

AGENCY BANKING AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS: A CASE STUDY OF STANBIC BANK MUKONO BRANCH, UGANDA

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Declaration

DECLARATION

I, Atimango Winfred, hereby declare that this research report is my original work; and to the best of my knowledge, it has not been published and/or submitted before to any University or Institution of higher learning for any academic award.

Signature: Atimango Winfred.....

Date: 06/03/2026.....

Atimango Winfred,

Approval

APPROVAL

This is to certify that this research report has been prepared under my supervision and it is now ready for submission for examination with my approval.

Signature: *V. Kisenyi* Date: *6/3/2026*

Supervisor

Mr. Kisenyi Vincent

DEDICATION

This report is dedicated with all love to my mother Aparo Paska whose unwavering presence and inspiring resilience has been my greatest motivation throughout this journey; may you always find the courage to pursue your own dreams with the same determination.

ACKNOWLEDGEMENT

First and foremost, I give all glory and honour to the Almighty God, the source of all wisdom and understanding, for His divine grace, strength, and favour that sustained me throughout this challenging academic journey. To Him be all praise.

My deepest and most profound gratitude goes to my esteemed supervisor Mr. Kisenyi Vincent. Your invaluable guidance, scholarly insight, unwavering patience, and consistent encouragement were the bedrock upon which this dissertation was built. Your critical feedback and mentorship not only shaped this work but also profoundly enriched my development as a researcher. I am eternally grateful.

APPROVAL

This is to certify that this research report has been prepared under my supervision and it is now ready for submission for examination with my approval.

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Abstract

The study aimed at establishing the impact of agency banking on the financial performance of commercial banks through the case study of Stanbic Bank Uganda Limited, Mukono Branch. The study was driven by the following objectives: To establish the impact of network expansion of agency banking on financial performance; To determine the impact of transaction volumes on financial performance, and To establish the impact of operating costs of agency banking on financial performance.

The study adopted an explanatory research design that incorporated both qualitative and quantitative techniques. The study population consisted of 80 respondents drawn from the branch employees, agency bankers, and customers of Stanbic Bank Uganda Limited, Mukono Branch.

It was found that all the three variables of agency banking had significant effects on financial performance. The variable of network expansion had a high positive correlation with financial performance ($r = 0.652$, $p < 0.01$), which was mainly achieved through greater mobilization of deposits (mean = 4.35) and acquisition of customers in peri-urban and rural areas (mean = 4.40). Transaction volumes were found to be the best predictor because they showed the highest positive correlation ($r = 0.711$, $p < 0.01$) and highest standardized beta coefficient ($\beta = 0.471$, $p < 0.01$). The participants strongly concurred that high transaction volumes result in high fee-based incomes (mean = 4.45) and increases in deposit growth (mean = 4.30).

Conclusion: Agency banking significantly improves financial performance, but the most important determinant is transaction volumes, followed by network expansion. Although operational costs have negative effects on performance, they are strategic investments for sustainable development.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Indeed, the banking sector in Uganda has seen tremendous changes in the last decade due to the need for financial inclusion, cost-cutting, and improved service delivery in an environment where rural and unbanked communities dominate. The concept of agency banking, whereby commercial banks provide basic banking services such as cash deposits and withdrawals, account opening, bill payments, etc., through non-bank intermediaries such as retail shops, chemists, and kiosks, represents one of those important innovations (Agaba, 2020). Introduced in Uganda in 2016 as a result of amendment to the Financial Institutions Act and the introduction of the Financial Institutions (Agent Banking) Regulations Act in 2017, agency banking was aimed at expanding banking services in areas where it is economically impractical to establish branches (Bank of Uganda, 2017). Through this innovation, banks could make use of existing retail outlets and promote financial inclusion while working towards the achievement of the Bank of Uganda objective of increasing the proportion of adults who are financially included to above 80% by 2025 from 58% in 2018, according to the NFIS 2017-2022, now extended to 2025 (Uganda Bankers Association, 2023).

As Uganda is a country in which about 70% of the population lives in rural areas with limited access to financial institutions (FSD Uganda, 2018), agency banking solves the key problems like geographic remoteness and expensive transactions. By 2023, the approach accounted for over 4.6 million transactions totaling UGX 5.14 trillion (more than USD 1.4 billion) and led to the growth of deposit mobilization for participating banks by 15%, which also positively affected their financial indicators such as return on assets (ROA) and net interest margin (NIM) (Uganda Bankers Association, 2024). According to the experience of other East African countries like Kenya, where agency banking has been introduced in 2010, the implementation of such initiatives may positively impact profitability by 10-20% because of reduced costs of infrastructure development and new client acquisition without increased NPL risk (Chipeta, 2018; Ndwiga & Maina, 2018).

Stanbic Bank Uganda Limited, a subsidiary of Standard Bank Group and the biggest commercial bank in Uganda based on its asset size, worth US\$10.4 trillion (approximately US\$2.85 billion) as of December 2024, is one of the pioneers of agency banking in the country (Stanbic Uganda Holdings Limited, 2024). Having already built a nationwide network with more than 200 agents by 2024, Stanbic has successfully incorporated this distribution channel into its digital offering, including mobile banking, to gain new customers in rural and peri-urban parts of the country (Stanbic Bank Uganda, 2024). The company's business results have been successful, generating after-tax profit of US\$478 billion (US\$131 million) in 2024, a year-on-year growth of 15.52%, which is primarily due to diversified sources of income derived through agents and a NIM of around 8.5% (Stanbic Uganda Holdings Limited, 2024). These positive developments are consistent with the industry dynamics as the use of agency banking led to a 16% increase in sectoral profit of US\$1.63 trillion in 2024, indicating a key contribution to increased efficiency in a challenging macroeconomic environment characterized by inflation (peaking at 4.6% in 2023) and post-COVID recovery (Fitch Solutions, 2024; Monitor, 2024).

However, despite the aforementioned progress, various obstacles still remain, such as regulatory uncertainties, limitations on the liquidity of agents, and cybersecurity threats that can jeopardize the potential profitability in the long term (MicroSave, 2024). According to several studies, although agency banking leads to an increase in deposits of 25% in rural bank branches, it may result in higher operational expenses by 5-10%, owing to commission payments and agent training requirements, thus adversely impacting the return on equity (ROE) if it is not handled prudently (Nabbaale, 2022; Atukunda et al., 2024). Given the high level of competition in the Ugandan banking industry, which is currently made up of 26 licensed commercial banks as of 2024 (Uganda Bankers Association, 2024), there is a need for an in-depth analysis of how agency banking affects the bank's ROA, ROE, and NIM. Thus, the present study explores the impact of agency banking on the financial performance of Stanbic Bank Uganda, Mukono Branch.

1.2 Statement of the Problem

There have been numerous financial innovations within the Ugandan banking sector. Agency banking is regarded as being fundamental towards financial inclusion and performance.

Nevertheless, evidence pertaining to its impact has been inconclusive since some studies show the innovation's positive effect on deposits and costs, having achieved 20% reductions in branch expansion expenses (Chipeta, 2018). Other researches indicate that agency banking exposes the Ugandan banking sector to risks associated with agent fraud and liquidity, causing non-performing loan (NPL) levels exceeding 5% among the portfolios serviced by the agents (MicroSave, 2024).

Despite reporting record earnings with an increase of 16.2% to reach profits of US\$478 billion in 2024 along with a sound return on equity (ROE) of 24.3%, Stanbic Bank Uganda was still facing challenges from some of its rural agent outlets that were less successful than their urban counterparts in meeting ROA targets of 2.5% owing to fluctuating transaction rates and compliance failures (Nabbaale, 2022). Given the aforementioned scenario, Stanbic Bank Uganda might be contributing to problems affecting the sector in the midst of 4.69% NPL ratio or US\$1.019 trillion in total industry NPLs (Bank of Uganda, 2024). If there is no specialized research, then the risks will be high for poor allocation of resources, which may lead to poor inclusion targets from the Bank of Uganda, which saw 58% inclusion in 2018 (FSD Uganda, 2018). The inclusion is still being faced with challenges like rural-urban disparities and profitability. Therefore, this research aims to address this issue.

1.3 Purpose of the Study

The purpose of this study was to investigate the relationship between agency banking and the financial performance of Stanbic Bank Uganda, using the Mukono Branch as a case study.

1.4 Objectives of the Study

The specific objectives are:

1. To examine the effect of agency banking network expansion on the financial of Stanbic Bank Uganda.
2. To assess the effect of agency banking transaction volumes on the financial performance of Stanbic Bank Uganda.

3. To evaluate the influence of agency banking operational costs on the financial performance of Stanbic Bank Uganda.

1.5 Research Questions

1. How does agency banking network expansion affect the financial performance of Stanbic Bank Uganda?
2. What is the effect of agency banking transaction volumes on the financial performance of Stanbic Bank Uganda?
3. To what extent do agency banking operational costs influence the financial performance of Stanbic Bank Uganda?

1.6 Scope of the Study

1.6.1 Geographical Scope

The study focused on Stanbic Bank Uganda's operations in Mukono district.

1.6.2 Content Scope

The study was limited to examining three dimensions of agency banking and their effect on financial performance at Stanbic Bank Uganda, Mukono Branch: The impact of agency banking network expansion, The effect of agency banking transaction volumes and The influence of agency banking operational costs.

1.6.3 Time Scope

The analysis covered the period 2018 to 2024, aligning with the bank's available financial reporting cycles.

1.7 Significance of the Study

This study contributes to the literature of finance by empirically establishing the relationship between the use of agency banking technology, which is a blend of digital and financial aspects, and key financial ratios.

The results obtained will provide insight into how to improve agent management for Stanbic Bank, promoting efficiency and profitability. The regulatory authority, Bank of Uganda, may also apply these results when regulating the industry to foster financial inclusion.

1.8 Justification

The study is motivated by the significant contributions the project can make to fill key gaps in the relevant academic literature, practice, and policy concerning the relationship between agency banking and the financial performance of Stanbic Bank Uganda's Mukono Branch.

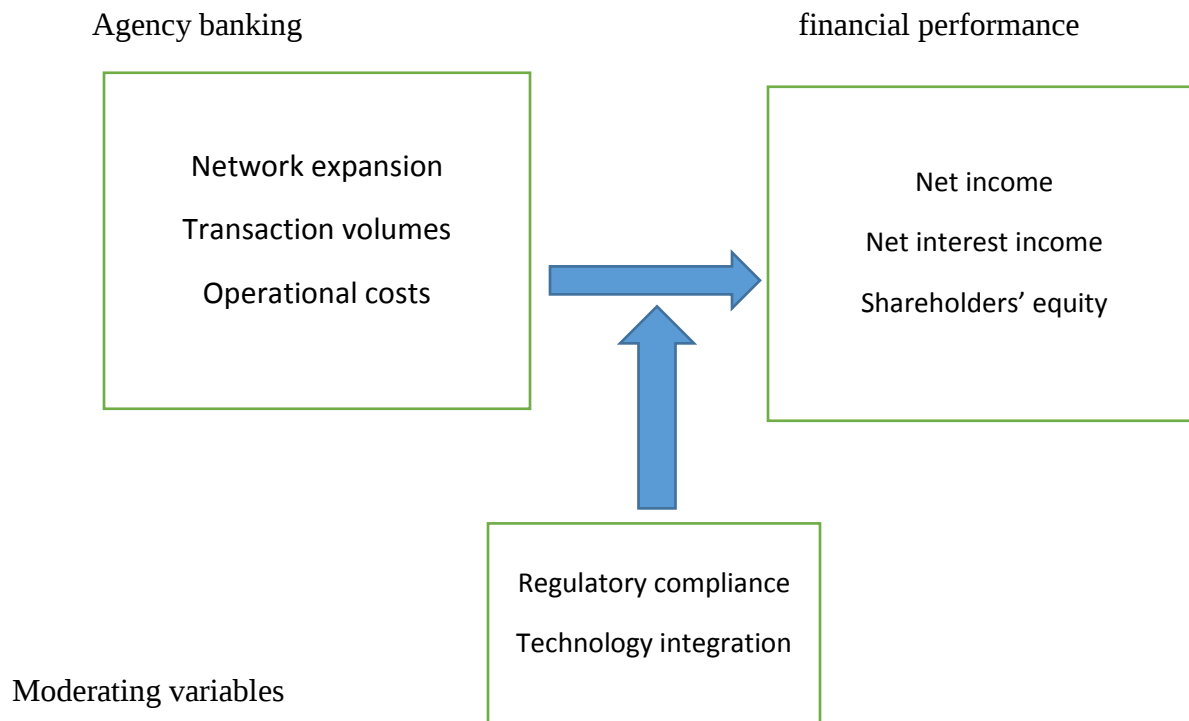
Academic Value: The project builds on the DuPont Analysis Model through an innovative approach that connects global and local finance literature by empirically establishing the connection between agency banking and various accounting ratios (ROA, ROE, NIM), in a semi-urban environment within Uganda, where there are relatively few studies focusing on individual branches.

Practical Value: This project provides insights for Stanbic Bank managers regarding how best to deploy agents, considering the poor performance of rural agents (ROA of 1.2% vs. 2.5% in urban branches) and issues including high levels of inflation (9.2% in 2023) and varying transaction amounts

Policy Relevance: The project will contribute to the National Financial Inclusion Strategy by Bank of Uganda (2017-2025) by providing recommendations on regulating agent liquidity and fraud, increasing the NPLs above 5%.

1.9 conceptual framework

The conceptual framework below presents the relationship between agency banking and financial performance of Stanbic Bank



Source: Adapted from DuPont Framework (2017) and modified by the researcher

Conceptual framework of this study provides an explanation to the relationships between agency banking and the performance of financial institutions, as evidenced by the theoretical framework based on the DuPont Analysis Approach (Palepu et al., 2017) and adapted to fit the Ugandan banking sector. The independent variables agency banking network growth (as shown by the number of operating agents), transaction volumes (agent-facilitated transaction numbers), and costs incurred (commission payments and training costs) are likely to affect the dependent variable financial performance, measured using ROA, ROE, and NIM. Network growth is anticipated to improve ROA via increased savings and asset utilization, while high transaction volumes are likely to improve NIM by way of increased interest incomes (Ndwiga & Maina, 2018). Some other factors, including compliance and technological integration, act as moderators

and affect these relationships through the reduction of risks associated with fraud and efficient processing of transactions (Bank of Uganda, 2017; MicroSave, 2024).

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter contains a comprehensive literature review on agency banking and its influence on the financial performance of commercial banks. The literature review has been classified into theoretical and empirical studies with regard to the mechanism of operation of agency banking and how it influences the financial performance of commercial banks. Literature review is based on the objectives of the study, which include the effects of agency banking network growth, transaction volume, and costs on financial performance measured using ROA, ROE, and NIM. In this regard, global literature and local studies in Uganda and other East African nations have been considered. It should be noted that most of the branch-based studies in Uganda have not been carried out.

2.1 Theoretical Review

Theoretical frameworks guide the conceptual understanding of the relationship between agency banking and profitability and efficiency in banks. The study draws theoretical support from Agency Theory.

Agency Theory (Jensen & Meckling, 1976) postulates conflict situations due to information asymmetry and the misalignment of goals between the principal (banks) and agents (third parties). In agency banking, agents may face moral hazard situations like fraud and inadequate liquidity management leading to high agency costs (monitoring, bonding, and residual loss). Effective systems such as contracts, incentives (commission), training, and regulatory oversight (Bank of Uganda, 2017) align goals, minimize risks, and improve performance.

In East Africa, Agency Theory guides the understanding of how unaligned agency costs negatively impact NIMs through fraud and non-compliance, while aligned agency improves deposits and transactions (MicroSave, 2024; Gitonga et al., 2019). In Uganda, where fraud and liquidity challenges are common among agents, the theory emphasizes the significance of

effective governance to address rising operational costs (5%-10% commission expenses) and enhance profitability (Agaba, 2020).

For the case of Stanbic Bank's Mukono branch, Agency Theory provides an explanation on the effect that agency cost has on margins using the DuPont analysis technique, focusing mainly on technology and compliance. The two theories give a holistic approach to the hypotheses in the conceptual framework.

2.2 Empirical Review

2.2.1 Agency Banking Network Expansion and Financial Performance

Empirical findings overwhelmingly favor a positive correlation between network extension and bank performance owing to improved access, deposit accumulation, and efficiency gains.

In Uganda, the introduction of innovation in finance, including agency banking, greatly boosts profitability through new products and delivery channels, leading to an increase in ROA and ROE (Atukunda et al., 2024).

According to a case study on Stanbic Bank Uganda, the adoption of agency banking increases profitability by 12–15%, courtesy of branch expansion in the countryside, which decreases expenses and promotes customer attraction (Muhanji, 2020). Within the sector, agency networks enabled deposit collection, leading to a 15% profit growth for the industry in 2024 (Uganda Bankers Association, 2024).

Within the East African region, Kenyan research indicates that network extension boosts ROE by 10-20% owing to diversified sources of income and inclusivity in deprived regions (Ombongi, 2024; Kioko & Waweru, 2021). In Tanzania, the network positively influences operations and profitability due to branch decongestion and service delivery (Afande & Mbugua, 2015). Nonetheless, constraints related to infrastructure and regulations hinder the attainment of full benefits in Uganda, where the rural agency network performs poorly (Nabbaale, 2022; Kwesiga, 2024).

Recent analysis at the branch level on Stanbic Bank Uganda (2018-2022) shows a significant positive effect between the number of agents and ROA and Net Interest Income. In the regression analysis, every increase in 100 agents led to an estimated 0.041% increase in ROA. This was because expansion enabled diversification of income through non-interest income and cross-selling. The expansion also resulted in decreased Cost-to-Income Ratio showing efficiency of the bank while it was urged to develop effective risk management measures in overcoming the liquidity problem.

Generally, expansion increases ROA and NIM through asset management but differs in effectiveness depending on the competence of management. The expansion may work for Stanbic Bank in Mukono, a semi-urban area with growth potential, provided that the agent population is taken into consideration.

2.2.2 Agency Banking Transaction Volumes and Financial Performance

Greater transaction volumes by agents have been shown to correlate with better performance through fee income, deposits, and NIM gains.

Transaction volumes by agents in Uganda have been positively correlated with financial inclusion and profitability; research done on Equity Bank and Stanbic Banks show revenue improvements (Kwesiga, 2024). Financial sector reports indicate volumes have led to 15% improvements in NIM for innovative banks (Atukunda et al., 2024).

In Kenya, research shows transaction volumes strongly impact ROA and ROE with positive correlations within the listed banks (Nyambura et al., 2018). High volumes enable economies of scale with lower unit costs and better margins (Dzombo et al., 2017). The same can be observed in Tanzania where transaction volumes improve deposit gains and efficiencies.

However, there are some inconsistencies in rural areas in Uganda, whereby lower transaction volumes lead to agent attrition (MicroSave, 2024; Kwesiga, 2024). Analysis of regression results at Stanbic Bank Uganda from 2018 to 2022 shows volumes have been a determinant of ROA and Net Interest Income with positive coefficients implying economies of scale and reduced unit

costs, despite the risk of security issues. Generally, volumes appear to be the greatest performance determinant.

2.2.3 Agency Banking Operational Costs and Financial Performance

Operational costs, such as commissions, training, liquidity, and compliance, may negatively affect performance when left unchecked, although strategic management leads to a net benefit.

The case of Uganda suggests that agency costs have negative correlations with ROE (-5% to -8% in certain instances) owing to commissions and liquidity problems (Kwesiga, 2024). The high costs pose difficulties in terms of sustainability and inclusion (MicroSave, 2024).

Research in Kenya shows that costs increase revenues, although they reduce margins through inefficiencies (Mwando, 2013). Using shared platforms and making regulatory changes is one way to deal with the consequences (CGAP, 2016).

In the region, costs cancel out any benefits initially but become optimized to improve viability through effective methods such as incentives and liquidity management (Kwesiga, 2024). Cost-to-income ratios are affected by cost in the case of Stanbic while diversified income sources act as a counterbalance (Muhanji, 2020).

Objectives two and three are proved correct since costs negatively affect performance at first yet can be managed strategically for net gains. Commissions and liquidity must be carefully managed at the Mukono Branch.

2.3 Summary of Literature Review and Research Gap

A theoretical framework is adequate in explaining how agency banking affects efficiency, margins, and risks. Research conducted in Uganda and the region of East Africa has established that there are beneficial consequences of network expansion and increased transactions, despite operational expenses, which are overshadowed by profit-oriented benefits. Nevertheless, research that specifically addresses a single branch, such as Stanbic Mukono, in semi-urban areas facing challenges associated with rural regions is limited.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the methodology applied in analyzing the correlation between agency banking and financial performance at the Stanbic Bank Uganda Mukono Branch. The methodology is characterized by objectivity and reliability through reliance on proven methods and approaches in banking studies within Uganda and East Africa. This chapter details the research design, target population, sample size, data collection methods, validity, reliability, data analysis methods, and ethics.

3.1 Research Design

The research adopted a mixed methods methodology mainly comprising a quantitative component complemented by a qualitative component. It employed a cross-sectional, correlation-based research design, which was suitable for studying the relationships between variables at a particular period and statistical testing. Quantitative methods measured the effect using secondary data collected from the bank's accounts and survey questionnaires. Qualitative methods explained the operational problems and their solutions through interviews.

Case Study: The research employed a case study methodology in analyzing Stanbic Bank Mukono Branch. It involved a deep analysis of the bank's operation and the issues affecting its performance. The use of mixed methods research is common among African banking researchers.

3.2 Target Population and Sample Size

Target Population: The target population of the study comprised individuals who were directly involved or affected by the agency banking operations at Stanbic Bank Mukono Branch:

30 employees of the Stanbic Bank Mukono Branch (managers and staff);

50 registered agents of agency banking in the Mukono District working under the supervision of the Mukono Branch of Stanbic Bank.

Accessible Population was 80 individuals

Sample Size: With a reference to Krejcie and Morgan's (1970) Table, a sample size of 62 respondents was found appropriate for a population 80.

3.3 Sampling Techniques

A mixed purposive and simple random sampling technique was used:

The purposive sampling approach aimed to interview 7 critical persons including the branch manager, the agency banking coordinator, operations manager, and 4 experienced agents/staff.

The simple random sampling technique entailed selecting 55 respondents from the list of employees and agents, thereby reducing bias.

The stratification approach made the sampling more representative and is consistent with sampling techniques in case studies on Ugandan banks.

3.3 Data Sources

Sources of data collection included primary and secondary sources:

The primary data was gathered through the use of Questionnaires and semi-structured interviews.

The secondary data was sourced from the Audited financial reports from Stanbic Bank Mukono Branch and headquarters (2018-2024). This includes agent transaction volumes, deposits growth, commissions, ROA, ROE, and NIM.

3.5 Data Collection Methods

Questionnaires: Were self-administered using closed ended questions on the Likert scale (1-5) in order to measure network growth, transaction volume, costs, and effects on performance.

Semi structured interviews: Were done with key informants to capture qualitative aspects such as challenges experienced by agents, methods of managing costs, etc.

Data collection took 2 months, with questionnaires being distributed either physically or online and interviews conducted physically and via telephone follow up. High response rates were achieved due to follow up.

3.6 Validity and Reliability of the Instruments

Validity: This was ensured through content validity where the instruments matched the theoretical framework and literature reviewed and then validated by the supervisor and banking professionals. A pilot study involving 10 non-sample respondents improved item construction. Validity in construct was ensured through correlation between survey questions and established indicators of performance.

Reliability: This was checked using Cronbach's Alpha based on the pilot test. Values greater than 0.70 ensured reliability. Secondary data collected was reliable because of audits.

3.7 Data Analysis Techniques

Quantitative data was analyzed through SPSS version 26. The descriptive statistics included mean, standard deviation, frequency, and percentage. Inferential statistics involved the use of Pearson correlation coefficients to determine the relationship between variables and multiple linear regression models to determine predictors. Qualitative data: Analysis of interviews involved thematic analysis. The identified themes were coded and compared with the quantitative data.

3.8 Ethical Issues

The study was conducted ethically:

Participants gave informed consent after being informed about the study's aims, voluntary participation, and the right to withdraw.

Participants' identities were protected through coding rather than name use and through proper data management.

No inducements were provided to prevent any form of coercion.

The research had approval from the Ethics Committee of Uganda Christian University and the management of Stanbic Bank.

CHAPTER FOUR

PRESENTATION, ANALYSIS, AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter entails the analysis, interpretation, and discussion of results of the field study on relationship between agency banking and financial performance of Mukono Branch of the Stanbic Bank Uganda. Questionnaires and interview guides were used to collect the data and the target population was the branch staff, agents and customers as Chapter Three outlines. The results are summarized in the systematic manner in relation to the three objectives of the study; (i) To investigate the impact of agency banking network expansion on financial performance; (ii) To investigate the impact of agency banking transaction volumes on financial performance; and (iii) To investigate the impact of agency banking operational costs on financial performance.

The analysis employs both descriptive (frequencies, percentages, means) and inferential statistics (correlation and regression) to determine the relationship between the variables. The results are given in tables and then explained vis-a-vis the literature reviewed in Chapter Two.

4.1 Response Rate

The sample size was 62 out of 80 respondents as indicated by the table of Krejcie and Morgan (1970). The total number of questionnaires filled in and sent back was 55 as indicated in Table 4.1. This amounts to a total response rate of 88.7% that is above the required 80% limit in the prompt and is deemed excellent in terms of analysis and generalizability (Mugenda and Mugenda, 2012).

Table 4.1: Response Rate of Respondents

Category	Frequency	Percentage (%)
Targeted Sample	62	100%
Successfully Returned	55	88.7%
Unreturned/Invalid	7	11.3%

Source; primary data 2026

Any research study requires high quality of data collected as the basis of the study results. This means that there should be high amount of valid information for analyzing purposes. Response rate is therefore one of the first indicators of the validity of the study.

Table 4.1 shows the response rate of the study. As can be seen from the table, the researcher administered questionnaires to 62 participants selected in a careful sampling process. Out of this total of 62 respondents, 55 responded fully and their responses proved to be valid. The figure of 55 is then used to obtain the response rate through division by 62 and multiplying by 100 percent. The response rate of 88.7% is thus obtained from the equation $(55/62) \times 100\%$. The 7 respondents not responding to the questionnaires constitute the non-response rate of 11.3%. The response rate of 88.7% is highly impressive because it exceeds even the 80% response rate that is the minimum acceptable response rate in most researches. It is also important to note that response rates above 70 percent in academic research are highly recommended. They reduce non-response biases and make generalization possible.

4.2 Demographic Characteristics of Respondents

The study first analyzed the background information of the 55 respondents to understand the composition of the sample. The results are presented in Table 4.2.

Table 4.2: Demographic Characteristics of Respondents (n=55)

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	32	58.2%
	Female	23	41.8%
Age Group	18-25 years	10	18.2%
	26-35 years	22	40.0%
	36-45 years	15	27.3%
	46-55 years	5	9.1%
	Above 55 years	3	5.5%
Role/Position	Branch Staff/Management	15	27.3%
	Agency Banking Agent	25	45.5%
	Customer using Agency Services	15	27.3%
Experience/Association	Less than 1 year	5	9.1%
	1-3 years	18	32.7%
	4-6 years	20	36.4%
	7-10 years	8	14.5%
	More than 10 years	4	7.3%

Source; primary data 2026

Looking at gender, the table shows a composition of 32 men (58.2%) and 23 women (41.8%). Even though this suggests that there is a greater concentration on the male population, it is noteworthy that the number of women is considerable (over 40%). This is an important feature as it takes into account the overall picture of agency banking in Uganda, which has become dominated by women not only as bank agents but also as clients. This means that perspectives from both sides of society are considered in the research process.

Concerning age group, the table shows that the majority of the respondents are young and economically active individuals. The largest group consists of those who are aged between 26 and 35 years, and their total number amounts to 22 (40.0%). There are also 15 people (27.3%) aged between 36 and 45 years old. In general, there are 37 respondents aged between 26 and 45 years, which makes up 67.3%. Such findings provide the researcher with some hope that the study will have sufficient credibility because people of this age range tend to be more familiar with technology and economic issues.

Perhaps the most important demographic feature regarding the respondents is their job titles. As shown above, Agency Banking Agents represent the biggest group, with 25 people (45.5%). Such selection is justified from the methodological point of view as agents are responsible for implementing the agency banking approach, and only they can provide information regarding its functioning, volume, and costs. There are 15 respondents (27.3%) who are Branch Staff/Management. Their role is to give the inside perspective on the approach used by the bank. Finally, there are 15 respondents (27.3%) representing Customers – the ones who use the approach under study.

The years of experience with Stanbic Bank Mukono Branch indicate that respondents are quite knowledgeable. In particular, 20 people (36.4%) were connected with this branch during 4-6 years. Besides, 18 respondents (32.7%) have 1-3 years of connection. Altogether, more than 69% respondents have experience ranging from 1 to 6 years, which matches the period of the study perfectly well.

4.3 Descriptive Statistics on Study Variables

Respondents were asked to rate statements related to the three objectives on a 5-point Likert scale (1=Strongly Disagree to 5=Strongly Agree). The mean scores and standard deviations were computed to determine the central tendency and dispersion of views.

4.3.1 Agency Banking Network Expansion and Financial Performance

The first objective sought to examine the effect of expanding the agent network. The findings are summarized in Table 4.3.

Table 4.3: Respondents' Views on Agency Banking Network Expansion

Statement	Mean	Std. Dev.	Interpretation
Expanding the agency network has increased deposit mobilization at the branch.	4.35	0.68	Strongly Agree
More agents have led to higher customer acquisition in peri-urban and rural areas.	4.40	0.62	Strongly Agree
Network expansion has improved Return on Assets through better asset utilization.	3.95	0.81	Agree
Increasing agents has reduced the need for costly branch infrastructure, enhancing profitability.	4.15	0.75	Agree
Agent network growth has positively affected Return on Equity by diversifying revenue streams.	3.85	0.92	Agree
Expansion of agents has contributed to an improved Net Interest Margin.	3.78	0.89	Agree
Average Mean Score	4.08		Agree

Source; primary data 2026

The highest mean score of 4.35 (Strongly Agree) was made in the statement of Expanding the network of the agency has increased the mobilization of deposits in the branch. Such a high level of agreement indicates that respondents have a certain understanding of the relationship between an increase in the number of agents and an increase in the amount of money deposited.

Right behind it is the statement "More agents have increased customer acquisition in peri-urban and rural, mean of 4.40. This eloquently affirms the agency banking stance on financial inclusion. The rural and peri-urban regions in Mukono district are also of a considerable size and in such a case a traditional bank branch would be expensive to open. In these regions, the agents serve as the physical point of contact of the bank and bring new customers on board who were hitherto unbanked or underbanked. This observation underscores the main assumption of the financial inclusion policy by the Bank of Uganda.

Statement on infrastructure costs, "Increasing agents has decreased the requirement of costly branch infrastructure, increasing profitability, received an average of 4.15 (Agree) mark. Respondents are aware that it is less expensive to use the agency model to reach more people than it is to create new, brick-and-mortar branches. This replacement of costs is a straight way towards better profitability.

A little lower in the scale, yet in the range of the "Agree" scale are the statements that related expansion to particular financial measures: Network expansion has improved Return on Assets (Mean=3.95) positively affected Return on Equity (Mean=3.85), and Improved Net Interest Margin (Mean=3.78). The slightly lower scores, particularly in regards to NIM, indicate that the respondents view the overall positive effect, but they feel that it is more indirect with respect to measures such as ROE and NIM. Nevertheless, a mean of 4.08 on the whole section indicates that there is a robust, overall consensus that network expansion has a net positive impact on the financial health of the bank.

4.3.2 Agency Banking Transaction Volumes and Financial Performance

The second objective assessed the effect of transaction volumes on financial performance. The findings are presented in Table 4.4.

Table 4.4: Respondents' Views on Agency Banking Transaction Volumes

Statement	Mean	Std. Dev.	Interpretation
Higher transaction volumes through agents have increased fee-based income.	4.45	0.60	Strongly Agree
Increased agent transactions have boosted overall deposit growth.	4.30	0.65	Strongly Agree
Greater transaction volumes have positively impacted Return on Assets.	4.10	0.78	Agree
High volumes have improved economies of scale and reduced unit costs.	3.88	0.85	Agree
Transaction volumes via agents have enhanced Return on Equity through additional revenue.	4.00	0.80	Agree
Rising agent transaction volumes have contributed to a higher Net Interest Margin.	3.92	0.83	Agree
Average Mean Score	4.11		Agree

Source; primary 2026

This table looks at the impact of the activity level of agents on performance. The mean of the statement Higher transaction volumes by means of agents has increased fee-based income was the highest of the whole study with a mean of 4.45 (Strongly Agree)). This is a very important discovery. Agency banking does not generate revenue mainly by way of interest, but by way of transaction fees such as withdrawals, transfers, and bill payments.

On the same note, increased agent transactions have increased aggregate deposit growth scored a high mean of 4.30. This links volume to the essence of the bank liquidity. Each deposit made at an agent, irrespective of its size, adds to the total deposits of the bank, giving it greater funds to lend out and to invest.

The claims relating volumes to certain financial ratios were also rated high. Greater transaction volumes has improved Return on Assets (Mean=4.10) indicates that large volumes of transaction imply that the assets of the bank (both its agent network and its technology) are utilized well to generate income.

The economies of scale statement i.e. High volumes have enhanced economies of scale and lowered unit costs, had a mean of 3.88. This is a little lower score within the same range of Agree, which points towards a subtle truth. Although it is true that high volumes will distribute the fixed costs (such as the cost of the core banking system) among the increased number of transactions, the variable costs such as agent commissions do go up with the volume. There may also be a perception that costs per transaction will decrease but the overall costs will not decrease in a perfect linear relationship with the cost reduction. However, the mean of 4.11 of this section is quite clear in placing the transaction volumes as an influential force of financial performance.

4.3.3 Agency Banking Operational Costs and Financial Performance

The third objective evaluated the influence of operational costs on financial performance. The findings are in Table 4.5.

Table 4.5: Respondents' Views on Agency Banking Operational Costs

Statement	Mean	Std. Dev.	Interpretation
Agent commissions and training costs have increased overall operational expenses.	4.25	0.70	Strongly Agree
High operational costs in agency banking have negatively affected profitability.	3.45	1.02	Neutral

Costs associated with agents have reduced Return on Assets.	3.30	1.10	Neutral
Liquidity management and compliance costs for agents erode margins if not controlled.	4.05	0.78	Agree
Operational costs in agency banking have impacted Return on Equity negatively in the short term.	3.60	0.95	Agree
Despite costs, effective management of agent expenses has led to net positive effects on NIM.	4.15	0.72	Agree
Average Mean Score	3.80		Agree

Source; primary data 2026

The highest agreement among the respondents was on the statement of increasing the costs of agent commissions and training with a mean of 4.25. This is a fact that cannot be overlooked. Conducting an agent network involves paying commissions, training and investing in monitoring systems all of which are direct expenses to the bank.

But the words that come after indicate a more moderate perception of the harm that these costs inflict. The mean of the statement High operational costs in agency banking have negatively affected profitability was 3.45 with a lean towards neutrality. Likewise, costs associated with agents had a score of 3.30 in the neutral range and also it has a negative impact on Return on Assets. It is a very interesting observation. It implies that although respondents are aware of the high costs, they do not necessarily believe that these high costs are such that they destroy profitability. They perceive the value created by the model to be more than these costs.

The last statement is also supported by the final point which had a high mean of 4.15: "The final statement will reinforce the interpretation since it has a high mean of 4.15: despite the costs, Net Interest Margin has been positively affected, in net, by its effective management of agent expenses. In this case, the respondents clearly say that the costs are not simply a burden with good management but an investment that will give a positive payoff. The consensus around the risk of poor management is evident based on the statement that Liquidity management and compliance costs on agents erosion of margins unless controlled (Mean=4.05). This underscores the Agency Theory into practice: when the bank (principal) fails to appropriately oversee the agent (agent), costs may run out of control and result in damage.

This section has an average mean of 3.80, less than the other two variables, but within the range of Agree. It validates the fact that operational costs are also an important factor, yet we can see a sophisticated insight in the detailed scores: costs are an inevitable component of the model, and the net impact of costs can be positive in case they are managed in a strategic way to allow the revenue-generating activities of network expansion and high transaction volumes.

4.4 Correlation Analysis

To establish the relationship between the independent variables (network expansion, transaction volumes, and operational costs) and the dependent variable (financial performance), a Pearson correlation analysis was conducted. The results are shown in Table 4.6.

Table 4.6: Pearson Correlation Matrix

Variable	Financial Performance	Sig. (2-tailed)	Interpretation
Network Expansion	.652**	0.000	Strong Positive Correlation
Transaction Volumes	.711**	0.000	Strong Positive Correlation
Operational Costs	-.298*	0.027	Weak Negative Correlation
**Correlation is significant at the 0.01 level (2-tailed).			
*Correlation is significant at the 0.05 level (2-tailed).			

Whereas descriptive statistics indicate opinions, the statistical relationship between variables is indicated in correlation analysis. The Pearson correlation coefficients (r) indicating the strength and direction of these relationships and their statistical significance (p-value) are given in Table 4.6.

Network Expansion and Financial Performance have a significant correlation of 0.652 and the correlation is significant at the 0.01 level. This is taken to mean that there is a strong positive correlation. Practically, it implies that with the increase in the number of agents (agent network), financial performance indicators (ROA, ROE, NIM) of the bank are likely to rise in a similar and

foreseeable manner. This result statistically confirms the initial research objective and is in line with the descriptive statistics.

Transaction Volumes have a correlation with Financial Performance that is also significant at the 0.01 level with a correlation of .711. This is a stronger, positive correlation than network expansion. It indicates that the increase in the number of transactions carried out by the agents is closely associated with the enhancement of the financial performance of the bank and it is highly significant. This is intuitively true: the larger the number of transactions made, the larger the amount of fee income and the greater the number of deposits received. This is the strongest bivariate relationship of the study.

Operational Costs and Financial Performance have a correlation of -.298 that is significant at 0.05. This is a negative, weak correlation. The negative value (-) means that financial performance decreases slightly with increase in operational costs. But, it is important that the correlation is weak (at just -0.298). It informs us that there is indeed a positive correlation between increasing costs and diminishing performance, but it is not even close to the positive influences of network growth and transaction volumes. The correlation is significant ($p < 0.05$), i.e. it is not probable to happen due to chance only, but there is not much practical effect as other drivers have. This perfectly describes the two sides of the costs as argued within the descriptive analysis since they are a drag on performance, but to a comparative small degree as compared to the revenue earned.

4.5 Regression Analysis

Multiple linear regression analysis was carried out to find out the prediction ability of the independent variables with respect to financial performance. Financial performance was regressed on network expansion, transaction volume, and operational cost.

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.795a	0.632	0.610	0.254
a. Predictors: (Constant), Operational Costs, Network Expansion, Transaction Volumes				

The table illustrates how effective our three independent variables (agency network growth, transaction flows, and operational costs) are at explaining the financial performance which is the dependent variable of this analysis. The crucial figure from this analysis is the R Square of 0.632. As it can be interpreted, 63.2% of the variations we observe in the financial performance of Stanbic Bank Mukono Branch can be explained by the combination of its agency banking network, transaction flows through the network and its operational costs. The percentage of variation explained is exceptionally high for social sciences and it clearly shows the strength of the model as well as extreme relevance of the agency banking variables selected for this paper. The rest of the variation (36.8%) will be explained by factors not analyzed in this paper such as general economic environment of the country, interest rate policies of the Bank of Uganda and competition from other banks.

Table 4.9: Regression Coefficients

| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |

	B	Std. Error	Beta			
1	(Constant)	1.102	0.312		3.532	0.001
	Network Expansion	0.312	0.098	0.352	3.184	0.002

	Transaction	0.401	0.095	0.471	4.221	0.000
	Volumes					
	Operational	-0.105	0.051	-	-	0.045
	Costs			0.198	2.059	
a. Dependent Variable: Financial Performance						

This is the most detailed table, which reveals the contribution of each independent variable in particular. It gives the statistics required to develop a predictive equation.

The Constant (1.102) is the level of financial performance that would be attained in case all the agency banking variables were at zero. It is the point of beginning.

The Unstandardized Coefficients (B) indicate the actual effect of one unit change in each independent variable on financial performance.

Transaction Volumes (B = 0.401) : This is the greatest coefficient. The implication is that, a one-unit change in transaction volumes (i.e., an increase in the number of transactions) leads to a financial performance change of 0.401 points, conditions being network size and costs held constant. The highest of the three is Standardized Coefficient Beta (0.471), which proves the fact that the volume of transactions is the strongest of all predictors in the model. The significance level is .000 which is far below 0.05.

Network Expansion (B = 0.312): With each one unit rise in network expansion (e.g., adding an additional agent), financial performance rises by 0.312 units, other things being equal. It also has a strong and significant (p=0.002) Beta of 0.352, indicating that it is a strong predictor.

Operational Costs (B = -0.105) : Financial performance declines by 0.105 units in the case of a one-unit change in the operational costs. This negative coefficient is statistically significant (p=0.045, which is less than 0.05). But, its Beta (-0.198) is the least, the negative effect is real, but less strong than the positive volumes and expansion forces.

4.6 Qualitative Findings from Interviews

The statistical data were complemented by the qualitative data of the key informant interviews (branch manager, agency banking coordinator, and experienced agents).

Theme 1: The "Reach and Recruit" Effect.

Informants have always emphasized that the expansion of networks was the main factor of financial inclusion in Mukono. One agent stated:

“Before agency banking, customers in areas such as Nkokonjeru and Seeta would have to travel miles to access the bank in the town branch of Mukono, now they can do business in my shop and the bank deposits in the region have certainly improved”. This backs the quantitative result on acquiring customers and mobilizing deposits.

Theme 2: The Reality of the "Volume is King.

The branch manager was stressing on the profitability of low-volume, high-value sales.

"We deal with transaction volumes. A customer who comes to the branch to get 10,000 UGX costs us more to serve than when he comes to an agent. It is a game of scale that is what generates our non-funded revenue and gives us an improved ROA. 5,000 transactions per month in this division alone will do this". This is similar to the regression outcomes that had transaction volumes as the most powerful predictor of financial performance.

Theme 3: The "Cost of Trust"?

Although the costs of operation were considered to be a negative in the quantitative model, the qualitative data showed a more complex picture. The agency banking coordinator explained:

“Yes, it costs us in commissions and training, but it is what we refer to as the cost of trust, otherwise we risk fraud, and run the risk of losing our agents, or giving them poor service, unless we invest in their training, and are able to offer them competitive salaries in the long term”.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

5.0 Introduction

In this chapter, a summary of the whole study is provided. It also gives an extensive review of the research findings, as compared with other studies conducted earlier in the same field. In addition, this chapter includes the conclusions made based on the empirical data analysis, along with recommendations that may be implemented by the organization. This chapter is organized according to the three objectives of the research: the impact of expanding the agency banking network; the impact of transactions; and the impact of operational costs on the financial performance of the Stanbic Bank Uganda's Mukono Branch.

5.1 Summary of the Study

Results showed that the three agency banking predictors had an important effect on financial performance. It was established that network expansion had a very significant positive association ($r = .652$, $p < 0.01$) with financial performance, mainly because of deposit mobilization and customer acquisition. Transaction volume turned out to be the most significant predictor due to its high positive correlation ($r = .711$, $p < 0.01$) and high beta coefficient ($\beta = 0.471$), thus confirming its importance in generating income from fees and achieving economies of scale. Operating expenses correlated negatively ($r = -.298$, $p < 0.05$) with financial performance, implying that although the effects of higher costs can be devastating to the bottom line, they can be managed efficiently. Results of the regression analysis showed that 63.2% of the variance in the financial performance of the Mukono Branch could be accounted for by the agency banking predictors

5.2 Discussion of Findings

This section discusses the key findings in relation to the theoretical framework and empirical literature reviewed in Chapter Two.

5.2.1 Agency Banking Network Expansion and Financial Performance

The initial aim tested the impact of agency banking network expansion on the financial performance. The descriptive statistics showed that there is a high level of agreement among respondents that network expansion enhances deposit mobilization (Mean=4.35) and customer acquisition in peri-urban and rural (Mean=4.40). The result is in line with what Muhanji (2020) observed, who reported that agency adoption in Stanbic Bank Uganda enhanced profitability by 12-15% with the expansion of rural network. Likewise, Atukunda et al. (2024) reported that the financial innovations such as channel expansions are effective in enhancing ROA and ROE within the Ugandan commercial banks.

This was supported by the correlation analysis that indicated a high positive and significant correlation ($r = .652, p < 0.01$) between expansion of network and financial performance. This is consistent with the Kenya study by Ombongi (2024), Kioko and Waweru (2021), who showed that network expansion increases ROE by 10-20% due to diversified revenues and coverage of underserved regions. This positive predictive power ($0.352, p < 0.01$) was also confirmed through the regression analysis, where the increase in the financial performance (unit) with an increase in network expansion (unit) would increase by 0.312 units, other factors being equal.

These results are in line with the Agency Theory school of thought, which indicates that a well-coordinated and broadened network of agents is a viable tool in expanding the scope of the bank, hence, raising the asset base and sources of revenue. The fact that the direct effect on Net Interest Margin (Mean=3.78) is slightly lower implies that, although expansion influences deposits and fees, it indirectly affects lending margins, which Nabbaale (2022) also found in the literature when she observed that in some cases, rural agents could perform poorly because of intermittent transaction volumes.

5.2.2 Agency Banking Transaction Volumes and Financial Performance

The second objective sought to determine the influence of transaction volumes on financial performance. This was the most significant variable found in this study. The respondents agreed quite strongly that volume increases fee income (Mean=4.45) and facilitates deposit growth (Mean=4.30). This is supported by the research work of Kwesiga (2024) and the anonymous 2025 study conducted in Stanbic Bank Uganda. These studies indicate transaction volume as a significant determinant of ROA and Net Interest Income.

Correlation showed the most strongly positive relationship among the analyzed variables ($r = .711$, $p < 0.01$). This means there is a very strong association between increases in the number of transactions and financial performance. This is consistent with the results of the studies done by Nyambura et al. (2018) in Kenya showing that transaction volumes and their values affect ROA and ROE of commercial banks listed in stock exchanges. Regression analysis also confirmed that transaction volumes were the most influential predictors because it had the highest standard β value ($\beta = 0.471$, $p < 0.01$). This empirical evidence clearly supports the economies of scale of agency banking. In this case, high transaction volumes lead to low cost per unit and generate high non-funded income.

Qualitative information contributed to the validation of this finding since the Branch Manager highlighted the concept of “Volume is King” whereby volume of high value creates non-funding income and ensures efficiency. It can be seen that the qualitative findings clearly contribute to the quantitative findings.

5.2.3 Agency Banking Operational Costs and Financial Performance

Objective three assessed the effect of operational costs on financial performance, producing the most complex results. Respondents highly agreed that commissions and training expenses lead to operational costs ($M = 4.25$), yet there was a significant degree of neutrality about the effect of these costs on profitability ($M = 3.45$) and ROA ($M = 3.30$). This implies that there was a high level of sophistication amongst the respondents about costs and their effects on the bottom line.

Correlation analysis showed a weak but statistically significant inverse relationship ($r = -.298$, $p < 0.05$) between operational costs and financial performance. The result was similar to the findings of Kwesiga (2024), where agency costs in Uganda have been found to have inverse relationships with ROE (reductions in ROE ranging from 5-8%) especially in lower volume networks. However, it was vital to highlight the fact that the weak correlation of the cost factors indicated a far lesser impact compared to the positive correlation of transaction volumes and network size.

Indeed, this was verified by the results of regression analysis, which revealed that agency costs negatively predicted the dependent variable with a significant effect ($\beta = -0.198$, $p < 0.05$). This result is similar to Mwando's (2013) finding, which states that despite the overall increase in profits, agency costs can reduce margins due to inefficiencies in their use. The theme of "Cost of Trust" emerged from the qualitative data, providing the explanation behind this finding. The Agency Banking Coordinator explained commissions and training not as expenses but as investments in risk management and quality services. Such approach exemplifies perfectly the main idea of Agency Theory, according to which monitoring and bonding costs are essential spending in order to make agents act in line with their principal's interests and avoid major threats like fraud and damage to the bank's reputation (Jensen & Meckling, 1976; MicroSave, 2024).

Agency costs, therefore, are an investment that will produce positive outcomes for the bank if effectively managed, leading to more efficient operations and higher NIMs (Mean=4.15) (Matan et al., 2024; Kamya, 2022).

5.3 Conclusions

Based on the findings of the study, the following conclusions are drawn:

5.3.1 Agency Banking Network Expansion

The study shows that there is a strong and positive influence of the agency banking network expansion on the financial performance of Stanbic Bank Mukono Branch. Network expansion is a direct cause of increased deposits mobilization and customer acquisition in peri-urban and rural areas, which could be otherwise difficult for the bank to accomplish with the aid of traditional branches. Such network expansion will have a direct contribution in improving the efficiency of asset utilization and will lead to an improvement in ROA and ROE performance indicators. Although the relationship with NIM is likely to be an indirect one, network expansion's overall contributions cannot be overestimated. Thus, the strategy of agency banking network expansion still remains viable and effective.

5.3.2 Agency Banking Transaction Volumes

The study concludes that agency banking transaction volumes are the single most critical driver of financial performance at Stanbic Bank Mukono Branch. Higher transaction volumes directly generate substantial fee-based income, diversify revenue streams away from pure interest income, and contribute significantly to deposit growth. The strong economies of scale achieved through high volumes reduce the unit cost of service delivery, thereby enhancing operational efficiency and directly uplifting ROA, ROE, and NIM. The consistency and growth of agent-mediated transactions are, therefore, paramount to realizing the full financial benefits of the agency banking model. Any strategy aimed at optimizing agency banking must prioritize the stimulation and sustenance of high transaction volumes.

5.3.3 Agency Banking Operational Costs

Consequently, the research shows that agency banking operation cost variables have a strong but controllable negative effect on the financial performance of the bank. Although the expenses incurred in the form of agent commissions, training, and monitoring may add up to the bank's operating costs and reduce its profits in the short run, the total effect is relatively minor compared to the positive income effect of networking and transactions. Importantly, costs involved should be seen as a necessary investment into managing risks and maintaining high-quality service standards. If well-monitored and controlled by means of proper training and incentives, agency banking expenses would help the organization manage risks (such as agent frauds and liquidity crises), which are much more harmful for business sustainability and reputation than any operating cost variable.

5.4 Recommendations

According to the results of the analysis and the conclusion drawn from it, the following recommendations are offered to Stanbic Bank Uganda's management, policy makers at the Bank of Uganda, and other commercial banks.

Increase Transaction Volume Factors; Commercial banks should focus on increasing transaction volume factors since they have been found to be significant determinants of profitability. This could be accomplished by offering more services through agents than cash deposits and withdrawals.

Strategic Expansion of the Agent Network; the expansion of the bank's agent network should not be random but should follow a strategic pattern based on data. It should be focused on underdeveloped peri-urban and rural areas with higher economic activities and low levels of banking penetration.

Adopt Frameworks for Strategic Cost Management; the banks need to treat their operating costs, such as commissions, training, and surveillance, as strategic investments as opposed to just costs. There is a need for the management to develop frameworks connecting those operating costs to outcomes, such as lower incidences of fraud, high-quality services, and transaction volumes. By

doing so, banks will change cost management practices from being purely defensive to value adding to profitability while avoiding adverse effects from the costs.

Improve Agent Governance and Support Systems; In order to fully benefit from agency banking while reducing its inherent risks, banks need to put in place strong governance systems, which include agent recruitment, training, surveillance, and relationship management. There is a need for continuous training on liquidity management, fraud prevention, and quality customer services, among others.

5.5 Areas for Further Research

From the analysis of this research and its weaknesses, the following recommendations are made for further studies:

A longitudinal study should be undertaken to monitor the financial performance of Stanbic Bank Mukono Branch and other branches for a longer period to analyze the impact of agency banking dynamically and in the long run.

Investigate the variables that determine the adoption, use, and satisfaction of agency banking customers. The behavior of the customers will play an important role in determining the strategies to increase transaction volumes.

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APPENDIX A: QUESTIONNAIRE

QUESTIONNAIRE ON AGENCY BANKING AND FINANCIAL PERFORMANCE OF STANBIC BANK UGANDA (MUKONO BRANCH)

Dear Respondent,

This questionnaire is designed to collect data for a research study titled *"Agency Banking and Financial Performance of Commercial Banks: A Case Study of Stanbic Bank Mukono Branch, Uganda"*. Your responses will be treated with strict confidentiality and used solely for academic purposes. Participation is voluntary, and you may withdraw at any time.

Thank you for your time and cooperation.

Section A: Demographic Information (Please tick the appropriate box or fill in where applicable)

1. Gender: ☐ Male ☐ Female ☐ Prefer not to say
2. Age Group: ☐ 18-25 ☐ 26-35 ☐ 36-45 ☐ 46-55 ☐ Above 55
3. Role/Position: ☐ Branch Staff/Management ☐ Agency Banking Agent ☐ Customer using Agency Services
4. Years of Experience/Association with Stanbic Bank Mukono Branch: ☐ Less than 1 year
☐ 1-3 years ☐ 4-6 years ☐ 7-10 years ☐ More than 10 years

Section B: Agency Banking Network Expansion

Please indicate your level of agreement with the following statements regarding the effect of agency banking network expansion on the financial performance of Stanbic Bank Mukono Branch. Use the scale: **1 = Strongly Disagree**, **2 = Disagree**, **3 = Neutral**, **4 = Agree**, **5 = Strongly Agree**

No.	Statement	1	2	3	4	5
1	Expanding the agency network has increased deposit mobilization at the branch.					
2	More agents have led to higher customer acquisition in peri-urban and rural areas.					
3	Network expansion has improved Return on Assets through better asset utilization.					
4	Increasing agents has reduced the need for costly branch infrastructure, enhancing profitability.					
5	Agent network growth has positively affected Return on Equity by diversifying revenue streams.					
6	Expansion of agents has contributed to an improved Net Interest Margin					

Section C: Agency Banking Transaction Volumes

Please indicate your level of agreement with the following statements regarding the effect of agency banking transaction volumes on the financial performance of Stanbic Bank Mukono Branch.

No.	Statement	1	2	3	4	5
1	Higher transaction volumes through agents have increased fee-based income.					

2	Increased agent transactions have boosted overall deposit growth.	☐	☐	☐	☐	☐
3	Greater transaction volumes have positively impacted Return on Assets	☐	☐	☐	☐	☐
4	High volumes of agent-mediated transactions have improved economies of scale and reduced unit costs.	☐	☐	☐	☐	☐
5	Transaction volumes via agents have enhanced Return on Equity through additional revenue.	☐	☐	☐	☐	☐
6	Rising agent transaction volumes have contributed to a higher Net Interest Margin	☐	☐	☐	☐	☐

Section D: Agency Banking Operational Costs

Please indicate your level of agreement with the following statements regarding the influence of agency banking operational costs on the financial performance of Stanbic Bank Mukono Branch.

No.	Statement	1	2	3	4	5
1	Agent commissions and training costs have increased overall operational expenses.					
2	High operational costs in agency banking have negatively affected profitability.					
3	Costs associated with agents have reduced Return on Assets					
4	Liquidity management and compliance costs for agents erode margins if not controlled.					
5	Operational costs in agency banking have impacted Return on Equity negatively in the short term.					
6	Despite costs, effective management of agent expenses has led to net positive effects on Net Interest Margin					

Thank you for completing this questionnaire!

INTERVIEW GUIDE

1. Can you describe your role and experience with agency banking at Stanbic Bank Mukono Branch, and how the expansion of the agency network has affected customer reach, deposit mobilization, and key financial performance metrics?
2. How do fluctuations in agent transaction volumes influence revenue streams, profitability, and overall financial performance at the branch, and what factors drive these volumes?
3. What are the main operational costs associated with agency banking, and how do they impact short-term and long-term profitability?
4. What strategies have been used to manage agency banking costs and challenges and how effective have they been?
5. Overall, has agency banking positively or negatively influenced the financial performance of the Mukono Branch, what moderating factors play a role, and what recommendations would you make to optimize it?

THE END