Network Expansion and Agent Viability: What Works for Sustainable Agent Banking?

Background

Agent banking and mobile money networks are essential for extending financial services to underserved populations, particularly in rural areas of low- and middle-income countries. The sustainability of these networks depends on the financial viability of the agents. This brief, drawn from Evidence and Gap Map for the Retail Finance and Distribution Initiative, examines the relationship between network expansion and agent and merchant viability, exploring whether and how growing agent networks affect the profitability, retention, and long-term sustainability of agents.

Scope of the Synthesis

This brief synthesizes findings from studies examining the effect of agent network expansion on agent business outcomes. The synthesis covers studies from Bangladesh, India, Kenya, Ghana, Ethiopia, Pakistan, and Malawi, spanning 2013 to 2025. The evidence includes regression analyses, surveys of agents, case studies, and qualitative research.

The specific interventions examined are network expansion activities (recruitment of new agents, licensing, rural deployment), while the outcomes of interest are agent business viability (profitability, retention rates, intention to continue, revenue, and operational sustainability).

1. Synthesis of the Findings

1.1 Mixed Effects of Agent Numbers on Profitability

Studies on the impact of increasing agent numbers on profitability show mixed results. In Bangladesh, an increase in agents was associated with a decline in both return on assets (ROA) and return on equity (ROE), suggesting that indiscriminate expansion may increase costs without proportionate returns (Robin et al., 2025). In Kenya, close to two-thirds of agents earned less than 5,000 KES per month, insufficient to cover basic expenses, while 40% lacked sufficient cash or float to serve customers effectively (Mulwa & Waema, 2015). In Ethiopia, 66% of agents face chronic liquidity shortages, and only 11-20% of new agents remain active after one year (Yenus & Molla, 2025).

1.2 Agent Retention and Sustainability Challenges

Network expansion is often hampered by low agent retention. In India, agents' intention to continue was significantly influenced by software support satisfaction and exposure to financial technology, while internet connectivity issues reduced retention (Gupta & Singh, 2023). In Ghana, only 1.2% of enrolled entrants exited after 16 months, and incumbent vendors reduced misconduct following entry (Annan, 2024). In Pakistan, 16% of agents registered 80% of transactions, indicating significant productivity imbalances (Mithe, 2013).

1.3 Positive Effects of Outlet and Credit Expansion

Expanding outlets and credit disbursement through agents shows consistent positive effects. In Bangladesh, agent banking outlets were positively associated with ROA, while credit disbursement positively affected both ROA and ROE (Robin et al., 2025). In Ethiopia, transaction values have grown at compound annual rates exceeding 200% (Yenus & Molla, 2025).

1.4 Role of Bundling and Alternative Business Lines

Bundling financial services with non-financial goods supports agent viability. In Ghana, over 75% of agents operate bundled stores, with non-DFS sales representing approximately 7% of digital financial services (DFS) revenue (Annan, 2024). In India, 75.4% of agents owned tech-related alternative businesses, enabling them to resolve minor technical issues independently (Gupta & Singh, 2023). The profit rate for non-financial services (23%) far exceeds that for financial services (1.5%) (Annan, 2024).

1.5 Agent Viability and Profitability

Agent profitability is low across contexts. In India, the average monthly commission was INR 3,487 (Gupta & Singh, 2023). In Kenya, 42% of agents earned 3,000–5,000 KES monthly (Mulwa & Waema, 2015). In Pakistan, Easypaisa's revenue sharing evolved from a 10:90 to 13:87 split in favour of Telenor, with total revenue of approximately $25 million per year (Mithe, 2013). In Malawi, low financial literacy, agent illiquidity, and training costs constrained network expansion (Buckley et al., 2015).

2. Cross-Cutting Trends and Insights

Key cross-cutting trends and insights include:

a. Expansion is not a panacea: Positive effects require support systems (training, liquidity, technical support) (Robin et al., 2025; Gupta & Singh, 2023).

b. Liquidity is a binding constraint: Illiquidity affects 66% of agents in Ethiopia (Yenus & Molla, 2025), 40% in Kenya (Mulwa & Waema, 2015), and rural agents are 39% more likely to reduce transactions in Ghana (Annan, 2024).

c. Infrastructure matters: Network outages and poor connectivity are top operational challenges across countries (Yenus & Molla, 2025; Gupta & Singh, 2023; Buckley et al., 2015).

d. Bundling as a survival strategy: Pure-play agent models may be unsustainable in low-volume settings (Annan, 2024; Gupta & Singh, 2023).

e. Gender disparities: Female agent participation ranges from 13% to 30% (Yenus & Molla, 2025; Gupta & Singh, 2023; Kabala et al., 2021).

f. Agent profitability is low: Financial services yield only 1.5% profit rate in Ghana (Annan, 2024).

3. What Works

a. Expanding outlets rather than just agents: More consistent positive effect on viability (Robin et al., 2025).

b. Credit disbursement through agents: Improves profitability and strengthens business case (Robin et al., 2025).

c. Bundling DFS with non-DFS services: Multi-service outlets are more viable (Annan, 2024).

d. Training and technical support: Software support and technology exposure significantly improve retention (Gupta & Singh, 2023).

e. Super-agent models: Manage agent lifecycle, liquidity, and training (Mithe, 2013; Buckley et al., 2015).

f. Non-exclusive agent agreements: Allowing agents to serve multiple providers (Annan, 2024; Buckley et al., 2015).

4. What Doesn't Work

a. Indiscriminate agent expansion: Without support, it increases costs without returns (Robin et al., 2025; Yenus & Molla, 2025).

b. Agent networks in low-transaction areas without support: Rural expansion fails without liquidity and connectivity solutions (Yenus &

Molla, 2025; Buckley et al., 2015).

c. Exclusive agent contracts: This limits revenue streams and may harm viability (Buckley et al., 2015).

d. Slow and unclear regulatory processes: This creates barriers to entry and reduces retention (Yenus & Molla, 2025; Buckley et al., 2015).

5. Challenges

a. Liquidity management: Agents struggle to maintain sufficient cash and e-float (Yenus & Molla, 2025; Mulwa & Waema, 2015; Annan, 2024).

b. Connectivity and infrastructure: Network outages, poor signal, and unreliable power are major challenges (Yenus & Molla, 2025; Mulwa & Waema, 2015; Buckley et al., 2015).

c. Low transaction volumes: Especially in rural areas (Yenus & Molla, 2025; Mulwa & Waema, 2015).

d. Delayed and inadequate commissions: Reduce motivation and retention (Yenus & Molla, 2025; Gupta & Singh, 2023).

e. Geographic concentration: Agent networks are heavily urban, leaving rural areas underserved (Yenus & Molla, 2025; Buckley et al., 2015).

f. Gender gap: Female participation remains low (Yenus & Molla, 2025; Gupta & Singh, 2023; Kabala et al., 2021).

g. Lack of national identification systems: Increases know your customer (KYC) costs and delays (Buckley et al., 2015).

h. Agent misconduct and overcharging: This is prevalent across countries (Annan, 2024).

6. Areas for Further Research

a. Optimal agent density: Guidelines for agent-to-population ratios are lacking (Yenus & Molla, 2025; Buckley et al., 2015).

b. Rural expansion strategies: How to viably expand into remote areas (Yenus & Molla, 2025; Buckley et al., 2015).

c. Longitudinal studies: Need replication of promising findings (Annan, 2024; Yenus & Molla, 2025).

d. Impact of interoperability: Effects on agent revenues and business models (Buckley et al., 2015; Yenus & Molla, 2025).

e. Agent exit decisions: Quantitative analysis of discontinuation factors (Gupta & Singh, 2023; Mithe, 2013).

f. Gender-specific interventions: Effective strategies to increase female participation (Yenus & Molla, 2025; Kabala et al., 2021).

g. Cost-effectiveness of support interventions: Return on investment for training and liquidity programmes (Mithe, 2013).

h. Agent bundling models: Optimal mix of DFS and non-DFS services (Annan, 2024).

i. Regulatory impact: Comparative analysis of different regulatory approaches (Buckley et al., 2015; Mithe, 2013).

7. Conclusion

Network expansion is essential for financial inclusion, but it is not sufficient to guarantee agent and merchant viability. The evidence consistently demonstrates that expansion must be accompanied by comprehensive support systems, including liquidity management, training, reliable infrastructure, and appropriate incentives. Strategies that focus on expanding outlets and enabling credit disbursement are more likely to improve viability than simply increasing agent numbers.

For policymakers and practitioners, the key messages are clear: prioritise quality over quantity in network expansion, invest in agent support systems, address liquidity and connectivity challenges, and promote inclusive design that increases female participation. A coordinated, multi-stakeholder approach is essential to transform agent networks into sustainable engines of inclusive financial growth.

About this Evidence Brief

This evidence brief is a cell-wise summary of studies of the cell "Network expansion and reach → Agent and merchant viability" from ICED's Evidence and Gap Map of the Retail Finance Distribution Initiative.

For the full map, visit www.iced-eval.org/evidence-and-gap-maps

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