from an urban area in Padang**

I usually process fewer than 30 transactions a day using QRIS.

For cash withdrawals via QRIS, I charge IDR 3,000 for withdrawals between IDR 5k to 100k and IDR 4,000 for withdrawals between IDR 100k to 300k.

Settlements are delayed by a few hours. If the transaction occurs before 9am, I usually receive the settlement around 4pm. I am well-informed about the new MDR rate, and I have noticed that it is back to 0% again. Most of my customers are Gojek and Maxim drivers who opt for cash withdrawals through QRIS from their e-wallet.

### Agent characteristics:



High digital literacy



Located in dense or urban areas



Non-dedicated



### Agency business started

Started in 2019 as non-bank agent and joined BNI in 2023



### Transactions

**Average:** 250 transactions per day

**Most frequent:** Bill payments and insurance



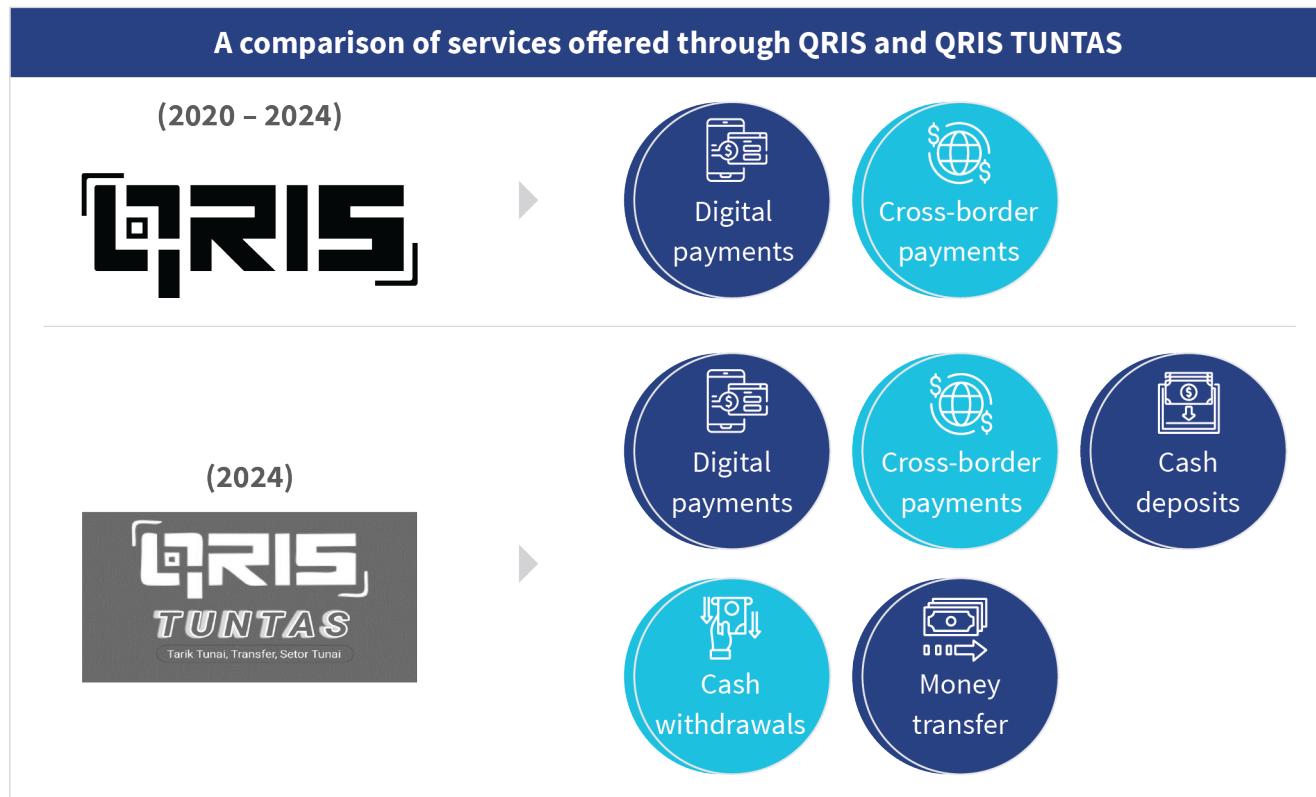
### Providers

**Bank:** BNI

**Non-bank:** New Reload, Digipos, Payfazz



# QRIS TUNTAS: Blurring the boundaries between a DFS agent and a merchant



- QRIS TUNTAS will enable merchants to offer basic cash in cash out transactions, which, in turn, will increase the availability of payment touchpoints across Indonesia. This can potentially reduce transaction revenues of traditional DFS agents as customers will have more choices for deposit and withdrawal transactions.
- The ANA 2023 findings highlight a rise in competition among agents, particularly in Java, where a higher concentration of agents has led to reduced per-agent profitability. The introduction of QRIS TUNTAS may compel service providers to devise new strategies to broaden their service offerings beyond traditional cash withdrawal and deposit services.

- Only two banks, Bank Sinarmas and Bank Mega, are fully integrated on QRIS TUNTAS and can offer all three services: deposit, withdrawals, and money transfer.
- Some financial service providers like Dana, BCA, and BRI offer only limited services as they are not fully integrated.

“

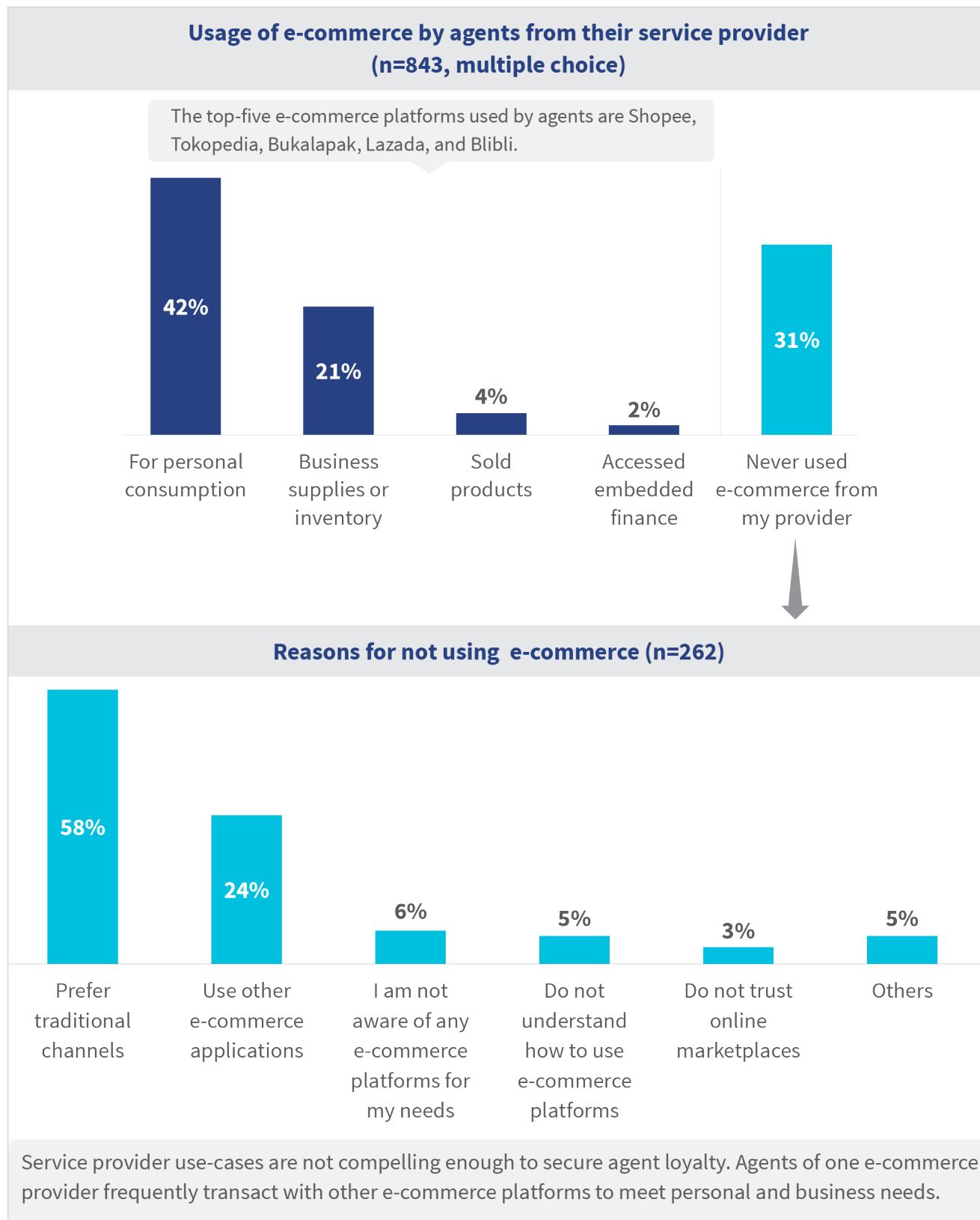
We are enthusiastic about adopting QRIS TUNTAS but unless all the major banks and financial service providers join the service, it will not have wider adoption.

– A non-bank service provider

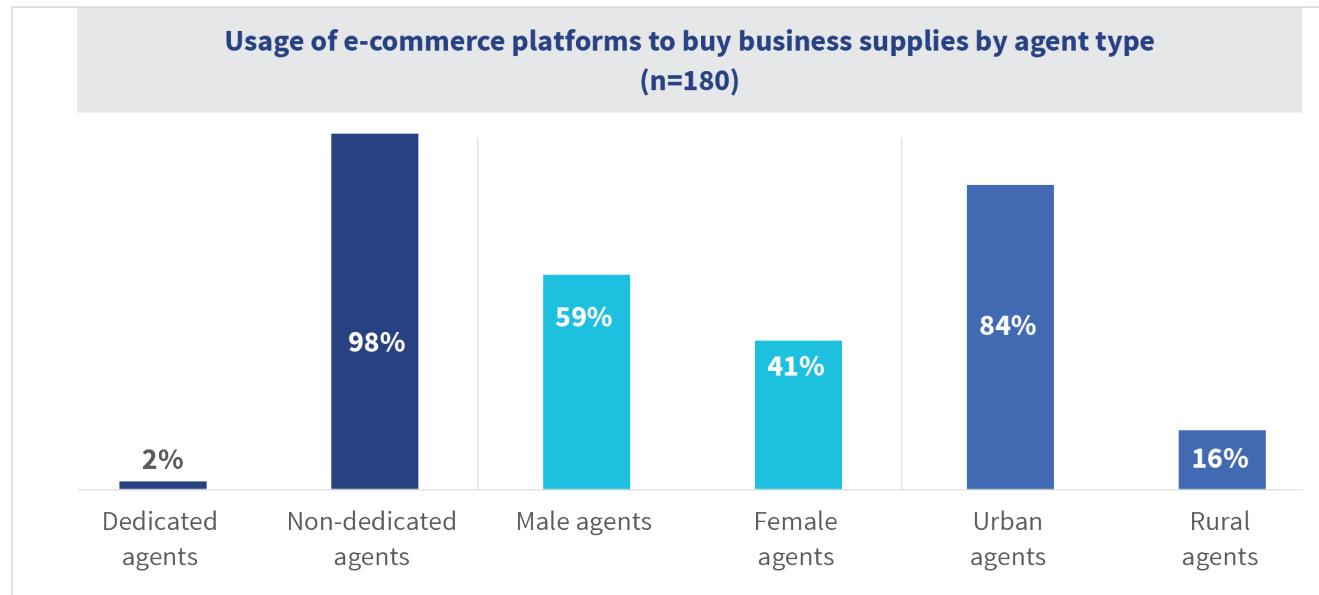
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# The adoption of e-commerce for business purposes among agents is low

The online-to-offline (O2O) payment services offered by e-commerce companies have not necessarily increased engagement among MSMEs (including agents) to conduct e-commerce transactions.

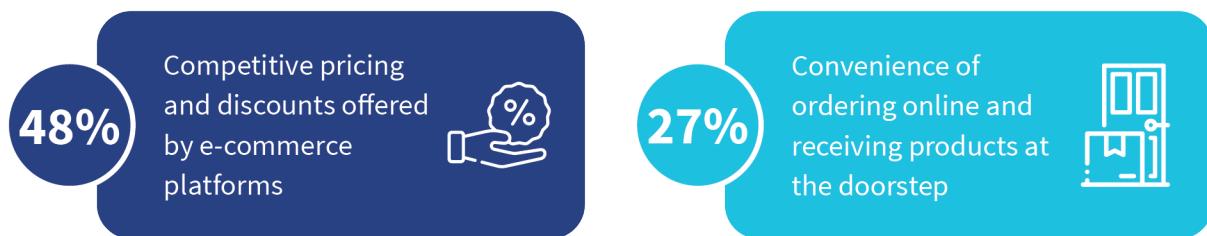


## Accessing e-commerce to purchase business supplies or inventory is the only use case with some traction among agents



- E-commerce use cases are fairly nascent in Indonesia. 64% of agents who use e-commerce to buy supplies have been doing it for less than two years. 29% of such agents have been using e-commerce for less than a year.
- Agents who use e-commerce (N=180) to purchase business supplies meet up to 30% of their overall needs through such platforms.

The top two reasons why agents prefer to purchase business supplies through e-commerce platforms (N=180)



“

I use the Shopee app (separate from Mitra Shopee) to purchase cheap mobile accessories and sell them at a premium to my customers.

– Hanafi, an agent in Padang

”

# Annex



# Glossary



## Glossary of terms (1/2)

Terms	Definition	
ASPI	ASPI stands for <i>Asosiasi Sistem Pembayaran Indonesia</i> (Indonesia's Payment System Association).	
BI	BI stands for Bank Indonesia, the central bank of the Republic of Indonesia.	
BPD	BPD stands for <i>Bank Pembangunan Daerah</i> (regional development bank).	
BPJS	Stands for <i>Badan Penyelenggara Jaminan Sosial</i> or the social security administering body that covers healthcare and medical treatment for individuals	
Dedication	Dedicated agent	An agent who solely conducts DFS business from their shop
	Non-dedicated agent	An agent who conducts other business from the shop alongside the DFS business
Digital financial services	DFS is the provision of payment and financial services activities that use digital technology, such as mobile applications or web platforms, either in a self-initiated mode or assisted by an agent.	
Exclusivity	Exclusive agent	An agent who serves only one DFS provider
	Non-exclusive agent	An agent who serves more than one DFS provider
G2P payments	G2P stands for government-to-person payments. In Indonesia, it also commonly refers to social assistance delivery, such as social assistance to underprivileged families ( <i>Program Keluarga Harapan</i> or PKH) and non-cash food subsidies ( <i>Bantuan Pangan Non Tunai</i> or BPNT)	
HIMBARA	<i>Himpunan Bank Milik Negara</i> is an association of state-owned enterprises in the banking sector initiated by Indonesia's Ministry of State-Owned Enterprises, which consisted of four banks: Bank Mandiri, Bank BRI, Bank BNI, and Bank BTN	
KUR	KUR stands for <i>Kredit Usaha Rakyat</i> , which is a government-backed loan program designed to support MSMEs	
<i>Laku Pandai</i>	<i>Laku Pandai</i> (or branchless banking) was an initiative launched by OJK (Indonesia's Financial Services Authority) that sought to promote financial inclusion by empowering individuals to act as agents. Currently, it refers to a banking agent.	
<i>Layanan Keuangan Digital (LKD)</i>	LKD is a digital wallet solution that can be offered by both banks and nonbanks and delivered via branchless banking agents.	
Liquidity	Liquidity is the cash and electronic funds (e-float) that agents or outlets have on hand to facilitate transactions and meet the financial needs of customers.	
Location	Urban	An agent who operates within the administrative city (Kota) boundaries as defined by the government
	Rural	An agent who operates within the administrative districts ( <i>Kabupaten</i> ) as defined by the government

## Glossary of terms (2/2)

Terms	Definition
OJK	OJK stands for <i>Otoritas Jasa Keuangan</i> , the Financial Services Authority of the Republic of Indonesia
QRIS	QRIS stands for “Quick Response Code Indonesian Standard.” It is a standardized QR code system used in Indonesia for electronic payments.
Rebalancing	Rebalancing is the activity agents undertake to adjust the distribution or composition of cash and e-float they hold. When an agent needs to rebalance, they can either A) travel to ATMs, bank-branches, or avail of on-demand delivery, or B) conduct self-initiated transactions, such as mobile or Internet banking.
Transaction frequency	Transactions were calculated as the sum of the reported average frequency of cash deposits (money transfers and money deposits), cash withdrawals, account opening, bill payments, top-ups, loan installments, insurance, and virtual account or online payment in the past month across all providers served by the agent.
Transaction value	Transaction values were calculated as the sum of the reported average value of cash deposits (money transfers and money deposits), cash withdrawals, account opening, bill payments, top-ups, loan installments, insurance, and virtual account or online payment in the past month across all providers' services by the agent.
Virtual account payments	Virtual account is a bank account created virtually for a specific transaction, typically in the form of a unique numerical combination that can be used to identify payments. This is primarily used for e-commerce and bill payments.
<i>Warung</i>	A <i>warung</i> is a traditional small-scale shop or food stall that offers various items, such as local snacks, beverages, groceries, toiletries, and daily household items.

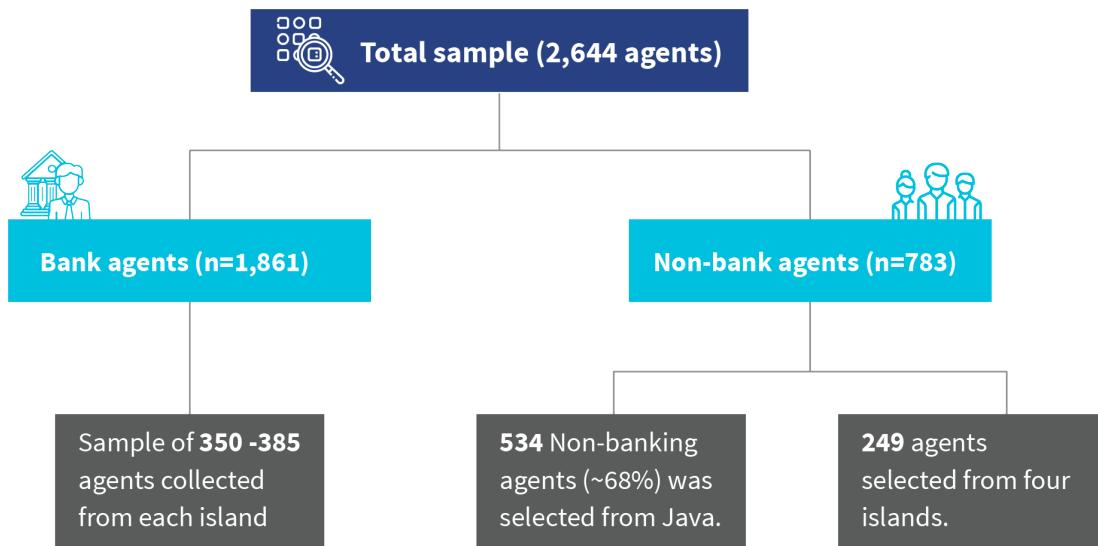
# Survey methodology



## Survey methodology (1/2)

- The study is based on a sample of 2,580 agents\* (1,920 bank agents and 660 non-bank agents).
- The sample was drawn from separate bank and non-bank universes instead of a common agent universe, due to the distinct business models followed by bank and non-bank agents.
- For bank agents, the survey incorporated island-level representativeness. Thus, the sampling plan includes a sample of 385 agents per island, sampling at a moderate error rate of 5% at a 95% confidence interval.
- For non-bank agents, the survey adopted national representativeness as the criteria to arrive at the sample size of 660 agents at a 4% error rate. National-level representativeness was selected, as almost 75% of the non-bank agents are in Java.

### Actual sample collected



\* The planned sample size for the survey was 2,580 agents, however, due to challenges in surveying agents from BPDs, the quota for BPD agents was allocated to nonbank agents. The total sample covered was 2,644 agents.



## Survey methodology (2/2)

The sampling procedure for both types of agents is as follows:



### Banking agents

- In all islands, we randomly selected four provinces (with purposive sampling for Jakarta and similar big urban centers)
- Within each province, we randomly or purposively selected districts and selected a maximum of 50 agents from each district.
- Regions within each district were marked as urban or rural through the probability proportional to size (PPS) sampling method.
- A random walk method was used to collect the sample in urban and capital areas. In rural areas, purposive selection from secondary sources was used.



### Non-banking agents

- In Java, the samples were drawn from the same provinces from where the bank agents' sample was collected. In the remaining islands, the sample was drawn from capital areas.
- Within each province, the non-bank sample was collected from the same districts that were sampled for bank agents.
- Industry research suggests that 80% of non-bank agents are based in urban areas. Using this benchmark, 80% of our non-bank sample was drawn from urban areas.
- A random walk method was used to collect the sample in urban and capital areas. In rural areas, purposive selection from secondary sources was used.

We used an Android-based hand-held CAPI module to perform the data collection and entry, and used rigorously tested and controlled processes.

# Agent network provider types





## Business model of bank agents

**Bank agents act on behalf of traditional banks and regional development banks (BPDs) to grant customers direct access to a wide range of financial products and services.**

<p><b>Key activities*</b></p>  <ul style="list-style-type: none"> <li>Provide <u>core banking services</u> (e.g. deposits, withdrawals, transfers)</li> <li>Acquire customers for banking products and services (e.g. account opening, loan referrals, and <u>micro-insurance</u>)</li> <li>Provide digital payment services (e.g. bill payment, top up, etc.)</li> </ul>	<p><b>Cost</b></p>  <ul style="list-style-type: none"> <li>Operational: Rent, utilities, maintenance costs, capital for float</li> <li>Investing in electronic devices</li> <li>Marketing and promotion</li> <li>Rebalancing</li> </ul>
<p><b>Value proposition</b></p>  <ul style="list-style-type: none"> <li>Offer convenient and affordable access to the banking services in underserved areas that have limited access to formal banking</li> <li>Decongest bank branches and reduce the overall operational cost by outsourcing routine transactions to lower-cost touch points</li> <li>Deliver on government mandates on financial inclusion, including social assistance delivery</li> </ul>	<p><b>Revenue</b></p>  <ul style="list-style-type: none"> <li><u>Commission fees</u> from deposits, withdrawals, and payments transactions</li> <li>Commission fees on account opening, loan referrals, and other third-party products and services</li> <li>Admin fees charged to customers</li> </ul>

### Service providers



\*POJK 01/2022 on branchless banking regulations

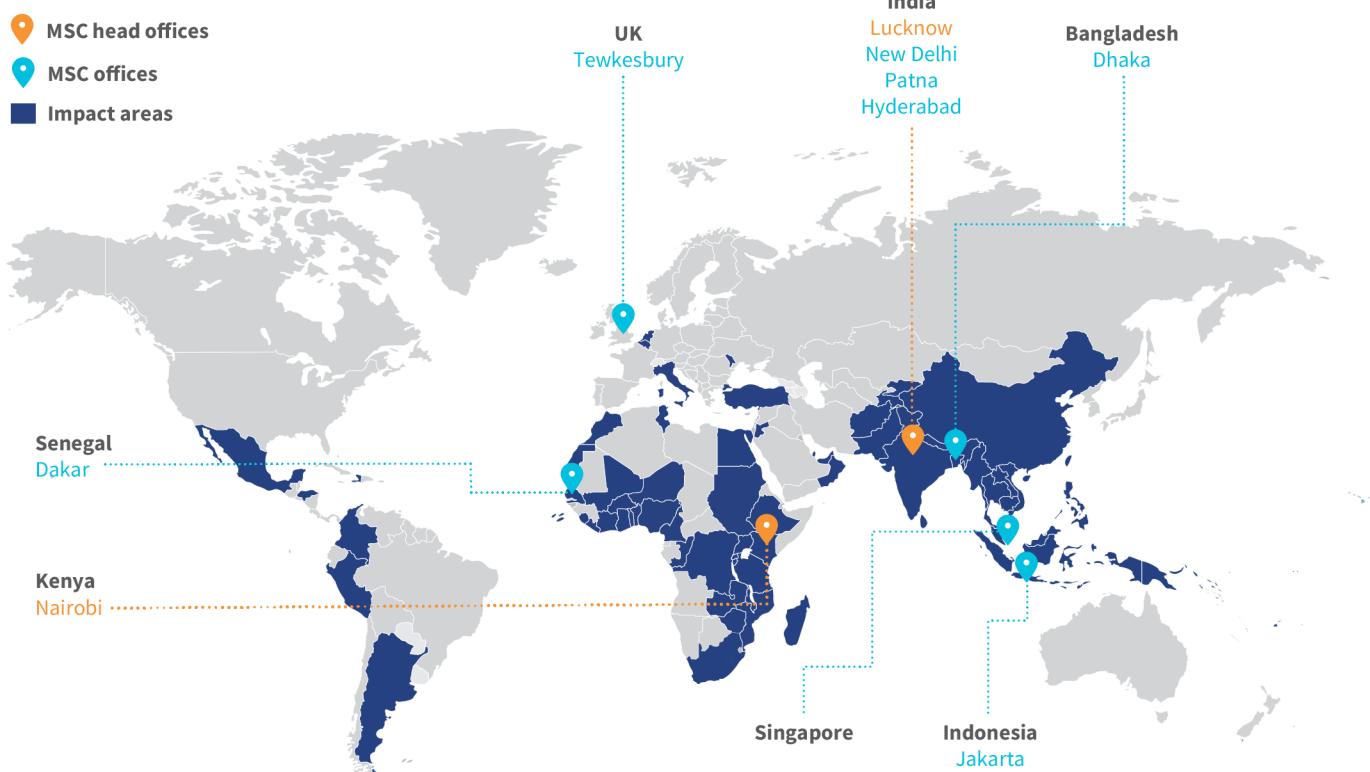
## Business model of non-bank agents

**Non-bank agents provide financial services without being directly affiliated with a traditional institution, and play a crucial role to promote financial inclusion in regions with limited banking infrastructure.**

<b>Key activities</b> 	<b>Cost</b> 
<ul style="list-style-type: none"> <li>Provide products, such as top-ups and bill payments</li> <li>Provide an offline channel for assisted e-commerce</li> </ul>	<ul style="list-style-type: none"> <li>Operational: Utilities, maintenance costs, capital for float</li> <li>Marketing and branding of the outlet or services</li> </ul>
<b>Value proposition</b> 	<b>Revenue</b> 
<ul style="list-style-type: none"> <li>Operations through a mobile application, self-service mode for sign-up, and lower set-up costs for agents results in increased scalability</li> <li>End-to-end digitization of micro and small businesses, besides offering them an addition business line of digital payments and assisted e-commerce</li> </ul>	<ul style="list-style-type: none"> <li>Commission fees from digital payment transactions</li> <li>Admin fee charged to customers for digital payment transactions</li> <li>Commission from assisted e-commerce transactions</li> <li>Savings derived from potentially buying goods and services at a lower cost</li> </ul>

### Service providers





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