Scoping Study on Agent Network/Banking Ecosystem in Ethiopia

Ethiopian Economics Association

National Stakeholder Presentation

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Agenda

1. Introduction & Background
2. Research Methodology
3. Agent Profiles & Demographics
4. Technology & Infrastructure
5. Operational Challenges
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10. Comparative Analysis: Ethiopia vs Kenya
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12. Regulatory Assessment
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Financial Inclusion Landscape in Ethiopia

- **Significant financial inclusion gap**: Only 46% of adults had bank accounts in 2022 vs 79% in Kenya
- **Urban-rural disparity**: 77% of POS machines concentrated in Addis Ababa
- **Growing gender gap**: 55% men vs 39% women have accounts (16% gap)
- **Cash dominance**: 80% of population relies primarily on cash transactions
- **Infrastructure challenge**: 1 bank branch serves 11,516 people (2022)

Study Rationale & Context

Why This Study Matters

- Agent banking is relatively new in Ethiopia (since 2014)
- Limited evidence on existing agent network ecosystem
- Recent market liberalization (telecom, banking)
- Critical for financial inclusion strategy
- Need for evidence-based policy interventions

Recent Market Developments

- Telecom sector liberalization (Safaricom entry)
- Banking sector opening to foreign investors
- Mobile money growth acceleration
- Regulatory framework evolution

Study Objectives

1. Identify and describe main actors in Ethiopia's agent banking ecosystem
2. Examine market structure and service distribution
3. Identify key operational constraints and challenges
4. Review regulatory frameworks and compliance issues
5. Provide evidence-based recommendations

Data Collection Strategy

Primary Data

- **220 mobile money agents** surveyed
- **7 commercial banks** representing different sizes
- **National Bank of Ethiopia** officials
- Structured surveys and interviews
- Regional coverage across 6 regions

Sampling Framework

- Stratified sampling approach
- Focus on high-agent concentration areas
- Urban and rural representation
- Security-accessible regions only
- Balanced bank size representation

Secondary Data

- NBE reports and statistics
- Peer-reviewed publications
- Policy documents
- Regional comparative data

Agent Distribution by Region

Region/City	Number of Agents
Oromia	96
Addis Ababa	80
Central Ethiopia	18
Sidama	11
Dire Dawa	8
Harar	7

Table: Regional distribution of sampled agents (n=220)

- **Urban concentration**: 94.5% of agents in urban areas
- **Gender imbalance**: 70% male, 30% female agents
- **Educational similarity**: Average 13.25 years of education for both genders
- **Age profile**: Average age 33 years

Agent Ownership Structure

Bank	Sole Proprietor	Partnership	Corporation	Total
CBE	98	4	1	105
Awash Bank	58	2	0	60
Coop. Bank of Oromia	26	0	0	26
NIB Bank	11	2	0	13
Dashen Bank	9	0	0	9
Oromia Int. Bank	4	0	0	4
Abyssinia Bank	3	0	0	3

Table: Agent distribution by bank and ownership structure

- **Market dominance**: CBE leads with 105 agents (47.7%)
- **Ownership preference**: 95% sole proprietorships
- **Limited partnerships**: Only 8 partnership arrangements

Technology Adoption & Connectivity

POS Device Usage

- **Low adoption**: Only 9.09% use POS devices
- **Card dominance**: 45% use card-only devices
- **Mobile POS**: 20% use mobile POS systems
- **Biometric limited**: Only 5% use biometric technology

Connectivity Challenges

- **Network outages**: 62.27% of agents affected
- **Poor signal**: 52.72% experience weak signals
- **High data costs**: 47.72% cite cost barriers
- **Limited coverage**: 32.27% in areas with poor coverage

Infrastructure Gap

Limited technology adoption and connectivity issues significantly hamper service delivery and operational efficiency

Training & Capacity Building

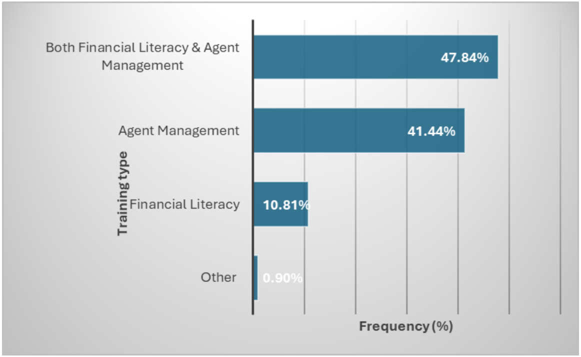

Figure: Types of training received by agents

- **Comprehensive training**: 47.84% received both financial literacy and management training
- **Management focus**: 41.44% received only agent management training
- **Limited financial literacy**: Only 10.81% received financial literacy training alone
- **Training gaps**: Need for more specialized and continuous training programs

Financial Literacy & Market Barriers

Financial Literacy Barriers

- **Education gap**: 75.90% lack foundational financial education
- **Information access**: 75.45% have limited access to financial information
- **Cultural factors**: 24.09% affected by cultural influences
- **Language barriers**: 17.27% face communication challenges

Market Entry Barriers

- **Limited market potential**: 55.45% see demand constraints
- **High initial investment**: 53.63% cite startup costs
- **Regulatory hurdles**: 41.81% face complex regulations
- **Existing competition**: 26.36% note market saturation concerns

Liquidity Management Challenges

Frequency of Shortage	Percentage of Agents
Once a week	31.36%
Everyday	15.45%
Once a month	11.82%
Twice a week	7.73%
Total experiencing shortages	**66.36%**

Table: Frequency of liquidity shortages affecting agents

Liquidity Management Methods

- **Branch visits**: 85.71% of banks report agents travel to branches
- **Sales team support**: 28.57% use sales teams for replenishment
- **Master agents**: 14.28% utilize master agent systems
- **Digital solutions**: Limited adoption of mobile-based liquidity management

Commission Structure Issues

Agent Preferences for Commission Reform

- **Higher commissions**: 86.81% demand increased commission rates
- **Timely payments**: 67.27% seek more prompt payment processing
- **Flexible options**: 50.45% want more payment flexibility
- **Transparency**: Need for clearer commission structures and calculations

Commission Challenges

- Commission-based model predominant (71.43% of banks)
- Delayed payments affecting agent satisfaction
- Lack of transparency in commission calculations
- Need for hybrid incentive structures

Regulatory Barriers & Challenges

Regulatory Barriers

- **Unclear regulations**: 60.90% of agents report confusion
- **Slow approvals**: 42.72% face processing delays
- **Complex requirements**: 35.45% find regulations too complex
- **Cash restrictions**: Limitations on withdrawal amounts

Key Regulatory Concerns

- **Transaction limits**: 70.90% cite as major constraint
- **Licensing requirements**: 43.18% face challenges
- **Interoperability**: 24.54% need better standards
- **Data privacy**: 12.72% concerned about regulations

Current Framework

- **Use of Agents Directive No. FIS/02/2020** provides foundation
- **30-day approval process** for agent applications
- **Consumer protection measures** in place but limited enforcement
- **Need for regulatory adaptation** to market realities

Bank Agent Network Overview

Agent Outlets	11-20% Active	20-40% Active	40-60% Active
1–1,000	1 bank	1 bank	0 banks
1,001–10,000	1 bank	1 bank	0 banks
10,001–50,000	0 banks	2 banks	0 banks
50,001–100,000	0 banks	0 banks	1 bank

Table: Daily agent activity levels by network size

- **Scale efficiency**: Larger networks show higher activation rates
- **Urban focus**: 6 out of 7 banks concentrated in urban areas
- **Agent sharing**: 5 out of 7 banks practice agent sharing
- **Gender inclusion**: Varied performance in women-owned outlets

Agent Network Management

Performance Monitoring

- **Transaction tracking**: 100% monitor transaction numbers
- **Value monitoring**: 85.71% track transaction values
- **Dormancy tracking**: 71.42% monitor inactive agents
- **Customer acquisition**: 71.42% track new customers

Management Actions

- **Activity campaigns**: 100% launch agent activation drives
- **Strategic onboarding**: 85.71% data-informed expansion
- **Reactivation efforts**: 71.42% target inactive agents
- **Training programs**: 71.42% address skill gaps

Agent Onboarding & Training

Onboarding Criteria

- **Location focus**: 71.42% prioritize underserved areas
- **Age considerations**: 71.42% have age requirements
- **Education level**: 57.14% consider education
- **Proximity to centers**: 57.14% value location

Training Timing

- **Onboarding focus**: 85.71% train during onboarding
- **Product launches**: 71.42% train for new products
- **Request-based**: 57.14% provide training on demand
- **Performance issues**: 28.57% train for poor performance

Retention Rate	Regular Training	Occasional Training	No Training
Below 10%	0	1 bank	0
11-20%	1 bank	0	2 banks
20-40%	2 banks	0	0
40-60%	1 bank	0	0

Table: Agent retention rates and training provision

Strategic Priorities & Challenges

Bank Strategic Priorities

- **Agent acquisition**: 42.86% focus on expanding networks
- **System development**: New management systems
- **Partnership building**: Third-party collaborations
- **Geographic expansion**: Targeted area development
- **Activity enhancement**: Improving existing agent performance

Expansion Challenges

- **Rural electricity**: Limited access in remote areas
- **Financial literacy**: Low customer awareness
- **Digital literacy**: Limited technological familiarity
- **Security concerns**: Safety issues in some areas
- **Business model**: Sustainability challenges in rural expansion

Competitive Landscape

Market Competition Views

- **Monopolistic elements**: 28.57% see limited competition
- **Low competition**: 28.57% report minimal rivalry
- **Moderate competition**: 28.57% see balanced market
- **High competition**: 14.29% experience intense rivalry

Competitive Drivers

- **Price competition**: 57.14% cite pricing as key factor
- **Product innovation**: 28.57% focus on service differentiation
- **Geographic expansion**: 14.29% prioritize market reach
- **Technology adoption**: Increasingly important differentiator

Consumer Choice Factors

- **Location convenience**: 85.71% most important factor
- **Reputation and trust**: 71.42% value brand reliability
- **Fees and charges**: 57.14% consider cost factors
- **Customer service**: 57.14% value service quality

Explosive Mobile Wallet Growth

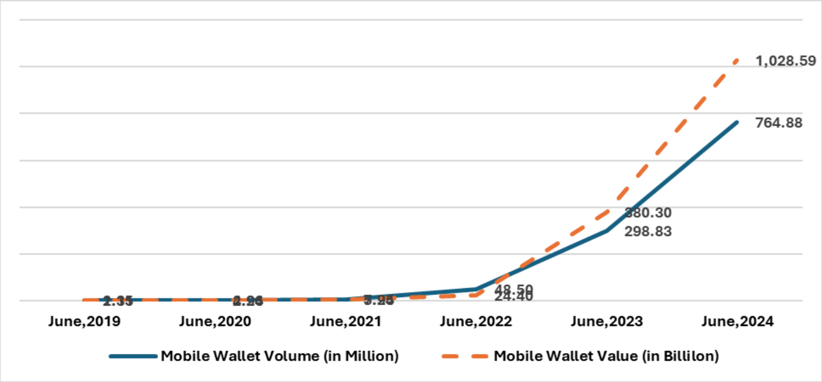

Figure: Mobile wallet transaction growth (2019-2024)

- **Exponential growth**: From 2.31M (2019) to 764.88M transactions (2024)
- **Value surge**: From 1.15B ETB to 1,028.59B ETB (1 trillion+)
- **Accelerating adoption**: CAGR of 289% in transaction value
- **Market maturation**: Rapid scaling of digital payments ecosystem

POS Transaction Evolution

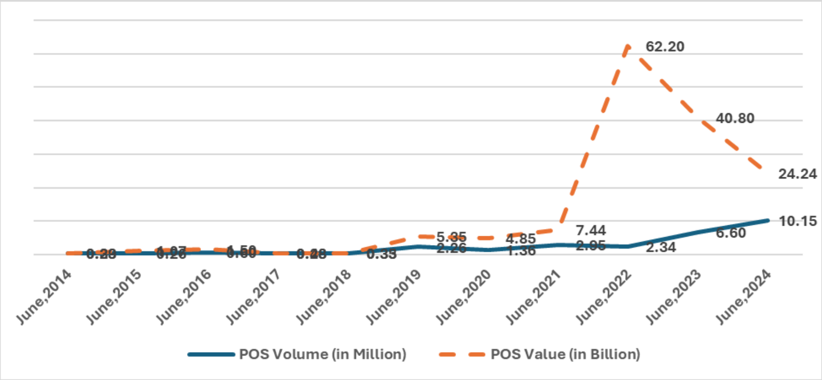

Figure: POS transaction trends (2014-2024)

- **Steady growth**: From 0.29M (2014) to 10.15M transactions (2024)
- **Value increase**: From 0.33B ETB to 24.24B ETB
- **Infrastructure development**: Expanding merchant acceptance
- **Digital transformation**: Gradual shift from cash to digital payments

Agent Banking Volume Comparison

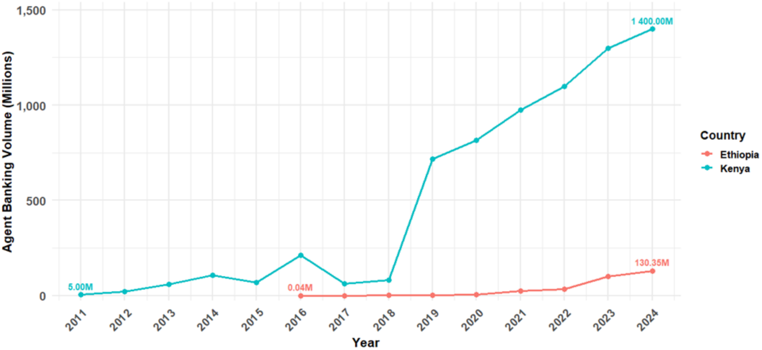

Figure: Agent banking transaction volume: Ethiopia vs Kenya (2011-2024)

- **Ethiopia's rapid growth**: 175% CAGR vs Kenya's 57% CAGR
- **Late adopter advantage**: Steeper growth curve for Ethiopia
- **Catch-up dynamic**: Accelerated scaling in recent years
- **Market potential**: Significant room for continued expansion

Mobile Wallet Adoption Comparison

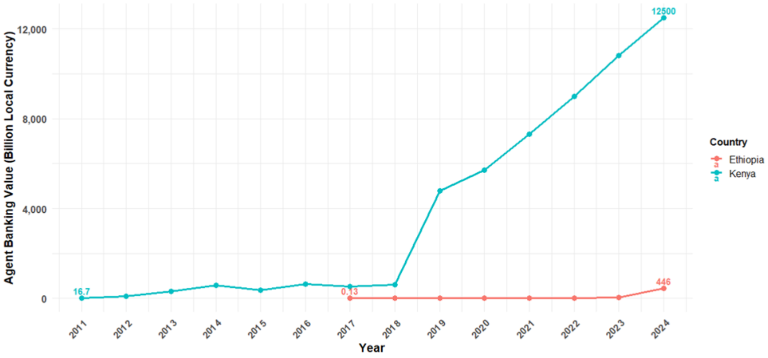

Figure: Mobile wallet adoption: Ethiopia vs Kenya (2007-2024)

- **Kenya's head start**: Early market development since 2007
- **Ethiopia's acceleration**: 219% CAGR vs Kenya's 44% CAGR
- **Convergence trend**: Ethiopia narrowing the gap rapidly
- **Learning effect**: Benefiting from Kenya's market experience

Lessons from Kenya's M-Pesa Experience

Key Success Factors from Kenya

- **Telecom-led model**: Rapid scaling through existing networks
- **Interoperability focus**: Platform connectivity driving network effects
- **Simple value proposition**: Person-to-person transfers as entry point
- **Brand trust**: Leveraging existing customer relationships
- **Regulatory adaptation**: Gradual liberalization supporting innovation

Applications for Ethiopia

- **Partnership prioritization**: Bank-telecom collaborations
- **Interoperability framework**: Cross-platform connectivity standards
- **Phased service rollout**: Start with basic, high-demand services
- **Infrastructure sharing**: Leverage existing retail networks
- **Adaptive regulation**: Test-and-learn regulatory approach

Lessons from Uganda's Bank-Led Model

Uganda's Balanced Approach

- **Multi-institutional ecosystem**: Multiple players from inception
- **Competitive landscape**: Healthy rivalry driving innovation
- **Regulatory foresight**: Proactive framework development
- **Agent sharing emphasis**: Efficient network utilization
- **Gradual scaling**: Sustainable growth patterns

Ethiopia's Adaptation Opportunities

- **Competition promotion**: Support for smaller entrants
- **Agent sharing standardization**: Formalize existing practices
- **Proportional regulation**: Tiered requirements based on size
- **Market monitoring**: Continuous ecosystem assessment
- **Innovation encouragement**: Regulatory sandbox approaches

Regulatory Outcomes: Intent vs Reality

Consumer Protection

Observation: 60.9% agent confusion
Recommendation: Standardized materials + audits

Innovation Promotion

Observation: Agent sharing (5/7 banks)
Recommendation: Formalize sharing + interoperability

Financial Inclusion

Observation: 94.5% urban concentration
Recommendation: Tiered licensing + collaboration

Operational Resilience

Observation: 62.27% network outages
Recommendation: NBE-ECA infrastructure priority

Network Stability

Observation: Varied retention (11-60%)
Recommendation: Activity reporting + best practices

Major Findings & Insights

Market Structure & Distribution

- **High concentration**: CBE dominance with 47.7% market share
- **Urban focus**: 94.5% of agents in urban areas
- **Gender gap**: Only 30% female participation
- **Sole proprietorship**: 95% individual ownership structure

Operational Challenges

- **Liquidity management**: 66.36% face regular shortages
- **Infrastructure limitations**: Connectivity and technology barriers
- **Commission issues**: Delayed payments and low rates
- **Training gaps**: Need for continuous capacity building

Growth Potential & Opportunities

Market Optimism

- **Unsaturated market**: 75.45% of agents see growth potential
- **Digital acceleration**: Explosive mobile wallet growth (289% CAGR)
- **Late adopter advantage**: Steep growth curve potential
- **Pent-up demand**: Large unbanked population seeking services

Efficiency Opportunities

- **Agent sharing**: 5/7 banks already practicing informally
- **Data utilization**: Tracking key performance metrics
- **Digital solutions**: Mobile-based liquidity management
- **Training investment**: Clear retention benefits demonstrated

Regulatory Recommendations (NBE)

Process Modernization

- **Streamline licensing**: Simplify approval requirements
- **Digital platforms**: Online application and monitoring systems
- **Reduced timelines**: Faster approval processes
- **Transparency enhancement**: Clear regulatory guidelines

Framework Development

- **Interoperability standards**: Cross-platform connectivity
- **Agent sharing formalization**: Standardized agreements
- **Regulatory sandbox**: Innovation testing environment
- **Tiered KYC**: Simplified requirements for vulnerable groups

Consumer Protection Enhancement

- **Transaction limit review**: Market-appropriate thresholds
- **Dispute resolution**: Strengthened mechanisms
- **Transparency requirements**: Clear fee displays
- **Education programs**: Consumer awareness campaigns

Industry Recommendations (Banks & Providers)

Network Expansion & Diversity

- **Rural focus**: Targeted expansion programs
- **Gender inclusion**: Quota-based incentives for women agents
- **Partnership development**: MFI and cooperative collaborations
- **Financial support**: Access to credit and grants

Operational Modernization

- **Digital liquidity**: Mobile wallet and e-float solutions
- **Commission reform**: Timely, transparent payment structures
- **Hybrid incentives**: Fixed salary with commission models
- **Master agents**: Expanded support systems

Technology & Training Investment

- **Offline POS systems**: Connectivity-independent solutions
- **Data analytics**: Real-time performance monitoring
- **Financial literacy**: Customer education programs
- **Continuous training**: Regular skill development sessions

Agent-Level Recommendations

Operational Efficiency

- **Digital adoption**: Mobile banking for liquidity management
- **Business formalization**: Proper record keeping and documentation
- **Contract understanding**: Clear commission structure knowledge
- **Service diversification**: Expanded service offerings

Customer Focus

- **Education role**: Customer financial literacy support
- **Service quality**: Professional and reliable service delivery
- **Transparency**: Clear communication of charges and terms
- **Trust building**: Long-term customer relationships

Collaborative Approaches

- **Agent clustering**: Partnerships with local businesses
- **Liquidity pooling**: Shared float management systems
- **Knowledge sharing**: Best practice exchange among agents
- **Collective advocacy**: Unified voice for agent concerns

Thank You

Transforming Ethiopia's Financial Inclusion Landscape through Agent Banking

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