



IMPACT OF AGENCY BANKING AND CUSTOMER SATISFACTIONS ON THE FINANCIAL PERFORMANCE OF FIRST BANK OF NIGERIA PLC.

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ABSTRACT

The study investigates the impact of agency banking on the financial performance of First Bank of Nigeria Plc, specifically at the Market Branch in Yola. Agency banking, promoted by the Central Bank of Nigeria (CBN) since 2013, aims to enhance financial inclusion. The research adopts a descriptive survey design, combining primary data (questionnaires from 32 bank staff and 218 customers) with secondary data (transaction records from 2013–2023). Dependent variable: Financial performance is primarily measured via Return on Equity (ROE), while independent variable: agency banking is assessed through CBN regulation, low-cost service delivery, and improved accessibility/market share. findings from respondent perceptions and statistical tests (T-tests at 95% confidence level) show: CBN regulation significantly and positively affects financial performance ($t\text{-cal} = 9.333 > t\text{-table} = 1.960$; 87.5% agreement). Low transaction costs via agency banking significantly improve performance ($t\text{-cal} = 7.317 > 1.960$; 75% agreement that costs positively influence bank performance). Accessibility and expanded market share through agents significantly enhance performance ($t\text{-cal} = 6.383 > 1.960$; ~77–82% agreement on accessibility, market expansion, and profitability links). The study rejects all three null hypotheses, concluding that agency banking drives better financial outcomes by reducing costs, increasing convenience, reaching underserved areas, and boosting customer base and transaction volumes. It is grounded in agency theory and bank-led theory. Recommendations include strengthening regulation/oversight, improving bank-agent coordination, investing in technology, expanding agent networks to rural areas, training agents, ensuring liquidity, and promoting customer education to sustain these benefits and to enhance financial inclusion

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1. Introduction

Financial institutions emphasize on efficient allocation of resources in order to ensure there is improvement in their financial performance. Since they act as open systems, there is need to adopt to changes in the environment by coming up with suitable strategies. Factors affecting the profitability. Profitability is measured using the following criteria; return on assets (ROA)= net profit/total assets shows the ability of management to acquire deposits at a reasonable cost and invest them in profitable investments (Ahmed, 2009). Agency banking refers to contracting of a retail or postal outlet by a financial institution or a mobile network operator to process bank client's transactions. It is different from a branch teller, since it is the owner or an employee of the retail outlet who conducts the transactions, ranging from: deposits, withdrawals, funds transfers, bill payments, account balance inquiry, receiving government benefits or direct deposits from employers. Banking agents may include: pharmacies, supermarkets, convenience stores, lottery outlets and post offices (CGAP, 2006). Central Bank of Nigeria (CBN) recognizes the financial inclusion challenges which the country faces. These include the cost of financial services and the distance to bank branches in remote areas. Part of their approach to addressing these challenges is to promote innovation through mobile financial services and to address the delivery channel costs through increased use of agent banking. The agent banking guideline allow banks to start working in partnership with non-bank-based models (Central Bank of Nigeria, 2013).

The issue of agent banking and customer accessibility, increase in market share, low cost of transaction and profitability is a function of effectiveness of the combination of some instruments such as Point-of-Sale (POS), Card Reader, Mobile Phone, Payment Transactions and sometimes Personal Computers (PC)

(CBN, 2012). However, on the other hand, the term customer accessibility and profitability mean the ability and possibilities of a bank customer to benefit from all kinds of bank services and enjoy all the necessary benefits therein and derive maximum satisfaction (Reed, 2008). Agent banking involves a number of technologies in order for the financial institutions to keep track of the transactions done by the retail outlet. These technologies include: point-of-sale (POS) card readers, mobile phones, barcode scanners to scan bills for bill payment transactions, Personal Identification Number (PIN) pads, and personal computers (PCs) that connect with the financial institution's server using a personal dial-up or other data connection. All these technologies require expertise and capital investment in acquiring the technological equipment which is a challenge to the retail outlets that have limited capital (Ivatury & Lyman, 2006).

The effect of agency banking in the performance of deposit money banks and established that cost effectiveness associated with agency banks positively influence to banks financial performance.

HO₁: CBN Regulation has no significant effect on financial performance of First bank plc.

HO₂: Low cost of services through agency banking has no significant effect on the financial performance of First Bank plc. Market branch Yola.

HO₃: Accessibility and increased market share of banking services through agency banking has no significant effect on the financial performance of First Bank plc. Market branch Yola.

2. Literature Review

Conceptual Framework

Agent Banking in Nigeria

The Agent Banking business is an initiative from the Central Bank of Nigeria (CBN) aimed at achieving financial inclusion by targeting the unbanked in rural areas. It will amaze you that with the number of deposit money banks we have in the country, they are still a lot of people who don't have bank accounts. They still keep their money back at home with possible incidents of theft occurring (Tony, 2020). Aims of Agent Banking Business in Nigeria, Some of these reasons could be: i. Education: Most people in rural areas have limited or no access to education. They may feel intimidated or not understand what bank staff may be instructing them to do, so they rather keep their money at home and save the stress. ii. Transportation Cost: In some rural areas, gaining access to the commercial banks may be very difficult due to transportation cost. iii. Communication Gap: If we don't understand each other, we can't communicate efficiently and effectively. Most people in rural areas may not be able to speak or understand English. An agent bridges this gap (Tony, 2020). Agent banking business is one who bridges the gaps between financial institutions and the people.

Guidelines for the Central Bank

“ In exercise of the powers conferred on the Bank by Section 2 (d) of the Central Bank of Nigeria Act, 2007 and Section 57 (2) of the Banks and Other Financial Institutions Act (BOFIA), Laws of the Federation of Nigeria, 2004 to issue guidelines for the maintenance of adequate and reasonable financial services to the public, the Central Bank of Nigeria (CBN) hereby issues the following guidelines for the regulation of Agent Banking and Agent

Banking Relationships in Nigeria (CBN Guideline, 2013).” Regulatory framework of Agency Banking in Nigeria was introduced in 2013 by the central bank of Nigeria (CBN) as part of its efforts to increase financial inclusion by increasing access to financial services. Under the system, financial institutions (FIs) and mobile money operators (MMOs) can afford third parties to provide financial services on their behalf to members of the public. The objectives of the guidelines issued by the central bank of Nigeria on Agent banking are to: i. Provide minimum standards and requirements for agent banking operations, ii. Enhance financial inclusion and provide for agent banking as a delivery channel for offering banking services in a cost-effective manner.

Low Cost of Service

Access to Finance is critical for sustainable economic growth and social development. Financial inclusion empowers low income people and marginalized sectors of society to actively participate in the economy, which leads to increasing employment and decreasing poverty levels (Arora & Ferrand, 2007). Apart from increasing access to those excluded from financial services and reducing reliance on informal financial sources such as Accumulating Savings and Credit Associations (ASCAs), Rotating Savings and Credit Associations (ROSCAs) and shylocks, agent banking has reduced the need for more staff and branches to reach customers (Arora & Ferrand, 2007). Agent banking has reduced cost and enhanced efficiency in the financial sector with a possibility and availing financial services at much lower cost to consumers (Bean, 2009). It has also increased the ease of banks' expansion hence outreach to far flung market pockets of bankable populations (Bold, 2011). Agent banking means commercial outlets like shops and supermarkets acting in some capacity on behalf of formal banks (Hogan, 1991).

Financial Service Accessibility

The technology adoption especially, in banking systems has shown a great momentum and spread at an unbelievable pace across the world. Considering the importance of banking systems high presence and affordability, there is great potential of using this in agent banking for provision of banking services to unbanked community (Arora & Ferrand, 2007). However, technology systems have associated data and network security risks which make them susceptible for conducting financial transactions. Technology risks regarding information and data security based on applicable models of agent banking have been reported thus creating uncertainty to the clients. This states that financial institutions are required to plan and act for long term development and prosperity of their agents for them to reach the targeted customers at a set population (Owens, 2006). This requires close coordination/collaboration with agents; providing them opportunities to learn more, to become more efficient and; a fair pricing mechanism for the services provided by the agents (Arora and Ferrand, 2007).

Size of Market Share

Market share is the percentage of an industry or market's total sales that is earned by a particular company over a specified time period. A bigger market share also means more power to the bank in controlling the prices and services it offers to ties customers (Heggsted & Mongo, 1976). Some banks might sacrifice current profits by growing at a faster rate or expanding their market share with the intention of earning more profits in the future. He used the growth of assets rate as a proxy for measuring the effect of market

share on profitability and found that growth of assets did not have a significant effect on profit (Short, 1979). Some bank not only believed that market share influenced profitability but that growth in the market created more opportunities for a bank and thus generated more profits. Another key factor was the prospect of customer service enhancement owing to a greater level of convenience that comes with presence of retail agent outlets (Smirlock 1985).

Customer Satisfaction

Customer's satisfaction is therefore an emotional reaction strongly associated with prior expectations, related to specific transactions (Oliver, 1997). This can be defined as the feelings or judgments by customers towards products or services after they have used them (Jamal & Naser 2003). Various scholars' purports that satisfaction is the result of a customer's perception of the value received in a transaction or relationship compared with price and acquisition costs. Loyalty in service is more often predetermined by the customer's belief that the quantity of the value received from a service provider is not only higher but also more competitive than the one offered by other suppliers (Reichheld, 1993). Two major dimensions of loyalty have been known for years. These are behavioral dimension which include intention to repurchase, intention to change and intention to give exclusivity to the service supplier; and attitude or cognitive dimension which include issues such as preference over a supplier, advocate the company, willingness to pay more, and identification with service supplier. Therefore, loyalty is highly related to behavioral, attitudinal and cognitive aspects for its measurement.

Financial Performance determinants of deposit money bank in Nigeria

Financial institutions emphasize on efficient allocation of resources in order to

ensure there is improvement in their financial performance. Since they act as open systems, there is need to adopt to changes in the environment by coming up with suitable strategies. Factors affecting the profitability. Profitability is measured using the following criteria; return on assets (ROA)= net profit/total assets shows the ability of management to acquire deposits at a reasonable cost and invest them in profitable investments (Ahmed, 2009). Deposit money banks are grouped within and without the firm. Inside influences relate to the managerial priorities, while outside aspects have a lot to do with the operating environment. The determinants of financial performance are summarized by CAMEL (capital adequacy, asset quality, management efficiency, earnings performance, and liquidity management). It not only analyses the ROA and ROE but also other ratios touching on various aspects of bank operations (Kongiro, 2012). In line with its acronym, the model applies 20 financial ratios to assess various elements within its framework and pre-determined industry benchmarks to determine the financial soundness of financial institution, with a rating of one (1) for the best and a rating of five (5) for the worst (Wanjohi, 2013).

Empirical Review

Several Authors have been carried out in one ways or the other to examine the introduction of agency banking and its implication on the economy on both developed and developing countries.

Tarazi (2010) observed that where damages are not easily quantified and agency banking operators behaviours not easily monitored – resulting in an unknown risk that principal service providers are not well equipped to mitigate, for example, violations of data privacy. In this case, damages could be indirect and punitive – and therefore quite high. And yet, a principal service provider

is ill equipped to stop such agent's behaviour.

Gardeva & Rhynea (2011), opines in a survey report on opportunities and obstacles to financial inclusion observes that, product cost-structures and branching costs were ranked 7th and 12th respectively viewed as significant obstacles to financial inclusion, especially by providers, high branching costs in rural areas are associated with poor physical infrastructure – roads, electricity, etc.

Mwengi, (2012) established that cost effectiveness associated with agency banking positively influenced the financial performance of the banks in Kenya. Hence, concluding that liquidity availability in agency outlets affected the performance of commercial banks in Kenya which was in agreement with an earlier study done by Honovan, (2007). However, they both failed to establish the regression and other multicollinearity tests to determine the relationship between cost effectiveness and agency banking.

In a study conducted by Mwangi, (2013) on the role of Agency Banking in the performance of commercial banks in Kenya, it was found that some of the effects of regulations on the performance of commercial banks attributable to agency banking were influenced by the board of directors and executive management, accountability and quality control. It was concluded that infrastructure cost and security influence the performance of commercial banks attributable to agency banking to a very great extent.

Chude and Chude (2014) using technology acceptance model and diffusion of innovation theory to examine the impact of agency banking on performance of deposit money banks in Nigeria. It was revealed that agent banking has proved to have essential role to play in improving customers' satisfaction and bank profitability in Nigeria. However, this

study failed to carry out some diagnostic tests such as multicolinearity and variance inflation factor.

In the work done by Francis and Salome (2015), using a descriptive research design on some selected commercial banks in Nyeri County; Kenya, the results reveals that customers were willing to forgo the extra-charge to procure banking services through agent banking outlets and that lack of liquidity was not a deterring factor as the agents were vetted and monitored to ensure there were rare cash shortages. However, the limitation of the study was the area of coverage.

Afande, & Mbugua (2015) in Kenya studied the extent to which banks have been able to partner with agents, commercial entities whose primary objective and business is any service other than the provision of financial services. The study focused on selected commercial banks in Nyeri County, Kenya and was completed in a period of three months. Data was collected by use of questionnaires, which were administered to bank branch managers and appointed agents. Findings revealed that greater geographical coverage brought about by agent banking is the strongest predictor of financial inclusion. Lack of liquidity and security concerns were found to be low.

Ndegwa, (2017) in Kenya studied the effectiveness of agency banking as a financial inclusion strategy. The study adopted a cross-sectional survey design. The study targeted 38 administration managers and supervisors of the commercial banks in Kiambu which had adopted the agency banking model. Data was analysed using descriptive (frequency distribution and percentages) and inferential statistics (Regression). The study concluded that geographical coverage is the most important benefit and therefore the most significant driver of financial inclusion

Nwachukwu, et al., (2019). The studied aims to investigate the relationship between agent banking, mobile money operators and financial inclusion in Nigeria. Findings revealed that, that cybercrime and reduction of cost of banking services had a statistically insignificant and negative relationship with financial inclusion, while geographical coverage and illiquidity had a positive, but insignificant relationship with financial inclusion, this study recommends that the government should create an appropriate regulatory context.

Maarten, et al., (2020). LAPO (lift above poverty organization) agent banking increased reach and client diversity, IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2020, we invested \$22 billion in private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity.

Theoretical Framework

Agency Theory

This theory describes a relationship where one party (the agent) is authorized to act on behalf of another (the principal). In this context, it explains the dynamic where a third-party agent provides financial services to customers for a bank (the principal). The theory is relevant because it formally recognizes the agent's critical role in helping the bank achieve its goals, such as improving financial performance to Nurcan (2005) as cited by Ndegwa (2017). This study will be hinged on agency theory which will aid the study to examine the effect of agency banking on

the financial performance of first bank of Nigeria plc.

Bank-Led Theory

This theory outlines a specific model of banking where a licensed financial institution (the bank) delivers its products and services not through its own branches, but through a network of retail agents. The bank remains the primary provider and holder of customer accounts, while the agents handle direct customer interactions and basic transactions (like deposits and withdrawals) (Lyman, et al., 2006). This model serves as an alternative to traditional branch-based banking.

3. Methodology

Descriptive survey research design was adopted to observe and describe the phenomenon (impact of agency banking) without manipulating variables, focusing on First Bank of Nigeria, Market Branch, Yola. The study examined the relationship between agency banking (measured by number of agents and volumes of deposit, withdrawal, and loan repayment transactions via agents) and financial performance (measured by return on equity), using data from year 2013 to 2023 (11 observations) time series.

Population and Sample: Target population included 48 bank staff and 402 agency banking account holder customers at the branch. A sample of 32 staff and 218 customers (55% response rate) was used.

While, Primary data: Semi-structured questionnaire (combining closed-ended questions with Likert scale, strongly agree to strongly disagree and open-ended questions) administered to respondents for anonymity and quick collection. Secondary data: Bank records and supervision reports, including number of agents, accounts opened, cash transactions (deposits/withdrawals), and loan/utility payments via agents. Data analysis used descriptive statistics: Simple percentages, frequencies, tables, and figures. Inferential statistics use T-test to examine relationships between agency banking variables and financial performance (ROE), and to test hypotheses at 95% confidence level ($p < 0.05$ for significance), using SPSS version 20 (or 2020).

A multiple regression model was specified: $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$. where Y = financial performance, X_1 = Central Bank regulation, X_2 = low cost of service, X_3 = accessibility and market share, ε = error term. ANOVA was used in the regression context to test overall and individual significance of independent variables ($p < 0.05$). Overall, the approach combined survey-based primary data from stakeholders with secondary transactional data, analyzed descriptively and through T-test/regression in SPSS to assess agency banking's effect on the bank's financial performance

4. Discussion Result

Table 1: CBN Regulation on agency banking and first bank Performance

Response	No of Respondents	Percentage of Distribution
Strongly Agree	155	77.50
Agree	20	10.00
Disagree	5	2.50
Strongly Disagree	20	10.00
Total	200	100.00

Source: Field Study (2023)

Table 1, shows that majority of the respondents representing 87.50% support the perception that Central Bank regulation on agency banking would affects the financial performance of First Bank plc.

However, 12.50% of the participant rejected the opinion that Central Bank regulation on agency banking would affects the financial performance of First Bank plc.

Table 2: Agency banking low cost comparison

Response	No of Respondents	Percentage of Distribution
Strongly Agree	113	56.50
Agree	62	31.00
Disagree	16	8.00
Strongly Disagree	9	4.50
Total	200	100.00

Source: Field Study (2023)

Table 2 shows that 113 of the respondents representing 56.50% strongly agree that Cost involved in transacting in agency banking is low compared to banking hall.

Furthermore, 31% agree that Cost involved in transacting in agency banking is low compared to banking hall, while 8% Disagree and 4.5% strongly disagree.

Table 3: Time spent in agency banking compare to normal banking

Response	No of Respondents	Percentage of Distribution
Strongly Agree	65	32.50
Agree	99	49.50
Disagree	26	13.00
Strongly Disagree	10	5.00
Total	200	100.00

Sources: Field Study (2023)

Table 3 shows that majority of the respondents representing 82% support the expression that Time spent in agency banking is low compared to the normal banking. This table reveals that (32.5%) strongly agree with the view that Time

spent in agency banking is low compared to the normal banking, (49.5%) agree with the proposition, (13%) disagree with the view that Time spent in agency banking is low compared to the normal banking and (5%) Strongly Disagree.

Table 4: Agency Banking Cost influence on deposit money banks

Response	No of Respondents	Percentage of Distribution
Strongly Agree	45	22.50
Agree	105	52.50
Disagree	27	13.50
Strongly Disagree	23	11.50
Total	200	100.00

Sources: Field Study (2023)

Table 4 above reveals that 75% of the majority representing 150 respondents reported that Cost involved in agency banking positively influence performance of deposit money banks. The report shows

that 22.5% strongly agree with the proposition, 52.5% Agree, while 13.5% strongly disagree and 11.5% disagree with the proposition.

Table 5: Agency banking and accessibility of financial service to customers

Response	No of Respondents	Percentage of Distribution
Strongly Agree	21	10.50
Agree	133	66.50
Disagree	25	12.50
Strongly Disagree	21	10.50
Total	200	100.00

Source: Field Study (2023)

Table 5 shows that majority of the respondents are of the opinion that agency banking has led to accessibility of financial service to many customers in remote areas. The table revealed that 10.5% of the respondents strongly agree with the view that Agency banking has led to accessibility of financial service to many

customer in remote areas and thus is consistent with the view of 66.5% of the respondents who agree with the proposition that agency banking has led to accessibility of financial service to many customer in remote areas while 12.5% disagree and 10.5% strongly disagree respectively.

Table 6: Agency banking accessibility and profitability of deposit money banks

Response	No of Respondents	Percentage of Distribution
Strongly Agree	140	70.00
Agree	29	14.50
Disagree	21	10.50
Strongly Disagree	10	5.00
Total	200	100.00

Sources: Field Study (2023)

Table 6 shows that when participants were asked whether accessibility of banking service through agency banking has led to profitability of deposit money banks, most

of the participant's i.e. 70% indicate Strongly Agree, 14.50% indicate Agree, while 10.50% and 5.00% indicate Disagree and Strongly Disagree respectively.

Table 7: Market Share and Improve Profitability

Response	No of Respondents	Percentage of Distribution
Strongly Agree	23	11.50
Agree	106	53.00
Disagree	54	27.00
Strongly Disagree	27	13.50

Total	200	100.00
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Sources: Field Study (2023)

Table 7 above shows that majority of the respondents supported the expression that Market share increases can allow a company to achieve greater scale in its operations and improve profitability. The

responses of the respondents are as follows: Strongly Disagree (13.50%), Disagree (27%), Agree (53%) and Strongly Agree (11.50%).

Table 8: Market share and price control

Response	No of Respondents	Percentage of Distribution
Strongly Agree	53	26.50
Agree	98	49.00
Disagree	18	9.00
Strongly Disagree	31	15.50
Total	200	100.00

Sources: Field Study (2023)

Table 8 shows that majority of the respondents are of the opinion that the greater the market share, the greater is a bank's control over its prices and the services it offers. The table report revealed

that strongly agree (26.50%, N=53) and agree (49%, N=98) followed by disagree (9%, N=18) strongly disagree (15.50%, N=31).

Table 9: Expansion of market share through agency banking

Response	No of Respondents	Percentage of Distribution
Strongly Agree	45	22.50
Agree	119	59.50
Disagree	26	13.00
Strongly Disagree	10	5.00
Total	200	100.00

Sources: Field Study (2023)

Table 9 shows that majority of the respondents representing 82% support the expression that banks are always looking to expand their share of the market through agency banking. This table report shows that (22.5%) strongly agree with the view that banks are always looking to expand

their share of the market through agency banking, (59.5%) agree with the proposition, (13%) disagree with the perception that banks are always looking to expand their share of the market through agency banking and (5%) Strongly Disagree.

Table 10: Market share is associated with profitability and sales increase

Response	No of Respondents	Percentage of Distribution
Strongly Agree	145	72.50
Agree	21	10.50
Disagree	30	15.00
Strongly Disagree	4	2.00

Total	200	100.00
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Sources: Field Study (2023)

Table 10 shows that majority of the respondents representing 83% support the expression that market share often is associated with profitability and thus many firms seek to increase their sales relative to competitors. The table above reveals that (72.50%) strongly agree with the view that market share often is associated with profitability and thus many firms seek to increase their sales relative to competitors, (10.50%) agree with the statement, (15%)

disagree with the perception that market share often is associated with profitability and thus many firms seek to increase their sales relative to competitors and (2%) Strongly Disagree.

Test of Hypotheses**Hypothesis one**

Ho: There is no significant effect of central bank regulation on financial performance of First Bank Plc,

Table 11: T- Test of the effect of central bank regulation on financial performance of First Bank Plc, Yola Marke Branch

Variable	N	X	SD	DF	(t)-cal	(t)-table
Agency Banking Regulation	200	24.00	8.24	198	9.333	1.960
Financial Performance	200	17.60	6.58			

Source: Field Study (2023)

Table 11 shows the relationship between regulation of agency banking and financial performance in First Bank Plc. Market branch Yola. The result obtained from the analysis shows that the value of (t)-calculated of 9.333 is greater than the (t)-table value of 1.960. Hence the null hypothesis was rejected. This shows that there was a significant relationship between regulation of agency banking and financial performance in First Bank Plc, Yola market branch. Hence it is concluded that there exists a significant relationship between regulation of agency banking and financial performance in First Bank Plc, Market branch Yola. This finding is consistent with CBN (2013) guidelines on

agency banking in Nigeria, the act stipulate that it is designed to paved way for increased profitability of Nigeria banks. Also the act would led to increased number of transactions facilitated by bank agents has attributed to increases in transactions relating to cash withdrawal, cash deposits, bill payments, money transfer, and money transfers that in turn improves the financial performance of commercial banks in Nigeria (CBN, 2013).

Hypothesis two

Ho: There is no significant effect of low cost of services through agency banking on the financial performance of First Bank plc, Market branch Yola.

Table 12: T- Test of the relationship between low cost of agency banking services and financial performance of First Bank plc, Yola Marke Branch

Variable	N	X	SD	DF	(t)-cal	(t)-table
Low cost of Agency banking	200	19.00	4.48	198	7.317	1.960
Financial Performance	200	22.00	3.70			

Source: Field Study (2023)

The result in table 12 shows the relationship between low cost of agency banking services and financial performance of First Bank plc, Market branch Yola. The result obtained from the analysis shows that the value of (t)-calculated of 7.317 is greater than the (t)-table value of 1.960. Hence the null hypothesis was rejected. This implies that there is a significant effect of low cost of banking services through agency banking on the financial performance of First Bank plc, Market branch Yola. This finding strongly corroborates with Bean (2009) affirmation that agent banking has reduced cost and enhanced efficiency in the financial

sector with a possibility and availing financial services at much lower cost to consumers.

Hypothesis three

Ho: There is no significant effect of accessibility and increase market share of banking services through agency banking on the financial performance of First Bank plc, Market branch Yola.

HI: There is a significant effect of accessibility and increase market share of banking services through agency banking on the financial performance of First Bank plc, Market branch Yola.

Table 12: T- Test of the relationship between accessibility and increase market share of agency banking and financial performance of First Bank plc, Market branch Yola

Variable	N	X	SD	DF	(t)-cal	(t)-table
Accessibility and market Share	200	18.00	5.17	198	6.383	1.960
Financial Performance	200	15.00	4.16			

Source: Field Study (2023)

The result presented in table 12 shows the relationship between accessibility and increase market share of agency banking and financial performance of First Bank plc, Market branch Yola. The result derived from the analysis shows that the value of (t)-calculated of 6.383 is greater than the (t)-table value of 1.960. Hence the null hypothesis was rejected. The finding therefore shows that there is a significant effect of accessibility and increase market share of banking services through agency banking on the financial performance of First Bank plc, Market branch Yola. This finding is strongly supported by (Arora & Ferrand, 2007). Assertion that the provision of agent banking would lead to high market share, accessibility and affordability of banking service among the unbanked community.

5. Conclusion

This study examined the effect of agency banking on the financial performance of First Bank of Nigeria plc, Market Branch Yola. Based on the findings, the following conclusions are drawn:

First, the study concludes that Central Bank regulation of agency banking has a significant positive effect on the financial performance of First Bank plc. The regulatory framework provided by the CBN has created an enabling environment that enhances financial inclusion, protects consumers, and maintains confidence in the financial system. The finding that 87.5% of respondents supported this view, coupled with the t-calculated value of 9.333 exceeding the t-table value of 1.960, confirms that regulatory oversight is fundamental to the success of agency banking operations.

Second, the study concludes that low cost of services through agency banking significantly influences the financial performance of First Bank plc. Agency banking reduces transaction costs for both the bank and customers by eliminating the need for physical branch expansion and reducing staffing requirements. With 75% of respondents acknowledging that cost positively influences bank performance, and a t-calculated value of 7.317, it is evident that the cost-effectiveness of agency banking is a major driver of improved financial performance.

Third, the study concludes that accessibility and increased market share through agency banking have a significant positive effect on the financial performance of First Bank plc. Agency banking has extended financial services to previously unbanked populations in remote areas, thereby expanding the bank's customer base and market share. The finding that 77% of respondents affirmed that accessibility through agency banking has led to profitability, with a t-calculated value of 6.383, confirms that expanded market access translates into improved financial performance.

In summary, agency banking has proven to be a strategic innovation that enhances financial performance through regulatory compliance, cost reduction, and market expansion. The study validates that the agency banking model is effective in improving customer satisfaction and financial performance of deposit money banks in Nigeria.

6. Recommendations

Based on the findings and conclusions of this study, the following recommendations are proposed:

i. Strengthen Regulatory Compliance and Oversight: Banks should adopt a risk-based approach in partnership with agency banking operators and incorporate the

agency banking model into their larger enterprise risk management framework. This will ensure that potential risks such as fraud, data privacy violations, and operational failures are adequately mitigated while maximizing the benefits of agency banking.

ii. Enhance Coordination Between Banks and Agents: More robust coordination is required between banks and agents in terms of technology deployment, cash management, and profit-sharing arrangements. Clear contractual agreements and regular communication channels should be established to ensure seamless service delivery and mutual benefits for all stakeholders.

iii. Invest in Technology and Infrastructure: Banks should continuously invest in upgrading the technological infrastructure supporting agency banking, including point-of-sale (POS) terminals, mobile banking platforms, and network security systems. This will minimize system failures, reduce transaction delays, and enhance customer trust in agency banking services.

iv. Expand Agent Network to Underserved Areas: Financial institutions should strategically expand their agent networks to reach more remote and rural areas where traditional bank branches are not economically viable. This will further enhance financial inclusion, increase market share, and improve overall financial performance.

v. Implement Comprehensive Agent Training Programs: Banks should develop and implement structured training programs for agents to ensure they possess adequate knowledge of banking operations, customer service skills, and compliance requirements. Well-trained agents will provide better service, reduce errors, and enhance customer satisfaction.

vi. Strengthen Monitoring and Evaluation Mechanisms: Regular monitoring and evaluation of agent performance should be

conducted to ensure compliance with service standards and regulatory requirements. This includes periodic audits, customer feedback mechanisms, and performance-based incentives to maintain service quality.

vii. Promote Customer Awareness and Education: Banks should embark on sustained customer education campaigns to increase awareness of agency banking services, their benefits, and how to use them safely. This will address issues of computer illiteracy and build confidence among potential users, particularly in rural areas.

viii. Ensure Adequate Liquidity Management: Mechanisms should be put in place to ensure agents maintain sufficient liquidity to meet customer withdrawal demands. This could include real-time monitoring systems, cash management support from banks, and contingency arrangements to prevent cash shortages that could undermine customer confidence.

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