



**USAID**  
FROM THE AMERICAN PEOPLE



## Tipsheet: Agent Banking 101

USAID promotes increased access to and usage of digital financial services (DFS) in order to deepen financial inclusion, accelerate broad-based economic growth, and instill transparency into funding flows. These tipsheets are intended to assist USAID implementing partners in Bangladesh to more effectively make use of these services.

Agent banking is the latest innovation in banking services available in Bangladesh. It aims to provide formal banking services to the unbanked, including populations that have traditionally been more inaccessible. Although officially sanctioned by Bangladesh Bank in late 2013, agent banking has only recently started to take off in Bangladesh in the past year and a half. It represents another channel, like mobile financial services, promoted by the Government of Bangladesh to promote financial inclusion.

### Features of Agent Banking

Agent banking services are provided by authorized banking agents. These agent points are much smaller than bank branches and are equipped with point of sales (POS) devices, mobile phones, barcode scanners, computers, and biometric devices. By reducing the overhead required to set up a bank branch and through its use of technology, agent banking allows financial institutions to reach underserved segments of the population, particularly in rural and remote areas, in a more cost effective way. The agent banking model also heavily stresses rural access, and banks are required to have two agent points in rural communities for every one agent point they have in an urban area.

### Availability of Agent Banking Services

To date, 12 banks are licensed to provide agent banking in Bangladesh, although there are currently two market leaders actively engaged in expansion: [Bank Asia Limited](#) and [Dutch-Bangla Bank Limited \(DBBL\)](#). Between the two of them, they expect that they will have agent points in every upazilla in Bangladesh by 2016. Right now, Bank Asia has over 300 agent points, while DBBL has more than 500 agent points across the country.

### Relevance to the Development Sector

Given the fact that less than a third of Bangladeshi adults had an account at a financial institution in 2014, agent banking represents a new channel for extending financial services to previously excluded Bangladeshi.<sup>1</sup> In particular, its focus on rural access makes agent banking a potentially attractive channel for the populations that are often supported by the development sector, especially in agriculture and other sectors focused on rural populations.

The focus on rural agent points means that agent banking has the potential to become an alternative financial service channel for rural populations, which now often only have limited options. While mobile

### Services Offered through Agent Banking

- Collection and processing of documents in relation to account opening
- Cash deposit and withdrawal of daily maximum BDT 100,000
- Savings products
- Fund transfer between accounts
- Cheque deposits
- Inward foreign remittance
- Loan application, credit and debit card application form collection and processing
- Small value loan disbursement and collection
- Utility bill payments
- Bulk disbursements
- Account balance inquiries

*Note: Not all banks with agent banking necessarily offer all of these services. Refer to each bank for more details.*

<sup>1</sup> <http://datatopics.worldbank.org/financialinclusion/country/bangladesh>



**USAID**  
FROM THE AMERICAN PEOPLE



financial service (MFS) agents are in most parts of Bangladesh, they are limited in the types of services they can offer. For example, they are not allowed to offer credit. In rural communities, this means that people often have to rely on micro-finance institutions (MFIs) and informal credit, both of which often have high interest rates. Since agent banking is backed by the bank's core banking platform, banks offering agent banking can provide a full suite of banking services on behalf of the bank (see the text box on the previous page for the main services available through agent banking). Loans offered by agent banking are often at lower interest rates, ranging from 10%-15.5%, compared to 25% - 31% for MFIs, depending on the repayment terms.

In addition, some of the other features embedded with agent banking are particularly well-suited for rural customers as well. For example, biometric verification means that individuals no longer need to remember a PIN, which is often a challenge illiterate populations face when using ATMs or MFS accounts.

Beyond the potential benefits to rural populations, agent banking also offers benefits to USAID implementing partners directly. While many organizations still use cash to make payments to small vendors, staff, and beneficiaries in the field, once those individuals have agent banking accounts, they could pay them directly from their head office without having to send cash to the field.

Like mobile financial services, all of the payments made by agent banking are traceable and accessible to corporate clients through transaction records and monthly bank statements. This means that they are more transparent than cash and easier to manage from a financial auditing perspective. Transactions made via agent banking, however, are more secure than those via MFS due to its use of biometrics. Since individual account holders must be biometrically authenticated before accessing their accounts, organizations that send money via this channel can be more confident that the intended recipient will be accessing the funds.

Agent banking is also interoperable. This means that a DBBL agent banking customer can send funds to a Bank Asia agent banking customer, and vice versa. At the moment, that is not currently possible with MFS providers. A bKash customer, for example, cannot send funds to a DBBL Mobile Banking customer.

Given all of the above, agent banking has the potential to both contribute to increased financial inclusion in Bangladesh, as well as to serve as a payment channel for development organizations. As such, it is a channel worth exploring by any development organization that makes bulk disbursements or promotes financial inclusion.

#### **Learn more:**

- Read these Infosheets on [Bank Asia Limited](#) and [DBBL Agent Banking](#) to learn more about their service offerings and pricing.
- Bangladesh Bank's Guidelines on Agent Banking for the Banks are available online at [https://www.bb.org.bd/aboutus/regulationguideline/psd/agentbanking\\_banks\\_v13.pdf](https://www.bb.org.bd/aboutus/regulationguideline/psd/agentbanking_banks_v13.pdf).

#### **DISCLAIMER**

The views expressed in this publication do not necessarily reflect the views of the U.S. Agency for International Development or the U.S. Government.

This tipsheet is supported by USAID's Mobile Solutions Technical Assistance and Research (mSTAR) project (Award #: AID-OAA-A-12-00073). It was written by [Afsana Rahman Khan](#) and [Josh Woodard](#). mSTAR offers on-demand technical assistance to support USAID implementing partners in Bangladesh with the transition from cash to mobile and electronic payments. To learn more about technical assistance options, contact Md. Majidul Haque, Technical Lead at [mhaque@fhi360.org](mailto:mhaque@fhi360.org).