

# Competition in the Branchless Banking Agent Market: Effects and Strategic Response

## Final Project Report

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Competition in the Branchless Banking Agent Market: Effects and Strategic Responses	
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### **Abstract**

We partner with one of Indonesia's largest banks to test how increased competition in the market for branchless banking affects the willingness of banking agents to transparently disclose the bank's official prices and refrain from charging illicit fees above the published price list. In the first experiment, the bank's branchless banking agents received randomized information about the expected increase in competition in their local area. Subsequently, they were given an incentivized choice to enroll in a marketing plan that discloses the bank's official prices or an alternative plan that does not require them to disclose official prices to their customers. In a complementary experiment, we will directly provide a randomly selected sample of clients with information about the bank's official prices. From our preliminary analysis using survey data to 3,006 agents and 3,993 clients, we observe the tendency of agents to overcharge and "shroud" information about official transaction fees from clients. Our preliminary findings suggest that providing agents with information about an increase in expected competition significantly increases price transparency.

### **Introduction**

Digital financial services have expanded rapidly across the developing world and are increasingly displacing conventional banks as the primary entry point into the formal financial system (Demirgüç-Kunt et al., 2022). While digital financial services offer many benefits for low-income populations, they also give rise to new consumer protection challenges. One widespread concern is the high prevalence of agent misconduct and illicit extra charges, which reduce consumer welfare and

undermine trust in new financial technologies (see, e.g. Annan, 2022). This is an important concern in many emerging economies including Indonesia, where a nationwide survey we conducted among branchless banking customers indicated that 60% of customers expect to be charged illicit extra fees when making standard banking transactions. Such widespread expectations of agent misconduct may pose a significant barrier to financial inclusion, as they may reduce customers' willingness to interact with digital financial service providers or deter low-income households from using formal financial services altogether. The experiment conducted in this study is designed to (i) measure the consumer demand for price transparency and the extent of financial agent misconduct, (ii) examine whether increased competition—resulting from the rapid growth of Indonesia's branchless banking network—is likely to make branchless banking agents more willing to transparently communicate official prices and less likely to charge illicit fees in an effort to win consumer trust and grow their business, and (iii) estimate the returns to price transparency.

Indonesia has a relatively low penetration of financial services, especially among rural and low-income households. In 2017, only 49% of Indonesian adults had a bank account, compared to 71% in other middle- and low-income Eastern Asia Pacific countries (Demirgüç-Kunt et al., 2017). In response to this issue and to further financial inclusion, in 2014, the Government of Indonesia adopted a law that establishes the framework for banking services that do not require branch offices called “branchless banking”. The Indonesian model of branchless banking works similarly to that used in many other countries, where locally-based agents offer basic banking services that are normally performed at more distant branch offices or ATMs (Mas et al., 2008; Jack and Suri, 2014; Batista and Vicente, 2019). During the COVID-19 pandemic, this model of branchless banking was extremely useful to sustain access to basic financial services and social protection programs in the country, while minimizing infection risks. For example, branchless banking agents who are assigned for Bansos (in charge of Government to citizen transfers) are also responsible for disbursing various government social assistance programs, such as the basic food assistance, the family hope program, the cash transfer program, and the pre-employment card.

While the expansion of branchless banking agents has made it possible for millions of Indonesians to access financial services close to their home in rural and urban locations, there is still plenty of room for the industry to grow. There is currently significant competition between the five largest national banks that aim to be leaders in the branchless banking market. Each of these banks has established an extensive network of branchless banking agents that continues to grow at a rapid pace, especially in rural locations, and fintech firms are soon expected to start offering branchless banking transactions (MSC, 2020). Both market incentives and regulation facilitate the entry of new players and the expansion of existing players (e.g. recently the banking regulator (OJK) has allowed banks to use agents who are not directly affiliated with the bank) has led the current model of branchless banking to significantly expand in the past few years. Bank Mandiri, one of the five leading banks in the country, for example, has increased the number of branchless banking agents in the country from about 10,000 in 2015 to more than 80,000 by the end of 2021, and is currently planning to recruit about 10,000 more agents throughout the country to penetrate new markets and solidify their market position in existing ones.

Despite the rapid expansion of branchless banking services across Indonesia, there is an overarching concern that low client trust in digital financial services may be hampering demand and limiting financial inclusion (Deserranno et. al., 2023). One of the main sources of mistrust in digital financial services is related to the lack of price transparency and the high prevalence of informal fees and illicit extra charges that has been documented in many countries worldwide (see, e.g. Annan, 2022; Breza et al., 2022). A nationwide survey we conducted with branchless banking clients in Indonesia (n=1,500) in preparation for this study, documents that around 60% of respondents agreed with the

statement that “most branchless banking agents charge higher transaction fees than what is set by the Bank”, and 51% of clients think that this is an unfair practice. Further, 92% of clients say they would strongly prefer to do business with an agent who publicly displays the Bank’s official price lists. This strong customer demand for price transparency contrasts with the perception of branchless banking agents. Results from a survey with agents that offer banking services (n=836) show that only 8% of agents think that clients value transparency, and consequently, more than half of our respondents do not display the official price list to clients, despite the fact that the bank requires its agents to post the official prices at their point of sale.

Economic theory makes ambiguous predictions about the effect of increased competition on market transparency. On the one hand, competition incentivizes agents to become more transparent in an effort to win their clients' trust and grow their business. On the other hand, competition makes financial agents more reluctant to be transparent to preserve market power and the ability to price discriminate. Our study will examine whether and under what conditions competition can improve market transparency. Our experiment is designed to understand which of these effects dominate, and what are the returns to alternative policy options to enhance price transparency. This, in turn, can provide actionable guidance to policymakers and regulators and inform the choice of policy instruments that are most effective at strengthening market transparency, reducing financial agent misconduct, and maximizing consumer welfare. If competition indeed strengthens incentives for price transparency, regulators should give priority to policies that strengthen market competition and reduce market power, even in remote locations. If, by contrast, increased competition does not have a positive effect on price transparency, banks and regulators may be better off by investing in transparency campaigns that allow customers to directly hold agents accountable for their pricing strategies.

Our main experiment will test the effect of competition on price transparency by introducing exogenous variation in the expected level of competition in the local market. This will allow us to test whether the anticipation of a more competitive market environment makes financial agents more willing to be transparent in an effort to signal trustworthiness and grow their business and if in turn, this leads to higher levels of client trust, and a higher volume of savings and transactions. In a complementary experiment, we will benchmark the results against an alternative intervention in which the bank enforces price transparency by directly providing a random group of clients with the official prices for the main transaction services offered by branchless banking agents. This will allow us to cleanly estimate the market returns of price transparency as well as the impacts on client trust, agent behavior and consumer welfare.

We executed our study in collaboration with one of the largest government-owned banks in Indonesia. We conducted the pilot experiment in West Java, where our bank partner has agreed to test the intervention with the universe of agents currently working for the bank (N = 9,848). As of the preparation of this final report, we have successfully completed the main experiment data collection to the bank agents and the baseline survey to the clients for the complementary experiment.

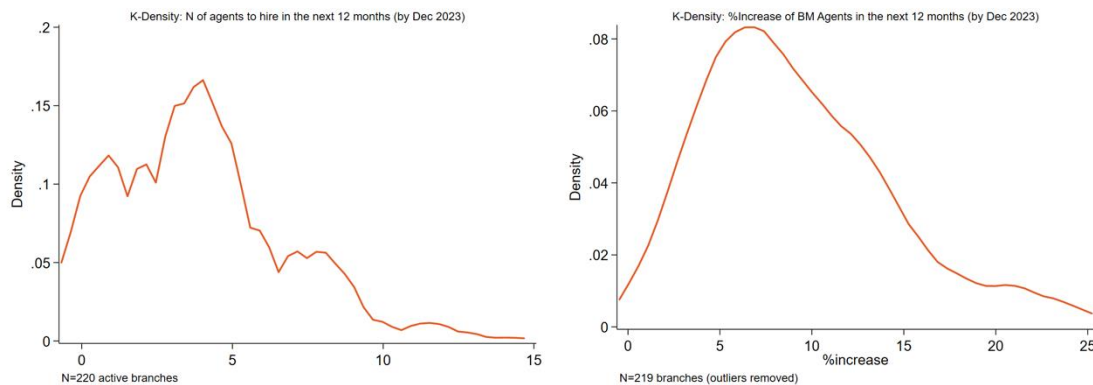
We document our preliminary findings using survey data to 3,006 agents and 3,993 clients conducted throughout November – December 2023. We highlight four important findings from our preliminary analysis. First, around half of clients in our survey reported that they are being overcharged and that they will easily switch to other agents who offer lower prices. Second, price is perceived as one of the most important characteristics of an agent from the perspectives of both agents and clients, alongside close proximity and availability of agents. Third, our descriptive results show that the majority of agents' have preference to shroud information about transaction fees from clients. This is in line with

our finding from our qualitative interview with two agents in West Java. Finally, our preliminary regression estimates show that providing information on an expected increase in competition significantly increases the probability of agents in choosing transparency marketing plans.

Due to the challenges we faced in communicating and coordinating pilot preparation and implementation with our bank partner, we encountered delays in completing our pilot experiment compared to the initial plan. However, our bank partner is fully committed to providing the necessary support to conclude our study in West Java. The remaining activities for our pilot, which include the price poster distribution and endline survey to clients, are currently underway. Beyond the initial pilot, the bank is also quite keen on continuing our collaboration to either scale up the project to the whole network of agents in Indonesia, and to conduct additional complementary experiments that will allow us to delve deeper into the mechanisms driving the observed effects.

### **Research Design**

Our study took place in the context of our bank partner's annual recruitment drive, in which the bank was planning to hire about 10,000 new agents across Indonesia throughout 2023, with 800 agents to be hired in West Java. The distribution of the planned increase in the number of agents at the bank partner's 220 branches in West Java is shown in Figure 1. Each branch has a catchment area that typically covers multiple sub districts and villages, and thus can be considered a distinct local market. Figure 1 shows that there is wide variation in the distribution of new agents to be hired across the catchment areas of the 220 branches.



**Figure 1:** Planned Increase in the Number and Percentage of Branchless Banking Agents across Branches in West Java, 2023

### **Information Experiment**

In our first experiment, we will explore how an increase in expected competition affects the willingness of agents to become more transparent. We worked with 9,355 agents in West Java for this experiment (constituting the universe of agents, minus a 5% random sample of 493 agents to be used for a pilot of the second experiment). We introduced experimental variation at the individual level in the expected level of competition by informing randomly selected agents in the treatment group about the predicted level of future competition in their local area (high level of competition and low level of competition). The remaining agents in the sample were assigned to the control group

and received a placebo message that is orthogonal to the intervention. To confirm that our treatment creates variation in agents' beliefs, we collected data on agents' beliefs about the number of agents in their local area and the expected number of agents at the end of the year. Questions about the current level of competition were incentivized, and data were collected before and after administering the treatment (prior and posterior beliefs). The risk of spillovers is minimized by the fact that agents typically do not communicate with each other and the bank does not organize meetings or trainings where agents meet each other.

Our main outcome variable aims at measuring agents' willingness to disclose information about the bank's official prices to their customers. To measure this, we presented agents with an incentivized elicitation exercise in which all participants of the experiment were presented with a choice between two different marketing plans that the bank is planning to implement. To incentivize the choice, each plan had a different cost and every agent would receive an endowment of IDR 25,000 which could be used to buy one of these plans (the endowment was provided on top of the compensation given for responding to the survey). The plans differ in whether information about the bank's official prices will be disclosed directly to the agent's customers or sent to the agent, which preserves the agent's ability to shroud prices and engage in selective price discrimination.

- **Plan A.** The agent will receive a WhatsApp message from the bank containing the bank's official price list for the most widely used types of branchless banking transactions. Agents will be told that they are free to forward this message to clients at their discretion. The cost of this plan will be set at IDR 25,000.
- **Plan B.** The bank will directly send a WhatsApp message to all the agent's clients containing information about the bank's official price list for the most widely used types of branchless banking transactions. The cost of this plan will be set at IDR 20,000 (therefore, the agent gets to keep IDR 5,000 from the endowment).

After the agent made a choice, we would follow through and implement the plan chosen. Note that plan A allows the agent to keep the option of shrouding information and to price discriminate between clients. Agents who prefer keeping this option will have to take the costly action of selecting the most expensive plan. Plan B instead is equivalent to full transparency, and will not require agents to pay a premium. We have piloted this survey experiment to ensure that agents understand the differences between the two options and to verify that there is sufficient take-up of both plans under the relative prices in the current survey.

Using surveys with the agent's clients, we will be able to further confirm how the agent's actions change after they have made their choices. In particular, the survey will include questions on whether the agent posts prices in his/her shop, and whether she forwarded the WhatsApp message to clients. We will additionally ask about the client's trust in the agent and observe in the administrative data the frequency with which clients make transactions. Note, however, that this analysis will not be causal, given that perceptions will be most likely influenced by the agent's choice in the survey experiment, which in turn is determined by treatment assignment. To accurately measure the market

returns of price transparency, we will conduct a separate experiment in which customers will be exogenously informed about the bank's official prices, as described below.

The results from the first experiment will inform us about the extent to which competition can increase price transparency and reduce the incidence of illicit extra charges. Importantly, the results will be based on incentivized real stakes choices agents make regarding the information that their clients will receive.

We distributed a survey link which includes the incentivized choice of marketing plans through the bank's official WhatsApp account to total 9,355 agents in West Java from mid- until end of November 2023 (with 9,096 identified agents who have active WhatsApp numbers). The final sample of the information experiment includes 3,006 agents who responded to the survey, with 1,041 agents in the treatment group 1 (received information on high level expected competition), 998 agents in treatment group 2 (received information on low level expected competition), and 967 agents in the control group. The summary of information experiment design with corresponding sample size is as shown in Table 1 below.

**Table 1:** Information Experiment Design and Sample Size

Information Experiment (n = 3,006 agents)					
Treatment 1 Information about expected competition (high level of competition)  (n = 1,041 agents)		Treatment 2 Information about expected competition (low level of competition)  (n = 998 agents)		Control No information  (n = 967 agents)	
Plan A	Plan B	Plan A	Plan B	Plan A	Plan B
Agents will receive price list message for them to distribute at their discretion	The bank will send price list message to agents' clients	Agents will receive price list message for them to distribute at their discretion	The bank will send price list message to agents' clients	Agents will receive price list message for them to distribute at their discretion	The bank will send price list message to agents' clients

### Transparency Experiment

To provide evidence on the demand-side effects of price transparency, we designed a second experiment in a comparable (randomly selected) sample tailored to precisely estimate the effects of price transparency on customer behavior, as well as the returns to price transparency. For this, we worked with a sample of 493 agents who were (randomly) excluded from the first experiment. All

clients of a random sample of 247 agents (stratified by subdistrict) will receive a WhatsApp message from our bank partner summarizing the bank's official prices for the most common types of branchless banking transactions. The clients of the remaining agents will receive a placebo message that makes no mention of the bank's official prices.

Making use of the bank's administrative data, we will be able to document the causal effects of price transparency on relevant outcome variables, such as the frequency and volume of transactions and the client's account balance. We will also be able to observe outcomes at the agent level, such as the number of clients and the balance in his/her account. We will complement these administrative data with information obtained from surveys with clients in which we will collect detailed information on the agent's behavior (transparency, sales strategies, etc.) and client's trust to the agent. This experiment will establish the extent to which branchless banking clients can use the information on actual prices for transactions to hold their agents accountable and, consequently, are more (or less) likely to use branchless banking products.

At the first stage of our transparency experiment, we distributed a baseline survey to a total 15,061 identified clients with available WhatsApp numbers to capture information about agent's sales and price-setting strategies (including the incident of informal fees and clients' relative preferences for transparency). We managed to obtain 3,993 completed responses from clients throughout November – December 2023. We are currently in the process of matching the client survey data with the bank's admin data in order to identify the number of client respondents in each treatment and control group.

Following the baseline survey activity, the bank is going to distribute the intervention material (price poster or placebo poster, depending on the treatment assignment) to all clients of agents – regardless of whether or not the client participated in our baseline survey. A total of 22,710 identified clients of 247 agents in the treatment group will receive the price poster, while 21,807 clients of 246 agents in the control group will receive the placebo poster (as illustrated in Table 2 below). The endline survey will be distributed after the poster distribution (to 3,993 clients participated in our baseline survey), which is still currently in-progress during the preparation of this final report.

**Table 2:** Transparency Experiment Design and Sample Size

Transparency Experiment (baseline n = 3,993)	
<p><b>Treatment</b></p> <p>Clients will receive price list message from the bank</p>	<p><b>Control</b></p> <p>Clients will receive placebo message</p>

## **Objectives**

The main goal of our study is to understand the effect of competition on price transparency and financial agent misconduct. The market for branchless banking transactions offers an especially interesting setting to study the effects of competition for several reasons. The market is characterized by high information asymmetries between financial service providers and their customers. All available evidence suggests that customers are aware of the high prevalence of agent misconduct and would value price transparency. Thus, one would expect that banking agents would respond to an increase in competition by competing both on price and on trustworthiness, i.e., price transparency.

Economic theory makes ambiguous predictions about the effect of competition on price transparency, and our experiment is designed to provide the first empirical evidence on this important question in a market that offers an ideal setting to test predictions of standard economic theories of competition. Specifically, economic theory suggests that suppliers compete by either lowering the price of a homogeneous product or differentiating their products (e.g., quality upgrading, building trust among their clientele). Yet many markets in the private sector and social service provision (e.g., grocery distribution, pharmaceuticals, microcredit, agricultural extension) are characterized by heterogeneous agents who distribute homogeneous products or services at a centrally set price, and thus have to choose other dimensions in which to compete. Moreover, these decentralized agents are often offering new and unknown products or services which are mostly unknown to the population, therefore reputation and trust in the agent become key dimensions to pay attention to. Despite the widespread presence of markets with these characteristics, little is known about the way in which local suppliers of goods and services compete in these key dimensions, how consumers respond to these competition strategies, and what are the returns of responding to an increase in competition through pricing or product differentiation, i.e., transparency.

An expected increase in competition could also have the opposite effect. That is, agents may become more reluctant to implement price transparency to preserve market power and the ability to extract higher revenues through price discrimination. In fact, as discussed above, we observe that in fairly competitive markets, agents still “shroud” information and are reluctant to transparently disclose official prices. This correlation may not be causal, but could be rationalized by, for example, the presence of relational contracts and repeated interactions between the agent and his/her clients, which create lock-in effects and market power that allows agents to sustain shrouding in equilibrium. Alternatively, collusion between a reduced number of agents could also lead to the existence of non-transparency in equilibrium.

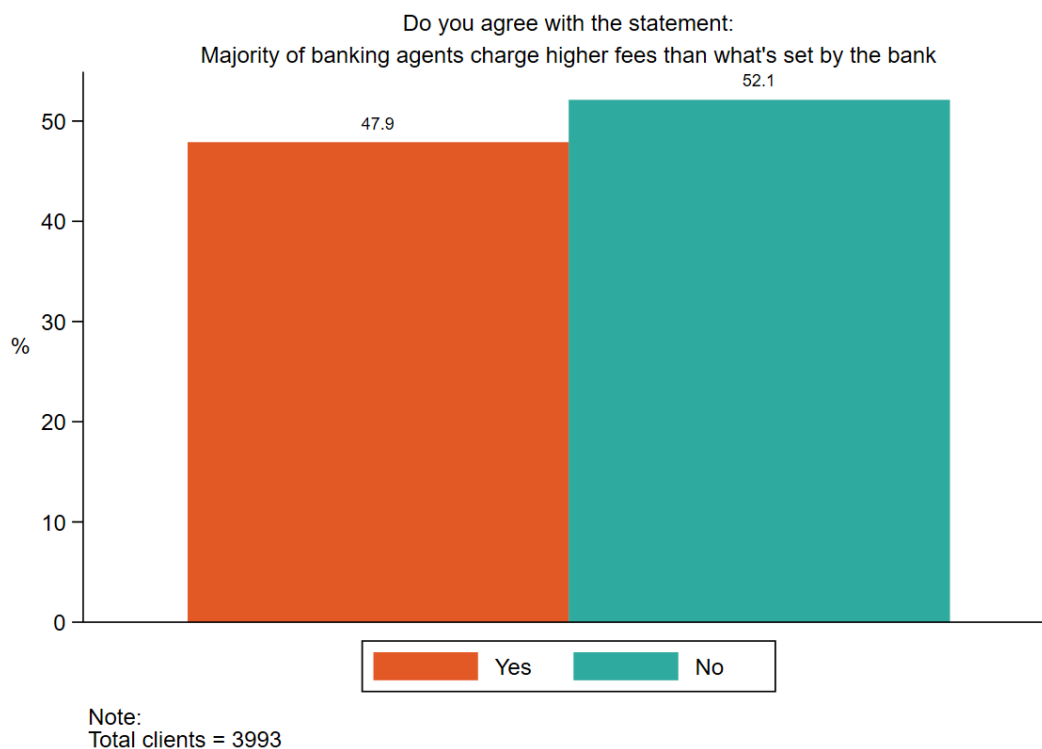
Our experiment is designed to understand which of these two countervailing effects dominates in the market for digital financial services, which is ideally suited to examining this question. We plan to address this question using two complementary experiments on agents and customers (supply and demand side of the market), combined with highly detailed transaction data from our partner bank. In the main experiment, banking agents will be provided with randomized information about the expected increase in competition to examine whether an anticipated increase in market competition causally increases agents’ willingness to disclose official prices. In a second experiment, we will provide information about official prices to the universe of clients of a subset of agents, which will allow us to estimate the market-wide impacts of price transparency on customer behavior, trust, and usage of financial products.



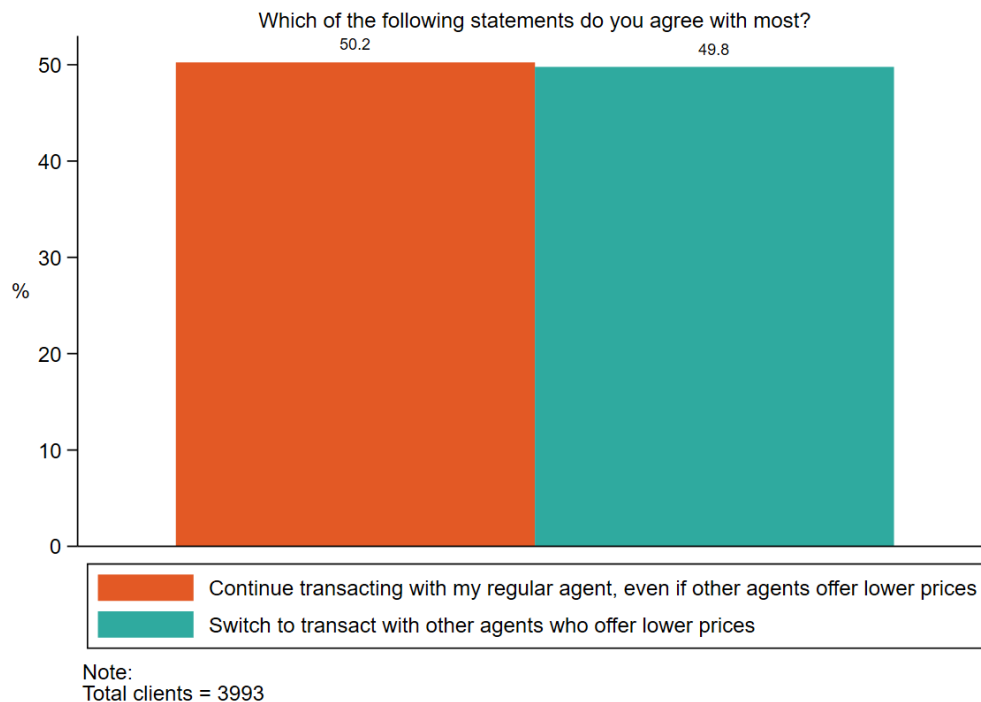
## **Preliminary Findings**

We document our preliminary findings using survey data to 3,006 agents in the information experiment and baseline survey to 3,993 clients in the transparency experiment. The surveys were conducted throughout November – December 2023. In this section, we highlight four important findings from our preliminary analysis surrounding the clients' and agent's perception on price and competition.

In the first set of our findings, around half of clients in our survey reported that they are being overcharged by agents and that they will easily switch to other agents who offer lower prices. From the total of 3,993 clients in our baseline survey, 47.9% of respondents agree with the statements that the majority of banking agents charge transaction fees higher than the official price set by the bank (see Figure 2). This suggests that the clients are somewhat aware of overcharging practices among the banking agents. We also asked in the survey on how the respondents would respond in the presence of agents who offer them lower prices compared to the agents they mostly transact with. As much as 49.8% of clients are willing to switch to other agents who offer lower transaction prices (see Figure 3). This result shows that price matters in clients' choice of agents, as indicated by their preference to switch between agents for lower prices. From the first set of our results, the existence of multiple agents would allow clients to compare prices between agents in order to choose which agent to transact with. This indicates potential impact of competition on pricing decisions of agents in order to win new clients or keep their existing clients.



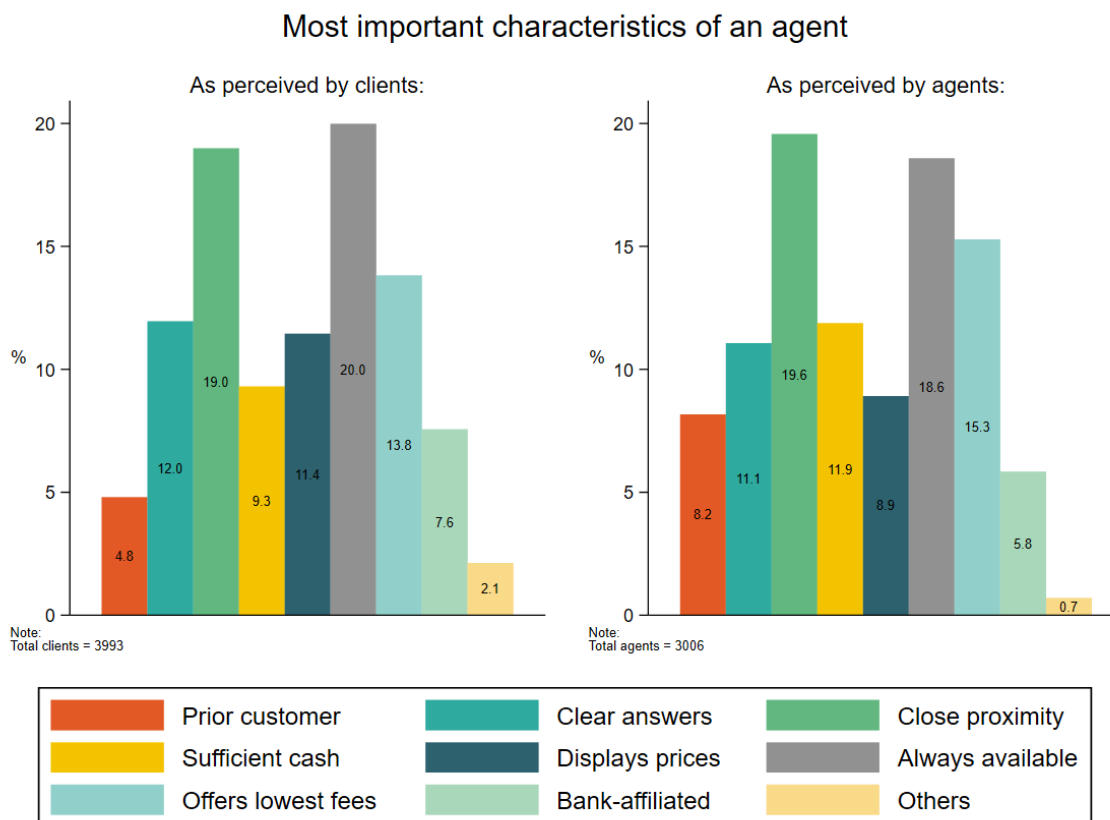
**Figure 2:** Clients' perceptions whether banking agents charge higher fees compared to the official price



**Figure 3:** Clients' responses on banking agents charging higher fees than the official price

Our next finding discusses the most important characteristics of agents as perceived by clients and agents. Both clients and agents value three aspects, namely distance, availability, and price, when choosing the ideal characteristics that should be possessed by a banking agent. As described in Figure 4, the top characteristic of agents perceived by clients are 1) agents who are available when needed for transaction (20%), followed by 2) agents located nearby or with close proximity (19%), and 3) agents who offer the lowest prices (13.8%). Similar but in different order are the most important characteristics of agents as perceived by agents, which include 1) close proximity (18.6%), 2) availability (18.6%), and 3) low price charged by agents (15.3%). These results suggest that both clients and agents share the same views on what perceived to be the most important characteristics of a banking agent.

In other dimensions of agent characteristics, clients seem to place higher importance on transparent pricing, clear communication, and bank affiliation than agents perceive, underscoring a discrepancy in expectations between the two groups. As much as 11.4% of clients value transparent pricing (as indicated by whether an agent displays prices or not), compared to 8.9% of agents who value this characteristic. From this result, we observe that price transparency could be one of the aspects that agents could compete with in order to keep their clients or win new clients in anticipation of increasing competition within their local area.



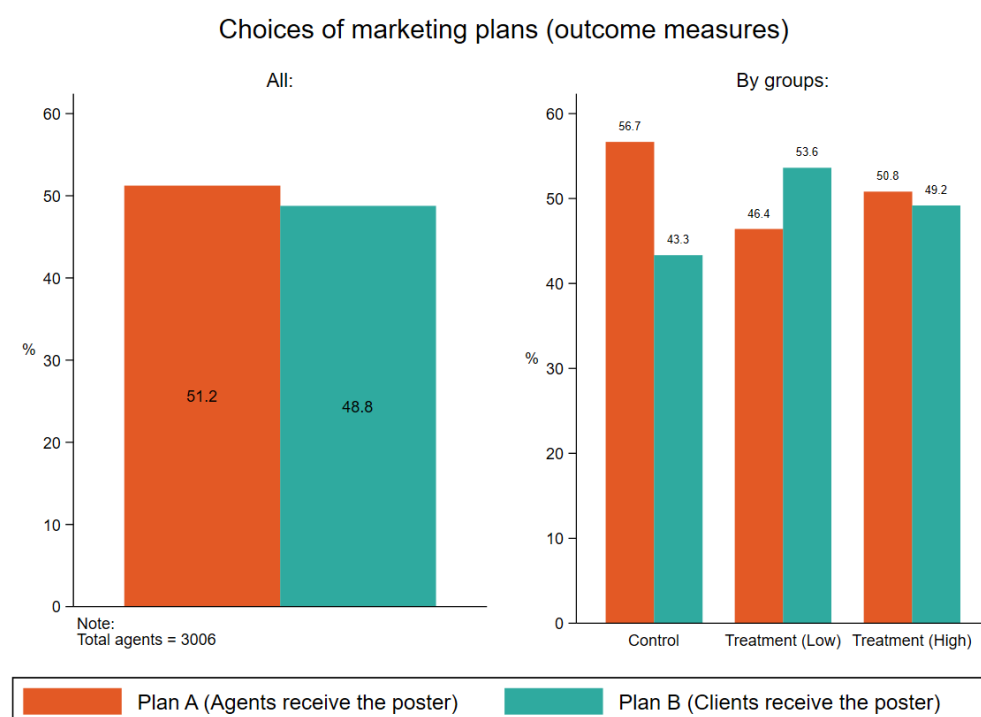
**Figure 4:** Most important characteristics of an agent as perceived by clients vs. agents

Another important finding in this study highlights the tendency of agents to shroud prices from clients. The majority of agents in our sample show a higher preference for the more expensive Plan A in information experiment, indicating a willingness to incur higher costs to shroud information about transaction fees from clients. Overall, from 3,006 agents who responded to our survey, 51.2% chose Plan A where the agent will receive an official price list from the bank and they are free to share the information to clients at their own discretion. Whereas, the remaining 48.8% of respondents chose a cheaper Plan B where the bank will distribute the official price list directly to their clients. The summary of the results is as shown in the first panel of Figure 5.

Looking at the distribution of the marketing plan choices by sample group, the percentage of agents who chose Plan A is much higher in the control group where the agents were not informed about the expected increase in competition. From the second panel of Figure 5, around 57% of agents in the control group chose for the option which allows them to not disclose official prices to clients. This result indicates that under business as usual, agents tend to shroud information about transaction prices from clients.

Exposing agents to information about an expected increase in competition to some extent reduces the tendency of agents to shroud prices. In treatment group 1 where agents received information about a low level of increase in expected competition, around 46% of agents chose Plan A, lower than

the number in the control group. In treatment group 2 where agents received information on a high level of increase in expected competition, even though there are more agents who chose Plan A than Plan B (51% vs. 49%), this is still lower compared to the percentage of agents in the control group who chose Plan A.

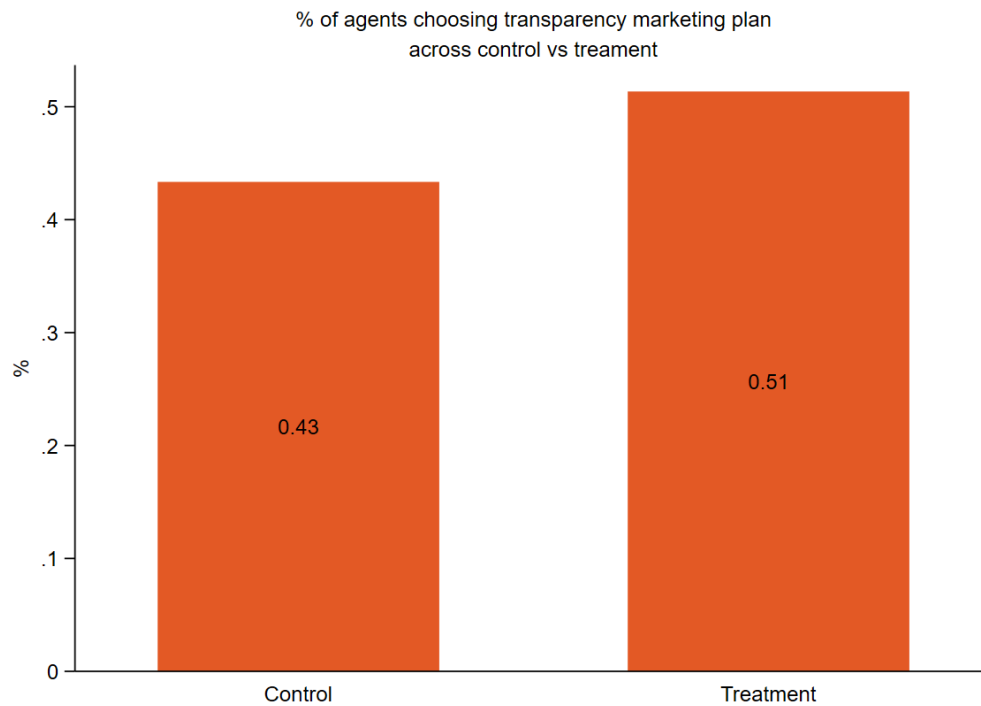


**Figure 5:** Choices of marketing plans by agents

Finally, pooling our treatment samples in one group, we estimate the treatment effect of providing information about expected increase in competition on the probability of agents choosing transparency marketing plan (i.e., Plan B). We estimate the effect by regressing a dummy indicating whether agents chose Plan B on the treatment status dummy, controlling for strata fixed effects. The estimated coefficient suggests that giving information to agents about an expected growth in competition significantly increases the probability of choosing a transparency marketing plan by 8 percentage points. As illustrated in Figure 6, we have 43% and 51% agents who chose the transparency marketing plan in the control and treatment group, respectively. The differences between two groups correspond to the 8 percentage point of treatment effects and this effect is statistically significant at 1% level. This suggests that providing information on expected increase in competition (at either low or high level of growth in number of agents) has a potential impact on inducing price transparency among banking agents.

We formally summarize the preliminary estimate results in Table 3. The coefficient in column (1) corresponds to the results illustrated in Figure 6. In column (2), we estimate the coefficients separately for agents who received information on low-level and high-level of expected growth in number of agents. By breaking down the treatment group, the results show that the treatment effect

is higher for agents in treatment group 1 (low competition) than for agents in treatment group 2 (high competition). Compared to the control group, the probability of choosing a transparency marketing plan is significantly higher by 10.3 percentage points for agents in treatment group 1 and by 5.8 percentage points higher for agents in treatment group 2. Both estimates are statistically significant at 1% level. Further investigation is needed to understand why the effect is higher for agents in treatment group 1 compared to treatment group 2.



**Figure 6:** Percentage of agents choosing transparency marketing plan between control and treatment groups

**Table 3:** The treatment effects on the probability of choosing transparency marketing plan

	Choosing transparency marketing plan	
	(1)	(2)
Treatment (all)	0.080*** (0.019)	
Treatment (low competition)		0.103*** (0.022)
Treatment (high competition)		0.058*** (0.022)
Observations	3,006	3,006
Strata fixed effects	Yes	Yes
Mean of dependent variable	0.488	0.488

*Note:* Robust standard errors in parentheses. The dependent variable is a dummy which indicates if an agent chose a marketing plan through which the bank will distribute the price poster directly to their clients. In column (1), the main explanatory variable is a dummy which indicates if an agent received any information on an increased level in agent competition. In column (2), we estimate the effects based on whether an agent received information on either a high or low level of increases in expected competition. All specifications control for strata fixed effects.

### **Qualitative Interview with Agents**

To contextualize our findings and gain insights from the field, we conducted a qualitative interview with two banking agents in West Bandung on December 1, 2023. West Bandung is a district in West Java, the province where we conducted our pilot study, which is located approximately 3-hour drive away from the capital city of Jakarta. During the qualitative interview activities, we were accompanied by local staff from the bank who were in charge of the banking agents in the region of West Bandung.

Our interviews with agents revealed a consistent theme regarding their pricing strategies. Agents expressed a preference for maintaining the ability to price discriminate and shroud information about official transaction fees. This approach, they believe, allows them to potentially charge higher fees and increase profitability. The agents also conveyed a sense of confidence in retaining their customer base, particularly those from the same bank, attributing this to the trust they have built with their clients over time.

The interviews also highlighted the agents' concerns about the increased competition within their operational areas, from both agents from the same bank as well as agents from other banks. They reported this increase in competition negatively affects their business, leading them to adopt various marketing strategies. These include enhancing their customer service by being more approachable and helpful, extending operational hours, and proactively reaching out to potential customers in their vicinity. This finding suggests that, in the face of increased competition, agents are willing adopt strategies to help them attract more transactions and win them more clients – which is also consistent with what we find in our information experiment to agents.

## **Conclusion**

We partner with one of Indonesia's largest banks to test how increased competition in the market for branchless banking affects the willingness of banking agents to transparently disclose the bank's official prices and refrain from charging illicit fees above the published price list. Using survey data to 3,006 agents and 3,993 clients, we highlighted four important preliminary findings of this study. First, we find that clients are aware of them being overcharged by agents and they are willing to switch to other agents for lower transaction prices. Second, price is perceived as one of the most important characteristics of an agent from the perspectives of both agents and clients. Third, there is an indication of agents to shroud information about transaction fees from clients. This is in line with the findings from our qualitative interview with two agents in West Java. Finally, our preliminary estimates show that providing agents with information about expected increase in competition significantly increases the likelihood of them opting for transparent marketing plans by 8 percentage points. While our preliminary findings have established the relationship between an increasing expected competition and price transparency, a further analysis is still needed to investigate the mechanism of the effects and examine the impact of competition on a broader set of transaction outcomes.

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