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CHALLENGES OF SUSTAINABILITY OF AGENCY BANKING IN NIGERIA: A STUDY OF SELECTED COMMERCIAL BANKS

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Abstract

This research examined the challenges of sustainability of agency banking in Nigeria (A study of selected commercial banks). Following the inauguration of mobile and agency banking in the financial sector, affordable and convenient banking products and services are accessible to the majority of the populace who reside in the hinterlands but not captured by the system. Specifically, the study sought to: (i) investigate the effect of security on sustainability of agency banking, (ii) determine the extent to which liquidity affect sustainability of agency banking, and (iii) assess the extent regulations have affected sustainability of agency banking. The research adopted descriptive survey that necessitated use of questionnaire to generate data.. Data analysis was done using simple distribution tables of frequency and percentages. The results revealed that unavailability of liquidity in the agency banking outlets affected sustainability of operational performance, absence of serious armed robbery attacks but the agents felt insecure in their workplaces, and limited network accessibility in remote locations is amongst the challenges facing sustainability of agency banking in Nigeria. The study recommends the need for intensified enlightening campaigns about the activities of agency banking as sustainable financial inclusion strategy.

Key words: Agency Banking, Sustainability, Financial Sector, Financial Inclusion Strategy.

Introduction

The Nigerian banking sector has no doubt undergone dramatic changes. Earlier, commercial banks had targeted corporate customers, while the retail counterparts particularly those in the hinterlands were neglected. The banking sector crisis and subsequent intervention by the regulators these three years ago showed that some corporate customers were of the habit of taking bank loans without any intention to pay back and that made banks to review their strategy with a view to attracting more retail customers. This and the low level of banking penetration in the country also resulted in the inauguration of the financial inclusion strategy.

The Central Bank of Nigeria (CBN) in January 2013 released guidelines on the provision of agency banking in Nigeria. Similar to the ongoing cashless policy, mobile money and other initiatives, the new financial inclusion policy of the Federal Government of Nigeria intends to create up to 70, 000 mobile money and agency banking locations across the country by the year 2020 (Alawiye, 2013:1).

In this new era, according to the CBN, it will be possible you walk into any shop, phamarcy, supermarket, business centre, etc in your neighbourhood and apply to open a bank account through without having to go to a regular bank branch. The expectation is that majority of Nigerians will be able to operate a bank account and access financial services.

An Agency Bank is an organization that acts in various capacities on behalf of another bank such that the said organization cannot accept deposits or grant loans in its own name. It acts as agent for the parent bank. Put in other words, agency bank is a retail outlet contracted by a financial institution or a mobile network operator to process clients' transaction and allow them deposit, withdraw and transfer funds, pay bills, inquire about an account balance, or receive government benefits or a direct deposit from their employers (Vutsengwa and Ngugi, 2013:2). This corresponding banking relationship has helped banks to take financial services close to people, especially to remote locations that lack them. Nigeria reviewed its banking laws in 2013 to enable commercial banks offer their servics through third party arrangements. The agents operate as satellite branches. This banking concept that has deepening access to financial services is gaining currency (widespread acceptance) in Nigeria where about 60 per cent of the population still lacks access to formal banking services.

1.2 Statement of the Problem

Nigeria has in the last five years made great strides to improve access to financial services across the country. A survey conducted in Nigeria in 2008 by a development finance organisation, the Enhancing Financial Innovation and Access revealed that about 53 per cent of adults were excluded from financial services. The global pursuit of financial inclusion as a vehicle for economic development had a positive effect in Nigeria as the exclusion rate reduced from 53 per cent in 2008 to 46.3 per cent in 2010. It is expected that the rate of financially included adults in Nigeria will decline from 46.3 per cent in 2010 to 39.7 per cent in 2012 and further to 20 per cent by the year 2020 (Eluhaiwe, 2010:8, Berger 2012:5).

However, despite the rosy future predicted above, a lot still needs to be done to bring in more Nigerians under financial inclusion in line with vision 20:2020. The Nigerian government economic blueprint projects the country as one of the 20 most viable economies by the year 2020. It is important to observe that majority of the populace who lack access to the financial sector reside in the hinterlands. This strange phenomenon negates the Millennmum Development Goal and Vision 2020 principles to put efficient delivery of credit and other convenient and affordable financial services in place for larger number of Nigerian households (Berger, 2012:6).

The problem which this study addressed include the extent to which security influences sustainability of agency banking in Nigeria, effect of egulation on sustainability of agency banking, among others.

1.3 Objectives of the Study

Following from the identified problem of the study, the specific objectives of this study sought to:

(i) Investigate the effect of security on sustainability of agency banking.

(ii) Determine the extent to which liquidity affect sustainability of agency banking.
(iii) Assess the extent of regulations have affected sustainability of agency banking.

2. REVIEW OF RELATED LITERATURE

2.1 Conceptual Framework

Developing countries are slowly but continually gravitating toward branch-less banking system given its huge potential to provide financial services to low income earners not currently reached by traditional bank networks, for example, the rural dwellers. Precisely, in February 2013, the Central Bank of Nigeria (CBN) released the "Guidelines for the Regulation of Agent Banking and Agent Banking Relationships in Nigeria" to deepen financial inclusion (EFInA, 2013:4). In the views of EFInA (2013:4); Ogah, Okwe and Adeoye (2015:4) agent banking is defined as the delivery of financial services outside of conventional bank branches often using non-bank retail agents and relying on technology such as card readers, point-of-sale (POS) terminals or mobile phones for real time transaction processing.

With the successful introduction and implementation of cashless initiative which culminated in the establishment of Mobile Money Operation (MMO) in the country, CBN is now targeting the unbanked segments of the society with the introduction of agent banking. A banking agent is a retail or postal outlet contracted by a licensed deposit taking financial institution or a mobile money operator to provide a range of financial services to customers (Ogah et al., 2015:4). CBN (2013:1) affirms that the novel banking system is aimed at promoting financial inclusion as banking agents are expected to act as delivery channels that provide banking services in a cost effective manner. The apex bank directs further that any financial institution that intends to engage in agent banking will have to apply for approval indicating its extent of involvement as well as the duties and resposibilities of the relevant parties. Moremore, under the agent banking arrangement, a financial institution may engage super agents that are the agent network that will establish a collection of outlets to be under its supervision and control. The bank can also engage a sole agent, meaning the agent who does not delegate power to other agents, but assumes the agent banking relationship by itself. It can also engage a sub-agent, which is the network of agents to be under the direct control of supper agent as may be provided in the agent banking contract (CBN, 2013:2).

2.2 Roles of Agency Banking

Agency banks provide banking services to customers on behalf of licensed, prudentially-regulated financial institutions such as a bank or other deposit-taking financial institutions (Alawiye, 2013:1) Experts observe that the services provided by bank agents could be divided into four sections, namely: (i) transmitting information (providing customers with account information and recuring account and loan applications), (ii) processing information, (iii) cash handling, and (iv) electronic fund transfer. Toluwase (no date) argues that agent banks are capable of providing financial services to the country's dispersed population at affordable prices. He maintains that the agents banking system is cheaper to operate than branches. Besides, some jurisdictions employ agency banking model to decongest crowded branches, and also enlarge access to financial services among the lower classes of the society (Alawiye, 2013:2).

Subject to what is permitted under applicable regulations Alawiye (2013:3) opines that a bank may choose from among a variety of arrangements for managing agents including the involvement of Agent Network Managers (ANMs). Most commonly used ANMs include a specialised third party operator to whom the bank and sub-contracts with other legal entities or individuals, each of which functions as an agent or a retailer that is pursuant to its agency agreement with the bank manages it outlets as agents of the bank. On the transaction process, Toluwase in Alawiye (2013:3) states that just like traditional brick-and-mortar branches, there will not be any difference in customers accessing their account with the use of agency banking. He adds that for the agent, besides signing a contract with the financial institution he will be working for, the banking agent also has to open an account at the same time. The agent will also have to deposit a certain amount of cash into the account which will serve as the agent's working capital. The financial institution could extend credit line to the agent as the agent's working capital.

2.3 Who are Agents?

Okoegwale (2012:2) affirms that potential agents are either registered or non-registered entities with ongoing primary business with intentions to provide mobile money as an add-on service (service added to existing primary business). It is desirable for agents to have ongoing primary business to enable them manage liquidity, reduce rebalancing trips to the nearest bank branches, manage cash at hand and reduce cost in the early days of low value adoption of mobile financial services. The scheme operator partner decides the type of services it wants the banking correspondent to offer to the public in accordance with its strategic plan.

The agent will meet the following benchmarks, viz: ubiquity: available in prime locations and easy access, trustworthiness: trust in non repudiation of the service, low cost: low cost set up structure with minimal barrier to entry, liquidity: cash in/cash out requirements that are within the affordability range for the targeted store owners. Providing basic financial services at the agent outlets for customers of the scheme provider could take many forms. Bill payments, utilities payment, domestic money transfers merchant services, low value deposits and withdrawals are important sources of the services available at such outlets. Agents are the weakest links in the mobile money ecosystem since the scheme provider may not be able to ensure certainty at all times at outlets and also ensure guaranteed minimum service levels at outlets. These agents who are service providers or shopowners are also inclined to fraud which could be result through acts of omission or commission (Okoegwuale 2012:2). Statistics reveal that attempted frauds in the early days of mobile money deployments mostly targeted inexperienced agents as well as agents that connived with known fraudsters to defraud the scheme providers.

2.4 Minimum Requirements of Agent Banking Contract

According to CBN (2013:10), the following are the minimun requirements of agent banking contract

- Every agent banking contract shall contain reference to the financial institutions full liability with respect to customers, and it shall specify the obligation of both the financial institution and the agent.
- The principal is allowed to use a third party (e.g. a network manger) to manage its agent network. However, all agents sign ups must be approved by the principal.
- Financial institutions shall itemize all activities that the agent shall be conducting on its behalf or limitations on any such activities.
- These may include:

  a. Account opening, deposits and withdrawals
  b. Fund transfer services
  c. Bills payments

  - Fees and charges in respect of the agent banking shall be explicitly stated in the contract.
  - Responsibility for provision of infrastructure and procuement of third party service providers including undertaking for service provision shall be explicitly sated.
  - All agent banking contracts shall have a dispute resolution clause.

- Agents shall not be permitted to charge any fees directly to customers, and details of remuneration for the agent shall be specified in the contract between the agent and the principal.
- Measures to mitigate risks associated with agent banking services to include limits on customer transactions, cash management, cash security, security of agent premises and insurance policies.
- The financial institution shall be responsible for all acts of omissions of the agent notwithstanding anything contained in the contract to the contrary; provided they relate to banking services or matters connected therein.
- The CBN shall have free, full, unfettered and timely access to the internal systems, documents, reports, records, staff and premises of the agent in so far as the agent banking business is concerned and shall exercise such powers as it may deem necessary.

2.5 **Establishment of Agent Banking Relationship**

Agent banking relationship could be established in line with the following requirements:

- Financial institutions shall be required to carry out its respective due diligence on prospective agents**.**
- The CBN shall prescribe the extent of such agent banking relationships and scope of activities**.**
- All financial institutions shall have due diligence policies and guidelines that define initial agent engagement, regular monitoring and suppervisory check, trigger points and corrective measures.
- Finanacial institutions shall also specify the permissible activities agents may undertake within each agent category.
- Financial institutions shall define minimum standards for selection and approval procedure for each agent category.
- Any financial institution that wishes to vary the terms of its earlier agreement as approved by the CBN shall be required to submit a new application.
- All agents banking contract between a financial institution and an agent shall comply with these guidelines and any other law in force.

2.6 **Agent Eligibility**

The eligibility of an agent shall be determined along the following lines:

a. The entity must have been in legitimate commercial activity for at least twelve (12) months immediately preceding the date of the application to become an agent and the business must be a going concern.

b. An entity shall not be eligible for appointment as an agent if the carrying out of agent banking business by the entity shall contravene any written law, regulation or the objects of the entity.

c. The following entities shall be eligible for appointment as agents under the guidelines highlighted below:

i. Limited liability companies.
ii. Sole proprietorships
iii. Partnerships
iv. Cooperative Societies.
v. Public entities
vii. Trusts.

viii. Any other entity which the CBN may prescribe.

d. Any entity which is faith-based or not for profit, a non-governmental organization, an educational institutional, bureau-de-change or any other entity which, under any applicable law is not allowed to carry on profit making business shall not engage in agent banking business.

e. Any entity which is subject to any regulatory authority under any written law or is a public entity shall obtain the consent of the regulatory authority or the appropriate oversight body or authority prior to being appointed an agent (CBN, 2013:10).

2.7 **Benefits of Agency Banking**

The following among others are the likely benefits of agency banking to banks:

- Huge savings on cost of construction of bank premises, and leasing cost when banks are using the agency premises.
- Savings on equipment like furniture and computers; hence increased customer base and market share.
- Increased coverage with low cost in areas with potentially less number and volume of transactions.
- Increased revenue from additional investment, interest and fee income.
- Improved indirect branch productivity by reducing congestion (Banker, 2011:3).

Highlighting the opportunities available in agency banking, Bickerstet in Alawiye (2013:5), argues that it will also help in creating employment opportunities, enhance overall economic growth, engender efficiency in monetary policy management and the payment system. Other benefits are provision of faster, safer and convenient fund transfer and payment services from urban to rural areas.

2.8 **Constraints of Agency Banking Model**

It is important to note that the operation of agency banking model is not without some challenges summarized as follows:

➢ **Evaluating the Risk:** According to Okoegwale (2012:2&3), technology and application compromises could present a significant risk for agents if they are not well educated and trained on some processes like PIN management, due diligence or record keeping. Mobile money and agency banking are services unlike airtime vending which is a product.

Liquidity risks which will be slowly and confidence level improves over time. If mobile money recipient cannot consistently cash out at agent outlet at their own locality, the more they are the weary and discouraged to use the mobile channel. Providing multiple cash out points like ATM, cards, transfer to account, token generation and other innovation will address this challenge.

➢ **Breach of confidentiality:** Some agents disclose customer information to third parties without their knowledge that the bank owes its customers the duty of confidentiality and a breach of this duty can lead to a customer taking legal action against the bank (Watiri, 2013:16).

➢ **High risk area:** Most of the agencies operate in areas that are considered 'high risk'. Some agents are located along streets that are risk prone and agents do not take necessary measures to protect the customers.

➢ **Trainning of Agents:** Customer Service is a huge challenge to the banks as they need to train and retrain the agents so as to maintain high levels of customer service.

- **Fraudulent transactions:** The agency staff is usually the target of frausters as they are aware that they may not be able to easily identify fraudlent transactions. For example, inability to distinguish a fake document from the original (Ignacio, 2009:34).
- **Not good enough training on Know your customer (KYC) programme:** Failing to reach an expected level of trainion on know your customer (KYC) programme has not helped matters for the agency banking model. Opening and maintaining of deposit accounts with fictitious identities still appear to be normal banking practice.
- **Problem of money laundering**: Accounts opened at agent locations are also prone to money laundering phenomenon. This is sequel to some unethical practices permitted at the account opening stages (Sirken, 2009:21).
- **Security:** Potential agents during training or sign up activities are often skeptical about precautionary measures in place to safeguard life and property. Incidences of robbery and mugging of agents are rare among the practitioners, but some agents are already filing reports regarding methodical attempts at defrauding them through fake transaction message notifications, subscriber enrollment via stolen ID, unauthorized PIN reset conducted at agent outlets and so on.
- **Fake Currencies:** Fraudsters are quickly building their game plan and strategies to engage the agents. Agents are primarily store owners, mom and pop stores, convenience outlets and some other organized retail outlets. However, some unemployed youths and semi skilled workers are signing up to become agents in Nigeria without the requisite cash management skills. Okoegwale (2012:3) observes that incidences of cash-in currencies having some fake notes are on the rise in the semi urban areas either through acts of commission or omission.

3. METHODOLOGY

3.1 Sources of Data

Primary data were collected through descriptive survey method which involves the use of questionnaire designed to capture data on demographic characteristics: job category, work duration, liquidity effects on performance, agency cost on performance, and security strength on performance of agency banks.

3.2 Area of study, population of the study and sample size

The areas of study covers selected commercial banks that have rolled out agent banking in Nigeria, which include Sterling Bank Plc, Zenith Bank Plc, First Bank Plc and Guaranty Trust Plc. The population of study was 40. The sample size was obtained using convenient sampling that targeted managers of the studied banks that have launched agency banking. Ten (10) respondents each were picked from Sterling Bank PLC, Zenith Bank PLC, First Bank PLC and Guaranty Trust Bank PLC all in Enugu Metropolis. Of the 40 questionnaires administered, 40 were returned given a response rate of 100% and this was used for our analysis.

4. DATA PRESENTATIONS AND ANALYSIS

Table 1: **Demographic characteristics distribution of sex across the banks**

Bank	Male	%	Female	%	Total	%
Sterling Bank Plc	6	15%	4	10%	10	25%
Zenith Bank Plc	5	12.5%	5	12.5%	10	25%
First Bank PLC	3	7.5%	7	17.5%	10	25%
GT Bank PLC	6	15%	4	10%	10	25%
TOTAL	**20**	**50%**	**20**	**50%**	**40**	**100%**

Source: Field Survey, 2016

Table 1 shows that out of 40 questionnaires distributed, 6 or 15% respondents from Sterling Bank Plc were males while 4 or 10% were females. Zenith Bank Plc had 5 or 12.5% respondents as males and 5 or 12.5% as females. First Bank Plc had 3 or 7.5% males and 7 or 17.5% females. GT Bank Plc had 6 or 15% male respondents and 4 or 10% female respondents. The sex distribution therefore indicated 50% - 50% respondents males and females.

Table 2: **Distribution of age across the banks**

Bank	18-25	%	26-35	%	36-45	%	46-above	%	Total	%
Sterling Bank Plc	0	0	3	7.5	4	10	3	7.5	10	25%
Zenith Bank Plc	0	0	0	0	5	12.5	5	12.5	10	25%
First Bank Plc	0	0	1	2.5	5	12.5	4	10	10	25%
GT Bank Plc	0	0	0	0	4	10	6	15	10	25%
Total	**0**	**0**	**4**	**10**	**18**	**45**	**18**	**45**	**40**	**100%**

Source: Field Survey, 2016

In Table 2 above, it could be observed that the highest proportion of the respondents i.e. 32 (90%) were in the 36-46 and above years bracket, followed by 26-35 years group with 4 (10%) respondents across the banks. We oberved that about 90% of the workers of studied banks were in the age brackets of 36-46 and above, thus creating age balance of works of the studied banks.

Table 3: **Distribution of educational qualifications**

Bank	OND/NCE	%	BSC/HND	%	MSc/PhD	%	Total	%
Sterling Bank Plc	0	0	6	15	4	10	10	25%
Zenith Bank PLC	0	0	7	17.5	3	7.5	10	25%
First Bank PLc	1	2.5	5	12.5	4	10	10	25%
GT Bank PLc	0	0	6	15	4	10	10	25%
Total	**1**	**2.5**	**24**	**60**	**15**	**37.5**	**40**	**100%**

Source: Field Survey, 2016.

Table 4 shows the educational qualification of the respondents, most of them have first degree ie BSC/HND which represents about 24 or 60%. 15 or 37.5% holds MSc/Phd. Further studies revealed that the banks under study usually engaged degree holders that are between the ages of 26- 46 and above years old. The reason was to have crop of workers that can easily adapt to the ever changing technological environment and also put in considerable number of years of service for the banks to recoup their investment in terms of training. Therefore, the educational background of respondents revealed that the population for this study is well educated.

Table 4: **Distribution of respondents on job positions**

Bank	Top Mgt level	%	Middle level	%	Lower Level	%	Total	%
Sterling Bank Plc	4	10	4	7.5	2	5.0	10	25%
Zenith bank Plc	3	7.5	4	10	3	7.5	10	25%
First bank Plc	3	7.5	4	7.5	3	7.5	10	25%
GT Bank Plc	3	7.5	3	7.5	4	10	10	25%
TOTAL	**13**	**32.5**	**15**	**37.5**	**12**	**30.0**	**40**	**100%**

Source: Field Survey, 2016

Table 4 above sought to find out the job position of respondents. 37.5% of the respondents who were the majority indicated that they were in the middle management, 32.5% of the respondents indicated that they were in top management, 30.0% of the respondents indicated that they were in the low level of management.

Table 5: **Distribution of the repondents on the length of service with the banks**

Bank	Below 5years	%	6-10 years	%	11-15 years	%	16-20 years	%	Over 20years	%	Total	%
Sterling Bank Plc	0	0	4	10	2	5	1	2.5	3	7.5	10	25
Zenith Bank Plc	1	2.5	5	12.5	2	5	1	2.5	1	2.5	10	25
First Bank Plc	1	2.5	5	12.5	3	7.5	1	2.5	2	5	10	25
GT Bank Plc	0	0	4	10	2	5	2	5	1	2.5	10	25
Total	**2**	**5**	**18**	**45**	**9**	**22.5**	**5**	**12.5**	**6**	**15**	**40**	**100**

Source: Field Survey, 2016

The respondents in Table 5 were asked their length of service with the studied banks. 18 0r 45% respondents who were the mejority indicated that they had worked for 6-10 years, 9 or 22.5% respondents indicated that they had worked for 11-15 years, 6 or 15% indicated that they had worked for over 20years, while 2 or 5% indicated that they had worked below 5 years.

Table 6: **Distribution of respondents on the duration of agency banking**

Bank	Less than 3months	%	3-9 months	%	9-12 months	%	Above 12 months	%	Total	%
Sterling Bank Plc	0	0	2	5	1	2.5	4	10	10	25%
Zenith Bank Plc	1	2.5	2	5	2	5	5	12.5	10	25%
First bank Plc	0	0	2	5	1	2.5	10	25	10	25%
GT Bank Plc	1	2.5	2	5	2	5	5	12.5	10	25%
TOTAL	**2**	**5**	**8**	**20**	**6**	**15**	**24**	**60**	**40**	**100**

Source: Field Survey, 2016

Table 6 above sought to dicover how long the banks have been offering agency banking. 24 or 60% of the respondents who were the majority indicated that the banks had been offering agency banking for above 12 months. 15 or 24% had been offering agency banking for 3-9 months, 8 or 20% had been offering the services for 9-12 months and 6 or 15% had been offering agency banking for less than 3 months. This indicated that the studied banks had been offering agency banking services for over 12 months.

Table 7: **Distribution of respondents on the extent of liquidity availability on sustainability of agency banking performance in Nigeria**

Bank	LE	%	ME	%	GE	%	VGE	%	Total	%
Sterling Bank Plc	1	2.5	1	2.5	1	2.5	1	2.5	4	10
Zenith Bank Plc	2	5	2	5	3	7.5	4	10	11	27.5
First Bank Plc	2	5	2	5	3	7.5	3	7.5	10	25
GT Bank Plc	2	5	3	7.5	5	12.5	5	12.5	15	37.5
Total	**7**	**17.5**	**8**	**20**	**12**	**30**	**13**	**32.5**	**40**	**100**

Source: Field Survey, 2016

Note: **LE=Low Extent, ME=Moderate Extent, GE=Great Extent, VGE= very great extent**

Table 7 above tends to find out the extent to which availability of liquidity affects sustainability of agency banking performance, 13 or 32.5% who are the majority indicated that liquidity availability affects performance of agency banking to a very great extent, 12 or 30% indicate that the effect was to a great extent and 8 or 20% indicated that the effect was to a moderate extent while 7 or 17.5% of the respondents indicated that it was to a low extent. The result shows that unavailability of liquidity has affected the agency bank to a very great extent.

Table 8: **Distribution of respondents on the liquidity challenges on sustainability of agency Banking**

Bank	Never	%	Rarely	%	Often	%	Very often	%	Total	%
Sterling bank Plc	1	2.5	1	2.5	5	12.5	2	5	9	22.5
Zenith bank Plc	2	5	1	2.5	6	15	2	5	11	27.5
First bank Plc	2	5	1	2.5	7	17.5	2	5	12	30
Gtbank Plc	1	2.5	1	2.5	4	10	2	5	8	20
TOTAL	**6**	**15**	**4**	**10**	**22**	**55**	**8**	**20**	**40**	**100**

Source: Field Survey, 2016

Table 8 sought to find out how often respondents experienced liquidity challenges on sustainability of agency banking. 22 or 55% who are the majority respondents indicated that they often experience liquidity challenges, 8 or 20% indicated that they very often experience liquidity challenges, 6 or 15% indicated that they never experience liquidity challenges, while 4 or 10% said that they rearely experience liquidity challenges.

Table 9 **Distribution of respondents on the extent of agency cost on sustainability of Bank performance**

Bank	LE	%	ME	%	GE	%	VGE	%	TOTAL	%
Sterling bank Plc	0	0	1	2.5	2	5	5	12.5	8	20
Zennith bank Plc	1	2.5	2	2.5	3	7.5	5	12.5	11	27.5
First bank Plc	1	2.5	3	7.5	3	7.5	5	12.5	12	30
Gtbank Plc	0	0	1	2.5	3	7.5	5	12.5	9	22.5
TOTAL	**2**	**5**	**7**	**17.5**	**11**	**27.5**	**20**	**50**	**40**	**100**

Source: Field Survey, 2016

Note: **LE=Low Extent, ME= Moderate Extent, GE= Great Extent, VGE= Very Great Extent.**

Table 9 sought to find out the extent of agency cost on sustainability of agency banking performance. 20 or 50% of the respondents agreed that cost effects agency banking to a very great extent. 11 or 27.5% of the respondents also are in agreement that cost effects agency banking to a great extent. This result shows that agency cost affects the bank to a very great extent.

Table 10 **Distribution of respondents on the strength of security sustainability of Agency banking**

Bank	weak	%	Moderate	%	Strong	%	Very strong	%	TOTAL	%
Sterling bank Plc	0	0	2	5	3	7.5	4	10	9	22.5
Zennith bank Plc	1	2.5	3	7.5	3	7.5	4	10	10	25
First bank Plc	1	2.5	3	7.5	3	7.5	4	10	10	25
Gtbank Plc	0	0	2	5	3	7.5	4	10	9	22.5
TOTAL	**2**	**5**	**10**	**25**	**12**	**30**	**16**	**40**	**38**	**100**

Source: Field Survey, 2016

Table 10 sought to find out the strength of security sustainability of agency banking. 16 or 40% who are in the majority indicated that the security of agency bank was very strong, 12 or 30% agreed that the security was strong. The result shows that the security of agency bank was very strong.

5. Summary of findings

This study was done to appraise the challenges of sustainability of agent banking in Nigeria with emphasis on some selected deposit money banks that have inaugurated agency banking in Nigeria. The banks are Sterling Bank Plc, Zennith Bank Plc, First Bank Plc and GTBank Plc in Enugu metropolis.

Table 1 to 3 analyzed the demographic characteristics such as sex, age and educational qualifications.

Table 4 was used to anlyze the position of the respondents in the management level of the studied banks. The findings reveal that majority of the respondents that is 37.5% are in the middle level of the management cadre.

Table 5 analyses was to determine the length of service of the respondents with the studied banks. It was reveale that 45% of the respondents have spent 6-10 years as length of services in banking, followed by those that have spent 11-15 years with 22.5%.

Table 6 analyses sought to find out the duration of agency banking of the respondents. It revealed that 60% who are in the majority have offered agency banking for 12 months and above.

Table 7 was used to analyze the extent of liquidity availability on sustainability of performance of studied banks. The findings indicated that 13 or 32.5% of the respondents who are in the majority agreed that unavailability of liquidity has affected the agency banking to a very great extent.

Table 8 was used to analyze the liquidity challenges on sustainability of agency banking. It was revealed that 22 or 55% of the respondents often experience liquidity challenges on sustainability of agency banking.

Table 9 analyses the extent of agency cost on performance of the banks. Its results showed that agency cost affects sustainability agency bank to a very great extent. This was backed up by 20 or 50% respondents that attested to that.

Table 10 analyses sought to find out the strength of security of agency banking. The result reveals that the security of agency bank was very strong. This was backed up by 40% respondents who are in the majority.

5.1 **Other findings**

Generally, in the cause of this research, it was discovered that agency banking in Nigeria was relatively new having been introduced two years back ie in January 2013. Most of the deposit money banks in Nigeria are yet to inaugurate agency banking as directed by CBN and many bank customers did not understand the meaning of agency banking.

An agency cost is among the challenges of agency banking. It was suggested that plans should be made to strengthen financial infrastructure for electronic transactions. Bank should increase investment on infrastructure and new branches. Other costs such as marketing costs, security costs and insurance costs affects sustainability of agency banking.

Liquidity unavailabilty in agency outlets affects sustainability of sound performance of agency banking. A situation where a customer arrives at an agent with the need to withdraw a large amount, it does happen that the agents do not have enough cash to satisfy the cash out request and agents visit branches that are far to buy float could lead to frustration.

Cohen et al (2008) in Watiri, (2013:27) had similar findings which indicated that liquidity problems leads to customers frustration which is one of the reasons why agency banking roll out is slow to take up in most banks.

Agency banking has the effect of increasing the level of financial inclusion because it reaches a wider range of the unbanked population.

Some agents disclose customer's information to third parties without their knowledge that banks owes its customers the duty of confidentiality and a breach of this duty can lead to customer taking legal action against the bank.

On Security, incidence of robbery and mugging of agents are still unheard of in Nigeria but agents are already reporting systematic attempts to defraud them through fake transaction message notification, subscriber conducted at agent's outlet.

5.2 **Conclusion**

Along side the on-going cash-less policy in Nigeria, agency banking should be encourged. The partnership will help banks to take financial services closer to people, more importantly to areas that are unbanked.

Much is still needed to be done to bring Nigerians under financial inclusion in line with vision 20:2020.

5.3 **Recommendations**

- Massive awareness program should be undertaken to publicize the purpose and benefits of agency banking since it is relatively new in Nigeria banking sector.
- Publicity through radio, direct contacts, and mountaining of bill boards, fliers, social media and TV adverts should be encouraged.
- A risk-based approach to the supervision and regulation of agency banking should be encouraged.
- Enough security measures should be put in place in all agency outlets in Nigeria.
- Agency banks should allow agents to be more financially inclusive than just offering cash transfer services. Agents should be able to convert cheques into cash, deal with foreign currency exchange among other services (Watiri,2013:28)
- Agency banking as a means of enhancing financial inclusion be highly supported and encouraged by all players: the banks, government and licensing bodies especially local authorities, so as to reduce the high compliance costs in bureaucracy and regulations
- Since agency banking was relatively new in Nigeria, it is important to encourage agency banking education to create awareness on the presence and activities of agency banking in Nigeria.
- There should be an improvement on Mobile network availability. Proper mechanism aimed at reducing incessant internet failures should be put in place because such affects both banks and customers alike.

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