MAKERERE UNIVERSITY

MAKERERE UNIVERSITY BUSINESS SCHOOL

EFFECTIVENESS OF AGENCY BANKING IN BANK OF AFRICA

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A DISSERTATION SUBMITTED TO THE FACULTY OF GRADUATE STUDIES AND RESEARCH OF MAKERERE UNIVERSITY BUSINESS SCHOOL IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF MAKERERE UNIVERSITY

(PLAN B)

DECEMBER 2020

DECLARATION

I hereby declare that this research dissertation is my original work and it has never been submitted to this, or any other institution of higher learning for any award.

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APPROVAL

This is to certify that this dissertation has been submitted with our approval as university research supervisors.

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DR. MABEL KOMUNDA

DEDICATION

This research is dedicated to my dear family who have always been there whenever I call on them.

ACKNOWLEDGMENT

It sounds meaningless and unworthy if I fail to applause the different individuals who have been there to see this research report transform into a reality because of their efforts.

God the Almighty the giver of the breath of Life that has seen me through thick and thin; Glory be to the Almighty God.

With great pleasure I'm indebted to acknowledge the great works of my supervisors for the kind professional guidance and advise that without their efforts this black ink on a paper would remain an imagination.

Lastly not to forget my dear friends and course mates. Finally, to the entire MUBS team, you are so wonderful. Thank you for enabling my learning and that of my fellow students.

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ABSTRACT

The purpose of this study was to examine the effectiveness of Agency Banking in Bank of Africa Uganda Ltd. The research opportunity was that agency banking carries several benefits which include reducing congestion, reducing costs of setting up fully fledged bank branches, allowing customers to have full time access to the banking services in convenient and nearby locations. The objectives were to identify costs associated with agency banking in Bank of Africa, to establish the level of customer growth in Bank of Africa and to establish the benefits of Agency banking to Bank of Africa.

The study adopted a cross sectional research design and the use of a quantitative approach as the main means of data collection. A sample of 205 employees was selected using simple random sampling approach. Data was collected from primary sources using a questionnaire. Findings show that the respondents agreed that the introduction of agency banking directly contributed to the customers' reduction of cost when accessing banking services. Secondly, agent banking has greatly influenced the customer growth in Bank of Africa. It was also found that agency banking has directly contributed to better service delivery due to ease of access. On that basis it was recommended that Bank of Africa should fully adopt the agency banking model given its effect on the bottom line, clear policies and procedures, which are subject to regular (preferably bi-annual) review should be developed, Bank of Africa needs to go all in for agency banking which will attract customers to use its service hence expanding its savings base and loan portfolio, and the bank should consider partnership agreements with agents.

CHAPTER ONE

INTRODUCTION

1.1. Background

Banking institutions have embraced the modern-day competition with non-financial institutions by venturing into third party retail networks. These third-party retail networks have been referred to as agency banking. Agency Banking is where banks contract third-party retail networks like Supermarkets, retail/Grocery shop/stores among others as banking agents with the ability to process transactions on behalf of the bank (Cull, Gine, Harten, & Bogdana, 2017). Service delivery in banks has greatly transitioned from visiting banking halls and queuing to make transactions without even being in the bank. The need to reach customers in low income areas gave rise to agency banking. The development of agency banking services is aimed at decongesting banking halls, reduce the incidences of long queues in banking halls as well as providing services at a personal level in residential estates and even rural areas (Kwabena, 2013).

Worldwide, banks in countries like Chile, Colombia, India, Mexico and Peru have adopted the practice of agency banking to ease access to financial services to their customers. In Africa, countries like Kenya, Rwanda, Burundi and Tanzania have already been successfully introduced, proving thousands of low-level income households access to financial services. In Kenya, KCB and Equity Bank are at the fore front of Agency Banking. The Uganda financial institutions' business market especially banks have a cut - throat competition not only among themselves but also with telecommunications. This competition has resulted into agency banking. There were over 19 million mobile money subscribers as of 2017 from a mere 10,000 in 2009. This means that over 53 percent of the Ugandan population own a mobile money account. In comparison, the number of people with a bank accounts were 21% of a total adult population of 18.5 million according to Bank of Uganda (2014).

In Uganda Agency banking is a new phenomenon introduced by the Financial Institution Amendment Act 2016. Banks in Uganda for instance Equity Bank, Stanbic Bank and Centenary Bank have joined the wave and are now involved in agency banking. On 23rd April 2018, Bank of Africa under the umbrella of Uganda Bankers Association joined other banks to officially launch the Agency banking platform. This shared platform brings 25-member banks together to boost financial inclusion in Uganda. Through the Agent Banking System, banks expect to increase the number of bank holders from the current 7.4 million to 11.6 million in the next three years (Uganda Bankers Association, 2017).

Unlike the telecommunications sector who have had the longest experience providing financial services tailored to a specific sector of customers, banks have adopted the same approach to tailor some of their products like agent banking to their customers who are in hard to reach areas and those customers that fancy convenience. There are several benefits accruing to agency banking. Agency banking increases customer base and market share. There is increased coverage with low-cost solution in areas with potentially less number and volume of transactions. (Al-Malkawi & Pillai, 2018). Bank of Africa has ventured into Agency Banking because of financial deepening, rural outreach and it is a quick and easy way for deposit mobilization. It further increases product uptake and reduces congestion brought about by the till customer queues. This study therefore would like to investigate the effectiveness of agency banking in Bank of Africa.

1.2. Statement of the Opportunity

In the wake of agency banking in the financial institution business, the market has been taken by storm as banks can compete favorably with mobile money services which has seen agency banking turn over 79.7 Trillion in the Financial year 2019/2020 compared to 66.9 Trillion for 2018/2019 since its inception. Several scholars have indicated that agency banking carries several benefits which include reducing congestion, reducing costs of setting up fully fledged bank branches, allowing customers to have full time access to the banking services in convenient and nearby locations. (Zainuldin, Lui, & Yii, 2018).

Bank of Africa Uganda accords the same banking opportunities to its agencies like withdrawing money, depositing money, pay bills, opening accounts. These seems as opportunities to bank and its customers. Thus, this study would like to examine the effectiveness of Agency Banking in Bank of Africa.

1.3 Purpose of the study

The purpose of this study was to examine the effectiveness of Agency Banking in Bank of Africa Uganda Ltd.

1.4 Objectives of the Study

The study was guided by the following objectives:

(i) To identify costs associated to agency banking in Bank of Africa.

(ii) To establish the level of customer growth in Bank of Africa

(iii) To establish the benefits of Agency banking to Bank of Africa.

1.5 Research Questions

(i) What costs are associated to agency banking in Bank of Africa?

(ii) What is the level of customer growth in Bank of Africa?

(iii) What are the benefits of Agency banking in Bank of Africa?

1.6 Scope of the Study

1.6.1 Subject Scope

The study focused on agency banking as a concept, how it is undertaken, why it is undertaken and the opportunities in service delivery that lie in taking it up.

1.6.2 Geographical Scope

The study was undertaken at the Bank of Africa Head Office located on Jinja Road in the Kampala Central Business District.

1.7 Significance of the Study

- The results and recommendations of the study may enable top management in Bank of Africa to understand and appreciate the importance of maximizing the benefits that accrue to agency banking in regards to service delivery.

- The study will enable managers in various banks in Uganda to appreciate the importance of agency banking while identifying proper strategies to maximize the opportunities of better service delivery therein.

- The study will provide a more updated source of literature regarding the agency banking and service delivery to future scholars who will have a richer and more up-to date source of information.

- The study may also improve adoption of agency banking as it will be expected to help bank customers adopt agency banking easily and overcome their reservations against this new model, given the new information they will be able to access.

CHAPTER TWO

LITERATURE REVIEW

2.1. Justification for Agency banking

For third world countries, the World Bank report (2014) shows that for every 100 adults about 27 of them receive wages and about 41% of those who receive wages do so though bank accounts. This compared with developed countries, the report shows that, that 52% of adults these countries receive wages with 86% of them receiving the wages through their accounts. Three East African Countries (Kenya, Tanzania and Uganda), according to the same report the common are the only developing countries which make the payments of their agricultural products through bank accounts.

Agency banking is being used as an expansion strategy which borrows its concept from branchless banking model that is used for delivering financial services without reliance on bank branches as depicted by Ivatury et al (2006) and Nazziwa (2019). According to the authors, agent banking represents less cost alternative to traditional banking through the use of common delivery channels such as retail outlets, mobile phones, internets and ATMs.

In agent banking third parties are involved in doing all banking activities usually performed by the banks' officers. The authors further show that agency banking is beneficial to the clients because it lowers transaction cost by bringing services closer to homes to save transport cost to reach bank branches. According to the authors banking agency also allows customers to enjoy longer opening hours since this business operates for longer hours than banks and reduces longer queues. The operation of banking agents relieves the commercial banks from attending to long queues at their branches and therefore, increases the convenience of serving their customers (Kitaka, 2001; Lotto, 2016).

2.2. Utilization and Use of Agent Banking

Generally, the literature reviewed shows that the agent banking is a tool of improving the financial inclusion and benefits both commercial banks and the bank customers. Firstly, it serves commercial banks by avoiding operating costs for establishing the bank branches. Likewise, the banking agency reduces the costs of customers travelling to reach the bank branches and increases the convenience of getting financial services (Lotto 2016; Watiri, 2013).

Agent banking is a part of financial inclusion for both rural and urban unbanked people to ensure the access to formal finance (Nakasi, 2019). Agent banking is offering school banking for all remote schools. Through school banking financial education like, banking, expense management, deposit habit, financial management etc. It is helping to build the capabilities of financial management among the students (Waihenya, 2013).

Agent banking services are innovating mainly to serve the individual the people who are unable to get the banking service from the formal branch of a bank. All type of banking service is available from any agent booth but international traders. Some new services offer from Agent both which is not yet available from rural branches (Waihenya, 2013).

2.3. The costs associated to agency banking in Bank of Africa

Banking today is not restricted to banking organizations alone. In January 2016, the Ugandan Parliament passed an amendment to the Financial Institutions Act of 2004. This act allowed banks to offer agency banking services in the country. New entrants and banks with lower footprint need not to invest in slow-to-scale brick and mortar branch networks. Instead, they can focus on capturing market share based on better products, customer experience and price, while leveraging the operationally lower-cost agent networks (Kisembo, 2017; Mbugua, 2015).

The agency banking retail approach is designed to help banks increase their outreach without incurring additional costs of setting up (Chemutai, 2017). Several non-banking institutions from unrelated verticals like telecom and retail shops are stepping into this space by offering financial products and services wallets and white-labeled loan products (Vizcaíno-González &Navío-Marco, 2018).

Despite operating in a niche, non-banking institutions are very much in competition with regular banks (Ojwang & Otinga, 2019). Take Wal-Mart in the United States, for instance, although it does not run a full-fledged bank, it gives other banks a run for their money by providing personalized financial services at its money centers. What is significant is that Wal-Mart attracts not only unbanked customers, but also those with existing bank accounts. Agency banking model is a function that allows them to contract third party retail networks like Supermarkets, retail/Grocery shop/stores among others as banking agents with the ability to process transactions on behalf of the bank. Upon successful application, vetting and approval, these Agents are authorized to offer selected products and services on behalf of the Bank. This relationship creates an Agency Banking business model (Gicheru, 2018).

The channels that the banks are adopting to reach the unbanked population involve engaging retail agents in shops, petrol stations, grocery stores, chemists, etc. These channels have proved to be cost effective and able to reach to the areas where it may not be economically viable to establish a branch (Munoru, 2013; Ombuli, 2019). Therefore, the only cost the bank incurs is branding since the agents' outlets have to be branded and look like small branches. The bank saves costs in terms of advertising and hiring sales personnel. This is the work of the agent as he is paid commission according to the number of transactions and accounts opened therefore the agent makes sure there is traffic in his outlet in order to earn more (Hamblen, 2008; Watiri, 2013).

There are costs to be incurred by agents. In order to transact, agents will be required to buy float. Float, according to GSMA, is the balance of e-money or physical cash or money in a bank account that an agent can immediately access to meet customer demands to purchase (cash in) or sell (cash out) electronic money. This is exactly how mobile money agents also operate (Bank of Uganda, 2017). Kakembo (2018) adds that the agent might not make a lot of improvements at their shop, but they will need to put money aside to invest in the agent banking business. It is about Shs2m to 3m for them to have a solid business case because as soon as you buy the float, customers will learn about it and the bank will support marketing activities towards the agents.

The estimation is that to open a bank branch of about five staff members, it could cost the bank about Shs300m, inclusive of about Shs60m in operational costs per month. For a larger branch, it can cost between Shs500m and Shs900m, with operational costs of about Shs200m. The costs for the bank are often on staff salaries, utilities, rent, cleaning services, security and air conditioning among others. With the agent, the cost drops significantly (Muhumuza, 2017).

2.4. The level of Customer Growth

The ultimate goal for banks is to maintain a certain level of customers that will enable them generate profits (Watiri, 2013). Therefore, the aim is to retain existing and gain new customers. By doing so, customer growth becomes a paramount objective for the banks. Banks are realizing that revenue growth cannot be taken for granted anymore, and that survival will not simply be a question of turning revenues into reasonable profits, but to actively secure that flow of revenues in the first place (Ruttoh, 2013).

In other words, banks must shift their focus away from the singular obsession with the inefficiency of recent years, and return their gaze to revenue growth, market share, and put back in the center of attention the very source of that revenue: the customer (Ombuli, 2019). The consumer marketplace is continuing to fragment into smaller subsets of needs and behaviors, which is affecting the way banks and other financial institutions market products and services approaching new customer segments as a potential source of additional revenue – mainly lower, but secured income segments - retired people and public institutions employees (e.g. teachers) as potential target groups for simple and low volume loan products (cash loan, credit card) can expand the revenues of the bank (Ruttoh, 2013; Mbugua, 2015).

The products and services of most commercial banks in Kenya can be targeted to meet the financial needs of the households as well as their income generating activities. Many commercial banks in Kenya are beginning to examine retail banking as an opportunity to explore and are even changing their operations from corporate banking to retail banking. This is because there is stiff competition in the banking industry that has forced them to diversify into new markets. Customer growth begins with customer acquisition and retention. Acquisition refers to the initial commencement of a business relationship when a venture brings a customer on board. Customer growth can be attributed to accessibility, convenience and financial inclusion (Watiri, 2013; Waihenya, 2012).

Commercial banks are institutions that engage in two distinct types of activities, one on each side of the balance sheet deposit-taking and lending. Commercial Banks deposits are dependent on depositor's money as a source of funds (Werner, 2014; Nazziwa, 2019). Bank deposits represent the most significant components of the money supply used by the public, and changes in money growth are highly correlated with changes in the prices of goods and services in the economy (Mashamba, Magweva, & Gumbo, 2014).

Bank deposits are made to deposit accounts at a banking institution, such as savings accounts, checking accounts, time deposit accounts and money market accounts. The account holder has the right to withdraw any deposited funds, as set forth in the terms and conditions of the account. The "deposit" itself is a liability owed by the bank to the depositor (the person or entity that made the deposit), and refers to this liability rather than to the actual funds that are deposited (Adem, 2015). Consumers deposit their money in banks as a safety measure, for ease of access and the possibility of returns. The motive is to keep the money in safety for future use.

Bank deposits represent the most significant components of the money supply used by the public, and changes in money growth are highly correlated with changes in the prices of goods and services in the economy. Deposits provide most of the raw materials for bank loans and thus represent the ultimate source of the bank's profits and growth. Banks make profit by using their deposits therefore it is said that depositors can disciple banks (Gemedu, 2012; Mbugua, 2015).

Commercial banks are critical to the development process. By granting loans in areas such as agriculture, manufacturing, services, construction and energy sectors, banks contribute to the development of the country (Ojwang & Otinga, 2019). Bank loan portfolio including volume, tenor and structure may be generally influenced by their expectations of the performance of economy both in terms of stability and level of performance. As cited by banks make out more loans during periods of boom and reduced level of macroeconomic uncertainty and curtail lending when the economy is in recession (Churchill, 2014).

2.5. The Benefits of Agency Banking Services

Banking agencies help financial institutions to divert existing customers from crowded branches providing a "complementary" often more convenient channel (Nazziwa, 2019). Other financial institutions especially in developing markets use agents to reach an "additional" client segment or geography. Reaching poor clients in rural areas is often prohibitively expensive for financial institutions since transaction numbers and volumes do not cover the cost of a branch. In such environments, banking agents that piggy back on existing retail infrastructure – and lower set up and running cost- can play a vital role in offering many low-income people their first-time access to range of financial services. Also, low – income clients often feel more comfortable banking at their local store than walking into a brick-and-mortar structure (Lotto, 2016).

Taking the bank to the community has not only widened and deepened the financial market but it has also enhanced customer loyalty to respective banks. This has continued to create committed entrepreneur-clients. Agency banking has enabled bank customer to access the banking services within the comfort of their neighbor-hood (Jaldesa, Muturi & Sumba 2015).

On the other hand, agency banking has been criticized in a number of ways by different scholars. The interface between the Bank staff and the Customers is limited. Agents carry out the primary duties of Bank staff to their Customers. These include releasing finances to Customers of Financial Institutions deposited at their offices. Agency Banking creates a middle person to transact with the Customer who will not know the actual details about the Customer's account and any other information relevant to the Customer (Kambugu et al., 2016).

Agent banking profitability depends on the skill and time invested by the agent rather than the standard set by the bank. An agent who is available and who has better relational skills with the customers will have more customers than the rest. This inadvertently overshadows the reputations of the banks they represent and the standard of their service (Agalla, 2014; Ojwang & Otinga, 2019).

Mwende, Bisanga and Mosoti (2015) added that agent banking is susceptible to several business hindrances. The risk of loss is very high depending on the banking systems put in place by the Agent. The strict level of training and academic qualifications required in a Financial Institution is relaxed in any agent banking. There will be weaker banking systems and risk of loss will be very high.

The whole continuity of Agent banking depends on the liquidity of the agent. The ability of an agent to keep large sums of money is very risky. They will either incur more costs to maintain more security at the place of business or they will incur more costs making several trips to the bank to pick cash to satisfy the customers' demands (Kambugu et al., 2016; Nakasi, 2019).

2.6. Summary of Literature Review

The review of literature shows that whereas many writers and articles have in recent years delved much into various aspects of agency banking, it is still an evolving field though early results show promise as far as the effect on costs, customer growth and other broader benefits are concerned.

The majority views are that agency banking carries positive results for the banks and for their customers, though some criticism has been pointed out which needs to be addressed to fill the gaps identified in this new alternate business channel for commercial banks.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter covers the methodology that has been employed in conducting the study. It specifies the research design, the study population or the area in which the study has be conducted, the sampling design, the sample size, data sources, data collection instruments and the validity and reliability of the data collection instruments.

3.1 Research Design

The study adopted a cross sectional research design and the use of quantitative approach as the main means of data collection. Amin (2005) states that quantitative approaches are plans for carrying out research oriented towards quantification and are applied in order to describe current conditions and also to describe the current conditions and achieve the objectives of the study.

3.2 Study Population

The study population consisted of 440 staff members at Bank of Africa (BOA Human Resource Manual, 2018) who were key sources of inside information on agency banking. The study focused on employee perspective regarding the effectiveness of agency baking in Bank Africa because employees can easily measure the effect of Agency Baking on costs, customer growth and Benefits to the Bank.

3.3 Sample size and Sampling Design

A sample of 205 employees was determined using Krejcie and Morgan (1970) table of sample size determination out of the population of 440. The staff were selected using simple random sampling approach giving each respondent equal chances of being selected from the population. A list of the staff was also obtained from the human resource department and then names assigned numbers, folded and then randomly picked one by one without replacement till the 205 respondents was reached.

3.4 Data source

A primary source of information and/or records that provide first-hand evidence that can be used to create a picture of what happened at the time. Therefore, in this study, primary data was obtained from these respondents.

3.5 Data and collection instrument

A self-administered questionnaire to respondents following systematic and established academic procedures was used to collect the data, as suggested by Nunnally and Bernstein (1994). The instrument was intended to answer as many of the research questions as possible. The researcher kept the questionnaire simple and straightforward so as to solicit for as much information as possible while taking as little of the respondent's time as possible.

Questionnaires were also the most appropriate instruments in collecting data because of the big number of respondents. Questions were anchored on the five-point Likert scale (1-strongly agree, 2-agree, 3-not sure, 4-disagree and 5-strongly disagree) where respondents were asked to indicate their response. According to Amin (2005), the Likert scale was able to measure perception, attitudes, values and behavior of individuals towards a given phenomenon.

3.6 Validity and Reliability

A valid measure is supposed to produce true result that reflects the true situation in the condition of the environment it is supposed to measure. In this study, the validity of the questionnaire was established by experts like the supervisor as well as colleagues who have specialized in the procurement field, through an assessment of the items in the instrument that ensure accurate measurement. The questionnaire was tested for content validity, using the content validity index (CVI) to enable the study achieve the desired relevant data. The CVI Results are shown in table 1 below:

Table 1: Content Validity Index Results

Reviewer	**CVI Rating**
Expert 1	.774
Expert 2	.875
Expert 3	.746

Source: primary data

An instrument is reliable if it produces the same results whenever it is repeatedly used to measure trait or concepts from the same respondents even by other researchers (Nunally, 1978). The instrument was tested for reliability using the Cronbach's alpha coefficient. In order to meet the acceptable standards for research, all alpha reliabilities (α) for all scales were expected to be above 0.7 (Hayes & Coutts, 2020). The results for Cronbach Alpha are shown in table 2 below:

Table 2: Reliability Results

Variable	**Items**	**Cronbach Alpha**
Agency Banking and Costs	10	.701
Agency Banking and Customer Growth	8	.840
Benefits of Agency Banking	8	.795

Source: primary data

3.7 Data Analysis

The field data was coded, edited, cleaned and analyzed using Statistical Package for Social Scientists (SPSS). Given that the main objective of this study is to agency banking at Bank of Africa Limited, the data collected was analyzed using descriptive statistics and presented using means and frequency tables.

3.8 Ethical Considerations

According to Bryman and Bell (2007) the following ten points represent the most important principles related to ethical considerations in dissertations and they guided this study: Research participants were not subjected to harm in any ways whatsoever, respect for the dignity of research participants was prioritized, full consent was obtained from the participants prior to the study, the protection of the privacy of research participants was ensured, adequate level of confidentiality of the research data was ensured, anonymity of individuals and organisations participating in the research was ensured, any deception or exaggeration about the aims and objectives of the research was avoided, affiliations in any forms, sources of funding, as well as any possible conflicts of interests were declared, any type of communication in relation to the research was done with honesty and transparency and any type of misleading information, as well as representation of primary data findings in a biased way was avoided.

CHAPTER FOUR

DATA PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter presents the results from the data analysis. The results are in two parts. Part one presents results in relation to the objectives of the study.

4.1 Response Rate

The study targeted 205 staff of Bank of Africa. However, a total of 199 respondents returned the questionnaires completely filled after they had been distributed to them. The findings are based on those who responded to the study, which was 97 percent.

Mugenda (2003) was of the view that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was considered to be excellent hence data analysis was commenced.

4.2 Age

The results on the age of the respondents are shown below:

Table 3: Age of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-27 Years	68	34.2	34.2	34.2
	28-37 Years	90	45.2	45.2	79.4
	38-47 Years	35	17.6	17.6	97.0
	49 years and above	6	3.0	3.0	100.0
	Total	199	100.0	100.0	

Source: Primary Data, 2019

As seen from the table 3, results show that the biggest category of respondents (45.2%) are in the 28-37 years' age group followed by 34.2 percent who are in the 18-27 years' age group. Results show that most users of agency banking are middle aged although all age brackets are represented because they quickly adapt to other technology instead of depending on the traditional banking methods.

4.3 Gender

The results on the gender of the respondents are shown in the table below:

Table 4: Gender of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	99	49.7	49.7	49.7
	Female	100	50.3	50.3	100.0
	Total	199	100.0	100.0	

Source: Primary Data, 2019

Results in table 4 indicate that the majority of the respondents are female (50.3%) while the males are the minority. This implies that the results are based on the opinions of slightly more female than male respondents as associated with agency banking.

4.4 Education status

The results on the education status of the respondents are shown in the table below.

Table 5: Education Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	66	33.2	33.2	33.2
	Degree	109	54.8	54.8	87.9
	Masters	23	11.6	11.6	99.5
	Others	1	.5	.5	100.0
	Total	199	100.0	100.0	

Source: Primary Data, 2019

Results in table 5 show that the majority of the respondents are degree holders with 54.8% and followed by diploma holders with 33.2% and certificate holders, Masters and others respectively. This implies that the results are based highly on the opinions of diploma holders than any other category of people.

4.5 Period of use

The results on period of use are also shown below in table 6:

Table 6: Period of Use

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3 years	31	15.6	15.6	15.6
	4-6 years	93	46.7	46.7	62.3
	More than 6 years	75	37.7	37.7	100.0
	Total	199	100.0	100.0	

Source: Primary Data, 2019

Results in table 6 shows that the majority of the respondents had used the services of agency banking ranking with 46.7%, had used it for a period of 4-6 years, and followed by 15.6% were respondents having used the services for 1-3 years. Other Respondents who had used the services for more than 6 six years was 37.7%. This implies that the results were from the respondents who had used the agency banking for a long period of time hence they can be relied upon.

4.6 The costs associated to agency banking in Bank of Africa

In order to determine the components of agency banking and the extent of costs, descriptive statistics were run and these are shown in table 7.

Table 7: The Costs associated with Agency Banking in Bank of Africa (N=199)

	Min	Max	Mean	SD
There are less costs incurred in moving to the agent to do banking	1.000	3.000	3.35678	.618194
Agent banking establishment involves significant costs to the bank	1.00	5.00	4.0251	1.27698
The investment in agent banking is worth the costs involved	1.00	5.00	4.3166	.86764
The agent banking costs eliminate the need to establish a bank branch	1.00	5.00	4.0201	.94794
The agent banking commissions are reasonable	1.00	5.00	3.7688	.75668
The agent banking charges on customer transactions are reasonable	1.00	4.00	3.6533	.71448
The bank continues to invest heavily in the agent banking model	1.00	5.00	4.0402	.88100
The agency banking costs take up a significant portion of the bank's capital	1.00	5.00	4.1508	1.02365
The costs involved in agent banking are not only at the start but even in running the platform	1.00	5.00	4.0955	1.18745
The agent banking model is less costly than traditional banking approaches	1.00	5.00	4.0251	1.27698
Grand Mean			**3.95**	

Source: Primary Data, 2019

The results show the Grand Mean of 3.95 which indicates that the respondents generally agreed with the statements in the questionnaire. The highest mean of 4.31 indicates that the costs involved in agent banking are not high at the start but even in running the platform.

The next highest mean is 4.15 which indicate that agency banking costs take up a significant portion of the bank's capital. Further, it implied that more respondents were in agreement that indeed agent banking costly in a significant way.

Furthermore, on the mean of 4.02 indicates that the agent banking costs eliminate the need to establish a bank branch. It is easier for a bank to start various agencies than the costs of establishing a bank branch.

At a relatively lower mean of 4.10 the respondents strongly agreed with the statements in the questionnaire that there are less costs incurred in moving to the agent to do banking.

Finally, results in table 7 show a mean of 4.4736 that the agent banking model is less costly than traditional banking approaches. Therefore, this implies that agent baking has a reducing effect on costs to the banks.

4.7 The level of customer growth in Bank of Africa

In determining the level of customer growth in Bank of Africa, descriptive statistics as in the table 8 below.

Table 8: The Level of Customer growth in Bank of Africa (N=199)

	Min	**Max**	**Mean**	**SD**
Agent banking has the potential to increase customer numbers	1.00	5.00	4.0000	1.00000
Agent banking has led to significant customer growth in the bank	1.00	5.00	4.0603	1.15749
Customer growth has been at the rate expected given the current model	1.00	5.00	4.0905	1.31881
Agent banking has helped the bank reach out to customers who previously wouldn't have joined the bank	1.00	5.00	3.7487	1.11337
The trend in customer growth can only be expected to improve	1.00	5.00	4.0201	1.18901
Customers prefer agent banking over traditional banking channels	1.00	5.00	4.1608	1.04653
Customers are increasingly using agent banking	1.00	5.00	4.6583	1.21598
Customers are satisfied while using agents	1.00	5.00	3.8342	1.16239
Grand Mean			**4.07**	

Source: Primary Data, 2019

Results in Table 8 show that the respondents agreed with the questionnaire statement that Agency banking has the potential to increase customer numbers on the mean of 4. The implication would be that once agents deliver the banking services near, it attracts more customers to consume the said services.

The table further shows with a mean of 3.75 the respondents were in agreement with the statement that Agent banking has helped the bank reach out to customers who previously wouldn't have joined the bank. This point to establishing the services to the rural areas where the bank has not been able to establish branches.

Therefore, from the table, it is established that many respondents agreed to the fact that Agent banking has both the potential and capability of increasing and growth of the customer base. They also agreed that the trend in customer growth can only be expected to improve (mean=4.02), customers prefer agent banking over traditional banking channels (mean=4.16), that customers are increasingly using agent banking (mean=4.66) and that customers are satisfied while using agents (mean=3.83).

4.8 The Benefits of Agency Banking

In order to determine the benefits of agency banking and how it eases access, descriptive statistics were run and these are shown in table 9.

	Min	**Max**	**Mean**	**SD**
The bank has many agents spread out over the business territory	1.00	5.00	4.0352	1.24063
Agents cover areas where there are no bank branches	1.00	5.00	4.3317	1.04473
There is no need to build bank branches where agents are located	1.00	5.00	4.2312	1.14452
Agents improve the access to bank services	1.00	5.00	4.3970	1.13627
Customers can access all services at an agent that they would access at a branch	1.00	5.00	4.6332	1.22314
Agent banking has improved service delivery in the bank	1.00	5.00	3.8342	1.13602
I do not have to wait in line to access bank services	1.00	5.00	3.6633	.97037
With agents I can get bank services for more hours of the day unlike the traditional model	1.00	5.00	3.0201	1.04427
Grand Mean			**4.14**	

Source: Primary Data, 2019

Results in table 9 indicate that agency banking has eased access of services to the customers as shown with respondents agreed to statements in the questionnaire that indeed Agents improve the access to bank services at a mean of 4.40. This implies that agents bring service delivery nearer to the people than the ordinary bank system. This is shown further, in the table with an agreed statement by the respondents that the bank has many agents spread out over the business territory with a mean of 4.04. It implies that there is a wide spread of agency banking for the respondents to have access to the bank with closer services availed. Table 9 further shows that there is no need to build bank branches where agents are located. At a mean of 4.23, it established that respondents agreed to the statement in the questionnaire to establish more agency banking services.

Table 9, shows that respondents agreed to the questionnaire statements that Customers can access all services at an agent that they would access at a branch which implies that the customers are satisfied with the services offered at agent banking. Finally, the table data also indicates that respondents agreed with the questionnaire that Agent banking has improved service delivery in the bank I do not have to wait in line to access bank services with the mean of 3.66 and further that with agents, the respondents can get bank services for more hours of the day unlike the traditional mode with an average of 4.02, which generally depicts that the customers have embraced the service delivery through agent banking.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a discussion of findings, conclusions and recommendations drawn from the study findings of the previous chapter. This chapter is organized in three sections. The first section deals with discussions of the research findings in relation to the research objectives and conclusions. The second section focuses on recommendations while the third section presents areas for further research.

5.1 Discussion of Findings

5.2 The costs associated to agency banking in bank of Africa

The first objective focused on costs. Results show that the respondents agreed that the introduction of agency banking directly contributed to the customers' reduction of cost when accessing banking services. However, the introduction of agency banking increases the costs on Bank of Africa. Despite this increment of costs at the start of agency banking, customer satisfaction is guaranteed as results show that there is increased access of banking facilities by the customers. This result is in agreement with Lotto's (2016) scholarly opinions that agency banking increases financial inclusion of all customers.

The findings further show that there are less costs incurred in moving to do agent banking as most respondents in hard to reach areas preferred agent banking to the archaic queuing in bank halls to access banking services. The Findings in Table 4.5 further revealed that the establishment of agency banking is costly to Bank of Africa however it worth every investment as it eradicates the need to establish a bank branch and the personnel required to run the branch which is more costly.

These findings are in sync with the opinions of Munoru (2013) and Hamblen, (2008), and in their scholarly work. The agent banking commissions are reasonable and an incentive to open up more agent banking centers. The attitude of banks is changing towards adoption of agency banking as less costs are involved in running the whole scheme and is cost effective. All this is in agreement with the scholarly opinions of Hamblem (2008), Kisembo (2017), Mbugua (2015), Chemutai (2017), Gicheru (2018), Muhumuza (2017) and the policy paper published by Bank of Uganda (2017), among others.

5.3 The level of customer growth in Bank of Africa

The second objective of this study focused on customer growth. Findings show agreement with the statements that agent banking has greatly influenced the customer growth in Bank of Africa. This is a manifestation that the introduction and increase of agency banking in Bank of Africa resonates with the customer increment in the bank. Customer increment in hard-to-reach areas and the access to the elite class is also visible from the data collected as access due to agent banking has been increased. This dual progressive change of customer numbers Vis a vie agency banking fulfills the scholarly of Ruttoh (2013) as he encouraged banks to shift from the traditional banking mode to this progressive agent banking system.

The projections from the data collected show the busy or elite class of customers who include the professionals, educated people and business people prefer agent banking over the traditional banking systems. They are able to access banking facilities at their time of convenience. A further inquiry also portrayed that the majority preferred use of agent banking over traditional banking system due to the time and convenience factors. The deposit taking institutions also noticed an increment in the amount of deposits received with the introduction of agent banking thus a clear fulfilment of the synonymous increment policy propounded by Werner (2014). The customers are increasingly becoming comfortable with agent banking and it is preferred among most customers according to the data shown in Table 8.

The findings are in agreement with the averments of scholars such as Watiri (2013), Ruttoh (2013), Ombuli (2019), Mbugua (2015), Waihenya (2012), Nazziwa (2019), Werner (2014) as well as Mashamba et al (2014). The position of the scholars is that agency banking can exponentially reach out to customers in ways that traditional avenues can’t, hence leading to growth in customer deposits, and loans.

5.4 The benefits of agency banking services in Bank of Africa

The third objective was concerned with the benefits of Agency banking to Bank of Africa. Findings indicate that agency banking has directly contributed to better service delivery due to ease of access. The increment in the attitude to agency banking has been credited to the improved level of access it offers the customers. From the study, we realize that there are so many agents spread all over the country even in the hard-to-reach areas. An era where customers had to move several miles just to access banks agents have brought the banks nearer to the customers.

Inadvertently Bank of Africa will be carrying out its obligation to its customers if the services are brought nearer to the customers. This would be a perfect venture for Bank of Africa because they will not have to establish braches in some areas and pay personnel to run those places. Agents will carry out all these obligations at just a commission which will be cost effective and will achieve the legitimate objective of service delivery to all its clients.

The findings are not surprising and in fact they are in agreement with the principles laid out by Mutubi and Mutumba (2015) that the agent will bring the bank to the customers and they will access all services as if they were in a bank itself. Further support is found in the works of Nazziwa (2019), Lotto (2016), Jaldesa et al (2015), Kambugu et al (2016), Agalla (2014) as well as Ojwang and Otinga (2019).

However, some scholars point out that agency banking can expose the bank to risks hence may not be bneneficial. Such scholars include Mwende et al (2015), Kambugu et al. (2016) and Nakasi (2019). These point out valid concerns but from a general standpoint, the benefits far outweigh the costs or risks pf agency banking.

5.5 Conclusions

Agency Banking helps to reduce overall costs to the bank by spreading the costs of doing business. The data is evident that the masses are embracing agency banking as the new wave of banking. Therefore, bank of Africa should adopt this very system. However, Bank of Africa should set a clear standard for all its agents to operate their business according to the set standard and quality. This will protect the great reputation Bank of Africa has amassed over time in the Financial Institution Business.

On a similar note, agency banking has the potential to boost customer growth by reaching out to customers in innovative ways where traditional methods have not worked well. This has the potential to boost customer deposits and loans servicing hence customer growth. This confirms the opportunity that lies in wait for Bank of Africa as specified in section 1.2 of this report.

Agency banking has a few areas of concern which may expose the customers and the banks to risks compared to traditional banking model. However, when looked at from an overall perspective, there are far more opportunities in adopting agency banking than there are threats to Bank of Africa.

5.6 Recommendations

Based on the conclusions, the following recommendations were generated:

Bank of Africa should fully adopt the agency banking model given its effect on the bottom line. In adopting the system Bank of Africa should set a clear standard for all its agents to operate their business according to the set standard and quality. This will protect the great reputation Bank of Africa has amassed over time in the Financial Institution Business.

To increase market share, Bank of Africa needs to go all in for agency banking which will attract customers to use its service hence expanding its savings base and loan portfolio. More bank agents be recruited and be deployed in the hard-to-reach areas where more bank customers would be likely to incur more costs in accessing the bank facilities. The findings have indicated that agency banking reduces the customer's costs incurred when accessing the banking facilities.

Banks such as Bank of Africa should more formidable means to reduce costs of establishing agency banking. This can be done by entering into partnership agreements with agents to both meet the costs of production and increase on the rate of commission given to the agents.

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Appendix 1: Questionnaire for the Bank Staff

Dear Respondent,

Academic research is being conducted on the topic; **"**THE EFFECTIVENESS OF AGENCY BANKING IN BANK OF AFRICA" This is in partial fulfillment of the requirements for the award of a Degree of Master of Business Administration of Maker ere University. You have therefore been selected to help in this research. The information provided will be treated with total confidentiality and will only be used for academic purposes.

SECTION A

Background Information:

Please tick where applicable

- **Gender**

Female	Male

- **Age**

18 – 27	28 – 37	38 – 47	• and above

- **Education level attained**

Certificate	Diploma	Degree	Masters	Other

- **Period as employee of the bank**

1-3 Years	4-6 years	Above 6 Years

SECTION B

COSTS ASSOCIATED TO AGENCY BANKING

Please tick where applicable using the scale given below;

- **1.**Strongly Disagree, **2.** Disagree, **3.** Not Sure, **4.** Agree, **5.** Strongly Agree

		1	**2**	**3**	**4**	**5**
1	There are less costs incurred in moving to the agent to do banking	1	2	3	4	5
2	The bank saves on overhead costs by using agency banking					
3	The bank is able to reduce transaction costs to customers through agency banking					
4	Agent banking establishment involves significant costs to the bank	1	2	3	4	5
5	The investment in agent banking is worth the costs involved	1	2	3	4	5
6	The agent banking costs eliminate the need to establish a bank branch	1	2	3	4	5
7	The agent banking commissions are reasonable	1	2	3	4	5
8	The agent banking charges on customer transactions are reasonable	1	2	3	4	5
9	The bank continues to invest heavily in the agent banking model	1	2	3	4	5
10	The agency banking costs take up a significant portion of the bank's capital	1	2	3	4	5
11	The costs involved in agent banking are not only at the start but even in running the platform	1	2	3	4	5
12	The agent banking model is less costly than traditional banking approaches	1	2	3	4	5

Please tick where applicable using the scale given below;

- **1.**Strongly Disagree, **2.** Disagree, **3.** Not Sure, **4.** Agree, **5.** Strongly Agree

	LEVEL OF CUSTOMER GROWTH IN BANK OF AFRICA	1	2	3	4	5
1	Agent banking has the potential to increase customer numbers	1	2	3	4	5
2	Agent banking has led to significant customer growth in the bank	1	2	3	4	5
3	Customer growth has been at the rate expected given the current model	1	2	3	4	5
4	Agent banking has helped the bank reach out to customers who previously wouldn't have joined the bank	1	2	3	4	5
5	The trend in customer growth can only be expected to improve	1	2	3	4	5
6	Customers prefer agent banking over traditional banking channels	1	2	3	4	5
7	Customers are increasingly using agent banking	1	2	3	4	5
8	Customers are satisfied while using agents	1	2	3	4	5

Please tick where applicable using the scale given below;

- **1.**Strongly Disagree, **2.** Disagree, **3.** Not Sure, **4.** Agree, **5.** Strongly Agree

	BENEFITS OF AGENCY BANKING SERVICES	**1**	**2**	**3**	**4**	**5**
1	The bank has many agents spread out over the business territory	1	2	3	4	5
2	Agents cover areas where there are no bank branches	1	2	3	4	5
3	Agents improve the access to bank services	1	2	3	4	5
4	Customers can access all services at an agent that they would access at a branch	1	2	3	4	5
5	Agent banking has improved service delivery in the bank	1	2	3	4	5

Thank you for your cooperation