Financial Outreach and Use in Ethiopia

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Abstract
Access to finance is not the same as use of financial services. This paper looks into the supply side and uses of financial services in Ethiopia. Using the data obtained from National Bank of Ethiopia and individual banks this study evaluated the physical availability of financial services provider in national and regional level, and number of their service users for the Ethiopian fiscal year 2014. Bank branches, insurance companies branches and ATM as a ratio of total area square kilometer and total population used to point out the deposit taking financial institutions and insurance companies geographical and demographic penetration. Number of deposit and loan accounts of banks and microfinance together used as a proxy for number of users of financial services. Despite the various benefit of finance, both supply and usage data showed Ethiopian financial institution concentrated much on urban area. Especially the number of banks and insurance companies' branches were found in the capital city, which is residential place for only 3.5% of total population of the country, very large. In this city private banks placed 45.56% of their branches, while public owned banks opened only 20.33% of their branches here. It has been the public owned banks that have the lion share in number of depositors and borrowers, and in amount of deposit and disbursed loan. Moreover, large numbers of insurance companies' branches were operated in this city than the regional states. The microfinance institution which stands for serving the poor section of the society has accommodated only a few portions of the total poor peoples.
Keywords: Geographic penetration and Demographic penetration, financial inclusion in terms of deposit and loan

1. Introduction

Finance is one of the necessary requirements for the entrepreneur's idea to become real and to widen the occupational choices of peoples in working age. Shortage or inaccessibility of money to invest hinders the development of creativity of people as they see inapplicability of someone's idea due to fund shortage. Anyone who does not have enough amounts of cash either borrows from formal or informal lender if possible or leaves the productive idea bare. Thus, lack of finance lag the accumulation of human capital and in turn technological progress which are the necessary factors to be there in the struggle for increasing per capita income of citizens and thus improving the welfare of the society as a whole. According to Kumar (2005) effective participation in financial markets and other factor markets, which are different from normal (product) markets, is a precondition for effective participation in the economy.

Financial institutions are necessary economic agent in the economic growth process of a country. One of their main contributions is creating an indirect link between those who have surplus fund or decide to transfer portion of their current income to future consumption and those who are currently in deficit or in need of money. Through this intermediation process the financial intermediaries reduce the information asymmetries and transaction costs that prevent the direct pooling and investment of society's saving. They do this task via saving products that enable a person/ an entity to deposit part of his/her income and then they lend the deposited money to an eligible person/entity come with expected ability to repay the borrowed money.

It is not only their physical presence that is required for enhancement of country's economic growth but also their development in size and types of financial products they provide. Beck *et al.,*(2009) stated that economies with better developed financial systems experience faster drops in income inequality and faster reductions in poverty levels. Controlling for reverse causality, Beck *et al.,* (2004) found in cross-country studies on the link between finance and changes in inequality and poverty that financial development causes less income inequality. Clarke *et al.,* (2003) in their analysis of 91 countries panel data for the period of 1960-95 have found strong evidence that inequality decreases as economies develop their financial intermediaries.

Improving the life condition of people requires efforts that span all sectors of the economy. One of these sectors is financial system of a country which helps members of society to receive and make payment, save a portion of their income, invest in available profitable opportunities and minimize the loss that they may face. The well-developed services they provide to the society enhance economic growth and reduce poverty at higher degree. These happen when larger part of the society use the deposit, payment and particularly credit products supplied by them. Because it is access to investable funds that encourage people more to engage in a new combination of factors/resources. According to Schumpeter economic development arises not as a result of increased savings but through innovation (cited by Ghosh, 1996). Bhandari (2009) study's result also suggests that the growth in bank accounts is not significantly associated with the reduction in below poverty line population across states of India.

Lack of access to and use of finance are often the critical mechanisms for generating persistent income inequality, as well as slower economic growth. In many cases according to Bhandari (2009) financial exclusion causes poverty and reduces social productivity of enterprises in an economy, and poverty causes low demand for organized financial system. Thus, access to safe, easy and affordable credit and other financial services by the poor and vulnerable groups, disadvantages areas and lagging sectors is recognized as a pre-condition for accelerating growth and reducing income disparities and poverty (Reserve Bank of India, 2008). The Financial Access Survey (FAS) data for Sub-Saharan countries for the period 2004-2011 shows the positive correlation of real GDP per capita and number of accounts per person is particularly noteworthy, especially for Burundi, DRC (Democratic Republic of Congo), Ghana, Liberia, Lesotho, Mozambique, Rwanda, Tanzania and Uganda (Ardic *et al.,*2012).

It was recently the importance of inclusiveness of financial system has been recognized. Bhandari (2009) defines financial inclusion as the availability of banking services at affordable costs to the disadvantages section of society. This definition focuses on provision of financial services to previously excluded people. People may be excluded from using financial services voluntarily or involuntarily. Voluntarily self-exclusion can be attributed to a lack of need to financial services, religious or cultural reasons, or indirect access through friends and family. But those who have interest but not able to access and/or use financial services excluded forcefully may be due to one or more of the following conditions: insufficient income/high risk, discrimination, contractual/informational framework and price/product features.

In five years Growth and Transformation Plan (2010/11-2014/15) the Ethiopian government specify necessity of increasing financial sectors accessibility and diversification of services provided by financial sectors as a means of narrowing the gap between gross domestic saving and investment to 14.5 percent at the end of the plan period from the level of 16.8 percent in 2009/10. In developing of the micro and small scale enterprises and large and medium scale industry providing of credit facilities and developing saving culture considered as one of the implementation strategies necessary to meet the targeted economic growth.

2. Methodology

2.1. Method of Data Collection

To gather the data required for measuring financial outreach and use in Ethiopia, simple questionnaire and/or interview data collection mechanism was used based on the respondents' readiness to be interviewed or fill the questionnaire by themselves. From the total requested banks 84 percent of them responded or provided the data as required. For banks that did not provide data, alternatives sources like National Bank of Ethiopia's publication and official websites were used.

Data about insurance companies and microfinance institutions were obtained from Insurance Supervision Division and Microfinance Supervision Division of the National Bank of Ethiopia respectively and official websites.

2.2. Measurement

To capture the level of financial services usage by disadvantages part of society the measurement approaches based on micro data, like source and level of income, educational level, religion and family size, and capital of households and small and medium enterprises which use financial services, provide reliable representation. However, in the absence of these micro data, because of bank accounts ability to enable people to perform important financial functions, number of ATM card holders, number of deposit and loan accounts per capita, and average deposit and loan relative to GDP per capita used as proxies of the actual usage of ATM, deposit and credit services of deposit taking financial institutions. Beck and De la Torre (2006) and Littlefield *et al*. (2006) put forward using number of people who have access to bank accounts as measurement of usage of the most important part of financial services in a region. In Ethiopia the major concern of financial institution is reducing the higher percentage of financial exclusion in line with improving saving rate.

The measurement mechanisms used by Beck *et al.* (2009) in measuring access and usage of financial institutions and their services have produced promising results. The approaches are counting the number of users of basic financial services, the subjective assessments of firms as to the quality of the financial services that they obtain, and physical and cost barriers to access. From these approaches physical access of financial institutions and number of users of basic financial services considered in this study. The result of the correlation test done by Peria *et al.,*(2006) to check the reality of the aggregate financial penetration indicators show the share of households with bank accounts is positively and significantly correlated at the 1% significance level with the geographic and demographic branch and ATM indicators, and with the loan and deposit per capita ratios. In the same study the share of small firms with bank loans is significantly correlated with branches, ATMs and loans per capita, and with ATMs per square kilometer. They also assess the financial services usage prediction power of outreach reach indicators. The regression results suggest that a higher number of accounts relative to the population and a higher geographic branch penetration are both positively associated with more households having bank accounts.

In this research in addition to the outreach of banks, outreach of microfinance and insurance businesses are considered but not cooperatives and credit union due to the scarcity of data. In case of microfinance institutions people usage measured by combining the number of deposit and loan accounts with that of bank, because the number of accounts provided by microfinance serve the same purpose as that of banks. For insurance business analysis done in relation to geographic and demographic penetration only due to the difficulty of obtaining number of insurance policy holders as insurance companies were not willing to disclose this datum.

2.3. Method of Data Analysis

The data collected were analyzed using the following financial institutions outreach indicators used by Peria *et al.,*(2006):

1- Geographic branch penetration: number of bank branches per 1,000km^2
2- Demographic branch penetration: number of bank branches per 100,000 people
3- Geographic ATM penetration: number of bank ATMs per 1,000km^2
4- Demographic ATM penetration: number of ATMs per 100,000 people
5- Geographic insurance penetration: number of insurance branches per 1,000km^2
6- Demographic insurance penetration: number of insurance branches per 100,000 people
7- Loan accounts per capita: number of loans per 1,000 people
8- Loan-income ratio: average size of loans to GDP per capita
9- Deposit-accounts per capita: number of deposits per 1,000 people
10- Deposit-income ratio: average size of deposits to GDP per capita

Geography, or physical access, is among the barriers that prevent small firms and poor households in many developing countries from using financial services. While some services may be accessible over the phone or via the internet, others require clients to visit a branch or use an ATM. Density of branch and ATM per square kilometer or per capita used as a proxy for geographic and demographic penetration of the financial institutions. These measurements confined to indicate the availability of financial services provider within specified area and average number of people that can be served per branch outlet. Increase in physical availability of branch and ATM within a few distance have a positive impact on increasing number of financial services users and enhance monetization of the economic activities

Indicators (1) through (6) measure outreach of the financial sector in terms of access to deposit taking financial institutions' and insurances' companies physical outlets. The indicators of branches and ATMs per 1000 square kilometer density help to characterize the geographic penetration of the deposit taking financial institution. They can also be interpreted as proxies for the average distance of a potential customer from the nearest physical bank outlet. Higher geographic penetration would thus indicate smaller distance and easier geographic access.

Per capita measures of branches and ATMs are used to capture the demographic penetration of the banking sector. They are proxy for the average number of people that can be served by each physical bank outlet. Higher demographic penetration would indicate fewer potential clients per branch or ATM and, therefore, easier access.

Indicators (7) through (10) measure the use of banking and insurance services. Deposit taking financial institutions (bank and microfinance) deposits and loans are taken into consideration because only their data were able to be gathered. Higher figures of number of deposit and loans per capita signal greater use of services. On the other hand, higher values for the average size of loans or deposits to GDP per capita indicate that banking services are more limited in use, since they are likely only to be affordable to wealthier individuals or larger enterprises.

Despite the fact that the outreach ratios are easy to understand and interpret, they are not without shortcomings. The geographic and demography penetration of the financial institution assumes equal distribution of branches and ATM within a country and across its population, though in reality banks concentrate their operation in urban areas. The financial services usage indicators also not without shortcomings. An individual can run more than one deposit and loan accounts, thus they are not the perfect indicators of the number of people who use the financial services. Moreover, the average amount of loans and deposits imply each individuals get same benefits but actually it is not. To enhance the accuracy of representation regional data were used in this research in correspondence with national data for geographic and demographic penetration, and number of deposit account.

3. Result and Discussion

3.1. Overview of Ethiopian Financial System

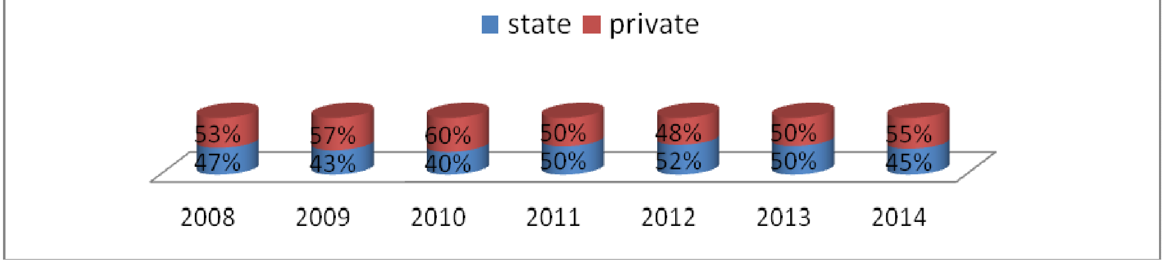
Ethiopia, which had a financial structure supervised by National Bank of Ethiopia (NBE) and made up of only three state owned specialized banks and an insurance corporation, and saving and credit cooperatives owned by members for two decades till 1994, has 3 public and 16 private banks by the end of June 2014. During the public banks lonely operation period policies in the financial sector have been geared towards supporting a planned economy. Individual financial institution had been operated in specific business segments allocated to it; competition is virtually non-existent. The financial sector had dominated by National Bank of Ethiopia and Commercial Bank of Ethiopia (CBE), which together accounted for 71% of total assets in 1990.

Following the bank liberalization proclamation of 1994 the financial structure of Ethiopia composed of both state and private owned banks and insurance enterprises, and micro finance institutions. However, CBE have continued its dominancy in the operation of the sector. The CBE controlled more than 82% of assets, 93% of deposits, about 70% of branches, and 65% of the total banking workforce in 1997 while the three private banks account for only 2.7% of total banking assets and deposits and only 10% of branches. Increasing number of private banks and their respective capacity have eroded CBE's dominancy gradually. By the end of June 2014 the share of private banks in total capital of banking system surged to 55.3% while the share of public banks went down to 44.7% from 51.6% share at end of June 2013 due to decline in the share of CBE and Development Bank of Ethiopia (DBE) to 34.2% and 8.1% respectively.

Increase in number of banks accompanied by large branch expansion. Banks have increased their branches from 220 in 1995 to 2208 in 2014. The extensive branch opening operation undertaken by banks during 2010-2014 enable Ethiopia to reduce average number of people per bank branch to 39,402 in 2013/14 from 125,574 in 2008/09. Currently continued competition among banks in opening bank branches started at higher rate in 2012 following the implementation of market expansion strategy of CBE.

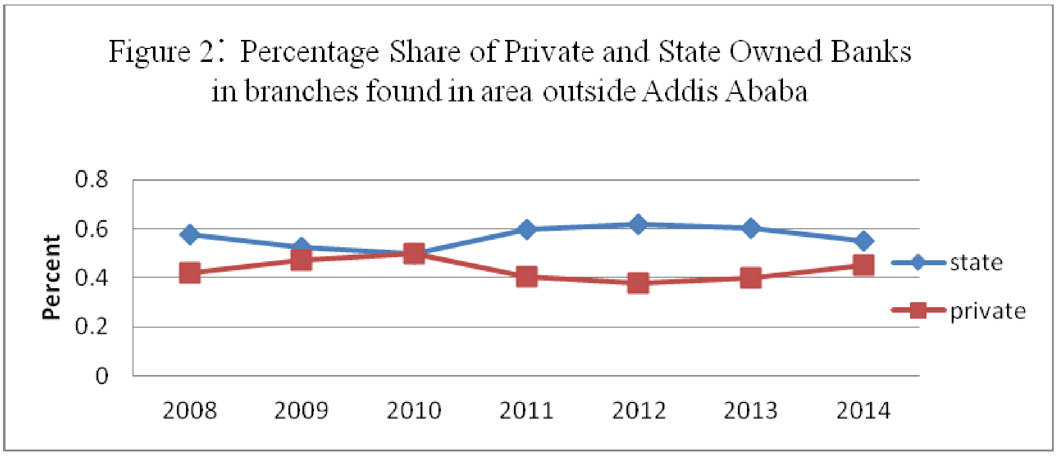
Behind change in the aggregate numbers of banks, ownership compositions of bank branches have been changed significantly. As figure 1 indicate the share of private banks in total bank branches reached peak on June 2010. But the private banks have not kept this percentage due to the aggressive branch expansion operation done by public banks particularly CBE. Though they have lost their higher market share in terms of number of branches for three consecutive years, they regained it on June 2014 with 55% share. Generally, private bank branches grew from 408 on June 2010 to 1205 branches on June 2014, while branches of public banks grew from 273 to 1003 in the same period.

Figure 1: Percentage Share of Bank Branch



The natures of bank business guide the opening of branch into highly population density area where more number of customers and high transaction turnover takes place that lead to economies of scale. The geographic expansion of Ethiopian banks for the last two decades has reflected this reality. The branch distribution between Addis Ababa and regions indicate private banks have been placed 45.56% of their branches till June 2014 in Addis Ababa which is inhabited by 3.5% of total population of the country and it is the most populated city in the country, while public banks have only 20.34% of their total branches there. Placement of nearly half of their branches in this economical active city make private banks to have a share of 72.91% of the 753 total banks branches operated there during the end of 2014 Ethiopian fiscal year (end on June 30). However, when bank branches considered at individual bank level CBE was hold a lion share of 20.72% followed by Awash International Bank and Dashen Bank by 11.95% and 9.69% respectively.

Data for banks' share in reaching out low population density area via branch showed that state owned banks have taken more initiative than private banks for the past two decades in opening branches in these areas. Figure 2 show the percentage share of private and public owned banks' branches for the period June 30, 2008 to June 30, 2014 in areas outside the capital city. Public banks particularly CBE has widened its geographical diversification than any of the other banks that have been operated in the countries. On the end of June 2014 its share in total branches outside Addis Ababa was 48.1% followed by Cooperative Bank of Oromia and Oromia International Bank by 5.77% and 5.5% respectively.



An analysis of differences in balance sheet structure of bank by ownership category- government and private revealed that private banks have fewer loans disbursement and deposits mobilization per branch since July 2007. In other words, private banks had larger branch network, relative to their size, compared to state banks. CBE's branches appeared to be larger, as measured by average number of employees. It was also this bank that made significant progress in client outreach, using technological service delivery system than other banks. CBE has more than 973,762 ATM card holders on June 30, 2014 while private banks aggregately who installed this system accessed by more than 503,000 card holders. But these large numbers of ATM card holders of CBE must go to ATM of CBE only to withdraw cash or get other services. In other words, CBE of ATM did not join the premium payment solution which is associated network of private banks' 200 ATMs (in which Awash International Bank, Nib International Bank, United Bank, Lion International Bank, Cooperative Bank of Oromia, Addis International Bank S.C and Berhan International Bank are members) or Q-link networked 210 ATMs of Zemen and Dashen banks.

The development of e-banking in Ethiopia is at the infancy stage. On June 2014 there were less than 2000 point of sales machines which are important in facilitating the national payment system. The progress made by the public bank which service two third of deposit account holder was very much lower than the private banks. CBE which was the only public bank that has provided the point of sales services has 244 terminals which make up only 12.68% of total number of POS terminals available in the country on June 2014. Dashen bank was hold the lion share in providing this service to the customer.

The mobile and internet banking services were also the very recent phenomena in Ethiopian banking business. As of June 2014 CBE has 119, 912 and 1771 mobile and internet banking users, while many of the private banks were not started. However Zemen bank was the first bank that has implemented full blown internet banking services which enable customers to make online money transfer and payroll payments. This bank's internet banking facility was accessed by more than 4,100 times on a monthly basis during 2014. Additionally, the private banks were served more than 90% of internet banking services users during 2014.

The growth of e-banking services in a country has related with the rise of internet users. In other words prior internet knowledge has strong influence on customers' decision to adopt internet banking (Wadie, 2011). On June 2014 the numbers of mobile subscribers have surged to 28.3 million from 23.8 million one year before. Unfortunately from these large numbers of mobile service users only a few of them have subscribed to use internet services and thus 98% of Ethiopian populations have been offline. According to McKinsey & Company (2014) the demographic profile of Ethiopia's offline population consists of 62% illiterate and 38% literate people. Classifying of these people in terms of income indicate that 55% of them were categorized as higher income and 45% of them as lower income peoples.

According Mckinsey & Company (2014) Ethiopia's performance on the internet barriers index was very low. Thus expansions of e-banking services are challenged by low incentives, low incomes and affordability and user capability to use internet services, and underdeveloped mobile and adjacent infrastructure.

3.2. Regional Distribution of Banks

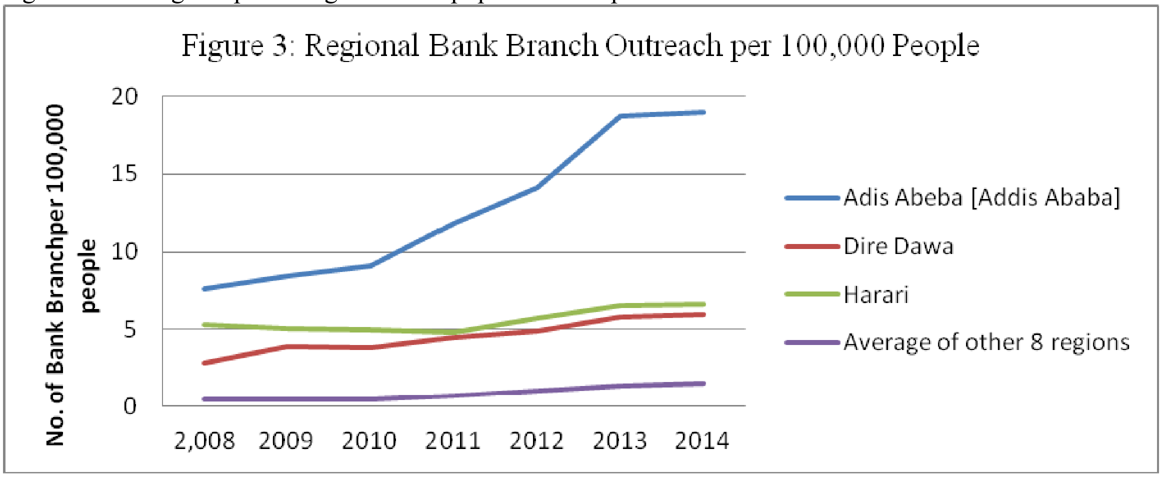
In Ethiopia banks' branch expansion has positive association with richer economic area and urban bias. A spatial analysis of financial access reveals that there are significant variations in bank outreach across different regions of the country. Banking facilities are concentrated in the capital city of the country, Addis Ababa, followed by Harari region and Dire Dawa administrative state. In Addis Ababa on June 30, 2013 people averagely accessed 110 bank branches per $100km^2$, at the same time people in Harari and Dire Dawa have accessed to 4 and 1.5 bank branches per $100km^2$ respectively. Harari and Dire Dawa have got this relative advantage not because of larger number of branches found in them but due to their smaller land area. However, the most populated region like Oromia, Amhara, SNNPR and Tigray have less than 2 bank branch per $1000km^2$. More severely Afar, Somalia, Benshangul-Gumuz and Gambela have not one bank branch per $1000km^2$.

In terms of total number of banks' branch Addis Ababa has the largest share followed by Oromia, Amhara, Southern Nation and Nationalities Population Region (SNNPR) and Tigray respectively. The aggregate bank branch network share of Addis Ababa and these regional states on June 30, 2013 were 94%. The remaining five regional states and Dire Dawa administrative have 105 bank branches totally.

3.3. *Demographic Penetration of Banks*

Due to lower availability and usage of internet services, power infrastructure and the infancy of electronic payment system in Ethiopia branches expanded faster than ATMs. The remarkably branch expansion strategies have undertaken by banks since 2011 increased the number of bank branches available to 100, 000 adults (taking 2014 population estimates of Index Mundi) to 4.09 on June 2014 from 1.79 bank branches in 2011. But when this national bank branch per 100,000 adult ratio seen from rural population aspect it fall to 1 bank branch to 125, 000 population. The numbers of ATMs operated during 2014 also increased to 2 per 100,000 adult populations as compared to nearly 1 and 0 ATM availability for the same number of adults during 2013 and 2012 respectively.

As Figure 3 shows all regions have an increasing trend of branch per 100,000 populations. Addis Ababa, the capital city of the country has the highest bank branch association with its population and area. Except Addis Ababa, Dire Dawa and Harari all regions have bank branch association with population less than the national level (2.48 bank branches per 100, 000 people) on June 2014. Tigray and Gambela have 2.5 and 2.22 bank branches per 100,000 people on June 2014 respectively while Oromia, Amhara, Benishangul Gumuz and SNNPR have 1.7, 1.5, 1.3 and 1.2 bank branch per 100,000 people respectively. In Somalia and Afar regional states at mid of 2013 one bank branch was associated with 150,000 people. The special thing with these regions is the highest percentages of their population are pastoral.



3.4. *Bank's Service Usage*

Ethiopian banking system have showed positive growth in terms of number of deposit accounts, deposited money and branch expansion even during the 2009 world financial crisis. Not only these items but also the amounts of disbursed loans and loan accounts have grown. All of these variables have increased by more than three times within five years period (end of June 2009 to end of June 2014). The growth rate for deposit accounts was remarkably higher than the growth rate for loan accounts, following branch expansion of banks. Total number of deposit accounts has grown by more than two fold of the growth rate of outstanding loan accounts growth from end of June 2012 to end of June 2014.

Though these alarming growth rates were observed, only 297 deposit accounts were available per 1000 adult populations at bank and microfinance institutions on the end of June 2014 with the assumption that an individual and/or a private economic agent has only one deposit account either in bank or microfinance institutions. According to Byrne and Anderson, (2015) nationally only 14% of the adult population has access to formal credit and savings products but this rate drops to 1% in rural areas.

From the various categories of depositors who put their cash with bank in deposit accounts private and cooperative depositors occupied the lion share. Private and cooperative depositor together make up of 72.47% and 99.48% of the total deposited amounts of cash in bank and total number of deposit accounts respectively. Depositors who were made saving in interest free windows' of CBE and Oromia International Bank have occupied 0.478% and 0.547% of the total deposited amounts of cash in bank and total number of deposit accounts of private and cooperative depositors respectively.

The rapid increase in the number of bank branches and automatic teller machines over 2012-2014 have increased access to commercial bank services across all regional states of the country. However there is a wide dispersion in deposit and loan penetration between the country's capital city, Addis Ababa and regions. Addis Ababa at June 2014 has 111, 80 and 46 times the deposit penetration of Gambela, Afar and Somalia regional states respectively. As data of June 2014 indicate 42% of total deposit accounts of private and cooperative depositors were in Addis Ababa and followed by Oromia and Amhara with 23% and 13% respectively while others regions each share less than 3% except SNNPR and Tigray who shared 9% and 7% respectively. It was also in banks' branches found in Addis Ababa 65% of total deposited amounts of private and cooperative depositors made. The smallest depositors regions during this year were Afar, Gambela and Benishangul-Gumuz which together shared only 0.81% of the total deposited amounts of private and cooperative. Except Addis Ababa all regions' percentage share of total deposited amounts were less than their percentage shares in number of accounts.

In measuring the extent of banking deposit and loan usage by the general population deposit-income ratio has a declining trend while loan-income ratios showed an increasing trend. The observed continuous reduction in deposit-income ratio has been caused by increment in GDP per capita and number of depositors simultaneously. In the case of loan-income ratio the higher percentage increase of total outstanding loan with increased number of outstanding loan accounts enable the average loan to outweigh the effect of increased GDP per capita and thus loan-income ratio increased. The few number of loan accounts related with tight loan provision capability of banks forced.

What should be emphasized is that the lower number of deposit accounts in Ethiopia has caused not only by the less physical availability of formal financial services provider but also the highest level of poor and uneducated people who do not have sustainable as well as surplus level of income to think of saving. According to UNICEF (2011) and World Bank (2012) about 30.7% and 77.6% of Ethiopian populations live below 1.25 US dollar and 2 dollar per day respectively. Moreover, as the National Bank of Ethiopia (2014) annual report stated the real per capita GDP of Ethiopia at the end of June 2014 was $377.1.

The growth rate for loan accounts per 1000 adults was negligible in compared to that of the deposit accounts per 1000 adults in Ethiopia. However, private sector credit to GDP has grown at 11.16% annual average growth rate for the past five years. The branch expansion strategy implemented for including large number of excluded people into financial services usage focused much on deposit mobilization than extension of loans to this part of the society. On June 30, 2014 there were almost 3 loan accounts per 1000 adult peoples and the average disbursed loan size was 55.4 times of GDP per capita. The outstanding loans-income ratio for 2014 was 128.01 which was higher than the previous year. This ratio indicated that banks in Ethiopia tend to lend to the few.

3.5. Microfinance Institutions Outreach and Use

Micro-finance business came into being in Ethiopia as a result of the Business of Micro-Financing Institutions Proclamation No. 40/1996. According to Proclamation No. 33/2009 the main purpose of a micro financing institution in Ethiopia shall be to collect deposits and extend credit to rural and urban farmers and people engaged in other similar activities as well as micro and small scale rural and urban entrepreneurs. The established micro finance institutions have tried to achieve this purpose using lending through group based guarantee and compulsory deposit making of clients. On June 2014 the number of microfinance institution operating in the country reached 31 from 22 in 2004. Of the total MFIs, 14 of them are operating in Addis Ababa (Getnet Alemu, 2014). On June 2014, they were operated in 642 branches and 847 sub branches.

The 31 microfinance institutions aggregately have served 3,761,072 active clients (clients who take loan simultaneously make saving in micro finance institution) in 2014 fiscal year. These were very small in compare to 77.6% of total population living below 2 US dollar a day. Though there were positive growth rate in number of clients, there were much fluctuation from June 2008 to June 2014. The annual average growth rate for these years was 12.12%.

The total deposited made by clients of the microfinance institutions and outstanding loans of these institutions make up 4.32% and 8.5% of deposit taking financial institutions' mobilized deposit and outstanding loans respectively on June 2014. Their annual average share of deposit in the total deposit of deposit taking financial institutions for the period that covers from July 2006 to June 2014 was 2.84%. On June 2014 the average saving and outstanding loan per client were 3133.16 and 4481.58 Ethiopian Birr respectively.

3.6. The State of Access to Insurance

Insurance is broadly recognized alongside payments, deposit, and loans as one of the four main categories of financial services. Insurance services are helpful to manage and mitigate risk, which is especially important for poor households and small businesses that are particularly vulnerable to shocks (Ardic, 2012).

The Ethiopian insurance sector consists of one state owned insurance corporation and sixteen private owned insurance companies at the end of June 2014. Insurance companies operated in the country have grown from 8 in 2004 to 17 in 2014 and had 332 branches at the end of June 2014. They opened 138 new branches within half of a decade period that covers from June 2009 to June 2014. Unlike bank branch dispersion in to regional states than capital city of the country, insurance companies' branches concentrated more in the capital city. On June 30, 2014 55% of insurance companies' branches operated in Addis Ababa.

Unlike state owned banks dominancy in banking industry, state owned Ethiopian Insurance Corporation shared 21.34% and 17.95% of insurance industry's capital and branch distribution respectively on June 2014. However, its individual share in these variables was the highest in compare to others insurance companies operating in the country. Moreover, it has the lion share in regional branch distribution as 71% of its branches distributed to regional states than any other insurance companies whose regional branch distribution was less than or equal to their branches in Addis Ababa. The national geographic penetration of this industry was less than one branch per 1000 km^2. This ratio could not indicate the actual insurance companies' branch spatial dispersion observed between highest economically active area and others. Addis Ababa is a home for all insurance companies' head office in addition to their 182 (55%) branches on June 2014. The highest number of branches with its small square Kilo meter area enabled it to had 34.52 insurances branches per 100 km^2 at end of June 2014.

The national insurance companies' branches distribution per 1 million adult populations was 6 on June 30, 2014. While averagely 66 insurance companies' branches available to serve one million Addis Ababa's adult population (based on 2009 Addis Ababa Population Age Structure reported by Addis Ababa city administration). Compared to 3 insurance branches per one million adult populations outside Addis Ababa, the Addis Ababa's branches were very much.

4. Conclusions

Over the last decade finance has been recognized as an important tool of poverty reduction. In accordance with this belief Ethiopian government liberalized financial sector. But, physical presence of the financial institutions in various less developed area of a country have got a due attention recently. Larger number of these institutions based their presence in urban area than rural area where more than three fourth of the population live. There is evidence that their recent period branch extension increased number of users of their services especially in relation with saving.

Banks have made most of their progress in mobilizing of saving in compare to provision of loan. Loan which is used as a source of fund for exploiting the available profitable opportunities provided to meager number of people. This is serious case that hinders the attainment of equality in economic growth and fair income distribution as the deposit collected from the mass provided as loan to a few advantages in fulfilling the bank's lending criteria. Increasing capacity of banks at the same time simplification of banks' lending procedures should be done to accommodate those who have feasible business plan but not historical records that show their creditworthiness and devoid of the required collateral.

The micro-finance institutions which were established with the aim of reducing poverty level through extension of loan and deposit services to part of society who cannot fulfill the banks' lending criteria accessed and used by a few number of people in compared to number of poverty stricken peoples. Increasing both financial and human resources of these institutions are a necessary condition to increase the portion of the society that can access and use their services. In addition introduction of awareness creating program with provision of pro religion financial products are necessary.

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