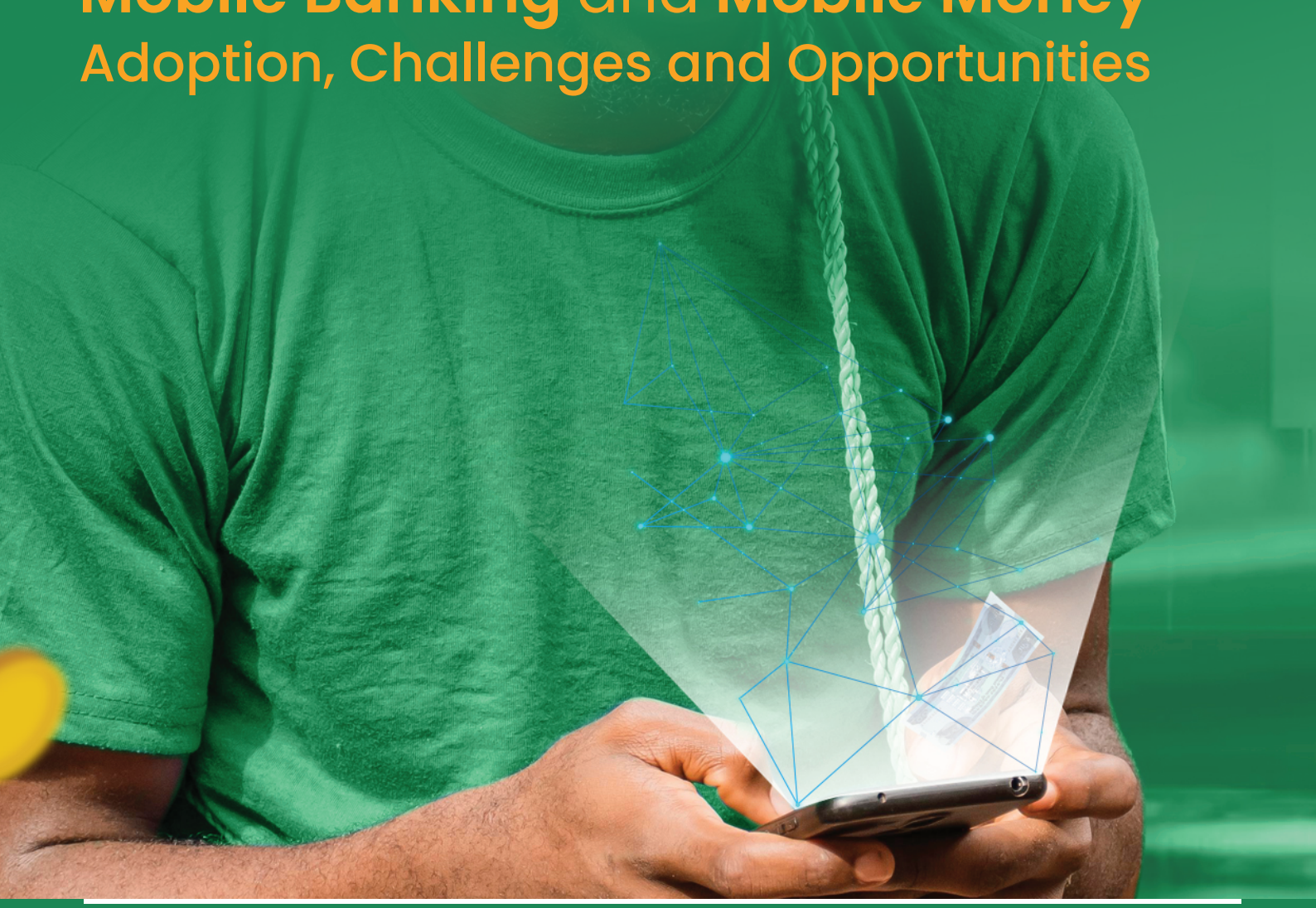
MOBILE BASED DIGITAL FINANCIAL SERVICES IN ETHIOPIA

Mobile Banking and Mobile Money
Adoption, Challenges and Opportunities



AKOFADA Key Report 2 | Shega™ | Volume 2

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SHEGA

Shega is an information services and technology company that provides in-depth insights into Ethiopia's economy through an integrated media, data, and intelligence solution. Designed to drive informed decision-making and promote innovation across Africa, Shega offers a high-quality digital media platform encompassing web, newsletters, audio, and video. Additionally, Shega provides subscription-based data and intelligence service-focused on technology and finance, equipping businesses, organizations, investors, and policy-makers with essential tools for well-informed decisions. Shega's vision is to elevate decision-making across Africa by providing insights through its digital media platform, strategic market intelligence, data solutions, and advisory services that facilitates actionable intelligence that fosters innovation, drives growth, and helps navigate Africa's complex and rapidly evolving markets. Leveraging its media distribution network, content creation capabilities, and intelligence expertise, Shega also delivers tailored, data-driven marketing campaigns that amplify brand presence and engage relevant audiences. By empowering the African economy with reliable information and insights, Shega has quickly established itself as a trusted partner in driving growth and fostering innovation across Africa's business ecosystem.

AKOFADA

Digitalization can greatly enhance financial inclusion for underserved communities, especially in rural areas. In Ethiopia, where only less than 50% of the population is banked, digital means offers the best approach for financial inclusion. Yet, limited access to knowledge base in the DFS ecosystem, inadequate provision and innovation of digital financial services, as well as limited digital awareness, and literacy poses a challenge.

The AKOFADA (Advancing Knowledge on Financial Accessibility and DFS Adoption) project, supported by the Gates Foundation and Implemented by Shega, aims to improve understanding and usage of Digital Financial Services (DFS), focusing on underserved rural areas in line with the strategic approaches and directions of the country to ensure 70% adults' financial inclusion by 2025.

Through this project, Shega is creating a knowledge base for DFS providers, decision makers, enablers, and end users, supporting adequate provision of relevant DFS, and building trust in the rural and semi-rural population about DFS.

Pillar 1 - Creating a comprehensive knowledge base for stakeholders.
Pillar 2 - Supporting adequate provision of relevant DFS to end users.
Pillar 3 - Building trust in the rural and semi-rural population about using DFS.

Visit the DFS Hub Ethiopia here: *DFS Ethiopia Hub* to access data, research, articles, case studies, use cases and insights on digital finance and associated services in Ethiopia.

ABOUT THE KEY REPORT

This key report from Shega is part of the AKOFADA project aimed at bolstering the accessibility of information on Digital Financial Services in Ethiopia. The key report, which is part of Pillar two of the project, explores the evolution, adoption, and challenges of mobile based digital financial services in Ethiopia, focusing on **mobile banking** and **mobile money**.

As the second issue in a series, it focuses on mobile-based customer-facing technologies, specifically Mobile Banking and Mobile Money, and their role in transforming financial access and user experience. Drawing on recent data, regulatory developments, and platform innovations, the report provides actionable insights for policymakers, financial institutions, and fintechs seeking to build a more inclusive and interoperable digital finance ecosystem.

EXECUTIVE SUMMARY

This report on Customer-Facing Technologies offers a comprehensive analysis of Ethiopia's mobile-based digital financial services, focusing on the transformative roles of **Mobile Banking** and **Mobile Money**. As digital finance becomes central to Ethiopia's financial inclusion agenda, these two platforms are reshaping how individuals' access and interact with financial services. Mobile-based customer-facing technologies allow users to perform essential financial activities-such as payments, transfers, savings, loans, and insurance, via mobile phones, including basic feature phones, often without internet access or physical visits to bank branches.

Growth and Adoption Trends - The report distinguishes between two major service tracks. Mobile Banking, led by commercial banks and accessed through smartphone apps and USSD, has grown significantly, reaching 39.6 million accounts and processing ETB 6.7 trillion in transactions by 2024. Banks like Dashen, CBE, Awash, and Cooperative Bank of Oromia are enhancing their platforms with features such as biometric security, microloans, loyalty programs, and multilingual interfaces. On the other hand, Mobile Money, driven by telecom operators like Telebirr and M-PESA, and Bank-led wallets such as CBE Birr, and CoopPay has emerged as a dominant inclusion tool, expanding to 107.5 million accounts. Its success is attributed to simplified onboarding and minimal KYC requirements, making it more accessible for everyday transactions, despite handling lower transaction volumes (ETB 1.03 trillion in 2024).

Inclusion Gap: However, the report highlights a critical insight: **Mobile Money, originally designed to serve the unbanked and underbanked, is increasingly being adopted by users who already have access to formal banking services.** According to the Global FINDEX 2025, 39% of Ethiopian adults use both Mobile Banking and Mobile Money, suggesting that mobile money is not reaching excluded populations as effectively as intended. This overlap raises important questions about whether mobile money providers are truly designing for inclusion or simply replicating banking models in digital form.

Despite progress, Ethiopia's Mobile-based Dgital financial services ecosystem faces persistent challenges. These include urban-rural and gender disparities, low digital literacy, limited trust in digital platforms, infrastructure gaps, and regulatory hurdles that constrain innovation and interoperability among others. To address these issues and unlock the full potential of Mobile-based financial services, the report recommends simplifying KYC processes, expanding digital literacy especially for women and rural users ensuring platform interoperability, and encouraging stronger collaboration between public and private stakeholders. These interventions are essential to accelerate financial inclusion and support Ethiopia's broader goals for inclusive and sustainable economic development.

1. Introduction

This report marks the second issue in our ongoing exploration of Customer-Facing Technologies in Ethiopia's Digital Financial Services ecosystem. In our previous edition, we examined the landscape of card-based banking solutions, including ATMs, Point of Sale (POS) terminals, and other card-enabled services that have shaped access to financial systems.

Building on that foundation, this edition shifts focus to mobile-based DFS-specifically **Mobile Banking** and **Mobile Money** which are increasingly becoming popular across the country. These services are believed to be offering a more accessible, flexible, and scalable alternative to traditional banking infrastructure.

Customer-facing mobile digital financial services refer to the delivery and access of financial services via mobile phones, ranging from smartphones to basic feature phones. These services enable users to conduct essential financial activities such as making payments, transferring funds, saving, digital lending, borrowing, insurance and managing accounts, often without needing internet access or visiting a bank branch. Through channels such as mobile apps, USSD codes, and SMS notification, mobile-based options bridge critical gaps in financial infrastructure, particularly in regions where formal banking services are limited.

Throughout the document, the focus will be on Mobile banking and Mobile Money, each playing distinct yet complementary roles in broadening financial inclusion.

In Ethiopia, mobile - based digital financial services are delivered through three primary channels:

- **Bank-led** Services, both Mobile Banking applications (e.g. Dashen's super app, CBE mobile banking) and Mobile Money platforms (e.g. CBE Birr, CoopPay)
- **Telco-led** mobile money services, such as Telebirr and M-PESA,
- **Fintech- led** services, such as Kacha and Yaya wallets.

Together, these services are transforming how Ethiopians interact with financial systems, offering convenience, expanding access, and reducing dependency on cash.

Mobile Banking refers to a digital financial service provided by banks that allow customers to access financial products and conduct transactions using a mobile device, typically requiring a bank account and accessed through dedicated smartphone applications or USSD. These services include checking account balances, transferring funds, making payments, and in some cases accessing microloans. Mobile Banking is generally targeted at users who already have bank accounts.

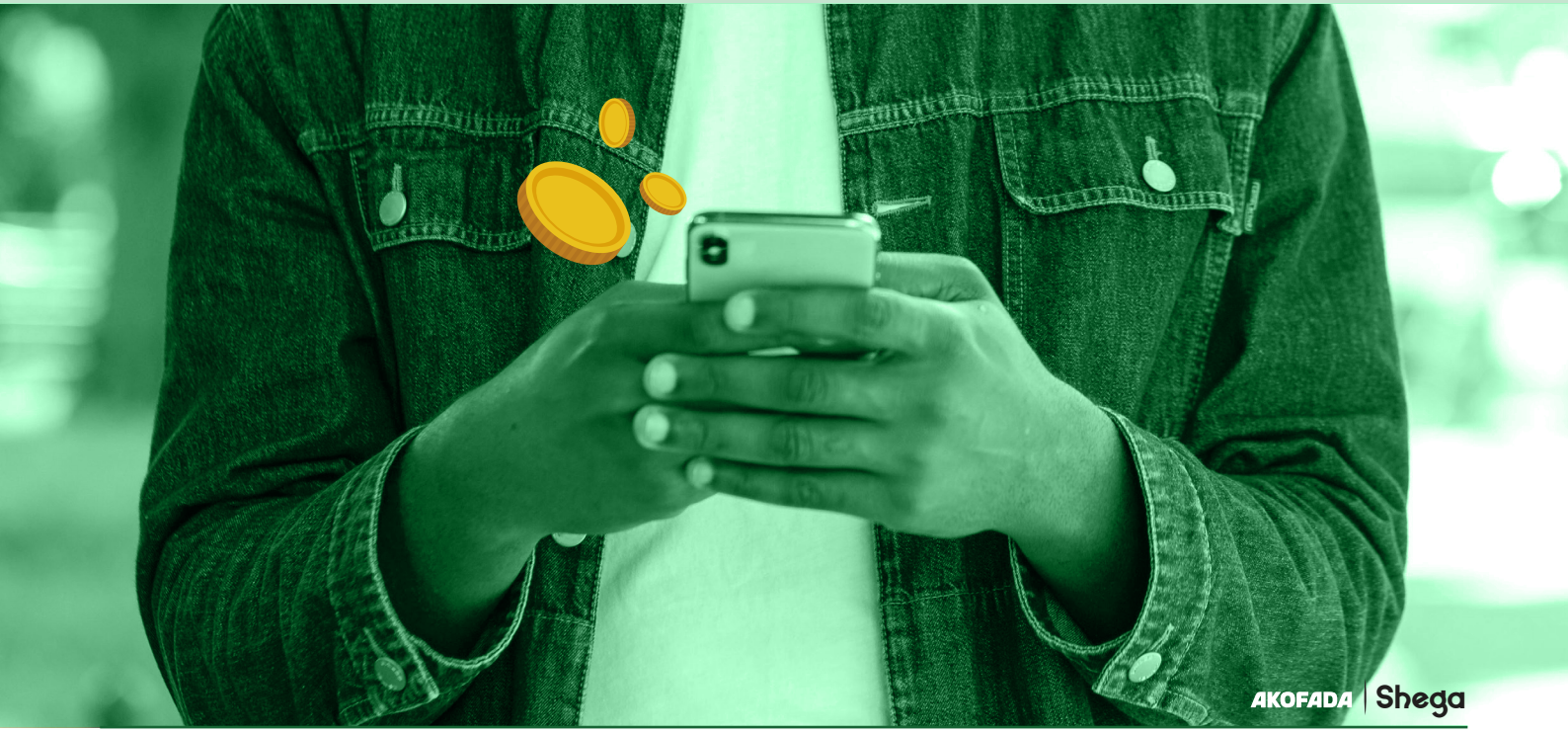
Mobile Money refers to a suite of digital financial services, such as storing, sending, and receiving funds, and requires a mobile device and phone number. It can be offered by telecom operators, fintech companies, and banks, and the service is accessible via mobile devices and does not necessarily require having a bank account. These services are delivered through multiple channels including mobile apps, USSD codes, SMS notifications, and IVR (interactive voice response) menus, making them usable across smartphones and basic feature phones.

Mobile banking and mobile money are reshaping access to finance in Ethiopia, bridging structural gaps, and are also expected to empower underserved communities, while catalysing digital transformation. Sustaining this momentum and ensuring the solutions reach the unreserved requires inclusive policies, continued investment, inclusive innovation, and collaborative action to ensure these tools reach their full potential for economic impact.

Both Mobile banking and mobile money are central to Ethiopia's digital finance ecosystem, and technically speaking, mobile banking relies on core banking systems and links to formal bank accounts, while mobile money uses wallet platforms accessible via feature phones. The table below compares their key differences in access, technology, providers, and target users-highlighting their complementary roles in driving financial inclusion.

Table 1 -Mobile Banking and Mobile Money Comparison

Aspect	Mobile Banking	Mobile Money (Wallet)
Account type	Linked to a bank account	Linked to mobile wallet (not necessarily a bank)
Access Requirements	Requires a bank account and often a smart phone	Does not require a bank account (Can be accessed via phones using USSD/SMS)
Common Service Providers	Banks, and MFIs	Banks, Telcos, Fintechs
Technology used	Core Banking System	Mobile wallet system
Target Users	Typically banked population	Designed for unbanked and underbanked population
Cash-out locations	ATMs	Agents, ATMs and service centers
Limits on transaction	Yes, with higher ranges	Yes, at relatively lower ranges
Access channels	Mobile phone (App, USSD)	Mobile phone (App, USSD, QR)



2. Landscape of Mobile Banking and Mobile Money

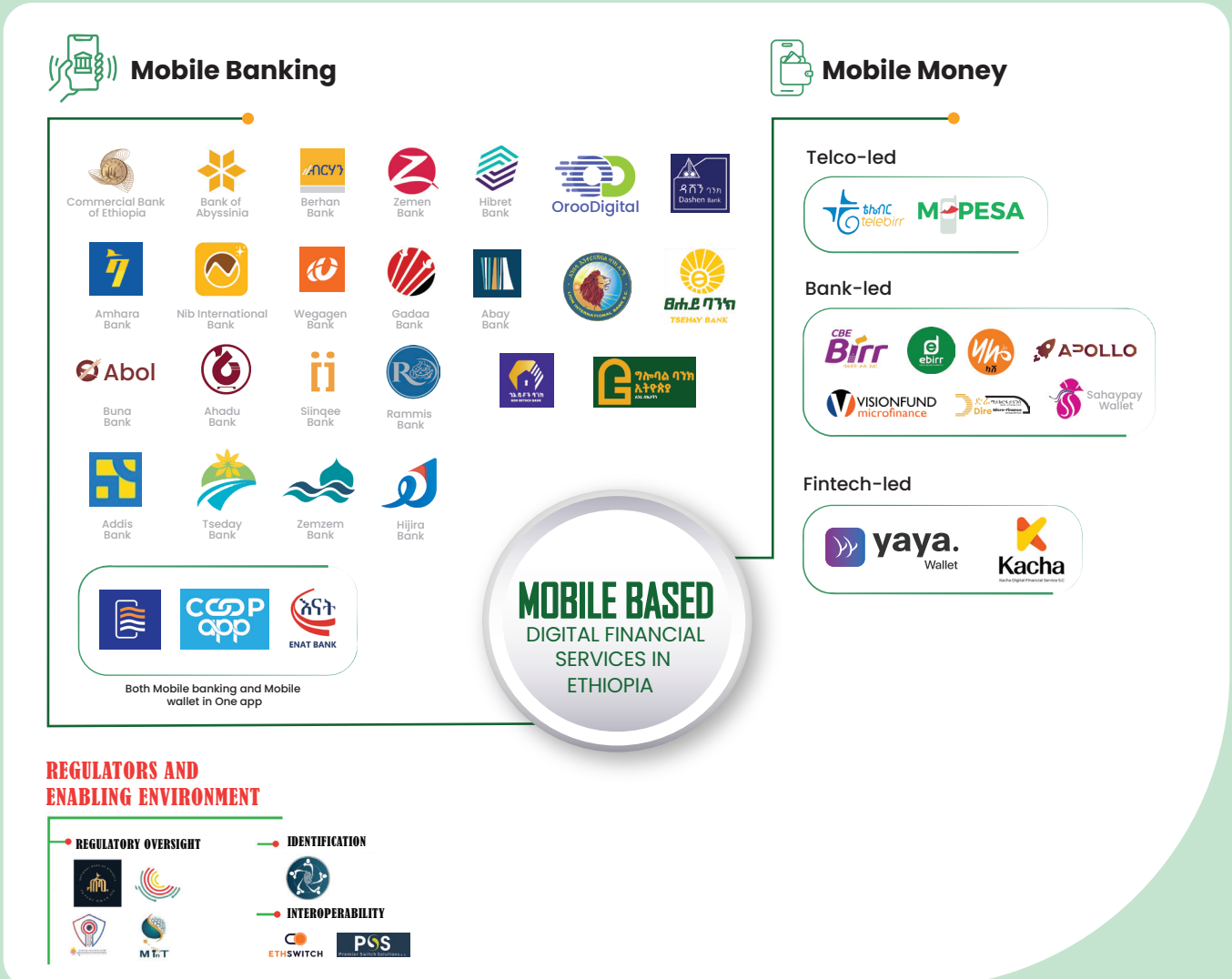
2.1 General Overview

Ethiopia's mobile financial ecosystem is rapidly evolving, driven by the growth of Mobile Banking and Mobile Money platforms. These models serve distinct user needs while collectively advancing financial access and bridging formal - informal divides. Both use mobile phones to deliver financial services and let people use financial services through their phones - without needing to go to a bank in person. They use overlapping channels including USSD, mobile apps, SMS notifications, and sometimes web interfaces to enable services that include payments, transfers, and account inquiries. However, their operating models differ:

Mobile Banking is bank-led, linking directly to customers' bank accounts and often designed for higher-value transactions.

Mobile Money can be offered by telecoms, banks and licensed fintechs. It provides stored value accounts tied to a phone number rather than requiring a traditional bank account, making it more accessible to the unbanked and underbanked.

Figure 1: Mobile based digital financial services in Ethiopia

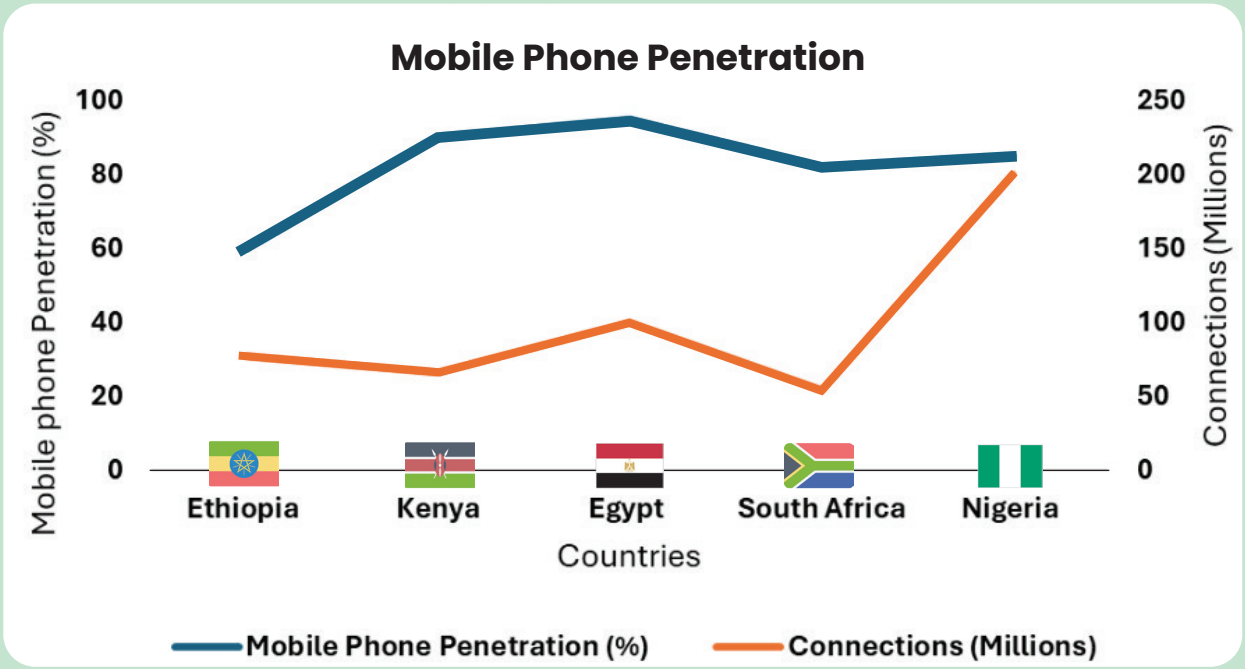


Convergence Trends In Ethiopia - The lines between Mobile Banking and Mobile Money are increasingly blurring in Ethiopia . Banks are launching wallet-like services, while telecoms are integrating with banks to offer hybrid solutions. Although these services were traditionally designed to serve different population segments, the banked and the unbanked, they now appear to target similar user groups.

2.2 Mobile Banking

Mobile Banking has emerged as one of the fastest growing channels for digital financial services in Ethiopia. Its expansion has been driven by increased internet access; however, adoption remains concentrated among those already banked. Ethiopia's 77.3 million mobile owners and rising smartphone penetration also provide a fertile ground for expansion, allowing banks to bypass the infrastructure limitations of ATMs and POS devices.

Figure 2: Mobile Phone Penetration (% Population) and Number of Connections (Millions), 2024



Mobile Banking plays a critical role in strengthening Ethiopia's financial system by improving liquidity, expanding the formal economy, and enhancing monetary policy effectiveness. As the country still faces high inflation and money supply growth (broad money grew approximately 17.2% year-on-year by Q3 2024, reached Birr 2.41 trillion) creating liquidity pressures4; Mobile Banking helps mitigate these pressures by channelling household cash holdings, which might otherwise remain outside the banking system, into regulated financial system. As users deposit, transfer, and transact digitally, funds that might otherwise circulate outside formal financial institutions are captured within the banking sector. This not only improves liquidity availability for lending and investment, but also expands the formal economy by increasing traceable, taxable financial activity. In turn, it enhances monetary policy transmission and deepens financial inclusion.

Ethiopia's rapid adoption of Mobile Banking reflects strong national commitment to digital financial inclusion, though key challenges threaten its momentum. Out of Ethiopia's 32 licensed banks, 29 banks now offer Mobile Banking services, reflecting the country's accelerating shift toward digital financial inclusion. The government of Ethiopia, through the implementation of the National Financial Inclusion Strategy I and the ongoing Strategy II, recognizes that broad-based, inclusive economic growth and poverty reduction depend on deepening the scale, reach, and quality of financial services. As such, advancing financial inclusion remains a national priority. Notwithstanding the promising outlook, several challenges persist or have emerged, including concerns over increased transaction fees and lack of transparency, which could deter adoption, exclusion of the unbanked population, newly introduced transaction taxes, as well as issues with delayed transaction confirmations that may erode user trust.

The affordability of mobile handsets and subscriptions is a challenge to mobile banking services in Ethiopia. According to the Alliance for Affordable Internet (A4AI), the cost of a smartphone is particularly significant in sub-Saharan and LDCs. Same is also indicated by GSMA (2021) the cost of a smartphone represented almost 97% of average monthly income in Ethiopia.

2.3 Mobile Money

In Ethiopia, Mobile Money has the potential to reshape the financial landscape, particularly for rural and underserved populations, however this reality has not come to effect in Ethiopia yet, particularly with the percentage of adult population owning mobile money account "only" being close to zero. With low levels of traditional bank account ownership, Mobile Money platforms are expected to provide a vital pathway to financial inclusion.

Despite growth in mobile money and Ethiopia having nearly half a million registered mobile money agents, a significant portion of them remain inactive or underutilized, failing to deliver the essential services expected of agents such as cash-in/cash-out transactions, customer onboarding, and financial education. The result is a fragmented agent network that undermines the promise of financial inclusion. Addressing this requires a shift from quantity to quality-focusing on agent performance, sustainability, and community integration to ensure mobile money agents truly serve as the last-mile bridge to digital financial services.

Mobile Money in Ethiopia began with the launch of M-Birr in 2015, introduced by a consortium of microfinance institutions in collaboration with M-Birr ICT Services, aiming to extend financial services via MFI agents to rural and underserved populations.8 Shortly afterward, HelloCash, developed by BelCash Technology Solutions in partnership with Lion International Bank and Somali Micro Finance (with Cooperative Bank of Oromia joining soon after), debuted in February 2015 as the country's first multi-bank interoperable mobile money platform.9 E-Birr, the single-bank solution from Cooperative Bank of Oromia, followed in 2016. Then, the Commercial Bank of Ethiopia introduced mobile money nationwide with CBE Birr in 2017.

The mobile money growth was catalysed by the National Bank of Ethiopia's (NBE) 2020 directive allowing non-banks to issue digital payment instruments. This regulatory shift opened the door for telecom-led platforms: Telebirr, launched by Ethio Telecom in 2021, amassed over 54.84 million subscribers by June 2025, while M-PESA, launched by Safaricom Ethiopia in 2023, onboarded 2.4 million 90-day active users as of May 2025 is expanding its agent and merchant ecosystem and an overall users of 10.8 million as of December 2024. A study by GSMA Intelligence estimates that widespread adoption of Mobile Money could add $5.3 billion to Ethiopia's GDP by 2030. Additionally, it could lift 700,000 people out of extreme poverty and increase tax revenues by $300 million.

Ethiopia's mobile money platforms leverage diverse technological infrastructures to reach both banked and unbanked populations and can be offered through three different wallet types in Ethiopia as shown in the table below.

Table 2: Mobile Money types

Type	Mobile Money Features
Telco-led e.g. telebirr M-PESA	Full mobile wallet suite: P2P transfers, merchant & bill payments, airtime top-ups, and cash-in/cash-out via agents. Access via USSD or mobile apps. Withdrawal limited to agents or telco branches only, with some direct ATM access (e.g. telebirr withdrawal via BoA ATMs) Extra services may include micro-loans and merchant QR payments. Ideal for mass-market and rural coverage through agent networks.
Bank-led e.g. CBE Birr, coop pay, ebirr, አሞሌ AMOLE	Standalone wallets, some of which are linked to bank accounts. Services include P2P, bill payments (utilities, telecom, traffic fines), airtime top-ups, merchant payments, and loan repayments. Cash-out can be done via both agents and ATMs, offering wider liquidity and convenience, especially in urban centers. Access via USSD or mobile apps. Integration with banking infrastructure.
Fintech-led e.g. Kacha, yaya. Wallet	Licensed non-bank wallet providers offer P2P, merchant & bill payments, airtime top-ups, and cash-in/cash-out via agents. Access via mobile apps and USSD. Cash withdrawals primarily through agents, with limited or emerging ATM access if linked to bank accounts or virtual cards. Focus on tech-driven services and API integrations with merchants and payment networks.

Telco-led Mobile-money, such as Ethio Telecom's Telebirr and Safaricom Ethiopia's M-PESA, operate through USSD codes and mobile applications, providing broad device compatibility and mass-market accessibility. These platforms are mostly integrated with multiple banks via APIs, enabling wallet-to-bank transfers, salary disbursements, and government payments.11 Telebirr utilizes biometric logins, PIN-based authentication, and encrypted communication, while M-PESA additionally employs AI-driven fraud detection to secure transactions in real time. **Telebirr has 54.84 million users in the fiscal year 2024/25,13 while M-PESA, has reached 10.8 million customers as of December 2024.**

Bank-led wallets, like **CBE Birr**, are integrated with core banking systems and the EthSwitch national payment network, supporting both agent-based cash access and, in the case of CBE Birr, ATM withdrawals. These systems employ hardware OTPs, SMS confirmations, and interoperable QR codes to facilitate secure and efficient transactions.

As of mid-2024, **CBE Birr** has 12 million+ users, 2,260+ agents, 1,350+ merchants and 72% of CBE's transactions conducted digitally. **Ebirr** has also become one of the leading mobile financial service platforms in Ethiopia, especially dominant in the eastern region, with millions of users and partnerships with multiple banks including Cooperative Bank of Oromia, Wegagen, Ahadu, and NIB Banks.

Fintech-led Mobile-money, such as Kacha, adopt an API-first approach, connecting to banks, microfinance institutions, merchants, and agents. Kacha enhances accessibility through USSD, mobile apps, and even Telegram/WhatsApp bots, while maintaining robust encryption, eKYC, and regulatory compliance to safeguard user data.

YaYa Wallet also offers secure digital payments via mobile app, USSD, and web. It integrates with banks and MFIs via EthSwitch, and enables services like remittances, savings, and merchant payments.

Ethiopia's Mobile Money sector faces several measurable challenges that hinder full adoption and usage. Only 36% of registered mobile money accounts in Ethiopia are active on a 30-day basis, indicating high dormancy. The country also has a limited agent network, with just 1.2 agents per 1,000 adults, far below the Sub-Saharan Africa average of 5.6, restricting access to cash-in and cash-out services. Additionally, Ethiopia faces a significant gender gap in mobile money usage, with women 37% less likely than men to own an account. These structural and behavioural barriers continue to limit the sector's ability to deliver inclusive financial services at scale.

2.4 Comparison of Mobile Banking and Mobile Money in Ethiopia

Mobile banking is traditionally designed for the already banked, while mobile money aims to serve the unbanked and underbanked. However, Ethiopia's experience reveals a different trend. According to the Global FINDEX 2025 report, 49% of Ethiopian adults now own a financial account. A large portion of these, 39% use both mobile banking and mobile money, indicating that mobile money is not reaching the unbanked as intended.

This overlap suggests that mobile money is being adopted more by those who already have access to formal banking, rather than expanding financial inclusion to new users. Despite the rapid growth in mobile money accounts, from 4.6% in 2022 to 9.5% in 2024, the overall increase in account ownership has been modest, and millions remain excluded, especially women, rural populations, and low-income groups.

This trend raises important questions for ecosystem actors: Are mobile money providers truly designing for inclusion, or are they replicating banking models with digital wrappers? And how can providers better differentiate their services to reach underserved populations?

Despite shared trends in momentum between Mobile Money and Mobile Banking, recent trends also reveal important differences in adoption, transaction volume, and overall impact.

Table 3: Mobile Banking and Mobile Money Accounts (Millions) & Transaction Value (Billions ETB)

Year	Mobile Banking Accounts (in million)	Mobile Money Accounts (in million)	Mobile Banking Value of Transactions (in billions ETB)	Mobile Money Value of Transactions (in billions ETB)
2020	9.1	8.0	68.4	2.9
2021	11.9	15.3	326.2	5.9
2022	16.1	43.3	163.6	24.4
2023	27.3	68.7	3,442.6	380.3
2024	39.6	1107.5	6,717.6	1,028.6

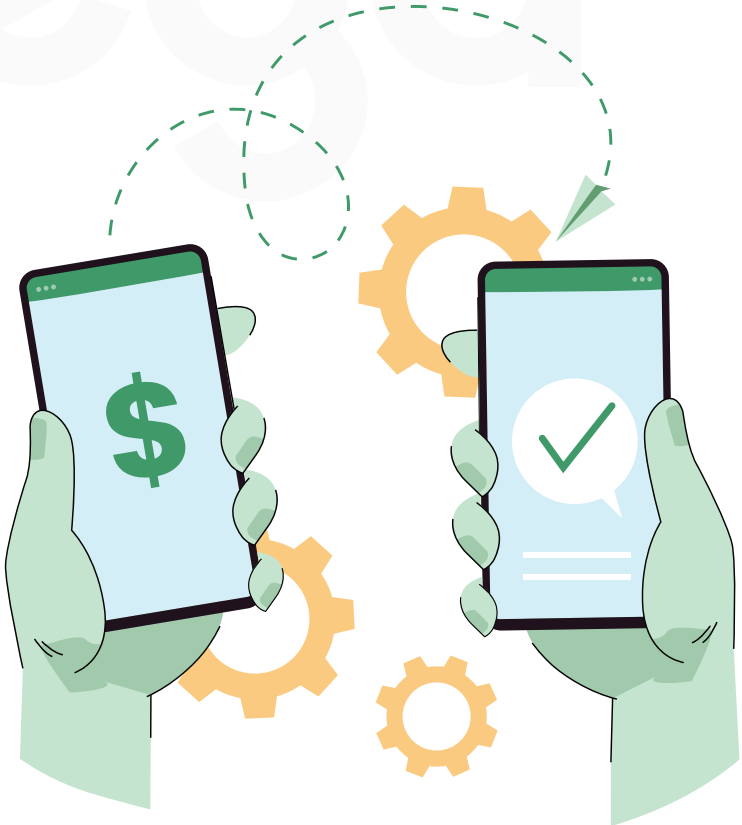
As shown in Figure 3 above , Ethiopia's mobile finance ecosystem shows a clear divergence between user growth and transaction value. In 2024, Mobile Money users were 107.5 million, while Mobile Banking were 39.6 million. However, Mobile Banking processed ETB 6.7 trillion in transactions in 2024, far exceeding Mobile Money's ETB 1.03 trillion. This gap may be explained by legal restrictions that limit the size and type of transactions permitted on mobile money platforms, lower user trust in mobile money for high-value transfers, and a high number of inactive or low-usage mobile money accounts that inflate adoption figures without contributing to actual financial activity.

Table 4: Mobile Banking and Mobile Money Transaction Volume (Millions)

Year	Mobile Banking Volume of Transactions	Mobile Money Volume of Transactions
2020	11.6	4.3
2021	39.6	7.3
2022	88.0	48.5
2023	474.9	298.8
2024	1,114.8	764.9

As shown in Table 4, between 2020 and 2024, Mobile Money transactions grew from 4.3 million to 764.9 million, while Mobile Banking rose from 11.6 million to 1.1 billion. Despite Mobile Banking maintaining higher transaction volume, Mobile Money has gained traction for routine financial activities, driven by structural shifts such as the launch of Telebirr in May 2021, which expanded access nationwide.

When looking at costs of sending money and withdrawing cash in Ethiopia via Mobile Banking and Mobile Money, highlighting the end-user fees for digital P2P transactions with a focus on a representative transaction value of ETB 2,000. It shows that Mobile Banking fees range from 0 to 14 ETB with an average of 5 ETB, while Mobile Money fees range from 0 to 12 ETB with an average of 3 ETB, indicating that Mobile Money is generally cheaper and the fee varies across institutions.



Dimensions	Mobile Banking	Mobile Money
Features	• Full suite: transfers, savings, loans, bill pay, account management. • Uses USSD or smartphone apps • Integrated with formal banking infra-structure • Some banks offer credit, insurance & investment products	• Core: P2P transfers, airtime top-up, bill pay, merchant/QR payments • Works via USSD/SMS on feature phones or apps • Operates via telecom/agent networks • Mostly transactional; credit is offered (e.g., Telebirr micro-loans)
Requirements	• Requires formal bank account, National ID, KYC • Smartphone + app (or USSD)	• Requires SIM registration and basic ID, no bank account needed • Basic phone or smartphone
Fee Structures	• Transfers: e.g., ETB 10 for ETB 2,000 (0.5%) via CBE Mobile Banking • ATM fees and monthly account mainte-nance may apply • Bill payments often subsidized or free • Fee transparency varies by bank	• Lower fees: e.g., ETB 2 for ETB 2,000 (0.1%) via Telebirr • No monthly account fees • Agent cash-out charges apply • Generally more transparent, published tariff sheets
Security	• Multi-factor authentication (PINs, biometrics) • End-to-end encryption, bank-grade protocols • Stronger fraud protection (deposit insurance, bank oversight)	• PIN-based authentication; Telebirr supports biometrics • Basic encryption & SIM-level security • Fraud protection weaker; relies on agent vigilance

2.5 Recent Cross-Sector Collaborations

Across Ethiopia's rapidly evolving digital finance landscape, collaborative partnerships between telecoms, banks, and fintech's are accelerating innovation and deepening financial system integration.

i.National ID and VISA: Launching the Fayda Wallet for Identity-Linked Financial Access

The **Fayda Wallet**, co-developed by Ethiopia's National ID Program (NIDP), TECH5, and VISA, is a digital credential platform designed to integrate secure identity verification with financial services. It allows users to open bank accounts via biometric eKYC and instantly receives virtual VISA cards. The Cooperative Bank of Oromia is the first financial institution to onboard users through this system.

ii. Ethio Telecom and Mastercard: Building a Digital Payments Ecosystem

A landmark partnership between **Ethio Telecom**, Ethiopia's state-owned telecom, and **Mastercard** exemplifies the country's push to integrate mobile money with global payment networks. This collaboration focuses on linking Ethio Telecom's Telebirr platform-already boasting over 52.5 million subscribers-with Mastercard's extensive payment infrastructure to broaden digital financial services access across Ethiopia. The partnership aims to facilitate seamless digital payments, enhance economic participation, and accelerate Ethiopia's digital economy ambitions by providing customers with more versatile and secure payment options.

iii. M-PESA with Dashen Bank and CashGo: Enhancing Remittance Services

M-PESA has also formed strategic alliances with Dashen Bank and local fintech CashGo to strengthen its remittance and Mobile Money services. These partnerships allow M-PESA to integrate with local banking infrastructure and fintech platforms, enabling users to send and receive funds more efficiently. This is particularly impactful for Ethiopia's large diaspora community and supports the diversification of Mobile Money use cases beyond domestic payments.

M-PESA's engagement with innovation hubs such as Jimma University's Incubation Centre and collaborations with local merchants also demonstrate a commitment to encouraging grassroots financial inclusion initiatives. This approach aims to empower underserved communities with mobile savings, lending, and payment services, leveraging Ethiopia's growing developer community to tailor fintech solutions to local needs.

iv. Collaboration Among Mobile Money and Mobile Banking Providers

Users are increasingly routing funds from Mobile Banking platforms to Mobile Money services like Telebirr to reduce transaction costs and access wider interoperability. Fintech startups such as Kacha and Yaya have also partnered with multiple banks and joined EthSwitch to enable wallet-to-bank and bank-to-wallet transfers. These partnerships go beyond just technological integration, they create shared financial ecosystems that break down long-standing barriers around infrastructure, regulation, and user experience. Together, these initiatives are expected to shape a more inclusive, agile, and collaborative digital economy for Ethiopia's future.

3. ADOPTION AND BARRIERS

Ethiopia has made significant progress in expanding Mobile Banking and Mobile Money over the last few years, but several barriers still prevent widespread use. These challenges are linked to differences in access between urban and rural areas, gender inequalities, limited digital skills, trust issues, and regulatory hurdles.

3.1 Urban Vs Rural Usage Disparity

Limited phone and internet access in rural areas restricts Mobile Banking and Mobile Money adoption outside urban centres. Mobile Banking and Mobile Money adoption in Ethiopia remains sharply divided along urban-rural lines. According to the Central Statistical Agency (CSA), approximately 80% of Ethiopia's population resides in rural areas, where mobile phone ownership and internet access lag significantly behind urban centres. While urban areas report mobile phone penetration rates exceeding 60%, rural penetration hovers near 30%, with smartphone ownership even lower. This disparity constrains the reach of app-based Mobile Banking and Mobile Money, which requires smartphones and reliable internet connectivity.27 While USSD services are more accessible, they are not always promoted or supported at the same level as app-based platforms.

3.2 Gender Disparities and Digital Literacy

Women face lower mobile access and digital literacy, highlighting the need for inclusive tools and training. Gender gaps in mobile phone ownership and financial literacy further complicate the adoption. The GSMA Mobile Gender Gap Report 2023 estimates that Ethiopian women are 20% less likely than men to own a mobile phone and 30% less likely to use mobile internet. These disparities are driven by socioeconomic factors, cultural norms, and lower literacy levels among women, particularly in rural communities. Digital literacy remains a critical bottleneck: Many potential users lack the skills to navigate Mobile Banking interfaces, especially smartphone apps. This limitation emphasizes the importance of simple, language inclusive USSD menus and targeted digital literacy programs to empower women and marginalized groups.

3.3 Data Privacy, Regulatory Bottlenecks, and Trust Deficit

Concerns over privacy, fraud, and weak enforcement of consumer protections hinder trust in digital finance. Trust is foundational to digital banking adoption. Some Ethiopian consumers exhibit cautious attitudes toward digital financial services, influenced by concerns over data privacy, fraud, and service reliability. The National Bank of Ethiopia (NBE) has made regulatory progress by introducing the National Digital Payment Strategy and Payment System Proclamation, which establish frameworks for consumer protection and data security. However, implementation gaps and limited public awareness hinder full confidence.

Regulatory bottlenecks also slow fintech innovation and interoperability. Licensing processes for Mobile Money operators remain stringent, and the lack of a unified national switch complicates seamless interbank and inter-wallet transactions. These constraints limit competition, reduce service diversity, and perpetuate reliance on cash, especially in rural economies.

3.4 Regulatory and Interoperability Bottlenecks

Although the regulatory environment is evolving, key bottlenecks persist. Lengthy licensing procedures for fintech's and Mobile Money operators, lack of a unified national switch, and siloed platforms limit competition and constrain interoperability between banks, wallets, and telecoms. These inefficiencies perpetuate cash dependency and slow the transition to a truly inclusive digital financial system.

4. OPPORTUNITIES

Ethiopia's mobile financial ecosystem spanning both Mobile Money and Mobile Banking-holds significant promise for accelerating financial inclusion, catalysing digital innovation, and attracting robust investment. While adoption barriers remain, an inclusive innovation and a unified strategy leveraging the complementary strengths of banks, Fintechs, and telecom providers can unlock opportunities for underserved populations and the wider economy.

4.1 Expanding Financial Inclusion in Underserved Markets

With over 77 million mobile subscribers but formal financial inclusion still below 50%, the largest untapped market lies among the unbanked and underbanked particularly women, youth, and rural populations.

- Launch targeted education campaigns, community-based training, and in-app tutorials to help users confidently adopt and use mobile financial services.
- Facilitate affordable smartphone schemes, device financing, or partnerships with handset manufacturers; promote feature phone friendly USSD solutions for those without smartphones.
- Strengthen USSD reliability and expand 4G/5G coverage in rural areas; ensure offline transaction options for low connectivity zones.
- Expand agent assisted registration, reduce KYC friction through tiered accounts, and integrate national digital ID/eKYC systems for faster sign-ups.

4.2 Supportive Regulatory Environment

- The National Financial Inclusion Strategy II (2021–2025), issued by the National Bank of Ethiopia, sets clear targets for expanding digital financial services, including mobile money, agent banking, and interoperability.
- ECMA's licensing framework for investment banks and fintech's is part of Ethiopia's broader capital markets reform agenda, aligning with basel standards and promoting digital finance innovation.

4.3 Opening of the Banking Sector to Foreign Investment

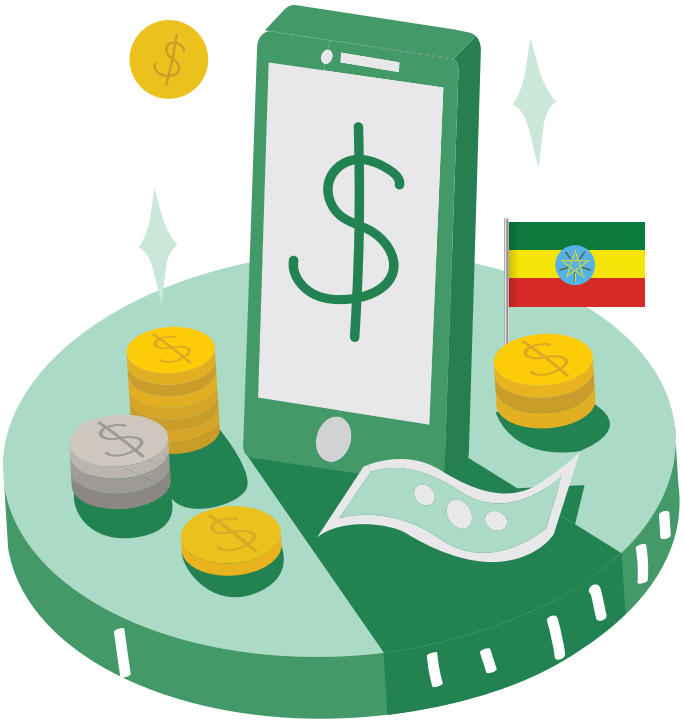
Opening Ethiopia's banking sector to foreign players marks a strategic shift, bringing capital, innovation, and global expertise to accelerate digital financial transformation. Ethiopia's landmark decision to open its banking sector to foreign participation marks a pivotal shift in the country's financial landscape, creating fertile ground for capital inflows, cross-border partnerships, and the introduction of global best practices. Foreign banks bring not only liquidity and investment capacity, but also advanced digital infrastructure, risk management systems, and product innovation that can accelerate the evolution of Ethiopia's Mobile Banking and digital finance ecosystem. Early entrants stand to benefit from first mover positioning in a market historically underserved by formal financial institutions. As regulatory frameworks mature under the oversight of the National Bank of Ethiopia and ECMA, foreign players can collaborate with local fintech's, leverage regional connectivity through AfCFTA, and tap into Ethiopia's rapidly urbanizing and digitally engaged population. This opening is more than a policy shift it represents a strategic inflection point for inclusive financial transformation.

4.4 Rapid Mobile Penetration and Youth Demographics

Ethiopia's young, mobile-connected population offers strong potential for inclusive, mobile-first financial services-if affordability and infrastructure gaps are addressed. Ethiopia's demographic and mobile landscape present a strong foundation for mobile-first financial services. With a population of 126.5 million and one of the world's fastest growth rates, the country is uniquely positioned for a digital finance revolution.

As of early 2024, there were 77.3 million mobile connections, covering approximately 60% of the population. While smartphone affordability remains a barrier, averaging 77% of monthly income compared to 28% in Kenya, most Ethiopians rely on basic or feature phones, accessing Mobile Money via USSD and SMS.

Ethiopia can unlock the full potential of Mobile Banking and Mobile Money by pairing infrastructure and cost reforms with customer-centric design, stronger interoperability, and data-driven service expansion. The result would be a more inclusive and affordable mobile finance ecosystem that accelerates the shift from cash to digital and powers inclusive economic growth.



5. CONCLUSION

Ethiopia's mobile finance ecosystem offers a great potential, but barriers like cost, lack of inclusive innovation, infrastructure gaps, awareness and trust hinder inclusive adoption. Ethiopia's mobile finance ecosystem-comprising both Mobile Banking and Mobile Money-presents a powerful opportunity to reshape the country's financial landscape and drive inclusive economic development. Mobile Banking holds the potential to deepen financial relationships, empower small businesses, and advance innovation, while Mobile Money platforms have already achieved notable success in reaching unbanked populations. However, persistent challenges such as high USSD session fees, fragmented infrastructure, limited digital literacy, and weak consumer trust continue to hinder scale and impact. These barriers disproportionately affect low-income users, women, and rural communities, highlighting the need for targeted, equity-focused interventions.

A cohesive strategy focused on affordability, DFS innovation, literacy, interoperability, and open competition is key to unlocking inclusive digital finance aligned with national goals. To unlock the full benefits of digital finance, Ethiopia must adopt a cohesive, future-ready strategy that prioritizes affordability, accessibility, and system interoperability. Key reforms include eliminating USSD fee burdens, simplifying KYC processes, expanding digital and financial literacy programs, and strengthening consumer protections. Equally important is fostering open competition by supporting fintech's and third-party innovators, while improving coordination between regulators, telecoms, and financial institutions. If implemented in alignment with national goals such as Digital Ethiopia 2025 and the Sustainable Development Goals, these measures can cultivate a resilient, inclusive digital finance environment that supports livelihoods, drives investment, and bridges Ethiopia's financial inclusion gap.

6. RECOMMENDATIONS & FUTURE OUTLOOK

Bridge the Urban and Rural Divide Through Affordable Access and Reliable Connectivity
The Ministry of Innovation and Technology, the Ethiopian Communications Authority, and telecom operators should jointly expand affordable smartphone and feature phone access, coupled with rural network upgrades. This includes subsidized device financing, wider distribution of low-cost handsets, and improved 4G/5G and USSD reliability in underserved areas. Drawing from Kenya's rural coverage expansion model, ensuring offline-capable mobile services would allow rural communities, where mobile penetration is below 30%-to participate fully in digital finance.

Promote Gender Inclusive Digital Literacy Campaigns

Banks, fintech's, and civil society organizations should co-create nationwide digital literacy programs with a strong gender focus. Training should be delivered in local languages via radio, community centres, and agent networks, ensuring women, who are 20% less likely to own a phone, gain the confidence and skills to use Mobile Banking and Mobile Money. Complementing this with simple, intuitive USSD menus and visual app designs will make digital finance more accessible to low-literacy users.

Unlock Interoperability to Reduce Costs and Expand Reach

A national interoperability framework-led by the National Bank of Ethiopia in partnership with banks, telecoms, and fintech's should establish shared APIs, a unified national switch, and standardized eKYC protocols. Seamless transfers between wallets, bank accounts, and merchant systems will reduce duplication, lower transaction costs, and spur usage, especially for MSMEs and rural traders.

Catalyse MSME Growth Through Embedded Financial Tools

Digital finance providers should embed business management features-such as inventory tracking, expense categorization, and digital receipts-into Mobile Banking and Mobile Money platforms. Leveraging transaction data for alternative credit scoring can unlock microloans and working capital for informal businesses. A merchant-friendly ecosystem, with low-fee QR and USSD payment acceptance, will formalize small businesses and integrate them into the wider digital economy.

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