Agent Banking Performance and its prospects: A study on some selected publicly traded commercial banks in Bangladesh.

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Abstract: *Agent banking means providing limited scale banking and financial services to the underserved population through engaged agents under a valid agency agreement, rather than a teller/cashier. It is the owner of an outlet who conducts banking transactions on behalf of a bank. With regards to upward trend in economy banking sector is getting changes dynamically in terms of services, product and various operations. Different kinds of services and facilities make revolution in the banking sector. Internet Banking, Mobile Banking, SMS Banking, Agent banking etc. are the most effective and epoch-making facilities that boost up the banking activities intensely. Agent banking is one of the significant and revolutionary tools that make all time the rural people under a single umbrella of banking service. Agents banking play a vital role in banking sector for economic development both in urban and rural areas. This study is based on descriptive research where it focuses on the current growth of agent banking in Bangladesh and the future in the context of the state of agent banking. Secondary data were used as research data in this study.*

Keywords: *Agent Banking, BB, DSE, Economic Development, Regulation, Internet.*

I. Introduction

Agent banking is a unique, latest innovation and new service system to the banking sector in Bangladesh. It aims to provide formal banking services to the unbanked, including populations that have traditionally been more inaccessible. In agent banking service, the banking sector recruit agent points with valid agency agreement. The agent conducts banking transactions on behalf of a bank according to the agreement. Globally these retailers are being increasingly utilized as important distribution channels for financial inclusion.

Agent banking is a service which provides to customers a limited scale banking and the various types of financial and transactional services to people who doesn't get any opportunity or services from banking sector in their area and it will be provided through an agent who will be the representative of a certain bank and provide all the possible banking services they can get. It is gaining popularity among people because of its convenient and cost-effective nature. Bangladesh Bank has decided to promote this complimentary channel to reach to the poor segment of the society as well as existing bank customer with a range of financial services especially to geographically dispersed locations.

In agent banking service, the banking sector recruit agent points with agency agreement. The agent is the owner of that agent point and conducts all the transactions on behalf of the Bank. Bangladesh Bank pushes this service to reach the poor phases of the society in banking sector along with regular customers and for bringing transparency in financial transactions.

According to the agent banking guideline the software of any individual agent will be connected to the core software of the bank, so transactions that will take place in agent premises will be shown in the banking system real-time. To set up a branch in a specific area is very costly, so the banks are enhancing agent banking services for the unbanked people in which they have a little cost. In Bangladesh most of the people especially in rural area are unbanked. If these people can be included in the banking sector, then not only the economy of the country but also the unbanked people will be benefitted from it.

II. Objectives of study

This study focuses on the current scenario of agent banking operations of commercial banks in Bangladesh. The specific objectives of the study are:

i. To know about the performance of Agent banking operations of topmost commercial banks in Bangladesh.

ii. To evaluate the growth and expansion of agent banking operations of topmost commercial banks in Bangladesh.

iii. To identify problems, challenges and prospects of agent banking operation

iv. Providing some policy suggestions for the development of agent banking in Bangladesh.

III. Methodology of the Study

This study has done fully based on a descriptive analysis to investigate the performance of agent banking activities of the commercial banks of Bangladesh. Secondary data is the principal base of information for this study. Most of the data have been collected from the secondary sources like as, annual reports of the concerned commercial Banks, websites of the concerned commercial Banks, Bangladesh Bank website, SRO's issued by Bangladesh Bank, Website of DSE, periodicals, newspapers, journals etc. Time period is taken under consideration from the year 2019 to last published annual report of 2023.

IV. Literature Review

Agent banking has been adopted and implemented with varying degrees of success by a number of developing countries. Brazil is often recognized as a global pioneer in this area since it was an early adopter of the model and over the years has developed a mature network of Agent banks covering more than 99% of the country's municipalities. Other countries have followed suit, including Mexico, Peru, Colombia, Ecuador, Venezuela, Argentina, Bolivia, Pakistan, Philippines, Kenya, South Africa, Uganda and India.

In Bangladesh agent banking services was launched in 2014 (Sanford, 2014). On December 9, 2013, Bangladesh Bank issued a policy on conducting agent banking activities. In January 2014, Bank Asia launched its first agent banking service. The pilot survey started in Sirajdikhan upazila of Munshiganj district. The bank appointed Islam Sheikh, a businessman from Jainsar Union, as its first agent (Hasan, 2019). The accessibility of cell phones as well as the internet in remote regions made business activities like agent banking operations more accessible (Khan et a;., 2015; Roy et al., 2017).

Due to the popularity of agent banking in Bangladesh most of the commercial banks are focusing on agent banking, particularly in rural locations (Ahmed & Ahmed, 2018). Rural populations are growing heavily dependent on agent banking. Private commercial banks are attempting to expand into regions where there are no conventional banking services. Clients can make deposits as well as cash withdrawals at agent-operated outlets without having to go to a bank office. Many banking services are now accessible in rural areas, instead of going cities for these services (Afzal, 2017). Over the last several years, the idea of agent banking made a substantial contribution to the Bangladeshi rural economy and is growing increasingly prominent. People are receiving foreign remittances, and they are now using this method to pay their utility bills. Some young people are also discovering new job prospects as agents (Hossain & Khan, 2016; Khan et al., 2021).

The size of the economy of Bangladesh is increasing in a positive and fastest manner (Khan et al., 2017; Hossain & Khan, 2019). Agent Banking and Sub-Branch Banking are groundbreaking initiatives in the banking and economic sectors of the country. Through this, people in remote and wide areas of the country come under the banking facility (Khan, 2020). Now rural people like urban areas are also getting banking facilities (Khan & Sharma, 2020). As more than 60 per cent of agent banking accounts is in villages, it is playing a special role in keeping the rural economy afloat. However, rural customers are relying heavily on agent outlets to raise remittances as the government is giving incentives for remittances, (Nisha et al., 2020).

Agent banking users get a certain amount of banking solutions through a bank′s agent, and this technique is getting popular like a cost-effective distribution channel for the bank along with a comfortable way for customers to receive financial services (Hasan, 2019).

Siddiquie (2014) finds that Agent banking activities are being conducted very successfully in various countries likes Latin America, Africa and Australia and the United Kingdom. In these countries, the bank plans to increase the number of agents of agent banking as a strategy to reduce operating costs of the bank. A study conducted on the banking sector in Kenya clearly shows that the various steps taken by the agent banking activities have a significant impact on the profit growth of commercial banks (Aduda et al., 2013). There is a positive correlation between agent banking and profit growth of commercial banks. As a result, banks are turning to agent banking.

Nezianya and Daniel (2014) think that if rural people can be involved in banking services through agent banking, the amount of profit can be further increased. Atandi (2013) opined that agent banking could play an important role in mobilizing the rural economy and may resolve the slow pace of development of individual enterprises. Indeed, with the increasing development of new technologies and institutional innovations, if the country’s citizen can be brought to the same platform then financial self-sufficiency will be possible which will strengthen the business enterprise.

Nefa Chiteli (2013) finds Commercial banks conduct agent banking operations as a competitive strategy and they create interconnectivity with commercial banks within their own work environment. Malaysia started agent banking in 2012 as a pilot project. More than one million money transactions were made through 2322 agent banking outlets, which is 190 million in Malaysian Ringgit (RM). About 11% of Ghanaians accept banking services without an account at a financial services provider. In this process, they apply the agent banking concept for money transactions (Kumar et al., 2006).

Reviewing the literature on agent banking, researcher has come to the conclusion that there has not been much research or comprehensive assessment of agent banking in Bangladesh. This study presents a summary of the current state of agent banking activities as well as provides statistical information on how the sector will expand in the future.

V. Working procedures of agents

• Agents will have a device connected with bank’s core banking software to do real time transaction;

• Banks will do the branding of agents so that people understand about their services;

• Agents will deposit a certain amount of money get the limit from the bank and up to that approved limit they can do their transactions with customers;

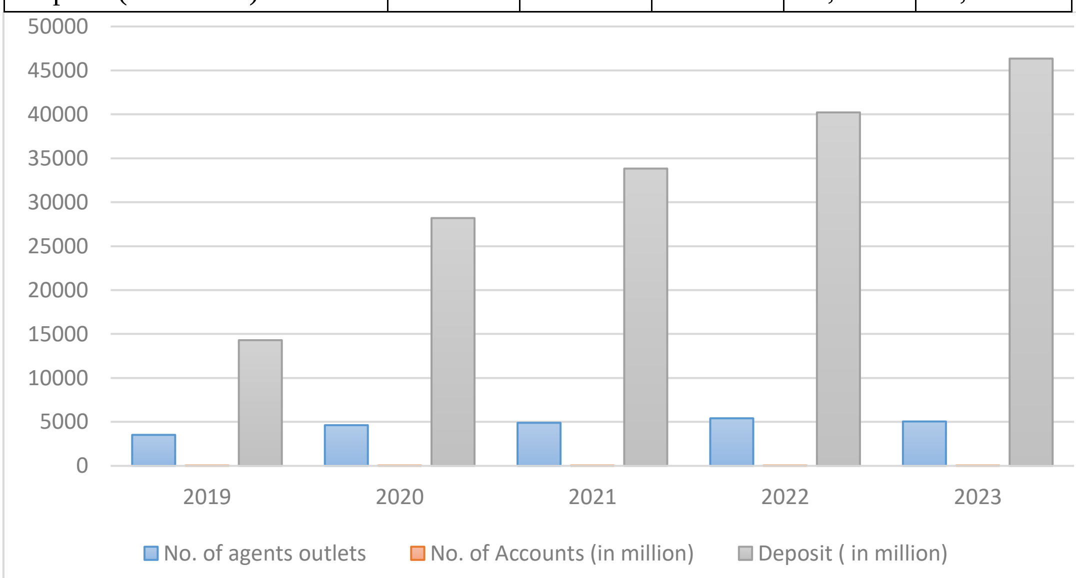
- Agents will not be allowed charge any bank customers directly;
- An agent will operate under a designated and nearest branch of a bank;
- Agents will work on fixed commission basis, after a certain interval the commission will be credited to agents.

VI. Analysis

1. Information regarding Agent Outlets, No of accounts and Deposits collected by Bank Asia PLC:

Data source: Annual Report of Bank Asia PLC.

Particulars	2019	2020	2021	2022	2023
No. of agents outlets	3525	4628	4898	5414	5051
No. of Accounts (in million)	2.5	3.61	4.92	5.55	6.38
Deposit (in million)	14303	28199	33830	40,222	46,349



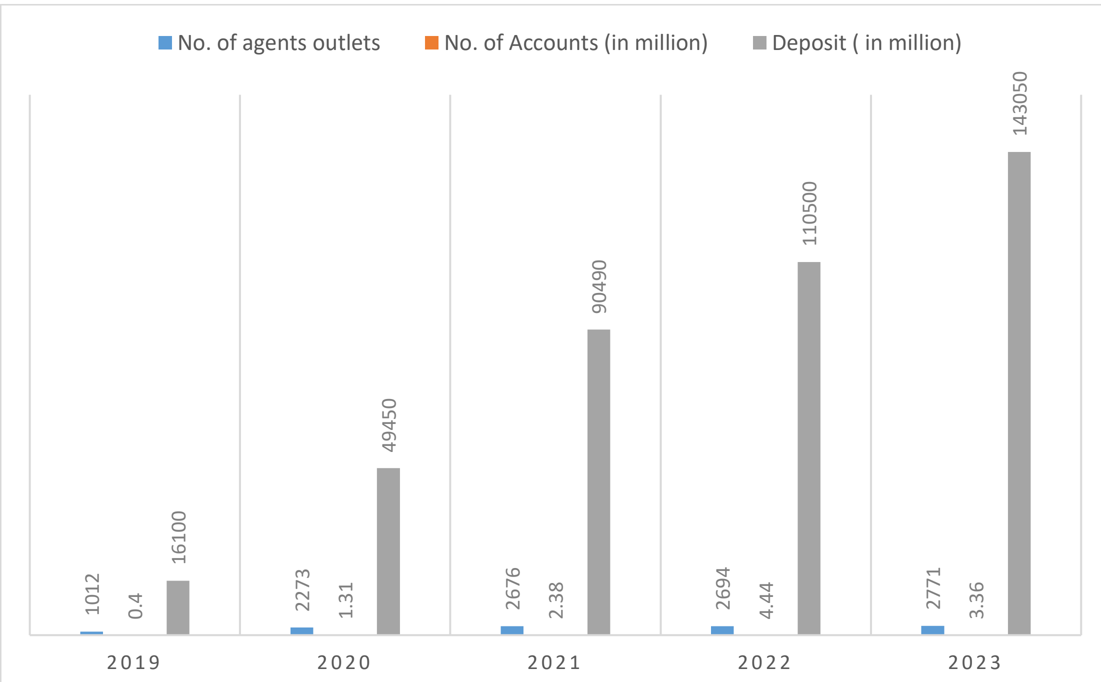
From the table and graph it is observed that in Bank Asia PLC collection of deposits is increasing rapidly.

International Journal of Scientific Research in Engineering and Management (IJSREM)
Volume: 09 Issue: 01 | Jan - 2025 SJIF Rating: 8.448 ISSN: 2582-3930

2. Information regarding Agent Outlets, No of accounts and Deposits collected by Islami Bank Bangladesh PLC (IBBPLC):

Particulars	2019	2020	2021	2022	2023
No. of agents outlets	1012	2273	2676	2694	2771
No. of Accounts (in million)	0.40	1.31	2.38	4.44	3.36
Deposit (in million)	16100	49450	90490	110500	143050

Data source: Annual Report of IBBPLC.

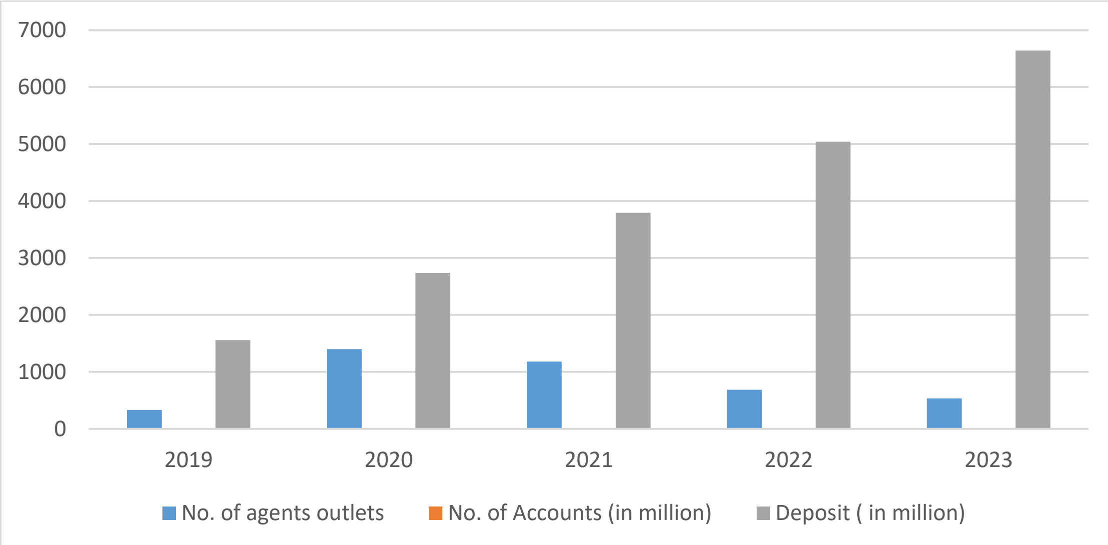


From the graph it is seen that Islami Bank Bangladesh PLC is expanding their agent banking business is steady growth. In each year their customers are increasing.

3. Information regarding Agent Outlets, No of accounts and Deposits collected by City Bank PLC:

Particulars	2019	2020	2021	2022	2023
No. of agents outlets	265	400	571	700	737
No. of Accounts (in million)	0.23	0.33	0.51	0.71	0.89
Deposit (in million) BDT	15436	23524	31016	37278	40072

Data source: Annual Report of City Bank PLC

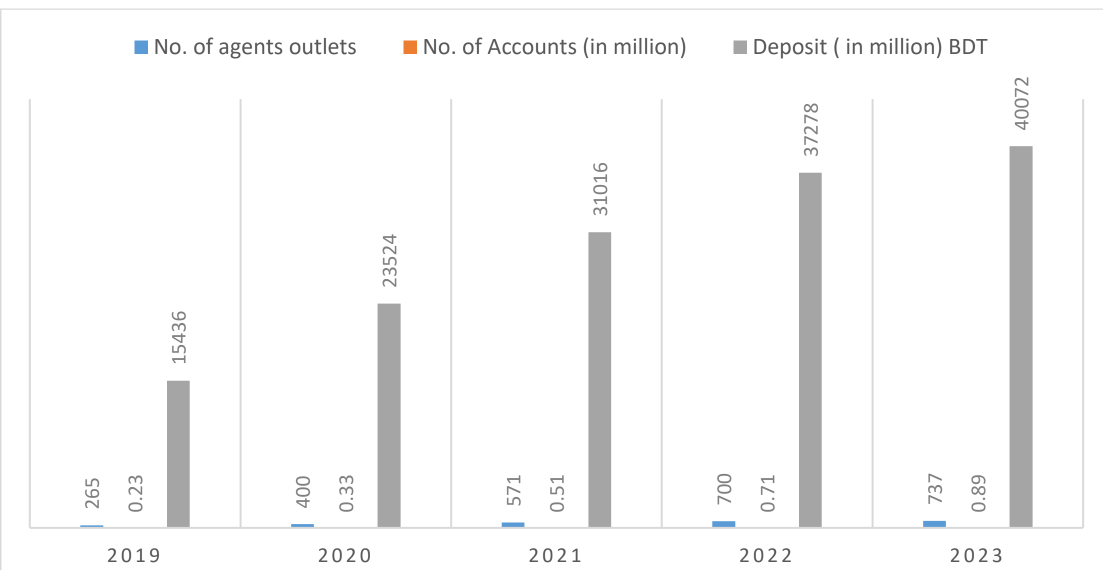


From the graph it is seen that City Bank PLC is collecting deposits by agent banking in a positive manner but its agent outlets are in a decreasing trend from the year 2021.

Particulars	2019	2020	2021	2022	2023
No. of agents outlets	331	1400	1183	690	535
No. of Accounts (in million)	0.085	0.16	0.25	0.293	0.3
Deposit (in million)	1558	2739	3794	5039	6640

4. Information regarding Agent Outlets, No of accounts and Deposits collected by Al- Arafah Islami Bank PLC (AIBPLC):

Data source: Annual Report of AIBPLC.



By analyzing the data it is seen that Al-Arafah Islami Bank PLC is in an expanding trend their agent banking business. In each year their business is increasing.

VII. Findings of the study

Agent banking is becoming one of the fastest growing banking business in Bangladesh but there has some limitations and problems. The major findings of this study are given below:

a. Though agent banking has becoming more attractive day by day but no. of agent outlets are reducing in some cases.

b. Number of users are gradually increasing.

c. Amount of deposits of the banks are increasing in each year which have a positive impact on liquidity and profitability of banks.

d. Rural unbanked peoples are getting banking facilities in real time fashion.

VIII. Recommendations

For more convenient and easy access the following issues may be considered:

1. As agent banking service is now one of the popular services so for more safety banks should impose strong monitoring on Agents.

2. Banks should take this service more seriously and should try to spread agents throughout the country as soon as possible.

3. The government should provide some special benefits to the banks for implementing agent banking.

4. Anti-Money Laundering is the world's most concern issue now a day, so banks should strongly focus on Agent Banking that there will be no violation of AML.

IX. Conclusions

Agent banking has a huge possibility in Bangladesh. Few banks are taking different initiatives to make this service popular in Bangladesh. Agent banking continues to play an important role in improving the socio-economic condition of the country. Agent banking has a huge contribution to make to financial inclusion, especially in developing countries like ours. Bangladesh has now become a shining star in agent banking as policy makers and regulators have considered this issue with deep interest and importance from the very beginning. In future more and more people will use this service because of its convenience and it will help them to make their daily life easier. Bangladesh bank has proper guidelines and policies for agent banking and the banks have to be very vigilant for employing those policies to make it the biggest triumph story.

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