American Research Journal of Humanities & Social Science (ARJHSS)
E-ISSN: 2378-702X
Volume-05, Issue-07, pp-08-15
www.arjhss.com

Research Paper **Open Access**

AGENCY BANKING AND SERVICE ADOPTION BY CUSTOMERS IN FINANCIAL INSTITUTIONS IN MBARARA CITY; A CASE STUDY OF EQUITY BANK

Sam Kacuucu
[1]Faculty of Business, Economics& Governance.*Bishop Stuart University Mbarara Uganda*
Corresponding author: Sam Kacuucu

ABSTRACT: Globally, customer adoption is challenging with commercial banks introducing new products in the name of agency banking. The study assessed the effect of agency banking on service adoption by customers in Equity Bank in Mbarara City. It was guided by the following objectives: to determine the indicators of agency banking; to establish the level service adoption by customers; and to determine relationship between agency banking and service adoption by customers. This study adopted a case study research design. Quantitative data was collected from the respondents. A sample of 132 respondents were selected from a population of 200 respondents. Data was collected using questionnaires.The data collected was edited and coded into a form usable by Statistical Package for Social Scientists (SPSS) version 20, from which tables with variable frequencies and percentages were drawn for easy analysis. The study findings revealed that there was effective agency banking services for Equity Bank as evidenced overall mean score of 3.8. There was good service adoption by customers with overall mean score = 3.82. There was a statistical significant relationship between agency banking and service adoption by customers in financial institutions at $P = 0.006 < 0.05$.

Keywords: Agency banking, financial institutions, Equity bank, Mbarara city.

I. INTRODUCTION

The study is about agency banking and service adoption by customers in financial institutions in Mbarara City. Agency banking is independent variable while service adoption by customers is dependent variable. Agency Banking refers to a type of branchless banking, which comes with the benefits of risk management, product availability, improving financial inclusion and ensuring a wider customer base (Santu, Mawanza&Muredzi, 2017). In this study, agency is defined as a relationship between a principal and agent in which the principal confers his/her rights on the agent to act on behalf of the principal (Geeraert, 2016). Service adoption refers to an individual's decision to make a full use of a service which in this case was agency banking service (Igi Global, 2020). This chapter presents background of the study, statement of the problem, purpose of the study, objectives of the study, scope of the study, significance of the study, theoretical frame work and conceptual frame work.

II. BACKGROUND

Service Adoption by Customers in Financial Institutions

The adoption of agency banking technology is one of the key drivers in determining the level of financial participation. In Colombia, a study by Lozano and Mandrile (2010) presented a new model in which MFIs acted as agents of branchless banking services. It was established that through adoption of MFI, agency banking model would see increased accessibility to financial services. In comparison to the other countries, a relatively large proportion of the Brazilian population is 'banked' (43%). This can partly be attributed to the fact that Brazil has the largest agent network in the world and is widely cited as a country where banking agents have been successfully used to expand financial access. An extra 13 million unbanked people have been reached (Alliance for Financial Inclusion [AFI], 2011) and more than 16,000,028 retail outlets turned into correspondents since 1999.These agents can be found in all municipalities in Brazil. Most agents are commercial establishments, such as grocery stores, post offices, notaries and lottery outlets. More than 47,000 of these outlets are authorized to handle deposits and open accounts (CGAP, 2010).

South Africa has a well-created banking framework. By 2018 there were in excess of 80 commercial banks in South Africa with in excess of 5,443 bank agents, 21,535 automated teller machines (ATMs), and no less than 109,454 agency banking outlets (South African Reserve Bank, 2018). This is intensified by Equity Bank's system of 2,300 outlets. The financial area is very thought inside the alleged 'big 4' commercial banks; ABSA Bank, First National Bank of South Africa (FNB), Ned Bank, and Standard Bank. Which, on the whole, have in excess of 90 percent of the financial market (Andrianaivo and Kpodar, 2011). The nation has a generally high rate of access to monetary services contrasted with other sub-Saharan Africa nations. By 2018, 77 percent of South African grown-ups had accounts with commercial banks (Seddon et al., 2018). Financial inclusion developed significantly from 2004, ascending from 46 percent to current 77 percent, to a great extent in view of agency banking activity which was propelled in 2004.

In Kenya, it was found out that high reliability increases the adoption of agency banking. Complaints resolution time does not affect the adoption of agency banking. Agency banking was delivering convenience in form of extended hours of banking and by bringing the banking service closer to the customers leading to increased adoption of agency banking (Ndungu and Njeru, 2014). Watiri (2013) conducted a study on the taking up of agency banking by a common Bank in Kenya (Equity Bank Kenya Limited) in its business undertakings that are across borders. From the findings, the main factors identified to be influencing the adoption of agent banking included: cost reduction, enhancement of customer service, expanded presence by banks particularly in remote areas.

In Uganda, agency banking is relatively more recent and still undergoing changes as far as mobilizing clients to adopt it. A study by Kambugu (2016) revealed that reduction in operating costs, ability to reach remote areas that were previous unbanked, increase in revenues and overall financial inclusion are the main opportunities of Agency banking amidst of pervasive challenges including risk of customer data leakage, system failures, fraud, agents' liquidity issues and security. The study recommends enactment of Agency Banking regulations that are airtight yet flexible enough to encourage banks and agents to venture into Agency Banking so they can benefit from the available opportunities by engaging in awareness drives and establishment of effective financial data security controls to boost the operations of agency banking.

The introduction of agency banking in Uganda has increased and deepened financial inclusion, where banks can now use agency banking as an extension to services traditionally offered in bank branches (Ciprian, 2019). The level of adoption of agency banking financial services in Western Uganda is still low despite various initiatives being deployed by public and private sectors (Ndungu& Njeru, 2014). There is low adoption of agency banking by customers in financial institutions in Mbarara City, hence the need for a study on agency banking and service adoption by customers, taking Equity bank, Mbarara branch as a case study.

In Mbarara City, agent banks are situated in strategic locations where customers need fund to make purchases or diverse forms of payments (Municipal Finance Officer's Report, 2019).Agency banking institutions are eligible to carry out transactions such as cash withdrawal; cash deposits; payment of bills; enquiry of bank balance; disbursement and repayment of loans; issuing of mini bank statements; salary payment; and forced pin change (CBK, 2014). Agent banks enable the customers to get access to the financial services at their convenient places which enhance access and convenience of bank operations. Agent banks are used by commercial banks as a means to improve on the financial performance and maintain effectiveness in the market. Despite the opportunities brought by Agency banking to both the customers and the commercial banks in Mbarara City there is still poor service adoption customers in financial institutions.

Agency relationships

Furness (2013) noted that agency relationship is a contract under which one party, the principal, engages another, the agent, to perform some service on their behalf which involves delegating some decision making authority to the agent. An agency relationship is the fiduciary relation which results from the manifestation of consent by one person to another that the other person acts on his behalf and is subject to his control; and consent by the other to act (Allen &Kraakman, 2016). Agency by Agreement/Contract: - an agency relationship based on an express agreement that the agent acts for the principal (Schneeman, 2012). Agency by ratification: A confirmation by the principal of an act or contract performed or entered into on his or her behalf by another, who assumed, without authority, to act as his or her agent (Allen &Kraakman, 2016).

Agency by Estoppel: If a principal (not the agent) holds out to a third party that another is authorized to act on the principal's behalf, and the third party deals with the other person accordingly, the principal may not later deny that the other was the principal's agent for purposes of dealing with that third party (Schaller, 2013). Agency by Operation of Law: Agencies recognized by courts for example, family relationships, emergency situations in the absence of any formal agreement, confirmation, or act or omission by the principal that implied the agent's authority (Busuioc, 2013). Therefore agency banking in financial institutions in Mbarara City is operating by agreement/contract, ratification, estoppel and operation of law.

III. STATEMENT OF THE PROBLEM

Service adoption by customers in financial institutions is pivotal to the effectiveness of the financial performance of commercial banks, although it has been poor, uneven and relatively expensive for commercial banks (Kayugi, 2019). What the banks had previously lacked was a light-touch channel to complement the existing branches and ATMs and to enable customers to perform deposits and withdrawals conveniently and within their control, whether in terms of pricing, customer experience or service quality (UNCDF, 2019). This is precisely where agency banking came in, as a solution among a number of alternative channels available to the banks. Recognizing the importance of service adoption by customers, financial institutions renovated service delivery to clients by implementing agency banking through establishing banking agents both in rural and urban areas, training agents, and sensitizing customers. Through the strength of this channel, the banks were expected to increase their contribution to financial inclusion in the country, both by formalizing operations within the informal sector (village savings and loan associations and rotating savings and credit associations) as well as tapping into the important pool of cash transactions taking place at all levels of the Ugandan economy (UNCDF, 2019).

In an aim to maximize financial inclusion in Uganda, various banks have developed agency banking in order to take their services closer to the customers. Equity bank is one of the leaders in agency banking with the introduction of EquiDuuka (Equity Bank Uganda, Annual report, 2020). Despite this effort, service adoption by customers is still very low characterized by few agents, low volume of deposits, low profitability, low volume of withdraws and payments (Municipal Finance Officer's Report, 2019).

Currently, no studies have been done in Uganda to determine the effect of agency banking on service adoption by customers. Most of the studies have been done outside Uganda. For instance the study by Kabira (2013) revealed that the number of agents positively influences the service adoption by customers in financial institutions. A study by Kambua (2015), found out that there was a connection between cash deposits, volume of deposits, volume of withdraws, volume of payments, and service adoption by customers in financial institutions. Agent banking however is not without its fair share of challenges. Mwangi and Mwangi (2014) study revealed that the level of liquidity that bank agents maintain influences the use of agency banks in a sense that in most cases, agents do not always maintain enough cash demanded by customers and this discourages repeat business. They also highlight that lack of security, malfunctioning equipment and errors also discourage the uptake of agent banking. Network problems also deter the use of agent banks by customers as they sometimes suffer from connectivity problems. However, the above studies were carried out in Kenya and other areas. This is added to the fact that such studies are of relatively long time and some of the issues could have been overtaken by events owing to the above, there was an empirical gap which made it necessary to carry out a study in Mbarara City. This study was thus intended to determine the relationship between agency banking and service adoption by customers taking Equity Bank, Mbarara city branch as a case.

Study purpose

The purpose of the study was to assess the effect of agency banking on service adoption by customers in Equity Bank in Mbarara City.

IV. LITERATURE REVIEW

Theoretical framework

Agency Theory:The agency theory which was developed by Michael Jensen and William Meckling in 1976, views the company as a link of contracts among self-interested individuals rather than a unified, profit maximizing entity (Bendickson, et al, 2016). Agents need constant supervision and management, which raises agency costs or coordination costs. Although this definition of agency theory views their associated costs as costs the company incurs, the customer also incurs agency costs in dealing with a company (Wilson, 2019). For example, the interaction with salespeople, dealing with employees in problem situations, or just looking for an employee to ask for assistance, involve agency costs for the customer. This theory addresses one of the independent variable which is agency cost.

The theory was relevant to the study because it clearly brought forward the fact that organizations particularly commercial banks must put in place measures and controls to ensure that the agents do not act in their self-interests or in a manner that jeopardizes the interests of the principal. Therefore policies, procedures and technology must be put in place to ensure the agents remain faithful to the execution of their mandates. Moreover, the more the interests between the agent and the principal align, the higher the probability that the agent will work in the principal's interest (Cuevas-Rodríguez et al., 2012). The agency theory prefers that the principal will need to use control mechanisms such as monitoring: referred to as "agency costs" (Xiang et al., 2012). In relation to this study, Agency theory aimed at establishing the benefits of the principal-agent relationship in relation to service adoption by bank customers. Equity bank, Mbarara branch is the principal and agency banking branch owners are its agents. The principal ought to monitor its agent's activities in relation to how this rallies more customers to embrace its financial services. Hence this study was mainly informed by the Agency Theory among the many theories presented above.

The indicators of agency banking in financial institutions

Wairi (2011) conducted a study on the factors influencing agent banking by commercial banks in Kenya. The findings of the study showed that technological factors such as computers affect agency banking. This implies that technological factors have a significant positive relationship with the number of agents of agent banking. Additionally, Diniz (2012) noted that banks and other financial institutions are partnering with retailers, post offices and other agents to provide financial services (Diniz, 2012). The above study concerned the factors influencing the number of agents by commercial banks in Kenya, however, this created a contextual gap making it necessary to carry out a study in Mbarara City.

The above study findings differ from Wright et al, (2013), who indicated that governments can create incentives and accelerate the development of agent networks and better uptake of financial services by distributing salary, welfare, and social payments through agents. Not only is this easier, cheaper, and faster for all, but it provides volume to help build the network and to enable low-cost models. Studies carried out in Brazil indicate that a vast network of 120,000 banking correspondent outlets provides financial services in all of the nation's 5,600 municipalities. The above study showed how government can develop agent networks for better financial services. However, the current study specifically examined how agency banking contributed to service adoption by customers in financial institutions in Mbarara City.

The study carried out by Baez & Camacho (2011) in Colombia, revealed that 99% of the country's municipalities have access to financial services. Beneficiaries receiving government social payments can collect their money more easily and closer to where they live. The agent networks are creating a platform for more services. A new law Pay Easily - Pay Digitally has been proposed to bring transactional services to more people (Kauffman, 2015). The above studies revealed Colombia's statistics on customers' access to financial services through a wide range of agent networks. According to the researcher, there was a need to examine the effect of agency banking on service adoption by customers in financial institutions in Mbarara City.

The findings are in agreement with Otieno (2012) who noted that agency cost banking is a strategy that depicts its concept from the Branchless banking model onto which the wordings are used interchangeably. Branchless banking is a distribution channel strategy used for delivering financial services without relying on bank branches. It represents a cheaper alternative to conventional branch-based banking through the use of delivery channels like retail outlets, mobile phones, the internet, automated teller machines, and Point of Sale devices. Agency cost is a type of branchless banking where third parties are involved in performing some of the activities that are traditionally performed in banking halls by bank personnel (Komen, 2014). The researcher made it necessary to study agency banking in Mbarara City.

Additionally, Anand&Saxena (2012) noted that agency cost banking comprises of elements; the use of technology such as payment cards or mobile phones to identify customers and record transactions electronically and in some cases to allow customers to initiate transactions remotely. Use of exclusive or non-exclusive third party outlets such as post offices and small retailers that act as agencies for financial service providers and that enable customers to perform functions that require their physical presence such as cash handling and customer due diligence for account opening, offer services such as basic cash deposit and withdrawal in addition to transactional or payment services and they have the backing of a government recognized deposit-taking institution such as a formally licensed bank (Kirsch, 2010). The above study indicated the elements of agency cost banking, however, the current study will assess the extent to which agency cost banking has influenced service adoption by customers. A gap emerges at the contextual level where all studies were carried out in areas outside the Ugandan context. This contextual gap made it imperative for this study in the context of Equity Bank, Mbarara City to identify indicators of agency banking.

Additionally, Aduda, Kiragu, and Ndwiga (2013) indicated that there was a significant positive relationship between confidentiality of customer's information and growth of agency banking. The more confidential customer's information is kept, the more the growth of agency banking. Since the confidentiality of customers' account information and security of the overall system are the dimensions used in the study to measure perceived trust, this implies that there is a significant positive relationship between perceived trust and growth of agency banking. Though the above study assessed the relationship between confidentiality of customers' information and growth of agency banking, the current study examined the indicators that reflected agency banking in financial institutions, taking Equity Bank in Mbarara City as a case study.

Similarly, the above study findings are in line with Nazziwa (2019) who conducted a study on factors influencing the uptake of agency banking services by customers in commercial banks in Uganda. The findings revealed that security affects the use of agency banking. Customers are worried about the security of the agency banking system as a result of advancements in technology. Most of the customers were experiencing cases of fake money as well as theft and robbery at agency banking centers. There is a negative relationship between insecurity and the adoption of agency banking. Additionally, Kamau, Osuga&Njuguna (2017) indicated that there was a significant positive relationship between security and growth of agency banking of commercial banks at a 1% level of significance. There was a positive impact of perceived trust on the actual usage of the agency banking system. The current study looked at how issues of security are catered for under agency banking in Equity Bank Mbarara city.

These are in agreement with Nyagadza (2019) who conducted a study on the factors influencing the adoption of agent banking by commercial banks. The results showed that technological factors affecting the adoption of agency banking were relative advantage or perceived usefulness. This implies that perceived usefulness has a significant positive relationship with the adoption of agency banking. This agrees with Abdulkadir (2015) who concluded that relative advantage or perceived usefulness which was one of the technological factors had a significant positive relationship with the adoption of the agency banking system.

V. METHODOLOGY

Research Design

This study adopted a case study research design and focused on studying the single case. A case study design was preferred because it was responsible for intensive study of a unit. It involved an investigation and exploration of an event thoroughly and deeply. Quantitative approach was used under this study design as supported by Zigale, (2018). Quantitative data was collected from the respondents using questionnaires. The study was based on Equity Bank Uganda, Mbarara branch located in Mbarara city. Mbarara City is located 270 kilometers, by road, southwest of Kampala, Uganda's capital and oldest city. The population of the study included agency banking agents and customers. Agency banking agents participated in the study because they had immediate information on the relationship between agency banking and service adoption by customers in Equity Bank in Mbarara City. Customers participated in the study because they were directly responsible for service adoption in Equity Bank in Mbarara City.Based on the Krejcie& Morgan sample (1970) table for sample size determination, a sample of 132 respondents was selected from a population of 200 respondents. Therefore 132 questionnaires were given to the respondents. Simple random sampling was used to avoid bias and also to give all potential respondents an equal chance of being chosen to participate in the study.

Data Collection Tools

Data was collected using questionnaires as they were taken to be the most appropriate methods for data collection. A structured questionnaire was administered to customers. It included open and closed-ended questions for respondents to fill and express their views and opinions.

Data Analysis

Quantitative data were expressed in quantitative terms that deal with numbers, measures outcomes in terms of figures. The data collected was edited and coded into a form usable by Statistical Package for Social Scientists (SPSS) data analysis package from which tables with variable frequencies, percentages means were drawn for easy analysis. The study also analysed the relationship between agency banking and service adoption through use of Pearson rank correlation coefficient. This helped to determine the significance of the relationship, with the significance level at 0.05. It also involved content analysis of data using themes and sub-themes derived from the objectives of the study.

VI. RESEARCH FINDINGS

A. Respondents responses regarding the indicators of agency banking in Equity Bank, Mbarara City

	Strongly Disagree		**Disagree**		**Uncertain**		**Agree**		**Strongly Agree**		
Responses on payroll controls	**f**	**%**	**f**	**%**	**f**	**%**	**f**	**%**	**f**	**%**	**Mean**
I know the benefits of using agency banking	5	3.8	20	15.2	15	11.4	75	56.8	17	12.9	3.60
I feel safe and secure while banking with an agent	2	1.5	5	3.8	9	6.8	90	68.2	26	19.7	4.01
Banking with an agent gives me privacy	0	0.0	0	0.0	25	18.9	37	28.0	70	53.0	4.34
I trust that agents keep my bank information confidentially	1	0.8	6	4.5	10	7.6	95	72.0	20	15.2	3.96
I trust that bank agents have safe custody of the money	6	4.5	9	6.8	16	12.1	90	68.2	11	8.3	3.69
Agents operate in secure places	3	2.3	3	2.3	6	4.5	88	66.7	32	24.2	4.08
There is accuracy in posting transactions by agents	10	7.6	19	14.4	20	15.2	66	50.0	17	12.9	3.46
Agency banking helps me do my banking better	7	5.3	9	6.8	16	12.1	80	60.6	20	15.2	3.73

I prefer banking with agents to visiting a bank branch	2	1.5	4	3.0	8	6.1	75	56.8	43	32.6	4.16
Agency banking is more convenient	19	14.4	20	15.2	25	18.9	48	36.4	20	15.2	3.23
Agency banking is cost effective	6	4.5	10	7.6	14	10.6	68	51.5	34	25.8	3.86
I enjoy extended banking hours with agents	9	6.8	10	7.6	11	8.3	50	37.9	52	39.4	3.95
Agents have better customer care	10	7.6	15	11.4	30	22.7	40	30.3	37	28.0	3.60
Bank agents provide assistance while transacting	12	9.1	14	10.6	18	13.6	60	45.5	28	21.2	3.59
The process of transacting with agents is easier than that of the bank	11	8.3	12	9.1	16	12.12	45	34.1	48	36.4	3.81
Overall Mean Score											**3.80**

Source: field data, 2021

Results in table 4.1, regarding whether customers know the benefits of using agency banking, cumulatively majority of the respondents 75 (56.8%) mentioned agree, followed by 17 (12.9%) mentioned strongly agree, 20 (15.2%) mentioned disagree and 5 (3.8%) mentioned strongly disagree. The mean score = 3.6 meant that customers know the benefits of using agency banking. Concerning whether, customers feel safe and secure while banking with an agent, cumulatively majority of the respondents 90 (68.2%) mentioned agreeing, 26 (19.7%) indicated strongly agree, then 9 (6.8%) indicated uncertainly, 5 (3.8%) disagree and 2 (1.5%) indicated strongly disagree. The mean score = 4.01 meant that customers feel safe and secure while banking with agent banking.

Concerning whether banking with an agent gives customers privacy, cumulatively majority of the respondents 70 (53.0%) indicated strongly agree, 37 (28.0%) indicated agree, and 25 (18.9%). The mean score = 4.34 implied that banking with an agent gives customers privacy. Regarding whether customers trust that agents keep their bank information confidentially, cumulatively majority of the respondents 95 (72%) indicated agree, followed by 20 (15.2%) indicated strongly agree, 10 (7.6%) mentioned uncertainly, 6 (4.5%) mentioned disagree and 1 (0.8%) indicated strongly disagree. The mean score = 3.96 meant that customers trust that agents keep their bank information confidentially.

Concerning whether customers trust that bank agents have safe custody of the money, cumulatively majority of the respondents 90 (68.2%) mentioned agree, 16 (12.1%) mentioned uncertainly, 11 (8.3%) mentioned strongly agree, 9 (6.8%) mentioned disagree and 6 (4.5%) mentioned strongly disagree. The mean score = 3.69 meant that customers trust that bank agents have safe custody of the money. Concerning whether Agents operate in secure places, cumulatively majority of the respondents 88 (66.7%) indicated agree, 32 (24.2%) indicated strongly agree, 6 (4.5%) uncertain, 3 (2.3%) disagree, and 3 (2.3%) strongly disagree. The mean score = 4.08 implied that Agents operate in secure places.

Concerning whether there is accuracy in posting transactions by agents, cumulatively majority of the respondents 66 (50.0%) indicated agree, followed by 20 (15.2%) indicated uncertainly, 17 (12.9%) indicated strongly agree, 19 (14.4%) indicated disagree and 10 (7.7%) stringy disagree. The mean score = 3.46 meant that there is moderate accuracy in posting transactions by agents. As regards whether agency banking helps customers do their banking better, cumulatively majority of the respondents 80 (60.6%) showed agree, 20 (15.2%) showed strongly agree, 16 (12.1%) showed disagree, and 7 (5.3%) showed strongly disagree. The mean score = 3.73 meant that agency banking helps customers do their banking better.

Concerning whether customers prefer banking with agents to visiting a bank branch, cumulatively majority of the respondents 75 (56.8%) mentioned agree, 43 (32.6%) mentioned strongly agree, then 8 (6.1%) mentioned uncertainly, 4 (3%) mentioned disagree and 2 (1.5%) mentioned strongly disagree. The mean score = 4.16 indicated that customers prefer banking with agents to visiting a bank branch. Concerning whether agency banking is more convenient, cumulatively majority of the respondents indicated that 48 (36.4%) mentioned agreeing, 25 (18.9%) mentioned uncertainly, 20 (15.2%) mentioned strongly agree, 20 (15.2%) mentioned disagree and 19 (14.4%) mentioned strongly disagree. The mean score = 3.23 meant that agency banking is moderately convenient.

Concerning whether agency banking is cost-effective, cumulatively majority of the respondents 68 (51.5%) mentioned agree, followed by 34 (25.8%) who mentioned strongly agree, 14 (10.6%) mentioned uncertainly, 10 (7.6%) mentioned disagree and 6 (4.5%) mentioned strongly disagree. The mean score = 3.86 indicates that agency banking is cost-effective. Concerning whether customers enjoy extended banking hours with agents, cumulatively majority of the respondents 52 (39.4%) mentioned strongly agree, followed by 50 (37.9%) who mentioned agree, 11 (8.3%) mentioned uncertainly, 10 (7.6%) mentioned disagree, and 9 (6.8%) mentioned strongly disagree. The mean score = 3.95 meant that customers enjoy extended banking hours with agents.

Regarding whether agents have a better customer care, cumulatively majority of the respondents 40 (30.3%) mentioned agreeing, followed by 37 (28.0%) who mentioned agree, 30 (22.7%) mentioned uncertainly, 15 (11.4%) mentioned disagree and 10 (7.6%) strongly disagree. The mean score = 3.60 meant that agents have better customer care. Concerning whether bank agents assist while transacting, cumulatively majority of the respondents 60 (45.5%) mentioned agree, 28 (21.2%) mentioned strongly agree, 18 (13.6%) mentioned uncertainly and 12 (9.1%) mentioned strongly disagree. The mean score = 3.59 implied that bank agents assist while transacting.

Concerning whether the process of transacting with agents is easier than that of the bank, cumulatively majority of the respondents 48 (36.4%) mentioned strongly agree, followed by 45 (34.1%) who indicated agree, 16 (12.1%) mentioned uncertainly, 12 (9.1%) mentioned disagree, and 11 (8.3%) mentioned strongly disagree. The mean score = 3.81 indicated that the process of transacting with agents is easier than that of the bank. The overall mean score = 3.8 implied that there were effective agency banking services for Equity Bank Mbarara City.

VII. DISCUSSION OF THE FINDINGS

The study findings revealed that customers know the benefits of using agency banking with a mean score of 3.6; customers feel safe and secure while banking with an agent with a mean score = 4.01; banking with an agent gives customers privacy with the mean score = 4.34; customers trust that agents keep their bank information confidentially with a mean score = 3.96; customers trust that bank agents have safe custody of the money with a mean score = 3.69; Agents operate in secure places with a mean score= 4.08; there is moderate accuracy in posting transactions by agents with a mean score = 3.46; agency banking help customers do their banking better with a mean score = 3.73; customers prefer banking with agents to visiting a bank branch with a mean score = 4.16; agency banking is moderately convenient with a mean score = 3.23; agency banking is cost effective with a mean score = 3.86; customers enjoy extended banking hours with agents mean score = 3.95; agents have better customer care with a mean score = 3.60; bank agents provide assistance while transacting with a mean score = 3.59; the process of transacting with agents is easier than that of the bank with a mean score = 3.81.

The above study findings are in agreement with Wairi (2011) who showed that technological factors have a significant positive relationship with the number of agents of agent banking. Transacting through bank agents has proven to be cost-effective especially to people who live in rural areas that are far away from banks. Banks and other financial institutions are partnering with retailers, post offices, and other agents to provide financial services. The study findings also agree with Nazziwa (2019) who noted that security affects the use of agency banking. Customers are worried about the security of the agency banking system as a result of advancements in technology. Most of the customers were experiencing cases of fake money as well as theft and robbery at agency banking centers. The above study findings also agree with Abdulkadir (2015) who asserted that technological factors affecting the adoption of agency banking were relative advantage or perceived usefulness. Therefore technology relative advantage had a significant effect on behavioral intention to adopt the agency banking system

VIII. CONCLUSIONS

It was concluded that there were effective agency banking services, that is; clients were aware of the benefits of using agency banking, trust that agents keep their bank information confidentially, trust that bank agents have safe custody of the money, there was accuracy in posting transactions by agents. It also was concluded that there was good service adoption by customers. Therefore there were many bank agents in Mbarara City, there were observable long queues at agents shops, clients use agency banking more frequently, clients always use banking agents to pay bills, deposit money, make withdraws, among other services. Finally, there was a weak positive statistically significant relationship between agency banking and service adoption by customers in financial institutions. The management of Equity Bank should ensure that perceived trust is given utmost importance in a bid to improve the adoption of agency banking.

REFERENCES

[1] Abdulkadir, A. (2015). *Assessment of Factors Affecting Adoption of Agent Banking and Electronic Banking in Ethiopian Banking Industry: A case of selected ten banks* (Doctoral dissertation).

[2] Aduda, J., Kiragu, D., &Ndwiga, J. M. (2013). Relationship between agency banking & financial performance of commercial banks in Kenya.

[3] Allen, W. T., &Kraakman, R. (2016). *Commentaries and cases on the law of business organization*. Wolters Kluwer law & business.

[4] Anand, S., &Saxena, D. (2012). Recent initiatives by Indian commercial banks towards financial inclusion. *Journal of Internet Banking and Commerce*, *17*(2), 1.

[5] Andrianaivo, M., &Kpodar, K. (2011). *ICT, financial inclusion, and growth: Evidence from African countries.*

[6] Baez, J. E., & Camacho, A. (2011). *Assessing the long-term effects of conditional cash transfers on human capital: evidence from Colombia*. The World Bank.

[7] Busuioc, M. (2013). *European agencies: Law and practices of accountability*. Oxford University Press.

[8] Consultative Group to Assist the Poor (CGAP) (2010). Banking Agents; retrieved from http//www.cgap.org/p/site/c/template/rc.

[9] Cuevas-Rodríguez, G., Gomez-Mejia, L.R. and Wiseman, R.M. (2012), "Has agency theory run its course? Making the theory more flexible to inform the management of reward systems", Corporate Governance: *An International Review*, *Vol. 20* No. 6, pp. 526-546.

[10] Diniz, E., (2012). Triggers and barriers to financial inclusion: The use of ICT-based branchless banking in an Amazon county. *Electronic Commerce Research and Applications*, *11*(5), 484-494.

[11] Furness, M. (2013). Who controls the European external action service? Agent autonomy in EU external policy. *European Foreign Affairs Review*, *18*(1), 103-125.

[12] Geeraert, A. (2016). *The EU in international sports governance: a principal-agent perspective on EU control of FIFA and UEFA*. Springer.

[13] Kabira, N. D. (2013). The Effect of Agency Banking on Financial Performance of Commercial Banks in Kenya. *Unpublished MBA Project*. University of Nairobi.

[14] Kamau, K. J., Osuga, B. O., &Njuguna, S. (2017). Challenges facing implementation of referral system for quality health care services in Kiambucounty, Kenya.

[15] Kambua, D. B. (2015). The Effect of Agency Banking on Financial Performance of Commercial Banks in Kenya. *Unpublished MBA Project*. University of Nairobi.

[16] Kambugu, H.J. (2016). *Agency banking in Uganda: Opportunities and challenges a case study of selected banks in Uganda.*Makerere University. Masters Thesis, Unpublished.

[17] Kauffman, R. J., (2015). Competition, cooperation, and regulation: Understanding the evolution of the mobile payments technology ecosystem. *Electronic Commerce Research and Applications*, *14*(5), 372-391.

[18] Kirsch, M. S. (2010). The Role of Physical Presence in the Taxation of Cross-Border Personal Services. *BCL Rev.*, *51*, 993.

[19] Komen, F. K. (2014). *Agency banking as an expansion strategy for Kenya commercial bank* (Doctoral dissertation, University of Nairobi).

[20] Mwariri, P. M., &Awuor, E. (2020). Influence of Adoption of Agency Banking Strategy on the Financial Performance of Micro-Finance Institution in Nanyuki Town, Kenya. *Journal of Finance and Accounting*, *4*(4), 25-35.

[21] Nazziwa, J. (2019). *Antecedents of agency banking adoption in Uganda's banking sector: a case study of Equity bank clients in Kampala* (Doctoral dissertation, Kyambogo).

[22] Ndungu, C. G., & Njeru, A. (2014). Assessment of factors influencing adoption of agency banking in Kenya: The case of Kajiado north Sub County. *International journal of business and commerce*, *3*(8), 91-111.

[23] Nyagadza, B. (2019). Conceptual model for financial inclusion development through agency banking in competitive markets. *Africanus*, *49*(2), 1-22.

[24] Otieno, E. (2012). *Challenges of implementing agency banking as an expansion strategy at Kenya Commercial Bank Group Ltd* (Doctoral dissertation).

[25] Santu, T. V. C., Mawanza, W., &Muredzi, V. (2017). An Evaluation of the Agency Banking Model Adopted by Zimbabwean Commercial Banks. *Journal of Finance*, *5*(2), 58-66.

[26] Schaller, W. L. (2013). Corporate Opportunities and the Third Party Refusal to Deal Defense: Policy and Practice Lessons from Illinois. *J. Marshall L. Rev.*, *47*, 1.

[27] Schneeman, A. (2012). *The law of corporations and other business organizations*. Cengage Learning.

[28] Wairi, D. K. (2011). *Factors influencing the adoption of agent banking innovation among commercial banks in Kenya* (Doctoral dissertation).

[29] Watiri, S. J. (2013). *Adoption of agency banking by equity bank Kenya limited in its international business operations* (Doctoral dissertation, University of Nairobi,).

[30] Wright, G. A., Chopra, P., Mehta, S., & Shukla, V. (2013). Financial *Inclusion Through Digital Financial Services.*

[31] Xiang, P., Zhou, J., Zhou, X. and Ye, K. (2012), "Construction project risk management based on the view of asymmetric information", *Journal of Construction. Engineering Management*, *Vol. 138* No. 11, pp. 1303-1311.

***Corresponding author: Sam Kacucu**
Faculty of Business, Economics and Governance, Bishop Stuart University, Mbarara, Uganda