



## **GloboKasNet – A Multi-Bank Agent Network in Peru**

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For quite a few years, banks in Peru had been offering a large variety of financial services to its customers through various access channels including mobile apps and agents. They were, however, facing the following major challenges:

- The agent network was spread mainly across Lima and customers in other areas were forced to travel long distances to access the network
- Liquidity issues at agent level
- Due to the topography of the country, the mobile network is quite patchy, resulting in many call drops and incomplete banking transactions
- Trust issue with bank ATMs for cash-in transactions due to previous experiences.

GloboKasNet identified the need for and started offering the services of a multi-brand agent network outside Lima to banks and corporates. Through this network of agents, GKN offers bill payment and banking transaction services to its customers. While banks were initially hesitant to use a shared agent network, the fact that there was a vast shared ATM network and a shared agent network was seen to be similar, made them open to the idea. The liquidity issue at the agent point was made simpler by GKN by offering bill payments (cash-ins), salary disbursements and account withdrawals (cash-outs) among other services. The cash-ins and cash-outs balance each other to a large extent, thus reducing the need for both ready liquidity and frequent bank trips for cash deposits by the agents. As GKN provides dependable connectivity to its agents, customers prefer the agent network to mobile transactions and to ATMs, despite high penetration of both access points.

The network has three types of agents:

- Traditional agents, who serve outside the coverage of bank branches
- Peripheral agents, who facilitate payments in high traffic peripheral areas such as markets, bus stops, etc.
- Mobile agents, who operate out of a booth in bank offices or branches, thus reducing traffic at the branch counter.

The banks have the following advantages from using GKN's services:

- Workable channel in areas without agents and with patchy mobile networks
- Agent reach in otherwise non-lucrative areas
- Decongested bank branches with small-ticket transactions shifting to agents

- GKN negotiates a fee with the bank for offering the service and this could be different with each bank, depending upon volumes and its relationship with each bank. However, in order to ensure that there is no conflict of interest at the agent service point, the commission paid by GKN to its agents is uniform across the banks.
- Agent on-boarding, training, supervision and liquidity issues are all handled by GKN
- Banks now have both an exclusive and a shared agent network

## **Agent Selection Criteria**

GKN uses the following criteria for agent selection:

- Ability to handle cash – the agent should have an existing business which involves handling reasonable amounts of cash. GKN, as a policy, does not provide cash management services or liquidity to its agents, and views inability on an agent's part to manage cash as a sign of trouble.
- The existing business should provide the agent enough cash flow to have the required working capital for this business
- GKN insists that every agent have a person to handle cash balancing and depositing, so that the outlet is not closed to the customers for this reason.
- Existing cooperative arrangements between agents in an area for managing their cash are taken as a major plus point. E.g., there are some far flung areas with branch access at quite a distance, and the merchants have already found a cash management solution in appointing a common courier for its banking needs. These kinds of systems are actively encouraged.
- At the time of acquisition, networks don't poach agents from each other. As all agents are geo-marked, everyone has visibility of others' networks.

GKN finds it easy to on-board agents as they see a number of advantages in joining the network. The services provided by GKN to the agent network in order to make it more efficient and profitable include:

- Privileged services to its agents at the teller counter of bank branches, thus helping them reduce the time involved in cash depositing.
- Training and supervision provided by GKN.
- Marketing and promotional support extended
- Increased revenue due to interoperability and corporate distributorship, loan repayments and salary disbursements. GKN is now also in the process of enabling its agents to act as collection and delivery points for e-commerce transactions.
- Increased footfall - All this not only increases the revenue for the agent, it also results in increased footfall in his shop, thus increasing the revenues from his traditional business as well.
- PCI-DSS (Payment Card Industry- Data Security Standard) compliance, which is quite expensive, is provided by GKN

- Systems and connectivity. Though the agent network operates mainly through PoS and card terminals, GKN maintains flexibility and installs other instruments where PoS is not required (e.g. internet cafes). Its systems are instrument and technology agnostic. These instruments are connected to GKN through secure internet connections, GPRS and satellite communications. GKN has its own switch for routing transactions across banks, making the processing faster
- GKN monitors the transactions carried out by agents on a real-time basis and publishes MIS on the same.

Corporates find the agent network useful not just as a distribution network, but also as it offers coverage in otherwise non-profitable areas with a less-cash model and access to cost-effective promotional campaigns. Bank customers are also hugely benefitted by GKN's services as they get access to affordable financial services in areas otherwise underserved, or where the services are not reliable for various reasons.

Right now, loan repayments and bill payments can be done through GKN without any need of registration or KYC.

This document was authored by Nidhi Prabhu (Program Officer, CAFRAL). For any queries, please contact on [nidhi.cafral@rbi.org.in](mailto:nidhi.cafral@rbi.org.in)