The Opportunities and Challenges of Adopting Agent Banking in Commercial Bank of Ethiopia Limited to Bahir Dar District

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Declaration

I, declare that this study entitled as “opportunities and Challenges of adopting agent banking in commercial bank of Ethiopia”, in case of Bahir dar district is my own original work. I have carried out the research work independently with the guidance and support of the research advisor. This study had not been submitted to any degree/diploma in this or any other institution. It is done in partial fulfillment of BA degree in accounting.

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1.1 Back ground of the study

The business environment has globally changed and it has been characterized by stiff competition and this is not an exception to banks. Competition has pushed commercial banks towards becoming more innovative. These innovations include credit cards, ATMs, internet banking, mobile banking, youth oriented accounts, women oriented banking, Interest free banking and agency banking which are most recently introduced in the banking sector (Bold, 2011).

Like all other social entities financial institutions in Ethiopia are being constantly expanding with technological innovations. For instance, till recently bank customers were used to stand in line to get financial services, but now because of the multi-channel service outlets they can perform it from anywhere at any time. Funds are transferred electronically between financial institutions and individual accounts, and between individual accounts using e-banking system (Shyamapada *et al.*, 2011).

Agency banking is branchless banking based on ICT that allows financial institutions to offer financial service outside the traditional bank premises (Mas, 2008; Mas and Siedek, 2008). It allows customers to conduct a limited type of financial transactions at third party outlets that include post offices, supermarkets, general and grocery stores, pharmacies, and gas stations located in remote areas (Warii, 2011).

Agent Bank is a company or organization that acts in some capacity on behalf of another bank but it cannot accept deposits or extend loans in its own name and it acts as agent for the parent bank. A retail outlet contracted by a financial institution or a mobile network operator that processes clients' transactions could be cited as instance. It is the retail outlets that conduct the transaction and lets clients deposit or withdraw cash, transfer funds, effect bill payment, inquire about an account balance, or receive government benefits or a direct deposit from their employer rather than a branch teller (Siedek, 2008).

Though commercial banks continue to invest in opening brick and mortar branches complimented by various delivery channels and access to formal financial services remains a big impediment to financial performances. Customers from the remote areas are forced to travel long distances and spend huge amounts of money and time on transport in order to access a branch. To curb these challenges, a number of central banks around the world have issued legislation that allows commercial banks to contract third party retail networks as agents (Ivatury and Lyman, 2006).

Globally, retailers and post offices are highly utilized as important distribution channels for financial institutions. The point of services range from the post offices in Australia where clients from all banks can conduct their transactions, to rural France where the bank Credit agricole uses corner stores to provide financial services, to small lottery outlets in Brazil at which clients can receive their social payments and access their bank accounts (Ivatury and Lyman, 2006).

However, agency banking can be traced to Brazil in 1999 where it exponentially grew from 1,600 agents in 2000 to 170,000 agents in 2010 (McKay, 2011). Thus technological innovations play a crucial role in the banking industry in creating value for banks and customers to enable customers perform banking transactions without visiting a conventional brick and mortar banking system. Agency banking service has enabled banking institutions to compete more effectively in different countries by extending their products and services beyond restriction of space and time through established third party with the application of technology. However, the adoption of the agency banking system is a recent phenomenon in Ethiopia.

The agent banking model has proven to be successful in Latin America, Africa, India and the Far East. For example, the Kenyan Equity Bank was able to become profitable by reaching the mass market for deposits via its agent banking network. This success was enabled by the local government's strategy to increase the number of banked Kenyans from 30 per cent in 2013 to about 70 per cent by 2030. To enable this, the government amended the Finance Act 2009, as per Kenya Gazette Supplement, allowing banks to use banking agents to offer services on their behalf.

Agency banking took effect in Kenya in May 2010 after the publication of prudential guidelines by the Central Bank of Kenya. Agency banking has been practiced in a number of countries such as Brazil, Columba, Pakistan, South Africa and Indonesia (Central Bank of Kenya, 2006).

In October 2015, the National Bank of Ethiopia (NBE) came up with a new regulation to make the financial industry sound. In the eyes of private banks, the regulation is a disaster. They argue that it is a mechanism to make the sector more conducive for the public-owned banks. Anyway, this regulation will be the road map for banks over the next five years. The regulation contains many components, like capital requirement to grow to two billion, increasing branch numbers, including agent banking, to increase by 30pc in the consecutive years. But the whole debate on the regulation seems to circulate around the minimum capital requirement. This may be because it was unexpected by almost all stakeholders, and because it is difficult for private banks. A rather low level concern is the regulation on agent banking. For one, the media and most of the stakeholders are not aware of what agent banking is. It also seems simple to do. Equally, the rationale behind the regulation seems not to have been well conceived (NBE, 2015).

Commercial bank of Ethiopia started the project on February 2016.The CBE Birr solution vendor is called Huawei Technologies Co. Ltd. The Project team is organized into four teams-Business Team, Technical Team, Agent and Merchant Team, and Promotion and Branding Team (CBE).

1.2 Statement of the problem

The World Bank estimates that in many countries, over half of the population, “the unbanked”, has never had a bank account. The poor tend to be terrified of banks, since they are often humiliated or ignored when they try to enter them. That means they cannot leave their savings anywhere safe, pay a bill without walking with the cash to the office or prove that they are credit worthy (World Bank, 2006).

One of the primary impediments to providing financial services by branches and other bank-based delivery channels is high costs inherent and traditional banking methods. In addition, when financial service providers do not have branches that are close to the customer, the customer is less likely to use and transact with their service.

However, we see the emergence of new delivery models as a way to drastically change the economics of banking the poor. By using retail points as cash merchants (defined here as agent banking), banks, telecom companies, and other providers can offer saving services in a commercially viable way by reducing fixed costs and encouraging customers to use the service more often, thereby providing access to additional revenue sources.

In other countries, specifically in Kenya, Brazil, Peru and Chile has shown that there is growing interest in many parts of the developing world in delivering financial services through the retail agents, including post offices, airtime sellers and local shops. Many potential advantages have also been identified in those countries for providers of banking services being able to transact local retail agents. (Ignacio and Siedek, 2008). So, for countries like Ethiopia, where financial accessibility is very low, and agent banking is in suitable in many ways. It enables financial institutions to become accessible in terms of time and place.

This form of service provision can be used to clear the road for branch operations. With agent banking, it is possible to collect a small number of customers around each agent and introduce the name and the service of the bank to potential clients. This will ease the operation of a new branch in the area and provide various opportunities. For the clients, agent banking reduces the time and money needed to visit a branch each day to deposit and withdraw their money. They can complete such transactions from the shop next door.

This opportunity motivates fast but small cash movers, like retailers, to put their extra money into the banking system every day. For the agent, the system is a source of income as it works on commission basis. It enables the agent to earn a good reputation from the bank with which it is affiliated and perhaps, get some preferential rights, like credit.

In spite of the success of agency banking globally and its implementation by various commercial banks in Kenya, there are a number of challenges facing the agency banking model. Firstly, its poor utilization is viewed to the wart its progressive report and burry the dream to financial inclusion for the unbanked (Onyango, 2011). In addition, many of the banks that have embarked on agency banking roll-out have found that agents lack the capacity to handle large transactions of cash and that they are not spending enough on security measures leading to poor customer uptake of agency banking (Pickens, 2009). In addition, liquidity problem lead to frustration and is one of the reasons why the uptake of these systems are slower than what is expected.

Finally, even though there are researches conducted in other countries like Kakamega County, Kenya studied challenges of agency banking. The study found out that agent bank challenged could be explained by fraud, literacy level, technological issues and liquidity problems (Irura and Munjiru 2013).

The researcher was identifies the challenges and existing opportunity of adopting agent banking in the commercial bank of Ethiopia bahir dar district. Commercial bank of Ethiopia (CBE) is adopting agency banking service**.**

The services start throughout the country as a strategic tool to increasing outreach customers with significant amount of investment (CBE 2016).

1.3 Research questions

1. How looks like the current practices of agent banking service in CBE?
2. What are the challenges in the adoption of agent banking service in CBE?
3. What are the existing opportunities in the adoption of agent banking service in CBE?

1.4 Objective of the study

1.4.1 General objective

The general objective of the study was identify opportunities and challenges of adopting agent banking in commercial bank of Ethiopia limited to Bahir dar district.

1.4.2 Specific objectives

1. To explore the current practice of agent banking service in CBE.
2. To identify the major challenges of adopting agent banking service in CBE.
3. To identify the existing opportunities in the adoption of agent banking service in CBE

1.5 Scope of the study

The study confined opportunities and challenges of adoption agent banking in commercial bank of Ethiopia Bahir Dar district. For the sake of uniformity and due to their more involvement in retail banking, only data that was obtain from commercial bank of Ethiopia bahir dar district be used in this study. Moreover, the study focuses only on the opportunities and challenges of adoption agent banking from the view point of the bank and agent.

1.6 Significance of the study

Since agent banking system is in an infant stage in CBE, by investigating existing Opportunities and challenges for the adoption of this service delivery channel and by recommending solutions for the identified problems. In addition, it helps to fill significant knowledge gaps about agent banking; thereby it was give insight to researchers and students about the problem and stimulates further investigation of the issue.

Chapter - 2

2. Literature review

This chapter contains both the theoretical and empirical review of the study. The theoretical framework includes: introduction to agent banking, definition of agent banking, evolution of agent banking, agent banking channels, and importance of agent banking, agent banking risks and banking in Ethiopia respectively. In addition, it also includes empirical review of the study from different researchers in different countries.

2.1 Theoretical review

The adoption of Agency banking was justified by a number of theories.

2.1.1 Bank-focused theory

The bank-focused theory emerges when a traditional bank uses non-traditional low cost delivery channels to provide banking services to its existing customers. Examples range from use of automatic teller machines (ATMs) to internet banking or mobile phone banking to provide certain limited banking services to banks customers.

2.1.2 Bank-led theory

In the most basic version of the bank-led theory of branchless banking, a licensed financial institution (typically a bank) delivers financial services through a retail agent. That is, the bank develops financial products and services, but distributes them through retail agents who handle all or most customer interaction (Lyman, *et al*, 2006).

2.1.3 Nonbank-led theory

In this theory customers do not deal with a bank, nor do they maintain a bank account. Instead, customers deal with a Non-Bank firm-either a mobile network operator or prepaid card issuer and retail agents serve as the point of customer contact.

2.1.4 Agency theory

The agency theory is used to explain the principal-agent problem or what is called agency dilemma which occurs when one person or entity-the agent-is able to make decisions on behalf of, or that impact, another person or entity-the principal. The dilemma exists because sometimes the agent is motivated to act in his own best interests rather than those of the principal. An agent then is a person or entity that acts on behalf of another person or entity-principal-in a relationship often governed by a legal framework. Instances of this relationships include corporate management (agent) and shareholders (principal), or politicians (agent) and voters (principal), doctor (agent) and patient principal), employee (agent) and Employer (principal) (Blume & Easley 2008). This relationship is extended to persons or entities that make use of agents to deliver their business objectives, in this case, banks (principal) and banking agents (agent). Such relationships take the form of a contract necessarily with an offer and a consideration. In an agency relationship, agency cost will most certainly arise. This is type of internal cost that arises from, or must be paid to, an agent acting on behalf of a principal. Agency costs arise because of core problems such as conflicts of interest between the principal and the agent.

2.2 Empirical review

Podpiera (2008) argues that Agent banking does improve the economics for these institutions compared with branches, especially for high-transaction, low-balance accounts that are common among poor users. The analysis focuses on four types of agent banking delivery channels: POS-enabled bank agent; this is an agent managed by a bank that uses a payment card to identify entrepreneurs. Banking agent-enabled agent, this is an agent managed by a bank that uses a cell phone to identify entrepreneurs. This is an agent that is often managed by a telecom, uses a cell phone to identify entrepreneurs, and provides store-of-value accounts called bank electronic monetary value. For this analysis, we consider them a store of value account that provides a useful comparison for a savings account directly provided by a financial institution. Bank-provided account linked to a bank wallet. This is a bank account that is linked to a bank wallet. The bank does not manage the agent and pays a fee to the telecom for deposits and withdrawals.

Kitaka, P. (2001) indicates that the cost and revenue estimation is done on a per account basis for transactional accounts, commitment savings accounts, reverse commitment accounts, and time deposits. It focuses on the costs and revenues incurred by the financial agent bank associated with account opening, financial margin, and transactions for low-cost accounts. The revenue assumptions are based on a view that financial agent banks can and should charge for withdrawals and transfers through agent channels. Although some institutions in the sample do not, we contend that this may be counterproductive when reaching new low-income markets where entrepreneurs have a higher willingness to pay for nearby transaction services and where the financial margin earned on lower-balance accounts was insufficient to cover the cost of maintaining that account. We envision that clients will transact more with greater proximity to agents.

According to Dondo (2003). Agency Banking is not new in the world. It has been used very well in Latin America and Asia. There are few African countries that have taken up agency banking. The agency banking in Kenya guidelines were enacted in 2010.Banks must first apply to central bank of Kenya to get approval to conduct agency banking business. The board of directors of each banking institution interested in agency banking must make policies guidelines and procedures to be followed One of the primary impediments to providing financial services to the poor through branches and other bank-based delivery channels is the high costs inherent in these traditional banking methods. The amount of money expended by financial agent banks to serve a poor customer with a small balance and conducting small transactions is simply too great to make such accounts viable. (Adera, A. 1995) In addition, when financial agent banks do not have branches that are close to the customer, the customer is less likely to use and transact with their service. However, the emergence of new delivery models is a way to drastically change the economics of banking the poor. By using retail points as agent banking other providers can offer saving services in a commercially viable way by reducing fixed costs and encouraging entrepreneurs to use the service more often, thereby providing access to additional revenue sources.

2.3 Agency banking services

According to Atieno, (2001). A banking agent is a retail or postal outlet contracted by a financial institution or a bank network operator to process client transactions. Rather than a branch teller, it is the owner or an employee of the retail outlet who conducts the transaction and lets clients deposit, withdraw, and transfer funds, pay their bills, inquire about an account balance, or receive government benefits or a direct deposit from their employer. Banking agents can be pharmacies, super markets, convenience stores, lottery outlets, post offices, and many more. Globally, these retailers and post offices are increasingly utilized as important distribution channels for financial institutions. The points of service range from post offices in the Outback of Australia where clients from all banks can conduct their transactions, to rural France where the bank Credit agricole uses corner stores to provide financial services, to small lottery outlets in Brazil at which clients can receive their social payments and access their bank accounts

Humprey, B.D, 1998) Mokogi, (2003). Banking agents are usually equipped with a combination of point of sale card reader, banking agent, barcode scanner to scan bills for bill payment transactions. Clients that transact at the agent use their banking agent to access their bank account or e-wallet respectively. Identification of entrepreneurs is normally done through a PIN, but could also involve biometrics. With regard to the transaction verification, authorization, and settlement platform, banking agents are similar to any other remote bank channel. Local regulation will determine if financial institutions areal lowed to work through retail outlets. Regulators generally determine what kind of, if any, financial institutions are permitted to contract banking agents, what products can be offered at the retail outlets, how financial institutions have to handle cash transport. (Christopher, 2002) Banking agents help financial institutions to divert existing entrepreneurs from crowded branches providing a complementary, often more convenient channel. Other financial institutions, especially in developing markets, use agents to reach an additional client segment or geography. Reaching poor clients in rural areas is often prohibitively expensive for financial institutions since transaction numbers and volumes do not cover the cost of a branch. In such environments banking agents that piggy back on existing retail infrastructure and lower set up and running cost can play a vital role in offering many low-income people their first-time access to a range of financial services. Also, low-income clients often feel more comfort able banking at their local store than walking into a Marble branch (Christopher, 2002) Banking agents are the backbone of banking, performing transactions over a bank device, most often a banking agent. To enable clients to convert cash into electronic money and vice versa which can be sent over their banking agent Especially in remote and rural locations, where cash is still the most important way to pay and transact, a bank services is dependent on banking agents to enable clients to effectively use these service.

2.4 Agency banking and customer satisfaction

Agent banking systems are up to three times cheaper to operate than branches for two reasons. First, agent banking minimizes fixed costs by leveraging existing retail outlets and reducing the need for financial agent banks to invest in their own infrastructure. (Gardner, M.J, Mills D.L Cooperman E.S 2000), although agent banking incurs higher variable costs from commissions to agents and communications, fixed costs per transaction for branches are significantly higher.

According to setting up an agent costs 2 percent to 4 percent of the cost of a branch cashier. So even when functioning at maximum capacity, a branch cashier incurs more than 78 cents in fixed costs per transaction, compared to just 11 cents for a POS enabled agent and 4 cents or less for a bank-enabled agent or bank wallet. Second, acquisition costs are lower for bank-enabled agents and bank wallets. (Kitaka, P2001) By using banking agents instead of payment cards, bank wallets and bank accounts linked to a bank wallet are able to acquire entrepreneurs at less than 70percent of the cost of a branch or POS-enabled agent. In some countries, bank wallets may also benefit from lower-cost Know Your Customer requirements, such as the elimination of requirements to provide photographs and photo copies of documents. In some countries, banks have successfully expanded their outreach by engaging local agents or correspondents to offer their services.

2.5 Agency banking

Agency Banking is a service outlet contracted by financial institution or mobile network operator to process client's transactions rather than a bank teller. It is the owner or an employee of the retail outlet who conducts the transaction and lets its client deposit, withdraw and transfer funds, pay their bills, inquire about an account balance, or a direct deposit from their employer, or receive government benefits. Banking agents can be pharmacies, super markets, conveniences stores, lottery outlets, post offices etc. (Ivatury & Layman, 2006).

2.6 Definition of agent banking

An agent bank or *agency bank* is a bank that acts on behalf of another bank or group of banks. We commonly refer to a group of banks as a *syndicate*. The term may also refer to a bank that acts on behalf of a person, organization, or corporation. The functions of an agent bank depend on the nature of the agreement it makes with its clients.

The bank may act as agent for a loan made to one borrower by several lenders. We call this type of loan a *syndicated loan*. It sends interest payments to lenders and informs all parties on any developments. We also call this type of agent a *lead bank*.

The agent bank may take part in the credit card program of another financial institution. The bank may issue credit cards and carry out other duties. The term could also refer to a foreign bank doing business in a country on behalf of its parent bank. When the bank is doing business abroad on behalf of its parent bank, it will not accept deposits (Market business news, 2006).

2.7 Agent banking model

The Agent Banking Model can be classified into

- Bank led Model
- Non-bank led Model

2.7.1 Bank-led model

In the basic version of the bank-led model, a licensed financial institution (typically a bank) delivers financial services through a retail agent. The financial products and services are developed by banks but distributed through retail agents (Lyman, Ivatury and Staschen, 2006). The bank led model composed of three main entities; the bank, the retail agents, and the customer. In this model, the bank must carry out an audit of its agents to ensure that the agents operate within the generally accepted rules and regulations in order to safeguard the interests of the bank, agents and the customers (Sunguti, 2013).

2.7.2 Nonbank-led model

The non-bank-led model is a model where a bank does not come into the picture (except possibly as a safe-keeper of surplus funds) and the non-bank performs all the functions. In this model, therefore, customers neither deal with the bank nor maintain a bank account. Instead customers deal with a non-bank firm, either a mobile network operator or prepaid card issuer and retail agents serve as point of customer contact (Sunguti, 2013).

2.8 Agent banking operations

A banking agent is a retail or postal outlet contracted by a financial institution or a mobile network operator to process client's transactions. Rather than a branch teller, it is the owner or an employee of the retail outlet who conducts the transaction and lets clients deposit, withdraw, and transfer funds, pay their bills, inquire about an account balance, or receive government benefits or a direct deposit from their employer. Banking agents can be pharmacies, supermarkets, convenience stores, lottery outlets, post offices and many more. (Kumar *et al*, 2006).Ina growing number of countries, banks and other commercial financial service providers are finding new ways to make money delivering financial services to unbanked people. Rather than using bank branches and their own field officers, they offer banking and payment services through postal and retail outlets, including grocery stores, pharmacies, and gas stations among others. For poor people retail agents may be far more convenient and efficient than going through a bank.

Banking through retail agents uses information and communication technology through cell phones to transmit transaction details from the retail agent or customer to the bank. Banking through retail agents appeals to policy makers and regulators because it has the potential to extend financial services to unbanked and marginalized communities. But it also challenges them to ask: what are the risks of these new approaches, and are they different from those of conventional branch-based banking? How should we respond to these risks, so as to permit branchless banking with retail agents to operate safely and expand access to finance income and rural areas that they could not profitably serve with conventional branch based banking.

In Brazil, private and state owned banks deliver financial services through retail agents including small supermarkets and pharmacies, post offices, and lottery kiosks (Kumar *et al*. 2006). These agents are called banking correspondents. In January 2006, India's central bank issued a circular permitting banks to use post offices and specializes micro finance institutions (MFI), including nonprofit organizations (NGO), cooperatives, and for profit companies as retail agents. The circular calls these agents business correspondents. (Harper *et al.* 2006) In South Africa, branch less banking through retail agents is permitted only for licensed financial institutions. In Kenya the most basic version of agent banking is whereby a licensed financial institution typically a bank delivers financial services through a retail agent. The bank develops financial products and services but distributes them through retail agents who handle most customer interaction.

2.9 Importance of agent banking

Importance of banking system in a country is increasing day by day. It is quite impossible for any country to develop in industrial and commercial sector without sound banking system in modern economic era. Agent banking is one of the significant functions of the bank. It plays a vital role in overall economy of the country. Globally these retailers are being increasingly utilized as important distribution channels for financial inclusion. Bangladesh Bank has also 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. Agent Banking: 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. Definition of agent banking is a bank that has been authorized by an individual to act as his/her agent. An agent bank would typically provide services such as back-office operations, processing of credit applications, and verification services. Rationale for banking agents: Banking agents help financial institutions to divert existing customers from crowded branches providing a “complementary”, often more convenient channel. Other financial institutions, especially in developing markets, use agents to reach an “additional” client segment or geography. Reaching poor clients in rural areas is often prohibitively expensive for financial institutions since transaction numbers and volumes do not cover the cost of a branch. In such environments banking agents that piggy back on existing retail infrastructure-and lower set up and running cost-can play a vital role in offering many low-income people their first-time access to a range of financial services. Also, low-income clients often feel more comfortable banking at their local store than walking into a marble branch. Benefits of banking agents:

For clients:

- Lower transaction cost (closer to client’s home; client would visit store anyway for groceries, etc.)
- Longer opening hours
- Shorter lines than in branches
- More accessible for illiterates and the very poor who might feel intimidated in branches

2.10 Agent services

The services that may be provided by bank agents can be divided roughly into four categories:

- Transmitting information
- Processing information
- Cash handling
- Electronic funds transfer

Information transmission consists primarily of providing the customer with account information (e.g., balance inquiries and bank statements) and receiving account and loan applications, including transmitting know-your-customer (KYC) information.

Information processing includes processing account and loan applications (and in some cases, opening accounts 11), analyzing the credit and other personal information of loan applicants, conducting KYC procedures (i.e., verification) for account opening applications and transactions, record keeping and selling micro insurance. Cash handling refers to deposits (or “cash in”) and withdrawals (or “cash out”), often limited to small values, to or from a customer’s own account. Finally, electronic funds transfer may involve making bill payments, disbursing government benefits, and effecting payments (e.g., salary payments). Some countries permit agents to engage in all such activities; other countries are more restrictive.

2.11 Challenges facing agency banking

Some agents disclose customer information to third parties without their knowledge that the bank owes its customers the duty of confidentiality and a breach of this duty can lead to customer taking legal actions against the bank. Most of these agencies are in areas that are what would be considered “high Risk”. Some agents are located along streets that are high risk areas and the agents do not take necessary measures to protect the customers. Customer Service is a huge challenge for the banks as they need to train and retrain the Agents so as to maintain high levels of customer service. The agency staff will be a target by fraudsters as they are aware that they will not be able to easily identify fraudulent transactions for example identification of documents for originality or if they are fake (Ignacio, 2009).

Most agents are not properly trained on know your customer (KYC) they do not know how to distinguish a fake identification document and a real one. Accounts opened at agent locations are also prone to money laundering transactions this is because of a few irregularities that happen during account opening (Sirken, 2009).

2.12 Operational challenges of agent banking systems

Financial services can only be delivered to a majority of poor households if the service providers-banks and telcos-use retail distribution channels to get closer to where the poor live and at a fraction of the cost of traditional banking. These retail agents who convert cash to electronic money (e-money) or convert e-money to cash are the human face of all agent banking systems. Therefore, when building, incentivizing, and managing a network of retail agents, providers must address the operational challenges in a way that fosters a positive and consistent customer experience that will create and maintain trust in the system.

We have yet to see the success of M-PESA replicated in another country context. Thus, we don’t know which of the key factors that led to success in Kenya transfer to another environment or whether there are other factors that haven't yet been considered. While M-PESA has a successful model for managing a telco-led channel, it isn't clear what the optimal channel management model is for a bank-led deployment, especially in the critical area of liquidity management. (Joyce Lehman, Bill & Melinda Gates Foundation November 2010).

Financial literacy will always remain a key pillar to push financial inclusion and user acceptance of banking agents' services. Financial literacy influences people's investment decisions, including risk-return tradeoffs and it also affects how resources in the economy are licensed under Creative Common allocated. In turn, this has implications for the potential growth rate and stability of the economy. A person with a good level of financial literacy is likely to be better placed than someone without those skills and knowledge to manage their financial affairs prudently; all else being equal, they are more likely to budget effectively, invest wisely and manage their debt level in a sustainable manner. By contrast, poor financial choices, possibly based on a lack of understanding of financial matters, can result in a number of negative outcomes, including a lower level of financial wealth and imprudent debt levels (Widdowson & Hailwood, 2012).

2.13 Agent banking in Ethiopia

In the Ethiopian financial market, Dashen Bank is the pioneer in agent banking operations. But United Bank is the one with deep engagement. Most banks are not involved in the agent service but now that it has become obligatory, they might have to change their paper plans to reality. I would argue that NBE's regulation is a right decision, since this is the only way to serve the unbanked population. In the system where banks are concentrated in a given area, agent banking is a good mechanism to address the public need for financial services. The reverse is true as agent banking would give banks more resources to leverage. As this service is at an introduction stage, there are many ups and downs. Banking should not be afraid of the challenges. The one and the most important factor they ought to make sure of, is that they have the trust of clients. Obstacles to building this trust and a dearth of capable agents, who can handle complex banking procedures as ably as the bank employee, are difficult challenges to be overcome. Another problem is fraud from the side of the agents. Yet, with a thoughtful approach, all these possible problems the researcher was are solved.

The whole hoopla of inclusive finance cannot happen without agent banking. NBE has acted in the right direction by making it mandatory for banks. It is now time for banks to adapt to the new state of affairs. Bank agents are usually awarded commissions whenever they perform transactions on behalf of the bank. These commissions are mainly awarded when somebody deposits cash, withdraws cash, and when somebody opens a bank account through the agent. This is a nice way of generating extra income for a retail outlet Nowadays you don’t have to visit a bank to do your banking services, thanks to a new form of banking known as agent banking (NBE, 2015).

The main actors of the CBE Birr system are CBE as a service provider, individual customers, agents and Ethio Telecom, the only mobile network provider in the country and the of the challenges of adaption of agent banking. The CBE Birr system, according to Belihu, communication manger of commercial bank of Ethiopia will help customers get a 24-hour service. Also, CBE Birr will reduce the conventional way of processing money. To begin the service, going to the bank is unnecessary; instead, customers can withdraw or deposit money in the nearby agent without getting a bank account (CBE, 2016).

Chapter - 3

3. Methodology

3.1 Research design

This study adopted descriptive survey design aimed to describe opportunity and challenges in adoption of agency banking among commercial banks of Ethiopia. The design provides a qualitative and quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample. Its purpose is to generalize from a sample to a population so that inferences can be made and it is also economical and rapid turnaround in data collection (Creswell, 2003).

3.2 Population and sample characteristics

The population of the study will comprise 80 branches in Bahir Dar district commercial bank of Ethiopia as per 2016/2017 report. Targeting those 80 branches, a sampling frame will be designed considering staffs and agents as groups to be analysed.

According to commercial bank of Ethiopia 2017 annual report, Bahir Dar district of CBE consists of 2,033 staff members, 320 agents. Therefore, in order to integrate those targeting groups, there is no other sampling technique than stratified sampling method considering staff members and agents as strata and from each stratum simple random sampling technique will be employed. The advantage of using stratified random sampling is that it improves the accuracy and efficiency of estimation; furthermore, stratified sampling provides greater precision than a simple random sample of the same size. Depending on the size of the sub-groups, a simple random sample will be employed for a large population.

3.3 Data source and method of collection

The study was apply both primary and secondary methods of data collection where the primary data was collected by developing structured questionnaire containing both close-ended and open ended questions targeting agents and staff members of the district. Because agent direct contact to customers and also CBE branch provide agent banking service like to agents. In addition, unstructured interview with CBE birr officer and manager in Bahir Dar district was used to collect supporting data. Secondary data was collected from the annual report, internet and from some other documents of respective commercial banks.

3.4 Method of data analysis

In order to meet the stated research objectives, the collected data was analyzed based on the nature of the objective, accordingly since all the information that were collected are qualitative in nature, descriptive type of analysis was employed to analyze each objective. Descriptive statistics describe the main features of a collection data quantitatively and qualitatively using frequency, tables and percentages.

3.5 Sampling unit

For this research the units of analysis are agents and staff members of CBE Bahir Dar District.

3.6 Sample size

Sample size is a small part of the population to be studied and sampling procedure is the process by which samples are selected in a study. I usually follow the method of proportional allocation under which the sizes of the samples from the different strata are kept proportional to the sizes of the strata. That is, if *Pi represents* the proportion of population included in stratum *i*, and *n* represents the total sample size, the number of elements selected from stratum *i* is *the* formula. ni = *n*. *Pi*.

The researcher use a sample of size n = 100 to be drawn from a population of size N = 2,353 which is divided in two strata of size $N1$ = 320 and $N2$ = 2,033.

N_1 = Is CBE Birr in agent

N_2 = Is Staff member

Adopting proportional allocation, we shall get the sample sizes as under for the different strata:

The formula $p1=N1/N$

For strata with $N1$ = 320, we have $P1$ = 320/2353 and hence $n1 = n.\ P1$ = 100 (320/2353) = 14. Similarly, for strata with $N2$ = 2,033 we have $n2 = n.\ P2$ = 100(2,033/2353) =86.Thus, using proportional allocation, the sample sizes for different strata are 14and 86 respectively which is in proportion to the sizes of the strata, 320: 2,033. Proportional allocation is considered most efficient and an optimal design when the cost of selecting an item is equal for each stratum, there is no difference in within-stratum variances, and the purpose of sampling happens to be to estimate the population value of some characteristic. But in case the purpose happens to be to compare the differences among the strata, then equal sample selection from each stratum would be more efficient even if the strata differ in sizes (C.R. KOTHARI, 1990).

Chapter - 4

4. Results and discussion

4.1 Introduction

To find the major out puts of the study and to give important recommendations, the collected data should be analyzed and discussed, accordingly the analysis and important findings from the collected data are discussed below.

Table 1: Response return rate

Respondents	Administered	Respondents	Percentage return rate
CBE staff	86	86	100%
Agent	14	14	100%
Total	100	100	100%

4.2 Socio demographic characteristics of respondents

Table 2: Staff gender

Gender of respondents	Frequency	Percentage (%)
Male	72	84%
Female	14	16%
Total	86	100%

Source: From Questionnaire 84% of the respondents were male while 16% were fem ale

Table 3: Agent gender

Gender of respondents	Frequency	Percentage (%)
Male	14	100%
Female	0	0%
Total	14	100%

Source: From Questionnaire

100% of the respondents were male while 0% was female. Although women s labor force participation has been rising in many countries, and in some cases, the gender wage gap has been narrowing women on average still have lower levels of wealth and earning than men (Maria & Stephanie, 2002). But from respondents of agent female is not provide agent banking service.

Women s lower levels of income have a double effect: they in fewer resources available for savings and investment (income level effect) and suggest a greater aversion for absolute risk (saving propensity effect). Although, the number of men using Agent banking is higher and there is no women due to income level effect, women have a high saving tendency but low on engaging in Agent banking. Institutions may develop products that target each gender at the same time be a plus to Agent banking.

Table 4: Agent age

Age of respondents	Frequency	Percentage (%)
20-30	4	29%
31-40	8	57%
41-50	2	14%
51-60	0	0%
Total	14	100%

Source: From Questionnaire

The study requested the respondent to indicate their age category, from the findings, it was found that most of the respondents as shown by 57 % of the respondents were aged between 30 to 40 years, 29% of the of the respondent were aged between 20 to 30 years and 14% were aged between 41 to 50 years. There was no one aged between 51 to 60 years. This is an indication that respondents were well distributed in terms of their age. Majority of the respondents Agents were age between 31-40 years. Generation gap hampers technology adoption, with the order generations showing apprehension towards adoption of Agent Banking technology.

Table 5: Staff age

Age of respondents	Frequency	Percentage (%)
20-30	50	59%
31-40	20	23%
41-50	13	15%
51-60	3	3%
Total	86	100%

Source: From Questionnaire

The study requested the respondent to indicate their age category, from the findings, it was found that most of the respondents as shown by 59% of the respondents were aged between 20 to 30 years, 23% of the of the respondent were aged between 31 to 40 years, 15% were aged between 41 to 50 years and 3% of the respondents indicated that they were aged 51 to 60 years. This is an indication that respondents were well distributed in terms of their age.

Table 6: Agent level of education

Education of respondents	Frequency	Percentage (%)
Diploma holder	0	0%
First degree holder	0	0%
Master's degree	0	0%
Other	14	14%
Total	14	100%

Source: From Questionnaire

It is evident that all of the agents are no university graduates and those who have completed secondary school education. It was found out that there are no university graduates who have invested in agency business, this is because individuals with this level of qualifications have found other formal jobs, and hence not self-employed. Those who have not completed primary education and those who have never been to school or through any other form of learning have not ventured into the business since they don't have required knowledge to do transactions on behalf of banks.

Table 7: Staff level of education

Education of respondents	Frequency	Percentage (%)
Diploma holder	0	0%
First degree holder	75	87%
Master's degree	11	13%
Other	0	0%
Total	86	100%

Source: From Questionnaire

From the findings, 87% of the respondent indicated their highest level as bachelor's degree holder, whereas 13% of the respondents indicated their highest level of education as post graduate, this is an indication that most of the respondents engaged in this study had bachelor's degree as their highest levels of education.

4.3 Analysis and discussion related current practice, opportunity and challenges

Table 8: The current practice of agent banking service commercial bank of Ethiopian

Respondents	Agent banking service
Agents	Sending money, Cash out Buy air time Buy good and service Account balance Business deposit Business withdrawal, account transfer.

CBE staff	Sending money, Cash out Buy air time Buy good and service Account balance Business deposit Business withdrawal, account transfer.

Source: From Questionnaire and interview

From the findings as shown above, commercial bank of Ethiopia is providing Sending money, Cash out, Buy air time Buy good and service Account balance Business deposit and Business withdrawal and account transfer services for the customer. As a result, customers of the bank can get the services listed in the above, but the bank is also planned to adopt other agent banking channels pay bill in order to provide efficient agent banking services. Pay bill is Customer visits the Billers website, and get the reference number and Customer enter the reference number using his/her phone after that Both Billers and Customers receive confirmation notification. But currently pay bill not provide service because as respondents response agreement to bill company still now not finished.

Instead of paying with cash, cheque, or credit cards, a consumer can use a mobile phone to pay for a wide range of services and digital or hard goods. Although the concept of using non coin based currency systems has a long history, it is only recently that the technology to support such systems has become widely available.

A service is a discrete set of steps that can be activated to fulfil customers' requirement. Services are focused on revenue generation as opposed to supporting normal business operations. CBE birr are offered through channels identity types involved and account types involved are predefined in the service. For example, for cash in service, the debit and credit party are organization and customer, the debit and credit account type are one of the account types of organizations and one of the account types of customers. Like the internet banking service, Customers can get the services listed in the above table using SMS banking. Through telephone, the customer can get services 24 hours a day, 7 days a week and 365 days a year.

Table 9: Challenges for the adoption of agent banking services

Respondents	Challenges
Agents	Customer poor response to register new, Lack of trust with bank agents, Fraud and Money Laundering, Liquidity management for the agent banking model, Not Provide loan to agent as source of startup capital to provide agent banking service, Quality of agent when to register new customer and provide service to exist one, Customer awareness and literacy, adequate training to agents and bank staff in implementation of agent banking service and Mobile network availability are challenges of adoption agent banking.

CBE staff	Customer poor response to register new, Lack of trust with bank agents, Fraud and Money Laundering, Liquidity management for the agent banking model, Not Provide loan to agent as source of startup capital to provide agent banking service, Quality of agent when to register new customer and provide service to exist one, Customer awareness and literacy, adequate training to agents and bank staff in implementation of agent banking service and Mobile network availability are challenges of adoption agent banking.

Source: From Questionnaire and interview

The study set out to the challenges of agent banking in commercial bank of Ethiopia. Respondents were asked to Customer awareness and literacy affect adoption of agency banking services in commercial bank of Ethiopia. The research found out that financial literacy highly influences the users' attitude towards agency services.

Lack of customers awareness in agent Banking Services, all of the respondents admitted that customer did not use these services because many had access to or aware of the services in their neighborhood; they were in agreement that the banks were easily identifiable to the brand although they had no idea of various services being offered or were they able or confident to know if the agent bank they were dealing with was genuine or not.

From the finding quality of agent when to register new customer and provide service to exist one are challenges of agent banking in commercial bank of Ethiopia. With further interview finds that quality of agent when provide agent banking service knowledge gap related mobile technology application and other technology related to agent banking service. But the researcher was not find this agent banks were providing adequate services or these agents are not give adequate services. Because the researcher do not visited.

Results above indicate that availability of network is a problem in commercial bank of Ethiopia and this is challenge to agency banking in the area. All of respondents admitted that this was the problem affecting agency operations. on further questioning of the managers about the average number of hours per day they experience network failures, the results was for example when agent register new customer require full network otherwise fall so it is difficult to speak average number of hours to provide service because based on network capability money times network fall is challenges of agent banking services so availability of network is challenges of agent banking in commercial bank of Ethiopia.

Liquidity management problems in agency banking in commercial bank of Ethiopia are one of the challenges. While it is clear that all of respondents mentioned this as a problem. On a further follow up question on how many clients they lose due to this problem per day, the response was that on average every agent lost 5 customers per week due to enough float the amount to withdraw or deposit and sought help from the bank branch. Of the 5 customers lost due to float one customer may come later to check if services have resumed, the other four never come back instead stay with cash in their houses or travel to traditional bank branches to transact. This is a big problem because of the long distances agents have to travel to the nearest branch to top up their float, this takes a lot of their time and clients give up along the way in waiting. On the follow up question about the number of times the agent visits the branch in order to top up float, CBE set the minimum limits to 10,000 Br, but the agent can manage the liquidity to the extent of the transaction performance and requirement of working capital at its premises.

It was clear that all respondents representing of agents find it difficult to raise startup capital and hence to borrow from friends and family of agents are able to raise the startup capital from approach banks to get some credit to start the business.

It was established that on average, agents had initial startup capital of kshs.10,000 (ten Thousand in Ethiopian birr) and also all of the informants said the amount was not easy to raise so affordability of starting the business was low. The sources of funds included family savings, sell of animals and sell of private property and land. All of respondent Not Provide loan to agent as source of startup capital to provide agent banking service is one of the challenges of agent banking in CBE and CBE not provide loan to startup capital to run agent banking service.

Agent banking creates convenience for customers through availability of agent outlets offering banking services. But collect data from respondent location of agent close with branch in the city so agent banking provides service to unbanked society. Agent banking will expand the market outreach by banks through the presence of banking agents in places that could otherwise not be accessed by banks, thus reaching new customers. Availability of appropriate ICT infrastructure is vital for the success of provision of banking services by agents.

The respondents were asked to indicate to which they agree with each of the Challenges listed above as influencing adoption of agent banking. However all respondent and interview was provide Lack of proper government polices to access agent banking channel in commercial bank of

Ethiopia and Pricing model for the service to the customers are not challenges of agent banking in commercial bank of Ethiopia. Customer does not paid service charge in any transaction but commercial bank of Ethiopia paid commission to agent when provide service to the customer.

Table 10: Existing opportunities to the agent that initiates adoption of agent banking

Respondents	Opportunity to the agents
Agents	Source of income, Good relationship with the bank, increased customer traffic and return high profit, more preferable than its competitors and Earn public trust from customer and bank, get some preferential rights, like credit.
CBE staff	Source of income, Good relationship with the bank, increased customer traffic and return high profit, More preferable than its competitors and Earn public trust from customer and bank, get some preferential rights, like credit.

Source: From Questionnaire and interview

The above table indicated the existence agent banking the respondent of each opportunity in commercial bank of Ethiopia for the adoption of agent banking. For the agent, the system is a source of income as it works on commission basis. It enables the agent to earn a good reputation from the bank with which it is affiliated and perhaps, get some preferential rights, like credit.

Therefore, from the above discussion it is possible to conclude that there are good opportunities for the adoption of agent banking service to agents in commercial bank of Ethiopia.

Table 11: Existing opportunities for the adoption of agent banking services to the bank

Respondents	Opportunity to banks
Agents	Mobilize resources, Creates financial inclusion, Creates cashless society, Creates higher customer satisfaction, Reduce risks associated with cash circulation, Reduce branch congestion (crowding), Increase branch deposit, Attract new customers, Accomplishing its market share.
CBE staff	Mobilize resources, Creates financial inclusion, Creates cashless society, Creates higher customer satisfaction, Reduce risks associated with cash circulation, Reduce branch congestion(crowding), Increase branch deposit, Attract new customers, Accomplishing its market share.

Source: From Questionnaire and Interview

All of the respondents say agent banking creates financial inclusion to commercial bank of Ethiopia. Agent banking is a system by which a financial institution extends services without directly opening a branch. It is done through potential certified agents. This way is the most cost-effective and accessible form of providing financial services for the customers. Agent banking enables individuals to deposit and withdraw money, transfer funds, and other related services simply by holding an agent account.

Respondents find for commercial bank of Ethiopia, where financial accessibility is not very great as compared another countries banks. So money UN banked societies are live in Ethiopia. So, agent banking is in suitable in many ways. It enables financial institutions to become accessible in terms of time and place. The mobile revolution in urban and rural areas also means a golden opportunity for the growth of agent banking. This form of service provision can be used to clear the road for branch operations. With agent banking, it is possible to collect a small number of customers around each agent and introduce the name and the service of the bank to potential clients. This will ease the operation of a new branch in the area and create higher customer satisfaction.

It brings banking system to the poorest and those who are in most remote places in the Country where the existence of the traditional. So agent banking provide opportunity to commercial bank of Ethiopia create financial inclusion. Banking agents help financial institutions to divert existing customers from crowded branches providing a “complementary”, often more convenient channel. Other financial institutions, especially in developing markets, use agents to reach an “additional” client segment or geography. Reaching poor clients in rural areas is often prohibitively expensive for financial institutions since transaction numbers and volumes do not cover the cost of a branch. In such environments banking agents that piggy back on existing retail infrastructure-and lower set up and running cost-can play a vital role in offering many low-income people their first-time access to a range of financial services. Also, low-income clients often feel more comfortable banking at their local store than walking into a marble branch.

Table 12: Existing opportunities for the adoption of agent banking services to customers

Respondents	Opportunity to customers
Agents	Create transformational service, Access to formal financial services, Creates convenience for sending and receiving remittances, Enables customers to access multiple services simultaneously, Access 24/7 services and time saving, Reduce risk of accepting forgery Birr., Reduce cost of travelling to banks, Reduce risk associated with carrying cash, Enables to pay anywhere and anytime.
CBE staff	Create transformational service, Access to formal financial services, Creates convenience for sending and receiving remittances, Enables

	customers to access multiple services simultaneously, Access 24/7 services and time saving, Reduce risk of accepting forgery Birr., Reduce cost of travelling to banks, Reduce risk associated with carrying cash, Enables to pay anywhere and anytime.

Source: From Questionnaire and Interview

For the clients, agent banking reduces the time and money needed to visit a branch each day to deposit and withdraw their money. They can complete such transactions from the shop next door. This opportunity motivates fast but small cash movers, like retailers, to put their extra money into the banking system every day. Lower transaction cost (closer to client's home; client would visit store anyway for groceries, etc.)

- Longer opening hours, Access 24/7 services
- Shorter lines than in branches

More accessible for illiterates and the very poor who might feel intimidated in branches?

Agent banking reduces the time and money needed to visit a branch each day to deposit and withdraw their money. Also, agent banking reduces the conventional way of processing money. Customer, going to the bank is unnecessary; instead, can withdraw or deposit money in the nearby agent without getting a bank account.

Generally all of respondents admitted adoption of agent banking create transformational service, Access to formal financial services, Creates convenience for sending and receiving remittances, Enables customers to access multiple services simultaneously, Access 24/7 services and time saving, Reduce risk of accepting forgery Birr., Reduce cost of travelling to banks, Reduce risk associated with carrying cash and enables to pay anywhere and anytime.

Chapter - 5

5. Conclusion and recommendation

5.1 Introduction

Agent banking is one of the most popular financial services in the world where there are difficulties in accessing geographical locations easily. And that is why agent banking is very successful in the world. Mobile revolution in urban and rural areas also means a golden opportunity for the growth of agent banking for countries like Ethiopia, where financial accessibility is very low, agent banking is in suitable in many ways. With this regard currently, commercial bank of Ethiopia adopt agent banking is in an infant stage.

This chapter as a whole presents the concluding remarks for the main findings in chapter four and important recommendations as per the main problems investigated in this research study respectively.

5.2 Conclusions

Based on the analysis made in chapter four the following conclusions are made on the opportunities and challenges for the adoption of agent banking service in commercial bank of Ethiopia bahir dar district.

From the findings, the researcher concludes that agent banking as an alternative service delivery channel and currently provides various services in commercial bank of Ethiopia.

Agent banking

Create transformational service, Access to formal financial services, Creates convenience for sending and receiving remittances, Enables customers to access multiple services simultaneously, Access 24/7 services and time saving, Reduce risk of accepting forgery Birr., Reduce cost of travelling to banks, Reduce risk associated with carrying cash, Enables to pay anywhere and anytime all are opportunity of agent banking service to customers.

Mobilize resources, Creates financial inclusion, Creates cashless society, Creates higher customer satisfaction, Reduce risks associated with cash circulation, Reduce branch congestion(crowding), Increase branch deposit, Attract new customers, Accomplishing its market share are opportunity of agent banking to commercial bank of Ethiopia.

Source of income, Good relationship with the bank, increased customer traffic and return high profit, more preferable than its competitors, Earn public trust from customer and bank and get some preferential rights, like credit are opportunity of agent banking to agents. and also the finding of the study shows that the main challenges that agent banking adoption among commercial bank of Ethiopia and most pronouncedly Customer poor response to register new, Lack of trust with bank agents, Fraud and Money Laundering, Liquidity management for the agent banking model, loan accessibility to agent, Quality of agent when to register new customer and provide service to exist one, lack of Customer awareness and literacy, adequate training to agents and bank staff in implementation of agent banking service and Mobile network availability are challenges of adoption agent banking.

It can be concluded that the banks has invested adequately on training of banking agents as well as banks staff on the product offering at the agent location. However the same cannot be said when it comes to customers' financial literacy. A great number of customers are not aware of the services they can access at the bank agents and thus they keep on flocking the brick and mortar branches.

5.3 Recommendations

The researcher recommends that:

- More information and awareness should be put in public to build confidence and trust in agency banking as a secure, efficient and modern way of banking.
- More should be done to improve mobile network accessibility in agent banking service.
- Those that want to carry out agent business should also be encouraged to access loans to improve their affordability to engage in agency banking as their main business activity to improve the services in the area.
- Commercial bank of Ethiopia should also consider ways of automatically topping up agents' float to assist clients especially those affected by float related problems and extend into the interior to serve residents.

- Commercial bank of Ethiopia should access agent banking to rural areas of unbanked population.
- Currently Commercial bank of Ethiopia launch pay bill service by simply Customer visits the Billers website, and get the reference number and Customer enter the reference number using his/her phone is more preferable.
- Better for the bank to train its staff and agents about the existing agent banking services as well as planned agent banking services to improve their know-how and service efficiency up on delivery to the customers. Adequate training should be banking targets included in the branch and Key Performance Indicators (KPIs in agent banking service.
- Based on the findings**,** the study recommend that to manage fraud levels, banks should adopt a risk-based approach to the supervision and regulation of agency banking because customers must develop the same level of confidence with bank agents as they do when they visit branches.

Future research

- Investigating in to the factors that affect the adoption of agent banking service in commercial bank of Ethiopia, from the customers point of view
- Impact of agent banking with customer satisfaction access to unbanked population
- Impact of agent banking service on the performance of banks

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General instruction

This questionnaire contains two sections and six pages and answer to opportunities and challenges of agent banking in commercial bank of Ethiopia that will be expected to take approximately 15 to 20 minutes to complete. You are kindly requested to respond to the questions based on the instructions under each section. If you have any comments or want to provide further explanations, please use the space provided at the end of the questionnaire.

Section I: Socio-demographic profile of respondents

Please indicate the following by ticking (√) on the spaces in front of the response options:

1. **Gender:** Male Female
2. **Age:** 20-30 31-40 41-50 51-60
3. **Educational level:** Diploma holder First degree holder Master's degree other one

Section II

Please tick "yes" or "no" the current practice of agent banking service in commercial bank of Ethiopian in bahir dar district.

Section A

No	CBE birr service	Yes	No
1.	Sending money		
2.	Cash out		
3.	Buy air time		
4.	Buy good and service		
5.	Pay bill		
6.	Account balance		
7.	Business deposit		
8.	Business withdrawal		
9.	Account transfer and other		

Section III

Questionnaires related with opportunity and challenges of adopting Agency banking in commercial bank of Ethiopia limited in Bahir Dar district. Instruction: Below are lists of statements pertaining to opportunity and challenges of adoption Agency Banking. Please indicate whether you agree or disagree with each statement by ticking (√) on the spaces that specify your choice from the options that "agree" and "disagree" Do you think that the following are the different challenges for the adoption of agent banking Services?

Section B

No	Challenges	Agree	Disagree
1.	Lack of proper government polices to access agent banking channel in commercial bank of Ethiopia		
2.	Vetted location for the setup of the agent outlets		
3.	Customer poor response to register new in commercial bank of Ethiopia		
4.	Lack of trust with bank agents		
5.	Fraud and Money Laundering		
6.	Pricing model for the service to the customers		
7.	Liquidity management problem		
8.	Not Provide loan to agent as source of startup capital to provide agent banking service is one of the challenges of agent banking in CBE		
9.	Quality of agent to provide agent banking service to customer, when to register new customer and provide service to exist one		
10.	Customer awareness and literacy is challenges of agent banking service		
11.	training to agents and bank staff is challenges of in implementation of agent banking service		
12.	Mobile network availability is challenges of agent banking operation		

Any other challenges (s) (specify) ---
---.

If Liquidity management problem is challenges of agent bank how mone y customer loose per day?

Section C

2, please tick to what are the existing opportunity to the agents that initia tes adoption of agent banking?

No	Opportunity	Agree	Disagree
1.	Agent banking is Source of income		
2.	More preferable than its competitors		
3.	Good relationship with the bank		
4.	Increased customer traffic and return high profit		
5.	More preferable than its competitors		
6.	Earn public trust from customer and bank		
8.	Get some preferential rights, like credit		

Any other opportunities (s) (specify) --
---.

Section C

Please tick to what is the existing opportunity to the customer that initiates of agent banking?

No	Statement	Agree	Disagree
1.	Create transformational service		
2.	Access to formal financial services		
3.	Creates convenience for sending and receiving remittances		
4.	Reduce risk associated with carrying cash.		
5.	Enables customers to access multiple services simultaneously		
6.	Reduce cost of travelling to banks		
7.	Time saving and Access 24/7 services		
8.	Reduce risk of accepting forgery Birr.		
9.	Enables to pay anywhere and anytime		

Any other opportunities (s) (specify) --
---.

Section D

Please tick to what is the existing opportunity in commercial bank of Ethiopia that initiates the adoption of agent banking?

No	Statement	Agree	Disagree
1.	Mobilize resources		
2.	Creates financial inclusion		
3.	Creates cashless society		
4.	Creates higher customer satisfaction		
5.	Reduce risks associated with cash circulation		

6.	Reduce branch congestion (crowding)		
7.	Increase branch deposit		
8.	Attract new customers		
9.	Accomplishing its market share		

Any other opportunities (s) (specify) --- --.

Appendix: Interview Guide

1. Agent banking services provide in branch? ---.
2. If you answer is no in the above question kindly explain why? --.
3. The roles that agent banking service? ---.
4. What factors led to adopt agency banking instead of another model? ---.
5. Network capability affect agent banking service and agent how money customer register per day and average no of hours? ---.
6. Challenges of agent banking adoption? --------------------------------.

- Customer poor response to register new in commercial bank of Ethiopia?
- Lack of trust with bank agents?
- Fraud and Money Laundering Pricing model for the service to the customers?
- Liquidity management is crucial for the agent banking model?
- Not Provide loan to agent as source of startup capital to provide agent banking service is one of the challenges of agent banking in CBE?
- Quality of agent to provide agent banking service to customer When to register new customer and provide service to exist one?
- Customer awareness and literacy is challenges of agent banking service?
- Training to agents and bank staff is challenges of in implementation of agent banking service Mobile network availability is challenges of agent banking operation?
- Lack of proper government polices to access agent banking channel in commercial bank of Ethiopia?

7. If Liquidity management problem is challenges of agent bank how money customer loose per day?

8. Where branch Agent usually found? --.
9. Agency banking service increase productivity of the bank? ---.
10. Agency banking service is convenient, in terms of 7 days and 24 hour services --.
11. Agency Banking service is convenient in terms of time saving --.
12. Lack of trust is challenges for the adoption of Agency Banking service? --.
13. Agent banking reduces the time and money needed to visit a branch each day to deposit and withdraw their money? --.