

**ASSESSING THE FACTORS AFFECTING THE PERFORMANCE OF AGENCY BANKING
IN COMMERCIAL BANKS ON MARKET SHARE IN FORT PORTAL MUNICIPALITY,
KABAROLE DISTRICT**

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ABSTRACT

Our research aimed at identifying the factors affecting the performance of Agency Banking in Commercial Banks on market share in Fort Portal Municipality Kabarole District. There is low performance of Agency Banking as a result of low penetration rate that hinders Commercial Bank's market share. Data was collected from eight respondents using questionnaires. From the findings, most Commercial Banks complied with the Central Bank regulatory requirements on Agency Banking requirement. In our conclusion, some few agents were below the minimum requirements of the Central banks (they had operated their businesses for less than twelve months). Therefore, we recommend banks to recruit agents who possess certain minimum standards and comply with the Agent agreement and also make intensive trainings.

Key words: *performance, agency banking, commercial banks and market share*

Background of the Study

Agency banking is nothing new to the world. It has been used very well in Latin America and Asia (Dondo 2015). Kean (2015) asserted that, agent networks in Peru are concentrated in urban areas. The concentration of agents in urban areas provide an indication of how banks tend to use agents in Peru. Their main role is to

reduce congestion in bank branches, by moving low-value transactions away from costly branches. Therefore, many agents are located within a block or two of a branch of the same bank. Different financial institutions engage in agency banking for various reasons for example, reducing bank service distribution costs and effectively controlling banking risks (Alex & Kazaara, 2023).

There are few African countries that have taken up agency banking and some of them include; Uganda, Kenya, South Africa and Nigeria. According to Central Bank of Nigeria (CBN), these are exciting times for agent banking in Nigeria which claims an adult population of 84.7 million, of which only 30% are banked, and with more than 88.3 mobile phone subscriptions as at December 2010 (Polycarp et al., 2023). There is great potential for agent banking and other remote access financial service models to increase financial inclusion. In addition to this, increasing financial inclusion is high on the agenda of the regulator, (CBN). There is therefore, great potential for agent banking in Nigeria to increase access to finance.

According to the Agent Banking Company (2020), the Parliament of the Republic of Uganda passed the Financial Institutions (Amendment) Act, 2016 which makes provisions for Agent Banking. Agent Banking, governed by Agent Banking Regulations 2017 will enable financial institutions enter into the Digital Financing space to drive financial inclusion and increase access to financial/banking services to a range of under-served and unbanked population segments (Gracious, 2023).

Banks in Uganda through their umbrella body Uganda Bankers Association (UBA) have approached Agent Banking through a shared interoperable technology platform and agent network management framework to attach the benefits that accrue from collaboration/convergence. The approach is meant to enable all agents provide agent banking services to customers of all/any bank as the

individual banking institutions continue to drive the recruitment of customers and marketing of their own products and services. (Agent Banking Company, 2020).

Statement of the Problem

In any business, large or small, the adoption of competitive strategies is imperative. Sales generate profits in turn profits allow for growth. Financial institutions, especially in developing markets, use agents to reach an additional client segment. However, many companies have found the application of competitive strategies difficult to properly implement due to lack of adequate understanding and preparation by management and agents (Kiplagat Ngetich & Matanda Wepukhulu, 2017). Most Commercial Banks in Uganda have embraced Agency Banking to reach out to the under banked and the unbanked population especially in the rural areas (The 2018 Finscope Uganda Report). Banks in Uganda are competing for deposits, loans and advances. Competition is likely to intensify in the Banking industry in the background of a shrinking economy. However, the industry low penetration level of 19% still provides opportunities for banks to exploit (CBU Annual Report 2012). The low penetration can be attributed to the competitive strategies applied by agents to sustain their market share. This is because Agent banking differs widely in scope, structure and operations which affects the credibility of Commercial Banks and their regulator. Hence, Banks must take care to sign up the right agents, have them strategically located and regularly monitor their performance (Uganda Bankers' Association, 2019). The study aimed at assess the factors affecting the performance of agency banking in Commercial Banks on market share in Fort Portal Municipality Kabarole district.

Specific objectives

- 1. To establish whether the right agents have been recruited and strategically deployed in the different Banks.*

2. *To find out how Agency Banking has helped Bank Customers of the different Commercial Banks to access financial services.*
3. *To determine the rate of customer enrolment in the different Commercial Banks as a result of Agency Banking.*

Research Questions

1. *Have the right agents been recruited and strategically deployed in the different Banks?*
2. *How has Agency Banking helped Bank customers of the different Commercial Banks to access Financial Services?*
3. *What is the rate of customer enrolment in the different Commercial Banks as a result of Agency Banking?*

Methodology

Study Population

Our study population consist of mainly three Commercial Banks' Agents of; Kenya Commercial Bank (KCB), Equity Bank, and Stanbic Bank including their Bank officials of agency banking operating within Fort Portal Municipality Kabarole District.

Sampling Criteria

The selection was based on simple random sampling to get the three (3) Commercial Banks' Agents and customers in Fort Portal Municipality Kabarole District because it is a good representative of the population and it eliminates the possibility of sampling biases. The Bank officials managing Agency Banking were also selected using the purposive sampling criteria since they had the desired information.

Sampling size selection

The Yamane's (1967:886) formula was used to determine our sample size of the study. This is because it is easy to use and it calculates the exact number (size) one needs. By using this sample method, a sample size of 88 respondents that includes; 29 bank agents, 56 bank customers, and 3 bank officials was considered. The method used was:

$$N = \frac{n}{1 + n(0.05)^2}$$

Where N is population

n is sample

1 is constant

Error of margin is (0.05) ^2

Research tools and Instruments

In our research we used questionnaires of both open and close ended to collect data. It was prepared and administered to the Bank Agents, customers, and bank officials. We used the questionnaires because it is the most suitable tool for collecting data, and economical in terms of time and costs compared to other methods. We used closed ended questionnaires because they facilitate easy and quick responses within a short period of time. We used open ended questionnaires because they give the respondents freedom to express their views or opinions and so make suggestions.

Data Analysis

After collecting data from the field, data cleaning was done in order to determine inaccurate, incomplete or unreasonable data and then improve the quality through correction of detected errors and omissions. The data collected was analyzed mainly by use of descriptive statistics which include; frequencies, percentages, mean scores and standard deviations. These were coded and computed using SPSS (Statistical Package for Social Sciences) (Nelson et al., 2022). The results are presented in tables, and percentages because they summarize and organize data into a meaningful way for the ease of interpretation. It is from this analysis that we came up with a comprehensive conclusion and recommendations for the study.

RESULTS

Table 1: Age of agents

<i>Age</i>	<i>Frequency</i>	<i>Percent</i>
<i>18-35</i>	<i>20.4</i>	<i>70.4</i>
<i>36-45</i>	<i>6.4</i>	<i>22.2</i>
<i>46-55</i>	<i>2.1</i>	<i>7.4</i>
<i>Total</i>	<i>29</i>	<i>100.0</i>

Source. Field survey 2020

Majority of the respondents (Agents) were aged between 18- 35 years. This group of respondents had a percentage of 70.4%, Respondents between 36- 45 years were 22.2%, those aged 46- 55 were 7.4% and those aged 55 and above were not there.

Table 2: Gender

<i>Gender</i>	<i>Frequency</i>	<i>Percent</i>
<i>Male</i>	6.4	22.2
<i>Female</i>	22.5	77.8
<i>Total</i>	29	100.0

Source. Field survey 2020

22.2% of the respondents were male while 77.8% were female.

Table 3: Agents' Education level

<i>Education level</i>	<i>Frequency</i>	<i>Valid Percent</i>
<i>Post Graduate</i>	1	4.0
<i>Graduate/ Diploma</i>	16	64.0
<i>High School</i>	7	28.0
<i>Primary School</i>	1	4.0
<i>Total</i>	25	100.0

Source. Field survey 2020

Majority of the respondents with 64% had a degree or diploma, while 28% had a high school certificate and 4% had a post graduate and Primary school certificate educational level.

Bank agent recruitment

This part of the research dealt with how agents came to know about agency banking business, the selection criteria, and the agents other business before adopting agency banking and its length period, and agents' motivation in adopting agency banking.

Table 4: Agents' awareness about agency banking.

Mode of awareness	Frequency	Percentage
Media adverts	5	19.2
Referrals	11	42.3
Radio talk shows	2	7.7
Bank brochures	8	30.8
Total	26	100.0

Source. Field survey 2020

42.3% agents came to know about agency banking through referrals or friends, 30.8% through bank brochures, 19.2% through media adverts, and 7.7% through radio talk shows.

Table 5: Selection of Agents

Mode of selection	Frequency	Valid Percent
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<i>Phone calling</i>	<i>1</i>	<i>3.8</i>
<i>Applying</i>	<i>20</i>	<i>76.9</i>
<i>Interviews</i>	<i>1</i>	<i>3.8</i>
<i>All the above</i>	<i>4</i>	<i>15.4</i>
<i>Total</i>	<i>26</i>	<i>100.0</i>

Source. Field survey 2020

76.9% of agents were selected through applying, 3.8% through phone calling and 3.8% through interviews while 15.4% said they were selected through phone calling, applying, and interviews.

Table 6: other types of business operated by an Agent before adopting Agency Banking.

<i>Type of business</i>	<i>Frequency</i>	<i>Percentage</i>
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Supermarket

2	9.1
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Pharmacy

1	4.5
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Shop

16	72.7
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Petrol station

3	13.6
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Total

22	100
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Source. Field survey 2020

72.7% Agents operated shops, 13.6% operated a petrol station, 9.1% had Supermarkets, and 4.5% had Pharmacies. The highest number of agents that adopted agency banking had shops before.

Table 7: Duration of operation of the business taking up Agency Banking

<i>Duration</i>	<i>Frequency</i>	<i>Valid Percent</i>
<i>Less than 1yr</i>	3	11.5
<i>1-2yrs</i>	4	15.4
<i>2 - 3yrs</i>	6	23.1
<i>Above 3yrs</i>	13	50.0
Total	26	100.0

Source. Field survey 2020

50% of the agents had been operating other businesses for more than three years, while 23.1% have been in operation for a period of 2- 3 years, 15.4% have operated for 1- 2 years while the remaining 11.5% had operated for less than a year.

Table 8: Motivation to become an agent

<i>Motivation</i>	<i>Responses</i>	
	<i>N</i>	<i>Percentage</i>
<i>To generate income through commissions</i>	15.7	54.3%
<i>To increase the number of clients in my store</i>	5.8	20.0%
<i>My clients expected me to do it/ asked for it</i>	3.3	11.4%
<i>I wanted to be associated with a big brand</i>	4.1	14.3%
Total	29	100.0%

Source. Field survey 2020

54.3% of the respondents are attracted to Agency banking so as to generate income through commission, while 20% want the Agency banking to attract more customers into their business, 14.3% want to be associated with a big branch while the remaining 11.4% do so since their customers requested them

to adopt the service.

Agency Banking Services

Table 8 Factors affecting Agents daily sales

<i>Factors</i>	<i>Number (N)</i>	<i>Percentage</i>
<i>Stiff competition</i>	12	41.4
<i>Network problem</i>	5	17.2
<i>Fraud/ theft</i>	2	6.9
<i>Power blackouts/ shortages</i>	2	6.9
	8	27.6
<i>Inadequate float</i>		
	29	100
Total		

Source. Field survey 2020

Stiff competition from other Agents within the industry account for 41.4% of the factors affecting daily sales, 17.2% network problem, 27.6%

inadequate float whereas 6.9% of the respondents believe that power blackout and fraud affect their daily sales.

Table 9 Daily business working hours

<i>Number of hours</i>	<i>Frequency</i>	<i>Percent</i>
<i>Less than 6</i>	<i>1</i>	<i>3.7</i>
<i>6 - 8</i>	<i>3</i>	<i>11.1</i>
<i>8 - 10</i>	<i>11</i>	<i>40.7</i>
<i>Above 10</i>	<i>12</i>	<i>44.4</i>
<i>Total</i>	<i>27</i>	<i>100.0</i>

Source. Field survey 2020

3.7% of Agents who responded work for less than 6 hours a day, 11.1% respondents work for 6- 8 hours a day, 40.7% of respondents work for 8-10 hours a day and 44.4% of respondents work for more than 10 hours a day.

Table 10 Risks encountered

<i>Risk</i>	<i>Number</i>	<i>Percent</i>
<i>Theft</i>	<i>16.2</i>	<i>56.2</i>
<i>Poor network connection</i>	<i>9.0</i>	<i>31.2</i>
<i>Gadget failure</i>	<i>3.6</i>	<i>12.5</i>
<i>Total</i>	<i>29</i>	<i>100.0</i>

<i>Risk</i>		
	<i>Number</i>	<i>Percent</i>
<i>Theft</i>	16.2	56.2
<i>Poor network connection</i>	9.0	31.2
<i>Gadget failure</i>	3.6	12.5
Total	29	100.0

Source. Field survey 2020

56.2% respondents urged that they face a risk of theft as they operate agency banking, 31.2% face poor network connection whereas 12.5% face Garget failure.

Customer Enrollment

Table 11 Average transaction per day

<i>Transaction</i>		
<i>s per day</i>	<i>Frequency</i>	<i>Percentage</i>
1 - 25	14	53.8
26 - 50	9	34.6
51 - 75	2	7.7
76 and above	1	3.8
Total	26	100.0

Source. Field survey 2020

On average 53.8% of Agents do 1-25 transactions per day, 34.6% do 26-50 transactions, and 7.7% do 51-75 transactions while 3.8% make 76 and above transactions.

Table 12 Transaction type per day

<i>Transaction type</i>		
	<i>N</i>	<i>Percent</i>
<i>Withdrawal</i>	14	56.0%
<i>Deposits</i>	5	20.0%
<i>Account opening</i>	6	24.0%
Total	25	100.0

Source. Field survey 2020

56% of the respondents make withdrawal transactions per day, 24% make Account opening, while 20% of the respondents make deposits per day.

Table 13: How often have customers been served through Agency Banking?

	<i>Frequency</i>	<i>Percent</i>
<i>Withdrawals</i>	14	41.2%
<i>Deposit</i>	19	55.9%
<i>Account opening</i>	1	2.9%
Total	34	100.0%

Source. Field survey 2020

41.2% of the respondents make withdrawals with agents, 55.9% use it for deposits, and 2.9% of the respondent opened their accounts with agents.

Table 14: Rating services offered by Agents

	<i>Frequency</i>	<i>Percent</i>
<i>Knowledge of bank's products & services</i>	3.4	12.2%
<i>Fast and efficient services</i>	3.4	12.2%
<i>Recognition of you as valued customers</i>	3.4	12.2%
<i>Professional and attractive appearance</i>	1.4	5.1%
<i>No long line ups at the counter</i>	8.8	31.6%
<i>Availability of information brochures</i>	2.8	10.2%
<i>Pleasure and attractive decoration</i>	1.1	4.1%
<i>Satisfied with the accuracy of transactions</i>	3.4	12.2%
Total	28	100.0%

Source. Field survey 2020

In rating services offered by agents such as, knowledge of banks' products and services, fast and efficient services, recognition of customer value, satisfied with the accuracy of transactions, respondents rate them at 12.2% each, professional and attractive appearance rated at 5.1%, no long line ups at the counter rated at 31.6%, availability of information brochures at 10.2% while pleasure and attractive decoration rated at 4.1%.

Table 15: Customer Satisfaction Levels

	Frequency	Valid Percent
Very satisfied(1)	9	17.0
Satisfied(2)	29	54.7
Neutral(3)	10	18.9
Unsatisfied(4)	5	9.4
Total	53	100.0

Source.

feild

9.4% of the respondents were unsatisfied with Agent banking, 18.9% were neutral, 54.7% were satisfied and the remaining 17% were very satisfied with Agent banking.

Table 16: Likelihood of Customers to use Agent Banking in the near future

	Frequency	Valid Percent
Very likely	23	41.8
Likely	23	41.8

<i>Neutral</i>	<i>8</i>	<i>14.5</i>
<i>Unlikely</i>	<i>1</i>	<i>1.8</i>
<i>Total</i>	<i>55</i>	<i>100.0</i>

Source.

Field survey

2020

From the above, using descriptive statistics, it can be observed that 41.8% of the respondents/ customer are very likely to use an Agent banking outlet.

Table 17: Customers Perception of fear of losing Funds if they carried out transaction with Agents

	<i>Frequency</i>	<i>Valid Percent</i>
Yes	12	22.6
No	41	77.4
Total	53	100.0

Source. Field survey 2020

77.4% of the respondents had no fear of losing funds if they carried out a transaction at an agent outlet. The remaining 22.6% had a fear of losing funds through an Agent outlet.

Customer Enrollment

Table 18: Agents near Customers' area

	<i>Frequency</i>	<i>Valid Percent</i>
Yes	45	84.9
No	8	15.1
Total	53	100.0

Source. Field survey 2020

84.9% of the respondent have agents near their area while 15.1% said that there are no agents near their area.

Tables 19: Do you have enough Agents near your area?

	<i>Frequency</i>	<i>Valid Percent</i>
Yes	25	47.2
No	28	52.8
Total	53	100.0

Source. Field survey 2020

47.2% of the respondents have enough agents near their area, while 52.8% do not have enough agents near them.

Table 20: Agents who know to operate Agency Banking Business

	<i>Frequency</i>	<i>Valid Percent</i>
Yes	45	88.2
No	6	11.8
Total	51	100.0

Source. Field
survey 2020

88.2% of the respondents said that agents know how to operate their agency banking business, while 11.8% of the respondents urge that agents do not know how to operate them.

Conclusions

The biggest number of agents operating agency banking had at least operated

other businesses for at least 12 months which is one of the crucial requirements of the central bank under the bank agent selection process. This is an indication that most commercial banks followed the regulations of the central bank while selecting agents. However, some few agents (11.5%) were below the minimum requirements of the central bank (had operated their other businesses for less than 12 months).

Recommendations

Banks should reduce restrictions on the services that agents offer to customers. Besides deposits, withdrawal and account opening, agents should be given a tight to deal in other more services like money transfer, repayment of loans, payment of retirement and social benefits.

Agents should be regularly monitored so as to ensure that they work beyond the average working hours if banks.

Commercial Banks should locate agent outlets in highly populated places like near market centers, bus stages, and mechanics' places so as to attract and entice more customers to adopt Agency Banking.

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