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COLLEGE OF BUSINESS AND ECONOMICS
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Department of Business Leadership

Challenges and Opportunities of Agent Banking in Ethiopia: a case study of some selected branches of Awash Bank.

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"A Thesis Submitted to Addis Ababa University School of Commerce in Partial Fulfillment of the Requirements for the Degree of Master of Business Leadership"

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July ,2023
Addis Ababa, Ethiopia

Challenges and Opportunities of Agent Banking in Ethiopia: a case study of some selected branches of Awash Bank.

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A Project Paperwork Submitted to The Graduate School of Addis Ababa University, School of Commerce: In Partial Fulfillment of The Requirements for The Degree of Master of Arts in Business Leadership (MBL)

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June, 2023

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Declaration

I, **Tesfaye Asalfew,** hereby declare that this research project entitled **"*Challenges and Opportunities of Agent Banking a case study of some selected branches of Awash Bank*"** submitted in partial fulfillment of the requirements for Master of Arts in Business Leadership to Addis Ababa University, School of Commerce, is my original work and it has never been presented in any university. All sources and materials used for this research project have been duly acknowledged.

Name: **Tesfaye Asalfew Mamo**

Signature

Date

Certification

Addis Ababa University

School of Graduate Studies

This is to certify that the thesis entitled ***"Challenges and Opportunities of Agent Banking a case study of some selected branches of Awash Bank"*** was carried out by **Tesfaye Asalfew Mamo** under the supervision of **Wubeshet Bekalu (PhD),** submitted in partial fulfillment of the requirements for the **Degree of Master of Business Leadership** complies with the regulations of the university and meets the accepted standards with respect to originality and quality.

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Acknowledgement

Above all, **Praise and glory to the Almighty God**. First, I would like to express my gratitude to my advisor, **Wubshet Bekalu (PhD**) for his guidance. I would also like to extend my gratitude to both **Tarekegn Dea Lara (PhD**) and **Mulatu Mebrate (PhD**) for their invaluable feedback and suggestion as examiner that helped a lot to bring the research to its comprehensive flavor and radical change.

My special thanks go to my friend **Teninet Tadesse**, for her unprecedent support for the entire of my study in general and the research in particular. I am also grateful to thank staffs of Awash Bank and Agents of Awash Bank for unreserved hospitality, sharing important information, filling my questioners and giving source documents that helped me as an input for this research.

My deepest gratitude also goes to my family members for their multiple moral and typical supports throughout my educational life.

Abstract

This research project was aimed to describe the challenge and opportunities of agent banking adoption in Ethiopian banking industry. In order to achieve the objective of this study and answer the research questions the researcher adopted descriptive research design and mixed research approach. A total of sixty-five (65) questionnaires were distributed of which 53 questionnaires were distributed to Awash Bank East Addis Ababa Region Staffs, Awash Bank Digital Banking Directorate at Head Office and 12 questionnaires were administered to Awash Bank Agents found in East Addis Ababa Region or District. Purposely sampled method was applied to select the respondents and the researcher received sixty-three (63) responses from (65) questionnaires. The study revealed that, Awash bank has written policy and procedure to perform Agent Banking service. Regarding to the challenges of banks to adopt agent banking lack of technical and managerial skills in the implementation and development of agent banking technology is the main challenge of adopting agent banking lack of availability of well-trained manpower to build agent network, lack of skill of IT personnel, lack of technical and managerial skill of staffs), and technological (lack of confidence with the security aspect, customer's fear of risk of new technology innovation, and lack of availability of physical security) are challenges of adopting agent banking. The study also revealed that, the major opportunities of adopting agent banking. The opportunities of adopting agent banking are simplicity to perform banking tasks, easiness to understand and use, friendliness with the existing service offering, improving customer service being a solution for banks closing their doors early, motivates fast small cash movers to put their extra money into the banking system, creating wider market coverage for the bank, increases the productivity of banks, enhance customer service, and accessibility of service without limit of time and place, increase the revenue from sales as well as transaction commission. The study recommended banks to consider technology-based competition, regulatory body to issue suitable legal frameworks to ease the adoption of mobile and agent banking system while the government should support banking sector by investing on ICT infrastructure development and financial education program, offering training and any other capacity building training. Awash Bank also check and revise the transaction commission for agents.

- *Key words: Agent banking, banking industry, challenge and opportunity*.

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List of Acronyms

Abbreviation	Definition
ATM	Automated Teller Machine
CBE	Commercial Bank of Ethiopia
CBK	Commercial Bank of Kenya
CDD	Customer Due Diligence
DCO	Digital Channel Officer
FIS	Financial Inclusion
ICT	Information Communication Technology
KYC	Know Your Customer
OTP	One Time Password
POS	Point of Sale
SPSS	Statistical Package for Social Science

CHAPTER ONE: Introduction

1.1. Background of the Study

It is true that private or government controlled commercial banks played a pivotal role for the economic development of a state and can be considered as an engine of the contemporary trade and market by facilitating finance in terms of working capital, long-term investment and any other forms of fund including financial grants. However, the opening of new traditional bank branches and shortage of hard currency like the US Dollar, European Euro and any other strong currency which enable most of the least developed countries to save in their central banks and peg their local currencies forced the commercial banks to engage into another competitive strategy like agent banking in order to widen the number of accounts, deposit mobilization and market inclusion. Hence, to be more profitable and outshining from the existing stiff resistance various banks are using multiple tactics and way to handle and satisfy customer need by reducing their cost (Atandi, 2013).

Franklin and Balaji, (2016) stated that Electronical-Banking system is adopting the most sophisticated technology like ATMs, POS machine sites, Credit Cards, Debit Cards etc. have been the main meanness of delivery channels for traditional banking products and services. The researchers also concluded that, information technology developments within the financial sectors like. Abrahao, Moriguchi, and Andrade (2016) describe that, the main target and marketing destination of for an e-payment system are conducted between a customer who don't have a bank account. Therefore, this type of digital banking is more attracted for those of non-banked societies.

Parts of the people who are using paper money, cards or any forms of financial securities equivalent to currencies would create a favorably environment to the purchase of good. since it makes the use of paper money routinely unnecessary. An electronic e-payment offers opportunities to save time, to get the experience of new customers on the other hand all stake holders engaged in the process of both wired and wireless network providers, finance intermediary like banks, network providers, card providers. governments and technology (hardware and software) and service suppliers can gain from the offer of this new service. Agency banking is a part of e banking practiced via the existing retailors. According to the Bank Led model of agent banking concept, it is the agent and their facility role to address the banks product and service at any time along the agreement. As a result, it symbolized as one of a marketing distribution mechanism. Because agent banking is applicable to solve the

challenges related to serving economical non saturated communities usually found in the country side whose volume and price of transactions is low and they are delivered through an agent, the traders who conducts some activities on behalf of the intermediaries (Bizah, Gumbo and Magweva, 2017).

Agent banking is defined as an agreement between banks and non –bank parties like restaurants, mini market owners, kiosks and any business entities either big or small which are providing financial services and close with the bank as means of transactional channel for financial product and services providers (Kumar, Nair, Persons &Urdapilleta, 2006).

According to Chaia, et al. (2010) agency banking is vital and helps an institution to have a representation and close to customers even without having a traditional outlet and to enlarge the market destination with minimum cost. Hence, when we compare with traditional branch base banking system, agent banking is conducted through less manpower and low cost. Nowa days, agency banking is applied and exercised in various states. The south American giant economy holder, Brazil is considered as the first country adopting agent banking practice. Brazil has been using its experience in agent banking practice and currently it reached more than 95% its territory. In addition to Brazil, there are countries in Africa, Asia and Eurasia who are adopted agency banking (Agalla, 2014).

In Ethiopia, banks and microfinance institutions implemented agent banking following NBE directives of mobile and agent banking in 2012 as "Directives Number FIS/01/2012". According to the National Bank of Ethiopia, Agent banking is a means of providing banking business on behalf of a financial sectors through an agent using various service delivery channels. The Ethiopian policy makers in the directive strongly focused on the introduction and application of technology and encouraging new ideas in financial service delivery sector by closely integrating with telecom industry by using mobiles as well as agents in order to reach the mass of the un banked societies with reasonable price at the right time. The national financial regulator in Ethiopia, NBE was the leading influencer of commercial banks to use and work on agent banking. Banks and microfinance institutions (MFIs) are contracting agents authorized to open new saving accounts and check the customers status and the Customer Due Diligence (CDD)procedures electronically (Spencer, Nakhai and Barth, 2018). Accordingly, the main target of study is to assess agent banking service opportunities and challenges for the adoption of agent banking service under some selected branches located in the East Addis Ababa Regions of Awash bank.

1.1.1. Background of the organization

Awash Bank S.C (AB) is a leading private commercial Bank in Ethiopia established in 1991. It was completed the paper work and other bureaucratic process on 10th November, 1994 and commenced the banking operations on February 13, 1995. Awash bank is continuously through gradual time and nowadays it is one of the largest Banks in Ethiopia offering wide range of financial services for different sectors like agropastoral, farm, import and export companies and startup markets. Currently, the Bank has over 800 branches with over 250 located in the capital, Addis Ababa while the others are located in regional towns. In terms of employment opportunities Awash Bank is one of the top organizations with an employee of more than 20000.

Through time the banking sector shows progress with respect to the country's development and the competition among the emerging private banks.

Awash International Bank (AIB). Currently Awash Bank is working on digital banking wing and established its own directorate and hugely invested in agent and electronic banking sector. (Awash bank).

1.2. Statement of the Problem

The banking assiduity in Ethiopia is still at developing stage and thus, there's an all immediate need to embark on capacity building arrangements and contemporize the banking system by employing the state of the art of technology being used anywhere in the world. With a growing number of import- export businesses, and increased transnational trades and transnational relations, the current banking system is short of furnishing effective and reliable services (Gardachew 2010). Ethiopia's National Financial Inclusion Strategy, released by the National Bank of Ethiopia, sets a broad government vision and aggressive targets for adding fiscal inclusion. Achieving these pretensions will bear uninterrupted growth of different fiscal services powered by mobile technology (NBE, 2017). According to NBE report (2018) banks opened five hundred new branches, raising the whole range of branches to 4757 from 4257 in the former time. As a result, bank branch to population rate stood at 120,286 people in 2017/18. This means that also there are much of population remaining unbanked and cannot pierce banking services. 36% of bank branches were operating in Addis Ababa. This shows the physical presence of regulated fiscal institutions attention near to or around the megacity, leaving pastoral areas underserved and unbanked. The mobile revolution in civic and pastoral areas in Ethiopia is adding. According to Ethio telecom semiannual report (2019), there are

35.4 million active mobile users in Ethiopia and this can be the golden occasion for the expansion and application of agency banking services because of agency banking is performing with mobile device. Based on the data from EBR (2018) there were close to 2 million customers using mobile and agent banking, while 16,000 agents operate in the country. Even though, the study has been conducted before five years, still, compared to other east African countries, agency banking in Ethiopian is underutilized. In 2017, the total number of banking agents in Kenya hit 61,290 with the country's top three banks. The number of banking deals handled by bank agents grew 34.1 per cent from deals in 2016 to in December 2017. The growth was due to increased deals in payment of bills, cash deposits, mini statements, and cash recessions. The value of banking deals made through bank agents rose 46.4 per cent from 734.2 billion in 2016 to 1 trillion in 2017(Mbogo, 2018).

In Ethiopia, many inquiries were conducted on agency banking and electronic banking systems similar as Kinfe, (2016) and Gemechu,(2012) conducted on Relinquishment of Electronic banking system in Ethiopian Banking assiduity the studies were set up some factors that affects the relinquishment of E-banking system in Ethiopia. Girma,(2016) did on challenges and openings of electronic banking in Ethiopian banking assiduity. TadeseA.(2018) conducted on goods of Agency Banking on Bank Performance in Ethiopian marketable Banks. still, because of agency banking is a new E-banking system for Ethiopian banking assiduity the experimenter couldn't set up a study conducted on probing the challenges that affecting application of agency banking and the openings in Ethiopian commercial banks. Tesfaye (2016), conducted a study on factors influencing the adoption of agent banking in selected private banks. The study identified that the factors have great influence on commercial banks to adopt agent banking since agent banking has benefit for the banks and the customers in reducing costs. Afework (2015) did his study on assessment of adoption of agency banking innovation in Ethiopia: barriers and drivers. The study revealed the following major driving factors in adopting agency banking among commercial banks in Ethiopia; the prospects of cost reduction, availing services beyond restriction of space and time through established third party with the application of technology.

In different parts of the world various research studies have been conducted on agency banking services. However, there are limited studies focused on factors affecting implementation of agent banking project in Ethiopia banking industry. Therefore, the researcher seeking to study and provide information regarding challenges and the possible

benefits of agent banking in case of private commercial banks of Ethiopia to fill this knowledge gap by answering the following questions.

1.3. Basic Research Questions

Knowing of gab in the above statements, the study tries to assess the adoption and implementation of agent banking in Ethiopian commercial banks and want to answer the following research questions:

1. What do the practices of agent banking in Ethiopia look like?
2. What are the opportunities of adopting agent banking service in Ethiopia?
3. What are the major challenges of adopting agent banking service in Ethiopian banking sector?

1.4. Objective of the Study

1.4.1. General Objective

The general objective of the study is to assess Opportunities and Challenges of Agent Banking service in Ethiopian banking sector.

1.4.2. Specific Objectives

The specific objectives of the research are:

1. To assess the practices of agent banking service in Ethiopia over time.
2. Identify the opportunities of adopting Agent Banking services in Ethiopia.
3. To list the challenges that banking industries in Ethiopia to adopt Agent Banking service.

1.5. Significance of the Study

The study is important to various individual and institutions. Though, Agency banking is still at the infant stage in Ethiopia, this research will help by highlighting issues related to the challenges and future opportunities of agent banking. This research will also have the following significances. It can provide valuable suggestions about the adoption of agent banking in Ethiopia. As limited research has been conducted in the area, the study can initiate further research and it could be taken as an input for ongoing extensive research. Furthermore, the outcomes of this study could be used by banks particularly private commercial banks and other financial institutions who have a legitimate authority to conduct agency banking and the regulatory authority to adopt a more comfortable and adjusted policy

and procedure regarding agent banking business operation and expansion to reach both the banked and unbanked society.

1.6. Scope of The Study

The range of the study is concentrated to Awash Bank particularly East Addis Ababa District. The justification behind the selection of Awash Bank is that it is one of the pioneer and leading private banks in Ethiopia. The target respondent for this study will be the staffs of Digital Channel Directorate of awash bank at the Head Office Level, Digital Channel Officers (DCOs) at branch level, some selected agents and customers of awash Bank Agency Banking. The study is focused on assessing the challenges and opportunities of Agent Banking service in Awash Bank under East Addis Ababa Region (EAAR)

1.7. Limitation of the Study

The research is a descriptive study with a purposive sampling method that was limited in scope and sample size. The geographical coverage was confined to Addis Ababa and the number of institutions selected for the study was also limited. Thus, the findings of this study may not give a real reflection of the Ethiopian scenario in respect of the provision of Mobile and Agent banking business. However, given the aforementioned limitations the researcher tried to provide clear picture through making proper analysis of the different variables considered against the opportunities and challenges and thereby other researchers may projectile to further studies based on the results found.

1.8. Definition of Key Terms

Agent: - Means a person engaged in a commercial or business activity and has been contracted by a financial institution to provide the services of the financial institution on its behalf in a manner specified in the directive (NBE Directive, FIS-01-2012)

Agency: - Is a contract where by a person, the agent, agrees with another person (the principal) to represent him and perform on his behalf one or several legally binding acts (Ethiopian Civil Code article 2199).

Mobile Banking: - It means of performing banking activities which primarily consist of opening and maintaining mobile/regular accounts and accepting deposits; furthermore, it includes performing fund transfer or cash-in and cash-out services using mobile devices (NBE Directive, FIS -01-2012).

Agent banking: - Is the conduct of banking business on behalf of a financial institution through an agent using various service delivery channels as permitted under the directive (NBE Directive, FIS -01-2012).

Adoption: Adoption is the acceptance and continued use of a product, service or idea

1.9. Organization of the Study

The study will have five chapters. The first Chapter is introduction part that contain background of the organization and introduction part of the study, both objectives of the study, research question, significance of the study, scope of the study definition of key terms and hinderance factors to conduct this study. The second chapter will contain the citations and reviews of different related secondary sources including the empirical reviews and theoretical reviews as well as the conceptual framework. The third chapter will compose of the methodology part of the study. In this chapter research design and research approach to conduct the study, target population, sampling technique, sources and instruments of data collection, and method of data analysis. The fourth chapter will include the outcomes of the study, the possible discussion of research questionaries with interpretations, logical generalization of the research findings. Conclusion and recommendation of the study will be discussed under the final Chapter.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Agency Theory: Theoretical Review

The early 1970s saw the emergence of the first scholars, Stephen Ross and Barry Mitnick, who proposed the explicit creation of a theory of agency. The subsequent study on agency theory has led to multiple key findings. Notably, an agent is more likely to adopt the goals of the principal and act in their interest when the contract is outcome-based (Ndungu et al., 2015). In the realm of business, agency theory seeks to explain the relationship that exists between principal and agent. It addresses the role conflict that can arise between them and the problems that stem from differing attitudes towards risk. When there is a certain sort of problems emanated from risk management, both the owner and the third party, agent take opposite directions (Stephen, 1970). Brigham and Gapenski (1993) posit that the theory of agency is based on the presupposition that agents have more information than principals, and this information imbalance greatly affects the principal's capacity to supervise whether their demands are being fulfilled.

In the context of agency banking, the bank assumes the role of the principal, and the agent acts on their behalf. All transactions conducted by the agent on behalf of the customer are at the behest of the bank, which sets out the operating guidelines for its agents. The bank also approves the operation of each agent and can revoke it if necessary. The agent is obligated to charge the commission set by the bank, and the bank must ensure that the agent's business is licensed and that they offer satisfactory customer service. Furthermore, the agent must comply with prevention of terrorism and anti-money laundering laws, as any violation is an offense that could result in the bank paying liabilities (NBE report on Agency banking, 2013).

2.2. Overview of Agent Banking

According to Dondo (2003), agency banking is not a new concept to the world; it has been successfully implemented in Latin America and Asia, albeit with limited uptake in African countries. The use of savings specialists to snatch the old and loyal customers from busy branches to more efficient mechanisms of providing bank services is a popular approach. Financial institutions in developing markets also benefit from reaching an additional segment of customers or geography. However, it is often prohibitively expensive for these institutions

to reach poor customers in rural areas, due to the expensiveness of opening new branch for banks in the remote areas (Kitaka 2011).

The first successful implementation of agency banking was in Brazil, and it has since been adopted in other countries, such as Kenya and Uganda. The system involves three participants: the bank (principal), the agent, and the customer, with the bank making an agreement with the agent to serve the customer through the latter on a commission. For people living in least developed areas, such as Africa and South America, branchless banking through retail agents proves to be more efficient and convenient than visiting a bank branch (Lyman, Ivatury, and Staschen, 2006).

Agents are pharmacies, retail, postal outlets or any business premise contracted by a financial intermediaries or mobile network operator to process customer transactions. Allowing the client to deposit, withdraw, and transfer funds, pay different bills, inquiries about account balances, deposits from their employer (Tarazi 2010).

Agent bank is a cheaper type of banking service which offer any financial organization to do transaction in the agents permit unlike physically appeared in the bank's branch. (Hassen et al., 2011). It involves a third party (agent) providing financial services to customers on behalf of financial institution and/or mobile money operator (principal) (Central Bank of Nigeria 2013).

Agent banking is heavily depended on ICT, is an element of branchless banking, enabling fiscal institutions to offer fiscal services outside the traditional slipup and mortar bank demesne (Mas 2008; Mas and Siedek 2008). Banking agents play a vital part in helping fiscal institutions divert being guests from crowded branches, furnishing a reciprocal and more accessible channel. also, other fiscal entities in developing requests use agents to reach a fresh client segment. In low-income areas, banking agents that piggyback on existing retail infrastructure can offer many people their first-time access to a range of financial services, with lower set up and running costs (Kitaka 2011).

2.3. Models of Agent Banking

There exist various models of agent banking that are currently being adopted and developed by e-banking service providers. They are distinguished by several factors such as the establishment of client relationships, legal responsibility for deposits, and the nature of the agent agreement between the bank and non-bank agents. Additionally, the differentiation among these models can be based on the exposure of the brand to the public, accessibility of

cash, and carrying of payment instructions. In the context of mobile banking for people in rural areas, the success of the business model hinges on the banking agent, which is in the agent's facility that processes financial transactions on behalf of the bank (Porteous, 2006).

According to Porteous (2006), the models of agent banking can be classified as bank-focused, bank-led, non-bank-led, and non-bank driven models.

2.3.1. Bank-Led Model

The bank-led model, as noted by Aduda et al. (2013), provides an ideal and unique alternative to branch-based banking. The model vital and it helps the customers to conduct financial transactions through retail agents or mobile phones. By using different delivery channels such as retailers, trade partners, and telecoms, the model significantly increases financial services outreach and is often cheaper than other bank-based alternatives. The retail agent handles most, if not all, customer interactions, while the bank remains the main provider of financial services and the institution in which customers maintain accounts (Lyman, Ivatury, & Staschen, 2006).

2.3.2. Bank-Focused Model

It is a type of model in which banks are significantly utilize the ATMS, POS, Portal based internet banking and mobile network to provide service to the loyal and existing customers. This model is often seen as an additive model, a modern version of conventional branch-based banking (Aduda et al., 2013).

2.3.3. Non-Bank Led Model

It is a branchless banking involves customers who do not engage with a bank. Rather, customers interact with a nonbank firm such as a mobile network operator or prepaid card issuer. Retail agents act as the point of customer contact. Clients can change their paper money for digital currencies found in a virtual account on the nonbank's server. This account is not linked to a bank account in the individual's name. This non-bank-based model, also known as the transformational model, provides banking services to the mostly unbanked population. The Kenyan giant mobile money service provider MPESA and South Africa Wizzit are a mobile banking service providers owned by telecom sectors that are depend on the transformation (EBR, 2018).

2.4. Evolution of E-banking in Ethiopia

In Ethiopia, banks and insurance companies are the primary financial institutions. As of June 2021/22, banks opened 1600 new branches, increasing the total number of branches to 8,944 from 7,344 the previous year (NBE Annual Report 2021/22). According to the 2021/22 NBE report, many Ethiopian commercial banks has opened more than 100 branches throughout the country like Dashen Bank (252 new branches), Awash Bank (140 new branches), Commercial Bank of Ethiopia (137 branches), the newly emerged bank, Sinqee (134 branches), Bank of Abyssinia (128 new branches), Cooperative Bank of Ethiopia (121 branches), Abay Bank (112 branches) and Amhara Bank (112 branches). As a result, the number of private commercial banks total outlets has increased from the previous financial year by 3.4 percent which was 72.7 percent and now 76.1 percent. Hence, the population to bank branch ratio reached 12 thousand people per branch (NBE Annual Report 2021/22).

E-banking services in Ethiopia were first introduced in the first decade of the 21st Century by Commercial Bank of Ethiopia with eight ATMs. However, it was unlike in the early commencement of e-banking technology and services due to facilities problems. (Ayana, 2012). Four years after CBE, in 2005, Dashen Bank began offering various services through ATMs. The emergence of e-banking services in Ethiopia led to the adoption of agent banking services due to their competitive advantages, including technological and economic benefits, as well as their simplicity of access. According to Ayana (2012), Dashen Bank was a pioneer in the emergence and use of mobile banking service in Ethiopia since 2009. The bank uses an e-commerce digital platform and mobile banking system of merchant transactions that enables them to transfer their money or funds from their account to the beneficiaries

2.5. Agent banking in Ethiopia

Financial institutions in Ethiopia have been always devoted themselves to new innovation and technological upgrades, as is the case with all other social entities. Until today, customers were required to stand in line to access banking services. However, due to the emergence of digital banking system and agent banking, they can now make transactions from the place where they are without any time constraints. Agent banking service, which facilitates the electronic transfer of funds between entities, individual accounts, and vice versa, has become increasingly popular in Ethiopia (Afework, 2015). Several banks in Ethiopia have launched mobile and agent banking services, and various technology service vendors are awaiting approval for their services from the National Bank of Ethiopia (NBE). Among the list of

technology service venders waiting for NBE's approval to engage in agent banking S2M ICT to collaborate with Awash Bank and Abay Bank, Belcash with Wogagen Bank, the indigenous techno vender Bole Atlantic for United Bank were the pioneer.

Currently, Belcash is vending agent banking service namely "Hello cash," which offers features such as account opening, mobile balance top-up, money transfer, and soon-to-be-released services like receiving international money transfers from around the world. The service is currently available in two banks, Lion International Bank and Cooperative Bank of Oromia, as well as one microfinance institution, Somali Micro-finance.

Agent banking in Ethiopia began in 2014, and while it appeared to be growing, it has since stalled due to the inability to attract clients and a lack of trust. However, with the new regulations set forth by NBE, financial institutions that have not yet adopted the agent service may be obliged to do so (Shewagegnehu, 2015). Only financial institutions licensed by NBE are green light for mobile banking services. Agents who meet the requirements of NBE directives are authorized to carry out mobile agency banking services as per (NBE Directive no. FIS/01/2012) (Shewagegnehu, 2015). The writers argue that NBE's regulation is the right decision since it is the only way to serve the unbanked population, thus making the financial industry sound.

2.6. NBE Directive of Agent Banking and Power of the Agent

The NBE Directive, identified as No. FIS. -01-2012, defines an "agent" as a person participated in business activity who has been reached an agreement with a financial institution to provide the service of the financial institution to act on the behalf of the organization in line with the existing NBE regulation and directives. Therefore, it is essential to encourage saving mobilization through the use of alternative and innovative financial service delivery channels. The NBE has issued Directive FIS-01-2012 to establish the minimum standard for risk management and customer protection on the delivery of mobile and agent banking service in the country. The NBE is responsible for ensuring that financial institutions deliver mobile banking and agent banking service without compromising the safety and soundness of the financial system of the country.

The directive covers several topics, including permissible activities of an agent, agent contract, agent due diligence, agent contract termination, notification and public list of agent and location, customer protection, and reporting requirements.

Agent banking is a system by which any financial institution provides services without having any traditional outlet or branch. It is accomplished through potential certified agents. This approach is the most cost-effective and accessible form of providing financial services to customers. Agent banking enables individuals to deposit and withdraw money, transfer funds, pay bills, and access other related services simply by holding an agent account.

2.7. Challenges of Agent Banking

There are a number of challenges that banks, the agents as well as the customers face when they engage in agent banking. Some of the challenges are related to either in routine operational activities or technology

2.7.1. Operational Challenges of Agent Banking

2.7.1.1. Training

The utilization of agents for the distribution of financial services is increasingly becoming popular among financial institutions. However, it is imperative that these agents receive adequate training to successfully execute their mandate. George, Narain, and Shukla (2012) report that the majority of agents were not trained and the agent network managers also received suggestion frequently as they had to revert to the operational facilitators to carry out monitoring. George et al. (2012) further assert that training programs often fail to meet expectations due to the fact that the training needs for agent categories are distinct, and thus require specific approaches. In a bid to demystify the training needs of agents, George et al. (2012)

It was proofed by the Micro Save (2011) on mobile banking agents in Bihar, India, with six categories of awareness level checking of agents and the study revealed a huge gap in the awareness levels of agents in Technology. Among the agents participated in the study 64% of the agents have understood the objective of electronic/mobile-banking services appreciated by banks, 68% were do not have any knowledge. Similarly, 61% of the agents knew about products and processes, but only 24% could respond queries from clients.

2.7.1.2 Liquidity

The concept of liquidity in mobile banking is elucidated by Cracknell (2010) as being facilitated by the use of float accounts, whereby each agent is mandated to uphold a balance of electronic money (e-money) in their agent account. As explicated, when a customer intends to transfer funds to another individual, the client exchanges cash for e-money by

paying cash to an agent, resulting in a decrease in the agent's e-money balance by the transaction amount, and an increase in the customer's e-money value. The customer can then transfer the e-money to the intended recipient, while the agent makes corresponding payouts and receives e-money. Conversely, agents may experience liquidity challenges, as noted by Cracknell (2010), when they run low on physical cash reserves, which may hinder significant withdrawals. CGAP (2011) further outlines the operational procedures of an agency, whereby customer deposits are credited to the clients account and debited from the agent's account, and withdrawals are debited from the customer's account and credited to the agent's account. Agents can only payout withdrawals if they have adequate cash reserves, both in the bank and till at the shop. This poses a significant challenge, as most agents lack the necessary capital or cannot balance their cash holdings, especially those in remote areas who must travel long distances to replenish their deposits. In addition, the anti-money laundering initiative by CBK limits daily cash transactions, which can result in agents closing for the day if they hit the limit unless they have applied for higher limits. Lehman (2010) emphasizes that agents' liquidity is essential for providing quality service to customers, and the lack of it may compromise customer satisfaction.

According to the study of Afande and Mbugua (2015), a deep supervision and investigation was conducted to analyze the benefits of agent banking practice in the expansion of financial belongingness in Nyeri town, Kenya. The aim of the researcher was to ascertain the degree to which liquidity has affected agent banking practice. At the beginning, they investigated the how long of liquidity at the agent banking premises. Secondly, they determined to know any customer stopped agent banking service due to a shortage of paper money. lastly, they established whether the banks supervised and follow-up the liquidity of the agents to avoid cash shortages. The researchers obtained that the mass (59%) of customers indicated that liquidity never occurred, concluding that liquidity or lack of paper money was not the main problem at agent banking outlets. These findings are consistent with Musau's (2013) similar study. On determining whether some customers avoided banking agents due to a shortage of cash, the researchers found that the majority (73%) of bank agents' operators disagreed that some customers do not make any transaction in the agent outlet due to the occurrence of cash shortages, indicating that liquidity was not a significant problem for bank agents.

2.7.1.3. Security

According to Stephens and Kevin (1998), physical security is a significant concern for controllers. The regulator of agent banking in Brazil forced the customers to credit the agents

account within the maximum of two days and restrict the accumulation of cash in the agent which led to fraud. The Mexican controller eliminates the threat of agents thieving the accumulated cash by taking every agent sale to be made against the agent's account at the constricting bank, although it doesn't reduce the threat of third- party thievery. The simplest measure to reduce cash accumulation and its affiliated pitfalls may be taking providers to set diurnal and yearly sale limits for each agent and customer. Flaming, McKay, and Pickens (2011) raised that as agency- banking service expands, agents could admit the amenities and interest of culprits.

Agents are aware to manage their current physical security pitfalls to a sufficient standard for guarding their stock and cash, analogous to the way banks do. Short- term insurance is extensively available, and banks formerly buy it to cover colorful pitfalls, including the loss of cash due to thievery and fraud. also, the banks' short- term insurance covers direct financial loss performing from the failure of electronic information systems to capture deals in real- time and directly, as well as loss performing from fire, theft, or damage to physical property. As stated by Tarazi(2010), These vulnerabilities bear advanced analytics that cover mobile device operation to descry fraud, which doesn't presently live in the Kenyan geography, leaving the threat to the stoner, be it the client or the agent. utmost of the time, victims are advised to seek police backing, which sometimes is futile (Mulwa and Ndati, 2013).

2.7.1.4. Confidentiality

Regarding confidentiality, banks guarantee that their employee signs the oath of privacy and secrecy forms every year and secure the confidentiality of customer information. However, this might be examined closely since these agents are not bank staff.

2.7.2. Challenges Associated with Technology in Agent Banking

2.7.2.1. System Malfunction

The occurrence of system failure in agent banking is attributed to risks such as software or hardware problems, which may result in the interruption of service delivery or loss of information. The banking sector has been greatly impacted by the rapidly evolving technology, which has facilitated quick and effective service delivery to customers. However, financial intermediaries do not update their systems usually, which often leads to system interruption and delays in transaction handling (Lyman, Pickens & Porteous, 2008). This can

cause inconvenience to customers and raise concerns regarding the security and safety of transactions conducted through agent banks. Furthermore, frequent system failures make agent banking transactions vulnerable to fraudulent activities. Therefore, it is essential for financial institutions, such as banking agents, to prudently recognize, address, and manage the risks associated with system failure in agent banking in line with the fundamental characteristics and challenges of agent banking services (Chellappa, 2001).

2.7.2.2. Customer Exposure to Fraud

Establishing trust among consumers is essential for the growth of agent banking, and appropriate customer protection against the risks of fraud, loss of privacy, and loss of service is crucial in achieving this objective (Arora and Ferrand, 2007). It is typical the role of banks to make continuous of agent service providers competency, efficiency and effectiveness as well as customers satisfaction with the service of agents and the application of different applications at the agent working area. As briefed by (Bold, 2011). There are a number of ways to monitor the effectiveness of agent banking practice regarding to fraud. One register and follow up customers who report fraud cases. Second identification car authentication, using the number of clicks on websites Making adequacy in skill will reduce pitfalls and develop customer loyalty and trust in the service.

2.7.2.4. Data Security Risk

It is clear that when a customer is making transaction there is persona and any other information transmission from the agents to customers and this led to the access of customers information by the third parties and create data security threats Furthermore, the technological aspects of agent banking has also an impact on data security. Due to customers less aware of bank applications they are forced to ask the third party for handling any transactions including their personal information like password and any forms of security questions and these might lead to security breach and risks. For instance, a study conducted by Collins (2010) revealed that some MPESA clients were disclosing account passwords to agents.

2.8. Opportunities of Agent Banking

The profitability index of financial institutions is increasing at increasing rate from time to time, scholars in their work (Lehman, 2010) explained that agent banking is one of the factors for their profitability. Banks are using all the pros of agent banking and against the culture of

opening traditional outlets, branches. Hence, it is clear that opening and serving through branches is by far too expansive and make the financial institutions extravagant, on the contrary using the infrastructures and facilities of a third party like agent minimize those problems. Applying agent banking practice not only reduce the manpower of banks but also it boosts the customer bases and any other experiences.

Agent banking has a fringe of opportunities for the agents, the banks, and customers. No doubt that, being an agent to any financial intermediaries could have a certain positive consequence. Those agents who represent or signed any agreement with the financial sector could generate income from transactional commissions, boost its sales, helps to get new customer experiences and share new technology. Though, the initial stage of the agent, it might have not sufficient client and the reward from the transaction is not satisfactory (Chiteli 2013)

2.8.1. Increased access to financial services (Financial Inclusion)

An agency banking service helps the banks to expand their reach and provide financial services to customers who may not have access to traditional banking services, such as those living in remotely areas and pastoral communities. This can comprise services such as opening new account, deposits, withdrawals, and even micro and small loan disbursements. By providing these services through non-bank agents, such as retailers or telecommunications companies, banks can reach customers who may not have access to traditional banking channels which can help to increase financial inclusion and promote economic development.

2.8.2. Cost savings for banks and customers

Agency banking can also enable banks to minimize costs by using the existing infrastructure and partnerships. For instance, a bank can use the facilities and infrastructure of agents or telecommunications companies to address banking services, which can help to be more economical unlike setting up and maintaining new bank branches.

Bank clients can also benefit from cost savings by being able to access banking services through non-bank financial agents, such as retailers, which can be more suitable and accessible than traditional banking (Veniard & Melinda Gates Foundation, 2010).

2.8.3. Potential for increased revenue streams for banks

Agency banking provides banks with new revenue streams. For example, by collaborating with non-bank agents, such as retailers, banks can use the existing facilities of those agents to

provide a variety of services, like remittances and insurance. Furthermore, banks can earn profit from commissions on transactions made through agency banking services. Most financial institutions close their doors early, but with agents, as long as the business premise remains open, transactions can be conducted, providing flexible hours (Chiteli 2013).

2.8.4. Increasing use of technology and digital platforms

Due to the rapid use of technology, many customers are looking for more tailored and personalized banking services. Agent banking enable banks to meet this demand by providing customers access to banking services via digital platforms, such as mobile banking apps online portals. some of the services provide by such platform includes opening new saving account, deposits, withdrawals, and even small and micro loan application and disbursements. Furthermore, with the increasing use of digital platforms, customers can easily access these services from anywhere and anytime, which can enable to increase financial inclusion. (digipay.gurus)

2.8.5. The growing partnerships between banks and non- Bank partners

Banks are rapidly collaborating with non-traditional partners, such as retailers and telecommunications companies, to become and agent and agency banking services providers. This can include contractual agreement with grocery stores, mobile phone companies, and other businesses that have existing technological facilities and customer bases. These partnerships can enable to expand the banking services, increase profit means, and minimize costs.

2.8.6. Increasing focus on compliance and regulatory requirements

As agency banking becomes more widespread, there is an increasing attention on compliance and regulatory criterions. Banks must ensure that they are in accordance with all relevant rules and procedures as well as policies that their non-bank agents are also following these regulations. This can include customers' personal information is protected and that all transactions are recorded and reported correctly.

2.8.7. Rising demand for more personalized and convenient banking services

Nowadays, Customers are increasingly demanded for more personalized and convenient banking services. Agency banking can enable to satisfy this demand by providing customers

with access to banking services through non-traditional channels, such as retailers or telecommunications companies. Furthermore, with the increasing use of technology, customers can easily access these services from any location, which can help to increase financial inclusion. In general, it won't be a big issue to say that if you know everything about agency banking, it will act as a next-gen solution for every one's business query.

2.9 Empirical Review of Related Studies

Several agent and mobile banking research have been done by various scholars around the world. Atandi (2013) and Chiteli (2013) undertook research on the pitfall of Agent banking and the current and future favorable conditions associated with the agent banking challenges and opportunities associated with the adoption of agent banking. The main target of this research was to the challenges and opportunities of Agent Banking through competitive advantage of agent banking operations and investigate the challenges and opportunities in their implementation. They identified low levels of internet penetration, poorly developed telecommunication infrastructure, lack of telecommunications, cash liquidity of agents, and credibility and trust of banks among agents and end- druggies as significant challenges. Ndungu and Njeru(2014) conducted an assessment of the factors that impact the relinquishment of agency banking, which involved surveying 214 agents using structured unrestricted and open- concluded questionnaires, administered face to face, as the primary instruments for data collection. The variables studied included client service, convenience, agent quality, and the number of deals. The results indicated that high trust ability increases the relinquishment of agency banking, complaints resolution time doesn't affect the relinquishment of agency banking, high quality of agents increases the use of agency banking. Ferdous etal.(2015) conducted a study named" Agent Banking in Bangladesh- A New Era in Financial Institution by Enhancing guests ' Availability and Profitability of Banks." The study revealed that agent banking systems are most provident for transactional accounts with minimal balances and frequent deals. The operation of agent banking is anticipated to enhance guests' availability and the profitability of banks. Mosoti etal.(2015) explored the functionality and donation of agency banking and its significance in the banking sector.

In the workshop of Ayana(2012), Elfagid(2015), Kassahun(2016), and Afework(2015) the openings and challenges of espousing agent banking service and the motorists and walls of espousing an electronic banking system in Ethiopia. In his 2016 study on the" Challenges and Prospects of-banking in Ethiopia," Kinfe linked several obstacles to the relinquishment of the

system in the banking assiduity, including technological factors, perceived benefit and threat of services, organizational factors related to fiscal and mortal coffers, lack of a suitable legal frame, and shy banking systems, among others. One of the major challenges facing-banking services in the country is security enterprises. still, openings for late adopters, enhancement in banking habits, government commitment to expanding ICT structure, and amenability among banks to cooperate in erecting structure, are among the major openings for the relinquishment of the system.

2.10. Summary of Literature Review

The above literature review unequivocally witnesses that Agent Banking is a way out for financial inclusion on account of the success stories in various parts of the world. Accordingly, the business will have bright prospect to the dominant players in the field including but not limited to government institutions, financial institutions, agents and customers. For the government, it is a tool for poverty alleviation mechanism through encouraging savings and mobilizing resources nationwide for various government expenditures. It will also provide an opportunity for financial institution and Agents as additional revenue stream and enhance their customer base. Registered and non-registered users will also enjoy the benefit of banking through making their life much easier. Notwithstanding, there are various problems or challenges which come across the journey that should be tackled to leverage the existing technology for the benefit of the society at large. Researchers in the field investigated the various challenges or problems and came up with findings that pave the way to overcome the various challenges across the board. Lehman found out that operational challenges with respect to building agent network, managing of liquidity and managing of the channel can be tackled through building

From all those studies reviewed above, it’s evident that agency banking has brought more advantages like cost saving and accessibility to financial services, with less cost for financial institutions like ours regaining more aggressive to dominate the market entry into this segment seems the best way now a days. The gap this study seeks to fill is therefore to assess the challenges and opportunities of agency banking adoption of commercial banks in Ethiopia. The earlier studies also have been done on fewer banks which had adopted agency banking leading to generalized results.

2.11. Conceptual Framework

The conceptual framework is a crucial part of any research study. Based on the above literature reviews the conceptual framework was developed which included both opportunities and challenges. According to the study and the reviewed literatures, there are challenges of agent banking related to technology like system failure, fraud, data related security risks and operational challenges related to training, liquidity and regulations have affected the adoption of agent banking practice. The study also includes the opportunities and future trends of agent banking like the rapid use of digital plat forms, the growing trends of banks and non-bank partnership, the alarming demand of more convenient and personalized banking service as well as the need to accumulate revenue make Agent Banking more favorable in contrast to traditional banking mode. As McGaghie et al. (2001) explain, the conceptual framework sets the stage for presenting the research question that drives the investigation based on the problem statement. The problem statement provides context and identifies the issues that led the researcher to conduct the study

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Introduction

In this chapter, the methodology of the study will be elaborated. The chapter comprises the design of the research, its approach, target population to conduct the study, sampling methods and sampling techniques, the collection methodology of the research and how the data will be analysis

3.2. Research Design

In the works of Sekaran and Bougie (2013), research design is a roadmap of data collection, measurement and analysis based on the research questions of the study. The problem of the research, the framework how to organize, and the impact of various variables should be investigated based on the research design tools (Blumberg, Cooper & Schindler, 2014). The study will apply descriptive research design. Descriptive research comprises collections of quantitative information that can be expresses in table and in numerical form; it can also be it includes finding data that describe events and organizes, tabulates, depicts, and describes the data collection (Glass & Hopkins, 1984). Descriptive studies are targeted at finding out "what is," so observational and survey methods are usually applied to collect descriptive data (Borg & Gall, 1989). Mugenda and Mugenda (2008) also elaborate that a descriptive study is vital to analyze variables. Accordingly, by assessing selected Branches of Awash bank In East Addis Ababa Region, the study will try to describe, to identify characteristics, frequencies, trends, and categories of Agent banking challenges and opportunities toward effective adoption and implementation.

3.3. Research Approach

According to the works of (Saunders, Lewis and Thorn hill, 2007). research approaches can be grouped into quantitative, qualitative and mixed. Qualitative research approach is entirely based on field observation, interviews and mainly focused on non-numerical information. Whereas quantitative approach is a numerical based analysis and apply questionnaires. It is the form of research approach explain the variables in terms of table, graphs, bar charts pie diagram and other statistical tools. Mixed research approach combines both qualitative and quantitative methods.

According to Creswell J. (2014) Quantitative research is an approach for testing objective theories by investigating the relationship among variables. These variables can be measured, typically on instruments, so that numbered data can be investigated by using statistical procedures.

The study will use mixed-method approach to be more effective and the interview result addressed to Awash Bank Agents will be analyzed by usings such methods and the questionnaires and the interpretation from other primary and secondary source will be handled under quantitative methods.

3.4. Target Population

A target population is the whole people or a particular event which convince the idea of the researcher to analogizing and researching. It is a source of sampling frame to answer the research questions. As (Sekaran & Bougie, 2013) defined, a target population is a particular population which helps the study to get information. Currently there are more than 30 banks in Ethiopia, hence, the target population of this study was the entire commercial banks of Ethiopia and the specific subject of the study is Awash Bank. The target respondent for this study will be the staffs of Digital Channel Directorate of awash bank at the Head Office Level, Digital Channel Officers (DCOs) at branch level, some selected agents and customers of awash Bank Agency Banking.

3.5. Sampling Technique

Mugenda and Mugenda (2008) explains that sampling technique is process by which particular individuals are selected for further study. In the meantime, the particular selected group will represent the mass of the people. Sampling techniques has various importance some of them are: it enables the researcher to reduce the sample or the target population. It helps to save time and money. This study adopted purposive or judgmental sampling technique which, the researcher believes that exact, simplest and appropriate technique to get answer to the research questions and to meet the objectives. Using purposive sampling is important because respondents who have sufficient know-how and experience regarding agency banking easily targeted. It is one of the most commonly used sampling method while administering the small sample and working with small sample (Saunders, et al. 2007)

Accordingly, the researcher will be assessing the East Addis Ababa Regional office branches using a judgmental sampling method. Samples were selected to represent the related

characteristics of the population. A survey was conducted for 53 clerical staff from Awash Bank Headquarter, Digital Banking Directorate and bank branches under East Addis Ababa Region (EAAR) and 12 agents of Awash Bank.

3.6. Sample Size

A sample size is a subset of the population. According to Bryman & Bell (2011) the sample size must be carefully selected to be a representative of the population. Sampling errors should as much as possible be avoided or at worst minimized by keeping the sample size at an adequate size after considering issues such as population, sampling error, non-response bias and the extent to which sub groups in the sample will be analyzed (Gill & Johnson, 2010). Using the rule of thumb for this population size, a sample size of 65 is sufficient in line with Willman (2011) observation that when the population (N) is beyond 1500, the population size is almost irrelevant meaning a researcher will get exact response from many respondents.

Accordingly, the researcher will be examined the EAAR office branches using a judgmental or purposive sampling method to draw the sample from the population. Samples were selected to represent the related characteristics of the population. A survey was conducted for 53 clerical staffs at selected Awash Bank Headquarter, Digital Banking Directorate and branches under East Addis Ababa Region (EAAR) and 12 Awash Bank Agents found in this Region.

3.7. Data Collection Methods

In the study a questionnaires and interview questions as well as another secondary resource material was applied. The questionnaire administered face to face as the main instrument for data collection. Open- ended questions will used to solicit attesters' insight information while unrestricted concluded questions will used to homogenize the responses. Near ended questions will accompany by a list of possible druthers from which attesters named the answer that swish described their situations. Orodho(2005) notes that questionnaires are generally used to gain important information about the population especially when the attesters can be reached.

The study will be concerned with views, opinions, perceptions, heartstrings and stations of financial services agents regarding the challenges they face as well as the opportunities they gain. The questionnaires will organize predicated on the disquisition questions. Secondary

data will gain from the concerned financial institutions reports and publications. Primary data collected through questionnaires, interviews and obedience's are worthwhile if and only if they are not record in accurate ways. For any dimension to be valid, it must demonstrate trust capability (Frey and others, 2002).

3.8. Data Analysis Methods

Blumberg, Cooper and Schindler (2014) define data analysis as a process of gathering, modeling and transubstantiating data with an end of reacquiring useful information, suggesting conclusions and supporting decision- timber. Jackson (2009) notes that prior to data can be anatomized and presented it has to be organized. Organizations involves putting the data into some methodical system. Data analysis software Statistical Packages for Social science (SPSS) will be applied to organize in data analysis. Descriptive system will be applied in the study.

3.8.1. Quantitative Data Analysis

After the data collection, it will be edited, coded and finally analyzed by using descriptive statistical tools. Statistical Package for Social Science (SPSS) version 23 will be employed for data entry and analysis. Accordingly, the collected data related to Agent Banking general policies and procedures, Agent Banking implementation challenges and opportunities will be analyzed using different descriptive statistics such as mean and standard deviation.

3.8.2. Qualitative Data Analysis

The part of data will obtain through semi-structured interview will be analyzed using narration and interpretations. Finally, by collecting the necessary data, the researcher will be summarized the responses of concerned respondents and fully describes challenges and opportunities for the effective implementation of agent banking service thereby seeking answers to the research questions and achieving the desired objectives.

3.9. Validity

The extent to which a measure genuinely what it is constructed to represent is considered as validity. It is mainly concerned with how well the measure(s) define the subject. Validity is categorized into three types: content validity, predictive validity, and construct validity. The investigation of the relationship between individual items and concepts and ideas is called content validity, The capacity of a test or other measurement to forecast a future result is referred to as predictive validity, and Construct validity implies to how well your test or

parameter measures what it is designed to do. Validity is a parameter for how effective the design is in applying measuring mechanisms that will capture the data needed to respond the study questions (Kazi, 2010).

Therefore, in this paper, various relevant literatures and past research questionnaires were adopted to ensure the validity of the research instrument. As it was adopted from various surveys regarding the challenge and opportunities of agent banking practice, the validity of the questionnaire has also been evaluated by the project work advisor.

3.10. Reliability

The reliability of a scenario indicates that the consistency and stability with which the instrument measures the idea and helps in investigating the effectiveness of a measure (Zikmund, 2003). The reliability of the instrument's items was tested in this study by using Cronbach's alpha, which is the most usual method of reliability testing to measure how the given questionnaires and responds are internally consistency when applying the Likert scale. In the works of Sekaran (2003), the closer the reliability coefficient to 1.0, the better it is, and values more than .80 are regarded well. Values in the 0.70 range are considered as satisfactory, while values less than 0.60 are poor and not advisable. Hence, as per this measurement the Cronbach's alpha result for this study was showed below.

Reliability Statistics	
Cronbach's Alpha	N of Items
.852	29

Table 3. 1: Cronbach's Alpha Results Measures

3.11. Ethical consideration

To conduct this study, all forms of ethical values at any means is followed on the good faith of the respondents and institutions. The researcher is working the study by considering the following ethical parameters at most attention.

Confidentiality: it is the sole priority and responsibility of the researcher to keep the privacy of his or her respondents and the researcher will be guaranteed that any forms of respondent's information other than this purpose and the information gathered from them is only for educational purpose.

Organizational approval: An attachment and cooperation document offered from the university which explains the motives of the study has been submitted to the Digital Banking Directorate of Awash Bank and East Addis Ababa Region Office in order to allow the researcher to do the study and to get necessary information to undertake the study.

Informed consent: Cover letters which explain the purpose of the questionnaire and give choices to the respondents of this study while collecting data. The researcher will also be briefed the purpose of the study and clearly stating in the introduction of each questionnaire. moreover, the researcher will be told that the respondents are not written their name or any form of their identity about it.

CHAPTER FOUR

4. Data Analysis and Interpretation

4.1. Introduction

This chapter comprised the outcomes and discussions of the challenges and opportunities of Agent banking. A descriptive research design and SPSS software was administered to interpret, present and arrange the collected questionnaire, the responses of agent interviewer and information extracted from secondary sources has been analyzed. In the study the researcher used statistical analysis methods for descriptive research design like frequency tables, means, standard deviation and grand mean were applied to analyses and generate reports from SPSS software analysis

A total of sixty-five (65) questionnaires were distributed of which 53 questionnaires were distributed to Awash Bank East Addis Ababa Region Staffs and Awash Bank Digital Banking Directorate at Head Office and 12 questionnaires were administered to Awash Bank Agents found in East Addis Ababa Region or District. Purposely sampled method was applied to select the respondents and the researcher received sixty-two (62) responses from (65) questionnaires, which represents more than ninety five percent (95.3%) response rate, indicates that the analysis was valid.

4.1.1. Descriptive Analysis

The researcher in this study applied descriptive research design with mixed measurement approaches. Thus, using the SPSS version 23, the mean, median, mode, standard deviation and frequency percentage were used to describe the challenges and opportunities of agent banking. According to Reilly &Pepe (1995) the value of mean scores is divided in to five measurement scale intervals or range

The mean scale ranges from ,**4.51-5.00** indicates the respondents' high rate of agreement with the variables, the mean scale range **3.51-4.50** implies still the respondent's internal consistency and agreement with the variables, the mean score range between **2.51-3.50** indicates that the extent of respondent's agreement to the give questions is moderate. Whereas, the mean score range between **1.51-2.50** and f **1.00-1.50** range is low and poor respectively which implies that the target population were not agree with the given questions. Therefore, this study applied the mean score range for the interpretation of data extracted from SPSS version 23.

4.2. Respondent Demographic Profile

In this study, the demographic variable of respondents is presented. The response of the target groups gender mix, age categories and educational status is presented as follows.

Table 4. 1: Demographic Variables

Demographic Variables		Frequency	Valid Percent
Gender	Male	30	48.4
	Female	32	51.6
	Total	62	100
Age	20-30	40	64.5
	31-40	16	25.8
	41-50	5	8.1
	51-60	1	1.6
	Total	62	100
Level of Education	Certificate	-	-
	Diploma	1	1.6
	Bachelor Degree	43	69.4
	Masters and above	18	29
	Total	62	100

Source: Researcher data 2023 extracted from SPSS.

As indicated in the above table, the gender distribution of the respondents was almost even. The female respondents constituting 51.6% of the total respondents and the males were 48.4%. The age composition of the respondents was falling in the age category of 20 to 30 years constituted the highest percentage of 64.5%, followed by 31 to 40 years with 25.8% and 8.1.% of them are age range between 41-50 and finally 1.6% respondent were aged between 51 to 60 years. As per the data shows the majority of the respondents have first degree holder with 69.4 % and 29% have done their master ‘s degree and out of the 62 respondents only 1.6% have diploma thus the data shows most of the staff are of youngster as well as balanced gender distribution.

4.3 General Agent Banking Policies and Procedures

As part of assessing the challenges and opportunities of adopting Agent banking service in Ethiopian banking sector, the first section of the questionnaire addressed about the general

Agent Banking policies and procedures of the sample from Awash bank of which results are presented discussed below.

Table 4. 2: General Agent Banking Policies and Procedures

Descriptive Statistics			
General Agent Banking Policies and Procedures.	N	Mean	Std. Deviation
Written policy framework is adopted stating the bank's commitment to comply with agent banking obligations in accordance with applicable proclamations and laws.	50	3.56	1.013
Cross-country legal and regulatory differences will have no impact on the adoption of new technological innovation in the banking sector like Agent Banking.	50	3.86	.857
Your bank provides guidelines on the use of agent banking facility.	50	3.80	.969
Internal controls and procedures are in place in order to prevent criminals using the bank's facilities for other illegal activities.	50	3.88	.872
Valid N (listwise)	50		
Cumulative Mean		3.78	

Source: Researcher data 2023 extracted from SPSS.

As **Table 4.2** indicates that the respondents agreed the bank under study apply guidelines on the adoption of Agent Banking that allow the final users to fully understand and operate the service delivered by their respective banks. The mean score 3.56 implies that the selected bank approves a written policy and procedure to perform Agent Banking adoption and to go in line with the existing NBE proclamation and law. The highest mean 3.88 with the standard deviation of less than 1 proved that internal controls and procedures are in place which helps to prevent criminals using the banks facilities for other illegal activities. Generally, the cumulative mean 3.78 and the standard deviation less than one implies all the respondents are agreed with the given General Agent Banking Policy and Procedures. Regarding to the general agent banking policies and procedures, the study respondents were aware and have knowledge about how to engage in agent banking system and the Awash Bank is providing agents as well as staffs about the rules, procedures and proclamations of NBE. It also proved that there was an organized internal control mechanism organized by Awash Bank in order to protect agents and customers as well as the bank from possible fraud and illegal activities.

4.4. Challenges of Agent Banking

Some of the challenges that banks, the agents as well as the customers face when they engage in agent banking. Some of the challenges are related to either in operation or technology

4.4.1. **Agent Banking Adoption Challenges for Banks**

Table 4.3. 1:Agent Banking Adoption Challenges for Banks

Descriptive Statistics			
Agent Banking Adoption Challenges	N	Mean	Std. Deviation
Lack of trust is considered as barriers for the adoption of agent banking system in Ethiopia.	50	3.46	1.460
Lack of technical and managerial skills in implementation and development of agent banking technology.	50	3.82	1.063
Absence of financial networks that links different banks.	50	3.72	1.070
Agent banking services may not perform well because of network problems.	50	3.72	.882
Lack of legal frame works that enforce banking industries to adopt technological innovation.	50	3.62	1.193
High cost regarding with the implementation of agent banking. (Such as cost of ICT equipment and network, software and organizational structure)	50	3.40	1.309
Availability of substitutable financial institution products	50	2.80	1.429
Fear of money laundering and other financial crimes could be easily facilitated through agent banking;	50	3.32	1.332
Valid N (listwise)	50		
Cumulative Mean		**3.48**	

Source: Researcher data 2023 extracted from SPSS.

According to the information from the table 4.3.1, respondents of selected bank, it was seen from the mean value of 3.82 indicates lack of technical and managerial skills in the implementation and development of agent banking technology is the main challenge of adopting agent banking. Reilly &Pepe (1995) explain that the mean scores between 3.51-4.50 indicates the agreement of the given variable Hence, Absence of financial networks that links different banks and Agent banking services may not perform well because of network problems have mean score of 3.72 and indicates that the respondents were agreed and lack of financial network that link banks and network problem significantly affect the adoption of Agent Banking. Moreover, lack of trust and fear of money laundering as well as other financial crimes could have challenged the adoption of Agent Banking with the mean score value 3.46 and 3.32 respectively. Finally, according to the table availability of substitutable financial institution products was not significantly affect the adoption of Agent Banking with the mean score of 2.8 when we compare the other challenges of Agent Banking adoption. In general, the overall mean of the challenges of adopting agent banking service for banks is 3.48 which implies that the participant of the study was agreed and understood those

challenges. Accordingly, Awash Bank should give high emphasis on the development of trust building for customers and agents, train staffs as well as agents about the operation of agent banking service, tried to get additional financial intermediaries in order to conduct more saturated agent banking service and build its own security checking system for transaction at the agent outlets.

4.4.2. Agent Banking Challenges for Agents

Table 4.3. 2: Operational Challenges of Agent Banking Adoption for Agents

Descriptive Statistics			
Operational Challenges of Adopting Agent Banking for Agents	N	Mean	Std. Deviation
Untrained staff	12	3.67	.888
Inadequate cash in the agents till	12	3.58	1.240
Insecurity	12	2.75	1.138
Regulation of agency related laws	12	2.83	1.193
Did you receive any agency training	12	1.58	.515
Do you perceive that it is difficult to access training / retraining for yourself or staff members on demand	12	3.92	.793
Have your customers reported fears of insecurity	12	1.83	.389
What a frequent do security scares occur if any	12	2.00	.739
How often do you have to transfer cash float to banks	12	3.50	.798
How often does the business suffer from lack of cash for withdrawals and deposits	12	2.42	.900
Which is the most commonly used service among the ones listed below	12	2.50	.905
Valid N (listwise)	12		
Cumulative mean		2.78	

Source: Researcher data 2023 extracted from SPSS.

As per the above **table 4.3.2**, the existence of untrained staff was the main operational challenge to adopt agent banking for agents with the mean score value of 3.67 and the tendency less than 1. Furthermore, inadequate cash in the agents' shop was another hinderance factor agreed by the respondent agents and the mean value of 3.58 showed. According to Reilly &Pepe (1995) mean scores range from 2.51-3.50 is average or moderate as a result insecurity and regulation of agency related laws with the mean score 2.75 and 2.83 respectively have an average effect to

the adoption of agent banking for the agents. Generally, the cumulative mean of 2.78 indicates that all respondent's agent has agreed by the given challenges of adopting agent banking services.

In the above table, the mean score 1.58 for agent banking training and 1.83 for customers report on security related challenges indicated that the respondents were not agree about the given variables and the bank was not provide agent banking training for the agents or their employees sufficiently. The mean score interval from 1.51-2.50 is fair according to Reilly &Pepe(1995) and the mean score 1.83 for insecurity shows that the selected agent respondent were not agree with the issue of insecurity and never received such problem from their clients.

Awash Bank should solve those operational challenges of their agents by providing continuous capacity building through training, settling any cash shortage in the agent premise by closely supervising the agent's activity and cooperate with the nearest branch of the agent outlets. However, according to the respondents' challenges like insecurity and regulation related to agent banking could not have any significant impact on the adoption of agent banking therefore more emphasis must give to the other challenge factors.

4.4.3. **Agent Banking Adoption Challenges for Banks**

Table 4.3. 3:Technology Related Challenges of Agent Banking Adoption for Agents

Descriptive Statistics			
	N	Mean	Std. Deviation
System malfunction	12	3.50	.674
Fraud	12	2.75	1.288
Data Security	12	2.50	1.000
Do you experience system down times	12	1.08	.289
To what extent do you agree with the statement that some network availability is a major hindrance in service delivery	12	4.42	.515
Do you ever face data security related problems	12	1.92	.289
To what extent do you agree with the statement that security threats like system breach and cracking	12	4.08	.515
Do you face fraud	12	1.92	.289
To what extent do you agree with the statement that fraud affect the adoption of Agent Banking	12	3.92	.669

Valid N (listwise)	12		
Cumulative mean		2.9	

Source: Researcher data 2023 extracted from SPSS.

As per table **4.3.3,** the mean score value of 3.5 indicated that system malfunction and system down have the main technological challenge of agent banking adoption. Both data security with the mean value 2.5 and fraud related problem with the mean score 2.75 have moderate or minimal impact on the adoption of agent banking service for the agents. Generally, the mean score value of cumulative mean 2.9 implies that the above technology related challenges of agent banking like system malfunction, data security and fraud were moderately affecting the adoption agent banking for agents. However, the highest mean score 4.08 and standard deviation 0.55 shows the participant agents were agreed that security threats like system breach and cracking challenged the activities of agents whereas, the lowest mean 1.08, 1.92 and 1.92 for system down, data security related problems and their experience on fraud clearly explains that the selected respondent were not recognized system down times and fraud activities in their outlets.

Accordingly, Awash Bank should focus on system updates for their agents and set up prewarning and alert system mechanism in case if there is a suspect about security breaching. To protect the agents and customers from the possible fraud and data insecurity like fake ID, Awash Bank should provide a two-way authentication and apply one time password (OTP) for customers when they make any transaction in agents outlet.

4.5. Opportunities of Agent Banking

Fiscal institutions have recorded a rapid gains and Agent Banking is one of the main factors to for such huge sums of profit. Banks are chancing it is not expensive to set up agents as compared to having branches and staffs for any bank. Mobile and Agent Banking business increased income through commission. Increased client business brings fresh benefits to the agent; the increased business brought about by guests performing banking conditioning also translates to further people getting to know your business hence further deals, the problem arises at the initial stage and there might not be sufficient number of clients who constantly visit the agent demesne (Chiteli 2013)

4.5.1. Agent Banking Opportunities for Banks

Table 4.4. 1: Agent Banking Opportunities for Banks

Descriptive Statistics			
Agent Banking Opportunities	N	Mean	Std. Deviation
Increasing use of technology and Digital Platform	50	4.20	.948
The existence of high demand of bank by unbanked population;	50	3.84	.976
Agent banking increase accessibility of banking services.	50	4.44	.884
Enhance productivity in the banking industry.	50	4.10	.974
Increase deposit mobilization for the banks.	50	4.26	1.006
Financial Inclusion and government rule	50	4.08	.778
The growing demand of more convenient and personalize banking	50	4.48	.677
The growing tradition of banks and a non-bank partnership	50	4.04	1.009
Agent banking makes it easier to do banking activities.	50	4.38	.901
Improving the banking practice in the community	50	4.46	.734
Valid N (listwise)	50		
Cumulative Mean		4.23	

Source: Researcher data 2023 extracted from SPSS.

As it is indicated in the above **table 4.4.1** the cumulative mean score is 4.23 implies that all the respondents were agreed that adopting agent banking has various opportunities for banks. Among the given opportunities, Agent banking increase the accessibility of banking service scored the highest mean value of 4.48 and it can be generalized that adopting agent banking enable the banking service to be accessed more and more. Adopting Agent Banking service in Ethiopia, respondents agreed upon factors including upgrading the banking services in the community and the accessibility of banking service have convinced the attention of respondent with the mean score 4.46 and 4.44 respectively. Furthermore, the growing use of technology and digital platform by the community with the mean score 4.20 and standard deviation of 0.948, the role of agent banking in deposit mobilization for banks with mean value 4.26 and the easiness of doing banking activities using agent banking service with mean value of 4.38 clearly proofed that the selected respondents were highly agreed favorable opportunities to adopt agent banking service in Awash bank. Additionally, the existence of huge interest of the sector to words the segregated population from this service, increase accessibility of banking services. enhancement of productivity in the banking

industry, increasing in deposit mobilization for the banks and absence of time limitation to access their account are raised as opportunities of the implementation.

4.5.2. Agent Banking Opportunities for Agents

Table 4.4. 2:Opportunities of Agent Banking Adoption for Agents

Descriptive Statistics			
Opportunities of Adopting Agent Banking for Agents	N	Mean	Std. Deviation
Increase deposit mobilization for Agents	12	4.50	1.000
Agent banking makes it easier to do business activities.	12	4.75	.622
Agent banking increase accessibility of banking services.	12	4.67	.651
The transactions in agent banking are at a lower price, or at no cost.	12	3.33	1.073
Customers can boost up their sales due to being an Agent	12	3.83	1.030
The application of high transaction commission helps the agent to accumulate profit	12	4.25	1.215
No time limit to access bank account and information.	12	4.33	.985
Valid N (listwise)	12		
Cumulative Mean		4.23	

Source: Researcher data 2023 extracted from SPSS.

As per table 4.4.2 the findings implicated that the highest mean score is that agent banking makes it easier to do business activities with a mean score of 4.7, and the second-highest is that agent banking increases accessibility of banking services with a mean score of 4.67; this is something that the respondents strongly agree on. Increase deposit mobilisation for agents received a mean score of 4.50; high transaction commission helps the agent accumulate profit received a mean score of 4.25; and no time limit to access bank accounts and information received a mean score of 4.33, indicating that the respondents generally agree with this statement. On the other hand, customers can boost their sales due to being an agent, and transactions in agent banking are at a lower price. The mean scores are 3.83 and 3.33, respectively, and both showed the lowest mean score. This implies that the respondents somewhat agree with it. Overall, the total mean score for the opportunities of adopting agent banking for agents at Awash Bank is 4.23, indicating that the respondents generally agree that Awash Bank's agent banking has several benefits for agents. However, the lower mean score

for the statement on transaction costs indicates that Awash Bank may need to review its transaction fees and pricing strategy to better align with the expectations of agents. Therefore, the opportunity mean scores are all higher than the challenge mean scores, indicating respondents generally see more opportunities than challenges in the study findings. The standard deviations for the opportunities are all lower than the standard deviations for the challenges. Overall, the results showed that agent banking has the potential to be a useful tool for Awash Bank's clients. Thus, the opportunities are related to increased deposit mobilisation, easier business activities, increased accessibility of banking services, higher profit margins, and no time to access bank accounts and information. In contrast, the challenges are related to a lack of trust and security concerns. Agent banking could therefore increase Awash Bank's deposit mobilisation by making it simpler for customers to make deposits into their accounts. They can make it easier for businesses to operate by providing access to banking services. They can improve access to banking services by making them available in more locations. Furthermore, Awash Bank can increase its profit margins by charging higher transaction fees, and customers can access their bank accounts and information at any time that is convenient for them.

Overall, the results indicate that agent banking for Awash Bank presents both opportunities and challenges. To fully realise the benefits of agent banking, Awash Bank must address the issues. Awash Bank can address the challenges of agent banking by negotiating with agents to reduce transaction fees, building customer trust by providing excellent customer service, being transparent about how its services work, and addressing security concerns through the implementation of security measures such as two-factor authentication.

In the study the researcher also applied an interview question for the selected Awash Bank Agents in order to validate the questionnaires as well as meeting the studies desired objectives. Accordingly, a total of five questions were forwarded to the agents and the result was presented as follows.

The first question raised was about any positive impact for agents' business for being an Awash Agent, almost all of the agents answered that there is various impact for being an agent. And they mentioned that it increases the daily sales and generate revenue from commission for transaction.

The second question was related to legal procedures about how to conduct agent banking and the question entitled 'Are there any legal frameworks available to be signed between the bank

and your business organization and all of the respondent were reflected and agreed that there was a format which have signed both the bank and the agent in order to be an Awash Bank Agent and in the agreement documents the duties and responsibilities as well as the permissible activities were clearly mentioned and understood. Hence, the researcher concluded that before recruiting an agent there must be a signed agreement with the agent and Awash Bank.

The third question was administered to get further information about the possible challenges of Awash Bank Agents if they have faced so far and the questions was 'Have you ever faced challenges for being an Awash Bank Agent' Accordingly, out of the five respondents four of them said they have faced system interruption, settlement with their float account, cash shortage and lack of awareness. Therefore, Awash Bank should solve those problems by settling and reconciling the agents float account regularly, creating awareness for customers and preparing billboard advert as well as training for agents.

The fourth question was directed to the benefits if any for being an Awash Bank Agent for their business and the respondents said there were various benefits obtained and some of them are related to revenue generating. The other is being an agent make their shops frequently visited by customers. It also enables the agent to have close relation with the bank's customers.

The fifth question was related to security and the respondent were asked about their experience in this regard and they said some of the respondent has faced security breach and data related problems when they ask their client to make a transaction the customers ID was not similar to the account holder. Accordingly, the researcher learned that there was some fraud and data misinterpretation in the agent's outlet and the bank (Awash Bank) should prepare a certain KYC tool for agents through training and closely supervised the agents' premise.

CHAPTER FIVE

5. Summary of Major Findings, Conclusions and Recommendation

5.1. Introductions

This chapter entirely composed of summary of findings of the study, conclusions from the findings and the possible recommendations and suggestions for further study and the target area.

5.2. Summary of Major Findings

The objective of the study is to assess Opportunities and Challenges of Agent Banking service in Ethiopian banking sector particularly in the case of Awash Bank by answering the research question of what do agent banking practice look like in Ethiopia through gradual time change, identifying and implement the current and the future opportunities of adopting agent banking and the challenges of agent banking both form agent side and banks side.

In this section the main findings of the study the challenges of banks, customers and agents as well as opportunities of agent banking is summarized. Thus, the following summaries are derived after the interpretation and analysis of respondents answer as well as critically analyzing secondary and primary data. As part of assessing the challenges and opportunities of adopting Agent banking service in Ethiopian banking sector, the first section of the questionnaire enquired about the general Agent Banking policies and procedures of the sample from Awash bank and awash bank provides a guideline on the use of Agent Banking facility that allow the final users to fully understand and operate the service delivered by their respective agents. The study also reveals that Awash bank has written policy and procedure to perform Agent Banking service. The bank under study applied strong internal controls and procedures in order to prevent criminals using the banks facilities for other illegal activities which also states the bank's commitment to comply with Agent Banking obligation in accordance with applicable proclamation and laws. The study also generalized that cross-country legal and regulatory difference doesn't have impact on the adoption of new technological innovations.

Regarding to the challenges of banks to adopt agent banking lack of technical and managerial skills in the implementation and development of agent banking technology is the main challenge of adopting agent banking, lack of network providers which connect banks and Agent's banking services due to network problem and, lack of trust and fear of money

laundering as well as other financial crimes could have challenged the adoption of Agent Banking service. However, the study concluded that the Availability of substitutable financial institution products in the industry could not have any significant impact on the adoption of agent banking service.

Both operational related and technology related challenge are significantly affected the adoption of agent banking for awash bank agents. the existence of untrained staff was the main operational challenge to adopt agent banking for awash bank agents and very few agents have trained by the bank about the use and implementation of agent banking service, most of the agents of Awash bank faced liquidity related challenges when they operate the banking service the commonly service given to their clients were/are cash withdrawal and buying goods. The study concludes that most of the respondent were not face insecurity related problems and Awash bank agent customers did not face any insecurity fears. Among technological related challenges of Awash Bank Agents system malfunction and network interruption highly affected their customers. In the study Awash bank agents were not facing any data insecurity and data security was not any significant problem on agent banking practice for agents.

Though, Agency banking is still at the infant stage in Ethiopia, the research reveals the current and future opportunities of Agent Banking Adoption for the banks as well as the agents. The study raised the following opportunities

- ✓ Agent banking increase the accessibility of banking service. Adopting agent banking enable the banking service to be accessed more and more.
- ✓ The increasing use of mobile and the development of more dynamic and versatile digital platforms inspire agent banking practice.
- ✓ Even though, the number of commercial banks is increased from year to year, still there are a huge society which are not linked to the bank system.
- ✓ Agent banking played a pivotal role for the banks to mobilize deposit easily.
- ✓ Nowadays there are a growing demand of more convenient and personalized banking system as well as strong relationship between banks and non-bank financial intermediaries s as a result adoption of agent banking is an opportunity for banks to have more customer base and to speedup financial integration
- ✓ Financial inclusion and the favorable condition to conduct business easily are another favorable condition for the banking sectors.

- ✓ Agent banking makes it easier to do business activities for an agent and increase deposit for agents.
- ✓ No time limit to access their accounts enable Awash Bank agents to boost their sales as well as they also provided different types of transactional commissions from the bank.

Overall, the results indicate that agent banking for Awash Bank presents both opportunities and challenges. To fully realise the benefits of agent banking, Awash Bank must address the issues. Awash Bank can address the challenges of agent banking by negotiating with agents to reduce transaction fees, building customer trust by providing excellent customer service, being transparent about how its services work, and addressing security concerns through the implementation of security measures such as two-factor authentication, providing training for agents and settling any disputes on time and avoiding any fraud related activities by adopting state of art technologies and monitoring the agents outlet about liquidity problems.

5.3. Conclusion

The mission of the study was to assess the challenges and opportunities of Agent Banking in the case of Awash Bank. The researcher raised, investigated and analyzed the challenges and opportunities of Agent Banking for both the Agents and the Banks. The general agent related laws, procedures and policies were also elaborated. According to the study General Agent Banking policies and procedures of the sample from Awash bank and awash bank provides a guideline on the use of Agent Banking facility that allow the final users to fully understand and operate the service delivered by their respective agents. The study also reveals that Awash bank has written policy and procedure b to perform Agent Banking service. The bank under study applied strong internal controls and procedures in order to prevent criminals using the banks facilities for other illegal activities which also states the bank's commitment to comply with Agent Banking obligation in accordance with applicable proclamation and laws, Regarding to the challenges lack of technical and managerial skills in the implementation and development of agent banking and absence of networks which link different financial intermediaries could have a negative impact on the adoption of Agent Banking from the banks side. Both technology and operation related factors challenged awash bank agents, System malfunction, shortage of cash in the agent's outlet, lack of trained staff as well as support from the bank and fraud are the leading hinderance factors for being an Awash Bank agent.

Though, Agent Banking has various challenge but it has also undeniable opportunities for both the banks and agents. Being an Awash Bank Agent, they have increased their day-to-day sales, generate revenue from transaction commissions offered by the bank, it enables the agent to expand their segments. For banks, adopting agent banking service enables the bank to reach the unbanked community and to speed up deposit mobilization and to be accessed without time limit.

5.4. Recommendations.

Even though agency banking practice is at initial stage, it become a new battle ground for Ethiopian commercial banks and nowadays, it is common to see the advert of many bank agents particularly in Addis Ababa. To win the competition, the concerning bodies can play a pivotal role on their sides. In line with the findings and conclusions, the researcher recommends the following points:

- ✓ Lack of managerial and technical skill in order to implement the agent banking service, Awash Bank should provide technical and administrative capacity building mechanism for both the agents and the bank staffs.
- ✓ Untrained staff and low cooperation from the bank staff with Awash Bank Agents were another challenge for the agents and Awash Bank should facilitate and train the agents sufficiently and setup organized team to help and solve any ambiguities and queries from the agents as well as the clients.
- ✓ In the study most of the Agents have faced liquidity problems and Awash Bank should routinely supervised the agent's outlet and offer cash as much as possible to have smooth service throughout the time. NBE has to create more conducive and concrete policy like maximizing the cash holding and transaction limit of agents and allowing the agents to conduct more activities.
- ✓ The current commission provided by the bank to the agents was not sufficient enough and Awash Bank should revise the existing commission for the agents with in line to the National Bank policy and procedure on Agent and Mobile Banking Operation.
- ✓ As we know, Ethio Telecom is the sole provider of network for most of financial institutions in Ethiopia, However, system interruption and malfunction, there Awash Bank should avoid such interruption and network related problem by either signing special telecom service from the existing network providers or securing another fintech organization.

5.5. Suggestions for further study

The current study assesses the challenges and opportunities of agent banking in the case of Awash Bank. However, the study was limited to one of Awash Bank district, East Addis Ababa which is a small area as compared to the rest of the country.

This study was entirely restricted on bank staffs and agents, as a result future studies should include customers of the agent and the banks to get their ideas for inclusive conclusion.

Future research should also investigate the opportunities of adopting agent banking for both the banks and agents, this will help the agents as well as the banks to engaged in agent banking activities.

Generally, the researcher tried to show the current and future opportunities of adopting agent banking from the bank and agent side only and the researcher would like to recommend further study by including the customers position and various variables to improve agent banking practice in Ethiopia.

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Appendix I

Addis Ababa University

School of Commerce

Department of Business Leadership

(Questionnaires to be filled by the Awash Bank Staffs)

Dear Respondent:

This questionnaire is prepared to collect data for the research entitled**: "Opportunities and Challenges of Agent Banking the Case Awash Bank East Addis Ababa Region"** as a partial fulfillment for the requirements for **the Master of Art in Business Leadership at Addis Ababa University School of Commerce.**

You are kindly requested to provide appropriate and genuine data to the best of your knowledge for each question listed below. This research assures you that the information obtained is only used for academic purpose and kept confidential.

Your assistance and cooperation will be highly appreciated.

Thank you.

Tesfaye Asalfew

+251911021960

Tesfayea2@gmail.com

Part I: - Demographic profile of respondents

Please indicate the following by ticking (√) on the spaces provided:

1.1, please indicate your Gender

Male ☐

Female ☐

1.2 Age

20-30 ☐ **31-40** ☐

41-50 ☐ **51-60** ☐

1.3 Level of education

Certificate ☐ **Bachelor degree** ☐

Diploma ☐ **Masters and above** ☐

Part II: - Questionnaires for Awash Bank Staffs

General Agent Banking Policies and Procedures: Please put a tick (√) mark to the extent that describes the general Agent Banking policies and procedure in your bank.

Key: 5=Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1= Strongly Disagree

No.	General Agent banking Policies and Procedures.	5	4	3	2	1
1	Written policy framework is adopted stating the bank's commitment to comply with agent banking obligations in accordance with applicable proclamations and laws.					
2	Cross-country legal and regulatory differences will have impact on the adoption of new technological innovation in the banking sector like Agent Banking.					
3	Your bank provides guidelines on the use of agent banking facility.					
4	Internal controls and procedures are in place in order to prevent criminals using the bank's facilities for other illegal activities.					

Agent Banking adoption Challenges. Please put a tick (√) mark to indicate the challenges of Agent banking system.

Key: 5=Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1= Strongly Disagree

No.	Agent Banking Adoption Challenges	5	4	3	2	1
1	Lack of trust is considered as barriers for the adoption of agent banking system in Ethiopia.					
2	Lack of technical and managerial skills in implementation and development of agent banking technology.					
3	Absence of financial networks that links different banks.					
4	Agent banking services may not perform well because of network problems.					
5	Lack of legal frame works that enforce banking industries to adopt technological innovation.					
6	High cost regarding with the implementation of agent banking. (Such as cost of ICT equipment and network, software and organizational structure)					
7	Availability of substitutable financial institution products					
8	Fear of money laundering and other financial crimes could be easily facilitated through agent banking;					

9. If you do have any additional opportunity of Agent Banking please write here ----------
---
----------**Agent Banking Adoption Opportunities.** Please put a tick **(√)** mark to indicate the opportunities of Adopting Agent Banking system in your bank.

Key: 5=Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1= Strongly Disagree

No.	**Agent Banking Adoption Opportunities**	**5**	**4**	**3**	**2**	**1**
1	Increase deposit mobilization for the banks.					
2	Enhance productivity in the banking industry.					
3	Agent banking increase accessibility of banking services.					
4	The existence of high demand of bank by unbanked population;					
5	Increasing use of technology and Digital Platform					
6	Financial Inclusion and government rule					
7	The growing demand of more convenient and personalize banking					
8	The growing tradition of banks and a non-bank partnership					
9	Agent banking makes it easier to do banking activities.					
10	Improving the banking practice in the community					

11. If you do have any additional opportunity of Agent Banking please write here

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Thank You For your Cooperation!!!

Appendix II

Addis Ababa University

School of Commerce

Department of Business Leadership

(Questionnaires to be filled by the Awash Bank Agents)

Dear Respondent:

This questionnaire is prepared to collect data for the research entitled**: "Opportunities and Challenges of Agent Banking the Case Awash Bank East Addis Ababa Region"** as a partial fulfillment for the requirements for **the Master of Art in Business Leadership at Addis Ababa University School of Commerce.**

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Tesfaye Asalfew

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Part I: - Demographic profile of respondents

Please indicate the following by ticking (√) on the spaces provided:

1.1, please indicate your Gender

Male ☐

Female ☐

1.2 Age

20-30 ☐ 31-40 ☐

41-50 ☐ 51-60 ☐

1.3 Level of education

☐

Certificate Bachelor degree

Diploma Masters and above

Questionnaire for Awash Bank Agents

PART II. Operational challenges

1. **Operational challenges**

What operational challenges do you face as an agent? Please rank your opinion from **S. A= strongly agree, A= agree, N= neutral, DA= disagree to S. DA= strongly disagree**

	Items (Operational challenges)	**S.A/5**	**A/4**	**N/3**	**DA/2**	**S. DA/1**
1	Untrained staff					
2	Inadequate cash in the agents till					
3	Insecurity					
4	Regulation of agency related laws					

1.1 Training

Did you receive any agency training?

Yes No

If yes, was the training sufficient?

Yes No

Do you perceive that it is difficult to access training / retraining for yourself or staff members on demand?

Strongly agree	Agree	Neutral	Disagree	Strongly disagree

1.2 Security

Do you have fears of insecurity?

Yes No

Have your customers reported fears of insecurity?

Yes No

How frequent do security scares occur if any?

Very Often	Often	Rarely	None

1.3 Liquidity

How often does the business suffer from lack of cash for withdrawals and deposits?

Very Often	Often	Rarely	None

How often do you have to transfer cash float to banks?

Very Often	Often	Rarely	None

Which is the most commonly used service among the ones listed below?

Withdraw ☐ Deposit ☐ Buy ☐ Goods ☐

2. Technological factors

	Items (Technological challenges)	**S.A/5**	**A/4**	**N/3**	**DA/2**	**S. DA/1**
1	System malfunction					
2	Fraud					
3	Data Security					

2.1. System Malfunction

Do you experience system down times?

Yes ☐ No ☐

To what extent do you agree with the statement that some network availability is a major hindrance in service delivery?

Strongly agree	Agree	Neutral	Disagree	Strongly disagree

2.2. Do you face fraud?

Yes ☐ **No** ☐ To what extent do you agree with the statement that fraud affect the adoption of Agent Banking

Strongly agree	Agree	Neutral	Disagree	Strongly disagree

2.3. Data Security

Do you ever face data security related problems

Yes ☐ **No** ☐

To what extent do you agree with the statement that security threats like system breach and cracking

affect the adoption of Agent Banking services.

Strongly agree	Agree	Neutral	Disagree	Strongly disagree

Agent Banking Adoption Opportunities. Please put a tick **(√)** mark to indicate the opportunities of Adopting Agent Banking system for Agents

Key: 5=Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1= Strongly Disagree

No.	**Agent Banking Adoption Opportunities**	**5**	**4**	**3**	**2**	**1**
1	Increase deposit mobilization for Agents					
2	Agent banking makes it easier to do business activities.					
3	Agent banking increase accessibility of banking services.					
4	The transactions in agent banking are at a lower price, or at no cost.					
5	Customers can boost up their sales due to being an Agent					
6.	The application of high transaction commission helps the agent to accumulate profit					
7	No time limit to access bank account and information.					

8. If you do have any additional opportunity of Agent Banking please write here

Thank You For your Cooperation!!!

Appendix III

Addis Ababa University
School of Commerce
Department of Business Leadership

Interview questions designed for Awash Bank Agents)

Dear Respondent:

These questions are prepared to collect data for the research entitled**: "Opportunities and Challenges of Agent Banking the Case of Awash Bank East Addis Ababa Region"** as a partial fulfillment for the requirements for **the Master of Art in Business Leadership at Addis Ababa University School of Commerce.**

You are kindly requested to provide appropriate and genuine response to the best of your knowledge for each question listed below. This research assures you that the information obtained is only used for academic purpose and kept confidential.

Interview

Part I: Interview questions designed for Awash Bank Agents

1. Being an Awash Agent, Is there any positive impact on your business?
2. Are there any legal frameworks available to be signed between the bank and your business organization?
3. Have you ever faced challenges for being an Awash Bank Agent?
4. What are the benefits your institution gained from the adoption of agent banking system?
5. Have you ever faced security breaches and network interruption on the agent banking operation