

Ethiopia Financial Inclusion Forecasting

Assignment Report · 2026-02-01

Understanding and Defining the Business Objective

The National Financial Inclusion Consortium led by the National Bank of Ethiopia, EthSwitch, and key partners aims to increase financial inclusion rates from 45% to 60% by 2027. Grounded in the Global Findex framework, the objective is to translate multi-source evidence into a clear set of policy priorities. Rapid policy shifts (FX liberalization, instant payments, donor financing) require forward-looking signaling and stakeholder alignment.

Stakeholder Alignment

- Primary stakeholders: National Bank of Ethiopia policy board, Ministry of Innovation, EthSwitch, and local fintech partners.
- Decisions supported: prioritizing capital for agent network densification, interoperability upgrades, and digital identity integration.
- Success metric: raise account ownership toward 60% by 2027 while keeping gender and rural gaps in mind.

Discussion of Completed Work

Unified Schema Components

- Observations: quantitative indicator values with metadata on direction, unit, geography, and reference period.
- Events: dated policy, market, or infrastructure milestones (e.g., Telebirr launch, FX liberalization).
- Impact_links: hypothesized mappings between events and indicators with lags, directions, and confidence levels.
- Targets: forward-looking commitments such as NFIS-II benchmarks to benchmark forecast attainment.

Data Enrichment Process

- Documented manual enrichments on 2026-01-28 covering 2022 account ownership, mobile subscriber counts, and infrastructure.
- Appended infrastructure and event signals (Fayda ID enrollment, Telebirr/M-Pesa launches, AfDB lending).
- Validated schema conformity by checking indicator codes, coercing dates, and harmonizing directions.

Initial Analysis Highlights

- Access slowdown: national account ownership plateaued around 46-49% between 2021 and 2024
- Gender gap: 2021 male ownership (56%) exceeded female (36%) by 20 percentage points, unchanged
- Mobile money surge: account penetration doubled from 4.7% (2021) to 9.45% (2024) alongside a 158% YoY growth in P2P transactions
- Infrastructure catch-up: 4G coverage jumped from 37.5% in FY22/23 to 70.8% in FY24/25 ($\approx 89\%$ increase)
- Usage substitution: EthSwitch data shows P2P transactions rising 158% YoY in FY24/25 while ATM usage fell 10% YoY
- Digital ID scaling: Fayda enrollment expanded from 8M (Aug 2024) to 15M (May 2025), providing a digital identity for 70% of the population

Figure 1. Account ownership trajectory (2014-2024)

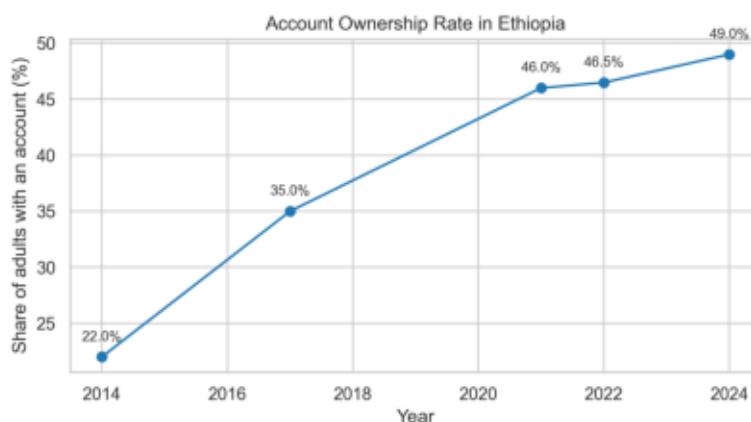


Figure 2. P2P vs ATM transaction growth (FY 2024/25)

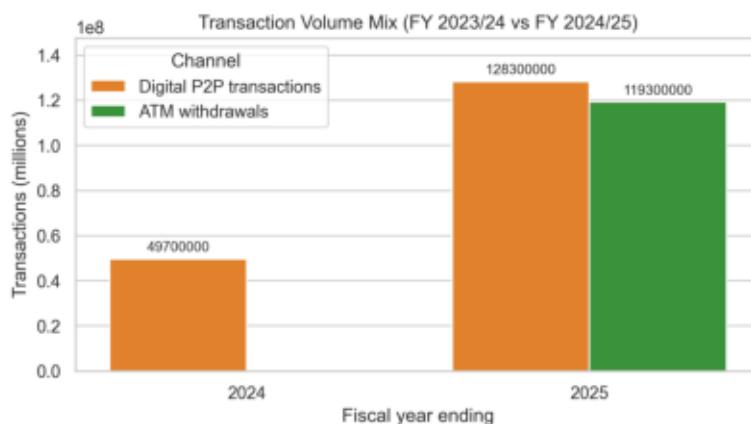


Figure 3. Digital finance milestone timeline (2021-2025)

Timeline milestones include:
Digital P2P Launch, ATM Support, ATM Withdrawals, ATM Launch, ATM Base.

Next Steps and Key Areas of Focus

Task 3: Event-Indicator Association Roadmap

- Construct event-indicator association matrix by joining events and impact_links, encoding lags, and calculating weights.
- Back-test associations on historical periods (2019-2024) using rolling-window regressions to quantify causal effects.
- Stress-test matrix sensitivity by perturbing lag assumptions (6, 12, 18 months) and re-scoring on a scale from -1 to +1.

Data Limitations Identified

- Sparse frequency: usage indicators are annual; requires interpolation or alternative high-frequency data sources.
- Limited rural segmentation: observation records are national aggregates; need regional splits to capture rural dynamics.
- Event metadata gaps: several events lack quantified budgets/scale, necessitating supplemental research to estimate their impact.

Impact Modeling Hypotheses to Test

- Telebirr and M-Pesa interoperability accelerates wallet adoption, lifting account ownership by ≥ 10% in rural areas.
- AfDB-funded instant payments trigger a second wave of P2P volume growth, with spillovers into remittance flows.
- FX liberalization and NFIS-II reforms reduce dormant accounts by incentivizing remittance-linkage.