

RETAIL FINANCE DISTRIBUTION: EVIDENCE BRIEF

Institutional and Regulatory Capacity Support: Do Guidelines Become Capability?

Background

Agent networks and merchant payment systems scale sustainably only when the regulators and institutions overseeing them have the technical and managerial capacity to govern a fast-moving market.

Central bank staff training, supervisory capacity for agents and merchants, and technical assistance to fintech, agent and bankers' associations are widely assumed to be preconditions for inclusive digital ecosystems.

This brief synthesises what the included evidence shows about the effects of this kind of capacity support on policy and regulatory outcomes — the adoption of inclusive policies and measurable regulatory improvements — in agent- and merchant-based digital financial services.

Scope of the Synthesis

Seven studies are included, spanning descriptive and observational, qualitative, quantitative panel-regression, and one systematic review design. Geographic coverage centres on Sub-Saharan Africa (Kenya: four studies; Ghana: two studies) with one Latin American study covering Ecuador and Uruguay. Publication years range from 2013 to 2025.

Coverage concentrates on two of the three sub-interventions defined for this cell — central bank engagement with digital finance, and agent and merchant supervision. No included study directly addresses technical assistance to fintech, agent or bankers' associations, which is reported below as a finding in its own right rather than as a silence.

1. Synthesis of Findings

Table 1. Evidence base for this cell

Source	Design and coverage
Alfonso et al. (2024)	21-country survey with probit regressions on CBDC engagement; Latin America
Buku & Meredith (2013)	Institutional case history of M-PESA supervision; Kenya
Malala (2018)	Legal and regulatory analysis of mobile payments; Kenya
Burns (2018)	Comparative analysis of nine countries; Sub-Saharan Africa

Source	Design and coverage
Osarfo (2024)	Diagnostic study of commission transparency and agent conduct; Ghana
Bawuah (2024)	Panel regression, 2014–2021, institutional quality and inclusion; Ghana
Shahen & Sharaf (2025)	Systematic review of 37 studies, 2016–2025; global

No included study evaluates a discrete, deliberately delivered capacity-support programme as its independent variable.

1.1 Central Bank Digital Finance Training

Alfonso, Kamin and Zampolli (2024) provide the available evidence here — a 21-country BIS survey combined with

probit regressions on the structural drivers of central bank digital currency engagement — though it concerns general engagement and pilots rather than formal training programmes.

Among the South American cases, Ecuador issued a CBDC directly between 2014 and 2018 explicitly to advance financial inclusion, then discontinued it amid public distrust of its purpose: some feared de-dollarisation, others government surveillance. Uruguay's 2018 e-Peso pilot was judged a technical success but was not scaled into a permanent arrangement.

When the regression is run on Latin American countries alone, only financial account ownership predicts central bank engagement; conventional institutional-capacity proxies such as government effectiveness and innovation capacity lose significance, and the authors call for further research into what actually drives regional variation. This is single-study, cross-sectional evidence with no comparison group.

1.2 Support for Agent and Merchant Supervision

Five studies bear on this sub-intervention, and they do not agree. Buku and Meredith (2013) document Safaricom's voluntary agent-supervision system for M-PESA — agent and staff training, automated watch-list screening, transaction-limit controls and mandatory transaction logging — operating alongside Kenya's 2011 Electronic Payment Guidelines and National Payment Systems Act. A 2008 government-ordered audit, triggered by banking-sector lobbying, found M-PESA “safe and in line with the country's objectives for financial inclusion”, with minimal fraud detected.

Malala (2018) reaches a more critical conclusion on the same jurisdiction. Despite concrete regulatory outputs — the 2009 Agent Banking Guidelines and the 2011 National Payment Systems Act — Kenya's regulatory-monitoring approach for mobile payments is characterised as “fragmented, incomplete, ambiguous”, with an adverse trend in monitoring and enforcement capabilities. This is a direct finding that specific guideline outputs did not translate into adequate ongoing enforcement capacity.

Burns (2018), comparing nine Sub-Saharan African countries, finds that Kenya's central bank adopted an adaptive supervisory posture — issuing letters of no objection, relaxing KYC and AML requirements proportionately to account risk, and formalising agent banking through guidelines — which preceded and plausibly enabled scale-up in Kenya, Tanzania and Uganda. Nigeria's and Ghana's initially bank-led, more restrictive posture coincided with uptake below 1% of the population against 60–80% in the more adaptive comparators. Burns attributes Nigeria's stance to banking-lobby pressure rather than to a lack of technical capacity.

Two studies document mechanisms that failed. Osarfo (2024) finds that MTN's existing commission-transparency infrastructure for mobile money agents in

Ghana does not function effectively as oversight: most agents do not know how to check their own daily commission data, and this information gap is linked to overcharging of customers and low compliance with tariff-posting requirements. Bawuah (2024), using Ghanaian panel data for 2014–2021, provides the strongest quantitative signal in the set: a composite institutional-quality index has a positive and significant direct effect on financial inclusion ($\beta = 324.6$, $p < 0.05$) and positively moderates the effect of mobile money on inclusion (interaction $\beta = 199.2$, $p < 0.05$) — though it measures a composite index rather than a delivered capacity-support activity.

1.3 Technical Assistance to Fintech, Agent and Bankers' Associations

None of the included studies evaluates technical assistance delivered to a fintech, agent or bankers' association. The one association-related finding — the Kenya Bankers Association's 2008 lobbying against the central bank's enabling regulatory approach (Burns, 2018) — describes an association's independent political opposition to reform, not technical assistance received by an association.

This sub-intervention therefore has no direct evidence in the included set, which is itself a notable gap given the emphasis the cell definition places on it. It should be reported as an evidence gap rather than as a negative finding.

Table 2. Direction of evidence in this cell

Pathway	Direction of evidence
Adaptive, proportionate supervisory posture	Positive (convergent, non-causal)
Institutional quality and financial inclusion	Positive (panel regression)
Voluntary provider-led agent supervision	Positive (case history)
Guideline output and enforcement capability	Negative (divergence documented)
Existing commission-transparency mechanisms as oversight	Negative
Central bank staff training as a discrete intervention	Not tested
Technical assistance to associations	No evidence

Directions reflect seven studies concentrated in Kenya and Ghana; “no evidence” denotes absence of evidence.

2. Cross-Cutting Trends and Insights

Two patterns recur across the sub-intervention findings above:

- a. Adaptive and proportionate regulatory posture, rather than any single measured capacity input, is the factor that recurs across studies as associated with stronger regulatory and inclusion outcomes (Malala, 2018; Burns, 2018; Bawuah, 2024).
- b. Studies of the same jurisdiction reach divergent conclusions depending on what they measure: Buku and Meredith (2013) and Malala (2018) both examine Kenya's central bank, one reporting positive audit outcomes and specific guideline outputs, the other assessing persistently weak enforcement behind those same outputs.
- c. "Regulatory improvement" as an outcome can therefore mean either output (guidelines issued) or capability (guidelines enforced), and the two do not always move together — a distinction that should be made explicit whenever this cell is coded.
- d. Political economy appears as often as technical capacity: banking-lobby pressure explains Nigeria's restrictive posture better than any capacity deficit (Burns, 2018).
- e. Information failure can disable an oversight mechanism that formally exists, as with agents unable to access their own commission data (Osarfo, 2024).
- f. No included study reports gender, firm-size or rural–urban disaggregation of regulatory or policy outcomes specifically.

3. What Works

- a. Adaptive, proportionate regulatory posture by central banks and supervisors, which is associated with stronger downstream regulatory and inclusion outcomes across three Sub-Saharan African sources spanning qualitative, comparative and quantitative designs (Malala, 2018; Burns, 2018; Bawuah, 2024).
- b. Risk-proportionate KYC and AML requirements calibrated to account size, which lowered onboarding barriers without a documented integrity cost in Kenya (Burns, 2018).
- c. Letters of no objection and equivalent instruments that allow supervised launch ahead of complete legislation, subsequently validated by audit (Buku & Meredith, 2013; Burns, 2018).
- d. Provider-side supervisory infrastructure — agent training, watch-list screening, transaction limits and mandatory logging — operating alongside formal guidelines (Buku & Meredith, 2013).
- e. Broad institutional quality, which both raises inclusion directly and amplifies the effect of mobile money on inclusion (Bawuah, 2024).

4. What Doesn't Work

- a. Treating regulatory output as regulatory capability: guidelines and legislation did not translate into adequate enforcement capacity in Kenya's mobile-payments sector, which is the clearest negative finding in the set (Malala, 2018).
- b. Relying on an existing transparency system as supervision: Ghana's commission-transparency infrastructure failed to function as oversight because of poor agent awareness and communication, plausibly contributing to non-compliant agent behaviour (Osarfo, 2024).
- c. Bank-led restrictive licensing postures adopted under lobby pressure, which coincided with mobile money uptake failure in Nigeria and Ghana (Burns, 2018).
- d. Assuming conventional capacity indicators predict regulatory engagement: government effectiveness and innovation capacity lost significance in the Latin American sample (Alfonso et al., 2024).
- e. Issuing a public digital currency without addressing the reasons for public distrust, as Ecuador's discontinued CBDC illustrates (Alfonso et al., 2024).

5. Challenges

- a. Weak monitoring and enforcement capacity, together with definitional ambiguity over the legal meaning of "mobile money" and "deposit", as persistent barriers to effective oversight (Malala, 2018).
- b. Poor explanatory power of structural and capacity indicators for regulatory engagement, which complicates attribution of regulatory outcomes to specific capacity factors (Alfonso et al., 2024).
- c. A moving compliance target: AML, CFT and counter-terrorist-financing requirements continue to evolve for both regulators and providers (Buku & Meredith, 2013).
- d. Information and communication failure as the specific mechanism undermining an existing oversight system's intended function (Osarfo, 2024).
- e. Geographic concentration: four of seven studies are Kenyan and two Ghanaian, and Burns (2018) himself cautions that Kenya's trajectory is difficult to generalise even within Sub-Saharan Africa.
- f. Bundling: capacity-support activities are typically embedded in wider regulatory-reform packages, so their independent contribution cannot be isolated in the available designs.

6. Areas for Further Research

- a. Technical assistance to fintech, agent or bankers' associations, and its effect on any policy or regulatory outcome in any target region, which has no direct evidence in the included studies and should be prioritised for primary research.

- b. Central bank staff training as a discrete, measurable intervention distinct from general engagement or pilot projects, for which evidence exists only from a single cross-sectional Latin American study.
- c. Agent and merchant supervision capacity support outside Kenya and Ghana, making comparative evidence from Tanzania, Uganda, South Asia and South-East Asia a priority.
- d. Designs that isolate capacity-support activities from broader regulatory-reform packages so their independent contribution can be assessed.
- e. Outcome definitions that separate output from capability, measuring enforcement actions, inspection coverage and resolution rates rather than the existence of guidelines.
- f. Disaggregation of regulatory and policy outcomes by gender, firm size and rural or urban location, which no included study reports.

delivered capacity-support input as the correlate of stronger regulatory outcomes. Directly conflicting evidence exists on whether enforcement capacity has kept pace with guideline output even in the best-studied case, Kenya, and technical assistance to associations has no direct evidence in this set at all.

The degree of convergence is moderate and confined to one region. None of the three studies supporting adaptive posture evaluates a discrete, deliberately delivered capacity-support programme as its independent variable, so the finding should be read as suggestive rather than causally established.

For policymakers and funders, the key takeaway is that claims about what builds effective regulatory capacity in agent- and merchant-based digital finance currently rest on a geographically concentrated, largely non-causal evidence base. Commissioning rigorous comparative evaluation of discrete capacity-support interventions — rather than treating the question as already answered — remains a genuine near-term priority.

7. Conclusion

Across the included studies, the evidence converges more clearly on adaptive regulatory posture than on any specific,

About this Evidence Brief

This evidence brief is a cell-wise summary of studies of the cell “Institutional and regulatory capacity support → Policy and regulatory outcomes” 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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